



Quálitas Controladora S.A.B. de C.V.

March 21st, 2023

Dear shareholders,

2022 was a year of significant challenges not only in Mexico but also globally such as record high inflation levels, supply chain constraints, geopolitical tension, financial markets corrections and unexpected hikes on interest rates; after two years of pandemic, we now experience a new normality in terms of mobility. Qualitas has nimbly adapted itself and anticipated changes, being conscious that challenges bring opportunities for the business, we celebrate the following achievements of the year:

- Record high 4.8 million insured units, which represents more than 330 thousand insured units throughout the year.
- Written premiums grew 10%, exceeding our expectations and forecast.
- 20 thousand agents under Qualitas' network, which represent an increase of 7% versus prior year.
- We achieved the opening of 29 offices during the year, having 551 offices across all our international subsidiaries.
- We received a favorable opinion from the CNSF to begin operations in the accidents and illness insurance segment through our subsidiary Qualitas Salud, which now is fully operating. This new business line provides us the opportunity to continue diversifying and, above all, to capitalize our structure and distribution channels for the long term.
- We assumed the commitment to establish goals and targets to reduce our Greenhouse Gas Emissions (GHG) through the "Science Based Targets" initiative.

Our international subsidiaries grew 11% during 2022 in dollar terms, representing 9% of total written premiums of the holding company. Stands out the performance of our LATAM subsidiaries with a ~20% growth in written premiums, they have shown resilience and ability to adapt, they keep focused on having similar ROE levels as our main subsidiary Qualitas Mexico.

Our US subsidiary is under a readjustment process in terms of reserves and claims, which had an impact on its year profitability. We have implemented the necessary actions to revert the situation and striving healthy operation. We will continue fostering these actions during 2023.

Our vertical subsidiary Flekk has demonstrated sustainable growth in all its business divisions, offering services to Qualitas Mexico and it has also broaden its services to other insurance companies in the market; this subsidiary has achieved a 56% CAGR in the past 3 years.



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The external challenges plus the adjustments on our US subsidiary translate on an increase of our claims' costs, loss ratio closed the year at 70.5%. We will continue implementing necessary actions such as tariffs' increases, operating efficiencies through technology and the strengthening of our vertical integration, to gradually return to our technical range of 62% to 65%.

By year end we reported a 96.4% combined ratio. The Company had an annual underwriting result of \$1,032 million, reporting an operating margin of 2.6%. Despite the complex environment, our discipline and strategy has guaranteed a profitable operating performance.

Reference rate in Mexico closed the year at 10.5%, which compares to 4.75% by the end of 2021. Our fixed Income strategy and its duration evolved throughout the year, given the unexpected aggressiveness of interest rates hikes; we made the necessary adjustments to prioritize fixed income investments, closing the year with 88.5% of our portfolio invested in those type of assets. Capital markets presented volatility, Mexican stock-exchange index IPC had a negative -9% performance, in line with the -19% of the S&P 500. Considering this, comprehensive financial Income stood at \$1,423 million with an ROI of 3.1%.

Given all of the above, Qualitas reported a net Income of \$2,209, with a net margin of 5.3%. These results show the complexity in the operating side of the business, and the already mentioned factors in the financial side.

We totally acknowledge the factors that impacted our own business, our 2023 focus reinforces 3 pillars' strategy: 1) Maintain our leadership in Mexico, 2) Accelerate profitable growth of our subsidiaries and 3) Corporate development plan tackling business opportunities within the insurance ecosystem. I trust in the leadership of our Company and that we will continue under a shared success path.

Sincerely,

José Antonio Correa Etcheagaray
CEO
Qualitas Controladora S.A.B de C.V.