

Grupo Security seeks greater earnings growth over next three years

April 6, 2021

As reported at the annual general meeting held today:

GRUPO SECURITY SEEKS GREATER EARNINGS GROWTH OVER NEXT THREE YEARS

In 2020 the company made needed adjustments to move forward with its transformation plans and achieve earnings growth of around 12%.

At today's annual general meeting Grupo Security explained the transformation plan implemented in its different business areas in 2020, with a special focus on commercial systems, process efficiency and digitizing in order to continue providing exceptional service quality to its customers and boost revenue.

Because of the public health crisis, the shareholders' meeting was held online using digital platforms, with 85.52% of shares in attendance. No shareholders were physically present and the meeting complied with all legal requirements. At the meeting, shareholders approved a dividend payment of CH \$5.25 per share. Combined with a dividend distributed in October, this is equivalent to 54.3% of profit for the year 2020. Accordingly, Grupo Security hopes to continue its track record of distributing around 55% of earnings.

In his presentation, the Chairman of the Board of Directors of Grupo Security, Francisco Silva, remarked that 2020 was a time of major challenges. In response, the company implemented several important measures such as significantly cutting expenses, restructuring business models, diversifying revenue sources and implementing a telecommuting model to ensure operational continuity. Thanks to this model, at the most critical times 95% of the organization was working from home to meet customer needs. Silva commented that, given the prevailing uncertainty, the Group companies recorded higher LLP provisions to deal with portfolio impairment. Similarly, it increased capital to reinforce its main operating units' equity positions.

"These decisions, despite the adverse conditions, enabled us to achieve strong earnings, equivalent to 80% of our historical figures. In the case of the Bank--Grupo Security's main asset--profit was down 21.8% from last year. This figure compares favorably with the industry, where the average drop in earnings was 52.9%," remarked Silva. "The structural modifications we made give us an optimistic outlook, assuming today's favorable global conditions persist," concluded Silva.

During the year, the company continued its transformation process, which helped it address these unprecedented challenges. On the topic, Grupo Security's CEO, Renato Peñafiel, explained that although these processes began before 2020, they were accelerated by the pandemic. Peñafiel pointed out how quickly the Group companies adapted commercial efforts and savings plans to help contain the impacts of the crisis.

"In addition to natural savings explained by the drop in business, all companies meticulously reviewed their spending. A zero-base, three-year budget was prepared to redefine necessary operating expenses. These adjustments will help generate future savings of around BCH\$18 in total expenditures. That puts us in a good position to achieve earnings growth of around 12% over the next three years," he explained.

Peñafiel also commented that the company will continue its transformation plan in 2021 with a strong emphasis on commercial and digital systems, striving to maintain its businesses' competitive positions and profitability. He also confirmed that the Bank will carry out a capital increase of BCH \$23 with resources raised by the Group from the 2020 capital increase, which will allow Banco Security to comply with Basel III standards in the next three years.

As of year-end 2020, Grupo Security reported profit of MCH \$ 65,146 and, despite the challenging conditions in 2020, some business areas continued growing, with Vida Security posting profit of MCH \$23,529 (+17% YoY). Similarly, Inmobiliaria Security enjoyed record profit of MCH \$6,038 for 12M20, due to legal titles transferred on more units during the period. Meanwhile, the Bank reported profit of MCH \$60,150 after having recorded additional provisions to account for increased risk in the economy.