



# Security Group & BICECORP Merger

January 2024

# Introduction

- **Seeking to harness joint opportunities in the banking business**, life insurance companies and other activities, **Grupo Security and BICECORP agreed to merge and consolidate** into a single, larger-scale financial group to benefit the respective companies, their shareholders and customers.
- The deal is subject to a **reciprocal confirmatory due diligence process and regulatory approval** by the Financial Market Commission and the National Economic Prosecutor's Office.
- On January 24, 2024, a **group of Grupo Security shareholders representing 65.23%** of the group's shares reached an **agreement with BICECORP and its holding company, Forestal O'Higgins**, regarding the terms and conditions for a merger of Grupo Security's and BICECORP's businesses.
- **BICECORP and Forestal O'Higgins will issue a tender offer for Grupo Security shares, purchasing and exchanging up to 100% of shares and valuing the companies at an exchange ratio of 60.0% BICECORP and 40.0% Grupo Security.** The tender offer will be payable as follows:
  - **20.0% of the shares offered will be paid in cash at Ch\$285 per share**
  - **80.0% of the shares offered will be paid in BICECORP shares**
- Following the tender offer, **Grupo Security and BICECORP will merge into a combined entity and integrate their respective subsidiaries.**
- The **Grupo Security Board of Directors** became aware of the agreement between Grupo Security, BICECORP and Forestal O'Higgins **shareholders** on January 24, 2024.
- **Grupo Security, BICECORP and Forestal O'Higgins shareholders will enter into final legal agreements for the deal (i.e., Promissory Purchase and Sale, Share Swap through Tender Offer and Merger agreements).**

# A combined Grupo Security-BICECORP entity would be one of Chile's largest financial groups.

Pro forma figures as of Sept-23

**398 billion**  
Net profits  
(CLP)<sup>1</sup>

**+37 billion**  
Total assets  
(US\$)

**17.1%**  
ROAE<sup>1</sup>

**+40**  
Years in business

**+2.4 million**  
customers

**+6,250**  
employees

**+80**  
Branches nationwide

**Growth**

Offers business development opportunities and strengthens the competitive position by combining companies with complementary profiles

**Solvency**

Robust regulatory capital ratios with significant buffers

**Diversification**

Companies are highly diversified in terms of business lines and products

**Culture**

Compatible, trust-based corporate cultures that optimize talent in pursuit of a common objective and service excellence

**Digital**

Strategic focus on the digital transformation of both groups' businesses

**Market**

Greater access to capital markets, offering opportunities to optimize and diversify funding sources

Source: CMF, reporting by the companies; Notes: Figures as of September 2023 (CLP - Chilean pesos) US\$ - US dollars; <sup>1</sup>Trailing 12-month figures as of September 2023. Pro forma figures do not account for consolidation adjustments. Figures converted to USD using the exchange rate from the close of 3Q23 (892 CLP/USD).

# Terms of the Deal

Structure	<ul style="list-style-type: none"> <li>● <b>A tender offer for 100% of Grupo Security shares, payable in cash and BICECORP shares</b> <ul style="list-style-type: none"> <li>● A subsequent merger of Grupo Security, BICECORP and their respective subsidiaries</li> </ul> </li> </ul>
Exchange ratio	<ul style="list-style-type: none"> <li>● <b>40.0% Security Group / 60.0% BICECORP</b></li> </ul>
Terms of the Tender Offer	<ul style="list-style-type: none"> <li>● <b>20.0% of the shares offered will be paid in cash at Ch\$285 per share</b></li> <li>● <b>80.0% of the shares offered will be paid in first-issue BICECORP shares</b></li> </ul>
Dividends	<ul style="list-style-type: none"> <li>● <b>55.0% payout ratio<sup>1</sup> on 2023 distributable profits in Grupo Security and BICECORP</b>, payable in 2024 prior to the closing of the deal, without adjustment to the terms.</li> <li>● Should an additional dividend payment be made prior to the deal’s closing, the terms will be adjusted accordingly.</li> <li>● <b>The dividend policy for the Combined Entity will be 50.0% of distributable earnings for a three-year period.</b> <ul style="list-style-type: none"> <li>● Dividend policy subject to regulatory requirements</li> </ul> </li> </ul>
Next steps	<ul style="list-style-type: none"> <li>● Negotiation and signing of the final legal agreements between Grupo Security, BICECORP and Forestal O'Higgins shareholders (no later than March 30, 2024, extendable by mutual agreement)</li> <li>● Reciprocal confirmatory due diligence (60 days from the signing of the final legal agreements, extendable by mutual agreement)</li> <li>● Relevant regulatory approvals (FNE and CMF)</li> <li>● The deal is expected to be finalized in the second half of 2024.</li> </ul>

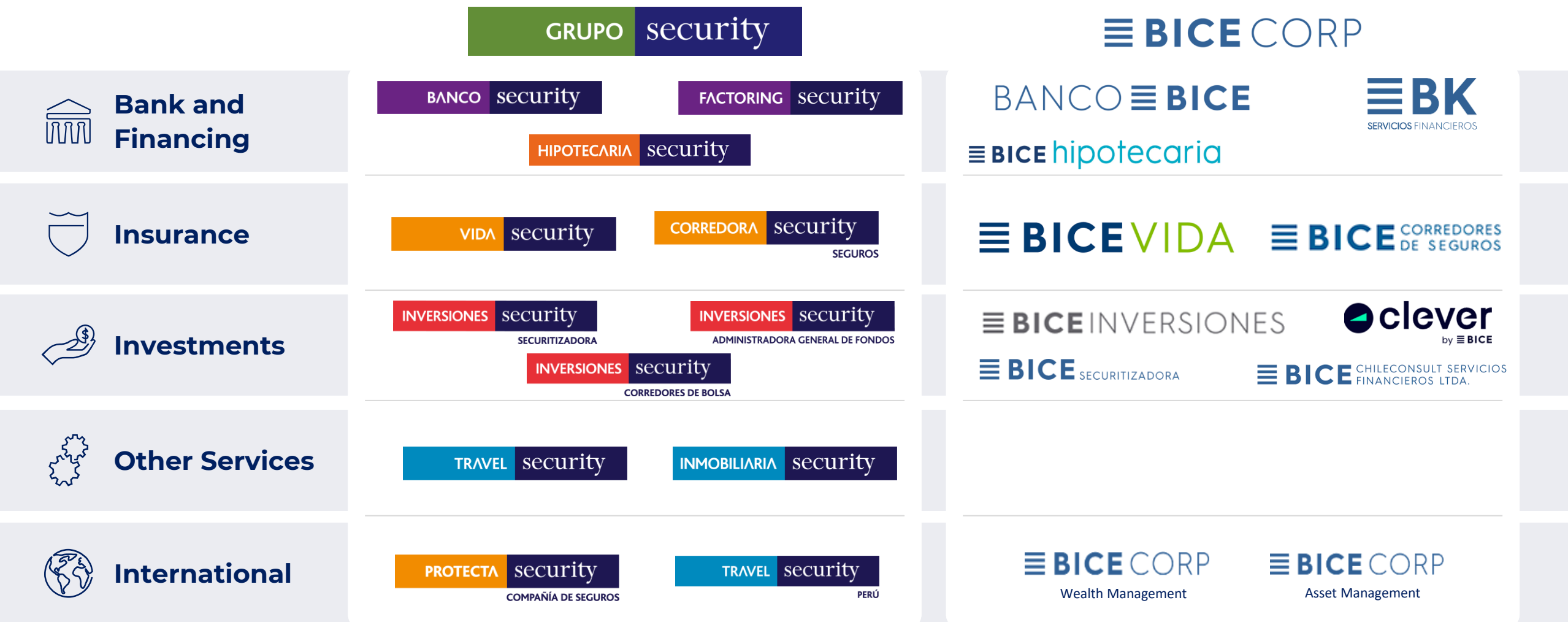
Notes: <sup>1</sup> Includes the Grupo Security dividend declared in October 2023 (CLP 8.5 per share)

# Terms of the Deal (continued)

Grupo Security	CLP (in billions)	USD (in billions) (911 CLP/USD)
Tender offer price per share (CLP / USD)	285.0	0.31
<b>Implied Equity Value at the tender offer price</b>	<b>1,139</b>	<b>1.25</b>
Illustrative dividend per share for approval at the 2024 General Shareholders' Meeting (CLP / USD) <sup>1</sup>	16.2	0.02
Number of Security Group shares (million) <sup>4</sup>	3,995	3,995
<b>Implied Equity Value (incl. dividend for approval at the 2024 General Shareholders' Meeting)</b>	<b>1,203</b>	<b>1,322</b>
<b>Share price premium, %</b>		
24-month VWAP <sup>2</sup> (CLP 165)	82.5%	
12-month VWAP <sup>2</sup> (CLP 205)	47.1%	
6-month VWAP <sup>2</sup> (CLP 233)	29.4%	
Current price (01/24/2024) (CLP 261)	15.2%	
Dividend per share declared in October 2023 (CLP / USD)	8.5	0.01
Illustrative dividend per share for approval at the 2024 General Shareholders' Meeting (CLP/USD) <sup>1,5</sup>	16.2	0.02
<b>Illustrative total dividends corresponding to 2023 distributable profits (CLP / USD)<sup>1</sup></b>	<b>24.7</b>	<b>0.03</b>
<i>Payout ratio, %</i>	55.0%	
<b>Tender offer price + Illustrative dividend for approval at the 2024 General Shareholders' Meeting (CLP / USD)<sup>1</sup></b>	<b>301.2</b>	<b>0.33</b>
P/3Q23 BV (book value of CLP 969 billion) <sup>3</sup>	1.24x	

Source: Reporting by the companies; Notes: Calculations based on 3,995 million shares (excluding treasury shares) and an exchange rate of 911 CLP/USD from January 24, 2024; <sup>1</sup> Assumes net income of CLP179 billion based on trailing 12-month figures as of September 2023; <sup>2</sup> Volume-weighted average price; <sup>3</sup> Book value adjusted for the dividend declared in October 2023; <sup>4</sup> Excludes treasury shares; <sup>5</sup> Dividend amount to be set when Grupo Security's 2023 earnings are reported.

The financial groups have successful growth trajectories and are highly diversified in terms of business lines and products.



Source: Reporting by the companies

# Merger of two banks with robust regulatory capital positions that are renowned for their quality and financial performance

Figures as of September 2023 (CLP in billions)

	Banco Security	Banco BICE	Pro forma <sup>1</sup>
Gross loans	7,287	8,101	15,388
Total assets	10,697	11,126	21,824
Deposits	3,717	5,943	9,659
Equity	853	875	1,728
Net profit <sup>2</sup>	175	163	338
ROAA <sup>2</sup> (%)	1.68%	1.45%	1.56%
ROAE <sup>2</sup> (%)	21.8%	19.8%	20.8%
CET1 (%)	10.6%	11.0%	10.8%
NIM <sup>2,3</sup> (%)	4.2%	2.4%	3.2%
Efficiency ratio <sup>2,4</sup> (%)	40.4%	45.3%	42.6%
Cost of risk <sup>2,5</sup>	1.0%	0.3%	0.7%

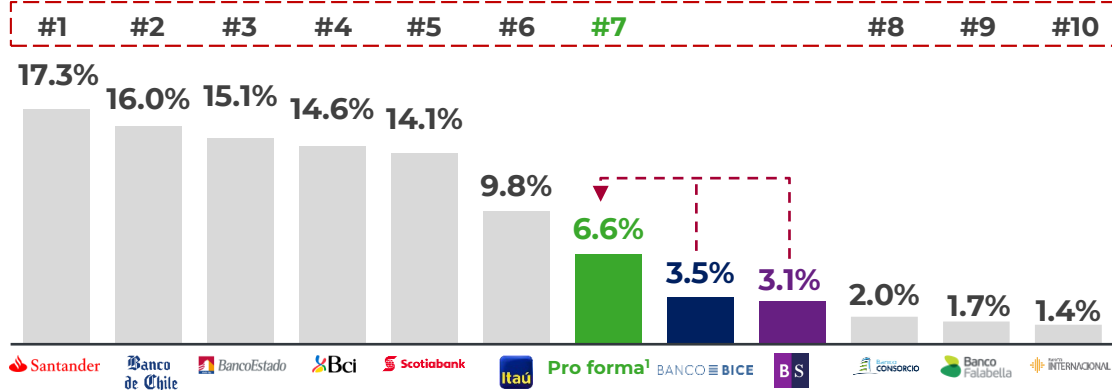
Source: CMF, reporting by the companies; Notes: Figures as of September 2023 CLP- Chilean Pesos <sup>1</sup> Pro forma figures do not account for consolidation adjustments; <sup>2</sup> Trailing 12-month figures as of September 2023; <sup>3</sup> Net interest and indexation income over average financial assets; <sup>4</sup> Operating expenses over net operating income; <sup>5</sup> Loan loss allowances to average loans



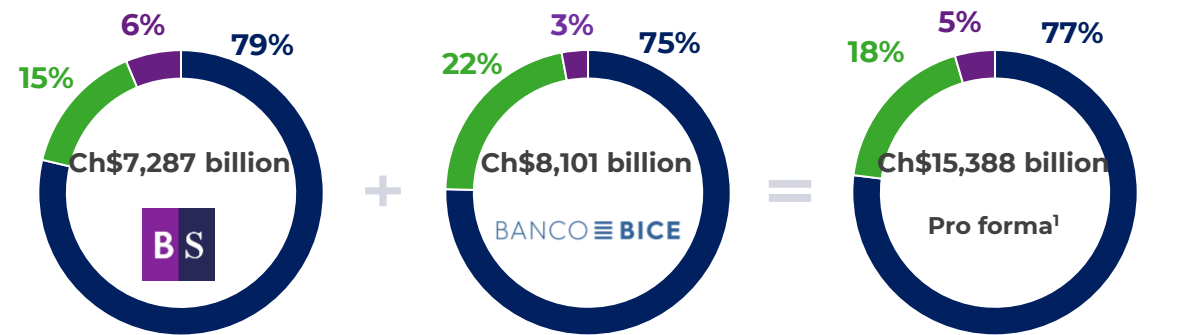
# Strengthening the market position of the banking businesses through complementary portfolios and funding structures

## Loans

Gross loan market share (%)

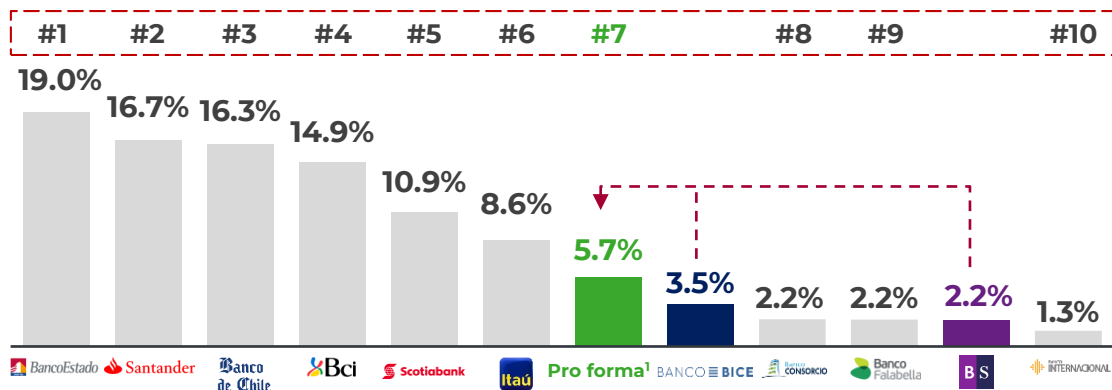


Composition of gross loans (%)

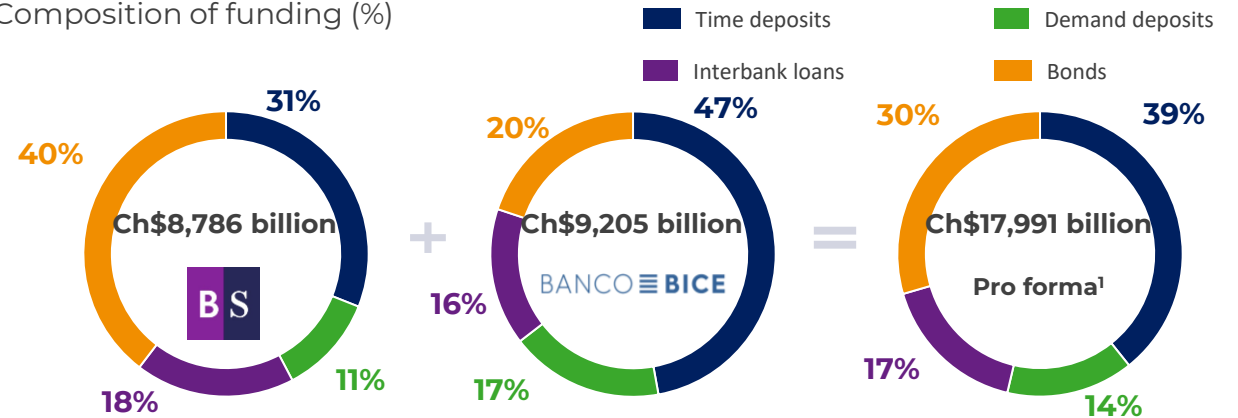


## Funding

Market share in terms of deposits (%)



Composition of funding (%)



Source: CMF, reporting by the companies; Notes: Figures as of September 2023 (excludes foreign operations). CLP- Chilean Pesos¹ Pro forma figures do not account for consolidation adjustments



# Combination of two life insurance companies with high reserve volumes

Figures as of September 2023 (CLP in billions)

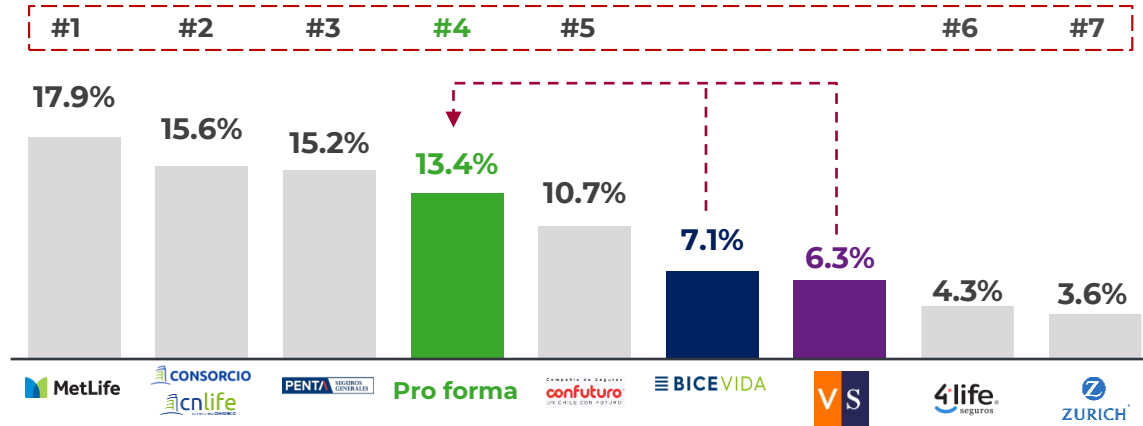
	Vida Security	BICE Vida	Pro forma <sup>1</sup>
<b>Direct premiums <sup>2</sup></b>	<b>513</b>	<b>575</b>	<b>1,088</b>
<b>Investment portfolio</b>	<b>3,436</b>	<b>6,073</b>	<b>9,509</b>
<b>Technical reserves</b>	<b>3,156</b>	<b>5,555</b>	<b>8,712</b>
<b>Equity</b>	<b>201</b>	<b>472</b>	<b>673</b>
<b>Net profit <sup>2</sup></b>	<b>37</b>	<b>59</b>	<b>96</b>
<b>ROAA<sup>2</sup> (%)</b>	<b>1.09%</b>	<b>0.97%</b>	<b>1.01%</b>
<b>ROAE<sup>2</sup> (%)</b>	<b>18.3%</b>	<b>12.2%</b>	<b>14.0%</b>
<b>Leverage ratio<sup>3</sup> (x)</b>	<b>15.7x</b>	<b>11.8x</b>	<b>12.9x</b>

Source: CMF, reporting by the companies; Notes: Figures as of September 2023 CLP- Chilean Pesos <sup>1</sup> Pro forma figures do not account for consolidation adjustments; <sup>2</sup> Trailing 12-month figures as of September 2023; <sup>3</sup> Technical reserves to equity

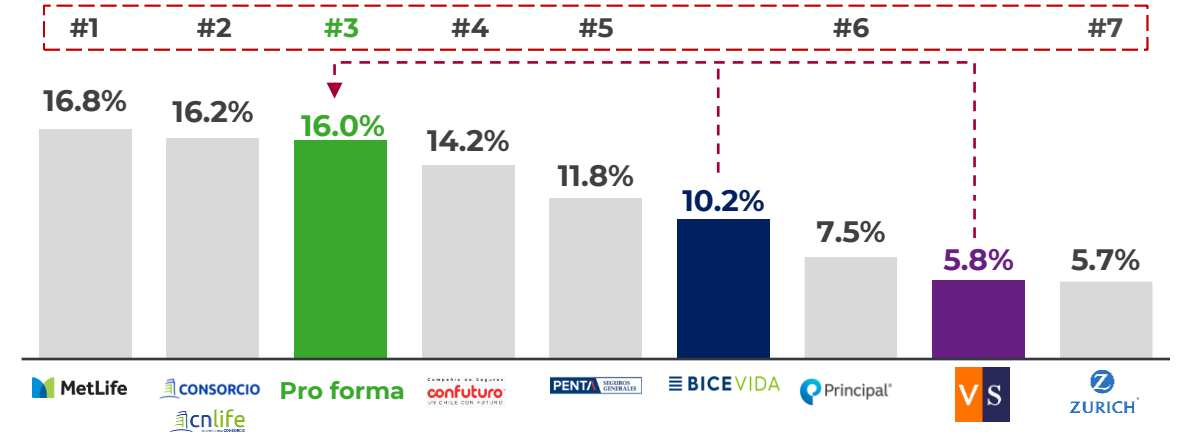
# Positioned as a leading life insurance company

## Life insurance market (all products)

Market share in terms of direct premiums<sup>1</sup> (%)

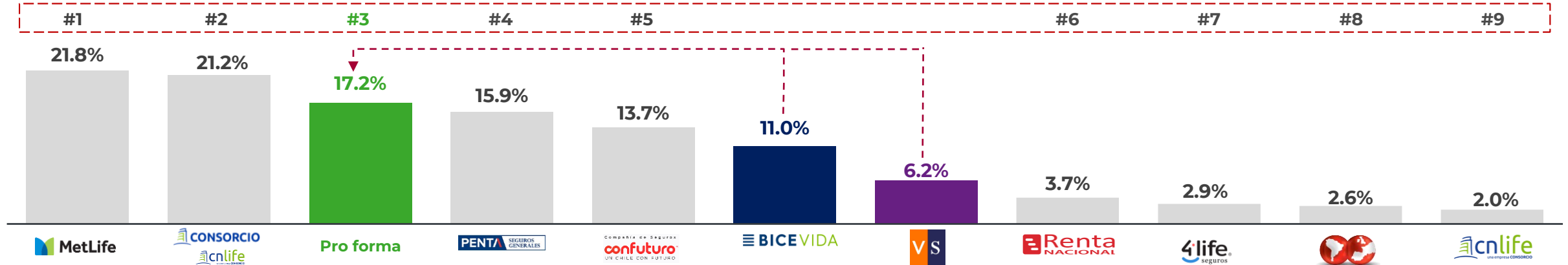


Market share in terms of technical reserves (%)



## Annuities market

Market share in terms of single premiums<sup>1</sup>

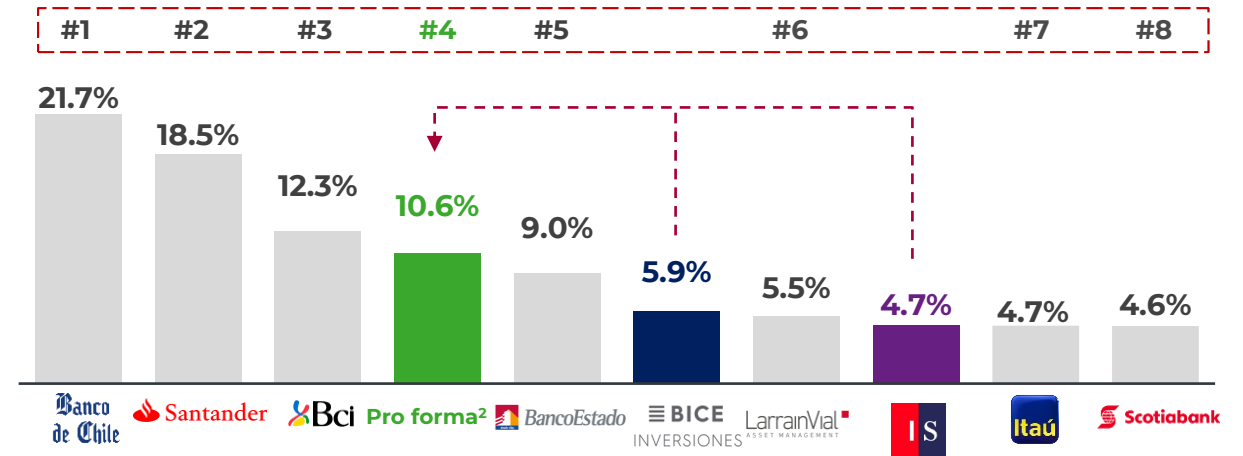


Source: CMF, reporting by the companies; Notes: Figures as of September 2023 CLP- Chilean Pesos <sup>1</sup> Trailing 12-month figures as of September 2023

# Consolidation of major investment platforms, creating a regional corridor for financial services



Market share in terms of mutual funds under management<sup>1</sup> (%)



AUM Portfolio<sup>3</sup>

Portfolio composition (%)



Source: CMF, Mutual Funds Association (AAFM), reporting by the companies; Notes: Figures as of September 2023 (CLP - Chilean pesos) US\$ - US dollars; <sup>1</sup>Closing effective equity as reported by the AAFM; <sup>2</sup>Pro forma figures do not account for consolidation adjustments; <sup>3</sup>Figures converted to USD using the exchange rate from the close of 3Q23 (892 CLP/USD).

Grupo Security and BICECORP corporate cultures both cultivate long-term relationships and quality service, coupled with a focus on sustainability.

GRUPO security

BICE CORP

 <ul style="list-style-type: none"><li>- Improve customer experience with agility, efficiency and technology</li><li>- Make every interaction a seamless, modern experience</li></ul>	 <ul style="list-style-type: none"><li>- Human connections at the center of it all</li><li>- Build authentic relationships</li><li>- Deliver the solutions our customers really need</li></ul>	 <ul style="list-style-type: none"><li>- Superior ethical standard in the financial industry</li><li>- Transparency, trust and financial education for a better future</li></ul>	 <ul style="list-style-type: none"><li>- Obsession with the customer's well-being through simple, customized solutions</li></ul>	 <ul style="list-style-type: none"><li>- Diverse, talented and empowered teams pursuing better results</li></ul>	 <ul style="list-style-type: none"><li>- Respect for the environment, reducing the environmental impact of operations &amp; value chain</li><li>- Encourage the transition to a low-carbon economy</li></ul>
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Source: Reporting by the companies

# Strategic focus on the digital transformation of both groups' businesses

## Shared objectives

Expand and improve user experience in the different businesses

Foster business sustainability through creation of new products and services

Drive agile decision making through responsible use of data

Promote an internal digital culture throughout the organization

Source: Reporting by the companies

## Digital initiatives



*Security up!*



Security  
*HUB*



AUTO  
F>CTORING



## Next steps

- 1** | Negotiation and **signing of the final legal agreements between Grupo Security, BICECORP and Forestal O'Higgins shareholders** (no later than March 30, 2024, extendable by mutual agreement)
- 2** | **Reciprocal confirmatory due diligence** (60 days from signing, extendable by mutual agreement)
- 3** | **Relevant regulatory approvals**
- 4** | **The deal is expected to be finalized in the second half of 2024.**

# Executive summary

## Deal summary

- Agreement between Grupo Security, BICECORP, and Forestal O'Higgins shareholders **to merge Grupo Security and BICECORP businesses**
- **Exchange ratio** of **60.0% BICECORP** and **40.0% Grupo Security**
- **Tender offer** for **100% of Grupo Security shares**
  - **20.0% payable in cash at Ch\$ 285 per share**
  - **80.0% payable in BICECORP shares**
- **Dividend of 55.0% of 2023 profit permitted**, for approval at 2024 Annual General Meeting, without altering terms of the deal
- The **dividend policy for the Combined Entity will be 50.0%** for a three-year period.
- **Implied valuation** of Grupo Security of **US\$1.3 billion**<sup>1</sup>
  - **29.4% premium** on VWAP for the last 6 months<sup>2</sup>
  - Implied **P/3Q23 BV** of **1.24x**<sup>3</sup>
- **Combined economic value** of around **US\$3.1 billion**
- The deal is expected to be finalized in the second half of 2024.

## Strategic rationale

- **Strengthening market position** of the businesses, subject to relevant regulatory approvals
- **Robust** capital ratios
- Business line **diversification**
- Compatible **cultures**
- **Strategic focus on digital transformation**
- **Synergies** in administrative expenses and funding cost

## Impact

- The merger of Grupo Security and BICECORP would create a leading player in financial services:**
- **Banks: #7** in terms of gross loans, with market share of **8.5% in commercial loans**
  - **Life Insurance: #3** in terms of technical reserves and annuity premiums
  - **Investments: #4** in terms of mutual funds under management

Source: CMF, Mutual Funds Association (AAFM), reporting by the companies; Notes: Calculations based on 3.995 million shares (excluding treasury shares) and an exchange rate of 911 CLP/USD from January 24, 2024. Figures as of September 2023 US\$ - US dollars;<sup>1</sup> Includes illustrative dividend for approval at 2024 Annual General Meeting based on LTM 3Q23 earnings; <sup>2</sup> Volume-weighted average price; <sup>3</sup> Book value adjusted for dividend declared in October 2023





# Security Group & BICECORP Merger

January 2024