Marcela Villafaña (Strategic Development and Investor Relations Manager, Grupo Security)

Introduction (Slide 1)

Good morning and thank you for joining us for Grupo Security's earnings presentation for the third quarter of 2023.

Today we are joined by Fernando Salinas, CEO of Grupo Security and Nicole Winkler, Planning and Development Manager,

as well as with Eduardo Olivares, CEO of Banco Security; Alberto Oviedo, from the Risk Division and Manuel Widow, from Planning and Management.

From Vida Security we have Finance Manager Rodrigo Guzmán and Investment Manager Juan Pablo Cofré.

Also with us are Paulo Melo, Data and Analytics Manager, and César Guzman, Macroeconomics Manager from Grupo Security's Research Department.

You may either submit questions in the Q&A section or raise your hand at the end of the presentation. Now César will briefly comment on the macroeconomic environment.

César Guzmán (Macroeconomics Manager - Grupo Security Research Department)

Macroeconomic Context 2023-24 (Slide 2)

During the third quarter, economic activity increased 0.3% with respect to the immediately preceding quarter, in seasonally adjusted terms, reversing the -0.3% drop from the second quarter. In year-on-year terms, it showed an increase of 0.6%, after three consecutive quarters of declines. Private consumption was up 1.2% in the margin (-3.6% YoY), while investment contracted -2.2% during the quarter (-4.1% YoY).

This lackluster economic activity continues to be in response to lower external momentum, as reflected in the deterioration of terms of trade and the rise in the cost of financing, and to the fact that local credit conditions are very restrictive, further reducing lending. For the end of the year, we expect prolonged stagnation in activity that should result in no growth compared to 2022. This has affected the labor market, with little change in the creation of new jobs--employment is practically the same as the beginning of the year--and a rise in the unemployment rate from 8% at the beginning of the year to 9%.

On the inflation front, the adjustment in private consumption has continued to drive down total and core inflation, even at a faster pace than expected a few months ago. This has been feeding through to market inflation expectations, which point to a convergence around the 3% target by early 2024, in line with our projections.

In this context, the Central Bank has continued the monetary normalization process in recent months, although moderating the magnitude of the adjustments. The greater-than-expected moderation in core inflation and the fall in the exchange rate make us think that they will resume more aggressive adjustments in upcoming meetings, with a 100bp cut in December, to bring the MPR to 8% by the end of the year and closer to the neutral level by the end of 2024. Market prices imply a slower trajectory.

Globally, despite the strength of the U.S. economy during 2023, total and core inflation has continued to moderate, validating the view that the Federal Reserve will not be required to raise the federal funds rate further, and that the current 5.5% would be the ceiling in this cycle. Moreover, the next move should be downward in mid-2024. This scenario has been internalized in market prices, although the implied convergence rate is close to 4%, which seems very high when compared to the 2.5%-3% considered neutral.

Fernando Salinas (CEO, Grupo Security)

Grupo Security Sept 2023 (Slide 4)

Thank you, César. For 9M23, Grupo Security's profit reached MCH $150,466, 50.3% higher than 6M22, resulting in profit of MCH $180,654 for the last twelve months, the highest in the Group's history.

The group's performance for the first nine months of the year was driven mainly by the lending area. Specifically, Banco Security and its subsidiaries achieved consolidated profit of MCH $141,609, 28.5% higher than the previous year, thanks to a strong net interest margin in the commercial areas and good results from the Treasury Division.

Factoring Security achieved profit of MCH $10,359, stable compared September 2022, explained by a higher interest margin, offset by a smaller loan volume. During the period, Factoring was included in the lending fintech category of the Finnovista Radar 2023, reflecting its digitalization efforts that today allow for a 100% digital customer journey thanks to the AutoFactoring platform.

Inversiones Security enjoyed profit of MCH $8,842 with a total of BCH $4,367 in assets under management. The weaker results for the period are explained by a poorer performance from the company's proprietary trading portfolio and a lower transaction volume at Valores Security. Recently, Inversiones Security was named the best mutual fund manager for institutional clients for the fifth consecutive year and earned three Salmon Awards, including two first place spots.

Vida Security recorded profit of MCH $27,509, with a 18.2% increase in gross written premiums, particularly from annuities, offset by increased claims and pensions paid. Returns on the company's proprietary trading portfolio reached 5.42% as of September 2023.

In the other services area, Travel Security achieved profit of MCH $4,306, up 49.5% from September 2022. Inmobiliaria Security reported a loss of MCH $2,364 due to legal title transferred on fewer units, in line with the current investment cycle.

Lastly, Protecta Security obtained profit of MS./ 23.1 in Peru, doubling its 2022 earnings because of improved investment income. It is important to remember that Chile and Peru use different accounting criteria, so adjustments are necessary when converting results to local accounting.

I now leave you with Eduardo Olivares, CEO of Banco Security, for a brief summary of the Bank's results.

Eduardo Olivares (CEO, Banco Security)

Banco Security, Consolidated (Slides 5-6)

For 9M23 Banco Security posted consolidated profit of MCH $141,609, up 28.5% from 9M22.

The Bank's performance was driven by an improved net interest margin in the commercial areas, together with a good performance in Treasury.

Total loans amounted to BCH $7,287 as of September 30, 2023, up 0.6% from September 2022, mainly due to an 11.6% rise in retail loans and stable commercial loans. Overall, the Bank had market share of 3.18% by total loans. The Commercial Banking Division had market share of 4.7% by total commercial loans, while Retail Banking reached 4.5% in its target segment.

Meanwhile, the NIM on loans was 5.93%, driven by higher interest rates and the Bank's funding structure. The Bank reported an efficiency ratio of 38.7% as of September 2023, versus 41.7% a year earlier.

In addition, subsidiaries AGF and Valores reported profit of MCH $8,403, or 36.6% less than 9M22, mainly attributable to weaker returns from the proprietary trading portfolio.

Consolidated ROAE stood at 23.0%, compared to 19.1% in the previous year.

Banco Security – Results by Business Area (Slide 7)

The Commercial Banking Division reported profit of MCH $70,767 for 9M23, 26.3% higher than the previous year, mainly explained by growth in the net interest margin, which reached MCH $145,623, up 22.1% from 9M22, due to increased income from liabilities as a result of the rise in interest rates.

Meanwhile, Retail Banking recorded profit of MCH $14,173 for 9M23, 128.5% higher than the previous year. This result was driven by growth in the net interest margin, which reached MCH $72,766, up 34.7% from September 2022, due to growth in income from liabilities because of interest rate hikes and a larger volume of term deposits.

The Treasury Division, comprising the trading, investment, distribution and asset and liability management (ALM) desks, achieved profit of MCH $65,337 in 9M23, 37.8% higher than the previous year, thanks to the Bank's funding strategy implemented over the last few years, together with a context of rising interest rates.

Now Alberto Oviedo, Risk Division Manager for Banco Security, will give us more details on credit risk during the period.

Alberto Oviedo (Risk Division Manager, Banco Security)

Banco Security – Risk (Slide 8)

The provision for credit losses for 9M23 was MCH $54,788, equivalent to an annualized risk premium of 1.00% of total loans. Total risk expense was 3.3% higher than the previous year due to higher risk expense in the consumer portfolio of MCH $15,907, with a low basis of comparison due to the greater liquidity in the system in 2022.

This effect was partially offset by lower risk expenses in the commercial portfolio of MCH $34,696, down 5.3% from the prior year. In addition, the mortgage portfolio risk expense fell 71.7% to MCH $415, due to a good performance during the period and a higher level of recoveries.

Meanwhile, the Bank recorded voluntary additional allowances of MCH $3,000 during 9M23 : MCH $1,500 for the commercial portfolio and MCH $1,500 for the consumer portfolio. Overall, additional allowances totaled MCH $24,000 for 9M23.

The NPL portfolio totaled MCH $153,109 as of September 2023, which represents 2.10% of loans. With this, the NPL coverage ratio is 1.27 (1.42 including additional allowances).

Nicole Walker (Corporate Planning and Development Manager, Grupo Security)

Factoring Security (Slide 9)

Factoring Security is one of the leading companies in the non-bank factoring industry. With more than 30 years of experience, it is distinguished by its solid corporate governance and supervised by the CMF. This regulatory oversight not only reflects a commitment to the highest standards, but also provides distinctive advantages that strengthen our position as one of the main players in the sector, providing greater security and confidence to our clients.

Factoring Security's profit remained stable, reaching MCH $10,359, or 2.8% higher than the prior year. The lower volume of factored receivables and lower indexation income were offset by market interest rate conditions. This resulted in a marginal increase of 1.7% in net operating income. At the end of 3Q23, factored receivables amounted to MCH $400,548, 2.1% lower than the previous year.

Support expenses totaled MCH $11,860, 16.7% higher than the previous year, mainly due to software maintenance and VAT being levied on previously exempt services, together with cost-of-living salary adjustments. Risk expenses amounted to MCH $1,682, a decrease of 48.4% compared to September 2022.

The subsidiary had an efficiency ratio of 45.6% for 9M23, an improvement over last year's 39.7%. Meanwhile, the risk index, calculated as allowances over total factored receivables, was 1.74% versus 2.06% September 2023.

Asset Management (Slides 10-11)

The asset management area—comprised of the mutual fund subsidiary (AGF), the brokerage subsidiary (Valores) and Securitizadora Security—had assets under management of BCH $4,367, or 7.3% more than the prior year. This is explained by growth in domestic custody assets and mutual funds.

The area reported profit of MCH $8,842 for 9M23, down 36.6% from 9M22. The decrease is mainly explained by weaker returns on the company's proprietary trading portfolio, explained by a drop in volume in this portfolio and unfavorable market conditions.

Operating income reached MCH $29,756, in line with the previous year. This effect is explained by lower transactional income of MCH $8,605, 14.3% lower than September 2022 due to reduced activity in equities and international products, in line with industry trends. This effect was partially offset by greater fund income because of higher accumulated ROA due to higher interest rates.

Operating income reached MCH $29,756, in line with the previous year. Transactional income amounted to MCH $8,605, representing a 14.3% drop compared to September 2022, due to lower activity in equities and international products, in line with the industry. This effect was partially offset by greater fund income resulting from higher interest rates.

Now Rodrigo Guzmán, Finance Manager at Vida Security, will present the insurance company's results.

Rodrigo Guzmán (CFO - Vida Security)

Vida Security (Slides 12-13)

Vida Security reported profit of MCH $27,590, 16.4% lower than in September 2022, with a good result from technical reserves and better returns on the company's proprietary trading portfolio. This was offset by higher management costs, a higher net loss ratio and increased pensions paid due to an increase in sales volume and the UF variation.

The company achieved total premiums of MCH $400,356 in 9M23, growing 18.2% over 2022. This is mainly explained by growth in annuities and, to a lesser extent, in individual and group insurance.

Claims and pensions paid totaled MCH $449,300, 35.7% greater than September 2022, because of higher annuity sales and an increase in surrenders and transfers in CUI and APV policies.

This explains the contribution margin of -MCH $69,792 for 9M23, compared to -MCH $8,060 for

9M22.

Vida Security – Annuities (Slide 14)

As of September the industry reached total annuity premiums of MUF 80.5, exceeding the September 2022 level by 47.3%. In this context, Vida Security had total premiums of MUF 5.1, with growth of 34.0% (real) and 41.6% (nominal), reaching market share of 6.3%.

Next, Investment Manager Juan Pablo Cofré will comment briefly on the portfolio results.

Juan Pablo Cofré (Investment Manager, Vida Security)

Vida Security - Investment Income (Slide 15)

Investment income was MCH $137,588, versus MCH $76,312 for 9M22, due to a rebound in returns from the CUI and APV portfolio, along with strong returns on the proprietary trading portfolio,

which was up 8.7% year-on-year to MCH $107,642 in 9M23, representing an ROI of 5.4%. During the period the subsidiary had improved returns from international equities, with a better performance from infrastructure funds and better results from exchange rate hedging, partially offset by a weaker performance in alternative assets, fixed income instruments and real estate funds.

The CUI and APV portfolio reported a gain of BCH $30, versus a loss of BCH $23 for 9M22, due to stronger returns from equities and indexes. Positive returns from the CUI and APV portfolio are counterbalanced by recording additional technical reserves.

Marcela Villafaña (Strategic Development and Investor Relations Manager, Grupo Security)

Protecta Security (Slides 16-17)

In the international business area, Protecta Security had profit of MS./ 23.1 for 9M23, double the figure from 9M22. This performance is explained by a 10.4% rise in investment income with respect to 2022, partially offset by an increase in claims paid, related to a larger stock of pensions payable and indexation of pensions because of high inflation in Peru.

As of September 2023, Protecta had total premiums of MS./ 403.5, down 13.0% from September 2022, and reported annuity sales of MS./ 190.2, -28.3% from last year, with market share holding steady at 22.0%. The lower result in annuities was offset by higher sales of private annuities for MS./ 136.1, 27.1% higher than the previous year, with a market share of 15.2%. Protecta Security has the second largest share of the market by annuity premiums for the sixth consecutive year.

Lastly, 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.

Other Services Area (Slide 18)

Travel Security obtained profit of MCH $4,036 after consolidating its subsidiary in Peru, versus MCH $2,813 for 9M22, representing a 50% increase. This is explained by the 20% year-on-year recovery in sales, reaching MUS$180 for 9M23.

Meanwhile, the real estate subsidiary reported a loss of -MCH $2,364 as a result of lower unit sales compared to the previous period, in line with the development stages of other projects.

Real estate assets under management totaled MCH $87,451, down 0.9% with respect to September 2022, due to ownership transfers during the period.

Next, Paulo Melo, Corporate Data and Analytics Manager for the Group, will give a brief summary of the progress made on the Group's digital strategy.

Paulo Melo (Data and Analytics Manager, Grupo Security)

Digital (Slides 19-20)

Grupo Security's digital strategy is focused on helping the businesses achieve their objectives, creating a comprehensive value proposition for customers, in accordance with our strategic guidelines.

In this vein, in 2022 we began implementing an ambitious Digital Plan, focused on the Bank and its subsidiaries, Vida and Factoring. This plan marked the start of efforts to accelerate the digitalization process for the group's companies, where we have made significant progress in just over 18 months, and which will continue at an accelerated pace during the coming year 2024. During the year, we have had important developments in the following areas:

1. New digital solutions:
    a. At Vida Security, we have launched a new version of the OnClick refund app, which has been well received by our customers. During 2024 we will continue to enhance this app and improve the other Vida digital channels.
    b. After the excellent results of Autofactoring 2.0, which has also been recognized as a leading innovation platform by "Radar Finnovista Chile 2023," we will continue to improve this platform in order to maintain its digital leadership position.
    c. At the Bank, we have already moved SecurityUp!, our current account with digital onboarding, into production, and before the end of the year we will have important news regarding our digital channels. In addition, we will be launching additional digital onboarding and new digital channels in the coming year. All this in the context of efforts to upgrade the platforms used by the Bank and its subsidiaries.
2. On the fintech side, we will further expand our API ecosystem, which will continue to be co-built with our fintech partners and clients. These developments, as well as the technological platform on which they are built, will simplify the implementation of the Fintech Law, which is about to come into force.

3. Third, we will continue to develop internal capabilities that we consider crucial for the future, and next year we will add an Artificial Intelligence Center of Excellence focused on creating value through Generative Artificial Intelligence. This center of excellence will leverage our cloud-based data lake and existing advanced analytics capabilities. We will also strengthen our digital factory, in line with the roadmap set out in our digital plan.

Digital Slide (Slide 21)

Our relationship with the fintech ecosystem has continued to deepen and positioned us as a relevant financial provider for fintechs. For example, we have doubled our revenue compared to the same period last year, while also closing five new alliances with fintechs and eight traditional deals with startups.

Along these lines, we already have four APIs (three for payments and one for movements) available and before the end of the year we will release more.

During the year we created our "Unity" design system that seeks to create new digital channels, consistent with the implementation of organization-wide usability and accessibility standards. This design system will not only help us create consistent digital experiences across all group companies, but will also accelerate current digital developments. This design system has been built on feedback from the more than 650 user tests we have conducted with customers.

Usage of developments such as Online Documents, which gives corporate banking customers a self-service option for downloading relevant documentation, and SecurityPass, our transaction authorization application for the Bank and its subsidiaries, continues to increase. In the first case, downloads practically doubled with respect to the same period of the previous month, and SecurityPass boasts around 3 million authorized transactions.

Our digital factoring platform, called Autofactoring 2.0, gives our customers a better, faster and simpler fully digital experience. Thanks to the improvements made, so far this year we have achieved a 2.2-fold increase in the number of deals closed compared to the same period last year.

From a digital marketing standpoint, we boosted traffic on our digital channels by 23%, reaching 4.8 million visits. Additionally, we have standardized our methodology, unifying the digital marketing agencies we use and changed measurement of our sales tunnels to Google Analytics 4, which is the new industry standard.

With regard to upgrading our digital channels for the Bank and its subsidiaries, we have put into production SecurityUp!, our new digital onboarding for current accounts. In addition, we have continued to migrate services to our new cloud infrastructure and already have more than 55 APIs in production for internal consumption. In addition, during Q3 we began building a new digital onboarding system that will be added to the Retail Banking SecurityUp.

Finally, during the year we have conducted three internal pilots using Generative Artificial intelligence to familiarize ourselves with a technology that will have a major impact in the years to come.

Fernando Salinas (CEO Grupo Security)

Closing Slide, Group (Slide 22)

Grupo Security reported profit of MCH $150,446 for 9M23, with an ROAE of 21.3%. This is equivalent to an increase of 50.3% over the previous year, exceeding the total earnings obtained during the whole of 2022. With this, Grupo Security achieved earnings per share of CH $44.8 as of the end of September, surpassing the figure of CH$30.5 from September 2022. This effect, added to our stock's strong performance, has resulted in a total share return of 55.6% in the last twelve months, with a price of CH$ 228.2 at the close of trading yesterday.

In parallel with the good results, we continue to work on the digital transformation plan in order to strengthen and prepare the group's companies for the challenges of open finance, always on the lookout for growth opportunities and new alliances.

Closing Remarks (Slide 23)

Marcela Villafaña

Thank you to our presenters and thanks to everyone for logging on. Now we are available to answer your questions. You can raise your hand on the platform or submit them in the Q&A section.

Can you please indicate the percentage of secured loans in the commercial banking loan portfolio, specifically in the real estate and construction segments, which together represent 37% of the portfolio?

Alberto Oviedo

In real estate, nearly 100% of loans are secured; if any are unsecured, they are very marginal and do not exceed 1% of the portfolio. The same is true in construction. Only construction company loans (working capital loans, which are practically non-existent) are unsecured by collateral and they make up less than 5% of loans. Therefore, virtually the entire portfolio is secured. Our long-term real estate financing policies allow us to finance between 50% and 60% of a property's commercial value, always with coverage of between 1.1 and 1.2 with a contract for at least the next 5 years.

In the real estate business, we finance up to 100% of the construction cost, except for single-family units or houses, where we finance a portion of the land when the land represents more than 50% of the total value of the home. Therefore, collateral coverage for real estate typically reaches levels of 1.3 to 1.4, and in the real estate business 1.2 to 1.3 times.

How do you see the margin and treasury revenue evolving based on interest rates, inflation and estimated portfolio growth for the future? What main factor would normalize the NIM in 2024? Would any elements let Banco Security achieve a net interest margin or NIM above the historical figure under normal conditions?

Eduardo Olivares

Indeed, financial conditions, especially the Central Bank's credit facilities, are beginning to normalize and are expected to finish normalizing in the second half of next year. This will impact the bank's results, which are also trending towards normal. In terms of structural business, during this last period we have managed to improve customer loyalty, in both Commercial and Retail banking. This has generated, for example, relatively higher levels of self-financing and much more recurrent business.

We will approach this by selectively looking for growth opportunities in existing segments as well as other segments we will explore. We will maintain our conservative risk profile and continue the same strategy we have applied to our balance sheet in terms of maturity and currency matching. We will take opportunities when they present themselves, but we will not deviate from the course we have set.

Ultimately, our intention is for this to take us towards historical levels, and hopefully slightly above. The work we are doing on transformation, cost containment, efficiency and customer engagement in all our areas is aimed at raising the bar.

With respect to portfolio growth and with the normalization of inflation and interest rates, how are you looking at portfolio growth and what is your appetite for growth? Is there a particular segment where you are seeing demand pick up or where you are looking to grow?

Eduardo Olivares

Next year we expect to grow decidedly above what we have achieved so far. In Commercial Banking, we want to further deepen our relationship with our target customer segments, mainly large companies and organizations just under the corporate level. We have successfully ventured into one-off corporate opportunities, and we have seen some fluctuations in loans during the year, but effectively going to good spreads for the corporate business, with good risk ratings and optimized use of capital in the bank.

Apart from that, we also see opportunities in the segment slightly below our traditional segment. We believe that everything we are doing in digital product distribution allows us to approach it optimistically, always striving to take care of risk and customer relationships in the long run. We also see opportunities in the segment immediately above, where we are stronger and more consistent, and we have a long-term vision, especially in medium and large companies.

On the retail side, we have been careful with growth in consumer lines. Our rationale and strategy go beyond loans; we seek to increase the use of our products in the Retail Banking customer portfolio. Digital developments provide us with opportunities to reduce acquisition costs, improve relationships and increase usage. We believe that our strategy of boosting growth in the mortgage segment will bring us more consistent business over the long term, in line with increasing customer lifetime value.

What can we expect in terms of profitability for the coming year? Do you have any specific ranges or figures, especially for the bank, which has done really well? Also, do you think that 2024 will be a transition year or will it already be more normal? And finally, what is your long-term profitability goal?

Eduardo Olivares

We should be trending towards historical profitability, expecting figures above the pre-pandemic historical average. The number will depend a lot on how the markets move and, especially, on how rates evolve. We are making well-structured decisions with limited risk, but these views may change. What we do have is a logic and philosophy of being conservative and cautious, but taking advantage of opportunities that appear in the market.

I believe that, as financial conditions normalize, the trajectory will be at that level, probably above the historical average.

What are the growth projections for the Peruvian business? And, are you considering expanding into new countries?

Fernando Salinas

In Peru, we are gradually beginning to develop the natural subsidiaries of the Security business, specifically Safi and other businesses. We have explored the possibility of becoming a second-floor bank. Although it is quite early, we are already making progress in defining this business approach in Peru.

We have not explored the possibility of entering other countries at this time. The truth is that Peru has performed well and the bond issued by Protecta will strengthen the company. In addition, the company has performed well thanks to its management team, which has been crucial to establishing a business in the country. This gives us the confidence to gradually develop our business in Peru, with the necessary caution that this country requires.

Regarding the fintech law, what is your vision regarding the implementation deadlines?

Paulo Melo

We are very involved and active at the roundtables on the fintech law. From a regulatory point of view, the path still needs to be defined, but it is a natural path that arises from these roundtables. From there, an implementation schedule will be defined that should be highly leveraged on phasing. The logic is to implement it in phases. That’s pretty much the expectation we have about how the regulation is going to come out and how we are going to structure that roadmap.

How do you view the option of a perpetual bond to add to the capital base? What do you think of HSBC Chile's recent first issue? Is there any spread level that would make sense for Grupo Security?

Eduardo Olivares

Indeed, we are moving forward with all the regulatory elements in order to be able to issue perpetual bonds. In a normalized market, one should expect lower spreads. However, the current market is not deep and has experienced particularities with respect to buyers of hybrid capital instruments.

The commitment to this hybrid capital has more to do with being prepared to issue it when opportunities arise, always safeguarding the sustainable value of the company and the creation of shareholder value.

With respect to annuities, how do you think the market will evolve? Do you see room to boost your market share?

Alejandro Alzerreca

The annuity market has been recovering over the last two years, reaching levels similar to those we had before the pandemic, after having fallen by almost half two or three years ago. We are currently at these levels and are expected to continue to recover next year, albeit at lower rates, with growth of around 10-15%.

As for our company, a couple of years ago our business strategy resulted in a shift from a historical market share of around 2% to around 5%. We have maintained this market share over the last two years, and our expectations for the coming year are to continue to maintain this level of market share.

What is the impact of the current situation of the private health insurance providers (Isapres)? And, what opportunities could arise in the health area?

Alejandro Alzerreca

This is still developing news. Over the last few days, we have seen several news stories concerning the short law. The government's changes to the bill did not follow the recommendations of the Senate health committee's technical commission, which once again generates significant uncertainty regarding the fate of the private health system. Beyond the issue of the Isapres, a system collapse would have a fundamental impact on patients in both the public and private systems, as well as on health care providers who are currently heavily indebted.

For the insurance industry, there are opportunities to improve coverage, especially in supplemental health. For the time being, we do not see any possibility of investing in the social security health system (i.e. the institutions managing the 7% health contribution). However, we do want to strengthen our participation in supplemental insurance to cover any reductions in primary healthcare coverage.

In the short law on Isapres, the industry is working on a supplemental insurance product for government (Fonasa) affiliates known as "MCC." We have participated in a technical roundtable with Fonasa to build a policy that is sustainable over time and can provide supplemental coverage to Fonasa affiliates.

The Bank's funding structure for the second quarter was 39% issued debt and 39% time deposits, current accounts and demand deposits. Will this composition continue? What will its funding structure be for the year 2024?

Eduardo Olivares

Especially over the last 10 years, we have maintained a vision of long-term funding with investor resources that surpass the market, both in terms of senior and subordinated bonds. This has allowed us to take advantage of issuances and given us more solid financial backing in somewhat more volatile financial times. We will not stop issuing. In fact, we are waiting for more normalized long-term financial conditions to replace the Central Bank FCIC facility with a series of issuances to structurally fund our balance sheet in the terms we consider necessary.

We have observed customer liabilities, both in debit accounts and time deposits, that have been consistently higher and more resilient compared to historical rate levels. In addition, there have been commercial efforts to boost customer loyalty, ensuring product preference in both Commercial and Retail banking.

In terms of deposits, not only as a funding buffer, but also by putting the customer at the center, asset management comes into play.

We maintain our view of a structurally well-leveraged balance sheet in bonds relative to the market to avoid volatility and any problems related to liquidity indicators. We want to keep customer resources at high levels, but as a result of a logic of doing sustainable business and building stronger relationships with them. Time deposits will continue to be a good instrument for our customers as long as they make sense. We also have a range of savings and investment products that, together, allow us to maintain relationships not only with the bank, but also with our customers' investments.

As for the financial conglomerates law, what effect should we expect?

Fernando Salinas

The financial conglomerates law is under consultation until December by the CMF and all the agencies will work together to make changes to the bill. The first thing that is generating concern is coordination with other laws such as the fintech law, the data protection law, etc., which makes the regulatory package important. Secondly, the financial conglomerates law could be beneficial to the extent that it focuses on improving coordination among the different groups involved. However, it is also crucial to be careful not to impose further restrictions and problems on those who already operate naturally in a sector where they tend to bundle financial services.

We are being very careful to see that authorities do not impose a larger bureaucratic burden, that the law leaves more room for competition and promotes transparency towards customers. But, above all, it is important to ensure that there is no regulatory baggage that only creates problems for customers and reduces competition. Therefore, the financial conglomerates law is expected to preserve greater competition, allow us to compete better, maintain closeness with customers, promote greater transparency and, above all, create a manageable bureaucratic burden.

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