



Earnings
Results

2022

3rd Quarter

Results Webcast 3T22

Date: Friday October 21st, 2022

Hora: 8:00 am CST / 9:00 am EST

Qualitas Controladora S.A.B. de C.V. cordially invites you to its third quarter 2022 earnings results conference call.

Hosted by:

Mr. Jose Antonio Correa, Chief Executive Officer Qualitas Controladora
Mr. Bernardo Risoul, Chief Financial Officer & International CEO

Link to join online: <https://services.choruscall.ca/links/qualitas2022q3.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>

Qualitas reports third quarter 2022 results

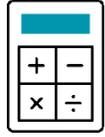
Mexico City, October 20th, 2022– Qualitas Controladora, S.A.B. de C.V. (“Qualitas”, “Q”, or “the company”) (BMV: Q*), announces its unaudited financial results for the third quarter and nine months of 2022.

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

Highlights

- Results reflect both, in the operating piece, the seasonality of the business, inflationary environment, as well as the increase in private transportation mobility and claims frequency; and in the investment income piece, the overall market downturn, coupled with the impact of a particular position within our equity portfolio.
- Quarterly written premiums closed at \$10,115 million, an increase of 14.4% vs 3Q21, reaching \$29,611 million or +7.2% on a year-to-date basis; above our expectations and partially reflecting the overall increase in tariffs of ~14% from the 2021 lowest point, as well as the gradual recovery in new car sales, +2.7% vs 9M21.
- Once again, we reached a record high of insured units with 4.8 million by quarter-end; +297 thousand vs. 4Q21 and +102 thousand units vs 2Q22.
- Earned premiums closed the quarter at \$10,058 million, up by +10.7% vs 3Q21, and +8.8% 9M22, reflecting both our policies portfolio mix, mainly annual policies, and the underwriting growth performance.
- Quarterly loss ratio stood at 71.4%, in line with our expectations and worsened by the items previously mentioned, and by meteorological events commonly presented during the third quarter every year. Year-to-date loss ratio stood at 68.5%.
- Combined ratio by the end of 3Q22 was 98.4% and 95.8% for 9M22. We will continue with our pricing discipline, adjusting tariffs when necessary, reflecting the current environment and ensuring business’ profitability.
- Quarterly comprehensive financial income stood at \$52 million and \$628 million on a year-to-date-basis, with an ROI of 1.6%; this result was mainly hit by a position in our equity portfolio, further impacted by the widespread volatility in capital markets. By September-end, our investment portfolio was \$34,328 million; 87.7% invested in fixed Income with a 0.6-year duration.
- 3Q22 net Income closed at \$211 million, and \$1,602 million for 9M22, resulting in a net margin of 2.1% & 5.4% respectively. 12-month ROE stood at 12.6%, below our long-term objective, reflecting the performance had over the year and Qualitas’ capital strength.
- Regulatory capital requirement stood at \$3,694 million, with a solvency margin of \$14,692 million, equivalent to a solvency ratio of 498%.
- Our Q* share progressed six positions in the Mexican stock index, reaching to the position 19, improving in terms of liquidity. As of September, we held 5.5 million shares purchased through the buyback fund, with remaining resources of \$855 million.

Qualitas in figures

 <p>4,773,648 Insured units</p>	<p>14.4% Written premiums growth 3Q22 vs 3Q21</p> 
 <p>30.1%* Market share; leaders since 2007</p>	<p>12.6% 12M ROE</p> 
 <p>5.4% 9M22 net margin</p>	<p>\$13.8 P/E</p> 
 <p>\$6.0 EPS 12 M</p>	<p>\$1.8 P/B</p> 
 <p>543 220 service offices 323 ODQ's</p>	<p>\$34,328 Invested assets, float MM MXN</p> 
 <p>5,588 Employees</p>	<p>~19,500 Agents</p> 

*Market share as of 6M22 in Mexico, source AMIS

Financial highlights 3Q & 9M 2022 (MM MXN)

Income Statement	Quarterly			Year to date		
	3Q22	3Q21	Δ %/bp 22 vs 21	9M22	9M21	Δ %/bp 22 vs 21
Premiums written	10,115	8,840	14.4%	29,611	27,623	7.2%
Net premiums written	9,983	8,779	13.7%	29,153	27,398	6.4%
Premiums earned	10,058	9,087	10.7%	29,244	26,883	8.8%
Acquisition cost	2,279	2,090	9.0%	6,786	6,455	5.1%
Loss cost	7,186	6,007	19.6%	20,039	17,011	17.8%
Technical result	594	990	(40.0%)	2,420	3,417	(29.2%)
Operating expenses	422	421	0.3%	1,191	1,226	(2.8%)
Underwriting result	172	569	(69.8%)	1,228	2,197	(44.1%)
Comprehensive financial income	52	534	(90.3%)	628	1,653	(62.0%)
Investment income	(28)	446	(106.3%)	416	1,389	(70.0%)
Income Taxes	12	183	(93.4%)	254	880	(71.1%)
Net result	211	920	(77.0%)	1,602	2,970	(46.0%)
Cost ratios						
Acquisition ratio	22.8%	23.8%	(98)	23.3%	23.6%	(28)
Loss ratio	71.4%	66.1%	533	68.5%	63.3%	524
Operating ratio	4.2%	4.8%	(59)	4.0%	4.4%	(41)
Combined ratio	98.4%	94.7%	376	95.8%	91.3%	455
Combined ratio adjusted*	98.3%	93.7%	455	95.8%	91.8%	395
Profitability ratios						
Return on investments	(0.3%)	5.4%	(570)	1.6%	5.4%	(381)
ROE for the period	4.5%	19.2%	(1,469)	5.8%	20.5%	(1,466)
LTM ROE	12.6%	23.7%	(1,111)	12.6%	23.7%	(1,111)

*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	3Q22	3Q21	Δ %/bp 22 vs 21
Assets	72,940	68,884	5.9%
Investments & Real Estate	36,367	35,459	2.6%
Invested assets or float**	34,328	33,537	2.4%
Technical reserves	39,319	36,014	9.2%
Total liabilities	54,189	49,316	9.9%
Stockholders' equity	18,751	19,568	(4.2%)

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

Written premiums

BUSINESS LINE	3Q22	3Q21	Δ \$	Δ %/bp 22 vs 21	9M22	9M21	Δ \$	Δ %/bp 22 vs 21
Traditional	6,347	5,398	949	17.6%	18,270	16,199	2,071	12.8%
<i>Individual</i>	3,814	3,170	644	20.3%	10,759	9,384	1,375	14.7%
<i>Fleets</i>	2,533	2,228	305	13.7%	7,511	6,815	696	10.2%
Financial institutions	2,991	2,703	288	10.7%	8,534	8,990	(456)	(5.1%)
Foreign subsidiaries	762	732	29	4.0%	2,655	2,395	260	10.9%
Total	10,115	8,840	1,237	14.4%	29,611	27,623	1,615	7.2%

During the quarter, written premium stood at \$10,115 million, growing 14.4% compared to same period of prior year. As of September, written premium stood at \$29,611 million, reflecting an increase of 7.2% versus same period 2021.

Such growth was driven once again by the performance in our traditional segment, through our broad agents' and service offices' network, which reported an increase in written premiums of 17.6% vs 3Q21. This network in Mexico and the rest of our international subsidiaries continues its expansion; during the quarter we opened 2 new service offices and 7 new ODQ's, reaching a total of 543 offices and an agents' network of 19,460 by quarter-end.

Underwriting through financial institutions had a quarterly increase of 10.7%; reflecting a gradual recovery in new car sales during the quarter, reaching +2.7% on a year-to-date basis compared to same period of 2021, but still -18.5% compared to 9M19.

Growing automobiles demand and the lack of offer caused by the global shortages in the supply chain, coupled with the reduction in new cars inventory, continue to create an opportunity in the performance of the used cars sales' segment. As of August 2022, loans for used cars increased by 13.3% compared to same period in 2021. We are taking the required actions to make this segment a driver for underwriting.

International subsidiaries posted a 10.9% growth during the first nine months of 2022. Quarterly and year-to-date growth of these subsidiaries in local currency stood at 2.9% y 10.1%, respectively, compared to same periods in 2021. The CAGR for the las 3 years has been 5.4%; excluding our US subsidiary, this figure would be 9.6%.

Insured units

Despite the competitive landscape and the slow recovery in new car sales, we were able to close the quarter with a new record high of 4.8 million insured units. This represents an increase of 6.6% or +297 thousand units compared to 2021 year-end. Likewise, every international subsidiary increased the number of insured units, maintaining our commitment to accelerate and boost its growth.

During the quarter we began to observe gradual recovery signals in new car sales in Mexico, increasing on a quarterly basis by 9.6% compared to prior year and reaching a cumulative growth of 2.7%. In addition, car production reported an increase of 31.4% compared to 3Q21, according to INEGI figures.



4,773,648 insured units



CAGR of last 5 years

Qualitas' insured units are allocated as follows:

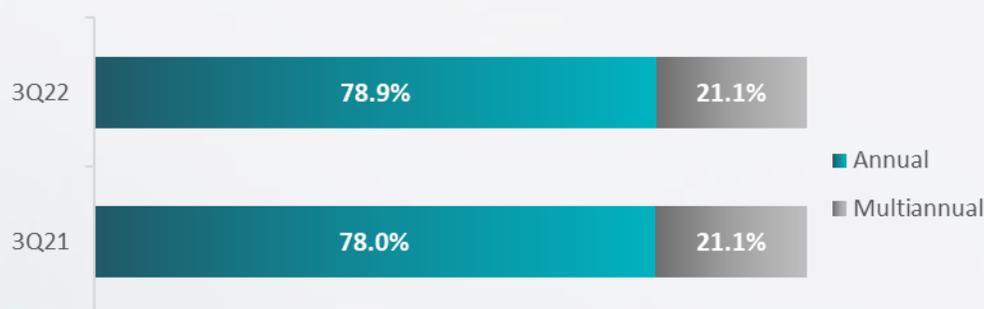
	3Q22	4Q21	Δ%	3Q21	Δ%
Mexico	4,580	4,311	6.2%	4,350	5.3%
Automobiles	3,003	2,882	4.2%	2,894	3.8%
Trucks	1,191	1,120	6.4%	1,164	2.3%
Tourists	131	115	14.2%	107	22.6%
Motorcycles	254	195	30.8%	186	37.1%
El Salvador	27	21	24.6%	20	36.2%
Costa Rica	92	76	21.8%	70	31.9%
USA	18	18	1.9%	17	5.1%
Peru	57	51	10.5%	34	64.5%
Insured vehicles	4,774	4,477	6.6%	4,491	6.3%

All percentage changes are compared to 3Q22, in thousands of units.

Earned premiums

During third quarter, earned premiums closed at \$10,058 million, which represents an increase of 10.7% compared to same period prior year. This growth is directly related to our portfolio mix, underwriting growth rate, and thus the actuarial reserves' constitution. On a year-to-date basis, earned premiums posted an increase of 8.8%.

By September end, 78.9% of our portfolio was comprised by annual policies and 21.1% by multiannual policies.



Net acquisition cost

Acquisition cost for the quarter was \$2,279 million, posting an acquisition ratio of 22.8%; and \$6,786 million as of September, with a 23.3% acquisition ratio.

It is worth noting that there has not been any change neither in agents nor financial institutions commissions throughout the year; they are related to sales volume, as well to the health and profitability of their portfolios.

Loss cost

During the first nine months of the year, we continue to see an increase in claims frequency; this ratio represents the average number of claims that an insurance policy, or a portfolio of policies, had during a period. During the last two years, frequency has increased to same levels as 2019; going from 6.2% in 3Q20 to 7.3% in 3Q21 and 7.4% in 3Q22.

On the other hand, by September-end, inflation in Mexico stood at 8.7%, levels not seen in more than two decades; at the same time, automobile industry inflation stood at 11.0% by the end of the quarter. The above, impacted our los costs increasing the average claim cost by 9.7%.

Relating to the thefts of insured units in Mexico, according to OCRA latest figures, from January to September they increased by 2.7% for Qualitas; we started to see an inflection point in the positive trend experienced over the last 3 years, but still 24.0% below 2019 levels.

We will continue to strengthen the use of technological tools, as well as our risk prevention efforts to recover stolen units. By September-end, Qualitas recovered 47.1% of its stolen units, 1.7 percentage points above the industry average.

Lastly, historically during every third quarter, Mexico gets impacted by intense raining and hurricanes season; this quarter was not the exception.

All the above resulted in a quarterly loss cost of \$7,186 million, representing \$1,178 more million or 19.6% more than the figure reported last quarter. Quarterly loss ratio stood at 71.4% and 68.5% on a year-to-date basis, an increase of 5.8 and 5.2 percentage points, respectively.

Despite the rise in loss ratio was expected as part of the cycle we are going through, we have taken and will continue taking the necessary actions to get back to our technical target range of 62% to 65%. Within these measures are frequent pricing assessments, implementation of operating efficiencies, in addition to our vertical integration, which allows us to have a better cost control.



Source: AMIS, 1H22 information.

Operating cost

Operating expenses for the quarter stood at \$422 million and \$1,191 million on a year-to-date basis, reaching an operating ratio of 4.2% and 4.0%, respectively.

Profit sharing provision is included under the operating cost; which is directly linked to profits; when excluding its effect, ratio would have stood at 3.5%.

Underwriting result

By the end of the third quarter, we reported a combined ratio of 98.4% and of 95.8% for the first nine months of the year, reflecting the increase in claims already mentioned.

Quarterly underwriting result was \$172 million for the quarter and \$1,228 million as of September, reporting an operating margin of 1.7% and 4.2% quarterly and year-to-date, respectively.

Comprehensive financial Income

Mexican reference rate continues its upward trend; during 3Q22, reference rate increased 450 basis points, standing at 9.25% by September-end, compared to 4.75% by the end of same period in 2021; average reference rate 28-day CETES of the quarter stood at 8.3%.

By the end of 3Q22, 87.7% of our portfolio was allocated in fixed income and the remaining 12.3% in equities. It is worth noting that our fixed Income strategy and its duration has been progressing throughout the year, since it was not foreseen current inflationary levels, which resulted in an aggressive increase in reference rates.

By the end of 3Q21, duration of our investment portfolio was 0.8 years, which has been reduced to stand at 0.6 years by September-end. The above explains that the increase in rates has not immediately benefit our portfolio's fixed income piece, but current duration will start to positively impact the portfolio given the upward rates trend.

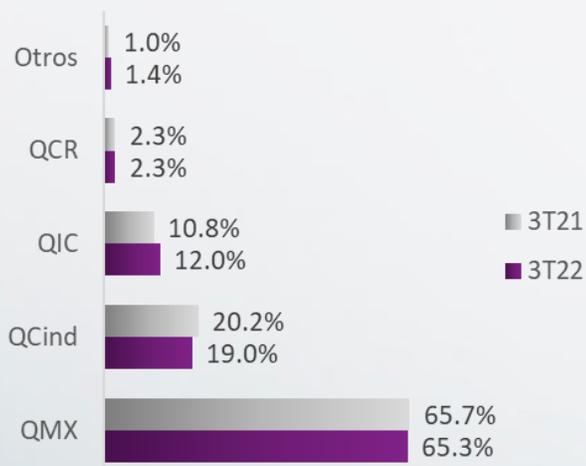
Worldwide stock exchanges have been in a volatile environment given global context; during these nine months of the year, Mexican index IPC has fallen -16.2%, in line with the S&P 500 fall of -24.8% and NASDAQ fall of -32.4%.

Additionally, within our equity portfolio, we maintain a strongly impacted position, which harmed the quarterly and accumulated investment income.

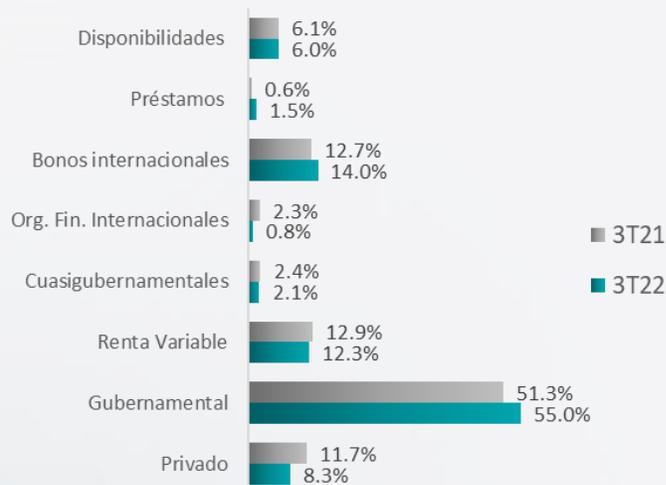
Considering the above, financial Income for the quarter was \$52 million and an ROI of -0.3%; on a year-to-date-basis financial income was \$628 million with an ROI of 1.6%.

For the remaining of the year, we will maintain a conservative approach, prioritizing liquid assets aiming to benefit our fixed Income portfolio from hiking in rates; regarding our equity portfolio, we will continue to assess our exposure based on our fundamental analysis.

Portfolio by subsidiary



Total portfolio



Net income

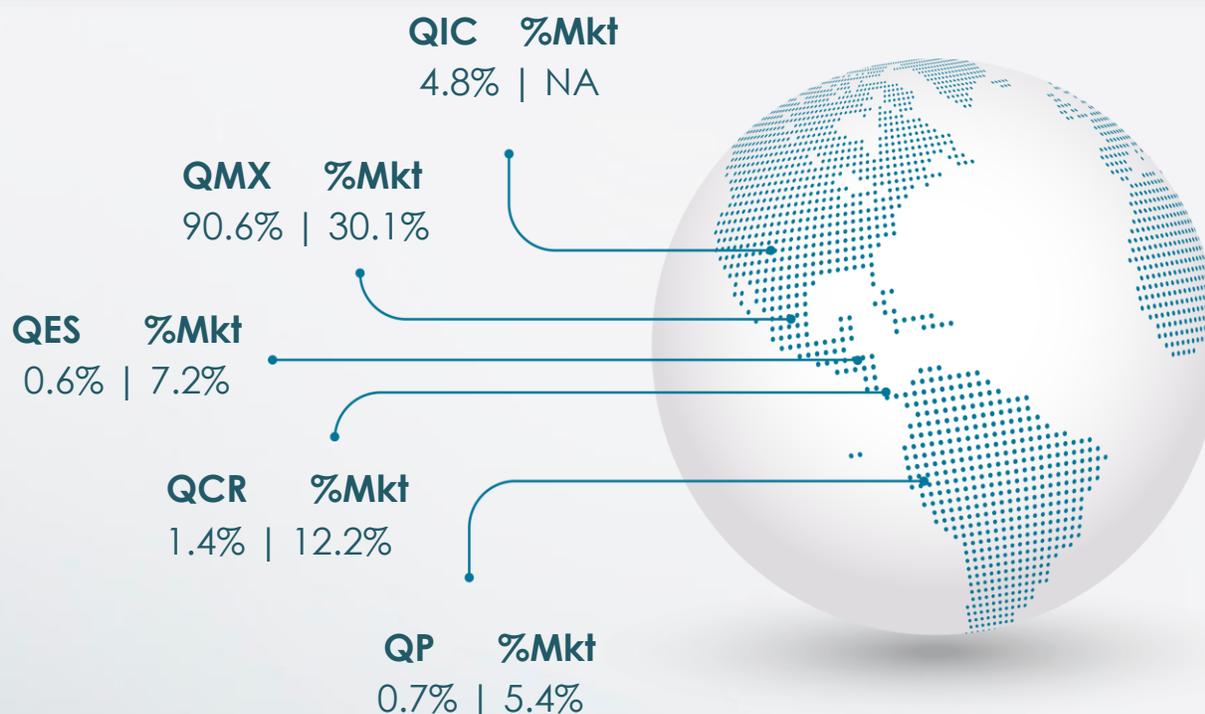
Quarterly net profit closed at \$211 million, equivalent to a net margin of 2.1%. On a year-to-date basis, net income was \$1,602, with a net margin of 5.4%.

This result shows complexity of the operating side of the business, as well as the volatile and changing environment on the financial side. However, we keep on implementing actions headed to mitigate external impacts and quickly adjusting the strategy to the environment we are going through.

Qualitas reported a 12-month ROE of 12.6% reflecting the performance along the year and the solidness of our capital. ROE comprises an operating ROE of 6.9% and a financial ROE of 5.7%.

Subsidiaries as of 3Q22

International (geographical) subsidiaries represented **7.5% of company's total written premium**



Altogether, the international and non-insurance (vertical) subsidiaries reported written premiums and sales of \$869 million during 3Q22 and of \$2,947 million during first nine months of the year; representing an increase of 1.2% and 11.4%, respectively. Their quarterly growth in local currency stands at 2.9% and 10.1% year-to-date.

In our US subsidiary, QIC, we have faced long-term claims processes, related to open claims' disputes with years of duration. In this regard, we have determined to intentionally slowdown our underwriting, aiming to adjust bot, tariffs, and reserves, to manage these risks and claim service processes. This subsidiary will continue to be specially focused on the cross-border market between both countries.

	Written premium					
	3Q22	3Q21	Δ %	9M22	9M21	Δ %
Q ES	59	48	22.0%	145	107	35.6%
Q CR	142	109	29.9%	498	414	20.4%
Q IC (USA)	487	506	(3.8%)	1723	1619	6.5%
Q P	74	69	7.6%	289	256	13.0%
Vertical*	107	126	(15.0%)	292	251	16.4%
Total	869	858	1.2%	2,947	2,646	11.4%

Figures in million pesos. Sales in vertical subsidiaries exclude inter company operations

*Sales in the case of non-insurance subsidiaries

Technical reserves

Technical reserves reached \$39,319 million which represents a 9.2% increase compared to same period of last year. During the first nine months of the year, we have released reserves for \$91.6 million compared to \$515 million constituted in same period 2021.

The unearned premium reserve increased by 4.8% compared to same period of last year. Relating to claim's reserves, the increase was of 20.3%.

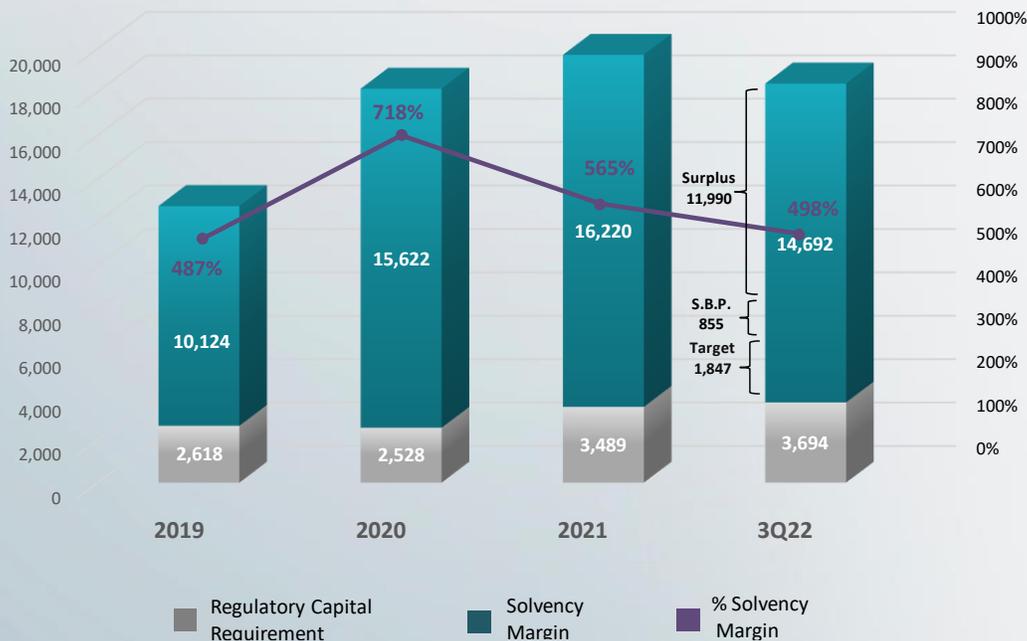
During this quarter we posted a reserve' release of \$74.8 million, mainly related to the duration of our current portfolio as well as operational costs efficiencies.

Important to mention that reserves' constitution is related to three main factors: 1) underwriting growth pace, 2) portfolio premiums' composition (annual and multiannual) and 3) historical claims and loss cost estimates, so the behavior of them can change in atypical years, such as the one with the pandemic.

Solvency

The regulatory capital requirement stood at \$3,694 million by the end of 3Q22, with a solvency margin of \$14,692 million, equivalent to a solvency margin of 498%.

This solvency margin considers the payment of the first installment of the approved dividend of \$4 pesos per share or \$1,624,000 million. The payment of the second installment of \$2.5 pesos per share or \$1,015,000 million is going to be paid in November.



QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of September 30th 2022
 Figures in Mexican pesos

	2022	2021
Assets		
Investments	36,367,006,623	35,459,147,632
Securities and Derivatives Transactions	33,586,904,848	33,154,332,076
Securities	33,586,904,848	33,154,332,076
Government	23,231,997,398	20,445,055,573
Private Companies: Fixed Rate	4,639,574,617	5,977,059,691
Private Companies: Equity	5,745,962,633	6,665,079,815
Foreign	0	67,136,998
(-) Value Impairment	30,629,801.0	-
Restricted Securities	-	-
Derivatives	-	-
Overnight	80,116,682	86,694,135
Loans Portfolio (Net)	660,491,741	295,570,455
Current Loan Portfolio	682,169,585	303,000,886
Non-performing Loan	31,697,466	49,792,992
(-) Loan Loss Provisions	53,375,310	57,223,423
Property (Net)	2,039,493,353	1,922,550,966
Investments Related to Labor Obligations	80,097,428	75,481,455
Cash and Cash Equivalents	2,345,859,137	2,225,164,148
Cash and Banks	2,345,859,137	2,225,164,148
Debtors	25,263,252,393	24,280,775,214
Premiums	24,226,819,315	23,485,015,119
Premiums P&C Subsidy	-	-
Federal Agencies Debts	92,695,844	135,700,271
Agents and Claims Officers (Adjusters)	179,476,551	163,873,883
Accounts Receivable	-	-
Bonds for Claims Debtors	-	-
Other	910,787,637	707,463,314
(-) Allowance for Doubtful Accounts	146,526,954	211,277,374
Reinsurers and Re-Bonding Companies	275,240,807	128,305,565
Insurance and Bonds Intitutions	35,228,901	10,389,466
Retained deposits	-	-
Amounts Recoverable from Reinsurance	241,858,653	119,000,303
(-) Loan Loss Provisions for Foreign Reinsurers and Reinsurance and Bonding Brokers	1,797,004	1,044,293
(-) Provisions for Penalties	49,743	39,911
Permanent Investments	46,546,839	46,546,839
Subsidiary	-	-
Associates	-	-
Other permanent investments	46,546,839	46,546,839
Other Assets	8,561,896,807	6,668,493,038
Furniture and Equipment (Net)	1,503,202,066	915,223,856
Miscellaneous	6,934,818,645	5,652,415,353
Amortizable Intangible Assets (Net)	88,892,087	65,151,739
Long-lived Intangible Assets (Net)	34,984,010	35,702,090
Total Assets	72,939,900,035	68,883,913,891

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of September 30th 2022
 Figures in Mexican pesos

	2022	2021
Liabilities		
Technical Reserves	39,318,913,862	36,013,953,620
Unearned Premiums	27,159,177,639	25,910,222,517
Property and Casualty Insurance	27,144,226,047	25,910,222,517
Reserve for Outstanding Obligations	12,159,736,223	10,103,731,103
Expired Policies and Claims Occurred Pending of Payment	14,498,852,278	11,936,132,706
Occurred but not Reported and Adjustment Costs assigned to Claims	(2,966,504,474)	(2,494,178,892)
Deposit Premiums	627,388,419	661,777,290
Reserves Related to Labor Obligations	511,356,426	508,089,598
Creditors	7,401,844,263	6,654,737,222
Agents and Adjusters	2,052,494,602	1,938,277,745
Funds for Losses Management	50,425,519	67,569,240
Bonding for recognition of Liabilities Creditors	-	-
Miscellaneous	5,298,924,143	4,648,890,237
Reinsurers and Re-Bonding Companies	206,595,869	12,750,016
Insurance and Bond Companies	206,595,869	(11,934,015)
Retained Deposits	-	24,684,031
Other	-	-
Funding Obtained	-	-
Other Liabilities	6,750,260,575	6,126,457,631
Provisions for employee profit sharing	191,343,025	338,345,003
Income Tax Provisions	456,984,227	802,739,430
Other Obligations	5,129,597,330	3,957,710,042
Deferred Credits	972,335,993	1,027,663,156
Total Liabilities	54,188,970,996	49,315,988,087
Stockholders' Equity		
Paid-in Capital		
Capital Stock	2,354,057,360	2,372,103,769
Capital Stock	2,386,567,046	2,422,365,551
(-) Non Subscribed Capital Stock	-	-
(-) Non Displayed Capital Stock	-	-
(-) Repurchased Shares	32,509,686	50,261,783
Earned Capital		
Reserves	1,834,546,187	1,734,028,521
Legal	507,142,999	507,142,999
For Repurchase of shares	971,703,940	905,334,632
Other	355,699,248	321,550,890
Valuation Surplus	33,880,432	311,517,569
Permanent Investments	-	-
Retained Earnings	12,773,408,000	12,032,240,245
Net Result	1,599,215,177	2,966,775,344
Translation effect	133,166,300	181,288,396
Non Monetary Assets Result	-	-
Remeasurements for Benefits granted to Employees	2,889,779	(42,671,580)
Controlling Interest	18,731,163,234	19,555,282,264
Non-Controlling Interest	19,765,804	12,643,540
Total Stockholders' Equity	18,750,929,039	19,567,925,804
Total Liabilities and Stockholders' Equity	72,939,900,035	68,883,913,891

Note: Due to an audit to the Financial Statements of December 2021 and June 2022 by the CNSF, the items of Expired Policies and Incurred Claims with Outstanding Payment and Incurred but Not Reported Claims and Loss Adjustment Expenses are being reclassified in the 2021 and 2022 Balance Sheet, for presentation purposes, within the Reserve for Outstanding Obligations line.

QUALITAS CONTROLADORA S.A.B. DE C.V.
Consolidated Income statement for the third quarter 2022

Figures in Mexican pesos

	3Q 2022	3Q 2021
Premiums		
Written	10,114,645,961	8,839,553,419
(-) Ceded	131,625,656	60,302,798
Net Written Premiums	9,983,020,305	8,779,250,621
(-) Net Increase of Unearned Premiums Reserve	(74,780,321)	(307,735,748)
Earned Retained Premiums	10,057,800,626	9,086,986,369
(-) Net Acquisition Cost	2,278,544,777	2,089,976,750
Agents Commissions	769,503,982	706,120,321
Agents' Additional Compensation	245,675,173	231,833,172
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	959,836	661,992
Excess of Loss Coverage	1,524,498	1,402,056
Other	1,262,800,961	1,151,283,192
(-) Net Claims Cost and Other		
Contractual Liabilities	7,185,505,696	6,007,161,686
Claims and Other Contractual Obligations	7,196,475,808	6,038,930,410
(-) Losses on non-proportional reinsurance	10,970,112	31,768,724
Claims	-	-
Technical Income (Loss)	593,750,153	989,847,933
(-) Net Increase in Other Technical Reserves	-	-
Result of Analog and Related Operations	-	-
Gross Income (Loss)	593,750,153	989,847,933
(-) Net Operating Expenses	422,036,855	420,917,679
Administrative and Operating Expenses	18,061,838	48,815,338
Employees' compensation and benefits	258,004,220	254,900,122
Depreciation and Amortization	145,970,797	117,202,219
Operating Income (Loss)	171,713,298	568,930,255
Comprehensive Financing Result	51,563,479	533,865,314
Investments	561,434,763	404,618,321
Sale of Investments	(7,283,323)	(27,387,060)
Fair Valuation of Investments	(598,728,735)	42,767,267
Surcharges on Premiums	86,017,805	72,845,292
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	14,212,526	4,168,780
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	(73,283)	(449,049)
(-) Preventive Penalties for Credit Risks	135,724	(363,692)
Other	(6,497,330)	14,790,299
Foreign Exchange Rate Fluctuation	2,470,213	21,249,673
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	223,276,778	1,102,795,569
(-) Provision for Income Taxes	12,049,867	182,825,069
Income (Loss) Before Discontinued Operations	211,226,911	919,970,500
Discontinued Operations	-	-
Net Income (Loss)	211,226,911	919,970,500
Controlling Interest	210,272,410	918,977,621
Non-Controlling Interest	954,501	992,879
Net Income (Loss)	211,226,911	919,970,500

QUALITAS CONTROLADORA S.A.B. DE C.V.
Consolidated Income statement from January 1st to September 30th 2022
 Figures in Mexican pesos

	2022	2021
Premiums		
Written	29,611,380,026	27,623,064,835
(-) Ceded	<u>458,565,684</u>	<u>224,600,935</u>
Net Written Premiums	29,152,814,343	27,398,463,900
(-) Net Increase of Unearned	-	-
Premiums Reserve	(91,648,438)	515,426,252
Earned Retained Premiums	29,244,462,781	26,883,037,647
(-) Net Acquisition Cost	<u>6,786,148,369</u>	<u>6,454,959,844</u>
Agents Commissions	2,294,611,663	2,108,428,718
Agents' Additional Compensation	727,217,903	650,201,832
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	3,964,559	16,969,487
Excess of Loss Coverage	4,598,061	4,494,435
Other	3,763,685,301	3,708,804,345
(-) Net Claims Cost and Other		
Contractual Liabilities	<u>20,038,691,293</u>	<u>17,010,952,896</u>
Claims and Other Contractual Obligations	20,326,148,104	17,451,831,726
(-) Losses on non-proportional reinsurance	287,456,811	440,878,830
Claims	-	-
Technical Income (Loss)	2,419,623,119	3,417,124,908
(-) Net Increase in Other Technical Reserves	-	-
Result of Analog and Related Operations	-	5,220,000
Gross Income (Loss)	2,419,623,119	3,422,344,908
(-) Net Operating Expenses	<u>1,191,191,218</u>	<u>1,225,838,289</u>
Administrative and Operating Expenses	(3,750,658)	75,579,629
Employees' compensation and benefits	766,203,476	803,868,330
Depreciation and Amortization	428,738,400	346,390,331
Operating Income (Loss)	1,228,431,902	2,196,506,619
Comprehensive Financing Result	<u>628,446,500</u>	<u>1,653,360,226</u>
Investments	1,499,197,183	1,193,756,690
Sale of Investments	(85,095,060)	(105,571,586)
Fair Valuation of Investments	(1,044,883,053)	252,451,839
Surcharges on Premiums	231,054,431	229,856,987
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	24,892,742	13,792,516
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	212,137	(535,440)
(-) Preventive Penalties for Credit Risks	12,342,167	(1,972,904)
Other	(18,751,105)	34,669,975
Foreign Exchange Rate Fluctuation	34,585,667	31,895,462
(-) Monetary Position Result	-	-
Participation in Permanent Investments Result	-	-
Income (Loss) Before Taxes	<u>1,856,878,402</u>	<u>3,849,866,845</u>
(-) Provision for Income Taxes	254,392,468	879,865,474
Income (Loss) Before Discontinued Operations	1,602,485,934	2,970,001,371
Discontinued Operations	-	-
Net Income (Loss)	1,602,485,934	2,970,001,371
Controlling Interest	1,599,215,177	2,966,775,344
Non-Controlling Interest	3,270,758	3,226,026
Net Income (Loss)	<u>1,602,485,934</u>	<u>2,970,001,371</u>

Glossary of terms and definition

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 Capital 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 Mexico

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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85.00 MXN

Rating:
Neutral



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Rating:
Underperform



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Rating:
Underperform



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Sale



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Sale



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Rating:
Hold



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Rating:
Outperform



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Rating:
Buy



Analyst:
-

E-mail:
-

Target price:
104.55 MXN

Rating:
-

About Qualitas:

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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