



4Q15

Earnings
Results



Quálitas®

QUÁLITAS REPORTS RESULTS FOR THE FOURTH QUARTER OF 2015

Mexico City, February 25th, 2016 – Quálitas, S.A.B. de C.V. (“Quálitas”, “Q”, or “the Company”) (BMV: Q*), announces its audited financial results for the quarter ended December 31st, 2015.

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

4Q15 Highlights:

- Written Premiums grew 20.3% during the quarter and 14.5% during the year when compared to the same period last year.
- Earned Premiums grew 11.5% during the quarter and 11.1% during the year when compared to the same period last year.
- Claims costs increased 11.2% during the quarter and 10.1% during the year, as a result of higher costs in collision and theft.
- Insured vehicles increased 14.0% in comparison to 2014.
- The Company recorded an operating loss of Ps.258 million during the quarter, resulting in an operating loss of Ps.3 million for the full year, due to higher claims costs.
- Investment Income for the quarter was Ps.322 million and Ps.833 million for the full year, representing a return of 5.5% in the investment portfolio.
- The Company recorded a combined ratio of 98.6% for the quarter and 95.6% for the full year, 195 bps lower than the previous year.

INCOME STATEMENT	4Q15	4Q14	Δ %/bp	2015	2014	Δ %/bp
Written Premiums	5,885	4,894	20.3%	19,856	17,340	14.5%
Earned Premiums	4,649	4,171	11.5%	17,065	15,356	11.1%
Acquisition Cost	1,386	1,243	11.5%	4,518	4,143	9.0%
Claims Cost	3,356	3,017	11.2%	11,747	10,674	10.1%
Technical Result	(92)	(89)	3.5%	800	538	48.6%
Operating Expenses	165	141	17.4%	803	724	10.9%
Operating Result	(258)	(230)	NA	(3)	(185)	NA
Investment Income	322	207	55.8%	833	1,036	(19.6%)
Income Taxes	11	(51)	NA	266	230	15.5%
Net Result	53	31	69.6%	564	624	(9.6%)
BALANCE SHEET						
Investments	15,583	13,144	18.6%	15,583	13,144	18.6%
Total Assets	29,051	24,423	18.9%	29,051	24,423	18.9%
Technical Reserves	18,691	15,450	21.0%	18,691	15,450	21.0%
Total Liabilities	24,078	20,055	20.1%	24,078	20,055	20.1%
Stockholders' Equity	4,972	4,368	13.8%	4,972	4,368	13.8%
COST RATIOS						
Acquisition Ratio	23.6%	25.4%	(186)	22.8%	23.9%	(114)
Claims Ratio	72.2%	72.3%	(16)	68.8%	69.5%	(67)
Operating Ratio	2.8%	2.9%	(7)	4.0%	4.2%	(13)
Combined Ratio	98.6%	100.6%	(208)	95.6%	97.6%	(195)
PROFITABILITY RATIOS						
Return on Investments	8.0%	6.4%	158	5.5%	8.1%	(264)
LTM ROE	12.1%	15.4%	(328)	12.1%	15.4%	(328)

NA: Not applicable

Insured Vehicles

Business Line	4Q15	4Q14	Δ %
Automobiles	1,912,205	1,696,681	12.7%
Trucks	673,917	561,613	20.0%
Tourists	91,781	91,264	0.6%
Motorcycles	76,860	71,481	7.5%
El Salvador	15,718	16,711	-5.9%
Costa Rica	27,314	19,609	39.3%
USA	5,224	1,057	NA
Insured Vehicles	2,803,019	2,458,416	14.0%

NA: Not applicable

Insured vehicles increased 14.0% when compared to the previous year, reaching 2,803,019 units. The number of units insured during the quarter totaled 76,029.

Written Premiums

Segment	4Q15	4Q14	Δ \$	Δ %	2015	2014	Δ \$	Δ %
Individual	1,130	896	234	26.1%	3,928	3,447	481	13.9%
Fleets	1,602	1,645	-43	-2.6%	5,999	5,744	254	4.4%
Financial Institutions	2,619	2,121	498	23.5%	8,554	7,422	1,132	15.3%
Subsidiaries	228	65	163	NA	660	258	401	NA
Other	306	166	140	84.1%	716	468	248	53.0%
Total	5,885	4,894	992	20.3%	19,856	17,340	2,517	14.5%

Period	4Q15	%	4Q14	%	2015	%	2014	%
Annual	3,775	64.1%	3,049	62.3%	13,267	66.8%	11,780	67.9%
Multiannual	2,110	35.9%	1,845	37.7%	6,589	33.2%	5,560	32.1%

NA: Not applicable

Note: According to underwriting policy changes, we updated the chart of accounts, consequently figures reported by segment in previous quarters may vary.

Written premiums for the fourth quarter of 2015 totaled Ps.5,885 million, an increase of 20.3% in comparison to Ps.4,894 million recorded in 4Q14, and 14.5% increase on a cumulative basis.

The Ps.992 million quarterly increase in this item was mainly driven by a 26.1% growth in the Individual segment, along with a 23.5% growth in Financial Institutions.

Written premiums in El Salvador had an increase of 26.0% and 93.3% in Costa Rica when compared on a quarterly basis.

Written premiums in QUIC totaled Ps.147 million, it continued operations under the Cross Border Program in Arizona, California and Texas and the Post – Border Program for domestic commercial vehicles in Arizona and California.

Ceded Premiums, Net Written Premiums and Reinsurance

The Company registered ceded premiums of Ps.4 million during the quarter, the same amount for the full year. Ceded premiums are recorded in few contracts where clients have a reinsurance company. Quálitas holds a catastrophic reinsurance agreement for its subsidiaries.

Earned Premiums

Earned premiums for the fourth quarter totaled Ps.4,649 million and Ps.17,065 million for the full year, an increase of 11.5% and 11.1% respectively.

Net Acquisition Cost

Net acquisition cost totaled Ps.1,386 million, an increase of 11.5% when compared to 4Q14 and 9.0% higher on a cumulative basis.

This increase was mainly driven by commissions and compensations paid to agents, in line with higher sales recorded on quarterly and yearly basis, in addition to higher costs related to the use of facilities (UOF) paid to Financial Institutions.

Acquisition ratio during the quarter was 23.6% in comparison to 25.4% recorded during 4Q14, on a cumulative basis it was 22.8% in comparison to 23.9% recorded in the same period last year.

Net Claims Cost

Net claims cost totaled Ps.3,356 million during 4Q15 and Ps.11,747 million for the full year, an 11.2% increase on a quarterly basis and a 10.1% increase on a cumulative basis.

This increase is largely explained by greater collision costs related to higher spare parts prices, as a result of the peso devaluation. In addition, during the year, theft coverage showed an upward trend on the average costs.

On the other hand, revenues from salvages and recoveries showed an increase on a quarterly and yearly basis. These offset to some extent the increase in costs related to spare parts.

Claims ratio for 4Q15 was 72.2% in comparison to 72.3% recorded in 4Q14, on a cumulative basis it was 68.8% in comparison to 69.5% recorded during 2014.

Operating Expenses

Operating expenses increased 17.4% during the quarter recording Ps.165 million in comparison to the Ps.141 million registered in 4Q14, and 10.9% above in a cumulative basis.

The increase is greatly explained by a lower comparative basis since during 4Q14 the Company booked a deferred Employee Profit Sharing item decreasing the operating cost.

Both on a quarterly and yearly basis, policy fees maintained its positive trend, while banking services related to months with zero interest installments showed a decrease.

Operating ratio during the quarter was 2.8% in comparison to 2.9% recorded in 4Q14, on a cumulative basis it was 4.0% in comparison to 4.2% recorded in the same period last year.

Depreciation & Amortization charges increased 26.4% during the quarter and 17.1% on a cumulative basis.

Operating Income

The Company booked an operating loss of Ps.258 million for the quarter, representing an operating loss of Ps.3 million for the full year, explained by higher claims costs registered during 4Q15.

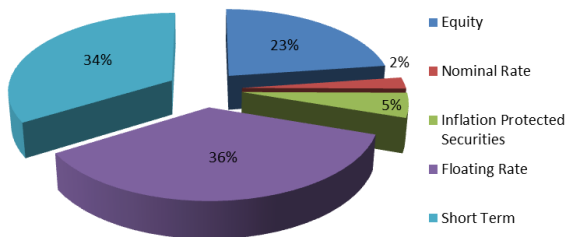
Investment Income

Investment Income for the quarter was Ps.322 million, totaling Ps.833 million for the full year, which represented a return of 8.0% for the quarter and 5.5% year to date, above the internal target of CETES plus 200 bp.

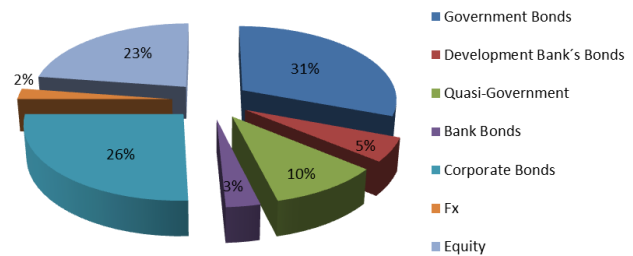
Our long term investment strategy has proven to be successful when allocating investment instruments, the focus on companies with sound fundamentals has brought stability to the portfolio during periods of high volatility.

It is worth mentioning that the annualized return on equity was 20.1% during the quarter and 10.1% year to date. At year end the allocation on equity was 23%.

Portfolio by Type of Risk



Portfolio by Type of Issuer



Taxes

During 4Q15 the Company recorded Taxes of Ps.11 million and Ps.266 for the full year.

Net Result

Net result for the quarter totaled Ps.53 million and Ps.564 million for the year, a 69.6% increase on a quarterly basis and 9.6% decrease on a cumulative basis.

Investments

Investments totaled Ps.15,583 million, an 18.6% increase over 4Q14's figure, as a consequence of the increase of LTM written premiums and LTM investment income. This item includes Securities, Overnight, Loans and Property.

Technical Reserves

Technical Reserves reached Ps.18,691 million, 21.0% higher when compared to the same period last year, as a result of the growth in LTM written premiums.

Solvency

Quálitas registered a solvency margin of Ps.1,245 million, which represents a ratio of 35.8%.

	Minimum Capital Requirement*	Solvency Margin	Solvency Margin Ratio
Q MX	3,087	1,075	34.8%
Q ES	49	16	31.5%
Q CR	83	1	0.7%
QUIC	259	114	44.0%
Total	3,479	1,205	
Q Cash		40	
Q	3,479	1,245	35.8%

*Minimum capital requirement computation differs in the countries where Quálitas has operations.

- » FX Peso-USD December 2015: 17.25
- » FX Colon-USD December 2015: 531.94

Share Buyback Program

	4Q15
Shares traded in the quarter	670,761
Balance of repurchased shares	3,683,587

The balance of repurchased stocks as of December 2015 was Ps. 102.9 million and no shares have been cancelled.

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of December 31, 2015

	2015	2014
Assets		
Investments	15,583,347,152	13,144,435,685
Securities and Derivatives Transactions	13,740,398,973	10,818,028,593
Securities	13,740,398,973	10,818,028,593
Government	3,819,561,516	2,423,659,103
Private Companies	8,589,993,231	7,453,761,911
Fixed Rate	6,577,400,282	5,640,554,422
Equity	2,012,592,949	1,813,207,489
Foreign	412,361,119	208,206,324
Net Valuation	899,835,352	715,703,627
Interest Receivable	17,258,277	16,697,628
Restricted Securities	1,389,479	
Overnight	628,408,192	1,165,189,495
Loans	218,212,884	182,518,096
Secured	11,923,128	17,590,571
Discounts and Re-discounts	209,487,036	168,166,666
Interest Receivables	41,861	-
(-) Allowance for Doubtful Accounts	3,239,141	3,239,141
Property	996,327,103	978,699,501
Real Estate	616,939,735	595,720,084
Net Valuation	432,732,579	431,872,896
(-) Depreciation	53,345,211	48,893,480
Investments Related to Labor Obligations	65,707,922	63,851,826
Cash and Cash Equivalents	424,135,230	143,848,477
Cash and Banks	424,135,230	143,848,477
Debtors	10,749,681,194	9,178,504,984
Premiums	10,176,892,045	8,451,302,037
Agents and Adjusters	33,583,471	48,018,432
Accounts Receivable	64,382,088	66,092,151
Loans to Employees	11,842,853	12,207,513
Other	548,821,483	661,858,988
(-) Allowance for Doubtful Accounts	85,840,746	60,974,137
Reinsurers and Re-Bonding Companies	50,560,506	95,586,726
Insurance and Bonds Institutions	716,537	812,450
Equity Participation of Reinsurers in Outstanding Claims	46,168,578	36,457,110
Equity Participation of Reinsurers in Unearned Premiums	3,675,391	54,001,303
Other Equity Participations	-	4,315,863
Permanent investments	47,692,065	46,658,860
Subsidiaries	-	-
Associates	2,179,431	2,179,431
Other permanent investments	45,512,634	44,479,429
Other Assets	2,129,706,457	1,750,538,484
Furniture and Equipment	494,206,119	377,955,577
Miscellaneous	1,595,949,834	1,359,167,586
Amortizable Expenses	46,671,756	20,207,459
(-) Amortization	7,121,252	6,792,138
Total Assets	29,050,830,526	24,423,425,042

QUALITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Balance Sheet as of December 31, 2015

	2015	2014
Liabilities		
Technical Reserves	18,690,933,396	15,449,607,312
Unearned Premiums	14,211,814,375	11,641,361,417
Casualties	14,211,814,375	11,641,361,417
Contractual Obligations	4,479,119,022	3,808,245,896
For Claims and Expirations	4,236,830,781	3,535,818,838
For Claims Incurred But Not Reported	134,389,432	135,299,177
For Policy Dividends	37,457,961	40,361,340
For Premiums on Deposit	70,440,848	96,766,541
Preventive Reserve	-	-
Catastrophic Risks	-	-
Reserves Related to Labor Obligations	169,681,622	139,538,087
Creditors	2,998,680,284	2,416,492,572
Agents and Adjusters	884,653,836	692,136,234
Funds for Losses Management	2,089,042	4,712,080
Miscellaneous	2,111,937,405	1,719,644,259
Reinsurers and Re-Bonding Companies	35,327,703	99,013,790
Insurance and Bond Companies	35,327,703	99,013,790
Other Liabilities	2,183,835,605	1,950,628,131
Provisions for employee profit sharing	23,510,294	52,321,400
Income Tax Provisions	301,090,873	324,596,081
Other Obligations	1,607,202,787	1,387,301,122
Deferred Credits	252,031,651	186,409,528
Total Liabilities	24,078,458,610	20,055,279,893
Stockholders' Equity		
Capital Stock	2,578,777,564	2,646,707,025
Capital Stock	2,684,887,926	2,684,887,926
(-) Repurchased Shares	106,110,362	38,180,901
Reserves	253,602,979	222,036,746
Legal	118,602,979	87,036,746
For repurchase of shares	135,000,000	135,000,000
Valuation Surplus	17,921,050	3,880,998
Permanent Investments	-	-
Retained Earnings	1,424,985,322	843,507,983
Net Result	556,067,737	631,324,655
Translation effect	113,588,858	33,583,285
Non-Controlling Interest	27,428,405	-12,895,543
Total Stockholders' Equity	4,972,371,916	4,368,145,148
Total Liabilities and Stockholders' Equity	29,050,830,526	24,423,425,041

QUÁLITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Income Statement for the Fourth Quarter

	4Q15	4Q14
Premiums		
Written	5,885,102,161	4,893,555,792
(-) Ceded	4,312,175	3,685,350
Net Written Premiums	5,880,789,986	4,889,870,442
(-) Net Increase of Unearned Premiums Reserve	1,231,806,002	718,661,921
Earned Retained Premiums	4,648,983,984	4,171,208,521
(-) Net Acquisition Cost	1,385,884,456	1,243,248,287
Agents' Commissions	349,641,547	254,249,649
Agents' Additional Compensation	118,175,061	83,997,521
Excess of Loss Coverage	9,905,629	7,112,493
Other	908,162,219	897,888,624
(-) Net Claims Cost and Other Contractual Liabilities	3,355,561,555	3,017,279,375
Claims and Other Contractual Obligations	3,355,561,555	3,017,279,375
Losses on non-proportional reinsurance	-	-
Claims	-	-
Technical Result	-92,462,027	-89,319,141
(-) Net increase in Other Technical Reserves	-	-131,886
Gross Income (Loss)	-92,462,027	-89,187,255
(-) Net Operating Expenses	165,426,566	140,904,737
Administrative and Operating expenses	10,115,912	78,998,453
Employees' compensation and benefits	95,016,570	14,188,129
Depreciation and Amortization	60,294,085	47,718,154
Operating Income (Loss)	-257,888,593	-230,091,992
Comprehensive Financing Result	322,275,139	206,882,108
Investments	176,012,284	116,923,038
Sale of Investments	-24,380,780	-16,056,682
Fair Valuation of Investments	140,659,088	58,992,363
Surcharges on Premiums	42,540,773	30,798,568
Other	4,148,537	-14,571,933
Foreign Exchange Rate Fluctuation	-16,704,762	30,796,755
Participation in Permanent Investments Result	-	3,191,222
Income (Loss) Before Taxes	64,386,547	-23,209,884
(-) Provision for Income Taxes	11,012,679	-51,482,930
Income (Loss) Before Discontinued Operations	53,373,868	28,273,046
Discontinued Operations	-	-
Net Income (Loss)	53,373,868	28,273,046
Non-Controlling Interest	1,659,892	4,050,037
Controlling Interest	51,713,977	27,414,231
Net Income (Loss)	53,373,868	31,464,268

QUÁLITAS CONTROLADORA, S.A.B. DE C.V.
Consolidated Income Statements for the twelve months ended December 31, 2015

	2015	2014
Premiums		
Written	19,856,339,272	17,340,423,098
(-) Ceded	4,312,175	3,685,350
Net Written Premiums	19,852,027,097	17,336,737,748
(-) Net Increase of Unearned Premiums Reserve	2,787,129,324	1,980,725,284
Earned Retained Premiums	17,064,897,773	15,356,012,464
(-) Net Acquisition Cost	4,517,667,174	4,143,194,387
Agents' Commissions	1,181,518,895	1,001,274,199
Agents' Additional Compensation	260,499,054	252,751,269
(-) Commissions on Ceded Reinsurance	785,153	702,286
Excess of Loss Coverage	47,024,508	28,683,415
Other	3,029,409,869	2,861,187,790
(-) Net Claims Cost and Other Contractual Liabilities	11,747,330,327	10,674,393,046
Claims and Other Contractual Obligations	11,747,330,327	10,674,393,046
Technical Result	799,900,273	538,425,031
(-) Net increase in Other Technical Reserves	-	-131,886
Gross Income (Loss)	799,900,273	538,556,917
(-) Net Operating Expenses	802,802,249	723,688,294
Administrative and Operating expenses	174,909,653	320,049,028
Employees' compensation and benefits	425,022,772	230,440,967
Depreciation and Amortization	202,869,824	173,198,299
Operating Income (Loss)	-2,901,976	-185,131,377
Comprehensive Financing Result	832,908,069	1,035,997,845
Investments	557,538,052	460,469,756
Sale of Investments	16,239,992	193,261,420
Fair Valuation of Investments	184,082,782	221,965,362
Surcharges on Premiums	140,824,401	117,979,758
Other	-783,012	1,237,180
Foreign Exchange Rate Fluctuation	-64,994,145	41,084,369
Participation in Permanent Investments Result	-	3,191,222
Income (Loss) Before Taxes	830,006,093	854,057,689
(-) Provision for Income Taxes	266,233,961	230,461,284
Income (Loss) Before Discontinued Operations	563,772,132	623,596,405
Discontinued Operations	-	-
Net Income (Loss)	563,772,132	623,596,405
Non-Controlling Interest	7,704,395	-7,728,250
Controlling Interest	556,067,737	631,324,655
Net Income (Loss)	563,772,132	623,596,405

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

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 + Claims Ratio

CNSF: National Insurance & Bonds Commission, the regulator of the insurance sector in Mexico.

EBTDA: Earnings before Taxes, Depreciation and Amortization. It differs from EBITDA in that, in EBTDA, the Investment Income is not subtracted, since it is part of the operation of insurance companies.

Financial Institutions: Financial branch of major automakers and Financial Groups that provide automotive financing.

Claims Cost: Includes costs incurred in the payment of claims: third party liability, theft, repair costs, among others.

Claims Ratio: Claims Cost ÷ Net Earned Premiums.

Minimum Equity Requirement: Is the minimum equity level that an insurance company should maintain, according to legal requirements. In Mexico, in the automobile insurance industry, it is approximately calculated as 16.4% of written premiums in the last 12 months.

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 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

Policies' Fees: Administrative fee charged when the policy is issued and recorded as an income in operating expenses.

Premium Debtor: Records the portion of sold policies which will be paid in installments.

Premiums finance charge: Financial penalty imposed to policyholders that choose to pay premiums in installments.

Written Premiums: Premiums corresponding to policies underwritten.

Q CR: Quálitas Costa Rica

Q MX: Quálitas Mexico

Q ES: Quálitas El Salvador

QUIC: Quálitas Insurance Company

Solvency Margin: Stockholders' equity – Minimum Equity Requirement.

Solvency Margin Ratio: Solvency Margin ÷ Minimum Equity Requirement

Qualitas (Q) is the largest auto insurance company in Mexico in terms of market share, 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. Qualitas 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.

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