Script for Grupo Security's Earnings Conference Call for 4Q20 and 2020

Renato Peñafiel (CEO Grupo Security)

Clearly 2020 was a completely atypical year in all respects. Although Grupo Security has faced other crises in the past, fundamentally financial or credit-related, it has never dealt with a health crisis like this one. Moreover, it involved every organization in Chile and the world, on all fronts.

In March of last year, almost 100% of the organization was working from home, thus validating the changes we are making as part of our internal transformation process. We did not experience any internal difficulties with any of our customers, reacting quickly to address this new context without losing touch with our customers. As a result, the assets of the Bank's commercial area, as well as the Group's factoring, asset management and insurance subsidiaries were not negatively impacted.

In fact, loans grew around 3% at the Bank, while the industry expanded slightly more with 3.6%, albeit mainly because of state-backed FOGAPE loans, as you all know. Excluding the transitory effect of FOGAPE loans, the industry's commercial loans would have declined 4.5%, while Security would have grown 5%.

In previous crises, Security has successfully taken advantage of opportunities, despite the difficulties that have arisen. The Bank had to shoulder greater credit risk, just like the rest of the industry. It recorded the largest amount of provisions in its history, even greater than the bottom line, particularly in the Commercial Banking Division.

We believe that its portfolio is very well provisioned, not only because of this change in the stock of provisions, but also because our loan portfolio is well safeguarded by fixed assets, which gives us peace of mind, as Alberto Oviedo, the Bank's Risk Manager, will explain in detail. We hope this year's provision levels are not like last year.

The Bank had good results from a commercial and expense perspective, which I will touch on a bit later, in addition to having the capacity to generate sufficient provisions to weather this pandemic.

As for the Group's other revenue generating sources, particularly the asset management area, consolidated profit was up due to changes in AUM, as a result of customer decisions and how we managed own proprietary trading portfolio, which enjoyed above-normal returns.

The first half of the year was very bad for the life insurance subsidiary, but the last half was significantly better, even reporting earnings growth with respect to last year. The improved result was driven by two elements: the recovering value of financial assets and commercial developments impacting growth in some cases and the loss ratio in others, particularly in group insurance. Just like the Bank, we also expect performance to improve this year.

In short, the Bank, the asset management area consolidated by the Bank and the insurance area all had good results despite an adverse context. The factoring subsidiary also followed an upward trend, while containing risks and maintaining profitability. We hope to see growth once again this year and steady efficiency levels.

We experienced greater change in internal aspects: Basically, a shift in the upper leadership structure and a rise in productivity that enabled us to considerably reduce our workforce. The Group had consolidated termination benefits of 14 billion pesos during the year.

On a consolidated basis, expenses were down around 3,800 million pesos, notwithstanding the 14 billion in severance payments, so if everything else remains constant we should have spectacular results this year and in upcoming years. However, the world is dynamic. We are growing in some areas and hope to take advantage of market opportunities. We also leveraged this context to make a major adjustment in administrative expenses, which reached around 12 billion pesos. Thus, the decrease in payroll expenses and greater expense savings will give us better consolidated efficiency ratios.

As for the structure, we used the situation to our advantage, joining forces with the Culture Division to implement the Span and Layers methodology that we have been using since last year. It obviously wasn’t easy because of the people that we had to let go. We also built structures to maintain these expense savings in the future. We created a control tower at Group level, which works continuously to maintain the efficiency ratios at each company and monitor the savings obtained.

We are implementing this through the Transformation office. This office arose out of the commercial integration program between the Bank and the asset management area known as “Origin”, spearheaded by an international consultant. It has expanded the methodology that we incorporated into the Origin project analysis towards the rest of the organization. The insurance and asset management companies and the Bank are going to manage it and are now undergoing the transformation process to ensure that their management follows these methodologies in the future. We hope to apply it in other cases also (e.g., in the factoring subsidiary, which is undergoing an IT/digital transformation process.)

The first phase of the Origin project has been completed and the second phase started in February of this year. It consists of incorporating pilot programs to observe in practice any difficulties or gains we could obtain from this program. These pilot programs were initiated in February with two important branches in Santiago and today we have expanded to 5 outside Santiago. The purpose of this transformation in the branches is to boost revenue levels. One month post-implementation we have observed the following:

Change can be made, probably slower than we want, because there are important cultural changes to overcome. We do not know whether it will be 100% replicable, but to date we have over 10% revenue growth in these areas, versus traditional operations. So, we can see that this is going to be a successful project, a little slower than we had thought, but definitely successful.

These impacts have still not been incorporated into the expected earnings for this year since we are in an expense phase, more than a revenue phase, because of implementing the Origin program, which entails administrative, technology and personnel expenses. All that will be incorporated starting next year in a few companies, and an important part has been provisioned with respect to this year's expenses.

So, last year the companies were capable of adapting quickly. In the digital area we completed phase 1 and we are at the beginning of phase 2, which is more concrete. Phase 1 consists of identifying and executing quick wins, which will allow us to move forward along those lines. That is in process. Phase 2 is operational implementation of the Origin plan, which is underway through the pilot programs and the expansion of that concept to the rest of the Group companies.

A third element from last year was the structural and workforce adjustment plan. We are now going to control last year's effort and we hope to maintain it in that direction through support from the control tower we have created.

In our opinion, the Group's results were satisfactory. Earnings fell less than 20% and we hope to recover a large part during the year. We should have considerable growth of over 10% in profit compared to last year, benefiting from the cost structure, improved management and incorporation of these transformation projects that began through Origin. In closing, I would like to say two things:

Last year we completed a very important capital increase at Group level. Our vision for this year is to carry out the pledged capital increase for the Bank of 23 billion pesos, in order to replace the 30% distributed from 2019 earnings. In addition, we will have a conservative policy for the Bank's profits in 2020. Thus, the Bank is absolutely prepared for Basel in terms of capitalization, It will begin to be executed this year, first with the IAPE presentation in April. We have not capitalized the Bank because we do not have authorization from the CMF, but as soon as the letter arrives, and it should be arriving soon, we have the cash available to complete the capital increase.

From the point of view of the insurance company and factoring subsidiary, we have decided to continue the path of keeping them well capitalized. Remember that at the insurance company we completed a capital increase of 35 billion pesos a little while back, which allows us to maintain these ratios.

In Peru, we performed well last year with profit of around 20 billion soles, which we anticipate increasing this year, transforming it into an important market player in terms of cash flows. We rank among the first 3 in terms of cash flows for annuities and other similar products. We have a very good outlook and I think we have made important progress in terms of the company's economic value. And in the asset management area we expect to continue growing.

With that optimism, I'll leave you with Fernando Salinas and the various managers that are going to join us to give you more information about the things I just mentioned. Thank you very much.

Felipe Jaque (Chief Economist, Grupo Security)

Macroeconomic Recap 2020 (Page 3)

The pandemic led to a 6% contraction in GDP in 2020, which bottomed out mid-year, followed by a sharp upturn in activity during the last few months of the year after many mobility restrictions were lifted. From an expense perspective, private consumption shrunk close to 6.5%, while investment plummeted over 12%. These items began to turn around in recent months as a result of fiscal stimulus measures, pension fund withdrawals and monetary expansion following MPR cuts to 0.5% and liquidity and credit relief measures. As for the labor market, more than 2 million jobs had been lost by the shock's worst point, although half of those had already been recovered by year end, helping recover part of lost household income. Even so, the unemployment rate rose from 7.2% in 2019 to 10.7% in 2020, peaking at 13% in July. In this context, although inflation fell at the start of the year as a result of the downturn in economic activity, recovering activity pushed inflation upward to 3% at year-end (core inflation of 2.5%).

Macroeconomic Recap 2021 (Page 4)

The year got off to a good start in terms of economic activity. The Imacec was up 1.3% in January with respect to December, reflecting continued recovery (despite being 3.1% below January 2020). In addition, external momentum has continued to rise (as reflected in higher copper prices), which is a very good foundation for the next few quarters. Therefore, GDP has a higher likelihood of growing 6% or more during the year. Even so, the economy is still operating with broad output gaps (with unemployment rates at around 10%, well above pre-pandemic figures), thus helping contain inflationary pressure. Although inflation has been surprisingly high and pressure from raw material prices has been partially offset by an appreciated exchange rate, outlooks continue to point towards a figure of between 3% and 3.5% for the end of the year.

Macroeconomic Recap 2021 (Page 5)

In terms of monetary policy, we believe that the Chilean Central Bank will continue its highly expansionary policy throughout this year and a large part of next year. Thus, short-term interest rates will remain around the MPR, while nominal long-term interest rates should be pushed moderately higher after a recent increase because of recovering activity and a rise in external rates. Inflationary compensation, which has already converged at levels around 3% for different horizons, will remain anchored to the Chilean Central Bank target. Therefore, rates in UF should follow a path similar to nominal rates. Finally, the favorable external outlook, which should be accompanied by an orderly domestic political/social process, should give rise to medium-term appreciation of the Chilean peso from current levels.

Fernando Salinas (Planning and Development Manager, Grupo Security):

Long-Term Track Record (Page 6)

From a long-term perspective, Grupo Security has a successful track record, with stable earnings growth and an attractive dividend yield. However, in 2020 we faced multiple challenges. In the presentation, we will delve a little deeper into the year's earnings and adjustments made to continue this track record of growth.

Grupo Security Results (Page 7)

Getting into a little more detail, Grupo Security reported profit of MCH$65,146 in 2020, earned primarily in the second half of the year, with profit of MCH$17,328 in the first half and MCH$47,819 in the second half.

The holding had higher individual expenses for Grupo Security and the support areas because of increased employee termination benefits. Meanwhile, the holding's finance costs were up 8%, in line with the additional debt issued.

Profit from business areas was down 12% versus 2019, explained by employee termination benefits, increased provisions and adjustments to investment portfolios.

For the year ended December 2020, the lending area reported profit of MCH$64,446, 26% less than the year before. The decline can be explained by greater LLP expenses mainly in the commercial banking division, as we will explain later. For 4Q20, the Bank's results—excluding subsidiaries—improved 5% in relation to 3Q20, because of employee termination benefits recorded in the third quarter, coupled with a lower tax rate because of high quarterly inflation.

The asset management area reported profit of MCH$6,174, up 903% from 12M19. It is important to remember that the 2019 figure included operational risk expenses from the brokerage subsidiary. The fourth quarter result was 250% greater than the preceding quarter with a larger ROA and AUM, as well as improved returns from proprietary trading and a securitized bond issued by Securitizadora Security.

Meanwhile, the insurance area reported profit of MCH$23,949, or 25% more than 2019, with a better technical result across all businesses that more than offset lower investment income, which will be addressed a little later by Juan Pablo Cofré, Investment Manager for the life insurance company.

The other services business area recorded profit of MCH$3,001 as a result of ownership being transferred on numerous units during the second half of the year by the real estate subsidiary, which offset weaker results from the travel agency.

Finally, the international business area posted a loss of -MCH$929 for 2020, versus profit of MCH$682 last year. Protecta Security reported profit of MS./23.1, in line with 2019, with a sharp recovery in premiums and investment income during the fourth quarter, leading to quarterly profit of MS./13.2. Note that converting results in soles to IFRS in Chile results in a smaller accounting profit.

Fernando Salinas

Grupo Security – Consolidated Results (Page 8)

This chart shows Grupo Security's consolidated results, including both business and corporate areas.

Grupo Security's consolidated income is made up of bank revenue, insurance company premiums and returns on its financial investments, as well as revenue generated by the factoring and other subsidiaries.

From a consolidated perspective, the Group's operating income was down 6%, mainly due to lower premium volumes at Vida Security and lower investment income, compounded by lower operating income from the Bank.

Grupo Security – Consolidated Expenses (Page 9)

On the other hand, total consolidated expenses were down MCH$3,675 in comparison to last year, despite MCH$14,491 in employee termination benefits recorded during the period. Efficiency efforts can also be seen in the 10% savings in consolidated administrative expenses thanks to cost-cutting plans implemented by all companies. Bear in mind that the fourth quarter already reflects part of the effects of the structural adjustments, with payroll expenses 6.5% lower than last year.

Banco Security Consolidated Indicators (Page 10)

Banco Security reported consolidated profit of MCH$60,150 for 2020, 22% less than 2019, because of higher LLP expenses and reduced revenue in the retail banking division. This was partially offset by strong results from the treasury division, which boasted historical results of MCH$39,496 for the year.

The banking industry experienced a 53% decline in profit for the same period, also explained by increased LLP expenses throughout the system.

Return on average equity for Banco Security was 9.4%, compared to 11.1% for our peer banks and 5.6% for the industry.

Banco Security had total loans of BCH$6,228 as of December 2020, representing YoY growth of 2.9%, driven by 6.2% growth in commercial loans. In comparison, the industry grew 3.6% in commercial loans for the year, driven by state-backed Fogape loans. Excluding Fogape, the industry was down 4.5% in commercial loans, while Security grew 5.0% in commercial loans.

In contrast, retail loans at Banco Security were down 9.3% YoY, due to a 15.9% drop in consumer loans and a 4.5% decrease in mortgage loans. The industry, in turn, reported a 13.9% decline in consumer loans.

In this context, the ratio of net interest margin to loans has remained stable over time at around 3.2% of loans.

Banco Security's consolidated efficiency ratio was 47.2% as of December 2020, which compares favorably to the industry’s 48.9%. Efficiency improved during the second half of 2020, with a ratio of 45.7% for the third quarter and 43.3% for the fourth, reflecting efficiency efforts throughout the year.

Banco Security (Page 11)

By division, the commercial banking division reported profit of MCH$30,984 for 12M20, 47% below the previous year. This weaker result can be explained by higher LLP expenses, as Alberto will discuss later on. In addition, support expenses rose 12% due to payments for termination benefits because of the structural review mentioned above. This was not fully offset by the 6% growth in the net interest margin due to a 6.2% rise in commercial loans and a larger spread.

As we already mentioned, the industry grew at a similar pace. However, most of that increase was from the FOGAPE program. Excluding those loans, the industry saw a 4.5% contraction in commercial loans.

In the retail banking division, loans to individuals were down 9.3% YoY, driven by decreases of 4.5% in mortgage loans and 15.9% in consumer loans, attributable to the public health crisis's effect on the economy and restrictions in the division's risk policies. On an industry level, retail loans were up 0.8% because of 8.1% growth in mortgages and an 13.9% fall in consumer loans.

The retail banking division reported a loss of MCH$6,474 for the first twelve months of the year, versus a loss of MCH$1,857 last year. The net interest margin was down 1% YoY due to contracting consumer loans, while net fees fell 28% due to decreased sales of supplementary loan insurance products. In addition, LLP expenses totaled MCH$21,659, up 5% over the past year.

The treasury division reported profit of MCH$39,496, a record year for the division, up 60% from 2019.

In March 2020, the Chilean Central Bank announced the creation of the Credit Facility Conditional on Increased Lending (FCIC). This line accepts a broad range of fixed-income instruments as collateral. In response, the board approved a temporary increase in limits for the treasury's investment portfolios. This gave it access to central bank financing secured by low-risk instruments acquired at attractive prices because of current market conditions. This allowed it to take advantage of that portfolio's accrual spread and potential capital gains should interest rates return to normal, pre-pandemic levels.

These effects, coupled with higher revenue from prepayments and structured financing deals resulted in operating income of MCH$64,104, or 43% above the 2019 figure.

Now Alberto Oviedo, Credit Risk Division Manager for Banco Security, will explain the Bank's strategy and results for the period in detail.

Alberto Oviedo

Banco Security - Risk Area (Page 12)

In terms of credit risk, the year 2020 was marked by the economic impact of the pandemic. The slowdown in economic activity during the first half of the year weakened both portfolio quality and risk indicators. Despite this deterioration and additional provisions recorded, Banco Security continued to maintain one of the local financial industry's lowest levels of loan loss provisions because of its high collateral coverage in relation to the rest of the sector.

The ratios of loan loss provisions and impaired loans to total loans experienced upward trends, consistent with deteriorating economic activity. Nevertheless, as a result of Banco Security's efforts and relief measures from authorities, as well as improving economic conditions during the fourth quarter, the ratio of non-performing loans to total loans fell towards the end of the year. The following table shows the evolution of that index for each loan portfolio.

As a result of the above and the Bank's use of conservative criteria that includes voluntary provisions, our ratios of loan loss provisions and impaired loans to total loans closed the year even higher than the figure as of year-end 2019.

As mentioned, loan loss provisions rose sharply in 2020 to MCH$70,288. This increase in loan loss provisions translated into an annual LLP expense ratio of 1.13% of the loan portfolio. Although greater than the 2019 figure, it continues to be significantly less than the industry, as observed in the following chart.

Considering the relative importance of Banco Security's commercial portfolio in relation to total loans (81%), it deserves mentioning that the portfolio has one of the highest coverage ratios in the Chilean financial industry. This factor is one of the essential elements of Banco Security's risk management framework, since it enables the Bank to successfully navigate adverse economic cycles like in 2020.

For 2021 we expect economic conditions to gradually improve--with an emphasis on "gradually"--and help recuperate activity and portfolio risk levels. Nevertheless, we will still be dealing with the recession's impact on production, which will linger for some time.

Therefore, in terms of risk we expect the first quarter of this year to be better than the fourth quarter of last year and worse than the first quarter of 2019. The second quarter should be very similar to last year's results, while the third quarter of 2021 should be better than 3Q20 and the fourth quarter of 2021 should be significantly better than the same quarter last year. So, we are anticipating a constant trajectory for risk expense and portfolio delinquency for the first quarter, with a slight improvement during that quarter, a more noticeable improvement in the second quarter and a sharp improvement in the third and fourth quarters in a YoY comparison.

Marcela Villafaña

Asset Management Area (Page 13)

For the year 2020, the asset management area, which includes the fund management (Administradora General de Fondos or AGF), brokerage (Valores Security) and securitization (Securitizadora) subsidiaries, reported profit of MCH$6,174, up 904% from last year, due to lower total expenses of MCH$35,168. Bear in mind that figures for 12M19 include operational risk expenses of the brokerage subsidiary and 2020 figures include cost-cutting efforts.

It also had 12% higher non-operating income due to improved returns from proprietary trading because of falling interest rates throughout the year.

The area experienced a drop in operating income of 7% YoY, mainly because of lower fund management revenue as a result of a lower ROA, primarily in money market funds, and lower transactional income.

The asset management area had assets under management of BCH$4,230, representing a YoY drop of 1.4%, because of lower AUM in domestic stocks, local fixed-income instruments and investment funds under custody, offset by higher AUM in mutual funds.

In the YoY comparison, mutual funds under management by the fund management subsidiary were up MCH$128,502, or 4.8% over the past year, with a change in their composition towards greater AUM in dollar-denominated money market funds and international funds and away from local equity instruments and balanced funds. Also worth noting is the result of the fund manager ranking by average returns published by El Mercurio Inversiones. The subsidiary moved up from 10th place in 2019 to 5th in 2020.

Factoring Security (Page 14)

Factoring Security reported profit for the year 2020 of MCH$9,471, or 3% more than the same period last year, despite a drop in factored receivables, which totaled BCH$360 for the twelve months ended December 2020, reflecting a drop of 13% YoY attributable to economic slowdown and greater liquidity because of assistance programs and loan renegotiations. This was offset by a larger spread and more prepayments during the period.

In addition, operating expenses were down 27%, due to lower finance costs and a smaller average loan volume. Meanwhile, support expenses rose by 5% because of termination expenses, partly offset by cost-cutting efforts throughout the year.

As a result, efficiency was 43.8% versus 42.2% in 2019 and the risk index, calculated as provisions over total loans, was 1.68%, 16 basis points below year-end 2019, because of write-offs recorded during the year.

Vida Security (Page 15)

Vida Security reported profit of MCH$23,529 (+70 over 2019), thanks to improved technical results across all businesses, offset partially by lower investment income.

Results recovered considerably in the second half of the year, with a loss of -MCH$1,992 during 1H20 and profit of MCH$25,521 during 2H20, explained mainly by upturns in local and international financial markets during the second half of the year.

In aggregate, gross written premiums totaled MCH$229,392, 11% below the previous year as a result of lower annuity and group insurance sales, offset by growth in individual policies.

The individual insurance product line's contribution margin was a loss of -MCH$12,853, with 19% growth in direct premiums written and lower investment income from the CUI and APV portfolio. In addition, claims paid were up 6%, explained by increased surrenders and transfers from CUI and APV policies. Meanwhile, one-year permanence of funds from insurance with savings components (CUI) has averaged 89.1% over the last twelve months, in line with the 2019 figure.

As for family protection products, the contribution margin was 29% greater due to a drop in claims paid and a lower underwriting expense rate, in line with reduced business.

For group policies, the contribution margin grew 17% YoY due to a lower claims rate in group health products explained by a drop in elective procedures because of the pandemic.

Meanwhile, the contribution margin for annuities was a loss of -MCH$58,448. In 2020, the annuity sales rate for the entire market averaged 1.9%, while the calculation rate for scheduled withdrawals was 3.7%, thus driving industry-wide sales sharply downward. As a result, Vida Security reported direct premiums written of MCH$14,318, down 75% from the previous year. This was offset by lower reserve requirements due to lower sales volumes, reflected in a decrease in annuities paid.

In the fourth quarter, the decision was made to adjust technical parameters for the annuity business in order to boost sales, thus maintaining expected returns. This resulted in sales of MCH$5,767 for the quarter, versus MCH$178 in 3Q20.

The contribution margin for Disability and Survivor Insurance (DSI) was a loss of -MCH$4,206 for 12M20, in comparison to a loss of -MCH$9,604 in 2019.

These effects resulted in a contribution margin of -MCH$45,633, versus -MCH$82,259 for 12M19.

Next, Juan Pablo Cofré, Investment Manager for Vida Security, will explain the main effects on investment income.

Juan Pablo Cofré

Vida Security - Investment Income (Page 16)

Vida Security had investment income of MCH$107,929 for 12M20, down 26% from 2019.

The weaker returns on the proprietary trading portfolio in 2020 compared to 2019 can be explained mainly by domestic real estate investments and variable-income instruments being affected during the first half of the year by the global effects of the pandemic. The weaker returns on domestic real estate investments, in turn, were the product of a negative valuation of some real estate funds and some prepayments and asset sales carried out in 2019 that did not repeat themselves in 2020. The weaker returns on variable-income instruments are attributable to the international portfolio of public assets. In domestic fixed-income instruments, there were larger provisions for impairment of some fixed-income instruments (MCH$11,000 vs MCH$5,427 in impairment), offset by strong results from actively managing domestic fixed-income instruments.

The second half of the year there was a significant comeback with respect to the first half, reflecting the upturn seen in most financial markets to a greater or lesser degree. For example, compare MCH$59,130 for the second half against MCH$23,652 for the first half or MCH$48,660 for the second half of 2019. Important factors included a recovering portfolio of alternative funds, a strong performance from infrastructure and debt funds and a partial rebound in domestic real estate funds.

Fernando Salinas

International Business Area - Protecta Perú (Page 17)

In the international business area, Protecta Security recorded profit of MS./ 23.1 in the first twelve months of 2020, up 3% from last year.

Total premiums written grew 2% YoY thanks to a rise in private annuity premiums, reaching MS./160 and market share of 17%. These effects were partly offset by a contraction in the Peruvian annuities market. However, the company still attained market share of 24% based on sales flows.

Note that converting results in soles to IFRS in Chile results in a smaller accounting profit.

Other Services Area (Page 18)

Travel Security, our travel agency, has been profoundly affected by the public health crisis's impact on the travel and tourism industry, reflected in a YoY drop of 75% in billing.

Consolidated with its similarly impacted subsidiary in Peru, Travel Security reported a loss of -MCH$4,742 for the first nine months of the year. Individually, Travel Perú posted a loss of -MUS$1.9.

This situation gave rise to an important structural adjustment to shift to a fundamentally digital sales model, watchful of how the industry will evolve.

As for the real estate subsidiary, as quarantines lifted municipal processes began to return to normal, thus resuming transfer of ownership.

This subsidiary recorded profit of MCH$6,038 with legal title transfered on 186 units, 72 of which occurred during the fourth quarter. Real estate assets under management fell 20.8%, in line with the aforementioned ownership transfers.

Grupo Security - Long-Term Track Record (Page 19)

Picking up again with the long-term outlook, we anticipate recovery in 2021 that will enable us to continue our historical track record of growth.

For this year, we expect improved local economic conditions to drive loan growth at the Bank. In addition, we are forecasting recovering volumes of annuity sales and an improvement in investment income at Vida Security. These effects, along with continued cost-cutting efforts initiated in 2020, should enable us to attain earnings growth of at least 10% during the year.

Questions and Answers

Analyst 1

Although the portfolio has a high level of collateral and guarantees, the Chilean Central Bank stated that these guarantees could be worth less because of the pandemic. Do you consider this a risk based on the company's coverage level?

Alberto Oviedo

Our guarantees are very concentrated in real estate and land, in collateral that has not lost value and even saw a marginal increase in value in the fourth quarter. We have no historical proof that a decrease in activity such as the one we are experiencing now, which is unusually low, affects the value of this type of guarantee.

The guarantees that seem to be more affected in such cycles are financial guarantees, especially stocks, and our exposure to such guarantees is less and concentrated in just a few loans.

How will the increased aggressiveness in annuity sales affect the insurance area?

Paulina Guerra

A: Good afternoon. What gives us higher annuity sales is larger premiums and, to the extent that we obtain a return on our investments, we can contribute to the Group's bottom line. On the other hand, it is important to mention that the IRRs that we are seeing during this period are quite a bit higher, above 20%, which gives us higher-than-normal returns.

Renato Peñafiel

Furthermore, although the first year does have a negative impact because of sales commissions, growing the portfolio and managing the portfolio have a significant future sequence, independent from the insurance issue. So, the truth is that annuity sales have to be viewed as an investment with two effects: In the short term, an increase in earnings, but basically an increase in embedded value, in the company's added value. So, while it is accurate that there is short-term harm to profit, it is more than offset by the increase in the company's value.

Q: How much do you hope to save on a consolidated level from the 2020 restructuring process? Do you envisage new sources of savings to implement in 2021?

Renato Peñafiel

We believe that we are going to keep up a large part of the savings in personnel resources. We have already observed a rise in productivity. The workforce reduction was not minor and, despite that, we have not had problems with quality. Today we are working to refocus on productivity.

Why am I referring to having changed instruments for measuring productivity? Because they were being measured traditionally based on an in-person relationship for all company account executives, around 3 thousand people.

Today, since we are always going to have a group working from home, productivity measures have to change and I think they are going to increase. This is going to give us a more permanent savings sequence in terms of payroll. In terms of administrative expenses, some are permanent and others, like having suspended advertising or marketing expenses, could be for last year and this year. But if we go back to a more normal market, we are going to have to invest more and that is more than half of the savings we had.

To get a more exact figure, I would wait for June of this year, which will mark 12 months with all sustainable changes. Everything else is just best wishes, but let's see the numbers.

When do you expect to recover the consolidated profit attained in the year 2019?

Next year at the latest, and hopefully this year. I don't know if we will be able to do it. Everything depends on the risk impact. If there is a quick recovery in credit risk, we will recover earlier. If you look at the harm to the Group's profit, it is strongly influenced by risk, as a first measure. We recorded a lot of provisions last year on purpose, in order to alleviate the future, but we do not know what is going to happen with the effects of the pandemic. I think that the pandemic will last beyond 2021 and hopefully will end in 2022, but we don't know. We also don't know whether the vaccinations will last a year, or six months, or permanently. So, I would set a maximum deadline of 2022. I don't think it will be this year.

What will the Bank's growth strategy be for 2021? Do you see any sector that could lead this growth? Do you have any growth projections for 2021?

Manuel Widow

As for growth prospects for 2021, we are seeing an industry that is still going to have relatively low growth compared to previous years and we are betting, as customary, on slightly-above-industry growth. We're talking about around 5% or 6% growth for the year. Now, as for us focusing on any particular sector, the truth is no, we aren't. We are looking for opportunities that are emerging as some deals in the industry are reactivating. There are only a few deals hanging around and competition is quite tough, so it is going to be a difficult year in that sense, but we continue to bet on being able to grow slightly more than the industry.

Q: What returns could the Bank anticipate this year and when could we see pre-pandemic figures on a consolidated level?

A: For this year, based on what has already been said in terms of risk and other topics, we are aiming for slightly better returns than in 2020, but still not pre-pandemic levels. We believe this should occur between 2022 and 2023. This year should be around 10 to 11%.

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