

# Grupo Security Earnings Report

## **Grupo Security Reports Profit of MCH\$40,542 for 1H21 (+134% YoY).**

**Santiago, Chile – August 19, 2021. Grupo Security S.A., (BCS: SECURITY; BBG: SECUR).**

For 1H21, Grupo Security reported profit of MCH \$40,542, or 134% higher than June 2020, while mobile LTM profit was MCH \$88,361, an all-time high for the Group. This is equivalent to earnings per share of CH \$21.9, 45% above June 2020. Meanwhile, the Group's dividend yield was 6.5%. With the current results, the Group's price/earnings ratio is 6.2 and its market/book ratio is 0.63, among the lowest since our IPO.

These positive figures are based on strong business performances and the savings plan. Total consolidated expenses for 1H21 fell 9.9% YoY, with administrative expenses 11% lower than last year and payroll expenses down MCH \$5,972, with more than MCH \$4,000 in termination benefits paid at Banco Security and its subsidiaries. This decrease is consistent with the savings commitment of 10% of total expenses established by the company in the roadshow for the capital increase in 2020. The Bank reported consolidated profit of MCH \$30,694 for 1H21 (+4.1% YoY), which accounted for 49.6% of profit from the Group's related companies. This is despite the increase in LLP expenses of MCH \$13,750 and termination benefits paid out as part of the aforementioned structural adjustment.

Vida Security performed exceptionally well with profit of MCH \$23,608 for 1H21 (loss of -MCH \$1,992 for 1H20) due to improved investment income (+220.7% YoY). The company ranked third in sales as of June 2021, with 6.7% market share, equivalent to total premiums of MCH \$151,735 for 1H21. In addition, Fitch Ratings upgraded its risk rating for Vida Security from AA- to AA, based on its continuously improving business profile and indebtedness ratios.

Meanwhile, the travel business reached just above the break-even point in 2Q21, after adjusting its business model to a primarily digital sales model in 2020. Inmobiliaria Security continued its positive earnings streak with MCH \$2,309 for 1H21 (loss of -MCH \$514 for 1H20). At Factoring Security, earnings are in line with expected growth.

In this context, we have called an extraordinary shareholders' meeting for Wednesday, August 25th, to vote on a share buyback program, which we consider to be an attractive investment for Grupo Security since the current stock price does not reflect its intrinsic value.

- Banco Security's consolidated profit for 1H21 was MCH \$30,694, +4.1% YoY, and market share reached 3.3% as of June 2021 (3.3% as of June 2020). Commercial loans expanded 1.0% YoY, with market share in its target segment of medium and large companies of 6.0%<sup>1</sup>.
- Its risk ratio, measured as provisions to loans, was 2.24% as of June 2021 (+57 bps YoY), which compares favorably to the banking system's 2.45%. The Bank's consolidated efficiency ratio was 46.6% as of June 2021 (-369 bps YoY), above the industry figure of 43.8% (-538 bps YoY). The Bank posted an ROAE as of June 2021 of 9.1% (-28 bps YoY).
- Factoring Security reported profit of MCH \$4,784 for 1H21 (-14.1% YoY), explained by lower operating income (-12.1% YoY) due to tighter spreads. Loans totaled MCH \$361,164 for 1H21 (+12.4% YoY).
- Vida Security reported profit of MCH \$23,608 for 1H21 (versus a loss of -MCH \$1,992 for 1H20) because of improved investment income (+220.7% YoY) and better technical results from disability and survivor insurance (MCH \$2,705 for 1H21 versus -MCH \$1,515 for 1H20). The volume of gross written premiums reached MCH \$151,735 (+33.5% YoY) for 1H21, ranking the company third in the industry with market share of 6.7%.
- For 1H21, Protecta Security reported profit of MS./ 9.5 (+104.5% YoY) due to greater investment income (+17.2% YoY) and total premiums of MS./ 306, the highest in the company's history. In the first half of the year, Protecta reached market share of 22.3% in annuities, positioning it second in sales in the Peruvian market.
- Inversiones Security, including Securitizadora Security, reported profit of MCH \$3,926 for 1H21, or 93% greater than the same period last year, due to improved results at Securitizadora and CasaNuestra and deferred taxes recognized by the brokerage subsidiary, Valores Security, of MCH \$1,141.
- Inmobiliaria Security reported profit of MCH \$2,309 for 1H21 (a loss of -MCH \$514 for 1H20) due to legal title transferred on 55 units during the period, versus 18 units in the first half of last year.

<sup>1</sup> This includes companies with annual sales over MCH \$800, in the regions of Chile where Banco Security has offices.  
Source: Chilean Internal Revenue Service (SII).

- Travel Security (Chile and Peru) had a loss of -MCH \$278 for 1H21 (versus a loss of -MCH \$2,771 for 1H20) due to reduced sales because of the public health crisis. In 2020, the company switched to a primarily digital sales model and in 2Q21 it reached its break-even point with profit of MCH \$25.
- At a consolidated level, Grupo Security posted profit of MCH \$40,542 for the first half of 2021 (+134.0% YoY and -33.5% QoQ), with annualized ROAE of 9.7% (4.5% as of June 2020).

## SIGNIFICANT AND SUBSEQUENT EVENTS

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- On February 22, 2021, Jorge Meyer De Pablo resigned from the position of CEO of Securitizadora Security and Inmobiliaria Casanuestra effective February 28, 2021, to take on the role of Investment Manager of AGF Security. Fiorella Battilana Ferla replaced him as CEO of Securitizadora Security and Inmobiliaria Casanuestra.
- At the annual general meeting on April 06, 2021, Grupo Security shareholders approved a dividend payment of CH \$5.25 per share charged to profit for the year 2020. This dividend plus the interim dividend distributed in October 2020 are equivalent to CH \$10.95 per share, totaling MCH \$41,588, or 64% of profit for the year 2020.
- At this meeting, shareholders also approved the annual report, balance sheet and financial statements for the year 2020. They also agreed to appoint EY as the Company's external auditors for the year 2021 and Fitch and ICR as its risk rating agencies.
- In June 2021 Fitch Ratings upgraded its risk rating for Vida Security from AA- to AA, based on its continuously improving business profile and indebtedness ratios.
- Grupo Security was honored with three awards in recent months. These accolades reflect the consistency of its unique culture built around respecting and caring for people with a focus on work-family-life balance.
  - In July 2021, Grupo Security placed first on the ranking of the Best Places to Work for Women in Chile 2021,
  - and 27th place on the ranking of the Best Places to Work in Latin America.
  - The company was also recently awarded first place in the 2021 Merco Talent ranking, named the Best Company at Attracting and Retaining Talent in the corporate holding category.
- At an extraordinary board meeting on August 9, 2021, the board of Grupo Security agreed to call an extraordinary shareholders' meeting to vote on the creation of a share buyback program for up to 5% of the subscribed and paid-in shares for a period of 5 years and to propose delegating authority to the board to define the acquisition mechanism.

## SECURITY STOCK PERFORMANCE

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In 2020 the impact of the public health crisis on financial markets precipitated a sharp fall in the stock's value during the first quarter to CH \$142.6 as of March 30, 2020 (-27.1% YTD), with a market-to-book ratio of 0.68. This value remained relatively stable throughout 2Q20, with additional drops during the second half of the year. Consequently, the stock had a daily average price of CH \$149.8 for the year, closing 2020 at CH \$131.9, with a market-to-book ratio of 0.62.

In 2021, local uncertainty once again impacted the stock's value, in line with the rest of the market, reaching a record low of CH \$121.0 in May 2021. As of June 30, 2021, Grupo Security's stock was valued at CH\$ 123.5 per share (-6.4% YTD), giving a market-to-book ratio of 0.58, among the Group's all-time lows. The stock is currently at CH \$135.0, with a price-to-earnings ratio of 6.2 and a market-to-book ratio of 0.63. Therefore, Grupo Security's dividend yield today is 6.5%. As of June 30, 2021, the S&P

IPSA Index was at 2,897 points, with returns of +1.55% for the period, while the stocks on the S&P/CLX Banks Index (CLP) boasted returns of 3.19% for the six-month period.

Ratios	Aug-21*	Jun-21	Dec-20	Jun-20	% Chg		
					QoQ	YTD	YoY
Net Profit (MM\$)	40,542	40,542	65,146	17,328	-	-	134.0%
Net Profit LTM (MM\$)	88,361	88,361	65,146	55,665	6.5%	35.6%	58.7%
Profit per share (\$)	21.9	21.9	16.8	15.1	4.2%	29.8%	45.1%
ROAE	9.7%	9.7%	8.1%	4.3%	-191 p	155 p	537 p
P/U (Times)	6.36	5.7	7.8	9.8	-32.3%	-27.9%	-42.1%
Price / Book value (Times)	0.65	0.58	0.62	0.63	-29.0%	-7.0%	-8.1%
Dividend yield	6.3%	7.1%	8.3%	8.3%	-121 p	-121 p	-125 p
Share Price (\$)	139.0	123.5	131.9	147.0	-29.5%	-6.4%	-16.0%
Equity (MM\$)	867,101	867,101	861,744	867,101	-0.7%	0.6%	0.0%
Free float	27.6%	27.6%	27.6%	27.0%	0 p	0 p	60 p
Number of Shares (millions)	4,042	4,042	4,042	3,695	0.0%	0.0%	9.4%

\* Price and Number of Shares as of 08/18/21. Equity and profit as of June-21.

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## GRUPO SECURITY EARNINGS REPORT FOR 1H21

Grupo Security posted profit of MCH \$40,542 for the six months ended June 2021 (+134.0% YoY and -33.5% QoQ). EBITDA for the same period totaled MCH \$59,807 (+113.1% YoY and +66.1% QoQ), and annualized ROAE reached 9.7% as of June 2021 (4.5% as of June 2020).

Grupo Security posted profit of MCH\$ 40,542 for 1H21 (+134.0% YoY), due to higher profit from the Group's business areas of MCH \$61,827 (+108.5% YoY), as explained throughout this report. In addition, Group and support area expenses totaled MCH \$6,556 (+4.6% YoY), mainly due to higher technology expenses, while finance costs reached MCH \$6,616 (+2.2% YoY) because of bonds issued by Grupo Security and Inversiones Previsión Security in 2020. The Group had a loss on indexed asset and liabilities of -MCH \$7,610 (+118.6% YoY) due to higher cumulative inflation (2.2% for 1H21 versus 1.4% for 1H20) and the bonds issued. The adjustment for support companies was a loss of -MCH \$818 for 1H21 (-41.4% YoY).

For the quarter, Grupo Security posted profit of MCH \$16,191 (-33.5% QoQ), explained by weaker results from business areas of MCH \$26,716 (-23.9% QoQ). Group and area expenses rose to MCH \$3,562 (+19.0% QoQ) mainly due to increased technology expenses. The Group also had higher finance costs (+1.0% QoQ) and a smaller gain on indexed assets and liabilities (-2.6% QoQ) due to lower inflation during the quarter (2Q21 1.07% versus 1Q21 1.12%).

(MCH\$)	2Q21	1Q21	2Q20	% Chg		jun-21	jun-20	% Chg
				QoQ	YoY			
Business areas profit	26,716	35,111	12,272	-23.9%	117.7%	61,827	29,649	108.5%
Support areas and group expenses	-3,562	-2,994	-3,212	19.0%	10.9%	-6,556	-6,268	4.6%
Finance costs	-3,325	-3,291	-3,063	1.0%	8.6%	-6,616	-6,474	2.2%
Indexation units	-3,755	-3,855	-707	-2.6%	430.8%	-7,610	-3,481	118.6%
Support areas adjustments	-255	-564	538	-54.9%	-147.4%	-818	-1,390	-41.1%
Taxes and others	-222	537	5,001	-141.3%	-104.4%	315	5,293	-94.0%
<b>Grupo Security Profit</b>	<b>16,191</b>	<b>24,352</b>	<b>10,828</b>	<b>-33.5%</b>	<b>49.5%</b>	<b>40,542</b>	<b>17,328</b>	<b>134.0%</b>
<b>EBITDA</b>	<b>23,805</b>	<b>36,002</b>	<b>13,469</b>	<b>-33.9%</b>	<b>76.7%</b>	<b>59,807</b>	<b>28,274</b>	<b>111.5%</b>
<b>LTM Profit</b>	<b>88,361</b>	<b>82,998</b>	<b>55,665</b>	<b>6.5%</b>	<b>58.7%</b>	<b>88,361</b>	<b>55,665</b>	<b>58.7%</b>

From a consolidated perspective, Grupo Security's revenue reached MCH \$624,933 (+25.5% YoY) for 1H21, primarily because of increased revenue from gross written premiums at Vida Security and Protecta, which totaled MCH \$211,484 (+32.9% YoY), due to higher sales of annuities and individual insurance policies. Furthermore, Vida Security and Protecta reported greater interest and investment income of MCH \$72,247 (+99.0% YoY), effects explained on pages 21 to 29 of this report. In contrast, there was an 88.8% YoY rise in other income principally due to an increase in legal title transferred on properties by Inmobiliaria Security, along with a 4.5% YoY rise at Banco Security due to increased indexation income because of higher inflation during the period and a larger number of prepayments, as explained on pages 7 to 15.

As for consolidated operating expenses, this figure reached MCH \$444,690 for 1H21 (+30.5% YoY). The main effect corresponds to an increase in operating expenses at Vida Security and Protecta, up 41.4% YoY in line with greater premiums in annuities and a higher loss ratio in group policies, as explained on pages 23 to 25. Furthermore, Banco Security had higher LLP expenses (+49.6% YoY), as explained on pages 9 to 11 of this report, and higher operating expenses as a result of indexation expense on debt instruments issued due to higher inflation with respect to last year. In addition, operating expenses at Factoring Security were down 21.7% YoY, stemming from lower financing costs.

Consolidated statement of income* (MCH\$)	2Q21	1Q21	2Q20	% Chg		Jun-21	Jun-20	% Chg
				QoQ	YoY			
<b>Revenue</b>	<b>316,578</b>	<b>307,261</b>	<b>199,496</b>	<b>3.0%</b>	<b>58.7%</b>	<b>623,840</b>	<b>497,914</b>	<b>25.3%</b>
Banco Security - Revenue <sup>1</sup>	128,612	130,906	111,119	-1.8%	15.7%	259,518	249,417	4.1%
Vida Security & Protecta - Gross premium	111,550	99,934	66,688	11.6%	67.3%	211,484	159,117	32.9%
Vida Security & Protecta - Interest & investment income	32,114	47,169	5,062	-31.9%	-	79,283	36,296	118.4%
Factoring Security - Revenue	8,020	8,207	8,743	-2.3%	-8.3%	16,226	18,961	-14.4%
Other revenue	36,283	21,046	18,009	72.4%	101.5%	57,329	34,124	68.0%
<b>Cost of sales</b>	<b>-231,156</b>	<b>-213,534</b>	<b>-124,960</b>	<b>8.3%</b>	<b>85.0%</b>	<b>-444,690</b>	<b>-340,652</b>	<b>30.5%</b>
Banco Security - Cost of sales <sup>2</sup>	- 59,550	- 60,679	- 47,297	-1.9%	25.9%	-120,229	-117,421	2.4%
Banco Security - LLP expenses	- 21,268	- 19,294	- 12,998	10.2%	63.6%	-40,562	-27,122	49.6%
Vida Security & Protecta - Cost of sales <sup>3</sup>	-131,147	-114,342	- 56,876	14.7%	130.6%	-245,490	-173,613	41.4%
Factoring - Cost of sales <sup>4</sup>	- 1,731	- 2,082	- 1,710	-16.9%	1.2%	-3,813	-4,789	-20.4%
Other costs	- 17,460	- 17,137	- 6,079	1.9%	187.2%	-34,597	-17,708	95.4%
<b>Gross profit</b>	<b>85,422</b>	<b>93,728</b>	<b>74,536</b>	<b>-8.9%</b>	<b>14.6%</b>	<b>179,150</b>	<b>157,261</b>	<b>13.9%</b>
Other revenue	- 703	- 1,473	- 1,424	-52.3%	-50.6%	-2,176	-5,332	-59.2%
<b>Total expenses</b>	<b>- 59,383</b>	<b>- 55,803</b>	<b>- 59,985</b>	<b>6.4%</b>	<b>-1.0%</b>	<b>-115,185</b>	<b>-127,827</b>	<b>-9.9%</b>
Personnel expenses	- 31,611	- 29,613	- 33,219	6.7%	-4.8%	-61,224	-67,196	-8.9%
Administrative expenses	- 27,771	- 26,190	- 26,766	6.0%	3.8%	-53,961	-60,631	-11.0%
<b>Operational profit</b>	<b>25,337</b>	<b>36,452</b>	<b>13,128</b>	<b>-30.5%</b>	<b>93.0%</b>	<b>61,788</b>	<b>24,103</b>	<b>156.4%</b>
Finance costs	- 3,810	- 2,896	- 3,380	31.6%	12.7%	-6,706	-6,834	-1.9%
Exchange differences	290	769	- 1,945	-62.3%	-	1,059	2,582	-59.0%
Indexation units	- 4,969	- 4,831	- 1,015	2.9%	389.4%	-9,801	-5,180	89.2%
Others <sup>5</sup>	- 98	- 70	4	-	-	-168	-127	-
<b>Profit before tax</b>	<b>16,749</b>	<b>29,423</b>	<b>6,791</b>	<b>-43.1%</b>	<b>146.6%</b>	<b>46,172</b>	<b>14,544</b>	<b>217.5%</b>
Finance costs	- 223	- 5,103	3,019	-95.6%	-107.4%	-5,326	1,752	-404.0%
<b>Profit (loss) attributable to equity holders of the parent</b>	<b>16,191</b>	<b>24,352</b>	<b>10,828</b>	<b>-33.5%</b>	<b>49.5%</b>	<b>40,542</b>	<b>17,328</b>	<b>134.0%</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. Includes variations in technical reserves, claims and pensions paid and underwriting expenses. 4. Includes banking and other expenses. 5. 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.

In 2020 Grupo Security implemented a savings plan in all subsidiaries, with permanent efficiency efforts that included structural adjustments at the Group's main businesses. As a result, total expenses reached MCH \$115,185 for 1H21 (-9.8% YoY), reflecting efforts made during 2020. During the first half of 2021, personnel expenses fell by 8.9% YoY, which considers a restructuring at Banco Security and subsidiaries, with termination benefits in excess of MCH \$4,000. Meanwhile, administrative expenses were down 11.0% YoY.

Grupo Security Indicators In MCH\$	Jun-21	Mar-21	Jun-20	% Chg	
				QoQ	YoY
Banco - Total Loans	6,255,873	6,272,530	6,225,354	-0.3%	0.5%
Industry - Total Loans <sup>1</sup>	190,710,072	187,965,804	190,041,601	1.5%	0.4%
Inversiones - AUM Mutual Funds	2,630,336	2,828,241	2,620,154	-7.0%	0.4%
Industry - AUM Mutual Funds	52,482,707	53,252,029	49,492,371	-1.4%	6.0%
Vida - Investment Portfolio	2,676,166	2,686,240	2,627,217	-0.4%	1.9%
Industry (life insurance) - Investment Portfolio	46,781,953	47,169,542	46,456,290	-0.8%	0.7%
Factoring - Factored Receivables	361,164	373,306	321,201	-3.3%	12.4%

<sup>1</sup>Excludes loans and advances to banks and foreign subsidiaries of local banks.

Grupo Security Indicators Statment of Income	2Q21	1Q21	2Q20	% Chg		6M21	6M20	% Chg
				QoQ	YoY			
Banco - Net Interest Margin	49,003	47,802	47,316	2.5%	3.6%	96,805	94,858	2.1%
Banco - Net Fees	14,145	14,801	14,636	-4.4%	-3.4%	28,946	31,127	-7.0%
Banco - Operating Expenses	-32,921	-33,876	-31,199	-2.8%	5.5%	-66,797	-66,806	0.0%
Banco - Net Provision Expenses	-21,268	-19,294	-14,589	10.2%	45.8%	-40,562	-27,695	46.5%
Vida - Direct Premium	82,521	69,214	50,281	19.2%	64.1%	151,735	113,690	33.5%
Vida - Claims Paid	-31,994	-11,141	-12,214	187.2%	161.9%	-43,135	-54,370	-20.7%
Vida - Pensions Paid	-55,221	-50,637	-29,188	9.1%	89.2%	-105,858	-53,974	96.1%
Vida - Investment Income	34,196	38,962	36,022	-12.2%	-	73,158	22,810	220.7%
Factoring - Revenue	7,036	7,176	8,750	-1.9%	-19.6%	14,212	18,975	-25.1%

Grupo Security	2Q21	1Q21	4Q20	2Q20	% Chg		
					QoQ	YoY	YoY
Employees (number)	3,172	3,286	3,256	3,530	-3.5%	-2.6%	-10.1%

Ratios	Jun-21	Mar-21	Dec-20	Jun-20	% Chg	
					QoQ	YoY
Grupo - ROE	9.7%	11.6%	8.1%	4.5%	-191 p	515 p
Banco (Consolidated) - ROAE	9.1%	10.1%	9.4%	9.4%	-102 p	-28 p
Factoring - ROE	17.4%	16.6%	17.4%	20.9%	88 p	-349 p
Vida - ROAE	23.2%	29.8%	11.7%	-2.0%	-661 p	2517 p
Travel - ROE	-	-	-	-	-	-
Grupo - Leverage	36.4%	36.7%	35.6%	34.5%	-37 p	191 p
Banco - Efficiency	46.6%	46.6%	47.2%	50.3%	1 p	-369 p
Factoring - Efficiency	42.0%	42.2%	43.7%	39.8%	-15 p	220 p
Banco - Non-Performing Loans	1.91%	1.86%	1.76%	1.87%	5 p	5 p
Banco - Risk Index	2.24%	2.12%	1.97%	1.67%	12 p	57 p
Factoring - Risk Index	2.01%	1.65%	1.68%	2.33%	36 p	-32 p
Banco - BIS Tier I Ratio	7.7%	8.0%	7.8%	7.2%	-26 p	52 p
Banco - BIS Tier II Ratio	14.6%	14.1%	14.1%	13.1%	44 p	144 p

ROAE: profit LTM over average equity

#### Earnings from Related Companies (In Ch\$ Million)

	2Q21	1Q21	2Q20	% Chg		Jun-21	Jun-20	% Chg
				QoQ	YoY			
<b>Lending Area</b>								
Banco Security (standalone)	13,382	13,767	12,018	-2.8%	11.4%	27,149	26,806	1.3%
Factoring Security	2,410	2,374	2,706	1.5%	-10.9%	4,784	5,568	-14.1%
<b>Asset Management Area</b>								
Valores Security	-368	1,693	630	-121.7%	-	1,326	689	92.5%
AGF Security	785	1,434	928	-45.2%	-15.4%	2,219	1,999	11.0%
Securitizadora Security & Casa	114	96	-164	19.0%	-	210	-549	-
<b>Insurance Area</b>								
Vida Security	8,286	15,322	-1,035	-45.9%	-	23,608	-1,992	-
<b>Other Services</b>								
Inmobiliaria Security	908	1,401	-346	-35.2%	-	2,309	-514	-
Travel Security	25	-303	-2,861	-	-	-278	-2,771	-
<b>International Business</b>								
Protecta Security (S./ Th.)	9,041	478	-1,243	1789.7%	-827.5%	9,519	4,655	104.5%
Travex Security (S./ Th.)	-486	-780	-4,286	-	-	-1,266	-4,857	-
<b>Grupo Security Profit<sup>1</sup></b>	<b>16,191</b>	<b>24,352</b>	<b>10,828</b>	<b>-33.5%</b>	<b>49.5%</b>	<b>40,542</b>	<b>17,328</b>	<b>134.0%</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 (70.0% of assets; 51.6% of profit from business areas as of June 2021)

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

Banco Security reported consolidated profit attributable to owners of the parent of MCH \$30,693 for 1H21, +4.1% YoY, and MCH\$ 13,800 for 2Q21, -18.3% QoQ. The Bank's standalone profit (excluding subsidiaries AGF Security and Valores Security Corredores de Bolsa) was MCH \$27,149 (+4.4% YoY and -4.7% QoQ).

For the same period, its ROAE (profit LTM over average equity) was 9.1%, -28 bps YoY.

### Banco Security - Consolidated Statement of Income

Banco Security posted consolidated profit of MCH \$30,694 for 1H20 (+4.1% YoY) and MCH \$13,800 for 2Q21 (-18.3% QoQ).

<i>In Ch\$ Millon</i>	2Q21	1Q21	2Q20	% Chg		6M21	6M20	% Chg YoY
				QoQ	YoY			
Net interest margin	49,003	47,802	47,316	2.5%	3.6%	96,805	94,858	2.1%
Net Fees	14,145	14,801	14,636	-4.4%	-3.4%	28,946	31,127	-7.0%
Net financial Operating Income	4,832	6,710	2,811	-28.0%	71.9%	11,542	4,894	135.8%
Net foreign exchange transactions	280	2,115	-527	-	-153.1%	2,395	4,872	-50.8%
Recovery of charged-off loans	1,225	1,448	901	-15.4%	36.0%	2,673	1,790	49.3%
Other net operating income	1,174	-135	-834	-	-	1,039	-4,652	-
<b>Gross operating income</b>	<b>70,659</b>	<b>72,741</b>	<b>64,303</b>	<b>-2.9%</b>	<b>9.9%</b>	<b>143,400</b>	<b>132,889</b>	<b>7.9%</b>
Loan loss provision expenses	-22,493	-20,742	-15,490	8.4%	45.2%	-43,235	-29,485	46.6%
Administrative expenses	-32,921	-33,876	-31,199	-2.8%	5.5%	-66,797	-66,806	0.0%
<b>Net operating income</b>	<b>15,245</b>	<b>18,123</b>	<b>17,614</b>	<b>-15.9%</b>	<b>-13.4%</b>	<b>33,368</b>	<b>36,598</b>	<b>-8.8%</b>
Income attributable to investments in other companies	17	0	2	-	-	17	2	-
<b>Profit before tax</b>	<b>15,262</b>	<b>18,123</b>	<b>17,616</b>	<b>-15.8%</b>	<b>-13.4%</b>	<b>33,385</b>	<b>36,600</b>	<b>-8.8%</b>
Income tax expense	-1,462	-1,229	-4,040	19.0%	-63.8%	-2,691	-7,106	-62.1%
<b>Profit for the period</b>	<b>13,800</b>	<b>16,894</b>	<b>13,576</b>	<b>-18.3%</b>	<b>1.6%</b>	<b>30,694</b>	<b>29,494</b>	<b>4.1%</b>
Profit attributable to owners of the parent	13,800	16,892	13,575	-18.3%	1.7%	30,692	29,493	4.1%

The net interest margin was MCH \$96,805 for 1H21 (+2.1% YoY). Interest and indexation income totaled MCH \$207,786 (+2.2% YoY), due to increased indexation because of higher inflation (2.2% in 1H21 versus 1.37% in 1H20) and more prepayments, partially offset by lower interest income on commercial and consumer loans due to lower interest rates. Interest and indexation expense, meanwhile, totaled MCH \$110,981 (+2.4% YoY), principally due to increased indexation expense on debt instruments issued due to higher inflation as compared to last year, partially offset by lower volumes of time deposits (-43.9% YoY), the use of financing mechanisms provided by the Central Bank and lower interest rates. As a reference, the MPR was 0.5% as of June 2021, versus 0.5% as of April 2020, 1.0% as of March 2020 and 1.75% as of December 2019.

In comparison to 1Q21, the net interest margin climbed 2.5% to MCH \$49,003. Interest and indexation income totaled MCH \$103,650 (-0.5% QoQ) due to a lower volume of total loans (-0.3% QoQ) and the drop in interest rates, partly offset by higher prepayment commissions. Interest and indexation expenses reached MCH \$54,647 (-3.0% QoQ) as a result of lower volumes of time deposits (-9.5% QoQ).

Interest and indexation income <i>In Ch\$ Millions</i>	2Q21	1Q21	2Q20	%Chg		Jun-21	Jun-20	% Chg
				QoQ	YoY			
Consumer	10,079	10,895	13,448	-7.5%	-25.1%	20,974	27,278	-23.1%
Mortgage	12,730	12,662	7,401	0.5%	72.0%	25,392	19,701	28.9%
<b>Mortgage + Consumer</b>	<b>22,809</b>	<b>23,557</b>	<b>20,849</b>	<b>-3.2%</b>	<b>9.4%</b>	<b>46,366</b>	<b>46,979</b>	<b>-1.3%</b>
<b>Commercial</b>	<b>73,457</b>	<b>74,563</b>	<b>60,825</b>	<b>-1.5%</b>	<b>20.8%</b>	<b>148,020</b>	<b>139,243</b>	<b>6.3%</b>
<b>Investment instruments</b>	<b>5,047</b>	<b>5,131</b>	<b>5,952</b>	<b>-1.6%</b>	<b>-15.2%</b>	<b>10,178</b>	<b>12,786</b>	<b>-20.4%</b>

Interest and indexation income <i>In Ch\$ Millions</i>	2Q21	1Q21	2Q20	%Chg		Jun-21	Jun-20	% Chg
				QoQ	YoY			
Consumer	9.54%	9.92%	10.77%	-38 p	-123 p	9.92%	10.92%	-100 p
Mortgage	6.75%	6.92%	4.23%	-17 p	251 p	6.73%	5.64%	109 p
<b>Mortgage + Consumer</b>	<b>7.75%</b>	<b>8.04%</b>	<b>6.96%</b>	<b>-29 p</b>	<b>79 p</b>	<b>7.88%</b>	<b>7.84%</b>	<b>4 p</b>
<b>Commercial</b>	<b>5.79%</b>	<b>5.85%</b>	<b>4.84%</b>	<b>-6 p</b>	<b>95 p</b>	<b>5.83%</b>	<b>5.54%</b>	<b>29 p</b>
<b>Total</b>	<b>6.16%</b>	<b>6.26%</b>	<b>5.25%</b>	<b>-10 p</b>	<b>91 p</b>	<b>6.21%</b>	<b>5.98%</b>	<b>23 p</b>

Net fee and commission income totaled MCH \$28,752 for 1H21 (-8.2% YoY), due mainly to reduced income from supplementary loan insurance products in the Retail Banking Division. With respect to the preceding quarter, net fee and commission income was down 6.7% QoQ, because of lower commissions, primarily at Valores Security.

Finance income, which is the sum of net financial operating income (loss) and the net gain from FX transactions, climbed to MCH \$13,937 (+42.7% YoY), due to increased trading of fixed-income instruments, offset partly by a drop in sales of mortgage bonds. In comparison to the prior quarter, profit was down 42.1% due to decreased trading of fixed-income instruments during the last quarter.

The line item other net operating income reached MCH \$1,039 for 1H21 (versus -MCH \$4,652 for 1H20), with a high basis of comparison because of repossessed or awarded assets written off in 1Q20 and greater gains on the sale of property, plant and equipment. For the quarter this figure was MCH \$1,174 (versus -MCH \$135 in 1Q21) due to greater sales of property, plant and equipment.

Banco Security focuses on corporate customers and high-income individuals, which is reflected in its risk ratio, measured as provisions over loans, of 2.24% as of June 2021 versus 2.45% for the banking industry. The Bank's strategy for the commercial portfolio has centered around supporting customers in long-term businesses with adequate collateral coverage, which is valued using conservative standards. Bear in mind that loan loss provisions are calculated based on the unsecured portion of the loan, so greater collateral coverage results in lower ratios of loan loss provisions to loans.

	Credit Risk (%)								
	Provisions / Loans					Over 90 Day Nonperforming Loans			
	Mortgage	Consumer	Total	Commercial	Total	Mortgage	Consumer	Commercial	Total
Banco Security	0.20	5.04	1.94	2.32	2.24	1.13	1.35	2.08	1.91
Medium Banks*	0.20	3.86	1.00	2.24	1.99	1.13	1.01	1.58	1.43
Banking system	0.64	6.08	2.10	2.73	2.45	1.28	1.38	1.71	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	90,366,770	50,213,424	1,981,525	55.57%	2.19%	57.76%
Peer Banks <sup>3</sup>	14,298,940	10,203,761	304,259	71.36%	2.13%	73.49%
Large Banks <sup>4</sup>	74,323,079	40,034,458	1,619,967	53.87%	2.18%	56.05%
Banco Security	4,711,703	3,503,245	98,233	74.35%	2.08%	76.44%

1. Individually assessed commercial loans, information as of May 2021.

2. In-house estimate of individually assessed commercial loan portfolio based on report "Bank LLP Indicators" as of May 2021, available at [www.cmf.cl](http://www.cmf.cl).

3. Peer banks: BICE, Consorcio, Internacional and Security.

4. Large Banks: Chile, BCI, Estado, Itaú, Scotiabank and Santander.

Net LLP expenses for 1H21 totaled MCH \$40,562 (+46.5% YoY), explained by higher loan loss provisions for commercial loans of MCH \$36,358 for 1H21 (+188.3% YoY), offset by lower loan loss provisions for consumer loans of MCH \$3,092 for 1H21 (-77.8% YoY). From a quarterly perspective, expenses reached MCH \$21,268 (+10.2% QoQ), with risk peaking in 3Q20 and 4Q20.

In Ch\$ Million	2Q21	1Q21	2Q20	% Chg YoY	6M20	%Chg YoY
Consumer LLP expenses <sup>2</sup>	-1,498	-1,594	-8,414	-82.2%	-13,919	-77.8%
Mortgage LLP expenses <sup>2</sup>	-510	-110	-465	9.7%	-528	17.4%
Comercial LLP expenses <sup>2</sup>	-18,795	-17,563	-5,001	275.8%	-12,612	188.3%
Others <sup>3</sup>	-465	-27	-709	-34.4%	-636	-22.6%
<b>Expense in total provisions<sup>2</sup></b>	<b>-21,268</b>	<b>-19,294</b>	<b>-14,589</b>	<b>45.8%</b>	<b>(27,695)</b>	<b>46.5%</b>
Consumer LLP / Loans	1.42%	1.45%	6.74%	-532 p	5.57%	-411 p
Mortgage LLP / Loans	0.27%	0.06%	0.27%	0 p	0.15%	1 p
Commercial LLP / Loans	1.48%	1.38%	0.40%	108 p	0.50%	93 p
<b>LLP expenses<sup>2</sup> / Loans</b>	<b>1.36%</b>	<b>1.23%</b>	<b>0.94%</b>	<b>42 p</b>	<b>0.89%</b>	<b>41 p</b>

<sup>2</sup> Expense in provisions net of recovery

<sup>3</sup> Provision expenses for loans granted to banks and contingent loans

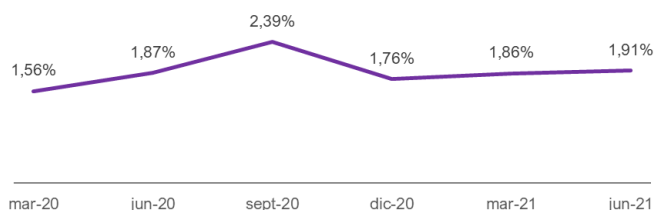
LLP expenses for the first half of the year were MCH \$40,562, equivalent to 1.3% of total loans. In 2Q21, LLP expenses net of recovery totaled MCH \$21,268 (+10.2% QoQ), shaped mainly by impairment of one particular customer in the corporate segment, which involved an expense of around BCH \$13 in 2021, concentrated in the second quarter.

In 1H21 the Bank recorded MCH \$1,500 in additional provisions, in line with the policy approved by the board in 2020.

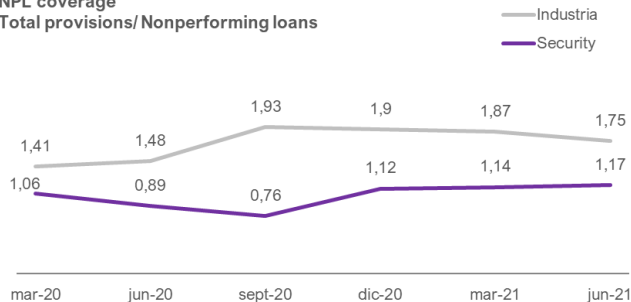
In terms of the NPL portfolio, Banco Security has an NPL coverage ratio (provisions over non-performing loans) of 117.2% (+2,760 bps YoY; +327 bps QoQ), maintaining the trend from year-end 2020. In particular, NPL coverage in the commercial portfolio was 111.4% (+3,121 bps YoY; +559 bps QoQ). Bear in mind that Security's individually assessed commercial portfolio has a high level of collateral.

One of the Bank's strongest indicators is its NPL coverage ratio, a trend we expect to continue in 2021. The NPL portfolio has stayed below 2.0%, displaying a downward trend since 3Q20.

NPL portfolio  
(NPL portfolio/ Total loans)



NPL coverage  
Total provisions/ Nonperforming loans



In short, LLP expense levels are controlled, with NPL coverage above 2020 levels, a trend we expect to see throughout 2021.

In Ch\$ Million	2Q21	1Q21	2Q20	% Chg	
				QoQ	YoY
Consumer loans	422,692	439,394	499,409	-3.8%	-15.4%
Mortgage loans	754,816	732,216	699,124	3.1%	8.0%
Commercial loans	5,078,365	5,100,920	5,026,821	-0.4%	1.0%
<b>Total Loans</b>	<b>6,255,873</b>	<b>6,272,530</b>	<b>6,225,354</b>	<b>-0.3%</b>	<b>0.5%</b>
Nonperforming loans - consumer	5,695	4,825	9,504	18.0%	-40.1%
Nonperforming loans - mortgage	8,516	8,497	9,441	0.2%	-9.8%
Nonperforming loans - commercial	105,598	103,596	97,185	1.9%	8.7%
<b>Total nonperforming loans</b>	<b>119,809</b>	<b>116,918</b>	<b>116,130</b>	<b>2.5%</b>	<b>3.2%</b>
Non-performing loans - consumer	1.35%	1.10%	1.90%	25 p	-56 p
Non-performing loans - mortgage	1.13%	1.16%	1.35%	-3 p	-22 p
Non-performing loans - commercial	2.08%	2.03%	1.93%	5 p	15 p
<b>Total nonperforming loans</b>	<b>1.91%</b>	<b>1.86%</b>	<b>1.87%</b>	<b>5 p</b>	<b>5 p</b>
Gross provisions	161,183	141,956	128,555	13.5%	25.4%
Write-offs	(20,720)	(8,704)	(24,462)	138.1%	-15.3%
<b>Credit risk provisions</b>	<b>140,463</b>	<b>133,252</b>	<b>104,093</b>	<b>5.4%</b>	<b>34.9%</b>
Provisions - consumer (% total)	21,287	22,406	25,060	-5.0%	-15.1%
Provisions - mortgage (% total)	1,537	1,232	1,097	24.8%	40.1%
Provisions - commercial (% total)	117,639	109,614	77,936	7.3%	50.9%
<b>Credit risk provisions</b>	<b>140,463</b>	<b>133,252</b>	<b>104,093</b>	<b>5.4%</b>	<b>34.9%</b>
Coverage - consumer	373.8%	464.4%	263.7%	-9059 p	11011 p
Coverage - mortgage	18.0%	14.5%	11.6%	355 p	643 p
Coverage - commercial	111.4%	105.8%	80.2%	559 p	3121 p
<b>Coverage - total nonperforming loans</b>	<b>117.2%</b>	<b>114.0%</b>	<b>89.6%</b>	<b>327 p</b>	<b>2760 p</b>
Provisions / loans	2.24%	2.12%	1.67%	12 p	57 p
<b>Total impaired loans</b>	<b>7.58%</b>	<b>7.25%</b>	<b>5.57%</b>	<b>33 p</b>	<b>202 p</b>
Impaired loans - consumer	4.73%	4.75%	4.82%	-2 p	-9 p
Impaired loans - mortgage	1.80%	1.77%	1.74%	3 p	6 p
Impaired loans - commercial	8.68%	8.25%	6.17%	43 p	251 p

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

For 1H21 support expenses totaled MCH \$66,797, in line with last year, with lower personnel expenses being offset by higher administrative expenses. Personnel expenses totaled MCH \$31,339, -2.9% YoY due to decreased spending on bonuses and a smaller workforce. Bonuses are paid with a one-quarter lag and 1Q20 includes bonuses related to 2019 results, which gives a high basis of comparison. On the other hand, it had lower payroll expenses following structural adjustments in late 2020 as part of the savings plan rolled out across all Group companies. These effects were partially offset by higher termination expenses of MCH \$4,516 in 1H21 (+139.1% YoY) stemming from the same adjustment plan. Meanwhile, administrative expenses totaled MCH \$31,655 (+3.2% YoY) due to higher consulting expenses, while depreciation and amortization expense reached MCH \$3,803 (-1.8% YoY), remaining stable YoY.

Compared to the immediately preceding quarter, support expenses totaled MCH \$32,921 (-2.8% QoQ), mainly because of lower administrative expenses of MCH \$15,373 (-5.6% QoQ), due to reduced business in the Retail Banking Division. On the other hand, personnel expenses remained stable during the quarter at MCH \$15,698 (-0.4% QoQ), explained by lower bonus payments and lower payroll expenses following structural adjustments made in recent months. These effects were partially offset by higher termination expenses in 1Q21 related to the same adjustment plan. Finally, depreciation and amortization expense held steady (-2.1% QoQ).

In Ch\$ Millions	2Q21	1Q21	2Q20	% Chg		6M21	6M20	% Chg
				QoQ	YoY			
Personnel	-15,698	-15,641	-15,033	0.4%	4.4%	-31,339	-32,269	-2.9%
Administrative expenses	-15,373	-16,282	-14,179	-5.6%	8.4%	-31,655	-30,665	3.2%
Depreciation and amortization	-1,850	-1,953	-1,987	-5.3%	-6.9%	-3,803	-3,872	-1.8%
<b>Total operating expenses</b>	<b>-32,921</b>	<b>-33,876</b>	<b>-31,199</b>	<b>-2.8%</b>	<b>5.5%</b>	<b>-66,797</b>	<b>-66,806</b>	<b>0.0%</b>
Gross operating income	70,659	72,741	64,303	-2.9%	9.9%	143,400	132,889	7.9%
<b>Operating expenses / Gross operating income</b>	<b>46.6%</b>	<b>46.6%</b>	<b>48.5%</b>	<b>2 p</b>	<b>-193 p</b>	<b>46.6%</b>	<b>50.3%</b>	<b>-369 p</b>

Banco Security's efficiency ratio, measured as operating expenses + other operating expenses over total operating income, totaled 46.6% for 1H21 (-369 bps YoY), given the increase in total operating income (+7.9% YoY). In a quarterly comparison, efficiency remained stable at 46.6% (+2 bps YoY), with lower support expenses (-2.8% QoQ) and a drop in total operating income (-2.9% QoQ).

For 1H21, the Bank recognized a lower income tax expense (MCH \$4,415; -62.1% YoY), due to MCH \$1,141 in deferred taxes recorded by the brokerage subsidiary in 1Q21, a smaller profit before taxes (-8.8% YoY) and price-level restatement of equity due to higher inflation during the period (2.2% for 1H21 versus 1.37% for 1H20).

## Banco Security – Operating Segments

In Ch\$ Million	Banca Empresas		Banca Personas		Tesorería		Otros		Total Banco		Filiales		Total Consolidado	
	Jun-21	Jun-20	Jun-21	Jun-20	Jun-21	Jun-20	Jun-21	Jun-20	Jun-21	Jun-20	Jun-21	Jun-20	Jun-21	Jun-20
<b>Net interest margin</b>	48,654	49,671	24,666	31,398	27,519	17,807	0	0	100,839	98,876	128	131	100,967	99,007
Δ% 6M21	-2.0%		-21.4%		54.5%		-		2.0%		-2.3%		2.0%	
<b>Net Fees</b>	10,539	10,525	5,705	8,021	-72	-103	0	0	16,172	18,443	12,580	12,884	28,752	31,328
Δ% 6M21	0.1%		-28.9%		-30.3%		-		-12.3%		-2.4%		-8.2%	
<b>Net FX transactions and other income</b>	4,303	4,022	274	1,896	8,778	3,273	-6,056	-9,317	7,299	-127	3,383	3,117	10,682	2,990
Δ% 6M21	7.0%		-85.5%		168.2%		-35.0%		-584.5%		8.5%		257.3%	
<b>Loan losses and foreclosed assets</b>	-32,322	-15,308	-7,789	-14,546	-1	-67	0	0	-40,112	-29,921	0	0	-40,112	-29,921
Δ% 6M21	111.1%		-46.5%		-		-		34.1%		-		34.1%	
<b>Total operating income, net of credit risk pro</b>	31,174	48,910	22,856	26,769	36,224	20,910	-6,056	-9,317	84,198	87,271	16,091	16,132	100,289	103,404
Δ% 6M21	-36.3%		-14.6%		73.2%		-35.0%		-3.5%		-0.3%		-3.0%	
<b>Operating expenses</b>	-19,110	-21,500	-26,000	-27,517	-6,616	-7,539	-1,327	2,120	-53,054	-54,437	-13,866	-12,370	-66,920	-66,807
Δ% 6M21	-11.1%		-5.5%		-12.2%		-162.6%		-2.5%		12.1%		0.2%	
<b>Net operating income</b>	12,064	27,410	-3,144	-748	29,608	13,370	-7,383	-7,197	31,144	32,835	2,225	3,762	33,369	36,597
Δ% 6M21	-56.0%		320.2%		121.4%		2.6%		-5.1%		-		-8.8%	
<b>Income tax expense</b>	-1,553	-5,559	405	152	-3,812	-2,712	948	1,299	-4,012	-6,820	1,321	-286	-2,691	-7,106
Δ% 6M21	-72.1%		166.7%		40.6%		-27.0%		-41.2%		-561.9%		-62.1%	
<b>Profit attributable to equity holders of the ba</b>	10,511	21,851	-2,740	-597	25,796	10,659	-6,418	-5,896	27,149	26,017	3,545	3,477	30,692	29,493
Δ% 6M21	-51.9%		359.2%		142.0%		8.8%		4.4%		2.0%		4.1%	

In Ch\$ Million	Banca Empresas		Banca Personas		Tesorería		Otros		Total Banco		Filiales		Total Consolidado	
	2Q-21	1Q-21	2Q-21	1Q-21	2Q-21	1Q-21	2Q-21	1Q-21	2Q-21	1Q-21	2Q-21	1Q-21	2Q-21	1Q-21
<b>Net interest margin</b>	24,384	24,270	12,065	12,601	14,585	12,934	0	0	51,034	49,806	159	-31	51,193	49,774
Δ% 2Q21	0.5%		-4.3%		12.8%				2.5%		-608.0%		2.9%	
<b>Net Fees</b>	5,137	5,403	2,935	2,770	-40	-32	0	0	8,031	8,141	5,847	6,733	13,878	14,874
Δ% 2Q21	-4.9%		5.9%						-1.3%		-13.2%		-6.7%	
<b>Net FX transactions and other income</b>	2,276	2,026	141	133	2,879	5,899	-3,273	-2,783	2,024	5,275	1,405	1,978	3,429	7,253
Δ% 2Q21	12.3%		6.2%		-51.2%		17.6%		-61.6%		-29.0%		-52.7%	
<b>Loan losses and foreclosed assets</b>	-16,484	-15,838	-3,727	-4,062	0	0	0	0	-20,211	-19,901	0	0	-20,211	-19,901
Δ% 2Q21	4.1%		-8.3%						1.6%				1.6%	
<b>Total operating income, net of credit risk provisions</b>	15,313	15,860	11,414	11,442	17,423	18,801	-3,273	-2,783	40,878	43,320	7,412	8,679	48,289	52,000
Δ% 2Q21	-3.4%		-0.2%		-7.3%		17.6%		-5.6%		-14.6%		-7.1%	
<b>Operating expenses</b>	-8,591	-10,518	-12,512	-13,488	-2,746	-3,870	-1,956	628	-25,806	-27,248	-7,239	-6,627	-33,044	-33,876
Δ% 2Q21	-18.3%		-7.2%		-29.0%		-411.3%		-5.3%		9.2%		-2.5%	
<b>Net operating income</b>	6,722	5,342	-1,098	-2,046	14,677	14,931	-5,228	-2,155	15,072	16,072	173	2,052	15,245	18,124
Δ% 2Q21	25.8%				-1.7%		142.7%		-6.2%		-91.6%		-15.9%	
<b>Income tax expense</b>	-825	-728	126	279	-1,777	-2,035	637	311	-1,839	-2,173	377	944	-1,462	-1,229
Δ% 2Q21	13.3%		-54.8%		-12.7%		104.5%		-15.4%		-60.1%		19.0%	
<b>Profit attributable to equity holders of the bank</b>	5,897	4,614	-972	-1,767	12,900	12,896	-4,575	-1,843	13,250	13,899	551	2,994	13,800	16,893
Δ% 2Q21	27.8%		-45.0%		0.0%		148.2%		-4.7%		-81.6%		-18.3%	

## 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 June 2021, commercial loans expanded 1.0% YoY and 0.4% YTD, totaling BCH \$5,078. Industry wide, commercial loans fell by 3.3% YoY but grew 2.3% YTD. Including foreign subsidiaries, the industry's commercial loans were down 5.1% YoY but up 1.8% YTD. Banco Security's market share in commercial loans was 4.8% as of June 2021<sup>2</sup>, while its market share in its target segment of medium and large companies was 6.0%<sup>3</sup>. The Commercial Banking Division had 7,966 customers as of June 2021 (-1.7% YoY).

The Commercial Banking Division posted profit of MCH \$10,511 for 1H21 (-51.9% YoY). This weaker result is explained mainly by increased LLP expenses, totaling MCH \$32,322 for 1H21, above MCH \$15,308 for 1H20 (see pages 9 to 11 for more information). It also recorded a smaller net interest margin of MCH \$48,654 (-2.0% YoY), due to lower income from liabilities because of lower interest rates, partially offset by a larger average portfolio spread and a greater volume of commercial loans (+1.0% YoY). The line item financial operating income, net FX transactions and other income totaled MCH \$4,303 (+7.0% YoY) due to increased income from prepayments, while net fee and commission income reached MCH \$10,539, holding steady year-on-year (+0.1% YoY). In contrast, it posted lower support expenses of MCH \$19,110 for 1H21 (-11.1% YoY) because of lower commercial performance bonuses and savings from the structural adjustments carried out in 2020.

Compared to the immediately preceding quarter, the division reported profit of MCH \$5,897 (+27.8% QoQ), explained by lower support expenses of MCH \$8,591 (-18.3% QoQ) with a high basis of comparison because of termination benefits paid in 1Q21. It also saw an increase in financial operating income, net FX transactions and other income, which reached MCH \$2,276 (+12.3%

Commercial Loans by Economic Sector	% Total
Construction and real estate services	18.7%
Financial services and insurance	15.8%
Social services	12.7%
Wholesale and retail trade	10.3%
Transportation	6.3%
Manufacturing	5.9%
Utilities	4.4%
Agriculture and livestock	3.8%
Fishing	1.4%
Mining	1.4%
Telecom	0.5%
Forestry	0.2%
<b>Total commercial loans</b>	<b>100%</b>

<sup>2</sup> Excluding foreign subsidiaries of Chilean banks

<sup>3</sup> This includes companies with annual sales over MCH \$800, only in the regions of Chile where Banco Security has offices.  
Source: Chilean Internal Revenue Service (SII).

QoQ) due to greater income from prepayments and a stable net interest margin of MCH \$24,384 (+0.5% QoQ). This was offset in part by higher loan losses of MCH \$16,484 (+4.1% QoQ) and lower net fee and commission income of MCH \$5,131 (-4.9% QoQ) explained by reduced business.

## **Retail Banking**

Banco Security's Retail Banking Division targets high-income individuals. The Retail Banking Division focused on consumer products until 2019 but shifted to mortgage products last year.

As of June 2021, the Bank had total retail loans (consumer + mortgage) of BCH \$1,178 (-1.8% YoY, +0.7% YTD), explained by lower consumer loan volumes (-15.4% YoY, -7.6% YTD), partly counteracted by greater mortgage loan volumes (+8.0% YoY, +6.0% YTD), representing 6.8% and 12.1% of the Bank's total loans, respectively. For the industry, retail loans increased +4.3% YoY and +3.6% YTD, driven by growth in mortgage loans (+9.7% YoY and +5.8% YTD), partially offset by a drop in consumer loans (-8.0% YoY and -1.9% YTD). Including foreign subsidiaries, the industry's retail loans grew +3.6% YoY. The Bank boasts market share of 4.1%<sup>4</sup> in its target segment of high-income individuals as of June 2021. The Retail Banking Division had 65,997 customers as of June 2021 (-4.2% YoY).

The Retail Banking Division reported a loss of -MCH \$2,740 for 1H21 (-MCH \$597 for 1H20) due to a drop in operating income (-25.8% YoY)—net interest margin, net fees and financial operating income, net FX transactions and other income—that was partially offset by lower LLP expenses of MCH \$7,789 (-46.5% YoY). For more information, see pages 9 to 11 of this report. The net interest margin reached MCH \$24,666 (-21.4% YoY) due to decreased loans, mainly consumer (-15.4% YoY), and a tighter portfolio spread, along with lower income from liabilities. Moreover, net fees and commissions fell to MCH \$5,705 (-28.9% YoY), due to a decline in supplementary loan insurance products. The line item financial operating income, net FX transactions and other income reached MCH \$274 for 1H21 (-85.5% YoY), with a high basis of comparison because of revenue from the sale of mortgage bonds in the first half of 2020. These effects were partly offset by reduced LLP expenses of MCH \$7,789 for 1H21 (-46.5% YoY) due to a decline in consumer loans and a decrease in the NPL portfolio (-40.1% YoY), in light of the government's relief plans and withdrawals from pension funds. Meanwhile, support expenses totaled MCH \$26,000 (-5.5% YoY) because of decreased business and, to a smaller extent, savings efforts and structural adjustments in 2020.

Compared to the previous quarter, the Retail Banking Division reported a loss of -MCH \$972 for 2Q21 (-MCH \$1,767 for 1Q21) due to lower LLP expenses of MCH \$3,727 (-8.3% QoQ) (explained in more detail on pages 9 to 11 of this report) and greater net fee and commission income of MCH \$2,935 (+5.9% QoQ). This effect was partly counteracted by a lower net interest margin of MCH \$12,065 (-4.3% QoQ) because of lower volumes of consumer loans (-3.8% QoQ) and a smaller spread. The line item financial operating income, net FX transactions and other income remained stable during the quarter, reaching MCH \$141 (+6.2% QoQ; +MCH \$8). Meanwhile, support expenses shrunk to MCH \$12,512 (-7.2% QoQ) explained by reduced business and lower payroll expenses.

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<sup>4</sup>This division includes individuals between 24 and 65 years of age in the middle and high-income segments (UF 60 in Santiago or UF 50 elsewhere in Chile) with a risk/return profile similar to Banco Security's customers, only for regions where Banco Security has offices. Source: Financial Market Commission (CMF).

## Treasury

For 1H21, the Treasury Area reported profit of MCH \$25,796 (+142.0% YoY), because of greater net operating income of MCH \$36,224 (+73.2% YoY), lower cost of funds due to lower interest rates, more prepayments and a larger spread for the investment portfolio. As a reference, the MPR was 0.5% as of June 2021, versus 0.5% as of April 2020, 1.0% as of March 2020 and 1.75% as of December 2019. It also reported higher income from trading fixed-income instruments. Operating expenses fell to MCH \$6,616 (-12.2% YoY) due to lower commercial performance bonuses.

During the quarter, the area reported results in line with the prior quarter of MCH \$12,900, with net operating income of MCH \$17,423 (-7.3% QoQ), explained primarily by decreased trading of fixed-income instruments during the quarter, offset somewhat by more prepayments. Support expenses fell to MCH \$2,746 (-29.0% QoQ) because commercial performance bonuses are given at another time of the year.

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 the balance of interest rate risk, manage liquidity and efficiently fund the bank's loan portfolio. As of June 2021, ALM represented 56.5% 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 30.2% of treasury income. The remaining 13.4% of treasury division 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 \$6,255,873 as of June 2021, +0.5% YoY and +0.4% YTD, while industry loans grew +0.4% YoY and +3.0% YTD. Including foreign investments, the industry's total loans shrunk 1.5% YoY but grew +2.5% YTD. Commercial loans grew 1.0% YoY and 0.4% YTD, to MCH \$5,078,365 (81.3% of Banco Security's total loan portfolio), while retail loans (consumer + mortgage) reached MCH \$1,177,508 as of June 2021, -1.8% YoY and +0.7% YTD. The 20 largest borrowers represent 11.2% of the Bank's total loan portfolio.

Total Loans <i>In Ch\$ Millions</i>	Jun-21	Mar-21	Jun-20	%Chg		Jun-21	Jun-20	% Chg YoY
				QoQ	YoY			
<b>Consumer</b>	422,692	439,394	499,409	-3.8%	-15.4%	422,692	499,409	-15.4%
<b>Mortgage</b>	754,816	732,216	699,124	3.1%	8.0%	754,816	699,124	8.0%
<b>Mortgage + Consumer</b>	1,177,508	1,171,610	1,198,533	0.5%	-1.8%	1,177,508	1,198,533	-1.8%
No. Customers	65,997	66,877	68,864	-1.3%	-4.2%	65,997	68,864	-4.2%
<b>Commercial</b>	5,078,365	5,100,920	5,026,821	-0.4%	1.0%	5,078,365	5,026,821	1.0%
No. Customers	7,966	7,955	8,106	0.1%	-1.7%	7,966	8,106	-1.7%
<b>Total Loans</b>	<b>6,255,873</b>	<b>6,272,530</b>	<b>6,225,354</b>	<b>-0.3%</b>	<b>0.5%</b>	<b>6,255,873</b>	<b>6,225,354</b>	<b>0.5%</b>
<b>Market Share</b>	<b>3.3%</b>	<b>3.3%</b>	<b>3.3%</b>	<b>-6 p</b>	<b>0 p</b>	<b>3.3%</b>	<b>3.3%</b>	<b>0 p</b>

Interest and indexation income <i>In Ch\$ Millions</i>	2Q21	1Q21	2Q20	%Chg		Jun-21	Jun-20	% Chg
				QoQ	YoY			
<b>Consumer</b>	10,079	10,895	13,448	-7.5%	-25.1%	20,974	27,278	-23.1%
<b>Mortgage</b>	12,730	12,662	7,401	0.5%	72.0%	25,392	19,701	28.9%
<b>Mortgage + Consumer</b>	22,809	23,557	20,849	-3.2%	9.4%	46,366	46,979	-1.3%
<b>Commercial</b>	73,457	74,563	60,825	-1.5%	20.8%	148,020	139,243	6.3%

Interest and indexation income/Loa <i>In Ch\$ Millions</i>	2Q21	1Q21	2Q20	%Chg		Jun-21	Jun-20	% Chg YoY
				QoQ	YoY			
Consumer	9.54%	9.92%	10.77%	-38 p	-123 p	9.92%	10.92%	-100 p
Mortgage	6.75%	6.92%	4.23%	-17 p	251 p	6.73%	5.64%	109 p
Mortgage + Consumer	7.75%	8.04%	6.96%	-29 p	79 p	7.88%	7.84%	4 p
Commercial	5.79%	5.85%	4.84%	-6 p	95 p	5.83%	5.54%	29 p
Total	6.16%	6.26%	5.25%	-10 p	91 p	6.21%	5.98%	23 p

## Banco Security – Funding Sources

Funding Sources <i>In MCH\$</i>	Jun-21		Mar-21		Jun-20		% Chg	
							QoQ	YoY
Demand deposits	1,429,864	16.9%	1,173,076	14.6%	1,005,490	11.9%	21.9%	42.2%
Time deposits	1,377,094	16.3%	1,520,942	19.0%	2,454,696	29.1%	-9.5%	-43.9%
Total deposits	2,806,958	33.3%	2,694,018	33.6%	3,460,186	41.0%	4.2%	-18.9%
Bonds	3,145,217	37.3%	3,072,773	38.3%	2,938,914	34.8%	2.4%	7.0%
Interbank loans	1,355,156	16.1%	1,103,581	13.8%	935,471	11.1%	22.8%	44.9%
Other liabilities*	449,638	5.3%	482,222	6.0%	468,019	5.5%	-6.8%	-3.9%
<b>Total Liabilities</b>	<b>7,756,969</b>	<b>91.9%</b>	<b>7,352,594</b>	<b>91.6%</b>	<b>7,802,590</b>	<b>92.5%</b>	<b>5.5%</b>	<b>-0.6%</b>
Equity	683,013	8.1%	670,256	8.4%	636,348	7.5%	1.9%	7.3%
<b>Liabilities + Equity</b>	<b>8,439,982</b>	<b>100%</b>	<b>8,022,850</b>	<b>100%</b>	<b>8,438,938</b>	<b>100%</b>	<b>5.2%</b>	<b>0.0%</b>

\*Includes borrowings from financial institutions and derivative instruments, among other items.

## Demand and Time Deposits

As of June 2021, deposits totaled MCH \$2,806,958 (-18.9% YoY), while the industry figure increased +6.0% YoY and +4.2% YoY (including foreign subsidiaries). This smaller volume of total deposits was offset by a larger volume of borrowings from financial institutions of MCH \$1,355,156 as of June 31, 2021 (+44.9% YoY), mainly from using credit lines and financing from the Chilean Central Bank.

Banco Security's time deposits consisted of 44% retail deposits and 56% institutional deposits. The 15 largest depositors represent 9.0% of the Bank's total deposits. The loan to deposit ratio was 223% as of June 2021, compared to 203% as of June 2020. Banco Security's strategy is to diversify funding sources using sales incentives to increase its retail deposit base.

Banco Security strictly monitors liquidity risk<sup>5</sup>, striving to diversify funding sources while monitoring and controlling a series of limits on asset/liability mismatches, by maintaining a significant 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 June 2021, the ratio of long-term interest rate risk to regulatory capital was 3.6%<sup>6</sup>.

As of June 30, 2021, liquid assets<sup>7</sup> represented 152.1% of demand and other time deposits. The liquidity coverage ratio<sup>8</sup> as June 2021 was 206.01%, above the regulatory minimum of 70%.

<sup>5</sup>Liquidity risk represents the possibility of not fulfilling obligations when they mature as a result of the inability to liquidate assets or funds, or not being able to dispose of them easily or offset exposure without significantly reducing prices due to insufficient market depth (Grupo Security Annual Report, note 35).

<sup>6</sup> This measures the exposure to changes in interest rates as a percentage of equity. Exposure to long-term interest rates is calculated as the sum of the differences by time band and currency of cash flows from banking books assets and liabilities, including amortization and interest, adjusted by a sensitivity factor as per table 2 of appendix 1 of Chapter III.B.2.2 of the Chilean Central Bank's compendium of financial standards.

<sup>7</sup> Includes cash and cash deposits, transactions pending settlement and the portfolio of financial instruments.

<sup>8</sup> Liquidity Coverage Ratio (LCR, C48) published on website [www.bancosecurity.cl](http://www.bancosecurity.cl)

## 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
R1	10/2011	6-Oct-11	U.F.	3,000,000	3.00	10	1-Jun-21
K2	01/2012	14-Mar-12	U.F.	4,000,000	3.25	10	1-Nov-21
K3	01/2013	26-Feb-13	U.F.	4,000,000	3.50	10	1-Nov-22
K4	10/2013	6-Nov-13	U.F.	5,000,000	3.60	10	1-Oct-23
K5	14/2014	9-Oct-14	U.F.	5,000,000	2.75	10	1-Jun-24
K6	05/2015	1-Apr-15	U.F.	5,000,000	2.75	5	1-Mar-25
K7	05/2015	1-Apr-15	U.F.	5,000,000	2.75	10	1-Sep-25
B5	11/2016	3-Oct-16	U.F.	5,000,000	2.40	5	1-Aug-26
K8	12/2016	3-Oct-16	U.F.	5,000,000	2.80	10	1-Oct-36
Z2	13/2016	3-Oct-16	CLP	75,000,000,000	5.30	5.5	1-Feb-27
B6	06/2017	11-Jul-17	U.F.	5,000,000	2.25	5.5	1-Apr-22
B7	08/2018	9-May-18	U.F.	4,000,000	2.20	5	1-Feb-23
K9	08/2018	9-May-18	U.F.	5,000,000	2.75	10	1-Jan-28
Z3	08/2018	9-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
Q3	04/2020	12-Mar-20	U.F.	5,000,000	0.80	15.5	1-Jul-35

As of June 2021, Banco Security had issued MCH \$2,793,122 in senior bonds, as detailed in Note 19 of its financial statements.

## Banco Security – Capitalization

As of June 2021, Banco Security's equity attributable to the owners of the parent totaled MCH \$682,959 (+7.3% YoY).

In Ch\$ Million	Jun-21	Mar-21	Jun-20	% Chg	
				QoQ	YoY
Capital	325,042	302,047	302,047	7.6%	7.6%
Reserves and valuation accounts	24,637	32,503	31,882	-24.2%	-22.7%
Retained earnings	333,280	335,651	302,367	-0.7%	10.2%
<b>Equity attributable to equity holders of bank</b>	<b>682,959</b>	<b>670,201</b>	<b>636,296</b>	<b>1.9%</b>	<b>7.3%</b>
Tier I (core capital)	682,959	670,201	636,296	1.9%	7.3%
Regulatory capital	952,554	939,691	911,641	1.4%	4.5%
Minimum required capital	522,677	531,539	555,127	-1.7%	-5.8%
Risk-weighted assets	6,533,468	6,644,242	6,939,083	-1.7%	-5.8%
BIS ratio	14.58%	14.14%	13.14%	44 p	144 p
Core capital / total assets	7.71%	7.97%	7.19%	-26 p	52 p

In order to strengthen the Bank's capital base, Grupo Security (the Bank's largest shareholder) carried out a capital increase of MCH \$23,000 in the Bank in April 2021. This puts Banco Security in a good position to implement Basel III, effective in Chile in 2022.

The Bank's capital adequacy ratio as of June 2021, calculated as regulatory capital over risk-weighted assets, reached 14.6% (with a regulatory minimum of 8%), +144 bps YoY. This increase can be attributed to a 4.5% rise in regulatory capital because of a 10.2% increase in retained earnings, impacted positively by a reduction in dividend distributions in 2020. The ratio of core capital to total assets reached 7.71%, +52 bps YoY. For the same period, its ROAE (profit LTM over average equity) was 9.1%, -28 bps YoY.



## **FACTORING SECURITY**

For 1H21, Factoring Security reported profit of MCH \$4,784 (-14.1% YoY), with net operating income of MCH \$12,443 (-12.1% YoY) due mainly to a tighter portfolio spread. This was offset partly by greater loan volumes of MCH \$361,164 (+12.4% YoY) and lower banking costs (-21.7% YoY), stemming from lower interest rates. Operating expenses fell to MCH \$5,226 (-7.3% YoY) mainly due to lower payroll expenses. Bear in mind this decrease is explained by the savings plan and structural adjustments implemented in late 2020. LLP expenses totaled MCH \$1,295 (+16.7% YoY) because of greater write-offs during the period.

During 2Q21, it reported profit of MCH \$2,410 (+1.5% QoQ), with net operating income of MCH \$6,319 (+3.2% QoQ) because of a larger spread, partly offset by lower loan volumes (-3.3% QoQ). Operating expenses totaled MCH \$2,645 (+2.4% QoQ) due to increased personnel expenses.

These effects resulted in an efficiency ratio<sup>9</sup> of 42.0% as of June 2021 (+220 bps YoY and -30 bps QoQ). As of June 2021, the risk ratio measured as provisions over total loans was 2.01% (-32 bps YoY and +36 bps QoQ), because of write-offs during 2020. The ratio of LLP expenses to loans was 0.72% as of June 2021 (+3 bps YoY).

In Ch\$ Million	2Q21	1Q21	2Q20	% Chg		6M21	6M20	% Chg YoY
				QoQ	YoY			
Factored receivables	361,164	373,306	321,201	-3.3%	12.4%	361,164	321,201	12.4%
Provisions	7,259	6,159	7,474	17.9%	-2.9%	7,259	7,474	-2.9%
Net Operational Income	6,319	6,125	7,014	3.2%	-9.9%	12,443	14,161	-12.1%
Loan loss provision expenses	-646	-649	-547	-0.4%	18.2%	-1,295	-1,110	16.7%
Support expenses	-2,645	-2,582	-2,798	2.4%	-5.5%	-5,226	-5,636	-7.3%
<b>Profit for the period</b>	<b>2,410</b>	<b>2,374</b>	<b>2,706</b>	<b>1.5%</b>	<b>-10.9%</b>	<b>4,784</b>	<b>5,568</b>	<b>-14.1%</b>
Efficiency ratio <sup>1</sup>	41.9%	42.2%	39.9%	-30 p	196 p	42.0%	39.8%	220 p
LLP / Factored receivables	0.72%	0.70%	0.68%	2 p	3 p	0.36%	0.35%	1 p
Risk ratio <sup>2</sup>	2.01%	1.65%	2.33%	36 p	-32 p	2.01%	2.33%	-32 p

1. Support expenses / Profit before expenses. 2. Provisions stock / Factored receivables

## **ASSET MANAGEMENT BUSINESS AREA** (2.3% of assets; 6.3% of profit from business areas as of June 2021)

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. Global Security provides support and advisory services for the different asset management businesses.

At Inversiones Security, AUM totaled MCH \$4,153,417 for 1H21, (+0.1% YoY) due to increased domestic and foreign custody, partly offset by lower AUM in investment funds, while mutual funds remained stable. Compared to the immediately preceding quarter, Inversiones Security's AUM dropped -3.6% QoQ, mainly because of a decrease in mutual funds (-7.0% QoQ), in particular in medium- and long-term debt funds. AGF Security has market share of 5.0% of the industry. Its total value of shares

<sup>9</sup> The efficiency ratio is calculated as support expenses over profit before expenses

traded was MCH \$564,229 for 1H21 (-12.3% YoY and -22.0 QoQ), with market share of 1.7%.

In Ch\$ Million	6M21	3M21	6M20	% Chg	
				QoQ	YoY
Assets under management (AUM)	4,153,417	4,307,027	4,149,422	-3.6%	0.1%
Mutual funds under management	2,630,336	2,828,241	2,620,154	-7.0%	0.4%
Market share - mutual funds	5.0%	5.3%	5.3%	-30 p	-28 p

In Ch\$ Million	2Q21	1Q21	2Q20	% Chg		6M21	6M20	% Chg
				QoQ	YoY			
Value of shares traded	247,214	317,015	355,650	-22.0%	-30.5%	564,229	643,123	-12.3%
Market share - equities brokerage	1.7%	1.8%	1.9%	-10 p	-23 p	1.7%	1.9%	-16 p
Operating income	8,961	9,283	8,976	-3.5%	-0.2%	18,244	18,599	-1.9%
Non-operating income	-299	1,530	790	-119.5%	-137.8%	1,232	1,415	-13.0%
Total expenses	-8,623	-8,630	-7,808	-0.1%	10.4%	-17,252	-17,041	1.2%
Efficiency ratio	99.5%	79.8%	79.9%	1973 p	1959 p	88.6%	85.1%	344 p
AGF Security	785	1,434	928	-45.2%	-15.4%	2,219	1,999	11.0%
Valores Security	-368	1,693	630	-121.7%	-158.4%	1,326	689	92.5%
Global Security	509	-338	170	-	-	171	-103	-266.3%
Securizadora & CasaNuestra	114	96	-164	19.0%	-169.6%	210	-549	-138.2%
<b>Profit - Asset Management</b>	<b>1,041</b>	<b>2,885</b>	<b>1,565</b>	<b>-63.9%</b>	<b>-33.5%</b>	<b>3,926</b>	<b>2,035</b>	<b>92.9%</b>

For 1H21, the asset management area reported profit of MCH \$3,926 (+92.9% YoY), explained by improved earnings at Valores Security of MCH \$1,326 (+92.5% YoY) because of MCH \$1,141 in deferred taxes recognized in 1Q21. In addition, Securizadora and CasaNuestra reported profit of MCH \$210 for 1H21 versus a loss of -MCH \$549 for 1H20. Net operating income was MCH \$18,244 for 1H21 (-1.9% YoY) due to lower fund income because of a lower ROA in mutual funds. It also had lower non-operating income of MCH \$1,232 (-13.0% YoY) due to weaker returns on local fixed-income investments in the AGF and Valores proprietary trading portfolio. Total expenses climbed to MCH \$17,252 (+1.2% YoY), explained by higher administrative expenses, counteracted in part by lower personnel expenses, in line with cost savings efforts throughout 2020 at all Grupo Security companies.

For 2Q21 it reported profit of MCH \$1,041 (-63.9% QoQ) because of a non-operating loss of -MCH \$299 versus income of MCH \$1,531 in 1Q21, explained by weaker returns on the AGF and Valores proprietary trading portfolio, mainly in local fixed-income instruments. The first quarter of 2021 represents a high basis of comparison due to strong market performances. In addition, Valores Security recognized MCH \$1,141 in deferred taxes in 1Q21. Meanwhile, total expenses remained in line with the prior quarter (-0.1% QoQ).

## **INSURANCE BUSINESS AREA** (23.1% of assets; 38.6% of profit from business areas as of June 2021)

The insurance business area reported profit of MCH \$23,839 for 1H21. 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**

For 1H21 Vida Security reported profit of MCH \$23,608 (versus a loss of -MCH \$1,992 for 1H20), due to improved returns from the proprietary trading portfolio (+MCH +59,131, +150.0% YoY) and a better technical result in DSI (+MCH \$2,705 for 1H21 versus a loss of -MCH \$1,515 for 1H20), partly offset by a smaller technical result in group insurance (MCH \$7,539 for 1H21 versus MCH \$16,277 for 1H20).

## **Results by Product Line**

In MCH\$	Individual		Family Protection		Group Insurance		Annuities		DSI		Total	
	6M21	6M20	6M21	6M20	6M21	6M20	6M21	6M20	6M21	6M20	6M21	6M20
Gross written premiums	68,808	66,729	3,379	3,436	30,703	34,991	48,721	8,373	124	160	151,735	113,690
<b>Net premiums written</b>	<b>67,623</b>	<b>65,688</b>	<b>3,379</b>	<b>3,412</b>	<b>30,044</b>	<b>34,205</b>	<b>48,721</b>	<b>8,373</b>	<b>29</b>	<b>24</b>	<b>149,796</b>	<b>111,702</b>
Variation in technical reserves	-22,870	-4,613	26	-14	1,058	160	-	-	-335	-	-22,121	-4,467
Claims paid	-49,791	-49,299	-938	-400	-21,785	-15,953	-	-	29,379	11,282	-43,135	-54,370
Pensions paid	-574	-1,050	-	-	-	-	-78,916	-40,103	-26,368	-12,820	-105,858	-53,974
Underwriting expenses	-4,051	-5,025	-964	-927	-1,761	-2,086	-489	-116	-	-	-7,265	-8,154
Medical expenses	-4	-6	-0	-0	-3	-2	0	0	-	-	-7	-8
Insurance impairment	-	-	-	-	-15	-46	-	-	-	-	-15	-46
<b>Contribution Margin</b>	<b>-9,668</b>	<b>5,695</b>	<b>1,503</b>	<b>2,071</b>	<b>7,539</b>	<b>16,277</b>	<b>-30,684</b>	<b>-31,846</b>	<b>2,705</b>	<b>-1,515</b>	<b>-28,605</b>	<b>-9,317</b>
CUI portfolio	16,094	-842	-	-	-	-	-	-	-	-	16,094	-842
Proprietary portfolio	-	-	-	-	-	-	-	-	-	-	57,064	23,652
<b>Investment income</b>											<b>73,158</b>	<b>22,810</b>
Administrative expenses											-15,636	-16,940
Exchange differences											156	401
Gain (loss) on indexed assets and liabilities											-2,943	-1,464
Other income and expenses											-24	-121
Income tax expense											-2,497	2,639
<b>Profit for the period</b>											<b>23,608</b>	<b>-1,992</b>

In MCH\$	Individual		Family Protection		Group Insurance		Annuities		DSI		Total	
	2Q21	1Q21	2Q21	1Q21	2Q21	1Q21	2Q21	1Q21	2Q21	1Q21	2Q21	1Q21
Gross written premiums	37,326	31,482	1,679	1,700	16,156	14,547	27,290	21,431	70	54	82,521	69,214
<b>Net premiums written</b>	<b>36,715</b>	<b>30,907</b>	<b>1,679</b>	<b>1,700</b>	<b>15,744</b>	<b>14,301</b>	<b>27,290</b>	<b>21,431</b>	<b>27</b>	<b>2</b>	<b>81,454</b>	<b>68,342</b>
Variation in technical reserves	-8,769	-14,101	11	16	820	238	-	-	644	-980	-7,294	-14,827
Claims paid	-31,433	-18,358	-367	-571	-12,402	-9,384	-	-	12,208	17,171	-31,994	-11,141
Pensions paid	-232	-342	-	-	-	-	-42,499	-36,417	-12,490	-13,878	-55,221	-50,637
Underwriting expenses	-2,301	-1,750	-556	-409	-910	-850	-267	-222	-	-	-4,034	-3,231
Medical expenses	-3	-1	-0	-0	-1	-1	-0	0	-	-	-5	-2
Insurance impairment	-	-	-	-	-2	-13	-	-	-	-	-2	-13
<b>Contribution Margin</b>	<b>-6,023</b>	<b>-3,645</b>	<b>766</b>	<b>737</b>	<b>3,248</b>	<b>4,290</b>	<b>-15,476</b>	<b>-15,208</b>	<b>389</b>	<b>2,316</b>	<b>-17,095</b>	<b>-11,510</b>
CUI portfolio	9,073	7,021	-	-	-	-	-	-	-	-	9,073	7,021
Proprietary portfolio	-	-	-	-	-	-	-	-	-	-	25,123	31,941
<b>Investment income</b>											<b>34,196</b>	<b>38,962</b>
Administrative expenses											-7,955	-7,681
Exchange differences											-284	439
Gain (loss) on indexed assets and liabilities											-1,703	-1,241
Other income and expenses											-13	-11
Income tax expense											1,140	-3,637
<b>Profit for the period</b>											<b>8,286</b>	<b>15,322</b>

### **Individual Insurance** (45.3% of gross written premiums as of June 2021)

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 a loss of -MCH \$9,668 for 1H21, versus profit of MCH \$5,695 for 1H20, due to a negative variation in technical reserves because of improved investment income. Gross written premiums were MCH \$68,808 for 1H21 (+3.1% YoY), due to greater gross written premiums from insurance with savings components (CUI) and voluntary retirement savings (APV). The variation in technical reserves was -MCH \$22,870, versus -MCH \$4,613 for 1H20, due to improved investment income on the CUI and APV portfolios of MCH \$16,094 (versus -MCH \$842 for 1H20), and increased premiums (+3.1% YoY). Meanwhile, claims paid totaled MCH \$49,791 (+1.0% YoY) due to increased surrenders and transfers from CUI and APV policies.

Weaker returns on the CUI and APV investment portfolio are counterbalanced by releases of technical reserves.

As of June 2021, CUI and APV policies represent 90.6% of total individual insurance premiums.

<b>Individual Insurance</b> In MCH \$	2Q21	1Q21	2Q20	% Chg.		6M21	6M20	% Chg.
				QoQ	YoY			
Gross written premiums	37,326	31,482	27,238	18.6%	37.0%	68,808	66,729	3.1%
<b>Net premiums written</b>	<b>36,715</b>	<b>30,907</b>	<b>26,806</b>	<b>18.8%</b>	<b>37.0%</b>	<b>67,623</b>	<b>65,688</b>	<b>2.9%</b>
Variation in technical reserves	-8,769	-14,101	-30,356	-37.8%	-71.1%	-22,870	-4,613	395.8%
Claims paid	-31,433	-18,358	-15,943	71.2%	97.2%	-49,791	-49,299	1.0%
Pensions paid	-232	-342	-377	-32.2%	-38.4%	-574	-1,050	-45.3%
Underwriting expenses	-2,301	-1,750	-2,681	31.5%	-14.2%	-4,051	-5,025	-19.4%
Medical expenses	-3	-1	-2	161.0%	41.9%	-4	-6	-27.0%
Insurance impairment	0	0	0	-	-	0	0	-
<b>Contribution Margin</b>	<b>-6,023</b>	<b>-3,645</b>	<b>-22,553</b>	<b>65.2%</b>	<b>-73.3%</b>	<b>-9,668</b>	<b>5,695</b>	<b>-269.8%</b>
Claims rate (1)	86.2%	60.5%	60.9%	2574 p	2537 p	74.5%	76.6%	-217 p
Underwriting expense rate (2)	6.3%	5.7%	10.0%	61 p	-373 p	6.0%	7.6%	-166 p

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

### **Individual Insurance** (45.3% of gross written premiums as of June 2021)

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 a loss of -MCH \$9,668 for 1H21, versus profit of MCH \$5,695 for 1H20, due to a negative variation in technical reserves because of improved investment income. Gross written premiums were MCH \$68,808 for 1H21 (+3.1% YoY), due to greater gross written premiums from insurance with savings components (CUI) and voluntary retirement savings (APV). The variation in technical reserves was -MCH \$22,870, versus -MCH \$4,613 for 1H20, due to improved investment income on the CUI and APV portfolios of MCH \$16,094 (versus -MCH \$842 for 1H20), and increased premiums (+3.1% YoY). Meanwhile, claims paid totaled MCH \$49,791 (+1.0% YoY) due to increased surrenders and transfers from CUI and APV policies.

Weaker returns on the CUI and APV investment portfolio are counterbalanced by releases of technical reserves.

As of June 2021, CUI and APV policies represent 90.6% of total individual insurance premiums.

## Family Protection (2.2% of gross written premiums as of June 2021)

Family Protecction In MCH\$	2Q21	1Q21	2Q20	% Chg.		6M21	6M20	% Chg.
				QoQ	YoY			
Gross written premiums	1,679	1,700	1,701	-1.3%	-1.3%	3,379	3,436	-1.7%
<b>Net premiums written</b>	<b>1,679</b>	<b>1,700</b>	<b>1,691</b>	<b>-1.3%</b>	<b>-0.8%</b>	<b>3,379</b>	<b>3,412</b>	<b>-1.0%</b>
Variation in technical reserves	11	16	9	-	13.6%	26	-14	-
Claims paid	-367	-571	49	-35.7%	-852.8%	-938	-400	134.6%
Pensions paid	0	0	0	-	-	0	0	-
Underwriting expenses	-556	-409	-384	35.9%	44.8%	-964	-927	4.0%
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	0	0	0	-	-	0	0	-
<b>Contribution Margin</b>	<b>766</b>	<b>737</b>	<b>1,366</b>	<b>4.0%</b>	<b>-43.9%</b>	<b>1,503</b>	<b>2,071</b>	<b>-27.4%</b>
Claims rate (1)	21.9%	33.6%	-2.9%	-1169 p	2475 p	27.7%	11.7%	1603 p
Underwriting expense rate (2)	33.1%	24.0%	22.7%	906 p	1042 p	28.5%	27.2%	138 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.

For 1H21, the contribution margin totaled MCH \$1,503 (-27.4% YoY) due to a higher underwriting expense ratio (+138 bps YoY), in line with increased business and a drop in gross written premiums (-2.0% YoY). In addition, claims paid were up to MCH \$938 (+134.6% YoY).

Compared to the preceding quarter, the contribution margin was 4.0% higher, due to a drop in claims paid to MCH \$367 (versus MCH \$571 in 1Q21), partially offset by a higher underwriting expense ratio (+906 bps QoQ).

## Group Insurance (20.2% of gross written premiums as of June 2021)

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.

Group Insurance In MCH\$	2Q21	1Q21	2Q20	% Chg.		6M21	6M20	% Chg.
				QoQ	YoY			
Gross written premiums	16,156	14,547	17,562	11.1%	-8.0%	30,703	34,991	-12.3%
<b>Net premiums written</b>	<b>15,744</b>	<b>14,301</b>	<b>17,199</b>	<b>10.1%</b>	<b>-8.5%</b>	<b>30,044</b>	<b>34,205</b>	<b>-12.2%</b>
Variation in technical reserves	820	238	425	244.0%	92.9%	1,058	160	562.3%
Claims paid	-12,402	-9,384	-6,150	32.2%	101.6%	-21,785	-15,953	36.6%
Pensions paid	0	0	0	-	-	0	0	-
Underwriting expenses	-910	-850	-1,105	7.1%	-17.6%	-1,761	-2,086	-15.6%
Medical expenses	-1	-1	-1	-	130.1%	-3	-2	68.5%
Insurance impairment	-2	-13	253	-86.2%	-100.7%	-15	-46	-66.9%
<b>Contribution Margin</b>	<b>3,248</b>	<b>4,290</b>	<b>10,621</b>	<b>-24.3%</b>	<b>-69.4%</b>	<b>7,539</b>	<b>16,277</b>	<b>-53.7%</b>
Claims rate (1)	78.8%	65.6%	35.8%	1315 p	4301 p	72.5%	46.6%	2587 p
Underwriting expense rate (2)	5.8%	5.9%	6.4%	-16 p	-64 p	5.9%	6.1%	-24 p

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

For 1H21, the contribution margin was MCH \$7,539 (-53.7% YoY), because of a rise in claims paid to MCH \$21,785 (+36.6% YoY) and lower gross written premiums of MCH \$30,703 (-12.3% YoY) as sales efforts were limited by the pandemic. Other factors include a lower volume of credit life policies because of the decrease in consumer loans.

For the quarter, this product line reported profit of MCH \$3,248 (-24.3%), due to increased claims paid of MCH \$12,402 (+32.2% QoQ), explained by a higher loss ratio during the period due to the easing of public health restrictions. In addition, gross written premiums increased to MCH \$16,156 (+11.1% QoQ) due to greater volumes of health insurance policies.

### **Annuities** (32.1% of gross written premiums as of June 2021)

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>10</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 June 2021, annuity sales rates in the industry averaged 2.73% during the year (versus 1.82% as of June 2020). In contrast, the rate for calculating scheduled withdrawals has averaged 3.40% for the year (versus 3.21% as of June 2020), which has driven retirees to prefer scheduled withdrawals over annuities, thus sharply reducing sales industry-wide.

<b>Annuities</b> In MCH\$	2Q21	1Q21	2Q20	% Chg.		6M21	6M20	% Chg.
				QoQ	YoY			
Gross written premiums	27,290	21,431	3,744	27.3%	628.8%	48,721	8,373	481.9%
<b>Net premiums written</b>	<b>27,290</b>	<b>21,431</b>	<b>3,744</b>	<b>27.3%</b>	<b>628.8%</b>	<b>48,721</b>	<b>8,373</b>	<b>481.9%</b>
Variation in technical reserves	0	0	0	-	-	0	0	-
Claims paid	0	0	0	-	-	0	0	-
Pensions paid	-42,499	-36,417	-19,897	16.7%	113.6%	-78,916	-40,103	96.8%
Underwriting expenses	-267	-222	-52	20.6%	417.8%	-489	-116	321.1%
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	0	0	0	-	-	0	0	-
<b>Contribution Margin</b>	<b>-15,476</b>	<b>-15,208</b>	<b>-16,204</b>	<b>1.8%</b>	<b>-4.5%</b>	<b>-30,684</b>	<b>-31,846</b>	<b>-3.6%</b>
Underwriting expense rate (1)	1.0%	1.0%	1.4%	-5 p	-40 p	1.0%	1.4%	-38 p

(1) Claims paid/ Net written premiums

In the annuity business, in late 2020 the decision was made to adjust technical parameters in order to boost sales, thus maintaining expected returns. The contribution margin for annuities was a loss of -MCH 30,684 for 1H21 (-3.6% YoY), with a rise of 481.9% in gross written premiums to MCH \$48,721 in the first half of the year, making it the insurance company with the most growth in this product line. The larger premium volume was offset by an increase in pensions paid, reaching MCH \$78,916 for 1H21 (+96.8% YoY), because of greater reserve requirements due to higher sales volumes. When an annuity is sold, a 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 term financial investments.

For the quarter, the contribution margin was a loss of -MCH \$15,476 (+1.8% QoQ) due to greater pensions paid of MCH \$42,499 because of a higher volume of gross written premiums of MCH \$27,290 (+27.3 QoQ).

<sup>10</sup> This also includes line 424 from the SVS, which corresponds to the old Disability and Survivor's system defined in Circular 528 (C-528). As of June 2021, this line contributes to Vida Security only MCH \$517 in pensions paid.

## **Disability and Survivor Insurance (DSI)** (0.1% of gross written premiums as of June 2021)

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>11</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.

DSI In MCH\$	2Q21	1Q21	2Q20	% Chg.		6M21	6M20	% Chg.
				QoQ	YoY			
Gross written premiums	70	54	36	30.8%	93.8%	124	160	-22.8%
<b>Net premiums written</b>	<b>27</b>	<b>2</b>	<b>-22</b>	-	-	<b>29</b>	<b>24</b>	<b>21.5%</b>
Variation in technical reserves	644	-980	0	-	-	-335	0	-
Claims paid	12,208	17,171	9,830	-28.9%	24.2%	29,379	11,282	160.4%
Pensions paid	-12,490	-13,878	-8,914	-10.0%	40.1%	-26,368	-12,820	105.7%
Underwriting expenses	0	0	0	-	-	0	0	-
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	0	0	0	-	-	0	0	-
<b>Contribution Margin</b>	<b>389</b>	<b>2,316</b>	<b>894</b>	<b>-83.2%</b>	<b>-56.5%</b>	<b>2,705</b>	<b>-1,515</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 seventh tender for DSI insurance for the next period (July 1, 2020 to June 30, 2022) was concluded in June 2020, and Vida Security was not awarded any fractions.

Gross written premiums totaled MCH \$124 for 1H21 since it was awarded no new policies in the current tender, while claims and pensions paid reached MCH \$3,011 (a loss of -MCH \$1,539 for 1H20), due to the 1H21 rise in interest rates used to calculate technical reserves.

This explains the contribution margin of -MCH \$2,705 for 1H21, compared to -MCH \$1,515 last year.

## **Vida Security - Consolidated Results**

For 1H21, Vida Security reported profit of MCH \$23,608 (versus a loss of -MCH \$1,992 for 1H20) due to improved returns on the proprietary trading portfolio of MCH \$59,131 (+150.0% YoY) and increased premiums (+33.5% YoY), offset partly by higher claims and pensions paid (+37.5% YoY).

For the quarter, it reported profit of MCH \$8,286 (-45.9% QoQ), because of higher claims and pensions paid (+41.2% QoQ), offset by increased premiums (+19.2% QoQ) and a smaller variation in technical reserves (-50.8% QoQ)

<sup>11</sup> <http://www.spensiones.cl/portal/orientacion/580/w3-article-3024.html>

In MCH\$	2Q21	1Q21	2Q20	% Chg.		6M21	6M20	% Chg.
				QoQ	YoY			
Gross written premiums	82,521	69,214	50,281	19.2%	64.1%	151,735	113,690	33.5%
<b>Net premiums written</b>	<b>81,454</b>	<b>68,342</b>	<b>49,419</b>	<b>19.2%</b>	<b>64.8%</b>	<b>149,796</b>	<b>111,702</b>	<b>34.1%</b>
Variation in technical reserves	-7,294	-14,827	-29,922	-50.8%	-75.6%	-22,121	-4,467	395.2%
Claims paid	-31,994	-11,141	-12,214	187.2%	161.9%	-43,135	-54,370	-20.7%
Pensions paid	-55,221	-50,637	-29,188	9.1%	89.2%	-105,858	-53,974	96.1%
Underwriting expenses	-4,034	-3,231	-4,222	24.9%	-4.4%	-7,265	-8,154	-10.9%
Medical expenses	-5	-2	-3	85.0%	56.0%	-7	-8	-8.8%
Insurance impairment	-2	-13	253	-86.2%	-100.7%	-15	-46	-66.9%
<b>Contribution Margin</b>	<b>-17,095</b>	<b>-11,510</b>	<b>-25,876</b>	<b>48.5%</b>	<b>-33.9%</b>	<b>-28,605</b>	<b>-9,317</b>	<b>207.0%</b>
Administrative expenses	-7,955	-7,681	-7,613	3.6%	4.5%	-15,636	-16,940	-7.7%
CUI Portfolio	18,967	7,021	22,779	170.1%	-16.7%	25,988	-842	-
Proprietary portfolio	27,190	31,941	13,243	-14.9%	105.3%	59,131	23,652	150.0%
<b>Investment income</b>	<b>34,196</b>	<b>38,962</b>	<b>36,022</b>	<b>-12.2%</b>	<b>-5.1%</b>	<b>73,158</b>	<b>22,810</b>	<b>220.7%</b>
Exchange differences	-284	439	-3,147	-	-91.0%	156	401	-61.3%
Gain (loss) on indexed assets and liabilities	-1,703	-1,241	-215	37.3%	690.8%	-2,943	-1,464	101.1%
Other income and expenses	-13	-11	48	19.4%	-127.5%	-24	-121	-79.8%
Income tax expense	1,140	-3,637	-254	-131.4%	-	-2,497	2,639	-194.6%
<b>Profit for the period</b>	<b>8,286</b>	<b>15,322</b>	<b>-1,035</b>	<b>-45.9%</b>	<b>-</b>	<b>23,608</b>	<b>-1,992</b>	<b>-</b>

In aggregate, gross written premiums reached MCH \$151,735 for 1H21 (+33.5% YoY) explained by higher sales of annuities (+481.9% YoY) and increased premiums on individual insurance policies (+2.1% YoY), offset by reduced premiums on group policies (-12.3% YoY).

For 1H21, the subsidiary recognized a variation in technical reserves of -MCH \$22,121 (+395.2% YoY) for individual insurance, due to better returns on investments in the CUI and APV portfolios. Claims and pensions paid totaled MCH \$148,993 (+37.5% YoY), because of an increase in claims and pensions paid on annuities resulting from higher sales and a higher loss ratio for group policies. Both effects were partially counteracted by lower claims and pensions paid on DSI due to higher rates for calculating technical reserves during the first half of the year.

This explains the contribution margin of -MCH \$28,605 for 1H21, compared to -MCH \$9,317 for 1H20.

The area reported investment income of MCH \$73,158 (+220.7% YoY), attributable to improved results on equity investments in the CUI and APV portfolios as well as the proprietary trading portfolio, coupled with stronger returns from fixed-income instruments in the proprietary trading portfolio. Weaker returns on the CUI and APV investment portfolio are counterbalanced by releases of technical reserves. Administrative expenses reached MCH \$15,936 (-7.7% YoY), in line with long-term cost savings efforts rolled out throughout 2020.

The income tax expense for 1H21 was -MCH \$2,497 (versus a benefit of +MCH \$2,639 for 1H20), in line with a larger profit before taxes.

For 2Q21, Vida Security reported profit of MCH \$8,286 (-45.9% QoQ). The larger direct premiums written (+19.2% QoQ) are explained by a rise in volumes of annuities (+27.3% QoQ) and individual insurance policies (+18.6%) due to higher premiums from CUI and APV policies. For the quarter, investment income totaled MCH \$34,196 (-12.2% QoQ), due to weaker returns on fixed-income instruments and real estate funds in the proprietary trading portfolio. The variation in technical reserves was a loss of -MCH \$7,294 (-50.8% QoQ), explained by increased surrenders and transfers in CUI and APV policies.



## Administrative Expenses - Vida Security

In MCH\$	2Q21	1Q21	2Q20	% Chg		6M21	6M20	%Chg.
				QoQ	YoY			
Payroll	-3,428	-3,523	-3,316	-2.7%	3.4%	-6,951	-7,214	-3.7%
Distribution channel expenses	-683	-710	-313	-3.7%	118.3%	-1,393	-1,331	4.7%
Other	-3,843	-3,449	-3,984	11.4%	-3.5%	-7,292	-8,395	-13.1%
<b>Total administrative expenses</b>	<b>-7,955</b>	<b>-7,681</b>	<b>-7,613</b>	<b>3.6%</b>	<b>4.5%</b>	<b>-15,636</b>	<b>-16,940</b>	<b>-7.7%</b>

For 1H21, Vida Security reported administrative expenses of MCH \$15,636 (-7.7% YoY). In 2020 all Group companies implemented a savings plan and carried out structural adjustments. As a result, it had lower personnel expenses (-3.7% YoY). On a quarterly basis, expenses totaled MCH \$7,955 (+3.6% QoQ), in line with the company's increased business.

## Investment Income - Vida Security

The subsidiary's investment income for 1H21 totaled MCH \$73,158 (+220.7% YoY). The proprietary trading portfolio had returns of MCH \$57,064 (+141.3% YoY) due to greater returns from equity instruments, indexes and real estate funds, which more than offset the decreased returns on fixed-income instruments. Meanwhile, the CUI and APV portfolios had income of MCH \$16,094 for 1H21 (versus -MCH \$842 for 1Q20), also associated with stronger returns on equity instruments and, to a lesser extent, on fixed-income instruments. More robust returns on the CUI and APV investment portfolio are counterbalanced by recording technical reserves.

In quarterly terms, investment income reached MCH \$34,195 (-12.2% QoQ). The proprietary trading portfolio generated income of MCH \$25,123 for 2Q21 (-21.3% QoQ), due to weaker returns on fixed-income instruments and real estate funds in that period. The CUI and APV portfolios generated income of MCH \$9,073 for the quarter (+29.2% QoQ) due to greater returns on equity instruments.

Investment Stock In Ch\$ Million	2Q21	1Q21	2Q20	% Chg		Stock % 2Q21
				QoQ	YoY	
Fixed Income	1,715,113	1,728,226	1,782,089	-0.8%	-3.8%	64.1%
Equities and indexes	661,701	653,323	578,988	1.3%	14.3%	24.7%
Real estate	277,294	274,759	243,440	0.9%	13.9%	10.4%
Other investments	22,058	29,931	22,701	-26.3%	-2.8%	0.8%
<b>Investments Stock</b>	<b>2,676,166</b>	<b>2,686,240</b>	<b>2,627,217</b>	<b>-0.4%</b>	<b>1.9%</b>	<b>-</b>
CUI Portfolio	619,039	607,138	552,722	2.0%	12.0%	23.1%
Proprietary portfolio	2,057,126	2,079,102	2,074,495	-1.1%	-0.8%	76.9%
<b>Investments Stock</b>	<b>2,676,166</b>	<b>2,686,240</b>	<b>2,627,217</b>	<b>-0.4%</b>	<b>1.9%</b>	<b>-</b>

Investment Income In Ch\$ Million	2Q21	1Q21	2Q20	% Chg		6M21	6M20	% Chg.
				QoQ	YoY			
Fixed Income	11,000	13,542	20,235	-18.8%	-45.6%	24,542	39,656	-38.1%
Equities and indexes	21,620	20,904	14,939	3.4%	44.7%	42,525	-19,432	-318.8%
Real estate	2,929	3,909	2,643	-25.1%	10.8%	6,837	5,963	14.7%
Other investments	-1,354	608	-1,795	-	-	-746	-3,376	-
<b>Investments Income</b>	<b>34,196</b>	<b>38,962</b>	<b>36,022</b>	<b>-12.2%</b>	<b>-</b>	<b>73,158</b>	<b>22,810</b>	<b>220.7%</b>
CUI Portfolio	9,073	7,021	22,779	29.2%	-60.2%	16,094	-842	-
Proprietary portfolio	25,123	31,941	13,243	-21.3%	89.7%	57,064	23,652	141.3%
<b>Investments Income</b>	<b>34,196</b>	<b>38,962</b>	<b>36,022</b>	<b>-12.2%</b>	<b>-</b>	<b>73,158</b>	<b>22,810</b>	<b>220.7%</b>

ROI	2Q21	1Q21	2Q20	% Chg		6M21	6M20	% Chg.
				QoQ	YoY			
Fixed Income	2.57%	3.13%	4.54%	-57 p	-141 p	1.43%	2.23%	-79 p
Equities and indexes	13.07%	12.80%	10.32%	27 p	248 p	6.43%	-3.36%	978 p
Real estate	4.22%	5.69%	4.34%	-147 p	135 p	2.47%	2.45%	2 p
Other investments	-24.55%	8.12%	-31.62%	-3267 p	3974 p	-3.38%	-14.87%	-
CUI Portfolio	5.86%	4.63%	16.48%	124 p	-1186 p	5.20%	-0.30%	550 p
Proprietary portfolio	4.88%	6.15%	2.55%	-126 p	359 p	5.55%	2.28%	327 p
<b>ROI</b>	<b>5.11%</b>	<b>5.80%</b>	<b>5.48%</b>	<b>-69 p</b>	<b>32 p</b>	<b>5.47%</b>	<b>1.74%</b>	<b>373 p</b>

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

Exchange differences totaled MCH \$156 for 1H21 and MCH \$439 for 2Q21 (MCH \$401 in 1H20 and MCH \$439 for 1Q21).

On the other hand, the subsidiary posted a loss from indexed assets and liabilities for 1H21 of -MCH \$2,943 (-MCH \$1,464 for 1H20), due to higher inflation during the period (2.2% for 1H21 versus 1.37% for 1H20). For the quarter, this item was a loss of -MCH \$1,703 (-MCH \$1,241 for 1Q21).

### OTHER SERVICES BUSINESS AREA (1.0% of assets; 3.6% of profit from business areas as of June 2021)

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 \$2,309 for 1H21 (versus a loss of -MCH \$514 for 1H20) due to legal title transferred on more units. Ownership was transferred on 55 units as of June 2021 (THUF 999) versus 18 units as of June 2020. In quarterly terms, profit for 2Q21 reached MCH \$908 (-35.2% QoQ) because title was transferred on fewer units during the quarter (17 in 2Q21 versus 38 in 1Q21). There is a lag between a sale and revenue recognition. Under IFRS, revenue is recognized once legal title to the property has been transferred.

Inmobiliaria Security signed purchase promise agreements totaling THUF 549 during 1H21 (+37.6% YoY) because of larger volumes, offset by a lower average price per unit sold. Compared to the preceding quarter, Inmobiliaria Security signed purchase promise agreements totaling THUF 221 for 2Q21 (-32.7% QoQ) because of smaller volumes, offset by a higher average price per unit sold. Meanwhile, real estate assets under management totaled MCH \$82,534, (-35.7% YoY and -8.2% QoQ), explained by the rise in the number of units on which ownership was transferred.

In Ch\$ Million	2Q21	1Q21	2Q20	% Chg		6M21	6M20	% Chg
				QoQ	YoY			
Real estate assets under management	82,534	89,895	128,438	-8.2%	-35.7%	82,534	128,438	-35.7%
Purchase promise agreements (UF)	220,860	328,073	174,491	-32.7%	26.6%	548,933	398,930	37.6%
Ownership transfers (Units)	17	38	4	-55.3%	325.0%	55	18	205.6%
<b>Profit for the period</b>	<b>908</b>	<b>1,401</b>	<b>-346</b>	<b>-35.2%</b>	<b>-</b>	<b>2,309</b>	<b>-514</b>	<b>-</b>

## TRAVEL AGENCY: TRAVEL SECURITY

Travel Security, including Travel Peru, had a loss of -MCH \$278 for 1H21 (versus a loss of -MCH \$2,771 for 1H20) due to reduced sales because of the public health crisis. This situation gave rise to an important structural adjustment in 2020 to shift towards a fundamentally digital sales model, watchful of how the industry will evolve. Interestingly, in 2Q21 the companies (Chile and Peru) reported consolidated profit of MCH \$25, reaching a break-even point.

	2Q21	1Q21	2Q20	% Chg		6M21	6M20	% Chg
				QoQ	YoY			
Total sales - Travel (MUSD)	16	12	4	31.0%	271.3%	28	47	-40.7%
Net operating income (MCH\$)	146 -	141 -	2,685	-	-	4 -	2,107	-
<b>Profit for the period - Travel (MCH\$)</b>	<b>25 -</b>	<b>303 -</b>	<b>- 2,861</b>	<b>-</b>	<b>-</b>	<b>- 278 -</b>	<b>2,771</b>	<b>-</b>

Travel Perú, Travel Security's subsidiary, reported sales of MUS \$5 for 1H21 (versus MUS \$15 for 1H20) and a net loss of -MUS \$0.32 as a result of the pandemic's impact on the travel and tourism industry.

## INTERNATIONAL BUSINESS AREA (3.6% of assets; -0.2% of profit from business areas as of June 2021)

The international business area reported a loss attributable to the owners of the parent of -MCH \$95. 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

Protecta posted profit of MS./ 9.5 (+104.5% YoY) for 1H21 with total premiums written of MS./ 305.7 (+60.0% YoY), a record high for the company, along with higher investment income (+17.2% YoY). This was partially offset by an increase in claims paid (+31.3% YoY).

Protecta reported annuity sales of MS./ 157.2 (+55.3% YoY) and market share of 22.3%. In addition, the subsidiary boasted sales of private annuities of MS./ 109.9 (+78.8% YoY) and market share of 17.9%.

It reported profit of MS./ 0.5 for 2Q21 (MS./ 0.5 for 1Q21) due to higher investment income of MS./ 39.3 (+38.7% QoQ). This effect was only partially offset by a lower premium volume of MS./ 150 (-3.2% QoQ), in both annuities and private annuities, and increased claims paid (+28.3% QoQ).

<i>In S./ Thousands</i>	2Q21	1Q21	2Q20	% Chg		6M21	6M20	% Chg
				QoQ	YoY			
Annuities - Premiums written	77,085	80,145	34,996	-3.8%	120.3%	157,230	101,270	55.3%
Annuities - Market share	21.2%	23.4%	23.5%	-221 p	-231 p	22.3%	25.1%	-283 p
Private annuities - Premiums written	53,872	56,057	27,268	-3.9%	97.6%	109,928	61,494	78.8%
Private annuities - Market share	18.3%	17.5%	20.5%	72 p	-227 p	17.9%	16.5%	136 p
<b>Premiums written</b>	<b>150,364</b>	<b>155,330</b>	<b>71,536</b>	<b>-3.2%</b>	<b>110.2%</b>	<b>305,694</b>	<b>191,048</b>	<b>60.0%</b>
Investment income	39,281	28,324	22,622	38.7%	73.6%	67,605	57,672	17.2%
Annualised return (LTM)	6.8%	6.3%	8.3%	51 p	-148 p	6.8%	8.3%	-148 p
<b>Profit for the period</b>	<b>9,041</b>	<b>478</b>	<b>-1,243</b>	<b>1789.7%</b>	<b>-</b>	<b>9,519</b>	<b>4,655</b>	<b>104.5%</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
F	620	15/09/09	UF	43,844	4.50	23	15/09/32
K	763	30/06/13	UF	3,000,000	4.00	25	30/06/38
L3	795	09/10/14	UF	3,000,000	3.40	21	15/11/35
M	842	25/10/16	UF	1,189,000	4.20	25	15/10/41
N1	885	31/01/18	UF	1,500,000	2.85	25	10/12/42
S	1,036	30/06/20	UF	1,000,000	2.00	20	30/06/40
<b>Total</b>			<b>UF</b>	<b>9,732,844</b>			

For more information on debt issued by subsidiaries of Grupo Security, please see the financial liability notes in the financial statements.

## Returns and Dividends

At the annual general meeting on April 06, 2021, Grupo Security shareholders approved a dividend payment of CH \$5.25 per share charged to profit for the year 2020. This dividend plus the interim dividend distributed in October 2020 are equivalent to CH \$10.95 per share, totaling MCH \$41,588, or 64% of profit for the year 2020.

The Group's dividend yield, calculated as dividends per share over the last 12 months divided by the stock price was 7.1% as of June 30th, and 6.5% as of August 18th. Grupo Security's stock reported a return of -3.5% for 1H21, underperforming the S&P/CLX IPSA (+3.7%).

## 2Q21 EARNINGS CONFERENCE CALL

Grupo Security's second quarter earnings report will be explained to the market in a conference call on Friday, August 20, 2021. 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 2020	June, 30 2021
<b>Current assets</b>		
Cash and cash equivalents	597,497	808,577
Other financial assets, current	3,878,087	3,973,826
Other non-financial assets, current	13,344	10,402
Trade and other receivables, current	6,616,652	6,642,692
Accounts receivable from related parties, current	53,343	73,807
Inventories	100,559	85,728
Current tax assets	41,281	33,139
<b>Total current assets other than assets or disposal groups classified as held for sale or held for distribution to owners</b>	<b>11,300,764</b>	<b>11,628,171</b>
Non-current assets or disposal groups classified as held for sale or held for distribution to owners	2,874	4,456
<b>Total non-current assets classified as held for sale or held for distribution to owners</b>	<b>2,874</b>	<b>4,456</b>
<b>Total current assets</b>	<b>11,303,638</b>	<b>11,632,627</b>
<b>Non-current assets</b>		
Other non-financial assets, non-current	53,036	39,115
Equity-accounted investments	1,950	1,705
Intangible assets other than goodwill	36,248	36,146
Goodwill	119,067	119,067
Property, plant and equipment	50,610	46,957
Investment property	291,001	300,043
Assets for right of use	9,074	7,817
Deferred tax assets	56,888	75,954
<b>Total non-current assets</b>	<b>617,873</b>	<b>626,805</b>
<b>Total assets</b>	<b>11,921,511</b>	<b>12,259,432</b>

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

Liabilities and Equity In Ch\$ Millions	December, 31 2020	June, 30 2021
Other financial liabilities, current	7,087,157	7,210,022
Liabilities for leases, current	2,120	2,449
Trade and other payables	2,863,722	3,006,696
Accounts payable to related parties, current	4,813	2,649
Other short-term provisions	35,831	34,977
Current tax liabilities	31,893	23,202
Employee benefit provisions, current	12,369	13,433
Other non-financial liabilities, current	133,674	197,832
<b>Total current liabilities other than liabilities or disposal groups classified as held for sale or held for distribution to owners</b>	<b>10,171,578</b>	<b>10,491,262</b>
Liabilities held for sale	0	720
<b>Total non-current liabilities classified as held for sale or held for distribution to owners</b>	<b>0</b>	<b>720</b>
<b>Total current liabilities</b>	<b>10,171,578</b>	<b>10,491,982</b>
<b>Non-current liabilities</b>		
Other financial liabilities, non-current	869,297	879,011
Liabilities for leases, non-current	7,355	8,267
Accounts payable, non-current	10,733	8,973
Accounts payable to related parties, non-current	0	3,581
Deferred tax liabilities	803	516
<b>Total non-current liabilities</b>	<b>888,188</b>	<b>900,349</b>
<b>Total liabilities</b>	<b>11,059,767</b>	<b>11,392,330</b>
<b>Equity</b>		
Issued Capital	487,691	487,698
Retained earnings	399,605	423,101
Share premium	0	0
Other reserves	(51,776)	(69,766)
<b>Equity attributable to equity holders of parent</b>	<b>835,520</b>	<b>841,033</b>
Non-controlling interests	26,225	26,068
<b>Total equity</b>	<b>861,744</b>	<b>867,101</b>
<b>Total liabilities and equity</b>	<b>11,921,511</b>	<b>12,259,432</b>

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

Consolidated statement of income (MCh\$)	June, 30 2020	June, 30 2021
Revenue	497,914	623,840
Cost of sales	-340,652	-444,690
<b>Gross profit</b>	<b>157,261</b>	<b>179,150</b>
Other income	778	1,066
Administrative expenses	-127,827	-115,185
Other expenses	-7,146	-3,880
Other gains	1,037	638
Finance income	231	263
Finance costs	-7,066	-6,969
Share of profit (loss) of associates and joint ventures, equity-accounted	-127	-168
Exchange differences	2,582	1,059
Gain (loss) on indexed assets and liabilities	-5,180	-9,801
<b>Profit before tax</b>	<b>14,544</b>	<b>46,172</b>
Income tax benefit (expense)	1,752	-5,326
<b>Profit (loss) from continuing operations</b>	<b>16,295</b>	<b>40,847</b>
Profit (loss) from discontinued operations	0	0
<b>Profit (loss) for the period</b>	<b>16,295</b>	<b>40,847</b>
<b>Profit (loss) attributable to</b>		
Profit (loss) attributable to equity holders of the parent	17,328	40,542
Profit (loss) attributable to non-controlling interests	-1,033	304
<b>Profit (loss) for the period</b>	<b>16,295</b>	<b>40,847</b>
Depreciation and amortization	6,460	6,665
<b>Ebitda</b>	<b>28,070</b>	<b>59,807</b>

## 4. 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	
	Jun-20	Jun-21	Jun-20	Jun-21	Jun-20	Jun-21	Jun-20	Jun-21	Jun-20	Jun-21	Jun-20	Jun-21	Jun-20	Jun-21
<i>In MCH\$</i>														
Revenue	249,194	257,241	28,003	29,223	146,400	232,835	62,641	75,037	11,261	29,757	416	-254	497,914	623,840
Cost of sales	-143,798	-158,317	-11,076	-13,198	-126,831	-183,313	-53,690	-67,848	-5,817	-21,768	560	-247	-340,652	-444,690
Gross profit	105,395	98,924	16,926	16,025	19,569	49,522	8,951	7,189	5,444	7,989	976	-501	157,261	179,150
Other income	13	16	344	466	90	71	7	-18	367	438	-43	93	778	1,066
Administrative expenses	-61,375	-59,511	-16,710	-15,473	-21,556	-20,038	-9,119	-5,966	-8,669	-5,446	-10,397	-8,751	-127,826	-115,185
Other expenses	-5,951	-2,725	-848	-855	-271	-147	-198	-158	-18	-9	140	14	-7,146	-3,880
Other gains (losses)	0	0	343	0	87	45	407	293	-24	105	224	195	1,037	638
Finance income	0	0	0	259	0	2	0	0	0	2	231	0	231	263
Finance costs	0	0	-3	-3	-13	-49	-86	-36	-450	-541	-6,513	-6,339	-7,066	-6,969
Share of profit (loss) of associates and joint ventures, equity-accounted	0	0	0	0	-127	-153	0	0	-1	-1	2	-15	-127	-168
Exchange differences	2,767	414	2,108	1,983	-371	494	-1,719	-1,520	62	-62	-264	-250	2,582	1,059
Gain (loss) from indexed assets and liabilities	-25	29	-162	324	-1,557	-2,939	0	0	45	395	-3,481	-7,610	-5,180	-9,801
<b>Profit (loss) before tax</b>	<b>40,825</b>	<b>37,147</b>	<b>1,997</b>	<b>2,726</b>	<b>-4,150</b>	<b>26,808</b>	<b>-1,757</b>	<b>-216</b>	<b>-3,245</b>	<b>2,870</b>	<b>-19,127</b>	<b>-23,163</b>	<b>14,544</b>	<b>46,172</b>
Income tax benefit (expense)	-8,450	-5,213	38	1,200	2,544	-2,653	1	64	810	-475	6,808	1,752	1,752	-5,326
Profit (loss) from continuing operations	32,374	31,934	2,035	3,926	-1,606	24,154	-1,756	-151	-2,434	2,395	-12,318	-21,411	16,295	40,847
<b>Profit (loss) attributable to</b>														
Profit (loss) attributable to equity holders of the parent	32,367	31,927	2,035	3,926	-1,584	23,839	-1,086	-95	-2,084	2,231	-12,321	-21,285	17,328	40,542
Profit (loss) attributable to non-controlling interest	7	7	0	0	-21	315	-670	-56	-351	164	3	-126	-1,033	304
Profit (loss) for the period	32,374	31,934	2,035	3,926	-1,606	24,154	-1,756	-151	-2,434	2,395	-12,318	-21,411	16,295	40,847



## 5. Segment Note - Grupo Security QoQ

Segment Note - Grupo Security <i>In MCH\$</i>	Lending and Treasury		Asset Management		Insurance		International Business		Other Services		Consolidation Adjustments, Support Areas and		Total Grupo Security	
	1Q-21	2Q-21	1Q-21	2Q-21	1Q-21	2Q-21	1Q-21	2Q-21	1Q-21	2Q-21	1Q-21	2Q-21	1Q-21	2Q-21
Revenue	128,779	128,462	13,809	15,414	112,694	120,141	38,092	36,945	16,331	13,426	-2,445	2,191	307,261	316,578
Cost of sales	-79,190	-79,127	-5,265	-7,933	-82,090	-101,223	-35,099	-32,749	-12,259	-9,509	369	-615	-213,534	-231,156
Gross profit	49,589	49,335	8,544	7,481	30,604	18,918	2,993	4,196	4,073	3,917	-2,076	1,575	93,728	85,422
Other income	0	16	0	465	24	47	-1	-17	232	207	83	10	338	728
Administrative expenses	-30,426	-29,085	-7,683	-7,790	-9,913	-10,124	-2,814	-3,152	-2,600	-2,846	-2,366	-6,385	-55,803	-59,383
Other expenses	-1,406	-1,319	-432	-423	-75	-72	-70	-88	-2	-7	9	5	-1,975	-1,905
Other gains (losses)	0	0	0	0	21	24	120	173	7	98	74	122	221	417
Finance income	0	0	242	17	0	2	0	0	0	2	0	0	242	21
Finance costs	0	0	-2	-1	-18	-31	-14	-22	-237	-304	-2,925	-3,415	-3,196	-3,773
Share of profit (loss) of associates and joint ventures, equity-accounted	0	0	0	0	-48	-105	0	0	0	0	-16	1	-65	-104
Exchange differences	1,130	-717	985	998	-244	739	-929	-591	-31	-32	-142	-108	769	290
Gain (loss) from indexed assets and liabilities	0	29	136	189	-1,235	-1,705	0	0	123	273	-3,855	-3,755	-4,831	-4,969
Gains (losses) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	-2	2	-4	4	0	0	0	0	0	0	0	0	-6	6
<b>Profit (loss) before tax</b>	18,886	18,261	1,786	940	19,116	7,692	-715	499	1,564	1,306	-11,214	-11,949	29,423	16,749
Income tax benefit (expense)	-2,745	-2,469	1,098	102	-3,656	1,002	37	27	-369	-106	532	1,220	-5,103	-223
Profit (loss) from continuing operations	16,141	15,793	2,884	1,042	15,460	8,694	-678	527	1,195	1,201	-10,682	-10,729	24,321	16,526
<b>Profit (loss) attributable to</b>														
Profit (loss) attributable to equity holders of the parent	16,138	15,789	2,885	1,041	15,254	8,585	-415	320	1,250	982	-10,760	-10,525	24,351	16,192
Profit (loss) attributable to non-controlling interest	3	3	-1	1	206	109	-263	207	-55	219	78	-205	-30	335
Profit (loss) for the period	16,141	15,793	2,884	1,042	15,460	8,694	-678	527	1,195	1,201	-10,682	-10,729	24,321	16,526

## 6. Grupo Security Consolidated Statement of Cash Flows

<b>Statement of Cash Flows</b>	<b>Jun-20</b>	<b>Jun-21</b>
<b>For the periods ended June 30st, 2021 and 2020</b>	<b>MCh\$</b>	<b>MCh\$</b>
Net cash flows provided by (used in) operating activities	-1,132,979	-613,251
Net cash flows used in investing activities	-6,640	-6,273
Net cash flows used in financing activities	785,741	819,308
<b>Increase (decrease) in cash and cash equivalents before effect of exchange rate changes</b>	<b>-353,878</b>	<b>199,783</b>
Effect of changes in exchange rates on cash and cash equivalents	-19,421	11,297
Net increase (decrease) in cash and cash equivalents	<b>-373,299</b>	<b>211,080</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>791,824</b>	<b>597,497</b>
<b>Cash and cash equivalents at end of period</b>	<b>418,525</b>	<b>808,577</b>

### Operating Cash Flows

For 1H21, the company reported net operating cash flows of -MCH \$613,251 (-MCH \$1,132,979 for 1H20). This variation is explained mainly by the increase in current account deposits, driven by lower interest rates, which steered customers away from time deposits, leaving larger balances in their current accounts.

### Investing Cash Flows

For 1H21, the company reported net investing cash flows of -MCH \$6,273, in line with last year's flows (-MCH \$6,640 for 1H20).

### Financing Cash Flows

For 1H21, it had net financing cash flows of MCH \$819,308 (+4.3% YoY), due to greater proceeds from short-term loans at Banco Security, particularly because of financing obtained through central bank lines in 2Q21.

## 7. Quarterly Statement of Income

Quarterly Earnings (M Ch\$)		2Q20	3Q20	4Q20	1Q21	2Q21
Revenue	M Ch\$	199,496	276,698	315,441	307,261	623,840
Cost of sales	M Ch\$	(124,960)	(165,755)	(231,634)	(213,534)	(444,690)
Gross profit	M Ch\$	74,536	110,943	83,807	93,728	179,150
Administrative expenses	M Ch\$	(59,985)	(61,116)	(54,419)	(55,803)	(115,185)
Operating income	M Ch\$	13,128	47,992	27,114	36,452	61,788
Finance costs	M Ch\$	(3,269)	(3,747)	(3,652)	(3,196)	(6,969)
Profit before tax	M Ch\$	6,791	39,960	22,569	29,423	46,172
Profit attributable to equity holders of parent	M Ch\$	10,828	30,445	17,374	24,352	40,542
EBITDA <sup>1</sup>	M Ch\$	13,264	47,106	29,509	36,002	59,807

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

## 8. Financial and Business Indicators

Activity levels (M Ch\$)		30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21
Cash (Grupo Security Standalone)	\$ millions	5,807	76,000	60,294	58,164	45,094
Total Assets	\$ millions	12,172,785	12,117,911	11,921,511	11,845,166	12,259,432
Total Liabilities	\$ millions	11,381,065	11,255,703	11,059,767	10,972,279	11,392,330
Total Equity	\$ millions	791,721	862,208	861,744	872,887	867,101

Leverage Ratios (M Ch\$)		30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21
Individual leverage ratio <sup>1</sup>	%	34.46%	35.14%	35.64%	36.74%	36.37%
Consolidated financial expenses <sup>2</sup>	Times	3.06	6.04	6.33	10.21	7.63

Profitability (M Ch\$)		30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21
Revenue	\$ millions	497,914	774,611	1,090,053	307,261	623,840
Profit attributable to equity holders of the company	\$ millions	17,328	47,772	65,146	24,352	40,542
EBITDA	\$ millions	28,070	75,175	104,685	36,002	59,807
Return of equity <sup>3</sup>	%	4.52%	7.95%	8.12%	11.58%	9.67%
Return on assets <sup>4</sup>	%	0.287%	0.528%	0.544%	0.820%	0.671%
Earnings per share <sup>5</sup>	\$	15.06	17.98	16.84	20.98	21.89
Number of shares	\$ millions	3,695	4,017	4,042	4,042	4,042

1. Individual leverage ratio: Defined as the quotient between the sum of Grupo Security's individually considered leverage and total consolidated equity, defined in note 38 to Grupo Security's Consolidated Financial Statement.

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 \$12,259,432 as of June 2021, +2.8% YTD. Of these assets, 54.2% are trade and other receivables, primarily the Bank's loan portfolio. As of June 2021, this item reached MCH \$6,642,692, +0.4% YTD, driven by +0.5% YoY growth in loans as explained on page 15.

Furthermore, 32.4% 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 June 2021, other current financial assets reached MCH

\$3,973,826, +2.5% YTD, due to a 2.8% YTD rise in the insurance subsidiary's investment portfolio for technical reserves, which reached MCH\$ 2,653,186 for 1H21 and, to a lesser extent, a 1.7% YTD rise in the Bank's current financial assets, explained by an increase in investments available for sale of MCH \$1,028,818 as of June 2021 (+10.4% YTD). This effect was partially offset by a drop in the volume of financial derivative instruments, which totaled MCH \$169,538 as of June 2021 (-30.4% YTD).

As of June 2021, total consolidated liabilities reached MCH \$11,392,330, +3.0 YTD. Of those, 63.3% 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 June 2021, other current financial liabilities reached MCH \$7,210,022, +1.7% YTD, explained by a larger volume of borrowings from financial institutions (+131.5% YTD), mainly due to use of Central Bank lines and financing and a larger volume in current accounts (+114.1 YTD), partially offset by a smaller volume of time deposits at the Bank, which totaled MCH \$1,377,094 as of June 2021 (-27.2% YTD).

Of total liabilities, 26.4% were trade and other payables, which are primarily the technical reserves of Vida Security and Protecta Security. As of June 2021, trade payables totaled MCH \$3,006,696 (+4.9% YTD), as a result of the 1.7% YoY increase in life insurance technical reserves, which totaled MCH \$2,439,404, in keeping with activity levels at Vida Security, as explained on pages 20 to 27. There were also greater reserves at Protecta Security, in line with greater sales of annuities and private annuities, as discussed on page 28 of this report.

Grupo Security's total equity amounted to MCH \$867,101 as of June 2021, +0.6% YTD, because of retained earnings for the year, partially offset by greater reserves.

The individual leverage ratio is defined in note 38 of Grupo Security's financial statements as the ratio of standalone financial liabilities, as presented in the FECU disclosures, to total equity. Under the bondholder protection covenant, it may not exceed 0.4, measured on the standalone statement of financial position. As of June 2021, this ratio was 0.3637, +191 bps YoY and +73 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 June 2021, the consolidated financial expense coverage ratio was 7.63 (+149.3% YoY) due to a +217.5% YoY variation in profit before tax.

As of June 2021, Grupo Security's revenue reached MCH \$624,933 (+25.5% YoY), primarily because of increased revenue from gross written premiums at Vida Security and Protecta, which totaled MCH \$211,484 (+32.9% YoY), due to higher sales of annuities and individual insurance policies. Furthermore, Vida Security and Protecta reported greater interest and investment income of MCH \$72,247 (+99.0% YoY), effects explained on pages 21 to 29 of this report. In contrast, there was an 88.8% YoY rise in other income principally due to an increase in legal title transferred on properties by Inmobiliaria Security, along with a 4.5% YoY rise at Banco Security due to increased indexation income because of higher inflation during the period and a larger number of prepayments, as explained on pages 7 to 15.

For 1H21, profit attributable to owners of the parent was MCH \$40,542, +134.0% YoY, while EBITDA reached MCH \$59,807 (+113.1% YoY). As of June 2021, annualized return on equity was 9.7% (+515 bps YoY) and return on assets was 0.67% (+38 bps YoY) with earnings per share of CH \$22.3 (+48.3% YoY). These results are explained by the results of Grupo Security and its subsidiaries, which are presented in detail throughout this report.

## **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. In addition, since 2001 the subsidiary Invest Security provides all group companies with shared services such as accounting, business risk and control, corporate culture, research and corporate IT services to support their development and technological requirements. In December 2014, Invest Security merged with Capital S.A., a wholly-owned subsidiary of Grupo Security.

### **BANKING INDUSTRY**

As of June 2021, the Chilean banking industry was made up of 18 financial institutions, including 1 state-owned bank (Banco Estado), 14 domestic banks and 3 branches of foreign banks. As of that date, industry loans totaled MCH \$206,022,480 (MCH \$190,710,072 excluding foreign subsidiaries). Equity totaled MCH \$22,656,321 while profit for the first half of 2019 was MCH \$1,814,128, with return on average equity<sup>12</sup> of 12.24%. The industry reported an efficiency ratio of 43.8% measured as operating expenses over gross operating profit, and 1.63% measured as operating expenses over total assets. The banking system posted a risk ratio of 2.45%, measured as loan loss provisions to total loans, and 1.53%, measured as 90-day nonperforming loans to total loans. As of June 2021, Banco Security had total loans of MCH \$6,259,188, positioning it 8<sup>th</sup> in total loans with 3.0% of the Chilean market (3.3% 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 June 2021, the mutual fund industry reported average assets under management of MCH \$52,482,707 and 2,817,863 investors. Administradora General de Fondos Security boasted average assets under management of MCH \$2,630,336 as of June 2021, giving it a market share of 5.0% and an eighth place industry ranking among the 20 fund managers operating in the market.

### **STOCK BROKERAGE INDUSTRY**

During the first half of 2021, market activity measured as value of shares traded decreased 3.8% in comparison to 1H20, reaching BCH \$33,037.

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<sup>12</sup> Annualized profit for the period over average equity for the period

Value of shares traded for Valores Security Corredores de Bolsa for the same period totaled BCH \$564 with market share of 1.7%. Market share is calculated based on transactions on Santiago Exchange and the Chilean Electronic Stock Exchange.

## **LIFE INSURANCE INDUSTRY**

As of June 2021, there were 34 life insurance companies in Chile. Total gross written premiums for the industry were MCH \$2,266,040. The life insurance industry posted profit of MCH \$516,001 for the period ended June 2021. 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 June 2021, investments accounted for using the equity method in the Consolidated Statements of Financial Position represent approximately 0.01% 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 June 2021, equivalent to 0.97% of total assets.

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 June 2021, Grupo Security had not received any dividends from its subsidiaries.

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 June 30, 2021, 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 June 30, 2021, 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**

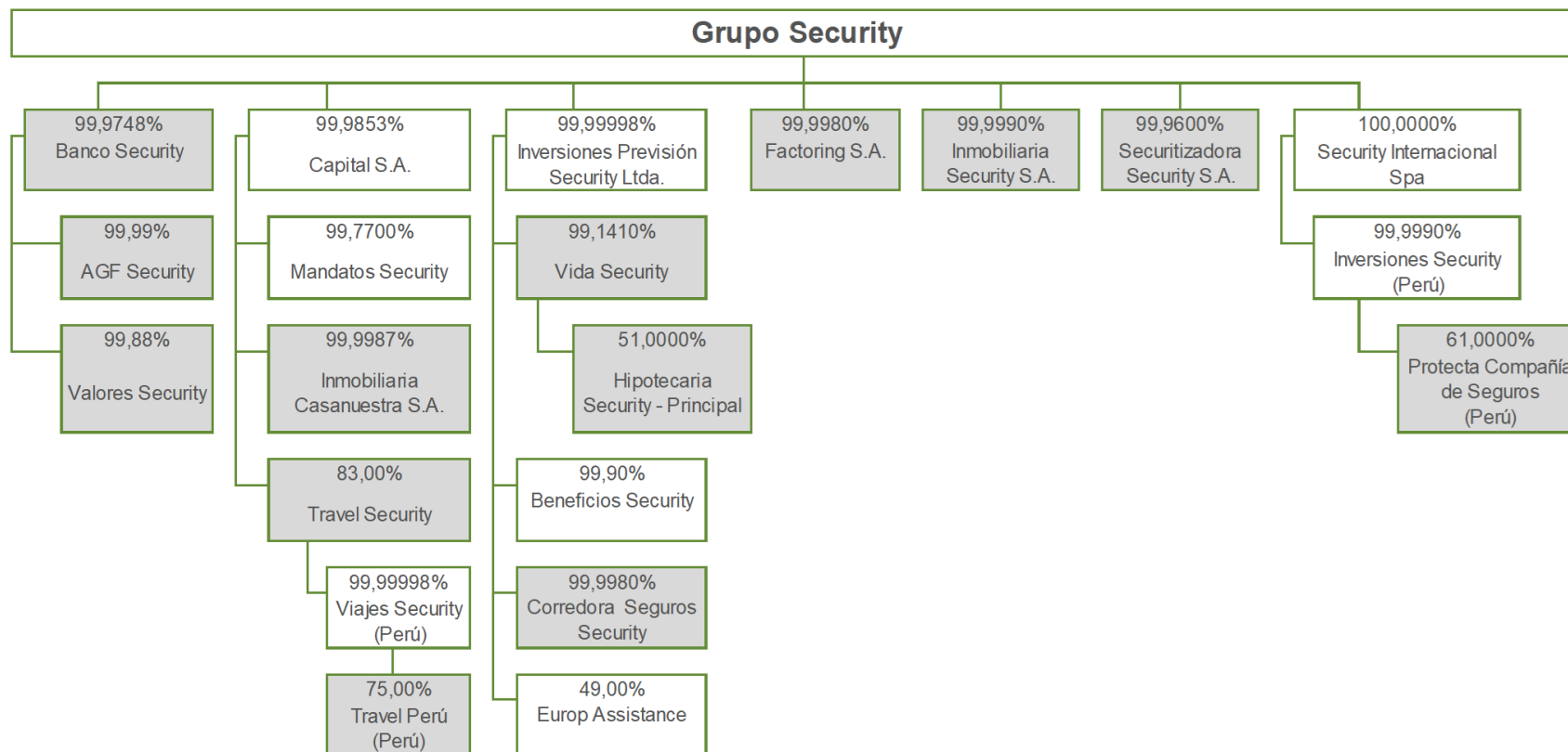
The large number industry players can lead to company closures and mergers. Consequently, the current industry structure may vary, triggering adjustments to the structure of sales and operating margins.

### **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 July 1, 2021



In 2020, the following changes were made to the corporate organizational structure:

- Asesorías Security was absorbed by Capital
- Servicios Security was absorbed by Inversiones Previsión Security
- Representaciones Security was absorbed by Travel Security

As of July 1, 2021, the following changes were made to the corporate organizational structure:

- Global Security Gestión y Servicios Ltda. was absorbed by Capital S.A.