

3Q14

# Earnings Results



**QUÁLITAS REPORTS RESULTS FOR THE THIRD QUARTER OF 2014**

**Mexico City, October 23, 2014** – Quálitas Controladora, S.A.B. de C.V. (“Quálitas”, “QC”, or “the Company”) (BMV: QC CPO), announces its unaudited financial results for the quarter ended September 30, 2014.

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

**3Q14 Highlights:**

- Written Premiums grew 17.5% reflecting Quálitas first rate service.
- Claims costs increased 20.4% due to severe weather conditions and higher third party liability costs.
- The Company increased prices to offset the upward trend in claims costs, focusing in long term profitability.
- The Company strengthened its claims department in order to face new conditions in third party liability matters, and continue to lower repair costs.
- The Company recorded Ps.306 million as investment income, due to the sound performance of its portfolios.
- Quálitas launched an advertising campaign through a number of channels in more than 130 cities.

<b>INCOME STATEMENT</b>	<b>3Q14</b>	<b>3Q13</b>	<b>Δ %/bp</b>
Written Premiums	3,837	3,265	17.5%
Earned Premiums	3,829	3,377	13.4%
Acquisition Cost	889	736	20.7%
Claims Cost	2,755	2,289	20.4%
Operating Expenses	240	177	35.6%
Operating Result	-54	175	-130.8%
Comprehensive Financing Result	306	159	92.1%
Net Result	175	185	-5.5%
<b>BALANCE SHEET</b>			
Cash & Investments	11,981	10,528	13.8%
Total Assets	22,803	20,002	14.0%
Technical Reserves	14,473	12,246	18.2%
Stockholders' Equity	4,342	4,042	7.4%
<b>COST RATIOS</b>			
Acquisition Ratio	23.2%	22.6%	61
Claims Ratio	71.9%	67.8%	416
Operating Ratio	6.3%	5.4%	83
Combined Ratio	101.4%	95.8%	560
<b>PROFITABILITY RATIOS</b>			
Return on Investments	9.2%	4.8%	434
LTM ROE	15.5%	28.4%	-1287



## Insured Vehicles

Business Line	3Q14	3Q13	Δ %
Automobiles	1,691,819	1,478,392	14.4%
Trucks	580,892	574,187	1.2%
<b>Subtotal</b>	<b>2,272,711</b>	<b>2,052,579</b>	<b>10.7%</b>
Tourists	92,651	99,780	-7.1%
Motorcycles	73,986	58,929	25.6%
El Salvador	15,996	12,889	24.1%
Costa Rica	17,373	10,474	65.9%
<b>Insured Vehicles</b>	<b>2,472,717</b>	<b>2,234,651</b>	<b>10.7%</b>

Insured vehicles increased 10.7%, when compared to the same period last year, reaching 2,472,717 units. The number of units insured during the quarter totaled 37,387.

## Written Premiums

Segment	3Q14	3Q13	Δ \$	Δ %
Individual	1,050	875	175	20.0%
Fleets	945	835	109	13.1%
<b>Sum of Traditional</b>	<b>1,995</b>	<b>1,711</b>	<b>284</b>	<b>16.6%</b>
Financial Institutions	1,662	1,524	139	9.1%
Subsidiaries	79	33	46	138.3%
Other	101	2	103	NA
<b>Total</b>	<b>3,837</b>	<b>3,265</b>	<b>571</b>	<b>17.5%</b>

Period	3Q14	%	3Q13	%
Annual	2,462	65.5%	2,219	68.7%
Multiannual	1,296	34.5%	1,013	31.3%

NA: Not applicable

Written premiums for the third quarter of 2014 were Ps.3,837 million, an increase of 17.5% in comparison to Ps.3,265 million recorded in 3Q13.

The Ps.571 million increase in this item was mainly driven by a 16.6% growth in the traditional business, due to the recovery in the individual segment. Also, Financial Institutions maintained the positive trend benefiting from the growth in automotive financing.

Furthermore, the Company had a 4% increase in prices additional to the 2% taken in 2Q14.

Written premiums in El Salvador had an increase of 19.9%, and a 60.0% in Costa Rica when compared to the same period last year.



QUIC started operations under the Cross Border Program in California in August and in Texas in September. Also, QUIC sold its first policy under the Golden Program or Post – Border Program in Arizona during September.

## Ceded Premiums, Net Written Premiums and Reinsurance

The Company did not register ceded premiums during the quarter. It holds a catastrophic reinsurance agreement for its subsidiaries.

## Earned Premiums

Earned premiums grew 13.4%, reaching Ps.3,829 million, in comparison to the Ps.3,377 million recorded in 3Q13.

## Net Acquisition Cost

Net acquisition cost totaled Ps.889 million, an increase of 20.7% in comparison to Ps.736 million registered during 3Q13. This increase was mainly driven by higher costs related to the use of facilities (UOF) paid to Financial Institutions.

In addition, commissions and compensations paid to agents increased as a result of higher sales recorded during the quarter.

It is important to mention that during 3Q13 the Company registered Ps.65.1 million due to a reclassification of a fiscal amnesty in Qmx. Such amount was subtracted from total Acquisition Cost, without this effect net acquisition cost would have increased 10.9%, in line with sales increase.

## Net Claims Cost

Net claims cost totaled Ps.2,755 million, a 20.4% increase when compared to the Ps.2,289 million recorded during the same period last year. Such increase is explained by higher third party liability costs, higher collision frequency, and to a lesser degree, higher tow trucks' fees.

During the quarter, average severance costs related to death continued to show an ascending trend growing 12.2% in comparison to 3Q13, accounting for 1% of total claims ratio.

Furthermore, the quarter was affected by severe weather conditions, such as heavy rains and hurricanes, in addition to Hurricane Odile that hit Baja California Sur, causing a direct impact in collision frequency. However, and partially offsetting this effect, average collision cost decreased during the quarter, due to lower costs on repair parts.

Also, tow trucks' fees were consistently high throughout 3Q14.



It is worth highlighting that the Company strengthened its claims department in order to face new conditions in third party liability costs.

### Operating Expenses

Operating expenses reached Ps.240 million, a 35.6% increase over the Ps.177 million recorded in 3Q13. Such increase is largely explained by higher Administrative Expenses; Employee Profit Sharing of Ps.41 million; Subsidiaries of Ps.41 million; and Banking Services of Ps.39 million for “months without interests” installments.

Partially offsetting this effect, compensations to office representatives decreased 28.8% according to the increase in claims costs, while policy fees maintained its positive trend in line with written premiums.

Depreciation & Amortization charges increased 10.6% during the quarter.

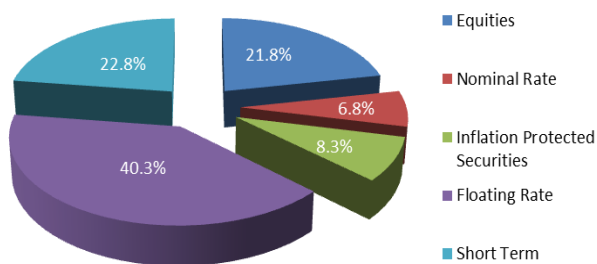
It is important to mention that during 3Q13 the Company registered of Ps.29.8 million due to a reclassification of a fiscal amnesty in Qmx, without this effect operating cost would have increased 63.0%.

### Comprehensive Financing Result

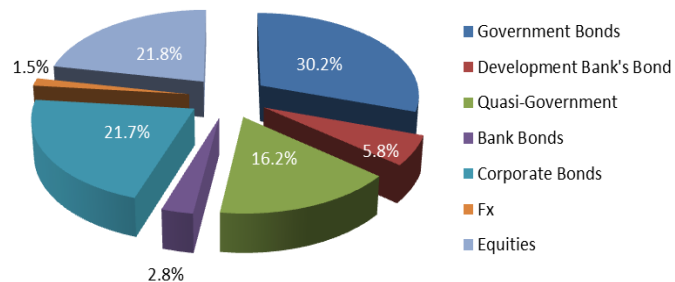
Integral Financing Result for the quarter was Ps.306 million, 92.1% over the Ps.159 million recorded in the third quarter of 2013, a significant surplus of 637 bps above the CETES + 200 bps internal annual target.

Quálitas main portfolios benefited from a greater exposure to equities, which led to higher yields. The Company has not reached the 25% limit for equity investments.

#### Portfolio by Type of Risk



#### Portfolio by Type of Issuer



### Taxes

During 3Q14 the Company recorded Taxes of Ps.77 million, which represent a 30.5% effective tax rate.



## Net Result

Net result for the quarter totaled Ps.175 million, a 5.5% decrease when compared to the same period 2013.

## Cash and Investments

Cash and Investments totaled Ps.11,981 million, a 13.8% increase over 3Q13's figure, as a consequence of the portfolio's performance.

## Technical Reserves

Technical Reserves reached Ps.14,473 million, 18.2% higher when compared to the same period last year, in line with the growth in written premiums.

## Solvency

Quálitas solvency margin registered Ps.1,259 million, which represents a solvency margin ratio of 43.0%.

	Minimum Equity Requirement	Solvency Margin	Solvency Margin Ratio
Qmx	2,629	969	36.9%
Qsv	35	15	43.2%
Qcr	65	0.4	0.6%
QUIC	201	13	6.6%
<b>Total</b>	<b>2,930</b>	<b>998</b>	
QC Cash		261	
<b>QC</b>	<b>2,930</b>	<b>1,259</b>	<b>43.0%</b>

- FX Peso-USD September 2014: 13.4330
- FX Colon-USD September 2014: 534.02
- FX UD (Costa Rica) September 2014: 864.931

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

## Share Buyback Program:

CPOs traded in the quarter	595,713
Balance of repurchased stocks as of september-14 (CPOs)	883,769

The balance of repurchased stocks as of September 2014 was Ps.32.6 million and no shares have been cancelled.



**QUALITAS CONTROLADORA, S.A.B. DE C.V.**  
**Consolidated Balance Sheet as of September 30, 2014**

	2014	2013
<b>Assets</b>		
<b>Investments</b>	12,767,485,161	11,315,412,474
<b>Securities and Derivatives Transactions</b>	11,111,053,505	9,827,659,182
<b>Securities</b>	11,111,053,505	9,827,659,182
Government	2,908,779,115	2,513,276,559
Private Companies	7,276,344,948	6,626,692,570
Fixed Rate	5,527,737,077	5,073,983,174
Equity	1,748,607,871	1,552,709,396
Foreign	242,752,692	214,388,948
Net Valuation	656,711,266	448,488,128
Interest Receivable	26,465,484	24,812,977
<b>Overnight</b>	639,489,667	552,626,851
<b>Loans</b>	98,630,873	100,953,144
Secured	18,647,792	18,853,702
Discounts and Re-discounts	83,222,222	85,395,833
(-) Allowance for Doubtful Accounts	3,239,141	3,296,391
<b>Property</b>	918,311,116	834,173,297
Real Estate	579,533,765	543,507,240
Net Valuation	386,206,368	333,078,221
(-) Depreciation	47,429,017	42,412,164
<b>Investments Related to Labor Obligations</b>	63,395,471	57,470,406
<b>Cash and Cash Equivalents</b>	147,033,556	62,313,860
Cash and Banks	147,033,556	62,313,860
<b>Debtors</b>	8,087,507,855	7,095,953,654
Premiums	7,492,774,845	6,012,591,660
Agents and Adjusters	35,302,831	47,661,711
Accounts Receivable	61,873,287	117,889,299
Loans to Employees	11,468,645	35,496,533
Other	535,908,631	931,418,753
(-) Allowance for Doubtful Accounts	49,820,384	49,104,302
<b>Reinsurers and Re-Bonding Companies</b>	105,471,120	59,554,829
Insurance and Bonds Institutions	3,763,412	13,590,052
Equity Participation of Reinsurers in Outstanding Claims	32,984,956	28,473,824
Equity Participation of Reinsurers in Unearned Premiums	64,406,889	13,262,911
Other Equity Participations	4,315,863	4,228,042
<b>Permanent investments</b>	46,477,771	45,389,221
Associates	2,165,600	1,077,050
Other permanent investments	44,312,171	44,312,171
<b>Other Assets</b>	1,585,973,028	1,365,635,076
Furniture and Equipment	385,637,920	320,731,748
Miscellaneous	1,191,457,253	1,042,910,916
Amortizable Expenses	15,587,715	13,278,297
(-) Amortization	6,709,860	11,285,885
<b>Total Assets</b>	<b>22,803,343,961</b>	<b>20,001,729,520</b>



**QUALITAS CONTROLADORA, S.A.B. DE C.V.**  
**Consolidated Balance Sheet as of September 30, 2014**

	<b>2014</b>	<b>2013</b>
<b>Liabilities</b>		
<b>Technical Reserves</b>	14,473,443,274	12,246,009,087
<b>Unearned Premiums</b>	10,938,696,485	9,113,989,123
Casualties	10,938,696,485	9,113,989,123
<b>Contractual Obligations</b>	3,534,614,903	3,131,427,315
For Claims and Expirations	3,305,989,108	2,918,176,793
For Claims Incurred But Not Reported	124,980,964	97,062,561
For Policy Dividends	34,159,731	44,698,155
For Premiums on Deposit	69,485,100	71,489,806
<b>Preventive Reserve</b>	131,886	592,649
Catastrophic Risks	131,886	592,649
<b>Reserves Related to Labor Obligations</b>	137,451,780	113,163,980
<b>Creditors</b>	1,979,198,265	2,106,462,693
Agents and Adjusters	602,687,089	486,537,778
Funds for Losses Management	3,980,391	4,407,123
Miscellaneous	1,372,530,785	1,615,517,792
<b>Reinsurers and Re-Bonding Companies</b>	93,970,682	30,505,809
Insurance and Bond Companies	93,970,682	30,505,809
<b>Other Liabilities</b>	1,777,399,626	1,463,091,362
Provisions for employee profit sharing	60,906,579	9,048,603
Income Tax Provisions	291,681,782	421,036,135
Other Obligations	1,256,343,307	909,160,494
Deferred Credits	168,467,958	123,846,130
<b>Total Liabilities</b>	18,461,463,628	15,959,232,931
<b>Stockholders' Equity</b>		
<b>Capital Stock</b>	2,654,988,634	2,681,554,298
Capital Stock	2,684,887,926	2,684,887,926
(-) Repurchased Shares	29,899,292	3,333,628
<b>Reserves</b>	222,036,746	135,000,000
Legal	87,036,746	0
For repurchase of shares	135,000,000	135,000,000
<b>Valuation Surplus</b>	8,255,116	-38,493,929
<b>Permanent Investments</b>	-10,372,802	0
<b>Retained Earnings</b>	843,507,983	466,239,673
<b>Net Result</b>	603,910,424	781,112,188
<b>Translation effect</b>	11,303,358	7,287,218
<b>Non-Controlling Interest</b>	8,250,874	9,797,141
<b>Total Stockholders' Equity</b>	4,341,880,333	4,042,496,589
<b>Total Liabilities and Stockholders' Equity</b>	22,803,343,961	20,001,729,520





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

	<b>3Q14</b>	<b>3Q13</b>
<b>Premiums</b>		
Written	3,836,533,232	3,265,156,686
(-) Ceded	-	2,224,145
<b>Net Written Premiums</b>	3,836,533,232	3,262,932,541
<b>(-) Net Increase of Unearned Premiums Reserve</b>	7,111,858	<b>-113,959,473</b>
<b>Earned Retained Premiums</b>	3,829,421,374	3,376,892,015
<b>(-) Net Acquisition Cost</b>	888,537,855	735,881,509
Agents' Commissions	215,830,883	203,656,243
Agents' Additional Compensation	55,002,491	39,115,706
Excess of Loss Coverage	8,919,072	-
Other	608,785,409	493,109,560
<b>(-) Net Claims Cost and Other Contractual Liabilities</b>	2,754,669,238	2,288,535,446
Claims and Other Contractual Obligations	2,754,669,238	2,288,535,446
<b>Technical Result</b>	186,214,281	352,475,060
<b>(-) Net increase in Other Technical Reserves</b>	-	-
<b>Gross Income (Loss)</b>	186,214,281	352,475,060
<b>(-) Net Operating Expenses</b>	240,171,237	177,153,207
Administrative and Operating expenses	90,294,215	86,477,352
Employees' compensation and benefits	103,785,802	50,704,987
Depreciation and Amortization	46,091,221	39,970,868
<b>Operating Income (Loss)</b>	<b>-53,956,956</b>	175,321,853
<b>Comprehensive Financing Result</b>	305,673,408	159,110,192
Investments	113,212,333	87,376,720
Sale of Investments	93,668,290	20,668,225
Fair Valuation of Investments	40,799,807	12,597,877
Surcharges on Premiums	28,225,136	29,173,411
Other	16,135,413	6,263,150
Foreign Exchange Rate Fluctuation	13,632,430	3,030,809
<b>Participation in Permanent Investments Result</b>	-	-
<b>Income (Loss) Before Taxes</b>	251,716,451	334,432,045
<b>(-) Provision for Income Taxes</b>	76,660,081	149,108,847
<b>Income (Loss) Before Discontinued Operations</b>	175,056,371	185,323,198
<b>Discontinued Operations</b>	-	-
<b>Net Income (Loss)</b>	175,056,371	185,323,198
Non-Controlling Interest	1,137,003	<b>-8,724,502</b>
Controlling Interest	173,919,368	194,047,700
<b>Net Income (Loss)</b>	<b>175,056,371</b>	<b>185,323,198</b>



## Consolidated Income Statements for the nine months ended September 30, 2014

	2014	2013
<b>Premiums</b>		
Written	12,446,867,306	10,872,858,964
(-) Ceded	-	0
<b>Net Written Premiums</b>	12,446,867,306	10,872,858,964
<b>(-) Net Increase of Unearned Premiums Reserve</b>	1,262,063,363	858,122,458
<b>Earned Retained Premiums</b>	11,184,803,943	10,014,736,506
<b>(-) Net Acquisition Cost</b>	2,899,946,100	2,492,394,496
Agents' Commissions	747,024,550	696,055,215
Agents' Additional Compensation	168,753,748	148,930,361
(-) Commissions on Ceded Reinsurance	702,286	-
Excess of Loss Coverage	21,570,922	-
Other	1,963,299,166	1,647,408,920
<b>(-) Net Claims Cost and Other Contractual Liabilities</b>	7,657,113,671	6,501,689,075
Claims and Other Contractual Obligations	7,657,113,671	6,501,689,075
<b>Technical Result</b>	627,744,172	1,020,652,935
<b>(-) Net increase in Other Technical Reserves</b>	-	-
<b>Gross Income (Loss)</b>	627,744,172	1,020,652,935
<b>(-) Net Operating Expenses</b>	582,783,557	379,369,726
Administrative and Operating expenses	241,050,575	113,802,668
Employees' compensation and benefits	216,252,837	152,087,069
Depreciation and Amortization	125,480,145	113,479,989
<b>Operating Income (Loss)</b>	44,960,615	641,283,209
<b>Comprehensive Financing Result</b>	829,115,736	550,473,368
Investments	343,546,719	270,805,853
Sale of Investments	209,318,102	176,257,911
Fair Valuation of Investments	162,972,999	-6,498,804
Surcharges on Premiums	87,181,190	87,296,394
Other	15,809,112	17,221,123
Foreign Exchange Rate Fluctuation	10,287,615	5,390,891
<b>Participation in Permanent Investments Result</b>	-	-
<b>Income (Loss) Before Taxes</b>	874,076,351	1,191,756,577
<b>(-) Provision for Income Taxes</b>	281,944,214	429,074,899
<b>Income (Loss) Before Discontinued Operations</b>	592,132,137	762,681,678
<b>Discontinued Operations</b>	-	-
<b>Net Income (Loss)</b>	592,132,137	762,681,678
Non-Controlling Interest	-11,778,287	-18,430,510
Controlling Interest	603,910,424	781,112,188
<b>Net Income (Loss)</b>	<b>592,132,137</b>	<b>762,681,678</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

**CAGR:** Compound Annual Growth Rate =  $[(\text{End of Period Figure} / \text{Beginning of Period Figure})^{(1/ \text{Number of periods})}]$

**Cash & Investments:** Securities and Derivatives Transactions + Overnight + Cash and Cash Equivalents + Discounts & Re-discounts.

**Combined Ratio:** Acquisition Ratio + Operating Ratio + Claims Ratio

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

**CPO:** Ordinary Participation Certificates. Each CPO comprises 3 series A shares and 2 series B shares.

**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.

**Qcr:** Quálitas Costa Rica

**Qmx:** Quálitas Mexico

**Qsv:** Quálitas El Salvador

**QUIC:** Quálitas Insurance Company

**Solvency Margin:** Stockholders' equity – Minimum Equity Requirement.

**Solvency Margin Ratio:** Solvency Margin ÷ Minimum Equity Requirement



Qualitas Controladora (QC) is the largest auto insurance company in Mexico in terms of market share 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. Qualitas is listed on the Mexican Stock Exchange (BMV) under the ticker “QC” (Bloomberg: QC:MM).

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*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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