Script for Grupo Security's Earnings Conference Call for 2Q 2021

Felipe Jaque, Chief Economist for Grupo Security

Macroeconomic Recap 2021 (Slide 2)

The local economy expanded 8.8% YoY in the first half of 2021, surprisingly exceeding expectations and laying the groundwork for growth in the range of 8-9% for the year. This heightened momentum came from internal demand, led by private consumption, up 18.1% during the period and trailed by investment, which climbed 12.1% mainly in machinery and equipment. Fiscal aid packages and pension fund withdrawals have played a key role in this expansion, which has more than offset the persisting lag in the labor market, with close to 1 million fewer jobs than before the pandemic. Worldwide, a combination of a strong dollar and depreciated local currencies join the highest raw material prices seen in recent years to push medium-term inflation expectations skyward. In this context, the Chilean Central Bank began its cycle of rate hikes, which quite possibly could take a somewhat more aggressive profile than anticipated a few months ago, so as to contain demand pressures that continue to accumulate towards the second half of the year.

Even so, the expectations for 2022 still reflect greater uncertainty, subject to how authorities withdraw stimulus provided in 2020-2021, global macroeconomic conditions and the path taken by internal demand, particularly investment and its effect on employment. All this leads us to estimate limited growth of around 1.5 to 2%, below consensus levels, reflecting the important challenges faced by different economic sectors.

Renato Peñafiel, CEO of Grupo Security

Grupo Security – Consolidated Results (Slides 3 and 4)

- Profit: MCH$40,542 for 1H21, more than double the MCH$17,328 for 1H20.
- LTM profit of MCH$88,361, an all-time record for the company.
- Recovering business area profit of MCH$61,827 for 1H21.
  - Vida Security:
    - Profit of MCH$23,608 (loss of -MCH$1,992 for 1H20)
    - Improved investment income (+221% YoY)
    - Third in sales with 6.7% market share
    - Upgraded risk rating
  - Banco Security
    - Profit of MCH$30,694, despite a MCH$13,750 increase in LLP expenses and MCH$4,000 in termination benefits paid out.
  - Inversiones (Asset Management)
    - Profit of MCH$3,926 (+93% YoY)
    - Deferred taxes of MCH$1,141 recognized by Valores Security
    - Improved results for Securitizadora and CasaNuestra

- Inmobiliaria (Real Estate)
  - Title transferred on a larger number of units during the period (55 as of June 2021 versus 18 as of June 2020)
- Travel
  - Break-even point during the quarter (MCH$25 in 2Q21) thanks to adjustments made in 2020
- Protecta
  - Profit of MS/.9.5
  - Improved investment income (+17% YoY)
  - Premiums of MS/.306, a company record
- Factoring
  - Results aligned with expected growth

- Corporate and support area expenses: MCH$7,375 (-3.7% YoY)
  - Savings in business support areas
  - Higher technology expenditures
- Finance costs: MCH$6,616, +2.2% YoY – bonds issued by Grupo Security and Inversiones Previsión Security last year.
- Indexed Assets and Liabilities: MCH$7,610 – higher inflation (2.2% as of June 2021 versus 1.4% as of June 2020) and MUF 2.2 in bonds issued by Grupo Security and IPS in 2020
- This resulted in profit of MCH$40,542 in the first half of the year, 134% above last year, thanks to a strong performance from the businesses and the savings plan implemented in 2020

Grupo Security – Consolidated Expenses (Slide 5)

In order to strengthen the long-term profitability of the Group's businesses and adapt to changes in the environment stemming from digitization and the pandemic, Grupo Security has rolled out transformation processes in its main businesses. To effectively implement the various projects, the Group built a governance structure that will enable it to monitor, control and capture revenue and efficiencies, thus ensuring that it achieves its set objectives.

- Consolidated expenses: MCH$115,185 for 1H21 (-9.9% YoY)
  - Administrative expenses -11% YoY
  - Personnel expenses down MCH$6,000, despite over MCH$4,000 in termination benefits paid out by the Bank and subsidiaries.

These adjustments were made in line with the principles of our corporate culture, which is built around respecting and caring for people with a focus on work-family-life balance. Awards

- Best Places to Work in Chile 2020 (5th place)
- Best Places to Work in Latin America (27th place)
- Best Places to Work for Women in Chile 2021 (1st place)
- Merco Talent 2021: Best Company at Attracting and Retaining Talent in the Corporate Holding Category

Employees:

Dec-19 3,961

Jun-20 3,530

Dec-20 3,256

Jun-21 3,172

Jul-21 3,157

Transformation Plan: Commitments (Slide 6)

A year ago we were finalizing the roadshow for our capital increase. At that time, we presented our transformation process to the market. The objective of this process was to strengthen our businesses' long-term profitability and adapt to changes in the environment.

This project was developed initially in late 2019 at Banco Security and its subsidiaries, with a focus on the customer service model and revenue generation. After that, it was expanded to all Group businesses, aiming to boost revenue and enhance customer interactions. In addition, we incorporated important efficiency initiatives across all Group companies, which involved reviewing and simplifying the organizational structure in all companies and support areas.

As a result of this process, in 2020 we achieved annual savings of around MCH$19,000. This was reflected in administrative expenses, which fell 9.7% YoY in 2020. This effect was partly offset by a 6.8% increase in consolidated payroll expenses because of greater employee termination expenses of MCH$14,491 during the year.

In 1H21, we saw a 9.9% YoY drop in total expenses (MCH$12,642), 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 out at Banco Security and its subsidiaries.

In the travel business, the business hardest hit by the pandemic, we shifted to a primarily digital sales model at the beginning of the crisis. We set for ourselves the goal of reaching the break-even point during 2021, but the business accomplished profit of MCH$25 in 2Q21.

For the year we expect to reverse a large part of the losses generated in 1Q21.

To effectively implement this project and maintain strict control over expenses, the Group built a governance structure at the corporate level that will enable it to monitor, control and capture revenue and efficiencies, thus ensuring that it achieves its set objectives.

We continue working on other fronts and expect the productivity increases stemming from these projects to generate greater revenue over the next few years, while maintaining the service quality and close relationships that we are known for.

Eduardo Olivares, CEO of Banco Security

Banco Security, Consolidated (Slide 7)

- Banco Security consolidated profit: MCH$30,692 for 1H21, +4.1% YoY
- Despite increased LLP expenses of MCH$13,750 and termination benefits of MCH$4,000
- Strong performances from the Treasury Division and asset management subsidiaries, offset by greater LLP expenses in the Commercial Banking Division and lower revenue in the Retail Banking Division.

- Annualized ROAE: 9.1%
  - Peer banks: 12.3%
  - Industry: 8.3%

Total loans: BCH$6,256 for 1H21 (+0.5% YoY) (+0.5% YoY industry)

Commercial loans: BCH$5,078, +1.0% YoY (-3.3% industry)

- This growth in loans was not driven by FOGAPE instruments, where Banco Security is underrepresented in terms of its market share, but rather is based on commercial growth with customers.

Retail loans: BCH$1,178, -1.8% YoY (+4.3% industry)

- Consumer loans: -15.4% YoY (-8% industry)
- Mortgage loans: +8.0% YoY (+9.7% industry)

The ratio of net interest margin to loans has remained stable over time at around 3.2% of loans.

Banco Security's consolidated efficiency ratio: 46.6% as of June 2021

- 50.3% as of June 2020, reflecting the cost-cutting efforts implemented last year.
- Peers: 44.8%
- Industry: 43.8%

Banco Security – Results by Business Area (Slide 8)

We have managed to sustain our net interest margin, despite a drop in income from liabilities, with higher spreads and increased loans. T other lines held stable. Increased LLP expenses, partly offset by reduced expenses.

Results by area:

Commercial Banking: profit of MCH$10,511 for 1H21 (-MCH$11,340 YoY), despite a MCH$17,014 increase in LLP expenses.

- Net interest margin: MCH$48,654 (-2% YoY) due to lower income from liabilities, offset partially by a higher average spread and 1% increase in commercial loans.

- Expenses: -11% YoY, because of lower commercial performance bonuses and savings from the structural adjustments carried out in 2020
- Financial operating income, net FX transactions and other income: MCH$4,303 (+7% YoY) due to greater prepayments.

Retail Banking: loss of -MCH$2,740 for 1H21 (versus a loss of -MCH$597 for 1H20)

- Net interest margin: -21% YoY, due to the 15.4% contraction in consumer loans and lower interest rates.
- Net fee and commission income: -29% YoY, due to a decline in supplementary loan insurance products.
- LLP expenses: MCH$7,789 (-47% YoY) due to a drop in consumer loans and a 40% decrease in the NPL portfolio in light of the government’s relief plans and withdrawals from pension funds.
- Support expenses: -6% YoY, related to reduced business and cost-cutting efforts rolled out in 2020.

Retail Banking: we were expecting difficult conditions because of the transformation process.

Treasury: profit of MCH$25,796, more than double the figure for 1H20

- Net operating income, +73% YoY, due to:
  - lower cost of funds
  - greater prepayments
  - improved spread for investment portfolio
  - trading of fixed-income instruments.
- Support expenses: -12% YoY, due to lower commercial performance bonuses.

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

Banco Security – Risk (Slide 9)

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.

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 most important points is its NPL coverage ratio (1.17), a trend we expect to continue in 2021. The NPL portfolio has stayed below 2.0%, displaying a downward trend since 3Q20.

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

Marcela Villafaña, Head of IR for Grupo Security

Asset Management (Slide 10)

For 1H21, the asset management area, which includes the fund management (Administradora General de Fondos or AGF), brokerage (Valores Security) and securitization (Securitizadora) subsidiaries, reported profit of MCH$3,926, up 93% from last year, mostly due to MCH$1,141 in deferred taxes recognized in the first quarter. In addition, Securitizadora and CasaNuestra reported profit of MCH$210 for 1H21 versus a loss of -MCH$549 for 1H20.

Operating income (MCH$18,599) remained stable year over year because the 4.1% rise in transactional income was offset by a 5.5% drop in fund income as a result of a lower ROA in mutual funds, mainly money market funds.

It also had non-operating income of MCH$1,232, down 13% due to weaker returns on local fixed-income investments in the AGF and Valores proprietary trading portfolios.

The asset management area had assets under management of BCH$4,153, holding steady YoY, with greater domestic and foreign custody, offset by decreased AUM in investment funds.

Factoring Security (Slide 11)

Profit for 1H21 was MCH$4,784, or 14% below last year, due to lower operating income, mostly because of a tighter portfolio spread. This was partially offset by a larger volume of factored receivables of BCH$361, 12% above June 2020, and lower banking costs. The cost-cutting efforts can also be seen in the company's results, with a 7% drop in expenses due to lower payroll expenses.

As a result, efficiency was 42.0% as of June 2021, versus 39.8% as of June 2020, attributable to the impact on revenue, while the risk index, calculated as provisions over total loans, was 2.01%, 32 basis points below June 2020, because of write-offs in 2020.

Vida Security (Slide 12)

Vida Security reported profit of MCH$23,608, versus a loss of MCH$1,992 for 1H20, because of improved returns on the proprietary trading portfolio and a better technical result in DSI.

The company had 6.7% market share based on gross written premiums, positioning it 3rd in the industry with MCH$151,735, or 34% above 2020, mostly because of the 482% growth in annuity premiums.

It is important to bear in mind that the annuity market has contracted in a context of low market interest rates and a higher rate defined for calculating programmed withdrawals offered by pension fund managers, which has boosted retirees' preference for programmed withdrawals, thus reducing annuity sales industry wide. For example, during the first six months of the year annuity sales rates averaged 2.73%, while the programmed withdrawal rate was 3.4%.

In late 2020 the decision was made to adjust technical parameters in order to boost sales and maintain expected returns. As a result, Vida Security achieved MCH$48,721 in gross written premiums during the first half of the year.

It recorded a variation in technical reserves of a loss of -MCH$22,121 due to improved returns from CUI and APV investments, which were offset by reserves recorded.

Claims and pensions paid totaled MCH$148,993, or 38% more than 2020, because of an increase in annuity 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.

Now I'll turn things over to Juan Pablo Cofré, Investment Manager for Vida Security, who will explain the investment results.

Juan Pablo Cofré (Investment Manager - Vida Security)

Vida Security – Investment Income

The investment result, both in the CUI and proprietary trading portfolios, has recovered well YoY, totaling MCH$73,158 in the first half of 2021, more than three times the result from June 2019.

The proprietary trading portfolio reported a gain of MCH$57,064, up 141% from 2020, due to improved returns from equities and real estate funds. These effects more than offset the lower returns on fixed-income instruments.

Meanwhile, the CUI and APV portfolios posted income of MCH$16,094, versus a loss of -MCH$842 million for 1H20, also associated with stronger returns on equity instruments and, to a lesser extent, on fixed-income instruments.

Marcela Villafaña, Head of IR for Grupo Security

Protecta Security (Slide 13)

In the international business area, Protecta Security rallied boldly during the quarter, ending the first half of the year with profit of MS/.9.5 (equivalent to MCH$95) and doubling last year's result (loss of -MCH$582). This improved result can be explained by greater investment income.

The premium volumes attained during the period are noteworthy, reaching MS./ 305, or 60% higher than last year, an all-time high for the company. This growth can be explained by a 79% increase in private annuities to MS./ 110 and 18% market share, while annuities increased 55% to MS./ 157, with market share of 22%.

Bear in mind that converting results from soles to IFRS used in Chile and adjusting for the varied accounting criteria used in each country results in a different book basis profit. Following these adjustments, Protecta Security had profit of MCH$95 for 1H21, versus a loss of -MCH$582 for the first half of last year.

Other Services Area (Slide 14)

Travel Security, our travel agency, has been profoundly affected by the public health crisis's impact on the travel and tourism industry, reflected in a YoY drop of 41% in billing.

Consolidated with its similarly impacted subsidiary in Peru, Travel Security reported a loss of -MCH$278 for the period. Individually, Travel Perú posted a loss of -THUS$320.

In 2020 this situation led to an important adjustment in the company's cost structure, enabling it to reach the break-even point during the second quarter of the year, with consolidated profit of MCH$25.

Meanwhile, the real estate subsidiary reported profit of MCH$2,309, in contrast to a loss of -MCH$514 for 1H20. Legal title was transferred on 55 units during the semester, while real estate assets under management fell 36% YoY, in line with title transfers.

Fernando Salinas, Planning and Development Manager for Grupo Security:

Share Buyback (Slide 15)

Almost two weeks ago we called an extraordinary shareholders' meeting on Wednesday, August 25th, to vote on a share buyback program.

We believe this is an attractive investment for Grupo Security, since the current stock price does not reflect its intrinsic value.

This slide explains the main legal features and accounting implications of the share buyback program. The program must be approved at an extraordinary shareholders' meeting and, notably, has no impact on results since the variations in value will be recorded in an equity reserve account.

At the meeting, the board will propose a buyback program for up to 5% of the subscribed and paid-in shares, which total 202 million to date, or MCH$28,094 based on yesterday's closing price of MCH$139.

In addition, it will propose delegating authority to the board to directly acquire up to 1% of the subscribed and paid-in shares on market within any 12 month period without resorting to proration. To date, this 1% is equivalent to 40 million shares or MCH$5,619 based on yesterday's closing share price.

Lastly, the amount of trades on the same day may not exceed 25% of the average share trading volume over the last 90 days. To date, this 25% is equivalent to MCH$64.

The number of subscribed and paid-in shares could increase if the remaining shares from the capital increase are subscribed. Similarly, the maximum amounts could also vary in the event of fluctuations in the stock price and total trading value.

Fundamentals (Slide 16)

Based on yesterday's closing price, the Group's price/earnings ratio is 6.36 and its market/book ratio is 0.65, the lowest values since our IPO.

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, up 30% from CH$16.8 as of year-end 2020 and 45% above June 2020. Grupo Security's dividend yield is 6.3%.

Our management team believes this share buyback program is an attractive investment for Grupo Security, since the current stock price does not reflect its intrinsic value.

Comparables (Slide 17)

When looking at a longer period, Security's stock has outperformed the IPSA over the past 10 years. After Chile's civil unrest in October 2019, Security decoupled from the IPSA considerably.

Compared to other banking stocks, Grupo Security has experienced inferior returns and, in terms of the market/book and price/earnings multiples, Security is the most discounted stock with respect to its historic average.

Projections

This year we expect loan growth of around 4% at the Bank, with a gradual improvement in LLP expense over the next few months.

In terms of Basel III, we should maintain compliance over the next three years.

Good results from the Treasury Division, harnessing market opportunities.

At the insurance company, we anticipate a 3Q21 performance for the proprietary trading portfolio similar to 2Q21, where foreign assets continue to outperform local assets. Towards the end of the year, we believe that portfolio returns will converge just below levels seen over the past twelve months.

In short, the Group's profit for 2021 should return to 2019 levels.

Questions and Answers

Bank: customers with difficulties in 2Q, we reach the coverage levels we were looking for or there will be greater provisions from here on out. We see other customers in the segment with issues and how will LLP expenses evolve.

For larger customers without access to FOGAPE programs, do we anticipate accelerating loans?

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