

4Q21 and year-end 2021 Results Webcast

Date: Friday January 28th, 2022

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

Qualitas Controladora cordially invites you to its fourth quarter & 2021 year-end earnings results conference call.

Hosted by:

Mr. José Antonio Correa, Chief Executive Officer

Mr. Bernardo Risoul, Chief Financial Officer & International CEO

Link to join online: <https://services.choruscall.ca/links/qualitas20220128.html>

Dial-in:

» Mexico: 1-800-514-8660

» US & Canada: 1-800-319-4610

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

No passcode needed.

The report and presentation will also be available:

<https://qinversionistas.qualitas.com.mx/financial-information/quarterly-report>

Earnings Results

Fourth quarter & year-end

2021



Qualitas reports fourth quarter 2021 results

Mexico City, January 27th, 2022 – Qualitas Controladora, S.A.B. de C.V. (“Qualitas”, “Q”, or “the company”) (BMV: Q*), announces its unaudited financial results for the fourth quarter & 2021 year-end.

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

Highlights

- 4Q21 and full year 2021 results are within the company's expected ranges, pointing out that given 2020 atypical performance due to the pandemic, direct comparisons may not be conclusive and should be analyzed in depth.
- Quarterly written premiums stood at \$10,601 million, representing a slightly decrease of 0.7% vs 4Q20. On an annual basis, written premiums increased +6.3% and +5.7%, vs 2020 and 2019, respectively, reaching \$38,224 million for the full year.
- By year-end, the company had 4.5 million insured vehicles: +312 thousand units vs 2021, and +253 thousand units vs 2019.
- Earned premiums closed 4Q21 at \$9,184 million, decreasing 2.4% vs 4Q20, driven by reserves constitution due to claims normalization and business seasonality. On an annual basis, earned premiums decreased by 1.9% in comparison to 2020; during 2021, the company constituted \$1,856 million in reserves.
- Quarterly and annual loss ratios stood at 70.0% and 65.0%, respectively; it is worth noting that such ratios reflect the revised non-insurance subsidiaries accounting consolidation. Based on the prior methodology, quarterly and annual loss ratios would stand at 65.9% and 63.4%, respectively. Qualitas Mexico annual loss ratio, our main business, stood at 63.3%.
- Combined ratio as at 4Q21 was 93.4%, whereas annual combined ratio stood at 91.7%, in line with the business expected and sustainable ranges.
- Quarterly comprehensive financial income was \$620 million, achieving an annual figure of \$2,273 million, equivalent to an increase of +15.1% compared to 2020. The quarterly ROI was 6.3%, whereas year-to-date ROI was 5.6%, 120bps above the average CETES rate for the year.
- Quarterly net income for the 4Q21 was \$808 million and 2021 net income was \$3,778 million. Net margin for the quarter was 7.6% and 9.9% for the full year.
- The regulatory capital requirement stood at \$3,489 million, with a solvency margin of \$16,220 million, resulting in a solvency ratio of 565%.
- 4Q21 and 2021 EPS stood at \$2.0 and \$9.3 respectively. P/E multiple stood at 11.2 and P/BV multiple stood at 2.1. 12-month ROE stands at 19.2%, slightly below the company's mid and long-term target, between 20-25%.
- Along the year, Qualitas performed an 8.5% tariff increase for specific segments, offsetting the downward adjustments done in 2020, and recognizing the mobility increase, coupled with the current inflationary environment.
- Our share Q*, traded a daily average of more than \$5 million dollars during the year. As of December 31, the company held 8,673,876 shares acquired through the buyback fund, with a surplus of \$823.3 million.
- Aligned with our sustainable commitment, by 2021 year-end, 35.3% of our fleet was comprised by hybrid vehicles.

Qualitas

figures



4,477,092
Insured vehicles



32.2%
Market share
Leaders since 2007



9.9%
Net margin 2021



\$9.3
EPS 12M



522
Offices: 216 service offices & 306 ODQs



5,310
Employees



6.3%
Written premiums growth
2021 vs. 2020



19.2%
ROE 12M



11.2
P/E



\$34,767
Invested assets, float (MMMXN)



+18,500
Agents



365 days/24 hours
Call center service

Financial Highlights (MM MXN)

Income Statement	Quarterly					Year-to-date				
	4Q21	4Q20	Δ %/bp 21 vs 20	4Q19	Δ %/bp 21 vs 19	2021	2020	Δ %/bp 21 vs 20	2019	Δ %/bp 21 vs 19
Premiums written	10,601	10,672	(0.7%)	10,928	(3.0%)	38,224	35,947	6.3%	36,158	5.7%
Net premiums written	10,524	10,602	(0.7%)	10,880	(3.3%)	37,923	35,566	6.6%	35,953	5.5%
Premiums earned	9,184	9,411	(2.4%)	9,599	(4.3%)	36,067	36,779	(1.9%)	35,279	2.2%
Acquisition cost	2,376	2,115	12.4%	2,288	3.9%	8,831	7,791	13.3%	7,780	13.5%
Loss cost	6,426	5,519	16.4%	5,599	14.8%	23,437	19,210	22.0%	21,105	11.0%
Technical result	382	1,776	(78.5%)	1,712	(77.7%)	3,799	9,777	(61.1%)	6,393	(40.6%)
Operating expenses	92	539	(83.0%)	534	(82.8%)	1,317	2,397	(45.0%)	1,990	(33.8%)
Underwriting result	295	1,239	(76.2%)	1,179	(75.0%)	2,491	7,387	(66.3%)	4,410	(43.5%)
Comprehensive financial income	620	713	(13.1%)	842	(26.4%)	2,273	1,975	15.1%	2,882	(21.1%)
Investment income	537	622	(13.6%)	722	(25.5%)	1,926	1,562	23.3%	2,408	(20.0%)
Income Taxes	107	487	(78.1%)	487	(78.1%)	986	2,564	(61.5%)	1,934	(49.0%)
Net result	808	1,465	(44.8%)	1,534	(47.3%)	3,778	6,798	(44.4%)	5,358	(29.5%)
Cost ratios										
Acquisition ratio	22.6%	19.9%	263	21.0%	155	23.3%	21.9%	138	21.6%	165
Acquisition ratio**	22.1%	19.9%	223	21.0%	111	23.1%	21.8%	125	21.6%	147
Loss ratio	70.0%	58.7%	1,131	58.3%	1,163	65.0%	52.2%	1,275	59.8%	516
Loss ratio**	65.9%	57.7%	821	57.7%	823	63.4%	51.3%	1,212	59.3%	413
Operating ratio	0.9%	5.0%	(418)	4.9%	(402)	3.4%	6.7%	(322)	5.5%	(206)
Operating ratio**	2.9%	5.3%	(243)	5.0%	(211)	4.3%	7.0%	(268)	5.6%	(134)
Combined ratio	93.4%	83.6%	976	84.2%	916	91.7%	80.8%	1,091	87.0%	475
Combined ratio**	90.9%	82.9%	801	83.7%	723	90.8%	80.1%	1,069	86.5%	426
Combined ratio adjusted*	96.8%	86.8%	999	87.7%	911	93.1%	79.9%	1,318	87.5%	560
Profitability ratios										
Return on investments	6.3%	7.2%	(92)	9.5%	(322)	5.6%	4.8%	87	8.2%	(262)
ROE for the period	16.2%	31.7%	(1,553)	47.6%	(3,143)	19.2%	41.7%	(2,252)	47.3%	(2,811)
LTM ROE	19.2%	41.7%	(2,251)	47.3%	(2,811)	19.2%	41.7%	(2,251)	47.3%	(2,811)

*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.

**Ratios calculated under the prior accounting consolidation methodology for Qualitas' non-insurance subsidiaries. In the revised accounting consolidation methodology, revenues from the non-insurance subsidiaries are recorded as operating expenses (other income), and costs of goods sold are recorded as loss expenses.

Balance Sheet	2021	2020	Δ %/bp 21 vs 20	2019	Δ %/bp 21 vs 19
Assets	71,888	69,039	4.1%	63,041	14.0%
Investments & Real Estate	35,459	35,479	(0.1%)	30,413	16.6%
Invested assets or float**	33,537	33,679	(0.4%)	28,916	16.0%
Technical reserves	37,850	34,312	10.3%	35,896	5.4%
Total liabilities	51,509	49,977	3.1%	49,477	4.1%
Stockholders' equity	20,379	19,061	6.9%	13,564	50.2%

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

Written premium

BUSINESS LINE	4Q21	4Q20	Δ %/bp 21 vs 20	4Q19	Δ %/bp 21 vs 19	2021	2020	Δ %/bp 21 vs 20	2019	Δ %/bp 21 vs 19
Traditional	6,976	6,967	0.1%	6,680	4.4%	23,214	22,305	4.1%	22,172	4.7%
<i>Individual</i>	3,935	3,326	18.3%	2,881	36.6%	13,391	11,503	16.4%	10,634	25.9%
<i>Fleets</i>	3,041	3,641	(16.5%)	3,799	(20.0%)	9,823	10,802	(9.1%)	11,538	(14.9%)
Financial institutions	2,780	3,076	(9.6%)	3,693	(24.7%)	11,771	11,000	7.0%	12,076	(2.5%)
Foreign subsidiaries	844	626	34.8%	553	52.6%	3,239	2,647	22.4%	1,909	69.7%
Total	10,601	10,672	(0.7%)	10,928	(3.0%)	38,224	35,947	6.3%	36,158	5.7%

*Note: Starting in 3Q21, from an accounting standpoint, Easy Car Glass & CristaFacil are consolidated in Outlet de Refacciones, with its correspondent accounting effects.

During the quarter, written premium stood at \$10,601 million, reflecting the 10.1% drop in new car sales vs 4Q20, as well as some relevant multiannual policies written during 4Q20, which increase the comparison base that, given their nature, are not included in this quarter underwriting.

Written premiums from 2021 amount \$38,224 million, an increase of +6.3% vs 2020 and +5.7% vs 2019; proving the company's resilience despite the plunge in new car sales and a competitive environment.

On an annual basis, the traditional segment increased by 4.1% and financial institutions by 7.0%. During 2021, we opened 9 new service offices and 22 ODQs, closing the year with 522 offices, allowing us to be close to both our policyholders and agents, accounting for the largest network in Mexico.

The international subsidiaries reported a growth of 22.4% for 2021, reaching \$3,239 million in written premiums. Excluding the rate of exchange impact, international subsidiaries annual growth in USD would stand at 29.6%.

Insured units

According to AMDA, new car sales in México increased by 6.8% vs 2020, but such figure is impacted by a low comparative base. Furthermore, if compared to 2019, car sales are still 23.0% below.

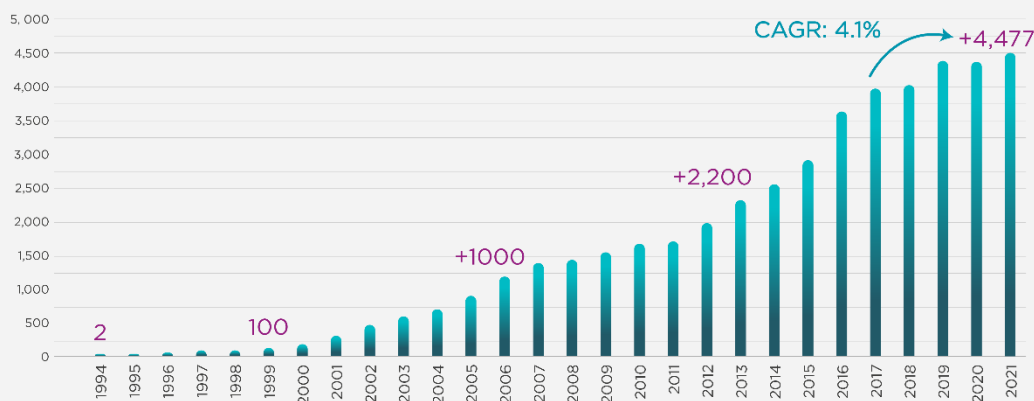
December 2021 reported 97,365 new vehicles sold, the lowest number of units recorded for this month since 2009, and the second lowest annual figure of vehicles sold since 2013.

During 2021, several car assemblers were forced to suspend operations due to the global microchip shortage, reducing the national vehicles production, resulting in car dealerships holding limited stock of units. The impact on production could harm the expected recovery in new car sales during 2022.

Despite the complex environment, we closed the quarter with 4.5 million insured units, which represents an increase of 7.5% vs 2020 or +312 thousand additional units.



4,477,092 insured vehicles



*CAGR of the last 5 years.

Qualitas' insured units are allocated as follows:

BUSINESS LINE	4Q21	3Q21	Δ%	4Q20	Δ%	4Q19	Δ%
Mexico	4,311	4,350	(0.9%)	4,037	6.8%	4,094	5.3%
Automobiles	2,882	2,894	(0.4%)	2,742	5.1%	2,793	3.2%
Trucks	1,120	1,164	(3.8%)	1,070	4.6%	1,067	5.0%
Tourists	115	107	7.4%	99	16.5%	97	18.7%
Motorcycles	195	186	4.8%	126	54.1%	138	41.3%
El Salvador	21	20	9.3%	19	12.0%	20	7.2%
Costa Rica	76	70	8.3%	63	19.7%	60	25.9%
USA	18	17	3.1%	17	3.8%	19	(7.2%)
Peru	51	34	49.0%	29	78.6%	31	65.6%
Insured vehicles	4,477	4,491	(0.3%)	4,165	7.5%	4,224	6.0%

All percentage changes are compared to 4Q21.

Earned premiums

During the fourth quarter, earned premiums stood at \$9,184 million, reflecting the lower underwriting for the period, in addition to the actuarial reserves' constitution. By year-end, earned premiums stood at \$36,067 million, representing a 1.9% decrease vs 2020, but a 2.2% growth when compared to 2019.

Acquisition cost & ratio

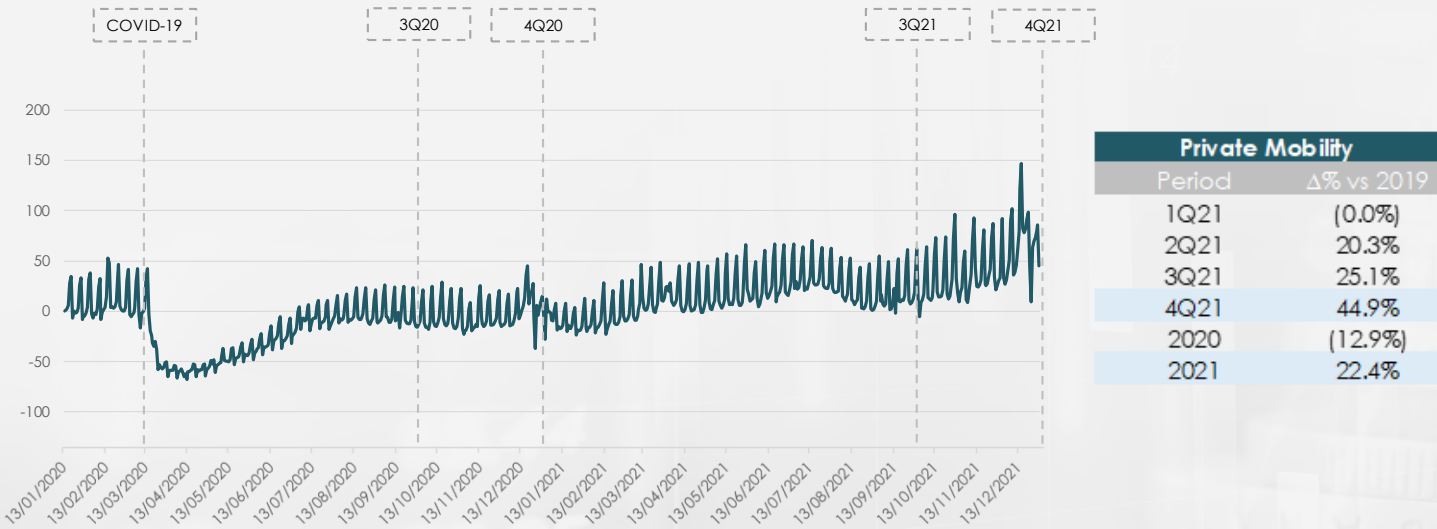
The acquisition ratio for the quarter was 22.6%, resulting in an acquisition cost of \$2,376 million; such increase is related to higher provisions for collection bonuses.

The annual acquisition cost stood at \$8,831 million, with a year-to-date acquisition ratio of 23.3%, within our expected range since the beginning of the year.

Loss cost & ratio

During 2021, mobility continued its upward trend, experiencing a higher number of vehicles on the road in comparison to previous quarters. By the end of 2021, private mobility was 22.4% above pre-COVID levels, whereas public transportation remains 27.0% below.

According to Apple statistics, quarterly private mobility in Mexico had the following performance:



55.01

Moreover, according to OCRA statistics, the decline in vehicle thefts continued its positive trend, decreasing 10.6% by year-end. However, such trend started to flatten since the second half of 2021. This has benefitted the whole industry, including our company; during the year Qualitas' thefts decreased by 5.1% vs 2020.

Likewise, the company recovered 49.3% of its stolen units, which represents 3.5 pp above the industry average.

By the end of 2021, the quarterly and annual loss ratios stood at 70.0% y 65.0%, respectively. These ratios consider the revised accounting consolidation of our non-insurance subsidiaries; under the prior consolidation, the quarterly and annual loss ratio would stand in 65.9% and 63.4% respectively, within the expected range for the year.

Additionally, our main subsidiary, Qualitas Mexico reported an annual loss ratio of 63.3%.

Operating cost & ratio

Operating expenses for the quarter were \$92 million, with an operating ratio of 0.9%, 418 bps below the prior year figure. On an annual basis, operating expenses were \$1,317 million with an operating ratio of 3.4%.

One of the main reasons behind the decrease in the quarterly operating ratio is the effect of the accounting consolidation from our non-insurance subsidiaries.

Relating to the annual operating ratio, it was benefitted by a 64.2% decrease in the employees' profit sharing provision, excluding such impact, the annual operating ratio would stand at 2.6%. In addition, policy fees had an increase of \$224 million during the year given a higher number of insured units when compared to 2020.

Underwriting result

By quarter-end, the company reported a combined ratio of 93.4%, and an annual combined ratio of 91.7%. Even though this ratio reflects the normalization trends of the year, it stands within the expected annual range. In the prior accounting consolidation methodology for the non-insurance subsidiaries, the quarterly and annual combined would be 90.9% and 90.8%, respectively.

Quarterly underwriting result reached \$295 million, reporting an operating margin of 3.2%. Whilst, on an annual basis, the underwriting result stood at \$2,491 million, with an operating margin of 6.9%.

Comprehensive financial income

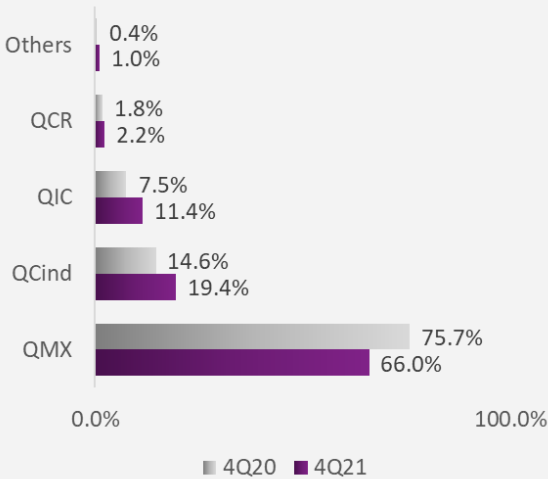
The quarterly comprehensive financial income closed at \$620 million, a decrease of \$93 million when compared to same period 2020; during 4Q20 specific positions from the equity portfolio overperformed the main stock indices, thus impacting the comparison base vs. 4Q21.

Our quarterly and annual ROI stood at 6.3% and 5.6% respectively. This annual return stands 120 bps above the Mexican average reference rate of 2021.

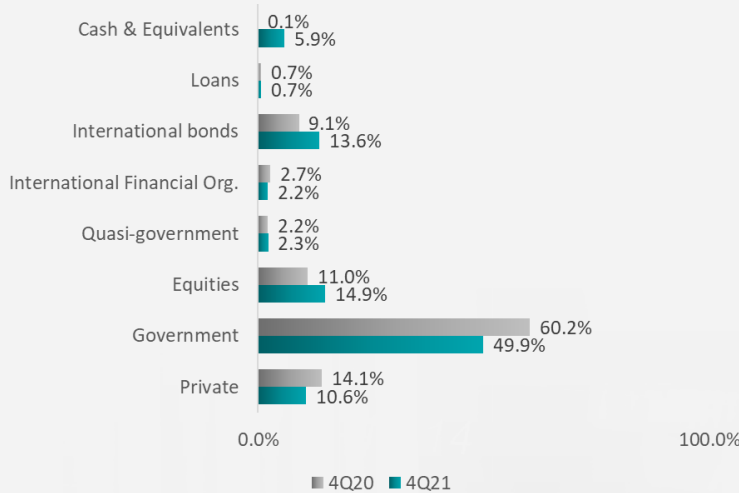
As mentioned in our previous report, the Mexican reference rate continues its upward trend; by the end of 2020, CETES 28 days rate was positioned 4.2%, meanwhile, by the end of 2021 it positioned in 5.5%. it is expected that this upward trend in the reference rates benefits our 2022 comprehensive financial result.

By the end of 4Q21, 85.1% of our portfolio was invested in fixed income and 14.9% in equities; these figures compare to 89.0% and 11.0%, respectively by year-end 2020.

Portfolio by subsidiary



Total portfolio



Net income

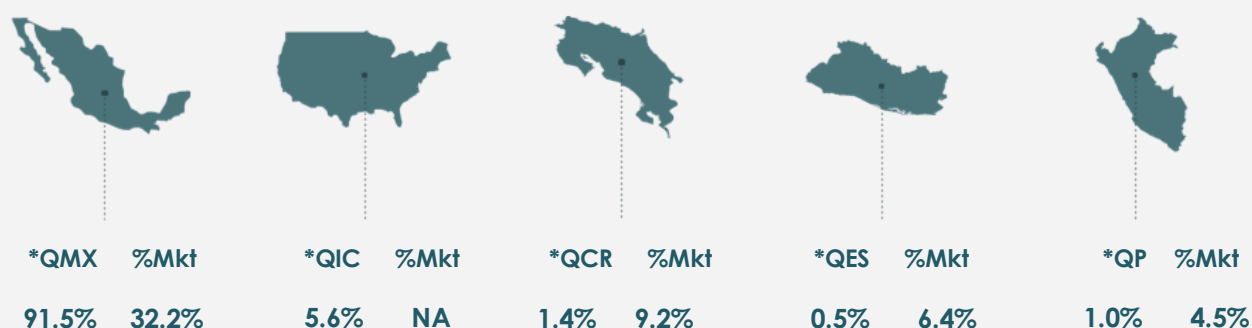
Quarterly and annual net profit closed at \$808 million and \$3,778 million respectively. This represents a quarterly net margin of 7.6% and annual net margin of 9.9% for 2021.

Qualitas reported a 12-month ROE of 19.2%, slightly below our mid-long-term objective of 20%-25%. The ROE comprises an operating ROE of 10.1% and a financial ROE of 9.1%.

The effective tax rate for the quarter and 2021 was 11.7% and 20.7% respectively; such atypical behavior is related to: bonuses and employees' profit-sharing provisions corresponding to 2020 but paid in 2021; in addition to the annual inflation adjustment and the reserves' constitution, which as a whole favor the tax base.

Subsidiaries

By 2021 year-end, the international (geographical) subsidiaries represented 8.5% of the company's total written premium.



Additionally, despite the volatility in the global environment, both the international and non-insurance (vertical) subsidiaries had an underwriting and sales performance of \$923 million for the 4Q21 and \$3,569 for 2021. Excluding the exchange rate impact, the quarterly subsidiaries growth in USD stood at 29.6%.

	Written premium			2021	2020	Δ %
	4Q21	4Q20	Δ %			
Q ES	80	58	37.9%	186	149	24.9%
Q CR	126	103	22.1%	540	509	6.1%
Q IC	520	396	31.2%	2139	1778	20.3%
Q P	118	68	72.4%	374	212	76.8%
Vertical*	79	28	176.4%	330	110	199.7%
Total	923	654	41.0%	3,569	2,757	29.5%

*Sales in the case of non-insurance subsidiaries. Figures in million pesos.

Regarding our non-insurance subsidiaries, commercially consolidated as "Flekk" and from an accounting standpoint as *Outlet de Refacciones*, dedicated to the windshield's installation, distribution and spare parts; currently they are focusing in technology and e-commerce, looking to increase their at-home-delivery service aiming to save time to the policyholder. By the end of 2021, Flekk accounted for +150 franchises across Mexico.

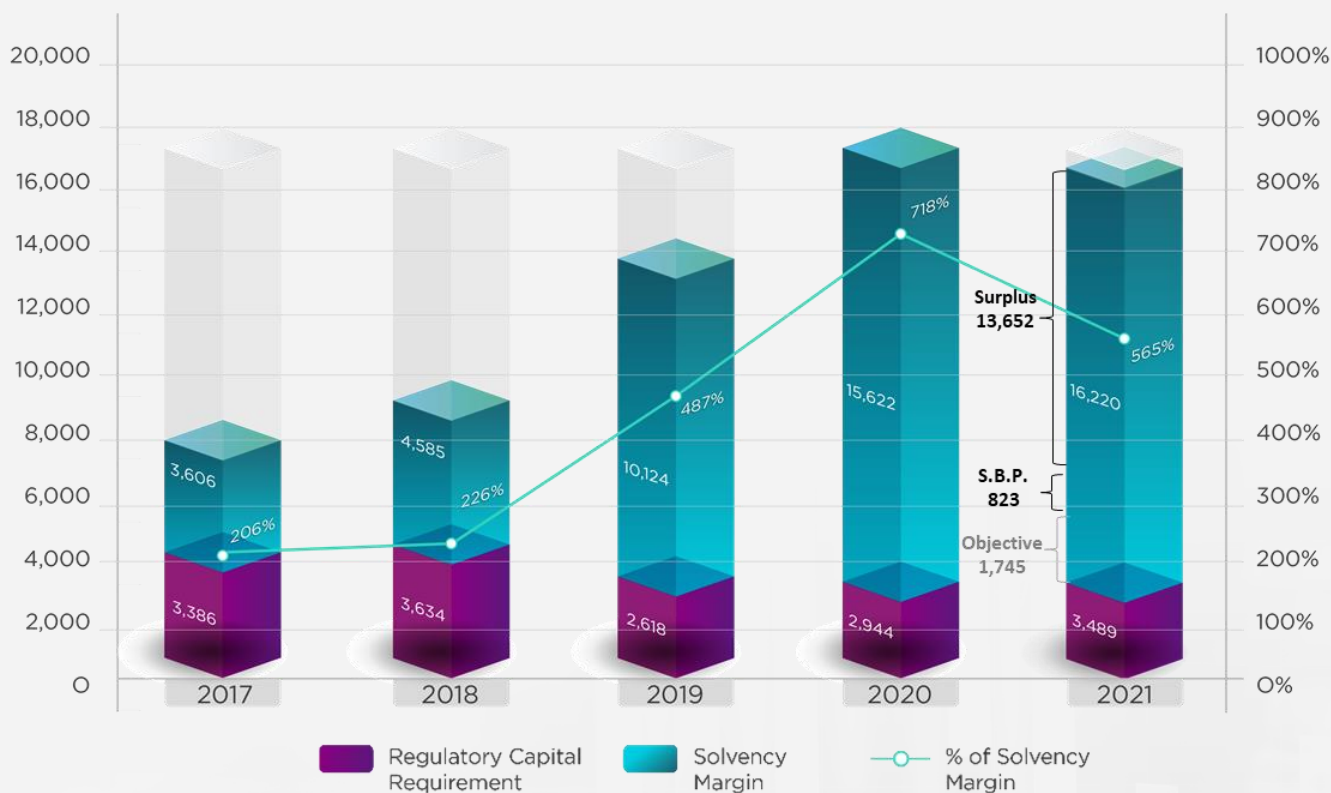
Technical reserves

The technical reserves reached \$37,850 million which represents an increase of 10.3% when compared to 2020 year-end. During the year we constituted \$1,856 million in reserves.

It is important to consider that throughout 2020, given the atypical reduction in claims, there was a technical reserve release of \$615 million (under the prior consolidation) during the year, so during 2021 we experienced the opposite effect, with a reserve constitution of \$1,856 million pesos.

Solvency

The regulatory capital requirement stood at \$3,489 million at the end of 2021, with a solvency margin of \$16,220 million; equivalent to a solvency margin of 565%.



S.B.P refers to the amount to be used from the approved Share Buyback Program at the last General Shareholders' Meeting.

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of December 31st 2021

Figures in Mexican pesos

	2021	2020
Assets		
Investments	<u>36,797,597,565</u>	<u>37,122,190,733</u>
Securities and Derivatives Transactions	<u>34,320,047,312</u>	<u>34,893,071,946</u>
Securities	<u>34,320,047,312</u>	<u>34,893,071,946</u>
Government	21,650,974,839	22,532,297,108
Private Companies: Fixed Rate	5,880,763,608	6,955,989,242
Private Companies: Equity	6,721,726,766	5,208,637,113
Foreign	66,582,099	196,148,483
(-) Value Impairment	-	-
Restricted Securities	-	-
Derivatives	-	-
Overnight	87,913,151	35,824,965
Loans Portfolio (Net)	<u>358,858,935</u>	<u>338,817,272</u>
Current Loan Portfolio	368,194,611	348,220,607
Non-performing Loan	31,197,633	55,443,102
(-) Loan Loss Provisions	40,533,309	64,846,437
Property (Net)	2,030,778,166	1,854,476,550
Investments Related to Labor Obligations	76,329,059	73,371,208
Cash and Cash Equivalents	<u>2,209,374,328</u>	<u>1,691,555,506</u>
Cash and Banks	2,209,374,328	1,691,555,506
Debtors	<u>25,043,187,992</u>	<u>23,717,859,208</u>
Premiums	24,268,780,283	23,048,259,992
Premiums P&C Subsidy	-	-
Federal Agencies Debts	89,840,678	208,449,875
Agents and Claims Officers (Adjusters)	165,981,818	150,987,548
Accounts Receivable	-	-
Bonds for Claims Debtors	-	-
Other	708,678,010	517,969,383
(-) Allowance for Doubtful Accounts	190,092,796	207,807,590
Reinsurers and Re-Bonding Companies	<u>147,062,604</u>	<u>116,918,911</u>
Insurance and Bonds Intitutions	11,596,005	15,072,470
Retained deposits	-	-
Amounts Recoverable from Reinsurance	137,094,615	103,530,558
(-) Loan Loss Provisions for Foreign Reinsurers and Reinsurance and Bonding Brokers	1,584,867	1,579,733
(-) Provisions for Penalties	43,149	104,384
Permanent Investments	<u>46,546,839</u>	<u>46,546,839</u>
Subsidiary	-	-
Associates	-	-
Other permanent investments	46,546,839	46,546,839
Other Assets	<u>7,568,024,628</u>	<u>6,270,068,693</u>
Furniture and Equipment (Net)	1,029,389,943	1,100,342,118
Miscellaneous	6,435,307,548	5,072,814,939
Amortizable Intangible Assets (Net)	67,781,963	62,287,986
Long-lived Intangible Assets (Net)	35,545,175	34,623,650
Total Assets	<u>71,888,123,014</u>	<u>69,038,511,098</u>

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of December 31st 2021
 Figures in Mexican pesos

	2021	2020
Liabilities		
Technical Reserves	37,849,548,895	34,312,424,149
Unearned Premiums	27,257,522,114	25,350,106,757
Property and Casualty Insurance	27,257,522,114	25,350,106,757
Reserve for Outstanding Obligations	10,592,026,781	8,962,317,392
Expired Policies and Claims Occurred Pending of Payment	9,642,118,981	7,991,554,709
Occurred but not Reported and Adjustment Costs assigned to Claims	268,403,571	257,439,425
Deposit Premiums	681,504,229	713,323,258
Reserves Related to Labor Obligations	434,200,682	438,235,104
Creditors	6,815,291,010	6,338,862,097
Agents and Adjusters	2,206,134,595	2,008,196,445
Funds for Losses Management	35,639,187	3,824,950
Bonding for recognition of Liabilities Creditors	-	-
Miscellaneous	4,573,517,228	4,326,840,701
Reinsurers and Re-Bonding Companies	59,191,747	179,565,249
Insurance and Bond Companies	34,507,716	154,881,218
Retained Deposits	24,684,031	24,684,031
Other	-	-
Funding Obtained	-	-
Other Liabilities	6,351,183,548	8,708,362,529
Provisions for employee profit sharing	359,678,825	1,028,620,619
Income Tax Provisions	931,616,190	2,906,954,890
Other Obligations	4,076,396,708	3,851,094,192
Deferred Credits	983,491,825	921,692,829
Total Liabilities	51,509,415,882	49,977,449,128
Stockholders' Equity		
Paid-in Capital		
Capital Stock	2,372,103,769	2,427,366,494
Capital Stock	2,422,365,551	2,464,130,475
(-) Non Subscribed Capital Stock	-	-
(-) Non Displayed Capital Stock	-	-
(-) Repurchased Shares	50,261,783	36,763,980
Earned Capital		
Reserves	1,712,175,316	1,392,443,839
Legal	507,142,999	507,142,999
For Repurchase of shares	865,953,144	647,005,386
Other	339,079,172	238,295,455
Valuation Surplus	331,132,806	522,166,427
Permanent Investments	-	-
Retained Earnings	12,005,975,152	7,823,021,637
Net Result	3,774,524,717	6,793,609,794
Translation effect	167,066,223	139,618,186
Non Monetary Assets Result	-	-
Remeasurements for Benefits granted to Employees	4,383,802	(31,471,592)
Controlling Interest	20,365,871,602	19,051,637,490
Non-Controlling Interest	12,835,531	9,424,480
Total Stockholders' Equity	20,378,707,133	19,061,061,970
Total Liabilities and Stockholders' Equity	71,888,123,014	69,038,511,098

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

Figures in Mexican pesos

	4Q 2021	4Q 2020
Premiums		
Written	10,601,220,762	10,672,433,119
(-) Ceded	76,779,865	70,676,375
Net Written Premiums	10,524,440,897	10,601,756,745
(-) Net Increase of Unearned Premiums Reserve	1,340,199,760	1,190,997,322
Earned Retained Premiums	9,184,241,137	9,410,759,422
(-) Net Acquisition Cost	2,376,476,989	2,114,863,638
Agents Commissions	844,423,135	741,764,188
Agents' Additional Compensation	276,962,436	156,878,266
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	4,030,563	3,484,274
Excess of Loss Coverage	1,566,567	1,694,374
Other	1,257,555,414	1,218,011,084
(-) Net Claims Cost and Other Contractual Liabilities	6,425,741,891	5,519,487,002
Claims and Other Contractual Obligations	6,276,650,050	5,532,269,743
(-) Losses on non-proportional reinsurance Claims	- 149,091,841	12,782,742
Technical Income (Loss)	382,022,257	1,776,408,782
(-) Net Increase in Other Technical Reserves	-	-
Result of Analog and Related Operations	4,256,259	997,500
Gross Income (Loss)	386,278,516	1,777,406,282
(-) Net Operating Expenses	91,559,260	538,605,546
Administrative and Operating Expenses	(222,610,594)	56,676,511
Employees' compensation and benefits	178,374,749	346,517,422
Depreciation and Amortization	135,795,105	135,411,614
Operating Income (Loss)	294,719,255	1,238,800,736
Comprehensive Financing Result	619,851,464	713,143,105
Investments	403,345,321	361,301,643
Sale of Investments	903,731	(45,742,733)
Fair Valuation of Investments	136,938,986	310,528,767
Surcharges on Premiums	69,208,159	91,122,844
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	3,523,078	7,197,163
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	540,574	275,452
(-) Preventive Penalties for Credit Risks	1,905,245	5,063,185
Other	13,343,299	8,474,786
Foreign Exchange Rate Fluctuation	(4,965,291)	(14,400,728)
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	914,570,720	1,951,943,841
(-) Provision for Income Taxes	106,628,050	487,424,451
Income (Loss) Before Discontinued Operations	807,942,670	1,464,519,390
Discontinued Operations	-	-
Net Income (Loss)	807,942,670	1,464,519,390
Controlling Interest	807,749,373	1,463,167,927
Non-Controlling Interest	193,297	1,351,463
Net Income (Loss)	807,942,670	1,464,519,390

QUALITAS CONTROLADORA S.A.B. DE C.V.
Consolidated Income statement from January 1st to December 31st 2021

Figures in Mexican pesos

	2021	2020
Premiums		
Written	38,224,285,597	35,946,672,298
(-) Ceded	301,380,800	380,842,348
Net Written Premiums	37,922,904,797	35,565,829,951
(-) Net Increase of Unearned	-	-
Premiums Reserve	1,855,626,012	(1,212,856,388)
Earned Retained Premiums	36,067,278,784	36,778,686,339
(-) Net Acquisition Cost	8,831,436,833	7,791,382,806
Agents Commissions	2,952,851,853	2,627,235,450
Agents' Additional Compensation	927,164,268	714,119,271
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	21,000,049	9,846,085
Excess of Loss Coverage	6,061,002	7,147,395
Other	4,966,359,759	4,452,726,776
(-) Net Claims Cost and Other	-	-
Contractual Liabilities	23,436,694,787	19,210,305,697
Claims and Other Contractual Obligations	23,728,481,776	19,360,360,062
(-) Losses on non-proportional reinsurance	291,786,989	150,054,365
Claims	-	-
Technical Income (Loss)	3,799,147,164	9,776,997,835
(-) Net Increase in Other Technical Reserves	-	-
Result of Analog and Related Operations	9,476,259	7,530,000
Gross Income (Loss)	3,808,623,423	9,784,527,835
(-) Net Operating Expenses	1,317,397,549	2,397,445,961
Administrative and Operating Expenses	(147,030,965)	320,893,874
Employees' compensation and benefits	982,243,079	1,587,832,598
Depreciation and Amortization	482,185,436	488,719,489
Operating Income (Loss)	2,491,225,874	7,387,081,874
Comprehensive Financing Result	2,273,211,690	1,974,755,181
Investments	1,597,102,011	1,481,299,996
Sale of Investments	(104,667,855)	(53,809,852)
Fair Valuation of Investments	389,390,825	(197,662,862)
Surcharges on Premiums	299,065,146	412,597,593
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	17,315,594	27,618,480
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	5,134	(225,251)
(-) Preventive Penalties for Credit Risks	(67,659)	3,188,947
Other	48,013,274	263,123,151
Foreign Exchange Rate Fluctuation	26,930,170	44,552,371
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	4,764,437,564	9,361,837,056
(-) Provision for Income Taxes	986,493,524	2,563,754,588
Income (Loss) Before Discontinued Operations	3,777,944,040	6,798,082,468
Discontinued Operations	-	-
Net Income (Loss)	3,777,944,040	6,798,082,468
Controlling Interest	3,774,524,717	6,793,609,794
Non-Controlling Interest	3,419,323	4,472,674
Net Income (Loss)	3,777,944,040	6,798,082,468

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)

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Rating:
Market Perform

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Rating:
Overweight

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Rating:
Market Perform

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Rating:
Buy

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Target price:
116.00 MXN

Rating:
Neutral

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Target price:
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Rating:
Buy

GBM

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Target price:
115.00 MXN

Rating:
Outperform

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Target price:
117.00 MXN

Rating:
Fair Value

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Target price:
136.27 MXN

Rating:
Buy

BX+

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114.20 MXN

Rating:
Buy

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Target price:
124.00 MXN

Rating:
Buy

Bloomberg

Analyst:
-

E-mail:
-

Target price:
119.40 MXN

Rating:
-

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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