

# Earnings Report for Grupo Security S.A.

## **Grupo Security reports profit of MCH\$100,132 for 9M22 (+48.3% YoY).**

**Santiago , Chile – November 17, 2022. Grupo Security S.A., (BCS: SECURITY; BBG: SECUR).**

Grupo Security reported profit of MCH\$100,132 for 9M22, up 48% from last year. These results are explained largely by a strong performance from Banco Security and its asset management subsidiaries, reaching consolidated profit of MCH\$110,200 for the period, more than double 9M21. This can be attributed to strong financial results from the Treasury Division, an improved margin in commercial areas and lower risk expenses in the commercial segment. Also noteworthy is Factoring Security's profit of MCH\$10,076 (+40.2% YoY), and Travel Security's recovering sales with profit of MCH\$2,813 for the period. Despite the volatility in financial markets, Vida Security recorded profit of MCH\$32,991, with a premium volume 43.8% higher than the previous year. Grupo Security's stock will be included on the MSCI Small Cap Chile index at the end of November, giving it greater visibility in local and foreign markets and contributing to liquidity.

In recent years, the financial system has faced profound changes in a challenging environment. In this context, we developed a digital plan focused on the 4 main businesses: Banco (bank), Inversiones (asset management), Vida (life insurance) and Factoring Security. The plan includes 25 initiatives designed to obtain US\$ 20-30 million in additional revenue per year, with an investment of around US\$ 50 million over four years. Through these initiatives we seek to improve our Commercial Banking customers' experience with key products and services, integrate the value proposition for Retail Banking and Asset Management through digital tools, optimize the digital offering and expand distribution channels at Vida Security, and enhance the existing digital offering at Factoring Security. These efforts build on the transformation and efficiency work initiated a few years ago, which implemented the necessary methodologies and governance bodies to monitor change initiatives.

In addition, we have a cross-cutting sustainability strategy and recognize that it must be integrated into every step of our strategic development. We have made concrete progress in this area, such as obtaining board approval of Grupo Security's Sustainability Policy. This policy defines guidelines for the pursuit of sustainable development, for example, adhering to the Sustainable Development Goals (SDGs) of "Decent Work and Economic Growth" (SDG 8) and "Climate Action" (SDG 13). Through these commitments we aim to continue generating positive impacts on society through our activities (more information on page 3).

- Banco Security's consolidated profit for 9M22 was MCH\$110,200, more than double the result from 9M21, explained by a larger net interest margin in the commercial areas, with a 10.8% rise in total loans and strong treasury earnings, due to higher interest rates and inflation. In addition, provisions for credit losses totaled MCH\$53,038 (-9.7% YoY) due to lower expenses for the commercial portfolio (-29.1% YoY).
- Commercial loans expanded 9.7% YoY, with market share in its target segment of medium and large companies of 5.9%. As for credit quality, its risk ratio, measured as provisions to loans, was 2.3% as of September 2022 (+1 bps YoY). Banco Security's consolidated efficiency ratio was 41.7% as of September 2022 (-463 bps YoY), while ROAE (profit LTM over average equity) was 20.2% (+1,003 bps YoY).
- The asset management area reported profit of MCH\$13,956 (+112.6% YoY) due to improved returns on the proprietary trading portfolio and increased operating revenue (+8.9% YoY), mainly due to improved ROA in mutual funds.
- Factoring Security reported profit of MCH\$10,076 (+40.2% YoY), with 2.0% YoY growth in factored receivables to MCH\$409,177 as of September 2022, a larger spread and increased indexation income of MCH\$5,096 for 9M22 (+132.2% YoY). Efficiency was 39.7% (-211 bps YoY), while the ratio of loan loss provision expenses to total factored receivables was 2.06% (+8 bps).
- Vida Security reported profit of MCH\$32,991 (-13.5% YoY) due to higher inflation. This affects the company's technical reserves, given the mismatch in the proprietary trading portfolio due to investment decisions. The proprietary trading portfolio enjoyed increased investment income of MCH\$98,991 as of September 2022 (+4.3% YoY). Premiums reached MCH\$338,691 as of September 2022 (+43.8% YoY) with market share of 6.7% in total premiums written and 6.9% in annuities.
- As planned, Travel Security obtained profit of MCH\$2,813 (MCH\$39 for 9M21), with a gradual recovery in sales. Meanwhile, Inmobiliaria Security had profit of MCH\$663 (-70.9% YoY) due to legal title transferred on fewer units (43 vs 65 as of September 2021).
- Protecta Security, in Peru, had profit of MS./ 11.3 for 9M22 (-3.2% YoY), due mainly to increased claims paid (+26.1% YoY). Bear in mind that converting results in soles to IFRS used in Chile and adjusting for the varied accounting criteria used in each country results in a different book-basis profit.
- Overall, Grupo Security's profit was MCH\$100,132 for 9M22, 48.3% greater than 9M21, in line with improved performances from the lending and asset management areas.

## SIGNIFICANT AND SUBSEQUENT EVENTS

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- To continue to simplify the corporate structure, Mandatos Security was absorbed by Capital on January 3, 2022.
- In March 2022, Grupo Security placed third on the ranking of the Best Workplaces in Chile 2021, in recognition of the distinctive culture for which it is known. In August 2022, Grupo Security placed 26th on the ranking of the Best Workplaces in Latin America 2022 prepared by Great Place to Work. Additionally, in September 2022 Grupo Security earned first place in the ranking of Best Places to Work for Women 2022 for the second consecutive year.
- Bondholders' meetings for series K, L3, M, N1 and S bonds were held on March 23, 2022, to agree a new rule for calculating financial covenants, updating the leverage ratio to reflect individual net financial debt over equity attributable to the owner of the parent<sup>1</sup>. In this context of liability restructuring, all of the series F bonds issued by Grupo Security were redeemed on May 9, 2022.
- At the annual general meeting on April 21, 2022, Grupo Security shareholders approved a dividend payment of CH\$8.5 per share charged to profit for the year 2021. This dividend plus the interim dividend distributed in October 2021 are equivalent to CH\$14.0 per share, totaling MCH\$56,155, or 63% of profit for the year 2021.
- At this meeting, shareholders also approved the annual report, balance sheet and financial statements for the year 2021. They also agreed to appoint EY as the Company's external auditors for the year 2022 and Fitch and ICR as its risk rating agencies.
- In addition, at the AGM three new directors were elected to Grupo Security's board: Ms. Consuelo Raby Guarda, an attorney with vast experience in corporate and contract law, Mr. Ramón Eluchans Olivares, the former CEO of Banco Security and a member of the Bank's board, and Mr. Gonzalo Pavez Aro, a member of the boards of Vida Security and Factoring Security and chairman of the board of DEVISA, a property management company. At the meeting, Francisco Silva expressed special recognition to outgoing directors Horacio Pavez García, Bruno Philippi Irrarrázabal and Mario Weiffenbach Oyarzún, thanking them for their commitment and ongoing support for the Group's development.
- At a board meeting on August 4, 2022, Francisco Silva presented his resignation as director and chairman of Grupo Security. To replace him as chairman, the board appointed Renato Peñafiel, until then Grupo Security's Chief Executive Officer. The board named Fernando Salinas to the position of Chief Executive Officer of Grupo Security, who until then was Corporate Finance and Performance Manager for the company.
- On October 13, 2022, Grupo Security's board approved a dividend of CH\$6.5 per share. The total dividend is comprised of CH\$3.5 per share from current year earnings and CH\$3.0 per share from a portion of prior year retained earnings.
- On November 11, 2022, MSCI announced that Grupo Security's stock will be included in the MSCI Chile Small Cap Index as of November 30, 2022. Being included in this index lends greater visibility to its stock domestically and abroad, contributing to liquidity and helping attract new shareholders.

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<sup>1</sup> The calculation of the individual leverage ratio is disclosed in Note 39 of Grupo Security's Financial Statements.

## SUSTAINABILITY

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In the second half of 2020, management decided to incorporate international standards to its sustainability efforts, so as to have policies, initiatives and indicators in place to provide visibility and benchmark performance against the financial industry both locally and internationally.

The first steps were completed in 2021 with the creation of the new Corporate Affairs Division, which took on this challenge by incorporating international methodologies and standards. This new division is responsible for coordinating work between subsidiaries and permanently monitoring progress through matrix reports.

Key developments in 2022 include:

### **Commitments**

#### **Grupo Security Sustainability Policy** ([Go to document](#))

Grupo Security formalized its Sustainability Policy, which details its commitment to drive sustainability in its activities as an integral part of its corporate strategy and processes, ensuring disclosure and communication to stakeholders. This policy is being passed down to Grupo Security subsidiaries for them to generate an action plan to comply with these commitments within the next 12 months.

#### **PRI Signatories (Vida Security and AGF Security)**

In April 2022, Vida Security and AGF Security joined as signatories in order to implement responsible investment practices. Through this alliance, the companies commit to use a methodological framework to integrate environmental, social and corporate governance (ESG) criteria into investment decision-making and ownership practices.

### **Market Information**

#### **Grupo Security 2021 Integrated Report** ([Go to document](#))

This publication constitutes a change with respect to previous versions, as the Group seeks to better communicate with shareholders, investors, customers, authorities and society in general on matters of corporate governance, risk management and aspects that have an impact on the creation of value for the community and the market. This is the first step in developing an Integrated Report for Grupo Security, providing financial and sustainability data for each stakeholder in a single document. With this same purpose in mind, the contents were developed in accordance with the guidelines established by the Sustainability Accounting Standards Board (SASB), globally renowned in the commercial banking and insurance industries, the Group's main businesses.

#### **Grupo Security Sustainability Site** ([Go to site](#))

A section has been created on Grupo Security's website to house content related to our sustainability strategy. It currently includes the Group's main sustainability initiatives and pertinent manuals and policies on ESG issues.

## **Market Measurements and Assessments**

### **Carbon Footprint Measurement. “Huella Chile” Seal**

The project surveyed the companies' data to quantify their corporate carbon footprint in scopes 1, 2 and part of 3. The facilities of the following companies were included in the measurement: Banco, Travel, Vida, Factoring, Asset Management (AGF and Valores), Inmobiliaria, Corredora and other subsidiaries. A total of 72 facilities (branches and offices) totaling nearly 42,000 m2 were inspected.

In addition, Grupo Security earned the Huella Chile Seal. This carbon management program from the Ministry of the Environment recognizes organizations that have quantified greenhouse gases at the organizational level.

### **Corporate Sustainability Assessment 2022 Dow Jones - Grupo Security**

The S&P Global Corporate Sustainability Assessment (CSA) is an annual assessment of a company's sustainability practices and is currently completed by more than 10,000 companies around the world. The assessment is based on material financial and industry-specific criteria.

### **SSINDEX 2022 – Banco Security**

The SSINDEX is an assessment that identifies risk and sustainability hotspots through a 360-degree analysis of a company's stakeholders, including employees, customers, suppliers and the community. Banco Security participated in this study to: (i) Survey risks covered by traditional audits. (ii) Develop a benchmark of the banking industry with data from stakeholders: employees, customers and suppliers. (iii) Identify issues that impact the sustainability of the business for each bank and at the industry level (materiality).

## **Awards**

- Grupo Security - Third place in the ranking of Best Places to Work in Chile 2021 (GPTW). Category: Over 1,000 employees
- Grupo Security - First place in Best Places to Work for Women 2022 ranking. Category: Over 1,000 employees
- Vida Security - Impulsa Awards. Best Gender Indicators in category: Banking, Financial Services and Insurance

In addition, during the year directors of Grupo Security and its subsidiaries were trained on sustainability issues such as ESG factors, sustainability standards and regulatory aspects. Similar training was also provided to those responsible for reporting under NCG 461 at Group subsidiaries.

## DIGITAL

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During 2022, a four-year digital plan was defined, focused on the four core businesses: Banco (bank), Inversiones (asset management), Vida (life insurance) and Factoring Security. The plan includes 25 initiatives designed to obtain US\$ 20-30 million in additional revenue per year, with an investment of around US\$ 50 million over four years. Through these initiatives we seek to improve our Commercial Banking customers' experience with key products and services, integrate the value proposition for Retail Banking and Asset Management through digital tools, optimize the digital offering and expand distribution channels at Vida Security, and enhance the existing digital offering at Factoring Security.

In addition to finalizing the four-year digital plan, in 2022 we made significant progress on our Digital Transformation process.

At Banco Security, we strengthened our relationship with the Fintech ecosystem during 2021 and 2022, forging alliances that have generated net revenue of over MCH\$866 so far this year. In particular, this year we have closed three new partnerships and continue to evaluate additional collaborations. For our customers, this year we implemented SecurityPass, a unique softoken for Commercial Banking, Retail Banking and Asset Management customers. We have also developed new functionalities on the Commercial Banking site to facilitate self-service and serve our customers faster. Finally, in Retail Banking we have strengthened digital sales, with this channel now accounting for 80% of consumer loan sales.

Meanwhile, Factoring Security continues to make improvements to the AutoFactoring self-service platform. This platform has shown strong growth since its inception in 2020, accounting for 87% of the company's new business in 2022.

Finally, in terms of data and analytics, the corporate Data Lake was fully implemented and will begin operating in 2022. In addition, our advanced analytics factory has 20 models with concrete impacts in the various business units. For example, thanks to these models we have increased our conversion rate for consumer loans and have improved proactive customer retention.

## SECURITY STOCK PERFORMANCE

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As of September 30, 2022, Grupo Security's stock was valued at CH\$148.3 per share (+14.2% YoY), giving total returns of 33.3%. This represents a market-to-book ratio of 0.67 and a dividend yield of 9.4%. For the same period, the S&P IPSA Index was at 5,114 points, with returns of +18.7% for the period, while the stocks on the S&P/CLX Banks Index (CLP) reported returns of +20.2%. As of November 16, 2022, the stock price is CH\$154.8, with a price-to-earnings ratio of 5.2 and a market-to-book ratio of 0.70.

In addition, on November 11, 2022, MSCI announced that Grupo Security's stock will be included on the MSCI Chile Small Cap Index as of November 30, 2022. Being included in this index lends greater visibility to its stock domestically and abroad, contributing to liquidity and helping attract new shareholders.

Grupo Security Ratios	Nov-22*	Sep-22	Jun-22	Dec-21	Sep-21	QoQ	% Chg YTD	YoY
Net Profit (MCH\$)	100,132	100,132	66,948	88,603	67,502	-	-	48.3%
Net Profit LTM (MCH\$)	121,234	121,234	115,008	88,603	84,876	5.4%	36.8%	42.8%
Profit per share (\$)	30.0	30.0	28.5	21.9	21.0	5.4%	36.8%	42.8%
ROAE	15.7%	15.7%	15.8%	10.6%	10.7%	-18 p	507 p	492 p
P/U (Times)	5.2	4.9	4.5	5.5	6.2	9.1%	-9.4%	-20.1%
Price / Book value (Times)	0.70	0.67	0.59	0.56	0.61	13.3%	19.9%	10.6%
Dividend yield	9.7%	9.4%	10.9%	9.0%	6.7%	-142 p	46 p	270 p
Share Price (\$)	154.8	148.3	128.9	119.7	129.9	15.0%	23.9%	14.2%
Equity (MCH\$)	896,126	896,126	882,826	867,079	867,898	1.5%	3.4%	3.3%
Free float	27.6%	27.6%	27.6%	27.6%	27.6%	0 p	1 p	1 p
Number of Shares (millions)	4,042	4,042	4,042	4,042	4,042	0.0%	0.0%	0.0%

ROAE: Annualized profit over average equity attributable to owners. Dividend yield: LTM dividends over closing price  
\* Closing price and number of shares on 11/16/22. Equity and profit as of Sept-22 close.

## GRUPO SECURITY EARNINGS REPORT FOR THE FIRST NINE MONTHS OF 2022

Grupo Security posted profit attributable to owners of the parent of MCH\$100,132 for the nine months ended September 2022 (+48.3% YoY) and MCH\$33,185 for 3Q22 (-10.0% % QoQ). EBITDA totaled MCH\$118,011 for 9M22 (+23.1% YoY) and MCH\$41,726 for 3Q22 (-7.7% QoQ). The Grupo posted an annualized ROAE as of September 2022 of 15.7% (+492 bps YoY).

Corporate and support area expenses totaled MCH\$11,221 (+5.3% YoY) due to an increase in bonuses and advisory services. Net finance costs totaled -MCH\$8,029 (-19.4% YoY), with increased income from investment instruments, stable finance costs and disbursements related to covenant changes. The Group recorded a loss on indexed assets and liabilities of -MCH\$38,309 (+219.4% YoY) due to higher cumulative inflation (UF variation of 10.5% for 9M22 vs 3.5% for 9M21).

(MCH\$)	3Q22	2Q22	% Chg QoQ	Sep-22	Sep-21	% Chg
Support areas and group expenses	-3,534	-3,505	0.8%	-11,221	-10,655	5.3%
Finance costs	-1,987	-2,200	-9.7%	-8,029	-9,962	-19.4%
Indexation units	-13,834	-15,829	-12.6%	-38,309	-11,994	219.4%

1. Includes finance income and costs

In a quarterly comparison, indexation expenses were down -12.6% QoQ to MCH\$13,834 due to lower inflation for the period (UF variation of 3.5% for 3Q22 vs 4.3% for 2Q22). Meanwhile, net finance costs totaled -MCH\$1,987 (-9.7% QoQ), with stable financial expenses and a high base of comparison due to costs related to covenant changes. Corporate expenses held steady at MCH\$3,534 (+0.8% QoQ).

From a consolidated perspective, Grupo Security reported revenue of MCH\$2,023,477 (+108.3% YoY) for 9M22, mainly explained by improved revenue at Banco Security of MCH\$1,346,068 (+235.7% YoY), due to increased indexation income because of higher inflation during the period, reaching MCH\$408,400 (+239.5% YoY), and greater interest income of MCH\$363,476 (+68.6% YoY), related to the interest rate hikes that began in the second half of 2021 (average MPR of 7.67% for 9M22 vs 0.65% for 9M21). Vida Security also had greater revenue because of higher premium volumes. Meanwhile, Factoring Security reported greater revenue of MCH\$52,013, explained mostly by a larger average loan volume as a result of interest rate

hikes and greater indexation income (+132.2% YoY) because of higher inflation during the period (UF variation of 10.5% for 9M22 vs 3.5% for 9M21).

As for consolidated operating expenses, this figure reached MCH\$1,649,471 for 9M22 (+138.1% YoY), mainly attributable to an increase in operating expenses at Banco Security, up 466.0% YoY due primarily to increased indexation expense (+254.7% YoY) because of high inflation during the period and greater interest expense (+97.0% YoY) largely on time deposits (+896.8% YoY), also associated with high interest rates during the period and larger deposit volumes (+27.1% YoY and 16.8% YTD). Furthermore, there was an increase in operating expenses at Vida Security and Protecta of MCH\$470,965 (+20.6% YoY) explained by a rise in claims and pensions paid (+44.7% YoY), largely due to increased annuity sales (+79.1% YoY) and greater surrenders and transfers in CUI and APV policies. Banco Security reported lower provisions for credit losses<sup>2</sup> (-11.6% YoY), explained in greater detail in the section about Banco Security.

Consolidated statement of income*			% Chg			% Chg
(MCH\$)	3Q22	2Q22	QoQ	Sep-22	Sep-21	YoY
<b>Revenue</b>	<b>780,509</b>	<b>807,999</b>	<b>-3.4%</b>	<b>2,023,477</b>	<b>971,647</b>	<b>108.3%</b>
Banco Security - Revenue <sup>1</sup>	541,591	564,661	-4.1%	1,346,068	331,848	305.6%
Vida Security & Protecta - Gross premium	135,964	162,876	-16.5%	443,157	130,170	240.4%
Vida Security & Protecta - Interest & investment income	64,042	28,225	126.9%	109,293	26,023	320.0%
Factoring Security - Revenue	19,347	18,342	5.5%	52,013	26,023	99.9%
Other revenue	19,565	33,895	-42.3%	72,945	82,675	-11.8%
<b>Cost of sales</b>	<b>-647,272</b>	<b>-672,716</b>	<b>-3.8%</b>	<b>-1,649,471</b>	<b>-692,825</b>	<b>138.1%</b>
Banco Security - Cost of sales <sup>2</sup>	-428,996	-457,458	-6.2%	-1,044,964	-184,607	466.0%
Banco Security - LLP expenses <sup>3</sup>	-18,972	-16,189	17.2%	-51,773	-58,556	-11.6%
Vida Security & Protecta - Cost of sales <sup>4</sup>	-162,107	-175,977	-7.9%	-470,965	-390,441	20.6%
Factoring - Cost of sales <sup>5</sup>	-11,028	-9,766	12.9%	-26,524	-7,342	261.3%
Other costs	-26,169	-14,186	84.5%	-55,246	-51,879	6.5%
<b>Gross profit</b>	<b>133,237</b>	<b>135,283</b>	<b>-1.5%</b>	<b>374,006</b>	<b>278,823</b>	<b>34.1%</b>
Other revenue	-2,854	-2,734	4.4%	-10,759	-3,120	244.8%
<b>Total expenses</b>	<b>-69,388</b>	<b>-66,640</b>	<b>4.1%</b>	<b>-203,431</b>	<b>-169,965</b>	<b>19.7%</b>
Personnel expenses	-38,324	-30,883	24.1%	-104,412	-83,285	25.4%
Administrative expenses	-31,064	-34,897	-11.0%	-99,018	-86,679	14.2%
<b>Operational profit</b>	<b>60,995</b>	<b>65,909</b>	<b>-7.5%</b>	<b>159,816</b>	<b>105,738</b>	<b>51.1%</b>
Finance costs	-2,286	-2,991	-23.6%	-9,279	-10,670	-13.0%
Exchange differences	-4,021	-2,065	94.8%	1,259	-3,193	-
Indexation units	-20,685	-22,828	-9.4%	-55,574	-16,522	236.4%
Others <sup>6</sup>	186	-408	-	-586	-293	100.2%
<b>Profit before tax</b>	<b>34,189</b>	<b>37,617</b>	<b>-9.1%</b>	<b>95,637</b>	<b>75,060</b>	<b>27.4%</b>
Finance costs	-1,475	901	63.7%	2,789	-7,265	-
<b>Profit (loss) attributable to equity holders of the parent</b>	<b>33,185</b>	<b>36,882</b>	<b>-10.0%</b>	<b>100,132</b>	<b>67,502</b>	<b>48.3%</b>

\*Any differences between the figure presented here and those published by each subsidiary are the result of different accounting criteria between subsidiaries and the parent company. 1. Includes interest, indexation and fee income, financial operating income and other operating income. 2. Includes interest, indexation and fee expenses. 3. Allowances for loan losses do not include adjustment for minimum provisions on normal portfolio. Includes loan recoveries. 4. Includes variations in technical reserves, claims and pensions paid and underwriting expenses. 5. Includes banking and other expenses. 6. Includes share of profit (loss) of equity-accounted associates and joint ventures and gains (losses) arising from the difference between the book value and fair value of financial assets reclassified at fair value.

Total expenses reached MCH\$203,431 for 9M22 (+19.7% YoY), due to higher payroll expenses (+25.4% YoY), associated with new hires, LTM inflation and higher commercial bonuses, plus an increase in administrative expenses (+14.2% YoY), mainly due to increased business at the Bank and Vida Security, technological projects and developments in the digital area.

<sup>2</sup> Excluding adjustment for minimum provisions on normal portfolio

Consolidated taxes totaled +MCH\$2,789 (versus -MCH\$7,265 for 9M21). This positive figure is explained largely by taxes at Vida Security of +MCH\$9,719 (+MCH\$291 for 9M21) due to permanent differences like price-level restatement of equity because of higher inflation (UF variation of 10.5% for 9M22 vs 3.5% for 9M21) and dividends received by Vida Security's investment portfolio. Grupo Security also received a tax refund for fiscal year 2019. Both effects were partly offset by a larger tax payment by Banco Security, in response to its improved earnings.

Grupo Security Indicators In MCH\$	Sep-22	Jun-22	Dec-21	Sep-21	QoQ	% Chg YTD	YoY
Banco - Total Loans	7,246,553	7,077,592	6,731,538	6,542,133	2.4%	7.7%	10.8%
Industry - Total Loans <sup>1</sup>	220,095,631	217,153,724	204,332,026	197,276,151	1.4%	7.7%	11.6%
Inversiones - AUM Mutual Funds	2,401,199	2,350,029	2,464,190	2,610,737	2.2%	-2.6%	-8.0%
Industry - AUM Mutual Funds	49,131,017	48,451,565	50,987,024	52,441,917	1.4%	-3.6%	-6.3%
Vida - Investment Portfolio	2,797,727	2,676,166	2,643,190	2,623,494	4.5%	5.8%	6.6%
Industry (life insurance) - Investment Portfolio	1,629,797	1,636,618	50,104,070	48,454,065	-0.4%	-96.7%	-96.6%
Factoring - Factored Receivables	409,177	435,963	440,264	401,159	-6.1%	-7.1%	2.0%

Grupo Security Indicators Statement of Income	3Q22	2Q22	% Chg QoQ	9M22	9M21	% Chg YoY
Banco - Net Interest Margin	91,189	91,014	0.2%	249,878	143,589	74.0%
Banco - Net Fees	19,017	16,755	13.5%	51,709	46,523	11.1%
Banco - Operating Expenses	-42,980	-37,474	14.7%	-124,985	-100,897	23.9%
Banco - Net Provision Expenses	-19,576	-17,389	12.6%	-53,038	-58,733	-9.7%
Vida - Direct Premium	99,072	128,032	-22.6%	338,691	235,537	43.8%
Vida - Claims Paid	-49,523	-47,803	3.6%	-126,025	-72,799	73.1%
Vida - Pensions Paid	-51,389	-75,837	-32.2%	-205,086	-155,965	31.5%
Vida - Investment Income	39,271	29,690	32.3%	76,312	115,755	-34.1%
Factoring - Revenue	13,931	12,553	11.0%	38,217	20,582	85.7%

Grupo Security	Sep-22	Jun-22	Sep-21	Dec-21	Dec-20	Dec-19	Dec-18	% Chg QoQ	I	YoY
Employees	3,382	3,301	3,180	3,184	3,256	3,961	3,939	2.5%		6.4%

Ratios	Sep-22	Jun-22	Sep-21	% Chg		
				QoQ	I	YoY
Grupo - ROAE <sup>1</sup>	15.7%	15.8%	10.7%	-18 p		492 p
Banco (Consolidated) - ROAE <sup>1</sup>	20.2%	19.0%	10.2%	123 p		1,003 p
Factoring - ROAE <sup>1</sup>	23.0%	25.1%	17.2%	-210 p		576 p
Vida - ROAE <sup>1</sup>	22.2%	24.8%	24.5%	-263 p		-232 p
Travel - ROAE <sup>1</sup>	54.2%	52.8%	1.1%	143 p		-
Factoring - Efficiency <sup>3</sup>	39.7%	37.2%	41.8%	249 p		-211 p
Banco - Non-Performing Loans	1.98%	1.89%	1.52%	9 p		47 p
Banco - Risk Index <sup>4</sup>	2.29%	2.32%	2.27%	-4 p		1 p
Factoring - Risk Index <sup>4</sup>	2.06%	1.53%	1.98%	53 p		8 p
Banco - BIS Tier I Ratio	7.2%	7.2%	7.2%	1 p		-6 p
Banco - BIS Tier II Ratio <sup>5</sup>	14.2%	13.7%	13.2%	50 p		108 p

1. ROAE: Annualized profit over average equity. 2. Leverage: net standalone financial liabilities over consolidated equity at attributable to owners of the parent. 3. Efficiency: total operating expenses over total revenue. 4. Provisions over total loans. 5. Proforma estimate for September 2021.



<b>Earnings from Related Companies (In Ch\$ Million)</b>						
	<b>3Q22</b>	<b>2Q22</b>	<b>% Chg QoQ</b>	<b>Sep-22</b>	<b>Sep-21</b>	<b>% Chg YoY</b>
<b>Lending Area</b>						
Banco Security (standalone)	38,671	37,161	4.1%	97,621	45,651	113.8%
Factoring Security	2,872	3,573	-19.6%	10,076	7,187	40.2%
<b>Asset Management Area</b>						
Valores Security	728	1,371	-46.9%	3,259	1,431	127.7%
AGF Security	2,960	3,794	-22.0%	9,326	4,085	128.3%
Securitizadora Security & CasaNuestra	508	510	-0.4%	1,371	881	55.5%
<b>Insurance Area</b>						
Vida Security	8,571	11,105	-22.8%	32,991	38,122	-13.5%
<b>Other Services</b>						
Inmobiliaria Security	494	-138	-	663	2,277	-70.9%
Travel Security	1,151	1,260	-8.6%	2,813	39	7089.1%
<b>International Business</b>						
Protecta Security (S./ Th.)	1,148	4,928	-76.7%	11,281	11,648	-3.2%
Travex Security (S./ Th.)	320	427	-25.1%	869	-1,356	-
<b>Grupo Security Profit<sup>1</sup></b>	<b>33,185</b>	<b>36,882</b>	<b>-10.0%</b>	<b>100,132</b>	<b>67,502</b>	<b>48.3%</b>

(1) Subsidiary earnings correspond to 100% of their profits and differ from those used to prepare the segment note, which includes consolidation adjustments to account for Grupo Security's percent ownership in each of its respective subsidiaries.

## **REVIEW OF OPERATIONS BY BUSINESS AREA**

**LENDING BUSINESS AREA** (69.6% of assets as of September 2022; 69.8% of profit from business areas for 9M21)

The lending business area comprises the operations of Banco Security (excluding its subsidiaries, AGF Security and Valores Security Corredores de Bolsa), and Factoring Security.

### **BANCO SECURITY**

For 9M22, Banco Security reported consolidated profit attributable to owners of the parent of MCH\$110,200 (+114.8% YoY, +0.1% QoQ). The Bank's standalone profit (excluding subsidiaries AGF Security and Valores Security Corredores de Bolsa) was MCH\$97,621 (+113.8% YoY and +4.1% QoQ).

For the same period, its ROAE (profit LTM over average equity) was 20.2% (+1,003 bps YoY).

### **Banco Security - Consolidated Statement of Income**

Banco Security's consolidated profit was MCH\$110,200 (+114.8% YoY) for 9M22 and MCH\$42,357 (0.1% QoQ) for 3Q22.

<i>In Ch\$ Millon</i>	3Q22	2Q22	% Chg QoQ	9M22	9M21	% Chg YoY
Net interest margin	91,189	91,014	0.2%	249,878	143,589	74.0%
Net Fees	19,017	16,755	13.5%	51,709	46,523	11.1%
Net financial operating income	(831)	(6,974)	-88.1%	(3,485)	23,894	-114.6%
Other income	216	1,273	-83.0%	1,354	3,610	-62.5%
<b>Other net operating income</b>	<b>109,591</b>	<b>102,068</b>	<b>7.4%</b>	<b>299,457</b>	<b>217,616</b>	<b>37.6%</b>
Total operating expenses	(42,980)	(37,474)	14.7%	(124,985)	(100,897)	23.9%
<b>Gross operating income</b>	<b>66,611</b>	<b>64,594</b>	<b>3.1%</b>	<b>174,472</b>	<b>116,719</b>	<b>49.5%</b>
Provisions for credit losses	(19,576)	(17,389)	12.6%	(53,038)	(58,733)	-9.7%
<b>Profit before tax</b>	<b>47,036</b>	<b>47,206</b>	<b>-0.4%</b>	<b>121,434</b>	<b>57,986</b>	<b>109.4%</b>
Income tax expense	(4,677)	(4,879)	-4.1%	(11,228)	(6,689)	67.9%
<b>Profit for the period</b>	<b>42,358</b>	<b>42,327</b>	<b>0.1%</b>	<b>110,205</b>	<b>51,297</b>	<b>114.8%</b>
Profit attributable to owners of the parent	42,357	42,325	0.1%	110,200	51,295	114.8%

The net interest margin was MCH\$249,878 for 9M22 (+74.0% YoY). Net interest income totaled MCH\$163,448 (+43.3% YoY), attributable particularly to higher income from commercial loans (+44.6% YoY) and debt instruments in the Bank's investment portfolio (+418.2% YoY), due to interest rate hikes that began in the second half of 2021 (average MPR of 7.66% for 9M22 vs 0.65% for 9M21). In addition, the Bank reported greater interest expense (+97.0% YoY), principally from time deposits (+896.8% YoY), also because of higher interest rates during the period and a larger deposit volume (+27.1% YoY and 16.8% YTD). It also had higher net indexation income (+192.7% YoY) given the rise in inflation (10.4% for 9M22 vs 4.5% for 9M21, UF variation of 10.5% for 9M22 vs 3.5% for 9M21).

In comparison to the immediately preceding quarter, the net interest margin held steady at MCH\$91,189 in 3Q22. Net interest income was up 26.9% for the quarter, in line with higher rates during the period (average MPR of 9.9% in 3Q22 vs 8.0% in 2Q22). Net indexation income fell 35.1% in the period due to lower inflation for the quarter (3.5% for 3Q22 vs 4.3% for 2Q22, measured as the UF variation during the period).

<b>Net Interest Margin (NIM)</b> <i>In Ch\$ Millon</i>	3Q22	2Q22	4Q21	% Chg QoQ	9M22	9M21	% Chg
Interest income	139,514	131,289	88,222	6.3%	363,476	215,600	68.6%
Interest expenses	-73,717	-79,424	-52,386	-7.2%	-200,028	-101,540	97.0%
<b>Net interest income</b>	<b>65,798</b>	<b>51,865</b>	<b>35,837</b>	<b>26.9%</b>	<b>163,448</b>	<b>114,061</b>	<b>43.3%</b>
Indexation income	148,395	170,528	110,995	-13.0%	408,400	120,291	239.5%
Indexation expenses	-123,004	-131,379	-81,050	-6.4%	-321,970	-90,762	254.7%
Net indexation income	<b>25,391</b>	<b>39,149</b>	<b>29,945</b>	<b>-35.1%</b>	<b>86,430</b>	<b>29,528</b>	<b>192.7%</b>
<b>Net interest margin</b>	<b>91,189</b>	<b>91,014</b>	<b>65,782</b>	<b>0.2%</b>	<b>249,878</b>	<b>143,589</b>	<b>74.0%</b>
Interest margin net of provisions	71,613	73,626	45,283	-2.7%	196,840	84,856	132.0%
<b>Net interest margin / total loans</b>	<b>5.03%</b>	<b>5.14%</b>	<b>3.91%</b>	<b>-11 p</b>	<b>4.60%</b>	<b>3.06%</b>	<b>154 p</b>
<b>Net interest margin net of provisions / Total loans</b>	<b>3.95%</b>	<b>4.16%</b>	<b>2.69%</b>	<b>-21 p</b>	<b>3.62%</b>	<b>1.81%</b>	<b>181 p</b>
<b>MIN / Total Assets</b>	<b>0.90%</b>	<b>0.93%</b>	<b>0.70%</b>	<b>-3 p</b>	<b>2.47%</b>	<b>1.63%</b>	<b>85 p</b>

Interest and indexation income In Ch\$ Millions	3Q22	2Q22	4Q21	%Chg QoQ	Sep-22	Sep-21	% Chg YoY
<b>Consumer</b>	14,342	12,790	10,458	12.1%	38,518	30,863	24.8%
<b>Mortgage</b>	37,916	41,372	27,808	-8.4%	103,644	39,606	161.7%
<b>Mortgage + Consumer</b>	52,257	54,162	38,266	-3.5%	142,161	70,469	101.7%
<b>Commercial</b>	184,597	197,044	133,903	-6.3%	504,905	229,683	119.8%
<b>Investment instruments</b>	40,584	33,533	17,479	21.0%	95,384	20,671	361.4%

Interest and indexation income/Loans In Ch\$ Millions	3Q22	2Q22	4Q21	%Chg QoQ	Sep-22	Sep-21	% Chg YoY
<b>Consumer</b>	13.26%	11.64%	9.87%	162 p	11.87%	9.90%	197 p
<b>Mortgage</b>	15.84%	18.24%	13.48%	-240 p	14.43%	6.72%	771 p
<b>Mortgage + Consumer</b>	15.03%	16.09%	12.26%	-105 p	13.63%	7.82%	581 p
<b>Commercial</b>	12.61%	13.75%	9.77%	-114 p	11.50%	5.74%	576 p
<b>Total</b>	13.07%	14.20%	10.23%	-112 p	11.91%	6.12%	579 p

Meanwhile, net fee and commission income reached MCH\$51,709 for 9M22 (+11.1% YoY) due to increased credit card activity and higher revenue at AGF Security, in addition to lower fee and commission expenses following adjustments to the commercial structure of the asset management subsidiaries resulting in some expenditures now being recognized as operating expenses. These effects were partially offset by lower income from loan prepayment fees in a context of higher interest rates.

In the quarter, net commissions and fees totaled MCH\$19,017 (+13.5% YoY) due to higher credit card fees and higher revenue in AGF Security.

Net finance costs reached -MCH\$3,485 (-114.6% YoY), largely due to lower returns on fixed-income instruments, together with a high basis of comparison because of strong returns in 2021. The drop in this line item is offset by greater interest income from reinvesting with a better spread. Other income totaled MCH\$1,354 for 9M22 (-62.5% YoY) because of greater write-offs of repossessed or awarded assets during the period.

Banco Security focuses on corporate customers and high-income individuals, which is reflected in its risk ratios. The Bank's strategy for the commercial portfolio has centered around supporting customers in long-term businesses with adequate collateral coverage. Bear in mind that allowances for loan losses for the commercial portfolio are calculated based on the unsecured portion of the loan, so greater collateral coverage results in lower ratios of allowances for loan losses to total loans.

	Credit Risk (%)								
	Provisions / Loans				Over 90 Day Nonperforming Loans				
	Mortgage	Consumer	Commercial	Total	Mortgage	Consumer	Commercial	Total	
Security	0.13	4.60	2.47	2.29	0.59	1.25	2.26	1.98	
Peer banks*	0.14	3.96	2.27	1.97	0.68	0.96	1.46	1.32	
Banking system	0.56	7.17	2.48	2.38	1.17	1.99	1.66	1.53	

\*Average for BICE, Security, Internacional, Consorcio

Institution	Loans <sup>1</sup> MCH\$	Collaterals <sup>2</sup> MCH\$	Provisions MCH\$	Collateral / Loans	Provisions / Loans	(Collateral + Provisions) / Loans
System	111,334,171	56,742,014	2,273,230	51.0%	2.0%	53.0%
Peer Banks <sup>3</sup>	16,478,310	11,301,357	361,409	68.6%	2.2%	70.8%
Large Banks <sup>4</sup>	92,076,480	44,694,047	1,785,044	48.5%	1.9%	50.5%
Banco Security	5,406,749	3,762,942	131,427	69.6%	2.4%	72.0%

1. Individually assessed commercial loans, information as of September 2022. 2. In-house estimate of individually assessed commercial loan portfolio based on report "Bank LLP Indicators" as of September 2022, available at [www.cmf.cl](http://www.cmf.cl) 3. Peer banks: BICE, Consorcio, Internacional and Security. 4. Large Banks: Chile, BCI, Estada, Itaú, Scotiabank and Santander.

Provisions for credit losses net of recovery for 9M22 were MCH\$53,038 (-9.7% YoY), equivalent to 0.98% of loans (-22 bps YoY). The decrease is explained mainly by lower risk expenses for the commercial portfolio of MCH\$36,639 (-29.1% YoY), with a high

basis of comparison because of impairment of one particular corporate segment customer in 2021, along with increased recovery on commercial loans of MCH\$8,239 in 9M22 (+349.4% YoY). These effects were offset in part by higher risk expenses in consumer loans (MCH\$12,535, +141.2% YoY), due to a low basis of comparison because of decreased business and lower delinquency attributable to greater market-wide liquidity in 2021. This higher expense also considers MCH\$3,000 in additional provisions on consumer loans as of September 2022 and, to a lesser extent, adjustments from revising the internal provisioning model. On the other hand, the line item impairment of other financial assets reflected an expense of MCH\$989 related to impairment of some issuers in the Bank's investment portfolio.

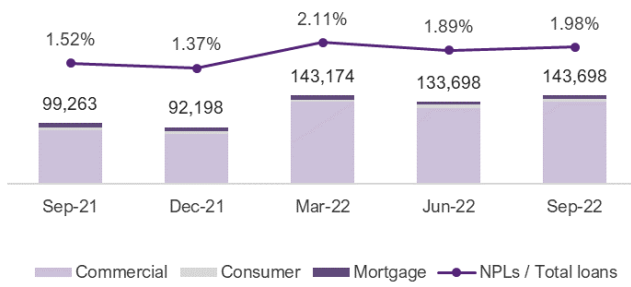
For 9M22 the Bank also recorded MCH\$6,000 in additional provisions (+122.2% YoY), detailed as follows: MCH\$2,500 for the commercial portfolio (MCH\$1,300 in 9M21), MCH\$3,000 for the consumer portfolio (MCH\$1,400 in 9M21) and MCH\$500 for the mortgage portfolio (MCH\$0 in 9M21). During the quarter, additional provisions reached MCH\$2,500 (MCH\$2,300 for 2Q22). As of September 2022, the stock of additional voluntary provisions totaled MCH\$14,500 (+116.4% YoY).

Quarter on quarter, provisions for credit losses were up 12.6% (MCH\$19,576 for 3Q22). In particular, commercial provisions increased 29.1% in the quarter due to the impairment of certain customers, offset by greater recoveries. In addition, there were increased expenses for the consumer portfolio (+54.1% QoQ) due to adjustments after revising the internal provisioning model, plus additional provisions of MCH\$1,500 (MCH\$1,000 in 2Q22). It also recorded an impairment loss on other financial assets of MCH\$550 (MCH\$1,014 in 2Q22) because of deteriorating ratings of some issuers in the Bank's investment portfolio. In contrast, provision expenses in the mortgage portfolio were 88.9% lower than the previous quarter.

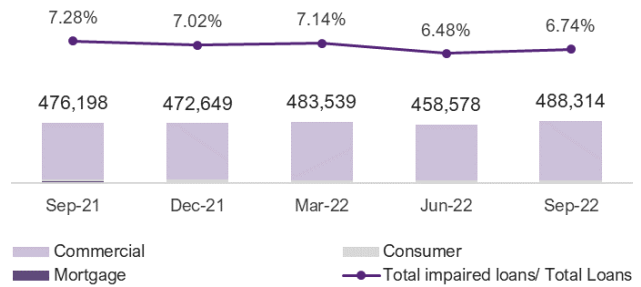
<i>In Ch\$ Million</i>	3Q22	2Q22	% Chg QoQ	9M22	9M21	%Chg YoY
Consumer LLP expenses <sup>1</sup>	6,211	4,031	54.1%	12,535	5,197	141.2%
Mortgage LLP expenses <sup>1</sup>	103	926	-88.9%	1,467	1,227	19.5%
Commercial LLP expenses <sup>1</sup>	12,759	9,885	29.1%	36,639	51,670	-29.1%
Impairment loss on other financial assets	550	1,014	-45.7%	989	0	-
Others <sup>2</sup>	-48	1,534	-	1,409	639	120.6%
<b>Expense in total provisions</b>	<b>19,576</b>	<b>17,389</b>	<b>12.6%</b>	<b>53,038</b>	<b>58,733</b>	<b>-9.7%</b>
Consumer LLP / Loans	5.74%	3.67%	208 p	3.86%	1.67%	220 p
Mortgage LLP / Loans	0.04%	0.41%	-37 p	0.20%	0.21%	0 p
Commercial LLP / Loans	0.87%	0.69%	18 p	0.83%	1.29%	-46 p
<b>LLP expenses<sup>1</sup> / Loans</b>	<b>1.08%</b>	<b>0.98%</b>	<b>10 p</b>	<b>0.98%</b>	<b>1.20%</b>	<b>-22 p</b>

The NPL portfolio totaled MCH\$143,698 as of September 2022, which represents 1.98% of loans (+46 bps YoY, +9 bps QoQ), below the target range of 2.0%. With this, the NPL coverage ratio was 1.15 (1.5 as of September 2021, 1.23 as of June 2022). Including additional provisions, the ratio climbs to 1.25 (1.57 as of September 2021, 1.81 as of December 2021). Meanwhile, the impaired portfolio totaled MCH\$488,314 for 9M22 (+2.5% YoY, +6.5% QoQ) because of a larger NPL portfolio. With this, the NPL portfolio represents 6.7% of loans (-54 bps YoY, -26 bps QoQ).

**Non Performing Loans MM\$**

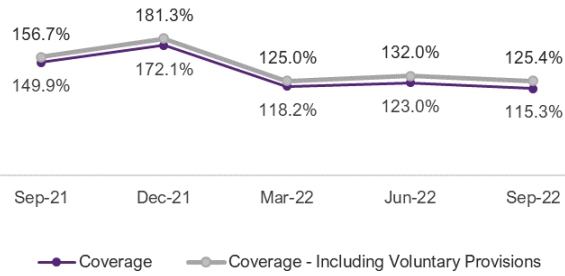


**Impaired Loans MM\$**



**Coverage**

Total Provisions/ Non Performing Loans



In Ch\$ Million	3Q22	2Q22	4Q21	3Q21	QoQ	% Chg YTD	YoY
Consumer loans	432,610	439,557	423,790	415,531	-1.6%	2.1%	4.1%
Mortgage loans	957,683	907,226	824,967	786,019	5.6%	16.1%	21.8%
Commercial loans	5,856,260	5,730,809	5,479,946	5,338,378	2.2%	6.9%	9.7%
<b>Total Loans</b>	<b>7,246,553</b>	<b>7,077,592</b>	<b>6,731,538</b>	<b>6,542,133</b>	<b>2.4%</b>	<b>7.7%</b>	<b>10.8%</b>
Nonperforming loans - consumer	5,423	5,084	5,277	5,072	6.7%	2.8%	6.9%
Nonperforming loans - mortgage	5,664	5,656	6,268	7,223	0.1%	-9.6%	-21.6%
Nonperforming loans - commercial	132,612	122,958	80,652	86,967	7.9%	64.4%	52.5%
<b>Total nonperforming loans</b>	<b>143,698</b>	<b>133,698</b>	<b>92,198</b>	<b>99,263</b>	<b>7.5%</b>	<b>55.9%</b>	<b>44.8%</b>
Non-performing loans - consumer	1.25%	1.16%	1.25%	1.22%	10 p	1 p	3 p
Non-performing loans - mortgage	0.59%	0.62%	0.76%	0.92%	-3 p	-17 p	-33 p
Non-performing loans - commercial	2.26%	2.15%	1.47%	1.63%	12 p	79 p	64 p
<b>Total nonperforming loans</b>	<b>1.98%</b>	<b>1.89%</b>	<b>1.37%</b>	<b>1.52%</b>	<b>9 p</b>	<b>61 p</b>	<b>47 p</b>
Gross provisions	194,149	184,285	199,952	179,796	5.4%	-2.9%	8.0%
Write-offs	-28,477	-19,835	-41,271	-30,972	-	-31.0%	-8.1%
<b>Credit risk provisions</b>	<b>165,672</b>	<b>164,450</b>	<b>158,681</b>	<b>148,823</b>	<b>0.7%</b>	<b>4.4%</b>	<b>11.3%</b>
Provisions - consumer (% total)	19,891	19,068	18,375	19,370	4.3%	8.2%	2.7%
Provisions - mortgage (% total)	1,277	1,165	1,496	1,478	9.6%	-14.6%	-13.6%
Provisions - commercial (% total)	144,503	144,217	138,809	127,976	0.2%	4.1%	12.9%
<b>Credit risk provisions</b>	<b>165,672</b>	<b>164,450</b>	<b>158,681</b>	<b>148,823</b>	<b>0.7%</b>	<b>4.4%</b>	<b>11.3%</b>
Coverage - consumer	366.8%	375.0%	348.2%	381.9%	-824 p	1860 p	-1508 p
Coverage - mortgage	22.6%	20.6%	23.9%	20.5%	195 p	-131 p	209 p
Coverage - commercial	109.0%	117.3%	172.1%	147.2%	-832 p	-6314 p	-3819 p
<b>Coverage - total nonperforming loans<sup>1</sup></b>	<b>115.3%</b>	<b>123.0%</b>	<b>172.1%</b>	<b>149.9%</b>	<b>-771 p</b>	<b>-5682 p</b>	<b>-3464 p</b>
Provisions / loans	2.29%	2.32%	2.36%	2.27%	-4 p	-7 p	1 p
<b>Total impaired loans</b>	<b>6.74%</b>	<b>6.48%</b>	<b>7.02%</b>	<b>7.28%</b>	<b>26 p</b>	<b>-28 p</b>	<b>-54 p</b>
Impaired loans - consumer	3.17%	3.36%	3.57%	4.19%	-19 p	-40 p	-101 p
Impaired loans - mortgage	1.07%	1.05%	1.47%	1.58%	2 p	-40 p	-51 p
Impaired loans - commercial	7.93%	7.58%	8.13%	8.36%	35 p	-20 p	-43 p

<sup>1</sup> Credit risk provisions / Total nonperforming loans

For 9M22, the Bank reported operating expenses of MCH\$124,985 (+23.9% YoY) Personnel expenses totaled MCH\$46,853 (+1.0% YoY), with larger commercial bonuses and increased payroll expenses due to higher inflation during the period. Additionally, 2021 presents a high basis for comparison due to termination benefits paid that year. Employee performance bonuses paid in 1Q22 were for the year 2021, while bonuses paid in 1Q21 were for the year 2020. Administrative expenses totaled MCH\$60,377 (+39.3% YoY) because of higher corporate rates, mostly in the digital area, and increased credit card activity. In addition, changes were made to the commercial structure of the Asset Management subsidiaries, resulting in higher expenses previously recognized within fee and commission expenses. The Bank reported depreciation and amortization expense of MCH\$5,290 for 9M22, down 6.1% from 2021. Other operating expenses reached MCH\$12,466 for 9M22 (+125.9% YoY) mainly due to operational risk expenses related to errors in process execution.

Quarter on quarter, support expenses increased by 14.7% to MCH\$42,980, due to higher payroll expenses because of cost-of-living adjustments, and higher administrative expenses, also related to higher inflation and exchange rate effects. In addition, commercial bonuses were recorded during the quarter.

In Ch\$ Millions	3Q22	2Q22	% Chg QoQ	9M22	9M21	% Chg
Personnel	16,987	10,905	55.8%	46,853	46,401	1.0%
Administrative expenses	20,564	21,970	-6.4%	60,377	43,343	39.3%
Depreciation and amortization	1,769	1,781	-0.7%	5,290	5,634	-6.1%
Other operating expenses	3,660	2,818	29.9%	12,466	5,519	125.9%
<b>Total operating expenses</b>	<b>42,980</b>	<b>37,474</b>	<b>14.7%</b>	<b>124,985</b>	<b>100,897</b>	<b>23.9%</b>
Total operating income	109,591	102,068	7.4%	299,457	217,616	37.6%
<b>Efficiency ratio</b>	<b>39.2%</b>	<b>36.7%</b>	<b>250 p</b>	<b>41.7%</b>	<b>46.4%</b>	<b>-463 p</b>

Banco Security's efficiency ratio—measured as total operating expenses over total operating income—reached 41.7% as of September 2022 (-463 bps YoY), due to increased revenue, mostly from the net interest margin, because of interest rate hikes and high inflation during the period. In the quarter, efficiency was 39.2% (+250bps QoQ), associated with increased inflation-related expenses in the period.

In January 2022 changes to the compendium of accounting standards for banks went into effect. These changes also modified the efficiency indicator published by the CMF. Using a proforma estimate of the former version of the indicator, efficiency was 37.7% as of September (-480 bps YoY) and 35.4% for the quarter (+136 bps QoQ).

As of September 2022, the Bank reported an income tax expense of MCH\$11,228 (+67.9% YoY) due to the 109.5% rise in profit before tax. It also recorded higher price-level restatement of tax-basis equity as a result of higher inflation during the period (UF variation of 10.5% for 9M22 vs 3.5% for 9M21). The first nine months of 2022 represent a low basis of comparison due to MCH\$1,114 in income recognized on deferred taxes by Valores Security.

## Banco Security - Operating Segments

Banco Security Segment Note	Commercial Banking		Retail	Banking	Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
	Sep-22	Sep-21	Sep-22	Sep-21	Sep-22	Sep-21	Sep-22	Sep-21	Sep-22	Sep-21	Sep-22	Sep-21	Sep-22	Sep-21
<i>In Ch\$ Million</i>														
Net interest margin	118,223	74,081	53,748	36,614	72,967	38,251	0	0	244,937	148,946	4,039	385	248,976	149,331
Δ% 9M22	59.6%		46.8%		90.8%		-		64.4%		949.1%		66.7%	
Net Fees	17,446	16,267	11,831	9,437	-157	-108	0	0	29,121	25,596	24,606	19,164	53,726	44,760
Δ% 9M22	7.2%		25.4%		45.0%		-		13.8%		28.4%		20.0%	
Net FX transactions and other income	2,726	6,447	1,077	986	-5,012	11,538	-7,297	-1,478	-8,506	17,494	7,027	4,489	-1,478	21,983
Δ% 9M22	-57.7%		9.2%		-		393.8%		-		56.5%		-	
Provision for Credit Losses (PCL) and foreclosed assets	-37,757	-44,094	-15,822	-11,651	-948	-1	0	0	-54,528	-55,745	0	0	-54,528	-55,745
Δ% 9M22	-14.4%		35.8%		-		-		-2.2%		-		-2.2%	
Total operating income, net of credit risk prov.	100,638	52,701	50,833	35,386	66,849	49,681	-7,297	-1,478	211,024	136,291	35,672	24,038	246,696	160,329
Δ% 9M22	91.0%		43.7%		34.6%		393.8%		54.8%		48.4%		53.9%	
Operating expenses	-37,940	-29,025	-44,156	-38,595	-12,573	-9,783	-7,462	-5,172	-102,131	-82,575	-23,131	-19,782	-125,262	-102,357
Δ% 9M22	30.7%		14.4%		28.5%		44.3%		23.7%		16.9%		22.4%	
Net operating income	62,698	23,676	6,678	-3,208	54,276	39,898	-14,759	-6,650	108,893	53,716	12,541	4,256	121,434	57,972
Δ% 9M22	164.8%		-		36.0%		122.0%		102.7%		194.7%		109.5%	
Income tax expense	-5,368	-3,560	-607	482	-6,967	-6,000	1,669	998	-11,272	-8,079	44	1,390	-11,228	-6,689
Δ% 9M22	50.8%		-		16.1%		67.2%		39.5%		-96.8%		67.9%	
Profit attributable to equity holders of the bank	57,330	20,116	6,071	-2,726	47,310	33,898	-13,090	-5,636	97,621	45,653	12,580	5,645	110,200	51,297
Δ% 9M22	185.0%		-		39.6%		132.3%		113.8%		122.9%		114.8%	

Banco Security Segment Note	Commercial Banking		Retail	Banking	Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
	3Q-22	2Q-22	3Q-22	2Q-22	3Q-22	2Q-22	3Q-22	2Q-22	3Q-22	2Q-22	3Q-22	2Q-22	3Q-22	2Q-22
<i>In Ch\$ Million</i>														
Net interest margin	43,016	41,917	20,089	17,918	25,220	26,753	0	0	88,324	86,588	1,108	1,743	89,432	88,331
Δ% 3Q22	2.6%		12.1%		-5.7%		-		2.0%		-36.5%		1.2%	
Net Fees	5,965	6,086	4,808	3,398	-65	-54	0	0	10,709	9,430	9,029	7,940	19,737	17,370
Δ% 3Q22	-2.0%		41.5%		20.2%		-		13.6%		13.7%		13.6%	
Net FX transactions and other income	2,224	-1,802	342	353	-31	-6,429	-3,778	1,200	-1,243	-6,678	1,304	2,925	61	-3,753
Δ% 3Q22	-		-3.2%		-99.5%		-		-81.4%		-55.4%		-	
Provision for Credit Losses (PCL) and foreclosed assets	-11,436	-10,464	-7,217	-5,732	-463	-978	0	0	-19,116	-17,175	0	0	-19,116	-17,175
Δ% 3Q22	9.3%		25.9%		-53%		-		11.3%		-		11.3%	
Total operating income, net of credit risk prov.	39,769	35,737	18,022	15,937	24,660	19,292	-3,778	1,200	78,673	72,165	11,441	12,609	90,114	84,774
Δ% 3Q22	11.3%		13.1%		27.8%		-		9.0%		-9.3%		6.3%	
Operating expenses	-12,898	-11,056	-15,408	-14,010	-4,356	-3,219	-2,643	-1,555	-35,305	-29,840	-7,773	-7,727	-43,078	-37,568
Δ% 3Q22	16.7%		10.0%		35.3%		70.0%		18.3%		0.6%		14.7%	
Net operating income	26,871	24,680	2,614	1,926	20,304	16,072	-6,421	-355	43,368	42,325	3,668	4,881	47,036	47,206
Δ% 3Q22	8.9%		35.7%		26.3%		1711.0%		2.5%		-24.9%		-0.4%	
Income tax expense	-3,034	-1,655	-305	-172	-2,407	-3,470	1,049	134	-4,697	-5,164	19	285	-4,677	-4,879
Δ% 3Q22	83.3%		77.4%		-30.6%		685.9%		-9.0%		-93.2%		-4.1%	
Profit attributable to equity holders of the bank	23,837	23,025	2,309	1,755	17,897	12,602	-5,372	-221	38,671	37,161	3,686	5,164	42,357	42,325
Δ% 3Q22	3.5%		31.6%		42.0%		2330.4%		4.1%		-28.6%		0.1%	

## Commercial Banking

Banco Security's Commercial Banking Division targets companies with annual sales above MUS\$ 1.2. While Banco Security's core business targets large companies, efforts have been made in recent years to strengthen the medium-sized company segment by tailoring services to its needs. This strategy is designed to diversify our customer base and improve returns in each segment.

As of September 2022, commercial loans expanded 9.7% YoY and 6.9% YTD, totaling BCH\$5,856. In September, Banco Security's loans grew by +9.7% YoY and 6.9% YTD. Compared to the industry, the variation as of the same date was +10.2% YoY and +7.3% YTD. Including foreign subsidiaries, the industry's commercial loans grew 13.7% YoY and 10.0% YTD. Banco Security's market share in commercial loans was 4.83% as of September 2022, while its market share in its target segment of medium and large companies was 5.9%. The Commercial Banking Division had 7,910 customers as of September 2022 (-1.1% YoY).

The Commercial Banking Division posted profit of MCH\$57,330 for 9M22 (+185.0% YoY). The improved results are explained mainly by a larger net interest margin of MCH\$118,223 for 9M22 (+59.6% YoY), due to a rise in income from liabilities, mainly because of interest rate hikes (average MPR of 7.66% for 9M22 vs 0.65% for 9M21). In addition, it reported growth of +9.7% YoY

Commercial Loans by Economic Sector	% Total
Real estate investors and corporate services	19.6%
Construction and real estate	15.4%
Financial services and insurance	18.0%
Social services	12.9%
Wholesale and retail trade	10.7%
Transportation	7.1%
Manufacturing	5.3%
Utilities	3.3%
Agriculture and livestock	3.9%
Fishing	1.3%
Mining	1.9%
Telecom	0.5%
Forestry	0.1%
<b>Total commercial loans</b>	<b>100%</b>



in commercial loans, partially offset by a tighter spread. Net fee and commission income amounted to MCH\$17,446 (+7.2% YoY) due to a larger volume of performance and bid bonds. The line item financial operating income, net FX transactions and other income fell to MCH\$2,726 (-57.7% YoY), offset by greater recoveries in the line item provisions for credit losses. In conjunction, provisions for credit losses totaled MCH\$37,757 (-14.4% YoY) with a high basis of comparison mainly due to impairment of one particular corporate segment customer in 2021. In addition, claims paid climbed to MCH\$8,239 (+349.4% YoY). These effects were partially offset by a rise in operating expenses of MCH\$37,940 in 9M22 (+30.7% YoY) due to commercial bonus payments and a rise in corporate rates, mainly in the digital area.

For the quarter, profit reached MCH\$23,837 (+3.5% QoQ), with a net interest margin of MCH\$43,016 (+2.6% QoQ) explained by a rise in income from liabilities because of higher interest rates (average MPR of 9.9% in 3Q22 vs 7.9% in 2Q22). This effect was partially offset by a lower volume of total deposits and a lower spread on loans. In addition, net fee and commission income fell to MCH\$5,965 (-2.0% QoQ). Provisions for credit losses amounted to MCH\$11,436 (+9.3% QoQ), due to greater impairment of specific clients, partially offset by greater recoveries in 3Q22. Meanwhile, operating expenses increased 16.7% to MCH\$12,898, due to higher payroll expenses because of cost-of-living adjustments and commercial bonus payments. Lastly, the line item financial operating income, net FX transactions and other income totaled MCH\$2,224 (vs -MCH\$1,802 in 2Q22) with a low basis of comparison from 2Q22 with recoveries in the line item provisions for credit losses.

## **Retail Banking**

Banco Security's Retail Banking Division targets high-income individuals. The Retail Banking Division's growth centered around consumer products until 2019, but it has recently shifted its focus to mortgage products. As of September 2022, the Bank had total retail loans (consumer + mortgage) of BCH\$1,390 (+15.7% YoY, +11.3% YTD), driven by mortgage loans (+21.8% YoY, +16.1% YTD) and consumer loans (+4.1% YoY, +2.1% YTD), representing 13.2% and 6.0% of the Bank's total loans, respectively. For the industry, retail loans increased +15.3 YoY and +10.8% YTD, driven by growth in mortgage (+17.2% YoY and +12.2% YTD) and consumer (+14.9% YoY and +8.4% YTD) loans. Including foreign subsidiaries, the industry's retail loans grew +16.6% YoY and 11.2% YTD. The Bank boasts market share of 5.1% in its target segment of high-income individuals as of September 2022. The Retail Banking Division had 64,727 customers as of August 2022 (-1.9% YoY).

The Retail Banking Division posted profit of MCH\$6,071 for 9M22 (loss of -MCH\$2,726 for 9M21). The net interest margin totaled MCH\$53,748 (+46.8% YoY) due to growth in income from liabilities mainly because of interest rate hikes (average MPR of +7.66% for 9M22 vs +0.65% for 9M21) and a larger volume of time deposits. The 17.8% YoY increase in loans was more than offset by a drop in the average spread. Net fee and commission income reached MCH\$11,831 for 9M22 (+25.4% YoY) due to an increase in credit cards and commissions from supplementary loan insurance products. In addition, financial operating income, net FX transactions and other income totaled MCH\$1,077 for 9M22 (+9.2% YoY). These effects were partially offset by higher operating expenses of MCH\$44,156 (+14.4% YoY) due to bonus payments, increased business and a rise in corporate rates, mainly in the digital area. It also reported higher risk expenses of MCH\$15,822 for 9M22 (+35.8% YoY) due to a low basis of comparison in consumer loans (+141.2% YoY) because of decreased business in 2021 and lower delinquency attributable to greater market-wide liquidity in the same period. Additionally, BCH\$3 in additional provisions were recorded for the consumer loan portfolio (+114% YoY) and MCH\$500 for the mortgage loan portfolio (MCH\$0 as of September 2021).

In a quarterly comparison, the Retail Banking Division reported profit of MCH\$2,309 for 3Q22 (+31.6% QoQ). The net interest margin was MCH\$20,089 (+12.1% QoQ) due to increased income from liabilities as a result of higher interest rates (average MPR 9.90% in 3Q22 vs. 7.94% in 2Q22). In addition, net fee and commission income climbed to MCH\$4,808 (+41.5% QoQ)

mainly due to increased credit card activity. These effects were offset by an increase in provisions for credit losses to a total of MCH\$7,217 (+25.9% QoQ) due to greater allowances for loan losses on commercial loans (+32.3% QoQ) and lower recovery on written-off consumer loans. In addition, more additional provisions were recorded for the consumer portfolio, reaching MCH\$1,500 in 3Q22 (+50.0% QoQ). Meanwhile, financial operating income, FX transactions and other income totaled MCH\$342 (-3.2% QoQ).

## **Treasury**

For 9M22, the Treasury Division reported profit of MCH\$47,310 (+39.6% YoY). Net operating income reached MCH\$66,849 (+34.6% YoY) thanks to a larger net interest margin (+90.8 YoY) because of higher inflation (UF variation of 10.5% for 9M22 vs 3.5% for 9M21), a larger mismatch since 4Q21 and interest rate hikes during the period (average MPR of 7.66% as of September 2022 vs 0.65% as of September 2021). These effects were partially offset by the line item financial operating income, net FX transactions and other income (-MCH\$5,012 for 9M22, +MCH\$11,538 for 9M21), due to lower returns on fixed-income instruments, together with a high basis of comparison because of a large volume of transactions in 9M21. The lower figure for this line item is partly offset by greater interest income from reinvesting with a better spread. The division had operating expenses of MCH\$12,573 (+28.5% YoY) due to bonuses paid for 2021 employee performance and a rise in corporate rates, mainly in the digital area.

In comparison to the immediately prior quarter, profit climbed 42.0% to MCH\$17,897. Net operating income amounted to MCH\$24,660 in 3Q22, 27.8% higher than in 2Q22, due to the effect of the line item financial operating income, net FX transactions and other income (-MCH\$31 in 3Q22, -MCH\$6,429 in 2Q22) as a result of a low basis of comparison for returns on fixed-income instruments during 2Q22. In turn, provisions for credit losses totaled -MCH\$463 (-MCH\$978 in 2Q22). These effects were partially offset by a lower net interest margin of MCH\$25,220 (-5.7% QoQ), associated with a deceleration in inflation during the quarter (UF variation of 3.5% in 3Q22 vs. 4.3% in 2Q22) and a smaller mismatch compared to the previous quarter. Operating expenses totaled MCH\$4,356 (+35.3% QoQ), associated with higher payroll expenses due to cost-of-living adjustments and commercial bonus payments.

The Treasury Division consists of trading, investment, distribution and asset and liability management (ALM) transactions. The ALM desk manages financial investments used to stabilize the net interest margin, manage interest rate risk in the balance sheet, manage liquidity and efficiently fund the Bank's loan portfolio. As of September 2022, ALM represented 81.9% of treasury income. The investment and trading desks manage the Bank's own portfolio of primarily Chilean Central Bank notes and corporate bonds and represent 6.1% of treasury income. The remaining 12.0% of the division's income comes from the distribution desk, which brokers specialized products for corporate banking customers (currency, forwards and structured products).

## **Loan Portfolio - Banco Security**

Total loans reached MCH\$7,246,553 as of September 2022 (+10.8% YoY and +7.7% YTD) while industry loans were up 11.6% YoY and 7.7% YTD as of September 2022. Including foreign investments, the industry's total loans were up 15.3% YoY and 10.8% YTD. Commercial loans grew 9.7% YoY and 6.9% YTD, to MCH\$5,856,260 (80.8% of Banco Security's total loan portfolio), while retail loans (consumer + mortgage) reached MCH\$1,390,293 (+15.7% YoY and +11.3% YTD). The 20 largest borrowers represent 13.3% of the Bank's total loan portfolio.

Total Loans In Ch\$ Millions	Sep-22	Jun-22	Sep-21	Dec-21	QoQ	%Chg YTD	YoY
Consumer	432,610	439,557	415,531	423,790	-1.6%	2.1%	4.1%
Mortgage	957,683	907,226	786,019	824,967	5.6%	16.1%	21.8%
<b>Mortgage + Consumer</b>	<b>1,390,293</b>	<b>1,346,783</b>	<b>1,201,550</b>	<b>1,248,757</b>	<b>3.2%</b>	<b>11.3%</b>	<b>15.7%</b>
No. Customers	64,727	64,735	65,362	65,085	0.0%	-0.6%	-1.0%
Commercial	5,856,260	5,730,809	5,338,378	5,479,946	2.2%	6.9%	9.7%
No. Customers	7,910	7,971	7,998	8,006	-0.8%	-1.2%	-1.1%
<b>Total Loans</b>	<b>7,246,553</b>	<b>7,077,592</b>	<b>6,542,133</b>	<b>6,731,538</b>	<b>2.4%</b>	<b>7.7%</b>	<b>10.8%</b>
<b>Market Share</b>	<b>3.29%</b>	<b>3.26%</b>	<b>3.32%</b>	<b>3.29%</b>	<b>3 p</b>	<b>0 p</b>	<b>-2 p</b>

## Banco Security – Funding Sources

Funding Sources In MCH\$	Sep-22	Jun-22	Dec-21	Sep-21	QoQ	% Chg YTD	YoY
Demand deposits	1,214,768 12.0%	1,386,924 14.2%	1,715,145 18.3%	1,436,509 16.3%	-12.4%	-29.2%	-15.4%
Time deposits	2,179,402 21.6%	2,007,304 20.6%	1,865,280 19.9%	1,715,144 19.4%	8.6%	16.8%	27.1%
Total deposits	3,394,170 33.6%	3,394,228 34.8%	3,580,425 38.2%	3,151,653 35.7%	0.0%	-5.2%	7.7%
Bonds	3,697,760 36.6%	3,436,418 35.2%	3,147,285 33.6%	3,107,830 35.2%	7.6%	17.5%	19.0%
Debt issued	3,309,259 32.8%	3,059,923 31.3%	2,787,965 29.8%	2,753,928 31.2%	8.1%	18.7%	20.2%
Subordinate bonds	388,501 3.8%	376,495 3.9%	359,320 3.8%	353,902 4.0%	3.2%	8.1%	9.8%
Interbank loans	1,529,863 15.1%	1,515,406 15.5%	1,473,906 15.7%	1,377,815 15.6%	1.0%	3.8%	11.0%
Other liabilities	725,992 7.2%	685,427 7.0%	463,546 4.9%	509,016 5.8%	5.9%	56.6%	42.6%
<b>Total Liabilities</b>	<b>9,347,785 92.5%</b>	<b>9,031,479 92.5%</b>	<b>8,665,162 93%</b>	<b>8,146,314 92.3%</b>	<b>3.5%</b>	<b>7.9%</b>	<b>14.7%</b>
Equity	753,633 7.5%	729,106 7.5%	700,616 7.5%	682,161 7.7%	3.4%	7.6%	10.5%
<b>Liabilities + Equity</b>	<b>10,101,418 100%</b>	<b>9,760,585 100%</b>	<b>9,365,778 100%</b>	<b>8,828,475 100%</b>	<b>3.5%</b>	<b>7.9%</b>	<b>14.4%</b>

## Demand and Time Deposits

As of September 2022, deposits totaled MCH\$3,394,170 (+7.7% YoY and -5.2% YTD), while the industry figure increased +2.0% YoY (+2.4% YTD) and +6.3% YoY (+4.8% YTD) including foreign subsidiaries. As of September 2022, time deposits totaled MCH\$2,179,402 (+27.1% YoY and +16.8% YTD). During the first half of 2021, time deposits decreased due to lower interest rates and a greater appetite for liquidity. This trend was reversed in the second half of 2021, in line with interest rate hikes that began during the second half of the year. In 3Q22 time deposits increased 8.6% QoQ, in line with interest rate growth during the third quarter of the year.

Banco Security's time deposits consisted of 45% retail deposits and 55% institutional deposits. The 15 largest depositors represent 10.6% of the Bank's total deposits. The loan to deposit ratio was 214% as of September 2022, compared to 183% as of September 2021. Banco Security's strategy is to diversify funding sources using sales incentives to increase its retail deposit base.

Banco Security strictly monitors liquidity risk, striving to diversify funding sources while monitoring and controlling a series of limits on asset/liability mismatches, maintaining an important volume of liquid assets and lengthening liabilities to increase funding terms. The Bank's exposure from asset and liability mismatches is among the industry's lowest thanks to a conservative interest rate gap strategy that takes advantage of record-low rates to lengthen our liabilities. As of September 2022, the ratio of long-term interest rate risk to regulatory capital was 2.03%.

As of September 30, 2022, liquid assets<sup>3</sup> represented 121.1% of demand and other time deposits. The liquidity coverage ratio<sup>4</sup> as September 2022 was 287.7%, above the regulatory minimum of 100%.

### **Banco Security - Debt Issued**

Series	CMF Registration Number	CMF Registration Date	Currency	Amount	Annual Interest Rate	Duration (Years)	Maturity
H1	03/2007	25/Jan/07	U.F.	3,000,000	3.00	23	1/Dec/29
K3	01/2013	26/Feb/13	U.F.	4,000,000	3.50	10	1/Nov/22
K4	10/2013	06/Nov/13	U.F.	5,000,000	3.60	10	1/Oct/23
K5	14/2014	09/Oct/14	U.F.	5,000,000	2.75	10	1/Jun/24
K6	05/2015	01/Apr/15	U.F.	5,000,000	2.75	5	1/Mar/25
K7	05/2015	01/Apr/15	U.F.	5,000,000	2.75	10	1/Sep/25
K-ocho	12/2016	03/Oct/16	U.F.	5,000,000	2.80	10	1/Oct/36
B7	08/2018	09/May/18	U.F.	4,000,000	2.20	5	1/Feb/23
K9	08/2018	09/May/18	U.F.	5,000,000	2.75	10	1/Jan/28
Z3	08/2018	09/May/18	CLP	75,000,000,000	4.80	5	1/Dec/22
B8	11/2018	20/Dec/18	U.F.	5,000,000	1.80	5.5	1/Aug/23
Q1	11/2018	20/Dec/18	U.F.	3,000,000	2.50	15	1/Aug/33
Z4	11/2018	20/Dec/18	CLP	75,000,000,000	4.80	5.5	1/Oct/23
D1	11/2018	20/Dec/18	U.F.	5,000,000	2.20	10.5	1/Aug/28
B9	11/2019	11/Nov/19	U.F.	5,000,000	0.70	5.5	1/Apr/24
C1	11/2019	11/Nov/19	U.F.	5,000,000	0.80	6	1/Mar/26
D2	11/2019	11/Nov/19	U.F.	5,000,000	0.90	8.5	1/Mar/27
D3	11/2019	11/Nov/19	U.F.	5,000,000	1.00	10.5	1/Mar/29
Z5	11/2019	11/Nov/19	CLP	75,000,000,000	3.50	6	1/Jun/25
Q2	04/2020	12/Mar/20	U.F.	5,000,000	0.70	15	1/Jul/30
Q3	04/2020	12/Mar/20	U.F.	5,000,000	0.80	15.5	1/Nov/34
Z7	04/2020	12/Mar/20	CLP	100,000,000,000	2.75	6	1/Nov/25
D4	4/2020	12/Mar/20	U.F.	5,000,000	0.50	10.5	1/Dec/30
C3	06/2021	23/Sep/21	U.F.	5,000,000	0.40	5	2/Dec/30
C4	06/2021	23/Sep/21	U.F.	5,000,000	0.70	6	3/Dec/30
D5	06/2021	23/Sep/21	U.F.	5,000,000	1.00	7	4/Dec/30
D6	06/2021	23/Sep/21	U.F.	5,000,000	1.40	10.5	5/Dec/30

As of September 2022, Banco Security had issued MCH\$3,308,082 in senior bonds, as detailed in Note 22 of the Bank's financial statements.

### **Banco Security – Capitalization<sup>5</sup>**

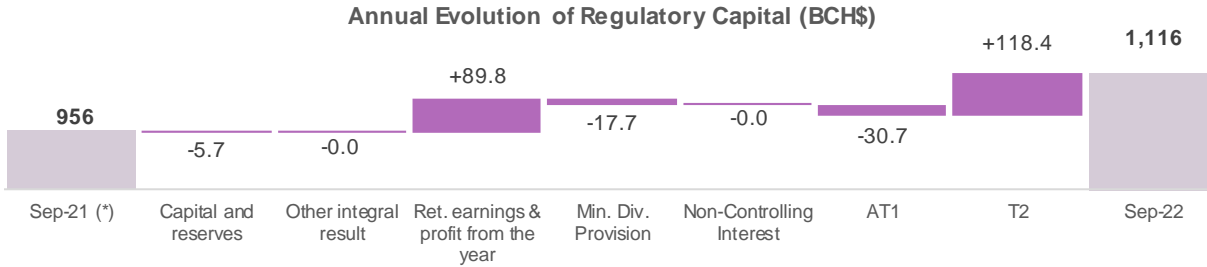
Banco Security's regulatory capital (RC) totaled BCH\$1,116, up 16.6% YoY due to increased retained earnings from prior years (+MCH\$30,850 YoY) along with greater profit for the year (+MCH\$58,903 YoY). In addition, there was also an increase in subordinated bonds calculated as regulatory capital (+28.5% YoY).

As of December 2021, subordinated bonds and voluntary provisions that can be accounted for as AT1 (additional tier 1 capital) fell from 1.5% to 1% of Risk-Weighted Assets (RWA). This involved a shift in subordinated bonds calculated as AT1 instruments to T2 (tier 2 capital), aligned with the limits set forth in article 66 of the General Banking Act (GBA).

<sup>3</sup> Includes cash and cash deposits, transactions pending settlement and the portfolio of financial instruments.

<sup>4</sup> Liquidity Coverage Ratio (LCR, C48) published on website [www.bancosecurity.cl](http://www.bancosecurity.cl)

<sup>5</sup> For more details on the comparison versus December 2021, see Note 48 of the Bank's financial statements.



(\*) Figures as of September 2021 consider the proforma Basel III calculation

The Basel III capital adequacy ratio as of September 2022, calculated as regulatory capital over risk-weighted assets, reached 14.23% (with a regulatory minimum of 8.625% according to the calendar), +108.3 bps YoY. The increase is due to a 16.6% rise in regulatory capital, partly offset by an increase in risk-weighted assets (+7.8% YoY), in line with growth in total loans (+10.8% YoY). Meanwhile, the ratio of core capital to total assets reached 7.17% (-6.4 bps YoY).

In Ch\$ Millions	Sep-22	Dec-21	Sep-21	YTD	YoY
Capital	325,041	325,041	325,041	0.0%	0.0%
Reserves	17,740	22,164	23,395	-1.1%	-24.2%
Other integral result	-8,985	-12,431	-14,033	121.0%	-36.0%
Retained earnings from prior periods	342,646	311,796	311,796	0.0%	9.9%
Profit for the year	110,200	77,127	51,297	62.4%	114.8%
Min. Div. Provision	-33,060	-23,138	-15,389	62.4%	114.8%
Non-controlling Interest	51	57	54	2.4%	-6.8%
<b>Core Capital</b>	<b>753,633</b>	<b>700,616</b>	<b>682,161</b>	<b>3.4%</b>	<b>10.5%</b>
Deductions	13,039	13,039	13,039	0.0%	0.0%
<b>CET1</b>	<b>740,594</b>	<b>687,577</b>	<b>669,122</b>	<b>3.4%</b>	<b>10.7%</b>
AT1	78,372	74,724	109,083	3.0%	-28.2%
<b>T1</b>	<b>818,966</b>	<b>762,301</b>	<b>778,205</b>	<b>3.4%</b>	<b>5.2%</b>
T2	296,568	219,728	178,171	4.4%	66.5%
<b>Effective Equity</b>	<b>1,115,534</b>	<b>982,029</b>	<b>956,376</b>	<b>3.6%</b>	<b>16.6%</b>
Credit Risk	7,105,476	6,725,591	6,550,587	3.0%	8.5%
Operational Risk	545,494	455,879	448,816	6.2%	21.5%
Market Risk	186,236	290,889	272,826	-3.4%	-31.7%
<b>Risk-Weighted Assets (RWA)</b>	<b>7,837,206</b>	<b>7,472,359</b>	<b>7,272,229</b>	<b>3.0%</b>	<b>7.8%</b>
Minimum Regulatory Capital	626,977	597,789	581,778	3.0%	7.8%
CET1/RWA	9.45%	9.04%	9.20%	41 bps	25 bps
T1/RWA	10.45%	10.02%	10.70%	43 bps	-25 bps
Effective Equity / RWA	14.23%	12.91%	13.15%	132 bps	108 bps
Core Capital / Total Assets	7.17%	7.14%	7.23%	3 bps	-6 bps

1. Figures as of September 2021 consider the proforma Basel III calculation. 2. Considers valuation accounts and mark-to-market of accounting hedges. 3. Total assets calculated in accordance with chapter 21-30 of the RAN.

## **FACTORING SECURITY**

For 9M22, Factoring Security reported profit of MCH\$10,076 (+40.2% YoY). Net operating income totaled MCH\$25,610 (+36.8% YoY), due to a larger portfolio spread and net indexation income of MCH\$5,096 for 9M22 (+132.2% YoY), as a result of higher inflation in the period (UF variation of 10.5% as of 9M22 vs. 3.5% as of 9M21). Factored receivables totaled MCH\$409,177 (+2.0% YoY and -7.06% YTD). Operating expenses climbed to MCH\$10,165 (+29.9% YoY) mainly due to higher payroll expenses because of cost-of-living adjustments over the past twelve months, bonus payments and structural adjustments. This increase is also related to higher corporate rates, particularly in the digital area. Meanwhile, provisions for credit losses totaled MCH\$3,259 (+70.3% YoY) mostly because of increased delinquency in certain sectors. The indicator of risk expenses to factored receivables

was 1.06% as of September 2022 (+43 bps YoY).

During 3Q22, profit reached MCH\$2,872 (-19.6% QoQ), with stable net operating income of MCH\$8,428 (-1.9% QoQ), due to lower indexation income (-21.8% YoY) given decelerating inflation during the period (UF variation of 3.5% for 3Q22 vs. 4.3% for 2Q22). This effect was partially offset by higher revenue because of a wider spread in the period. Support expenses totaled MCH\$3,773 (+17.3% QoQ), mostly for advisory services, while credit risk provisions amounted to MCH\$1,758 (+174.5% QoQ).

The aforementioned effects resulted in an efficiency ratio of 39.7% as of September 30, 2022 (-211 bps YoY) explained by greater revenue because of interest rate and inflation conditions. On a quarterly basis, efficiency reached 44.8% for 3Q22 (+731 bps QoQ). The risk ratio, measured as provisions over total loans, was 2.06% as of September 2022 (+8 bps YoY and +53 bps QoQ).

In Ch\$ Million	3Q22	2Q22	% Chg QoQ	9M22	9M21	% Chg YoY
Factored receivables	409,177	435,963	-6.1%	409,177	401,159	2.0%
Provisions	8,421	6,663	26.4%	8,421	7,953	5.9%
Gross operating income	13,931	12,553	11.0%	38,217	20,582	85.7%
Operating expenses	-7,166	-6,093	17.6%	-17,704	-4,059	336.2%
	1,663	2,127	-21.8%	5,096	2,195	132.2%
<b>Net Operational Income</b>	<b>8,428</b>	<b>8,587</b>	<b>-1.9%</b>	<b>25,610</b>	<b>18,719</b>	<b>36.8%</b>
Loan loss provision expenses	-1,758	-640	174.5%	-3,259	-1,913	70.3%
Support expenses	-3,773	-3,217	17.3%	-10,165	-7,825	29.9%
<b>Profit for the period</b>	<b>2,872</b>	<b>3,573</b>	<b>-19.6%</b>	<b>10,076</b>	<b>7,187</b>	<b>40.2%</b>
Efficiency ratio <sup>1</sup>	44.8%	37.5%	731 p	39.7%	41.8%	-211 p
LLP / Factored receivables	1.72%	0.59%	113 p	1.06%	0.64%	43 p
Risk ratio <sup>2</sup>	2.06%	1.53%	53 p	2.06%	1.98%	8 p

1. Revenue, banking expenses and net indexation. 2. Support costs / Margin before expenses. 3. Provisions / Loans

### **ASSET MANAGEMENT BUSINESS AREA** (1.9% of assets as of September 2022; 9.0% of profit from business areas for 9M21)

The asset management business area includes Administradora General de Fondos Security and Valores Security Corredores de Bolsa. It also includes Securitizadora Security, which manages securitized assets and their respective special purpose vehicles (SPVs). This business area complements the product range offered by the rest of the Group's companies, providing services tailored to the needs of each customer segment. The products offered by the different companies in the asset management business area are: AGF Security manages mutual funds, investment funds and voluntary retirement savings (APV). Valores Security offers foreign exchange and stock brokerage services and forwards.

The area had AUM as of September 2022 of MCH\$4,070,820 (-3.4% YoY and -0.7% YTD) due to lower AUM in mutual funds (-10.9% YoY and -3.4% YTD), mainly in local short-term debt funds and balanced funds. Monthly average AUM in mutual funds reached MCH\$2,401,199, down 8.0% from the prior year, in line with industry trends (-6.3% YoY). This was partially offset by greater AUM in both national custody (+4.1 YoY) and investment funds (+40.5% YoY). When compared to the immediately preceding quarter, the area's AUM remained stable (-0.5% QoQ), with lower AUM in mutual funds (-3.1% QoQ). AGF Security has market share of 4.9% of the mutual fund industry. The total value of shares traded was MCH\$938,038 for 9M22 (+1.2% YoY

and +13.9 QoQ) with market share of 1.6%.

In Ch\$ Million	9M22	6M22	2021	9M21	QoQ	% Chg YTD	YoY
Assets under management (AUM)	4,070,820	4,090,124	4,101,102	4,213,034	-0.5%	-0.7%	-3.4%
Mutual funds under management*	2,401,199	2,350,029	2,464,190	2,610,737	2.2%	-2.6%	-8.0%
Market share - mutual funds	4.9%	4.9%	4.8%	5.0%	4 p	5 p	-9 p

(\*) Monthly average as reported by AAFM

In Ch\$ Million	3Q22	2Q22	% Chg QoQ	9M22	9M21	% Chg
Value of shares traded	369,160	324,007	13.9%	938,038	926,929	1.2%
Market share - equities brokerage	1.8%	1.6%	24 p	1.6%	1.7%	-16 p
Operating income	10,891	9,688	12.4%	29,853	27,407	8.9%
Non-operating income	1,482	3,749	-60.5%	8,352	1,641	409.0%
Total expenses	-8,706	-8,555	1.8%	-25,664	-24,922	3.0%
Efficiency ratio	70.4%	63.7%	670 p	67.2%	85.8%	-1862 p
AGF Security	2,960	3,794	-22.0%	9,326	4,085	128.3%
Valores Security	728	1,371	-46.9%	3,259	1,431	127.7%
Securitizadora & CasaNuestra	508	510	-0.4%	1,371	881	55.5%
<b>Profit - Asset Management</b>	<b>4,195</b>	<b>5,676</b>	<b>-26.1%</b>	<b>13,956</b>	<b>6,565</b>	<b>112.6%</b>

For 9M22 Inversiones Security reported profit of MCH\$13,956 (+112.6% YoY). By subsidiary, AGF Security had profit of MCH\$9,326 for 9M22 (+128.3% YoY), with higher operating income (+12.9% YoY) and improved returns on its proprietary trading portfolio (MCH\$4,722 for 9M22 vs. MCH\$544 for 9M21). Valores Security reported profit of MCH\$3,259 (+127.7% YoY) due to an improved performance from its proprietary trading portfolio (MCH\$3,631 for 9M22 vs MCH\$910 for 9M21) and a stable operating result (+2.4% YoY). Finally, Securitizadora and Casanuestra had combined profit of MCH\$1,371 (+55.5% YoY), mainly due to the effects of higher inflation during the period.

From a consolidated perspective, operating income totaled MCH\$29,853 for 9M22 (+8.9% YoY). There was an increase in fund income (MCH\$19,816, +12.9% YoY) due to a greater ROA because of higher interest rates in the second half of 2021, which more than offset the drop in AUM (-8.0% YoY). Meanwhile, transactional income reached MCH\$10,036, stable year on year (+1.8% YoY). Non-operating income totaled MCH\$8,352 (+409.0% YoY) due to higher inflation (UF variation of 10.5% for 9M22 vs 3.5% for 9M21). Lastly, expenses totaled MCH\$25,664 (+3.0% YoY), giving an efficiency ratio of 67.2% (-1,862 bps YoY).

In a quarterly comparison, profit was MCH\$4,195, or 26.1% lower than 2Q22. Operating income rose 12.4% during the period to MCH\$10,891, with increased income from funds (+16.6% QoQ) due to higher ROA, along with greater transactional income (+4.2% QoQ). Non-operating income totaled MCH\$1,482 for the quarter (-60.5% QoQ), explained in part by decelerating inflation (3.5% for 3Q22 vs 4.3% for 2Q22, measured as the UF variation during the period). Total expenses reached MCH\$8,706, stable for the period (+1.8% QoQ).

## INSURANCE BUSINESS AREA (22.4% of assets as of September 2022; 21.6% of profit from business areas for 9M22)

The insurance business area reported profit of MCH\$33,364 for 9M22. This area includes the operations of the Vida Security insurance company and the insurance brokerage subsidiary, Corredores de Seguros Security. The following entities providing complementary activities are also included: Hipotecaria Security and Europ Assistance.

### VIDA SECURITY

Vida Security reported profit of MCH\$32,991 (-13.5% YoY) mainly due to losses on indexed units of MCH\$18,318 (+236.7% YoY) because of inflation levels (UF variation of 10.5% for 9M22 vs. 3.5% for 9M21). The company's technical reserves and proprietary trading portfolio have a mismatch because of investment decisions. Its proprietary trading portfolio reported investment income of MCH\$98,991 for 9M22 (+4.3% YoY). Premiums reached MCH\$338,691 as of September 2022 (+43.8% YoY) with market share of 6.7% in total premiums written and 6.9% in annuities.

### Results by Product Line

In MCH\$	Individual		Family Protection		Group Insurance		Annuities		DSI		Total	
	9M22	9M21	9M22	9M21	9M22	9M21	9M22	9M21	9M22	9M21	9M22	9M21
Gross written premiums	152,797	110,233	5,158	5,065	50,637	47,479	129,935	72,564	165	196	338,691	235,537
<b>Net premiums written</b>	<b>150,822</b>	<b>108,977</b>	<b>5,158</b>	<b>5,065</b>	<b>48,868</b>	<b>45,689</b>	<b>129,935</b>	<b>72,564</b>	<b>102</b>	<b>63</b>	<b>334,885</b>	<b>232,358</b>
Variation in technical reserves	776	-41,931	-75	11	-534	1,629	0	0	2,078	663	2,245	-39,629
Claims paid	-102,144	-72,150	-1,355	-1,399	-32,352	-36,614	38	0	9,788	37,364	-126,025	-72,799
Pensions paid	-1,410	-996	0	0	0	0	-194,404	-117,840	-9,271	-37,129	-205,086	-155,965
Underwriting expenses	-8,272	-6,289	-2,118	-1,510	-2,897	-2,637	-917	-650	0	0	-14,203	-11,086
Medical expenses	-9	-8	0	0	-2	-4	0	0	0	0	-12	-12
Insurance impairment	43	0	0	0	92	-52	0	0	0	0	136	-52
<b>Contribution Margin</b>	<b>39,806</b>	<b>-12,397</b>	<b>1,610</b>	<b>2,167</b>	<b>13,175</b>	<b>8,011</b>	<b>-65,348</b>	<b>-45,926</b>	<b>2,698</b>	<b>961</b>	<b>-8,060</b>	<b>-47,184</b>
CUI portfolio	-22,679	20,837									-22,679	20,837
Proprietary portfolio											98,991	94,918
<b>Investment income</b>											<b>76,312</b>	<b>115,755</b>
Administrative expenses											-28,132	-24,716
Exchange differences											1,568	-487
Gain (loss) on indexed assets and liabilities											-18,318	-5,441
Other income and expenses											-97	-97
Income tax expense											9,719	291
<b>Profit for the period</b>											<b>32,991</b>	<b>38,122</b>

In MCH\$	Individual		Family Protection		Group Insurance		Annuities		DSI		Total	
	3Q22	2Q22	3Q22	2Q22	3Q22	2Q22	3Q22	2Q22	3Q22	2Q22	3Q22	2Q22
Gross written premiums	51,839	54,972	1,791	1,639	17,470	16,689	27,918	54,670	54	62	99,072	128,032
<b>Net premiums written</b>	<b>51,158</b>	<b>54,300</b>	<b>1,791</b>	<b>1,639</b>	<b>16,945</b>	<b>15,755</b>	<b>27,918</b>	<b>54,670</b>	<b>36</b>	<b>39</b>	<b>97,849</b>	<b>126,403</b>
Variation in technical reserves	-9,953	-7,724	29	-2	241	352	0	0	376	608	-9,307	-6,765
Claims paid	-38,051	-34,277	-495	-393	-12,485	-11,043	0	0	1,508	-2,090	-49,523	-47,803
Pensions paid	-266	-353	0	0	0	0	-49,794	-77,789	-1,329	2,305	-51,389	-75,837
Underwriting expenses	-3,065	-2,619	-777	-725	-1,041	-957	-185	-421	0	0	-5,068	-4,721
Medical expenses	-2	-5	0	0	-1	-1	0	0	0	0	-3	-6
Insurance impairment	0	43	0	0	30	38	0	0	0	0	30	81
<b>Contribution Margin</b>	<b>-179</b>	<b>9,366</b>	<b>548</b>	<b>519</b>	<b>3,690</b>	<b>4,143</b>	<b>-22,061</b>	<b>-23,540</b>	<b>591</b>	<b>863</b>	<b>-17,411</b>	<b>-8,649</b>
CUI portfolio	5,799	-2,218									5,799	-2,218
Proprietary portfolio											33,473	31,908
<b>Investment income</b>											<b>39,271</b>	<b>29,690</b>
Administrative expenses											-9,049	-9,212
Exchange differences											-942	2,709
Gain (loss) on indexed assets and liabilities											-7,195	-7,361
Other income and expenses											-105	19
Income tax expense											4,003	3,909
<b>Profit for the period</b>											<b>8,571</b>	<b>11,105</b>



## Individual Insurance (45.1% of gross written premiums as of September 2022)

Individual insurance policies are contracted by individuals to cover certain risks (life, health, credit life, etc.). They include product lines 101-112 and 425 and exclude line 107 in figure 601 in the financial statements of Vida Security.

The contribution margin was profit of MCH\$39,806 for 9M22, versus a loss of -MCH\$12,397 for 9M21, due to a positive variation in technical reserves because of weaker investment income. Gross written premiums were MCH\$152,797 for 9M22 (+38.6% YoY), due to greater gross written premiums from insurance with savings components (CUI) and, to a smaller extent, from voluntary retirement savings (APV) insurance, in line with the company's commercial strategy, which has positioned it second in the market by premiums. The variation in technical reserves was +MCH\$776, versus -MCH\$41,931 for 9M21, due to weaker investment income from the CUI and APV portfolios of -MCH\$22,679 (+MCH\$20,837 for 9M21), partially offset by increased premiums. Negative variations in the CUI and APV investment portfolio are counterbalanced by releases of technical reserves and do not include the positive effect of exchange differences, which are presented within 'exchange differences' in the income statement. Meanwhile, underwriting expenses totaled -MCH\$8,272 (+31.5% YoY) due to increased premium volumes during the period. Although underwriting expenses are greater in absolute terms, the company has a lower underwriting expense rate (5.5% for 9M22, -29 bps YoY). Meanwhile, claims paid totaled MCH\$102,144 (+41.6% YoY) due to increased surrenders and transfers from CUI and APV policies.

As of September 2022, CUI and APV policies represent 92.0% of total individual insurance premiums.

<b>Individual Insurance</b>						
In MCH \$	3Q22	2Q22	% Chg. QoQ	9M22	9M21	% Chg.
Gross written premiums	51,839	54,972	-5.7%	152,797	110,233	38.6%
<b>Net premiums written</b>	<b>51,158</b>	<b>54,300</b>	<b>-5.8%</b>	<b>150,822</b>	<b>108,977</b>	<b>38.4%</b>
Variation in technical reserves	-9,953	-7,724	28.9%	776	-41,931	-
Claims paid	-38,051	-34,277	11.0%	-102,144	-72,150	41.6%
Pensions paid	-266	-353	-24.7%	-1,410	-996	41.6%
Underwriting expenses	-3,065	-2,619	17.0%	-8,272	-6,289	31.5%
Medical expenses	-2	-5	-49.0%	-9	-8	17.5%
Insurance impairment	0	43	-	43	0	-
<b>Contribution Margin</b>	<b>-179</b>	<b>9,366</b>	<b>-</b>	<b>39,806</b>	<b>-12,397</b>	<b>-</b>
Claims rate (1)	74.9%	63.8%	1112 p	68.7%	67.1%	154 p
Underwriting expense rate (2)	6.0%	4.8%	117 p	5.5%	5.8%	-29 p

For the quarter, the contribution margin totaled -MCH\$179 versus +MCH\$9,366 in 2Q22. Premium volumes were down 5.7% due to a drop in CUI premiums, partly offset by greater APV premiums. The variation in technical reserves was a negative -MCH\$9,953 (vs -MCH\$7,724 in 2Q22) explained by improved investment results from the CUI and APV portfolios of MCH\$5,799 in 3Q22 vs -MCH\$2,218 in 2Q22. In addition, claims paid were up 11.0%, explained by increased surrenders.

## Family Protection (1.5% of gross written premiums as of September 2022)

<b>Family Protecction</b>	<b>3Q22</b>	<b>2Q22</b>	<b>% Chg. QoQ</b>	<b>9M22</b>	<b>9M21</b>	<b>% Chg.</b>
<b>In MCH\$</b>						
Gross written premiums	1,791	1,639	9.3%	5,158	5,065	1.8%
<b>Net premiums written</b>	<b>1,791</b>	<b>1,639</b>	<b>9.3%</b>	<b>5,158</b>	<b>5,065</b>	<b>1.8%</b>
Variation in technical reserves	29	-2	-	-75	11	-
Claims paid	-495	-393	25.9%	-1,355	-1,399	-3.1%
Pensions paid	0	0	-	0	0	-
Underwriting expenses	-777	-725	7.3%	-2,118	-1,510	40.3%
Medical expenses	0	0	-	0	0	-
Insurance impairment	0	0	-	0	0	-
<b>Contribution Margin</b>	<b>548</b>	<b>519</b>	<b>5.5%</b>	<b>1,610</b>	<b>2,167</b>	<b>-25.7%</b>
Claims rate (1)	27.6%	24.0%	365 p	26.3%	27.6%	-134 p
Underwriting expense rate (2)	43.4%	44.2%	-83 p	41.1%	29.8%	1125 p

(1) Claims paid/ Net written premiums (2) Underwriting expense/ Net written premiums

Family protection insurance covers the insured party's family group in the event of death or disability, depending on the terms of the policy. It is product line 107 in figure 601 in the Vida Security financial statements.

The contribution margin was MCH\$1,610 for 9M22 (-25.7% YoY) due to higher underwriting expenses of MCH\$2,118 (+40.3% YoY), as a result of changes in the sales mix towards higher-fee products. Gross written premiums totaled MCH\$5,158, stable from one year to the next (+1.8% YoY), while cost of claims reached -MCH\$1,355, 3.1% less than last year.

Compared to the previous quarter, a 5.5% higher contribution margin was recorded due to higher gross written premiums of MCH\$1,791 (+9.3% QoQ), partly offset by increased claims paid of MCH\$495 (+25.9% QoQ), together with higher underwriting expenses of MCH\$777 (+7.3% in 2Q22) in line with greater commercial activity.

### Group Insurance (15.0% of gross written premiums as of September 2022)

Group insurance is contracted by a company for its employees and may include life or health coverage, depending on the terms of the policy. It also includes credit life insurance covering the unpaid balance of debt in the event of the insured party's death. Based on figure 601 in the financial statements of Vida Security, it includes product lines 202-213 and 302-312 and excludes lines 207 and 307.

<b>Group Insurance</b>	<b>3Q22</b>	<b>2Q22</b>	<b>% Chg. QoQ</b>	<b>9M22</b>	<b>9M21</b>	<b>% Chg.</b>
<b>In MCH\$</b>						
Gross written premiums	17,470	16,689	4.7%	50,637	47,479	6.7%
<b>Net premiums written</b>	<b>16,945</b>	<b>15,755</b>	<b>7.6%</b>	<b>48,868</b>	<b>45,689</b>	<b>7.0%</b>
Variation in technical reserves	241	352	-31.4%	-534	1,629	-
Claims paid	-12,485	-11,043	13.1%	-32,352	-36,614	-11.6%
Pensions paid	0	0	-	0	0	-
Underwriting expenses	-1,041	-957	8.7%	-2,897	-2,637	9.8%
Medical expenses	-1	-1	39.2%	-2	-4	-40.5%
Insurance impairment	30	38	-20.3%	92	-52	-
<b>Contribution Margin</b>	<b>3,690</b>	<b>4,143</b>	<b>-10.9%</b>	<b>13,175</b>	<b>8,011</b>	<b>64.5%</b>
Claims rate (1)	73.7%	70.1%	358 p	66.2%	80.1%	-1393 p
Underwriting expense rate (2)	6.1%	6.1%	7 p	5.9%	5.8%	16 p

(1) Claims paid/ Net written premiums (2) Underwriting expense/ Net written premiums

For 9M22, the contribution margin reached MCH\$13,175 (+64.5% YoY), due to a rise in gross written premiums, mostly in health insurance, to MCH\$50,637 (+6.7% YoY). In addition, it reported a decrease in its loss ratio (66.2% as of September 2022, -1,393 bps YoY), due to a high basis of comparison, and a variation in technical reserves of -MCH\$534 for 9M22 (+MCH\$1,629 for

9M21), because of increased business.

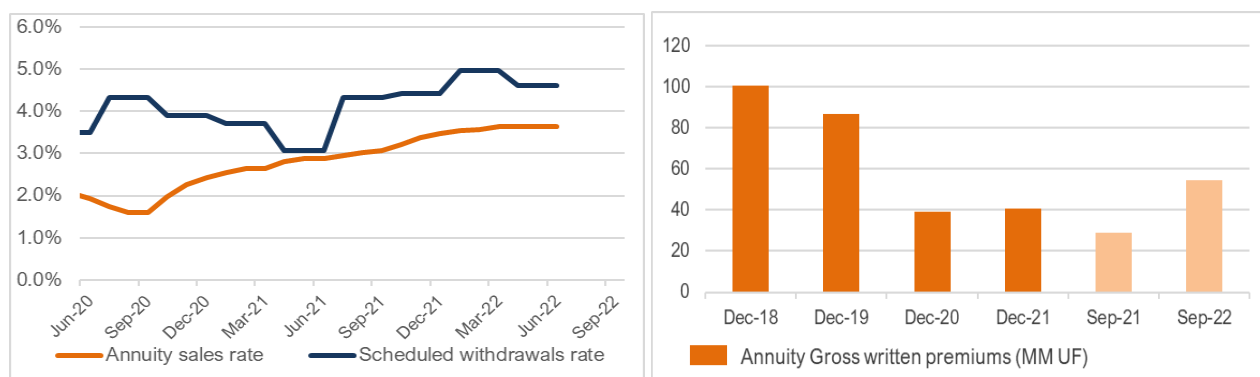
For the quarter, it reported profit of MCH\$3,690 (-10.9% QoQ) due to increased claims paid of MCH\$12,485 (+13.1% QoQ) mostly on health insurance policies and fewer technical reserves released of MCH\$241 (-31.4% QoQ) because of a larger volume of gross written premiums of MCH\$17,470 (+4.7% QoQ).

### Annuities (38.4% of gross written premiums as of September 2022)

Workers that choose an annuity upon retirement turn over their retirement funds to an insurance company and receive in exchange a fixed, inflation-indexed monthly payment for the rest of their life and survivor pensions for their legal beneficiaries. Based on figure 601 in the financial statements of Vida Security, it includes product lines 421, 422 and 423<sup>1</sup>.

When an annuity is sold, a reserve must be recognized in the company's liabilities, equivalent to the present value of the obligations to the retiree, which is recognized within the line item pensions paid. This results in an accounting loss in the income statement.

As of September 2022, annuity sales rates in the industry averaged 3.56% (2.83% as of September 2021). In contrast, the rate for calculating scheduled withdrawals has averaged 4.64% for the year (vs 3.70% as of September 2021), which has driven retirees to prefer scheduled withdrawals over annuities, thus sharply reducing sales industry-wide in recent years. As of September 2022, the industry's total annuity premiums reached MUF54.7, up +88.8% from September 2021, but still below levels from prior years. The annuity market has experienced recovery in 2022, nearly doubling the figure for 9M21.



<b>Annuities</b>	<b>3Q22</b>	<b>2Q22</b>	<b>% Chg. QoQ</b>	<b>9M22</b>	<b>9M21</b>	<b>% Chg.</b>
In MCH\$						
Gross written premiums	27,918	54,670	-48.9%	129,935	72,564	79.1%
<b>Net premiums written</b>	<b>27,918</b>	<b>54,670</b>	<b>-48.9%</b>	<b>129,935</b>	<b>72,564</b>	<b>79.1%</b>
Pensions paid	-49,794	-77,789	-36.0%	-194,366	-117,840	64.9%
Underwriting expenses	-185	-421	-56.0%	-917	-650	41.0%
<b>Contribution Margin</b>	<b>-22,061</b>	<b>-23,540</b>	<b>-6.3%</b>	<b>-65,348</b>	<b>-45,926</b>	<b>42.3%</b>
Underwriting expense rate (1)	0.7%	0.8%	-11 p	0.7%	0.9%	-19 p

(1) Claims paid/ Net written premiums

The contribution margin for annuities was a loss of -MCH\$65,348 for 9M22 (vs a loss of -MCH\$45,926 for 9M21), with a 79.1% rise in gross written premiums to MCH\$129,935 and market share of 6.7%. This effect was offset by an increase in pensions

<sup>1</sup>This also includes line 424 from the SVS, which corresponds to the old Disability and Survivor's system defined in Circular 5 28 (C-528). As of September 2021, this line accounts for only MCH \$598 in pensions paid by Vida Security.

paid, reaching MCH\$194,366 for 9M22 (+64.9% YoY), because of higher sales volumes. When an annuity is sold with liability is recorded, known as the reserve, which is calculated based on CMF regulations and is equivalent to the present value of future pension payments that must be made by the company, adjusted based on current mortality rates. This reserve is backed primarily by long-term financial investments in accordance with strict matching standards.

In a quarterly comparison, the contribution margin was -MCH\$22,061 (-MCH\$23,540 in 2Q22). There was a drop in pensions paid (-36.0% QoQ) associated with lower gross written premiums (-48.9% QoQ), in line with the market because of interest rate conditions.

## Disability and Survivor Insurance (DSI)

Disability and survivor insurance is mandatory for all individuals with pension accounts at Pension Fund Management Companies (AFPs) and is directly contracted collectively by the AFPs for these individuals through semi-annual public bidding processes. It is financed by employers throughout a member's active work life with a fraction of the additional amount charged by the AFP<sup>2</sup>. It provides protection to the insured and his or her family group in the event of disability or death of the insured party. Based on figure 601 in the financial statements of Vida Security, it includes product line 420.

<b>DSI</b>	<b>3Q22</b>	<b>2Q22</b>	<b>% Chg. QoQ</b>	<b>9M22</b>	<b>9M21</b>	<b>% Chg.</b>
In MCH\$						
Gross written premiums	54	62	-13.2%	165	196	-16.2%
<b>Net premiums written</b>	<b>36</b>	<b>39</b>	<b>-7.5%</b>	<b>102</b>	<b>63</b>	<b>61.3%</b>
Variation in technical reserves	376	608	-38.2%	2,078	663	213.5%
Claims paid	1,508	-2,090	-	9,788	37,364	-73.8%
Pensions paid	-1,329	2,305	-	-9,271	-37,129	-75.0%
<b>Contribution Margin</b>	<b>591</b>	<b>863</b>	<b>-31.5%</b>	<b>2,698</b>	<b>961</b>	<b>180.7%</b>

This table of pensions paid includes disability and survivor payments to insured retirees. Claims paid includes a reserve for the present value of the obligation with the insured parties.

The fifth DSI tender was organized by the AFPs for the period from July 2016 to June 2018, and Vida Security was awarded two fractions for men and two for women. The eighth tender for DSI insurance for the next period (July 1, 2022 to June 30, 2023) was concluded in April 2022, and Vida Security was not awarded any fractions.

Gross written premiums totaled MCH\$165 for 9M22, while the contribution margin was MCH\$2,698 (180.7% YoY). As a run-off portfolio, the business is less significant each year. In addition, in a context of rising interest rates, the present value of the obligations decreases. These results are for the portfolio from the 5th DSI tender.

## Vida Security - Consolidated Results

For 9M22, Vida Security reported profit of MCH\$32,991 (-13.5% YoY), explained by an increase in claims and pensions paid, totaling MCH\$331,110 (+44.7% YoY), related to increased sales and the negative impact of losses on indexed assets and liabilities of -MCH\$18,318 (-MCH\$5,441 for 9M21). These effects were offset by a greater premium volume of MCH\$338,691 (+43.8% YoY) and improved returns on the proprietary trading portfolio of MCH\$98,991 (+4.3% YoY), maintaining a stable ROI of 5.40% (-50 bps YoY).

For the quarter, profit reached MCH\$8,571, down 22.8% from the previous period, mainly due to a loss from exchange differences of -MCH\$942 (+MCH\$2,709 in 2Q22), together with a drop in premium volumes, reaching a total of MCH\$99,072 (-

<sup>2</sup> <http://www.spensiones.cl/portal/orientacion/580/w3-article-3024.html>

22.6% QoQ).

In MCH\$	3Q22	2Q22	% Chg.		9M22	9M21	% Chg.
			QoQ	YoY			
Gross written premiums	99,072	128,032	-22.6%	18.2%	338,691	235,537	43.8%
<b>Net premiums written</b>	<b>97,849</b>	<b>126,403</b>	<b>-22.6%</b>	<b>18.5%</b>	<b>334,885</b>	<b>232,358</b>	<b>44.1%</b>
Variation in technical reserves	-9,307	-6,765	37.6%	-46.8%	2,245	-39,629	-
Claims paid	-49,523	-47,803	3.6%	66.9%	-126,025	-72,799	73.1%
Pensions paid	-51,389	-75,837	-32.2%	2.6%	-205,086	-155,965	31.5%
Underwriting expenses	-5,068	-4,721	7.3%	32.6%	-14,203	-11,086	28.1%
Medical expenses	-3	-6	-37.4%	-29.5%	-12	-12	-1.1%
Insurance impairment	30	81	-62.9%	-	136	-52	-
<b>Contribution Margin</b>	<b>-17,411</b>	<b>-8,649</b>	<b>101.3%</b>	<b>-6.3%</b>	<b>-8,060</b>	<b>-47,184</b>	<b>-82.9%</b>
Administrative expenses	-9,049	-9,212	-1.8%	-0.3%	-28,132	-24,716	13.8%
CUI Portfolio	5,799	-2,218	-	22.3%	-22,679	20,837	-
Proprietary portfolio	33,473	31,908	4.9%	-11.6%	98,991	94,918	4.3%
<b>Investment income</b>	<b>39,271</b>	<b>29,690</b>	<b>32.3%</b>	<b>-7.8%</b>	<b>76,312</b>	<b>115,755</b>	<b>-34.1%</b>
Exchange differences	-942	2,709	-	46.6%	1,568	-487	-
Gain (loss) on indexed assets and liabilities	-7,195	-7,361	-2.3%	188.1%	-18,318	-5,441	236.7%
Other income and expenses	-105	19	-	46.2%	-97	-97	1.0%
Income tax expense	4,003	3,909	2.4%	43.6%	9,719	291	3238.0%
<b>Profit for the period</b>	<b>8,571</b>	<b>11,105</b>	<b>-22.8%</b>	<b>-40.9%</b>	<b>32,991</b>	<b>38,122</b>	<b>-13.5%</b>
<b>Administrative ratios</b>							
(1) (Claims paid + pension paid)/ Net written premium	103.1%	97.8%	532 p	651 p	98.9%	98.5%	42 p
(2) Administrative expenses/ Net written premiums	9.2%	7.3%	196 p	-175 p	8.4%	10.6%	-224 p
(3) Underwriting expenses/ Net written premiums	5.2%	3.7%	144 p	55 p	4.2%	4.8%	-53 p
Combined Ratio (1) + (2) + (3)	117.6%	108.8%	872 p	531 p	111.5%	113.9%	-235 p
(4) Profit / Net written premiums	8.8%	8.8%	-3 p	-882 p	9.9%	16.4%	-656 p

In aggregate, gross written premiums reached MCH\$338,691 for 9M22 (+43.8% YoY) explained by higher annuity sales (+79.1% YoY), increased premiums on individual insurance policies (+38.6% YoY) and, to a lesser extent, increased premiums on group policies (+6.7% YoY).

For 9M22, the subsidiary recognized a variation in technical reserves of +MCH\$2,245 (-MCH\$39,629 for 9M21) for individual insurance, due to negative returns on investments in the CUI and APV portfolios (-MCH\$22,679 vs +MCH\$20,837 in 9Q21). Claims and pensions paid totaled MCH\$331,110 (+44.7% YoY), because of an increase in annuities paid resulting from higher sales and an increase in surrenders and transfers in CUI and APV policies. This explains the contribution margin of -MCH\$8,060 for 9M22, compared to -MCH\$47,184 for 9M21.

The area reported investment income of MCH\$76,312 (-34.1% YoY), attributable to weaker returns on the CUI and APV portfolio because of a poorer performance from equity instruments and indexes, with an ROI of 3.2% (5.5% for 9M21). Negative returns from the CUI and APV investment portfolio are counterbalanced by releases of technical reserves. Administrative expenses reached MCH\$28,132 (+13.8% YoY), giving a ratio of administrative expenses to net premiums written of 8.4%, 224 bps less than 9M21.

Furthermore, for 9M22 the subsidiary reported an income tax benefit of +MCH\$9,719 (benefit of +MCH\$291 for 9M21). This positive amount can be explained primarily by permanent differences as well as price-level restatement of equity because of higher inflation (UF variation of 10.5% for 9M22 vs 3.5% for 9M21) and dividends on the investment portfolio received by the company. In addition, profit before tax was 38.5% lower than 9M21.

For the quarter, Vida Security reported profit of MCH\$8,571 (-22.8% QoQ), explained by exchange differences of -MCH\$942 (+MCH\$2,709 in 2Q22), together with a decrease in premium volume, reaching a total of MCH\$99,072 (-22.6% QoQ).

For the quarter, the subsidiary reported a 32.3% rise in investment income attributable to stronger returns from equity investments and indexes in the CUI and APV portfolio. Meanwhile, the proprietary trading portfolio had income of MCH\$33,473,

(+4.9% QoQ) due to the positive effect of exchange differences, and improved returns from local and international fixed income instruments. The latter effect was offset by weaker returns on equities. As for taxes, it reported an income tax benefit of +MCH\$4,003 (+MCH\$3,909 for 2Q22), due to increased price-level restatement of equity because of higher inflation in 2Q22 (UF variation of 3.5% in 3Q22 vs 4.3% in 2Q22), given the smaller profit before tax with respect to the prior year.

### **Administrative Expenses - Vida Security**

<i>In MCH\$</i>	3Q22	2Q22	% Chg QoQ	9M22	9M21	%Chg.
Payroll	3,988	3,914	1.9%	11,838	10,710	10.5%
Distribution channel expenses	808	681	18.7%	2,405	2,123	13.3%
Other	4,253	4,617	-7.9%	13,890	11,883	16.9%
<b>Total administrative expenses</b>	<b>9,049</b>	<b>9,212</b>	<b>-1.8%</b>	<b>28,132</b>	<b>24,716</b>	<b>13.8%</b>

For 9M22, Vida Security reported administrative expenses of MCH\$28,132 (+13.8% YoY), giving a ratio of expenses to net premiums written of 8.4% (10.6% for 9M21). In particular, it had higher payroll expenses of MCH\$11,838 (+10.5% YoY) due to termination benefits paid during the period and an increase in “other expenses” (+16.9% YoY) because of increased business volumes, technology projects and higher corporate rates, mostly in the digital area. For the quarter, expenses remained stable at MCH\$9,049 (-1.8% QoQ).

### **Investment Income - Vida Security**

The subsidiary's investment income for 9M22 totaled MCH\$76,312 (-34.1% YoY), giving an ROI of 3.2% (-232 bps YoY). The CUI and APV portfolio had an investment loss of -MCH\$22,679 (+MCH\$20,837 for 9M21) due to weaker returns on equities and indexes (-MCH\$2,680 for 9M22 vs MCH\$71,047 for 9M21). Weaker returns in the CUI and APV investment portfolio are counterbalanced by releases of technical reserves and do not include the positive effect of exchange differences, which are presented within ‘exchange differences’ in the income statement.

The proprietary trading portfolio reported income of MCH\$98,991 (+4.3% YoY), with an ROI of 5.4% (-50bps YoY) due to improved returns from local fixed-income instruments and real estate funds and a positive effect from exchange differences. These effects were partly offset by weaker returns from alternative assets.

In the third quarter, investment income reached MCH\$39,271 (+32.3% QoQ), with an ROI of 4.9% (3.8% in 2Q22). The CUI and APV portfolio reported income of MCH\$5,799 (-MCH\$2,218 for 2Q22) due to improved returns from equities and indexes. On the other hand, the company's proprietary trading portfolio had income of MCH\$33,271 (+4.9% QoQ, ROI 5.5%, +9 bps QoQ) due to the positive effect on exchange differences together with a better performance from local and international fixed-income instruments. This effect was partially offset by weaker returns on equities.

Investment Stock In Ch\$ Million	3Q22	2Q22	3Q21	% Chg		Stock %
				QoQ	YoY	3Q22
Fixed Income	1,962,963	1,891,170	1,798,593	3.8%	9.1%	61.7%
Equities and indexes	801,351	815,074	693,716	-1.7%	15.5%	25.2%
Real estate	365,897	339,511	286,069	7.8%	27.9%	11.5%
Other investments	50,304	39,578	19,350	27.1%	160.0%	1.6%
<b>Investments Stock</b>	<b>3,180,515</b>	<b>3,085,333</b>	<b>2,797,727</b>	<b>3.1%</b>	<b>13.7%</b>	<b>-</b>
CUI Portfolio	737,557	718,072	652,999	2.7%	12.9%	23.2%
Proprietary portfolio	2,442,958	2,367,261	2,144,728	3.2%	13.9%	76.8%
<b>Investments Stock</b>	<b>3,180,515</b>	<b>3,085,333</b>	<b>2,797,727</b>	<b>3.1%</b>	<b>13.7%</b>	<b>-</b>

Investment Income In Ch\$ Million	3Q22	2Q22	% Chg	9M22	9M21	% Chg.
			QoQ			
Fixed Income	26,591	19,640	35.4%	62,908	37,101	69.6%
Equities and indexes	4,753	12,906	-63.2%	-2,680	71,047	-
Real estate	3,515	2,955	19.0%	10,425	9,894	5.4%
Other investments	4,412	-5,810	-	5,659	-2,288	-
<b>Investments Income</b>	<b>39,271</b>	<b>29,690</b>	<b>32.3%</b>	<b>76,312</b>	<b>115,755</b>	<b>-34.1%</b>
CUI Portfolio	5,799	-2,218	-	-22,679	20,837	-
Proprietary portfolio	33,473	31,908	4.9%	98,991	94,918	4.3%
<b>Investments Income</b>	<b>39,271</b>	<b>29,690</b>	<b>32.3%</b>	<b>76,312</b>	<b>115,755</b>	<b>-34.1%</b>

ROI	3Q22	2Q22	% Chg	9M22	9M21	% Chg.
			QoQ			
Fixed Income	5.4%	4.2%	126 p	4.27%	2.75%	152 p
Equities and indexes	2.4%	6.3%	-396 p	-0.45%	13.66%	-1410 p
Real estate	3.8%	3.5%	36 p	3.80%	4.61%	-81 p
Other investments	35.1%	-58.7%	9381 p	15.00%	-15.76%	3076 p
CUI Portfolio	3.1%	-1.2%	438 p	-4.10%	4.25%	-835 p
Proprietary portfolio	5.5%	5.4%	9 p	5.40%	5.90%	-50 p
<b>ROI</b>	<b>4.9%</b>	<b>3.8%</b>	<b>109 p</b>	<b>3.2%</b>	<b>5.5%</b>	<b>-232 p</b>

### Exchange Differences and Gain (Loss) from Indexation Adjustments

Exchange differences totaled +MCH\$1,568 for 9M22 (-MCH\$487 for 9M21) due to an increase in exchange rates. The subsidiary also posted a loss from indexed assets and liabilities for 9M22 of -MCH\$18,318 (+236.7% YoY), due to higher inflation during the period (UF variation of 10.5% for 9M22 versus 3.5% for 9M21). The company's technical reserves and proprietary trading portfolio have a mismatch because of investment decisions.

Quarter on quarter, it had a loss from indexed assets and liabilities of MCH\$7,195 as a result of the drop in inflation during the period (UF variation of 3.5% for 3Q22 vs 4.3% for 2Q22).

**OTHER SERVICES BUSINESS AREA** (0.9% of assets as of September 2022; 1.9% of profit from business areas for 9M22)

This business area includes the operations of Travel Security and Inmobiliaria Security, which offer non-financial products and services that complement Grupo Security's offering and are directed towards the same target markets.

**INMOBILIARIA SECURITY**

Inmobiliaria Security reported profit of MCH\$663 for 9M22 (-70.9% YoY) due to legal title transferred on fewer units. During 9M22, ownership was transferred on 43 units versus 65 units in 9M21, in line with the current investment cycle. For the quarter, the subsidiary had profit of MCH\$494 (loss of -MCH\$138 for 2Q22) due to legal title transfers on more units (14 versus 7 in 2Q22).

It signed purchase promise agreements totaling THUF331,573 during 9M22 (-53.0% YoY) because of a smaller number of units (-54.3% YoY). For the quarter, it signed purchase promise agreements for THUF158,607 (+21.4% QoQ), with larger volumes sold (+12.5% QoQ) and a higher average price. Real estate assets under management totaled MCH\$88,200 (+8.2% YoY) explained by existing projects, offset by ownership transfers during the period. There is a lag between a sale and revenue recognition. Under IFRS, revenue is recognized once legal title to the property has been transferred.

<i>In Ch\$ Million</i>	3Q22	2Q22	% Chg QoQ	9M22	9M21	% Chg
Real estate assets under management	88,200	84,999	3.8%	88,200	81,487	8.2%
Purchase promise agreements (UF)	158,607	130,616	21.4%	331,573	705,747	-53.0%
Purchase promise agreements (Units)	9	8	12.5%	21	46	-54.3%
Ownership transfers (UF)	315,015	162,332	94.1%	762,788	1,148,975	-33.6%
Ownership transfers (Units)	14	7	100.0%	43	65	-33.8%
<b>Profit for the period</b>	<b>494</b>	<b>-138</b>	<b>-</b>	<b>663</b>	<b>2,277</b>	<b>-70.9%</b>

**TRAVEL AGENCY: TRAVEL SECURITY**

Travel Security, including Travel Peru, had profit of MCH\$2,813 for 9M22 (versus MCH\$39 for 9M21) due to a gradual recovery in sales to MUS\$150 (+183.0% YoY, -1.7% QoQ), reaching pre-pandemic sales figures in the second quarter of 2022.

	3Q22	2Q22	% Chg QoQ	9M22	9M21	% Chg
Total sales - Travel (MUSD)	57	58	-1.7%	150	53	183.0%
Net operating income (MCH\$)	1,841	1,925	-4.4%	4,332	702	-
<b>Profit for the period - Travel (MCH\$)</b>	<b>1,152</b>	<b>1,260</b>	<b>-8.6%</b>	<b>2,813</b>	<b>39</b>	<b>-</b>

Travel Perú, Travel Security's subsidiary, reported sales of MUS\$27 for 9M22 (+222.5% YoY, +8.7% QoQ) and profit of THUS\$219 (loss of -THCH\$328 for 9M21), because of the gradual recovery in sales.



## **INTERNATIONAL BUSINESS AREA** (5.1% of assets as of September 2022)

The international business area reported a loss attributable to the owners of the parent of -MCH\$3,639. This area has consolidated 61% of Protecta Security since November 2018. Protecta Security is a Peruvian life insurance company focused on annuities that was acquired in September 2015, and marks Grupo Security's entrance into the Peruvian financial market. This area also consolidates 75% of Travel Perú, the group's travel agency in Peru.

### **Protecta Security**

For 9M22 Protecta reported profit of MS./11.3 (+3.2% YoY). During the period, it had total premiums written of MS./463.5 (-6.7% YoY), with a drop in private annuities (-36.3% YoY) and steady annuity premiums during the period (-1.3% YoY). The subsidiary reported greater investment income of MS./153.9 (+35.8% YoY). These effects were partially offset by an increase in claims paid (+26.1% YoY), related to a larger stock of pensions payable and indexation of pensions because of high inflation in Peru.

Protecta reported annuity sales of MS./265.5 (-1.3% YoY) and market share of 21.1%. In addition, it recorded private annuity sales of MS./107.1 (-36.3% YoY) explained by a market contraction (-12.8% YoY) and heightened competition in this product line, both from insurance and substitute products. Overall, Protecta had market share of 12.6% as of September 2022 in the latter product line.

In a quarterly comparison, profit fell to MS./1.1 (-76.7% QoQ), due to weaker investment income of MS./50.6 (-6.1% QoQ) and increased claims (+0.8% QoQ). These effects were partially offset by a higher premium volume of MS./156.5 (+5.5% QoQ).

<i>In S./ Thousands</i>	3Q22	2Q22	% Chg QoQ	9M22	9M21	% Chg YoY
Annuities - Premiums written	80,250	88,446	-9.3%	265,487	268,872	-1.3%
Annuities - Market share	20.2%	22.7%	-251 p	21.1%	23.1%	-199 p
Private annuities - Premiums written	35,865	30,904	16.1%	107,051	168,113	-36.3%
Private annuities - Market share	12.6%	11.5%	102 p	12.6%	17.2%	-463 p
<b>Premiums written</b>	<b>156,499</b>	<b>148,338</b>	<b>5.5%</b>	<b>463,501</b>	<b>496,974</b>	<b>-6.7%</b>
Investment income	50,576	53,883	-6.1%	153,879	113,325	35.8%
Annualised return (LTM)	8.0%	8.4%	-36 p	8.0%	7.1%	95 p
<b>Profit for the period</b>	<b>1,148</b>	<b>4,928</b>	<b>-76.7%</b>	<b>11,281</b>	<b>11,648</b>	<b>-3.2%</b>

## **RISK RATINGS**

	Grupo Security	Banco Security	Vida Security	Factoring Security	Inv. Previsión Security
FitchRatings (local)	AA-	AA	AA	AA-	A+
ICR (local)	AA-	AA	AA	AA-	A+
FitchRatings (international)		BBB			

## BONDS ISSUED BY GRUPO SECURITY

Series	Registration Number	Registration Date	Currency	Amount	Annual Interest Rate	Duration (Years)	Maturity
K	763	06/30/13	UF	3,000,000	4.00	25	06/30/38
L3	795	10/09/14	UF	3,000,000	3.40	21	11/15/35
M	842	10/25/16	UF	1,189,000	4.20	25	10/15/41
N1	885	01/31/18	UF	1,500,000	2.85	25	12/10/42
S	1,036	06/30/20	UF	1,000,000	2.00	20	06/30/40
<b>Total</b>			<b>UF</b>	<b>9,689,000</b>			

### Returns and Dividends

On October 7, 2021, the board of Grupo Security agreed to pay a total dividend of CH\$5.5 per share, charged to profit for the year.

At the annual general meeting on April 21, 2022, Grupo Security shareholders approved a dividend payment of CH\$8.5 per share charged to profit for the year 2021. This dividend plus the interim dividend distributed in October 2021 are equivalent to CH\$14.0 per share, totaling MCH\$56,155, or 63% of profit for the year 2021.

On October 13, 2022, Grupo Security's board approved a dividend of CH\$6.5 per share. The total dividend is comprised of CH\$3.5 per share from current year earnings and CH\$3.0 per share from a portion of prior year retained earnings.

The Group's dividend yield as of September 30th, calculated as dividends per share over the last 12 months divided by the stock price, was 9.4% as of that date. Grupo Security's stock reported a return of +33.3% for 9M22, outperforming the S&P/CLX IPSA (+18.7%).

## 3Q22 EARNINGS CONFERENCE CALL

Grupo Security's third quarter earnings report will be explained to the market in a conference call on November 23rd. A transcript of the call will be available on our website. For more information, please contact the Investor Relations Team at [relacioninversionistas@security.cl](mailto:relacioninversionistas@security.cl).

## GRUPO SECURITY

Grupo Security S.A. is a niche Chilean-based diversified financial group offering banking, insurance, asset management and other services to large and medium-sized companies and high-income individuals. Through a differentiated and innovative offering of financial products and services tailored to its niche, the group leverages operational and financial synergies through organic growth and acquisitions.

### Safe Harbor

This report contains results of the different business units, which are not guarantees of future results and are subject to significant risks and uncertainty. They may be affected by a number of unforeseen factors such as changes in global economic conditions, changes in market conditions, regulatory changes, actions by competitors and operational and financial risks inherent to the financial services business.

# APPENDICES

## 1. Financial Statements and Indicators – Assets

Assets In Ch\$ Millions	December, 31 2021	September, 30 2022
<b>Current assets</b>		
Cash and cash equivalents	934,851	778,042
Other financial assets, current	4,519,609	5,174,044
Other non-financial assets, current	7,608	10,001
Trade and other receivables, current	7,175,834	7,684,854
Accounts receivable from related parties, current	73,570	67,964
Inventories	109,167	108,627
Biological assets, current	0	0
Current tax assets	45,341	46,870
<b>Total current assets other than assets or disposal groups classified as held for sale or held for distribution to owners</b>	<b>12,865,980</b>	<b>13,870,401</b>
Non-current assets or disposal groups classified as held for sale or held for distribution to owners	12,746	28,914
<b>Total non-current assets classified as held for sale or held for distribution to owners</b>	<b>12,746</b>	<b>28,914</b>
<b>Total current assets</b>	<b>12,878,727</b>	<b>13,899,315</b>
<b>Non-current assets</b>		
Other non-financial assets, non-current	84,754	97,661
Equity-accounted investments	2,511	4,862
Intangible assets other than goodwill	38,536	44,223
Goodwill	119,067	119,067
Property, plant and equipment	47,072	47,332
Investment property	356,232	425,943
Assets for right of use	8,637	8,301
Deferred tax assets	97,138	125,514
<b>Total non-current assets</b>	<b>753,948</b>	<b>872,901</b>
<b>Total assets</b>	<b>13,632,674</b>	<b>14,772,216</b>

## 2. Financial Statements and Indicators - Liabilities and Equity

**Liabilities and Equity**  
**In Ch\$ Millions**

December, 31 2021

September, 30 2022

Other financial liabilities, current	8,368,694	8,824,328
Liabilities for leases, current	2,073	2,450
Trade and other payables	3,356,391	3,873,842
Accounts payable to related parties, current	1,410	671
Other short-term provisions	50,648	71,714
Current tax liabilities	38,458	34,456
Employee benefit provisions, current	16,855	15,347
Other non-financial liabilities, current	108,790	139,421
<b>Total current liabilities other than liabilities or disposal groups classified as held for sale or held for distribution to owners</b>	<b>11,943,319</b>	<b>12,962,229</b>
Liabilities held for sale	690	400
<b>Total non-current liabilities classified as held for sale or held for distribution to owners</b>	<b>690</b>	<b>400</b>
<b>Total current liabilities</b>	<b>11,944,010</b>	<b>12,962,629</b>
<b>Non-current liabilities</b>		
Other financial liabilities, non-current	807,655	896,974
Liabilities for leases, non-current	6,968	6,264
Accounts payable, non-current	2,216	5,405
Accounts payable to related parties, non-current	3,736	4,129
Deferred tax liabilities	1,011	688
<b>Total non-current liabilities</b>	<b>821,586</b>	<b>913,461</b>
<b>Total liabilities</b>	<b>12,765,595</b>	<b>13,876,090</b>
<b>Equity</b>		
Issued Capital	487,698	487,698
Retained earnings	446,731	485,272
	-4,637	(5,735)
Other reserves	(91,993)	(99,640)
<b>Equity attributable to equity holders of parent</b>	<b>837,799</b>	<b>867,595</b>
Non-controlling interests	29,280	28,531
<b>Total equity</b>	<b>867,079</b>	<b>896,126</b>
<b>Total liabilities and equity</b>	<b>13,632,674</b>	<b>14,772,216</b>

## 1. Financial Statements and Indicators - Consolidated Statement of Income

Consolidated statement of income (MCh\$)	September, 30 2021	September, 30 2022
Revenue	971,647	2,023,477
Cost of sales	-692,825	-1,649,471
<b>Gross profit</b>	<b>278,823</b>	<b>374,006</b>
Other income	1,307	1,469
Administrative expenses	-169,965	-203,431
Other expenses	-5,619	-13,345
Other gains	1,192	1,117
Finance income	289	4,812
Finance costs	-10,959	-14,091
Share of profit (loss) of associates and joint ventures, equity-accounted	-293	-586
Exchange differences	-3,193	1,259
Gain (loss) on indexed assets and liabilities	-16,522	-55,574
Gains arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	0	0
<b>Profit before tax</b>	<b>75,060</b>	<b>95,637</b>
Income tax benefit (expense)	-7,265	2,789
<b>Profit (loss) from continuing operations</b>	<b>67,795</b>	<b>98,426</b>
Profit (loss) from discontinued operations	0	0
<b>Profit (loss) for the period</b>	<b>67,795</b>	<b>98,426</b>
<b>Profit (loss) attributable to</b>		
Profit (loss) attributable to equity holders of the parent	67,502	100,132
Profit (loss) attributable to non-controlling interests	293	-1,707
<b>Profit (loss) for the period</b>	<b>67,795</b>	<b>98,426</b>
Depreciation and amortization	9,823	8,283
<b>Ebitda</b>	<b>95,842</b>	<b>118,011</b>

## 2. Segment Note - Grupo Security YoY

Segment Note - Grupo Security	Lending and Treasury		Asset Management		Insurance		International Business		Other Services		Consolidation Adjustments, Support Areas and Group Expenses		Total Grupo Security	
	Sep-21	Sep-22	Sep-21	Sep-22	Sep-21	Sep-22	Sep-21	Sep-22	Sep-21	Sep-22	Sep-21	Sep-22	Sep-21	Sep-22
<i>In MCH\$</i>														
Revenue	400,005	1,358,902	46,741	65,301	363,723	427,451	124,181	136,920	36,734	36,392	263	-1,490	971,647	2,023,477
Cost of sales	-243,238	-1,115,243	-24,833	-31,714	-287,410	-350,235	-111,304	-125,134	-25,408	-21,109	-631	-6,036	-692,825	-1,649,471
Gross profit	156,767	243,659	21,908	33,587	76,313	77,217	12,877	11,786	11,326	15,283	-368	-7,526	278,823	374,006
Other income	16	406	455	47	89	119	-17	27	623	750	140	121	1,307	1,469
Administrative expenses	-87,680	-107,488	-19,937	-23,652	-31,580	-35,996	-9,367	-17,756	-8,290	-10,875	-13,111	-7,663	-169,965	-203,431
Other expenses	-4,015	-12,510	-1,114	-523	-225	-215	-242	-90	-42	-8	18	2	-5,619	-13,345
Other gains (losses)	-2	0	22	19	90	213	459	380	161	236	462	268	1,192	1,117
Finance income	0	117	264	91	3	245	0	0	2	51	21	4,308	289	4,812
Finance costs	0	0	-26	-112	-72	-227	-57	-89	-780	-2,174	-10,025	-11,489	-10,959	-14,091
Share of profit (loss) of associates and joint ventures, equity-accounted	0	0	167	0	-272	-860	0	0	-2	-23	-186	297	-293	-586
Exchange differences	-2,359	-4,218	3,150	3,602	149	1,590	-3,684	-130	-75	351	-374	65	-3,193	1,259
Gain (loss) from indexed assets and liabilities	38	121	426	757	-5,423	-17,994	0	0	431	-212	-11,994	-38,246	-16,522	-55,574
Gains (losses) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Profit (loss) before tax</b>	62,766	120,087	5,315	13,814	39,072	24,093	-31	-5,872	3,355	3,378	-35,416	-59,863	75,060	95,637
Income tax benefit (expense)	-9,928	-12,390	1,250	141	-21	9,782	78	-68	-757	-268	2,112	5,591	-7,265	2,789
Profit (loss) from continuing operations	52,838	107,697	6,565	13,956	39,051	33,875	47	-5,940	2,598	3,110	-33,305	-54,272	67,795	98,426
<b>Profit (loss) attributable to</b>														
Profit (loss) attributable to equity holders of the parent	52,827	107,672	6,565	13,956	38,488	33,364	26	-3,639	2,473	2,874	-32,876	-54,094	67,502	100,132
Profit (loss) attributable to non-controlling interest	11	25	0	0	564	511	22	-2,301	124	236	-428	-177	293	-1,707
Profit (loss) for the period	52,838	107,697	6,565	13,956	39,051	33,875	47	-5,940	2,598	3,110	-33,305	-54,272	67,795	98,426

### 3. Segment Note - Grupo Security QoQ

Segment Note - Grupo Security In MCH\$	Lending and Treasury		Asset Management		Insurance		International Business		Other Services		Consolidation Adjustments, Support Areas and Group Expenses		Total Grupo Security	
	2Q-22	3Q-22	2Q-22	3Q-22	2Q-22	3Q-22	2Q-22	3Q-22	2Q-22	3Q-22	2Q-22	3Q-22	2Q-22	3Q-22
Revenue	569,030	547,822	20,400	28,313	163,004	141,545	46,550	48,252	9,729	15,397	-713	-820	807,999	780,509
Cost of sales	-479,714	-455,639	-8,447	-17,778	-137,891	-117,532	-41,792	-42,356	-4,695	-8,894	-176	-5,073	-672,716	-647,272
Gross profit	89,315	92,182	11,953	10,536	25,113	24,013	4,757	5,897	5,034	6,503	-889	-5,893	135,283	133,237
Other income	128	-7	24	21	77	14	-23	65	147	363	49	40	402	495
Administrative expenses	-33,833	-38,122	-8,014	-7,811	-11,642	-11,987	-4,801	-8,837	-3,697	-4,076	-4,653	1,444	-66,640	-69,388
Other expenses	-3,003	-3,628	-181	-194	-79	-64	-37	-25	-3	-3	0	0	-3,303	-3,914
Other gains (losses)	0	0	8	0	35	165	144	132	-31	129	10	139	167	566
Finance income	-7	117	53	22	113	105	0	0	51	-49	1,637	2,184	1,847	2,379
Finance costs	0	0	-52	42	-58	-76	-31	53	-743	-828	-3,954	-3,767	-4,838	-4,664
Share of profit (loss) of associates and joint ventures, equity-accounted	0	0	0	0	-818	713	0	0	0	-22	411	-504	-408	186
Exchange differences	-6,506	-4,238	1,216	1,287	2,728	-940	-57	-164	273	168	281	-135	-2,065	-4,021
Gain (loss) from indexed assets and liabilities	12	109	311	248	-7,310	-6,979	0	0	-57	-246	-15,783	-13,817	-22,828	-20,685
Gains (losses) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Profit (loss) before tax</b>	<b>46,106</b>	<b>46,413</b>	<b>5,319</b>	<b>4,152</b>	<b>8,159</b>	<b>4,964</b>	<b>-48</b>	<b>-2,969</b>	<b>974</b>	<b>1,938</b>	<b>-22,892</b>	<b>-20,309</b>	<b>37,617</b>	<b>34,189</b>
Income tax benefit (expense)	-5,372	-4,870	358	43	3,914	3,975	-17	-38	9	-402	208	-185	-901	-1,475
Profit (loss) from continuing operations	40,734	41,543	5,676	4,195	12,072	8,940	-65	-3,007	983	1,536	-22,684	-20,494	36,716	32,714
<b>Profit (loss) attributable to</b>														
Profit (loss) attributable to equity holders of the parent	40,725	41,533	5,676	4,195	11,958	8,717	-28	-1,843	856	1,384	-22,305	-20,801	36,882	33,185
Profit (loss) attributable to non-controlling interest	9	10	0	0	114	223	-38	-1,164	127	152	-379	308	-167	-471
Profit (loss) for the period	40,734	41,543	5,676	4,195	12,072	8,940	-65	-3,007	983	1,536	-22,684	-20,494	36,716	32,714

## 4. Grupo Security Consolidated Statement of Cash Flows

<b>Statement of Cash Flows</b>	<b>Sep-21</b>	<b>Sep-22</b>
<b>For the periods ended September 30, 2022 and 2021</b>	<b>MCh\$</b>	<b>MCh\$</b>
Net cash flows provided by (used in) operating activities	-788,897	-261,498
Net cash flows used in investing activities	-5,456	-13,330
Net cash flows used in financing activities	891,209	117,692
<b>Increase (decrease) in cash and cash equivalents before effect of exchange rate changes</b>	<b>96,855</b>	<b>-157,137</b>
Effect of changes in exchange rates on cash and cash equivalents	60,850	328
Net increase (decrease) in cash and cash equivalents	<b>157,706</b>	<b>-156,809</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>597,497</b>	<b>934,851</b>
<b>Cash and cash equivalents at end of period</b>	<b>755,203</b>	<b>778,042</b>

### Operating Cash Flows

For 9M22, the Group reported net operating cash flows of -MCH\$261,677 (-MCH\$788,897 for 9M21), largely because of the sale of financial instruments by Banco Security, while such assets were purchased during 9M21. In addition, there was an increase in interest and indexation income at the Bank.

### Investing Cash Flows

For 9M22 it reported net investing cash flows of -MCH\$12,639 (-MCH\$5,456 for 9M21), explained by increased investment in technology project development.

### Financing Cash Flows

For 9M22, it had net financing cash flows of +MCH\$117,631 (+MCH\$891,209), with a high basis of comparison because of financing secured by Banco Security from the Chilean Central Bank, partly offset by a larger volume of bond placements by Banco Security.



## 5. Quarterly Statement of Income

Quarterly Earnings (M Ch\$)	3Q21	4Q21	1Q22	2Q22	3Q22
Revenue	347,807	417,436	434,969	807,999	780,509
Cost of sales	-248,135	-323,415	-329,484	-672,716	-647,272
Gross profit	99,673	94,020	105,485	135,283	133,237
Administrative expenses	-54,779	-64,532	-67,402	-66,640	-69,388
Operating income	43,950	27,906	32,912	65,909	60,995
Finance costs	-3,989	-3,589	-4,589	-4,838	-4,664
Profit before tax	28,888	15,779	23,830	37,617	34,189
Profit attributable to equity holders of parent	26,959	21,101	30,065	36,882	33,185
EBITDA <sup>1</sup>	36,035	22,235	31,097	45,188	41,726

1. EBITDA: Defined as the sum of profit before tax, finance costs and depreciation

## 6. Financial and Business Indicators

Activity levels (M Ch\$)	30-Sep-21	31-Dec-21	31-Mar-22	30-Jun-22	30-Sep-22
Cash (Grupo Security Standalone)	54,516	21,277	36,213	50,462	45,421
Total Assets	12,927,444	13,632,674	13,564,863	14,287,382	14,772,216
Total Liabilities	12,059,547	12,765,595	12,680,503	13,404,556	13,876,090
Total Equity	867,898	867,079	884,360	882,826	896,126

Leverage Ratios	30-Sep-21	31-Dec-21	31-Mar-22	30-Jun-22	30-Sep-22
Individual leverage ratio <sup>1</sup>	28.26%	33.09%	31.77%	31.34%	33.02%
Consolidated financial expenses <sup>2</sup>	7.85	7.24	6.19	7.52	7.79

Profitability (M Ch\$)	30-Sep-21	31-Dec-21	31-Mar-22	30-Jun-22	30-Sep-22
Revenue	971,647	1,389,083	434,969	1,242,968	2,023,477
Profit attributable to equity holders of the company	67,502	88,603	30,065	66,948	100,132
EBITDA	95,842	118,076	31,097	76,285	118,011
Return on equity <sup>3</sup>	10.74%	10.59%	14.20%	15.84%	15.66%
Return on assets <sup>4</sup>	0.724%	0.693%	0.884%	0.959%	0.940%
Earnings per share <sup>5</sup> (\$)	21.02	21.92	23.33	28.45	29.99
Number of shares (m)	4,042	4,042	4,042	4,042	4,042

1. In March 2022, five bondholders' meetings were held to change the leverage covenant for Grupo Security's bonds. After the change, the covenant of individual leverage ratio is defined as Grupo Security's total standalone financial liabilities over equity attributable to owners of the parent, as indicated in Note 38 of the Consolidated Financial Statements.
2. Financial expense coverage: Defined as the sum of profit before tax and finance costs divided by finance costs.
3. Return on equity: Defined as the quotient between profit attributable to controlled properties for the annualized period and average equity attributable to controlled properties.
4. Return on assets: Defined as the quotient between profit attributable to controlled companies for the annualized period and total average assets.
5. Earnings per share: Defined as the quotient between profit attributable to controlled companies LTM and the weighted average number of shares LTM.

Grupo Security's total consolidated assets were MCH\$14,772,216 as of September 2022, +8.4% YTD. Of these assets, 52.0% are trade and other receivables, primarily the Bank's loan portfolio. As of September 2022, this item reached MCH\$7,684,854 (+7.1% YTD), driven by +7.7% YTD growth in loans as explained in the section on Banco Security.

Furthermore, 35.0% of total assets are other current financial assets. This line item primarily includes the investment portfolio for the insurance subsidiary's technical reserves and the Bank's portfolio of financial instruments. As of September 2022, other current financial assets reached MCH\$5,174,044 (+14.5% YTD) because of the rise of 15.5% YTD in the Bank's current financial assets, explained by the portfolio of available-for-sale investments of MCH\$1,521,518 as of September 2022 (+14.0% YTD) and an increase of 13.9% YTD in the investment portfolio for the insurance company's technical reserves, which reached MCH\$3,263,813 as of September 2022.

As of September 2022, total consolidated liabilities were MCH\$13,876,090, +8.7% YTD. Of those, 63.6% are other current financial liabilities, which include the Bank's time deposits and current accounts, as well as debt issued by the Bank or the Group. As of September 2022, other current financial liabilities reached MCH\$8,824,328 (+5.4% YTD) due to larger volumes of senior bonds (+18.9% YTD) and an increase in savings accounts and time deposits of MCH\$2,176,802 (+16.1% YTD).

Of total liabilities, 27.9% were trade and other payables, which are primarily the technical reserves of Vida Security and Protecta Security. As of September 2022, trade payables totaled MCH\$3,873,842 (15.42% YTD), as a result of the 15.35% YTD increase in Vida Security's technical reserves, which totaled MCH\$3,507,579, in keeping with business levels at both companies.

Grupo Security's equity attributable to the owners of the parent amounted to MCH\$867,595 as of September 2022 (+3.56% YTD) because of retained earnings for the year and stable reserves.

The individual leverage ratio is defined in Note 38 of Grupo Security's consolidated financial statements, in accordance with the bondholders' covenant, and must be less than or equal to 0.4. This indicator is defined as the ratio between individual net financial debt, as disclosed in the FECU, and equity attributable to owners of the parent. As of September 30, 2022, this ratio was 0.3302 (-7 bps YTD).

Consolidated financial expense coverage is the sum of profit before tax and finance costs, divided by finance costs. The majority of finance costs for this indicator are interest and indexation expenses for Grupo Security bonds. As of September 2022, the consolidated financial expense coverage ratio was 7.79 (-0.8% YoY) due to a +28.6% YoY variation in finance costs.

## **Market Information**

Grupo Security is structured into five main business areas. Each area includes the subsidiaries and divisions that share common business objectives. These five areas are: lending, insurance, asset management, other services and international business.

Grupo Security is the parent company of a conglomerate of diversified companies engaged in the main sectors of the Chilean financial industry. Its subsidiaries Banco Security and Factoring Security provide lending services to companies and individuals. The subsidiary Seguros de Vida Security Previsión, Corredora de Seguros Security and Europ Assistance operate respectively in the life insurance and life annuity, insurance brokerage and travel assistance industries. Valores Security Corredora de Bolsa, Administradora General de Fondos Security and Securitizadora Security, complement the Group's offering of financial services by developing and distributing specialized financial products and personalized investment and asset management services. Starting in 4Q18, the international business area, which consists of the Peruvian subsidiaries Protecta Security and Travel Perú, is reported separately. Grupo Security's other services business area includes two subsidiaries engaged in the real estate (Inmobiliaria Security) and travel and tourism (Travel Security) industries.

## **BANKING INDUSTRY**

As of September 2022, the Chilean banking industry was made up of 17 financial institutions, including 1 state-owned bank (Banco Estado), 14 domestic banks and 2 branches of foreign banks. As of that date, industry loans totaled B CH\$247,135 (BCH\$223,094 excluding foreign subsidiaries). Equity totaled BCH\$27,057, while profit for 9M22 was BCH\$4,265, with return on average equity<sup>8</sup> of 21.84%. The industry reported an efficiency ratio of 39.30% measured as operating expenses over operating income, and 1.59% measured as operating expenses over total assets. The banking system posted a risk ratio of 2.38%, measured as allowances for loan losses to total loans, and 1.53%, measured as 90-day nonperforming loans to total loans. As of September 2022, Banco Security had total loans of B CH\$7,247, positioning it 8th in total loans with 2.93% of the Chilean market (3.25% excluding foreign subsidiaries).

## **FACTORING INDUSTRY**

Factoring has become an important source of alternative financing to complement traditional bank lending for small- and medium-sized companies. This service allows customers to receive advances on receivables via a discount on their invoices, checks, promissory notes or other similar documents. It provides them immediate liquidity and reduces costs and inefficiencies by handing the collections process over to the factoring service provider. Although the industry is still maturing, several situations and regulatory changes have boosted growth recently, making it one of the financial sector industries with the best domestic and international outlook.

## **MUTUAL FUND INDUSTRY**

As of September 2022, the mutual fund industry reported average assets under management of MCH\$49,131,017 and 2,981,921 investors. Administradora General de Fondos Security boasted average assets under management of MCH\$2,401,199 as of September 2022, giving it a market share of 4.9% and a seventh place industry ranking among the 19 fund managers operating in the market.

## **STOCK BROKERAGE INDUSTRY**

During the first nine months of 2022, market activity measured as value of shares traded increased 11.6% in comparison to 9M21, reaching BCH\$59,433. Value of shares traded for Valores Security Corredores de Bolsa for the same period totaled BCH\$938 with market share of 1.6%. Market share is calculated based on transactions on Santiago Exchange and the Chilean Electronic Stock Exchange.

## **LIFE INSURANCE INDUSTRY**

As of September 2022, there were 33 life insurance companies in Chile. Total gross written premiums for the industry were MCH\$5,037,711. The life insurance industry posted profit of MCH\$849,251 for the period ended September 2022. For the same period, Vida Security had market share of 6.7% based on gross written premiums.

## **Differences Between Book Values and Economic Values and/or Market Values of Principal Assets**

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Grupo Security participates in the insurance and services businesses through its investments in related companies, mainly Europ Assistance and in private investment funds through Inmobiliaria Security. As of September 2022, investments accounted for using the equity method in the Consolidated Statements of Financial Position represent approximately 0.03% of total assets.

Goodwill, which represents the difference between the acquisition cost and the fair value of assets and liabilities, totaled MCH\$119,067 as of September 2022, equivalent to 0.81% of total assets.

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<sup>8</sup> Annualized profit for the period over average equity for the period

Given the varying natures of the companies considered investments in related companies, their market value is normally higher than their carrying amount, which depends on the industry and the economic conditions they face.

## **Risk Factors**

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### **DEPENDENCE ON SUBSIDIARY RESULTS**

Grupo Security is the ultimate parent company of a conglomerate of companies and receives its income from subsidiary profits. As of September 2022, Inversiones Previsión Security, the parent company of Vida Security, had distributed dividends of MCH\$21,000. In addition, Banco Security distributed MCH\$46,276 in dividends to its parent company, while Factoring Security distributed MCH\$6,625.

Grupo Security controls its main subsidiaries with an ownership interest of more than 90% in each subsidiary, which gives it flexibility in setting each subsidiary's investment policies based on growth requirements. This situation enables Grupo Security to increase its economic value by reinvesting its subsidiaries' profits while maintaining a flow of dividends to Grupo Security, which enables it to meet its financial obligations and pay dividends to its shareholders. This is especially true because of the vast diversification of the company's revenue sources, with subsidiaries in various sectors of the financial industry.

### **OTHER RISK FACTORS**

#### **Risks Associated with General Economic Performance**

The performance of the Grupo Security subsidiaries is correlated to economic and financial conditions that, in turn, are dependent on monetary policy, which results in reduced growth of income and profits under restrictive conditions and the opposite under expansionary conditions.

#### **Competition in All Group Business Areas**

The industries in which the Group competes are known for being highly competitive, especially the banking and insurance industries, and trending toward decreased margins. The mergers and alliances that arise between competitors are proof of the competition that Group companies face. Despite the potential challenges to the companies, the possible negative effects of competition are deemed to be offset by Grupo Security's solid brand image in its target market, strong customer loyalty and the niche strategy that drives the Group's development. This has allowed Grupo Security to earn a favorable market position with which to face future competition.

#### **Regulatory changes**

The banking and insurance industries in which the Group does business are government-regulated and are consequently subject to potential regulatory changes over time. However, this risk is estimated to be low thanks to market transparency, the considerable development of these industries and their excellent global reputation.

### **RISKS ASSOCIATED WITH THE FINANCIAL BUSINESS**

#### **Credit Risk**

Credit risk is dependent on monetary policy, which ultimately determines a customers' payment capacity. In early 2008, a general deterioration was seen in the system's loan portfolio, which was reflected in higher risk and delinquency ratios. In the third quarter of 2011, trends in risk ratios began to shift, with an improvement in risk levels. Banco Security has consistently posted risk levels below industry averages, even despite the public health crisis in 2020 and 2021, because it has better collateral coverage than the rest of the industry.

## **Market Risk**

The main market risks facing the Chilean banking industry are inflation and interest rate risk. As a result, Grupo Security has established market risk policies, procedures and limits to manage its maturity and exchange rate exposure in accordance with its own objectives and regulatory limits. In particular, the bank, its subsidiaries and the insurance companies have implemented a special system for controlling interest rate risk that also allows ongoing monitoring of their medium- and long-term investment portfolios.

## **Risks Associated with International Financial Market Volatility**

The Chilean economy and its markets generally operate within international markets and may be affected by external shocks. The volatility of world financial markets and changes in global economic conditions can negatively affect the performance of local and international assets and risk premiums demanded by investors.

## **Interest Rate Risk**

As of September 30, 2022, the company has loans at reasonable rates based on current market conditions.

## **Foreign Exchange Risk**

Grupo Security has implemented the policy of matching foreign currency transactions with financial institutions to sales transactions in the same currency.

## **Commodity Risk**

As of September 30, 2022, Grupo Security does not have any significant assets or liabilities in commodities.

# **RISKS ASSOCIATED WITH THE INSURANCE BUSINESS**

## **Local Financial Risks**

Decreases in medium- and long-term interest rates could affect the performance of life annuity-backing assets and guaranteed-return investment accounts when investments with shorter maturities must be made, creating a medium-term operating deficit.

## **Mortality and Morbidity Rates**

Increases in morbidity rates could cause the number of catastrophic claims to rise in the medium-term and the number of medical reimbursement claims to increase in the short term. If companies do not adjust to the new structure of the mortality curves, the decrease in adult mortality rates could negatively affect the income expected from the annuities area.

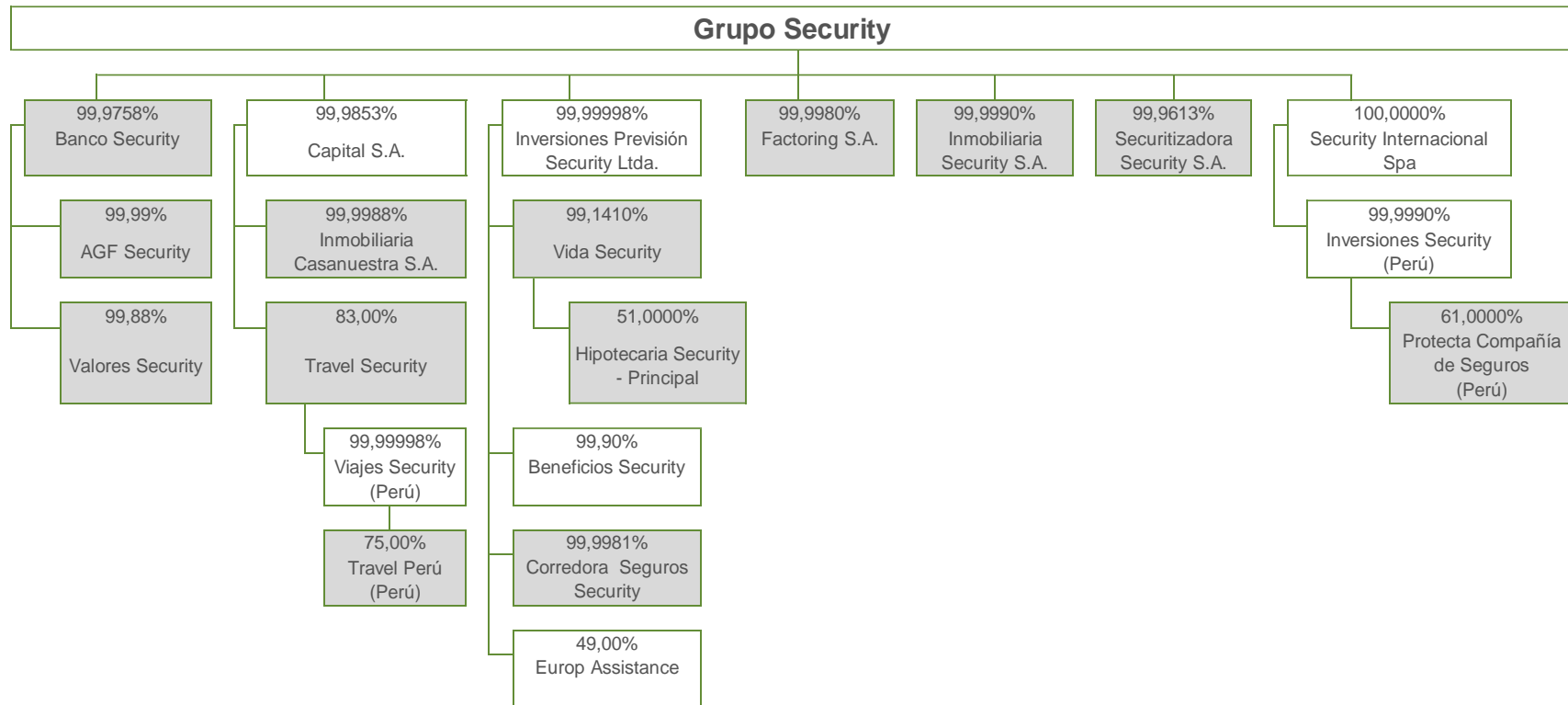
## **Industry Structure**

The large number industry players can lead to company closures and mergers. Consequently, the current industry structure may vary, triggering adjustments to the structure of sales and operating margins.

## **Re-insurance Industry**

The current trend toward concentration of re-insurance companies could affect the variety of coverage options and could prevent the reinsurance of risks that are currently backed thanks to the strong competition that until recently had existed in this market.

## Grupo Security Corporate Structure as of September 30, 2022



As of January 1, 2022, the following change was made to the corporate organizational structure:

- Mandatos Security was absorbed by Capital S.A.