

3Q20 Results Webcast

Date: Wednesday, October 21st 2020

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

Qualitas Controladora cordially invites you to its third quarter 2020 earnings results conference call.

Hosted by:

Mr. José Antonio Correa, Chief Executive Officer

Mr. Bernardo Risoul, Chief Financial Officer

Dial-in:

» Mexico: 1-800-514-8660

» US & Canada: 1-800-319-4610

» International Dial-In: +1-604-638-5340

No passcode needed

To join us online click on the following button:

<http://services.choruscall.ca/links/qualitas20201021.html>

The report and presentation will also be available at:

<http://qinversionistas.qualitas.com.mx/portal/reporte-trimestral/>

Earnings Results

Third Quarter

2020



Qualitas reports third quarter 2020 results

Mexico City, October 20th 2020- Qualitas Controladora, S.A.B. de C.V. ("Qualitas", "Q", or "the company") (BMV: Q*), announces its unaudited financial results for the third quarter ended September 30th, 2020.

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

Highlights

- During the first 9 months of the year, Qualitas has operated without interruption, fulfilling the obligations with the policyholders, and exceeding recommendations to safeguard the health of our employees, clients, and business partners.
- Written premiums start to show the effects of the economic reopening, as well as the effectiveness of the actions taken, growing 0.5% during the quarter, and 0.4% year to date. Earned premiums grew 2.7% during the quarter and 6.3% in cumulative terms, mostly driven by the effect of multiannual policies.
- By the end of the third quarter, Qualitas had 4.2 million insured units that represents a marginal 0.5% decrease when compared to the end of last year.
- The strategy to support clients and policyholders will continue, giving them 10% discount in renewals, implementing easy payment terms like 3, 6, 9 and 12 monthly installments without interests, as well as designing tailored plans according to the clients' needs & extending the grace period for some of our fleets; these benefits will continue until the end of the year.
- Loss ratio during the quarter and YTD closed at 51.7% and 49.1% respectively, driven by fewer claims attended, as well as our results on theft and accident prevention. This is the second lowest ratio reported since Qualitas foundation.
- Underwriting result reached \$1,766 million, up 58% or \$648 million vs same period year ago.
- The comprehensive financial income delivered \$544 million during the quarter, representing a 26.4% drop vs 3Q19, standing at \$1,262 or 38.1% in accumulative terms and reflecting the decrease in interest rates.
- Quarterly net income amounted to \$1,657 million, \$333 million more than the same period of the previous year, reaching \$5,334 million during the first 9 months of the year, setting a new record in the company.
- EPS stand at \$16.6 that compares to \$10.5 in the same period year ago. Net margin for the quarter was 19.1% and the 12 months Return on Equity stood at 45.7%, well above other public insurance companies. P/E stands at 5.0 and P/BV stands at 1.9.
- Despite the challenging economic environment, during the first 9 months of the year Qualitas has opened 3 new service offices and 25 new ODQ's, expanding its network & coverage, being closer to our agents and policyholders.

Qualitas in figures



365 days/24 hours
national cabin attention



+ \$33,600 (MM MXN)
invested assets, *float*



29.7%
market share in Mexico
Leaders since 2007



Q*
went up 2 positions
in the marketability index
from position #25 to #23



479
offices
202 Service offices
277 Quálitas Development
Offices (ODQs)



+ 16,700
agents



1,176
claims officers



5,193
employees



1,660,838
attended calls



Subsidiaries
Geographical
operation in 4 countries: 8.0%*
*Based on written premium



4,204,566
insured vehicles



280,111
assited claims

Financial highlights (MM MXN)

Income Statement	Quarterly			Cumulative		
	3Q20	3Q19	Δ %/bp	9M 2020	9M 2019	Δ %/pb
Premiums written	8,656	8,615	0.5%	25,356	25,258	0.4%
Net premiums written	8,581	8,555	0.3%	25,046	25,101	(0.2%)
Premiums earned	8,977	8,742	2.7%	27,030	25,427	6.3%
Acquisition cost	1,942	1,869	3.9%	5,677	5,492	3.4%
Loss cost	4,638	5,202	(10.8%)	13,271	15,225	(12.8%)
Technical result	2,397	1,670	43.5%	8,082	4,710	71.6%
Operating expenses	635	552	14.9%	1,940	1,485	30.7%
Underwriting result	1,766	1,118	58.0%	6,148	3,231	90.3%
Comprehensive financial income	544	739	(26.4%)	1,262	2,040	(38.1%)
Investment income	444	620	(28.3%)	940	1,686	(44.2%)
Income Taxes	653	533	22.6%	2,076	1,447	43.5%
Net result	1,657	1,324	25.2%	5,334	3,824	39.5%
Controlling interest	1,655	1,322	25.2%	5,330	3,821	39.5%
Non-controlling interest	1	1	24.2%	3	3	4.0%
Cost ratios						
Acquisition ratio	22.6%	21.8%	78	22.7%	21.9%	79
Loss ratio	51.7%	59.5%	(785)	49.1%	59.9%	(1,078)
Operating ratio	7.3%	6.4%	92	7.7%	5.9%	177
Combined ratio	81.6%	87.8%	(614)	79.4%	87.6%	(822)
Combined ratio adjusted*	80.4%	87.2%	(685)	77.3%	87.3%	(1,004)
Profitability ratios						
Return on investments	5.5%	8.8%	(328)	5.8%	7.7%	(184)
ROE for the period	39.8%	45.2%	(542)	32.2%	23.3%	889
LTM ROE	45.7%	43.5%	216	45.7%	43.5%	216

*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.

Balance Sheet	9M 2020	9M 2019	Δ %/pb
Assets	65,308	58,835	11.0%
Investments & Real Estate	35,479	30,413	16.7%
Invested assets or float**	33,679	28,916	16.5%
Technical reserves	33,240	34,794	(4.5%)
Total liabilities	47,450	46,626	1.8%
Stockholders' equity	17,858	12,209	46.3%

**Invested assets or float: investments in debt + overnights + loans portfolio.

Written premiums

BUSINESS LINE	3Q20	3Q19	Δ \$	Δ %	9M20	9M19	Δ \$	Δ %
Traditional	5,076	5,013	64	1.3%	15,301	15,490	(189)	(1.2%)
<i>Individual</i>	2,885	2,631	254	9.7%	8,220	7,756	465	6.0%
<i>Fleets</i>	2,191	2,382	(191)	(8.0%)	7,081	7,734	(653)	(8.4%)
Financial institutions	2,807	3,124	(316)	(10.1%)	7,961	8,386	(426)	(5.1%)
Foreign subsidiaries	726	470	256	54.5%	2,021	1,355	666	49.2%
Total	8,656	8,615	(253)	0.5%	25,356	25,258	98	0.4%

Figures in million pesos.

Note: figures may vary due to consolidation effects.

During the third quarter, written premiums were \$8,656 million, an increase of 0.5% compared to 3Q19, driven by the actions taken to support our clients, as well as the partial economic reopening and a lower impact, when compared to 2Q20, in new car sales in Mexico. The traditional business line increased 1.3% driven by the individual underwriting; financial institutions decreased 10.1% during the quarter.

Year to date, written premium remained practically at the same level as the same period last year, with an increase of 0.4%, which is relevant when taking into account the complicated landscape in the countries where we operate.

In line with our strategy, the geographical subsidiaries have become more relevant and an engine of growth for the company. During the third quarter their written premiums increased 54.5% compared to the same period of the previous year, standing at \$726 million. In accumulated terms, we achieved \$2,021 million, which represents a 49.2% growth year over year.

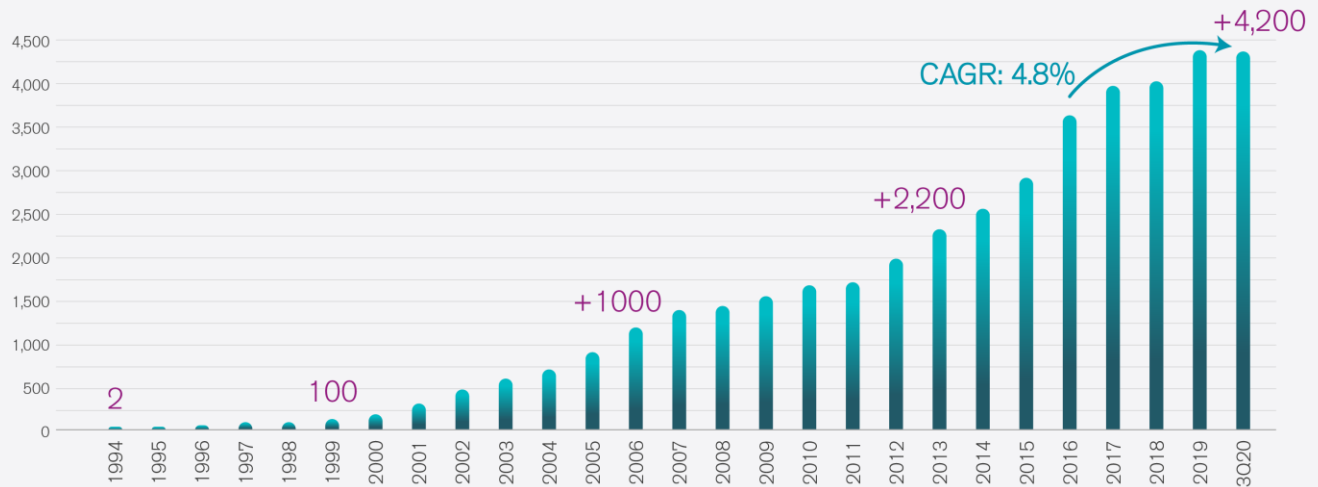
Insured units

According to AMDA, new car sales in México decreased 27.7% during the 3Q20 with 227,749 sold units, which represents 87,136 less units than the same quarter last year. It is important to highlight July as the month with the biggest drop with 31.3%. Nonetheless, while this fall is still a significant impact, it shows sequential recovery when compared to the 54.5% drop in the 2Q20.

We closed the quarter with 4,204,566 insured units, which represents a marginal decrease of 0.5% or 19,922 less units' vs 4Q19, motorcycles being the most impacted segment with a 13,000 units' decrease. During the past two quarters, our strategy is to retain our clients and insured units through discounts, easy payment terms like monthly installments without interests, and some grace period extensions.



4,204,566 insured vehicles



Note: figures in thousands of units.
CAGR: Compound Annual Growth Rate of the last 5 years.

Qualitas' insured units are distributed as following:

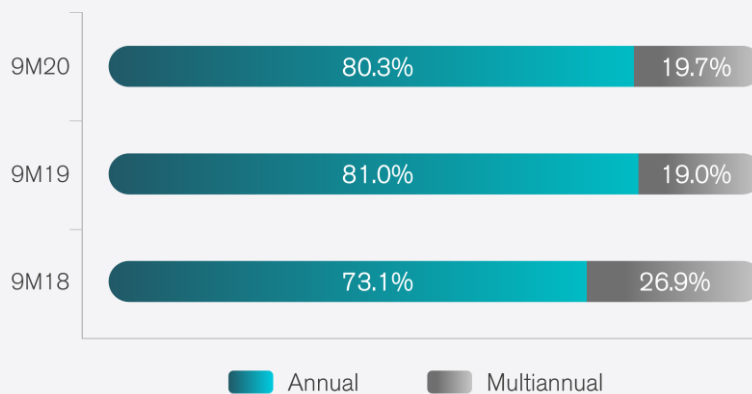
BUSINESS LINE	2Q20	4Q19	Δ %
Mexico	4,060	4,094	(0.8%)
<i>Automobiles</i>	2,746	2,793	(1.7%)
<i>Trucks</i>	1,094	1,067	2.6%
<i>Tourists</i>	97	97	(0.0%)
<i>Motorcycles</i>	124	138	(9.8%)
El Salvador	19	20	(3.0%)
Costa Rica	61	60	2.0%
USA	17	19	(9.3%)
Perú	46	31	48.5%
Insured vehicles	4,205	4,224	(0.5%)

Note: figures in thousands of units.

Earned premiums

During the third quarter, earned premiums increased 2.7%, which represents \$235 million more than the registered in the same period 2019. Earned premiums are higher than the written premiums due to the multiannual policies underwritten in previous years. In addition, the technical reserves release due to historically low loss ratio, have surpassed the constitution of new reserves.

Currently, our portfolio is composed by 80.3% annual policies and 19.7% multiannual policies, which compares with 73.1% and 26.9% respectively during the same period 2 years ago.



Annual policies allow us to adjust tariffs between 3 and 4 times a year, which is extremely attractive in times like the ones we are living with volatility and uncertainty.

Acquisition cost & ratio

The net acquisition cost of the quarter was \$1,942 million which represents an increase of 3.9% when compared to 3Q19. The acquisition ratio was 22.6%, a 78 bp increase, and year to date stands at 22.7%, 79 bp more than the same period 2019.

The growth in the acquisition ratios is explained by mix, as no changes in the commissions have been made; specifically, an increase in production bonuses to our agents as well as an increase in the underwriting through our geographical subsidiaries which carry out a higher acquisition cost.

Loss cost & ratio

The partial lockdown and the economic activity slowdown once again benefited our loss ratio by reducing vehicle capacity in comparison with the same period year ago and, as a result, the number of claims attended.

During the third quarter of the year 280,111 claims were handled, which represents a 26.4% decrease versus 3Q19, but compares with a 43.3% fall during the second quarter of the year, as a result of the partial economic reopening and more vehicles on the streets.

On the other hand, the positive trend in thefts continues benefiting the entire industry and therefore Qualitas. According to the figures reported by OCRA, theft of insured vehicles in Mexico by the end of the third quarter decreased 19.1% for the industry and 20.4% for Qualitas which is significantly better.

As a result of our technological innovation and risk & fraud prevention, Qualitas recovered 53.6% of its stolen units, which represents 3.6 percentage points above of what was recovered in 3Q19 and more than 8 percentage points above the industry's average.

In addition, during this year we have boosted our express adjustment tool which implies better service experience to the policyholder and lower costs. During 3Q20, 20% of our claims were attended through this tool and 12.6% year to date, which compares to ~3% respectively in 2019.

As of September 2020, the loss cost was \$4,638 million, which represents \$564 million less than the same quarter the previous year. The quarterly loss ratio stands at 51.7% and 49.1% during the first 9 months of the year, a decrease of 7.8 and 10.8 percentage points respectively, being the second lowest one reported since the beginning of Qualitas.

Operating cost & ratio

Operating expenses for the quarter stood at \$635 million, reaching an operating ratio of 7.3%, which means 92 bp above same period of last year. In accumulative terms, the operating ratio stands at 7.7%, 177 bp more than the first nine months of 2019.

The reason for the increase is the fact that the Employee Profit Sharing provision, which is directly related to the company's earnings, had an increase of 54.9% when compared to 3Q19. If we excluded this account, the quarterly and YTD operating ratio would be 4.6%, that compares to the 4.3% and 3.9% during the third quarter and nine months of 2019 respectively.

Additionally, in the operating expenses are included some of the actions taken to cope with the operative challenges due to the pandemic as well as to support our policyholders, such as the interest free installments.

Underwriting result

During this quarter, we had one of the lowest combined ratio since the company was founded, ending with a combined ratio of 81.6%. This represents a decrease of over 6 percentage points when compared to the same period of last year. Year to date, the combined ratio stands at 79.4%, a decrease of more than 8 percentage points year over year.

Underwriting result reached \$1,766 million during the quarter and \$6,148 during the year, which represents an increase of 58% and 90.3% respectively. These results were driven by the low loss ratio, and the control of the operating and acquisition cost.

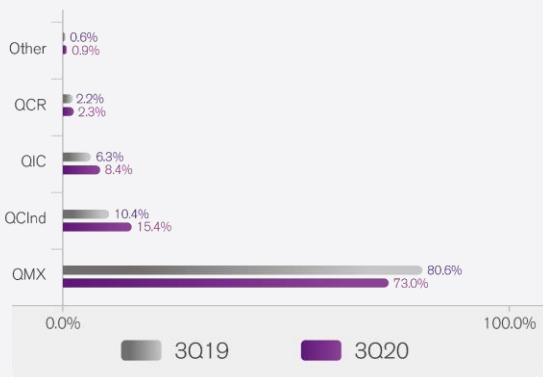
The company registered an operating margin of 19.7%, which compares to the 12.8% registered the same period of last year.

Comprehensive financial income

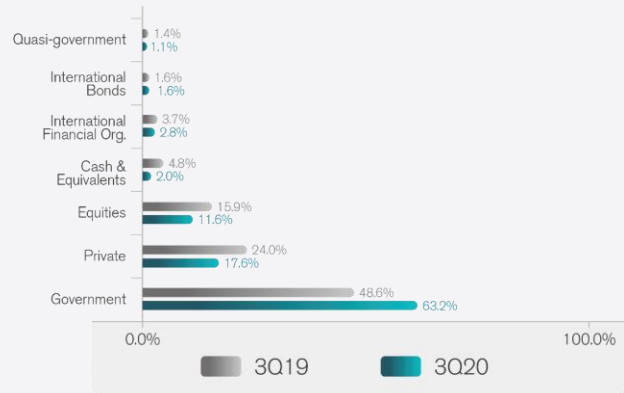
During the third quarter, Mexico’s Central Bank decrease 75 bp the reference rate, and 300 bp during the first nine months of the year, standing at 4.25% by the end of 3Q20. In addition to this, there was still a high volatility in the capital markets linked to the evolution of the pandemic and the global economic recovery.

The company maintains its low risk investment profile, with 88.4% of our portfolio invested in fixed income and the remaining 11.6% In equities.

Portfolio by subsidiary



Total portfolio



Note: Rating differences in sovereign debt could vary between countries. Variations by exchange rate could generate differences. Others include our subsidiaries in El Salvador and Peru

The comprehensive financial income closed at \$544 million, which represents \$195 million less than the 3Q19. Year to date, the comprehensive financial income amounts to \$1,262 million, which represents a 38.1% fall in comparison to the nine months of last year.

The quarterly return on investments was 5.4%, 3.3 percentage points below of what reported in 3Q19, but 115 bp above the reference rate.

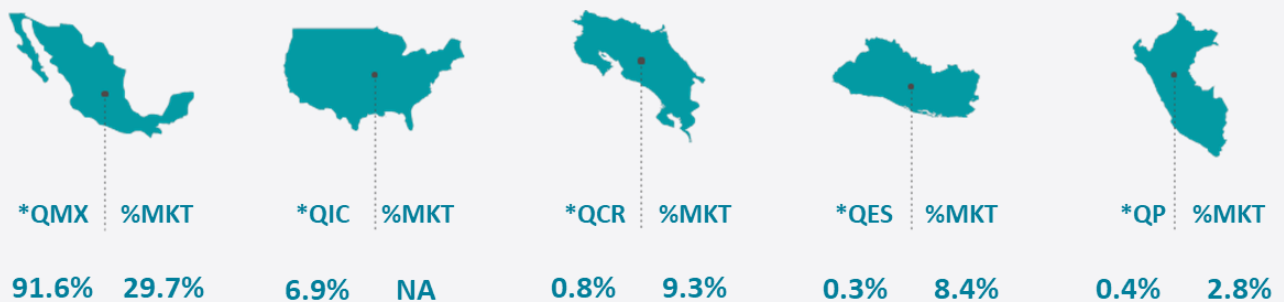
Net income

Net profit for the quarter closed at \$1,657 and YTD at \$5,334 million; the second highest net income reported in the history of the company and practically the same profit reported during 2019 full year. This represents a 25.2% increase or \$333 million in the third quarter and 39.5% or \$1,510 million more in accumulative terms. This reaffirms Qualitas' capacity in creating value for all of its stakeholders despite the complicated landscape.

The company registered a net margin of 19.1% and reported a 12-month ROE of 45.7%. The ROE is made up by an operating ROE of 35.5% and a financial ROE of 10.2%

Subsidiaries

At the end September, the foreign insurance subsidiaries (geographical) and the non-insurance (vertical) subsidiaries represented 8.9% of the company's total underwriting, in line with our strategy to capitalize them and accelerate their profitable growth in the next years, and that compares to the 5.5% by the end of the first 9 months of 2019.



* Based on written premium, QMX includes participation of non-insurance (vertical) subsidiaries

In spite of the complicated global landscape in accumulative terms the geographical and vertical subsidiaries had a 52% growth year over year, achieving an underwriting of \$2,103 million. If we were to exclude the exchange rate depreciation, the geographical subsidiaries would have grown 29.6%.

	Written premium					
	3Q20	3Q19	Δ %	9M20	9M19	Δ %
Q ES	28.0	42.6	(34.4%)	91.3	110.6	(17.5%)
Q CR	80.6	90.7	(11.1%)	405.5	341.1	18.9%
Q IC	583.5	317.0	84.0%	1,381.2	842.9	63.9%
Q P	34.0	19.5	74.5%	143.1	60.3	137.3%
Vertical	45.8	9.8	368.1%	81.5	28.1	190.3%
Total	772.0	479.7	60.9%	2,102.5	1,383.0	52.0%

Figures in million pesos.
Sales in the case of the vertical subsidiaries.

During the third quarter, our US subsidiary, QIC, started operating directly from their new offices in San Diego, opened a new service office at Texas and had an 84% increase in written premiums driven by their new bus program. Likewise, our subsidiary in Peru continues to consolidate with a growth of 74.5% compared to the same period of 2019.

This is an example of how our geographic subsidiaries have become more important for the growth of the company, and continue to position themselves and increase market share in the countries where they operate.

In regard of the non-insurance subsidiaries, the ones related to the insurance daily operation, in the aspects of providing spare parts and repairing crystals, continue to strengthen and become more representative in the company. Besides, they result in a decrease in cost and time efficiencies for our clients.

CristaFacil, our subsidiary in charge of repairing windshields & crystals, is the #3 company in the country that installs the most amount of windshields, it also attends 75% of our claims related to crystals. As part of service efficiency, we are repairing windshield instead of substituting them which represents significantly lower costs.

Technical reserves

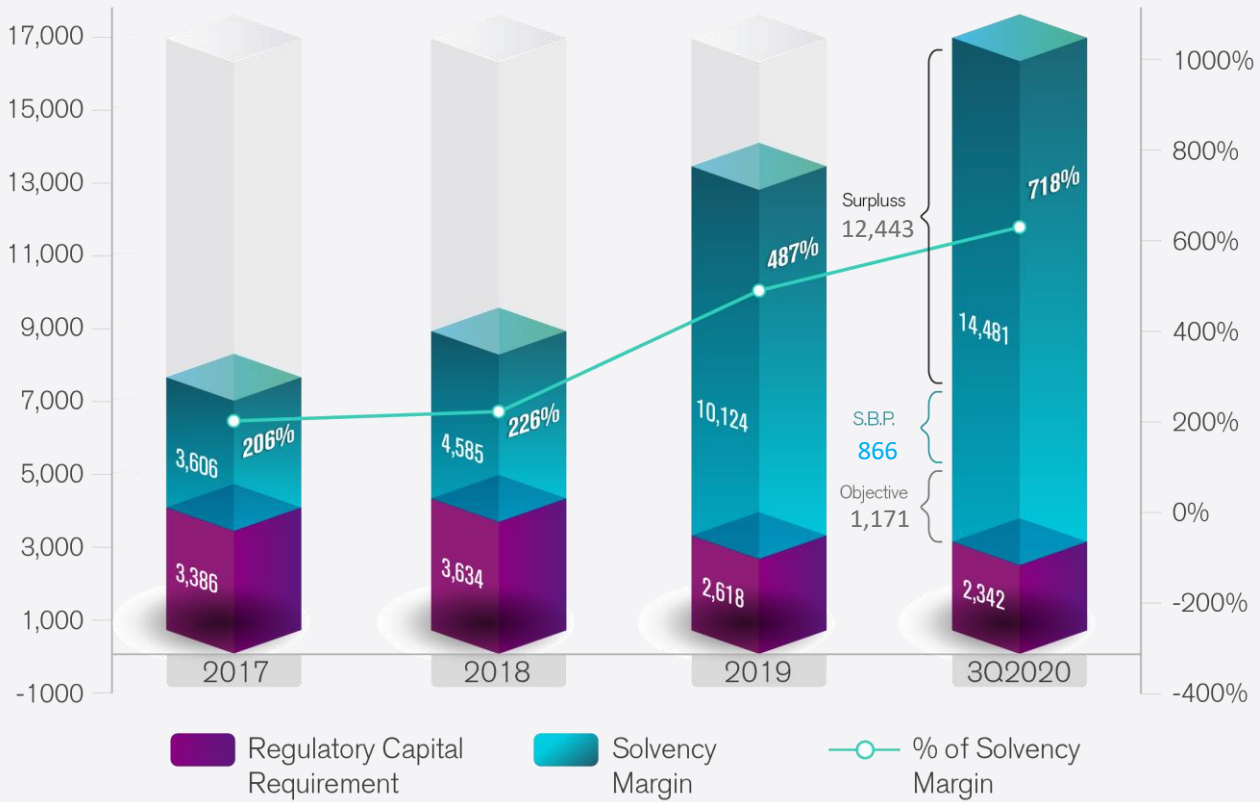
Technical reserves reached \$33,240 million, which represents a decrease of 4.5% compared to the end of third quarter last year.

The release of the reserves is due to a double effect, the marginal increase in underwriting makes the growth in earned premiums surpassed the constitution of new reserves linked to new policies, and at the same time, our historically low loss ratios impact our projection models which is why we constitute a smaller amount of reserves in these new policies.

Solvency

The regulatory capital requirement stood at \$2,342 million at the end of the quarter with a solvency margin of \$14,481 million, this represents a percentage of solvency margin of 718%. This proves the strength the company has in order to guarantee its obligations as well as capitalize opportunities that may be attractive in the future.

During the third quarter, the cancellation of 12 million shares we repurchased during 2019 was complete, so we currently have 413 million shares outstanding. In this regard, with the \$1.4 bn pesos share buyback fund approved in our last General Shareholders meeting, we have repurchased more than 6.5 million shares.



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

Stock performance Q*

During the third quarter of the year Q* closed at \$83.39 pesos per share. Although our stock fell 7.7% during the quarter, in accumulative terms still stands in a positive ground with a 6.9% increase during this first nine months of the year; one of the few issuers with a positive performance and significantly better than the IPC, with a 14% decrease YTD.

The daily average amount operated during the quarter was \$2.9 million dollars, in line with the \$3-million-dollar average of the last quarters. The company improved 3 places in the marketability index, moving from position 25 to number 23.

	Volume (MM USD)*		
	2020	2019	Δ%
July	2.5	3.0	(18%)
August	2.7	3.3	(19%)
September	3.6	2.9	26%
3Q	2.9	3.1	(5%)

*Figures in million pesos

	Traded Volume*		
	2020	2019	Δ%
July	609,049	1,057,149	(42%)
August	669,151	1,035,353	(35%)
September	931,901	816,574	14%
3Q	738,012	975,749	(24%)

*Figures in shares

Regarding our financial reasons EPS closed at \$16.63 pesos, which compares to the \$10.5 same period year ago. The P/E ratio stands at 5, below other public insurance companies and our historical average; P/BV stands at 1.93

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of September 30th 2020
 Figures in Mexican pesos

	2020	2019
Assets		
Investments	35,479,122,770	30,412,509,114
Securities and Derivatives Transactions	33,438,928,830	26,269,517,578
Securities	33,438,928,830	26,269,517,578
Government	22,652,741,364	13,633,464,389
Private Companies: Fixed Rate	6,565,694,264	7,672,888,634
Private Companies: Equity	4,002,372,579	4,512,618,067
Foreign	218,120,622	450,546,487
(-) Value Impairment	-	0
Restricted Securities	-	-
Derivatives	-	-
Overnight	42,779,604	2,345,840,088
Loans Portfolio (Net)	197,200,750	300,514,582
Current Loan Portfolio	186,089,578	304,760,665
Non-performing Loan	59,029,780	33,319,525
(-) Loan Loss Provisions	47,918,608	37,565,609
Property (Net)	1,800,213,586	1,496,636,866
Investments Related to Labor Obligations	72,672,371	68,476,115
Cash and Cash Equivalents	1,590,407,912	2,240,432,045
Cash and Banks	1,590,407,912	2,240,432,045
Debtors	22,364,537,337	21,142,947,190
Premiums	21,725,980,801	20,172,571,660
Premiums P&C Subsidy	-	-
Federal Agencies Debts	156,589,058	277,375,788
Agents and Claims Officers (Adjusters)	144,741,051	134,559,092
Accounts Receivable	-	-
Bonds for Claims Debtors	-	-
Other	531,232,508	729,882,535
(-) Allowance for Doubtful Accounts	194,006,082	171,441,885
Reinsurers and Re-Bonding Companies	121,464,720	190,875,966
Insurance and Bonds Intitutions	14,741,242	42,878,149
Retained deposits	-	-
Amounts Recoverable from Reinsurance	108,085,300	157,945,478
(-) Loan Loss Provisions for Foreign Reinsurers and Reinsurance and Bonding Brokers	1,304,281	2,011,767
(-) Provisions for Penalties	57,541	7,935,894
Permanent Investments	46,546,839	46,546,839
Subsidiary	-	-
Associates	-	-
Other permanent investments	46,546,839	46,546,839
Other Assets	5,633,719,980	4,733,538,100
Furniture and Equipment (Net)	1,025,850,147	925,853,356
Miscellaneous	4,506,590,754	3,720,583,252
Amortizable Intangible Assets (Net)	62,967,514	52,907,266
Long-lived Intangible Assets (Net)	38,311,565	34,194,227
Total Assets	65,308,471,928	58,835,325,368

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of September 30th 2020
 Figures in Mexican pesos

	2020	2019
Liabilities		
Technical Reserves	33,239,859,385	34,794,354,019
Unearned Premiums	24,303,917,293	25,304,292,380
Property and Casualty Insurance	24,303,917,293	25,304,292,380
Reserve for Outstanding Obligations	8,935,942,093	9,490,061,639
Expired Policies and Claims Occurred Pending of Payment	8,104,667,631	8,622,792,046
Occurred but not Reported and Adjustment Costs assigned to Claims	213,230,813	169,682,806
Deposit Premiums	618,043,649	697,586,787
Reserves Related to Labor Obligations	441,549,380	270,176,425
Creditors	5,960,509,577	5,279,305,201
Agents and Adjusters	1,979,608,087	1,550,199,027
Funds for Losses Management	18,373,564	13,572,531
Bonding for recognition of Liabilities Creditors	-	-
Miscellaneous	3,962,527,927	3,715,533,643
Reinsurers and Re-Bonding Companies	180,489,385	98,574,417
Insurance and Bond Companies	149,703,266	75,222,442
Retained Deposits	30,786,119	23,351,975
Other	-	-
Funding Obtained	-	-
Other Liabilities	7,627,806,562	6,183,602,711
Provisions for employee profit sharing	828,030,256	534,164,789
Income Tax Provisions	2,260,344,265	1,475,566,191
Other Obligations	3,600,479,859	3,283,590,361
Deferred Credits	938,952,182	890,281,369
Total Liabilities	47,450,214,290	46,626,012,773
Stockholders' Equity		
Paid-in Capital		
Capital Stock	2,427,366,494	2,479,108,939
Capital Stock	2,464,130,475	2,535,727,486
(-) Non Subscribed Capital Stock	-	-
(-) Non Displayed Capital Stock	-	-
(-) Repurchased Shares	36,763,980	56,618,547
Earned Capital		
Reserves	1,610,293,827	777,051,087
Legal	507,142,999	435,022,416
For Repurchase of shares	907,920,918	210,380,751
Other	195,229,910	131,647,920
Valuation Surplus	332,453,968	205,381,658
Permanent Investments	-	-
Retained Earnings	7,842,635,727	4,724,087,263
Net Result	5,330,441,867	3,820,644,146
Translation effect	348,061,643	193,781,736
Non Monetary Assets Result	-	-
Remeasurements for Benefits granted to Employees	(41,068,922)	5,262,929
Controlling Interest	17,850,184,605	12,205,317,759
Non-Controlling Interest	8,073,034	3,994,837
Total Stockholders' Equity	17,858,257,638	12,209,312,596
Total Liabilities and Stockholders' Equity	65,308,471,928	58,835,325,368

QUALITAS CONTROLADORA S.A.B. DE C.V.
Consolidated Income statement for the third quarter 2020
 Figures in Mexican pesos

	3Q 2020	3Q 2019
Premiums		
Written	8,655,880,526	8,615,451,916
(-) Ceded	74,772,819	59,998,997
Net Written Premiums	8,581,107,707	8,555,452,920
(-) Net Increase of Unearned Premiums Reserve	(395,903,229)	(186,339,491)
Earned Retained Premiums	8,977,010,935	8,741,792,411
(-) Net Acquisition Cost	1,941,952,132	1,869,235,449
Agents Commissions	622,000,658	615,689,453
Agents' Additional Compensation	199,898,644	157,604,739
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	55,878	2,635,255
Excess of Loss Coverage	1,830,746	1,764,306
Other	1,118,277,962	1,096,812,206
(-) Net Claims Cost and Other Contractual Liabilities	4,638,054,420	5,202,392,290
Claims and Other Contractual Obligations	4,741,762,102	5,250,708,066
(-) Losses on non-proportional reinsurance	103,707,683	48,315,776
Claims	-	-
Technical Income (Loss)	2,397,004,384	1,670,164,672
(-) Net Increase in Other Technical Reserves	-	-
Result of Analog and Related Operations	3,540,000	0
Gross Income (Loss)	2,400,544,384	1,670,164,672
(-) Net Operating Expenses	634,542,578	552,294,328
Administrative and Operating Expenses	118,195,328	119,203,825
Employees' compensation and benefits	392,305,768	322,013,587
Depreciation and Amortization	124,041,483	111,076,916
Operating Income (Loss)	1,766,001,805	1,117,870,344
Comprehensive Financing Result	543,884,340	738,740,676
Investments	440,411,183	293,998,276
Sale of Investments	(90,943,826)	(975,445)
Fair Valuation of Investments	87,775,155	59,862,471
Surcharges on Premiums	99,460,191	119,167,027
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	5,757,644	11,451,276
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	(468,881)	(179,432)
(-) Preventive Penalties for Credit Risks	(1,039,151)	(1,149,587)
Other	3,014,562	233,357,427
Foreign Exchange Rate Fluctuation	(3,098,600)	20,550,626
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	2,309,886,146	1,856,611,021
(-) Provision for Income Taxes	653,277,992	533,035,680
Income (Loss) Before Discontinued Operations	1,656,608,154	1,323,575,341
Discontinued Operations	-	-
Net Income (Loss)	1,656,608,154	1,323,575,341
Controlling Interest	1,655,215,271	1,322,454,208
Non-Controlling Interest	1,392,883	1,121,133
Net Income (Loss)	1,656,608,154	1,323,575,341

QUALITAS CONTROLADORA S.A.B. DE C.V.
Consolidated Income statement from January 1st to September 30th 2020
 Figures in Mexican pesos

	2020	2019
Premiums		
Written	25,355,775,175	25,257,859,583
(-) Ceded	310,165,973	157,199,991
Net Written Premiums	25,045,609,202	25,100,659,593
(-) Net Increase of Unearned Premiums Reserve	(1,984,517,192)	(326,083,028)
Earned Retained Premiums	27,030,126,394	25,426,742,620
(-) Net Acquisition Cost	5,676,519,168	5,491,688,809
Agents Commissions	1,885,471,262	1,804,737,974
Agents' Additional Compensation	557,241,005	452,195,748
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	6,361,812	4,356,782
Excess of Loss Coverage	5,453,021	4,667,311
Other	3,234,715,692	3,234,444,558
(-) Net Claims Cost and Other Contractual Liabilities	13,271,482,177	15,225,044,211
Claims and Other Contractual Obligations	13,408,753,800	15,320,729,317
(-) Losses on non-proportional reinsurance Claims	137,271,623	95,685,105
Technical Income (Loss)	8,082,125,049	4,710,009,600
(-) Net Increase in Other Technical Reserves	-	-
Result of Analog and Related Operations	6,532,500	5,409,723
Gross Income (Loss)	8,088,657,549	4,715,419,323
(-) Net Operating Expenses	1,940,376,411	1,484,684,944
Administrative and Operating Expenses	345,753,359	237,312,628
Employees' compensation and benefits	1,241,315,176	938,341,546
Depreciation and Amortization	353,307,876	309,030,770
Operating Income (Loss)	6,148,281,138	3,230,734,379
Comprehensive Financing Result	1,261,612,076	2,039,651,572
Investments	1,119,998,353	876,695,183
Sale of Investments	(8,067,119)	15,369,555
Fair Valuation of Investments	(508,191,629)	21,143,094
Surcharges on Premiums	321,474,749	353,500,583
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	20,421,317	31,174,348
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	(500,703)	69,681
(-) Preventive Penalties for Credit Risks	(1,874,238)	(3,536,039)
Other	254,648,365	719,639,108
Foreign Exchange Rate Fluctuation	58,953,099	18,663,343
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	7,409,893,215	5,270,385,951
(-) Provision for Income Taxes	2,076,330,137	1,446,739,419
Income (Loss) Before Discontinued Operations	5,333,563,078	3,823,646,531
Discontinued Operations	-	-
Net Income (Loss)	5,333,563,078	3,823,646,531
Controlling Interest	5,330,441,867	3,820,644,146
Non-Controlling Interest	3,121,211	3,002,385
Net Income (Loss)	5,333,563,078	3,823,646,531

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 México.

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)

Analysts:

 Analyst: Lilian Ochoa E-mail: lochoa@actinver.com.mx Target price: 103.00 MXN Recommendation: -	 Analyst: Gilberto García E-mail: gilberto.garcia@barclays.com Target price: 95.00 MXN Recommendation: Underweight	 Analyst: Martín Hernández E-mail: martin.hernandez.emelas@bbva.com Target price: 90.00 MXN Recommendation: Outperform	 Analyst: Martín Lara E-mail: martin.lara@miranda-gr.com Target price: 110.00 MXN Recommendation: Buy	 Analyst: Ernesto Gabilondo E-mail: ernesto.gabilondo@bam.com Target price: 117.00 MXN Recommendation: Buy	 Analyst: Jorge Gordillo E-mail: jgordillo@cibanco.com Target price: 116.00 MXN Recommendation: Buy
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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)

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