SCRIPT 3Q 2023

Santiago Monroy

Good morning and thank you for joining Qualitas third quarter and first nine months 2023 earnings call. Jose Antonio Correa and Bernardo Risoul, our CEO and deputy CEO, are joining us today. As a reminder, discussions in this event may include forward-looking statements. These statements are based on management's current expectations and are subject to many risks and uncertainties that could cause actual events and results to differ materially from those discussed during today's call. Let's turn it over to Jose Antonio Correa, our CEO, for his remarks.

Jose Antonio Correa

Thank you, Santiago and good morning everyone. During the third quarter and throughout the year, our team and business model have shown Qualitas´ capacity and vision to create value despite multiple headwinds and challenging environment. The pace of our underwriting business is remarkable and that doesn't mean we are standing still. Next year we will be a 30-year-old company, of which we have been leaders for the past 16 years as we keep on focus and staying agile and flexible, while continue to provide best-in-class service and actively listening to our agents and policyholders in this very dynamic environment.

In early September, we held our Analyst Day where we looked at our strategy and how we will ensure Qualitas continues being a winning company through creating value across the following stakeholders:

1. We create value for our **policyholders** by strengthening our competitive advantages, we are able to increase and provide the best value proposition in the market. We keep reaching record highs insured units, 5.37 million by September end, while delivering excellence in service with YTD NPS of 88%.

2. We create value for our **agents**, the traditional distribution channel, mostly driven by them, has posted a 17.5% CAGR from the past 5 years; this channel is supported by our more than 21 thousand non-exclusive agents and represents 65% of YTD written premiums. During September, Qualitas México was awarded for fourth year in a row as "*La Aseguradora Ideal*" or "2023 Ideal Insurance company" by a specialized magazine where agents are the voters. Being recognized as the insurance company where our most important business partners prefer to work and make businesses with, it's not only an honorable distinctive but also motivate us to keep on building our commitment to offer a differentiated product and create long-term relationships.

3. We create value for our **employees**, by September-end we have 6,180 employees under our payroll from which 99% have a permanent labor contract. They have a career development plan to offer professional growth and we are strengthening our on boarding programs to ensure everyone at Qualitas knows, shares and lives our DNA. We recently added a new corporate benefit to our many other Qualitas' corporate remunerations, a retirement fund to which Qualitas adds a percentage of the amount saved by the employee.

4. We create value for our **shareholders**: in the past 8 years we have consistently distributed cash dividends, we have increased the liquidity of our stock which currently trades ~8 million dollars ATDV, and overall, stock performance is sustained by profitable and consistent fundamentals reflected in the strong financials delivered in the last years and during this first nine months of the year. We have reached or surpassed our ROE of 20% in many years, building a strong capital position that allows us to continue investing to fuel the growth while providing returns to our investors.

5. We create value for our **community**, in line with our sustainability strategy, we aim to be involved with our community through initiatives and concrete actions with a positive impact not only in society but also in our business; our ODQ model for example, opens the possibility to provide access to insurance in remote locations, the 337 ODQ's have shown a 10% CAGR in the past 5 years and YTD 26% top-line growth. We also have the road behavior program "*Conducta Vial Qualitas*" looking to raise awareness of road safety issues among vehicle drivers, but also for other road users such as cyclists and pedestrians.

We are pleased with YTD top line performance of our business, and while we recognize that cost pressures prevail mainly explained by industry inflation and robberies, we have and will continue to take actions to have a profitable and sustainable business; we are certainly on the right path.

And now, I'll pass it over to Bernardo for a deep dive in our quarter and YTD performance.

Bernardo Risoul

Thank you Jose Antonio and good morning everyone. Our quarterly results reflect a very strong top line, a positive underwriting, and a solid financial portfolio. Despite external factors continuing to pressure our claims costs, we are starting to see signs that we are reaching stabilization and expect to soon reach the desired inflection point. When we step back and look at the insurance auto industry in the world and in Mexico, we are pleased to see Qualitas standing out, being one of the very few companies to have a combined ratio below 100% despite headwinds. Still, we are happy but never satisfied and continue to work towards reaching our long-term target in the next quarters.

Top line growth for the quarter was up +29% and +26% in cumulative terms. This unprecedented growth, well ahead of our initial expectations, reflects our ability to continue being attractive to agents and policy holders, while it also reflects pricing efforts, which accounts for approximately 50% of the top line growth. On the latter, tariff' increases, on a point-to-point basis, are up ~24% during this year, with steeper increases taking place during the past 3 months, including a double digit increase in late September.

We understand that leading the way in pricing may have an impact on our premium's growth pace in the following quarters, which we will try to mitigate by strengthening Qualitas value proposition. The recent efforts on pricing should help us get to where we need to be; we will remain adjusting regularly, and by business and subsegment, towards reaching our 62-65% range.

Going back to the drivers of top line growth, the balance comes from organic volume; by September we have increased more than 550 thousand insured units in the year; just to give you some reference on what this means, we had never growth this number of units in a single year ever before.

Worth to note this boost in units is partially explained by the strong recovery in new car sales, which are 25% up YTD and finally surpassing pre-pandemic levels, being 2% above 2019. There are important shifts on car sizes and brands, market dynamics and challenges to which we are agilely adapting to ensure we are always the insurer of choice.

Now moving to our international underwriting, quarterly written premiums are up 23% in local currency and up 8% YTD. LATAM subsidiaries are accelerating and supporting growth, with written premiums up 49% in local currency for the year.

- Central America' customer base has grown due to the closeness and flexibility we have with agents of the region. Premiums acceleration has come together with solid profits and a further expansion of our agents' network. We will inaugurate our 10th service office in Costa Rica next month.
- In Peru, we continue to be encouraged by how business is evolving, attracting new agents, and Qualitas Peru has now been considered as one of the options leading car dealership brands and financial institutions offers. Peru has a winning team and is led by Qualitas DNA on the path we all wanted; we are making more investments on IT and expanding offices to ensure it continues to accelerate towards becoming the best option for the more than 5 million vehicles in the country.
- Finally, our US subsidiary is executing the previously shared turn-around strategy, and its premiums have slowed the pace according to the plan. YTD, we saw an increase in our cross-border premiums of +21% while we had a decrease in domestic premiums of -52% vs same period 2022. We will continue to fund and support the business, recognizing that prior year claims will take some time to close and therefore we expect to be profitable in the next two years, with sequential bottom-line progress over the years.

Now, back on the holding company results and following the strong top line performance, earned premiums were up 27% for the quarter and 22% YTD, standing at $36 billion by September-end. Earned growth pace is directly correlated to reserves' behavior; we constituted reserves for $266 million pesos during the quarter and we have constituted over $1.6 billion pesos throughout the year, which compares to a release of reserves for $92 million during the same nine months 2022. Our reserves' constitution is explained by the strong top line growth and the evolution in our loss ratio.

Going into our costs, our loss ratio closed at 71.6% for the quarter and 71.0% YTD. Despite not yet seeing that inflection point, seems like we are getting there, as it is important to remember that Q3 has historically been a challenging quarter due to rain and flood season, thus a direct comparison should not be taken as conclusive. To illustrate those signs of improvement, this quarter loss ratio is slightly better than Q2, despite the mentioned seasonality by which Q3 has been around 4 percentage points higher than 1H in the past 5 years excluding 2020 atypical year.

Additionally, in some lines of business in Mexico, we have already reached the inflection point and on a rolling 12 months, which is how we look at actuarial trends, we have reached stabilization. I am not saying we are yet there, but certainly on the right path as we all need to remember that our recent pricing actions will take time to fully reflect. We will continue to assess progress and take the needed actions that will allow us to get back to our ongoing target.

Now, let me give you some color on the two main topics impacting our claims costs:

- First, inflation of spare parts and labor in the Mexican auto insurance industry prevails so it continues to stress our average cost per claim. Also, we have seen increases in mechanical repairments, painting and labor costs. In addition to the mentioned pricing, we will rely on our scale and competitive advantages, such as our vertical integration, to release some pressures relative to the balance of the market.
- Robberies, in cumulative terms, now represent 15% of our total claims cost when in same period of last year, they represented 13%. Latest OCRA available figures show thefts trend continues to increase through the year, robberies for Qualitas YTD are up 9%, more than the industry average given Qualitas has the largest volume of the market. Actions towards addressing this include our unique pricing model, and the strengthening of our theft prevention and recovery process; our current recovery rate stands at 44%, which is almost 5 percentage points above the rest of the industry average.
- Finally, the absolute incremental volume of insured units has a direct impact on our costs as well as new challenges in response times and some bottlenecks in the repairment process, which we have been carefully and diligently assessing.

Acquisition ratio stood at 21.9% for the quarter and 22.7% YTD in line with our historical ranges; bonuses for agents are based on volume but also based in the performance of their portfolios, striving to align all incentives according to our cost-control strategy.

Operating ratio stood at 3.5% for the quarter and 3.2% YTD. Despite increasing headcount to support growth, we have maintained strict cost control, thus operating costs are growing less than premiums. Additionally, as we have mentioned before, this ratio is positively impacted by our third-party vertical subsidiary sales, reflected as an income in the operating line, up 42% versus 3Q22 and +45% in cumulative terms. Important to mention that operating expenses include the employees' profit sharing, which is directly related to the earnings of the company, which has a higher impact in this quarterly ratio.

Despite the constitution of reserves throughout the year, we posted positive underwriting result of $317 million during the quarter and $693 million YTD. Qualitas underwriting performance according to AMIS reported figures of 1H 2023, continues to lead the Mexican industry.

All of the previously mentioned resulted in a combined ratio of 97% for the quarter and 96.9% YTD, which is a gradual improvement vs 2Q23 ratio although still not within our 92-94% on-going target. The different initiatives we have been working on during this year make us believe we will get to that desired target towards mid-2024.

Regarding the financial income performance, the third quarter delivered $1 billion, reaching a $2.8 billion financial income YTD. ROI for the quarter stood at 9.7% and 9.2% respectively.

We continue to have a high exposure to fixed income, representing 90% of our portfolio. Duration stands at 1.6-years with a 9.5% yield to maturity. Important to note that our fixed income portfolio is geographically distributed to comply with our international capital requirements, which implies different interest rate levels and returns. For reference, our yield to maturity for the Mexican portion of the portfolio, which accounts for 70%, stands at 10.2%. Forward looking, and as we have mentioned earlier, we will continue to increase the duration to a maximum of two years to benefit from current interest rates levels.

Our equity portfolio continues to gradually transition from past stock picking strategy, towards our new US and Global ETF's based strategy as well as holding FIBRAS in Mexico. Due to the shift in our investment strategy, seeking to maximize returns under a more conservative strategy set by the Investment Committee, we have adjusted investment guides, processes, and team members profile; as such, our CIO position is currently vacant.

Altogether, we posted a $1 billion net income for the quarter and $2.7 billion year to date, representing a 7.8% and 7.1% net margin respectively. The quarterly performance represents more than 4 times the figures reported during 3Q22, recognizing a one-off in our comparable base, and $1 billion pesos more in cumulative terms vs. 2022.

Regarding our financial ratios, our 12-month ROE stands at 16.8% reflecting our strong capital position as well; 12-month Earnings per Share stands at $8.2 pesos.

Now, going into our regulatory capital requirement, by September end it stands at $4.4 billion with a solvency margin of $14.6 billion, equivalent to 434% solvency ratio. Our strong capital position reflects our ability to create value that José Antonio alluded to in his opening remarks; we´ve always had a diligent and prudent approach related to capital allocation, aiming to maximize its use while being prepared for any unplanned situation that could impact the industry or any opportunity that may come along.

Our corporate development plan is based on three pillars: 1) strengthening our Mexican leadership, 2) accelerating growth in our international and vertical subsidiaries and 3) new business opportunities; we have identified 10 avenues from which future growth could come from, all within the insurance ecosystem and in all cases where Qualitas unique DNA and strengths would be a match to deliver profitable growth with an ROE of above 20%.

From these 10 initiatives, 4 are now under execution: Qualitas Salud, the technology company recently acquired, our entry to Colombia which we expect to materialize towards the 1st half of next year, as well as a potential acquisition that is being negotiated seeking to strengthen our vertical integration.

Let me briefly touch on Qualitas Salud, since September we celebrated its first year of operation; business is progressing as expected with 100% organic growth; we are learning and adjusting our current products to adapt to our clients and market needs. As we have always indicated, we do not expect that QSalud is going to move the needle in terms of growth nor profitability for the holding company in its first 3-5 years, but it will in the long term. By September end we have 59 service offices offering our products and more than 500 trained agents to promote them.

The initiatives under execution will not be capital intensive at the beginning but could be after a maturity process; we are being responsible and diligent at first but will not be shy to accelerate once we have proven the potential and our right to win.

As part of our capital allocation, and as Jose Antonio eluded before, we have consistently paid cash dividends to our shareholders. In this regard, on November 9th we will be paying the second exhibit of 2023 approved dividend of $2.5 pesos per share for a total 90% payout ratio and 4.2% dividend yield in the year.

As we have said in the past, we want to be very transparent regarding what management considers excess cash; we follow the ratio: earned premium or investments over capital, with a ~3 times ratio objective by year end, this implies that around 300 million dollars are the real excess cash. We seek to have a balance between dividend payments, share buyback programs and funding the new business opportunities. We will continue to pay dividends likely on the high end of our policy for the next years, and an will assess extraordinary dividend payment of part of this excess cash if it were to make sense, always recognizing this is a decision to be taken at the General Assembly.

To wrap it up, as we head to the last quarter of what has been a very strong year, we will focus on executing against the priorities and setting the base to make 2024 a year in which we deliver the trifecta where top line momentum continues ,although at more sustainable levels, claim costs back into our long term range, and financial income being a tailwind behind high interest rates and the way our portfolio has been shaped.

Excellence in service is an ongoing journey, a continuous process of listening to our agents and policyholders and rapidly evolving to meet and anticipate their needs. We have built a solid business and strengthened Qualitas' assets over the last years, maintaining our core and DNA, for the company´ sustainability in the upcoming years.

And with that said, we are more than happy to take your questions.