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# Q3 webcast results

## Audio transcript

## AUDIO TRANSCRIPT - WEBCAST Q3

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**Daniel Mesa:** Good morning to you all and thank you very much for joining us for Grupo SURA's third quarter earnings presentation. Today's session shall be divided into two sections, the first will consist of a part of the financial results that is pre-recorded and then we will move on to the question and answer section which will be live. On behalf of the Company, we are joined today by Gonzalo Perez, the Company's CEO as well as Ricardo Jaramillo, Chief Business Development and Corporate Finance Officer, Juan Luis Múnera, Chief Legal Affairs Officer, and on behalf of SURA AM, Carlos Oquendo, Chief Corporate Finance Officer, and Juan Fernando Uribe, Chief Finance and Investment Officer from Suramericana. At this point, I will give the floor to Gonzalo Pérez to begin with the presentation and I wish to remind you that you can ask questions during the entire duration of this conference call.

**Gonzalo Perez:** Many thanks Daniel and a very good morning to you all. I would like to start by talking about some of the issues that are relevant to our different stakeholders, beginning with the good operating results of our Companies at the end of this past Q3. YTD revenues reached COP 25.6 trillion, showing a year-to-date increase of 28%, which means that Grupo SURA has produced additional revenues of close to COP 6 trillion Colombian pesos over the last 12 months, all of this organically. This shows the growth capacity of our Company and that of our entire portfolio. We would also like to highlight the 45% growth in our operating earnings, which ended up at COP 3.4 trillion Colombian pesos for the first nine months of the year, thanks to improved levels of performance on the part of both Suramericana and SURA Asset Management.

On the other hand, we would like to mention the progress made with the Nutresa transaction, where the Company continues to strive to meet the estimated deadlines for carrying out this operation, part of which involves obtaining the various approvals which are needed in order to complete the transaction. On the one hand, we are awaiting the Colombian Superintendency of Finance to approve a spin-off from Nutresa while at the same time we are awaiting approvals from different countries, having already obtained some of these, such as an approval on behalf of the Mexican competition regulator. We also continue to make headway with structuring the Tender Offer and on the financing front, where the Company has been accumulating cash and negotiating with local and international financial institutions in order to have the necessary resources for implementing this transaction.

Over the next few days, we expect to finalize the terms of the amendments to be made to the agreement relating to the exchange of Grupo Nutresa shares, as we recently announced to the market. These amendments, announced on September 15 through the relevant information channel, shall allow us to move forward that much more expeditiously in meeting the objectives of these

agreements. We shall continue to advance with the various stages of the transaction, keeping you and the market informed in due course.

Another relevant issue to mention is the well-known situation of our Mandatory Health Care Subsidiary (the EPS in Spanish); and as we have mentioned in the last quarters, the current structure of the Colombian health care system continues to present important challenges. This subsidiary has experienced significant impacts due to large-scale transfers from other mandatory health care entities that have shut down as well as the insufficient tariffs due to having included most of the services that were never part of the basic health plan. All this has maximized the deficit and has led to a deterioration of the Company's equity, with claims rates reaching as high as 106%, which Ricardo shall be discussing later on. Suramericana is therefore implementing different plans to address these challenges. Firstly, the Company has been advancing a preventive health risk management plan; working with the healthy population on a company level, since claims frequencies have increased due to an inadequate use of the system. In this way we are delivering better health care, but at the same time we are controlling the operating health care costs. For this purpose, conversations have been held with the business community throughout the country to promote and encourage the proper use of the health care system, as previously mentioned, from the standpoint of preventing illness and following the treatments as prescribed, seeking more effective models of providing business health care services from the point of view of health risk management and obviously from the point of view of the health of our own subscribers. Secondly, we have been working with our entire service-providing network to implement operating models and awareness in the use of resources; the aim of which is to discuss ways of understanding and negotiating while designing new ways of dealing with all those providers involved, this together with savings initiatives and a more effective risk management, all this without undermining but rather improving the health of all our subscribers. We have also had different technical discussions with the Colombian Ministries of Health and Finance addressing the lack of resources at year-end as well as increasing the CPU (Capitation Payment Unit) which is the value payable to the Health Promoting Entities for each of the members of the social security health system. Finally, a proposal has been submitted to the government by Suramericana for the financial risk be assumed by the State and that the health care managing entities assume the health and operating risks through a commission tied to patient health conditions, which allows for the articulation of efforts to guarantee that patient health outcomes are well-managed. The Company also continues to submit to the Colombian Government its proposals for improvements based on its experience and the current reality of the health care system this to be considered as part of the bill that is currently being debated. We also reiterate the importance that the operating and business models of the health care managing entities clearly recognize the operating and financial conditions that encourage a real improvement in the health status of the population, as mentioned so many times before, as well as greater efficiencies in administrating the network. We shall keep you informed in our next conference calls of the progress made in this matter.

Finally, we would like to mention the status of the divestitures in Argentina and El Salvador, which were announced to the market on August 11 and 14, respectively. The transaction in Argentina was completed in October, while the sale in El Salvador is still pending approval by the Panamanian regulator but is expected to be finalized before the end of this year.

Next, we will go into greater detail on the different non-recurring impacts that the Nutresa transaction as well as the divestitures in Argentina and El Salvador are having on our financial statements, as well as the higher claims rate on the part of our Mandatory Health Care subsidiary (EPS). As previously mentioned, the operating results of our Companies have continued on an uptrend, and it is important to mention several non-recurring effects associated with transactions and circumstances that should be taken into account when analyzing the results for this period and how they compare with those of last year. The first effect has to do with a greater depreciation of the Colombian peso against the rest of the regional currencies, which continues to be a factor that is reflected in our financial statements and will always be reflected; secondly, we have the fact that the pension fund management subsidiary, Protección, was consolidated in November of last year, which as we have been showing during the course of this year, affects the comparability of the figures posted, and thirdly, we have the effect of the Nutresa transaction, as mentioned on several occasions, which has had significant effects on our financial statements with the reclassification of investments in associates to non-recurring assets held for sale. On the one hand, in June of this year we recorded a deferred tax of COP 618 billion, which does not as yet represent a cash item; also, and as of this quarter our financial statements do not recognize Nutresa's revenues as Revenues Obtained Via the Equity Method. Fourthly, the sale of Suramericana's insurance operations in Argentina and El Salvador, which were announced in August and were completed in Argentina in October with El Salvador expected to be completed in December; with these transactions the Company expects to receive a total of USD 52.4 million dollars in cash, these operations shall allow Suramericana to make a strategic reallocation of capital, thus strengthening its presence throughout the region, where it will want to remain in all seven countries where it is present today. As a consequence of this, the results of the transactions in Argentina and El Salvador began to be recorded as Earnings from Discontinued Operations and are excluded from the other items on the income statement. Also, a loss of COP 104 billion has been recognized in the financial statements for this quarter, which for Grupo SURA is equal to COP 85 billion in Controlling Net Income. As a consequence of these two divestitures, we expect the total impact to reach COP 127 billion, of which COP 66 billion correspond to taxes payable on the transaction and another COP 62 billion corresponding to other impacts such as the impairment to the Other Comprehensive Income statement as well as non-recurring administrative expense. Fifth and to conclude, the higher claims rate on the part of our Mandatory Health Care subsidiary, EPS, which resulted in a loss of COP 176 billion for the quarter and COP 210 billion so far this year, continues to exert a definite pressure on the Company's results.

But let's examine the results for this period in more detail. Total revenues continued to show double digit growth rates thanks to the good levels of operating performance on the part of our investments. As we have already mentioned, at the end of this past third quarter the Company's consolidated revenues rose by 28% compared to last year, this means new revenues of COP 5.8 trillion to stand this past Q3 at COP 26.5 trillion. As we have already mentioned at the beginning of this presentation, this is due to good levels of sales on the part of Suramericana, which continues to show a double-digit growth in premiums. Furthermore, Sura Asset Management showed a growth in fee and commission income thanks to improved levels of performance on both the job and capital markets compared to last year. Operating earnings showed a notable increase of 45% compared to last year,

reaching COP 3.4 trillion due to an operating leverage produced by an increase of 221 basis points in revenues over costs and expense; this was largely due to an improvement with the operating results reported by both our subsidiaries and associates, the latter reaching COP 1.5 trillion pesos at the end of Q3, in the form of Revenues Obtained via the Equity Method, where it is important to mention that due to the Nutresa transaction, as of this past quarter our financial statements no longer reflect the results of Grupo Nutresa as recorded via the equity method, so this figure shows a drop of 5% so far this year and we will continue to see this effect in our results for the remainder of this year. It is to be noted that Grupo SURA's controlling net income, excluding the tax effect associated with the Nutresa transaction and the non-recurring effects associated with the operations divested in Argentina and El Salvador, which represent COP 85 billion for us, and assuming the recording of Nutresa's revenues via the equity method for COP 41 billion, our pro forma controlling net income would have shown a growth of 35%, reaching COP 1.9 trillion pesos at the end of this past quarter, and if we again look at our Controlling Net Income, this would have shown a growth of 68% compared to that recorded back in 2019 before the years affected by the pandemic.

On the other hand, based on our strategic vision in which we strive to generate more sustainable levels of profitability, it is of fundamental importance to view these results in a more comprehensive manner, incorporating the vision of our different types of capital. One of the means used to evaluate our performance based on this comprehensive vision is by analyzing the sustainability evaluations we receive from external rating agencies, which allow us to identify our strengths and challenges, as well as to complement our understanding of our risks and impacts, while identifying the key issues on which we should focus our performance. In this regard, we would like to share with you that so far we have received ratings from MSCI, Sustainalytics and Standard & Poor's, which show good levels of performance in terms of sustainable investments, climate risk, carbon footprint and reporting practices. We have also identified challenges relating to public emission reduction targets, increasing the coverage of ESG-based products as well as the structure of our Board of Directors. As for the ratings issued by Standard & Poor's and Sustainalytics we were placed in the 98th and 99th percentiles respectively. With regard to MSCI we are in the top quartile in sustainable investment and human talent. These evaluations coupled with our internal analyses allow us to guide our comprehensive handling of our four capitals, economic, social, human and natural, in an effort for our Company to become increasingly more effective in the short, medium and long term. I shall now give the floor to Ricardo Jaramillo, who will give us an in-depth look at the income statements of Grupo SURA and both its subsidiaries.

**Ricardo Jaramillo:** Thank you very much, Gonzalo, and a very good morning to all of you who are joining us on this conference call. To continue, we shall now turn to page 9, where we will start with a summary of Suramericana's consolidated results at the end of this past quarter, and then we will elaborate more on a segment by segment basis so as to analyze the Company's performance in greater detail. Due to the divestitures in Argentina and El Salvador, as Gonzalo mentioned, the numbers we are seeing are the figures from both of these two companies that are posted as earnings from discontinued operations, having excluding these from the other accounts of the financial statements. Suramericana's written premiums reached COP 7.1 trillion for the third quarter showing

a growth of 14%, largely due to double-digit growths in the life insurance and health care segments, with an increase of 18% in the year-to-date premiums compared to Q3 last year. The claims rate has increased by 93 basis points with respect to the YTD figure at the end of the same period last year, now reaching 73.4% due to the higher claims rate recorded by our Mandatory Health Care subsidiary (EPS) given higher frequencies and severity of such. Consequently, for this past quarter this subsidiary's claims rate reached 74.5%, which represents an increase of 154 basis points with respect to the third quarter of last year. The technical result shown in the graph for the quarter closed at COP 418 billion, for an increase of 7%, thanks to the increase in premiums in the different segments during the quarter. On the other hand, investment income increased by 45% for the quarter compared to the same period last year, for a total of COP 501 billion. These results are due to higher rates of return on inflation-indexed assets in Colombia, as well as greater volatility with alternative assets and fluctuations with exchange rates, which offset the rise in interest rates at the end of the quarter, thereby affecting the performance of local fixed income assets. We have seen this same pattern throughout the year, whereby at the end of this past quarter, investment income increased by 69% compared to the YTD figure last year.

We ended up with a loss this past quarter due to the expense relating to the sale of our former operations in Argentina and El Salvador which amounted to COP 104 billion pesos; however, if we were to exclude this one-time effect, earnings for the quarter would have stood at COP 66 billion pesos. On a YTD basis, the Company's net income ended up with a growth of 71% at COP 433 billion pesos, which, were we to exclude the aforementioned effects, would have amounted to an income of COP 537 billion. These results led to an adjusted return on equity over the last 12 months of 11.6% with an adjusted return on tangible equity of 14.9%.

Now let's turn to the individual segments. Here the idea is to tell you all the relevant facts in each of these and to elaborate on the numbers in our financial report line by line. Let's start then with the life insurance segment. Here, written premiums for the quarter reached COP 2.1 trillion for a growth of 12%, thanks to the amount of portfolio renewals carrying the highest premiums in Colombia and Chile, as well as a good level of performance with the health care solution. The occupational health and safety solution continued on an uptrend, recording a growth of 14% given the increase in the number of insured workers, and this same trend can be seen with the YTD figures at the end of Q3, where we see a growth in written premiums of 15% in total. The claims rate for the quarter came to 64%, that is to say a drop of 303 basis points compared to the same quarter last year, due to lower adjustments to the reserves corresponding to the life and occupational health and safety solutions, given the increase with the minimum wage in Colombia, which we expect to reach lower levels than for last year. Another important factor that is driving the performance of this segment is investment income, which represented an increase of 48% compared to the third quarter of last year, to stand at COP 346 billion pesos, mainly thanks to investments held in Colombia, where inflation continues high, and also given higher returns from certain alternative assets. It is important here to mention that in the economies where we are present we have already reached maximum inflation levels, so we expect a lower contribution from this line item in the coming quarters. On the other hand, the 56% growth in investment income for the first nine months of the year was also due to cuts in interest rates, which had a positive impact on investments classified at market prices. This led us to end up

with a net income for this segment of close to COP 222 billion pesos, for a growth of 403% compared to the same period last year and with net income on a YTD basis closing at COP 732 billion pesos.

Let's turn to page 11 which features the Property and Casualty insurance segment. Written premiums rose by 8% for the quarter and 14% so far this year, thanks to the voluntary car insurance as a result of the updated tariffs as well as corporate solutions, which showed a double-digit growth, thereby offsetting lower sales of the Mandatory Road Insurance as well as certain other solutions offered in Mexico. The claims rate in this segment improved by nearly 285 basis points compared to the third quarter of last year, reaching 49%. This lower claims rate is explained by the voluntary car insurance solution, which showed a drop of 15.2 percentage points going from 74% in the third quarter of 2022 to 59% this past quarter, as shown in the graph to the right. This drop is the product of our profitability and technical management strategy which we have been extending since last year and has allowed this indicator to reach levels below the average recorded in recent years, except for 2022, when costs increased due to disruptions in the supply chain thereby causing claims to exceed normal levels for this segment. Investment income rose by 36% compared to the third quarter, last year, reaching COP 109 billion pesos, given the appreciation of fixed income assets, as well as income from exchange rate fluctuations, due to the upward movements recorded by our regional currencies. Consequently, the segment's net income increased by 108% for the quarter, reaching COP 102 billion pesos, with the YTD figure amounting to COP 250 billion pesos.

Let us now turn to the health care segment, where we continue to see some important challenges facing our Mandatory Health Care subsidiary, the EPS, which as Gonzalo mentioned at the beginning, have led to a loss for the quarter. On the one hand, this segment's written premiums reached COP 2.8 trillion, for 25% increase. This growth is explained by a 25% increase in the EPS as a result of the increase in the CPU (Capitation Payment Unit payable by the Government to the Health Promoting Entities for each of the members of the social security health system) at the beginning of the year as well as the increase in the number of policyholders or subscribers for this quarter. This segment's claims rate was close to 100%, affected by the Mandatory Health Care Subsidiary, the EPS, which reached 106% compared to 102% for the same period last year. As you can see in the graph on the right side, and as mentioned in previous conference calls, the EPS and the industry as a whole, are showing increased frequencies and severity in terms of claims given the growing demand for both low and high complexity health services. Consequently, this segment ended up with a loss of COP 164 billion pesos for the quarter with the YTD results at the end of Q3 posting a loss of COP 183 billion pesos.

To summarize what we have already discussed, going through Suramericana's results for the first nine months of the year, we can see that the Life together with the Property and Casualty segments have helped with the growth seen with the Company's results, thanks to an improved claims rate with these solutions as well as higher investment income. It is important to underscore the good levels of performance with the Property and Casualty as well as the Life insurance lines of business, which represent a growth of COP 534 billion pesos in earnings; however, the losses with the health care segment increased by COP 151 billion pesos due to the impacts sustained by the Mandatory Health Care subsidiary, EPS. Likewise, the expense incurred with divesting the insurance subsidiaries in Argentina and El Salvador is having an impact on the Company's results. Were we to exclude these

non-recurring effects, the Company would have recorded a growth of 112%, with net income reaching COP 538 billion pesos, as can be seen in the graph.

Suramericana's year-end results, as we can appreciate from the trend seen this year, shall largely depend on how the Mandatory Health Care subsidiary, the EPS, fares during this last quarter, since this has impacted the Company's results to a significant extent and could lead us to anticipate that at the end of the year the Company's net income could well be a little below what we initially estimated at the beginning of the year.

Now let's turn to page 15, for the results posted by Sura Asset Management. Firstly, the Company remains on an uptrend in terms of its results, reflecting the improved operating performance of the Savings and Retirement segment as well as higher returns from its legal reserves. In order to make these figures more comparable, we hereby present the pro forma variations assuming that Protección had been consolidated in 2022, as well as others, but excluding foreign exchange effects, so that we can analyze the Company's operating results. Fee and commission income for the quarter amounted to COP 978 billion pesos, showing a pro forma increase of 4% upon excluding exchange rate effects, thereby reflecting the growth in the Savings and Retirement business, as a result of the increases with the basic wage as well as assets under management. This same dynamic is reflected in the Company's consolidated results, which rose at a pro forma level of 4%, upon excluding the exchange rate effects, reaching COP 3.1 trillion pesos at the end of this past quarter. Operating expense ended up at COP 701 billion for the quarter, where we continue to see the efforts made by the Company during the year, in securing a drop of 1% compared to last year. Upon analyzing the proforma variations, excluding the exchange rate effects, this drop is all the more notable since it occurs in spite of the prevailing high levels of inflation and at a time when fee and commission income shows a positive growth. The same was true for the year to date figures, with pro forma growth, excluding foreign exchange effects, amounting to 1%. On the other hand, the Company's legal reserves for the quarter showed a negative performance, however an uptrend still remains on a YTD basis with this line item ending up at COP 122 billion pesos, which represents an annualized return close to 4% in contrast with the loss sustained last year, thereby reflecting an improvement with the financial markets on a global level during the course of the year. Operating earnings rose by 45% for the quarter, reaching COP 305 billion, and for the first nine months of the year COP 1.3 trillion. These results are largely explained by a recovery with returns from the Company's legal reserves, the uptrend with fee and commission income, the Company's efficiency in managing its expense, as well as a higher depreciation of the Colombian peso. As a result, controlling net income for the third quarter reached COP 151 billion pesos and for the first nine months of the year COP 645 billion pesos. This translates into a significant improvement in the adjusted returns on equity and tangible equity for the last 12 months, these standing at 9% and 27.1%, respectively.

Let us now turn to the next page for a more in-depth discussion on the individual segments. Let's start with the savings and retirement segment. AUM increased by 1% at constant rates for the quarter thanks to higher individual worker contributions, as well as a recovery with the returns obtained. As can be seen in the graph to the right, we continue to see an uptrend with the wage base, which is the driver that generates our commissions, this showing a growth at constant rates of 10.5% versus the same period last year. Fee and commission income for the quarter amounted to COP 819



billion pesos, for a proforma increase of 4% with the consolidation of Protección and excluding foreign exchange effects. This growth is the result of a 10% increase in AUM, driven by this growth in countries where commissions are paid on the volume of AUM or assets under management held, mainly in Mexico where AUM is growing at a rate of 12.5%, thanks to the change in the contribution rates for individual accounts as a result of the 2020 reform, which is the J curve that we have talked about on other occasions, which went from 6.5% to 7.5% this year. Also, in countries where wage-based commissions are charged, there was an 8% increase, mainly due to wage increases in Chile and El Salvador. During the first nine months of this year, fee and commission income recorded a pro forma growth of 5%, upon excluding exchange rate effects and the consolidation of Protección, the Company's legal reserves showed a loss of COP 76 billion pesos, given a change in market expectations that predicted higher interest rates over a prolonged period of time due to a slower convergence of inflation levels towards central bank objectives. During the first nine months of the year, revenues from legal reserves came to COP 121 billion pesos, for an annualized Yield of approximately 3.8%. Finally, operating expense continued to reflect the Company's efforts in search of greater efficiencies. During this past quarter, expense came to COP 460 billion pesos, for a growth of practically 0% upon excluding exchange rate effects, recording a growth of only 1.6% on a YTD basis.

Let us now continue with the voluntary pension segment. Firstly, AUM reached COP 99 trillion for the quarter, for a growth of close to 24% upon excluding exchange rate effects. This growth was largely due to having obtained new insurance mandates carrying commitments with new infrastructure funds, as well as a recovery with financial returns and the strengthening of the Company's commercial offering. In spite of the challenges facing the investment industry throughout the region given high interest rates, the Company has maintained a sound level of performance incorporating new investment alternatives such as structured funds, closed-end alternatives with guaranteed returns among many others, which is reflected in a net fund flow at constant rates reaching COP 17 trillion since the same quarter last year. Fee and commission income for this past third quarter reached COP 157 billion pesos for a drop of 0.4% at constant rates compared to the same quarter last year, this trend was due to lower fee and commission rates given changes in the mix of segments and a greater share of the total on the part of the amount of AUM corresponding to insurance mandates that carry lower commission rates. Another effect that has been occurring throughout the year is the change in the structuring of the assets contained in client portfolios with a greater participation of fixed-income products that generate lower commissions. Likewise, the declines with the voluntary pension business in Mexico and Colombia have brought about a lower growth for this segment. On a YTD basis, fee and commission income showed a growth of 4% at constant rates duly adjusted for the effects of having consolidated Protección. Operating expense for the quarter rose by 2% on a pro forma basis, excluding foreign exchange effects and 1% year to date, again reflecting the Company's efficiency efforts to mitigate the challenges the segment is facing and its ability to adjust expense in line with business conditions.

To conclude this section of SURA AM's results and looking at them from a graphical point of view, on a YTD basis at the end of Q3, we saw an increase of COP 499 billion in net income compared to last year, this driven by the performance of the Savings and retirement segment, as well as by the Company's operating efficiencies, as we have mentioned in the last two segments. This has allowed

it to close with a controlling net income at the end of September of COP 645 billion pesos, as we can see at the end of the graph.

Let us now turn to page 20 for results posted by Grupo SURA. Let's begin by talking about Revenues Obtained via the Equity Method, which at the end of the third quarter, ended up at COP 399 billion pesos, for a drop of 23% compared to last year, this due to the absence of revenues from Nutresa for this past quarter.

Now let's look at each of our investments, beginning with Bancolombia. Bancolombia contributed COP 365 billion pesos, for a drop of 8% compared to the same period last year, this due to the current economic slowdown, higher interest rates affecting loans as well as an impairment to the Bank's loan portfolio. The Company ended up with a Controlling Net Income of COP 1.5 trillion for the quarter, for a decline of 8% and a ROE over the last 12 months of 16.7%. Grupo Argos contributed another COP 33 billion this quarter for a 24% growth, this thanks to a positive level of performance in the real estate cement business with the Company reaching a net income of COP 190 billion pesos. On the other hand, although we see that Grupo Nutresa is featured, I would like to make it abundantly clear that we are not including the corresponding revenues given the corresponding accounting change. However, upon comparing these revenues against the same quarter last year we received COP 78 billion pesos and in this case were we to have taken this into account we would have received COP 41 billion. Consequently, Revenues Obtained via the Equity Method on a year to date basis would have stood at COP 1.5 billion pesos added to Grupo SURA's net income or revenues.

Now let's see how Grupo SURA's net income for the first nine months of this year has evolved from a graphical standpoint. Firstly, after reviewing the performance of our Companies we observe the strength of our portfolio, which has generated earnings totaling COP 2.7 trillion on a year-to-date basis, in the midst of an economic environment marked by high inflation rates, rising interest rates and an economic slowdown. Consequently, we see that the five investments added together represented COP 2.7 billion pesos in earnings. Subsequently, to arrive at the respective accounting profit we subtracted interest, expense as well as the deferred tax relating to the Nutresa transaction, which led to a net income of COP 1.4 and a net controlling income of COP 1.1. Now, if we were to disregard the impact or effect relating to the deferred tax on Nutresa's revenues via the equity method as well as the impact associated with the divestments in Salvador and Argentina, we would have a net income close to COP 743 billion pesos to reach a figure comparable to that of last year of COP 1.9 trillion. This represents a 35% growth in net income for the first nine months of the year for the Company.

Finally, we invite you to look at Grupo SURA's adjusted returns, particularly its adjusted ROE, you know that we have a methodology aimed at reflecting the performance and value creation for each of our lines of business as well as the Company's portfolio as a whole. In this case, when we stop at the end of Q3 of this year and disregard the impacts associated with the aforementioned transactions, we can see that the Company achieved a profitability or is achieving a profitability of 11%, 100 basis points higher than that observed last year, this enables us to see that both the Company and its different lines of business are moving towards a greater level of profitability and

value creation for its shareholders. Thank you very much for your kind attention and now we would like to continue with our Q&A section.

## Questions and answers

**Carlos Gonzalez:** Good morning and thank you very much again for joining us today on our Q3 earnings conference call. Before beginning with our question and answer session, I would like to remind you that you may ask your questions through the chat laid on for this purpose and that the presentation we have just seen has been made available on our website. The first question is from Julian; based on the results of the Mandatory Health Care subsidiary, the EPS, what is the outlook going forward regarding its business continuity and do we know any more about the progress of the current health care reform bill? For this question I would like to give the floor to Gonzalo.

**Gonzalo Pérez:** Again, a very good morning to you all. Julián, we have already seen several approaches to this issue, the first is that from Suramericana's standpoint as well as the current reform bill, the EPS health care entities shall not continue along the same lines as before. The proposal that Suramericana is working on with the Government is for us to assume the health risk, which is very important, that is to say, to maintain the standards and continue improving the health care standards of all our subscribers while managing the operating risk, thereby capitalizing on our 30-year experience and in the case of Suramericana, its EPS, provides more than 100 million health care services per year, but leaving the inherent financial risk in the hands of the Government due to the inherent volatility. In this sense, we are already seeing that the EPS business, as you are clearly stating, is going to be transformed, there is a health care bill that embraces this transformation and we insist that it is very important to continue managing both the health as well as the operating risk leaving the volatility of the financial risk to the Government. This is the context in which we believe that the whole health care issue shall evolve. We also believe that we in this way shall be achieving the best possible outcome for the country in raising and continuing to raise health care standards as contained in our operating models that continue to be efficient, but that the financial risk, as is logical in terms of being a fundamental right of the people, will be assumed by the Government. With this we shall be, let's call it "staving off" the volatility effect on our income statements in terms of Suramericana's mandatory health care line of business and for the Health Promoting Entities EPSs in general. This is the first point that seems important to us, and here, even with the health care reform bill, we shall be talking about commissions of around 5%, with certain increases if our health care indicators improve or let's call them "punishments" if these deteriorate, with which we are in complete agreement. That would be how we expect the situation to evolve, but since that is not happening any time soon and the health care reform bill shall take its time with the different steps to be taken, the second issue that is being worked out as part of the Technical Work Sessions with the Government is the increase with the Capitation Payment Unit for 2024. Certain procedures are already underway with recovering or recognizing certain health care expense. But in terms of 2024 we are working with the Government as part of its Technical Work Sessions so that any increase in

the aforementioned Capitation Payment Unit does not affect the continuity of the EPS business as it currently does in the form of deficits and a claims rate as high as 106% as previously mentioned in this presentation.

In this sense, we already see that we are going to limit the effect of this problem on our results in 2024 and step by step we are going to achieve that with the health care reform and through the work that is being done with the Government where a "sandbox" and other ways have been proposed to experiment with this assumption of the health and operating risks involved as we have already mentioned while leaving the financial risk to the Government so that we can make headway with the health care scheme for all Colombians. We believe that this is a good proposal and a good way out of the problem. It also solves the issue with the EPS, which today, from Suramericana's standpoint, leaves a second question.

**Carlos Gonzalez:** Julian would like to ask us a second question relating to the Grupo Nutresa transaction. What progress has been made in terms of the corresponding regulatory authorizations, I give the floor to Juan Luis for the answer.

**Juan Luis Munera:** Julian a very good morning and thank you very much for your question. Progress in terms of regulatory authorizations is going according to plan, that is to say, all the steps have been completed and some authorizations have already been obtained. However, it should be noted that in this specific case authorizations were required from regulators in both Colombia and other jurisdictions and these authorizations are being obtained and let us say that this process is going according to plan. From the beginning we talked about this transaction being implemented in a period of between six to eight months and we are confident that within this timeframe all the authorizations for the share swaps shall be completed along with the other parts of the business that we have explained through the Relevant Information Reporting mechanism. So, this business is going according to expectations.

**Carlos Gonzalez:** The next question comes from Sebastian. In which countries do you see better prospects in the coming years for Suramericana and Sura Asset Management's business, I give the floor first to Carlos Oquendo to answer from the standpoint of Sura Asset Management.

**Carlos Oquendo:** Good morning. Definitely in the light of the pension reform approved three years ago in Mexico, which introduced increases with the pension contributions made in this case by employers on behalf of each employee, these to increase from 5% to 15% or 16% in a period of 10 years, definitely opened up important expectations where we see that the AUM that we would be managing through the returns obtained as well as through increased contributions, could increase four-fold in a period of 10 years. Mexico is also a country that is currently taking advantage of a favorable macroeconomic and geopolitical situation, where incoming investments from abroad have a very favorable outlook. Regarding the other countries in terms of pensions, these still have a very considerable scope in terms of opportunities for formalizing their economies and introducing measures that will definitely bring about an improvement with people's pensions and consequently with the sustainability and attractiveness of the pension business throughout the region. On the other hand, the lines of business that we call SURA Inversiones, which are not mandatory businesses,

we also see from next year onwards, and to the extent that interest rates drop and the competition from banks in fixed income would also decrease, we would have much more attractive products to offer the market, so that is what we are seeing in the region over the next few years.

**Juan Uribe:** As far as Suramericana is concerned, our revenues and net income are mainly concentrated in Colombia, so we really want to diversify by having a greater share of the total focused on voluntary lines of businesses to counteract the weight that the obligatory or mandatory lines have today. In the rest of the countries, and as Carlos mentioned in the case of Mexico, this is a country that we look favorably upon, given a very good growth, very good development and with a lot of room to participate generally speaking in all countries. We also see opportunities to make greater inroads with our life insurance solutions; since these are very neglected countries, very neglected populations and undoubtedly voluntary life insurance would be extremely useful in fulfilling everyone's needs. Chile is a country where we are also seeing a significant growth with our life insurance business. Brazil is also a much larger market than what we are normally used to in our Latin American countries, it is a country with many opportunities, a country where geographically it is important to know how to position ourselves since I believe there are some very interesting unattended markets that we have to take advantage of. Also, with regard to the smaller scale countries such as Panama, Uruguay and the Dominican Republic; In the case of Panama, we obviously have opportunities to correct our results, we also have the strength of working jointly with the Bancassurance business, which is also a very efficient channel for us. In Uruguay and the Dominican Republic, fortunately, these are the markets where we are well-positioned and where we have, let us say, good results; there we are also seeing how to leave the capital cities behind and position ourselves in the more secondary areas where, I repeat, there are many unattended markets in which we have good potential to grow with the current solutions we offer.

**Gonzalo Pérez:** I would like to add or rather highlight several things that Carlos and Juan have mentioned and which we have repeated before. The investments and assets where we are present represent considerable advantages for us in the macro sense. The first, as both of you mentioned, is that penetration is still well below the global average in our part of the world, and here we must underscore the fact that it is not that we haven't been driving this business, because if this were so we would see that we weren't doing something right, but penetration in terms of both mandatory pensions and voluntary savings has continued, but we are far from reaching the penetration rates of the OECD countries, far from the penetration with voluntary savings that goes from 38% to 70% broadly speaking. In terms of banking penetration, which has achieved higher levels, we still have not reached the levels of the OECD countries, and in terms of insurance we have moved from 2% to 3% of GDP, which is a 50% increase, but that 3% is still lower than the 7% average that the world is recording in terms of GDP penetration for the insurance industry. So there is a very large territory to cover that makes these lines of business, from the macro point of view, all these investments have a natural possibility to grow and that also explains why even during the time of the pandemic, the growth in revenues managed to reach double digits, that is to say, there is also a reason, not only the good level of performance of our colleagues in all three companies, but there is also another reason behind all of this, the favorable demographics which is also a very important bonus, not only in terms of the number of people that if we compare with European countries and others, our countries have a relatively large number of inhabitants and also a very young population that allows

for this growth, so we believe that obviously as Juan and Carlos have mentioned, countries like Mexico, Brazil and Chile are countries with many opportunities, but in each of these countries there is a great opportunity for growth in the three assets, we see that we in Grupo SURA have as quite important and relevant investments for us.

**Ricardo Jaramillo:** I would also like to add particularly on the subject of Suramericana. Recently, after the divestitures in Argentina and El Salvador, there has been a lot of news relating to possible divestitures in the different countries in which the Company operates. Here we want to be emphatic in saying that at this moment there are no further divestitures on the part of Suramericana. Suramericana is present in seven countries and, as Juan and Gonzalo have said, is developing its lines of business going forward, only El Salvador and Argentina are past and specific issues.

**Carlos Gonzalez:** The next question comes from Jairo Henao and is about Suramericana how do you expect investment income to work out in the future and if any adjustments have been made to the investment portfolio?

**Juan Uribe:** Thank you very much, Jairo, and I would like to start by reminding you that at Suramericana, the handling of our investment strategy corresponds to a very good understanding of the connection between our liabilities and our assets. It is not a one-time opportunity strategy, but a very structured portfolio of understanding very well the future commitments we have as insurance companies, starting from there, while making appropriate investments within our portfolios. Therefore, with the increase in inflation both last year and this year, which is reflected largely in the reserves held by these Companies we have seen a positive level of performance with our assets as shown with the yields obtained with our investments, Going forward, inflation is obviously going to go down, and the effect on the liabilities of the Company and its subsidiaries, when interest rates come down, we will also see a positive effect on all those investments classified at fair value and obviously going forward we will possibly see lower returns compared to those we have been seeing today, but again and I repeat, these shall also be closely connected to the requirements of our reserves or our liabilities. Now also as part of our portfolio we have been venturing into alternative assets with the aim of obtaining differentiated returns in spite of the level of inflation or participating in sectors other than traditional investments. It is also worth mentioning that we are also very active in investments called green bonds or those relating to ESG issues, also with the commitment we have as a Company to actively participate in developing these excellent initiatives in our society.

**Carlos Gonzalez:** Santiago Mazo would like to ask us two questions; firstly, how many shares were repurchased as part of the approved program and what is the current status of this, and secondly, what use will be made of the shares that Grupo SURA shall receive as a result of the framework agreement.

**Ricardo Jaramillo:** Yes, thank you Santiago for your questions and I would also like to add an additional issue relating to the Company's preferred shares and that is that the price difference with the ordinary shares remains inexplicable as well as the basis for such. The reason why are we combining these three questions is because I believe that the crux of the matter goes back to the price formation or discount that may exist between the fundamental value of our shares and the

stock market value of both the ordinary and preferred shares and the concern regarding the repurchased shares is also a very valid one. I would like to start by stating first of all that this Company, from our standpoint, should be valued from a technical point of view as a sum of its parts; we are an investment manager, we have several investments and each of those investments has a value of different multiples of different projections and so on and that fundamental value is what we consider is the value that this Company should have now. That said, and as we have mentioned in other conference calls, we are aware that the Colombian Stock Exchange at this moment and for different reasons, including lack of liquidity etc. does not reflect that fundamental value, our equity value at this moment is 54 thousand pesos per share and that value for both the ordinary and the preferred shares that have the same underlying asset should be reflected at a minimum without taking into account an additional value which is the one we propose in the fundamental value. To specifically answer these questions, the share buyback program is one more tool that we have in our toolbox to close this discount, what happened is that a COP 300 billion program was approved, of which we repurchased approximately COP 55 billion in a mix that is very similar to our ownership structure of ordinary and preferred shares, 80% and 20% respectively, and at that moment the pandemic took its toll. You may remember that in certain conference calls in the past we said that we preferred to exercise prudence over our liquidity that we were going to suspend the program. Then after the pandemic was over, there was all this discussion and the Tender Offers being staged and consequently we considered it convenient not to have an open buyback program; however, here is the central message: this is a tool that is well-oiled and stored in our toolbox for when we consider appropriate to use again in the light of the Company's resources, liquidity and market opportunity. The next question relates to the shares we received from the framework agreement which come to approximately 170 million shares, that is a little more than 30% of the Company's share capital, which is quite a significant amount. The law allows approximately 5 options for those shares; At first, what we have is part of those shares destined for the swap that we are going to have with the different shareholders of Nutresa who are interested in exchanging their stakes in that company for Grupo SURA shares and the rest, the larger package, of those 170 million shares, we will keep for now, let's say, reserving these for internal analysis and seeing what is most appropriate, according to how we maximize value for both our shareholders and for the Company itself, the greatest benefit from the point of view that this may have because, and I repeat, this is a very important stake. At this moment we have not defined anything in this regard, as soon as we do we shall inform the market accordingly.

Finally, the question of the price of the preferred shares. Here I share the qualifier "inexplicable", from a rational point of view and as I mentioned just now, the preferred shares and the ordinary shares have the same underlying asset and there has been a four-fold difference in their value at certain moments in time. If I had to give an explanation I would say that it is the lack of liquidity that exists with that particular share and that the speculation or the recent movement that has taken place in terms of the Company's shares has been more to do with the Tender Offers and the ordinary shares. This does not mean that we are quiescent about the situation with our preferred shares, here lies a message for all our preferred and ordinary shareholders that in the different alternative strategies and solutions going ahead into the future we are going step by step with the different issues of the agreement etc. but in the different alternatives looking ahead we shall always maintain our preferred shares as an issue that we have to look at, again, I am going to finish as I began,

reducing the discount that exists between the fundamental value of the share and the stock market value, this has to go through many initiatives and many discussions but we believe that there must be structural solutions to this issue because what the market shows is that it clearly does not perceive value in a share that has very powerful underlying assets.

**Gonzalo Perez:** I would simply like to add to what Ricardo has mentioned precisely with two things regarding those 170 million shares and the difference with the price of our preferred shares. We have to look strategically at not only what is best and what is best for all our shareholders, but also what is best for all our Companies, and what is best in general for Grupo SURA and all its stakeholders. All this has to go through that checklist, it has to go through a totally strategic vision so that Grupo SURA, its subsidiaries and its investments continue to grow, so what we have to do here is to combine everyone's interests, and at the end of the day we can safely say it was good for the shareholders, it was good for all the stakeholders, good for the bondholders, good for the Companies and this is the objective based on which we have to make decisions regarding the share buyback program.

**Carlos Gonzalez:** The next question comes from Sebastian. How do you see the outlook for Sura Asset Management's voluntary savings business in 2024?

**Carlos Oquendo:** We see good prospects for these two years, 2022 and 2023, since our companies have had to use closed products and strategies in order to compete with high interest rates and the fixed-income products offered mainly by banks. However, we have been developing important niches that have allowed us to secure a growth in assets under management of around 30% over the last year, these niches have to do with managing the reserves held by insurance companies and private pension plans, where for example in Mexico we are leaders in a country that as I said is bringing in foreign investment on the part of multinationals and with this product we see very good alternatives. We believe that also the outlook on the alternative investment side should sooner or later also start to improve so we believe that we shall maintain a double-digit growth in AUM for next year with revenues increasing in the range of 10%.

**Carlos Gonzalez:** Julio asks us a question relating to our shares: have you considered improving the level of ADRs or a listing in Brazil through BRDs?

**Ricardo Jaramillo:** Thank you, Julio, and your question is a very logical one as a continuation of the explanation or the answer we gave just now on the questions relating to the value of the preferred stock and the buyback program. As we have discussed in other conference calls, we first believe that the situation of the Colombian Stock Exchange is a situation that not only affects Grupo SURA but also affects the market as a whole, we have also been emphatic in saying in many forums that the capital market is a responsibility that we have as a country, if we think of the democratization of capital as an engine for developing our different economies, it is unthinkable that the country has not set, let's say, as a priority the development of its capital market. There was a mission to develop the capital markets but there was really little implementation regarding the stock exchange, the stock exchange has been developing certain initiatives, as you know, such as its integration with the Peruvian stock exchange and the Chilean stock exchange, and this may improve liquidity to a certain



extent and we believe that liquidity is a fundamental issue. However, at this moment there is clearly no incentive and we are seeing that there are more companies delisting or launching exit Tender Offers than there are actually listing themselves on the Stock Exchange, There is a disincentive to be had on the Stock Exchange, so as a country and as an economy we have to see how we can restore a level of dynamics to the stock exchange so that it has the power inherent to the democratization of capital. Now, we have to be open to all options. This Company, even before the pandemic, together with its subsidiaries, began to prepare for being in another market. We already have an AR1 which would eventually allow us, after a number of preparation steps in terms of the Sarbanes-Oxley Act as well as a series internal control processes, to move towards an AR2 or even an AR3. What we have to do is to have all available options at hand. Let me bring back the analogy of the toolbox, that optionality must be had, must be constructed particularly when we look more at the American market. We have also explored some of the other markets, we even staged an initiative with the Chilean stock exchange, but we have not looked in detail at the Brazilian market. The Brazilian market is quite liquid and this is something that we will be able to analyze in due course. What we want to say, as a conclusion to leave you with, is that this Company is moving forward and thinking that it definitely has to be listed on markets where the stock exchange provides us with incentives and the shareholders have the incentive that the value of the listed company reflects its fundamental value.

**Carlos Gonzalez:** Óscar Aristizábal asks us the following question. What are your projections for the dividend to be proposed for 2024?

**Ricardo Jaramillo:** Oscar, this is a discussion that is normally held with the Board of Directors at their February meeting in order to submit their proposal to the Annual Meeting of the General Assembly of Shareholders. However, although we cannot get ahead of ourselves, I would still like to give you some elements that may help to answer your question. The first is to remember that we are in the middle of an important transaction, we hope that when we get to March we will already have repurchased, let's say close to those 170 million shares, which is about 30% of our share capital, this is a lower amount when we look at it from the point of view of the amount of dividends, a lower amount that is paid in total and what we are looking for is that even taking into account the financing associated with the Tender Offer and the taxes, we can still continue with a dividend policy incorporating a growth similar to what we have had, let's say, in past years, close to inflation per share. Here, I underscore the fact that this is per share, because when we see a lower amount of shares outstanding it would be a lower amount disbursed in the form of total dividends, but for each of the shareholders that have one share or a number of shares this will mean a growth in their returns in the form of dividends. But it is something, and I repeat, that will be presented to the Board at their February meeting when this transaction has advanced a little more and we can see what is the most convenient way forward from the point of view of liquidity for the Company and for recognizing shareholder value.

It is important to clarify that after the transaction, the shareholder that today has one share in Grupo SURA, shall have the equivalent is 1.47 shares after the transaction, so that is quite an important factor to be taken into account in this case.

**Carlos Gonzalez:** with this we have addressed all the issues raised in the questions I remind you that the presentation and the recording of this call will be made available on our website. Now I give the floor to Gonzalo for him to conclude this meeting.

**Gonzalo Pérez:** So, thank you all very much for joining us and for your questions. We look forward to our next conversation at the end of this year and we hope to continue posting the same level of growth during these remaining months that is so very important for the income of both Grupo Sura and its subsidiaries, growth that as we have always maintained is our response to the confidence that individuals and companies have placed in the companies in which we have invested and that this clearly forms part of the beginning of the sustainability of these companies and the opportunities that we have in the future for each of these and for Grupo SURA. So, thank you very much to all of you and we remain attentive to all your concerns. Thank you very much and have a good week.