

## **Q&A for Grupo Security's Earnings Conference Call for 3Q21**

### **Digital - Monument**

**Q: Jorge Opasso, Global Alpha Capital:** ¿Do you have any target in terms of outcomes of the digital strategy over the next 3 to 5 years?

**Q: Bazan Silva Isidora, BICE AGF:** How much did you disburse for this new acquisition?

**Q: Daniel Mora Ardila, Credicorp:** Can you give us more details about the objective of the relationship with Monument Bank. What can we expect as far as initiatives in the Chilean market from here on out?

### **A: Fernando Salinas, Grupo Security**

We have some internal numbers on the digital strategy. Over the next few weeks we will hold a specific call with Francisco Letelier, Corporate Digital and Data Manager, to talk about the main elements of the strategy we are developing with help from the international consultants that have assisted us with different strategic projects. Generally speaking, it is an integrated strategy for all Group companies that addresses aspects like integrated data governance and complementing Grupo Security's offering of financial services through investments, partnerships or alliances with financial technology companies (Fintech).

As for the amount disbursed, we cannot disclose that information yet.

The investment in Monument is accompanied by a side letter that establishes cooperation between Grupo Security and the Monument team, made up of bankers with successful track records and a first-rate digital team.

### **Banco Security**

**Q: Felipe Marin, PW & WM:** Can you tell us about the valuation policy for the proprietary trading portfolios of the mutual fund (AGF) and brokerage subsidiaries and the Bank's trading desk?

### **A: Manuel Widow, Banco Security**

- In accordance with IFRS, the trading desk's portfolio is accounted for as held for trading, which means that the mark to market is recorded directly in profit or loss.
- In the case of the brokerage subsidiary (Valores), for transparency's sake and to avoid possible conflicts of interest, we decided to consider it held for trading, so mark to market adjustments also go directly to profit or loss.
- The mutual fund subsidiary (AGF) uses the same criterion as the Bank: if investments have a horizon of more than 180 days, they are accounted for as held for sale and the mark to market is recorded in equity and reclassified to profit or loss when the instrument is sold. Currently, AGF's entire portfolio is classified as held for sale.
- For the purposes of calculating the mark to market, external pricing data sources are used, primarily Risk America, and it is controlled by the Financial Risk Area.

**Q: Felipe Navarro, Banchile**

Regarding the Bank, how well positioned is your portfolio in this period of high interest rates, high inflation, etc? Are you comfortable with your current mix and risk levels with regards to next year? How do you see the credit dynamic next year? Any projections?

**A: Eduardo Olivares, Banco Security**

Our portfolio tends to have less risk because of its coverage ratios (which are above industry) and that has been part of our business model. In addition, we have ramped up our credit monitoring activities to ensure ratings are actively monitored and provisions are sufficient. Under current conditions, it is hard to forecast loan growth, although we hope loans maintain a level of dynamism aligned with growth and inflation expectations.

**Q: Daniel Mora Ardila, Credicorp**

How do you see pressure on margins in 2022 because of the considerable rise in the Central Bank rate? Do you see risks along this front, or do you feel that the high inflation and larger gap offset the rise in cost of funds?

**A: Nicolás Ugarte, Banco Security**

Without a doubt we will be seeing considerable rate hikes over the next few months, which is a reality that is already reflected in market and analyst prices. As we have said, we generally manage a well-matched balance sheet, even more so than the industry average. We placed UF22 million in bonds between 2020 and 2021, mostly before the last strong rate hike in the past few months. Looking forward, we will undoubtedly face higher funding rates with cost of funds on the rise, which will be passed on to the commercial areas for their corresponding loans. This may somewhat slow loan growth if the rate hike process is more drastic than current market expectations. As in the past, we are adjusting both the asset side (loans) and the liability side (deposits) and customarily in these processes assets adjust upward more quickly than liabilities.

### **Vida Security**

**Q: Ignacio Andrés Peñaloza Fernández, AFC:** How are the insurance companies positioned in the event of potential new advances, if the bill is or is not amended?

**Rodrigo Guzmán, Vida Security**

Looking beyond the passing of the bill, the company is quite well prepared, I would say, in three basic indicators: the solvency ratio (minimum equity required to operate, which is almost double); another regulatory index they require of us is the leverage ratio and the company is below 10, while the market is between 14 and 15 with a regulatory maximum of 20; and the third important indicator is financial leverage. Vida Security is at 0.6. The company is well prepared to face an important shock. It is one of the companies in the market that is prepared to cope with it. Obviously, we don't like it. It's bad policy.

**Q: Daniel Mora Ardila, Credicorp:** How do you see premium growth from here on out considering the interest rate environment next year? The company's premiums have been above CLP 80 billion for two quarters now. Could we expect this to be a sustainable level?

**Rodrigo Guzmán, Vida Security**

The company's strategy is to keep its market share similar to recent months. Remember that traditionally Vida has had market share between 2% and 2.5% in annuities. When the industry contracted in 2020, we rolled out the specific strategy we mentioned in the presentation to increase our market share and achieved 10% in a few months. We aim to have between 8%-10% of the annuity market in the medium term.

**Group Covenants**

**Q: Isidora Bazán, BICE AGF:** As for the Group's covenants, are you concerned by the current level (0.37x)? Are you going to change the calculation to consider net debt?

**A: Fernando Salinas, Grupo Security**

Grupo Security's covenant has always fluctuated between 0.34x-0.38, so the current level is within the normal range. We are not going to make changes to that calculation.