**SANTIAGO MONROY**

Good morning and thank you for joining Qualitas fourth quarter and full year 2022 earnings call; I'm Santiago Monroy Qualitas IRO. Joining us today are our CEO, Jose Antonio Correa and our CFO and International CEO, Bernardo Risoul.

As a reminder, information discussed on today's call may include forward-looking statements regarding Qualitas´ 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 because of new information, future events, or otherwise.

Let's turn it over to Jose Antonio, our CEO for his remarks.

**JOSE ANTONIO CORREA**

Thank you Santiago. Good morning everyone; great to be with you all again wishing you all the best for you and your families during this year.

2022 was a year of major challenges across most industries worldwide. We witness inflation levels unseen in decades, supply chains restrictions, geopolitical tension, financial markets corrections combined with hawkish monetary policies, and, above all, we all have experienced a new normality after coming out of 2 years of pandemic.

In the auto insurance industry, particularly in Mexico, we faced in addition new mobility trends with changes in driving and consumption behaviors; supply chain constraints on both, new cars and spare parts, technology and digitalization disruptions, hybrid and electric vehicles accelerated growth, among many others. While every year has its challenges and particularities, I must say this one was quite unique.

In Qualitas, we embrace change; we acknowledge that challenging circumstances are always an opportunity to learn and keep on growing. Auto insurance is a cyclical business and in 2022 we anticipated the cycle, taking actions early while staying agile to adjust and take advantage of the opportunities.

Throughout 2022, we executed on our strategy, which enabled us to strengthen our market-leading position. Despite we will never be fully satisfied, and we will never stand still, there are many reasons to be proud of:

Number of Qualitas' insured units reached a record high, ending the year at 4.8 million, which represents more than 330 thousand units during full year.

Top-line for the year came above expectations growing 10% during 2022. It has been reassuring that sequential growth in every single quarter for the year showed improvement with the 4th quarter being the best in several years. Growth was driven by our unique business, where we continue highlighting our closeness and relationship with our agents, reaching 20 thousand agents, up +7%, and our unique commercial footprint, reaching 551 offices representing 29 new offices during the year. Qualitas Development Offices, those that reach ~100 thousand people localities, continue to be an engine of growth; written premiums coming from ODQ's model have shown a 13.5% CAGR in the past five years; if they were a standalone insurance company, they would take the position #14 in Mexican automobile insurance industry.

Profit continues to be challenging as the combined index continues to increase; important to note, we continue to outperform our competitors by being the only one of the top five with a combined index below 100% in Mexico, and better than many global peers.

Our vertical integration continues to expand and by doing so, strengthening competitive advantages, improving cost and service. We are pleased on how our vertical subsidiaries serve new customers, consolidating themselves as an engine of profitable growth.

Our business diversification journey took important steps. First, geographically, where we continue to consolidate our specialized business model in other countries, replicating what has made us the best auto insurance company in Mexico. Operations outside Mexico are still young, and while there are still adjustments to be made, especially in the US, we are encouraged by the confirmed potential. Many opportunities have been identified in our US business and we are in the midst of addressing them, as Bernardo will outline later on.

Secondly, our expansion into Health. Qualitas Salud launch sets a cornerstone becoming our first entry in non-related auto business. Health is the sector with largest growth and potential, where prevention and our excellence in service coupled with a value proposition, will seek to satisfy an unmet need of the 92%

of the Mexican population without private insurance. As a reminder, we decided to enter organically, to learn and adjust our model. We expect Qualitas Salud subsidiary to start being relevant in 3-5 years and an important part of our business in 10 years.

2022 was also key year for our commitment towards sustainability. As part of our ESG efforts, we committed to a Net Zero emissions' scheme towards 2050 that will be reached through currently analyzed measures and processes that will compose our corporate carbon portfolio.

These are just some highlights. We continue to set the foundations for a bright future, entering 2023 with strong momentum and initiatives.

Moving forward, we will continue executing on our 3 pillar strategy; we will first, focus on strengthening our leadership in the Mexican insurance market; second, prioritize profitability in our international operations for them to be accretive to our around 20% ROE objective; and third, execute our corporate development plan, using our strong capital position; diversification and the right engines of growth within the insurance ecosystem, will be crucial for the sustainability of our results.

I want to make something very clear; we acknowledge our competitive advantages and what has led to us to be the best auto insurance company, and we humbly recognize that we have opportunities, therefore have identified actions to further strengthen our operation not only in Mexico but in the rest of the countries in which we operate.

All management members are focused in our 2023 game plan along with defined KPIs; we are also working hard on our organization, especially on the development of our top employees, which will continue to be our most important asset.

And with that, let's move to the financial details and a deeper dive on the quarter and year results. Bernardo, please.

**BERNARDO RISOUL**

Good morning everyone; as Jose Antonio mentioned Qualitas has navigated a defiant year coming out stronger by staying true to our core competitive strengths and our service commitment to policyholders and agents. We are, however, conscious that near term will not be easy as we continue to manage inflation and focus on fixing some identified opportunities.

Going deep into our financials:

Top line closed ahead of expectations, up 17% for the quarter and 10% for the year, setting a record high. Excluding the pandemic, this is the highest quarterly growth in 6 years. When dissecting growth, strong performance was seen across all Mexico subsegments and international markets, except for the US in which I will shortly expand. Also, important to note around half of growth is explained by tariff increases during last year while the rest is organic, coming from incremental volume and mix. Worth to highlight is our traditional segment, up 18% for the year, and a consistent driver of growth with a 7.5% CAGR over the past 5 years.

As a reminder, new car sales are the biggest source of growth for the insurance industry and posted a 7% recovery vs. 2021 but still 18% below 2019 levels; this performance drove our financial institution segment up 23% in the quarter, confirming signs of recovery, but still only up 2% for the year.

Our portfolio composition closed with 78% annual policies and the remaining 22% in multiannual; for 2023 as new car sales continue to recover, we may see an increase in multiannual policies.

Earned premiums is up 17% and 11% for the quarter and full year respectively, reflecting the company's underwriting growth pace. Reserves behavior came in line with what we have seen historically, where in 4Q we have a higher reserves constitution reflecting top line volume and mix of businesses. This quarter we constituted $1.6 bn pesos of reserves which is basically the same amount constituted in the year.

Now, going into our international operation, we close the year with them representing 8% of the total holding company underwriting. Let me break international into LATAM and US providing more visibility from now on.

On the former, El Salvador, Costa Rica and Peru are doing well, steady growth above 20%; they are profitable and already yielding ROE in the high single digit and improving. On the other hand, our US operation has been facing challenges that, as mentioned in prior calls, have resulted in the decision to shift strategy, where we will no longer focus on accelerated growth but rather on profitability.

Since I am already on it, let me expand on our US business, that had a large impact on this 4th quarter and in the total year results; fixing our US operation has now become a top priority for the Company. As background, we launched this business back in 2014 to satisfy the unmet need of Mexican customers needing coverage in the US border states and vice versa; due to demand and opportunity, it started expanding into domestic US market as well. Over the past quarters and given the long-tail litigation processes and legal particularities, mainly in Texas, we have been impacted by some older claims – up to 6 years – that have closed at a much higher cost than initially reserved.

This also forced us to relook at all historic claims' reserves, adjusting them to the upside. This quarter, and as anticipated, we finalized the actuarial assessment – in partnership with an external firm- which confirmed the need to increase reserves, specifically IBNR, to comply with regulatory requirements; total amount was $22 million during this fourth quarter, impacting loss cost and consequently a direct hit to profits. Important to note, this is not yet an expense nor an outflow of cash, the amount will continue being part of our portfolio and hopefully, can release back some of those funds as we see the business turning around.

We know there is a large market potential in the US; incentives for nearshoring in Mexico are high for companies serving the US market and being the one insurance company that can provide unique service on both sides of the border is a competitive advantage we want to continue exploiting. Our revised strategy considers 4 key changes:

First and foremost, a major refocus on the cross-border business, while importantly reducing appetite for domestic trucking, where legal environment is complex and has been the largest impact for us and for the industry overall.

Second, we have strengthened our organization. We have a new CEO in place, and a stronger claims and internal actuarial team.

Third, we have and will continue to adjust tariffs, some businesses are up more than 50% vs 2021 and +150% vs pre pandemic levels.

Lastly, we have also reengineered our claims processes which now include mandatory use of telematics, selective law firms and specific KPIs.

While it has been a negative year for the US subsidiary, we reiterate there is potential and therefore, we have made this a priority. Considering the nature of our business, we believe this is a 2-year turnaround, but it should post a significant improvement in 2023 as several of above-mentioned changes are already in place.

Moving back to Qualitas Controladora performance and costs, starting with the most important one, our loss costs and ratio continue the expected trend given the business cycle, the effects of the mentioned industry inflation, mobility trends, frequency and supply chain constraints.

Loss ratio for the quarter was 76% and 70.5% for the full year; an important but expected increase vs year ago and above our desired technical objective of 62-65%. For further reference, our loss ratio performance in the Mexican subsidiary stood at 70.5% for the quarter and 68.5% for the full year.

To cope with cost increases trend, we have and will continue to be discipline on both, tariff increases and cost control. On the former, we have leveraged on specialization to make tailored adjustments where needed every 4 months; we have increased our tariffs 14% on average since its lowest point in 2020, recognizing important differences by business. We will continue adjusting, next one happening in this first quarter; we rather maintain smaller and constant increases than big steep changes.

Supporting our cost discipline, we continue relying on our vertical integrated structure to have an advantage on spare parts and claims' repairments, which are part of our material damages costs, making up for 55% of our claims cost. We are also improving our specialization on claims' with a full and comprehensive scan of conditions, a professionally trained team, and computerized diagnostics procedures to prevent fraud and to support our service for customers.

In addition to our risk and fraud prevention culture, technology plays a key role on our operation. Example of it is our already known express adjustment tool, representing better service to the policyholder at lower costs since a remote or "desk" claim officer has a 3 to 1 productivity vs traditional claim officers. During the entire year, 25% of our claims were attended through this tool.

Finally, as shown in the past year a stable and resilient Mexican peso should also help our operation through economic cycles.

Moving to other metrics; our quarterly and full year acquisition ratio stood at 22% and 23% respectively, in line with the historical range. Commissions paid to agents remained unchanged and bonuses are always aligned to the growth, health and profitability levels of their portfolios.

Operating ratio for the quarter was 0.8%, benefited by the strong underwriting performance which represents higher income from underwriting fees, as well as the adjustment of some provisions; year-end ratio stood at 3.1%.

In a high inflation environment, it is also important to address productivity. Our written premiums vs. operational staff ratio increased 7.6% vs. 2021, becoming our highest ever; organization and payroll, grow accordingly to our cost control without leaving behind excellence in service. Qualitas has always seek to align compensation to productivity.

All the above, resulted in a combined ratio of 98.5% for the quarter, ending the year at 96.4%, being north of our 90-94% target. In a year where global auto insurance players in the US, Europe and Mexico are posting combined indexes well above 100%, we are proud of the ability to create value and being true to our commitment to stay profitable at an operational level even in a deep-seated context.

Moving forward to our **financial performance**, we delivered $794 million during the quarter for a cumulative financial income of $1,423 million, implying a 3.1% annual ROI. As anticipated, we are starting to turn the corner on what was a sub optimal performance of our portfolio up to Q3, and we are well positioned to benefit from the high rates environment, especially in Mexico, which currently stands at 10.5%. For reference, our ROI for the quarter was 7.7%.

It was a tough year for the markets and our annual performance reflects that; we have adjusted, we expect financial income to play a key positive role in the next years, and it will certainly be a tailwind in 2023 as we continue to navigate the inflationary environment.

Let me further give you some color on our portfolio specifics and why we are confident in its near future performance:

We have 89% on fixed income and 11% in equities. This overexposure to fixed income seeks to benefit from the mentioned high interest rates, especially considering the duration of the portfolio standing at 0.6 years; a great place to be and start taking longer term positions.

Important to note, by Dec 31st, yield to maturity of our entire portfolio, including geographical distribution, stands at 8.5%, +350 bp vs year end 2021.

On the equity side, despite soft performance, we have kept most of our positions as we believe their fundamentals pose them for recovery, yet we have not increased exposure nor plan to do so aggressively in the next months.

Qualitas posted $607 million net income for the quarter and $2,209 million for the year, representing a 5.3% net margin. Tax rate was benefited specially during 4Q, and for the full year as well, due to the reported loss in our US subsidiary and in our equity positions, as well as the annual inflation adjustments. Moving forward, we could expect tax rate to be much closer to our ~30% historical average.

Regarding our financial ratios, our 12-month ROE stood at 11.1%, reflecting the impact in our performance but also our strong capital position; Price to Book Value stands at 1.7. Just as reference, if we were to exclude one-timers, ROE would have been around 16%.

Net, we close the year with higher-than-expected top line growth and a great momentum; we delivered positive operational profit that outstands in the industry and an investment portfolio that, while underdelivering in 2022, is well poised for the future. All this confirms Qualitas' resilience and efficient adapting capacity.

With that said, let me now shift gears and talk about 2023, a year in which we expect to keep navigating complex dynamics. As anticipated by Jose Antonio, we will continue executing against our 3-pillar strategy and all actions will intend to deliver sustainable value creation to stakeholders.

Considering the uncertainties on key variables, we believe best not to share a quantitative detailed guidance but rather provide some color on expectations for this new year:

Starting with the top line, we will aim high single to low double-digit growth, and the recovery in new car sales. We expect pricing competition to continue, and we will continue to adjust tariffs, ensuring our value equation supported by excellence in service, remain unmatched.

In line with our strategy, top line will be led by the LATAM markets as they continue with a consistent growth pace, while the US is expected to decline.

Now moving to our loss ratio, as inflation continues to pressure costs, we first need to see industry inflation stabilize; in addition, spare parts supply and the industry evolution on robberies will be important factors. Robberies for Qualitas continue to be 21% below 2019 levels. At this point, our base assumptions would lead to another year above our long-term target of 62-65% with sequential progress along the year and a better than 2022 performance.

As we continue to experience improvement in financial institutions underwriting, acquisition ratio should increase accordingly on the high end of our historical range, given they imply a higher acquisition cost.

As mentioned, financial performance for the year should have a significant recovery, mainly driven by the rates environment; we should expect an annual 2023 ROI to be in line or slightly ahead to average references rates.

All in, we expect 2023 will bring a significant recovery, returning to steady growth top and bottom line, and with an ROE much closer to our long-term objective of ~20%.

As we start 2023, let me also give you some perspective on capital allocation. At the end of the year, regulatory capital for the holding company stood at $4,040 million, with a solvency margin of $14 billion pesos, equivalent to 446% solvency ratio. We are also incorporating another metric for capital, broadly used in the industry, which relates to the earned premiums/equity ratio; we currently stand at 2.05, vs what we consider a normalized ratio of 3.

Either way we look at it, our discipline and performance allowed us to be in a strong capital position, ready for future projects of growth while providing value to shareholders. As Jose Antonio mentioned, we have a defined corporate strategy, a clear path from which a sustainable growth for the parent company will come from; all of them within the insurance ecosystem and where there's an opportunity to replicate our unique business model and create value.

As anticipated in our last earnings call, we currently have two open due diligence processes, one to strengthening our data analysis and our risk &fraud prevention competitive advantage in Mexico, and the other to strengthening our vertical operation. If both projects are approved accordingly to Qualitas terms and conditions, first half 2023 would be a conclusive date for them. Both M&A´s would represent no more than $50 million dollars combined; in both of them, we truly believe that our DNA and business model will provide upside.

Additionally, and related to our geographical expansion, we have set eyes in the 4th largest economy in LATAM, with ~51 million people and vehicle fleet of ~17 million units. I am talking about Colombia, a country without any specialized automobile insurance company and neither a risk prevention focused one. The size of the market and insurance penetration of only ~40% would enable to replicate Qualitas' business model and closeness with future agents in that country. As always, we are planning an organic entry, in a slow and gradual pace; we are starting the approval and legal processes with the local authorities, and we would like to start operations by the end of this year, although we will provide more details as soon as we have more color given some items that are outside of our control.

Finally, we have proved consistency in cash dividend payments during the past 7 years; we will continue to comply with our revised dividend policy that stablishes a dividend payment between 40-90% of the previous year's net profit. While it is still early to say, and there is a process to follow, we expect to be on the high end of the stated range.

On top of that, we have an active share buyback fund with the main objective of improving liquidity; as of December 2022, we held position 16 in Mexican marketability index, trading above $5 million USD on average per day, which is a record high and well above other relevant public companies in Mexico. By year end, we had 6 million shares in treasury, so we will assess implication of another share cancellation to create value without affecting long term free float.

Qualitas continues to provide best-in-class service to our policyholders and agents and a solid performance in a dynamic environment. The positive outcome of 2022 is backed by the dedication, professionalism, and hard work of Qualitas more than 5 thousand employees, as well as the seniority of our Board of Directors and experienced management team; Qualitas' people continue to lead the way. Our well-defined 2023 game plan to robust top and bottom-line growth reaffirms our commitment to create and increase long-term value for all our stakeholders. I am confident and excited for the future ahead.

So, with that, more than happy to address your questions; operator, please open the line for Q&A´s.