

# Earnings Results

3<sup>rd</sup> Quarter

2018



Quálitas  
Compañía de Seguros

## QUÁLITAS REPORTS RESULTS FOR THE THIRD QUARTER OF 2018

**Mexico City, October 18<sup>th</sup>, 2018** – Quálitas Controladora, S.A.B. de C.V. (“Quálitas”, “Q”, or “the Company”) (BMV: Q\*), announces its unaudited financial results for the third quarter ended September 30<sup>th</sup>, 2018.

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

### 3Q18 & 9M18 highlights:



#### Operating figures

- ✓ As of September 2018, Quálitas has **187 Service Offices** and **229 ODQs** in the four countries in which it operates. During the quarter, **two ODQs** in Mexico became Service Offices.
- ✓ Insured Unites increased 3.4%, amounting to **3,969,875** vehicles.
- ✓ According to the latest AMIS figures, Quálitas kept the top position in the Mexican Automobile Insurance Industry with **29.7% market share**.

#### Income Statement and Balance Sheet

- ✓ **Premiums written** increased 4.0% in the quarter and 2.0% in a cumulative basis. Quálitas has managed to continue growing despite the drop in sales of new cars in Mexico by 7.1% so far this year.
- ✓ **Premiums earned** had a 10.9% growth in the quarter and 12.7% in the first nine months, both increases are superior to premiums written growth due to the recognition of revenue from multiannual policies issued in past years.
- ✓ **Claims cost** increased 15.4% in the quarter and 11.9% so far this year. During the quarter, 5,753 claims were recorded due to meteorological events in Mexico, the State with the greatest impact was Jalisco, followed by Sinaloa. The number of vehicles stolen to the insurance sector in Mexico increased by 3.9% and the recovery by 8.3%.

- ✔ The company improved its **underwriting margin** (underwriting result / earned premiums) posting a 3.4% in 3Q18 and 4.1% YTD. The **underwriting result** tripled from 311 million to 944 million.
- ✔ The cumulative **comprehensive financing result** amounted to Ps.1,584 million, showing an increase of 17.2%, as a result of a consistent discipline in the management of the investment portfolio, the reference rate of Mexico's Central Bank at 7.75% and a growth of the portfolio in the term. The cash per share reached \$64.34 pesos.
- ✔ **Net income** for the quarter was Ps.545 million, an increase of 14.8% when compared to the same quarter of 2017 and achieved a cumulative net profit of Ps.1,770 million, increasing 45.0%. With this result, the issuer registered a **12-month ROAE** of 34.1%
- ✔ **Q\* stock** had a price increase of 36.7% YTD. The daily average traded volume for the first nine months was 672.7 thousand shares and \$1.7 million US dollars.
- ✔ **Q \*** is considered a **high liquidity** stock, it is in **44<sup>th</sup>** place in the **Marketability Index** of the Mexican Stock Exchange (BMV). As of September 24<sup>th</sup> Q\* was included in the **FTSE BIVA** an index of the *Bolsa Institucional de Valores* (Institutional Securities Exchange).
- ✔ Quálitas was ratified as a member of the Dow Jones Sustainability MILA Pacific Alliance Index.



## Financial highlights

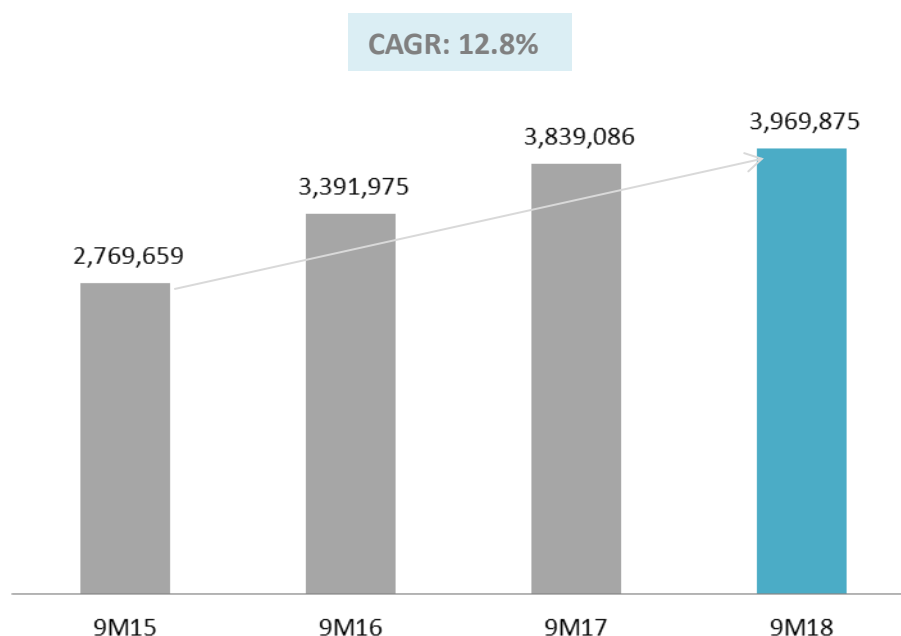
(MM MXN)

INCOME STATEMENT	3Q18	3Q17	Δ %/bp	9M18	9M17	Δ %/bp
Premiums Written	7,725	7,431	4.0%	24,698	24,224	2.0%
Net Premiums Written	7,694	7,354	4.6%	24,430	24,087	1.4%
Premiums Earned	7,822	7,055	10.9%	23,245	20,624	12.7%
Acquisition Cost	1,626	1,757	(7.5%)	5,433	5,711	(4.9%)
Claims Cost	5,629	4,877	15.4%	15,711	14,038	11.9%
<b>Technical Result</b>	<b>567</b>	<b>420</b>	<b>35.0%</b>	<b>2,100</b>	<b>874</b>	<b>140.3%</b>
Operating Expenses	307	276	11.2%	1,161	563	106.0%
<b>Underwriting Result</b>	<b>264</b>	<b>144</b>	<b>83.0%</b>	<b>944</b>	<b>311</b>	<b>203.8%</b>
Comprehensive Financial Income	489	522	(6.3%)	1,584	1,351	17.2%
Investment Income	370	427	(13.4%)	1,253	1,120	11.9%
Income Taxes	208	192	8.6%	757	440	71.9%
<b>Net Result</b>	<b>545</b>	<b>475</b>	<b>14.8%</b>	<b>1,770</b>	<b>1,221</b>	<b>45.0%</b>
Controlling Interest	543	472	15.1%	1,764	1,213	45.4%
Non-Controlling Interest	2	3	(29.3%)	7	8	(20.4%)
Acquisition Ratio	21.1%	23.9%	(277)	22.2%	23.7%	(147)
Claims Ratio	72.0%	69.1%	283	67.6%	68.1%	(48)
Operating Ratio	4.0%	3.7%	26	4.7%	2.3%	237
Combined Ratio	97.1%	96.7%	32	94.5%	94.1%	42
Combined Ratio Adjusted*	96.7%	98.0%	(128)	96.0%	98.5%	(254)
<b>BALANCE SHEET</b>						
Assets	53,166	47,519	11.9%	53,166	47,519	11.9%
Investments & Real Estate	28,350	25,146	12.7%	28,350	25,146	12.7%
Invested Assets or float	27,989	24,368	14.9%	27,989	24,368	14.9%
Technical Reserves	34,850	30,910	12.7%	34,850	30,910	12.7%
Total Liabilities	44,719	40,597	10.2%	44,719	40,597	10.2%
Stockholders' Equity	8,447	6,923	22.0%	8,447	6,923	22.0%
<b>PROFITABILITY RATIOS</b>						
Return on Investments	5.2%	7.5%	(227)	6.2%	6.6%	(40)
ROE for the period	26.5%	28.4%	(185)	28.9%	25.0%	380
LTM ROE	34.1%	17.4%	1,676	34.1%	17.4%	1,676

1 Adjusted Combined Ratio refers to the sum of the acquisition, claims and operating costs, divided by earned premiums and it is presented for comparison reasons with international indices.

2 Invested Assets, float = investments in debt + overnight + cash + discount and rediscount instruments.

## Insured Vehicles



CAGR: Compound Annual Growth Rate

Business Line	9M18	9M17	Δ units	Δ %
Automobiles	2,654,777	2,634,211	20,566	0.8%
Trucks	1,042,035	952,001	90,034	9.5%
Tourists	73,547	71,580	1,967	2.7%
Motorcycles	119,367	101,864	17,503	17.2%
El Salvador	14,159	12,758	1,401	11.0%
Costa Rica	50,701	48,538	2,163	4.5%
USA	15,289	18,134	(2,845)	(15.7%)
<b>Insured Vehicles</b>	<b>3,969,875</b>	<b>3,839,086</b>	<b>130,789</b>	<b>3.4%</b>

Insured vehicles increased 3.4% when compared to September 2017, reaching a total of 3,969,875 units in the four countries in which it operates. Vehicles under Quálitas' insurance increased by almost 131 thousand units.

According to the Mexican Association of Automotive Dealers (AMDA), new car sales dropped 7.1% in a cumulative basis, 1.1 million vehicles zero kilometers were sold from January to September 2018, that represent 78 thousand less units than in 2017.

Quálitas Insurance Company (QIC) portfolio decreased during the quarter. In this subsidiary, the company is looking for a more moderate growth and therefore maintain capital requirements in an optimal level.

## Premiums Written

Segment	3Q18	3Q17	Δ \$	Δ %	9M18	9M17	Δ \$	Δ %
Individual	2,202	1,817	385	21.2%	6,536	5,449	1,086	19.9%
Fleets	2,241	1,855	386	20.8%	7,239	6,010	1,229	20.5%
Financial Institutions	2,910	3,396	(486)	(14.3%)	9,592	10,914	(1,322)	(12.1%)
Foreign subsidiaries	339	363	(24)	(6.7%)	1,190	1,245	(55)	(4.4%)
Other	33	0.4	33	NA	142	607	(465)	(76.6%)
<b>Total</b>	<b>7,725</b>	<b>7,431</b>	<b>294</b>	<b>4.0%</b>	<b>24,698</b>	<b>24,224</b>	<b>474</b>	<b>2.0%</b>

Period	3Q18	%	3Q17	%	9M18	%	9M17	%
Annual	5,942	76.9%	4,756	64.0%	18,059	73.1%	15,807	65.3%
Multiannual	1,783	23.1%	2,675	36.0%	6,639	26.9%	8,418	34.8%

Note: Figures of 2017 may vary from those reported before due to a reclassification of accounts.

NA: Not applicable

During the quarter premiums written totaled \$7,725 million, a 4.0% increase when compared to the amount recorded in 3Q17. The growth in this quarter and in the previous one helped offset the decrease in the premiums written reported in the first quarter to reach an accumulated increase of 2.0% compared to the first nine months of 2017.

The Individual and Fleets segments together grew 21.0% during the quarter and 20.2% so far in 2018. Both segments imply a lower acquisition cost than Financial Institutions due to the commissions paid. Most of the policies in these segments last for one year, achieving a portfolio that adapts more quickly to the environment and the current situation. This segment is promoted by agents and despite the 1.4% decrease in this figure in Quálitas, double-digit growth in premiums written shows that the company has managed to adapt to a constantly changing market.

In Quálitas Mexico's premiums written rose 4.2% during the quarter and 2.2% YTD. This subsidiary continues to represent approximately 95% of total sales. Regarding the underwriting in dollars, the subsidiary of Costa Rica decreased 4.6% and El Salvador decreased 0.6%.

In the US, *Quálitas Insurance Company* (QIC) sales in US dollars declined 5.7% YTD, as a consequence of the strategy to moderate the expansion and to control capital requirements. The company is aiming to maintain these requirements in an optimal level. QIC sales are on par with the annual budget.

## Premiums Ceded, Premiums Retained and Reinsurance

The company registered premiums ceded for \$30 million during the quarter and \$268 on a cumulative basis. Quálitas holds a catastrophic reinsurance agreement for its subsidiaries.

## Premiums Earned

During the third quarter, earned premiums reached Ps. 7,822 million, an increase of 10.9% over the same period of the previous year. Cumulatively, Quálitas distributed Ps. 23,245 million, presenting an increase of 12.7%.

The percentage growth of the earned premium is higher than the written premium derived from a greater release of reserves related to multiannual policies issued in previous periods.

## Net Acquisition Cost

Net acquisition cost for the quarter amounted to \$1,626 million, a decrease of 7.5% when compared to the 3Q17. On a cumulative basis the company registered a decline of 4.9%, amounting to \$5,433 million.

The downturn in this cost is mainly explained by the contraction of new car sales through the Financial Institution segment as this channel implies superior commissions and compensations.

The acquisition ratio for the quarter was 21.1% and YTD was 22.2%.

## Net Claims Cost

A net claims cost of \$5,629 million was recorded for the quarter, an increase of 15.4% and \$15,711 as of September 2018, increasing 11.9%. So far this year, Quálitas has served 1,134,471 claims in the countries in which it operates.

Regarding to collision coverage, the peso appreciated 6.6% in the last 12 months resulting in an average exchange rate of 19.02 pesos per dollar. The average cost of this coverage increased 11% so far in 2018 and the number of claims affecting this coverage decreased 2%.

During the second quarter Quálitas registered claims related to heavy rains and floods that affected different regions of Mexico.

According to the Coordinator Office of Insured Risks (*Oficina Coordinadora de Riesgos Asegurados*, OCRA, as per its acronym in Spanish) during the first nine months of 2018, car robbery to insurance companies in Mexico continued to increase. A total of 69,438 units were stolen in that period, 3.9% more when compared to 9M17.

OCRA also reported that states with higher theft rates are Estado de México, Jalisco, Mexico City and Puebla. Nevertheless, these states also present the highest recovery rates.

The total theft coverage decreased its average cost by 1% and reported losses affecting this coverage increased 12%.

Agreements with medical suppliers and having an in-house legal structure have proven to be key for cost controls. These measures have helped to reduce average cost per claim for the medical and legal expenses coverages, in 5% and 9% respectively; despite inflation in México is 5.02%.



Claims ratio for the quarter was 72.0% and 67.6% YTD.

## Operating Expenses

Operating expenses had an increase of 11.2% in the quarter and 106.0% in a cumulative basis. This is mainly explained by higher administrative expenses, less revenues from policy fees due to lower policy sales and a cumulative increase of 25.1% in the personnel remuneration, in addition to an accumulated increase of 22.9% in depreciation and amortization, as well as a cumulative increase of 73.3% in the employee profit sharing.

Operating ratio for the quarter was 4.0% and 4.7% YTD.

## Underwriting Result

Underwriting profit for the quarter was \$264 million, figure 83.0% higher than in 3Q17. YTD amount totals \$944 million representing a 203.8% hike. Quarterly and cumulative results favorably compare to last year's figures. The combined ratio stood at 97.1% for the quarter and at 94.5% for the first 9M18, the underwriting margin (underwriting result /earned premiums) was 3.4% and 4.1% respectively.

To have a YTD underwriting result 3 times higher than in 2017 reflects great pricing discipline and a correct cost containment program to maintain profitable the operations of the company.

## Comprehensive Financial Income

During the 3Q18 comprehensive financial income reached \$489 million, a decrease of 6.3% and amounted to \$1,584 for the first nine months, figure 17.2% higher. This results derive from a disciplined investment portfolio management.

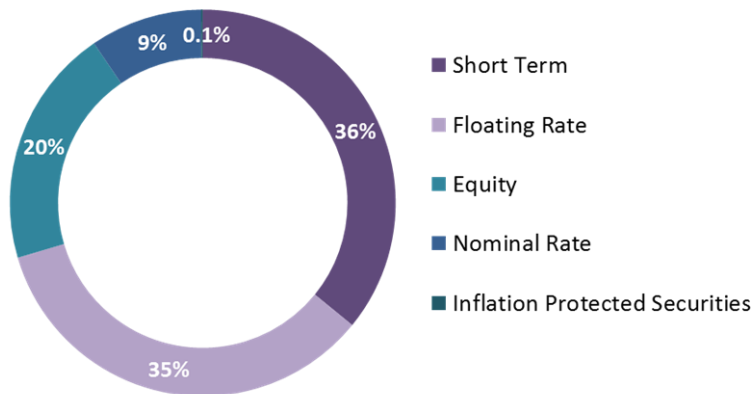
The strategy of flexibility to take advantage of the reference rate of Mexico's Central Bank, which remained at 7.75% during the quarter, boosted the good performance of the debt portfolio since it is mainly made up of short-term and variable rate instruments.

Equity portfolio has shown a defensive position as it had a positive return significantly above of the Mexbol or IPC Index' performance. Compared to the 3Q17, allocation in equities moved from 19% of the total portfolio to 20%, figure lower than the 35% established as an internal limit. The strategy for this type of instruments remains focused in companies that generate long term value.

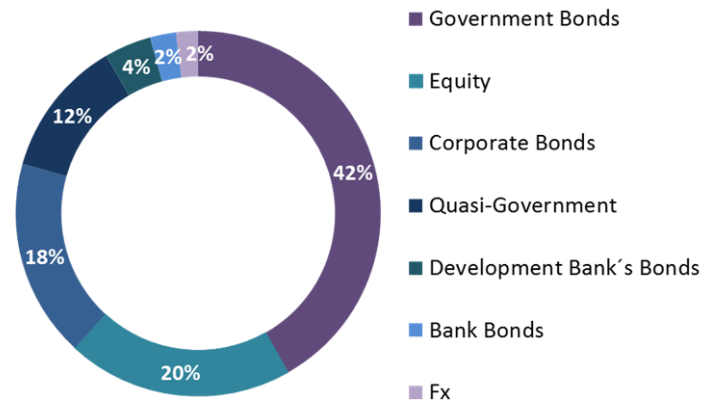
The return on investment for the quarter was 5.2% and 6.2% YTD.



### Portfolio by type of risk



### Portfolio by type of issuer



### Taxes

During the quarter the company recorded in taxes \$208 million and during the first nine months of the year \$757 million, figures 8.6% and 71.9% higher when compared to the same periods in 2017.

### Net Result

With an underwriting result of \$264 million, a comprehensive financial income of \$489 million and \$208 million taxes, the company registered a quarterly net result of \$545 million, an increase of 14.8%. On cumulative basis net result improved 45.0% to register \$1,770 million in this item, that favorably compares to the \$1,221 million recorded last year.

The LTM ROAE was 34.1%. This return comes from an operating ROAE of 20.3% and a financial ROAE of 13.9%.

### Investments

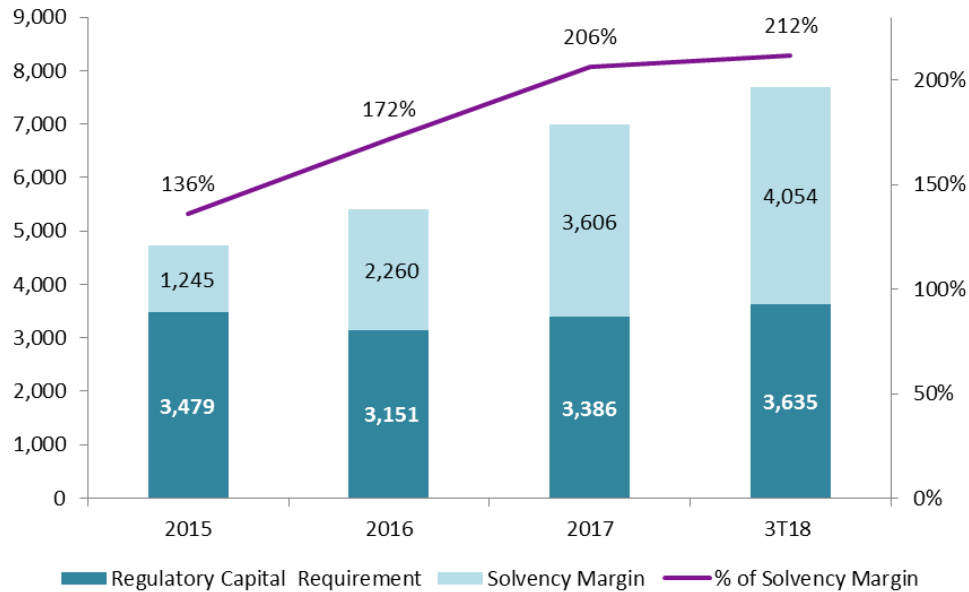
Investments amounted to \$28,350 million, an increase of 12.7%. This item comprises: securities, overnight, cash and cash equivalents, loans portfolio and property.

### Technical Reserves

Technical Reserves reached \$34,850 million, an increase of 12.7% as a consequence of a 9.3% hike in unearned premiums reserves and 22.3% in the reserve for outstanding obligations.

## Solvency

Quálitas recorded a solvency margin of \$4,054 million, which represents a solvency margin of 212%. The company paid a cash dividend of \$304.5 million in April.



## Share Buyback Program

	3Q18	3Q17	Δ %	2018	2017	Δ %
Shares traded in the period	7.6	4.2	81.6%	37.7	12.3	207.2%
Balance of repurchased shares	12.0	10.0	19.8%	12.0	10.0	19.8%

*Figures in million shares*

The main objective of the Share Buyback Program is to give liquidity to the stock by performing as a second market maker, purchasing and selling its own shares at market value. During the third quarter this program executed 28.1% of Q\* operations and 29.7% in a cumulative basis.

The invested amount in repurchased shares as of September 2018 was \$599.7 million. No shares from the buyback program have been canceled after the General Shareholders' Meeting held on April 18<sup>th</sup> where it was approved to cancel 15 million shares, 3.3% of the former 450 million shares outstanding, that were in the companies' treasury, since then 435 million shares conform the stockholders' equity.

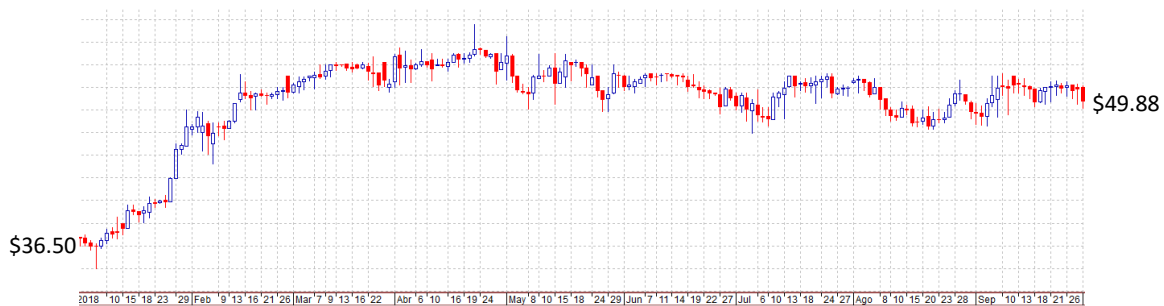
## Performance of the stock (BMV: Q\*)

	Daily average						
	Traded Volume	Δ%	Peso (MXN) Volume	Δ%	Dollar (USD) Volume	Δ%	Q* Return
3Q18	413,264	-6.3%	20,256,322.5	48.8%	1,065,257.14	39.5%	1.6%*
Year	672,721	52.1%	32,544,728.0	139.9%	1,708,625.22	137.9%	36.7%
12M	637,282	38.5%	28,750,177.8	101.2%	1,507,235.13	101.7%	65.7%

Figures: traded volume is expressed in number of shares, peso and dollar volume in monetary units.

Δ%: percentage change vs. the same period of 2017

\* Return vs 2Q18



Source: SiBolsa

The company moved from the 54<sup>th</sup> place in December 2017 to the 44<sup>th</sup> as of September 2018 in the marketability index of the Mexican Stock Exchange (BMV). Since March, Q\* is classified as a high marketability stock.

Since September 24<sup>th</sup> Q\* is part of the sample of the FTSE BIVA of BIVA (*Bolsa Institucional de Valores*, Institutional Securities Exchange as per its acronym in Spanish) which is an index designed to reflect the performance of Mexican liquid companies, which are components of the FTSE Mexico All Cap Index.

## Sustainability

Quálitas is aware that for keeping business continuity, the correct functioning of its operations, and its adaption capabilities over the years, it has to focus on both, the financial and non-financial dimension of the company. Also it has to help and support the society in the corresponding matters, always in line with its corporate social responsibility model and its commitments with stakeholders.

During the quarter the company ran some campaigns addressing different stakeholders:

- » To promote the financial culture, the **Financial Education Program** was continued hand in hand with CONDUSEF. Some employees of the metropolitan offices, agents and suppliers attended various financial training workshops. With these activities we seek to promote a better culture of insurance and savings among our collaborators.
- » Within Quálitas Road Safety Campaign we continued with the projections of the **“Road to Safety Tour”**, this quarter we made the **“Road Show”** presentation during the summer, a function for the **Scholars Program** participants, where the young people heard testimonies of victims of car accidents to increase awareness of the dangers and precautions while driving a car and to increase responsible driving. In addition, we participated in an event at Tecnológico de Monterrey at Mexico’s City Campus where to spread messages of awareness and responsible driving.
- » We continued with the project of spreading road safety messages and infographics through various communication channels, including the Quálitas Road Safety website. In addition, this quarter the Deputy Director of Risk Prevention gave a conference called **“The importance of having insurance”** during the National Week of Financial Education.
- » This quarter the **Annual Reforestation** was carried out at Tepotzotlán, State of Mexico. In this edition more than a thousand assistants considering employees and their families helped planting more than ten thousand trees. This meeting is an important event for the company to strengthen the bonds between the people.
- » Within the **Integral Q Survey**, indicators were added to measure the percentage of satisfaction and recommendation of our policyholders after being involved in a car accident.
- » In order to continue providing an ethical and transparent service during the quarter, the **Q’s Certification** was carried out, constantly training our collaborators through Quálitas University. This certification includes the courses **Conflict of Interest, Code of Ethics, Personal Data Protection and Money Laundering Prevention**.
- » Quálitas is committed to achieve that benefits to our collaborators have a greater scope, this year all offices in Mexico were included in **the distribution of school supplies** for the children of our collaborators. This year, a thousand packages were assigned.

- » The **Quálitas Citizen** campaign was carried out, where through various activities the values of Quálitas have been reinforced.
- » The 5 and 10 km **Pro Education Race** took place in the quarter Quálitas invited 50 collaborators to participate.
- » **Qualiclick** was inaugurated; a virtual portal that promotes communication between employees and the human resources department. In this portal collaborators can manage personal information, projects and goals.
- » Quálitas was ratified as a member of the **Dow Jones Sustainability MILA Pacific Alliance Index**, this index is an acknowledgment of our leadership in corporate sustainability within our industry.

MEMBER OF  
**Dow Jones  
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In Collaboration with RobecoSAM

**FTSE BIVA**



# Webcast Invitation 3Q18

**Friday, October 19th  
8:00 am Mexico City Time (9:00 am EST)**

To participate by telephone, please dial:

- »Mexico: (01 800) 5630 645
- »US & Canada: (888) 339 2688
- »International: (617) 847 3007
- »Password #: 592 651 80

For the webcast please enter to the following link:

<https://www.webcaster4.com/Webcast/Page/1164/27580>

The replay will be available on our page after the event.

**QUALITAS CONTROLADORA, S.A.B. DE C.V.**  
**Consolidated Balance Sheet as of September 30th**  
 Figures in Mexican pesos

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
<b>Investments</b>	<u>28,349,595,518</u>	<u>25,145,880,710</u>
<b>Securities and Derivatives Transactions</b>	<u>26,521,610,254</u>	<u>22,925,143,724</u>
<b>Securities</b>	<u>26,521,610,254</u>	<u>22,925,143,724</u>
Government	13,137,671,473	7,542,313,503
Private Companies: Fixed Rate	8,371,351,745	10,024,195,625
Private Companies: Equity	4,852,094,641	4,289,123,158
Foreign	307,207,402	361,936,117
(-) Deterioro de Valores	146,715,007	13,511,232
Restricted Securities	-	721,086,553
<b>Derivatives</b>	-	-
<b>Overnight</b>	129,773,584	471,020,912
<b>Loans Portfolio (Net)</b>	<u>290,062,155.43</u>	<u>426,802,001.64</u>
Current Loan Portfolio	293,337,090	413,482,925
Non-performing Loan	29,980,270	15,889,746
(-) Loan Loss Provisions	33,255,205	2,570,669
<b>Property (Net)</b>	1,408,149,524	1,322,914,072
<b>Investments Related to Labor Obligations</b>	63,262,693	58,763,942
<b>Cash and Cash Equivalents</b>	<u>1,101,460,638</u>	<u>659,380,555</u>
Cash and Banks	1,101,460,638	659,380,555
<b>Debtors</b>	<u>19,334,452,104</u>	<u>17,946,881,650</u>
Premiums	18,372,503,806	16,905,928,421
Premiums P&C Subsidy	-	-
Federal Agencies Debts	116,280,872	124,648,781
Agents and Claims Officers (Adjusters)	134,106,425	127,300,604
Accounts Receivable	4,695,000	4,695,000
Bonds for Claims Debtors	-	-
Other	806,509,281	868,918,986
(-) Allowance for Doubtful Accounts	99,643,280	84,610,142
<b>Reinsurers and Re-Bonding Companies</b>	<u>153,604,566</u>	<u>90,744,691</u>
Insurance and Bonds Intitutions	3,187,947	7,396,372
Retained deposits	-	-
Amounts Recoverable from Reinsurance	152,357,539	84,910,910
(-) Loan Loss Provisions for Foreign Reinsurers and Reinsurance and Bonding Brokers	1,788,730	1,520,898
(-) Provisions for Penalties	152,190	41,693
<b>Permanent Investments</b>	<u>48,308,164</u>	<u>50,175,320</u>
Associates	1,761,325	3,628,481
Other permanent investments	46,546,839	46,546,839
<b>Other Assets</b>	<u>4,115,032,521</u>	<u>3,567,532,717</u>
Furniture and Equipment (Net)	829,766,874	794,611,029
Miscellaneous	3,200,404,149	2,691,941,401
Amortizable Intangible Assets (Net)	53,968,384	51,017,937
Long-lived Intangible Assets (Net)	30,893,115	29,962,350
<b>Total Assets</b>	<u><u>53,165,716,204</u></u>	<u><u>47,519,359,585</u></u>



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

Figures in Mexican pesos

	2018	2017
<b>Liabilities</b>		
<b>Technical Reserves</b>	<b>34,849,780,059</b>	<b>30,909,835,190</b>
<b>Unearned Premiums</b>	<b>24,769,688,482</b>	<b>22,669,910,623</b>
Property and Casualty Insurance	24,769,688,482	22,669,910,623
<b>Reserve for Outstanding Obligations</b>	<b>10,080,091,578</b>	<b>8,239,924,567</b>
Expired Policies and Claims Occurred Pending of Payment	9,211,813,238	7,557,823,536
Occurred but not Reported and Adjustment Costs assigned to Claims	100,368,765	52,791,957
Deposit Premiums	767,909,575	629,309,074
<b>Reserves Related to Labor Obligations</b>	251,779,493	205,832,268
<b>Creditors</b>	<b>4,654,148,858</b>	<b>4,985,902,193</b>
Agents and Adjusters	1,391,213,516	1,203,142,520
Funds for Losses Management	5,003,441	6,383,137
Bonding for recognition of Liabilities Creditors	-	-
Miscellaneous	3,257,931,901	3,776,376,536
<b>Reinsurers and Re-Bonding Companies</b>	<b>108,941,606</b>	<b>71,930,291</b>
Insurance and Bond Companies	93,031,593	56,020,278
Retained Deposits	15,910,013	15,910,013
Other	-	-
<b>Funding Obtained</b>	-	-
<b>Other Liabilities</b>	<b>4,854,179,353</b>	<b>4,423,059,417</b>
Provisions for employee profit sharing	302,213,499	219,140,583
Income Tax Provisions	783,233,154	731,279,210
Other Obligations	2,894,440,574	2,743,568,325
Deferred Credits	874,292,126	729,071,299
<b>Total Liabilities</b>	<b>44,718,829,369</b>	<b>40,596,559,360</b>
<b>Stockholders' Equity</b>		
<b>Paid-in Capital</b>		
<b>Capital Stock</b>	<b>2,524,002,735</b>	<b>2,656,347,700</b>
Capital Stock	2,595,391,662	2,684,887,926
(-) Non Subscribed Capital Stock	-	-
(-) Non Displayed Capital Stock	-	-
(-) Repurchased Shares	71,388,927	28,540,226
<b>Earned Capital</b>		
<b>Reserves</b>	<b>446,791,582</b>	<b>287,971,406</b>
Legal	313,746,968	210,935,306
For Repurchase of shares	33,682,862	77,036,100
Other	99,361,752	-
<b>Valuation Surplus</b>	112,794,274	69,618,069
<b>Permanent Investments</b>	-	-
<b>Retained Earnings</b>	3,403,828,586	2,518,511,999
<b>Net Result</b>	1,763,700,867	1,212,670,063
<b>Translation effect</b>	146,479,574	130,608,977
<b>Non Monetary Assets Result</b>	-	-
<b>Controlling Interest</b>	8,397,597,618	6,875,728,215
<b>Non-Controlling Interest</b>	49,289,218	47,072,011
<b>Total Stockholders' Equity</b>	<b>8,446,886,836</b>	<b>6,922,800,225</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>53,165,716,204</b>	<b>47,519,359,585</b>

**QUALITAS CONTROLADORA S.A.B. DE C.V.**  
**Consolidated Income statement for the third quarter**

Figures in Mexican pesos

	<b>2018</b>	<b>2017</b>
<b>Premiums</b>		
Written	7,724,738,136	7,430,993,178
(-) Ceded	<u>30,336,663</u>	<u>77,255,107</u>
<b>Net Written Premiums</b>	<b>7,694,401,473</b>	<b>7,353,738,071</b>
<b>(-) Net Increase of Unearned Premiums Reserve</b>	<b>(128,068,008)</b>	298,515,774
<b>Earned Retained Premiums</b>	<b>7,822,469,481</b>	<b>7,055,222,297</b>
<b>(-) Net Acquisition Cost</b>	<b>1,626,008,304</b>	<b>1,757,472,198</b>
Agents Commissions	537,821,079	481,320,121
Agents' Additional Compensation	111,639,480	104,824,562
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	958,165	345,844
Excess of Loss Coverage	1,415,114	4,071,333
Other	976,090,796	1,167,602,025
<b>(-) Net Claims Cost and Other Contractual Liabilities</b>	<b>5,629,168,605</b>	<b>4,877,422,613</b>
Claims and Other Contractual Obligations	5,629,168,605	4,877,422,613
(-) Losses on non-proportional reinsurance Claims	-	-
<b>Technical Income (Loss)</b>	<b>567,292,572</b>	<b>420,327,487</b>
<b>(-) Net Increase in Other Technical Reserves</b>	-	-
<b>Result of Analog and Related Operations</b>	<b>3,727,848</b>	
<b>Gross Income (Loss)</b>	<b>571,020,420</b>	<b>420,327,487</b>
<b>(-) Net Operating Expenses</b>	<b>306,803,109</b>	<b>275,939,182</b>
Administrative and Operating Expenses	11,169,534	7,826,432
Employees' compensation and benefits	194,587,040	182,023,365
Depreciation and Amortization	101,046,535	86,089,386
<b>Operating Income (Loss)</b>	<b>264,217,311</b>	<b>144,388,304</b>
<b>Comprehensive Financing Result</b>	<b>488,928,112</b>	<b>521,914,624</b>
Investments	268,928,121	252,774,482
Sale of Investments	<b>(22,201,395)</b>	59,405,973
Fair Valuation of Investments	<b>(29,489,318)</b>	47,038,600
Surcharges on Premiums	115,667,163	86,936,623
Loan Interests	8,339,848	11,158,022
(-) Preventive Penalties for Amounts Recoverable from Reinsura	<b>(83,214)</b>	202,216
(-) Preventive Penalties for Credit Risks	1,562,034	<b>(504,238)</b>
Other	162,039,704	59,485,686
Foreign Exchange Rate Fluctuation	162,039,704	4,813,217
(-) Monetary Position Result	-	-
<b>Participation in Permanent Investments Result</b>	-	-
<b>Income (Loss) Before Taxes</b>	<b>753,145,423</b>	<b>666,302,929</b>
<b>(-) Provision for Income Taxes</b>	208,328,749	191,776,967
<b>Income (Loss) Before Discontinued Operations</b>	544,816,674	474,525,962
<b>Discontinued Operations</b>	-	-
<b>Net Income (Loss)</b>	<b>544,816,674</b>	<b>474,525,962</b>
Controlling Interest	542,954,828	471,893,708
Non-Controlling Interest	1,861,845	2,632,253
<b>Net Income (Loss)</b>	<b>544,816,674</b>	<b>474,525,962</b>

**QUALITAS CONTROLADORA S.A.B. DE C.V.**  
**Consolidated Income statement for the first nine months ended September 30th**  
 Figures in Mexican pesos

	<b>2018</b>	<b>2017</b>
<b>Premiums</b>		
Written	24,698,221,481	24,223,895,598
(-) Ceded	<u>267,745,104</u>	<u>136,563,340</u>
<b>Net Written Premiums</b>	<b>24,430,476,377</b>	<b>24,087,332,258</b>
<b>(-) Net Increase of Unearned Premiums Reserve</b>	1,185,924,485	3,463,411,973
<b>Earned Retained Premiums</b>	<b>23,244,551,892</b>	<b>20,623,920,285</b>
<b>(-) Net Acquisition Cost</b>	<b>5,432,764,185</b>	<b>5,711,372,659</b>
Agents Commissions	1,650,811,501	1,550,265,936
Agents' Additional Compensation	363,241,170	306,353,843
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	5,974,240	1,395,618
Excess of Loss Coverage	5,100,571	52,825,709
Other	3,419,585,183	3,803,322,790
<b>(-) Net Claims Cost and Other Contractual Liabilities</b>	<b>15,711,382,380</b>	<b>14,038,457,495</b>
Claims and Other Contractual Obligations	15,711,382,380	14,038,457,495
(-) Losses on non-proportional reinsurance Claims	-	-
<b>Technical Income (Loss)</b>	<b>2,100,405,326</b>	<b>874,090,130</b>
<b>(-) Net Increase in Other Technical Reserves</b>	-	-
<b>Result of Analog and Related Operations</b>	<b>3,727,848</b>	-
<b>Gross Income (Loss)</b>	<b>2,104,133,174</b>	<b>874,090,130</b>
<b>(-) Net Operating Expenses</b>	<b>1,160,594,250</b>	<b>563,494,430</b>
Administrative and Operating Expenses	271,266,971	(151,824,136)
Employees' compensation and benefits	601,019,625	481,774,589
Depreciation and Amortization	288,307,655	233,543,977
<b>Operating Income (Loss)</b>	<b>943,538,924</b>	<b>310,595,700</b>
<b>Comprehensive Financing Result</b>	<b>1,583,599,214</b>	<b>1,350,629,711</b>
Investments	852,294,013	706,760,459
Sale of Investments	90,888,842	613,598,026
Fair Valuation of Investments	(166,962,851)	(395,856,959)
Surcharges on Premiums	323,628,789	231,536,255
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	39,236,301	31,607,266
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	54,797	209,623
(-) Preventive Penalties for Credit Risks	558,448	(827,687)
Other	449,880,992	187,904,730
Foreign Exchange Rate Fluctuation	(4,753,628)	(25,538,131)
(-) Monetary Position Result	-	-
<b>Participation in Permanent Investments Result</b>	-	-
<b>Income (Loss) Before Taxes</b>	<b>2,527,138,138</b>	<b>1,661,225,411</b>
<b>(-) Provision for Income Taxes</b>	756,789,611	440,204,481
<b>Income (Loss) Before Discontinued Operations</b>	1,770,348,527	1,221,020,930
<b>Discontinued Operations</b>	-	-
<b>Net Income (Loss)</b>	<b>1,770,348,527</b>	<b>1,221,020,930</b>
Controlling Interest	1,763,700,867	1,212,670,063
Non-Controlling Interest	6,647,661	8,350,866
<b>Net Income (Loss)</b>	<b>1,770,348,527</b>	<b>1,221,020,930</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 = [(End of Period Figure / Beginning of Period Figure) ^ (1/ Number of periods)]

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

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

**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.

**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.

**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:** Quálitas Costa Rica

**Q MX:** Quálitas Mexico

**Q ES:** Quálitas El Salvador

**QIC:** Quálitas Insurance Company

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

**Solvency Margin Ratio:** Solvency Margin ÷ Regulatory 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).

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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 involve 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.*

## Analysts

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BBVA Research	Rodrigo Ortega	r.ortega@bbva.com	34.9 MXN	Buy
Grupo Bursátil Mexicano	Jorge Benitez	jjbenitez@gbm.com.mx	-	-
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