

# Grupo Security

December 2014

GRUPO | security

# Important

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The information contained in this publication is a brief description of the issuance and the issuing entity. It does not contain all the information required to make an investment decision. Further background information is available at the headquarters of the issuing entity, at the underwriter's offices and at the Securities and Insurance Supervisor.

## **Dear Investor:**

Before making an investment you should be fully informed about the financial situation of the issuing company and should evaluate whether these securities are suitable, noting that the issuer or the parties he has contracted are solely responsible for paying for these documents.

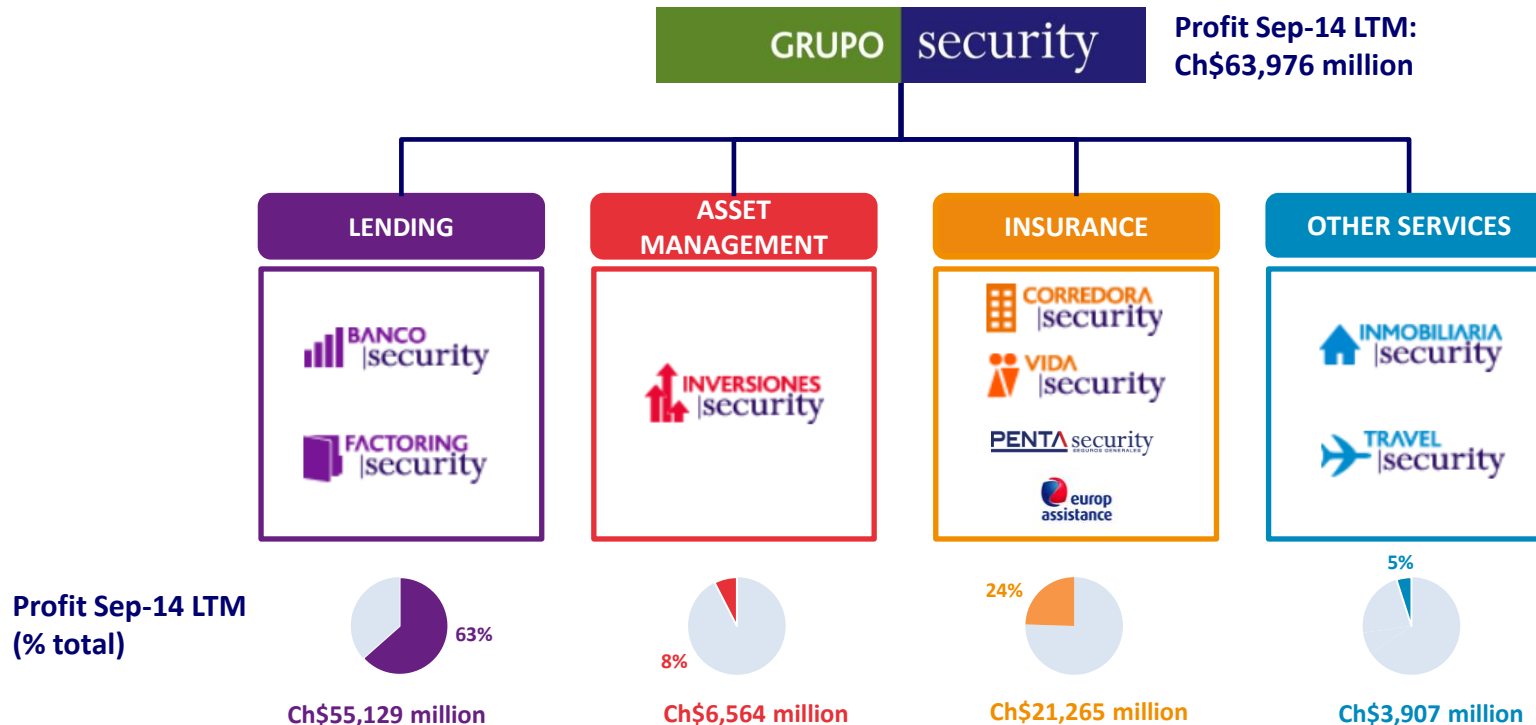
Before making an investment the intermediary should provide the investor with the information contained in the prospectus, which has been submitted to support the Securities Registration.

This document has been prepared by Grupo Security S.A. (the "Company" or "Grupo Security"), in conjunction with Santander Global Banking & Markets (the "Advisor"), for the purpose of providing general background information about the Company and the bond issuance.

This document has been prepared using information provided by the Company itself and public information. The Advisors are not obliged to verify the accuracy or completeness of this information, therefore, they are not responsible for it.

# Grupo Security - Summary

- Diversified holding engaged in banking, factoring, life and P&C insurance, insurance brokerage, asset management, stock brokerage, real estate investment and travel services
- Consolidated profit of Ch\$63,976 million (LTM) as of September 2014\*
- More than 150,000 customers in four integrated business areas



\*Includes net loss of Ch\$22,889 million in Corporate Support and "Adjustments"

# History and Ownership of Grupo Security

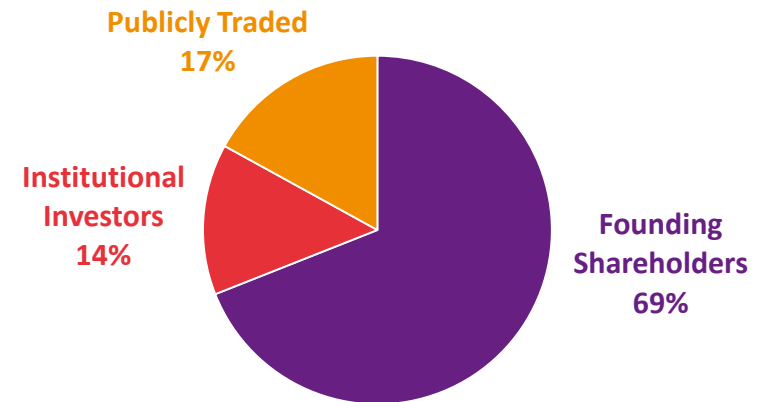
## History of Grupo Security

- In 1987, Security Pacific Overseas Corp. acquired a 99% stake in Banco Urquijo as part of the Chilean Central Bank's program to convert external debt into capital. Then, in 1991, former executives from Banco Security Pacific and other investors created Grupo Security to acquire 60% of Banco Security from Security Pacific Overseas Corp.

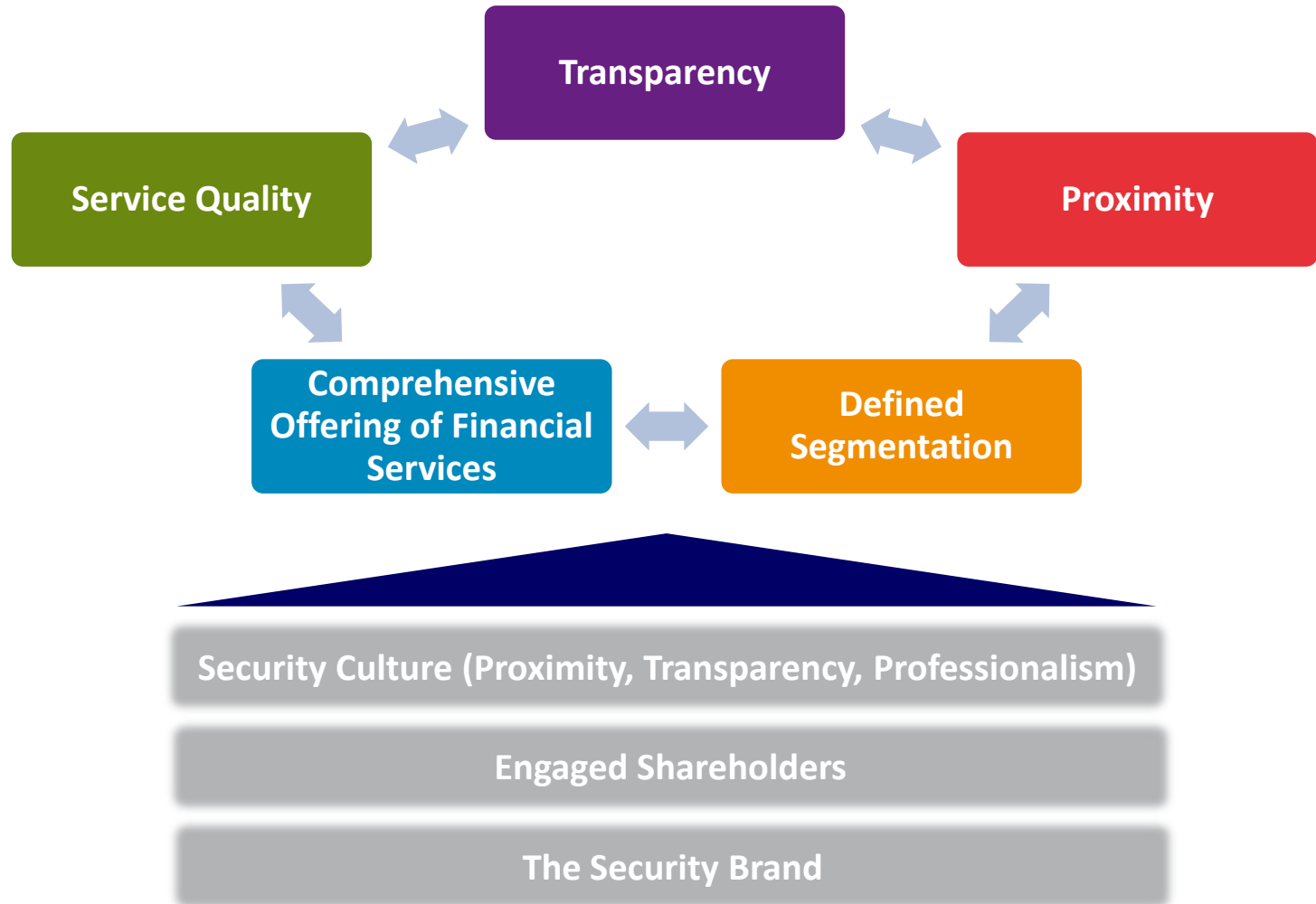
## Current Shareholders

- In 1994, the shareholders of Grupo Security purchased the remaining 40% interest. In July 1995, Grupo Security stock was publicly listed on the Santiago Stock Exchange. This group of investors, which includes shareholders in important conglomerates like CGE and Sigdo Koppers, has stayed with the group the entire time and are party to a shareholder agreement that currently represents 70% of all shares.

## Current Shareholders



# Grupo Security's Strategic Pillars



# 23 Years of Sustained Growth

<b>Financial Performance</b>	<p>Profit September 2014 (LTM)  <b>Ch\$63,976 million</b>            (CAGR** 15.1% since 2003)</p>	<p>Assets Under Management  <b>Ch\$9,483,803 million</b></p>	<p>Equity  <b>Ch\$518,448 million</b>            as of September 2014            (CAGR** of 16.0% since 2003)</p>
<b>Market Performance</b>	<p>Stock Traded on Santiago Exchange for  <b>19 years</b> and joined <b>IPSA</b> in  <b>2014</b></p>	<p>Market cap of over  <b>US\$ 1,267 million*</b>            (November 2014)            (CAGR** of 14.3% since 2003)</p>	<p>Rate of return  <b>16.0% annual</b>            average over 15 years            (includes dividends)</p>
<b>Capital Structure</b>	<p>Stable <b>Debt/Equity</b> Ratio  <b>30%</b> average over last 10 years</p>	<p>8 Capital Increases            for <b>Ch\$332,389 million</b>            Debt issued            UF 7.75 million</p>	<p>Dividends distributed  <b>Ch\$303,077 million</b>            91% of funds requested from the            market</p>
<b>Operating Performance</b>	<p><b>13 years</b> recognized as  <b>Great Place to Work</b> by            GPTW Institute</p>	<p><b>Best Company</b> in Chile in  <b>Service Quality</b> for <b>2</b>  <b>years</b> in a row</p>	<p><b>3,577</b>  <b>Employees</b></p>

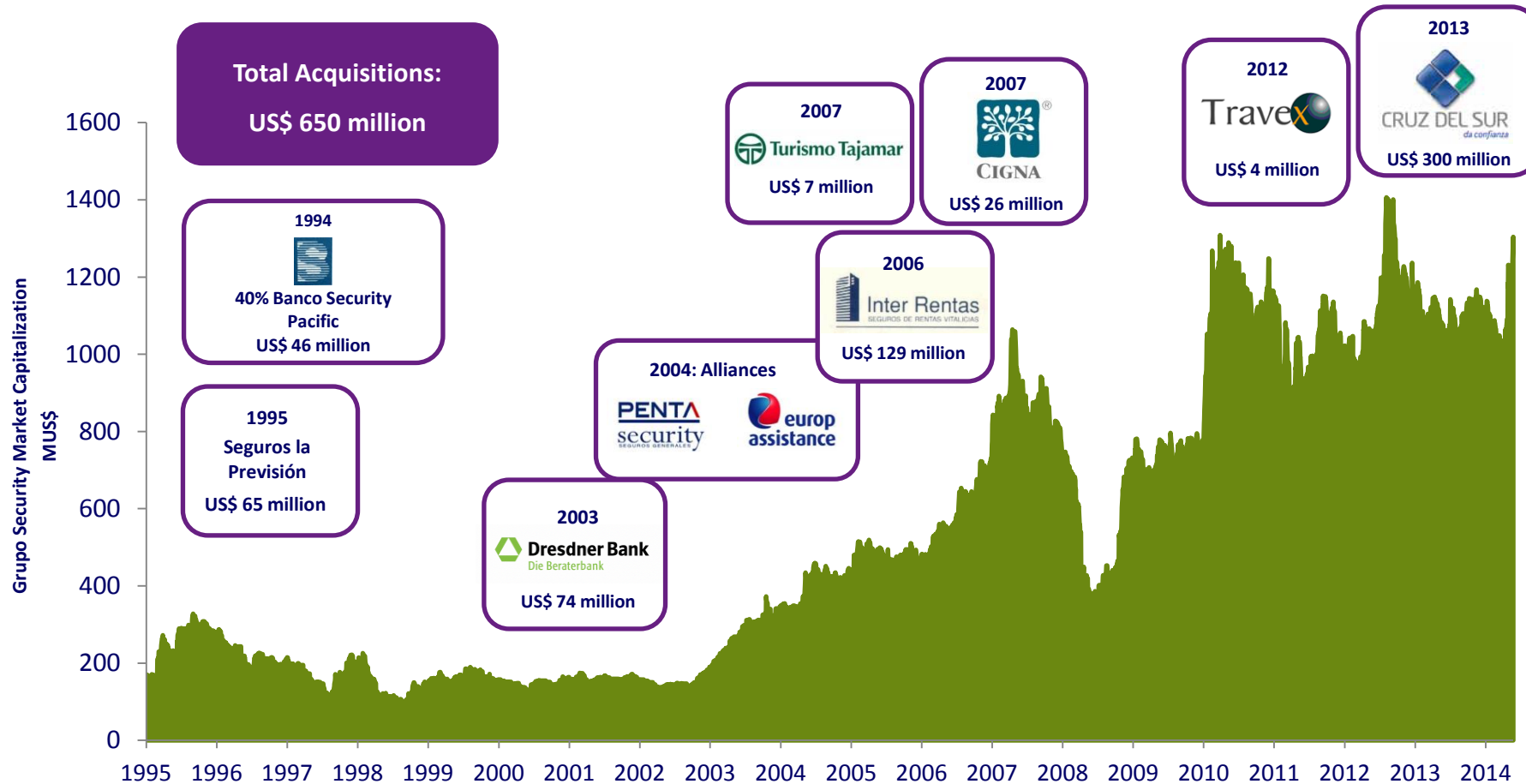
Note: Data as of September 30, 2014. Exchange rate as of September 30, 2014 was 601.66 CLP/USD

\* Exchange Rate as of November 28, 2014: 598.94 CLP/USD

\*\*Compound Annual Growth Rate, calculated in local currency

# Driven by Strategic Acquisitions and Organic Growth

- 8 acquisitions in 20 years, all with a long-term outlook, have driven the Group's sustained growth
- Strategic acquisitions have expanded market share and generated important synergies



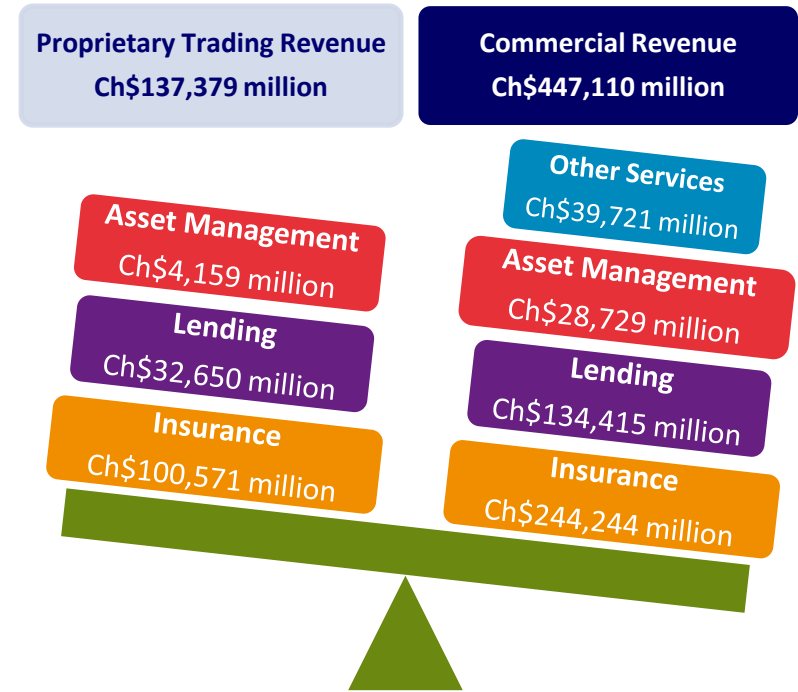
## Focus on Commercial Revenue

- » Grupo Security has focused on strengthening relationships with its customers, and promoting various commercial strategies that have achieved sustained profit growth.
- » Limited proprietary trading has reduced volatility in company results.

### 12 months as of March 2011



### 12 months as of September 2014

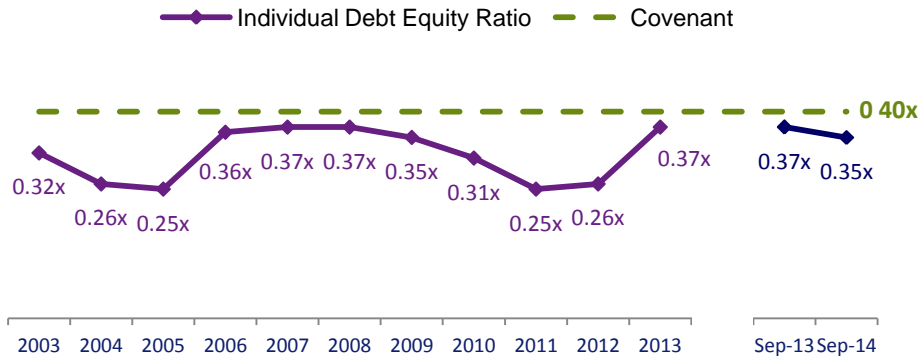


Commercial Revenue: Banco Security: Banca Empresas and Banca Personas Operational Revenue; Factoring Security: Net Revenue Before Expenses; Vida Security: Net Written Premiums; Asset Management: Operating Margin of AGF Security and CDS, plus Operational Revenue of the Stock Brokerage companies; Corredora Security: Operating Revenue; Other Services: Contribution Margin of Travel Security and Sales of Inmobiliaria Security. Proprietary Trading Revenue: Investment Result of Vida Security; Operating Revenue of the Treasury of Banco Security and Proprietary Trading Revenue of the Stock Brokerage companies.



# Strong Financial Position and Growing Profits

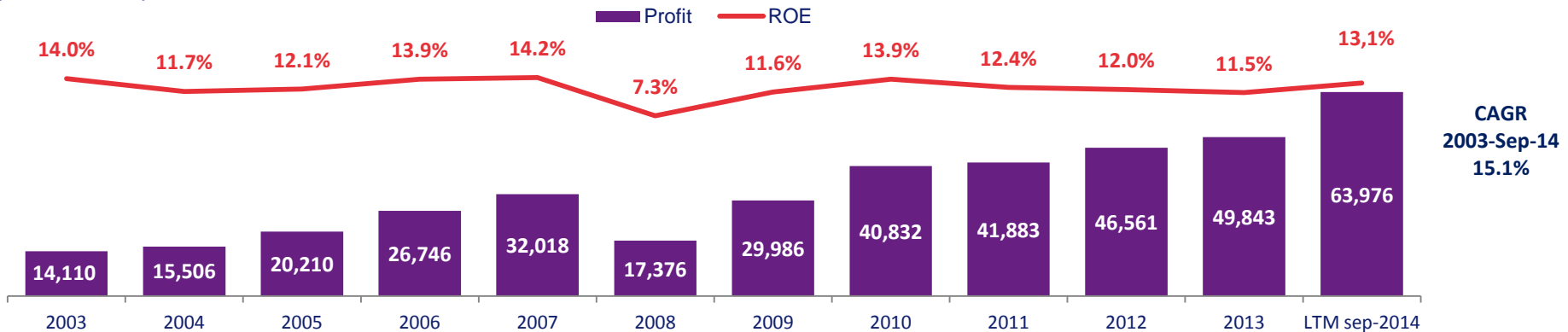
**Individual Debt/Equity Ratio\***



**Debt Service Coverage Ratio\*\***



**Grupo Security Profit and ROE**  
(Ch\$ billion)

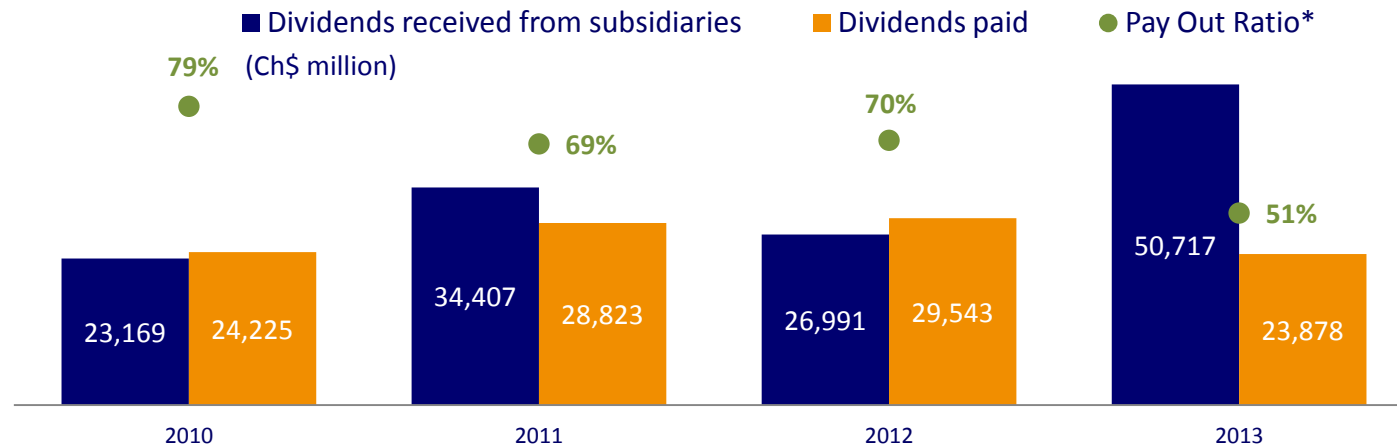


\* Individual Financial Liability / Total Equity

\*\* Earnings before Taxes and Finance Costs / Finance Costs

Source: Grupo Security

# Group Security Dividends



## Dividends received from Group Security subsidiaries (Ch\$ million)

	2010	2011	2012	2013	Sep-14
Banco Security	23,028	20,214	21,001	35,203	9,840
Factoring Security	141	1,061			6,527
Vida Security		13,132	5,990	10,814	18,570
Inmobiliaria Security				1,500	
Travel Security				1,700	2,552
Servicios Security				1,500	1,372
Penta-Security					367
<b>Grupo Security</b>	<b>23,169</b>	<b>34,407</b>	<b>26,991</b>	<b>50,717</b>	<b>39,228</b>

Source: Grupo Security

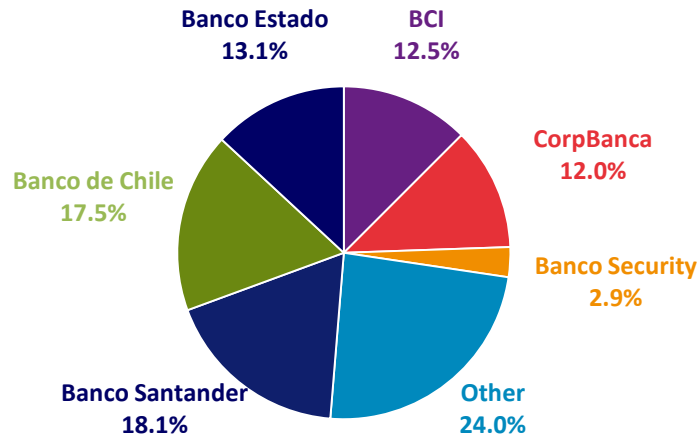
\* Dividends paid/profit for the prior period

# Macro Environment - Chilean Banking Industry

- This industry is fairly concentrated, as the four largest banks have approximately 61% of the market.
- Total lending by the Chilean banking system has grown from Ch\$25,857 billion in 1999 to Ch\$123,956 billion today

## Market Share in Loans\*

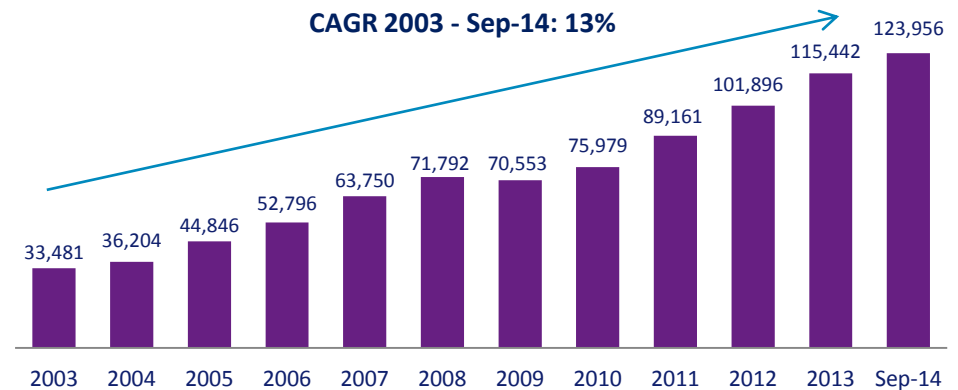
(September 2014)



Total loans Ch\$123,956 billion

## Total Loans - Chilean Banking System

(Ch\$ billion)



Source: Superintendency of Banks and Financial Institutions (SBIF)

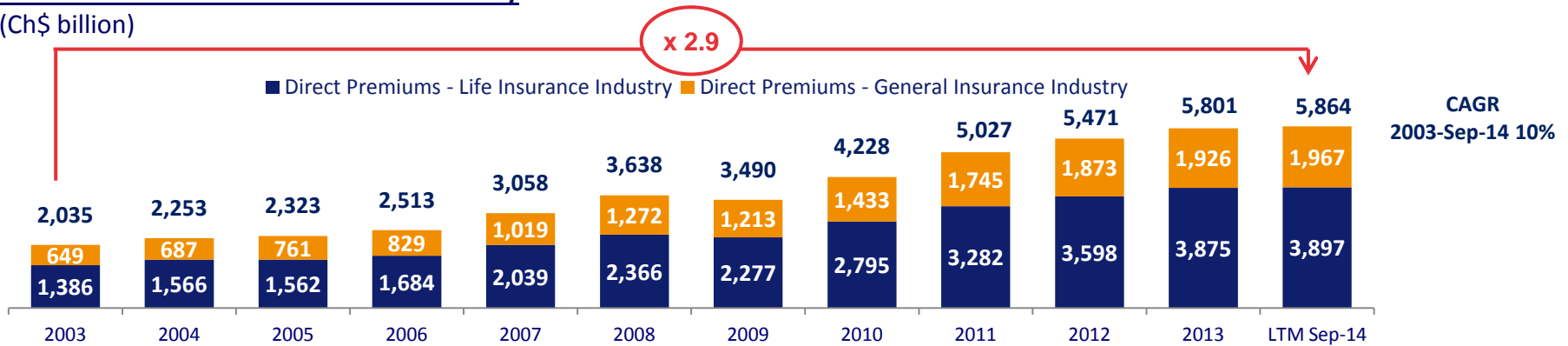
\* Includes CorpBanca loans in Colombia

# Macro Environment - Chilean Insurance Industry

- 32 life insurance companies and 29 P&C insurance companies
- Total direct premiums for the Chilean insurance industry have grown from Ch\$2,035 billion in 2003 to Ch\$5,864 billion LTM as of September 2014.

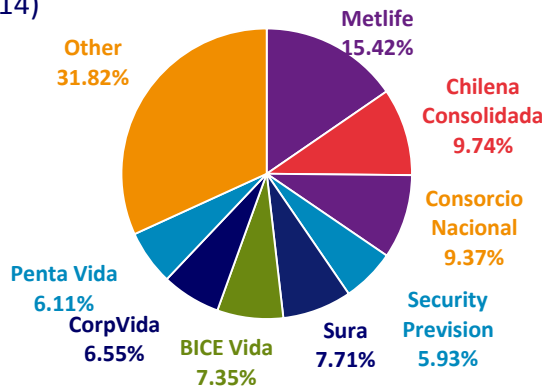
## Direct Premiums - Chilean Insurance Industry

(Ch\$ billion)



## Market Share by Life Insurance Direct Premiums

(September 2014)

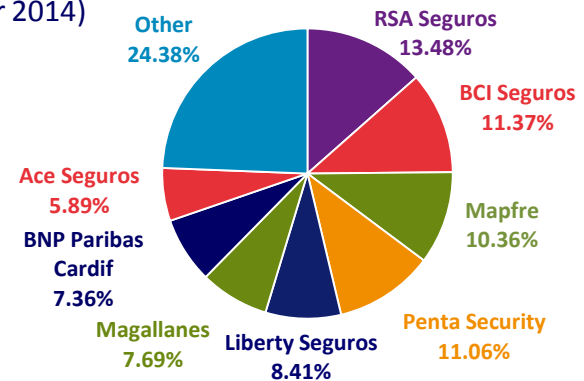


Total Direct Premiums: Ch\$3,897 billion

Source: AACH - Chilean Insurance Association

## Market Share by P&C Insurance Direct Premiums

(September 2014)



Total Direct Premiums: Ch\$1,967 billion

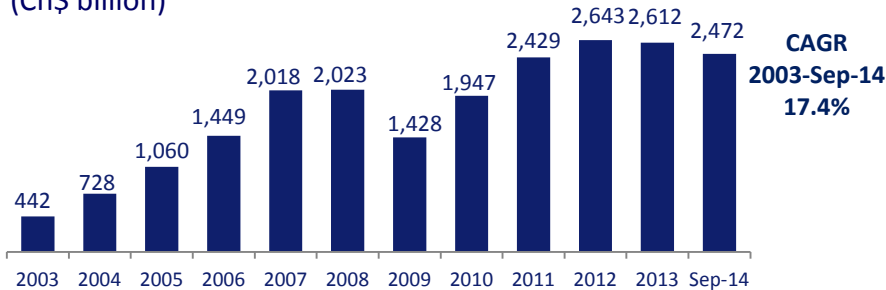
# Macro Environment

## Chilean Factoring Industry

- Positive performance in the last few years: securities placed have increased at a compound annual growth rate of 19.4% between 2003 and 2013

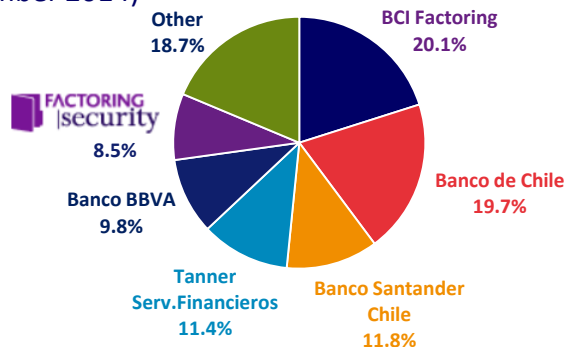
### Factored Receivables for ACHEF Member Companies

(Ch\$ billion)



### Market Share in Factored Receivables

(September 2014)



Total Factored Receivables Ch\$2,472 billion

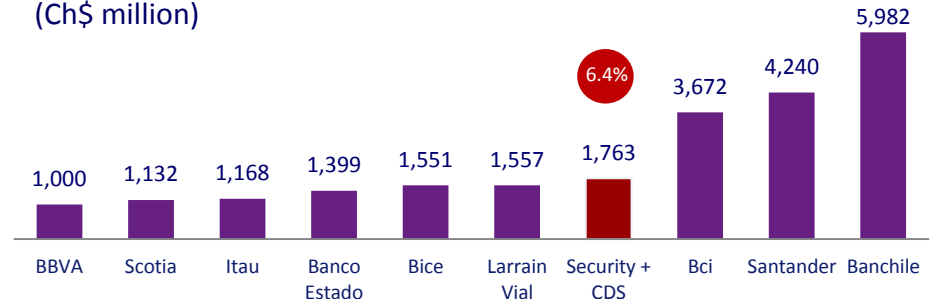
Source: ACHEF - Chilean Factoring Association

## Mutual Fund and Stock Brokerage Industries

- The mutual fund industry manages average assets of Ch\$2,024,959 billion as of September 2014
- Stock market activity measured by traded volumes fell 22.7% as of September 2014

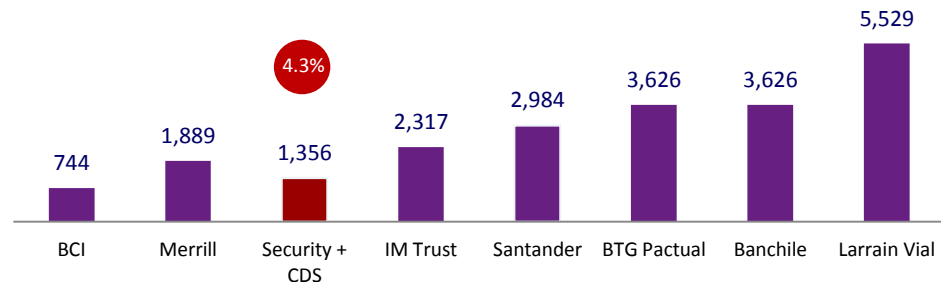
### AUM Fund Managers as of September 2014

(Ch\$ million)



### Traded Volumes for Equities - January to September 2014

(Ch\$ billion)



Source: Grupo Security

# Grupo Security Business Structure

	GRUPO		security		
	LENDING	ASSET MANAGEMENT	INSURANCE	OTHER SERVICES	TOTAL
Businesses	<ul style="list-style-type: none"> <li>• Loans</li> <li>• Leasing</li> <li>• Foreign Trade</li> <li>• Treasury and Distribution</li> <li>• Factoring</li> </ul>	<ul style="list-style-type: none"> <li>• Third-Party Asset Management</li> <li>• Stock Brokerage</li> <li>• Securitization</li> </ul>	<ul style="list-style-type: none"> <li>• Life Insurance</li> <li>• Pension Annuities</li> <li>• Insurance Brokerage</li> <li>• P&amp;C Insurance</li> <li>• Personnel Accident Insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Travel Services</li> <li>• Real Estate Projects</li> </ul>	
Equity* (Ch\$ million)	386,771	71,703	178,961	26,181	<b>518,448</b>
Return on Equity	15.4%	9.6%	11.7%	15.4%	<b>13.1%</b>
Employees**	1,289	276	1,056	624	<b>3,577</b>
Customers***	85,857	30,187	60,415	14,886	<b>157,342</b>

\* Grupo Security equity was Ch\$518,448 million as of September 2014, which includes Ch\$145,168 million from Corporate Support Areas and Adjustments.

\*\* Includes 332 employees in support areas

\*\*\* Due to cross-selling between group companies, the sum of the customers from all areas is greater than the total number of group customers (cross sales involve ~17.8% of customers)

# Grupo Security Companies - Banco Security

## BANCO security

### COMMERCIAL BANKING

- Commercial Loans
- Leasing
- Foreign Trade
- Structured Products
- Currency
- Trading

### RETAIL BANKING

- Consumer Loans
- Mortgage Loans
- Credit Facilities
- Credit Cards
- Current Accounts
- Asset Management

### TREASURY

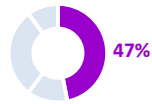
- Distribution Desk
- Balance Sheet Desk
- Investment and Trading Desk

### SUBSIDIARIES

- Administradora General de Fondos (Asset Management)
- Stock Broker

Products and Services

Profit LTM Sep-14 (% total)



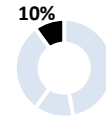
Ch\$31,308 million



Ch\$8,933 million



Ch\$19,725 million

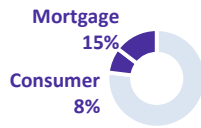


Ch\$6,830 million

Loans<sup>1</sup> Sep-14 (% total)



Ch\$2,724 billion



Ch\$816 billion

Risk Index LTM<sup>2</sup>

1.61%

1.13%

Equity Sep-14:  
Ch\$290 billion

Ch\$3,553 billion in loans

Over 82,200  
customers

Profit LTM Sep-14<sup>3</sup> :  
Ch\$55 billion

<sup>1</sup>Loans, excluding the balance owed by banks.

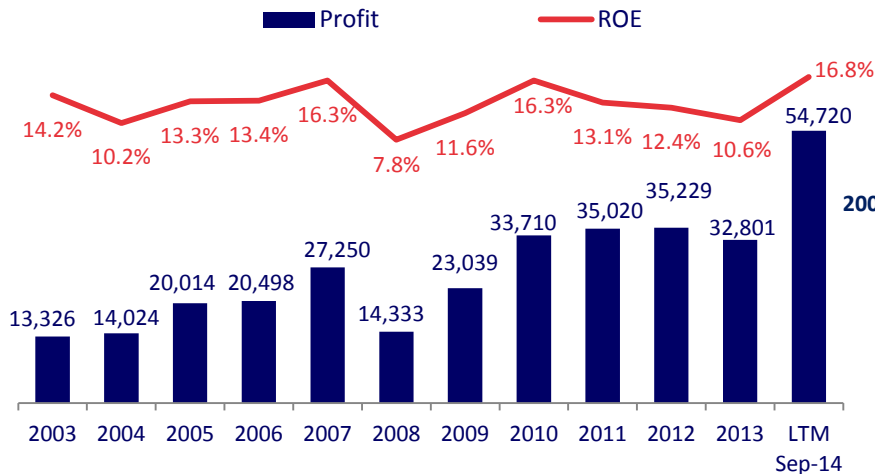
<sup>2</sup>Loan Loss Provisions/Total Loans

<sup>3</sup>Includes a net loss of Ch\$12 billion in business segment "Other".

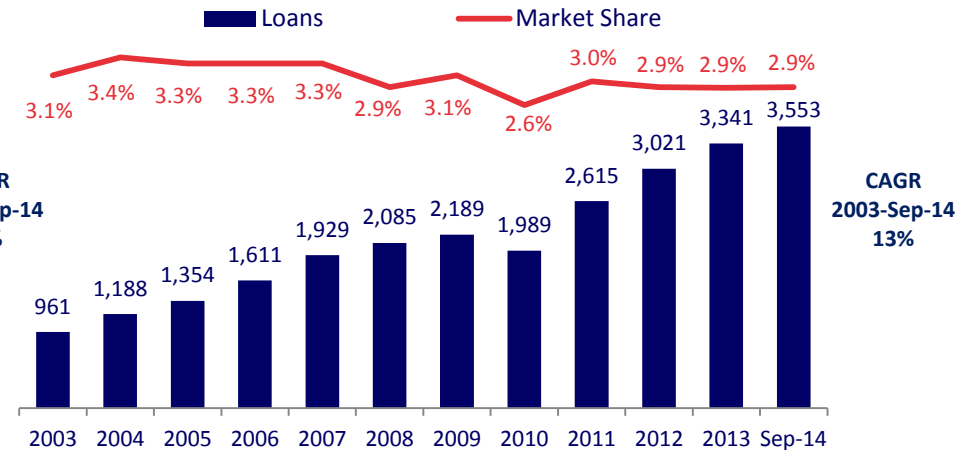
# Grupo Security Companies - Banco Security

- Sustained growth in profits and loans, with average ROE of 13% for the last 10 years
- Limited risks, which are lower than industry averages

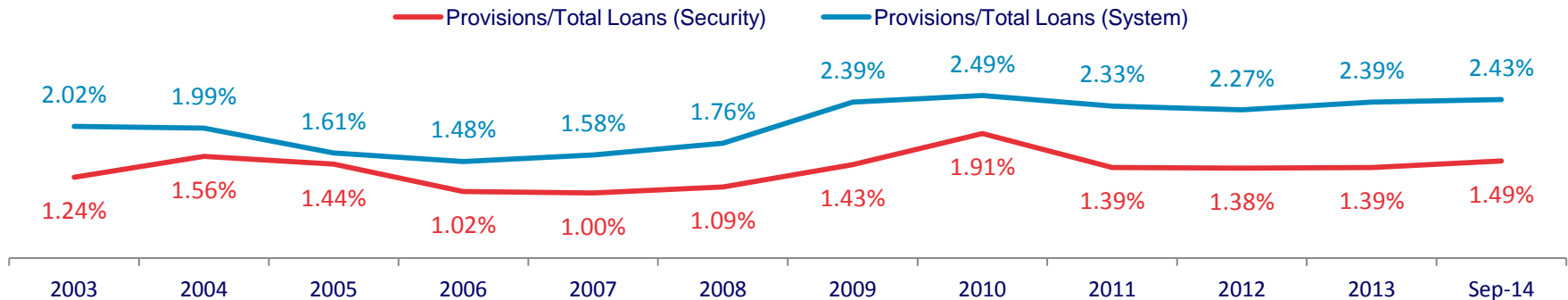
**Profit and ROE - Banco Security**  
(Ch\$ million)



**Loans and Market Share - Banco Security**  
(Ch\$ billion)



**Risk Index (Provisions/Loans)**



\*Profit LTM / Average Equity



# Grupo Security Companies - Banco Security

## Segments

### Commercial Banking:

- » Growth in target segment: companies with annual billing of over UF 500,000.
- » Loans of Ch\$2,724,002 million (76.7 % of the total)

### Retail Banking

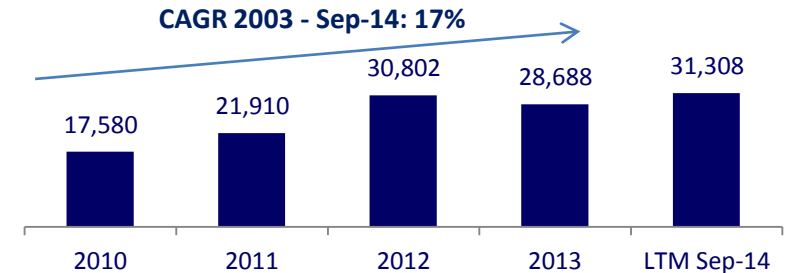
- » Average annual growth in loans of 17.5% between 2008 and September 2014 (23.4% for consumer loans and 14.9% for mortgage loans)
- » These loans represent 22.95% of total loans

### Treasury

- » Reduction of the Proprietary Trading Portfolio has limited the volatility of results.
- » Strengthening of distribution business.
- » Good results in 2014 explained by improved financial margins, due to higher inflation in comparison to the first half of last year, and a lower Monetary Policy Rate (TPM) in 2014.

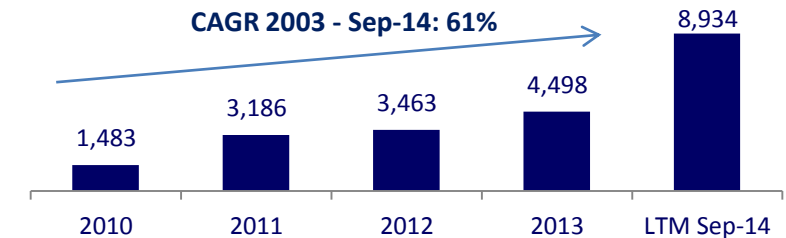
### Commercial Banking Profit

(Ch\$ million)



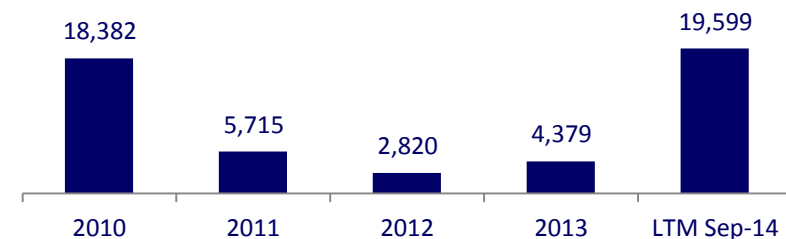
### Retail Banking Profit

(Ch\$ million)



### Treasury Profit

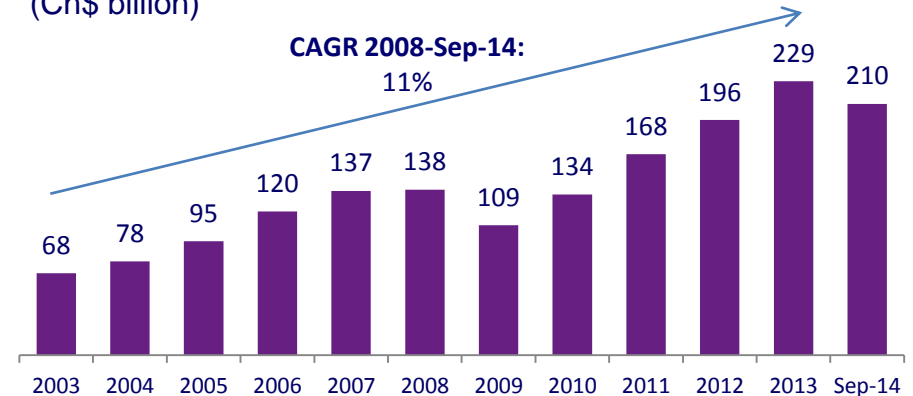
(Ch\$ million)



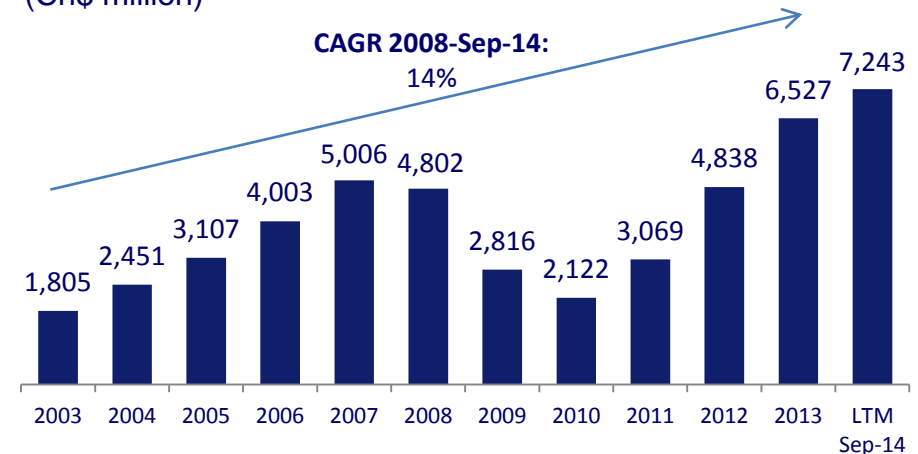
## Grupo Security Companies - Factoring Security

- Factored receivables market share of 8.5%.
- Diversified factored receivables portfolio focused on wholesale and retail businesses.
- Sustained growth in profits (CAGR of 13.7% over the last 10 years). Profit as of September 2014 was Ch\$5,580 million, 14.7% higher than for the same period last year.

**Factored Receivables - Factoring Security**  
(Ch\$ billion)



**Profit - Factoring Security**  
(Ch\$ million)



Source: Grupo Security

# Grupo Security Companies - Vida Security

## VIDA security

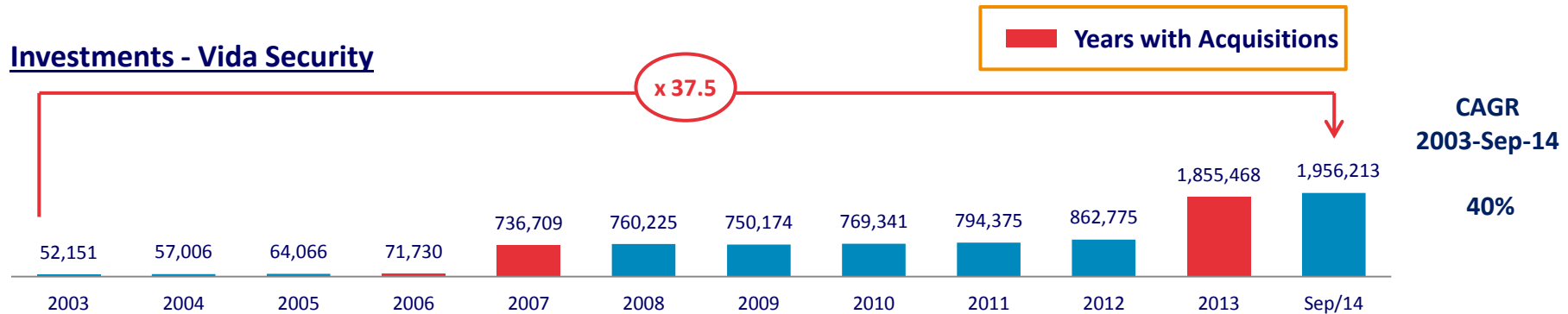


<b>Equity Sep-14:</b> Ch\$153,636 million	<b>Investment Sep-14:</b> Ch\$1,956 billion	<b>870 employees</b>	<b>Profit LTM Sep-14:</b> Ch\$23,299 million
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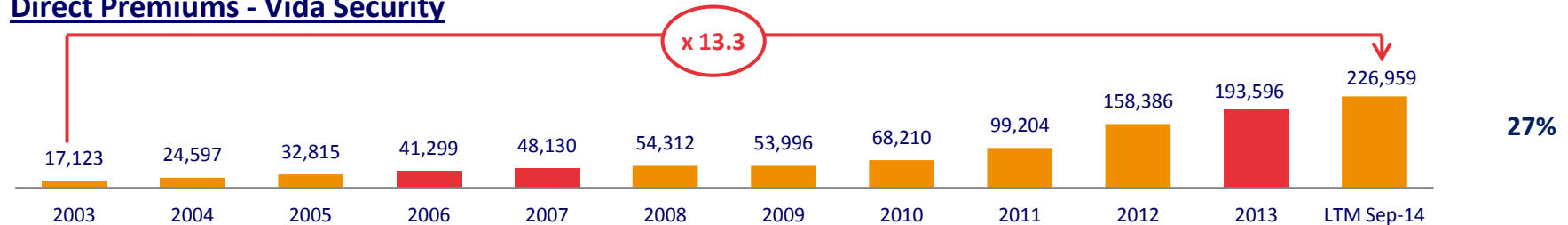
# Grupo Security Companies - Vida Security

- Organic and inorganic growth. Three acquisitions, which were successful in terms of synergies and economies of scale. Ch\$4,576 million in synergies as of September 2014 just in the last acquisition.

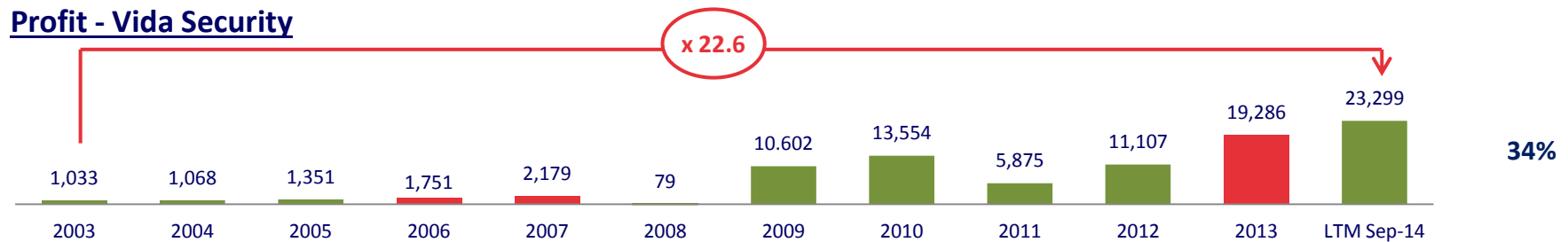
## Investments - Vida Security



## Direct Premiums - Vida Security



## Profit - Vida Security



## Synergies - Vida Security

- By September 30, 2014, the life insurance companies had secured Ch\$4,576 million in annual savings, surpassing the lower end of the estimated synergies range.

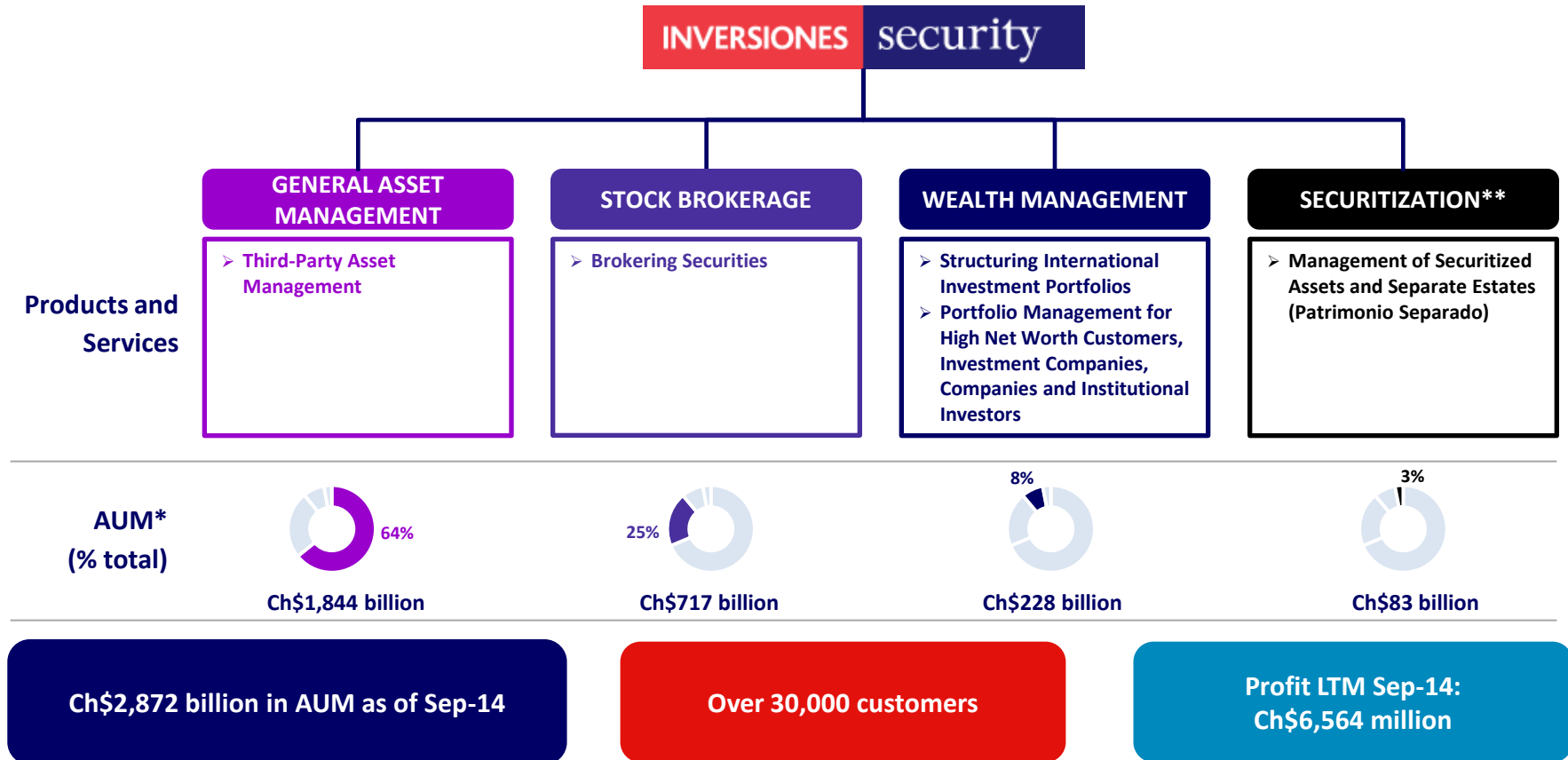
VIDA Security + CDS Vida Expenditure		Scenario	
		Conservative	Positive
<b>Total Proforma Expenditure, Dec 2012</b>	<b>Ch\$ million</b>	<b>32,285</b>	
% Cost Savings CDS+SEC Dec 2012		11.0%	14.8%
Total Committed Savings (in scheme)	Ch\$ million	3,555	4,794
<b>Total Achieved Savings as of September 30, 2014</b>	<b>Ch\$ million</b>	<b>4,576</b>	
% of Total Committed Savings		128.7%	95.5%
		<b>Conservative</b>	<b>Positive</b>
<b>Present Value of Total Committed Savings</b>	<b>US\$ million</b>	<b>68</b>	<b>92</b>
<b>Present Value of Total Achieved Savings</b>	<b>US\$ million</b>	<b>88 (129% - 96%)</b>	

Savings measured over 12 months.

Exchange rate used for valuation as of December 31, 2012 was 475.02 CLP/USD.

Discount rate of 11% in US dollars.

# Grupo Security Companies - Inversiones Security



\* Assets Under Management

\*\* Securitizadora Security S.A. is a subsidiary of Grupo Security

# Grupo Security Companies - Inversiones Security

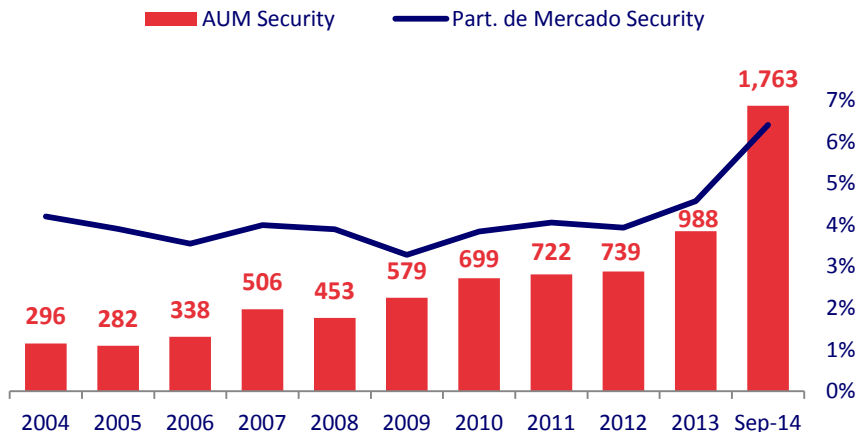
**INVERSIONES** security

ADMINISTRADORA DE FONDOS

- Combined Assets Under Management of Ch\$1,763 billion (market share of 6.4%, fourth place in ranking of local asset managers).

## Managed Funds

(Ch\$ billion)



Source: Grupo Security

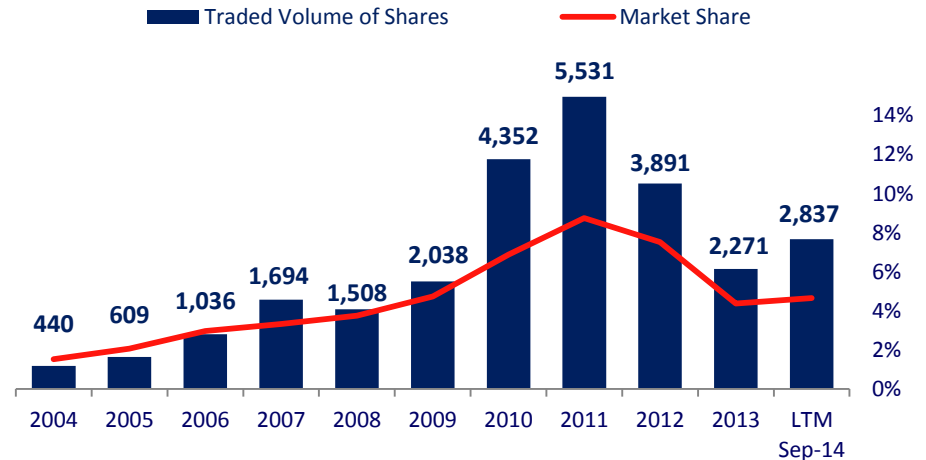
**INVERSIONES** security

CORREDORES DE BOLSA

- Traded volume of Ch\$1,356 billion during the first nine months of 2014.
- Seventh place among Chilean stock brokers, with market share of 4.3% by traded volume.

## Stock Brokerage Subsidiary - Valores Security

(Ch\$ billion)



## Synergies - Inversiones Security

- Annual savings of Ch\$3,404 million had been secured by September 30, 2014, which exceeded total forecast savings for the positive scenario

INVERSIONES Security + CDS Expenditure		Scenario	
		Conservative	Positive
<b>Total Proforma Expenditure, Dec 2012</b>	<b>Ch\$ million</b>	<b>20.202</b>	
% Cost Savings CDS+SEC Dec 2012		9.2%	13.5%
Total Committed Savings (in scheme)	Ch\$ million	1,868	2,723
<b>Total Achieved Savings as of September 30, 2014</b>	<b>Ch\$ million</b>	<b>3,404</b>	
% of Total Committed Savings		182.3%	125.0%
		<b>Conservative</b>	<b>Positive</b>
<b>Present Value of Total Committed Savings</b>	<b>US\$ million</b>	<b>36</b>	<b>52</b>
<b>Present Value of Total Achieved Savings</b>	<b>US\$ million</b>	<b>65 (182% - 125%)</b>	

Savings measured over 12 months.

Exchange rate used for valuation as of December 31, 2012 was 475.02 CLP/USD.

Discount rate of 11% in US dollars.

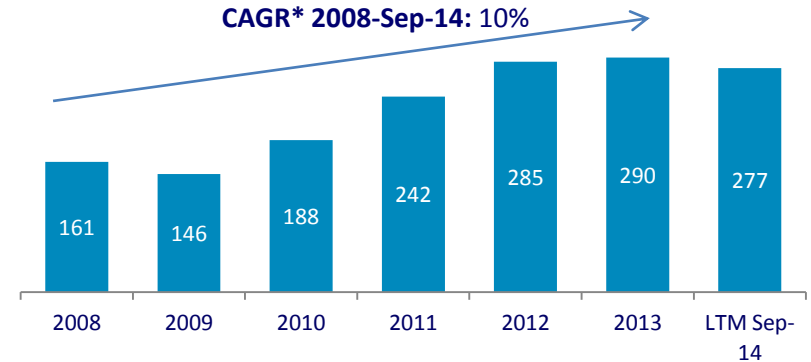


# Grupo Security Companies - Other Services

## TRAVEL security

- Profit as of September 2014 was Ch\$2,753 million, 31.1% higher than the same period last year

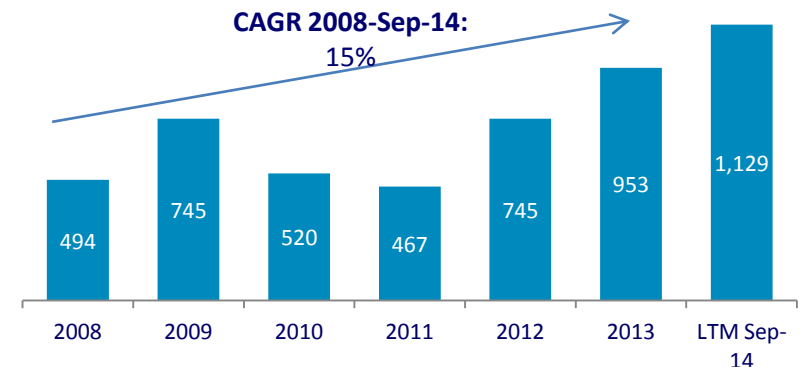
### Sales - Travel Security (US\$ million)



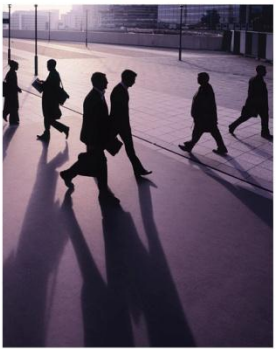
## INMOBILIARIA security

- Apartment sales totaled UF 826,542 in the period January - September 2014
- Real Estate Assets Under Management totaled UF 2,234,027 as of September 2014

### Sales - Inmobiliaria Security (UF Thousands)



\* Compound Annual Growth Rate; calculated in USD.



# Issuance Features

GRUPO | security

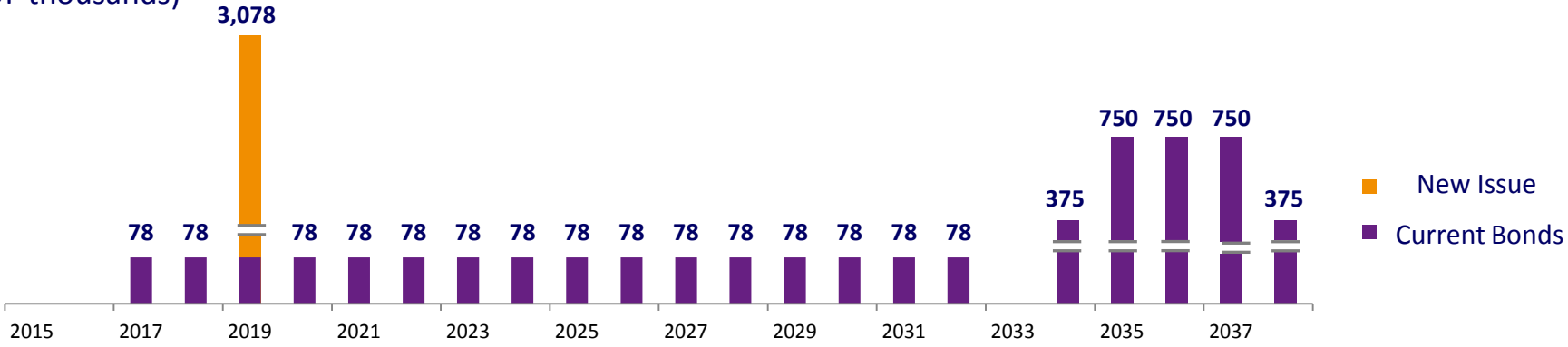
# Issuance Features

Issuer	Grupo Security S.A.		
Credit Rating:	A+ / A+ (Fitch / ICR)		
Maximum Amount To Place:	Maximum amount of up to UF 3.0 million across all series		
Use of Funds:	Refinance liabilities (approx. 85%) and finance the issuer's investment plan (approx. 15%)		
Currency / Indexing:	UF	CLP	UF
Series	<b>BSECU-L1</b>	<b>BSECU-L2</b>	<b>BSECU-L3</b>
Maximum Amounts Available:	UF 3,000,000	Ch\$ 72,500,000,000	UF 3,000,000
Maturity:	5 years	5 years	21 years with a 10 year grace period
Structure:	<i>Bullet</i>	<i>Bullet</i>	<i>Amortizing</i>
Installments:	Semi-annual	Semi-annual	Semi-annual
Maturity Date:	November 15, 2019	November 15, 2019	November 15, 2035
Prepayment:	MWA + 80 bps	MWA + 80 bps	MWA + 80 bps
Prepayment Date:	November 15, 2017	November 15, 2017	November 15, 2019
Annual Coupon Rate:	2.40%	4.80%	3.40%
Interest Accrual Begins:	November 15, 2014	November 15, 2014	November 15, 2014
Main Covenants:	1) Debt/Equity ratio no greater than 0.4; 2) Keep at least 51% of Banco Security issued voting shares 3) Negative Pledge, Cross Acceleration and Cross Default		

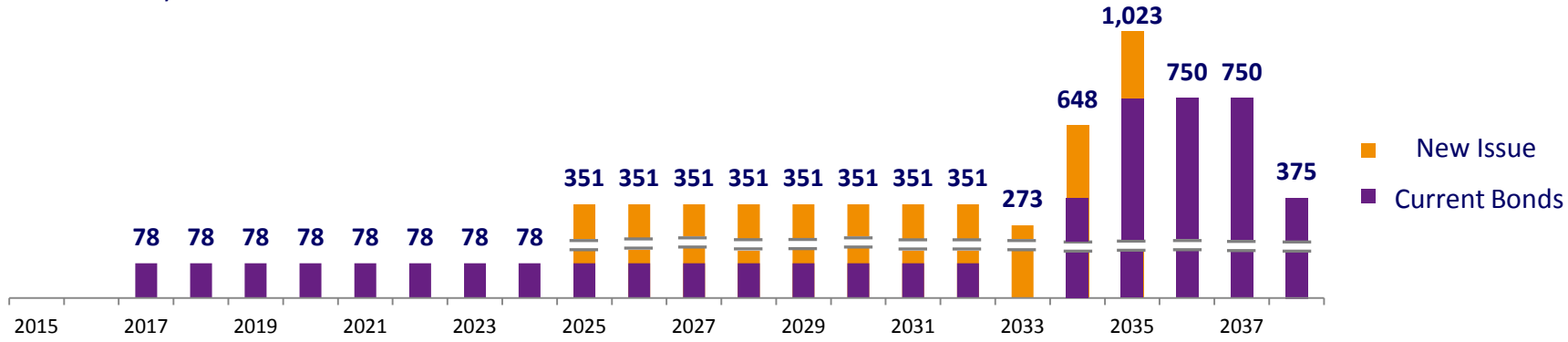
# Financial Information - Grupo Security

## Amortization Profile

Amortization Profile after BSECU-L1 Bond (UF 3,000,000 ) and Prepayment Profile for Series B-2, C-2, D and E (UF thousands)



Amortization Profile after BSECU-L3 Bond (UF 3,000,000 ) and Prepayment Profile for Series B-2, C-2, D and E (UF thousands)



Source: Grupo Security

# Grupo Security Financial Information

Consolidated Statement of Financial Position (Ch\$ million)						Individual
	2011	2012	2013	Sep-13	Sep-14	Sep-14
Total current assets	4,752,901	5,181,831	6,370,038	6,248,280	6,796,889	58,184
Total non-current assets	221,710	235,355	426,190	415,124	474,778	1,715
<b>Total Assets</b>	<b>4,974,611</b>	<b>5,417,186</b>	<b>6,796,228</b>	<b>6,663,405</b>	<b>7,271,668</b>	<b>701,209</b>
Total current liabilities	4,319,805	4,696,348	5,917,494	5,793,801	6,263,529	23,069
Total non-current liabilities	274,901	318,914	405,500	403,356	480,808	159,692
<b>Total Liabilities</b>	<b>4,594,706</b>	<b>5,015,262</b>	<b>6,322,994</b>	<b>6,197,157</b>	<b>6,744,338</b>	<b>182,761</b>
Equity attributable to the owners of the controller	376,742	397,790	467,004	460,308	518,448	
Non-controlling interests	3,163	4,134	6,230	5,939	8,882	
Total Equity	379,905	401,924	473,234	466,248	527,330	518,448
<b>Total Equity and Liabilities</b>	<b>4,974,611</b>	<b>5,417,186</b>	<b>6,796,228</b>	<b>6,663,405</b>	<b>7,271,668</b>	<b>701,209</b>
Income Statement (Ch\$ million)						
	2011	2012	2013	Sep-13	Sep-14	
Revenue	436,553	584,193	710,361	511,606	610,947	
Cost of sales	-274,766	-389,761	-511,620	-362,219	-417,798	
<b>Gross profit</b>	<b>161,787</b>	<b>194,431</b>	<b>198,741</b>	<b>149,386</b>	<b>193,150</b>	
Other income	5,047	7,809	6,000	5,204	1,695	
Administrative expenses	-93,962	-127,412	-154,805	-115,117	-119,626	
Other expenses by function	-16,701	-18,393	-11,211	-10,246	-8,888	
Other gains (losses)	4,385	1,760	2,655	998	3,488	
<b>Net operating income</b>	<b>60,556</b>	<b>58,195</b>	<b>41,380</b>	<b>30,225</b>	<b>69,819</b>	
Finance expenses, net	-4,449	-4,950	-9,947	-5,586	-8,805	
Share of profit (loss) of associates and joint ventures	2,710	1,094	1,387	1,137	2,211	
Other adjustments*	-8,838	2,919	29,332	19,448	3,156	
<b>Profit before taxes</b>	<b>49,978</b>	<b>57,258</b>	<b>62,152</b>	<b>45,224</b>	<b>66,381</b>	
Income tax expense	-7,662	-10,103	-11,181	-8,071	-14,281	
<b>Profit for the year</b>	<b>42,316</b>	<b>47,155</b>	<b>50,971</b>	<b>37,152</b>	<b>52,100</b>	
<b>Profit attributable to owners of the controller</b>	<b>41,833</b>	<b>46,561</b>	<b>49,843</b>	<b>36,442</b>	<b>50,574</b>	

\* Includes exchange differences, indexation adjustments and gains arising from the difference between the prior book value and the fair value of reclassified assets measured at fair value.

# Calendar of Events

November - December 2014				
M	T	W	T	F
24	25	26	27	28
1	2	3	4	5
8	9	10	11	12
15	16	17	18	

Date	Activity
December 1 - 4	Individual Presentations
December 2	Expanded Meeting
December 16 - 17	Order Book Construction
December 18	Placements

# Contacts

## Santander Global Banking & Markets

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## Santander Global Banking & Markets

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