

Automobile Insurance

Industry Report

9M17

Mexico City, November 22nd, 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 13.1% in written premiums during the first nine months of 2017. It is worth mentioning that for the same period of time the GDP¹ grew 2.2% and the annualized inflation rate¹ was 6.35% as of September.

Automobile financing continued to gain market registering 68.8% of new car sales, this mainly driven by the financial branches of automakers. New light vehicle sales grew 1.1% compared to the same period of 2016.

Regarding costs, the industry recorded a combined ratio of 98% in the first nine months of the year, a higher figure when compared to the 96% registered last year. This change is mainly related to the increases in the claims ratio.

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	22,893	14.8%	323	1,275	1,146	69%	95%
Other	37,846	13.8%	(382)	2,368	1,741	70%	102%
Sum Insurance Companies	60,739	14.2%	(58)	3,643	2,887	70%	99%
Bank-owned	12,238	8.1%	555	1,556	1,791	71%	94%
Total Market (36 Companies)*	72,977	13.6%	497	5,199	4,678	70%	98%

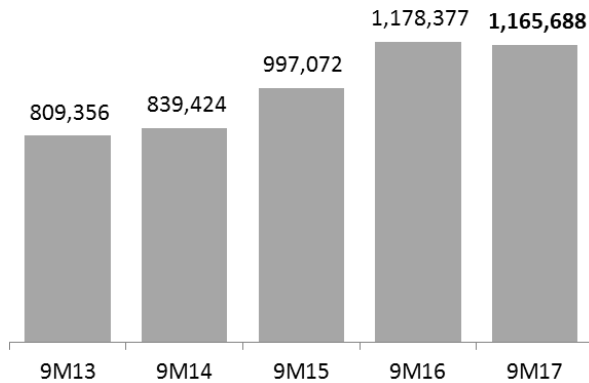
Combined ratio without bank-owned insurance companies was 94%, whereas Quálitas recorded an 95% combined ratio.

¹ Source: INEGI

*35 Insurance Companies and 1 Reinsurance Company

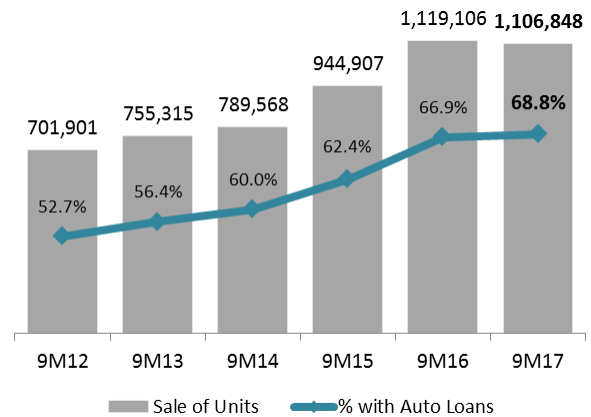
Automobile Industry and Automobile Financing

Nationwide Sales of Vehicles² (Automobiles & Trucks)



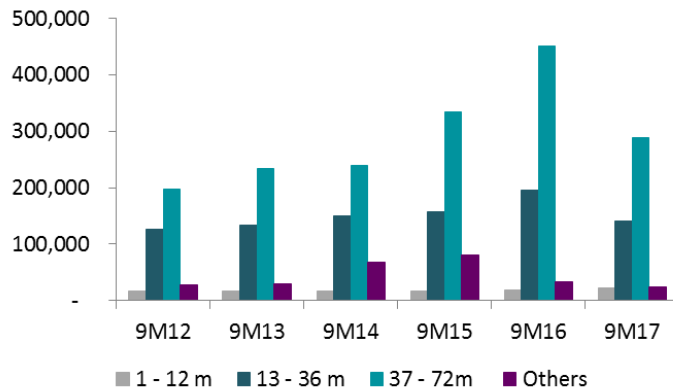
Sales of new units (automobiles & trucks) decreased 1.1% when compared to the first nine months of 2016, totaling 1,165,688 units in the first three quarters.

Automobile Financing²



Automobile credit reached 68.8% of light vehicles sales, compared to 66.9% of the same period of the previous year.

Financing Term³

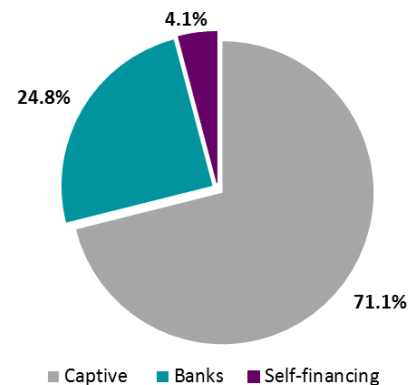


In the first nine months of 2017, most car loans (31.0%) had a duration of 60 months, with 236,115 allocations. The duration of the loans has been increasing over the last 5 years, but they have been decreasing during the year.

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

³Source: JATO Dynamics. Figures are stated number of allocations.

Automobile Financing Market³



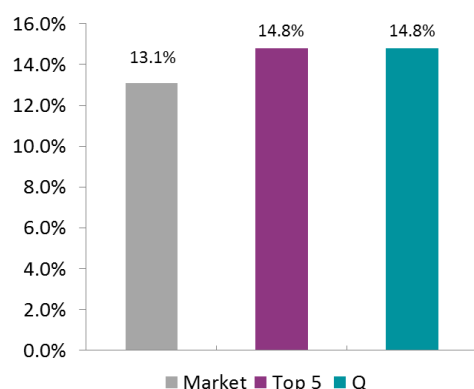
The main sources of financing to purchase a car were automakers and automotive agencies (captive) with a 71.1% of market share.

Automobile Insurance Industry

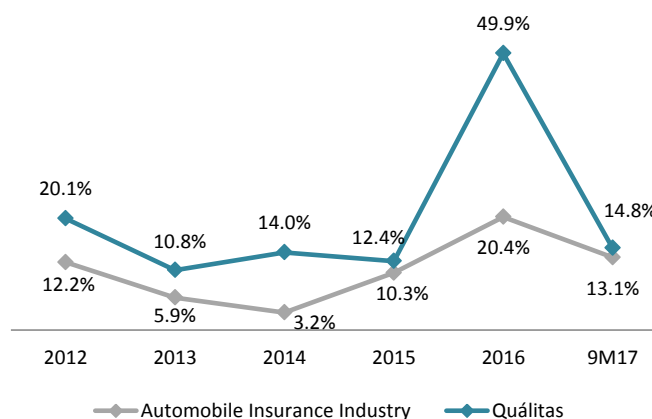
The market recorded total written premiums of \$72,977 in the first nine months of 2017, a 13.1% increase in comparison to the same period of the previous year. Top 5 companies grew 14.8%, medium companies 8.7%, and small companies 19.0%.

Market's net profit was \$4,678, this is mainly explained by an operating result of \$497 and an investment income of \$5,199.

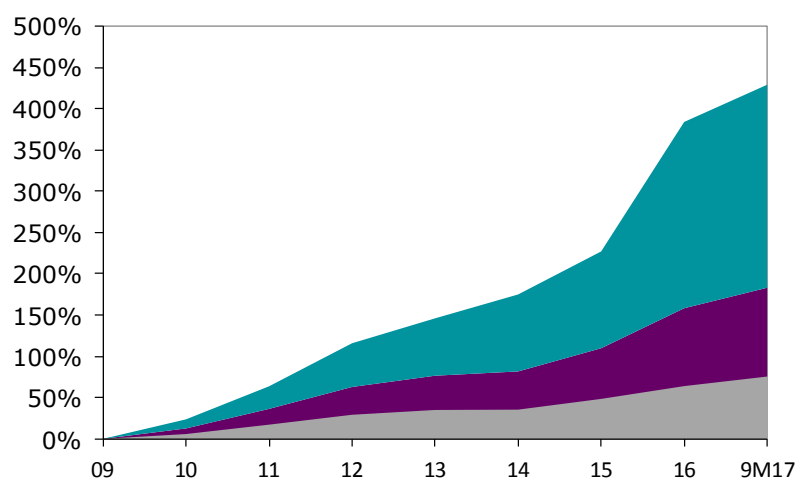
Written Premiums Growth 9M17 vs 9M16



Growth of Automobile Insurance Industry



Growth in Written Premiums Base 2009



CAGR (%)⁴

Q	16.3%
Market	8.3%
Market without Q	6.1%

⁴ CAGR: Compound Annual Growth Rate

Automobile Insurance Industry 9M17

(Figures in millions of pesos)

Company	Written Premiums	Market Share	Growth 9M17 vs. 9M16	Earned Premiums	Market Share
Quálitas	22,893	31.4%	14.8%	20,169	31.6%
G.N.P.	9,006	12.3%	12.6%	8,320	13.0%
Aba/Seguros	6,691	9.2%	56.7%	2,782	4.4%
AXA Seguros	5,727	7.9%	(18.0%)	6,868	10.8%
HDI Seguros	4,259	5.8%	36.4%	3,548	5.6%
Top 5	48,576	66.6%	14.8%	41,687	65.3%
Banorte	3,817	5.2%	(0.9%)	3,655	5.7%
Inbursa	3,361	4.6%	8.6%	3,156	4.9%
BBVA Bancomer	3,164	4.3%	9.5%	2,979	4.7%
Zurich Daños	2,548	3.5%	27.1%	1,847	2.9%
Mapfre Mexico	2,450	3.4%	(28.7%)	2,761	4.3%
Atlas	2,126	2.9%	45.9%	1,909	3.0%
Afirme	1,334	1.8%	28.2%	1,216	1.9%
ANA	1,042	1.4%	37.6%	788	1.2%
General de Seguros	993	1.4%	13.4%	932	1.5%
Seguros SURA	734	1.0%	70.1%	513	0.8%
Medium	21,569	29.6%	8.7%	19,757	30.9%
Other	2,832	3.9%	19.0%	2,405	3.8%
Total Market (36 Companies)*	72,977	100.0%	13.1%	63,849	100.0%

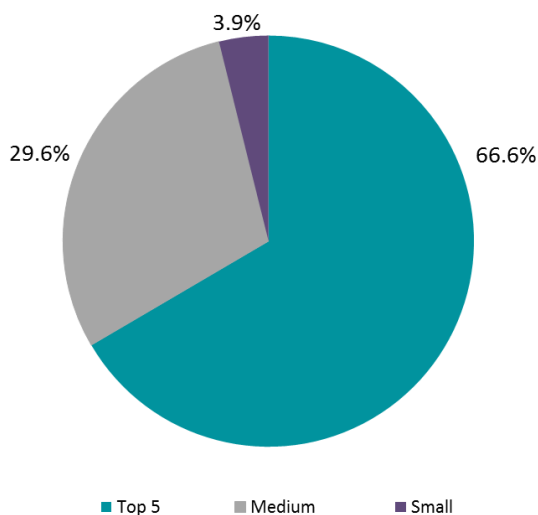
Company	Operating Result	Investment Income	Net Result	Claims Ratio	Combined Ratio
Quálitas	323	1,275	1,146	69%	95%
G.N.P.	(519)	352	(117)	76%	107%
Aba/Seguros	415	265	522	68%	91%
AXA Seguros	(23)	1,018	971	70%	106%
HDI Seguros	27	170	144	64%	97%
Top 5	223	3,080	2,665	70%	99%
Banorte	201	287	661	78%	94%
Inbursa	13	149	99	68%	98%
BBVA Bancomer	47	1,013	697	73%	97%
Zurich Daños	(89)	14	(74)	60%	101%
Mapfre Mexico	(137)	99	(56)	74%	109%
Atlas	54	110	156	73%	95%
Afirme	84	68	115	59%	90%
ANA	24	32	37	53%	96%
General de Seguros	(63)	188	122	78%	105%
Seguros SURA	(22)	12	(8)	69%	96%
Medium	113	1,972	1,748	70%	98%
Other	161	147	264	54%	90%
Total Market (36 Companies)*	497	5,199	4,678	70%	98%

*35 Insurance Companies and 1 Reinsurance Company

Market Share

The five largest companies in the industry accounted for 66.6% of automobile insurance market share. During the first nine months of 2017, large companies gained 1.0 percentage points in terms of market share when compared to the same period of 2016. Medium companies decreased 1.2 and small companies increased 0.2 percentage points.

**Automobile Insurance
Market Share**



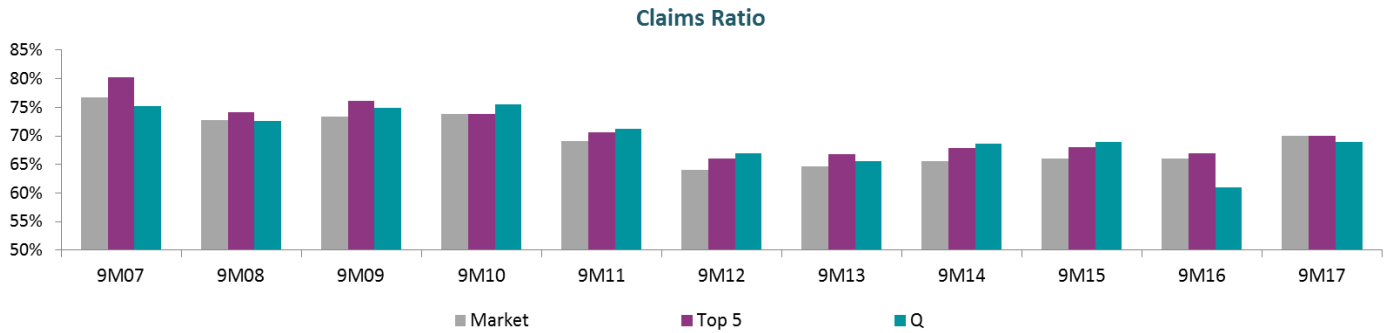
Q remains well positioned amongst key segments of the market. The Company is ranked in the first two places in every branch of the industry in terms of market share.

Q Positioning in the Automobile Insurance Market

Q positioning in the Automobile Insurance Market			
	Written Premium	Market Share	Ranking
Cars	12,567	25.7%	1
Trucks	9,847	44.7%	1
Tourists	175	18.8%	2
Other	305	27.7%	1
Total	22,893	31.4%	1

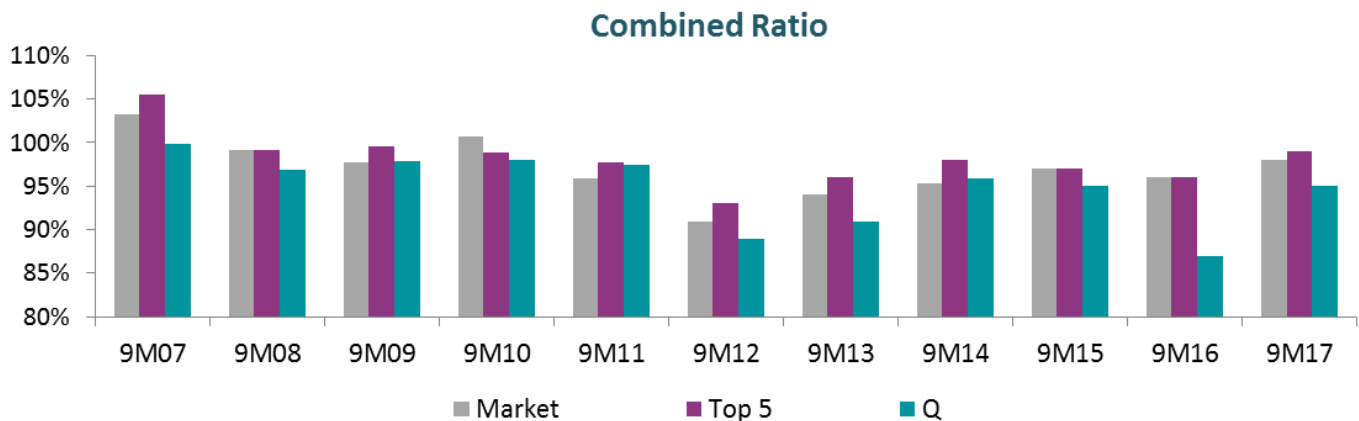
Costs

The industry recorded higher claims ratio when compared to the first nine months of 2016 due to weather factors that affected this item. Claims ratio of the five largest companies increased from 67% to 70%, while Q's claims ratio increased from 61% to 69%.



Combined ratio for the industry reached 98%, figure higher than the 96% registered during the first nine months of last year. The five largest companies recorded 99% combined ratio, while Q registered 95%.

Combined ratio for the industry without bank-owned Insurance companies, reached 99%.



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 Tractors); www.anpact.com.mx
- 3) AMDA. Asociación Mexicana de Distribuidores de Automotores, A.C. (Mexican Association of Automotive Dealers) ; 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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