

Grupo Security Earnings Report

Grupo Security Reports Second Quarter 2016 Profit of CH\$ 45,416 Million, Up 2.0% YoY

- The results of the fifth bidding process for Disability and Survivor Insurance (SIS) were announced in May 2016. Vida Security was awarded four fractions for the period from July 2016 to June 2018.
- At an ordinary shareholders' meeting on April 28, 2016, shareholders approved a dividend payment of CH\$ 7.25 per share charged to profit for the year 2015.
- On February 15, 2016, Banco Security successfully concluded the acquisition and merger of Banco Penta's asset management business with its subsidiaries AGF Security and Valores Security Corredores de Bolsa.
- On January 8, 2016, the Group completed the sale of its minority interest in Penta-Security. This sale resulted in a net extraordinary after-tax gain for Grupo Security of CH\$ 14,937 million.

Santiago, Chile – August 25, 2016, Grupo Security S.A., (SSE: Security), (“Grupo Security”), a niche Chilean-based diversified financial group offering banking, insurance, asset management and other services to large and medium-sized companies and high-income individuals, today announced financial results for the second quarter of 2016.

Renato Peñafiel, Grupo Security's CEO, commented, “Security reported profit of CH\$ 45,416 million for the period ended June 2016, up 2.0% from the same period in 2015.” Our business areas have posted solid operating results in the midst of a sluggish domestic economy. However, the Group's commercial growth was offset by a one-time expense recorded by the Bank to recognize impairment of technologically obsolete intangible assets and reduced investment income from Vida Security. For the rest of 2016 and in preparing budgets for upcoming periods, we will focus on maintaining commercial growth despite the current adverse economic cycle, containing costs and improving efficiency.”

Grupo Security Indicators <i>In MCH\$</i>	2Q16	1Q16	2Q15	% Chg		6M16	6M15	% Chg
				QoQ	YoY			
	2Q16	1Q16	2Q15	% Chg		6M16	6M15	% Chg
				QoQ	YoY			
Banco - Total Loans	4,208,683	3,822,690	3,728,129	10.1%	12.9%	4,208,683	3,822,690	10.1%
Banco - Total Deposits	3,289,213	3,095,436	3,116,752	6.3%	5.5%	3,289,213	3,095,436	6.3%
Factoring - Total Factored Receivables	242,698	236,587	225,787	2.6%	7.5%	242,698	236,587	2.6%
Inversiones - Total AUM	4,218,696	3,111,978	2,957,902	35.6%	42.6%	4,218,696	3,111,978	35.6%
Vida - Investment Portfolio	2,178,297	2,146,719	2,056,592	1.5%	5.9%	2,178,297	2,056,592	5.9%
Income Statement								
Banco - Net Interest Margin	34,390	31,858	33,008	7.9%	4.2%	66,248	64,054	3.4%
Banco - Net Fees	13,538	11,551	11,984	17.2%	13.0%	25,089	23,223	8.0%
Banco - Operating Expenses	-27,718	-29,643	-23,578	-6.5%	17.6%	-57,361	-48,085	19.3%
Banco - Net Provision Expenses	-5,342	-5,875	-7,922	-9.1%	-32.6%	-11,217	-15,837	-29.2%
Vida - Direct Premium	66,261	64,635	65,263	2.5%	1.5%	130,896	108,820	20.3%
Vida - Claims Paid	-25,236	-19,891	-17,909	26.9%	40.9%	-45,126	-33,377	35.2%
Vida - Pensions Paid	-31,774	-30,049	-38,723	5.7%	-17.9%	-61,823	-62,833	-1.6%
Vida - Investment Income	24,290	22,668	29,399	7.2%	-17.4%	46,958	58,263	-19.4%
Factoring - Revenue	6,325	6,393	5,795	-1.1%	9.1%	12,718	11,681	8.9%
Operations								
Total Customers (number)	222,295	215,924	186,453	3.0%	19.2%	222,295	186,453	19.2%
Employees (number)	3,908	3,902	3,617	0.2%	8.0%	3,908	3,617	8.0%

¹Customer growth beginning September 2015 stems mainly from incorporating Cruz del Sur's customer base once systems were merged in July 2015 for life insurance and December 2014 for mutual funds.

Ratios	Jun-16	Jun-15	% Chg
Grupo - Share Price (Ch\$)	215	195	10.3%
Grupo - Number of Shares (millions)	3,258	3,243	0.5%
Grupo - ROE	11.8%	13.0%	-124 p
Banco (Consolidated) - ROE	10.4%	14.7%	-425 p
Factoring - ROE	21%	24%	-300 p
Vida - ROE	11.6%	18.2%	-657 p
Travel - ROE	35.0%	37.9%	-290 p
Grupo - Leverage	33.8%	35.2%	-138 p
Banco - Efficiency	54.2%	45.8%	839 p
Factoring - Efficiency	44.9%	43.4%	156 p
Banco - Non-Performing Loans	1.5%	1.7%	-25 p
Banco - Risk Index	1.8%	1.6%	25 p
Factoring - Risk Index	2.9%	3.0%	-3 p
Banco - BIS Tier I Ratio	7.4%	7.0%	37 p
Banco - BIS Tier II Ratio	12.8%	12.6%	13 p

ROE: profit 12M over average equity

The results of the fifth bidding process for Disability and Survivor Insurance (SIS), organized by the pension fund management companies to provide coverage for their members, were announced in May 2016. Vida Security was awarded two fractions for men and two for women for the period from July 2016 to June 2018.

On April 28, 2016, Grupo Security shareholders approved a dividend payment of CH\$ 7.25 per share charged to profit for the year 2015. This dividend and the interim dividend distributed in October 2015 total CH\$ 11.25 per share, equivalent to CH\$ 36,657 million, or 56% of profit for the year 2015.

On February 15, 2016, the acquisitions of Penta Administradora General de Fondos S.A. and Penta Corredores de Bolsa S.A. were successfully concluded. These companies were immediately merged with Banco Security's respective asset management subsidiaries, AGF Security and Valores Security. The deal involved almost CH\$ 800 billion in assets, positioning Inversiones Security among industry leaders in the third-party asset management business. A price of CH\$ 36,036 million was agreed upon for the two companies. This figure can be broken down into CH\$ 30,809 million in equity for both companies—backed by highly-liquid instruments at market value—and CH\$ 5,228 million in negative goodwill.

On January 8, 2016, the takeover bid extended to all shareholders of Compañía de Seguros Generales Penta Security was declared a success, thus concluding the sale of Grupo Security's minority holding for CH\$ 31,652 million as part of the sale of this company to Liberty International Holdings. This deal resulted in a net after-tax gain for Grupo Security of CH\$ 14,937 million, which is reflected in the results for the first quarter of 2016.

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GRUPO SECURITY EARNINGS REPORT FOR 2Q16

Grupo Security posted profit of CH\$ 45,416 million for the six months ended June 2016 (+2.0% YoY) and CH\$ 14,527 million for the second quarter of 2016 (-53.0% QoQ). EBITDA totaled CH\$ 67,083 million for 6M16 (-2.8% YoY) and CH\$ 22,035 million for 2Q16 (-51.1% QoQ).

The Group posted an ROE as of June 2016 of 11.8%, -124 b.p. YoY. Profit from the Group's business areas amounted to CH\$ 57,498 million for 6M16, -0.1% YoY. For 2Q16, this figure was CH\$ 20,062 million (-46.4% QoQ) explained by the high basis of comparison that represents 1Q16, due to the gain on the sale of the minority interest in Penta-Security recorded that quarter.

EARNINGS CONTRIBUTION BY BUSINESS AREA

Earnings from Related Companies								
	2Q16	1Q16	2Q15	% Chg		6M16	6M15	% Chg
				QoQ	YoY			
Lending Area								
Banco Security (Individual)	12,002	13,455	15,743	-10.8%	-23.8%	25,457	25,957	-1.9%
Factoring Security	1,880	1,700	1,802	10.6%	4.4%	3,580	3,613	-0.9%
Asset Management Area								
Valores Security	(56)	203	1,823	-127.4%	-103.1%	148	1,872	-92.1%
AGF Security	1,492	1,781	2,205	-16.2%	-32.3%	3,273	4,251	-23.0%
Asesorias Security	(171)	(5)	(68)	-	-	(177)	73	-
Insurance Area								
Vida Security	3,526	4,321	10,633	-18.4%	-66.8%	7,847	17,019	-53.9%
Penta Security	-	18,979	77	-	-	18,979	288	-
Servicios Security	370	86	211	331.9%	75.3%	455	253	79.7%
Other Services								
Inmobiliaria Security	125	394	1,578	-68.4%	-92.1%	518	3,128	-83.4%
Travel Security	1,063	988	1,159	7.6%	-8.3%	2,051	2,030	1.1%
Travex Security	55	68	199	-18.9%	-72.3%	123	408	-69.8%
Grupo Security Profit	14,527	30,889	26,210	-53.0%	-44.6%	45,416	44,525	2.0%

- (1) Subsidiary earnings correspond to 100% of their profits and differ from the results reported in the segment note, which includes consolidation adjustments to account for Grupo Security's percent ownership in each of its respective subsidiaries.
- (2) For Penta-Security, a minority interest of 29.55% is considered. The figure shown here is the before-tax gain on the sale of its minority interest in Penta-Security. After taxes, the extraordinary gain totaled CH\$ 14,937 million.

REVIEW OF OPERATIONS BY BUSINESS AREA

LENDING BUSINESS AREA (68.1% of assets; 50.5% of profit from business areas as of June 2016)

The lending business area comprises operations of Banco Security (excluding its asset management subsidiaries, AGF Security and Valores Security Corredores de Bolsa), and Factoring Security.

BANCO SECURITY

Banco Security reported consolidated profit of CH\$ 28,878 million for the first half of 2016, -10.0% YoY. Banco Security's stand-alone profit (excluding asset management subsidiaries AGF Security and Valores Security Corredores de Bolsa) reached CH\$ 25,459

million for 6M16 (-1.9% YoY).

It reported a net interest margin of CH\$ 66,248 million for the first half of 2016, +\$ 2,194 million YoY, mainly due to the Bank's rise in loans (+10.1% YoY) with a similar year over year spread. Net fees totaled CH\$ 25,089 million, +\$1,866 million YoY, because of sales of credit life insurance by the retail banking division. Credit risk provision expenses for the first six months of 2016 totaled CH\$ 11,114 million, down CH\$ 5,977 million YoY, due to a higher basis of comparison because of specific risk events in the commercial banking division in 2015.

These positive effects were offset by management's decision to reduce the useful lives for depreciating intangible assets and the obsolescence of some technological systems, which involved a one-time negative impact on results of -CH\$10,143 million in other net operating income.

Operating expenses for 6M16 totaled CH\$ 57,361 million, +\$9,276 million YoY (+19.3% YoY), due to bonuses for improved commercial performance and greater one-time expenses by subsidiaries to merge the asset management business acquired from Banco Penta.

Banco Security's ROE (profit LTM over average equity) was 10.41%, down 425 b.p. YoY.

Banco Security Segment Note	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
	Jun-15	Jun-16	Jun-15	Jun-16	Jun-15	Jun-16	Jun-15	Jun-16	Jun-15	Jun-16	Jun-15	Jun-16	Jun-15	Jun-16
<i>In MCH\$</i>														
Net interest margin	31,541	35,617	24,758	28,371	9,640	4,456	-831	-1,302	65,107	67,142	-1,053	-894	64,054	66,248
Δ% 6M15		12.9%		14.6%		-53.8%		56.6%		3.1%		-15.1%		3.4%
Net fees	7,536	7,608	7,245	10,339	-384	-313	706	-767	15,103	16,866	8,120	8,223	23,223	25,089
Δ% 6M15		1.0%		42.7%		-		-		11.7%		1.3%		8.0%
Net FX transactions and other income	5,247	4,875	294	789	8,824	11,862	-3,404	-11,784	10,961	5,742	6,257	6,069	17,218	11,811
Δ% 6M15		-7.1%		168.8%		34.4%		246.2%		-47.6%		-3.0%		-31.4%
Loan losses and foreclosed assets	-10,026	-1,737	-7,003	-8,873	-26	-35	-436	-470	-17,491	-11,114	400	0	-17,091	-11,114
Δ% 6M15		-82.7%		26.7%		35.5%		7.8%		-36.5%		-		-35.0%
Total operating income, net of credit risk provisions	34,298	46,363	25,294	30,627	18,054	15,969	-3,965	-14,324	73,680	78,636	13,724	13,398	87,404	92,034
Δ% 6M15		35.2%		21.1%		-11.5%		261.2%		6.7%		-2.4%		5.3%
Operating expenses	-15,712	-16,732	-21,646	-24,656	-5,721	-6,274	1,373	-168	-41,707	-47,830	-6,378	-9,531	-48,085	-57,361
Δ% 6M15		6.5%		13.9%		9.7%		-		14.7%		49.4%		19.3%
Net operating income	18,586	29,631	3,647	5,971	12,333	9,695	-2,592	-14,491	31,973	30,806	7,346	3,867	39,319	34,673
Δ% 6M15		59.4%		63.7%		-21.4%		459.0%		-3.6%		-47.4%		-11.8%
Profit attributable to equity holders of the bank	15,086	24,476	2,960	4,932	10,010	8,008	-2,100	-11,957	25,957	25,459	6,119	3,421	32,076	28,878
Δ% 6M15		62.2%		66.6%		-20.0%		469.5%		-1.9%		-44.1%		-10.0%

For 2Q16, Banco Security reported quarterly profit of CH\$ 13,439 million (-13.0% QoQ). It posted a financial margin of CH\$ 34,390 million, + 7.9% QoQ, thanks to a strong performance from the treasury division and stable results from other areas. Net fees for 2Q16 grew 8.0% QoQ, due to increased sales of products that complement the loan offering in the retail banking division. However, impairment losses on intangible assets of CH\$ 10,143 million, recorded in other net income, led to a reduction in profit.

Banco Security Segment Note	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
	1Q-16	2Q-16	1Q-16	2Q-16	1Q-16	2Q-16	1Q-16	2Q-16	1Q-16	2Q-16	1Q-16	2Q-16	1Q-16	2Q-16
<i>In MCH\$</i>														
Net interest margin	17,596	18,020	14,187	14,184	1,296	3,160	-754	-548	32,325	34,817	-467	-427	31,858	34,390
Δ% 1Q16		2.4%		0.0%		143.8%		-27.4%		7.7%		-8.6%		7.9%
Net fees	3,965	3,643	4,071	6,268	-156	-158	-404	-363	7,476	9,390	4,075	4,148	11,551	13,538
Δ% 1Q16		-8.1%		54.0%		-		-		25.6%		1.8%		17.2%
Net FX transactions and other income	2,249	2,626	310	479	6,611	5,251	-1,095	-10,689	8,075	-2,333	3,115	2,954	11,190	621
Δ% 1Q16		16.8%		54.4%		-20.6%		-		-128.9%		-5.2%		-94.5%
Loan losses and foreclosed assets	-25	-1,711	-5,057	-3,815	30	-64	-555	85	-5,608	-5,506	0	0	-5,608	-5,506
Δ% 1Q16		-		-24.6%		-		-		-1.8%		-		-1.8%
Total operating income, net of credit risk provisions	23,785	22,578	13,511	17,116	7,781	8,188	-2,809	-11,515	42,268	36,368	6,723	6,675	48,991	43,043
Δ% 1Q16		-5.1%		26.7%		5.2%		309.9%		-14.0%		-0.7%		-12.1%
Operating expenses	-8,472	-8,260	-12,464	-12,192	-3,488	-2,786	-862	695	-25,287	-22,543	-4,356	-5,175	-29,643	-27,718
Δ% 1Q16		-2.5%		-2.2%		-20.1%		-		-10.9%		18.8%		-6.5%
Net operating income	15,313	14,319	1,046	4,924	4,293	5,402	-3,671	-10,820	16,981	13,825	2,367	1,500	19,348	15,325
Δ% 1Q16		-6.5%		370.6%		25.8%		194.7%		-18.6%		-36.6%		-20.8%
Profit attributable to equity holders of the bank	12,132	12,343	829	4,103	3,401	4,607	-2,910	-9,047	13,453	12,006	1,986	1,434	15,439	13,439
Δ% 1Q16		1.7%		394.9%		35.4%		210.9%		-10.8%		-27.8%		-13.0%

Commercial Banking

Banco Security's commercial banking division targets companies with sales above USD1.2 million. While Banco Security's core business consists of large companies, efforts have been made to strengthen the medium-sized company segment. These efforts include services tailored to their needs, skilled professional account executives, a full range of products and services, first-class technological support in all channels and the backing of Grupo Security. This strategy is designed to diversify our customer base and improve returns in each segment.

As of June 2016, commercial loans had expanded 11.0% YoY and 3.4% QoQ, totaling CH\$ 3,281 billion. For the industry, commercial loans increased +5.3% YoY and +1.2% QoQ. Including foreign subsidiaries, this figure increased 10.6% YoY and 1.6% QoQ.

The commercial banking division recorded profit for 6M16 of CH\$ 24,476 million, +62.2% YoY, mainly due to reduced risk expenses (-CH\$ 8,290 million YoY). In 6M15, risk expenses were higher due to certain one-time cases of risk. The division reported a financial margin of CH\$ 35,617 million, +12.9% YoY, due to an increase in commercial loans (+11.0% YoY), with a spread similar to the prior year.

In 2Q16, the division posted profit of CH\$ 12,343 million (+1.7% QoQ), due to an increased financial margin (CH\$ 18,020 million, +2.4% QoQ), offset by greater credit risk provision expenses (-CH\$ 1,711 million), as compared to the -CH\$ 25 million from 1Q16, which included provision reversals.

Retail Banking

Banco Security's retail banking division, which targets high-income individuals, has increased its share of the Bank's earnings from 3% of consolidated profit in 2010 to 15% in 2015. In recent years, the retail division has focused on expanding consumer products while conservatively managing risk, resulting in average annual growth of 18% since 2011.

As of June 2016, the Bank had total retail loans (consumer + mortgage) of CH\$ 928 billion, +7.3% YoY and +0.7% QoQ. As of June 2016, the industry posted growth of 12.1% YoY and 2.0% QoQ in retail loans, driven by mortgage loans (+14.6% YoY and +2.4% QoQ). Excluding foreign subsidiaries, the industry's retail loans grew +11.4% YoY and +2.0% QoQ.

In 6M16, the retail banking division posted profit of CH\$ 4,932 million (+66.6% YoY), due to an increased financial margin (CH\$ 28,371 million, +\$ 3,614 million YoY and +14.6% YoY), due to increased consumer loans (+8.8% YoY) and a spread similar to 6M15. Net fees for 6M16 totaled CH\$ 10,339 million (+CH\$ 3,093 million, +42.7% YoY) due to increased sales of products that complement the loan offering (credit life insurance). Operating expenses totaled CH\$ 24,656 million (+CH\$ 3,010 million and +13.9% YoY), because of increased expenses for benefits earned by credit card users, productivity bonuses and termination benefits. Risk expenses totaled CH\$ 8,873 million in 6M16 (+CH\$ 1,870 million YoY) due to the one-time increase in provisions of CH\$ 1,021 million recognized in January 2016 to meet new mortgage regulations. In 2Q16, the division posted profit of CH\$ 4,103 million (+394.9% QoQ), due to greater net fees and reduced credit risk provision expenses explained by the absence of the one-time effect of the regulatory changes mentioned above.

Commercial Loans by Economic Sector	Loans Jun-16	% of Total
Construction and real estate	711,080	21.6%
Financial services and insurance	508,783	15.4%
Wholesale and retail trade	463,340	14.1%
Real estate investors and corporate	415,746	12.6%
Manufacturing	344,674	10.5%
Social services	211,203	6.4%
Transportation	209,437	6.4%
Utilities	163,831	5.0%
Agriculture and livestock	95,990	2.9%
Fishing	79,963	2.4%
Telecom	49,263	1.5%
Mining	36,872	1.1%
Forestry	6,514	0.2%
Total Commercial Loans	3,296,695	100%

Treasury

For 6M16, the treasury division reported profit of CH\$ 8,008 million (-20.0% YoY). Net FX transactions and other income was CH\$ 11,892 million (+\$ 3,038 million YoY), due to strong performances from foreign currency derivatives, which benefited from a CH\$ 48.7 drop in the exchange rate during the first six months of the year, and recovering values of foreign and domestic debt instruments (+CH\$ 814 million).

However, the financial margin was CH\$ 4,456 million for 6M16 (-CH\$ 5,184 million YoY), with a high basis of comparison in 6M15 due to reduced funding costs (lower MPR). The rise in the MPR during the last few months of 2015 (from 3% to 3.5%) also increased the cost of liabilities in 6M16, reducing the financial margin as a result of a faster price adjustment for liabilities than for assets. This was mitigated by greater income from UF/CH\$ mismatches during 6M16, thanks to greater year over year inflation. This drop in the financial margin more than offset the rise in net FX transactions and other income.

The treasury division consists of trading, investment, distribution and asset and liability management (ALM) operations. The ALM desk manages financial investments in order to stabilize the financial margin, manage interest rate risk in the balance sheet, manage liquidity and efficiently fund the bank's loan portfolio. As of June 2016, ALM represented 53.2% of treasury income. The investment and trading desks manage the Bank's own portfolio of primarily Chilean Central Bank notes and corporate bonds and represent 24.5% of treasury income. The remaining 22.3% of treasury income comes from the distribution desk, which brokers specialized products for the commercial banking division (currency, forwards and structured products).

Banco Security - Gross Operating Results

	2Q16	1Q16	2Q15	% Chg		Jun-16	Jun-15	% Chg
				QoQ	YoY			
Net interest margin	34,390	33,008	31,858	4.2%	7.9%	66,248	64,054	3.4%
Net fees	13,538	11,983	11,551	13.0%	17.2%	25,089	23,223	8.0%
Net financial operating income	6,143	4,589	18,078	33.9%	-66.0%	24,221	9,361	158.7%
Net foreign exchange transactions	3,203	2,486	-7,902	28.8%	-140.5%	-4,699	3,582	-
Recovery of charged-off loans	1,386	972	1,143	42.6%	21.3%	2,529	1,663	52.1%
Other net operating income	-8,890	2,939	1,281	-	-	-7,609	3,021	-
Gross operating income	49,770	55,977	56,009	-11.1%	-11.1%	105,779	104,904	0.8%
Credit risk provisions	-6,728	-8,894	-7,018	-24.4%	-4.1%	-13,746	-17,500	-21.5%
Administrative expenses	-27,718	-23,578	-29,643	17.6%	-6.5%	-57,361	-48,085	19.3%
Net operating income	15,324	23,505	19,348	-34.8%	-20.8%	34,672	39,319	-11.8%
Income attributable to investments in other companies	198	202	0	-2.0%	-	198	202	-2.0%
Profit before tax	15,522	23,707	19,348	-34.5%	-19.8%	34,870	39,521	-11.8%
Income tax expense	-2,084	-3,936	-3,908	-47.1%	-46.7%	-5,992	-7,440	-19.5%
Profit for the period	13,438	19,771	15,440	-32.0%	-13.0%	28,878	32,081	-10.0%

For 6M16, Banco Security reported gross operating profit of CH\$ 105,780 million (+0.8% YoY). It reported a net interest margin of CH\$ 66,248 million for the first half of 2016 (+3.4% YoY), due to increased interest income (CH\$ 165,118 million, +14.2% YoY), mainly because of the rise in total loans (+10.1% YoY), with a stable spread YoY.

Interest and adjustment expenses totaled -CH\$ 98,870 million, +22.8% YoY, because of the rise in the MPR in late 2015 (from 3% to 3.5%), which impacted borrowing rates, and greater debt issued by the Bank (+21.1% YoY), which totaled CH\$ 1,435,327 million.

Net Interest Margin	2Q16	1Q16	2Q15	% Chg		6M16	6M15	% Chg
				QoQ	YoY			
Interest and indexation income	86,398	78,720	84,591	9.8%	2.1%	165,118	144,594	14.2%
Interest and indexation expenses	-52,008	-46,862	-51,583	11.0%	0.8%	-98,870	-80,540	22.8%
Net interest margin	34,390	31,858	33,008	7.9%	4.2%	66,248	64,054	3.4%
Interest margin net of provisions	27,662	24,840	15,508	11.4%	78.4%	52,502	46,554	12.8%
Net interest margin / Total loans	3.27%	3.11%	3.45%	16 p	-19 p	3.15%	3.35%	-20 p
Net interest margin net of provisions / Total loans	2.63%	2.43%	1.62%	20 p	101 p	2.49%	2.44%	6 p

Net fees for 6M16 totaled CH\$ 25,089 million, +8.0% YoY, because of increased sales of credit life insurance by the retail banking division. The net gain from FX transactions and other income totaled CH\$ 19,552 million, +50.8% YoY, due to strong performances from foreign currency derivatives and recovering values of foreign and domestic debt instruments, which had been impaired in previous quarters.

However, management's decision to reduce the useful lives for depreciating intangible assets and the obsolescence of some technological systems had an impact on results of CH\$10,143 million. Over the next few years, this decision will translate into a decrease of CH\$ 1,800 million per year in depreciation and amortization expenses.

Banco Security - Operating Expenses and Efficiency

In MCH\$	2Q16	1Q16	1Q15	% Chg		6M16	6M15	% Chg
				QoQ	YoY			
Personnel	-12,588	-13,531	-10,394	-7.0%	21.1%	-26,119	-20,434	27.8%
Administrative expenses	-12,999	-14,084	-12,501	-7.7%	4.0%	-27,083	-24,374	11.1%
Depreciation and amortization	-2,131	-2,028	-1,612	5.1%	32.2%	-4,159	-3,277	26.9%
Total operating expenses	-27,718	-29,643	-24,507	-6.5%	13.1%	-57,361	-48,085	19.3%
Operating expenses / Gross operating income	55.7%	52.9%	50.1%	277 p	560 p	54.2%	45.8%	839 p

Banco Security posted operating expenses of CH\$ 57,361 million in 6M16, + 19.3% YoY. For 2Q16, they totaled CH\$ 27,718 million, -6.5% QoQ. This year-on-year increase can be explained mainly by an 11.1% YoY rise in administrative expenses due to more benefits earned by customers for credit card use, higher fees for technology services and increased expenditure by subsidiaries for the recent merger. Payroll and personnel expenses rose 27.8% YoY due to productivity bonuses and termination benefits.

Banco Security's efficiency ratio, measured as operating expenses over gross operating profit, totaled 54.2% for 6M16, +839 b.p. YoY. Excluding the effect of the CH\$ 10,143 million impairment loss recorded by the Bank on its intangible assets, the efficiency ratio would have been 49.5% in 6M16. This ratio compares to 48.9% for the banking system and 48.4% for peer banks¹ as of June 2016.

Banco Security's Loan Portfolio

Total loans reached CH\$ 4,208,683 million as of June 2016, up +10.1% YoY and +2.8% QoQ. For the industry, loans increased 7.7% YoY and 1.9% QoQ. Including foreign subsidiaries, this figure increased 11.8% YoY and 2.1% QoQ.

Commercial loans grew 11.0% YoY and 3.4% QoQ, to CH\$ 3,280,520 million (77.9% of Banco Security's total loan portfolio), while retail loans (consumer + mortgage) reached CH\$ 928,163 million as of June 2016, +7.3% YoY and +0.7% QoQ. The 20

¹ Comparably-sized banks: Average for BBVA, Scotiabank, BICE, Consorcio and Security

largest borrowers represent 9.3% of the Bank's total loan portfolio.

Total Loans In MCH\$		2Q16	1Q16	2Q15	% Chg		6M16	6M15	% Chg
					QoQ	YoY			
Consumer	Loans	364,619	362,811	335,281	0.5%	8.8%	364,619	335,281	8.8%
	Interest and indexation income	11,986	11,978	11,216	0.1%	6.9%	23,964	21,847	9.7%
Mortgage	Loans	563,544	558,737	530,136	0.9%	6.3%	563,544	530,136	6.3%
	Interest and indexation income	10,528	9,246	12,887	13.9%	-18.3%	19,774	18,042	9.6%
Mortgage + Consumer	Loans	928,163	921,548	865,417	0.7%	7.3%	928,163	865,417	7.3%
	Interest and indexation income	22,514	21,224	24,103	6.1%	-6.6%	43,738	39,889	9.6%
	No. Customers	83,893	83,258	78,433	0.8%	7.0%	83,893	78,433	7.0%
Commercial	Loans	3,280,520	3,171,711	2,956,477	3.4%	11.0%	3,280,520	2,956,477	11.0%
	Interest and indexation income	55,751	50,162	53,664	11.1%	3.9%	105,913	92,166	14.9%
	No. Customers	8,516	8,489	8,513	0.3%	0.0%	8,516	8,513	0.0%
Total Loans		4,208,683	4,093,302	3,822,690	2.8%	10.1%	4,208,683	3,822,690	10.1%
Market Share		2.9%	2.8%	2.9%	1.94 p	-2.66 p	2.9%	2.9%	-2.66 p

Asset Quality

During the second half of 2015, Banco Security changed its credit risk provisioning policies for its commercial portfolio. These changes toughened risk policies in light of weak economic expectations, which could negatively impact credit conditions in some sectors in the near future. The new measures include improvements to control mechanisms and information flows throughout the entire risk assessment process, along with a stricter default matrix. As a result, during 2H15 changes were made to some customer classifications, which meant recognizing greater credit risk provisions. This has prepared Banco Security for further economic deceleration, increased unemployment and other external shocks. These increased provisions improved coverage levels, which rose from 91.7% in June 2015 to 125.5% in June 2016.

	Jun-16	Mar-16	Jun-15	% Chg	
				QoQ	YoY
Total Loans	4,208,683	4,093,302	3,822,690	2.8%	10.1%
Nonperforming loans - consumer	4,655	3,890	3,377	19.7%	37.8%
Nonperforming loans - mortgage	5,331	6,226	6,418	-14.4%	-16.9%
Nonperforming loans - commercial	51,845	55,374	55,752	-6.4%	-7.0%
Total nonperforming loans (MCH\$)	61,831	65,490	65,547	-5.6%	-5.7%
Nonperforming portfolio - consumer	1.28%	1.07%	1.01%	20 p	27 p
Nonperforming portfolio - mortgage	0.95%	1.11%	1.21%	-17 p	-26 p
Nonperforming portfolio - commercial	1.58%	1.75%	1.89%	-17 p	-31 p
Total nonperforming portfolio (%)	1.47%	1.60%	1.72%	-13 p	-25 p
Gross provisions	66,555	81,412	75,758	-18.2%	-12.1%
Charge-offs	(11,073)	(5,415)	(15,681)	104.5%	-29.4%
Credit risk provisions	77,628	75,997	60,077	2.1%	29.2%
Provisions - consumer (% total)	16.0%	15.6%	16.7%	44 p	-74 p
Provisions - mortgage (% total)	2.0%	2.2%	1.5%	-14 p	54 p
Provisions - commercial (% total)	82.0%	82.3%	81.8%	-31 p	19 p
Credit risk provisions	77,628	75,997	60,077	2.1%	29.2%
Coverage - consumer	267.0%	304.2%	298.0%	-3714 p	-3094 p
Coverage - mortgage	29.5%	26.4%	13.9%	311 p	1562 p
Coverage - commercial	122.7%	112.9%	88.1%	981 p	3461 p
Coverage - total nonperforming portfolio	125.5%	116.0%	91.7%	951 p	3389 p
Provisions / Loans	1.84%	1.86%	1.60%	-1 p	25 p
Provision expenses / Loans	0.53%	0.57%	0.83%	-4 p	-30 p

As of June 2016, Banco Security's risk index reached 1.84%, +25 b.p. YoY and -1 b.p. QoQ. Provision expenses net of recovered charged-off loans, measured on an annualized basis over average loans, decreased 4 b.p. YoY and 30 b.p. QoQ, to 0.53%.

	Credit Risk (%)								
	Provisions / Loans					Over 90 Day Nonperforming Loans			
	Mortgage	Consumer	Total	Commercial	Total	Mortgage	Consumer	Commercial	Total
Banco Security	0.28	3.41	1.51	1.94	1.84	0.28	3.41	1.94	1.84
Peer Banks*	0.52	4.10	1.73	1.79	1.76	0.52	4.10	1.79	1.76
Banking System	0.97	6.13	2.66	2.45	2.51	0.97	6.13	2.45	2.51

*Average for BBVA, Scotiabank, BICE, Consorcio and Security

Banco Security - Funding Sources

Funding Sources <i>In MCH\$</i>	2Q16		1Q16		2Q15		% Chg	
							QoQ	YoY
Demand deposits	561,299	10.0%	554,770	9.9%	549,705	10.7%	1.2%	2.1%
Time deposits	2,727,914	48.5%	2,670,260	47.9%	2,545,731	49.4%	2.2%	7.2%
Total deposits	3,289,213	58.5%	3,225,030	57.8%	3,095,436	60.1%	2.0%	6.3%
Bonds	1,435,327	25.5%	1,398,171	25.1%	1,184,818	23.0%	2.7%	21.1%
Interbank loans	133,419	2.4%	166,434	3.0%	172,384	3.3%	-19.8%	-22.6%
Other liabilities*	320,755	5.7%	355,221	6.4%	297,089	5.8%	-9.7%	8.0%
Total liabilities	5,178,714	92%	5,144,856	92%	4,749,727	92%	0.7%	9.0%
Total equity	447,283	8.0%	435,009	7.8%	402,320	7.8%	2.8%	11.2%
Liabilities + Equity	5,625,997	100%	5,579,865	100%	5,152,047	100%	0.8%	9.2%

*Includes derivative instruments, provisions, deferred taxes, repurchase agreements, among other items.

o Demand and Time Deposits

As of June 2016, deposits totaled CH\$ 3,289,213 million, +6.3% YoY and +2.0% QoQ. For the same periods, total system deposits had grown 9.4% YoY and 0.4% QoQ.

Banco Security's time deposits consisted of 21.8% retail deposits and 78.2% institutional deposits. The 15 largest depositors² represent 33% of the Bank's total deposits. The loan to deposit ratio was 128% as of June 2016, compared to 123% as of June 2015 and 127% as of March 2016.

Banco Security has a strategy to diversify funding sources using sales incentives to increase its retail deposit base. Banco Security strictly controls and monitors liquidity risk³, striving to diversify funding sources while applying strict limits to asset/liability mismatches, maintaining liquid assets and lengthening liabilities to increase funding terms. As of June 30, 2016, liquid assets⁴ represented 45% of demand and other time deposits.

² Excludes stock brokerage companies.

³ Liquidity risk represents the possibility of not fulfilling obligations when they mature as a result of the inability to liquidate assets or funds, or not being able to dispose of them easily or offset exposure without significantly reducing prices due to insufficient market depth (Grupo Security Annual Report, note 35).

⁴ Includes cash and cash deposits, transactions pending settlement and the portfolio of financial instruments.

○ Debt Issued

Series	SBIF Registration Number	SBIF Registration Date	Currency	Amount	Placement Period	Annual Interest Rate	Duration (Years)	Maturity
S1	3/1997	11-Mar-97	UF	800,000	1-Sep-98	5.50	20	11-Mar-17
S2	3/1997	11-Mar-97	UF	200,000	1-Sep-98	5.50	20	11-Mar-17
G1	3/2007	25-Jan-07	UF	3,000,000	25-Jan-10	3.00	10	1-Dec-16
H1	3/2007	25-Jan-07	UF	3,000,000	25-Jan-10	3.00	23	1-Dec-29
K1	1/2008	4-Jan-08	UF	3,000,000	4-Jan-11	3.00	10	1-Jan-18
M1	1/2009	19-May-09	UF	3,000,000	19-May-12	3.00	10.5	1-Jul-19
N1	1/2009	19-May-09	UF	3,000,000	19-May-12	3.00	105	1-Jul-19
P1	10/2001	6-Oct-11	UF	3,000,000	6-Oct-14	2.00	5	1-Jun-16
R1	10/2011	6-Oct-11	UF	3,000,000	6-Oct-14	2.00	10	1-Jun-21
K2	1/2012	14-Mar-12	UF	4,000,000	14-Mar-15	3.25	10	14-Mar-22
B2	1/2013	26-Feb-13	UF	4,000,000	26-Feb-16	3.25	5	1-Nov-17
K3	1/2013	26-Feb-13	UF	4,000,000	26-Feb-16	3.50	10	1-Nov-22
K4	10/2013	6-Nov-13	UF	5,000,000	6-Nov-16	3.60	10	1-Oct-23
B3	14/2014	9-Oct-14	UF	5,000,000	1-Jun-17	2.50	5	1-Jun-19
K5	14/2014	9-Oct-14	UF	5,000,000	1-Jun-17	2.75	10	1-Jun-24
B4	05/2015	1-Apr-15	UF	5,000,000	4-Dec-18	2.25	5	1-Jun-20
K6	05/2015	1-Apr-15	UF	5,000,000	4-Dec-18	2.75	10	1-Mar-25
K7	05/2015	1-Apr-15	UF	5,000,000	4-Dec-18	2.75	10	1-Sep-25
Z1	10/2015	1-Sep-15	CLP	75,000,000,000	1-Jul-20	5.25	5	1-Jul-20

Banco Security - Capitalization

As of June 2016, Banco Security's equity totaled CH\$ 447,190 million. For some years now, Banco Security has been preparing for the implementation of Basel III. In line with this objective, on March 15, 2016 the Bank completed a capital increase of CH\$ 10,000 million. The regulatory minimum of 30% of profit for 2015 was distributed in dividends that year. Considering the total dividend, 91% of 2015 profit was retained, thus strengthening the Bank's capital base to better leverage loan growth opportunities.

<i>In MCH\$</i>	2Q16	1Q16	2Q15	% Chg	
				QoQ	YoY
Capital	252,047	252,047	242,047	0.0%	4.1%
Reserves and valuation accounts	28,689	25,916	24,689	10.7%	16.2%
Retained earnings	166,454	157,046	135,495	6.0%	22.8%
Equity attributable to equity holders of bank	447,190	435,009	402,231	2.8%	11.2%
Tier I (core capital)	447,190	435,009	402,232	2.8%	11.2%
Regulatory capital	612,878	607,157	563,018	0.9%	8.9%
Minimum required capital	383,920	380,211	356,297	1.0%	7.8%
Risk-weighted assets	4,798,994	4,752,637	4,453,708	1.0%	7.8%
BIS ratio	12.77%	12.78%	12.64%	0 p	13 p
Core capital / Total assets	7.40%	7.11%	7.03%	29 p	37 p

Banco Security's capital adequacy ratio as of June 2016, calculated as regulatory capital over risk-weighted assets, reached 12.77% (with a regulatory minimum of 8%), reflecting an increase of +13 b.p. YoY and no QoQ variation.

This improvement in capital ratios over June 2015 is explained mainly by the capital increase of CH\$ 10,000 million mentioned above, the issuance of the J3 series subordinated bond for UF 430 thousand and gains in equity from recovering values of foreign and domestic debt instruments, which had been impaired in previous quarters. The ratio of core capital to total assets reached 7.40% (with a required minimum of 6%), marking increases of +37 b.p. YoY and +29 b.p. QoQ.

FACTORING SECURITY

For 6M16, Factoring Security reported profit of CH\$ 3,580 million (-0.9% YoY). For 2Q16, it reported quarterly profit of CH\$ 1,880 million (+10.6% QoQ). As of June 2016, factored receivables totaled CH\$ 242,698 million, reflecting increases of +2.6% YoY and +2.1% QoQ. From an industry perspective, the factoring companies belonging to the Chilean Association of Factoring Companies (ACHEF) reported reductions of 4.7% YoY and 5.9% QoQ in factored receivables. The factoring subsidiary's market share rose from 10.3% as of June 2015 to 11.1% as of June 2016.

Its risk ratio, measured as provisions over total factored receivables, was 2.9% as of June 2016, down -3 b.p. YoY and -12 b.p. QoQ.

In MCH\$	2Q16	1Q16	2Q15	% Chg		6M16	6M15	% Chg
				QoQ	YoY			
Factored receivables	242,698	237,805	236,587	2.1%	2.6%	242,698	236,587	2.6%
Provisions	7,122	7,275	7,006	-2.1%	1.7%	7,122	7,006	1.7%
Traditional factoring income	6,325	6,393	5,795	-1.1%	9.1%	12,718	11,681	8.9%
Fees and advisory services	459	413	417	11.1%	9.9%	871	788	10.6%
Gross operating income	7,296	6,998	6,212	4.3%	17.4%	14,294	13,071	9.4%
Operating expenses	-2,384	-2,318	-2,258			-4,702	-4,182	12.4%
Support expenses	-2,782	-2,612	-1,546	6.5%	79.9%	-5,394	-4,050	33.2%
Profit for the period	1,880	1,700	1,802	10.6%	4.4%	3,580	3,613	-0.9%
Efficiency ratio	42.8%	47.1%	45.2%	-431 p	-235 p	44.9%	43.4%	156 p
Risk ratio	2.9%	3.1%	3.0%	-12 p	-3 p	2.9%	3.0%	-3 p

INSURANCE BUSINESS AREA (28.4% of assets; 40.4% of profit from business areas as of June 2016)

The insurance business area reported profit of CH\$ 23,320 million for 6M16. This area includes the life insurance subsidiary Vida Security, which consolidates 61% of Protecta beginning in September 2015, and Servicios Security, the holding that groups the insurance brokerage (Corredora de Seguros Security) and assistance business (Europ Assistance).

VIDA SECURITY

For 6M16, Vida Security reported profit of CH\$ 7,847 million (-53.9% YoY). Despite a strong technical result, due to a better contribution margin and stable administrative expenses, reduced investment income (CH\$ 46,958 million, -19.4% YoY) affected the company's bottom line.

Total direct premiums reached CH\$ 130,896 million, +20.3% YoY, driven by sales of individual insurance policies. Claims paid totaled -CH\$ 45,126 million, up +35.2% YoY, due to increased surrenders and transfers from CUI and APV funds and greater claims rates in group health plans. Technical reserves posted a total variation of -CH\$ 33,568 million as of June 2016, +22.6%

YoY.

Vida Security recorded administrative expenses of CH\$ 16,214 million for 6M15. As a result, the company's combined ratio⁵ fell sharply from 110.1% for 6M15 to 100.6% for 6M16. The industry posted a combined ratio of 112.9% for 6M16.

In addition, for 6M16 the company posted a gain from indexed assets and liabilities of CH\$ 7,825 million (June 2016) as compared to a loss of CH\$ 2,585 million (June 2015) due to a smaller price adjustment to liabilities than the prior year.

In MCH\$	2Q16	1Q16	2Q15	% Chg.		6M16	6M15	% Chg.
				QoQ	YoY			
Direct premium	66,261	64,635	65,263	2.5%	1.5%	130,896	108,820	20.3%
Retained premium	65,219	63,663	64,654	2.4%	0.9%	128,881	107,237	20.2%
Variation in technical reserves	-14,542	-19,026	-13,815	-23.6%	5.3%	-33,568	-27,375	22.6%
Claims paid	-25,236	-19,891	-17,909	26.9%	40.9%	-45,126	-33,377	35.2%
Pensions paid	-31,774	-30,049	-38,723	5.7%	-17.9%	-61,823	-62,833	-1.6%
Underwriting expenses	-4,465	-4,094	-4,204	9.0%	6.2%	-8,559	-7,811	9.6%
Medical expenses	-19	-16	-21	14.2%	-8.8%	-35	-41	-13.4%
Insurance impairment	76	-176	222	-	-65.6%	-100	378	-
Contribution margin	-10,740	-9,590	-9,796	12.0%	9.6%	-20,330	-23,821	-14.7%
Administrative expenses	-8,942	-7,271	-8,078	23.0%	10.7%	-16,214	-15,761	2.9%
Investment income	24,290	22,668	29,399	7.2%	-17.4%	46,958	58,263	-19.4%
Exchange differences	-3,096	-8,848	1,196	-65.0%	-358.8%	-11,944	2,208	-640.8%
Gain (loss) on indexed assets and liabilities	1,517	6,307	-2,194	-75.9%	-	7,825	-2,585	-
Profit for the period	3,526	4,321	10,633	-18.4%	-66.8%	7,847	17,019	-53.9%
Administrative ratios								
(1) (Claims paid + Pensions paid) / Direct premium	86.0%	77.3%	86.8%	877 p	-74 p	81.7%	88.4%	-671 p
(2) Administrative expenses / Direct premium	13.5%	11.2%	12.4%	225 p	112 p	12.4%	14.5%	-210 p
(3) Underwriting expenses / Direct premium	6.7%	6.3%	6.4%	40 p	30 p	6.5%	7.2%	-64 p
Combined Ratio (1) + (2) + (3)	106.3%	94.8%	105.6%	1142 p	68 p	100.6%	110.1%	-944 p
(4) Profit / direct premium	5.4%	6.8%	16.4%	-138 p	-1104 p	6.1%	15.9%	-978 p

For 2Q16, Vida Security reported profit of CH\$ 3,526 million, down -CH\$ 795 million (-18.4% QoQ) with respect to 1Q16. During 2Q16, the contribution margin reached -CH\$ 10,740 million, down -CH\$ 1,150 million from 1Q16.

In 2Q16 total direct premiums reached CH\$ 66,261 million, +CH\$ 1,626 million over 1Q16, in line with increased sales of group credit life insurance. However, the contribution margin for 2Q16 decreased because of increased pensions paid, totaling -CH\$ 31,774 million (+5.7% QoQ), and increased claims paid, totaling -CH\$ 25,236 million (+26.9% QoQ), due to greater surrenders from individual insurance plans and increased claims rates in group health plans due to seasonal variations.

During 2Q16, investment income grew 7.2% QoQ to CH\$ 24,290 million, partially due to a smaller negative impact of the exchange rate on foreign currency derivatives as compared to the first quarter of the year. Exchange differences totaled -CH\$ 3,096 million, up CH\$ 4,790 million from 1Q16, in line with a declining exchange rate, which smoothed out during the second quarter of the year (the exchange rate appreciated CH\$ 13.6 in 2Q16 as opposed to CH\$ 35.1 in 1Q16).

These positive effects were offset in 2Q16 by administrative expenses of -CH\$ 8,942 million (+23.0% QoQ) related to collection expenses for credit life insurance. In addition, the gain from indexed assets and liabilities totaled CH\$ 1,517 million, up +CH\$ 4,790 million over 1Q16.

⁵ Calculated as (claims paid + pensions paid + underwriting expenses + administrative expenses) / direct premiums

Results by Product Line

○ Individual Insurance

Individual Insurance	2Q16	1Q16	2Q15	% Chg.		6M16	6M15	%Chg.
In MCH\$				QoQ	YoY			
Direct premium	32,807	33,409	26,995	-1.8%	21.5%	66,215	47,694	38.8%
Retained premium	32,309	32,940	26,946	-1.9%	19.9%	65,249	47,175	38.3%
Variation in technical reserves	-13,186	-18,657	-14,875	-29.3%	-11.4%	-31,843	-27,606	15.3%
Claims paid	-14,640	-11,108	-8,592	31.8%	70.4%	-25,748	-17,984	43.2%
Pensions paid	-674	-571	-592	18.1%	13.9%	-1,245	-1,231	1.1%
Underwriting expenses	-2,736	-2,513	-2,378	8.9%	15.0%	-5,249	-4,548	15.4%
Medical expenses	-18	-12	-16	-	-	-30	-34	-
Insurance impairment	0	0	-17	-	-	0	-54	-
Contribution margin	1,054	79	475	-	-	1,133	-4,283	-
Claims rate (1)	46.7%	35.0%	34.0%	1172 p	94 p	40.8%	40.3%	48 p
Underwriting expense rate (2)	8.3%	7.5%	8.8%	82 p	-129 p	7.9%	9.5%	-161 p

(1) Claims paid / Direct premium

(2) Underwriting expenses / Direct premium

Individual insurance policies are contracted by individuals and allow policyholders to allocate part of the direct premium to savings in mutual funds or portfolios managed by the company. Based on figure 601 in the financial statements of Vida Security, it includes product lines 101-114, 150 and 425 and excludes line 107. As of June 2016, direct premiums from individual insurance represented 50.6% of Vida Security's total direct premiums.

The contribution margin for these policies totaled CH\$ 1,133 million for the period ended June 2016, which is well above the -CH\$ 4,283 million recorded in June 2015. For 6M16, direct premiums totaled CH\$ 66,215 million (+38.8% YoY), driven by increased premiums from insurance with savings components (CUI and APV), which totaled CH\$ 61,920 million for 6M16, +41.4% YoY, representing 93.5% of all individual policies. For the period ended June 2016, claims paid totaled -CH\$ 25,748 million, +43.2% YoY, explained in part by increased surrenders and transfers from CUI and APV funds. Technical reserves posted a total variation of CH\$ 31,843 million for 6M16, versus -CH\$ 27,606 million for 6M15.

During 2Q16, the contribution margin for individual insurance reached CH\$ 1,054 million, well above the CH\$ 79 million from 1Q16. This is explained mainly by a variation in technical reserves of -CH\$ 13,186 million in 2Q16, versus -CH\$ 18,657 million in 1Q16, which is in line with claims paid of -CH\$ 14,640 million, +31.8% QoQ, explained in part by increased surrenders and transfers from CUI and APV funds.

○ Family Protection

Family Protection In MCH\$	2Q16	1Q16	2Q15	% Chg.		6M16	6M15	%Chg.
				QoQ	YoY			
Direct premium	1,838	1,547	1,581	18.8%	16.3%	3,385	3,171	6.7%
Retained premium	1,838	1,547	1,581	18.8%	16.3%	3,385	3,171	6.7%
Variation in technical reserves	13	-13	13	-199.3%	-1.1%	0	73	-100.1%
Claims paid	-396	-414	-340	-4.5%	16.3%	-810	-746	8.6%
Pensions paid	0	0	0	-	-	0	0	-
Underwriting expenses	-533	-528	-491	1.0%	8.5%	-1,061	-939	13.0%
Medical expenses	2	-2	-2	-	-	0	-4	-
Insurance impairment	0	0	0	-	-	0	0	-
Contribution margin	924	589	760	56.8%	21.6%	1,514	1,555	-2.7%
Claims rate (1)	21.5%	26.8%	21.5%	-525 p	0 p	23.9%	23.5%	40 p
Underwriting expense rate (2)	29.0%	34.1%	31.1%	-513 p	-207 p	31.3%	29.6%	174 p

(1) Claims paid / Direct premium

(2) Underwriting expenses / Direct premium

Family protection insurance covers the insured party's family group in the event of death or disability, depending on the terms of the policy. Based on figure 601 in the financial statements of Vida Security, it includes product lines 107, 207 and 307. As of June 2016, direct premiums from family protection insurance represented 2.6% of Vida Security's total direct premiums.

As of June 2016, the contribution margin for these policies totaled CH\$ 1,514 million, showing little variation over the prior year, with direct premiums of CH\$ 3,385 million, up CH\$ 214 million from last year, offset partially by underwriting expenses of -CH\$ 1,061 million, +CH\$ 122 million from June 2015.

The contribution margin for 2Q16 reached CH\$ 924 million, up CH\$ 335 million from 1Q16, to a large extent thanks to direct premiums of CH\$ 1,838 million, or CH\$ 291 million over the 1Q16 figure.

○ Group Insurance

Group Insurance In MCH\$	2Q16	1Q16	2Q15	% Chg.		6M16	6M15	%Chg.
				QoQ	YoY			
Direct premium	18,360	16,027	15,197	14.6%	20.8%	34,387	29,115	18.1%
Retained premium	17,816	15,523	14,659	14.8%	21.5%	33,339	28,072	18.8%
Variation in technical reserves	-1,686	-527	885	219.9%	-290.5%	-2,213	-28	-
Claims paid	-12,743	-9,997	-11,024	27.5%	15.6%	-22,740	-19,309	17.8%
Pensions paid	0	0	0	-	-	0	0	-
Underwriting expenses	-1,060	-897	-1,069	18.2%	-0.9%	-1,956	-1,968	-0.6%
Medical expenses	-3	-2	-2	-	-	-5	-3	-
Insurance impairment	76	-176	239	-143.4%	-68.1%	-100	433	-123.0%
Contribution margin	2,400	3,924	3,688	-38.8%	-34.9%	6,324	7,197	-12.1%
Claims rate (1)	69.4%	62.4%	72.5%	703 p	-314 p	66.1%	66.3%	-19 p
Underwriting expense rate (2)	5.8%	5.6%	7.0%	18 p	-126 p	5.7%	6.8%	-107 p

(1) Claims paid / Direct premium

(2) Underwriting expenses / Direct premium

Group insurance is contracted by a company for its employees and may include life, health or credit life coverage, depending on the terms of the policy. Based on figure 601 in the financial statements of Vida Security, it includes product lines 201-214, 250, 301-314 and 350 and excludes lines 207 and 307. As of June 2016, direct premiums from group insurance represented 26.3% of Vida Security's total direct premiums.

As of June 2016, the contribution margin for group insurance reached CH\$ 6,324 million, down 12.1% from June 2015. Although direct premiums reached CH\$ 34,387 million (+18.1% YoY), they were offset by claims paid of -CH\$ 22,740 million as of June 2016, +CH\$ 3,432 million YoY, and a variation in technical reserves of -CH\$ 2,213 million as of June 2016, above the -CH\$ 28 million as of June 2015, explained by increased sales of group credit life insurance.

During 2Q16, a contribution margin of -CH\$ 2,400 million was recorded, down -CH\$ 1,524 million from 1Q16.

In 2Q16 direct premiums from group insurance reached CH\$ 18,360 million, up CH\$ 2,333 million over 1Q16, due to increased sales of group credit life insurance. Claims paid totaled -CH\$ 12,743 million in 2Q16, +27.5% QoQ, explained by seasonal variations in the winter, while the variation in technical reserves in 2Q16 totaled -CH\$ 1,686 million versus -CH\$ 527 million in 1Q16, in line with increased sales of group credit life insurance. These two effects offset the rise in premiums, explaining the decrease in the contribution margin.

○ Annuities

Annuities	2Q16	1Q16	2Q15	% Chg.		6M16	6M15	%Chg.
In MCH\$				QoQ	YoY			
Direct premium	13,188	13,607	21,388	-3.1%	-38.3%	26,795	28,586	-6.3%
Retained premium	13,188	13,607	21,388	-3.1%	-38.3%	26,795	28,586	-6.3%
Variation in technical reserves	0	0	0	-	-	0	0	-
Claims paid	0	0	0	-	-	0	0	-
Pensions paid	-28,551	-27,288	-36,628	4.6%	-22.1%	-55,839	-57,528	-2.9%
Underwriting expenses	-136	-157	-265	-13.6%	-48.8%	-293	-356	-17.7%
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	0	0	0	-	-	0	0	-
Contribution margin	-15,499	-13,837	-15,505	12.0%	0.0%	-29,336	-29,297	0.1%
Underwriting expense rate (1)	1.0%	1.2%	1.2%	-12 p	-21 p	1.1%	1.2%	-15 p

(1) Underwriting expenses / Direct premium

Workers that choose an annuity upon retirement turn over their retirement funds to an insurance company and receive in exchange a fixed, inflation-indexed monthly payment for the rest of their life. Based on figure 601 in the financial statements of Vida Security, it includes product lines 421, 422 and 423⁶. As of June 2016, direct premiums from annuities represented 20.5% of Vida Security's total direct premiums.

When an annuity is sold, a reserve must be recognized in the company's liabilities, equivalent to the present value of the obligations to the retiree. This generates an accounting loss in the income statement known as the reserve adjustment, which in annuities is recorded within the line item pensions paid.

For 6M16, the contribution margin for annuities reached -CH\$ 29,336 million, down CH\$ 39 million from 6M15.

As of June 2016, annuity sales totaled CH\$ 26,795 million, down -CH\$ 1,791 million (-6.3% YoY), due to a high basis of comparison in 2015 when sales of the company's annuities were boosted by a change in regulations⁷ that reduced the accounting loss that had to be recognized upon sale.

The reduced sales of annuities for 6M16 impacted pensions paid, which totaled -CH\$ 55,839 million, down CH\$ 1,689 million

⁶ This also includes line 424 from the SVS, which corresponds to the old Disability and Survivor's system defined in Circular 548 (C-548). As of June 2016, this line contributes to Vida Security only CH\$ 427 million in pensions paid.

⁷ More information is available at <http://www.svs.cl/portal/prensa/604/w3-article-20029.html>

over 6M15, offsetting the effect on the contribution margin.

During 2Q16, the contribution margin for annuities reached -CH\$ 15,499 million, down CH\$ 1,661 million from 1Q16. This is explained by direct premiums of CH\$ 13,188 million (-3.1% QoQ), and pensions paid of -CH\$ 28,551 million (+4.6% QoQ).

○ Disability and Survivor Insurance (SIS)

Disability and Survivor Insurance In MCH\$	2Q16	1Q16	2Q15	% Chg.		6M16	6M15	%Chg.
				QoQ	YoY			
Direct premium	68	45	102	49.3%	-33.2%	113	254	-55.5%
Retained premium	68	45	79	50.5%	-13.9%	113	232	-51.2%
Variation in technical reserves	317	171	162	85.5%	96.0%	488	187	161.4%
Claims paid	2,544	1,629	2,048	56.2%	24.2%	4,172	4,662	-10.5%
Pensions paid	-2,549	-2,190	-1,503	16.4%	69.6%	-4,739	-4,073	16.3%
Underwriting expenses	0	0	0	-	-	0	0	-
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	0	0	0	-	-	0	0	-
Contribution margin	380	-345	786	-210.2%	-51.6%	35	1,008	-

*Includes premiums from product C-548, which correspond to the former Disability and Survivor system

Disability and survivor insurance is contracted directly by the Pension Fund Management Companies (AFPs) for their members through semi-annual public bidding processes. It provides protection to the insured and his or her family group in the event of disability or death of the insured party. Based on figure 601 in the financial statements of Vida Security, it includes product line 420. After being awarded fractions of SIS during 2012, Vida Security did not take part in the fourth bidding process conducted in 2014. As a result, as of June 2016, direct premiums from SIS insurance represented 0.1% of Vida Security's total direct premiums.

The results of the fifth bidding process for Disability and Survivor Insurance (SIS), organized by the pension fund management companies to provide coverage for their members, were announced in May 2016. Vida Security was awarded two fractions for men and two for women for the period from July 2016 to June 2018.

Administrative Expenses - Vida Security

In MCH\$	2Q16	1Q16	2Q15	% Chg		6M16	6M15	%Chg.
				QoQ	YoY			
Payroll	-3,009	-2,827	-2,788	6.5%	7.9%	-5,836	-5,400	8.1%
Distribution channel expenses	-1,119	-1,276	-2,493	-12.3%	-55.1%	-2,395	-3,958	-39.5%
Other	-4,814	-3,169	-2,797	51.9%	72.1%	-7,983	-6,403	24.7%
Total administrative expenses	-8,942	-7,271	-8,078	23.0%	10.7%	-16,214	-15,761	2.9%

For 6M16, Vida Security reported administrative expenses of CH\$ 16,214 million (+2.9% YoY). The level of administrative expenses remained stable from the prior year, with distribution channel expenses of -CH\$ 2,395 million, (-39.5% YoY), payroll and personnel expenses of -CH\$ 5,836 million (+8.1% YoY), and other administrative expenses of -CH\$ 7,983 million (+24.7% YoY), related in part to collections expenses for group credit life insurance.

In 2Q16, administrative expenses totaled -CH\$ 8,942 million, +23.0% over 1Q16, in line with other administrative expenses of -CH\$ 4,814 million (+51.9% QoQ) related in part to collection expenses for credit life insurance.

Investment Income - Vida Security

The subsidiary's investment income for the first half of 2016 totaled CH\$ 46,958 million, -19.4% YoY.

This decrease is explained by a loss on other investments of -CH\$ 3,669 million as of June 2016, versus CH\$ 6,303 million as of June 2015, mainly because of the poor performance from foreign currency derivatives, affected by the appreciation of CH\$ 48.7 in the exchange rate in 6M16.

In addition, investment income from equities and indexes totaled CH\$ 3,070 million for the period ended June 2016 (-70.0% YoY) in line with weak performances from developed markets such as Europe and Japan (MSCI Europe -7.3% YTD, MSCI Japan -6.2% YTD), where the company has relatively greater exposure.

For 2Q16, investment income totaled CH\$ 24,290 million (+7.2% QoQ). This is a reflection of income from derivatives and other investments of CH\$ 587 million, +CH\$ 4,823 million from 1Q16, offset partially by income from equities and indexes of CH\$ 840 million, down -CH\$ 1,391 million from 1Q16.

In MCH\$	2Q16	1Q16	2Q15	% Chg		6M16	6M15	% Chg.
				QoQ	YoY			
Fixed income	19,695	21,058	17,122	-6.5%	15.0%	40,753	34,826	17.0%
Equities and indexes	840	2,231	4,870	-62.4%	-82.8%	3,070	10,243	-70.0%
Real estate	3,169	3,635	2,934	-12.8%	8.0%	6,804	6,891	-1.3%
Other investments	587	-4,256	4,473	-113.8%	-86.9%	-3,669	6,303	-158.2%
Investment income	24,290	22,668	29,399	7.2%	-17.4%	46,958	58,263	-19.4%

In MCH\$	2Q16	1Q16	2Q15	% Chg		% of Portfolio	
				QoQ	YoY	2Q16	
Fixed income	1,593,164	1,566,697	1,464,135	1.7%	8.8%	73.1%	
Equities and indexes	316,400	334,990	332,722	-5.5%	-4.9%	14.5%	
Real estate	234,903	232,376	243,698	1.1%	-3.6%	10.8%	
Other investments	33,830	12,656	16,038	167.3%	110.9%	1.6%	
Investment portfolio	2,178,297	2,146,719	2,056,592	1.5%	5.9%		

Exchange Differences and Gain (Loss) from Indexation Adjustments

During 6M16, exchange differences totaled -CH\$ 11,944 million as a result of the fall of CH\$ 48.7 in the observed exchange rate from January to June 2016.

During 2Q16, exchange differences totaled -CH\$ 3,096 million, versus -CH\$ 8,848 million in 1Q16 as a result of the fall of CH\$ 13.61 in the exchange rate during 2Q16, as opposed to the drop of CH\$ 35.1 in 1Q16.

For 6M16 the company posted a gain from indexed units of CH\$ 7,825 million as compared to a loss of -CH\$ 2,585 million for 6M15, mainly due to a reduced adjustment of liabilities over the prior year.

ASSET MANAGEMENT BUSINESS AREA (2.1% of assets; 5.2% of profit from business areas as of June 2016)

The asset management business area includes Administradora General de Fondos Security; Valores Security Corredores de Bolsa and Asesorías Security. It also includes Securitizadora Security, which manages securitized assets and their respective special purpose vehicles (SPVs). This business area complements the product range offered by the rest of the Group's companies, providing services tailored to the needs of each of its segments. The products and services offered by this

business area include mutual funds, investment funds and voluntary pension savings (APV), foreign currency and forwards, stocks, portfolio management and international investments.

<i>In MCH\$</i>	2Q16	1Q16	2Q15	% Chg		6M16	6M15	% Chg
				QoQ	YoY			
Assets under management (AUM)	4,218,696	4,162,581	3,111,978	1.3%	35.6%	4,218,696	3,111,978	35.6%
Value of shares traded	469,675	317,527	387,590	47.9%	21.2%	787,202	693,026	13.6%
<i>Market share</i>	5.6%	4.0%	4.0%	0 p	165 p	4.8%	3.8%	107 p
Operating income	8,959	8,429	7,911	6.3%	13.2%	17,388	15,566	11.7%
Non-operating income	1,326	1,052	2,622	26.1%	-49.4%	2,379	4,015	-40.8%
Total expenses	-8,580	-7,123	-5,914	20.4%	45.1%	-15,706	-12,045	30.4%
Efficiency ratio	84.0%	75.1%	56.2%	882 p	2780 p	79.5%	61.5%	1794 p
Fund management	1,492	1,781	2,205	-16.2%	-32.3%	3273	4,251	-23.0%
Equity, currency and fixed income brokerage*	-56	203	1,849	-127.4%	-	148	1,857	-92.1%
Advisory, portfolio mgt and int'l business	-158	-18	-68	-	-	-177	73	-
Securitization	-117	-119	-74	-	-	-236	-163	-
Profit - Asset Management	1,161	1,847	3,911	-37.1%	-70.3%	3,009	6,018	-50.0%

* 1Q15 includes loss of Ch\$ 41 million from CdB Cruz del Sur and profit of Ch\$ 50 million from Valores Security, merged in March 2015.

The subsidiary's AUM as of June 2016 totaled CH\$ 4,209,622 million, +35.3% YoY and +1.1% QoQ. The YoY rise is due mainly to the merger with Penta and distribution of foreign funds with alternative investment strategies. Mutual funds under management totaled CH\$ 1,936 billion, +8.0% YoY and -0.6% QoQ, with a market share of 6.2%. The area reported total value of shares traded of CH\$ 787 billion for 6M16, with market share of 4.8%.

For 6M16, the asset management area reported profit of CH\$ 3,009 million (-50.0% YoY) attributable to higher operating income (+CH\$1,846 million) due to increased activity across all businesses lines (equities, fixed income, portfolio management, foreign exchange, etc.), while income from managing mutual funds was similar to 2015.

Non-operating income fell CH\$1,278 million YoY due to the absence of the extraordinary sale of a share of Santiago Exchange of CH\$ 2,200 million to Bovespa in May 2015, despite an improved result on its own position in fixed income instruments. For 6M16, the area posted total expenses of -CH\$ 15,706 million, up +30.4% YoY due to expenses related to merge Banco Penta's asset management business, and increased commercial activity.

For 2Q16, the area posted profit of CH\$ 1,161 million (-37.1% QoQ). Operating income for 2Q16 totaled CH\$ 8,929 million, +6.3% QoQ, due to increased income from the international business area. Stock brokerage income rose, reporting value of shares traded of CH\$ 470 billion (+47.9% QoQ). The area posted total expenses of CH\$ 8,580 million, up +20.4% QoQ, due to expenses related to the merger with Penta and increased commercial activity.

OTHER SERVICES BUSINESS AREA (1.3% of assets; 3.9% of profit from business areas as of June 2016)

This business area includes the operations of Travel Security and Inmobiliaria Security, which offer non-financial products and services that complement Grupo Security's offering and are directed towards the same target markets.

REAL ESTATE: INMOBILIARIA SECURITY

Inmobiliaria Security posted profit of CH\$ 518 million for 6M16 (-83.4% YoY) and CH\$ 125 million for 2Q16 (-68.4% QoQ).

This is explained mainly by the lag between a sale and revenue recognition. Under IFRS, revenue is recognized once legal title to the property has been transferred. Ownership was transferred on 26 units in 6M16 versus 104 units in 6M15. In quarterly terms, ownership was transferred on 11 units in 2Q16 as opposed to 15 units in 1Q16. Inmobiliaria Security recorded apartment sales totaling UF 302 thousand for the period ended June 2016 (-17.0% YoY) and UF 222 thousand in 2Q16 (+177.4% QoQ).

Real estate assets under management totaled CH\$ 60,920 million, +76.7% YoY and +5.2% QoQ. The year over year increase is due mainly to the purchase of two new lots for UF 857 thousand during 4Q15 and capitalization of projects under development.

<i>In MCH\$</i>	2Q16	1Q16	2Q15	% Chg		6M16	6M15	% Chg
				QoQ	YoY			
Real estate assets under management	60,920	57,928	34,475	5.2%	76.7%	60,920	34,475	76.7%
Total income	478	815	1,924	-41.4%	-75.2%	1,293	3,796	-65.9%
Total expenses	-427	-456	-371	-6.4%	15.1%	-883	-659	34.1%
Profit before tax	51	359	1,553	-85.9%	-96.7%	410	3,137	-86.9%
Profit for the period	125	394	1,578	-68.4%	-92.1%	518	3,128	-83.4%

CORPORATE TRAVEL AGENCY: TRAVEL SECURITY

Travel Security posted profit of CH\$ 2,051 million for the period ended June 2016, +1.1% YoY. This can be explained by increased fee income and a higher average exchange rate of CH\$ 689.8 for 6M16, +11.1% YoY.

Sales for 6M16 totaled US\$ 118 million, -11.1% YoY, in line with the industry measured through the BSP⁸ (-14.7% YoY), consistent with the sluggish economic context. The area recorded profit for 2Q16 of CH\$ 1,063 million (+7.6% QoQ), due to increased sales, which totaled US\$ 63 million (+16.8% QoQ). For the same period, the industry expanded 16.2% QoQ.

Travex Security, Travel Security's Peruvian travel agency subsidiary, recorded profit of CH\$ 123 million for 6M16 (-69.8% YoY) and CH\$ 55 million for 2Q16 (-18.9% QoQ).

	2Q16	1Q16	2Q15	% Chg		6M16	6M15	% Chg
				QoQ	YoY			
Total sales - Travel (MUSD)	63	54	73	16.8%	-12.6%	118	132	-11.1%
Total sales - Travex (MUSD)	14	13	18	12.8%	-19.0%	27	35	-22.6%
Net operating income (MCH\$)	1,510	1,391	1,509	8.6%	0.1%	2,902	2,690	7.9%
Profit for the period - Travel (MCH\$)	1,063	988	1,159	7.6%	-8.3%	2,051	2,030	1.1%

RISK RATINGS

	Grupo Security	Banco Security	Vida Security	Factoring Security
FitchRatings (local)	A+	AA-	AA-	A+
ICR (local)	AA-	AA	AA	AA-
Standard & Poors (international)		BBB-/A-3		

⁸ Billing and Settlement Plan is a system that centralizes airfare payments from travel agencies to airlines.

BONDS ISSUED BY GRUPO SECURITY

Series	Registration Number	Registration Date	Currency	Amount	Annual Interest Rate	Duration (Years)	Maturity
F	620	15/09/09	UF	1,250,000	4.50	23	15/09/32
K	763	30/06/13	UF	3,000,000	4.00	25	30/06/38
L 3	795	09/10/14	UF	3,000,000	3.80	21	15/11/35

RECENT EVENTS

RETURNS AND DIVIDENDS

On April 28, 2016, Grupo Security shareholders approved a dividend payment of CH\$ 7.25 per share charged to profit for the year 2015. This dividend and the interim dividend distributed in October 2015 total CH\$ 11.25 per share, equivalent to CH\$ 36,657 million, or 56% of profit for the year 2015. At this meeting, shareholders also approved the annual report, balance sheet and financial statements for the year 2015.

Shareholders also elected a new Board of Directors for Grupo Security, which is now comprised of Francisco Silva, Juan Cristóbal Pavez, Ana Sainz de Vicuña, Horacio Pavez, Jorge Marín, Hernán De Las Heras, Bruno Philippi, Naoshi Matsumoto and Mario Weiffenbach.

Grupo Security's dividend yield, calculated as dividends per share, divided by the average share price when each dividend was distributed for the corresponding year, amounted to 5.87% in 2015. For the first half of 2016, Grupo Security's stock reported a return of +16.9%, outperforming the IPSA (+8.6%) and the banking sector index (+7.7%).

2Q16 EARNINGS CONFERENCE CALL

Grupo Security's second quarter earnings report will be explained in a conference call led by Mr. Renato Peñafiel, the company's CEO, on August 30, 2016. A transcript of the call will be available on our website. For more information, please contact the Investor Relations Team at relacioninversionistas@security.cl.

GRUPO SECURITY

Grupo Security S.A. is a niche Chilean-based diversified financial group offering banking, insurance, asset management and other services to large and medium-sized companies and high-income individuals. Through a differentiated and innovative offering of financial products and services tailored to its niche, the group leverages operational and financial synergies through organic growth and acquisitions.

Safe Harbor

This report contains forward-looking statements based on the intentions, beliefs and expectations of the management of Grupo Security S.A. regarding the future functioning of the different business units. These forward-looking statements are not guarantees of future results and are subject to significant risks and uncertainty. Actual results may differ from those contained in forward-looking statements as a result of a number of unforeseen factors such as changes in global economic conditions, changes in market conditions, regulatory changes, actions by competitors and operational and financial risks inherent to the financial services business.

APPENDICES

1. Financial Statements and Indicators - Assets

ASSETS	June 30, 2015	June 30, 2016
In MCH\$		
Current assets		
Cash and cash equivalents	443,651	500,493
Other financial assets, current	2,534,877	2,772,293
Other non-financial assets, current	22,754	17,894
Trade and other receivables, current	4,176,782	4,590,963
Accounts receivable from related parties, current	55,779	35,998
Inventories	34,460	60,917
Biological assets, current	0	0
Current tax assets	11,066	17,601
Total current assets other than assets or disposal groups classified as held for sale or held for distribution to owners	7,279,368	7,996,161
Non-current assets or disposal groups classified as held for sale or held for distribution to owners	2,278	2,479
Total non-current assets classified as held for sale or held for distribution to owners	2,278	2,479
Total current assets	7,281,646	7,998,639
Non-current assets		
Other non-financial assets, non-current	74,269	84,475
Equity-accounted investments	12,581	762
Intangible assets other than goodwill	57,739	68,549
Goodwill	114,665	120,259
Property, plant and equipment	84,226	71,564
Investment property	108,899	145,536
Deferred tax assets	115,092	126,650
Total non-current assets	567,472	617,796
Total assets	7,849,118	8,616,435

2. Financial Statements and Indicators - Liabilities and Equity

LIABILITIES AND EQUITY		
In MCH\$	June 30, 2015	June 30, 2016
Other financial liabilities, current	4,602,361	4,969,196
Trade and other payables, current	1,944,506	2,166,744
Other short-term provisions	90,438	106,541
Current tax liabilities	13,871	17,987
Provisions for employee benefits, current	5,866	7,296
Other non-financial liabilities, current	112,995	133,016
Total current liabilities not held for sale or for distribution to the owners	6,770,037	7,400,781
Liabilities held for sale	0	0
Total current liabilities	6,770,037	7,400,781
Non-current liabilities		
Other financial liabilities, non-current	377,810	452,658
Accounts payable, non current	72,531	88,988
Deferred tax liabilities	76,667	73,986
Total non-current liabilities	527,008	616,576
Total liabilities	7,297,045	8,017,357
Equity		
Issued capital	299,516	302,406
Retained earnings	235,146	267,259
Share premium	33,219	33,210
Other reserves	(25,065)	(24,546)
Equity attributable to equity holders of parent	542,816	578,329
Non-controlling interests	9,257	20,750
Total equity	552,073	599,079
Total liabilities and equity	7,849,118	8,616,435

3. Financial Statements and Indicators - Consolidated Statement of Income

Consolidated Statement of Income (MCH\$)	Jun-15	Jun-16
Revenue	409,523	457,088
Cost of sales	(262,040)	(296,935)
Gross profit	147,483	160,153
Other income	1,529	1,285
Distribution costs	0	0
Administrative expenses	-87,597	-100,804
Other expenses	(4,441)	(12,544)
Other gains	3,808	1,199
Finance income	-	-
Finance costs	(6,757)	(6,329)
Share of profit of associates and joint ventures, equity-accounted	293	19,279
Exchange differences	4,498	-14,487
Gain (loss) on indexed assets and liabilities	-4,868	6,138
Gains arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	4,131	1,067
Profit before tax	58,078	54,956
Income tax expense	(12,136)	(8,881)
Profit from continuing operations	45,942	46,075
Profit from discontinued operations	0	0
Profit for the period	45,942	46,075
Profit attributable to		
Profit attributable to equity holders of the parent	44,525	45,416
Profit attributable to non-controlling interests	1,417	659
Profit for the period	45,942	46,075
Depreciation and amortization	4,211	5,798
Ebitda	69,047	67,083

Ebitda= Profit before tax - (Finance costs) + Depreciation and amortization

4. Segment Note - Grupo Security YoY

Segment Note - Grupo Security <i>In MCH\$</i>	Lending and Treasury		Asset Management		Insurance		Other Services		Consolidation Adjustments, Support Areas and Group Expenses		Total Grupo Security	
	Jun-15	Jun-16	Jun-15	Jun-16	Jun-15	Jun-16	Jun-15	Jun-16	Jun-15	Jun-16	Jun-15	Jun-16
Revenue	180,053	219,780	23,253	25,056	172,303	199,078	37,046	17,892	-3,132	-4,719	409,523	457,088
Cost of sales	-101,165	-116,448	-6,041	-6,823	-132,333	-166,597	-21,661	-6,734	-840	-333	-262,040	-296,935
Gross profit	78,888	103,332	17,213	18,233	39,970	32,481	15,385	11,158	-3,972	-5,051	147,483	160,153
Other income	12	21	214	207	497	475	198	370	609	211	1,529	1,285
Administrative expenses	-46,846	-53,228	-10,462	-14,228	-19,891	-25,030	-7,798	-7,959	-2,600	-360	-87,597	-100,804
Other expenses	-2,847	-11,655	-719	-663	-94	-118	-106	-109	-676	0	-4,441	-12,544
Other gains	0	0	334	190	2,786	286	311	309	377	414	3,808	1,199
Finance income	0	0	0	0	9	0	0	0	-9	0	0	0
Finance costs	0	0	-3	-1	-180	-220	-764	-563	-5,811	-5,546	-6,757	-6,329
Share of profit (loss) of associates and joint ventures, equity-accounted	0	0	11	0	335	19,073	-4	-7	-48	212	293	19,279
Exchange differences	3,360	-4,181	227	-466	659	-9,682	423	27	-172	-186	4,498	-14,487
Gain (loss) from indexed assets and liabilities	7	13	6	7	-2,504	8,782	-7	184	-2,371	-2,849	-4,868	6,138
Gains arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	3,609	783	522	284	0	0	0	0	0	0	4,131	1,067
Profit (loss) before tax	36,183	35,086	7,342	3,562	21,588	26,049	7,638	3,412	-14,673	-13,154	58,078	54,956
Income tax benefit (expense)	-6,613	-6,048	-1,312	-542	-3,956	-2,754	-1,881	-787	1,626	1,251	-12,136	-8,881
Profit (loss) from continuing operations	29,570	29,038	6,030	3,020	17,631	23,296	5,757	2,625	-13,047	-11,903	45,942	46,075
Profit (loss) attributable to												
Profit (loss) attributable to equity holders of parent	29,570	29,038	6,018	3,009	17,173	23,230	4,813	2,221	-13,047	-11,903	44,525	45,416
Profit (loss) attributable to non-controlling interests	0	0	13	11	458	66	945	403	2	180	1,417	659
Profit (loss) for the period	29,570	29,038	6,030	3,020	17,631	23,296	5,757	2,625	-13,047	-11,903	45,942	46,075

5. Segment Note - Grupo Security QoQ

Segment Note - Grupo Security <i>In MCH\$</i>	Lending and Treasury		Asset Management		Insurance		Other Services		Consolidation Adjustments, Support Areas and Group Expenses		Total Grupo Security	
	1Q-16	2Q-16	1Q-16	2Q-16	1Q-16	2Q-16	1Q-16	2Q-16	1Q-16	2Q-16	1Q-16	2Q-16
Revenue	110,215	109,565	12,235	12,821	95,263	103,816	8,707	9,185	-2,123	-2,595	224,297	232,791
Cost of sales	-55,927	-60,521	-3,410	-3,414	-80,445	-86,152	-2,971	-3,764	-212	-121	-142,964	-153,970
Gross profit	54,288	49,044	8,826	9,407	14,818	17,664	5,737	5,422	-2,335	-2,716	81,332	78,821
Other income	5	15	11	196	41	434	105	265	79	132	242	1,043
Administrative expenses	-27,899	-25,329	-6,585	-7,644	-10,686	-14,343	-3,798	-4,160	-368	8	-49,336	-51,468
Other expenses	-650	-11,005	-210	-453	-65	-53	-86	-23	0	0	-1,011	-11,533
Other gains	0	0	98	92	33	253	139	170	268	146	539	660
Finance income	0	0	0	0	4	-4	0	0	0	0	4	-4
Finance costs	0	0	0	-1	-28	-192	-278	-285	-2,910	-2,636	-3,215	-3,114
Share of profit (loss) of associates and joint ventures, equity-accounted	0	0	0	0	18,764	310	-3	-4	-2	214	18,759	520
Exchange differences	-7,629	3,448	-237	-229	-6,779	-2,903	-63	90	-80	-106	-14,788	300
Gain (loss) from indexed assets and liabilities	18	-5	3	4	6,412	2,370	101	83	-1,232	-1,617	5,302	836
Gains arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	885	-102	288	-4	0	0	0	0	0	0	1,173	-106
Profit (loss) before tax	19,019	16,067	2,194	1,368	22,514	3,536	1,854	1,558	-6,579	-6,575	39,001	15,955
Income tax benefit (expense)	-3,863	-2,186	-341	-201	-3,166	412	-425	-362	64	1,187	-7,731	-1,150
Profit (loss) from continuing operations	15,156	13,882	1,852	1,167	19,348	3,948	1,429	1,195	-6,515	-5,388	31,271	14,805
Profit (loss) attributable to												
Profit (loss) attributable to equity holders of parent	15,156	13,882	1,847	1,161	19,219	4,011	1,214	1,007	-6,515	-5,388	30,889	14,527
Profit (loss) attributable to non-controlling interests	0	0	5	6	129	-64	215	188	33	147	382	277
Profit (loss) for the period	15,156	13,882	1,852	1,167	19,348	3,948	1,429	1,195	-6,515	-5,388	31,271	14,805

6. Grupo Security Consolidated Statement of Cash Flows

Statement of Cash Flows	Jun-15	Jun-16
For the periods ended June 30, 2015 and 2016	MCH\$	MCH\$
Net cash flows provided by (used in) operating activities	117,594	(62,833)
Net cash flows provided by (used in) investing activities	(11,314)	(29,447)
Net cash flows provided by (used in) financing activities	(62,292)	(43,225)
Increase (decrease) in cash and cash equivalents before effect of exchange rate changes	43,988	(135,505)
Effect of changes in exchange rates on cash and cash equivalents	8,944	9,241
Net increase (decrease) in cash and cash equivalents	52,933	(126,264)
Cash and cash equivalents at beginning of period	390,718	626,758
Cash and cash equivalents at end of period	443,651	500,493

7. Quarterly Statement of Income

Quarterly Earnings		2Q16	1Q16	4Q15	3Q15	2Q15	1Q15
Revenue	MCH\$	232,791	224,297	235,131	203,979	236,783	172,740
Cost of sales	MCH\$	(153,970)	(142,964)	(166,457)	(156,995)	(155,464)	(106,576)
Gross profit	MCH\$	78,821	81,332	68,674	46,985	81,319	66,164
Administrative expenses	MCH\$	(51,468)	(49,336)	(49,215)	(42,522)	(43,634)	(43,963)
Net operating income	MCH\$	17,523	31,766	16,491	3,345	39,070	21,711
Finance costs	MCH\$	(3,114)	(3,215)	(3,388)	(2,994)	(3,426)	(3,331)
Profit before taxes	MCH\$	15,955	39,001	12,263	9,598	33,387	24,691
Profit attributable to owners of controller	MCH\$	14,527	30,889	13,769	6,728	26,210	18,315
EBITDA ⁶	MCH\$	22,035	45,048	18,206	15,490	38,192	30,854

8. Financial and Business Indicators

Financial Indicators	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16
Financial Expense Coverage (times)	8.41 x	9.59 x	7.94 x	7.08 x	13.13 x	9.68 x
Debt / Equity (1)	0.36	0.35	0.36	0.35	0.35	0.34
Number of Shares (in millions)	3,234	3,243	3,258	3,258	3,258	3,258
LTM Earnings per Share (Ch\$)	19.33	21.09	19.16	19.96	23.81	20.23
Return on Equity (2)	12.2%	13.0%	11.7%	12.1%	14.0%	11.8%

(1) Unconsolidated debt ratio: defined as the ratio of Grupo Security's unconsolidated debt to equity, based on Note 31 of the Group's financial statements.

(2) Ratio of profit attributable to owners of the controller to equity attributable to owners of the controller, annualized.

*The financial expense coverage ratio, debt / equity ratio, earnings per share and return on equity have been modified with respect to previous periods due to the application of IFRS at Vida Security and the consequent modifications made.

9. Financial Indicators

Liquidity Ratios		30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15
Liquidity Ratios (Total current assets / Total current liabilities)	times	1.08	1.09	1.06	1.08	1.08
Acid ratio (Cash and cash equivalents / Total current liabilities)	times	0.07	0.07	0.08	0.07	0.07
Activity levels		30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15
Total assets	MCH\$	8,616,435	8,578,056	8,608,450	8,243,342	7,849,118
Inventory rotation		N/A	N/A	N/A	N/A	N/A
Inventory permanence		N/A	N/A	N/A	N/A	N/A
Leverage Ratios		30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15
Individual leverage ratio ¹	times	0.34	0.35	0.35	0.36	0.35
Current liabilities / Total liabilities	times	0.92	0.92	0.94	0.93	0.93
Non-current liabilities / Total liabilities	times	0.08	0.08	0.06	0.07	0.07
Consolidated financial expenses coverage ⁸	times	9.68	13.13	7.08	7.94	9.59
Results		30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15
Revenue	MCH\$	457,088	224,297	848,633	613,502	409,523
Cost of sales	MCH\$	(296,935)	(142,964)	(585,492)	(419,034)	(262,040)
Gross profit	MCH\$	160,153	81,332	263,141	194,468	147,483
Administrative expenses	MCH\$	(100,804)	(49,336)	(179,333)	(130,119)	(87,597)
Net operating income	MCH\$	49,289	31,766	80,617	64,127	60,782
Finance costs	MCH\$	(6,329)	(3,215)	(13,139)	(9,751)	(6,757)
Profit before tax	MCH\$	54,956	39,001	79,940	67,677	58,078
Profit attributable to equity holders of the company	MCH\$	45,416	30,889	65,022	51,253	44,525
EBITDA ⁶	MCH\$	67,083	45,048	102,743	84,537	69,047
Profitability		30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15
Return on equity ²	%	11.76%	13.95%	12.10%	11.70%	12.99%
Return on assets ³	%	0.80%	0.95%	0.80%	0.78%	0.92%
Return on operating assets ^{4,7}	%	0.27%	1.19%	0.68%	0.22%	1.36%
Earnings per share ⁵	CH\$	20.23	23.81	19.96	19.16	21.09

1. Individual leverage ratio: Defined as the quotient between the sum of Grupo Security's individually considered indebtedness and total consolidated equity, defined in Note 31 to Grupo Security Consolidated Financial Statement.

2. Return on equity: Defined as the quotient between profit attributable to controlled properties LTM and average equity attributable to controlled properties.

3. Return on assets: Defined as the quotient between profit attributable to controlled companies LTM and total average assets.

4. Operating assets: Defined as total average current assets.

5. Earnings per share: Defined as the quotient between profit attributable to controlled companies LTM and the number of shares

6. EBITDA: Defined as the sum of profit before tax, finance costs and depreciation.

7. Return on operating assets: Defined as the quotient between net operating income LTM and average operating assets.

8. Financial expense coverage: Defined as the the sum of profit before tax and finance costs divided by finance costs.

9. Sum of dividend per share, divided by the share price when each dividend was distributed over the last twelve months.

Market Information

Grupo Security is structured into four main business areas. Each area includes the subsidiaries and divisions that share common business objectives. These four areas are: lending, insurance, asset management and other services.

Grupo Security is the parent company of a conglomerate of diversified companies engaged in the main sectors of the Chilean financial industry. Its subsidiaries Banco Security and Factoring Security provide lending services to companies and individuals. The subsidiaries Compañía de Seguros de Vida Security Previsión, Corredora de Seguros Security and Europ Assistance operate respectively in the life insurance and life annuity, insurance brokerage and travel assistance industries. Valores Security Corredora de Bolsa, Administradora General de Fondos Security, Asesorías Security and Securitizadora Security, complement the Group's offering of financial services by developing and distributing specialized financial products and personalized investment and asset management services.

Grupo Security's other services business area includes two subsidiaries engaged in the real estate (Inmobiliaria Security) and travel and tourism (Travel Security) industries. In addition, since 2001 the subsidiary Invest Security provides all group companies with shared services such as accounting, business risk and control, corporate culture, research and corporate IT services to support their development and technological requirements. In December 2014, Invest Security merged with Capital S.A., a wholly-owned subsidiary of Grupo Security.

BANKING INDUSTRY

As of June 2016, the Chilean banking industry was made up of 24 financial institutions, including 1 state-owned bank (Banco Estado), 18 domestic banks and 5 branches of foreign banks. As of that date, industry loans totaled CH\$ 146,884,773 million. Equity totaled CH\$ 17,238,265 million while profit for the first half of 2016 was CH\$ 1,044,054 million, with return on average equity of 13.41%. The industry reported an efficiency ratio of 48.87%, measured as operating expenses over gross operating profit, and 2.06%, measured as operating expenses over total assets. The banking system posted a risk ratio of 2.51%, measured as loan loss provisions to total loans, and 1.81%, measured as 90-day nonperforming loans to total loans. As of June 2016, Banco Security had total loans of CH\$ 4,208,683 million, positioning it 8th in total loans with 2.9% of the Chilean market.

FACTORING INDUSTRY

Factoring has become an important source of alternative financing to complement traditional bank lending for small- and medium-sized companies. Although the factoring industry has performed well in recent years, it experienced a drop in growth last year as a result of a sluggish domestic economy: Total factored receivables for companies belonging to the ACHEF (factoring trade association) as of June 2016 reached CH\$ 2,182,225 million, down -4.7% from the same month in 2015. As of June 2016, Factoring Security had total factored receivables of CH\$ 242,698 million, equivalent to a market share of 11.1%.

MUTUAL FUND INDUSTRY

As of June 2016, the mutual fund industry reported average assets under management of CH\$ 31,175 billion and 2,099,430 investors. Administradora General de Fondos Security boasted average assets under management of CH\$ 1,935,670 million as of June 2016, giving it a market share of 6.2% and a fifth place industry ranking among the 17 fund managers operating in the market.

STOCK BROKERAGE INDUSTRY

During the first half of 2016, market activity measured as traded equity volumes fell 11.6% in comparison to the same period in 2015, reaching CH\$ 16,305 billion. Value of shares traded for Valores Security Corredores de Bolsa for the same period totaled CH\$ 787 billion with market share of 4.8%. Market share is calculated based on transactions on the Santiago Stock Exchange and the Chilean Electronic Stock Exchange.

LIFE INSURANCE INDUSTRY

As of June 2016, there were 36 life insurance companies in Chile. Total direct premiums for the industry were CH\$ 2,873 billion for the six months ended June 2016. The life insurance industry posted profit of CH\$ 195,291 million for the period ended June 2016. As of June 2016, Vida Security had market share of 4.6% based on direct premiums.

Differences Between Book Values and Economic Values and/or Market Values of Principal Assets

Grupo Security participates in the insurance and services businesses through its investments in related companies, mainly Europ Assistance and Compañía de Seguros Penta Security, and in private investment funds through Inmobiliaria Security. As of June 2016, investments accounted for using the equity method in the Consolidated Statements of Financial Position represent approximately 0.01% of total assets.

Goodwill, which represents the difference between the acquisition cost and the fair value of assets and liabilities, totaled CH\$ 120,259 million as of June 2016, equivalent to 1.40% of total assets.

Given the varying natures of the companies considered investments in related companies, their market value is normally higher than their carrying amount, which depends on the industry and the economic conditions they face.

Risk Factors

DEPENDENCE ON SUBSIDIARY DIVIDENDS

Grupo Security is the ultimate parent company of a conglomerate of companies; as such, it receives its income from subsidiary dividends. As a result, the Company's earnings depend considerably on the performance of its subsidiaries.

As of June 2016, Banco Security had distributed CH\$ 4,223 million in dividends to Grupo Security. As of June 2016, Factoring Security had distributed CH\$ 4,901 million in dividends (70% of profit for the year 2015). On the same date, Inversiones Seguros Security had distributed CH\$ 32,883 million in dividends. Inmobiliaria Security distributed CH\$ 4,800 million in dividends to Grupo Security. Lastly, it is important to point out that Grupo Security controls its main subsidiaries with an ownership interest of more than 90% in each subsidiary, which gives it flexibility in setting their dividend policies based on its requirements. This is especially true because of the vast diversification of the Company's income sources, with subsidiaries in various sectors of the financial industry.

OTHER RISK FACTORS

Risks Associated with General Economic Performance

The performance of the Grupo Security subsidiaries is correlated to economic and financial conditions that, in turn, are dependent on monetary policy, which results in reduced growth of income and profit under restrictive conditions and the opposite under expansionary conditions.

Competition in All Group Business Areas

The industries in which the Group competes are known for being highly competitive, especially the banking and insurance industries, and trending toward decreased margins. The mergers and alliances that arise between competitors are proof of the competition that Group

companies face. Despite the potential challenges to the companies, the possible negative effects of competition are deemed to be offset by Grupo Security's solid brand image in its target market, strong customer loyalty and the niche strategy that drives the Group's development. This has allowed Grupo Security to earn a favorable market position with which to face future competition.

Regulatory Changes

The banking and insurance industries in which the Group does business are government-regulated and are consequently subject to potential regulatory changes over time. However, this risk is estimated to be low thanks to market transparency, the considerable development of these industries and their excellent global reputation.

RISKS ASSOCIATED WITH THE FINANCIAL BUSINESS

Credit Risk

Credit risk is dependent on monetary policy, which ultimately determines a customers' payment capacity. In early 2008, a general deterioration was seen in the system's loan portfolio, which was reflected in higher risk and delinquency ratios. In the third quarter of 2011, trends in risk ratios began to shift, with an improvement in risk levels. Within this framework, Banco Security has consistently posted risk levels below industry averages.

Market Risk

The main market risks facing the Chilean banking industry are inflation and interest rate risk. As a result, Grupo Security has established market risk policies, procedures and limits to manage its maturity and exchange rate exposure in accordance with its own objectives and regulatory limits. In particular, the bank, its subsidiaries and the insurance companies have implemented a special system for controlling interest rate risk that also allows an ongoing monitoring of their medium- and long-term investment portfolios.

Risks Associated with International Financial Market Volatility

The Chilean economy and its markets generally operate within international markets and may be affected by external shocks. The volatility of world financial markets and changes in global economic conditions can negatively affect the performance of local and international assets and risk premiums demanded by investors.

Interest Rate Risk

As of June 30, 2016, the company has loans at reasonable rates based on current market conditions.

Foreign Exchange Risk

Grupo Security has implemented the policy of matching foreign currency transactions with financial institutions to sales transactions in the same currency.

Commodity Risk

As of June 30, 2016, Grupo Security does not have any significant assets or liabilities in commodities.

RISKS ASSOCIATED WITH THE INSURANCE BUSINESS

Local Financial Risks

Decreases in medium- and long-term interest rates could affect the performance of life annuity-backing assets and guaranteed-return

investment accounts when investments with shorter maturities must be made, creating a medium-term operating deficit.

Mortality and Morbidity Rates

Increases in morbidity rates could cause the number of catastrophic claims to rise in the medium-term and the number of medical reimbursement claims to increase in the short-term. If companies do not adjust to the new structure of the mortality curves, the decrease in adult mortality rates could negatively affect the income expected from the life annuities area.

Industry Structure

The large number industry players can lead to company closures and mergers. Consequently, the current industry structure may vary, triggering adjustments to the structure of sales and operating margins.

Re-insurance Industry

The current trend toward concentration of re-insurance companies could affect the variety of coverage options and could prevent the reinsurance of risks that are currently backed thanks to the strong competition that until recently had existed in this market.

Grupo Security Corporate Structure

