

## 4Q20 Results Webcast

Date: Friday, January 29<sup>th</sup> 2021

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

Qualitas Controladora cordially invites you to its fourth quarter & end of the year 2020 earnings results conference call.

Hosted by:

Mr. José Antonio Correa, Chief Executive Officer  
Mr. Bernardo Risoul, Chief Financial Officer

Link to join online: <http://services.choruscall.ca/links/qualitas20210129.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 at:

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

# Earnings Results

Fourth quarter

2020



# Qualitas reports its fourth quarter & end of the year results

**Mexico City, January 28<sup>th</sup> 2021-** Qualitas Controladora, S.A.B. de C.V. ("Qualitas", "Q", or "the company") (BMV: Q\*), announces its unaudited financial results for the fourth quarter & end of the year 2020.

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

## Highlights

- During the entire pandemic, Qualitas has operated uninterruptedly, fulfilling its obligations with policyholders and protecting the health of employees, clients, and business partners.
- Our capability of adjusting quickly to the environment and market conditions, together with our flexibility to understand our agents and policyholders' needs, allowed us to maintain our clients' portfolio.
- Quarterly written premiums fell 2.2%; total annual written premiums are down 0.4%, just shy of being flat vs year ago. Earned premiums fell 2.2% linked to the underwriting performance and had a 4% increase in accumulative terms. Considering the macroeconomic downturn, new car sales fall and the market behavior, these results are outstanding.
- By the end of the year, Qualitas had 4.2 million insured units that represent a marginal 1.0% decrease when compared to the end of last year.
- Lower mobility, the continued decrease in robberies, the increase in unit's recovery and our risk prevention efforts, allowed us to close the fourth quarter and the year with a 57.7% and a 51.3% loss ratio respectively. This is the lowest annual loss ratio reported since the company was founded.
- Underwriting result reached \$1,239 million, closing the year at \$7,387 million; up 67.5% or \$2,977 million vs what reported in 2019.
- Hit by a 300 bp reference rate decrease during the year, the comprehensive financial income delivered \$713 million during the quarter, representing a 15.3% drop vs 4Q19, standing by the end of the year at \$1,975 million or 31.5% decrease vs 2019.
- Quarterly net income amounted to \$1,465 million, reaching \$6,798 during 2020, setting a new record high in the company. Excess capital at the end of the year stands at \$13,726 million.
- EPS stand at \$16.5 which compares to the \$12.6 by the end of 2019. Annual net margin was 18.9% and 12 months Return on Equity stood at 41.7%, well above other public insurance companies. P/E and P/BV stands at 6.5 and 2.3 respectively.
- During the entire year, Qualitas opened 8 new service offices and 32 new ODQ's, expanding its network & coverage, being closer to our agents and policyholders.
- As a result of the efforts to incorporate ESG criteria to the daily operation, Q\* returned to the MILA DJSI. This was the fourth incorporation to an index during 2020 (S&P/BMV IPC, S&P/BMV Total Mexico ESG, S&P/BMV Dividend).

# Qualitas in figures



**365 days/24 hours**  
national cabin attention



**+ 35,200 (MM MXN)**  
invested assets, *float*



**30.5% (9M20)**  
market share in Mexico  
Leaders since 2007



**Q\***

went up 2 positions  
in the marketability index  
from position #25 to #23



**491**  
offices  
207 Service offices  
284 Quálitas Development Offices (ODQs)



**+ 16,900**  
agents



**1,140**  
claims officers



**5,157**  
employees



**1,909,426**  
attended calls



**Subsidiaries**

Geographical  
operation in 4 countries: 7.6% \*

\*Based on written premium



**4,182,347**  
insured vehicles



**421,757**  
assisted claims

# Financial highlights (MM MXN)

	Quarterly			Cumulative		
Income Statement	4Q20	4Q19	Δ %/bp	2020	2019	Δ %/pb
Premiums written	10,701	10,939	(2.2%)	36,057	36,196	(0.4%)
Net premiums written	10,630	10,891	(2.4%)	35,676	35,991	(0.9%)
Premiums earned	9,261	9,472	(2.2%)	36,291	34,899	4.0%
Acquisition cost	2,115	2,288	(7.6%)	7,791	7,780	0.1%
Loss cost	5,341	5,462	(2.2%)	18,613	20,687	(10.0%)
<b>Technical result</b>	<b>1,805</b>	<b>1,722</b>	<b>4.8%</b>	<b>9,887</b>	<b>6,432</b>	<b>53.7%</b>
Operating expenses	567	544	4.2%	2,507	2,029	23.6%
<b>Underwriting result</b>	<b>1,239</b>	<b>1,179</b>	<b>5.1%</b>	<b>7,387</b>	<b>4,410</b>	<b>67.5%</b>
Comprehensive financial income	713	842	(15.3%)	1,975	2,882	(31.5%)
Investment income	622	722	(13.8%)	1,562	2,408	(35.1%)
Income Taxes	487	487	0.1%	2,564	1,934	32.6%
<b>Net result</b>	<b>1,465</b>	<b>1,534</b>	<b>(4.6%)</b>	<b>6,798</b>	<b>5,358</b>	<b>26.9%</b>
Controlling interest	1,463	1,533	(4.6%)	6,794	5,354	26.9%
Non-controlling interest	1	1	41.0%	4	4	12.9%
<b>Cost ratios</b>						
Acquisition ratio	19.9%	21.0%	(111)	21.8%	21.6%	22
Loss ratio	57.7%	57.7%	1	51.3%	59.3%	(799)
Operating ratio	5.3%	5.0%	32	7.0%	5.6%	135
Combined ratio	82.9%	83.6%	(78)	80.1%	86.5%	(642)
Combined ratio adjusted*	86.6%	87.6%	(93)	79.7%	87.4%	(772)
<b>Profitability ratios</b>						
Return on investments	7.2%	9.5%	(230)	4.8%	9.0%	(428)
ROE for the period	34.0%	47.6%	(1,366)	39.6%	23.1%	1,653
LTM ROE	41.7%	47.3%	(560)	41.7%	47.3%	(560)

\*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	2020	2019	Δ %/pb
Assets	69,039	63,041	9.5%
Investments & Real Estate	37,122	32,679	13.6%
Invested assets or float**	35,268	31,768	11.0%
Technical reserves	34,312	35,896	(4.4%)
Total liabilities	49,977	49,477	1.0%
Stockholders' equity	19,061	13,564	40.5%

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

## Written premiums

BUSINESS LINE	4Q20	4Q19	Δ \$	Δ %	2020	2019	Δ \$	Δ %
Traditional	6,941	6,680	262	3.9%	22,244	22,172	72	0.3%
Individual	3,300	2,881	419	14.6%	11,522	10,634	887	8.3%
Fleets	3,641	3,799	(158)	(4.2%)	10,722	11,538	(816)	(7.1%)
Financial institutions	3,102	3,693	(591)	(16.0%)	11,061	12,076	(1,015)	(8.4%)
Foreign subsidiaries	626	553	73	13.2%	2,647	1,909	738	38.7%
<b>Total</b>	<b>10,701</b>	<b>10,939</b>	<b>(329)</b>	<b>(2.2%)</b>	<b>36,057</b>	<b>36,196</b>	<b>(140)</b>	<b>(0.4%)</b>

Figures in million pesos.

Note: figures may vary due to consolidation effects.

During the fourth quarter, written premiums stood at \$10,701 million, a 2.2% fall when compared to 4Q19. The traditional segment had a 3.9% increase driven by our agents underwriting; on the other hand, our underwriting through our financial institutions segment had a quarterly drop of 16.0% in correlation with the continued decrease in Mexico's new car sales.

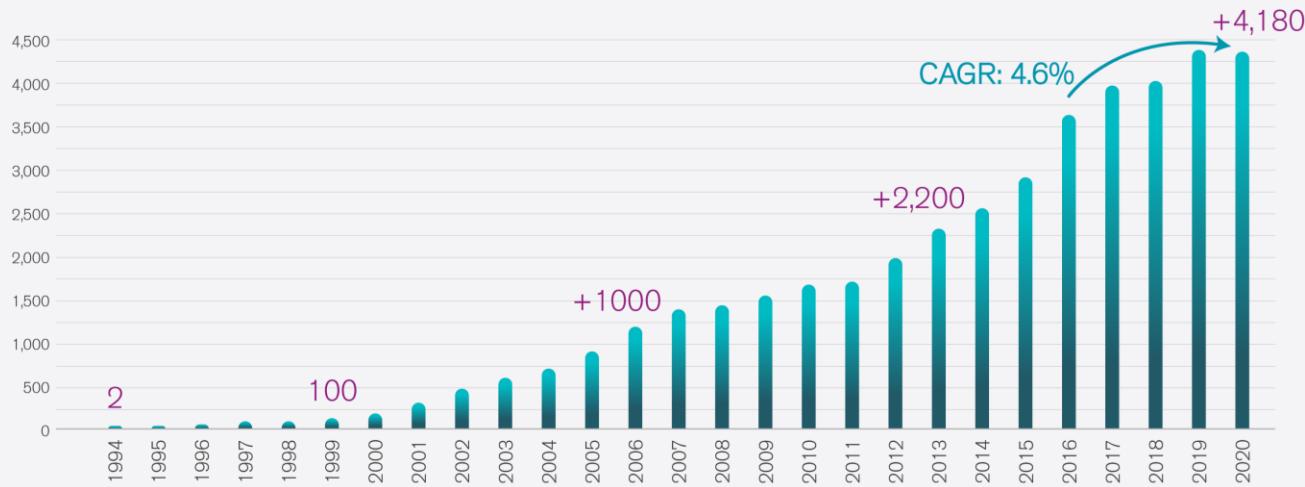
By year-end, written premiums stand at \$36,057 million staying almost flat than previous year, with a marginal 0.4% decrease. The latter considers the renewal discounts, effective since the beginning of the pandemic, and as a result of the flexibility and agility to adapt to the environment and market conditions and understand our agents and client's needs.

In line with our strategy, the geographical subsidiaries have become an engine of growth for the holding company. During the fourth quarter their written premiums increased over 13.2% compared to the same period of the previous year, standing at \$626 million. In accumulated terms, they achieved \$2,647 million, which represents a 38.7% growth year over year.

## Insured units

According to AMDA, new car sales in Mexico decreased 21.3% during 4Q20 with 285,159 sold units, which represents 77,180 less units than the same quarter last year; this reflects a partial recovery in new car sales when compared to the 2Q and 3Q20.

We closed the quarter with 4.2 insured units, which represents a marginal 1.0% or 42,141 units decrease vs 2019, motorcycles being the second most impacted segment with 10,000 insured units less. The actions taken to support and maintain our policyholder's portfolio, such as renewal discounts and interest's free monthly installments, continued during the fourth quarter and will remain at least during 1Q21.



Note: figures in thousands of units.

CAGR: Compound Annual Growth Rate of the last 5 years.

Qualitas' insured units are distributed as following:

BUSINESS LINE	4Q20	4Q19	Δ %
Mexico	4,037	4,094	(1.4%)
Automobiles	2,742	2,793	(1.8%)
Trucks	1,070	1,067	0.3%
Tourists	99	97	1.9%
Motorcycles	126	138	(8.3%)
El Salvador	19	20	(4.3%)
Costa Rica	63	60	5.2%
USA	17	19	(10.3%)
Perú	46	31	47.1%
<b>Insured vehicles</b>	<b>4,182</b>	<b>4,224</b>	<b>(1.0%)</b>

Note: figures in thousands of units.

## ► Earned premiums

During the fourth quarter, earned premiums decrease 2.2% which represents \$211 million less when compared to 4Q19. Earned premiums fall is explained by the drop in the quarterly written premiums and an increase in our technical reserves. In accumulative terms, earned premiums stood at \$36,291 million, a 4% or \$1,393 million increase year over year.

Currently, our portfolio is composed by 78.6% annual policies and 21.4% multiannual policies, which compares with 73.6% and 26.4% respectively during the same period 2 years ago.



Annual policies allow us to adjust tariffs between 3 and 4 times a year, which is extremely attractive in times with volatility and uncertainty, like the one we are currently facing.

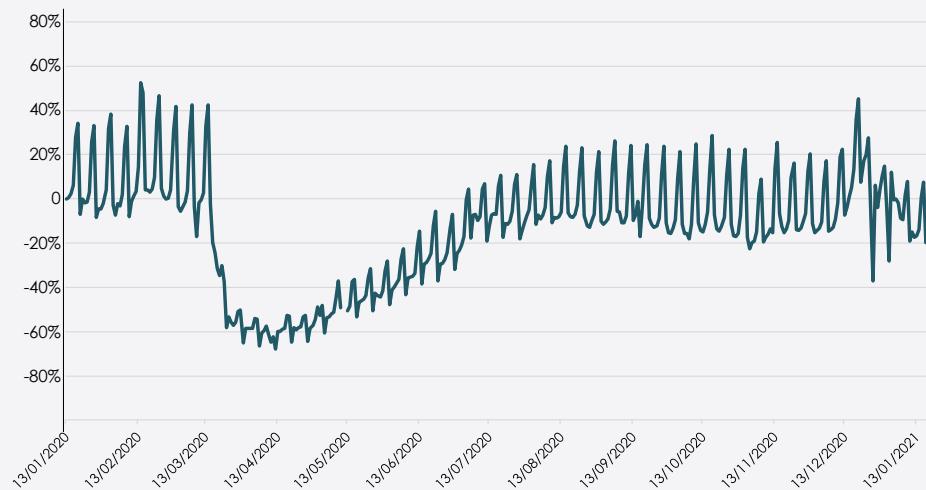
## ► Acquisition cost & ratio

The net acquisition cost of the quarter was \$2,115 million which represents a 7.6% decrease when compared to 4Q19. The acquisition ratio stood at 19.9%, a 111 bp fall. By the end of the year, the acquisition ratio stood at 21.8% in line with 2019 and within our objective range.

The fall in the quarterly acquisition ratio is explained by the financial institutions' underwriting decrease, which carries out a higher cost. The annual ratio doesn't have significant movements as no changes in the commissions payed to our agents or office directors have been made.

## Loss cost & ratio

During the 4Q20, mobility continued its normalization trend translated in more vehicles on the streets when compared to the previous quarters. During most part of the quarter, confinement measures were eased and it was not until December last two weeks that restrictions were stepped up. According to Apple figures, quarterly mobility in Mexico has behaved as follows:



Mobility trends	
Driving	Δ% vs 4Q19
1Q20	(1.3%)
2Q20	(43.9%)
3Q20	(3.2%)
4Q20	(1.9%)

Source: Mobility Trends Reports by APPLE

Despite claims attended fell to high teens during the quarter, its normalization trend continued in line with the economic reopening and the rise in mobility mentioned before. Cumulatively, 19.5% less claims were attended during the entire year.

On the other hand, the positive trend in thefts continued during the fourth quarter benefiting the entire industry. According to OCRA latest figures, theft of insured vehicles in Mexico during the year decreased 20% for the industry and the company.

As a result of our technological innovation and risk & fraud prevention, Qualitas recovered 54% of its stolen units, which represents 3.9 percentage points above what was recovered in 2019 and more than 8 percentage points above the industry average.

In addition, the operating restrictions helped us boost the implementation of the express adjustment tool, which implies better service experience to the policyholder and lower costs. By the end of 4Q20, 19.3% of our claims were attended through this tool and 14.2% during the entire year.

In 4Q20, loss cost stood at \$5,341 million which represents a \$121 million decrease when compared to the same period year ago; the quarterly loss ratio stood at 57.7%. Important to

highlight that within the quarterly cost we include \$250 million regarding loss ratio bonuses to agents and office directors, due to a much lower than expected loss ratio during the year and as part of the incentives to have "healthy portfolios".

By year-end, lost cost stands at \$18,613 million, \$2,074 million or 10% less than 2019; the annual ratio ended at 51.3% which represents an 8 percentage points decrease vs year ago, being the lowest one reported since Qualitas foundation.

## Operating cost & ratio

Operating expenses for the quarter stood at \$567 million, reaching an operating ratio of 5.3%, which means 32 bp above same period last year. In accumulative terms, the operating cost stood at \$2,507 million, a 23.6% increase vs year ago; annual ratio ended at 7.0% which represents a 135 bp increase vs 2019.

As we mentioned during the year, the reason for the increase is the Employee Profit Sharing provision, which is directly related to the company's earnings, and had an increase of 42.1% during the year. If we were to exclude this account, the quarterly and year-end operating ratio would be 3.8% and 4.3% respectively, that compares to the 3.5% and 3.8% during same periods of 2019.

Excluding the above mentioned effect, the increase in this account is mostly explained by the implemented actions to support our policyholders, particularly our interests' free installments, which include 12 monthly installments for the first time.

## Underwriting result

Underwriting result reached \$1,239 million during the quarter and \$7,387 million during the year, which represents a 5.1% and 67.5% increase respectively. The company posted an operating margin of 20.4% by the end of the year, which compares to the 12.6% registered in 2019.

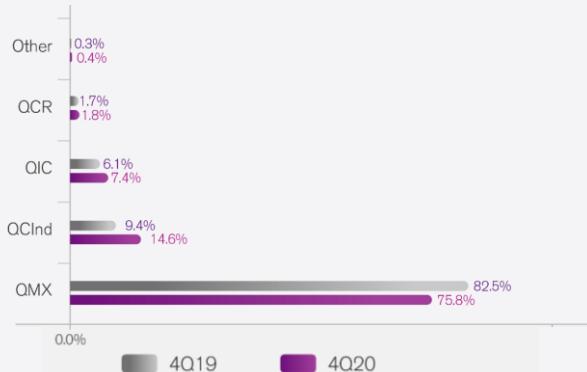
By the end of the fourth quarter, we posted a combined ratio of 82.9%. which represents a 78 bp decrease when compared to the same period year ago. By the end of 2020, combined ratio stood at 80.1%, a 6.4 percentage points decrease year over year. This is the lowest annual combined ratio in the history of the company, as a result of atypically low loss ratio and maintaining our operating and acquisition costs controlled.

# Comprehensive financial income

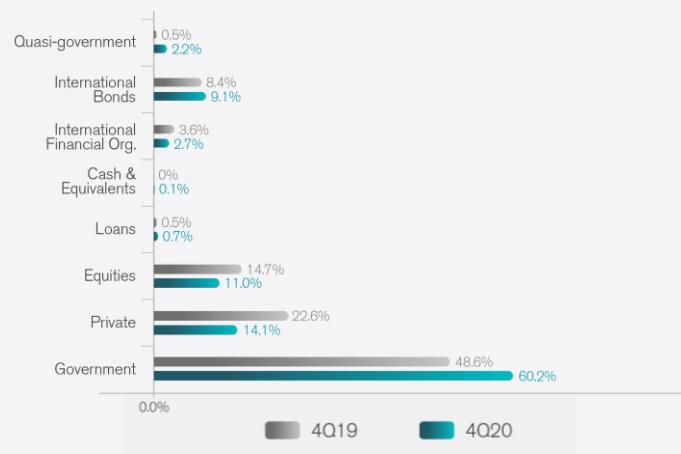
During 2020, Mexico's Central Bank decreased 300 bp the reference rate, standing at 4.25% by the end of the year. On the other hand, during 4Q20 capital markets had an important recovery in line with the expectations of how the pandemic and vaccine are going to evolve, as well as of the global economic recovery.

The company maintains its low risk investment profile, with 89.0% of our portfolio invested in fixed income and the remaining 11.0% in equities. The percentage invested in equities decreased by 60 bp.

Portfolio by subsidiary



Total portfolio



Note: Rating differences in sovereign debt could vary between countries. Variations by exchange rate could generate differences. Others include our subsidiaries in El Salvador and Peru

The quarterly comprehensive financial income closed at \$713 million, which represents \$129 million less than same period year ago. Our strategy to increase our equity investments will continue, so we could see this percentage going up in the upcoming months. During the entire year, comprehensive financial income amounts \$1,975 million, which represents a 31.5% fall when compared to 2019.

The quarterly and accumulated return on investments was 7.2% and 4.8% respectively. Important to highlight the impact we had in our financial income by the end of 1Q20 due to the fall in the Mexican Stock Exchange as a consequence of the pandemic, which significantly affect our annual results.

Our annual ROI represents 4.2 percentage points below of what reported in 2019, but 50 bp above the reference rate.

## Net income

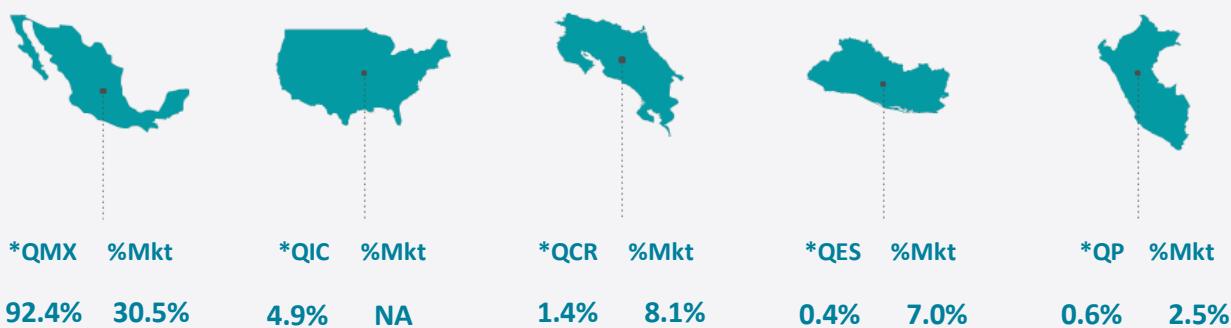
Quarterly net profit closed at \$1,465 million, 4.6% or \$70 million less than same period 2019. The decrease is explained by the normalization trend in loss costs and mobility, as well as a high comparable base in 4Q19 which, prior to 2020, was our best quarter in Qualitas history.

In accumulated terms, net income closed at \$6,798 million, a \$1,440 million or 26% increase vs 2019. Despite 2020 was an unprecedented and challenging year, Qualitas has proven its resilience and capacity to create value, posting the highest annual net income since the company was founded.

The company registered a net margin of 18.9% and a 12-months ROE of 41.7%; which is made up by an operating ROE of 32.9% and a financial ROE of 8.8%.

## Subsidiaries

By the end of the year, the foreign insurance (geographical) subsidiaries and the non-insurance (vertical) subsidiaries represented 7.6% of the company's total underwriting, in line with the strategy to capitalize them and accelerate their profitable growth in the next years, and that compares to the 5.4% by the end of 2019.



\* Based on written premium, QMX includes participation of non-insurance (vertical) subsidiaries

In spite of the complicated year, geographical and vertical subsidiaries had a 41.6% growth year over year, achieving an underwriting of \$2,757 million. If we were to exclude the exchange rate depreciation, the geographical subsidiaries would have grown 24.2%.

	Written premium		
	2020	2019	Δ %
Q ES	149	167	(10.5%)
Q CR	509	459	10.9%
Q IC	1778	1116	59.3%
Q P	212	168	26.2%
Vertical	110	39	185.7%
<b>Total</b>	<b>2,757</b>	<b>1,947</b>	<b>41.6%</b>

Figures in million pesos and may vary due to exchange rate effects.  
Sales in the case of the vertical subsidiaries.

During the fourth quarter, our US subsidiary, open its Laredo service office as part of the strategy to expand our network in the border states to continue offering our “borderless” products. During 2020, our top underwriting subsidiaries were QIC and QP with a 59.3% and 26.2% increase respectively.

The strategy continues to be to capitalize our subsidiaries to boost their profitable growth potential during 2021; we could expect our subsidiaries to represent around 15% of the holding company in the next two years.

In regard of the non-insurance subsidiaries, the ones related to the insurance daily operation, in the aspects of providing spare parts and repairing crystals, continue to strengthen they result in a decrease in cost and time efficiencies for our clients. Vertical subsidiaries are operating in a profitable way and represent 0.3% of the holding company.

## Technical reserves

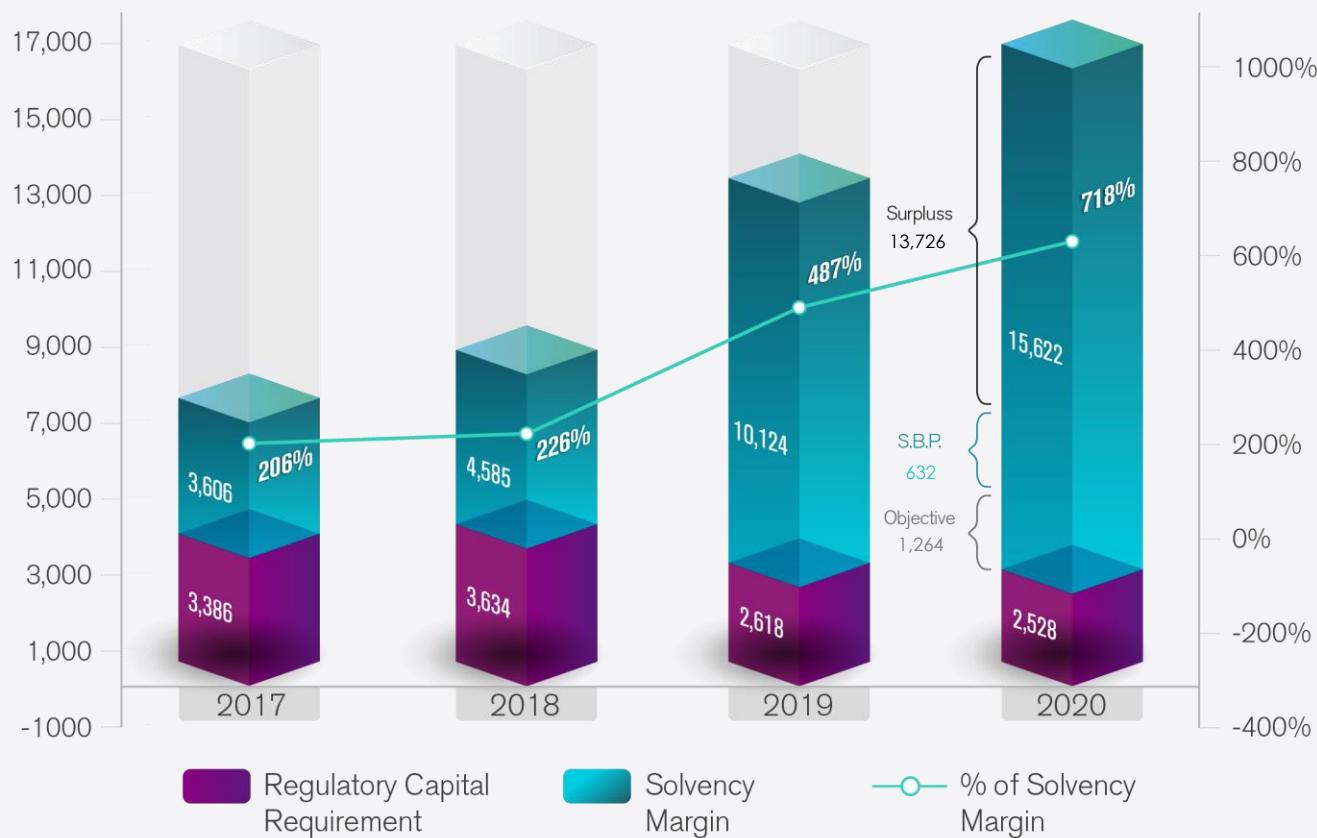
Technical reserves reached \$34,312 million, which represents a 4.4% decrease compared to the end of fourth quarter last year.

The release of the reserves is due to a double effect, the marginal decrease in underwriting that makes growth in earned premiums surpass the constitution of new reserves linked to new policies, and at the same time, our atypically low annual loss ratio impacts our projection models, which is why we constitute a smaller amount of reserves in these new policies.

# Solvency

The regulatory capital requirement stood at \$2,528 million by the end of the quarter with a solvency margin of \$15,622 million, this represents a percentage of solvency margin of 718%.

The latter proves Qualitas strength to guarantee its obligations as well as to support our strategy that has three main pillars 1) strengthening our operation in Mexico, 2) continue to consolidate and expand our operation in other countries and 3) analyze business opportunities to find new engines of growth for the holding company.



Note: The calculation of the required regulatory capital varies in the countries where Qualitas operates.

By the end of 4Q20, from the \$1.4 bn pesos share buyback fund approved in our last General Shareholders meeting, we have used \$728 million and repurchased 8.7 million shares.

# Stock performance (Q\*)

By the end of the year, Q\* closed at \$107.1 pesos per share which represents a +28.5% during 4Q20 and +34.9% growth during the year. Qualitas was the 6<sup>th</sup> IPC company with the highest performance of the year, well above the 1.2% average of the IPC index.

The daily average amount traded during the quarter was ~\$3.5 million dollars; due to the 50.7% increase in the daily average operated, the company improved 6 places in the marketability index, moving from position 29 at the beginning of the year, to number 23 by year end.

Traded Volume*				Volume (USD)*			
	2020	2019	Δ%		2020	2019	Δ%
4Q	790,778	823,428	(4.0%)	4Q	3.6	3.4	7.9%
Cumulative	841,224	707,539	18.9%	Cumulative	3.5	2.3	50.7%

\*Figures in shares

\*Figures in million

Regarding our financial reasons, EPS closed at \$16.5 pesos, which compares to the \$12.6 by the end of 2019. The P/E ratio stands at 6.5 below other public insurance companies and P/BV stands at 2.3

Finally, as a result of the efforts to incorporate ESG criteria to the daily operation, Q\* returned to the MILA DJSI, which adds as the fourth incorporation to an index during 2020 (S&P/BMV IPC, Total Mexico ESG, Dividend).

**QUALITAS CONTROLADORA, S.A.B. DE C.V.**  
**Consolidated Balance Sheet as of December 31st 2020**  
Figures in Mexican pesos

	2020	2019
<b>Assets</b>		
<b>Investments</b>		
<b>Securities and Derivatives Transactions</b>	<b>37,122,190,733</b>	<b>32,679,162,965</b>
<b>Securities</b>		
Government	34,893,071,946	29,734,663,562
Private Companies: Fixed Rate	34,893,071,946	29,734,663,562
Private Companies: Equity	21,336,885,075	16,905,033,869
Foreign	8,151,401,275	8,066,964,603
Foreign	5,208,637,113	4,249,140,753
Foreign	196,148,483	513,524,338
(-) Value Impairment	-	-
Restricted Securities	-	-
<b>Derivatives</b>	-	-
<b>Overnight</b>	35,824,965	928,649,547
<b>Loans Portfolio (Net)</b>	<b>338,817,272</b>	<b>288,703,495</b>
Current Loan Portfolio	348,220,607	294,917,014
Non-performing Loan	55,443,102	31,103,559
(-) Loan Loss Provisions	64,846,437	37,317,078
<b>Property (Net)</b>	1,854,476,550	1,727,146,361
<b>Investments Related to Labor Obligations</b>	73,371,208	69,748,067
<b>Cash and Cash Equivalents</b>	<b>1,691,555,506</b>	<b>1,782,733,365</b>
Cash and Banks	1,691,555,506	1,782,733,365
<b>Debtors</b>	<b>23,717,859,208</b>	<b>23,187,992,909</b>
Premiums	23,048,259,992	22,444,970,618
Premiums P&C Subsidy	-	-
Federal Agencies Debts	208,449,875	168,794,249
Agents and Claims Officers (Adjusters)	150,987,548	127,611,154
Accounts Receivable	-	-
Bonds for Claims Debtors	-	-
Other	517,969,383	628,284,517
(-) Allowance for Doubtful Accounts	207,807,590	181,667,629
<b>Reinsurers and Re-Bonding Companies</b>	<b>116,918,911</b>	<b>134,668,172</b>
Insurance and Bonds Intitutions	15,072,470	11,536,502
Retained deposits	-	-
Amounts Recoverable from Reinsurance	103,530,558	139,254,466
(-) Loan Loss Provisions for Foreign Reinsurers and Reinsurance and Bonding Brokers	1,579,733	1,804,984
(-) Provisions for Penalties	104,384	14,317,812
<b>Permanent Investments</b>	<b>46,546,839</b>	<b>46,546,839</b>
Subsidiary	-	-
Associates	-	-
Other permanent investments	46,546,839	46,546,839
<b>Other Assets</b>	<b>6,270,068,693</b>	<b>5,140,158,767</b>
Furniture and Equipment (Net)	1,100,342,118	1,020,839,357
Miscellaneous	5,072,814,939	4,030,285,379
Amortizable Intangible Assets (Net)	62,287,986	56,222,255
Long-lived Intangible Assets (Net)	34,623,650	32,811,776
<b>Total Assets</b>	<b>69,038,511,098</b>	<b>63,041,011,084</b>

**QUALITAS CONTROLADORA, S.A.B. DE C.V.**  
**Consolidated Balance Sheet as of December 31st 2020**  
Figures in Mexican pesos

	2020	2019
<b>Liabilities</b>		
<b>Technical Reserves</b>		
<b>Unearned Premiums</b>	<u>34,312,424,149</u>	<u>35,896,006,797</u>
Property and Casualty Insurance	25,350,106,757	26,531,703,229
<b>Reserve for Outstanding Obligations</b>	<u>8,962,317,392</u>	<u>9,364,303,568</u>
Expired Policies and Claims Ocurred Pending of Payment	7,991,554,709	8,514,356,035
Ocurred but not Reported and Adjustment Costs assigned to Claims	257,439,425	165,451,354
Deposit Premiums	713,323,258	684,496,179
<b>Reserves Related to Labor Obligations</b>	438,235,104	309,934,038
<b>Creditors</b>	<u>6,338,862,097</u>	<u>5,751,411,385</u>
Agents and Adjusters	2,008,196,445	1,889,100,841
Funds for Losses Management	3,824,950	20,241,488
Bonding for recognition of Liabilities Creditors	-	-
Miscellaneous	4,326,840,701	3,842,069,056
<b>Reinsurers and Re-Bonding Companies</b>	<u>179,565,249</u>	<u>113,252,481</u>
Insurance and Bond Companies	154,881,218	89,900,506
Retained Deposits	24,684,031	23,351,975
Other	-	-
<b>Funding Obtained</b>	-	-
<b>Other Liabilities</b>	<u>8,708,362,529</u>	<u>7,406,025,193</u>
Provisions for employee profit sharing	1,028,620,619	615,319,889
Income Tax Provisions	2,906,954,890	2,121,064,837
Other Obligations	3,851,094,192	3,696,712,634
Deferred Credits	921,692,829	972,927,832
<b>Total Liabilities</b>	<u>49,977,449,128</u>	<u>49,476,629,894</u>
<b>Stockholders' Equity</b>		
<b>Paid-in Capital</b>		
<b>Capital Stock</b>	<u>2,412,249,197</u>	<u>2,465,797,276</u>
Capital Stock	2,464,130,475	2,535,727,486
(-) Non Subscribed Capital Stock	-	-
(-) Non Displayed Capital Stock	-	-
(-) Repurchased Shares	51,881,277	69,930,209
<b>Earned Capital</b>		
<b>Reserves</b>	<u>1,392,443,839</u>	<u>613,980,439</u>
Legal	507,142,999	435,022,416
For Repurchase of shares	647,005,386	31,660,219
Other	238,295,455	147,297,804
<b>Valuation Surplus</b>	522,166,427	287,939,820
<b>Permanent Investments</b>	-	-
<b>Retained Earnings</b>	7,823,021,637	4,718,334,673
<b>Net Result</b>	6,793,609,794	5,354,108,327
<b>Translation effect</b>	139,618,186	136,926,871
<b>Non Monetary Assets Result</b>	-	-
<b>Remeasurements for Benefits granted to Employees</b>	(31,471,592)	(17,661,070)
<b>Controlling Interest</b>	19,051,637,490	13,559,426,337
<b>Non-Controlling Interest</b>	9,424,480	4,954,853
<b>Total Stockholders' Equity</b>	<u>19,061,061,970</u>	<u>13,564,381,190</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>69,038,511,098</u>	<u>63,041,011,084</u>

**QUALITAS CONTROLADORA S.A.B. DE C.V.**  
**Consolidated Income statement for the fourth quarter 2020**  
Figures in Mexican pesos

	4Q 2020	4Q 2019
<b>Premiums</b>		
Written	10,700,931,540	10,938,581,447
(-) Ceded	<u>70,676,375</u>	<u>47,968,748</u>
<b>Net Written Premiums</b>	<b>10,630,255,165</b>	<b>10,890,612,698</b>
(-) Net Increase of Unearned Premiums Reserve	1,369,116,546	1,418,703,577
<b>Earned Retained Premiums</b>	<b>9,261,138,618</b>	<b>9,471,909,121</b>
<b>(-) Net Acquisition Cost</b>	<b>2,114,863,638</b>	<b>2,288,060,880</b>
Agents Commissions	741,764,188	758,856,524
Agents' Additional Compensation	156,878,266	262,214,117
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	3,484,274	752,705
Excess of Loss Coverage	1,694,374	1,583,840
Other	1,218,011,084	1,266,159,104
<b>(-) Net Claims Cost and Other</b>	<b>5,341,367,778</b>	<b>5,461,871,680</b>
<b>Contractual Liabilities</b>		
Claims and Other Contractual Obligations	5,354,150,519	5,463,896,668
(-) Losses on non-proportional reinsurance	12,782,742	2,024,988
Claims	-	-
<b>Technical Income (Loss)</b>	<b>1,804,907,203</b>	<b>1,721,976,562</b>
<b>(-) Net Increase in Other Technical Reserves</b>	<b>-</b>	<b>-</b>
<b>Result of Analog and Related Operations</b>	<b>997,500</b>	<b>-</b>
<b>Gross Income (Loss)</b>	<b>1,805,904,703</b>	<b>1,721,976,562</b>
<b>(-) Net Operating Expenses</b>	<b>567,103,966</b>	<b>544,290,584</b>
Administrative and Operating Expenses	85,174,931	72,405,663
Employees' compensation and benefits	346,517,422	349,470,714
Depreciation and Amortization	135,411,614	122,414,207
<b>Operating Income (Loss)</b>	<b>1,238,800,736</b>	<b>1,177,685,977</b>
<b>Comprehensive Financing Result</b>	<b>713,143,105</b>	<b>842,442,109</b>
Investments	361,301,643	273,424,751
Sale of Investments	(45,742,733)	(99,830,808)
Fair Valuation of Investments	310,528,767	340,252,542
Surcharges on Premiums	91,122,844	120,771,832
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	7,197,163	10,873,651
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	275,452	(206,783)
(-) Preventive Penalties for Credit Risks	5,063,185	(588,351)
Other	8,474,786	207,354,792
Foreign Exchange Rate Fluctuation	(14,400,728)	(11,199,785)
(-) Monetary Position Result	-	-
<b>Participation in Permanent Investments Result</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Taxes</b>	<b>1,951,943,841</b>	<b>2,020,128,087</b>
<b>(-) Provision for Income Taxes</b>	<b>487,424,451</b>	<b>487,059,599</b>
<b>Income (Loss) Before Discontinued Operations</b>	<b>1,464,519,390</b>	<b>1,533,068,487</b>
<b>Discontinued Operations</b>		
<b>Net Income (Loss)</b>	<b>1,464,519,390</b>	<b>1,533,068,487</b>
Controlling Interest	1,463,167,927	1,533,464,181
Non-Controlling Interest	1,351,463	958,307
<b>Net Income (Loss)</b>	<b>1,464,519,390</b>	<b>1,534,422,487</b>

## QUALITAS CONTROLADORA S.A.B. DE C.V.

## Consolidated Income statement from January 1st to December 31st 2020

Figures in Mexican pesos

	2020	2019
<b>Premiums</b>		
Written	36,056,706,715	36,196,441,030
(-) Ceded	<u>380,842,348</u>	<u>205,168,739</u>
<b>Net Written Premiums</b>	<b><u>35,675,864,367</u></b>	<b><u>35,991,272,291</u></b>
<b>(-) Net Increase of Unearned Premiums Reserve</b>	<b>-</b>	<b>-</b>
<b>Premiums Reserve</b>	<b>(615,400,645)</b>	<b>1,092,620,549</b>
<b>Earned Retained Premiums</b>	<b><u>36,291,265,012</u></b>	<b><u>34,898,651,742</u></b>
<b>(-) Net Acquisition Cost</b>	<b><u>7,791,382,806</u></b>	<b><u>7,779,749,689</u></b>
Agents Commissions	2,627,235,450	2,563,594,498
Agents' Additional Compensation	714,119,271	714,409,865
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	9,846,085	5,109,487
Excess of Loss Coverage	7,147,395	6,251,151
Other	4,452,726,776	4,500,603,662
<b>(-) Net Claims Cost and Other Contractual Liabilities</b>	<b><u>18,612,849,954</u></b>	<b><u>20,686,915,891</u></b>
Claims and Other Contractual Obligations	18,762,904,319	20,784,625,985
(-) Losses on non-proportional reinsurance	150,054,365	97,710,094
Claims	-	-
<b>Technical Income (Loss)</b>	<b><u>9,887,032,252</u></b>	<b><u>6,431,986,162</u></b>
<b>(-) Net Increase in Other Technical Reserves</b>	<b>-</b>	<b>-</b>
<b>Result of Analog and Related Operations</b>	<b>7,530,000</b>	<b>6,763,723</b>
<b>Gross Income (Loss)</b>	<b><u>9,894,562,252</u></b>	<b><u>6,438,749,885</u></b>
<b>(-) Net Operating Expenses</b>	<b><u>2,507,480,378</u></b>	<b><u>2,028,975,528</u></b>
Administrative and Operating Expenses	430,928,290	309,718,291
Employees' compensation and benefits	1,587,832,598	1,287,812,260
Depreciation and Amortization	488,719,489	431,444,978
<b>Operating Income (Loss)</b>	<b><u>7,387,081,874</u></b>	<b><u>4,409,774,356</u></b>
<b>Comprehensive Financing Result</b>	<b><u>1,974,755,181</u></b>	<b><u>2,882,093,681</u></b>
Investments	1,481,299,996	1,150,119,934
Sale of Investments	(53,809,852)	(84,461,253)
Fair Valuation of Investments	(197,662,862)	361,395,637
Surcharges on Premiums	412,597,593	474,272,414
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	27,618,480	42,047,999
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	(225,251)	(137,102)
(-) Preventive Penalties for Credit Risks	3,188,947	(4,124,390)
Other	263,123,151	926,993,900
Foreign Exchange Rate Fluctuation	44,552,371	7,463,558
(-) Monetary Position Result	-	-
<b>Participation in Permanent Investments Result</b>	<b>-</b>	<b>-</b>
<b>Income (Loss) Before Taxes</b>	<b><u>9,361,837,056</u></b>	<b><u>7,291,868,038</u></b>
<b>(-) Provision for Income Taxes</b>	<b><u>2,563,754,588</u></b>	<b><u>1,933,799,019</u></b>
<b>Income (Loss) Before Discontinued Operations</b>	<b><u>6,798,082,468</u></b>	<b><u>5,358,069,019</u></b>
<b>Discontinued Operations</b>	<b>-</b>	<b>-</b>
<b>Net Income (Loss)</b>	<b><u>6,798,082,468</u></b>	<b><u>5,358,069,019</u></b>
Controlling Interest	6,793,609,794	5,354,108,327
Non-Controlling Interest	4,472,674	3,960,692
<b>Net Income (Loss)</b>	<b><u>6,798,082,468</u></b>	<b><u>5,358,069,019</u></b>

# 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 = [(End of Period Figure / Beginning of Period Figure) ^ (1 / 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 Perú

**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:

<b>Actinver</b>	<b>BARCLAYS</b>	<b>BBVA</b>	<b>MGR   GLOBAL RESEARCH &amp; FUNDRAISING</b>	<b>MERRILL LYNCH</b>	<b>CiBanco CiCasa de Bolsa</b>
<b>Analyst:</b> Lilian Ochoa	<b>Analyst:</b> Gilberto García	<b>Analyst:</b> Rodrigo Ortega	<b>Analyst:</b> Martín Lara	<b>Analyst:</b> Ernesto Gabilondo	<b>Analyst:</b> Jorge Gordillo
<b>E-mail:</b> lilochao@actinver.com.mx	<b>E-mail:</b> gilberto.garcia@barclays.com	<b>E-mail:</b> r.ortega@bbva.com	<b>E-mail:</b> martin.lara@mira...-gr.com	<b>E-mail:</b> ernesto.gabilondo@bam...com	<b>E-mail:</b> jgordillo@cibanco.com
<b>Target price:</b> 112.50 MXN	<b>Target price:</b> 107.00 MXN	<b>Target price:</b> 100.00 MXN	<b>Target price:</b> 132.00 MXN	<b>Target price:</b> 117.00 MXN	<b>Target price:</b> 116.00 MXN
<b>Recommendation:</b> Market Perform	<b>Recommendation:</b> Equalweight	<b>Recommendation:</b> Outperform	<b>Recommendation:</b> Buy	<b>Recommendation:</b> Buy	<b>Recommendation:</b> Buy
<b>GBM</b>	<b>n a u</b>	<b>SIGNUM RESEARCH</b>	<b>Bx+</b>	<b>APALACHE INVESTIGACIONES</b>	<b>Bloomberg</b>
<b>Analyst:</b> Natalia Zamora	<b>Analyst:</b> Iñigo Vega	<b>Analyst:</b> Armando Rodríguez	<b>Analyst:</b> Eduardo López	<b>Analyst:</b> Jorge Lagunas	<b>Analyst:</b> -
<b>E-mail:</b> nzamora@gbm.com	<b>E-mail:</b> iniguev...@nau-securities.com	<b>E-mail:</b> armando.rodriguez@signumresearch.com	<b>E-mail:</b> elopez@vepm...as.com	<b>E-mail:</b> jorge.lagunas@apalache.mx	<b>E-mail:</b> -
<b>Target price:</b> 115.00 MXN	<b>Target price:</b> 110.00 MXN	<b>Target price:</b> 112.82 MXN	<b>Target price:</b> 104.10 MXN	<b>Target price:</b> 117.70 MXN	<b>Target price:</b> 113.46 MXN
<b>Recommendation:</b> Outperform	<b>Recommendation:</b> Buy	<b>Recommendation:</b> Buy	<b>Recommendation:</b> Buy	<b>Recommendation:</b> Buy	<b>Recommendation:</b> -

## 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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### Santiago Monroy

smonroy@qualitas.com.mx  
T: +52 (55) 1555-6056

### Raquel Leetoy

rleetoy@qualitas.com.mx  
T: +52 (55) 1555-6313

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Institutional Investor

