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RAQUEL LEETOY

Good morning and thank you for joining Qualitas fourth quarter and full year 2024 earnings call; I'm Raquel Leetoy, Qualitas IR Coordinator. Our CEO & Chairman of the Board is joining us today, Jose Antonio Correa, as well as our CFO, Roberto Araujo.

As a reminder, information discussed on today's call 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. Qualitas undertakes no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events, or otherwise.

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

JOSE ANTONIO CORREA

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

2024 will be a year to remember at Qualitas, not only for the fact that we celebrated our 30-year anniversary, of which we have been leaders for the past 18 years by maintaining our focus, agility and flexibility, while continuing to provide the best-in-class service and actively listening to our agents and policyholders; but also for the significant accomplishments made this year.

One example of this continues to be the latest auto insurance industry figures, which reflect that Qualitas is the leader not only in market share in terms of *written premiums* with 32.9% and 35.9% in *earned premiums*; but also show that Qualitas represents 97.5% of the total underwriting industry results and 42.2% of the industry net result, posting the best combined ratio within the Top 5 companies; and we still believe in the potential of more profitable growth to come.

Our top line closed +29% up with a notable growth in profits, delivering once again an ROE of above 20% which is our long term goal. To provide some perspective of order of magnitude, Qualitas absolute growth in 2024 is equivalent to Qualitas annual sales after 20 years in the market; keeping in mind that in the last 3 years we almost doubled our size. Also, Qualitas surpassed the 5.7 million insured units, adding over 400 thousand units throughout the year, a 7.5% increase vs 2023. The growth in units this year is equivalent to what it took us 8 years to acquire as customers in the early years of the company.

Growing at this pace represents a continuous opportunity to provide outstanding customer service and meet their expectations. Therefore, throughout the year, we increased our workforce and successfully integrated over 600+ positions within the company while strengthening our on boarding process to ensure that Quálitas DNA is lived by everyone.

Proving outstanding service is at the center of everything we do, let me talk about our call center which continues to show remarkable improvement, fulfilling our commitment to being efficient and offering the best service to our customers. In 2024, we received 3.3 million calls, from which the average response time decreased from 8 to 6 seconds, equivalent to a ring when dialing, ensuring faster service under stressful situations. This progress is reflected in a satisfaction rate of ~95% for the year, surpassing the rate achieved a year ago, which confirms our ongoing efforts to optimize service quality.

The attention and service provided by claim officers have also experienced significant improvements in 2024, both in response times and satisfaction levels. We have managed to reduce the adjusters' arrival time, which optimizes service and reduces wait times for policyholders, while also fostering a sense of trust. Additionally, the satisfaction rate with in-person claim officers has increased 2pp YoY, while the satisfaction rate with express adjusters has also improved, reaching 94.2% compared to 90.0% in 2023.

These results reflect the trust placed in us by our policyholders and the success of our business model. Our strategy to generate growth by prioritizing our service, has fully translated into being the most elected option not because of price but because of the value provided by our products and by our team, we honor our word. I'm especially grateful to all Qualitas' team members, who have played an important role in setting us on this path.

Given the momentum we see, we believe we can continue to drive healthy growth in 2025 and beyond, including our next years´ expectation to deliver topline growth of high single digits to low teens along with healthy ratios within our target ranges, Roberto will elaborate further.

During 2024, Qualitas' corporate development plan progressed as well, reaching two important milestones whilst executing in line with our 3-pillar strategy that we deployed a couple of years ago, by which we aim to further diversify our business to fuel sustainable growth for the mid-long term:

- First, by the end of year *the Superintendencia Financiera de Colombia* (Colombian financial regulator) authorized the operation in the field of automobile insurance to Qualitas Compañia de Seguros Colombia. And just a few days ago, we successfully issued our first policy in the country. Being able to serve a market with a vehicle fleet of more than 17 million units will represent a big challenge, one we look forward to, while also recognizing it will require resources, attention to detail and incorporating Qualitas' DNA, but certainly something that we're excited about.

- Furthermore, we completed the acquisition of a company that has more than 50 years of experience in the sale and installation of windshields and all types of automotive glass, supply of spare parts, automotive paint and repainting products, with a network of more than 130 branches across Mexico. This acquisition confirms our differentiation strategy through vertical integration by strengthening and complementing the potential of our subsidiary Flekk.

Another key achievement this year has been strengthening our organization. During 2024, we secured key senior leadership positions such as our CFO and CIO, in addition to effective succession transitions in critical areas such as: Human Resources, Treasury, and Valuation, allowing for internal talent development and growth within the company. Furthermore, our turnover rate was reduced by 4.1ppt vs 2023. These accomplishments have been crucial in driving our growth and ensuring we are well-prepared for the challenges ahead, always alongside the right people, who share our values and help us continue to permeate our DNA throughout the organization.

Back when we started the year, together with Bernardo, we mentioned that we envisioned 2024 as the year of a perfect trifecta; today, I am pleased to share that *not only* did we continue the momentum on growing the topline, we achieved the inflection point on Loss Ratio and we delivered on the investment portfolio by taking advantage from attractive interest rates; *but also*, we were able to continue investing in strategic projects that will transform Qualitas in the years to come.

To conclude my remarks, I feel proud to take part in a Mexican company that is contributing as an industry leader to the economics of our country and other regions as well. Taken as a whole, we have a lot to be proud of, both from a financial and a value creation standpoint.

As we look into 2025 and beyond, we are confident in our continued ability to drive sustained growth and create shareholder value through our best-in-class service.

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

ROBERTO ARAUJO

Thank you, Jose Antonio, and good morning everyone. We had an outstanding quarter and finish to the year, in fact a record year; reflecting solid top-line performance, record underwriting and investment income and a combined ratio within our targets, underscoring the company's ability to deliver results.

Going directly to our top-line performance, written premiums were up +27.4% for the quarter and +28.9% for the year.

Growth was broad-based with our Mexican operation leading the way with +30.1% in the quarter and +30.7% for the year. The combination of volume and pricing resulted in a strong year for Mexico, driven by ~40% volume and the remaining 60% by Pricing/Mix. Mexico´s growth was boosted by a few large multi-year policy fleets which accounted for ~11ppt for the quarter and ~3ppt for the year; this will be important to consider for next year's comparison.

When unpacking Mexico´s drivers of growth, the traditional segment accounted for ~68% of total written premiums - growing at a rate of +33.5% for the quarter and +33.3% for the year; from this segment, our fleet business stands out with a quarterly increase of +49.1% and +43.9% for the last twelve months; lastly, financial institutions, which accounted for ~27% of total written premiums on cumulative terms - continues to portray consistent double digit growth rates of +23.2% for the quarter and +25.6% for the year.

These results drive towards a stronger leadership position in the market. Meaning, by the end of Q3, the latest industry number, Qualitas held 32.9% written premiums share, up 100 bp vs the same period a year ago. In the heavy equipment segment, that share is now at 44.7% vs. 43.7% in 2023, reflecting Qualitas' effective price adjustments despite the competitive environment. Certainly, Market share is always a good thermometer, but in the case of Qualitas, it is not a measure linked to anyone's performance

In 2024, written premiums from our international subsidiaries represented 4.8% of the total holding company underwriting.

The US subsidiary is focusing on reshaping the mix towards being profitable, resulting in premiums diminishing -15.9% in a full year basis. In fact, our strategy is on track: our portfolio composition by year-end was only 5% domestic, while cross border / bi-national products represent 69% with the remaining balance being the Private Passenger Auto (PPA) business

As reported, our LATAM subsidiaries were up +31.5% for the quarter and 27.2% year over year, fully in line with our strategy; this shows that while the comparative base with Mexico is larger, we are building a promising future.

2024 was a year that marked several milestones as part of the LATAM expansion. A clear example of growth and value creation is Peru, where, in just five years of presence, Quálitas Peru has managed to establish itself with a market share of 6.6%, becoming the fastest growing insurer company in the market; or Costa Rica, a market where we are the number one private sector company and second overall when considering the National Insurance Institute. In 2024, Costa Rica grew +240% in technical results due to an improvement in the loss ratio of 9.3 ppt compared to 2023.

Including all subsidiaries, as Jose Antonio previously mentioned, we closed the quarter with more than 5.7 million insured units, which represents a new record high for the company, with over 400 thousand additional units during the year or +7.5% unit growth.

Back to our financials', earned premiums were up +17.7% and +23.4% for the quarter and full year respectively, reflecting a reserves' constitution in line with our solid top-line growth pace. During the fourth quarter, we constituted $4.4 billion reserve that represents $2.0 billion more than the fourth quarter of last year, closing the year with a constitution of $8.0 billion reserve, that represents $4.0 billion - twice the amount of last year. These figures are new record "highs" for Qualitas compared to any historical reserves' constitution. Technical Reserves constitution' is based on approved regulatory models and speak to the high premiums' growth; as a matter of fact, we should expect to see earned premiums grow at a higher pace – even higher than written premiums - once the growth stabilizes in the coming quarters. Finally, our technical reserves are also helping with our investment portfolio size.

Moving now to our costs, the claims ratio stood at 66.0% for the quarter. This quarterly ratio posted a 4.7pp improvement vs. same quarter last year and a 3.2pp improvement vs. Q3. During the last quarter of the year, we did not have any extraordinary hurricanes, and heavy rains were lower than Q3. Moreover, Loss Ratio for the year closed at 66.3%, a 4.7pp improvement vs. 2023, and reached the inflection point expected.

To better understand progress and challenges, I will provide specifics from our main markets:

First, in Mexico, loss ratio stood at 63.2% for the quarter - a 4.4pp decrease vs same period a year ago, and 64.4% for the full year, a 4.8pp noticeable improvement vs last year, confirming we are within the desired and sustainable Loss Ratio target range of 62 to 65%. It is worth mentioning that during the fourth quarter frequency stood at 7.4% and 28.2% for the full year, slightly below a year ago.

Throughout this year we have witnessed a 23% Mexican peso depreciation, leading to many inquiries regarding its impact on our costs. As mentioned before, FX does not immediately distress our costs. The correlation between currency depreciation and our costs is not linear; prices for spare parts are determined by supply and demand, commodity prices, and shipping costs. Therefore, despite recognizing that from our total claim costs, ~50% are related to material damage and from those 20% to 25% are related to imports of spare parts and others. While it is quite complex to assess the true impact of FX volatility on our overall future costs, so far, we have been effective in keeping our underwriting discipline to respond to any required rate adjustments; and we will continue to do so and be diligent.

Regarding thefts, in 2024 robberies increased +3% for Qualitas and ~1% for the industry. Remember that these stats reflect our higher units growth vs industry and leading market share, especially in the heavy equipment segment where we have ~45% market share, and they also reflect our insured motorcycles that increase number of insured units but have a lower insured value. Nevertheless, we are not only market leaders in terms of share but also in terms of risk management and prevention, Qualitas recovery rate stands at 40.1%, consistent to the rest of the industry.

So, let me now move to our US business, where we continue our strategy of exiting the domestic market to focus on the cross border and bi-national products. The journey continues to be bumpy, recognizing it is not as fast, simple nor cheap, as we need to bring to closure the claims that trace back to 5 or even 7 years ago. These quarterly financials were impacted by the year-end actuarial analysis in which adverse developments of historic claims and verdicts led to higher reserves constitution. In addition, there were two other decisions impacting our results: a) the agreement with the California department of insurance that by year-end, we would move towards the mid-point of the reserves range within the 4 year plan that started back in 2023, and b) due to our external audit recommendation, we continue building a DTA (Deferred Tax Asset) - Valuation Allowance (reserve) as a conservative and unlikely case if we were not able to turnaround the business in a way that we credit this taxes. All in, US business posted losses for the year, part of which relates to reserves and provisions that we could recover once shifting the business.

US business turnaround is within our top corporate priorities, we will continue to assess all possible paths to ensure domestic business run off is managed at the least possible cost, while building a niche business where we can create value. We expect to reach a break-even performance by 2026. Having knowledge of the cross-border business' profitability and low penetration, we believe in the opportunity to continue operating the cross-border niche, in which we currently have no more than 20% of market share and we consider it is a tactical growth opportunity for our company. Shifting gears will take time but we are confident on our capacity to deliver a positive outcome from this.

Moving to our acquisition ratio, it stands at 21.2% and 22.0% for the quarter and the year respectively, in line with our historical range, reflecting a strong performance in the traditional segment, which carries lower commissions. Overall, commissions remained unchanged in 2024 and by year-end, our portfolio composition closed 78.0% annual and 22.0% multi-year policies. This change in mix, posted a 3.2pp shift vs. 2023. The increase in the multi-year mix from 18.8% in 2023 to 22.0% is mainly driven by the fourth quarter composition which resulted in roughly a 70% / 30% annual vs multi-year split (71.3% annual and 28.7% multi-year policies).

Then, our operating ratio for the quarter stood at 3.5% and 4.0% for the year; for 2024 employee profit sharing provision was 50% greater than last year, given the positive performance of our company; however, if we were to exclude this provision that by law must be incorporated into our operating expenses, the ratio would have stood at 2.7% for the quarter and 3.0% for 2024, in line with our historical range.

All the above resulted in an outstanding combined ratio of 90.8% for the quarter, ending the year at 92.2% within our 92-94% target. Which speaks to the underwriting discipline and our ability to continue deliver consistent financial results. These results reflect the commitment of our entire team towards excellence in service and cost control. Let me be clear, Qualitas is a resilient business not only for the short run but most importantly for the long run.

Now, moving to the financial side of our business, our comprehensive financial income grew 41.9% for the quarter and 24.5% for the year. We continue to be mainly invested in fixed income representing 87% of our $49 billion pesos total portfolio with an average duration of 1.8 years and a 9.2% yield to maturity; in the case of our Mexican subsidiary the yield to maturity stands at 10.1%.

With the current portfolio composition for each 25 bp that rates decrease, the impact on our portfolio valuation is around $195 million pesos on an annual basis.

The remaining of our portfolio is invested in equities, mostly placed on ETFs following the US market and other global markets; only ~3% of our equity portfolio is invested in Mexican REITs given we believe they create value through their attractive dividend distribution. All our investment assets follow accounting guidelines classified as "available for sale" so their performance, whether gains or losses, is considered on our Balance sheet until they are realized.

Our investment strategy does not foresee any relevant changes for 2025, aiming to bring fixed income duration as close as it can get to 1.8 years as reference rates remain in the mid to high single digits in Mexico, following the guidelines, advisory and strategy decided by our Investment Committee as part of our institutionalized corporate governance.

We delivered a comprehensive financial income of $1.6 billion during the quarter and $4.9 billion for the year. Our investment portfolio reached an 11.5% ROI for the quarter and 9.6% ROI for the year. In 2024 unrealized gains are in the magnitude of $1.0 billion pesos including FX benefit. When considering all positions as mark to market, ROI would stand at 11.7% in 2024.

~24% of our portfolio is invested in US Dollars given our international presence, for every peso that the FX appreciates or depreciates the estimated annual impact is $612 million pesos playing as a natural hedge for FX depreciation.

2024 effective tax rate stood at 32.3%, which shows more normalized levels reached throughout the year given inflationary adjustments benefits are lower.

All in all, Qualitas posted a $1.4 billion net income for the quarter and a $5.1 billion net income for the year, with a 6.6% and 7.4% net margin respectively. Our 12-month ROE stood at 22.2%, already within our long-term target. We are proud of the performance that our team has delivered driving industry-leading profitability, we are executing against the strategy with earnings durability and capital efficiency. Qualitas is well positioned to maintain industry leadership operationally and financially.

Net, we close the year with higher-than-expected top line growth and a strong momentum; we delivered positive underwriting profit that outstands in the industry and a well-positioned investment portfolio that benefited our financial performance. Once again, we confirm Qualitas' resilience and capability to create value.

Our regulatory capital stood at $5.5 billion, with a solvency margin of $17.5 billion pesos, equivalent to 421% solvency ratio. Recent capital allocation determines our 12 months earned premium to capital ratio at 2.5x.

Dividend distribution will continue to be part of our capital allocation and, although the decision relies on our AGM, from a management standpoint we believe the upcoming dividend may once again be at the high end of our policy range, which is 40 to 90%. Anticipating a question that I have been receiving quite frequently regarding a potential extraordinary dividend, as mentioned, we are open to assess it although given the expected volatility in 2025 with new federal governments in both Mexico and the US, we do not consider prudent to appraise it this year.

It is worth mentioning there is no news from the fiscal authority regarding the audit procedures and the VAT interpretation. This matter continues under assessment in the corresponding instances, and we have not received any conclusive or final resolution. Qualitas' position stands firm with the corresponding legal arguments to support the industry criteria and thus, we trust authorities will reach a reasonable resolution. As mentioned before, we will timely communicate any relevant progress to the market.

Before moving to the Q&A session, let me provide you with some color of what we could expect for next year´s performance, reiterating that since a few years back we do not disclose a formal guidance or targets, but rather some overall expectations:

- Top line growth momentum is expected to be at a slower pace following the projections of new car sales growth from the Mexican Association of Auto Distributors (AMDA) which is forecasted to be between -1% and +2%. Written premiums are expected to grow in the high single digits to the low-mid teens; with Earned premiums growing ahead.
- Regarding loss ratio, we expect to continue making progress towards our technical range objective of 62% to 65%. We do expect to see the historical seasonality for the coming quarters; however, for the year we expect to be within our loss ratio objective.
- The acquisition ratio and operating ratio should continue within its historical levels with no major changes.
- The above metrics should lead to a combined ratio within our objective range between 92%-94%
- Finally, our financial performance would be similar to the results posted in 2024 given our fixed income duration strategy.

So, I'm confident in our strategy. Qualitas has a strong momentum; But first and foremost, our service and cost control DNA is at the front of our everything that we do. All in all, Qualitas' team delivered a remarkable 2024, leading the industry operationally and financially while providing a best-in-class service for our policyholders and agents. Qualitas is well positioned to build on our momentum in the new 2025, with continued growth in earnings.

We invite you to be part of our long-term vision, recognizing the resilience that the company has demonstrated through different periods and environments over the past 30 years.

I could not be more excited about what's ahead for Qualitas and our customers and I am confident that our focused strategy will drive significant value creation for our shareholders in the years to come.

And now operator please open the line for questions. Thank you.