

2Q21 Results Webcast

Date: Wednesday, July 21st 2021

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

Qualitas Controladora cordially invites you to its second quarter of 2021 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.

Link to join online: <http://services.choruscall.ca/links/qualitas20210721.html>

The report and presentation will also be available:

<http://qinversionistas.qualitas.com.mx/portal/quarterly-report/?lang=en>

Earnings Results

Second quarter

2021



Qualitas reports second quarter 2021 results

Mexico City, July 20th – Qualitas Controladora, S.A.B. de C.V. (“Qualitas”, “Q”, or “the company”) (BMV: Q*), announces its unaudited financial results for the second quarter ended June 30th, 2021.

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

Highlights

- 2Q21 results are within the company's expected ranges, pointing out that 2020 was an atypical year as a consequence of the effects from the pandemic. Direct comparisons may not be conclusive and should be analyzed in depth.
- Written premiums exceeded expectations with 28.4% growth vs. 2Q20 and 10.1% vs 2Q19, ending the quarter at \$9,079 million. This growth was driven by the stabilization of new cars sales in Mexico (+18% accumulated) and the flexibility and agility to retain customers and policyholders, and also helped by the gradual tariffs' adjustments in specific segments. In cumulative terms, written premiums are +12.7% and +12.9% vs. 6M20 and 6M19 respectively, closing the first half 2021 at \$18,784 million.
- Setting a new record high for the company, at the end of the quarter Qualitas had more than 4.4 million insured units, 3% or 129 thousand units more than the previous quarter.
- Earned premiums had a 4.5% quarterly increase, driven by the acceleration in the underwriting and the release of reserves during the quarter, closing at \$9,188 million.
- The loss ratio stood at 64.2% at the end of the quarter, within the expected range towards the end of the year. This represents 20 pp more than 2Q20 ratio, given the very low comparative base, and 4.4 pp above of 2Q19.
- The combined ratio for the quarter was 92.4%, 14.8 pp more than 2Q20. Although it reflects the normalization, this ratio is below our last 5 years annual average and within the objective range for the year.
- The comprehensive financial income was \$589 million pesos during the quarter, a drop of 10.7% compared to 2Q20 due to the reference rate decreased in the last 12 months. The quarterly and 6M21 ROI was 5.9% and 5.5% respectively, in line with our 100-150 bps above the Mexican reference rate objective.
- Quarterly net income was \$976 million pesos, \$1,261 million less than the same period of the previous year but still above the last three years average. Net margin for the quarter was 10.8%.
- In cumulative terms, the net income was \$2,050 million, which represents a 44.2% and 18% decrease vs 6M20 and 6M19 respectively. Despite the normalization impact, this is the third highest cumulative net income in the company's history.
- The regulatory capital requirement stood at \$2,944 million by the end of the second quarter, with a solvency margin of \$15,450 million, which represents a percentage of solvency margin of 625%.
- 12M EPS stand at \$12.7 pesos which compares to the \$15.8 by the end of June 2020. The quarterly EPS stands at \$2.4, reflecting as well the recent 7 million shares cancellation (still under process).
- P/E multiple stood at 7.3 reflecting an attractive valuation with optimal profitability level, the P/BV multiple stood at 2.0. 12 months ROE stands at 29.1%, above the company's long term target between 20-25% and above other companies.
- For the first time in Qualitas' history, the geographic subsidiaries represent 10.2% of the total holding.
- Qualitas currently holds the 20th position in the marketability index, a new record position.

Qualitas

figures



4,449,173
Insured vehicles



31.2%
Market share
Leaders since 2007



10.8%
Net margin 6M21



12.7
EPS 12M



509
Offices: 214 service offices & 295 ODQs



5,186
Employees



28.4%
Written premiums growth
2Q21 vs. 2Q20



29.1%
ROE 12M



7.3
P/E



\$32,859
Invested assets, float (MM MXN)



+18,080
Agents



365 days/ 24 hours
Call center service

Financial Highlights (MM MXN)

Income Statement	Quarterly					Cumulative				
	2Q21	2Q20	Δ %/bp 21 vs 20	2Q19	Δ %/bp 21 vs 19	6M21	6M20	Δ %/bp 21 vs 20	6M19	Δ %/bp 21 vs 19
Premiums written	9,079	7,072	28.4%	8,247	10.1%	18,784	16,664	12.7%	16,634	12.9%
Net premiums written	9,002	7,006	28.5%	8,187	10.0%	18,619	16,429	13.3%	16,537	12.6%
Premiums earned	9,188	8,795	4.5%	8,731	5.2%	17,796	18,260	(2.5%)	16,774	6.1%
Acquisition cost	2,133	1,624	31.4%	1,774	20.3%	4,365	3,735	16.9%	3,622	20.5%
Loss cost	5,899	3,889	51.7%	5,222	13.0%	11,004	8,876	24.0%	10,120	8.7%
Technical result	1,155	3,281	(64.8%)	1,735	(33.4%)	2,427	5,649	(57.0%)	3,031	(19.9%)
Operating expenses	409	719	(43.2%)	580	(29.6%)	805	1,270	(36.6%)	924	(12.9%)
Underwriting result	752	2,565	(70.7%)	1,158	(35.1%)	1,628	4,382	(62.9%)	2,113	(23.0%)
Comprehensive financial income	589	659	(10.7%)	620	(5.1%)	1,119	718	56.0%	1,301	(13.9%)
Investment income	504	524	(3.8%)	259	94.2%	943	244	286.2%	823	14.5%
Income Taxes	365	988	(63.1%)	475	(23.2%)	697	1,423	(51.0%)	914	(23.7%)
Net result	976	2,237	(56.4%)	1,304	(25.1%)	2,050	3,677	(44.2%)	2,500	(18.0%)
Cost ratios										
Acquisition ratio	23.7%	23.2%	52	21.7%	203	23.4%	22.7%	71	21.9%	154
Loss ratio	64.2%	44.2%	1,998	59.8%	439	61.8%	48.6%	1,323	60.3%	150
Operating ratio	4.5%	10.2%	(567)	7.0%	(254)	4.3%	7.6%	(334)	5.6%	(127)
Combined ratio	92.4%	77.6%	1,483	88.5%	389	89.6%	79.0%	1,060	87.8%	177
Combined ratio adjusted*	91.9%	70.9%	2,100	86.8%	509	90.9%	76.0%	1,487	87.4%	345
Profitability ratios										
Return on investments	5.9%	6.6%	(63)	3.6%	232	5.5%	1.5%	395	5.8%	(30)
ROE for the period	20.3%	55.8%	(3,548)	48.5%	(2,814)	21.7%	48.4%	(2,675)	49.3%	(2,759)
LTM ROE	29.1%	46.7%	(1,760)	38.6%	(954)	29.1%	46.7%	(1,760)	38.6%	(954)

*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	6M21	6M20	Δ %/bp 21 vs 20	6M19	Δ %/bp 21 vs 19
Assets	67,496	63,325	6.6%	57,225	17.9%
Investments & Real Estate	34,769	33,330	4.3%	33,330	4.3%
Invested assets or float**	32,859	31,568	4.1%	27,669	18.8%
Technical reserves	35,923	33,741	6.5%	35,105	2.3%
Total liabilities	48,760	46,527	4.8%	46,038	5.9%
Stockholders' equity	18,736	16,798	11.5%	11,188	67.5%

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

Written premium

BUSINESS LINE	2Q21	2Q20	Δ %/bp 21 vs 20	2Q19	Δ %/bp 21 vs 19	6M21	6M20	Δ %/bp 21 vs 20	6M19	Δ %/bp 21 vs 19
Traditional	4,933	4,425	11.5%	5,127	(3.8%)	10,828	10,251	5.6%	10,475	3.4%
<i>Individual</i>	3,015	2,358	27.9%	2,471	22.0%	6,275	5,320	18.0%	5,129	22.4%
<i>Fleets</i>	1,918	2,068	(7.3%)	2,656	(27.8%)	4,553	4,932	(7.7%)	5,346	(14.8%)
Financial institutions	3,221	1,941	65.9%	2,637	22.1%	6,292	5,127	22.7%	5,264	19.5%
Foreign subsidiaries	924	707	30.7%	483	91.5%	1,663	1,295	28.4%	900	84.7%
Total	9,079	7,072	28.4%	8,247	10.1%	18,784	16,664	12.7%	16,634	12.9%

*Note: Since 1Q21 the consolidation of the financial information from Qualitas Controladora's non-insurance subsidiaries (Outlet de Refacciones, Easy Car Glass, Autos & Salvamentos, Optimización de Talento y Activos JAL) related to sales will be considered under the operating expenses line, specifically in other income / expenses; their costs are now considered under the loss costs.

During the second quarter, written premium stood at \$9,079 million, an increase of 28.4% compared to 2Q20, and also an increase of 10.1% compared to 2Q19. This was driven by the flexibility and agility to retain customers and policyholders, and also by the gradual tariffs' adjustments in specific segments.

The traditional segment had an increase of 11.5%; it stands out the underwriting recovery through financial institutions with an increase of 65.9%, as a result of the low comparison base and the new car sales' stabilization in Mexico.

The geographical subsidiaries keep on boosting the underwriting growth importantly; during the quarter they increased 30.7% compared to the same period of last year, achieving an underwriting of \$924 million. This is in line with our strategy to strengthen our international presence and capitalize its potential; worth highlighting mainly our subsidiaries in the United States and Peru with a growth of 36% and 88% respectively (MXN).

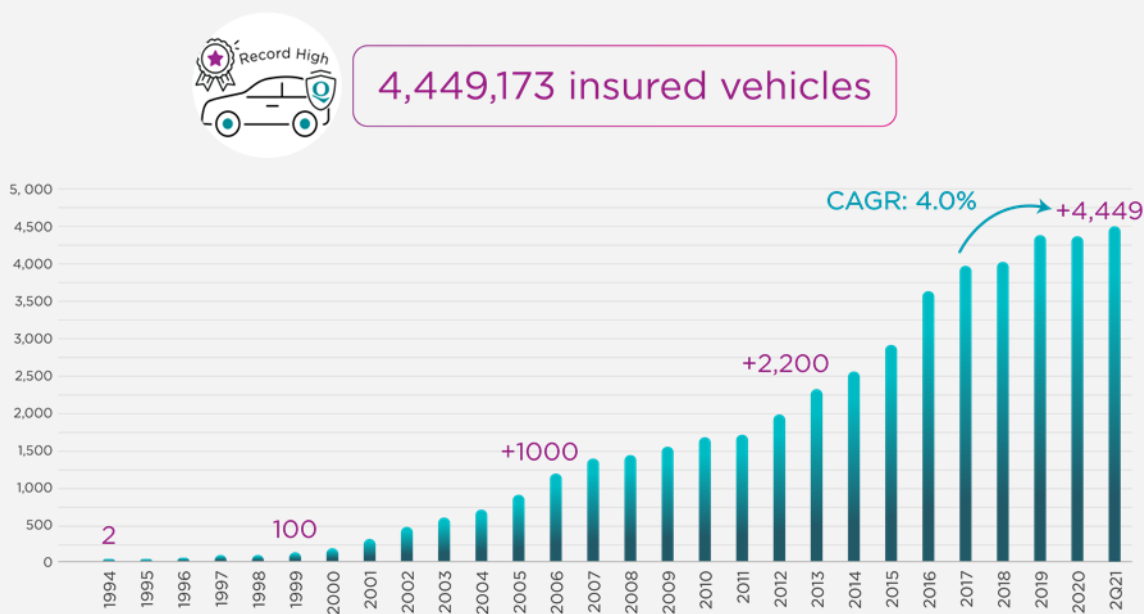
Given the normalization in mobility trends, and hence, a normalization in claims, we have gradually increase in tariffs in specific segments that will continue during the second half the year to maintain profitability and the health of our policies' portfolio.

Insured units

According to AMDA, new car sales in México increased 18.1% during the first half of the year, vs. same period 2020, highlighting the low comparison base. If we compare same data vs. first half 2019, they are still 19.5% below; the trend looks like stabilization and recovery.

We closed the quarter with more than 4.4 million insured units, setting a new record for the company. This represents an increase of 3.0% versus the previous quarter and 266,826 more units than the end of 2020.

The graph below shows the sustainability in the insured units growth since Qualitas foundation:



*CAGR of the last 5 years.

Qualitas' insured units are distributed as follows:

BUSINESS LINE	2Q21	1Q21	Δ%	4Q20	Δ%	2Q20	Δ%
Mexico	4,297	4,171	3.0%	4,037	6.4%	4,070	5.6%
Automobiles	2,880	2,804	2.7%	2,742	5.0%	2,753	4.6%
Trucks	1,141	1,114	2.4%	1,070	6.6%	1,083	5.3%
Tourists	109	103	5.9%	99	10.1%	93	17.2%
Motorcycles	168	151	11.5%	126	33.0%	141	18.7%
El Salvador	19	19	(0.7%)	19	(1.2%)	19	0.0%
Costa Rica	67	65	2.4%	63	6.1%	62	7.4%
USA	18	17	5.7%	17	6.2%	17	6.7%
Peru	48	47	0.1%	46	4.2%	45	5.8%
Insured vehicles	4,449	4,320	3.0%	4,182	6.4%	4,213	5.6%

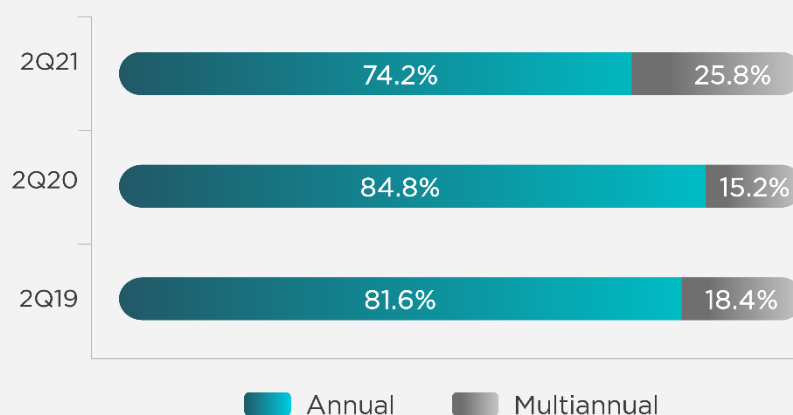
All percentage changes are compared to 2Q21.

Earned premiums

During the second quarter, earned premiums increased 4.5% or \$393 million above same period of 2020, this outcome is linked to the \$186 million reserves release and the significant increase in the underwriting through the quarter. Year to date, we have constituted \$823 million reserve.

Our portfolio is composed by 74.2% annual policies and 25.8% multiannual policies, which compares to a 81.6% and 18.4% respectively by the end of second quarter 2019.

The variation in the portfolio composition reflects the increase of the underwriting through financial institutions, which is mainly related to multiannual policies.



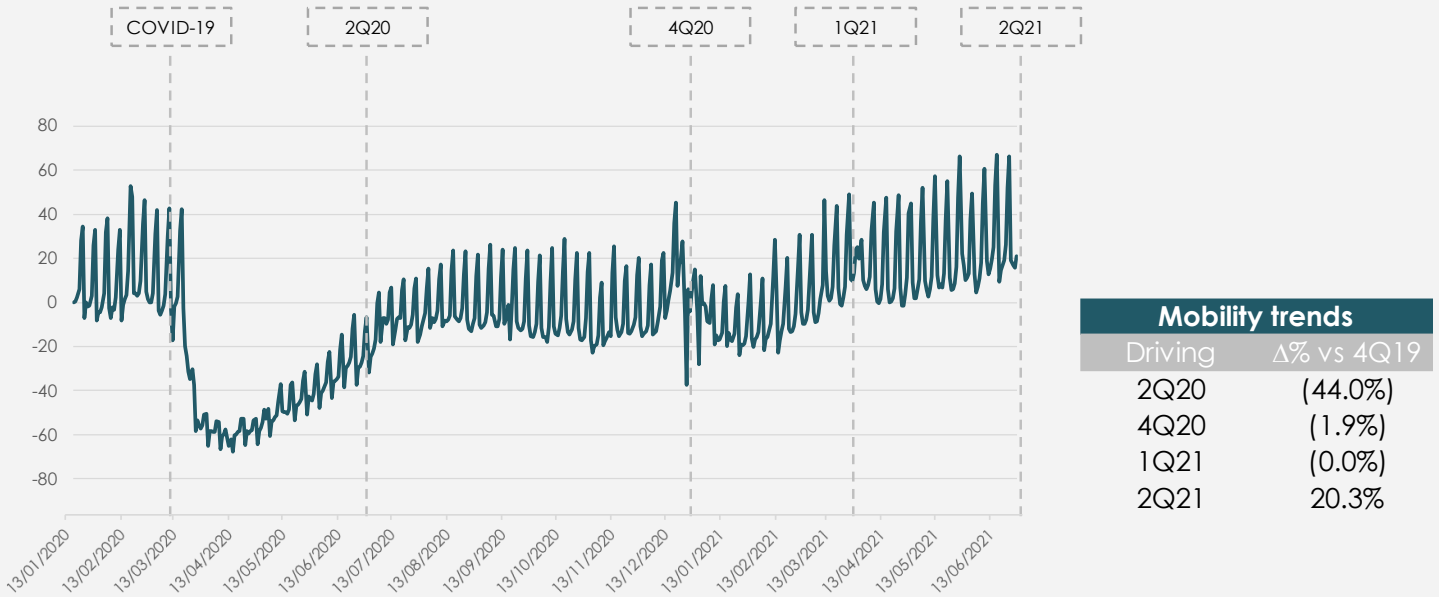
Acquisition cost & ratio

The acquisition ratio for the quarter was 23.7%, 52 bps compared to 2Q20 as consequence of the underwriting growth through financial institutions and the international subsidiaries, which carry a higher acquisition cost. The acquisition cost of the quarter stood at \$2,133 million.

The cumulative acquisition ratio was 23.4%, 71 bps above same periodo year ago, and within the past 4 years historical range.

Loss cost & ratio

During the second quarter mobility continued its upside normalization trend, observing higher number of vehicles on the road in comparison to previous quarters, even higher than pre-COVID levels. According to Apple figures, private quarterly mobility in Mexico has behave as follows:



The previous has significantly impact the attended claims, which were around 60% higher than same period of 2020. On the other hand, although in a smaller proportion than previous quarters, the decrease in thefts continues its positive trend benefiting the whole industry and therefore our company. Theft of insured vehicles for Qualitas during the first half of 2021 decreased 11.6%.

As a result of our technological innovation and our service offer in risk and frauds prevention, Qualitas recovered 52% of its stolen units, which represents 5 percentage points above the industry average.

In addition, we continue boosting the use of the express adjustment tool, which implies lower costs for Qualitas and a better time experience to the policyholder. During the first half of 2021, we attended 22% of claims through this tool, which compares to 19.3% of claims attended with this tool by the end of 2020.

As of June of the current year, the loss cost was \$5,899 million, which represents 51.7% more or \$2,010 million more than the same quarter of the previous year and 15.1% above the 2T19 figure as consequence of the normalization trend previously mentioned. The quarterly loss ratio stood at 64.2%, within our expected range for the year.

Operating cost & ratio

Operating expenses for the quarter stood at \$409 million, reaching an operating ratio of 4.5%, which represent, 567 bp below than same period of last year.

The main reason of the operating ratio decrease is related to the Employee Profit Sharing downward trend, directly linked to the quarterly net earnings. If we excluded the Employee Profit Sharing, the operating ratio would stand at 3.2% which compares with the 5.4% ratio of the second quarter of 2020.

Given the new consolidation of our vertical subsidiaries, its sales are now considered under the operating expenses line, specifically in other income / expenses; the figures presented for 2020 are also adjusted for comparison purposes.

Underwriting result

By the end of the second quarter, the company posted a combined ratio of 92.4%, which represents an increase of 14.8 pp in comparison to the same period of 2020. Despite this ratio reflects the normalization, is within the expected range of the year.

Underwriting result reached \$752 million, and an operating margin of 8.2% by the end of the quarter.

Despite 2021 is a normalization year, Qualitas has proved its capacity to create value through its healthy ratios and margins.

Comprehensive financial income

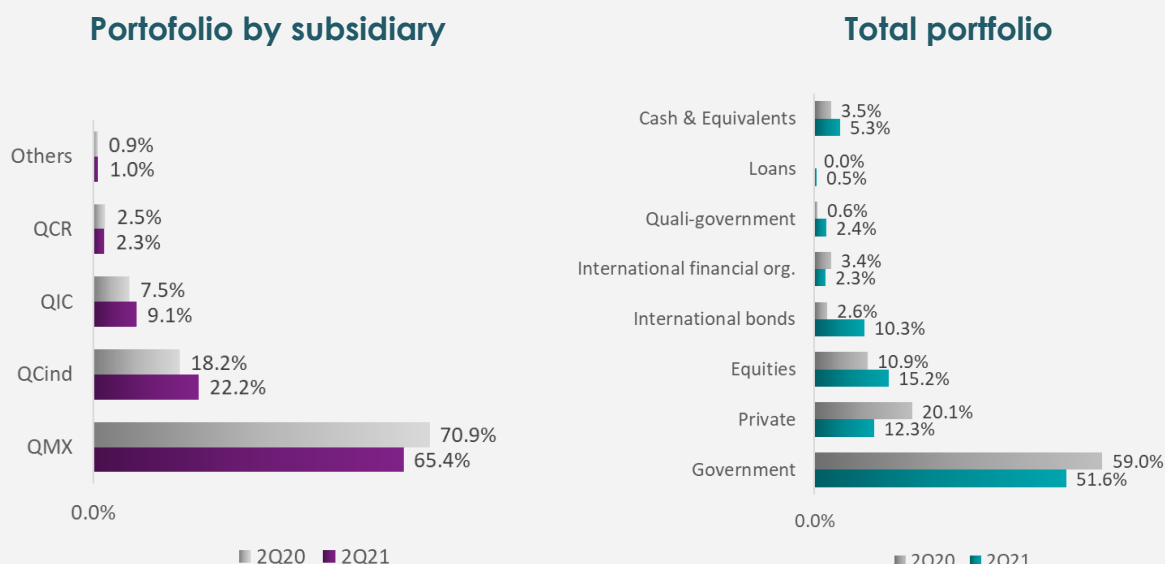
The quarterly comprehensive financial income closed at \$589 million down \$71 million when compared to the second quarter of the previous year due to the decrease in the reference rate during the last twelve months. By the end of June, the Company posted a quarterly and cumulative Return on Investments (ROI) of 5.9% and 5.5% respectively, which is in line with 100 to 150 bp above the Mexican reference rate objective.

The company maintains its low-risk investment strategy; fixed income allows us to preserve the company's capital within an acceptable risk level, obtaining financial returns which mitigate the inflation effect.

By the end of June 2020, Mexico's 28-day reference rate was at 4.85%, and by the end of June 2021 at 4.03% which had an impact in this quarter results. However, the last quarters changes in the equity strategy have allowed us to maximize our portfolio's return.

During the last week of June, the Mexican central bank (*Banco de Mexico*) increased 25 bp the reference rate, standing at 4.25%. The recent increase could lead the beginning of a hike trend that could benefit our investment portfolio for the second half of the year.

By the end of the second quarter, 84.8% of our portfolio was invested in fixed income and 15.2% in equities; these figures compare to 89.1% and 10.9% respectively by the end of 2020.



Net income

Quarterly and cumulative net profit closed at \$976 million and \$2,050 million respectively, a decrease of 44.2% compared to 6M19. The cumulative net income is the third best net income posted in the company's history.

Qualitas closed the quarter with a net margin of 10.8% and a 12 month ROE of 29.1%, well above our long-term range of 20% -25%. The ROE is made up by an operative ROE of 19.2% and a financial ROE of 9.9%.

The net income and ROE posted, demonstrate a performance aligned with the company's objectives which are focused on maintaining our clients' portfolio in a profitable manner, strengthen our subsidiaries' growth strategy, and develop technological tools that allow us to maintain our leadership, whilst generating value to all our stakeholders.

Subsidiaries

By the end of 2Q21, the international (geographical) subsidiaries represent 10.2% of the company's total underwriting, a new historical record, that compares to the 8.0% of the same period of last year and in line with the company's strategy to capitalize them and accelerate their profitable growth during the next years.



Additionally, despite the globally complicated year, the international subsidiaries and non-insurance (vertical) subsidiaries had a 36.3% year over year growth, achieving an underwriting of \$995 million. Excluding the exchange rate effect, growth would be 49.7% .

	Written premium		
	2Q21	2Q20	Δ %
Q ES	29	21	36.8%
Q CR	138	154	(10.4%)
Q IC	634	466	36.0%
Q P	123	65	88.0%
Vertical*	71	23	210.2%
Total	995	730	36.3%

*Sales in the case of vertical subsidiaries. Note: Given the latest change in the vertical subsidiaries' financial information consolidation, since first quarter 2021 the vertical subsidiaries sales are now accounted under the operating expenses line, specifically in other income / expenses.

As part of our strategy of being integrated vertically, our non-insurance subsidiaries have formalized its commercial merge: Easy Car Glass and Outlet de Refacciones are consolidated as "Flekk", and in terms of accounting the three subsidiaries are going to consolidate next quarter in Outlet de Refacciones.

Additionally, the scrap recollection data analysis program keeps working and generating statistics. This allows the insurance companies to identify those parts that were replaced but that could have been repaired with the objective of supervising their repair shops and to improve the capabilities of their valuation teams.

The vertical subsidiaries' objective is to be a technology company that supplies spare parts and repairment services positioning itself as a differentiated offer in the insurance industry.

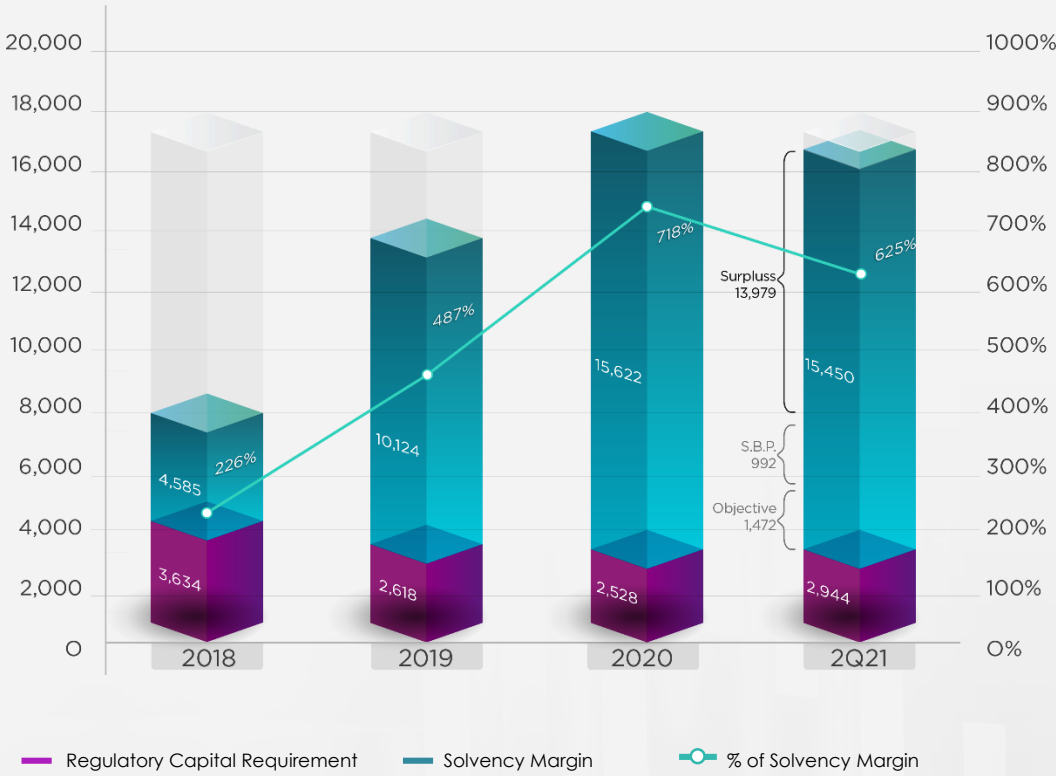
Technical reserves

The technical reserves reached \$35,923 million which represents an increase of 6.5% when compared to same quarter year ago, and 4.7% above the end of 2020.

It is important to consider that throughout 2020 and due to the atypical reduction in claims, there was a technical reserve release during the year, so we could expect the opposite behavior during this year, reflecting the normalization and increase in claims.

Solvency

The regulatory capital requirement stood at \$2,944 million at the of the second quarter, with a solvency margin of \$15,450 million, this represents a percentage of solvency margin of 625%.



S.B.P refers to the amount to be used from the approved Share Buyback Program.

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of June 30 2021
 Figures in Mexican pesos

	2021	2020
Assets		
Investments	34,768,972,680	33,329,908,600
Securities and Derivatives Transactions	32,481,824,368	31,239,098,149
Securities	32,481,824,368	31,239,098,149
Government	19,166,140,452	16,378,883,117
Private Companies: Fixed Rate	6,314,026,963	11,111,446,634
Private Companies: Equity	6,783,398,549	3,538,925,873
Foreign	195,836,487	209,842,526
(-) Value Impairment	-	-
Restricted Securities	22,421,918.0	-
Derivatives	-	-
Overnight	92,900,644	96,257,249
Loans Portfolio (Net)	284,427,207	232,214,698
Current Loan Portfolio	292,221,329	237,594,063
Non-performing Loan	51,127,411	31,722,398
(-) Loan Loss Provisions	58,921,533	37,101,763
Property (Net)	1,909,820,461	1,762,338,503
Investments Related to Labor Obligations	74,726,444	71,889,317
Cash and Cash Equivalents	1,895,129,113	1,972,644,924
Cash and Banks	1,895,129,113	1,972,644,924
Debtors	24,608,274,694	22,682,055,205
Premiums	23,695,209,333	22,058,737,318
Premiums P&C Subsidy	-	-
Federal Agencies Debts	203,396,561	157,181,574
Agents and Claims Officers (Adjusters)	161,004,502	141,828,968
Accounts Receivable	-	-
Bonds for Claims Debtors	-	-
Other	750,054,249	516,279,603
(-) Allowance for Doubtful Accounts	201,389,951	191,972,258
Reinsurers and Re-Bonding Companies	158,636,109	130,505,310
Insurance and Bonds Institutions	12,043,514	16,283,690
Retained deposits	-	-
Amounts Recoverable from Reinsurance	148,163,530	116,064,394
(-) Loan Loss Provisions for Foreign Reinsurers and Reinsurance and Bonding Brokers	1,493,341	1,773,162
(-) Provisions for Penalties	77,594	69,612
Permanent Investments	46,546,839	46,546,839
Subsidiary	-	-
Associates	-	-
Other permanent investments	46,546,839	46,546,839
Other Assets	5,943,648,777	5,091,057,093
Furniture and Equipment (Net)	938,928,959	1,073,833,555
Miscellaneous	4,911,089,532	3,913,309,271
Amortizable Intangible Assets (Net)	59,010,762	64,051,075
Long-lived Intangible Assets (Net)	34,619,525	39,863,191
Total Assets	67,495,934,656	63,324,607,287

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of June 30 2021

Figures in Mexican pesos

	2021	2020
Liabilities		
Technical Reserves	<u>35,922,651,240</u>	<u>33,740,685,214</u>
Unearned Premiums	<u>26,167,558,638</u>	<u>24,993,746,010</u>
Property and Casualty Insurance	26,167,558,638	24,993,746,010
Reserve for Outstanding Obligations	<u>9,755,092,602</u>	<u>8,746,939,204</u>
Expired Policies and Claims Occurred Pending of Payment	8,795,571,407	7,858,823,207
Occurred but not Reported and Adjustment Costs assigned to Claims	255,582,875	203,068,807
Deposit Premiums	703,938,320	685,047,190
Reserves Related to Labor Obligations	487,494,048	394,621,494
Creditors	<u>6,452,838,090</u>	<u>5,659,686,271</u>
Agents and Adjusters	1,853,866,050	1,806,273,816
Funds for Losses Management	50,512,672	13,115,104
Bonding for recognition of Liabilities Creditors	-	-
Miscellaneous	4,548,459,368	3,840,297,351
Reinsurers and Re-Bonding Companies	<u>82,413,625</u>	<u>131,046,517</u>
Insurance and Bond Companies	57,729,594	100,260,398
Retained Deposits	24,684,031	30,786,119
Other	-	-
Funding Obtained	<u>-</u>	<u>-</u>
Other Liabilities	<u>5,814,814,580</u>	<u>6,600,766,009</u>
Provisions for employee profit sharing	272,213,338	574,693,170
Income Tax Provisions	503,375,306	1,492,887,314
Other Obligations	3,978,108,126	3,559,308,680
Deferred Credits	1,061,117,810	973,876,844
Total Liabilities	<u>48,760,211,583</u>	<u>46,526,805,504</u>
Stockholders' Equity		
Paid-in Capital		
Capital Stock	<u>2,381,173,714</u>	<u>2,459,818,872</u>
Capital Stock	2,422,365,551	2,464,130,475
(-) Non Subscribed Capital Stock	-	-
(-) Non Displayed Capital Stock	-	-
(-) Repurchased Shares	41,191,837	4,311,603
Earned Capital		
Reserves	<u>1,870,320,470</u>	<u>2,061,371,274</u>
Legal	507,142,999	507,142,999
For Repurchase of shares	1,011,724,969	1,349,589,153
Other	351,452,502	204,639,121
Valuation Surplus	334,088,783	322,406,590
Permanent Investments	-	-
Retained Earnings	12,007,802,804	7,842,636,456
Net Result	2,047,797,723	3,675,226,596
Translation effect	125,557,850	447,321,979
Non Monetary Assets Result	-	-
Remeasurements for Benefits granted to Employees	(42,671,580)	(17,659,568)
Controlling Interest	18,724,069,764	16,791,122,198
Non-Controlling Interest	11,653,309	6,679,585
Total Stockholders' Equity	<u>18,735,723,073</u>	<u>16,797,801,783</u>
Total Liabilities and Stockholders' Equity	<u>67,495,934,656</u>	<u>63,324,607,287</u>

QUALITAS CONTROLADORA S.A.B. DE C.V.
Consolidated Income statement for the second quarter 2021

Figures in Mexican pesos

	2Q 2021	2Q 2020
Premiums		
Written	9,078,532,987	7,071,672,144
(-) Ceded	76,628,000	65,720,664
Net Written Premiums	9,001,904,987	7,005,951,480
(-) Net Increase of Unearned	(186,016,986)	(1,788,737,339)
Premiums Reserve		
Earned Retained Premiums	9,187,921,972	8,794,688,818
(-) Net Acquisition Cost	2,133,372,559	1,624,107,131
Agents Commissions	695,561,580	570,635,098
Agents' Additional Compensation	213,169,212	154,338,415
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	15,726,163	2,064,032
Excess of Loss Coverage	1,389,588	1,912,630
Other	1,238,978,341	899,285,021
(-) Net Claims Cost and Other		
Contractual Liabilities	5,899,157,084	3,889,499,024
Claims and Other Contractual Obligations	6,380,584,136	3,926,459,962
(-) Losses on non-proportional reinsurance	481,427,052	36,960,938
Claims	-	-
Technical Income (Loss)	1,155,392,330	3,281,082,663
(-) Net Increase in Other Technical Reserves	-	-
Result of Analog and Related Operations	5,220,000	2,992,500
Gross Income (Loss)	1,160,612,330	3,284,075,163
(-) Net Operating Expenses	408,571,898	719,002,924
Administrative and Operating Expenses	21,200,241	106,434,305
Employees' compensation and benefits	272,369,438	493,343,297
Depreciation and Amortization	115,002,220	119,225,322
Operating Income (Loss)	752,040,431	2,565,072,239
Comprehensive Financing Result	588,530,810	659,142,255
Investments	381,636,368	407,608,228
Sale of Investments	(89,530,708)	53,085,250
Fair Valuation of Investments	205,923,574	61,248,409
Surcharges on Premiums	75,576,148	102,884,530
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	4,495,227	6,874,593
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	298,045	(565,154)
(-) Preventive Penalties for Credit Risks	(626,129)	194,579
Other	9,133,564	32,520,375
Foreign Exchange Rate Fluctuation	968,552	(5,449,705)
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	1,340,571,241	3,224,214,494
(-) Provision for Income Taxes	364,574,176	987,643,592
Income (Loss) Before Discontinued Operations	975,997,065	2,236,570,902
Discontinued Operations	-	-
Net Income (Loss)	975,997,065	2,236,570,902
Controlling Interest	974,742,862	2,235,823,242
Non-Controlling Interest	1,254,204	747,661
Net Income (Loss)	975,997,065	2,236,570,902

QUALITAS CONTROLADORA S.A.B. DE C.V.
Consolidated Income statement from January 1st to June 30 2021

Figures in Mexican pesos

	2021	2020
Premiums		
Written	18,783,511,416	16,664,198,580
(-) Ceded	<u>164,298,138</u>	<u>235,393,154</u>
Net Written Premiums	18,619,213,279	16,428,805,426
(-) Net Increase of Unearned	-	-
Premiums Reserve	823,162,001	(1,830,745,800)
Earned Retained Premiums	17,796,051,278	18,259,551,227
(-) Net Acquisition Cost	4,364,983,094	3,734,567,036
Agents Commissions	1,402,308,397	1,263,470,604
Agents' Additional Compensation	418,368,660	357,342,361
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	16,307,495	6,305,934
Excess of Loss Coverage	3,092,379	3,622,275
Other	2,557,521,153	2,116,437,730
(-) Net Claims Cost and Other		
Contractual Liabilities	10,539,428,313	8,633,427,757
Claims and Other Contractual Obligations	10,948,538,419	8,666,991,697
(-) Losses on non-proportional reinsurance	409,110,106	33,563,940
Claims	-	-
Technical Income (Loss)	2,891,639,871	5,891,556,433
(-) Net Increase in Other Technical Reserves	-	-
Result of Analog and Related Operations	5,220,000	2,992,500
Gross Income (Loss)	2,896,859,871	5,894,548,933
(-) Net Operating Expenses	1,269,283,507	1,512,269,601
Administrative and Operating Expenses	491,127,188	433,993,800
Employees' compensation and benefits	548,968,207	849,009,408
Depreciation and Amortization	229,188,112	229,266,393
Operating Income (Loss)	1,627,576,364	4,382,279,333
Comprehensive Financing Result	1,119,494,912	717,727,736
Investments	789,138,369	679,587,170
Sale of Investments	(78,184,526)	82,876,707
Fair Valuation of Investments	209,684,571	(595,966,784)
Surcharges on Premiums	157,011,695	222,014,558
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	9,623,736	14,663,674
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	(86,391)	(31,822)
(-) Preventive Penalties for Credit Risks	(1,609,212)	(835,087)
Other	19,879,675	251,633,803
Foreign Exchange Rate Fluctuation	10,645,789	62,051,700
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	2,747,071,276	5,100,007,069
(-) Provision for Income Taxes	697,040,406	1,423,052,145
Income (Loss) Before Discontinued Operations	2,050,030,870	3,676,954,924
Discontinued Operations	-	-
Net Income (Loss)	2,050,030,870	3,676,954,924
Controlling Interest	2,047,797,723	3,675,226,596
Non-Controlling Interest	2,233,147	1,728,328
Net Income (Loss)	2,050,030,870	3,676,954,924

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.

ESG: Environmental, Social, and Governance

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 Peru

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:

 <p>Analyst: Lilian Ochoa</p> <p>E-mail: lochoa@actinver.com.mx</p> <p>Target price: 112.50 MXN</p> <p>Recommendation: Market perform</p>	 <p>Analyst: Gilberto García</p> <p>E-mail: gilberto.garcia@barclays.com</p> <p>Target Price: 100.00 MXN</p> <p>Recommendation: Equalweight</p>	 <p>Analyst: Rodrigo Ortega</p> <p>E-mail: r.ortega@bbva.com</p> <p>Target price: 120.20 MXN</p> <p>Recommendation: Market perform</p>	 <p>Analyst: Martín Lara</p> <p>E-mail: martin.lara@miranda-gr.com</p> <p>Target price: 132.00 MXN</p> <p>Recommendation: Hold</p>	 <p>Analyst: Ernesto Gabilondo</p> <p>E-mail: ernesto.gabilondo@baml.com</p> <p>Target price: 121.00 MXN</p> <p>Recommendation: Neutral</p>	 <p>Analyst: Jorge Gordillo</p> <p>E-mail: jgordillo@cibanco.com</p> <p>Target price: 128.70 MXN</p> <p>Recommendation: Buy</p>
 <p>Analyst: Carlos De Legarreta</p> <p>E-mail: cadelegarreta@gbm.com</p> <p>Target price: 115.00 MXN</p> <p>Recommendation: Outperform</p>	 <p>Analyst: Iñigo Vega</p> <p>E-mail: inigovega@nau-securities.com</p> <p>Target price: 117.00 MXN</p> <p>Recommendation: Fair value</p>	 <p>Analyst: Armando Rodríguez</p> <p>E-mail: armando.rodriguez@signumrese arch.com</p> <p>Target price: 136.27 MXN</p> <p>Recommendation: Buy</p>	 <p>Analyst: Eduardo López</p> <p>E-mail: elopez@vepormas.com</p> <p>Target price: 128.5 MXN</p> <p>Recommendation: Hold</p>	 <p>Analyst: Jorge Lagunas</p> <p>E-mail: jorge.lagunas@apalache.mx</p> <p>Target price: 124.00 MXN</p> <p>Recommendation: Buy</p>	 <p>Analyst: -</p> <p>E-mail: -</p> <p>Target price: 120.61 MXN</p> <p>Recommendation: -</p>

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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