



# Life Insurance

## Vida Security Grupo Security Chile



- Executive Summary
- Grupo Security
- Life Insurance Services
- Chile & Peru Macroeconomics

## Executive Summary:

### Grupo Security

- Niche Chilean-based diversified financial group, offering banking, insurance, asset management, real estate investment and travel services
- AUM as of Dec 2015: US\$ 15 billion
- Consolidated profit of US\$ 92 million as of year 2015, with a 10% 5-YR CAGR and a 12,1% ROE
- Successful strategy of increasing economic value through organic growth and M&A: 11 acquisitions in 20 years for a total of US\$706 Million

### Life Insurance Services:

- 6th largest life insurance company in Chile in terms of investments (US\$ 3,063 million), as of December 2015
- Vida Security reported US\$ 39,1 million in profit, US\$239 million in equity, 16,8% ROE as of 2015
- Diversified mix of direct premiums, including individual insurance, group insurance and annuities, each contributing nearly 25% of total premiums
- 5 successful acquisitions, including Protecta in Peru, establishing a foothold for international expansion

## Executive Summary:

**Chile & Peru Macroeconomics :** Chile and Peru offer a stable macroeconomic environment in the region and a low-risk environment favorable to foreign investors

- Positive dynamics in the financial services industry, with loans, net premiums written and assets under management growing at two digits rates CAGR's for the last 10 years, suggesting convergence to the financial services penetration levels of developed countries



## Grupo Security

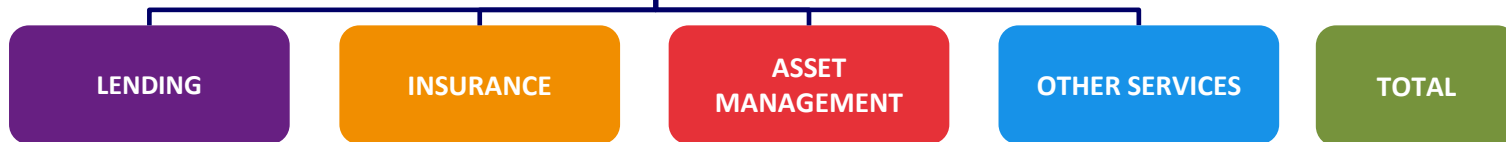


# Grupo Security At a Glance

- Niche Chilean-based diversified financial group, offering banking, insurance, asset management, real estate investment and travel services
- Focused on large and medium-sized companies, and high-income individuals
- Consolidated profit of US\$ 92 million as of year 2015, with a 10% 5-YR CAGR


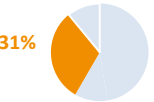



As of December 31, 2015

## GRUPO security



| Businesses | LENDING  | INSURANCE   | ASSET MANAGEMENT  | OTHER SERVICES  | TOTAL |
|------------|--|---|---|---|-------|
|            | <ul style="list-style-type: none"> <li>• Loans</li> <li>• Leases</li> <li>• Foreign Trade</li> <li>• Treasury and Distribution</li> <li>• Factoring</li> </ul> | <ul style="list-style-type: none"> <li>• Life Insurance</li> <li>• Annuities</li> <li>• Insurance Brokerage</li> <li>• Personal Accident Insurance</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>• Travel Services</li> <li>• Real Estate Projects</li> </ul> |       |

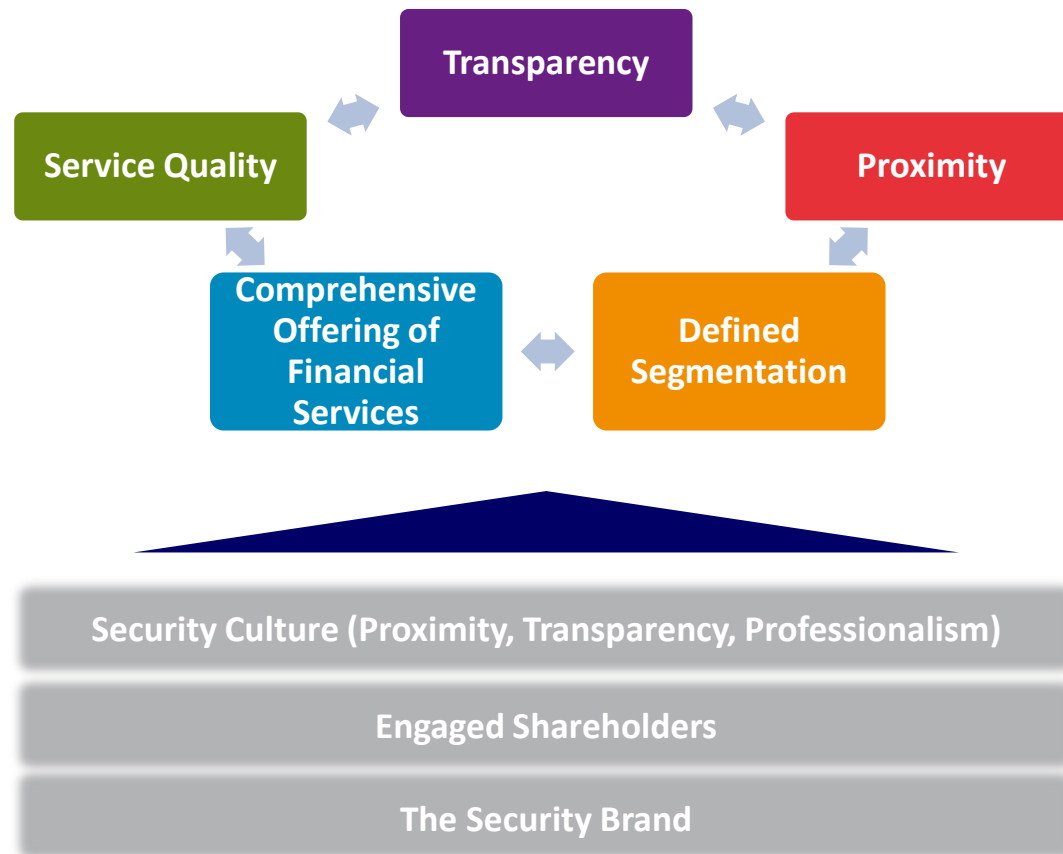
| AUM (US\$ Million) | 7,786 | 3,063 | 4,641 | 78 | 15,077 <sup>1</sup> |
|--------------------|-------|-------|-------|----|---------------------|
|--------------------|-------|-------|-------|----|---------------------|

| Profit Contribution | <br>47%<br>Ch\$ 44 Billion<br>US\$ 62 million | <br>31%<br>Ch\$ 28 Billion<br>US\$ 40 million | <br>11%<br>Ch\$ 10 Billion<br>US\$ 14 million | <br>11%<br>Ch\$ 10 Billion<br>US\$ 14 million | <br>Ch\$ 65 Billion<br>US\$ 92 million |
|---------------------|--|--|--|--|---|
|---------------------|--|--|--|--|---|

<sup>1</sup>Excludes CUI (Life insurance with saving components)  
Source: Grupo Security

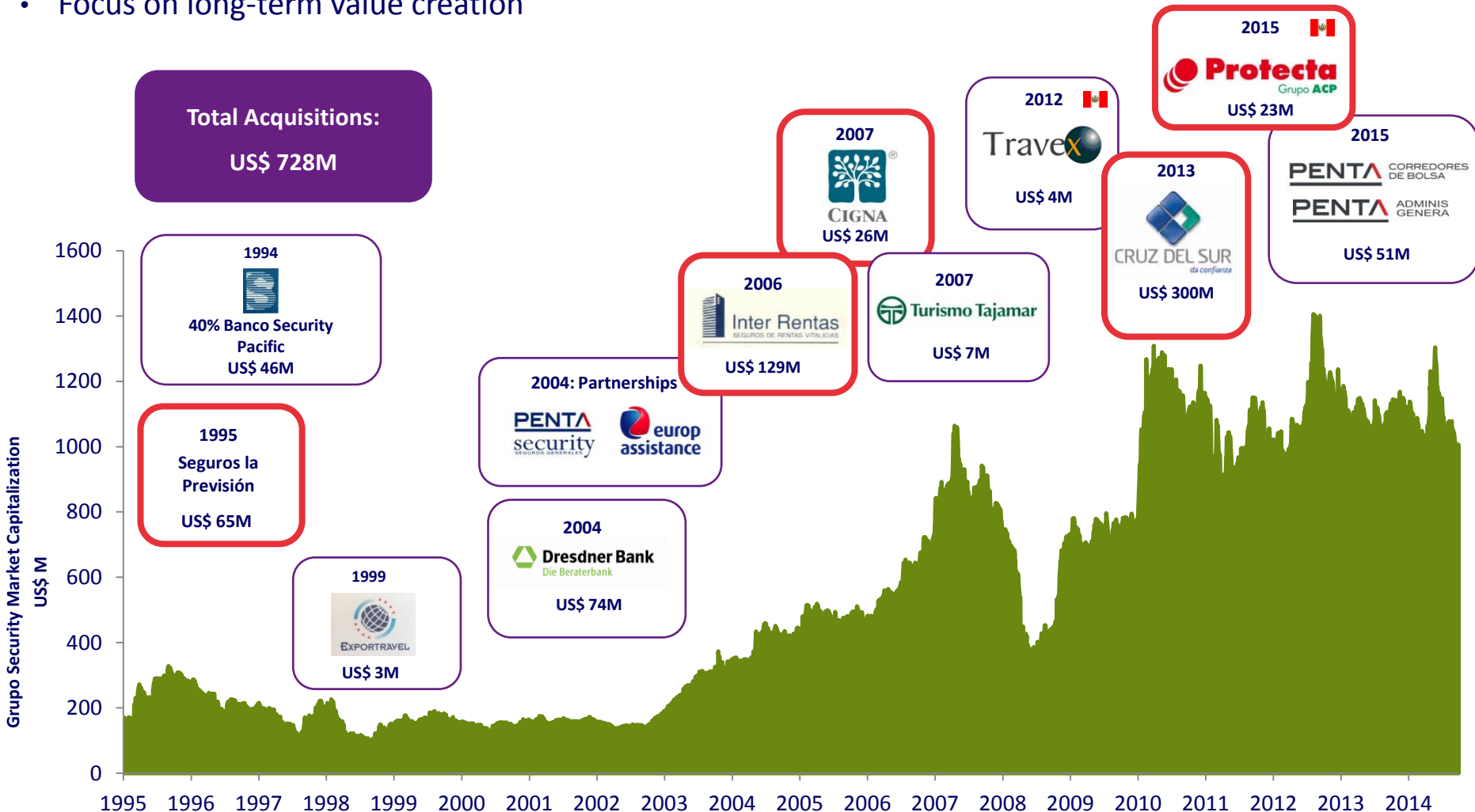
# Well-Positioned Niche Player with a Strategic Framework

- » Stable position in niche markets delivering consistent profitability despite increased competition
- » Successful strategy of increasing economic value in the life insurance business, through organic growth and M&A: Vida Security among the top 10 life insurers in Chile
- » Banco Security ranks first among banks recognized for outstanding customer service<sup>1</sup>



# Strategic Acquisitions and Organic Growth Driving Service Offering and Market Share in Target Segments

- 11 acquisitions in 20 years for a total of US\$728 Million
- Focus on long-term value creation







# Life Insurance Services

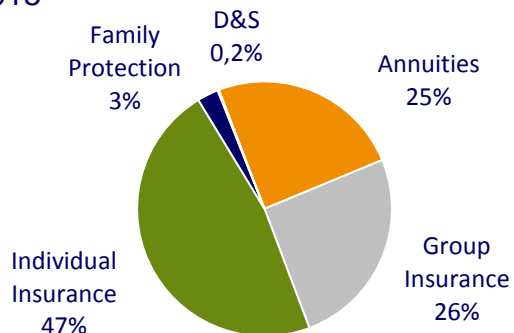
VIDA security

# Vida Security Solid Strategic Position in the Market

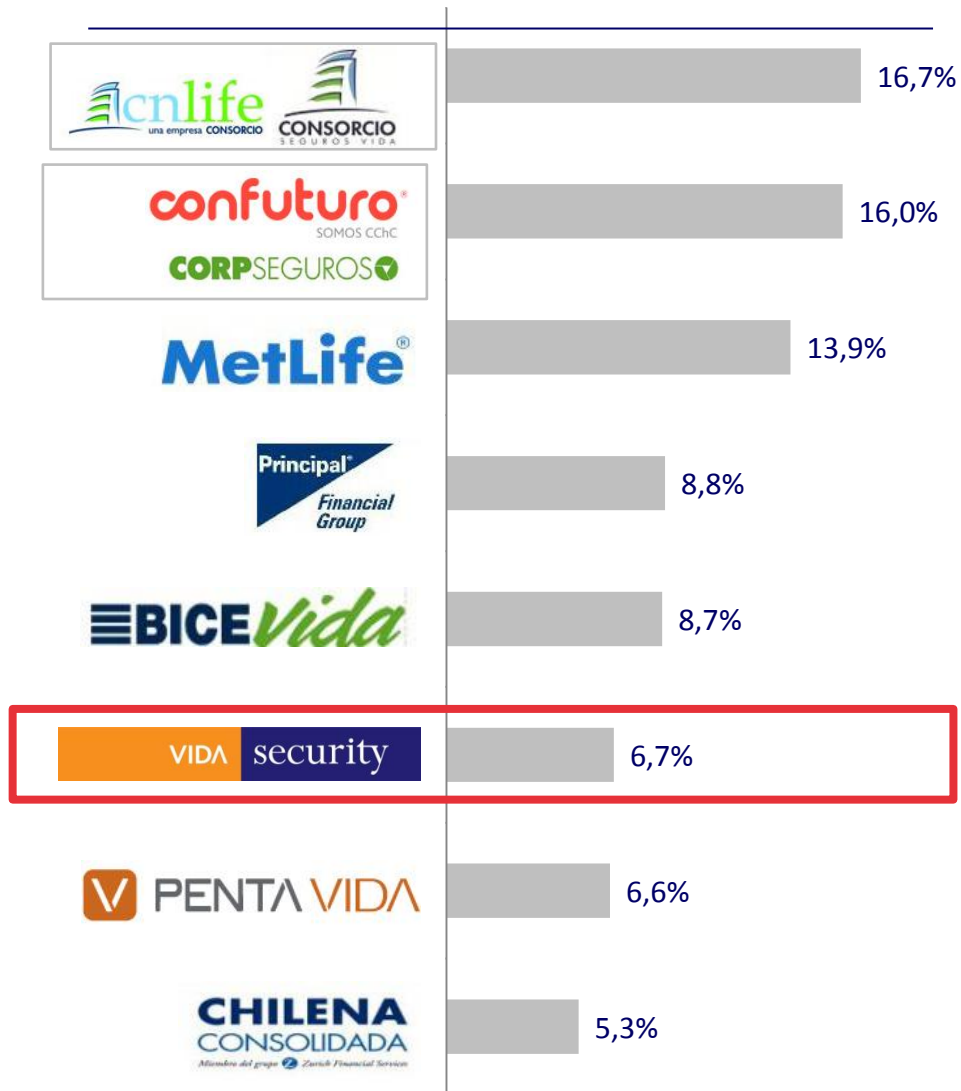
- Sustained growth through organic and inorganic expansion.
- 5 successful acquisitions
- 21 branches; 935 employees (sales force: 471)
- 6<sup>th</sup> largest life insurance company in Chile in terms of investments (Ch\$ 2,166 billion), as of December 2015
- Diversified mix of direct premiums, including individual insurance, group insurance and annuities, each contributing at least 25% of total premiums
- Strategic acquisition of life insurance company Protecta in Peru establishes a foothold for international expansion

## Premiums Breakdown Vida Security

December 2015



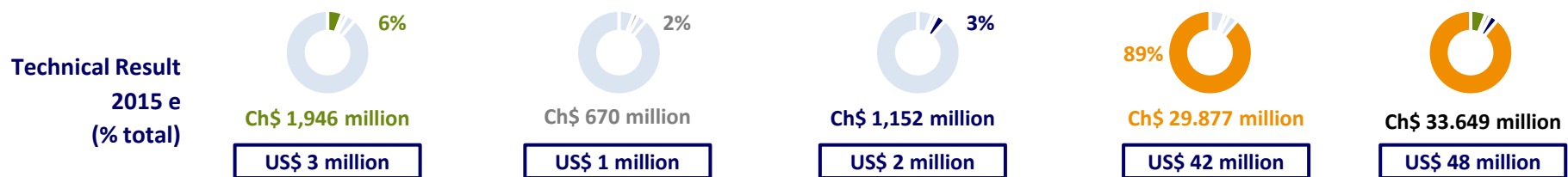
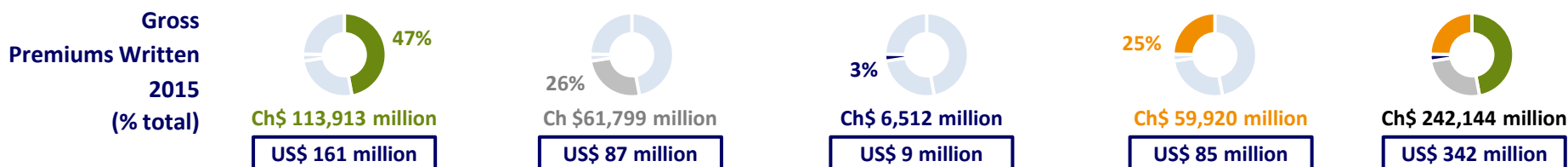
## Market Share Investment Portfolio as of December 2015



Source: SVS—Chilean Superintendence of Securities and Insurance



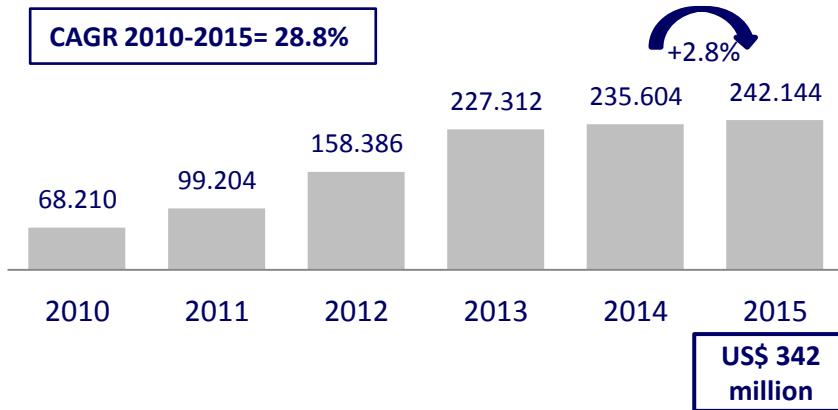
|                              | Individual Insurance  | Group Insurance  | Family Protection  | Retirement Insurance  | Total |
|------------------------------|---|--|--|---|-------|
| <b>Products and Services</b> | <ul style="list-style-type: none"> <li>Individual Life (69%)</li> <li>Voluntary Retirement Savings (APV) (29%)</li> <li>Individual Health (2%)</li> <li>Private Annuities (1%)</li> </ul> | <ul style="list-style-type: none"> <li>Group Health (80%)</li> <li>Group Credit Life (12%)</li> <li>Group Life (8%)</li> </ul> | <ul style="list-style-type: none"> <li>Family Protection (100%)</li> </ul> | <ul style="list-style-type: none"> <li>Annuities (99%)</li> <li>Disability &amp; Survivorship (1%)</li> </ul> |       |



|                      |  |   |                                 |  |
|----------------------|--|---|---------------------------------|--|
| <b>Vida Security</b> | <b>Equity 2015</b><br>Ch\$ 168,784 million<br>(5.5% of the market)<br>US\$ 239 million | <b>Investments 2015</b><br>Ch\$ 2,166 billion<br>(6.7% of the market)<br>US\$ 3,063 million | <b>935 employees as of 2015</b> | <b>Profit 2015</b><br>Ch\$ 27,659 million<br>(7.2% of the market)<br>US\$ 39 million |
|----------------------|--|---|---------------------------------|--|

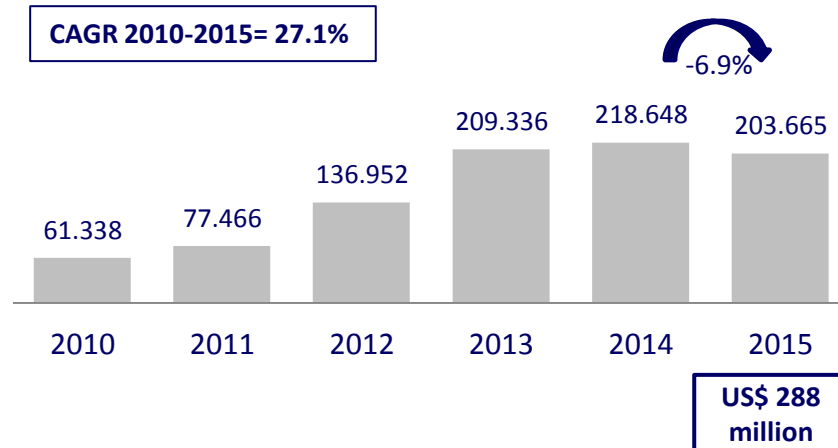
## Gross Premiums Written<sup>1</sup>

(Ch\$ Million)



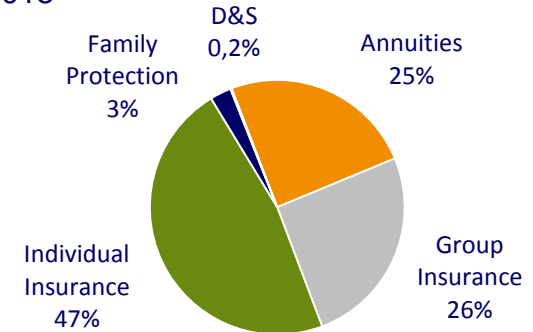
## Claims and Pensions Paid<sup>1</sup>

(Ch\$ Million)



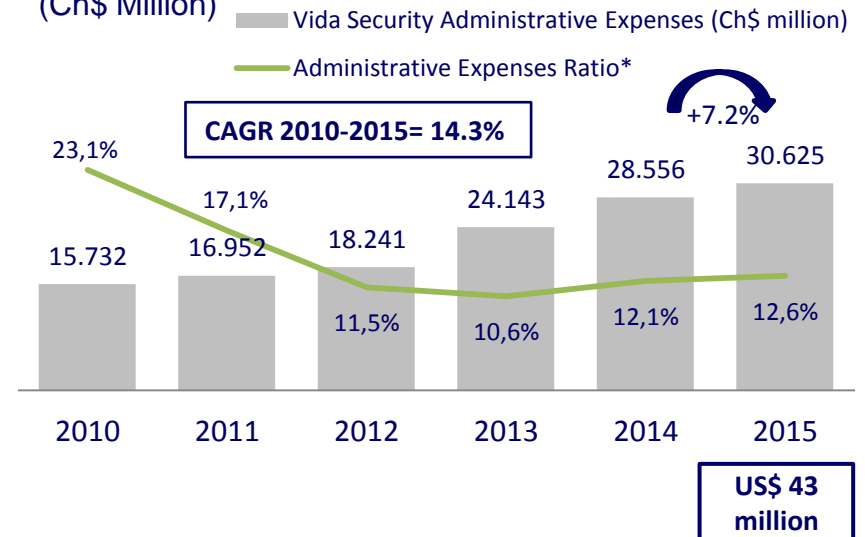
## Premiums Breakdown

December 2015



## Administrative Expenses<sup>1</sup>

(Ch\$ Million)



<sup>1</sup>In pro-forma, includes Cruz del Sur from the second half of 2013

Source: SVS-Chilean Superintendence of Securities and Insurance

- Effective synergies resulting from the merger process with Cruz del Sur Vida reached Ch\$ 7,188 million, representing a present value of savings of US\$ 136 million

| VIDA Security + CDS Vida Expenditure        |              | Scenario      |          |
|---|--------------|---------------|----------|
|   |              | Conservative  | Positive |
| <b>Total Proforma Expenditure, Dec 2012</b> | Ch\$ million | <b>32,285</b> |          |
| % Cost Savings CDS+SEC Dec 12               |              | 11.0%         | 14.8%    |
| Total Committed Savings (in scheme)         | Ch\$ million | 3,555         | 4,794    |
| <b>Total Effective Savings 2015</b>         | Ch\$ million | <b>7,118</b>  |          |
| % of Total Savings                          |              | 200.2%        | 148.5%   |

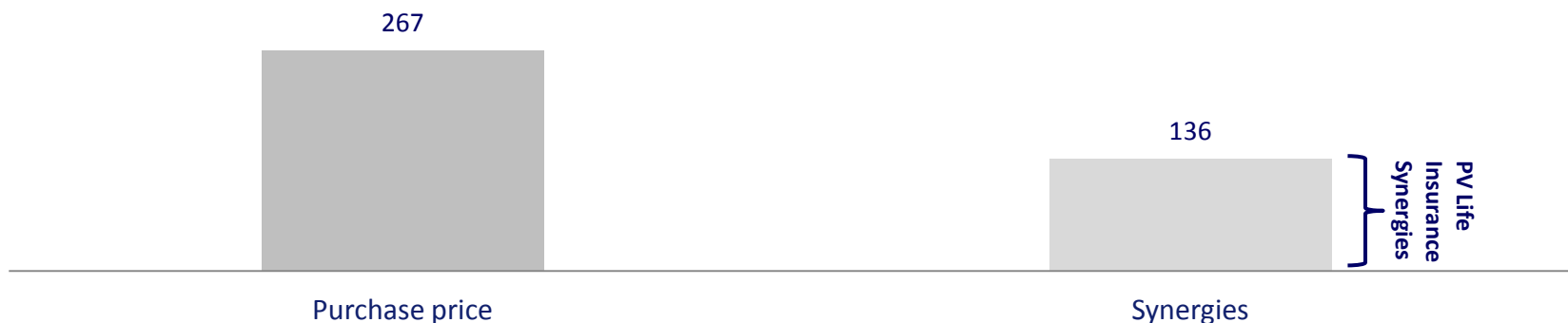
  

|   |              | Conservative             | Positive |
|---|--------------|--------------------------|----------|
| <b>Present Value of Total Committed Savings</b> | US\$ million | 68                       | 92       |
| <b>Present Vaue of Total Effective Savings</b>  | US\$ million | <b>136 (200% - 148%)</b> |          |

## Leveraging Operating and Financial Synergies Case Study:

Acquisition of Cruz del Sur insurance, asset management and brokerage business in June 2013

(US\$ Million)



Savings measured over 12 months

Exchange rate used for valuation as of December 2012 was 475.02 \$CLP/\$US.

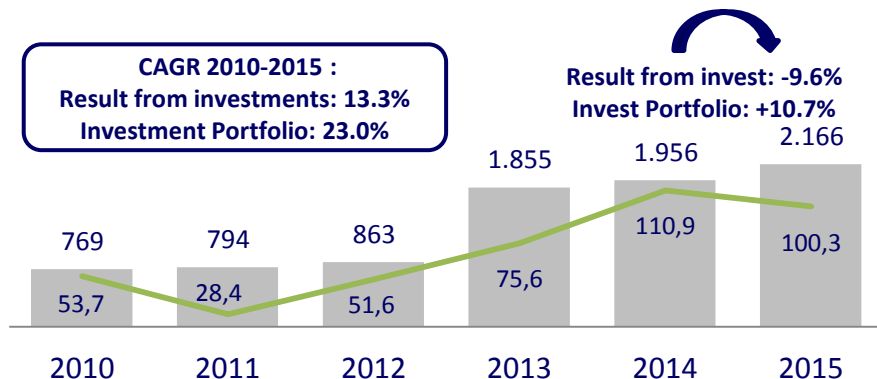
Discount rate of 11% in US dollars

# Solid Investment Portfolio Contributes to Increased Profitability

## Investment Portfolio & Result from Investments

(Ch\$ Billion)

Investment Portfolio      Result from Investments



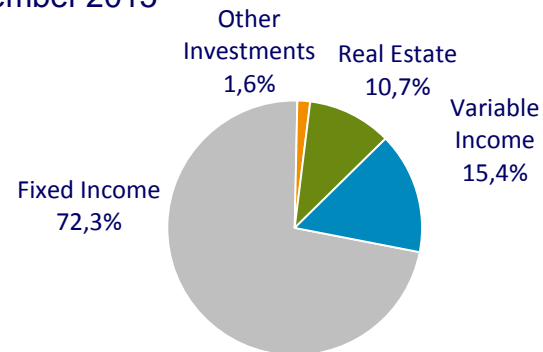
**CAGR 2010-2015 :**  
**Result from investments: 13.3%**  
**Investment Portfolio: 23.0%**

**Result from invest: -9.6%**  
**Invest Portfolio: +10.7%**

**Result from investments 2015: US\$ 142 million**  
**Investment Portfolio 2015: US\$ 3,063 million**

## Investment Portfolio Breakdown

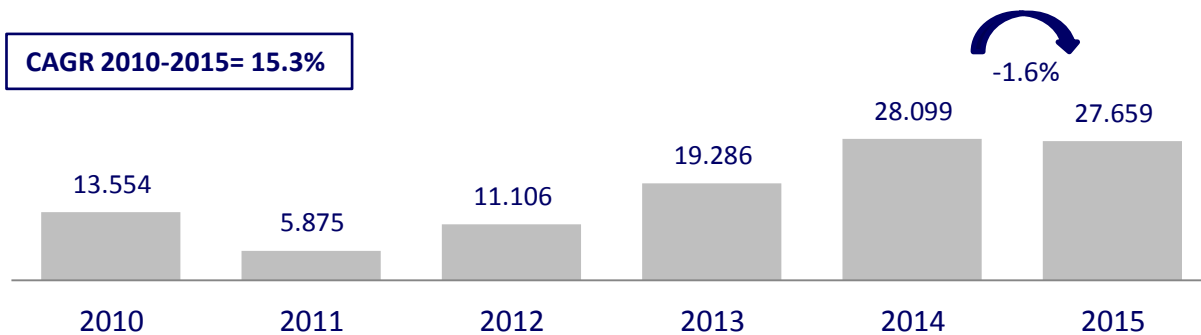
December 2015



## Vida Security Profit<sup>1</sup>

(Ch\$ Million)

**CAGR 2010-2015= 15.3%**



**-1.6%**

**US\$ 39 million**

<sup>1</sup>In pro-forma, includes Cruz del Sur from the second half of 2013  
 \*Administrative Expenses Ratio: Administrative Expenses/ Gross Premiums Written

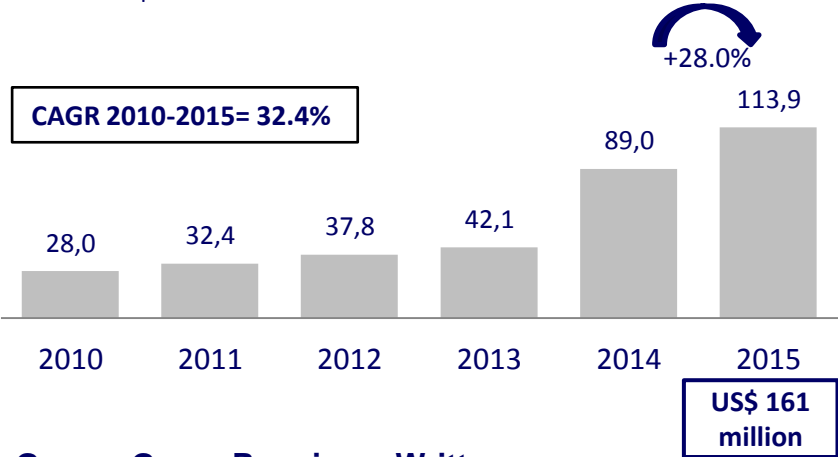
Source: SVS—Chilean Superintendence of Securities and Insurance

EOP 2015 Exchange rate 1 US\$ = Ch\$ 707.34

## Individual Life: Gross Premiums Written

(Ch\$ Billion)

Insurance policy hired individually, which gives the option to invest part of the written premium



## Family Protection: Gross Premiums Written

(Ch\$ Billion)

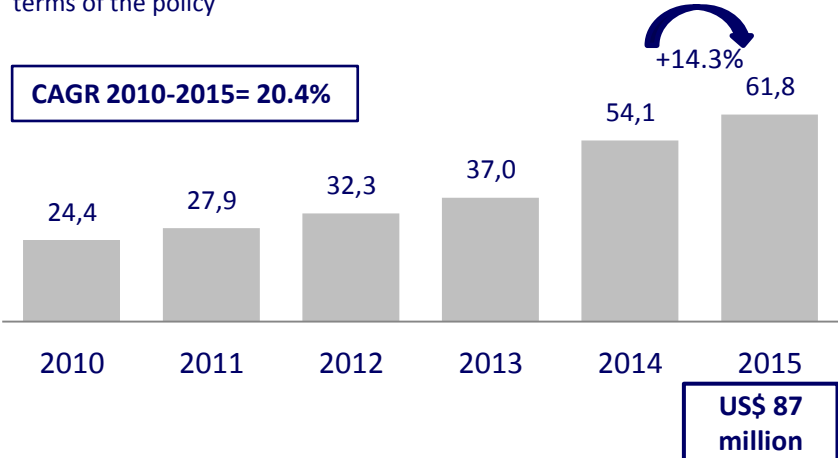
All those policies that cover the family group of the insured, in case of death, or disability and accidental death and dismemberment (AD&D); depending on the terms of the policy



## Group: Gross Premiums Written

(Ch\$ Billion)

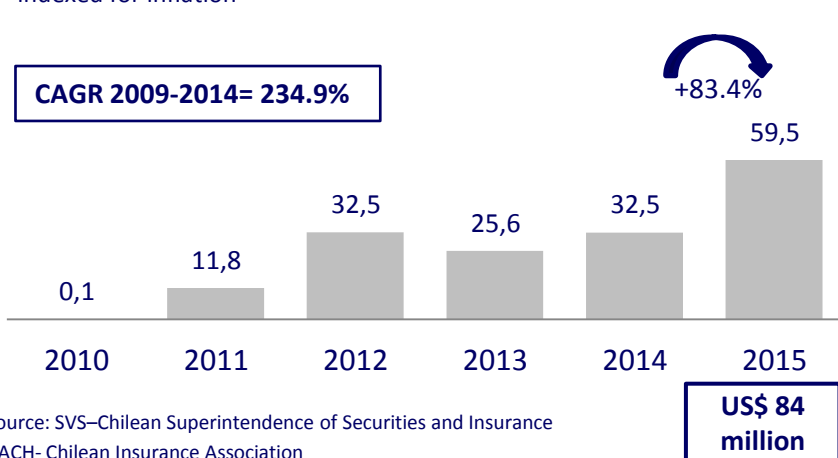
Insurance hired by a company for its employees, which in certain cases covers health expenses, credit life insurance or death; depending on the terms of the policy



## Annuities: Gross Premiums Written

(Ch\$ Billion)

Workers who choose annuities turn their retirement accounts over to an insurance company, and receive a fixed guaranteed income for life, indexed for inflation



Source: SVS-Chilean Superintendence of Securities and Insurance  
AACH- Chilean Insurance Association

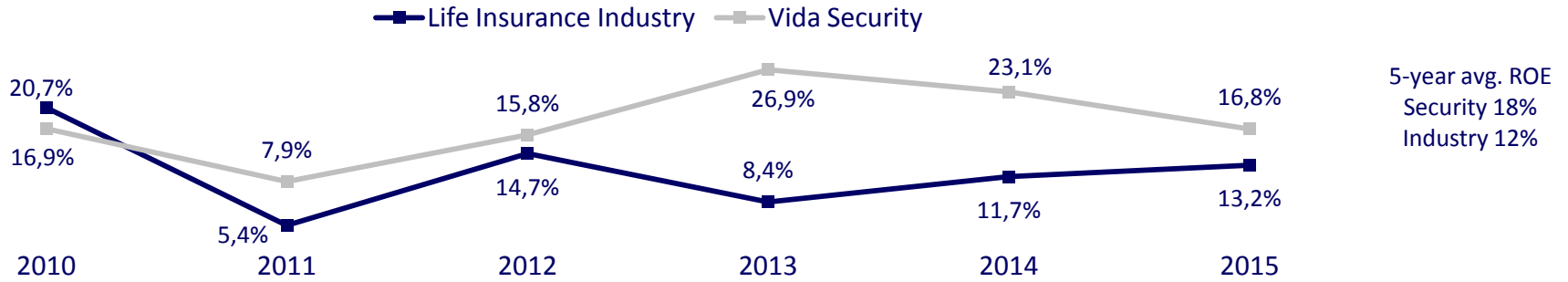
| December 2015  | Security | Peer Group | Industria |
|--|----------|------------|-----------|
| Profit (loss)/ Gross Retained Premiums                         | 11.6%    | 6.3%       | 7.7%      |
| Claims and Insurance Benefits Paid/ Gross Written Premiums (1) | 84.1%    | 100.2%     | 91.9%     |
| Administrative Expenses/ Gross Written Premiums (2)            | 12.6%    | 8.1%       | 12.1%     |
| Acquisition Expenses/ Gross Written Premiums (3)               | 7.0%     | 4.8%       | 5.8%      |
| Combined Ratio (1) + (2) + (3)                                 | 103.7%   | 113.0%     | 109.8%    |
| ROAE (Profit (loss)/ Avg. Equity)                              | 16.8%    | 12.1%      | 13.2%     |
| ROAI (Investment Income/ Avg. Investments)                     | 4.8%     | 4.4%       | 4.5%      |
| Leverage (Liabilities/Equity)                                  | 12.16 x  | 12.56 x    | 9.86 x    |

Peer companies: BICE Vida; Chilena Consolidada; Confuturo; Consorcio Nacional; EuroAmérica; MetLife; Penta Vida; Principal; Security and Sura

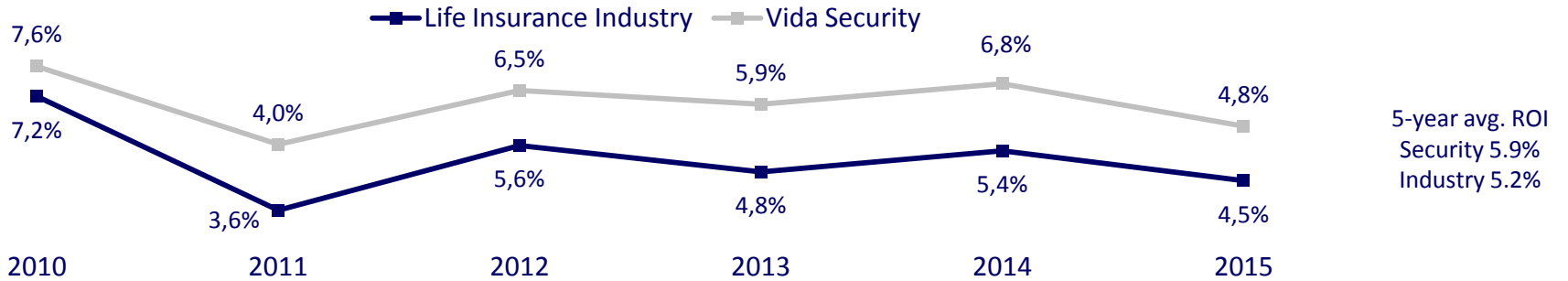


# Vida Security vs Life Insurance Industry

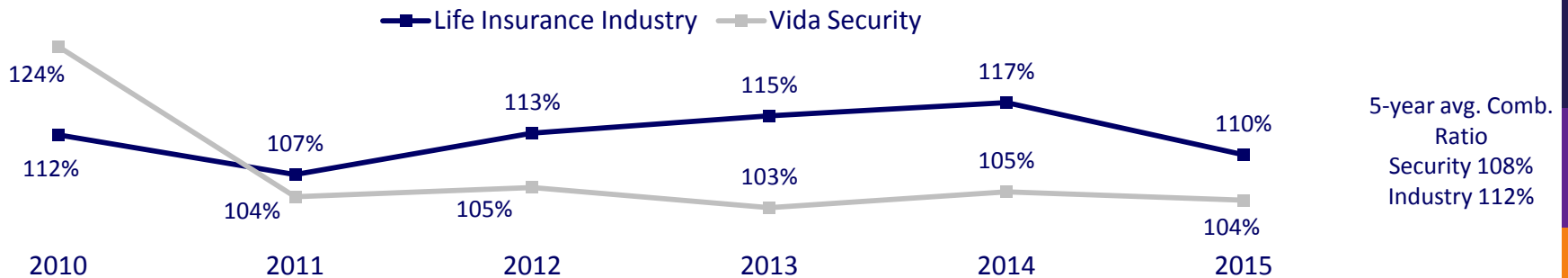
## ROE



## ROI



## Combined Ratio



# Vida Security Financial Statements

US\$ million

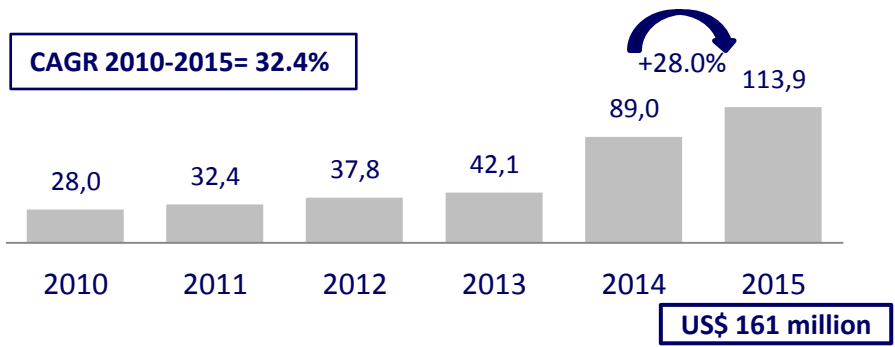
| Balance Sheet Vida Security         | December-14 | December-15 | Income Statement Vida Security     | December-14 | December-15 |
|-------------------------------------|-------------|-------------|------------------------------------|-------------|-------------|
| <b>Total Assets</b>                 | 3,363       | 3,140       | Gross Premiums Written             | 374.8       | 342.3       |
| Financial Investments               | 2,870       | 2,733       | <b>Net premium</b>                 | 365.6       | 337.7       |
| Real Estate                         | 403         | 330         | Acquisition Expenses               | -24.9       | -23.9       |
| Other Assets                        | 89          | 77          | Claims and pensions paid           | -325.1      | -287.9      |
|                                     |             |             | Reserve adjustments                | -80.6       | -89.1       |
| <b>Total Liabilities</b>            | 3,100       | 2,902       | <b>Administrative expenses</b>     | -43.0       | -43.3       |
| Financial Liabilities               | 24          | 84          | <b>Investment income</b>           | 162.9       | 141.7       |
| Total Insurance Accounts (Re:       | 3,033       | 2,785       | Other income (expenses)            | -4.4        | 3.0         |
| Other Liabilities                   | 43          | 33          | Income tax expenses                | -4.4        | -0.4        |
| <b>Total Equity</b>                 | 263         | 239         | <b>Profit (loss) Vida Security</b> | 44.1        | 39.1        |
| <b>Total Liabilities and Equity</b> | 3,363       | 3,140       |                                    |             |             |

- » Consolidation of Seguros de Vida Cruz del Sur with Vida Security as of March 2014 was carried out through Vida Security's equity. Therefore the Profit of Vida Security as of December 2014 only reflects the operational effects of the consolidation for the months between April and December 2014.

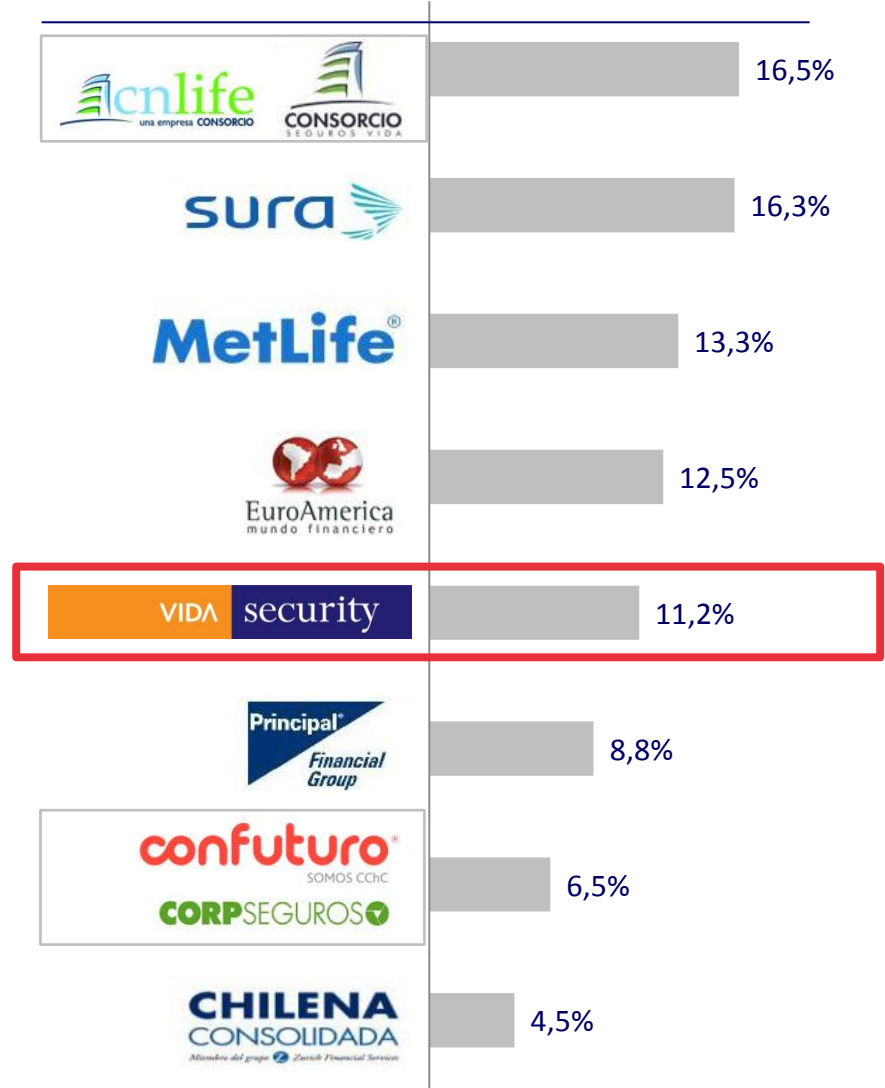
» Insurance policy hired individually, which gives the option to invest part of the written premium

### Individual Life: Gross Premiums Written

(Ch\$ Billion)



### Market Share Individual Life Gross Premiums Written as of December 2015

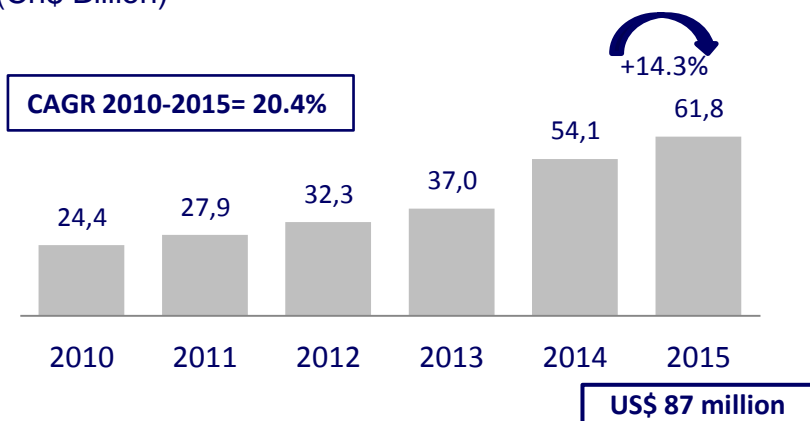


EOP 2015 exchange rate 1 US\$ = Ch\$ 707.34  
Source: SVS-Chilean Superintendence of Securities and Insurance

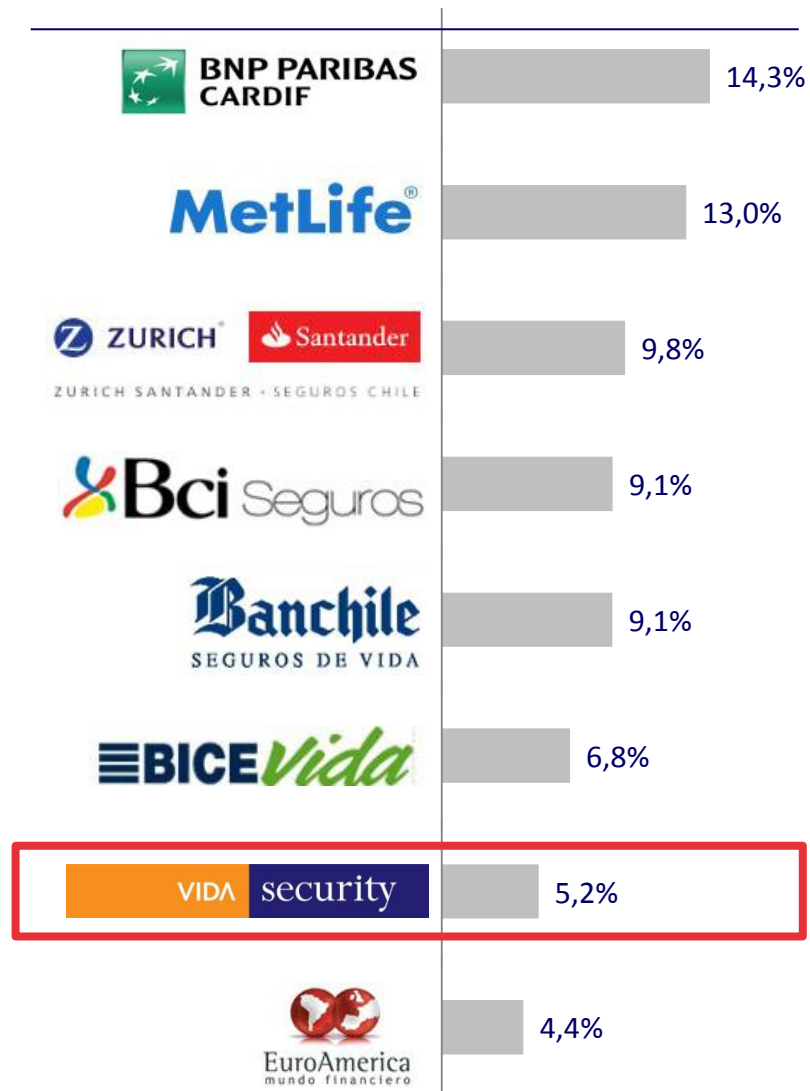
- » Insurance hired by a company for its employees, which in certain cases covers health expenses, credit life insurance or death; depending on the terms of the policy

## Group: Gross Premiums Written

(Ch\$ Billion)



## Market Share Group Gross Premiums Written as of December 2015

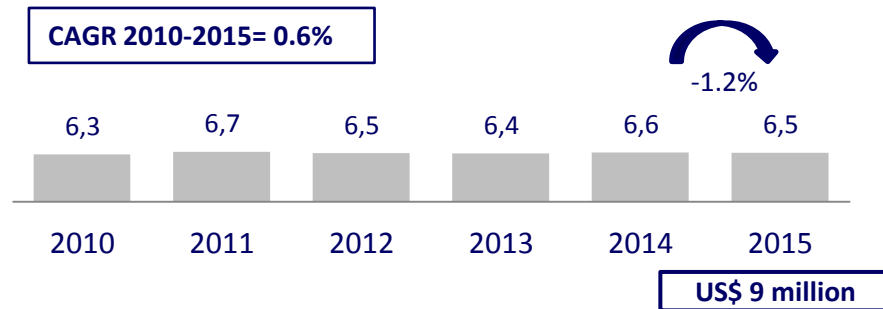


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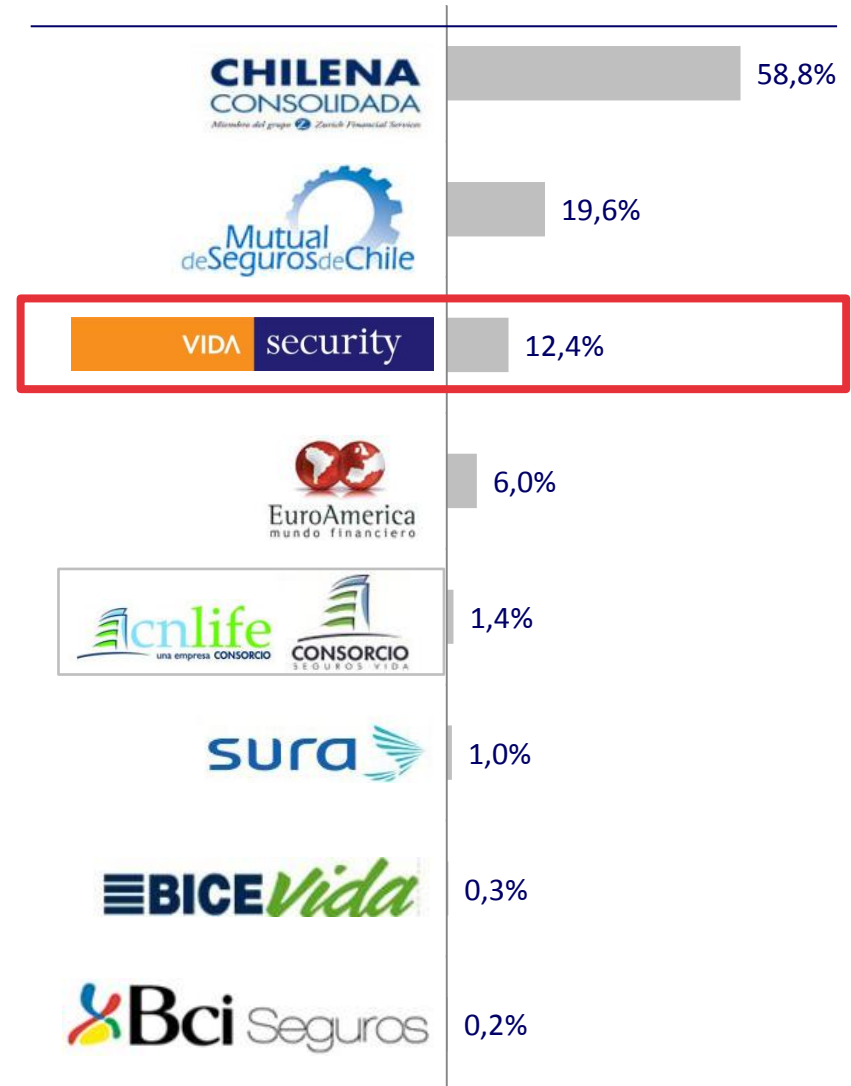
- » All those policies that cover the family group of the insured in case of death, or disability and accidental death and dismemberment (AD&D); depending on the terms of the policy

## Family Protection: Gross Premiums Written

(Ch\$ Billion)



## Market Share Family Protection Gross Premiums Written as of December 2015

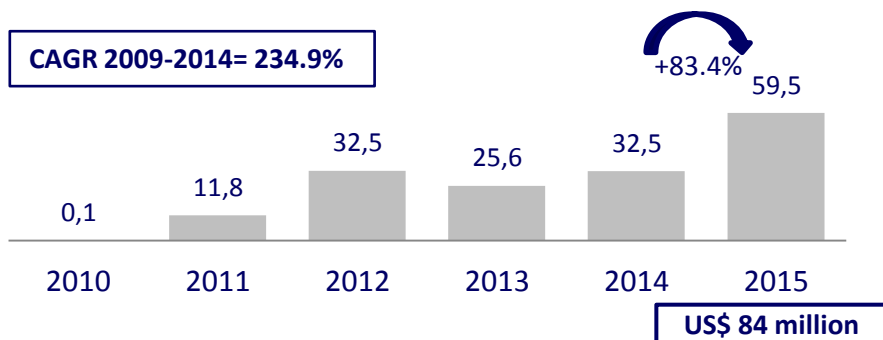


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Source: SVS-Chilean Superintendence of Securities and Insurance

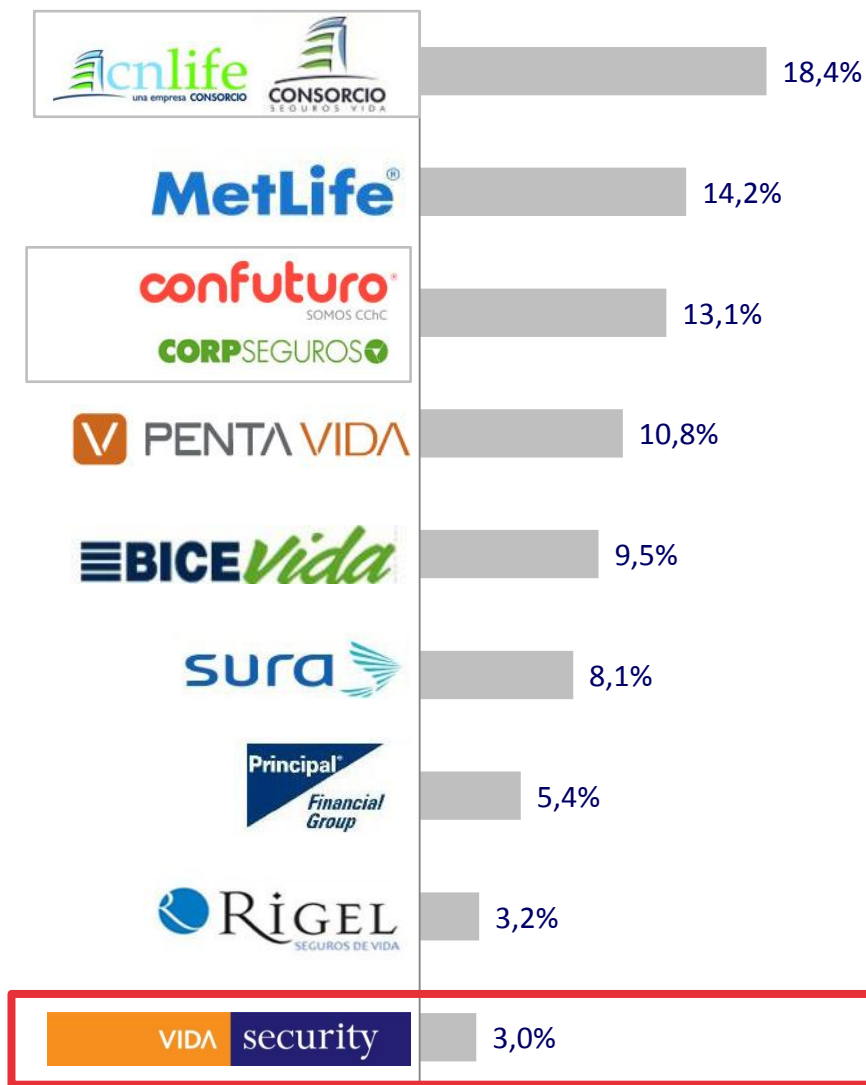
- » Workers who choose annuities turn their retirement accounts over to an insurance company, and receive a fixed guaranteed income for life, indexed for inflation

## Annuities: Gross Premiums Written

(Ch\$ Billion)



## Market Share Investments Portfolio as of December 2015

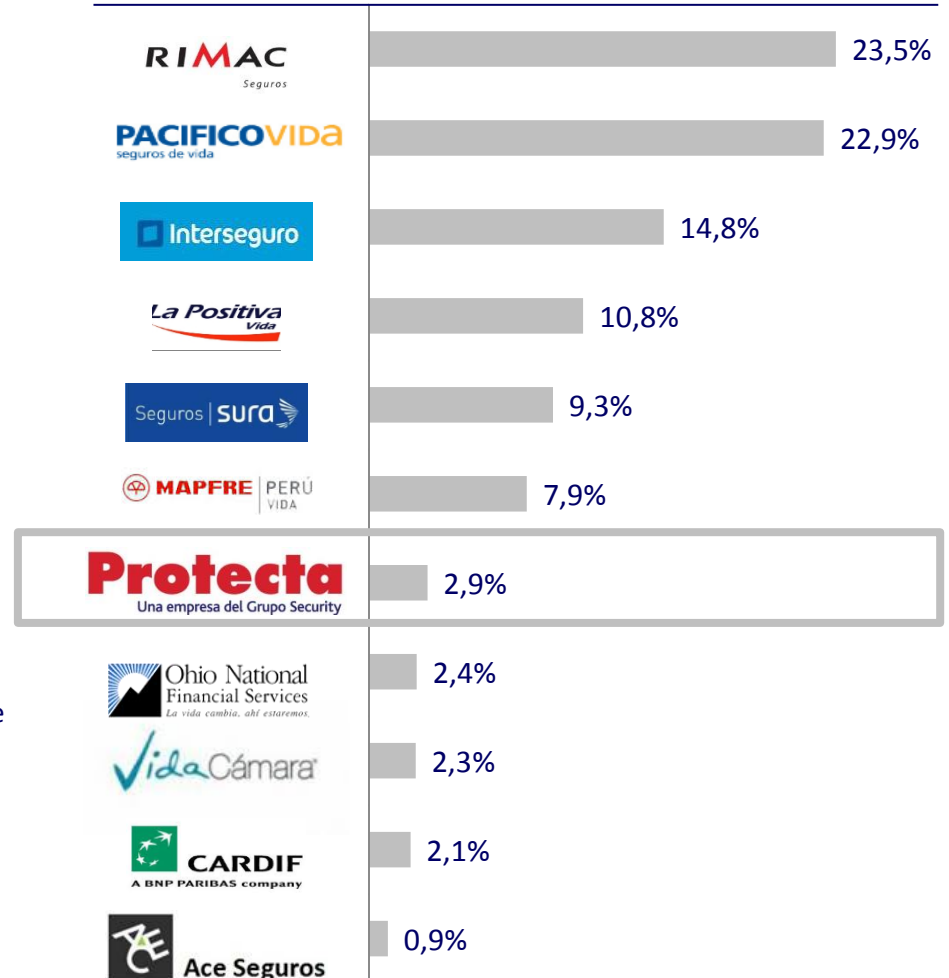


EOP 2015 exchange rate 1 US\$ = Ch\$ 707.34  
Source: SVS-Chilean Superintendence of Securities and Insurance

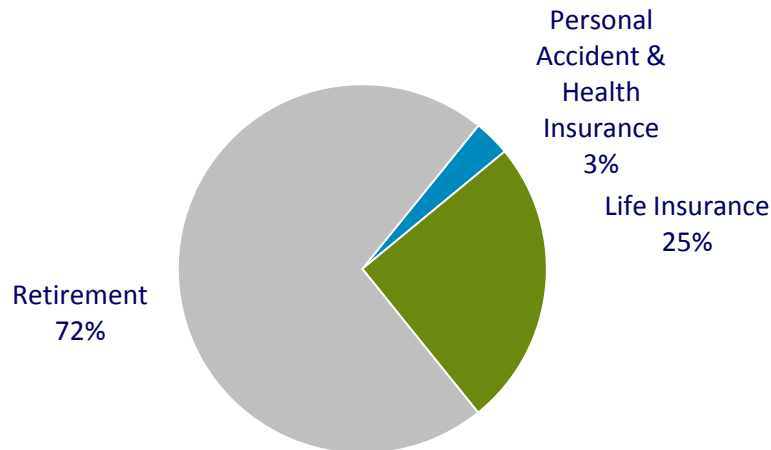
# The Acquisition of Protecta in September 2015 Established a Foothold in this Attractive Market

- Strategic acquisition provides foothold in the Peruvian insurance market
- Shareholder agreement with local holding Grupo ACP where Grupo Security controls 61% of the company
- 7<sup>th</sup> largest life insurance company in Peru in terms of investments (US\$ 164.9 M), as of December 2015
- Focus on life annuities & group credit life insurance
- 13 branches, 4 of which are in Lima

## Market Share in Life and Retirement Gross Premiums Written as of December 2015



## Protecta: Breakdown Gross Premiums Written December 2015





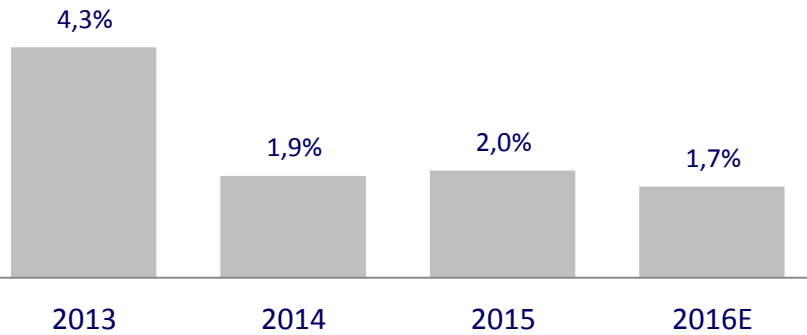
## **Chile & Peru Macroeconomics**



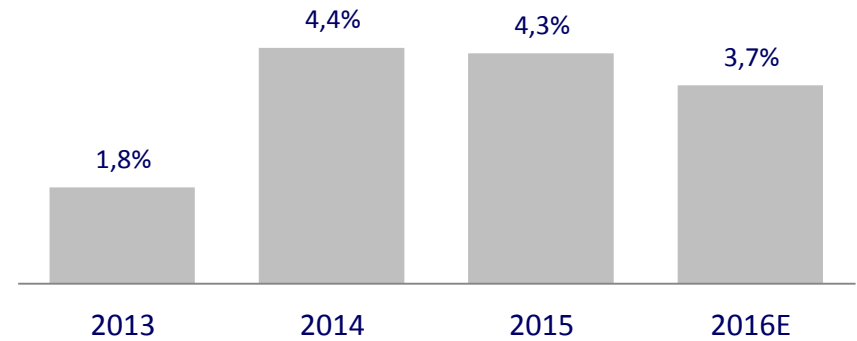
# Chile Offers Stable Macroeconomic Environment in the Region...

## GDP Growth

CAGR 2010-2015= 3.9%

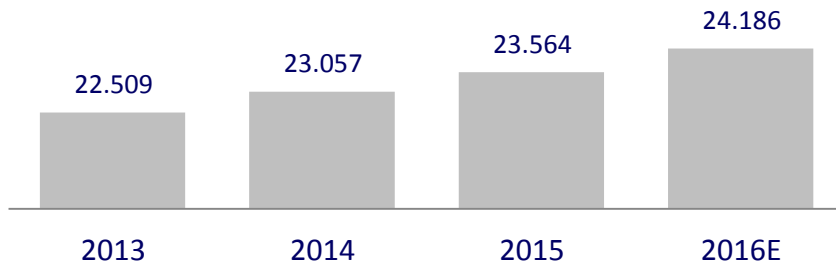


## Independent Central Bank with Inflation Target around 3% per Year



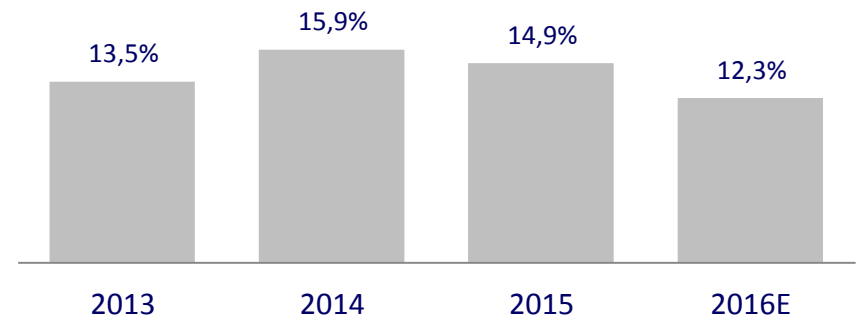
## Per Capita GDP

(US dollars, PPP)



## Gross Fiscal Debt

(% GDP)











# ... and a Low-Risk Environment Favorable to Foreign Investors

## Chile: Highest-Rated Sovereign in Latin America

March 2016

MOODY'S      STANDARD & POOR'S      FitchRatings      EMBIG\*

|               |   | MOODY'S | STANDARD & POOR'S | FitchRatings | EMBIG*  |
|---------------|---|---------|-------------------|--------------|---------|
| Chile         |    | Aa3     | AA-               | A+           | 224 bps |
| Mexico        |    | A3      | BBB+              | BBB+         | 329 bps |
| Peru          |    | A3      | BBB+              | BBB+         | 238 bps |
| Colombia      |    | Baa2    | BBB               | BBB          | 331 bps |
| Brazil        |    | Ba2     | BB                | BB+          | 481 bps |
| Germany       |    | Aaa     | AAA               | AAA          | -       |
| United States |   | Aaa     | AA+               | AAA          | -       |
| Japan         |  | A1      | A+                | A            | -       |

\*EMBIG measures the spread of sovereign bonds denominated in US\$ with respect to US treasury bonds

• A bond is considered **investment grade** or IG if its credit **rating** is BBB- or higher by Standard & Poor's or Baa3 or higher by Moody's

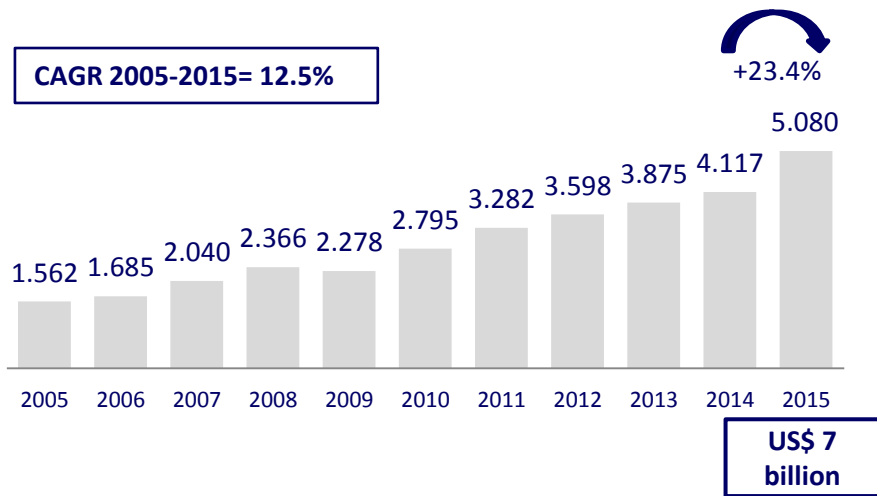
## Favorable Environment

- Stable fiscal policy and political environment
- Net creditor to the world, with the Fiscal Treasury holding more than US\$ 31 billion in financial assets
- Developed economic structure with more than 60% of GDP from services
- Pro-market policies and free trade agreements with 59 countries
- First country in South America to join the OECD

# Positive Dynamics in Insurance, Banking and Asset Management

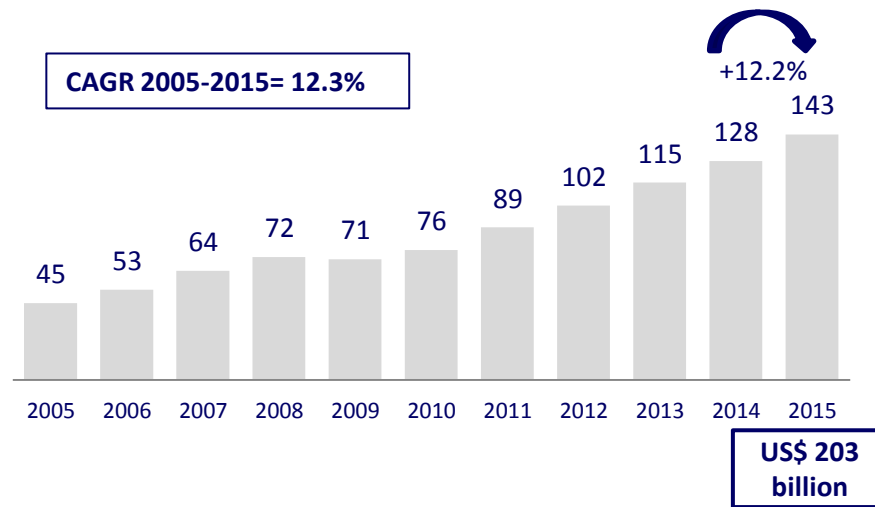
## Insurance

Gross Premiums Written Life Insurance System (Ch\$ Billion)



## Banking

Gross Loans Banking System (Ch\$ trillion)



## Mutual Funds AUM

(Ch\$ Billion)



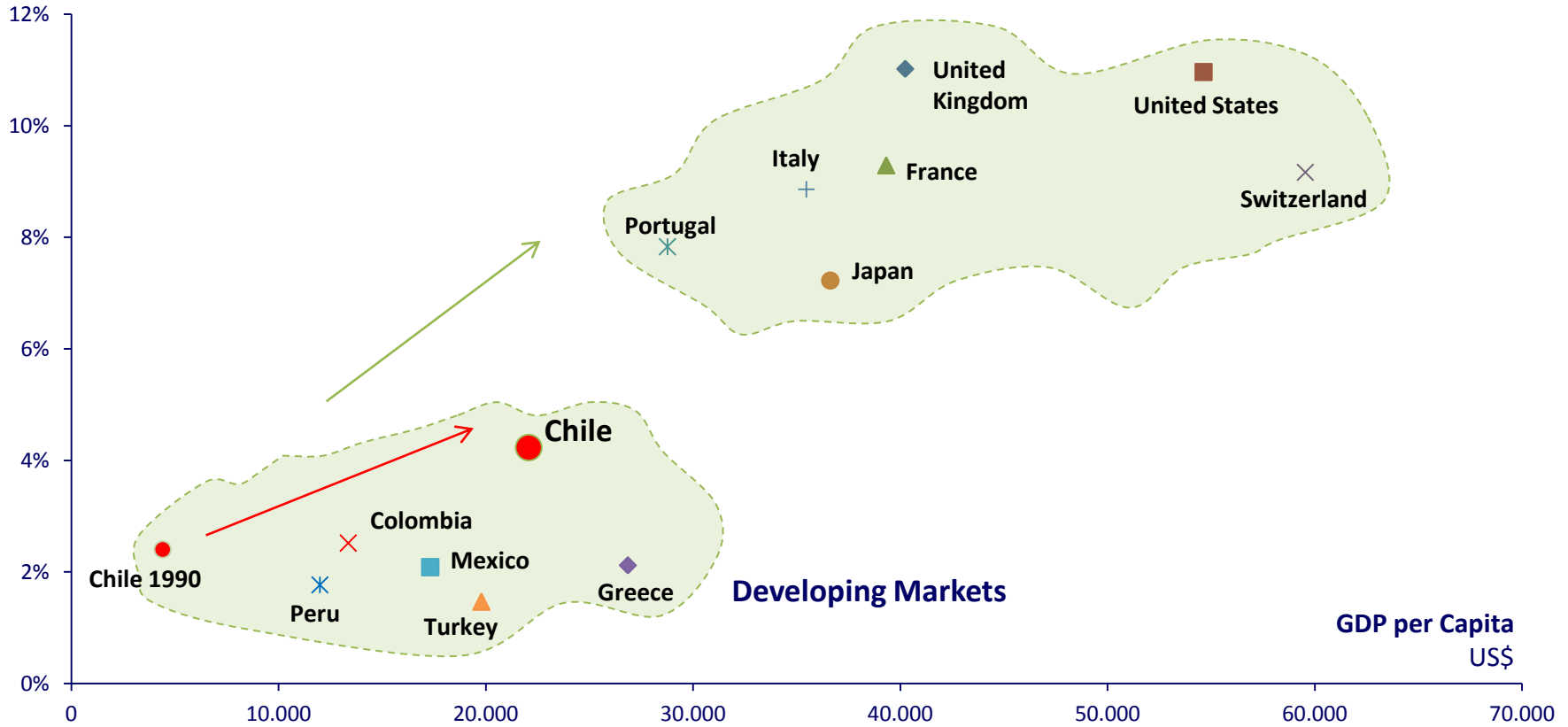
Source: AAFM- Chilean Mutual Funds Association; AACH- Chilean Insurance Association

# Chile and Peru low penetration of Insurance Services compared with mature markets

December 2014

## Insurance Penetration

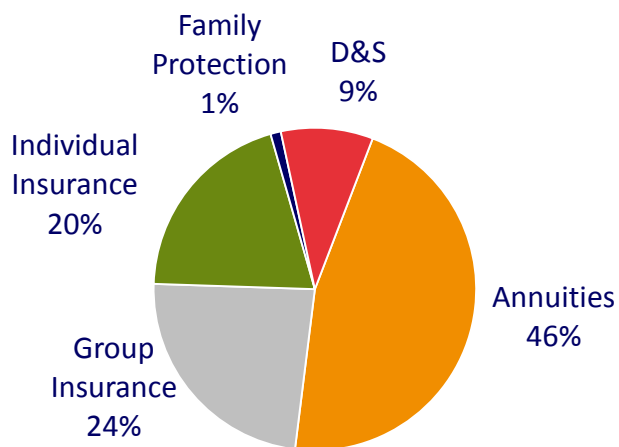
Gross Premiums Written to GDP (%)



## Life Premium Breakdown Dec-15

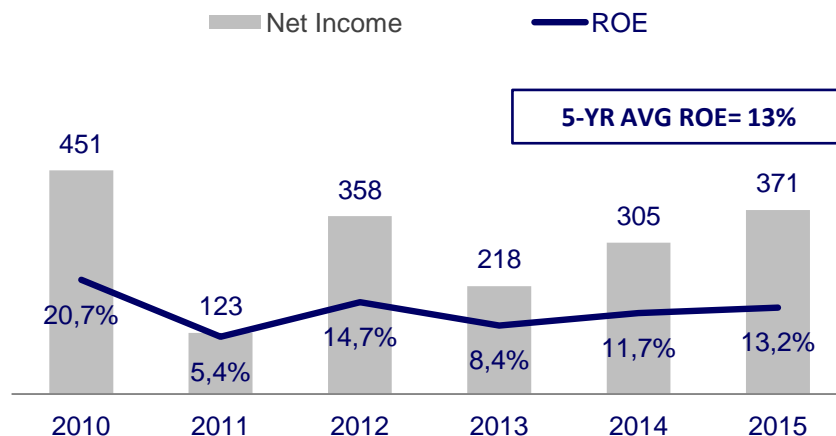
Ch\$ 5,080 billion

US\$ 7 billion



## Life Insurance Profitability

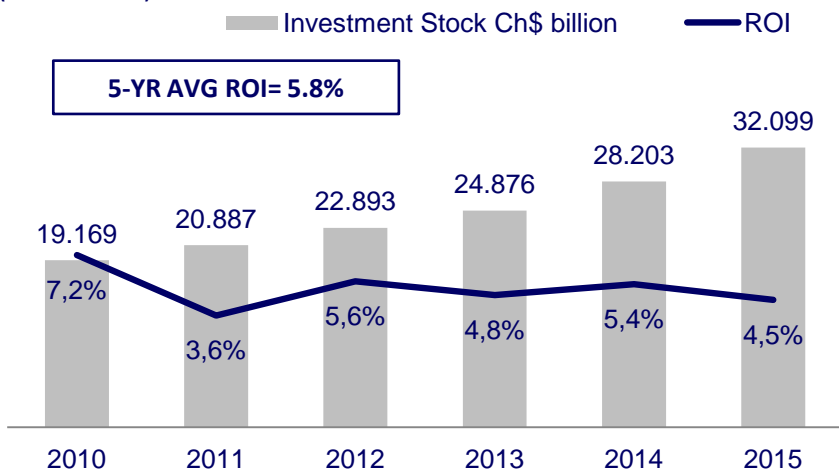
(Ch\$ billion)



US\$ 524 million

## Investment Portfolio Evolution

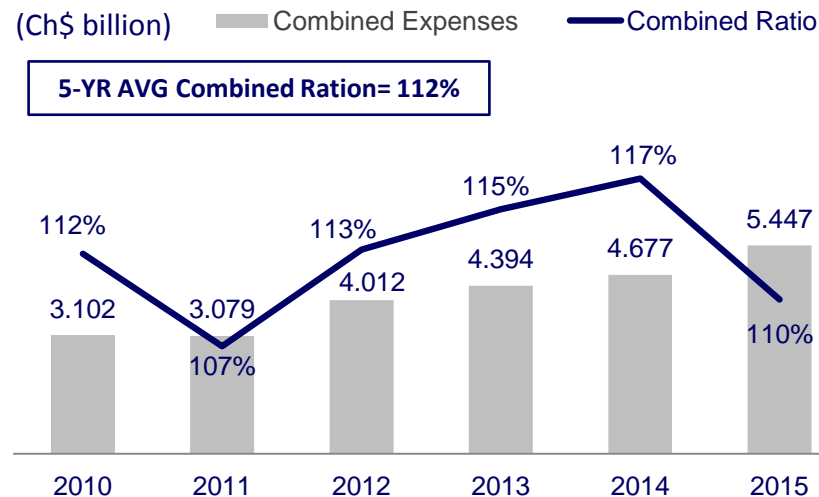
(Ch\$ billion)



US\$ 45 billion

## Life Insurance Operational Performance

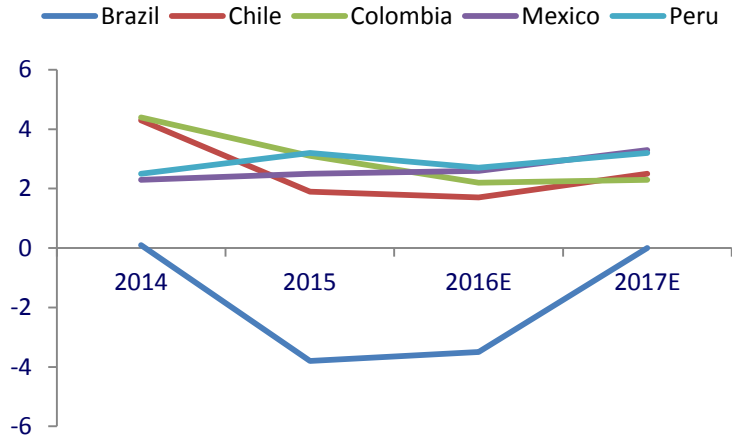
(Ch\$ billion)



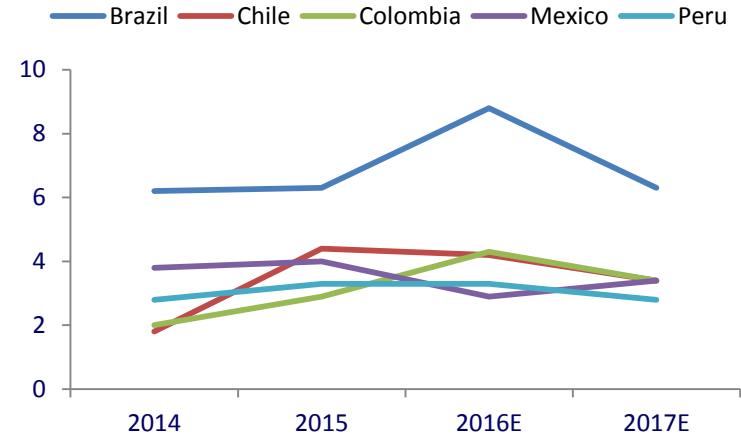
US\$ 7.7 billion

# Peru Presents Strong Macro Fundamentals and a Solid Regulatory Environment...

## GDP Growth Expectations Ahead of Most Countries in Latam

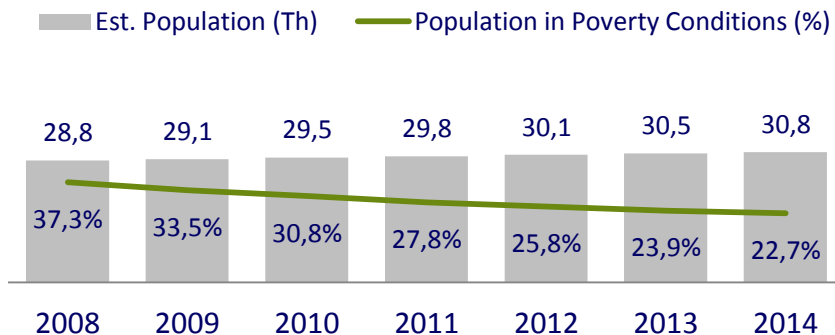


## Low Inflation Provides Stability



## Expanding Middle Class Driving the Financial Industry

CAGR 2008-2014= 1.1%



## Solid Regulatory & Operational Environment

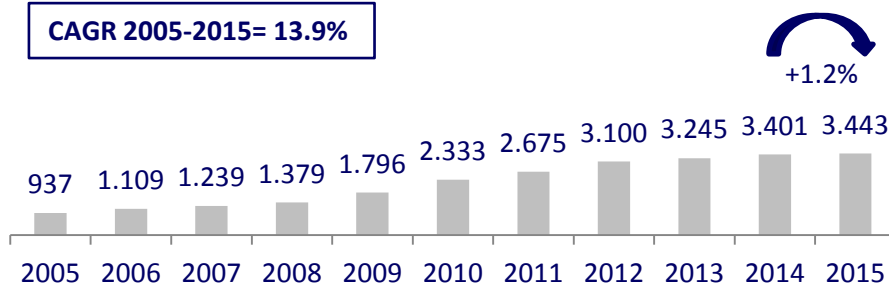
- Similarity to Chile supports industry development
- Nearly twice the Chilean population and close to 40% of the Chilean insurance penetration<sup>1</sup> suggest an upside for the Peruvian insurance industry

<sup>1</sup>Insurance penetration: Gross Premiums Written/ GDP  
Source: IMF; World Bank; Bloomberg; INEGI

# ...and One of the Most Attractive Insurance Markets in Latin America

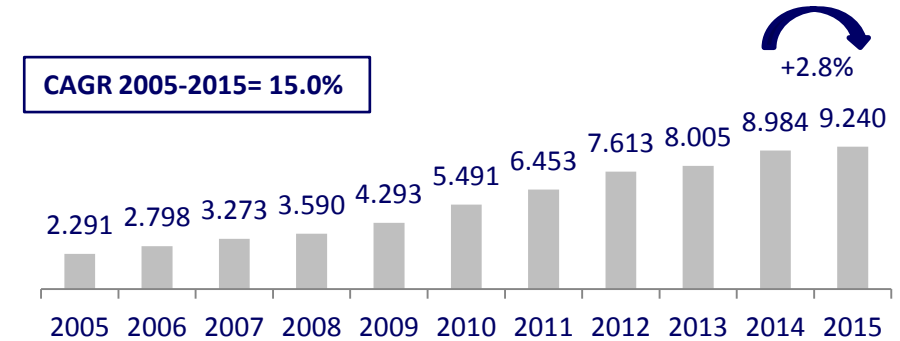
## Strong Growth in System Premiums...

US\$ Million



## ... as well as Investments

US\$ Million



## Insurance System in Peru Expanding Above Chile and Developed Countries

Gross Written Premium CAGR 2004-2014

