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#### **Grupo Security at a Glance**

- Grupo Security is a diversified, niche financial group with 5 different business areas:
  - Lending
  - Insurance
  - Asset management
  - Other services
  - International business
- Within these business areas, the main assets are the bank and life insurance businesses, which comprise over 70% of total profits
- As of September 2022, Grupo Security reported profit of USD 104 million and 18 billion in assets under management

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#### **Our strategy**

- At Grupo Security, our purpose is to contribute to the financial wellbeing of companies and individuals.
- We have established as our mission to deliver a comprehensive offering of financial solutions to our customers in all the businesses in which we participate, with service that stands out for its quality.
- This strategy is based on the corporate values of closeness, professionalism and transparency

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#### **Grupo Security's History**

- Since its founding, Grupo Security has employed an active acquisition strategy, combined with organic growth.
- In these 30 years in business, we have completed 12 acquisitions with the objective of:
  - increasing some capacity the group did not possess
  - seeking scale in a certain business
  - entering a new market or offering a new product
  - some combination of these three objectives

- In 2015 we entered the Peruvian financial industry, acquiring 61% of Protecta, a life insurance company that has more than doubled in size since the purchase.
- In 2021 we purchased a stake in Monument Bank, a UK bank focused on high-net-worth individuals, giving us access to state-of-the-art technology and a first-rate team in the UK market, where Fintechs and concepts like open banking are highly developed.

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### **Chilean Banking Industry**

- Grupo Security has managed to grow in industries with high potential returns.
- The local financial system is healthy, with stable growth and a low risk level of 2.38% as of Sep-22.
- For instance, loans have grown 11% on average per year over the last 5 years (18-22) and we are forecasting growth of 6.3% for the 2022-2025 period.

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### **Insurance Industry**

- The insurance industry has also shown high growth potential, with premiums expanding consistently until the COVID-19 pandemic. Penetration rates over GDP, in both Chile and Peru, are below developed markets.
- Currently, retirees in Chile can choose between pensions provided by the Pension Fund Administrators (AFP) or annuities provided by life insurance companies.
- The government recently unveiled a pension reform proposal, which, among other changes, makes annuities the only option for retirement, thus enlarging the annuity market if the proposal were approved.
- The country's aging population and greater need for individual savings to complement pensions also creates further growth potential for this industry.

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### **Grupo Security: Successful track record of growth and returns.**

- Grupo Security has maintained a successful track record of growth in recent years with stable returns and an attractive dividend yield for its shareholders.
- 7.4% of 10-year average growth in profit (2012-2021).
- The Group's stock is trading among the lowest levels in its history and, therefore, does not reflect the results achieved nor its growth potential.

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### **Business Areas**

- Throughout the years, our five business areas have contributed to sustained earnings growth.
- As mentioned before, the lending area, comprised of the Bank and the Factoring company, is the largest contributor to the Group's results
- The life insurance company has grown significantly since 2020. The company has high growth potential, especially in annuities, insurance with savings plans and health insurance.

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### **Sound Financial Position and High-Quality Assets**

- Grupo Security's debt profile is consistent with its long-term vision, with an adequate combination of debt and capital that optimizes the use of resources.
- The domestic risk rating for Grupo Security and subsidiaries is AA-, while the Bank was rated AA with a stable outlook, or BBB in its international rating.

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### **Working for the future**

For the future, we have established the following strategic focal points:

- First, consolidating and protecting the existing business
- Accordingly, we have developed a 4-year digital plan, which we will discuss below
- A second focus is to complement the current business model. To accomplish this, we are doing strategic work to explore growth opportunities, both in the current business and in new markets and business models. A few examples are the following:
  - Entering new segments through digital proposals
  - Exploring new models of service and collaboration between subsidiaries
  - Evaluating growth in Peru, leveraging our strengths
  - Exploring opportunities in the insurance and health care industries as regulation evolves
  - Deepening our digital transformation through alliances and possible investments in the Fintech ecosystem
- This work is based on the methodologies and governance bodies established in previous transformation work
- Finally, the next two focal points are to adapt the culture to new ways of working and to enrich our brand, recognizing that sustainability must be integrated into every step of this strategic development.

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### **4-year digital plan**

- In line with the defined strategic focal points, during 2022 we put together a 4-year digital strategy. This plan applies to all Grupo Security companies, but focuses on the 4 main entities.
- We have worked with each business unit to define strategic priorities
  - Commercial Banking
    - improve our customers' experience with key products and services.
    - strengthen transactional products.
  - Retail Banking and asset management area
    - digital tools to integrate our value proposition and streamline customer growth.
  - Life Insurance
    - Optimize the digital offering of individual and group policies.
    - Broaden distribution through alliances.
  - Factoring
    - Enhance the existing digital offering by prioritizing self-service.
- With this plan we aspire to obtain additional revenue of US\$ 20 to 30 million per year, with an investment of around US\$ 50 million over four years.
- This investment will be spent gradually as each initiative passes internal approval processes and generates expected outcomes, as defined in the governance model.

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### **Corporate Culture & Sustainability**

#### Focus 3: Adapting the culture

- Since its founding, Grupo Security has been known for its distinctive culture, with people at the center of the business.
- These efforts have been widely recognized in work climate measurements, achieving third place in GPTW Chile 2021 and first place in Best Places to Work for Women 2022
- The challenge now is to maintain this distinctive culture while adapting to change.
- 78% of our employees have a hybrid or fully remote work arrangement.
- From now on, the focus is on change management, maintaining our essence, and developing leadership and specific capabilities necessary for this transformation process

#### Focus 4: Enriching our brand

- We recognize that sustainability must be integrated at every step of our development
- In this spirit, AGF Security and Vida Security became signatories of the Principles for Responsible Investment (PRI), which provides a methodological framework for integrating ESG considerations in decision making.
- In addition, over the last two years we have worked to strengthen corporate governance in sustainability issues.
  - o Creating the Corporate Affairs Division, which oversees ESG issues
  - o Approving Grupo Security's Sustainability Policy, and making progress on additional policies required to comply with new regulatory requirements, specifically the NCG 461, a law that demands sustainability and corporate governance reporting in annual reports for corporations
- In addition, we have improved our market reporting of ESG issues
  - o We published our first Integrated Report in 2021, developed using the guidelines established by SASB.
  - o We continue to work on the quality and quantity of disclosures, thus making the company's efforts transparent.

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### **Banco Security – Market share**

- The Chilean banking industry is composed of two major groups: 6 large banks representing 87% of total loans and 12 specialist banks representing the remaining 13%. Security is part of this second group
- With a stable market share of around 3.3% of total loans, Banco Security is a niche bank focused on corporate customers and high-income individuals

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### **Banco Security**

- The bank is focused on large and mid-sized companies.
- Commercial loans represent 80% of the total book, with a diversified loan portfolio, and a credit model that relies on case-by-case reviews and conservative risk management, in line with its target segment.
- The bank also has a retail division that targets high-income individuals. Loans to individuals account for 20% of total loans.
- We are developing different initiatives to coordinate operations between the retail division and the asset management area, allowing us to better serve customer needs.

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### **Banco Security – Funding and Capital**

- Banco Security has a strategy to diversify its funding sources and strictly controls and monitors liquidity risk, applying limits to asset/liability mismatches, maintaining liquid assets and lengthening liabilities to increase funding terms.
- Regarding capital, in 2021 local regulators began gradual implementation of Basel III, to be completed in 2025.

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### **Banco Security vs. Peers and Industry**

- Banco Security's returns are in line with the industry, with lower risk—given its target segment—and a stable efficiency ratio below 50%, which fell to 42% in 2022 because of exceptional operating results.

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### **Banco Security: Business Units**

- The Commercial Banking Division is the Bank's main business. It focuses on large and mid-sized companies.
- Its track record of earnings growth has been sustained by loan growth and conservative risk management, with account executives who maintain a close relationship with customers, know their business well and are able to provide a comprehensive offering.
- **The Retail Banking Division** is a relatively new business at the bank and began to see significant growth in 2011. In recent years, it has focused on expanding consumer products and coordinating operations with the asset management unit to provide comprehensive service based on the needs of our target segment customers.
- **The Treasury Division** manages the balance sheet, distribution desk and the Bank's short and long-term investments.

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### **Inversiones Security**

- The Asset Management Area consists mainly of the fund management subsidiary, AGF Security, and the stock brokerage subsidiary, Valores Security.
- The area has Assets Under Management of USD 4.2 billion
- 6th place market share in mutual and investment funds.



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### **Vida Security**

- Vida Security is a life insurance company that offers individual life insurance with savings components, group insurance, annuities, and family protection policies.
- Excluding the Disability and Survivor Insurance (DSI), premiums have grown nearly 5% on average since 2017.
- The company has performed well in 2022 despite volatile financial markets and high inflation during the period, explained mostly by improved returns from the proprietary trading portfolio.

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### **Vida Security – Efficiency and Financial Performance**

- Vida Security has above-industry return on equity of almost 16% (5-year average)
- Return on investments has been affected this year, but has hovered around 5%
- Expenses over technical reserves are below the industry, averaging 1.5% versus almost 2% for the industry.

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### **Valuation of Insurance Companies**

- The Embedded Value methodology is the estimated value of a company's portfolio, without considering future business.
- It forecasts earnings net of liabilities for each policy with reasonable assumptions
- Economic value of life insurance business
  - Pensions: return on assets (investment portfolio) less insurance liability rate (pensions and insurance with savings)
  - Insurance with savings: spread over savings portfolio
  - Risk businesses: life insurance
- The value drivers that impact this calculation are efficiency (organization-wide for all businesses and by business)
  - Annuities: sales rate (committed to retirees), return on investments
  - Individual: policy permanence, underwriting expenses
- Multiples of European companies that publish their embedded value EV/B fluctuate between 1 and 2.

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### **Valuation of Insurance Companies (continued)**

- Vida Security's annuity portfolio has reserves of USD 2 billion.
- In the sales flow, the sales rate is lower than the return on investment
- Although the older policies have higher rates than the current sales rate, the new sales flow has led to a drop in the average liability rate
- In the case of insurance with savings components, the investment portfolio is almost USD 1 billion
  - The permanence rate is 94%, and represents the policies sold in a year that are still in effect 12 months later.

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### **Factoring Security**

- Factoring Security has a track record of around 10% growth in factored receivables, with a focus on large company invoices, and 8% average profit growth
- Diversified portfolio
- Continuously improving efficiency, with an average in the low forties

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### **Protecta Security**

- Strategic acquisition completed in 2015 to enter Peruvian financial market
- The company has more than doubled its size since the acquisition
- Average growth of 40% in premiums over last 5 years
- 23% market share in annuities as of Sep-22