

# EARNINGS RESULTS 2023

2<sup>nd</sup> Quarter

# Webcast Results 2Q23

**Date: Friday July 21<sup>st</sup> 2023**

**Time: 8:00 am MXT / 9:00 am CST / 10:00 am EST**

**Qualitas Controladora S.A.B. de C.V.** cordially invites you to its second quarter 2023 earnings results conference call.

Hosted by:

Mr. Jose Antonio Correa, Chief Executive Officer Qualitas Controladora  
Mr. Bernardo Risoul, Deputy Chief Executive Officer

Zoom webcast ID: 860 7211 7241

[https://us02web.zoom.us/webinar/register/WN\\_TyCdWgBZQPKEcTt1MfIMQ](https://us02web.zoom.us/webinar/register/WN_TyCdWgBZQPKEcTt1MfIMQ)

The report and presentation will also be available:

<https://qinversionistas.qualitas.com.mx/financial-information/quarterly-report>

# Qualitas reports second quarter 2023 results

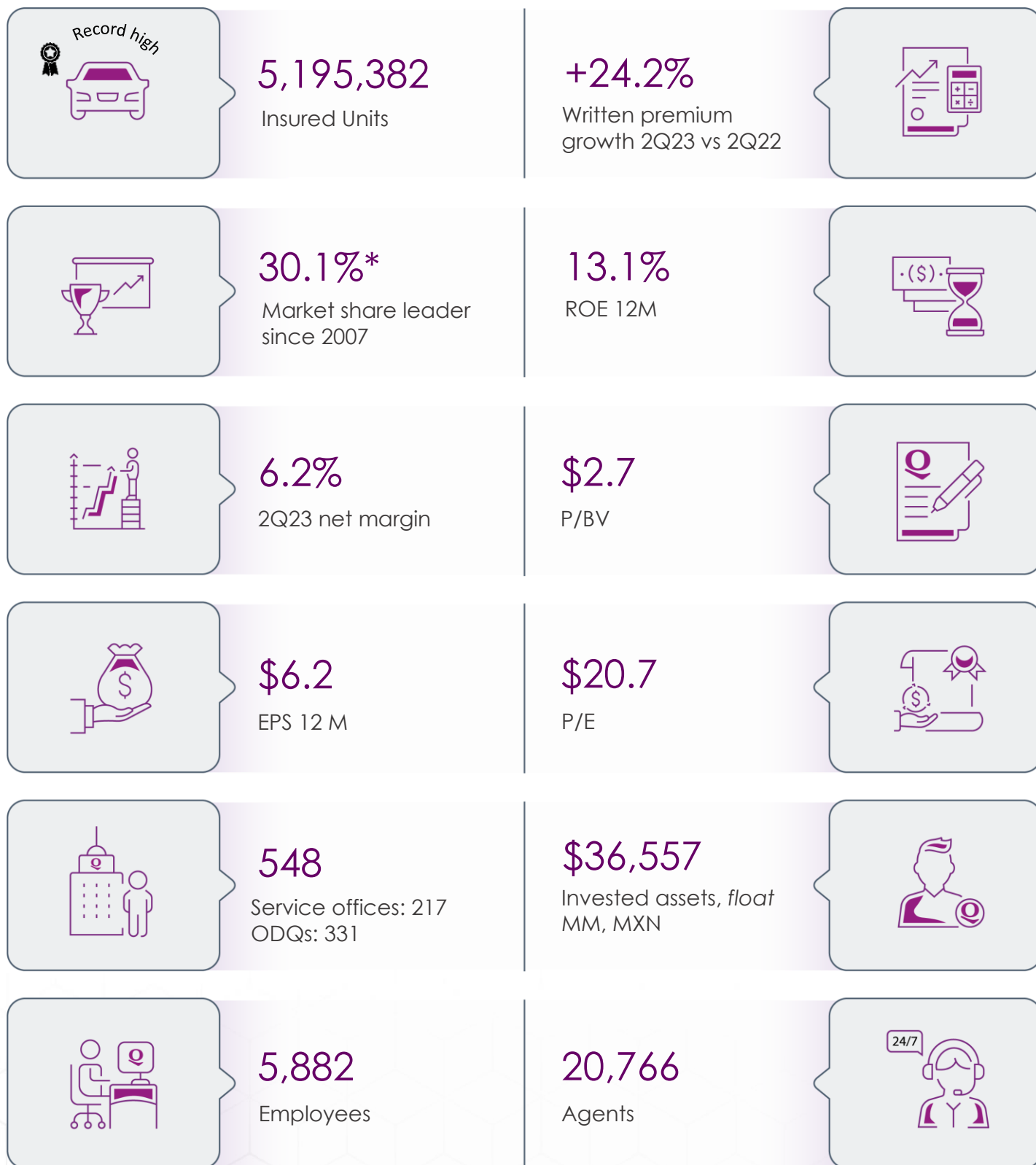
**Mexico City, July 20<sup>th</sup>, 2023** – Qualitas Controladora, S.A.B. de C.V. (“Qualitas”, “Q”, or “the company”) (BMV: Q\*), announces its unaudited financial results for the second quarter 2023.

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

## Highlights

- External factors, such as inflation, frequency of accidents and thefts, continue to impact the automobile insurance industry and therefore our results. Despite the environment, Qualitas managed to maintain a profitable operation, above our competitors, although still out of our target ranges.
- Written premiums increased +24.2% vs 2Q22, and +24.6% vs 6M22. Top line growth reflects the tariffs' adjustments done throughout the year of ~12% in average, coupled with new car sales recovery, +22.1% in light units and +36.6% in heavy equipment compared to 1H22.
- We achieved a record-high of insured units, closing the quarter with 5.2 million; +385 thousand units vs. 2022 year-end and +524 thousand units vs 2Q22.
- Earned premiums closed the quarter at \$11,689 million, an increase of 18.1% vs 2Q22 and 18.9% vs 6M22. The Company constituted \$298 million during the quarter, reaching \$1,367 million on a year-to-date basis. All the above, in-line with our written premium's growth, claims experience and portfolio mix.
- Loss ratio for the quarter stood at 71.9% and 70.7% for the first half of the year, reflecting the high claims frequency and severity, in addition to an inflationary environment, mainly in spare parts and manufacture.
- Combined ratio of the quarter stood at 97.7% and at 96.8% during 6M22.
- Comprehensive financial Income closed at \$860 million, which represents a quarterly 8.1% ROI, reaching \$1,841 million with an ROI of 9.0% for the first semester of the year. By June-end, the investment portfolio was \$36,557 million; 90.3% allocated in fixed income with a total duration of 1.5 years.
- Net result closed at \$746 million, +13.8% vs 2Q22 and \$1,643 million, +18.1% vs 6M22. Quarterly and 6-month net margin stood at 6.2% and 6.8%, respectively. Quarterly EPS was \$1.86 and 12-month ROE stood at 13.1%.
- The regulatory capital requirement stood at \$4,371 million, with a solvency margin of \$13,810 million, equivalent to a solvency ratio of 416%.
- By the end of the quarter, we held 5.3 million shares in treasury with a remaining share buyback fund of \$635 million pesos.

# Qualitas' in figures



\*March 2023 Mexico market share, AMIS

# Financial highlights 2Q23

| Income Statement               | Quarterly  |            |                    | Year to date |              |                    |
|--------------------------------|------------|------------|--------------------|--------------|--------------|--------------------|
|                                | 2Q23       | 2Q22       | Δ %/bp<br>23 vs 22 | 6M23         | 6M22         | Δ %/bp<br>23 vs 22 |
| Written premiums               | 12,048     | 9,701      | 24.2%              | 24,289       | 19,497       | 24.6%              |
| Net written premiums           | 11,986     | 9,583      | 25.1%              | 24,173       | 19,170       | 26.1%              |
| Earned premiums                | 11,689     | 9,895      | 18.1%              | 22,806       | 19,187       | 18.9%              |
| Acquisition cost               | 2,704      | 2,208      | 22.5%              | 5,573        | 4,508        | 23.6%              |
| Loss cost                      | 8,407      | 6,735      | 24.8%              | 16,128       | 12,853       | 25.5%              |
| <b>Technical result</b>        | <b>578</b> | <b>952</b> | <b>(39.3%)</b>     | <b>1,106</b> | <b>1,826</b> | <b>(39.5%)</b>     |
| Operating expenses             | 393        | 406        | (3.3%)             | 729          | 769          | (5.2%)             |
| <b>Underwriting result</b>     | <b>185</b> | <b>546</b> | <b>(66.1%)</b>     | <b>376</b>   | <b>1,057</b> | <b>(64.4%)</b>     |
| Comprehensive financial income | 860        | 232        | 270.7%             | 1,841        | 577          | 219.2%             |
| Investment income              | 744        | 879        | (15.3%)            | 1,624        | 444          | 265.6%             |
| Income Taxes                   | 300        | 123        | 144.2%             | 575          | 242          | 137.1%             |
| <b>Net result</b>              | <b>746</b> | <b>656</b> | <b>13.8%</b>       | <b>1,643</b> | <b>1,391</b> | <b>18.1%</b>       |
| <b>Cost ratios</b>             |            |            |                    |              |              |                    |
| Acquisition ratio              | 22.6%      | 23.0%      | (48)               | 23.1%        | 23.5%        | (46)               |
| Loss ratio                     | 71.9%      | 68.1%      | 386                | 70.7%        | 67.0%        | 373                |
| Operating ratio                | 3.3%       | 4.2%       | (93)               | 3.0%         | 3.9%         | (94)               |
| Combined ratio                 | 97.7%      | 95.3%      | 245                | 96.8%        | 94.4%        | 232                |
| Combined ratio adjusted*       | 98.4%      | 94.5%      | 394                | 98.4%        | 94.5%        | 386                |
| <b>Profitability ratios</b>    |            |            |                    |              |              |                    |
| Return on investments          | 8.1%       | 1.9%       | 624                | 9.0%         | 2.6%         | 642                |
| ROE for the period             | 15.1%      | 18.0%      | (289)              | 17.0%        | 14.3%        | 271                |
| LTM ROE                        | 13.1%      | 16.7%      | (368)              | 13.1%        | 16.7%        | (368)              |

\*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 ratios.

| Balance Sheet                     | 2Q23   | 2Q22   | Δ %/bp<br>23 vs 22 |
|-----------------------------------|--------|--------|--------------------|
| Assets                            | 78,665 | 71,945 | 9.3%               |
| Investments & Real Estate         | 38,808 | 36,053 | 7.6%               |
| <i>Invested assets or float**</i> | 36,557 | 34,020 | 7.5%               |
| Technical reserves                | 44,296 | 38,790 | 14.2%              |
| Total liabilities                 | 59,555 | 53,404 | 11.5%              |
| Stockholders' equity              | 19,109 | 18,540 | 3.1%               |

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

# Written premiums

| Business line          | 2Q23          | 2Q22         | Δ %/bp<br>23 vs 22 | 6M23          | 6M22          | Δ %/bp<br>23 vs 22 |
|------------------------|---------------|--------------|--------------------|---------------|---------------|--------------------|
| Traditional            | 7,718         | 5,737        | 34.5%              | 15,819        | 11,911        | 32.8%              |
| <i>Individual</i>      | 4,783         | 3,386        | 41.3%              | 9,664         | 6,927         | 39.5%              |
| <i>Fleets</i>          | 2,935         | 2,351        | 24.9%              | 6,155         | 4,984         | 23.5%              |
| Financial institutions | 3,464         | 2,976        | 16.4%              | 6,777         | 5,555         | 22.0%              |
| Foreign subsidiaries   | 827           | 967          | (14.5%)            | 1,644         | 1,893         | (13.2%)            |
| <b>Total</b>           | <b>12,048</b> | <b>9,701</b> | <b>24.2%</b>       | <b>24,289</b> | <b>19,497</b> | <b>24.6%</b>       |

By June-end, written premiums were \$12,048 million, growing 24.2% compared to the same period of the previous year. During the first 6 months of the year, they stood at \$24,289 million, growing 24.6% vs first half of 2022. Around 60% of our top line performance is related to rate increases, which have been of ~12% on average, compared to the last adjustment done in 2022; the remaining ~40% is related to the increase in insured units.

Once again, this growth was driven by the traditional segment, which had an increase of +34.5% vs. 2Q22, and +32.8% vs 6M22. Within this segment, it stands out the individual business +41.3% above 2Q22 and +39.5% vs 6M22.

Underwriting through the financial institutions segment, correlated to the sales of new cars performance, had a quarterly and half year increase of 16.4% and 22.0%, respectively.

Regarding the operation of the international subsidiaries, these reported a quarterly and 6-months decrease of 14.5% and 13.2%, respectively. This performance reflects the intentional slowdown in the United States subsidiary, coupled with the appreciation of the exchange rate (USD-MXN) during the second quarter of the year.

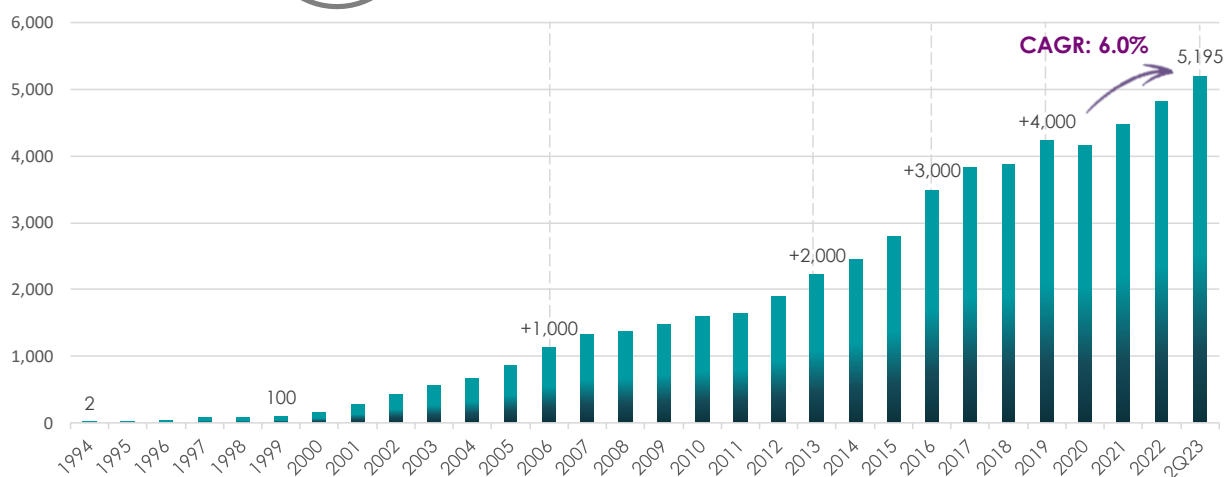
In local currency, quarterly and year-to-date underwriting from international subsidiaries increased +4.5% and +5.6%, respectively. Considering only the operation of our LATAM subsidiaries, its quarterly and half year written premiums increased +58.3% and +58.1%, respectively.

# Insured units

We closed the quarter with an all-time high of 5.2 million insured units. This represents an increase of +385 thousand units or +8.0% compared to 2022-end, highlighting that every subsidiary achieved growth in insured units during the second quarter of the year.



5,195,382 insured units



CAGR of the last 5 years

Regarding new cars sales, during the first semester of the year, light vehicles increased 22.1% compared to same period 2022, although still -1.2% below 2Q19 levels, whereas sales of heavy equipment vehicles reported a 36.6% growth in the semester and 6.7% above 2019 levels.

Insured units are distributed as follows:

|                         | 2Q23         | 4Q22         | Δ%          | 2Q22         | Δ%           |
|-------------------------|--------------|--------------|-------------|--------------|--------------|
| Mexico                  | 4,970        | 4,607        | 7.9%        | 4,485        | 10.8%        |
| Automobiles             | 3,230        | 3,020        | 6.9%        | 2,963        | 9.0%         |
| Trucks                  | 1,245        | 1,174        | 6.0%        | 1,167        | 6.7%         |
| Tourists                | 163          | 138          | 18.5%       | 126          | 29.7%        |
| Motorcycles             | 333          | 275          | 21.0%       | 230          | 44.6%        |
| El Salvador             | 32           | 27           | 16.2%       | 26           | 23.4%        |
| Costa Rica              | 108          | 100          | 8.5%        | 87           | 24.7%        |
| USA                     | 23           | 18           | 29.0%       | 18           | 27.2%        |
| Peru                    | 62           | 58           | 5.7%        | 55           | 11.9%        |
| <b>Insured vehicles</b> | <b>5,195</b> | <b>4,810</b> | <b>8.0%</b> | <b>4,671</b> | <b>11.2%</b> |

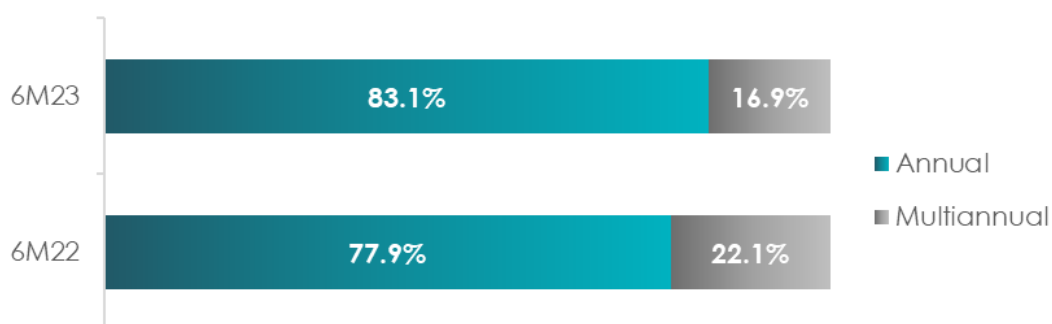
All percentage changes are compared to 2Q23, in thousands of units.

# Unearned premiums

During the second quarter, earned premiums closed at \$11,689 million, which represents an increase of 18.1% compared to the second quarter 2022. On a year-to-date basis, earned premiums stood at \$22,806 million, with an increase of 18.9% vs 6M22.

This growth is explained by the solid performance in underwriting, the evolution in claims, in addition to our portfolio mix, thus the actuarial constitution of reserves.

At the end of June, 83.1% of the portfolio was constituted by annual policies and 16.9% by multiannual policies.



# Acquisition cost

The acquisition cost closed the quarter and first half of the year at \$2,704 million and \$5,573 million, with an acquisition ratio of 22.6% and 23.1%, respectively. This figure stands within the historical range and reflects an accelerated growth within the traditional segment, as well as the recovery in the underwriting through financial institutions, which is linked to the sales of new cars in Mexico.

It is relevant to highlight that there has been no change in the commissions paid neither to agents nor financial institutions, and that these are related to the sales volume, in addition to the quality and profitability of their portfolios.



# Claims cost

Loss costs for the quarter were affected by three main factors: 1) inflation, 2) frequency of accidents and 3) thefts.

Headline inflation in Mexico has been stabilizing in recent months, closing June at 5.1% whereas core inflation stood at 6.9%. In this regard, 12-month inflation for spare parts stood at 9.3%. While this is an improvement compared to the levels observed in same period of last year, it is still an increase and therefore a pressure on our costs.

On the other hand, quarterly frequency stood at 7.2%, 80 bp above the prior year figure; accidents and car collisions have been the main driver of the significant increase experienced in the average number of claims.

Regarding theft of insured vehicles, during the first six months of the year, they represented 14.6% of the total claims cost, compared to the 12.6% in the first half of 2022. As of June, Qualitas recovered 48.7% of stolen units, which represents 5.9 p.p. more than the average for the rest of the industry.

All the above resulted in a claim cost and ratio of \$8,407 million and 71.9%, respectively. On a year-to-date basis, claim cost stood at \$16,128 million, with a 70.7% ratio. While we continue to be out of our target range of 62% to 65%, we expect an inflection point driven by the implemented actions, such as tariff increases, operational efficiencies and strengthening of our vertical integration, in order to gradually return to the mentioned target.

# Operating expense

Operating expenses for the quarter were \$393 million, reaching an operating ratio of 3.3%. For the first half of the year, they were \$729 million with a 3.0% operating ratio.

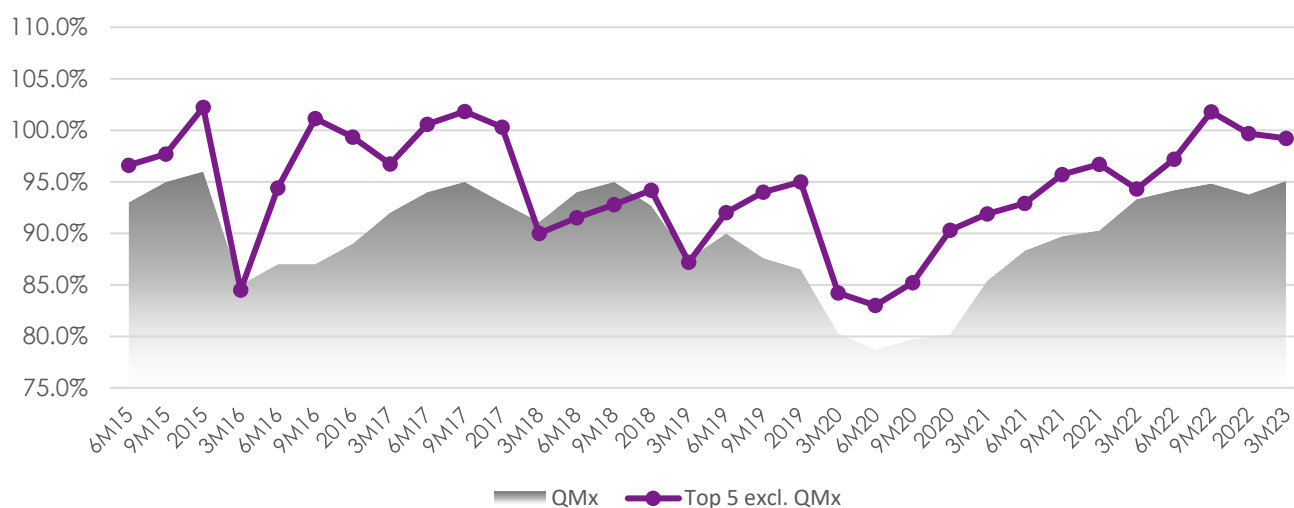
It is worth noting that this ratio reflects the benefit coming from the policy fees charged as a common practice within the industry, and the income generated from our vertical subsidiaries due to sales to third parties.

Furthermore, operating expenses include the employees profit sharing, which is directly related to the earnings of the company; if we were to exclude this figure, the quarterly and half year operating ratio would stand at 2.4% and 2.2%

# Operating result

The company had a quarterly operating profit of \$185 million and of \$376 million for the semester, representing an operating margin of 1.6% in both periods. We reported a combined ratio of 97.7% at the end of 2Q23 and of 96.8% for the first six months of the year.

According to the latest AMIS available statistics, by March-end, the auto insurance industry in Mexico reported a ratio of 98.6%; Qualitas stands out in terms of profitability with 95.1% combined ratio, 4.1 pp better than the rest of the top 5 competitors. Moreover, the ratio reported by the 5 largest companies, excluding Qualitas, was 99.2%.



Source: Combined ratio; AMIS as of March 2023

# Comprehensive financial income

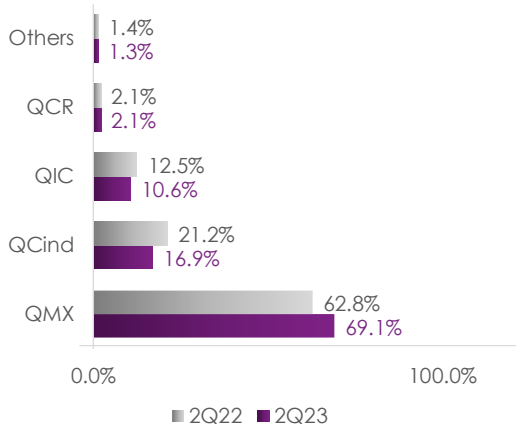
During 2Q23, the reference rate in Mexico remained at 11.25%, compared to 7.75% at the end of the same period in 2022. The average 28-day CETES for the quarter was 11.25% and 11.11% on a year-to-date basis.

At the end of 2Q23, 90.3% of the portfolio is allocated in fixed income and the remaining 9.7% in equities. Furthermore, the duration of our investment portfolio stood at 1.5 years.

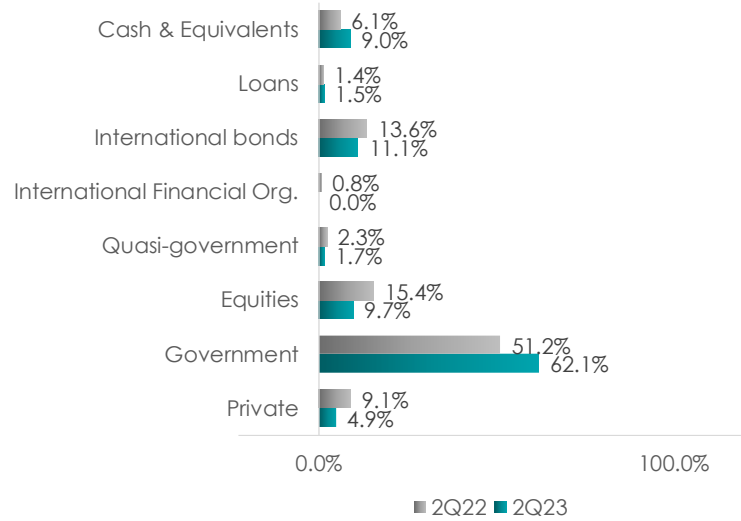
Throughout 2023 we've been shifting to an investment strategy focused on long-term returns, with less interest in individual positions, looking for a passive investment approach through indices (ETFs). Therefore, we have been selling several equity positions, aiming to have a portfolio with lower volatility and mainly index-linked.

Considering the above, the quarterly financial income closed at \$860 million and at \$1,841 as of June, which implies an ROI of 8.1% and 9.0%, respectively; that is, an increase of 6.2 pp and 6.4 pp in comparison to the same period ROI in 2022. Our portfolio continues to be well-positioned to benefit from the recent environment and there is still room to continue increasing the duration given the current rates level.

## Subsidiaries portfolio



## Total portfolio



## Net result

All in all, the company reported a quarterly net profit of \$746 million and \$1,643 for the first half of the year, resulting in a quarterly and year-to-date net margin of 6.2% and 6.8%, respectively. The growth in net profit compared to 2Q22 and 6M22 was +13.8% or +\$90 million pesos, and +18.1% or +\$252 million, respectively.

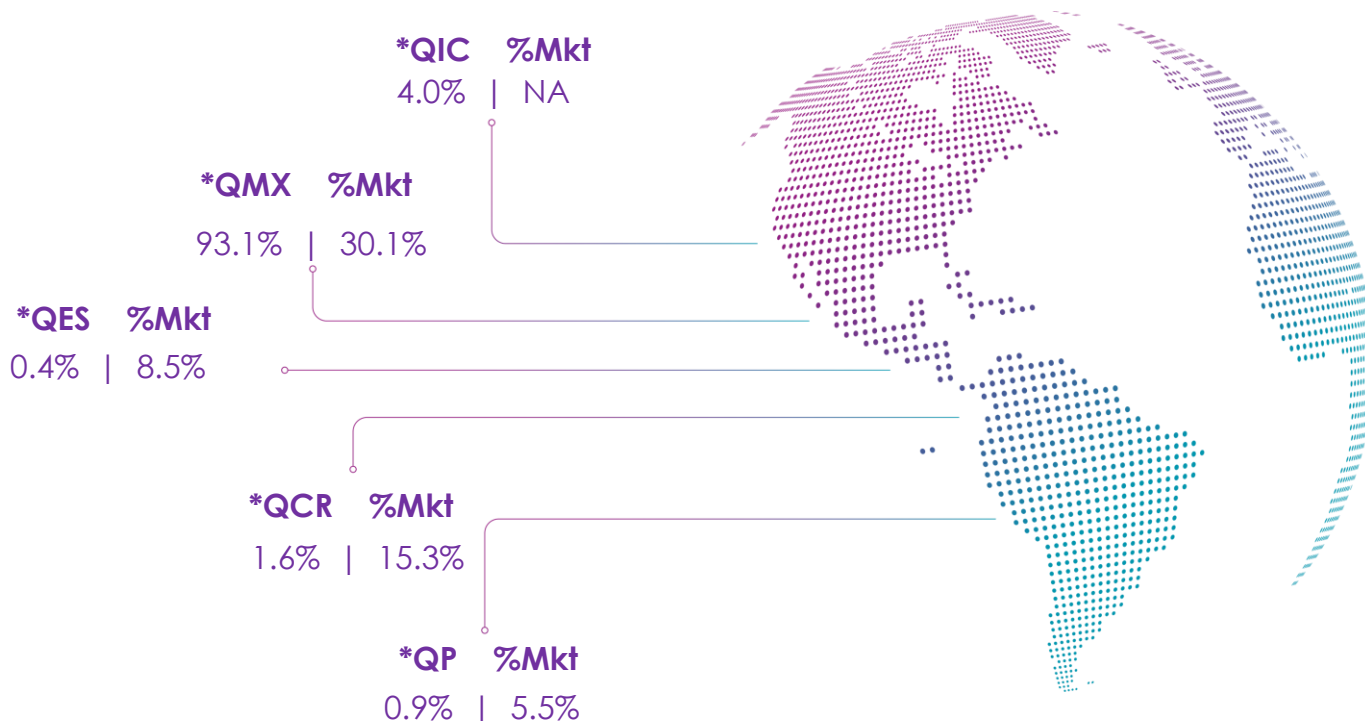
Despite the complex environment operation-wise, mainly in terms of claims experience, our business model allows us to continue creating value and demonstrating the solidness of the company.

We will continue to focus on actions to control and mitigate costs, through adequate pricing, to keep with the gradual recovery of our operating business, coupled with the strength of our current position in the investment portfolio.

Qualitas closed the second quarter with a 12-month ROE of 13.1%, reflecting both, the results from the last 12 months, and demonstrating the strength of its capital. ROE is comprised by an operating ROE of 1.5% and a financial ROE of 11.6%.

# Subsidiaries as of 2Q23

International (geographical) subsidiaries represented **6.9%** of company's total written premium:



Altogether, the international and non-insurance (vertical) subsidiaries reported written premiums and sales of \$965 million during 2Q23, representing a quarterly decrease of -9.3%. As of June, they reported written premiums and sales for \$1,919 million, with a decrease of -7.6%. Such performance considers the rate of exchange impact due to the Mexican peso appreciation observed during the year. In local currency, the quarterly and half year underwriting of the international subsidiaries increased +4.5% and +5.6%, respectively.

Along the second quarter of the year, our subsidiary Flekk increased its sales to third parties by +41.7% compared to same period of previous year. Likewise, it has been a fundamental part of our operation in Mexico to offset the inflation observed in the spare parts industry and make more efficient the support to our clients.

In the table below, it can be seen the performance our subsidiaries:

|              | Written premium |              |               |              |              |               |
|--------------|-----------------|--------------|---------------|--------------|--------------|---------------|
|              | 2Q23            | 2Q22         | Δ %           | 6M23         | 6M22         | Δ %           |
| Q ES         | 51              | 43           | 18.8%         | 111          | 86           | 29.0%         |
| Q CR         | 195             | 148          | 31.5%         | 481          | 356          | 35.0%         |
| Q IC         | 477             | 652          | (26.8%)       | 857          | 1,237        | (30.7%)       |
| Q P          | 103             | 123          | (16.2%)       | 196          | 215          | (8.8%)        |
| Vertical*    | 138             | 97           | 43.0%         | 275          | 185          | 48.4%         |
| <b>Total</b> | <b>965</b>      | <b>1,064</b> | <b>(9.3%)</b> | <b>1,919</b> | <b>2,079</b> | <b>(7.7%)</b> |

Sales in vertical subsidiaries exclude inter company operations.

\*Sales in the case of non-insurance subsidiaries

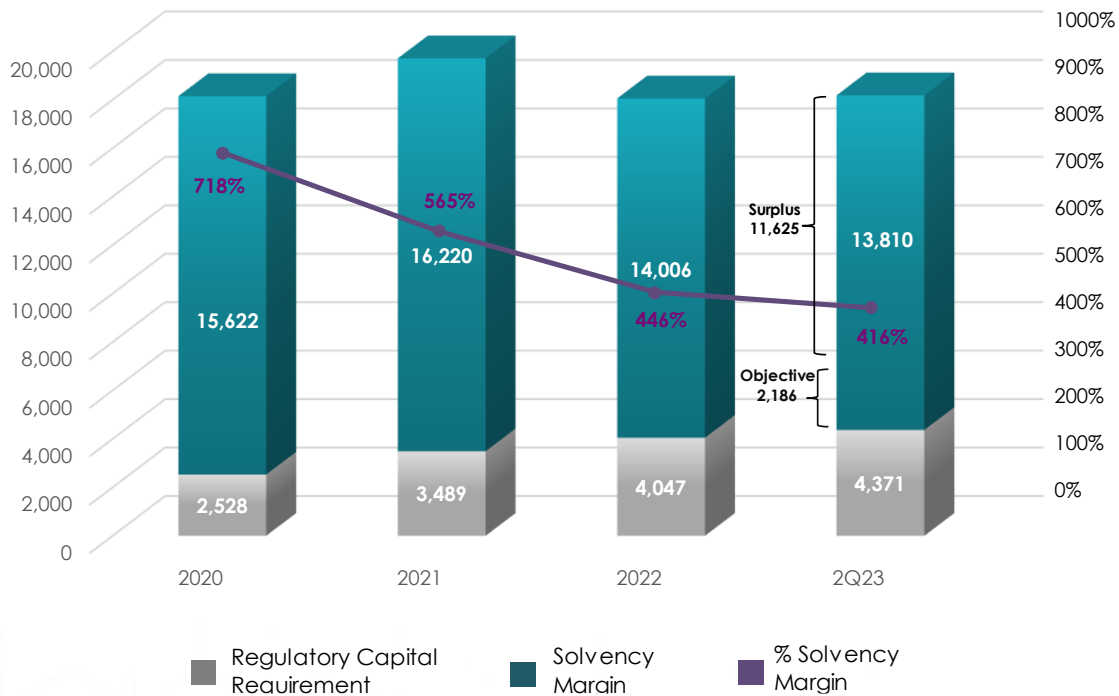
# Technical reserves

During the second quarter, the reserves constitution was driven by the significant top line growth of the company, the claims experience trend, and the portfolio mix. The net increase in unearned premium reserves was \$298 million for the quarter, which represents \$610 million more than the figure released in 2Q22. As of June, we constituted reserves for \$1,367 million. On the other hand, technical reserves closed at \$44,296 million.

# Solvency

The regulatory capital requirement stood at \$4,371 million by the end the quarter, with a solvency margin of \$13,810 million, equivalent to a solvency ratio of 416%.

Our capital use strategy will continue to focus on: 1) strengthening our leadership in Mexico, 2) accelerating the growth of our subsidiaries, and 3) expanding our service to new business lines within the insurance ecosystem.



**QUALITAS CONTROLADORA, S.A.B. DE C.V.**  
**Consolidated Balance Sheet as of June 30th 2023 & 2022**  
 Figures in Mexican pesos

|                                                 | <b>2023</b>           | <b>2022</b>           |
|-------------------------------------------------|-----------------------|-----------------------|
| <b>Assets</b>                                   |                       |                       |
| <b>Investments</b>                              | <b>38,808,144,667</b> | <b>36,052,695,701</b> |
| <b>Securities and Derivatives Transactions</b>  | <b>35,850,534,144</b> | <b>33,377,319,110</b> |
| <b>Securities</b>                               | <b>35,850,534,144</b> | <b>33,377,319,110</b> |
| Government                                      | 26,552,110,178        | 22,114,238,994        |
| Private Companies: Fixed Rate                   | 2,908,725,374         | 4,750,270,306         |
| Private Companies: Equity                       | 6,419,219,316         | 6,223,217,679         |
| Foreign                                         | -                     | 46,884,091            |
| Dividends Receivable on Capital Securities      | -                     | -                     |
| (-) Value Impairment                            | 29,520,723.5          | 30,463,343.0          |
| Securities given in Loan Investments            | -                     | -                     |
| Restricted Securities                           | -                     | 273,171,383.0         |
| <b>Derivatives</b>                              | -                     | -                     |
| <b>Overnight</b>                                | 28,909,480            | 73,543,089            |
| <b>Loans Portfolio (Net)</b>                    | <b>677,823,995</b>    | <b>569,205,111</b>    |
| Current Loan Portfolio                          | 701,294,453           | 590,747,231           |
| Non-performing Loan                             | 31,424,337            | 33,961,220            |
| (-) Loan Loss Provisions                        | 54,894,795            | 55,503,340            |
| <b>Property (Net)</b>                           | 2,250,877,048         | 2,032,628,390         |
| <b>Investments Related to Labor Obligations</b> | 86,509,242            | 78,647,311            |
| <b>Cash and Cash Equivalents</b>                | <b>3,724,925,315</b>  | <b>2,257,673,689</b>  |
| Cash and Banks                                  | 3,724,925,315         | 2,257,673,689         |
| <b>Debtors</b>                                  | <b>27,629,113,892</b> | <b>24,953,202,902</b> |
| Premiums                                        | 26,363,157,868        | 23,951,771,908        |
| Premiums P&C Subsidy                            | -                     | -                     |
| Federal Agencies Debts                          | 126,068,531           | 101,512,581           |
| Agents and Claims Officers (Adjusters)          | 139,897,479           | 173,226,761           |
| Accounts Receivable                             | -                     | -                     |
| Bonds for Claims Debtors                        | -                     | -                     |
| Other                                           | 1,116,151,977         | 872,202,751           |
| (-) Allowance for Doubtful Accounts             | 116,161,963           | 145,511,099           |
| <b>Reinsurers and Re-Bonding Companies</b>      | <b>300,388,077</b>    | <b>226,296,862</b>    |
| Insurance and Bonds Intitutions                 | 19,981,366            | 15,885,878            |
| Retained deposits                               | -                     | -                     |
| Amounts Recoverable from Reinsurance            | 281,602,377           | 212,326,705           |
| (-) Loan Loss Provisions for Foreign Reinsurers | 1,132,910             | 1,870,287             |
| Reinsurance and Bonding Brokers                 | -                     | -                     |
| (-) Provisions for Penalties                    | 62,756                | 45,434                |
| <b>Permanent Investments</b>                    | <b>177,241,389</b>    | <b>46,546,839</b>     |
| Subsidiary                                      | -                     | -                     |
| Associates                                      | -                     | -                     |
| Other permanent investments                     | 177,241,389           | 46,546,839            |
| <b>Other Assets</b>                             | <b>7,938,412,977</b>  | <b>8,329,451,670</b>  |
| Furniture and Equipment (Net)                   | 1,022,694,758         | 1,576,070,775         |
| Foreclosed Assets (Net)                         | -                     | -                     |
| Miscellaneous                                   | 6,800,116,583         | 6,639,852,941         |
| Amortizable Intangible Assets (Net)             | 85,586,601            | 78,530,415            |
| Long-lived Intangible Assets (Net)              | 30,015,035            | 34,997,540            |
| <b>Total Assets</b>                             | <b>78,664,735,559</b> | <b>71,944,514,975</b> |

**QUALITAS CONTROLADORA, S.A.B. DE C.V.**  
**Consolidated Balance Sheet as of June 30th 2023 & 2022**  
 Figures in Mexican pesos

|                                                                                   | 2023                  | 2022                  |
|-----------------------------------------------------------------------------------|-----------------------|-----------------------|
| <b>Liabilities</b>                                                                |                       |                       |
| <b>Technical Reserves</b>                                                         | <b>44,295,561,638</b> | <b>38,789,636,188</b> |
| <b>Unearned Premiums</b>                                                          | <b>29,891,286,425</b> | <b>27,214,870,630</b> |
| Life Insurance                                                                    | -                     | -                     |
| Accident and Illness Insurance                                                    | 4,846,296             | -                     |
| Property and Casualty Insurance                                                   | 29,886,440,129        | 27,214,870,630        |
| Rebonding                                                                         | -                     | -                     |
| In Force Bonding                                                                  | -                     | -                     |
| <b>Reserve for Outstanding Obligations</b>                                        | <b>14,404,275,213</b> | <b>11,574,765,558</b> |
| Expired Policies and Claims Occurred Pending of Payment                           | 17,015,370,539        | 13,770,345,945        |
| Occurred but not Reported and Adjustment Costs assigned to Claims                 | (3,243,309,167)       | (2,822,977,294)       |
| Funds Under Administration                                                        | -                     | -                     |
| Deposit Premiums                                                                  | 632,213,841           | 627,396,907           |
| <b>Contingency Reserve</b>                                                        | -                     | -                     |
| <b>Specialized Insurance Reserve</b>                                              | -                     | -                     |
| <b>Catastrophic Risks Reserves</b>                                                | -                     | -                     |
| <b>Reserves Related to Labor Obligations</b>                                      | 537,687,550           | 490,357,776           |
| <b>Creditors</b>                                                                  | <b>7,302,984,213</b>  | <b>7,643,360,534</b>  |
| Agents and Adjusters                                                              | 2,426,316,865         | 2,002,516,981         |
| Funds for Losses Management                                                       | 53,287,821            | 63,343,115            |
| Bonding for recognition of Liabilities Creditors                                  | -                     | -                     |
| Miscellaneous                                                                     | 4,823,379,527         | 5,577,500,437         |
| <b>Reinsurers and Re-Bonding Companies</b>                                        | <b>117,091,302</b>    | <b>140,891,902</b>    |
| Insurance and Bond Companies                                                      | 116,805,980           | 140,891,902           |
| Retained Deposits                                                                 | -                     | -                     |
| Other                                                                             | 285,322               | -                     |
| Rebonding and Reinsurance Broker                                                  | -                     | -                     |
| <b>Derivatives (Fair Value)</b>                                                   | -                     | -                     |
| <b>Funding Obtained</b>                                                           | <b>0</b>              | <b>0</b>              |
| Debt Issuance                                                                     | -                     | -                     |
| Subordinated Obligations not exchangeable into shares                             | -                     | -                     |
| Other Debt Securities                                                             | -                     | -                     |
| Financial Reinsurance Agreement                                                   | -                     | -                     |
| <b>Other Liabilities</b>                                                          | <b>7,302,144,284</b>  | <b>6,340,057,908</b>  |
| Provisions for employee profit sharing                                            | 215,585,428           | 128,751,489           |
| Income Tax Provisions                                                             | 606,180,205           | 264,882,376           |
| Other Obligations                                                                 | 5,485,735,735         | 4,980,420,837         |
| Deferred Credits                                                                  | 994,642,917           | 966,003,207           |
| <b>Total Liabilities</b>                                                          | <b>59,555,468,987</b> | <b>53,404,304,308</b> |
| <b>Stockholders' Equity</b>                                                       |                       |                       |
| <b>Paid-in Capital</b>                                                            |                       |                       |
| <b>Capital Stock</b>                                                              | <b>2,354,935,658</b>  | <b>2,357,956,253</b>  |
| Capital Stock                                                                     | 2,386,567,046         | 2,386,567,046         |
| (-) Non Subscribed Capital Stock                                                  | -                     | -                     |
| (-) Non Displayed Capital Stock                                                   | -                     | -                     |
| (-) Repurchased Shares                                                            | 31,631,387            | 28,610,793            |
| <b>Subordinated Obligations of Mandatory Conversion into Stockholders' Equity</b> | -                     | -                     |
| <b>Earned Capital</b>                                                             | -                     | -                     |
| <b>Reserves</b>                                                                   | <b>1,696,732,589</b>  | <b>1,885,568,667</b>  |
| Legal                                                                             | 507,142,999           | 507,142,999           |
| For Repurchase of shares                                                          | 580,035,691           | 972,194,767           |
| Other                                                                             | 609,553,899           | 406,230,901           |
| <b>Valuation Surplus</b>                                                          | 376,522,542           | 11,381,041            |
| <b>Permanent Investments</b>                                                      | -                     | -                     |
| <b>Retained Earnings</b>                                                          | 13,205,220,814        | 12,773,409,764        |
| <b>Net Result</b>                                                                 | 1,640,763,245         | 1,388,942,766         |
| <b>Translation effect</b>                                                         | (191,210,674)         | 101,253,056           |
| <b>Non Monetary Assets Result</b>                                                 | -                     | -                     |
| <b>Remeasurements for Benefits granted to Employees</b>                           | 3,810,626             | 2,889,779             |
| <b>Controlling Interest</b>                                                       | 19,086,774,801        | 18,521,401,326        |
| <b>Non-Controlling Interest</b>                                                   | 22,491,771            | 18,809,341            |
| <b>Total Stockholders' Equity</b>                                                 | <b>19,109,266,572</b> | <b>18,540,210,667</b> |
| <b>Total Liabilities and Stockholders' Equity</b>                                 | <b>78,664,735,559</b> | <b>71,944,514,975</b> |

**QUALITAS CONTROLADORA S.A.B. DE C.V.**  
**Consolidated Income statement for the second quarter 2023 & 2022**

Figures in Mexican pesos

|                                                                   | 2Q 2023               | 2Q 2022              |
|-------------------------------------------------------------------|-----------------------|----------------------|
| <b>Premiums</b>                                                   |                       |                      |
| Written                                                           | 12,048,126,403        | 9,701,017,438        |
| (-) Ceded                                                         | 61,764,662            | 118,476,792          |
| <b>Net Written Premiums</b>                                       | <b>11,986,361,741</b> | <b>9,582,540,646</b> |
| <b>(-) Net Increase of Unearned Premiums Reserve</b>              | <b>297,842,355</b>    | <b>(312,637,348)</b> |
| <b>Earned Retained Premiums</b>                                   | <b>11,688,519,386</b> | <b>9,895,177,993</b> |
| <b>(-) Net Acquisition Cost</b>                                   | <b>2,703,751,722</b>  | <b>2,207,894,432</b> |
| Agents Commissions                                                | 904,815,069           | 744,797,316          |
| Agents Additional Compensation                                    | 321,078,493           | 186,934,675          |
| Reinsurance and Rebonding Commissions                             | -                     | -                    |
| (-) Reinsurance Commissions                                       | 1,025,791             | 1,454,716            |
| Excess of Loss Coverage                                           | 2,764,160             | 1,484,777            |
| Other                                                             | 1,476,119,791         | 1,276,132,380        |
| <b>(-) Net Claims Cost and Other Contractual Liabilities</b>      | <b>8,406,737,258</b>  | <b>6,734,836,180</b> |
| Claims and Other Contractual Obligations                          | 8,410,857,501         | 6,967,300,472        |
| (-) Losses on non-proportional reinsurance Claims                 | 4,120,244             | 232,464,293          |
| Claims                                                            | -                     | -                    |
| <b>Technical Income (Loss)</b>                                    | <b>578,030,406</b>    | <b>952,447,381</b>   |
| <b>(-) Net Increase in Other Technical Reserves</b>               | <b>-</b>              | <b>-</b>             |
| Catastrophic Risks Reserve                                        | -                     | -                    |
| Specialized Insurance Reserve                                     | -                     | -                    |
| Contingency Reserve                                               | -                     | -                    |
| Other                                                             | -                     | -                    |
| <b>Result of Analog and Related Operations</b>                    | <b>-</b>              | <b>-</b>             |
| <b>Gross Income (Loss)</b>                                        | <b>578,030,406</b>    | <b>952,447,381</b>   |
| <b>(-) Net Operating Expenses</b>                                 | <b>392,918,626</b>    | <b>406,175,770</b>   |
| Administrative and Operating Expenses                             | (57,620,092)          | (22,578,714)         |
| Employees' compensation and benefits                              | 322,202,072           | 285,352,979          |
| Depreciation and Amortization                                     | 128,336,646           | 143,401,506          |
| <b>Operating Income (Loss)</b>                                    | <b>185,111,779</b>    | <b>546,271,611</b>   |
| <b>Comprehensive Financing Result</b>                             | <b>860,498,630</b>    | <b>232,121,019</b>   |
| Investments                                                       | 685,132,602           | 505,258,574          |
| Sale of Investments                                               | 26,659,842            | (13,029,245)         |
| Fair Valuation of Investments                                     | 36,343,328            | (355,182,508)        |
| Surcharges on Premiums                                            | 104,575,342           | 76,430,765           |
| Debt Issuance                                                     | -                     | -                    |
| Financial Reinsurance                                             | -                     | -                    |
| Loan Interests                                                    | 20,515,726            | 5,110,523            |
| (-) Preventive Penalties for Amounts Recoverable from Reinsurance | (738,724)             | (29,121)             |
| (-) Preventive Penalties for Credit Risks                         | 4,762,091             | 4,740,082            |
| Other                                                             | 11,511,614            | (5,270,819)          |
| Foreign Exchange Rate Fluctuation                                 | (20,216,457)          | 23,514,690           |
| (-) Monetary Position Result                                      | -                     | -                    |
| <b>Participation in Permanent Investments Result</b>              | <b>-</b>              | <b>-</b>             |
| <b>Income (Loss) Before Taxes</b>                                 | <b>1,045,610,410</b>  | <b>778,392,630</b>   |
| <b>(-) Provision for Income Taxes</b>                             | <b>299,624,574</b>    | <b>122,688,473</b>   |
| <b>Income (Loss) Before Discontinued Operations</b>               | <b>745,985,836</b>    | <b>655,704,157</b>   |
| <b>Discontinued Operations</b>                                    | <b>-</b>              | <b>-</b>             |
| <b>Net Income (Loss)</b>                                          | <b>745,985,836</b>    | <b>655,704,157</b>   |
| Controlling Interest                                              | 744,990,333           | 654,570,353          |
| Non-Controlling Interest                                          | 995,503               | 1,133,804            |
| <b>Net Income (Loss)</b>                                          | <b>745,985,836</b>    | <b>655,704,157</b>   |



**QUALITAS CONTROLADORA S.A.B. DE C.V.**  
**Consolidated Income statement from January 1<sup>st</sup> to June 30<sup>th</sup> 2023 and 2022**  
 Figures in Mexican pesos

|                                                                   | <b>2023</b>           | <b>2022</b>           |
|-------------------------------------------------------------------|-----------------------|-----------------------|
| <b>Premiums</b>                                                   |                       |                       |
| Written                                                           | 24,288,628,731        | 19,496,734,065        |
| (-) Ceded                                                         | 115,331,473           | 326,940,028           |
| <b>Net Written Premiums</b>                                       | <b>24,173,297,258</b> | <b>19,169,794,037</b> |
| <b>(-) Net Increase of Unearned Premiums Reserve</b>              | <b>1,367,368,178</b>  | <b>(16,868,118)</b>   |
| <b>Earned Retained Premiums</b>                                   | <b>22,805,929,080</b> | <b>19,186,662,155</b> |
| <b>(-) Net Acquisition Cost</b>                                   | <b>5,572,671,415</b>  | <b>4,507,603,592</b>  |
| Agents Commissions                                                | 1,862,369,213         | 1,525,107,681         |
| Agents' Additional Compensation                                   | 659,009,157           | 481,542,730           |
| Reinsurance and Rebonding Commissions                             | -                     | -                     |
| (-) Reinsurance Commissions                                       | 3,040,791             | 3,004,722             |
| Excess of Loss Coverage                                           | 5,501,665             | 3,073,563             |
| Other                                                             | 3,048,832,170         | 2,500,884,340         |
| <b>(-) Net Claims Cost and Other Contractual Liabilities</b>      | <b>16,127,749,943</b> | <b>12,853,185,597</b> |
| Claims and Other Contractual Obligations                          | 16,135,158,106        | 13,129,672,296        |
| (-) Losses on non-proportional reinsurance                        | 7,408,164             | 232,464,293           |
| Claims                                                            | -                     | -                     |
| <b>Technical Income (Loss)</b>                                    | <b>1,105,507,722</b>  | <b>1,825,872,966</b>  |
| <b>(-) Net Increase in Other Technical Reserves</b>               | <b>-</b>              | <b>-</b>              |
| Catastrophic Risks Reserve                                        | -                     | -                     |
| Specialized Insurance Reserve                                     | -                     | -                     |
| Contingency Reserve                                               | -                     | -                     |
| Other                                                             | -                     | -                     |
| <b>Result of Analog and Related Operations</b>                    | <b>-</b>              | <b>-</b>              |
| <b>Gross Income (Loss)</b>                                        | <b>1,105,507,722</b>  | <b>1,825,872,966</b>  |
| <b>(-) Net Operating Expenses</b>                                 | <b>729,354,046</b>    | <b>769,154,363</b>    |
| Administrative and Operating Expenses                             | (171,067,301)         | (21,812,496)          |
| Employees' compensation and benefits                              | 643,213,881           | 508,199,256           |
| Depreciation and Amortization                                     | 257,207,466           | 282,767,603           |
| <b>Operating Income (Loss)</b>                                    | <b>376,153,677</b>    | <b>1,056,718,603</b>  |
| <b>Comprehensive Financing Result</b>                             | <b>1,841,318,247</b>  | <b>576,883,021</b>    |
| Investments                                                       | 1,434,604,288         | 937,762,420           |
| Sale of Investments                                               | 47,671,272            | (77,811,738)          |
| Fair Valuation of Investments                                     | 167,145,080           | (446,154,319)         |
| Surcharges on Premiums                                            | 204,320,675           | 145,036,626           |
| Debt Issuance                                                     | -                     | -                     |
| Financial Reinsurance                                             | -                     | -                     |
| Loan Interests                                                    | 38,115,539            | 10,680,216            |
| (-) Preventive Penalties for Amounts Recoverable from Reinsurance | (1,058,733)           | 285,420               |
| (-) Preventive Penalties for Credit Risks                         | 2,952,963             | 12,206,443            |
| Other                                                             | 13,273,807            | (12,253,775)          |
| Foreign Exchange Rate Fluctuation                                 | (61,918,184)          | 32,115,454            |
| (-) Monetary Position Result                                      | -                     | -                     |
| <b>Participation in Permanent Investments Result</b>              | <b>-</b>              | <b>-</b>              |
| <b>Income (Loss) Before Taxes</b>                                 | <b>2,217,471,923</b>  | <b>1,633,601,624</b>  |
| <b>(-) Provision for Income Taxes</b>                             | <b>574,617,788</b>    | <b>242,342,601</b>    |
| <b>Income (Loss) Before Discontinued Operations</b>               | <b>1,642,854,135</b>  | <b>1,391,259,023</b>  |
| <b>Discontinued Operations</b>                                    | <b>-</b>              | <b>-</b>              |
| <b>Net Income (Loss)</b>                                          | <b>1,642,854,135</b>  | <b>1,391,259,023</b>  |
| Controlling Interest                                              | 1,640,763,245         | 1,388,942,766         |
| Non-Controlling Interest                                          | 2,090,890             | 2,316,257             |
| <b>Net Income (Loss)</b>                                          | <b>1,642,854,135</b>  | <b>1,391,259,023</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 =  $[(\text{End of Period Figure} / \text{Beginning of Period Figure})^{1 / \text{Number of periods}}]$ .

**Combined Ratio:** Acquisition Ratio + Operating Ratio + Loss Ratio.

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

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

**IBNR:** Incurred but not reported reserves.

**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 Capital 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 Mexico

**Q ES:** Qualitas El Salvador

**Q P:** Qualitas Peru

**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



**Analyst:**  
Gilberto García

**E-mail:**  
gilberto.garcia@barclays.com

**Target price:**  
92.00 MXN

**Recommendation:**  
Underweight



**Analyst:**  
Rodrigo Ortega

**E-mail:**  
r.ortega@bbva.com

**Target price:**  
115.90 MXN

**Recommendation:**  
Underperform



**Analyst:**  
Thiago Paura

**E-mail:**  
thiago.paura@btgpactual.com

**Target price:**  
117.00 MXN

**Recommendation:**  
Neutral



**Analyst:**  
Ernesto Gabilondo

**E-mail:**  
ernesto.gabilondo@bofa.com

**Target price:**  
132.00 MXN

**Recommendation:**  
Neutral



**Analyst:**  
Jorge Gordillo

**E-mail:**  
jgordillo@cibanco.com

**Target price:**  
114.6 MXN

**Recommendation:**  
Sell



**Analyst:**  
Pablo Ordoñez

**E-mail:**  
pordonezp@gbm.com

**Target price:**  
115.00 MXN

**Recommendation:**  
Outperform



**Analyst:**  
Jorge Pérez

**E-mail:**  
jorgeperez.araya@itau.cl

**Target price:**  
124.00 MXN

**Recommendation:**  
Market perform



**Analyst:**  
Armando Rodríguez

**E-mail:**  
armando.rodriguez@signumresearch.com

**Target price:**  
136.27 MXN

**Recommendation:**  
Buy



**Analyst:**  
Eduardo López

**E-mail:**  
elopez@vepomas.com

**Target price:**  
119.5 MXN

**Recommendation:**  
Buy



**Analyst:**  
Andrés Soto

**E-mail:**  
asoto@santander.us

**Target price:**  
151.00 MXN

**Recommendation:**  
Buy



**Analyst:**  
-

**E-mail:**  
-

**Target price:**  
121.09 MXN

**Recommendation:**  
-

## About Qualitas:

**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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*This document may include forward-looking statements that involve risks and uncertainties. Information may include forward-looking statements regarding the company's results and prospects, which are subject to risks and uncertainty. Actual results may differ materially from what is discussed here today, and the company cautions you not to place undue reliance on these forward-looking statements. Qualitas undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.*

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A large, stylized letter 'Q' in a purple-to-teal gradient, positioned on a diagonal band that also features the same gradient. The background is a light gray with a repeating geometric pattern of interconnected hexagons.

Q

Quálitás®