



Earnings **Results**  
*4<sup>th</sup> quarter and full year*  
**2022**

# Results Webcast 4Q and full year 2022

**Date: Friday January 27<sup>th</sup>, 2023**

**Hora: 9:00 am CST / 10:00 am EST**

**Qualitas Controladora S.A.B. de C.V.** cordially invites you to its fourth quarter and full year 2022 earnings results conference call.

Hosted by:

Mr. Jose Antonio Correa, Chief Executive Officer Qualitas Controladora  
Mr. Bernardo Risoul, Chief Financial Officer & International CEO

Link to join online: <https://services.choruscall.ca/links/qualitas2022q4.html>

Dial in:

- » Mexico: 1-800-514-8660
  - » US & Canada: 1-800-319-4610
  - » International Dial-in: 1-604-638-5340
- No passcode needed

The report and presentation will also be available:

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

# Qualitas reports fourth quarter 2022 results








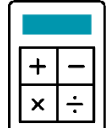




**Mexico City, January 26<sup>th</sup>, 2023** – Qualitas Controladora, S.A.B. de C.V. (“Qualitas”, “Q”, or “the company”) (BMV: Q\*), announces its unaudited financial results for the fourth quarter and full year 2022.

Figures in this document are stated in Mexican pesos (MM) except when otherwise indicated and may vary due to rounding.

## Highlights

- Despite the challenging environment, Qualitas implemented the necessary actions to guarantee a profitable underwriting performance, coupled with a well-positioned investment portfolio, aiming to take advantage of the current environment.
- Gross written premiums exceeded expectations closing the quarter at \$12,424 million, up +17.2% vs 4Q21, and reaching \$42,036 million or +10.0% on a year-to-date basis.
- Top line growth reflects on one hand, the gradual tariffs increase made during the year, as well as the ongoing recovery in new car sales, +7% vs. 2021, although still -18% below 2019.
- In 2022, we reached a record high of insured units with +4.8 million by year-end; +333 thousand vs. 4Q21 and +36 thousand units vs 3Q22.
- Earned premiums closed the quarter at \$10,724 million, up +16.8% vs 4Q21, and +10.8% vs 2021.
- As expected, the quarterly loss ratio stood at 76.0%, closing the year at 70.5%, reflecting the highly inflationary environment, the increase in mobility in main cities, in addition to the \$22 million USD IBNR reserves constitution in our United States subsidiary during 4Q.
- Quarterly and year-to-date loss ratio of Qualitas México, our main subsidiary, stood at 70.5% and 68.5%, respectively.
- Combined ratio for the fourth quarter was 98.5% and 96.4% for the year, which places us above our technical range target. The actions carried out allowed a profitable underwriting performance and outperforming the industry average.
- Quarterly comprehensive investment income stood at \$794 million, closing the year at \$1,423 million, which implies a quarterly and annual ROI of 7.7% and 3.1%, respectively. The financial performance during 4Q22 reflects the actions taken during the year to benefit from the high rates environment. By year-end, the investment portfolio stood at \$34,931 million; 88.5% allocated in fixed income, with a total duration of 0.6 years.
- Net Income for the quarter closed at \$607 million and \$2,209 million for the year, resulting in a net margin of 4.9% and 5.3% respectively. 12-month ROE stood at 11.1%. Furthermore, the Company reported a P/BV of 1.7.
- Regulatory capital requirement stood at \$4,047 million, with a solvency margin of \$14,006 million, equivalent to a solvency ratio of 446%.
- As of December 2022, we held 6.1 million shares in treasury with a remaining share buyback fund of \$804 million.
- As of 2022, Qualitas held position 16<sup>th</sup> in the Mexican marketability index, with a daily average trading volume of ~\$5.4 million dollars.

# Qualitas in figures

	<p><b>4,810,169</b> Insured units</p>	<p><b>10.0%</b> Written premiums growth 22 vs 21</p>	
	<p><b>30.6%*</b> Market share; leaders since 2007</p>	<p><b>11.1%</b> 12M ROE</p>	
	<p><b>5.3%</b> 2022 net margin</p>	<p><b>\$15.4</b> P/E</p>	
	<p><b>\$5.5</b> EPS 12 M</p>	<p><b>\$1.7</b> P/BV</p>	
	<p><b>551</b> 224 service offices 327 ODQ's</p>	<p><b>\$34,931</b> Invested assets, float MM MXN</p>	
	<p><b>5,646</b> Employees</p>	<p><b>~19,800</b> Agents</p>	

\*Market share as of 9M22 in Mexico, source AMIS



# Financial highlights 4Q & 2022 (MM MXN)

Income Statement	Quarterly			Year to date		
	4Q22	4Q21	Δ %/bp 22 vs 21	2022	2021	Δ %/bp 22 vs 21
Premiums written	12,424	10,601	17.2%	42,036	38,224	10.0%
Net premiums written	12,305	10,524	16.9%	41,458	37,923	9.3%
Premiums earned	10,724	9,184	16.8%	39,969	36,067	10.8%
Acquisition cost	2,667	2,376	12.2%	9,454	8,831	7.0%
Loss cost	8,155	6,426	26.9%	28,194	23,437	20.3%
<b>Technical result</b>	<b>(98)</b>	<b>382</b>	<b>(125.7%)</b>	<b>2,321</b>	<b>3,799</b>	<b>(38.9%)</b>
Operating expenses	98	92	7.3%	1,289	1,317	(2.1%)
<b>Underwriting result</b>	<b>(196)</b>	<b>295</b>	<b>(166.7%)</b>	<b>1,032</b>	<b>2,491</b>	<b>(58.6%)</b>
Comprehensive financial income	794	620	28.2%	1,423	2,273	(37.4%)
Investment income	664	537	23.5%	1,080	1,926	(43.9%)
Income Taxes	(9)	107	(108.4%)	245	986	(75.1%)
<b>Net result</b>	<b>607</b>	<b>808</b>	<b>(24.9%)</b>	<b>2,209</b>	<b>3,778</b>	<b>(41.5%)</b>
<b>Cost ratios</b>						
Acquisition ratio	21.7%	22.6%	(90)	22.8%	23.3%	(49)
Loss ratio	76.0%	70.0%	608	70.5%	65.0%	556
Operating ratio	0.8%	0.9%	(7)	3.1%	3.4%	(38)
Combined ratio	98.5%	93.4%	510	96.4%	91.7%	470
Combined ratio adjusted*	101.8%	96.8%	499	97.4%	93.1%	430
<b>Profitability ratios</b>						
Return on investments	7.7%	6.3%	137	3.1%	5.6%	(250)
ROE for the period	12.7%	16.2%	(350)	11.1%	19.2%	(808)
LTM ROE	11.1%	19.2%	(809)	11.1%	19.2%	(809)

\*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 indices.

Balance Sheet	4Q22	4Q21	Δ %/bp 22 vs 21
Assets	75,988	71,888	5.7%
Investments & Real Estate	37,094	36,798	0.8%
Invested assets or float**	34,931	34,767	0.5%
Technical reserves	42,162	37,850	11.4%
Total liabilities	56,469	51,509	9.6%
Stockholders' equity	19,519	20,379	(4.2%)

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

# Written premiums

Line of business	4Q22	4Q21	Δ %/bp 22 vs 21	2022	2021	Δ %/bp 22 vs 21
Traditional	8,221	6,945	18.4%	26,483	23,141	14.4%
<i>Individual</i>	4,652	3,862	20.5%	15,351	13,233	16.0%
<i>Fleets</i>	3,569	3,083	15.7%	11,133	9,908	12.4%
Financial institutions	3,430	2,783	23.2%	11,972	11,777	1.7%
International subsidiaries	767	844	(9.1%)	3,422	3,239	5.7%
<b>Total</b>	<b>12,424</b>	<b>10,601</b>	<b>17.2%</b>	<b>42,036</b>	<b>38,224</b>	<b>10.0%</b>

By quarter-end, written premium stood at \$12,424 million, growing 17.2% compared to same period of previous year. As of December, written premiums stood at \$42,036 million, reflecting an increase of 10.0% vs same period 2021.

Such growth was driven, once again, by the performance in our traditional segment through our broad agents' and service offices' network, with a 18.4% increase vs 4Q21 and up 14.4% vs 2022. Our network in Mexico and the rest of our international subsidiaries continues to grow; through the year we opened 8 new service offices and 21 new ODQ's, reaching 551 offices in total.

Underwriting through financial institutions had a quarterly and annual increase of 23.2% and 1.7%, respectively, reflecting a gradual recovery in new car sales during the last months of the year, reaching +7% growth on a year-to-date basis compared to same period of 2021, but still -17.6% compared to 2019.

Whilst the inventory car dealerships have been gradually recovering, the demand for new vehicles has increased since the end of the restrictions by Covid-19, which has pushed prices up to historical levels. Given this scenario, consumers have turned to used cars, which continues to represent a business opportunity for the company.

In US dollars, international subsidiaries posted a 3.0% growth during the quarter and 7.4% for the year. Such performance reflects a quarterly and full year growth of 31.0% and 23.3%, respectively, of the international operations within Latin America and, on the other hand, the intentional slowdown in our QIC subsidiary, prioritizing the business' profitability. In local currency the annual growth of the subsidiaries stood at 6.0%, compared to same period in 2021. Their 3-year CAGR has been of 20.0%.

# Insured units

We closed the year with a new record high reaching 4,810,169 million insured units. This represents a 7.4% increase, or +333 thousand units compared to the end of 2021. Likewise, except for our subsidiary in the United States, the rest of the subsidiaries increased the number of insured units, maintaining our commitment to accelerate and fuel their profitable growth.



**4,810,169 insured units**



CAGR of last 5 years

During the quarter, we continued to see a stabilization in new car sales, even exceeding the AMDA estimate published at the beginning of the year, increasing 19.7% during the quarter when compared 4Q21 and growing 7.0% year-to-date.

Qualitas' insured units are allocated as follows:

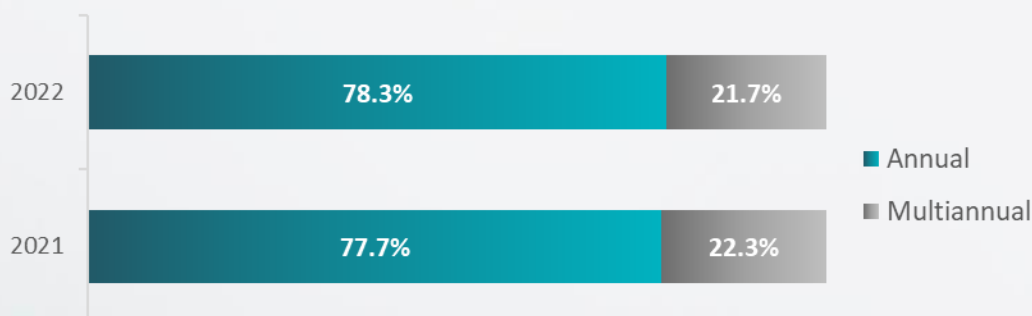
	4Q22	3Q22	Δ%	4Q21	Δ%
Mexico	4,607	4,580	0.6%	4,311	6.9%
Automobiles	3,020	3,003	0.5%	2,882	4.8%
Trucks	1,174	1,191	(1.4%)	1,120	4.9%
Tourists	138	131	5.2%	115	20.1%
Motorcycles	275	254	8.1%	195	41.3%
El Salvador	27	27	3.0%	21	28.3%
Costa Rica	100	92	8.4%	76	32.0%
USA	18	18	(1.8%)	18	0.1%
Peru	58	57	2.8%	51	13.5%
<b>Insured vehicles</b>	<b>4,810</b>	<b>4,774</b>	<b>0.8%</b>	<b>4,477</b>	<b>7.4%</b>

All percentage changes are compared to 4Q22, in thousands of units.

## Earned premiums

During fourth quarter, earned premiums closed at \$10,724 million, a 16.8% increase when compared to same period prior year. This growth is directly related to our portfolio mix, underwriting growth pace, and thus the actuarial reserves' constitution. On a year-to-date basis, earned premiums posted an increase of 10.8%, standing at \$39,969 million.

By December-end, 78.3% of our portfolio underwriting was comprised by annual policies and 21.7% by multiannual policies.



## Net acquisition cost

Acquisition cost for the quarter was \$2,667 million, posting an acquisition ratio of 21.7%; standing at \$9,454 million with a 22.8% acquisition ratio for the full year.

It is worth noting that there has not been any change neither in agents nor financial institutions commissions throughout the year; they are related to sales' volume, as well to the health and profitability of their portfolios.



## Loss cost

By year-end 2022, inflation in Mexico stood at 7.8%; likewise, inflation in the automotive industry was ~10%. Despite the efficiencies derived from being vertically integrated, the inflationary pressures impacted our claims costs, increasing the average claims cost by 8.3%.

On the other hand, claims frequency for the year was 26.2%, compared to 24.1% 2021-end, reflecting the increase in mobility during the year. This ratio indicates the average number of claims that an insurance policy, or a portfolio of policies had during a period of time.

Relating to the thefts of insured units in Mexico, according to OCRA latest figures, from January to December it increased by 2.5% for Qualitas; although we started to observe an inflection point in the positive trend experienced in the last 3 years, we are still 20.7% below 2019 levels. Through the year, Qualitas recovered 46.2% of its stolen units, which is 1.6 p.p. above industry average.

Derived from several long-tail claims processes in our subsidiary in the United States (QIC) during 2022, we have been dedicated to shift our strategy, prioritizing profitability of the operation, and making fundamental adjustments that allow to revert the observed trend in the past year. Throughout the quarter, we increase de incurred but not reported reserves in \$22 million dollars, which impacted the loss ratio, and therefore, the profitability of this subsidiary. In this regard, we have increased rates significantly and intentionally slowed down underwriting, mainly in domestic products.

All the above resulted in an expected loss cost, impacting the quarterly and annual loss ratio, closing at \$8,155 million with a 76.0% quarterly loss ratio, and at \$28,194 and 70.5% for the year.

The inflationary environment and the new mobility trends impacted the underwriting performance of the automotive insurance industry in Mexico and worldwide. We will continue implementing the necessary actions, such as tariff increases, efficiencies in the daily operation and strengthening our vertical integration, to gradually return to our technical range of 62-65%.

## Operating cost

Operating expenses for the quarter stood at \$98 million and \$1,289 million by year end, reaching an operating ratio of 0.8% and 3.1% respectively. As occurred in 4Q21, operating expenses were benefited by the release of several provisions recorded at the beginning of the year.

Profit sharing provision is included under the operating cost; which is directly linked to profits; when excluding its effect, ratio would have stood at 2.8%.

# Underwriting result

By the end of the fourth quarter, we reported a combined ratio of 98.5% and of 96.4% for the year. The company reported a quarterly underwriting loss of \$196 million, mainly explained by the reserve's constitution in the US, and a profit of \$1,032 million though the year, posting an operating margin of -1.8% and 2.6% quarterly and year-to-date, respectively.

Despite the complex environment, the discipline and implemented actions during the year guaranteed a profitable underwriting performance.



Source: AMIS, 9M22 information.

# Comprehensive financial Income

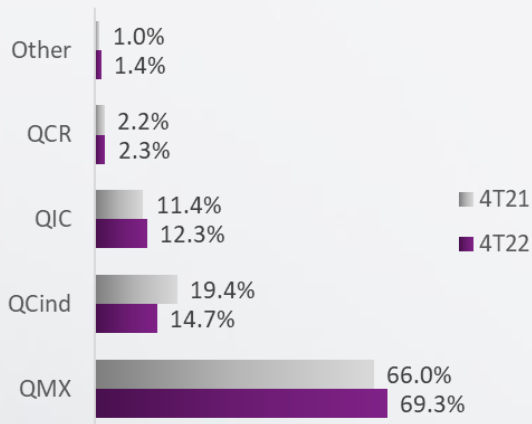
During 4Q22, Mexican reference rate increased 1.25 percentage points, standing at 10.5% by December-end, compared to the 4.75% by the end of same period 2021; average 28-day CETES rate for the quarter was 7.7%.

By the end of 4Q22, 88.5% of our portfolio was allocated in fixed income and the remaining 11.5% in equities. It is worth noting that our fixed Income strategy and its duration has been progressing throughout the year, since it was not foreseen current inflationary levels which resulted in an aggressive increase in reference rates. As of December 2022, the duration of our investment portfolio was 0.6 years.

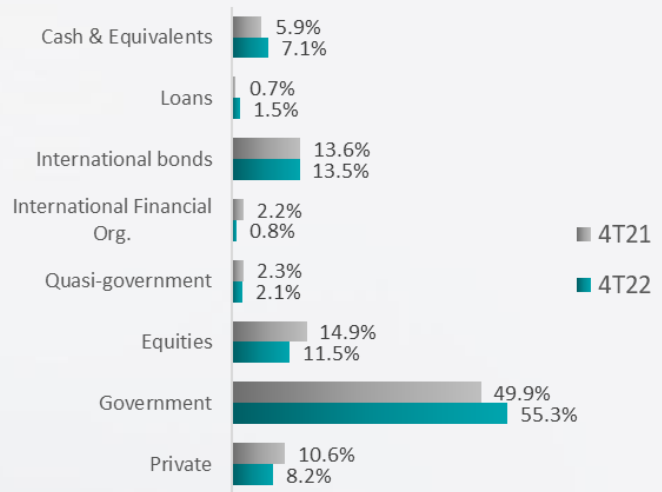
Worldwide stock exchanges have been in a volatile environment given global context; during the year, Mexican index IPC fell -9%, in line with the S&P 500 fall of -19% and NASDAQ fall of -34%.

Considering the above, financial income for the quarter was \$794 million with a 7.7% ROI, reflecting the actions undertaken throughout the year to benefit from the current environment. On a year-to-date basis, financial income was \$1,423 million with an ROI of 3.1%, mainly impacted by one position in the equity portfolio, whose loss was reflected in 3Q22.

### Portfolio by subsidiary



### Total portfolio



## Net income

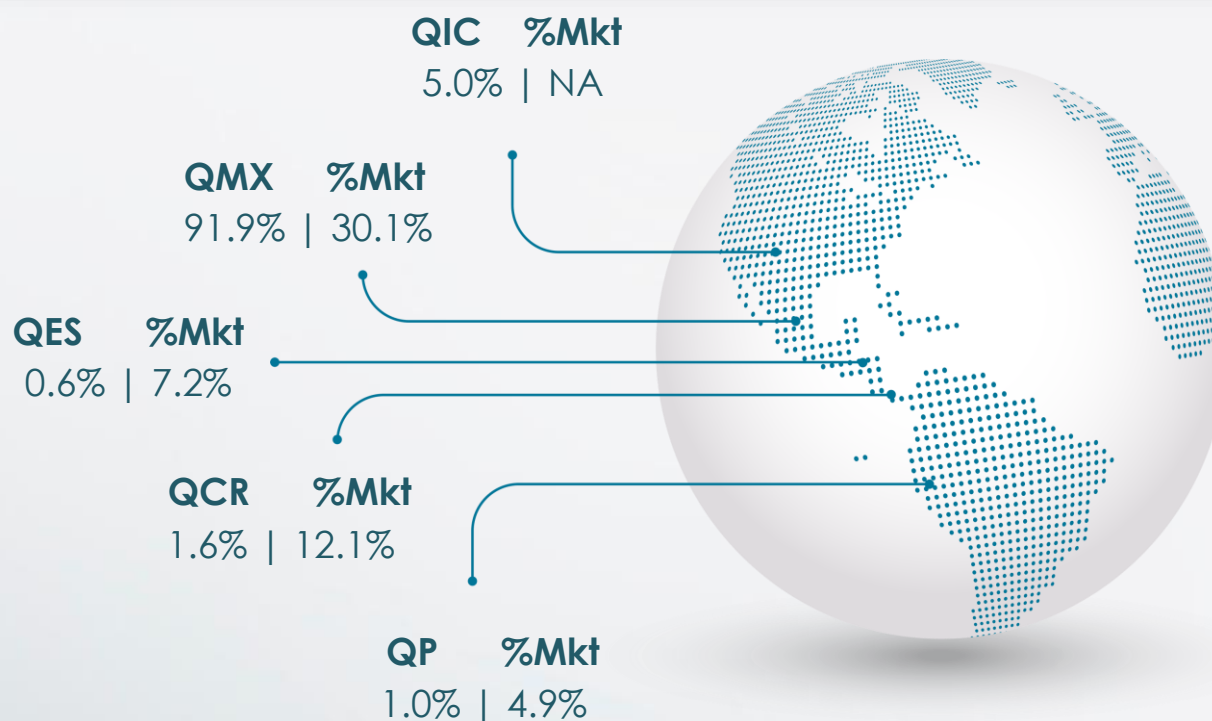
Quarterly net profit closed at \$607 million, equivalent to a 4.9% net margin. On a year-to-date basis, net income was \$2,209, with a 5.3% net margin.

This performance reflects the complexity in the underwriting side of the business, as well as the volatile and changing environment on the financial side. However, we keep on implementing actions headed to mitigate external impacts and promptly adjusting the strategy considering the environment we are going through.

Qualitas reported an 11.1% 12-month ROE, reflecting the performance along the year and the solidness of our capital position. ROE comprises an operating ROE of 4.7% and a financial ROE of 6.4%.

# Subsidiaries as of 4Q22

International (geographical) subsidiaries represented **8.1% of company's total written premium**



Altogether, the international and non-insurance (vertical) subsidiaries reported written premiums and sales of \$877 million during 4Q22 and of \$3,825 million during the year, representing a quarterly decrease of -4.9% and full year increase of 7.2%. Quarterly and annual variation for international subsidiaries in local currency was -4.5% and +6.0%, respectively.

Along the year, our subsidiary Flekk has demonstrated sustainable growth in all its business lines, achieving a CAGR of 56% over the last 3 years. Likewise, it has been a fundamental part of our operation in Mexico to offset the inflation observed in the auto parts industry, particularly high in recent months. In the table below, it can be seen the performance of this subsidiary excluding intercompany operations; that is to say, the operations with Quálitas Mexico, who continues to be its more significant customer.

	Written premium					
	4Q22	4Q21	Δ %	2022	2021	Δ %
Q ES	106	80	33.6%	251	186	34.8%
Q CR	173	126	37.3%	671	540	24.3%
Q IC (USA)	365	520	(29.9%)	2088	2139	(2.4%)
Q P	123	118	4.1%	412	374	10.2%
Vertical*	110	79	40.2%	403	330	22.1%
<b>Total</b>	<b>877</b>	<b>923</b>	<b>(4.9%)</b>	<b>3,825</b>	<b>3,569</b>	<b>7.2%</b>

Figures in million pesos. Sales in vertical subsidiaries exclude inter company operations.

\*Sales in the case of non-insurance subsidiaries

# Technical reserves

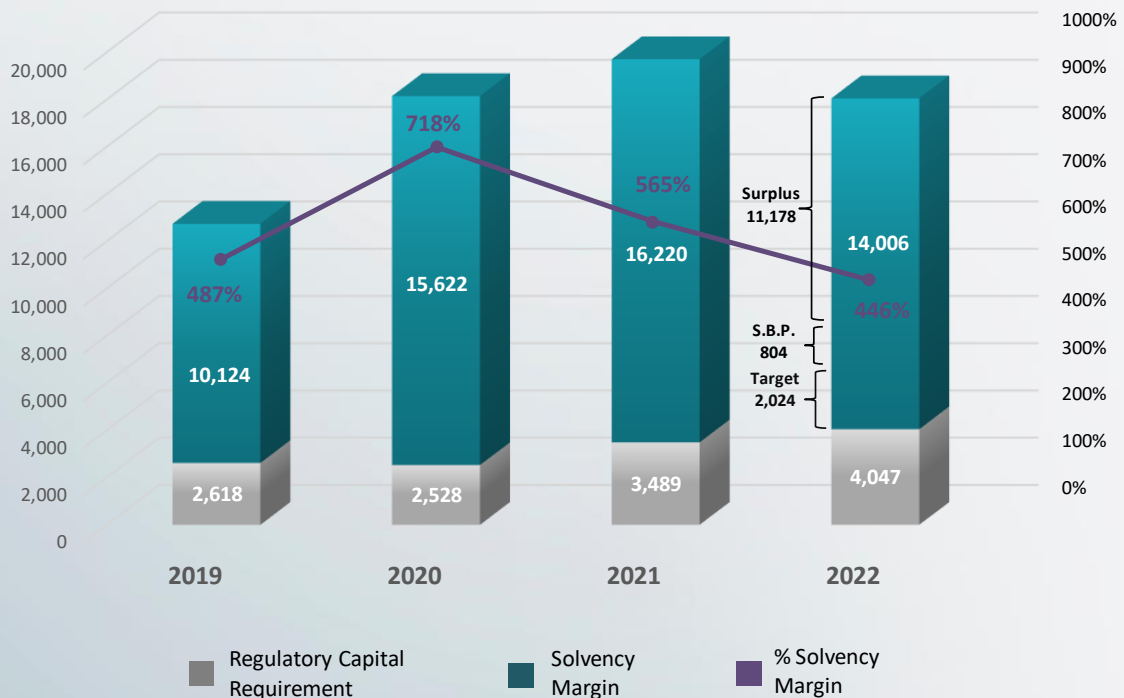
During fourth quarter, we constituted reserves for \$1,580 million related to the cyclicity and seasonality of the business. Technical reserves reached \$42,162 million, which represents a 11.4% increase when compared to the same period of the previous year. During the year, we constituted unearned premium reserves for \$1,489 million.

Important to mention that reserves' constitution is related to three main factors: 1) underwriting growth pace, 2) portfolio premiums' composition (annual and multiannual) and 3) historical claims and loss cost estimates.

# Solvency

The regulatory capital requirement stood at \$4,047 million by the end the year, with a solvency margin of \$14,006 million, equivalent to a solvency ratio of 446%.

This solvency level considers the dividend payment of \$6.5 pesos per share or \$2,600 million, which was made in two installments throughout the year.





**QUALITAS CONTROLADORA, S.A.B. DE C.V.**  
**Consolidated Balance Sheet as of December 31<sup>st</sup> 2022**  
 Figures in Mexican pesos

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
<b>Investments</b>	<b>37,094,307,790</b>	<b>36,797,597,565</b>
<b>Securities and Derivatives Transactions</b>	<b>34,265,398,068</b>	<b>34,320,047,312</b>
<b>Securities</b>	<b>34,265,398,068</b>	<b>34,320,047,312</b>
Government	23,671,380,315	21,650,974,839
Private Companies: Fixed Rate	4,443,660,783	5,880,763,608
Private Companies: Equity	6,180,986,770	6,721,726,766
Foreign	0	66,582,099
(-) Value Impairment	30,629,801.0	-
Restricted Securities	-	-
<b>Derivatives</b>	-	-
<b>Overnight</b>	19,291,837	87,913,151
<b>Loans Portfolio (Net)</b>	<b>646,195,918</b>	<b>358,858,935</b>
Current Loan Portfolio	666,713,413	368,194,611
Non-performing Loan	31,697,466	31,197,633
(-) Loan Loss Provisions	52,214,961	40,533,309
<b>Property (Net)</b>	2,163,421,967	2,030,778,166
<b>Investments Related to Labor Obligations</b>	82,040,790	76,329,059
<b>Cash and Cash Equivalents</b>	<b>2,859,758,202</b>	<b>2,209,374,328</b>
Cash and Banks	2,859,758,202	2,209,374,328
<b>Debtors</b>	<b>26,964,718,150</b>	<b>25,043,187,992</b>
Premiums	26,069,845,419	24,268,780,283
Premiums P&C Subsidy	-	-
Federal Agencies Debts	40,691,462	89,840,678
Agents and Claims Officers (Adjusters)	139,524,710	165,981,818
Accounts Receivable	-	-
Bonds for Claims Debtors	-	-
Other	852,507,498	708,678,010
(-) Allowance for Doubtful Accounts	137,850,939	190,092,796
<b>Reinsurers and Re-Bonding Companies</b>	<b>304,759,870</b>	<b>147,062,604</b>
Insurance and Bonds Intitutions	17,548,781	11,596,005
Retained deposits	-	-
Amounts Recoverable from Reinsurance	289,458,172	137,094,615
(-) Loan Loss Provisions for Foreign Reinsurers and Reinsurance and Bonding Brokers	2,191,643	1,584,867
(-) Provisions for Penalties	55,440	43,149
<b>Permanent Investments</b>	<b>46,760,489</b>	<b>46,546,839</b>
Subsidiary	-	-
Associates	-	-
Other permanent investments	46,760,489	46,546,839
<b>Other Assets</b>	<b>8,635,423,517</b>	<b>7,568,024,628</b>
Furniture and Equipment (Net)	1,011,161,546	1,029,389,943
Miscellaneous	7,500,761,542	6,435,307,548
Amortizable Intangible Assets (Net)	89,536,450	67,781,963
Long-lived Intangible Assets (Net)	33,963,980	35,545,175
<b>Total Assets</b>	<b>75,987,768,807</b>	<b>71,888,123,014</b>

**QUALITAS CONTROLADORA, S.A.B. DE C.V.**  
**Consolidated Balance Sheet as of December 31<sup>st</sup> 2022**  
 Figures in Mexican pesos

	<b>2022</b>	<b>2021</b>
<b>Liabilities</b>		
<b>Technical Reserves</b>	<b>42,162,042,059</b>	<b>37,849,548,895</b>
<b>Unearned Premiums</b>	<b>28,712,408,294</b>	<b>27,257,522,114</b>
Property and Casualty Insurance	28,701,246,827	27,257,522,114
<b>Reserve for Outstanding Obligations</b>	<b>13,449,633,765</b>	<b>10,592,026,781</b>
Expired Policies and Claims Occurred Pending of Payment	15,762,461,885	12,500,412,277
Occurred but not Reported and Adjustment Costs assigned to Claims	(3,067,158,715)	(2,589,889,725)
Deposit Premiums	754,330,596	681,504,229
<b>Reserves Related to Labor Obligations</b>	490,993,727	434,200,682
<b>Creditors</b>	<b>7,000,872,560</b>	<b>6,815,291,010</b>
Agents and Adjusters	2,356,351,937	2,206,134,595
Funds for Losses Management	26,127,936	35,639,187
Bonding for recognition of Liabilities Creditors	-	-
Miscellaneous	4,618,392,688	4,573,517,228
<b>Reinsurers and Re-Bonding Companies</b>	<b>132,254,260</b>	<b>59,191,747</b>
Insurance and Bond Companies	132,254,260	34,507,716
Retained Deposits	-	24,684,031
Other	-	-
<b>Funding Obtained</b>	-	-
<b>Other Liabilities</b>	<b>6,682,420,758</b>	<b>6,351,183,548</b>
Provisions for employee profit sharing	331,857,192	359,678,825
Income Tax Provisions	861,255,591	931,616,190
Other Obligations	4,516,887,276	4,076,396,708
Deferred Credits	972,420,700	983,491,825
<b>Total Liabilities</b>	<b>56,468,583,365</b>	<b>51,509,415,882</b>
<b>Stockholders' Equity</b>		
<b>Paid-in Capital</b>		
<b>Capital Stock</b>	<b>2,350,363,169</b>	<b>2,370,613,584</b>
Capital Stock	2,386,567,046	2,422,365,551
(-) Non Subscribed Capital Stock	-	-
(-) Non Displayed Capital Stock	-	-
(-) Repurchased Shares	36,203,877	51,751,967
<b>Earned Capital</b>		
<b>Reserves</b>	<b>1,841,680,743</b>	<b>1,712,175,316</b>
Legal	507,142,999	507,142,999
For Repurchase of shares	922,603,752	865,953,144
Other	411,933,993	339,079,172
<b>Valuation Surplus</b>	223,414,511	331,132,806
<b>Permanent Investments</b>	-	-
<b>Retained Earnings</b>	12,773,408,000	12,005,975,152
<b>Net Result</b>	2,205,421,156	3,774,524,717
<b>Translation effect</b>	100,698,828	167,066,223
<b>Non Monetary Assets Result</b>	-	-
<b>Remeasurements for Benefits granted to Employees</b>	3,756,580	4,383,802
<b>Controlling Interest</b>	19,498,742,986	20,365,871,602
<b>Non-Controlling Interest</b>	20,442,456	12,835,531
<b>Total Stockholders' Equity</b>	<b>19,519,185,442</b>	<b>20,378,707,133</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>75,987,768,807</b>	<b>71,888,123,014</b>

Note: Due to an audit to the Financial Statements of December 2021 and June 2022 by the CNSF, the items of Expired Policies and Incurred Claims with Outstanding Payment and Incurred but Not Reported Claims and Loss Adjustment Expenses are being reclassified in the 2021 and 2022 Balance Sheet, for presentation purposes, within the Reserve for Outstanding Obligations line.

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

Figures in Mexican pesos

	<b>4Q 2022</b>	<b>4Q 2021</b>
<b>Premiums</b>		
Written	12,424,346,758	10,601,220,762
(-) Ceded	119,644,312	76,779,865
<b>Net Written Premiums</b>	<b>12,304,702,446</b>	<b>10,524,440,897</b>
<b>(-) Net Increase of Unearned Premiums Reserve</b>	1,580,245,623	1,340,199,760
<b>Earned Retained Premiums</b>	<b>10,724,456,823</b>	<b>9,184,241,137</b>
<b>(-) Net Acquisition Cost</b>	<b>2,667,354,278</b>	<b>2,376,476,989</b>
Agents Commissions	977,905,308	844,423,135
Agents' Additional Compensation	325,904,917	276,962,436
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	3,813,269	4,030,563
Excess of Loss Coverage	2,824,070	1,566,567
Other	1,364,533,251	1,257,555,414
<b>(-) Net Claims Cost and Other</b>		
<b>Contractual Liabilities</b>	<b>8,155,310,417</b>	<b>6,425,741,891</b>
Claims and Other Contractual Obligations	8,440,076,775	6,276,650,050
(-) Losses on non-proportional reinsurance	284,766,358	- 149,091,841
Claims	-	-
<b>Technical Income (Loss)</b>	<b>(98,207,872)</b>	<b>382,022,257</b>
<b>(-) Net Increase in Other Technical Reserves</b>	-	-
<b>Result of Analog and Related Operations</b>	-	4,256,259
<b>Gross Income (Loss)</b>	<b>(98,207,872)</b>	<b>386,278,516</b>
<b>(-) Net Operating Expenses</b>	<b>98,222,684</b>	<b>91,559,260</b>
Administrative and Operating Expenses	(121,082,193)	(222,610,594)
Employees' compensation and benefits	82,160,967	178,374,749
Depreciation and Amortization	137,143,911	135,795,105
<b>Operating Income (Loss)</b>	<b>(196,430,556)</b>	<b>294,719,255</b>
<b>Comprehensive Financing Result</b>	<b>794,393,996</b>	<b>619,851,464</b>
Investments	653,397,282	403,345,321
Sale of Investments	(73,016,001)	903,731
Fair Valuation of Investments	92,454,881	136,938,986
Surcharges on Premiums	95,962,171	69,208,159
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	17,764,151	3,523,078
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	394,640	540,574
(-) Preventive Penalties for Credit Risks	(1,160,348)	1,905,245
Other	34,660,501	13,343,299
Foreign Exchange Rate Fluctuation	(27,594,697)	(4,965,291)
(-) Monetary Position Result	-	-
<b>Participation in Permanent Investments Result</b>	-	-
<b>Income (Loss) Before Taxes</b>	<b>597,963,439</b>	<b>914,570,720</b>
<b>(-) Provision for Income Taxes</b>	(8,919,067)	106,628,050
<b>Income (Loss) Before Discontinued Operations</b>	606,882,506	807,942,670
<b>Discontinued Operations</b>	-	-
<b>Net Income (Loss)</b>	<b>606,882,506</b>	<b>807,942,670</b>
Controlling Interest	606,205,979	807,749,373
Non-Controlling Interest	676,527	193,297
<b>Net Income (Loss)</b>	<b>606,882,506</b>	<b>807,942,670</b>

**QUALITAS CONTROLADORA S.A.B. DE C.V.**  
**Consolidated Income statement from January 1<sup>st</sup> to December 31<sup>st</sup> 2022**  
 Figures in Mexican pesos

	<b>2022</b>	<b>2021</b>
<b>Premiums</b>		
Written	42,035,726,784	38,224,285,597
(-) Ceded	578,209,995	301,380,800
<b>Net Written Premiums</b>	<b>41,457,516,789</b>	<b>37,922,904,797</b>
(-) <b>Net Increase of Unearned</b>	-	-
<b>Premiums Reserve</b>	1,488,597,185	1,855,626,012
<b>Earned Retained Premiums</b>	<b>39,968,919,604</b>	<b>36,067,278,784</b>
<b>(-) Net Acquisition Cost</b>	<b>9,453,502,647</b>	<b>8,831,436,833</b>
Agents Commissions	3,272,516,971	2,952,851,853
Agents' Additional Compensation	1,053,122,820	927,164,268
Reinsurance and Rebonding Commissions	-	-
(-) Reinsurance Commissions	7,777,827	21,000,049
Excess of Loss Coverage	7,422,131	6,061,002
Other	5,128,218,552	4,966,359,759
<b>(-) Net Claims Cost and Other</b>		
<b>Contractual Liabilities</b>	<b>28,194,001,710</b>	<b>23,436,694,787</b>
Claims and Other Contractual Obligations	28,766,224,879	23,728,481,776
(-) Losses on non-proportional reinsurance	572,223,169	291,786,989
Claims	-	-
<b>Technical Income (Loss)</b>	<b>2,321,415,247</b>	<b>3,799,147,164</b>
<b>(-) Net Increase in Other Technical Reserves</b>	-	-
<b>Result of Analog and Related Operations</b>	-	5,220,000
<b>Gross Income (Loss)</b>	<b>2,321,415,247</b>	<b>3,808,623,423</b>
<b>(-) Net Operating Expenses</b>	<b>1,289,413,901</b>	<b>1,317,397,549</b>
Administrative and Operating Expenses	(124,832,851)	(147,030,965)
Employees' compensation and benefits	848,364,442	982,243,079
Depreciation and Amortization	565,882,311	482,185,436
<b>Operating Income (Loss)</b>	<b>1,032,001,346</b>	<b>2,491,225,874</b>
<b>Comprehensive Financing Result</b>	<b>1,422,840,496</b>	<b>2,273,211,690</b>
Investments	2,152,594,465	1,597,102,011
Sale of Investments	(158,111,061)	(104,667,855)
Fair Valuation of Investments	(952,428,173)	389,390,825
Surcharges on Premiums	327,016,602	299,065,146
Debt Issuance	-	-
Financial Reinsurance	-	-
Loan Interests	42,656,892	17,315,594
(-) Preventive Penalties for Amounts Recoverable from Reinsurance	606,777	5,134
(-) Preventive Penalties for Credit Risks	11,181,819	(67,659)
Other	15,909,395	48,013,274
Foreign Exchange Rate Fluctuation	6,990,971	26,930,170
(-) Monetary Position Result	-	-
<b>Participation in Permanent Investments Result</b>	-	-
<b>Income (Loss) Before Taxes</b>	<b>2,454,841,841</b>	<b>4,764,437,564</b>
<b>(-) Provision for Income Taxes</b>	245,473,401	986,493,524
<b>Income (Loss) Before Discontinued Operations</b>	2,209,368,440	3,777,944,040
<b>Discontinued Operations</b>	-	-
<b>Net Income (Loss)</b>	<b>2,209,368,440</b>	<b>3,777,944,040</b>
Controlling Interest	2,205,421,156	3,774,524,717
Non-Controlling Interest	3,947,284	3,419,323
<b>Net Income (Loss)</b>	<b>2,209,368,440</b>	<b>3,777,944,040</b>

# Glossary of terms and definition

**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:

 <b>Analyst:</b> Gilberto García <b>E-mail:</b> gilberto.garcia@barclays.com <b>Target price:</b> 75.00 MXN <b>Rating:</b> Underweight	 <b>Analyst:</b> Rodrigo Ortega <b>E-mail:</b> r.ortega@bbva.com <b>Target price:</b> 91.40 MXN <b>Rating:</b> Underperform	 <b>Analyst:</b> Ernesto Gabilondo <b>E-mail:</b> ernesto.gabilondo@baml.com <b>Target price:</b> 87.00 MXN <b>Rating:</b> Underperform	 <b>Analyst:</b> Jorge Gordillo <b>E-mail:</b> jgordillo@cibanco.com <b>Target price:</b> 114.60 MXN <b>Rating:</b> Sell	<b>GBM</b> <b>Analyst:</b> Pablo Ordoñez <b>E-mail:</b> pordonezp@gbm.com <b>Target price:</b> 115.00 MXN <b>Rating:</b> Outperform	
<b>n a u</b> <b>Analyst:</b> Iñigo Vega <b>E-mail:</b> inigovega@nau-securities.com <b>Target price:</b> 105.00 MXN <b>Rating:</b> Fair Value	 <b>Analyst:</b> Armando Rodríguez <b>E-mail:</b> armando.rodriguez@signumresearch.com <b>Target price:</b> 109.27 MXN <b>Rating:</b> Buy	 <b>Analyst:</b> Eduardo López <b>E-mail:</b> elopez@vepormas.com <b>Target price:</b> 88.90 MXN <b>Rating:</b> Hold	 <b>Analyst:</b> Andres Soto <b>E-mail:</b> asoto@santander.us <b>Target price:</b> 110.00 MXN <b>Rating:</b> Outperform	 <b>Analyst:</b> Thiago Paura <b>E-mail:</b> thiago.paura@btgpactual.com <b>Target price:</b> 110.00 MXN <b>Rating:</b> Buy	<b>Bloomberg</b> <b>Analyst:</b> - <b>E-mail:</b> - <b>Target price:</b> 97.26 MXN <b>Rating:</b> -

## 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).

*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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