

Automobile Insurance

Industry Report

1H17

Mexico City, August 21st, 2017

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

Introduction

The Auto Insurance Industry in Mexico had a nominal growth of 13.6% in written premiums during the first semester of 2017. It is worth mentioning that for the same period of time the GDP¹ grew 3.1% and the annualized inflation¹ rate was 6.4%.

Automobile financing continued to gain market registering 68.2% of new car sales, this mainly driven by the financial branches of automakers. New light vehicle sales grew 2.9% compared to the same semester of 2016.

Regarding costs, the industry recorded a combined ratio of 98% in the first half of the year, a higher figure when compared to the 92% registered last year. This change is mainly related to the increases in the claims ratios.

In order to have a better analysis of the Industry, we subdivide bank-owned insurance companies as some of these companies have cross selling with the bank's customers and have different costs structures.

Companies	Written Premiums	Growth	Operating Result	Investment Income	Net Result	Claims Ratio	Combined Ratio
Quálitas	15,830	24.4%	184	776	699	69%	94%
Other	24,866	10.1%	(7)	1,592	1,320	68%	99%
Sum Insurance Companies	40,696	15.2%	177	2,368	2,019	68%	97%
Bank-owned	8,428	6.6%	334	990	1,057	70%	94%
Total Market (36 Companies)*	49,124	13.6%	511	3,358	3,076	69%	98%

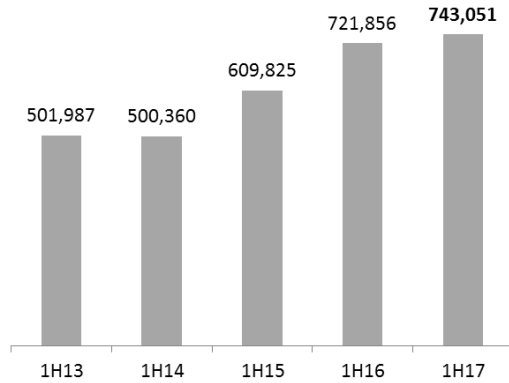
Combined ratio without bank-owned insurance companies was 97%, whereas Quálitas recorded an 94% combined ratio.

¹ Source: INEGI

*35 Insurance Companies and 1 Reinsurance Company

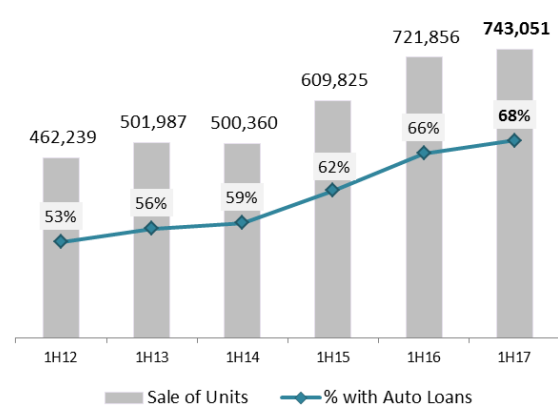
Automobile Industry and Automobile Financing

Nationwide Sales of Vehicles² (Automobiles & Trucks)



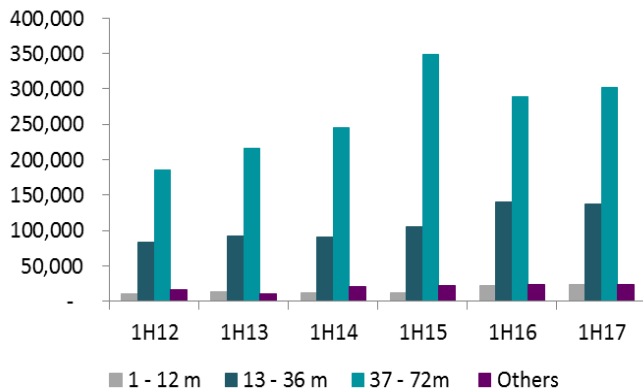
Sales of new units (automobiles & trucks) grew 2.9% when compared to the first half of 2016, totaling 743,051 units.

Automobile Financing³



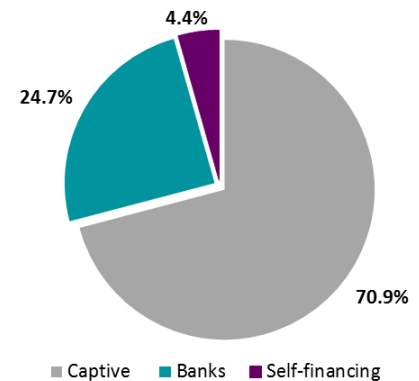
Automobile financing continued to grow, 68% of car sales were on credit.

Financing Term³



In the first half of 2017, most car loans (27.7%) had a duration of 60 months, with 302,707 allocations. The duration of the loans has been increasing over the last 5 years.

Automobile Financing Market³



The main sources of financing to purchase a car were automakers and automotive agencies (captives) with a 70.9% of market share.

²Source: ANPACT and AMDA. Figures are stated in units of automobiles sold.

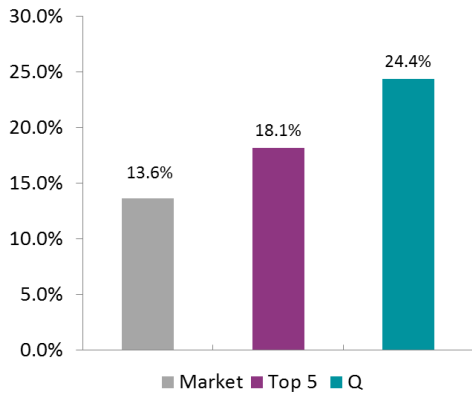
³Source: JATO Dynamics.

Automobile Insurance Industry

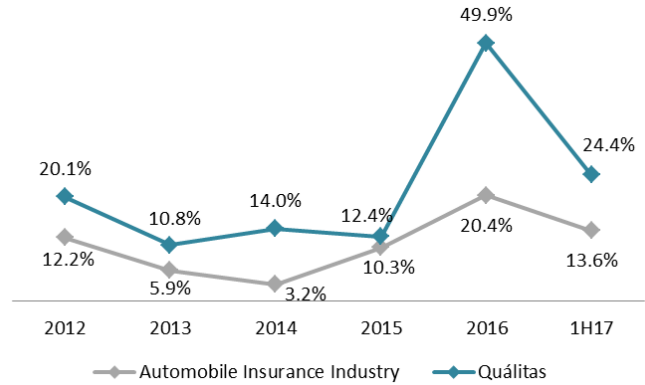
The market recorded total written premiums of \$49,124 in the first six months of 2017, a 13.6% increase in comparison to the same period of the previous year. Top 5 companies grew 18.1%, medium companies 4.0%, and small companies 17.9%.

Market's net profit was \$3,076, this is mainly explained by an operating result of \$511 and an investment income of \$3,358.

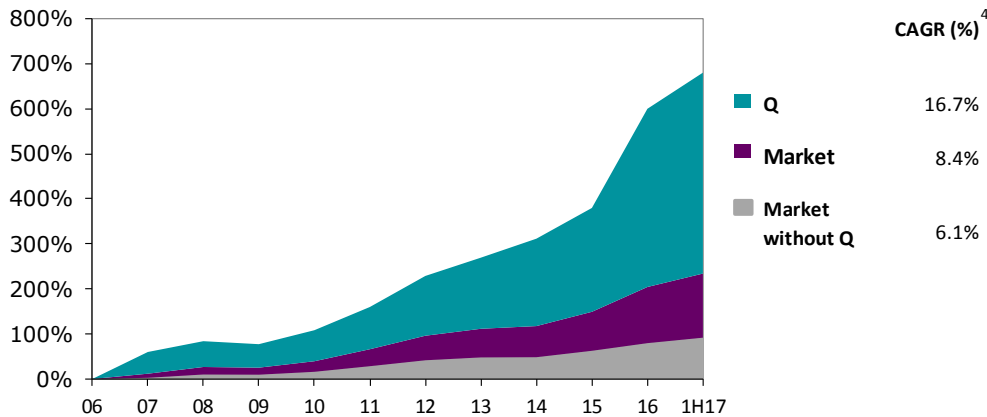
Written Premiums Growth 1H17 vs 1H16



Growth of Automobile Insurance Industry



Growth in Written Premiums Base 2006



⁴ CAGR: Compound Annual Growth Rate

Automobile Insurance Industry 1H17

(Figures in millions of pesos)

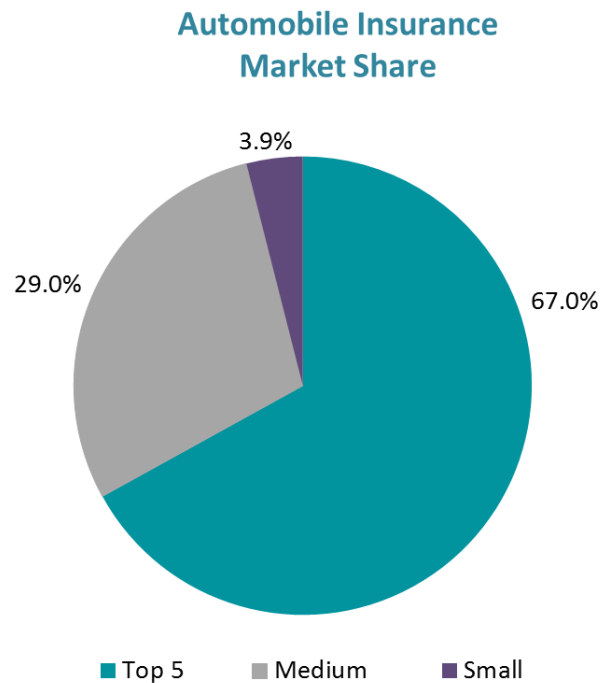
Company	Written Premiums	Market Share (written)	Growth	Earned Premiums	Market Share (earned)
Quálitas	15,830	32.2%	24.4%	13,213	31.4%
G.N.P.	6,040	12.3%	11.5%	5,518	13.1%
Aba/Seguros	4,330	8.8%	43.1%	1,823	4.3%
AXA Seguros	3,919	8.0%	(17.1%)	4,691	11.2%
HDI Seguros	2,785	5.7%	42.8%	2,325	5.5%
Top 5	32,903	67.0%	18.1%	27,571	65.5%
Banorte	2,638	5.4%	(2.0%)	2,449	5.8%
BBVA Bancomer	2,250	4.6%	8.9%	1,952	4.6%
Inbursa	2,203	4.5%	6.9%	2,060	4.9%
Zurich Daños	1,579	3.2%	20.6%	1,140	2.7%
Mapfre Mexico	1,475	3.0%	(38.4%)	1,782	4.2%
Atlas	1,423	2.9%	42.8%	1,231	2.9%
Afirme	989	2.0%	24.9%	816	1.9%
ANA	698	1.4%	38.1%	527	1.3%
General de Seguros	678	1.4%	12.1%	620	1.5%
Seguros SURA	336	0.7%	10.9%	315	0.7%
Medium	14,270	29.0%	4.0%	12,892	30.6%
Other	1,951	4.0%	17.9%	1,605	3.8%
Total Market (36 Companies)*	49,124	100.0%	13.6%	42,067	100.0%

Company	Operating Result	Investment Income	Net Result	Claims Ratio	Combined Ratio
Quálitas	184	776	699	69%	94%
G.N.P.	(306)	232	(58)	74%	106%
Aba/Seguros	270	187	361	70%	92%
AXA Seguros	99	696	742	69%	104%
HDI Seguros	46	105	110	63%	96%
Top 5	293	1,995	1,854	69%	98%
Banorte	91	184	407	81%	95%
BBVA Bancomer	42	641	372	71%	95%
Inbursa	(17)	96	47	68%	99%
Zurich Daños	(106)	(56)	(163)	68%	108%
Mapfre Mexico	(71)	59	(54)	77%	110%
Atlas	48	61	94	72%	93%
Afirme	71	44	84	55%	85%
ANA	23	21	29	53%	95%
General de Seguros	(28)	208	164	75%	102%
Seguros SURA	(43)	5	(32)	74%	115%
Medium	8	1,264	948	72%	99%
Other	209	99	274	50%	83%
Total Market (36 Companies)*	511	3,358	3,076	69%	98%

*35 Insurance Companies and 1 Reinsurance Company

Market Share

The five largest companies in the industry accounted for 67% of automobile insurance market share. During the first half of 2017, large companies gain 2.6 percentage points in terms of market share when compared to the same period of 2016. Medium companies decreased 2.7 and small companies increased 0.1 percentage points.



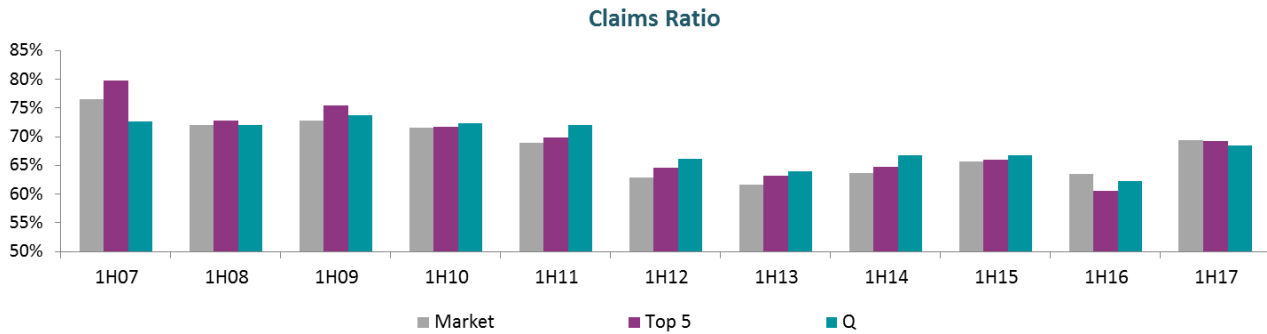
Q remains well positioned amongst key segments of the market. The Company is ranked in the first two places in every business line in terms of market penetration.

Q Positioning in the Automobile Insurance Market

	Written Premiums	Market Share	Ranking
Cars	9,013	27.4%	1
Trucks	6,479	43.7%	1
Tourists	122	18.1%	2
Other	215	31.5%	1
Total	15,830	32.2%	1

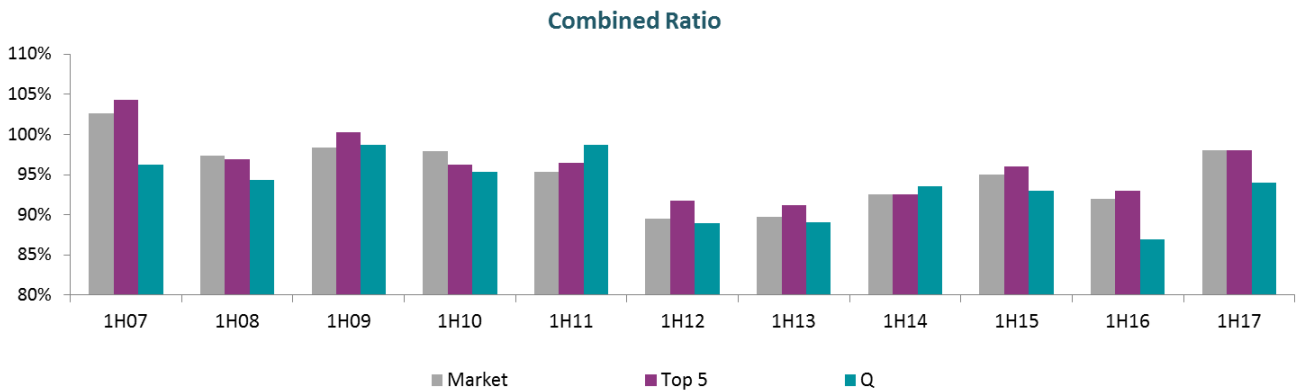
Costs

The industry recorded higher claims ratio when compared to the first semester of 2016. Claims ratio of the five largest companies increased from 63% to 69%, Q's claims ratio increased from 61% to 69%.



Combined ratio for the industry reached 98%, figure higher than the 92% registered during the first semester of last year. The five largest companies recorded 98% combined ratio, while Q registered 94%.

Combined ratio for the industry without Bank-owned Insurance Companies, reached 97%.



About Quálitas:

Quálitas (Q) is the largest auto insurance company in Mexico in terms of market cap penetration, with operations in El Salvador, Costa Rica and USA. Its specialized business model, based exclusively in auto insurance, has allowed the Company to provide top quality service under the largest network in the country. Quálitas is listed on the Mexican Stock Exchange (BMV) under the ticker “Q” (Bloomberg: Q*:MM).

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

Information sources:

- 1) AMIS. Asociación Mexicana de Instituciones de Seguros, A.C., (Mexican Association of Insurance Institutions); www.amis.com.mx
- 2) ANPACT. Asociación Nacional de Productores de Autobuses, Camiones y Tractocamiones, A.C., (National Association of Producers of Buses, Trucks and Lorries); www.anpact.com.mx
- 3) AMDA. Asociación Mexicana de Distribuidores de Automotores, A.C.(Mexican Association of Automotive Suppliers) ; www.amda.mx
- 4) JATO Dynamics. <http://www.jato.com/Mexico>

If you wish to refer to another source, you may visit the Mexican Insurance Companies’ Regulator (National Insurance and Bonds Commission) web page: www.cnsf.gob.mx

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