

## Grupo Security Earnings Report

### Grupo Security Reports Third Quarter 2016 Profit of CH\$ 59,373 Million, Up 15.8% YoY

- In an extraordinary meeting on October 14, 2016, the Board of Directors of Grupo Security agreed to pay a total dividend of CH\$ 4.25 per share.
- On October 3, 2016, Banco Security launched a new technology system to replace its obsolete core software. This new technology platform will help support the Bank's future growth, enhance its reporting capabilities and provide flexibility for creating new products.
- 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 – November 16, 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 three- and nine-month period ending September 20, 2016.

Renato Peñafiel, Grupo Security's CEO, commented, “Security reported profit of CH\$ 59,373 million for the period ended September 2016, up 15.8% from the same period in 2015. This improved performance is a reflection of strong operating results across all business areas despite weak economic conditions. This sluggish economic growth has impacted demand for financial services, with limited growth in loans and insurance premiums, and resulted in lower returns, which has created a much more competitive environment for third-party asset management. However, the Group companies have successfully navigated these challenges. In fact, Banco Security, Factoring Security, Vida Security and Inversiones Security all boast above-industry commercial indicators. This has translated into an improvement of +32.5% in the return of the stock thus far this year, outperforming both the IPSA (11.5%) and the banking sector index (17.6%)”.

<i>In MCH\$</i>	3Q16	2Q16	3Q15	% Chg		9M16	9M15	% Chg
				QoQ	YoY			
Banco - Total Loans	4,298,132	4,208,683	3,980,384	2.1%	8.0%	4,298,132	3,980,384	8.0%
Industry - Total Loans	137,778,712	135,996,799	132,233,157	1.3%	4.2%	137,778,712	132,233,157	4.2%
Factoring - Factored Receivables	251,308	242,698	227,354	3.5%	10.5%	251,308	227,354	10.5%
Industry (ACHEF) - Factored Receivables	1,745,772	1,882,566	2,100,331	-7.3%	-16.9%	1,745,772	2,100,331	-16.9%
Inversiones - AUM Mutual Funds	1,929,972	1,935,670	1,755,955	-0.3%	9.9%	1,929,972	1,755,955	9.9%
Industry - AUM Mutual Funds	32,263,748	31,175,018	30,412,557	3.5%	6.1%	32,263,748	30,412,557	6.1%
Vida - Investment Portfolio	2,223,716	2,178,297	2,110,071	2.1%	5.4%	2,223,716	2,110,071	5.4%
Industry (life insurance) - Investment Portfolio	34,567,014	33,385,689	31,071,221	3.5%	11.3%	34,567,014	31,071,221	11.3%
<b>Income Statement</b>								
Banco - Net Interest Margin	35,078	34,390	36,140	2.0%	-2.9%	101,326	100,194	1.1%
Banco - Net Fees	14,717	13,538	12,210	8.7%	20.5%	39,806	35,433	12.3%
Banco - Operating Expenses	(30,301)	(27,718)	(23,702)	9.3%	27.8%	-87,662	-71,787	22.1%
Banco - Net Provision Expenses	(8,686)	(5,252)	(14,437)	65.4%	-39.8%	-19,903	(30,274)	-34.3%
Vida - Direct Premium	105,512	66,261	72,570	59.2%	45.4%	236,408	181,390	30.3%
Vida - Claims Paid	(51,233)	(25,236)	(22,152)	103.0%	131.3%	-96,359	-55,529	73.5%
Vida - Pensions Paid	(34,342)	(31,774)	(38,410)	8.1%	-10.6%	-96,165	-101,242	-5.0%
Vida - Investment Income	39,116	24,290	11,035	61.0%	254.5%	86,074	69,298	24.2%
Factoring - Revenue	6,347	6,325	5,648	0.3%	12.4%	19,065	17,329	10.0%
<b>Operations</b>								
Total Customers (number)	226,202	222,295	214,553	1.8%	5.4%	226,202	214,553	5.4%
Employees (number)	3,872	3,926	3,670	-1.4%	5.5%	3,872	3,670	5.5%

<sup>1</sup>Customer 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	Sep-16	Sep-15	% Chg
Grupo - Share Price (Ch\$)	219.1	197.5	11.0%
Grupo - Number of Shares (millions)	3,258	3,258	0.0%
Grupo - ROE	12.9%	11.7%	120 p
Banco (Consolidated) - ROAE	10.1%	14.4%	-430 p
Factoring - ROE	22.6%	23.3%	-70 p
Vida - ROAE	16.2%	16.6%	-35 p
Travel - ROE	35.4%	39.4%	-400 p
Grupo - Leverage	34.3%	35.2%	-83 p
Banco - Efficiency	55.0%	45.5%	954 p
Factoring - Efficiency	44.7%	44.2%	43 p
Banco - Non-Performing Loans	1.43%	1.66%	-22 p
Banco - Risk Index	1.85%	1.70%	15 p
Factoring - Risk Index	3.1%	3.0%	5 p
Banco - BIS Tier I Ratio	7.4%	6.8%	58 p
Banco - BIS Tier II Ratio	13.6%	12.2%	140 p

ROAE: profit 12M over average equity

In an extraordinary meeting on October 14, 2016, the Board of Directors of Grupo Security agreed to pay a total dividend of CH\$ 4.25 per share. This will be distributed as an interim dividend of CH\$ 2.0 per share and an additional dividend of CH\$ 2.25 per share.

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 was reflected in the results for the first quarter of 2016.

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## GRUPO SECURITY EARNINGS REPORT FOR 3Q16

Grupo Security posted profit of CH\$ 59,373 million for the nine months ended September 2016 (+15.8% YoY) and CH\$ 13,957 million for the third quarter of 2016 (-3.9% QoQ). EBITDA totaled CH\$ 94,720 million for 9M16 (+12.0% YoY) and CH\$ 27,637 million for 3Q16 (+25.4% QoQ).

The Group posted a ROAE as of September 2016 of 12.9%, +120 b.p. YoY. Profit from the Group's business areas amounted to CH\$ 78,074 million for 9M16, +9.4% YoY. For 3Q16, it reported quarterly profit of CH\$ 20,549 million (+2.4% QoQ).

### EARNINGS CONTRIBUTION BY BUSINESS AREA

Earnings from Related Companies								
	3Q16	2Q16	3Q15	% Chg		9M16	9M15	% Chg
				QoQ	YoY			
<b>Lending Area</b>								
Banco Security (Individual)	8,468	12,002	8,959	-29.4%	-5.5%	33,925	34,916	-2.8%
Factoring Security	1,850	1,880	1,643	-1.6%	12.6%	5,430	5,256	3.3%
<b>Asset Management Area</b>								
Valores Security	584	(56)	241	-	-142.1%	732	2,114	-65.4%
AGF Security	1,910	1,492	2,323	28.0%	-17.8%	5,183	6,574	-21.2%
Asesorias Security	(250)	(171)	18	-	-	(427)	91	-
<b>Insurance Area</b>								
Vida Security	7,406	3,526	(127)	110.0%	-	15,253	16,892	-9.7%
Penta Security	-	-	299	-	-	18,979	587	-
Servicios Security	251	370	236	-32.2%	6.3%	706	489	44.3%
<b>Other Services</b>								
Inmobiliaria Security	(512)	125	(501)	-	-	6	2,627	-99.8%
Travel Security	1,046	1,063	1,164	-1.6%	-10.1%	3,097	3,193	-3.0%
Travex Security	93	55	186	68.1%	-50.1%	216	594	-63.7%
<b>Grupo Security Profit</b>	<b>13,957</b>	<b>14,527</b>	<b>6,728</b>	<b>-3.9%</b>	<b>107.4%</b>	<b>59,373</b>	<b>51,253</b>	<b>15.8%</b>

- (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; 50.4% of profit from business areas as of September 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\$ 39,838 million for the first nine months of 2016, reflecting a decrease of CH\$ 3,790 million or -8.6% YoY. Banco Security's stand-alone profit (excluding asset management subsidiaries AGF Security and Valores Security Corredores de Bolsa) reached CH\$ 33,928 million for 9M16, -CH\$ 986 million or -2.8% YoY.

The net interest margin for 9M16 was CH\$ 101,326 million, +CH\$ 1,132 million YoY (+1.1% YoY), due to increased loans at the Bank (+8.0% YoY), and reduced net interest margin from the treasury division, with a high basis of comparison in 9M15 due to reduced funding costs (lower MPR). Net fees totaled CH\$ 39,806 million, +CH\$ 4,373 million or +12.3% YoY, because of sales of supplementary loan insurance products by the retail banking division and increased brokerage income from the asset management subsidiaries. Credit risk provision expenses for the first nine months of 2016 totaled CH\$ 19,687 million (-37.6% YoY), due to a healthy portfolio, increased guarantee coverage and a higher basis of comparison in 2015. The obsolescence of some technology systems involved a one-time negative impact on results of -CH\$ 17,344 million in other net operating income.

Operating expenses for 9M16 totaled CH\$ 87,662 million (+22.1% YoY), due to greater one-time expenses by the subsidiaries to merge the asset management business acquired from Banco Penta, changes in the Bank's criteria for capitalizing and depreciating software and an increase in other expenses needed to support commercial growth. Banco Security's ROAE (profit LTM over average equity) was 10.12%, -430 b.p. YoY.

Banco Security Segment Note	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
	Sep-15	Sep-16	Sep-15	Sep-16	Sep-15	Sep-16	Sep-15	Sep-16	Sep-15	Sep-16	Sep-15	Sep-16	Sep-15	Sep-16
<i>In MCH\$</i>														
Net interest margin	48,011	54,256	37,825	43,045	17,294	7,082	-1,426	-1,796	101,704	102,587	-1,510	-1,261	100,194	101,326
Δ% 9M15		13.0%		13.8%		-59.0%		26.0%		0.9%		-16.5%		1.1%
Net fees	11,224	12,382	11,394	15,478	-551	-404	1,138	-931	23,205	26,526	12,228	13,280	35,433	39,806
Δ% 9M15		10.3%		35.8%		-		-		14.3%		8.6%		12.3%
Net FX transactions and other income	7,553	7,115	434	1,216	10,211	18,138	-6,170	-20,870	12,029	5,599	8,890	8,991	20,919	14,590
Δ% 9M15		-5.8%		179.9%		77.6%		238.3%		-53.5%		1.1%		-30.3%
Loan losses and foreclosed assets	-21,074	-5,150	-10,766	-14,346	4	67	-119	-259	-31,955	-19,687	400	0	-31,555	-19,687
Δ% 9M15		-75.6%		33.3%		-		117.3%		-38.4%		-		-37.6%
Total operating income, net of credit risk provisions	45,714	68,603	38,888	45,394	26,958	24,884	-6,577	-23,855	104,983	115,025	20,008	21,010	124,991	136,035
Δ% 9M15		50.1%		16.7%		-7.7%		262.7%		9.6%		5.0%		8.8%
Operating expenses	-23,020	-26,253	-32,941	-39,202	-8,131	-10,027	2,156	1,984	-61,936	-73,499	-9,851	-14,163	-71,787	-87,662
Δ% 9M15		14.0%		19.0%		23.3%		-		18.7%		43.8%		22.1%
Net operating income	22,694	42,350	5,947	6,192	18,827	14,857	-4,421	-21,872	43,047	41,526	10,157	6,847	53,204	48,373
Δ% 9M15		86.6%		4.1%		-21.1%		394.7%		-3.5%		-32.6%		-9.1%
Profit attributable to equity holders of the bank	18,395	34,588	4,821	5,057	15,260	12,134	-3,562	-17,850	34,914	33,928	8,683	5,914	43,597	39,838
Δ% 9M15		88.0%		4.9%		-20.5%		401.1%		-2.8%		-31.9%		-8.6%

For 3Q16, Banco Security reported quarterly profit of CH\$ 10,959 million, -CH\$ 2,480 million or -18.5% QoQ. The net interest margin totaled CH\$ 35,078 million, +CH\$ 688 million or + 2.0% QoQ, due to greater loans (+2.1% QoQ) and reduced net interest income from the treasury division. Net fees for 3Q16 totaled CH\$ 14,717 million, +CH\$ 1,179 million or +8.7% QoQ, due to a strong performance from the commercial banking division and increased fund distribution fees earned by subsidiaries. In 3Q16, the Bank recorded one-time impairment losses on intangible assets of -CH\$ 7,201 million, recorded in other net operating income. Operating expenses for 3Q16 totaled CH\$ 30,301 million (+9.3% QoQ), because of expenses to implement technology projects.

Banco Security Segment Note	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
	2Q-16	3Q-16	2Q-16	3Q-16	2Q-16	3Q-16	2Q-16	3Q-16	2Q-16	3Q-16	2Q-16	3Q-16	2Q-16	3Q-16
<i>In MCH\$</i>														
Net interest margin	18,020	18,639	14,184	14,674	3,160	2,627	-548	-494	34,817	35,445	-427	-367	34,390	35,078
Δ% 2Q16		3.4%		3.4%		-16.9%		-9.8%		1.8%		-14.1%		2.0%
Net fees	3,643	4,774	6,268	5,140	-158	-90	-363	-163	9,390	9,660	4,148	5,057	13,538	14,717
Δ% 2Q16		31.0%		-18.0%		-		-		2.9%		21.9%		8.7%
Net FX transactions and other income	2,626	2,240	479	427	5,251	6,277	-10,689	-9,086	-2,333	-143	2,954	2,922	621	2,779
Δ% 2Q16		-14.7%		-10.9%		19.5%		-		-93.9%		-1.1%		347.5%
Loan losses and foreclosed assets	-1,711	-3,413	-3,815	-5,473	-64	101	85	211	-5,506	-8,573	0	0	-5,506	-8,573
Δ% 2Q16		99.4%		43.4%		-		-		55.7%		-		55.7%
Total operating income, net of credit risk provisions	22,578	22,240	17,116	14,767	8,188	8,914	-11,515	-9,532	36,368	36,389	6,675	7,612	43,043	44,001
Δ% 2Q16		-1.5%		-13.7%		8.9%		-17.2%		0.1%		14.0%		2.2%
Operating expenses	-8,260	-9,522	-12,192	-14,546	-2,786	-3,753	695	2,152	-22,543	-25,669	-5,175	-4,632	-27,718	-30,301
Δ% 2Q16		15.3%		19.3%		34.7%		-		13.9%		-10.5%		9.3%
Net operating income	14,319	12,718	4,924	221	5,402	5,161	-10,820	-7,380	13,825	10,720	1,500	2,980	15,325	13,700
Δ% 2Q16		-11.2%		-95.5%		-4.5%		-31.8%		-22.5%		98.7%		-10.6%
Profit attributable to equity holders of the bank	12,343	10,112	4,103	125	4,607	4,125	-9,047	-5,893	12,006	8,469	1,434	2,494	13,439	10,959
Δ% 2Q16		-18.1%		-97.0%		-10.5%		-34.9%		-29.5%		73.8%		-18.5%

## Commercial Banking

Banco Security's commercial banking division targets companies with sales above USD 1.2 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 September 2016, commercial loans had expanded 8.5% YoY and 2.2% QoQ, totaling CH\$ 3,353 billion. For the industry, commercial loans increased +1.7% YoY and +0.8% QoQ. Including foreign subsidiaries, this figure increased +7.4% YoY and 0.9% QoQ.

The commercial banking division posted profit of CH\$ 34,588 million for 9M16 (+88.0% YoY). It reported a net interest margin of CH\$ 54,256 million for the first nine months of 2016, +CH\$ 6,245 million or +13.0% YoY, mainly due to increased loans (+8.5% YoY) with a stable average spread. It posted provision expenses of CH\$ 5,150 million for 9M16 (-75.6% YoY). As we have mentioned in earnings reports since September 2015, provision expenses were higher for 2H15 due to stricter risk policies and certain individual customers affecting the portfolio.

Administrative expenses for 9M16 totaled CH\$ 26,253 million (+14.0% YoY), because of increased commercial activity and greater depreciation and amortization expenses after reducing the useful lives of intangible assets. The subsidiary also recorded an increase in indirect expenses to implement technology projects, which were distributed across all the Bank's business segments (excluding the asset management subsidiaries).

For 3Q16, it reported quarterly profit of CH\$ 10,112 million, -CH\$ 2,232 million or -18.1% QoQ. It reported a net interest margin of CH\$ 18,639 million for the quarter, +CH\$ 618 million or +3.4% QoQ, mainly due to increased commercial loans. Net fees totaled CH\$ 4,774 million, +CH\$ 1,131 million or +31% QoQ. Credit risk provision expenses totaled CH\$ 3,413 million for 3Q16 (+99.4% QoQ), because of a low basis of comparison during the prior quarter.

## 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 September 2016, the Bank had total retail loans (consumer + mortgage) of CH\$ 945 billion, +6.5% YoY and +1.8% QoQ. For the industry, retail loans increased +9.9% YoY and +1.9% QoQ, driven by mortgage loans (+12.7% YoY and +2.0% QoQ). Including foreign subsidiaries, the industry's retail loans grew +10.9% YoY and +1.9% QoQ.

For 9M16, it reported profit of CH\$ 5,047 million, +CH\$ 239 million or +4.9% YoY. It reported a net interest margin of CH\$ 43,045 million, +CH\$ 5,220 million or +13.8% YoY, mainly due to increased consumer loans with a lower average spread over 9M15. Net fees totaled CH\$ 15,478 million (+CH\$ 4,084 million or +35.8% YoY) due to increased sales of supplementary loan insurance

Commercial Loans by Economic Sector	Loans Sep-16	% of Total
Construction and real estate	744,468	22.2%
Financial services and insurance	549,623	16.4%
Wholesale and retail	439,168	13.1%
Real estate and corporate services	428,414	12.8%
Manufacturing	325,869	9.7%
Social services	216,993	6.5%
Transport	213,498	6.4%
Utilities	171,298	5.1%
Agriculture and livestock	94,926	2.8%
Fishing	79,345	2.4%
Telecom	48,236	1.4%
Mining	34,694	1.0%
Forestry	6,421	0.2%
<b>Total commercial loans</b>	<b>3,352,953</b>	<b>100%</b>

products. Risk expenses totaled CH\$ 14,346 million in 9M16 (+33.3% YoY) due to the one-time increase in provisions of CH\$ 1,021 million recognized in January 2016 to meet new mortgage regulations and more conservative criteria for calculating provisions for consumer products applied during 3Q16.

Operating expenses totaled CH\$ 39,202 million (+19.0% YoY), because of increased commercial activity and greater depreciation and amortization after reducing the useful lives of intangible assets. The subsidiary also recorded an increase in indirect expenses to implement technology projects, which were distributed across all the Bank's business segments (excluding the asset management subsidiaries).

For 3Q16, it reported quarterly profit of CH\$ 125 million, -CH\$ 3,978 million or -97.0% QoQ. Net fees totaled CH\$ 5,140 million for 3Q16, -CH\$ 1,129 million or -18.0% QoQ, because of a high basis of comparison during the prior quarter. Credit risk provisions totaled CH\$ 5,473 million (+43.4% QoQ), because of more conservative criteria for calculating provisions on consumer loans.

### **Treasury**

For 9M16, the treasury division reported profit of CH\$ 12,134 million, -CH\$ 3,127 million or -20.5% YoY. Net FX transactions and other income totaled CH\$ 18,138 million (+CH\$ 7,928 million or +77.6% YoY), due to strong performances from foreign currency derivatives, which benefited from a CH\$ 51.1 drop in the exchange rate during the first nine months of the year, and recovering values of foreign and domestic debt instruments.

The net interest margin was CH\$ 7,082 million for 9M16 (-CH\$ 7,928 million or -59.0% YoY), with a high basis of comparison in 9M15 due to reduced funding costs. The rise in the MPR during the last few months of 2015 (from 3% to 3.5%) increased the cost of liabilities for 9M16, reducing the net interest margin as a result of a faster price adjustment for liabilities than for assets. This drop in the net interest margin more than offset the rise in net FX transactions and other income.

Operating expenses totaled CH\$ 10,027 million (+23.3% YoY), because of greater depreciation and amortization after reducing the useful lives of intangible assets. The subsidiary also recorded an increase in indirect expenses to implement technology projects, which were distributed across all the Bank's business segments (excluding the asset management subsidiaries).

The treasury division consists of trading, investment, distribution and asset and liability management (ALM) operations. The ALM desk manages financial investments used to stabilize the net interest margin, manage interest rate risk in the balance sheet, manage liquidity and efficiently fund the bank's loan portfolio. As of September 2016, ALM represented 50.8% 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 25.9% of treasury income. The remaining 23.3% of treasury income comes from the distribution desk, which brokers specialized products for commercial banking customers (currency, forwards and structured products).

During 3Q16, the Bank issued additional senior and subordinated bonds, bringing total debt to CH\$ 1,547,878 million (+7.8% QoQ), thus taking advantage of favorable interest rates and improving its regulatory capital ratios.

## Banco Security - Gross Operating Results

	3Q16	2Q16	3Q15	% Chg		Sep-16	Sep-15	% Chg
				QoQ	YoY			
Net interest margin	35,078	34,390	36,140	2.0%	-2.9%	101,326	100,194	1.1%
Net fees	14,717	13,538	12,210	8.7%	20.5%	39,806	35,433	12.3%
Net financial operating income	10,376	6,143	-9,352	68.9%	-	34,597	9	-
Net foreign exchange transactions	-1,383	3,203	12,840	-143.2%	-110.8%	-6,082	16,422	-137.0%
Recovery of charged-off loans	840	1,386	901	-39.4%	-6.8%	3,369	2,564	31.4%
Other net operating income	-6,100	-8,890	186	-	-	-13,709	3,207	-
<b>Gross operating income</b>	<b>53,528</b>	<b>49,770</b>	<b>52,925</b>	<b>7.6%</b>	<b>1.1%</b>	<b>159,307</b>	<b>157,829</b>	<b>0.9%</b>
Credit risk provisions	-9,526	-6,638	-15,338	43.5%	-37.9%	-23,272	-32,838	-29.1%
Administrative expenses	-30,301	-27,718	-23,702	9.3%	27.8%	-87,662	-71,787	22.1%
<b>Net operating income</b>	<b>13,701</b>	<b>15,414</b>	<b>13,885</b>	<b>-11.1%</b>	<b>-1.3%</b>	<b>48,373</b>	<b>53,204</b>	<b>-9.1%</b>
Income attributable to investments in other companies	80	198	39	-59.6%	-	278	241	15.4%
<b>Profit before tax</b>	<b>13,781</b>	<b>15,612</b>	<b>13,924</b>	<b>-11.7%</b>	<b>-1.0%</b>	<b>48,651</b>	<b>53,445</b>	<b>-9.0%</b>
Income tax expense	-2,819	-2,103	-2,402	34.0%	17.4%	-8,811	-9,842	-10.5%
<b>Profit for the period</b>	<b>10,962</b>	<b>13,509</b>	<b>11,522</b>	<b>-18.9%</b>	<b>-4.9%</b>	<b>39,840</b>	<b>43,603</b>	<b>-8.6%</b>

For 9M16, Banco Security reported gross operating profit of CH\$ 159,307 million (+0.9% YoY). It reported a net interest margin of CH\$ 101,326 million for 9M16 (+1.1% YoY), due to increased interest income (CH\$ 247,822 million, +6.2% YoY), mainly because of the rise in total loans (+8.0% YoY). Interest and adjustment expenses totaled CH\$ 146,496 million for 9M16, +10.0% YoY, because of the rise in the MPR in late 2015 (from 3% to 3.5%), which impacted borrowing rates, and more debt issued by the Bank (+21.9% YoY), which totaled CH\$ 1,547,878 million as of September 2016.

Net Interest Margin	3Q16	2Q16	3Q15	% Chg		9M16	9M15	% Chg
				QoQ	YoY			
Interest and indexation income	82,704	86,398	88,752	-4.3%	-6.8%	247,822	233,346	6.2%
Interest and indexation expenses	-47,626	-52,008	-52,612	-8.4%	-9.5%	-146,496	-133,152	10.0%
<b>Net interest margin</b>	<b>35,078</b>	<b>34,390</b>	<b>36,140</b>	<b>2.0%</b>	<b>-2.9%</b>	<b>101,326</b>	<b>100,194</b>	<b>1.1%</b>
Interest margin net of provisions	25,552	27,752	20,802	-7.9%	22.8%	78,054	67,356	15.9%
Net interest margin / Total loans	3.26%	3.27%	3.63%	0 p	-37 p	3.21%	3.36%	-15 p
Net interest margin net of provisions / Total loans	2.38%	2.64%	2.09%	-26 p	29 p	2.47%	2.26%	22 p

Net fees totaled CH\$ 39,806 million for 9M16, +12.3% YoY, because of increased sales of supplementary loan insurance products by the retail banking division and increased brokerage income from the asset management subsidiaries. The financial income expressed as the sum of net financial operating income and the net gain from FX transactions, totaled CH\$ 28,515 million, +73.5% 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. The Bank recorded a one-time impairment loss of -CH\$ 17,344 million for obsolete technology systems.

## Banco Security - Operating Expenses and Efficiency

In MCH\$	3Q16	2Q16	3Q15	% Chg		9M16	9M15	% Chg
				QoQ	YoY			
Personnel	-11,382	-12,588	-8,834	-9.6%	28.8%	-37,501	-29,268	28.1%
Administrative expenses	-15,532	-12,999	-13,129	19.5%	18.3%	-42,615	-37,503	13.6%
Depreciation and amortization	-3,387	-2,131	-1,739	58.9%	94.8%	-7,546	-5,016	50.4%
<b>Total operating expenses</b>	<b>-30,301</b>	<b>-27,718</b>	<b>-23,702</b>	<b>9.3%</b>	<b>27.8%</b>	<b>-87,662</b>	<b>-71,787</b>	<b>22.1%</b>
<b>Operating expenses / Gross operating income</b>	<b>56.6%</b>	<b>55.7%</b>	<b>44.8%</b>	<b>277 p</b>	<b>560 p</b>	<b>55.0%</b>	<b>45.5%</b>	<b>839 p</b>

Operating expenses totaled CH\$ 87,662 million for 9M16 (+22.1% YoY), because of increased commercial activity, one-time expenses for mergers by subsidiaries and greater depreciation and amortization expenses after modifying criteria for capitalizing and depreciating software.

Operating expenses for 3Q16 totaled CH\$ 30,301 million (+9.3% QoQ), because of expenses to implement technology projects and increased depreciation and amortization. Banco Security's efficiency ratio, measured as operating expenses over gross operating profit,

totalled 55.0% for 9M16, +839 b.p. YoY. Excluding the effect of the CH\$ 17,344 million impairment loss recorded by the Bank on its intangible assets, the efficiency ratio would have been 49.6% in 9M16. This ratio compares to 49.3% for the banking system and 48.1% for peer banks<sup>1</sup> as of September 2016.

### **Banco Security's Loan Portfolio**

Total loans reached CH\$ 4,298,132 million as of September 2016, +8.0% YoY and +2.1% QoQ. For the industry, loans increased 4.2% YoY and 1.3% QoQ. Including foreign subsidiaries, this figure increased 8.2% YoY and 1.3% QoQ.

Commercial loans grew 8.5% YoY and 2.2% QoQ, to CH\$ 3,352,953 million (78.0% of Banco Security's total loan portfolio), while retail loans (consumer + mortgage) reached CH\$ 944,900 million as of September 2016, +6.5% YoY and +1.8% QoQ. The 20 largest borrowers represent 9.6% of the Bank's total loan portfolio.

Total Loans In MCH\$		3Q16	2Q16	3Q15	% Chg		9M16	9M15	% Chg
					QoQ	YoY			
<b>Consumer</b>	Loans	374,563	364,619	345,960	2.7%	8.3%	374,563	345,960	8.3%
	Interest and indexation income	12,231	11,986	11,398	2.0%	7.3%	36,195	33,245	8.9%
<b>Mortgage</b>	Loans	570,337	563,544	541,664	1.2%	5.3%	570,337	541,664	5.3%
	Interest and indexation income	9,115	10,528	12,841	-13.4%	-29.0%	28,889	30,883	-6.5%
<b>Mortgage + Consumer</b>	Loans	944,900	928,163	887,624	1.8%	6.5%	944,900	887,624	6.5%
	Interest and indexation income	21,346	22,514	24,239	-5.2%	-11.9%	65,084	64,128	1.5%
	No. Customers	85,246	83,893	80,481	1.6%	5.9%	85,246	80,481	5.9%
<b>Commercial</b>	Loans	3,352,953	3,280,520	3,091,023	2.2%	8.5%	3,352,953	3,091,023	8.5%
	Interest and indexation income	53,578	55,751	57,626	-3.9%	-7.0%	159,491	149,792	6.5%
	No. Customers	8,604	8,516	8,669	1.0%	-0.7%	8,604	8,669	-0.7%
<b>Total Loans</b>		<b>4,298,132</b>	<b>4,208,683</b>	<b>3,980,384</b>	<b>2.1%</b>	<b>8.0%</b>	<b>4,298,132</b>	<b>3,980,384</b>	<b>8.0%</b>
<b>Market Share</b>		<b>3.1%</b>	<b>3.1%</b>	<b>3.0%</b>	<b>2.49 p</b>	<b>10.95 p</b>	<b>3.1%</b>	<b>3.0%</b>	<b>10.95 p</b>

### **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 changes also result in a higher basis of comparison for risk expenses in 2015 as compared to 2016.

These increased provisions improved coverage levels, which rose from 91.7% in June 2015 to 114.0% in December 2015 and finally reached 128.7% in September 2016.

<sup>1</sup> Comparably-sized banks: Average for BBVA, Scotiabank, BICE, Consorcio and Security

	Sep-16	Jun-16	Sep-15	% Chg	
				QoQ	YoY
<b>Total Loans</b>	<b>4,298,132</b>	<b>4,208,683</b>	<b>3,980,384</b>	<b>2.1%</b>	<b>8.0%</b>
Nonperforming loans - consumer	4,252	4,655	3,559	-8.7%	19.5%
Nonperforming loans - mortgage	4,839	5,331	7,503	-9.2%	-35.5%
Nonperforming loans - commercial	52,571	51,845	54,878	1.4%	-4.2%
<b>Total nonperforming loans (MCH\$)</b>	<b>61,662</b>	<b>61,831</b>	<b>65,940</b>	<b>-0.3%</b>	<b>-6.5%</b>
Nonperforming portfolio - consumer	1.14%	1.28%	1.03%	-14 p	11 p
Nonperforming portfolio - mortgage	0.85%	0.95%	1.39%	-10 p	-54 p
Nonperforming portfolio - commercial	1.57%	1.58%	1.78%	-1 p	-21 p
<b>Total nonperforming portfolio (%)</b>	<b>1.43%</b>	<b>1.47%</b>	<b>1.66%</b>	<b>-3 p</b>	<b>-22 p</b>
Gross provisions	60,645	66,555	91,003	-8.9%	-33.4%
Charge-offs	(18,730)	(11,073)	(23,398)	69.2%	-20.0%
<b>Credit risk provisions</b>	<b>79,375</b>	<b>77,628</b>	<b>67,605</b>	<b>2.3%</b>	<b>17.4%</b>
Provisions - consumer (% total)	16.4%	16.0%	15.5%	35 p	85 p
Provisions - mortgage (% total)	1.8%	2.0%	1.5%	-24 p	26 p
Provisions - commercial (% total)	81.9%	82.0%	83.0%	-11 p	-111 p
<b>Credit risk provisions</b>	<b>79,375</b>	<b>77,628</b>	<b>67,605</b>	<b>2.3%</b>	<b>17.4%</b>
Coverage - consumer	305.4%	267.0%	294.7%	3838 p	1072 p
Coverage - mortgage	29.2%	29.5%	13.7%	-25 p	1554 p
Coverage - commercial	123.6%	122.7%	102.2%	87 p	2138 p
<b>Coverage - total nonperforming portfolio</b>	<b>128.7%</b>	<b>125.5%</b>	<b>102.5%</b>	<b>318 p</b>	<b>2620 p</b>
Provisions / Loans	1.85%	1.84%	1.70%	0 p	15 p
Provision expenses / Loans	0.62%	0.53%	1.01%	8 p	-40 p

As of September 2016, Banco Security's risk index reached 1.85%, +15 b.p. YoY and 0 b.p. QoQ. Provision expenses net of recovered charged-off loans, measured on an annualized basis over average loans, decreased 40 b.p. YoY and increased 8 b.p. QoQ, to 0.62%.

	Credit Risk (%)								
	Provisions / Loans				Over 90 Day Nonperforming Loans				
	Mortgage	Consumer	Total	Commercial	Total	Mortgage	Consumer	Commercial	Total
Banco Security	0.25	3.47	1.52	1.94	1.85	0.85	1.14	1.57	1.43
Peer Banks*	0.52	3.95	1.65	1.80	1.75	1.32	1.37	0.99	1.14
Banking System	0.94	6.27	2.69	2.42	2.50	2.63	1.96	1.46	1.83

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

## Banco Security - Funding Sources

Funding Sources <i>In MCH\$</i>	3Q16		2Q16		3Q15		% Chg	
							QoQ	YoY
Demand deposits	528,364	9.4%	561,299	10.0%	545,041	10.1%	-5.9%	-3.1%
Time deposits	2,790,295	49.5%	2,727,914	48.8%	2,599,188	48.1%	2.3%	7.4%
Total deposits	3,318,659	58.9%	3,289,213	58.8%	3,144,229	58.2%	0.9%	5.5%
Bonds	1,547,878	27.5%	1,435,327	25.7%	1,270,208	23.5%	7.8%	21.9%
Interbank loans	157,773	2.8%	133,419	2.4%	211,242	3.9%	18.3%	-25.3%
Other liabilities*	154,404	2.7%	286,897	5.1%	369,576	6.8%	-46.2%	-58.2%
<b>Total liabilities</b>	<b>5,178,714</b>	<b>92%</b>	<b>5,144,856</b>	<b>92%</b>	<b>4,995,255</b>	<b>92%</b>	<b>0.7%</b>	<b>3.7%</b>
Total equity	457,782	8.1%	447,283	8.0%	405,691	7.5%	2.3%	12.8%
<b>Liabilities + Equity</b>	<b>5,636,496</b>	<b>100%</b>	<b>5,592,139</b>	<b>100%</b>	<b>5,400,946</b>	<b>100%</b>	<b>0.8%</b>	<b>4.4%</b>

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

### ○ Demand and Time Deposits

As of September 2016, deposits totaled CH\$ 3,318,659 million, +5.5% YoY and +0.9% QoQ. For the same periods, total system deposits increased 7.1% YoY and decreased 1.1% QoQ. Banco Security's time deposits consisted of 21.6% retail deposits and

78.4% institutional deposits. The 15 largest depositors<sup>2</sup> represent 40% of the Bank's total deposits. The loan to deposit ratio was 130% as of September 2016, compared to 127% as of September 2015 and 128% as of June 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 risk<sup>3</sup>, 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 September 30, 2016, liquid assets<sup>4</sup> represented 46% of demand and other time deposits.

#### ○ 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 September 2016, Banco Security's equity totaled CH\$ 457,688 million. For some years now, Banco Security has been preparing for the implementation of Basel III. In line with this objective, in 2016 shareholders voted to retain 70% of earnings. In addition, the Bank completed a capital increase of CH\$ 10,000 million. The combined effect is equivalent to capitalizing 91% of profit for the year 2015.

<sup>2</sup> Excludes stock brokerage companies.

<sup>3</sup> 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).

<sup>4</sup> Includes cash and cash deposits, transactions pending settlement and the portfolio of financial instruments.

In MCH\$	3Q16	2Q16	3Q15	% Chg	
				QoQ	YoY
Capital	252,047	252,047	242,047	0.0%	4.1%
Reserves and valuation accounts	31,515	28,689	19,994	9.9%	57.6%
Retained earnings	174,126	166,454	143,560	4.6%	21.3%
<b>Equity attributable to equity holders of bank</b>	<b>457,688</b>	<b>447,190</b>	<b>405,601</b>	<b>2.3%</b>	<b>12.8%</b>
Tier I (core capital)	457,688	447,190	405,601	2.3%	12.8%
Regulatory capital	661,213	612,878	566,813	7.9%	16.7%
Minimum required capital	388,576	383,920	371,324	1.2%	4.6%
Risk-weighted assets	4,857,205	4,798,994	4,641,555	1.2%	4.6%
BIS ratio	13.61%	12.77%	12.21%	84 p	140 p
Core capital / Total assets	7.39%	7.40%	6.81%	-2 p	58 p

The Bank's capital adequacy ratio as of September 2016, calculated as regulatory capital over risk-weighted assets, reached 13.61% (with a regulatory minimum of 8%), +140 b.p. YoY and +84 b.p. QoQ. This is explained by the factors mentioned above as well as the placement of UF 1.74 million in J3 series subordinated bonds and, to a lesser extent, to recovering values of foreign and domestic debt instruments, which had been impaired in previous quarters. The ratio of core capital to total assets reached 7.39% (with a required minimum of 6%), +58 b.p. YoY and -2 b.p. QoQ.

## **FACTORING SECURITY**

Factoring Security reported profit of CH\$ 5,430 million for 9M16, +CH\$ 174 million or +3.3% YoY, thanks to a rise in factored receivables and controlled expenses with a smaller year-over-year spread. It posted an efficiency ratio for 9M16 of 44.7%, which remained stable despite a sluggish economy. For 3Q16, it reported quarterly profit of CH\$ 1,850 million, -CH\$ 30 million or -1.6% QoQ. As of September 2016, factored receivables totaled CH\$ 251,308 million, +10.5% YoY and +3.5% QoQ. From an industry perspective, the factoring companies belonging to the Chilean Association of Factoring Companies (ACHEF) reported reductions of 16.9% YoY and 7.3% QoQ in factored receivables. The factoring subsidiary's market share rose from 10.8% as of September 2015 to 14.4% as of September 2016.

The risk ratio, measured as provisions over total loans, was 3.1% as of September 2016, +5 b.p. YoY and -13 b.p. QoQ.

In MCH\$	3Q16	2Q16	3Q15	% Chg		9M16	9M15	% Chg
				QoQ	YoY			
Factored receivables	251,308	242,698	227,354	3.5%	10.5%	251,308	227,354	10.5%
Provisions	7,705	7,122	6,864	8.2%	12.3%	7,705	6,864	12.3%
Traditional factoring income	6,347	6,325	5,648	0.3%	12.4%	19,065	17,329	10.0%
Fees and advisory services	409	459	407	-10.9%	0.5%	1,280	1,195	7.1%
Gross operating income	7,282	7,296	6,448	-0.2%	12.9%	21,576	19,519	10.5%
Operating expenses	-2,368	-2,384	-2,433	-0.7%	-2.7%	-7,070	-6,615	6.9%
Support expenses	-2,809	-2,782	-2,603	1.0%	8.0%	-8,203	-7,741	6.0%
<b>Profit for the period</b>	<b>1,850</b>	<b>1,880</b>	<b>1,643</b>	<b>-1.6%</b>	<b>12.6%</b>	<b>5,430</b>	<b>5,256</b>	<b>3.3%</b>
Efficiency ratio	44.2%	42.8%	46.0%	136 p	-184 p	44.7%	44.2%	43 p
Risk ratio	3.1%	2.9%	3.0%	13 p	5 p	3.1%	3.0%	5 p

## **INSURANCE BUSINESS AREA** (28.5% of assets; 39.6% of profit from business areas as of September 2016)

The insurance business area reported profit of CH\$ 30,944 million for 9M16. 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 9M16, Vida Security reported profit of CH\$ 15,253 million, -CH\$ 1,639 million or -9.7% YoY.

Total direct premiums reached CH\$ 236,408 million, +CH\$ 55,017 million or +30.3% YoY, driven by the start of coverage of Contract 5 of Disability and Survivor Insurance (SIS) and sales of individual insurance policies. Claims paid totaled CH\$ 96,359 million (+73.5% YoY), due to claims from the new SIS contract and increased surrenders and transfers from CUI and APV funds. The subsidiary posted a total variation in technical reserves of CH\$ 52,214 million for 9M16 (+34.8% YoY), in line with increased sales of CUI and APV policies and increased investment income from this portfolio.

It reported administrative expenses of CH\$ 25,008 million (+7.2% YoY). As a result, the company's combined ratio<sup>5</sup> fell sharply from 106.1% for 9M15 to 97.5% for 9M16.

The subsidiary posted investment income of CH\$ 86,074 million, +CH\$ 16,776 million or +24.2% YoY, due to the strong performance from the CUI and APV investment portfolio, thanks to favorable interest rates and a low basis of comparison from September 2015 when international markets were performing poorly.

It is important to note that improved investment income from individual insurance with savings components requires increased technical reserves, which partially offsets the positive effect of the net gain.

In MCH\$	3Q16	2Q16	3Q15	% Chg		9M16	9M15	% Chg
				QoQ	YoY			
Direct premium	105,512	66,261	72,570	59.2%	45.4%	236,408	181,390	30.3%
Retained premium	88,653	65,219	71,733	35.9%	23.6%	217,535	178,970	21.5%
Variation in technical reserves	-18,646	-14,542	-11,370	28.2%	64.0%	-52,214	-38,745	34.8%
Claims paid	-51,233	-25,236	-22,152	103.0%	131.3%	-96,359	-55,529	73.5%
Pensions paid	-34,342	-31,774	-38,410	8.1%	-10.6%	-96,165	-101,242	-5.0%
Underwriting expenses	-4,290	-4,465	-4,525	-3.9%	-5.2%	-12,848	-12,336	4.2%
Medical expenses	-16	-19	-25	-	-	-51	-66	-
Insurance impairment	-161	76	68	-	-	-261	446	-
<b>Contribution margin</b>	<b>-20,035</b>	<b>-10,740</b>	<b>-4,681</b>	<b>86.5%</b>	<b>328.0%</b>	<b>-40,364</b>	<b>-28,502</b>	<b>41.6%</b>
Administrative expenses	-8,794	-8,942	-7,575	-1.7%	16.1%	-25,008	-23,336	7.2%
Investment income	39,116	24,290	11,035	61.0%	254.5%	86,074	69,298	24.2%
Exchange differences	9,807	-3,096	4,781	-	-	-2,137	6,989	-
Gain (loss) on indexed assets and liabilities	-10,192	1,517	-3,867	-	-	-2,368	-6,452	-
<b>Profit for the period</b>	<b>7,406</b>	<b>3,526</b>	<b>-127</b>	<b>210.0%</b>	<b>-</b>	<b>15,253</b>	<b>16,892</b>	<b>-9.7%</b>
<b>Administrative ratios</b>								
(1) (Claims paid + Pensions paid) / Direct premium	81.1%	86.0%	83.5%	-493 p	258 p	81.4%	86.4%	-499 p
(2) Administrative expenses / Direct premium	8.3%	13.5%	10.4%	-516 p	306 p	10.6%	12.9%	-229 p
(3) Underwriting expenses / Direct premium	4.1%	6.7%	6.2%	-267 p	50 p	5.4%	6.8%	-137 p
Combined Ratio (1) + (2) + (3)	93.5%	106.3%	100.1%	-1277 p	615 p	97.5%	106.1%	-864 p
(4) Profit / direct premium	8.4%	5.4%	-0.2%	295 p	558 p	7.0%	9.4%	-243 p

For 3Q16, the subsidiary reported quarterly profit of CH\$ 7,406 million, +CH\$ 3,879 million or +210% QoQ, due to the strong performance of the investment portfolio. Total direct premiums reached CH\$ 105,512 million, +CH\$ 39,251 million or +59.2% QoQ, while claims paid totaled CH\$ 51,233 million (+103.3% QoQ), both explained by the start of coverage of SIS Contract 5. The subsidiary posted a total variation in technical reserves of CH\$ 18,646 million for 3Q16 (+28.2% QoQ), attributable to the strong performance by investments in the CUI and APV portfolios.

It posted investment income for 3Q16 of CH\$ 39,116 million, +CH\$ 14,826 million or +61.0% QoQ, due to a strong performance from fixed income instruments, recovering international markets and their effect on equities and reduced exposure to foreign currency derivatives.

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

## Results by Product Line

### ○ Individual Insurance

Individual insurance policies are contracted by individuals to cover certain risks (life, health, credit life, etc.). Depending on the terms of the policy, policyholders may be able 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 September 2016, direct premiums from family protection insurance represented 42.4% of Vida Security's total direct premiums.

The contribution margin totaled -CH\$ 6,195 million for the period ended September 2016, a decrease of CH\$ 6,679 million over September 2015. For 9M16, direct premiums totaled CH\$ 99,790 million, +CH\$ 18,774 or +23.2% YoY, due to increased sales of CUI and APV policies, which totaled CH\$ 93,287 million (+24.4% YoY), representing 93.5% of all individual policies. Claims paid totaled -CH\$ 42,947 million (+39.3% YoY), explained by increased surrenders and transfers from CUI and APV funds. For 9M16, the variation in technical reserves totaled CH\$ 51,990 million (+32.1% YoY), in line with increased sales of CUI and APV policies and increased investment income from this portfolio.

Individual Insurance In MCH\$	3Q16	2Q16	3Q15	% Chg		9M16	9M15	%Chg
				QoQ	YoY			
Direct premium	33,574	32,807	33,322	2.3%	0.8%	99,790	81,016	23.2%
<b>Retained premium</b>	<b>32,975</b>	<b>32,309</b>	<b>32,704</b>	<b>2.1%</b>	<b>0.8%</b>	<b>98,224</b>	<b>79,879</b>	<b>23.0%</b>
Variation in technical reserves	-20,147	-13,186	-11,759	52.8%	71.3%	-51,990	-39,365	32.1%
Claims paid	-17,199	-14,640	-12,857	17.5%	33.8%	-42,947	-30,841	39.3%
Pensions paid	-449	-674	-749	-33.4%	-40.1%	-1,694	-1,981	-14.5%
Underwriting expenses	-2,494	-2,736	-2,619	-8.8%	-4.8%	-7,743	-7,167	8.0%
Medical expenses	-14	-18	-25	-	-	-44	-59	-
Insurance impairment	0	0	71	-	-	0	17	-
<b>Contribution margin</b>	<b>-7,329</b>	<b>1,054</b>	<b>4,766</b>	-	-	<b>-6,195</b>	<b>483</b>	-
Claims rate (1)	52.6%	46.7%	40.8%	588 p	1173 p	44.7%	40.5%	48 p
Underwriting expense rate (2)	7.4%	8.3%	7.9%	-91 p	-43 p	7.8%	8.8%	-161 p

(1) Claims paid / Direct premium

(2) Underwriting expenses / Direct premium

During 3Q16, the contribution margin reached -CH\$ 7,329 million, -CH\$ 6,679 million from 2Q16. The total variation in technical reserves was CH\$ 20,147 million for 3Q16 (+52.8% QoQ), attributable to the strong performance of the CUI and APV investment portfolios. Claims paid totaled CH\$ 17,199 million (+17.5% QoQ), explained by increased surrenders and transfers from CUI and APV funds.

## ○ Family Protection

Family Protection			% Chg		9M16	9M15	%Chg	
In MCH\$	3Q16	2Q16	3Q15	QoQ				YoY
Direct premium	1,691	1,838	1,684	-8.0%	0.4%	5,075	4,855	4.5%
<b>Retained premium</b>	<b>1,691</b>	<b>1,838</b>	<b>1,684</b>	<b>-8.0%</b>	<b>0.4%</b>	<b>5,075</b>	<b>4,855</b>	<b>4.5%</b>
Variation in technical reserves	-25	13	-25	-	-	-25	48	-
Claims paid	-417	-396	-476	5.4%	-12.3%	-1,228	-1,222	0.4%
Pensions paid	0	0	0	-	-	0	0	-
Underwriting expenses	-570	-533	-563	6.9%	1.1%	-1,630	-1,502	8.6%
Medical expenses	0	2	2	-	-	0	-2	-
Insurance impairment	0	0	0	-	-	0	0	-
<b>Contribution margin</b>	<b>679</b>	<b>924</b>	<b>622</b>	<b>-26.6%</b>	<b>9.1%</b>	<b>2,192</b>	<b>2,177</b>	<b>0.7%</b>
Claims rate (1)	24.7%	21.5%	28.2%	315 p	-356 p	24.2%	25.2%	-98 p
Underwriting expense rate (2)	33.7%	29.0%	33.4%	470 p	25 p	32.1%	30.9%	119 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 September 2016, direct premiums from family protection insurance represented 2.1% of Vida Security's total direct premiums.

As of September 2016, the contribution margin for these policies totaled CH\$ 2,192 million, similar to the prior year, with direct premiums of CH\$ 5,075 million, +CH\$ 220 million or +4.5% YoY, with underwriting expenses of CH\$ 1,630 million (+8.6% YoY).

The contribution margin for 3Q16 reached CH\$ 679 million, -CH\$ 245 million or -26.6% QoQ, with direct premiums of CH\$ 1,691 million, -CH\$ 147 million or 8.0% QoQ.

## ○ Group Insurance

Group Insurance			% Chg		9M16	9M15	%Chg	
In MCH\$	3Q16	2Q16	3Q15	QoQ				YoY
Direct premium	18,015	18,360	15,651	-1.9%	15.1%	52,402	44,766	17.1%
<b>Retained premium</b>	<b>17,099</b>	<b>17,816</b>	<b>15,412</b>	<b>-4.0%</b>	<b>10.9%</b>	<b>50,438</b>	<b>43,484</b>	<b>16.0%</b>
Variation in technical reserves	1,220	-1,686	669	-172.4%	82.4%	-993	641	-
Claims paid	-12,233	-12,743	-12,047	-4.0%	1.5%	-34,973	-31,356	11.5%
Pensions paid	0	0	0	-	-	0	0	-
Underwriting expenses	-1,064	-1,060	-1,079	0.4%	-1.4%	-3,021	-3,047	-0.9%
Medical expenses	-1	-3	-1	-	-	-7	-5	-
Insurance impairment	-161	76	-4	-311.2%	4122.3%	-261	429	-160.8%
<b>Contribution margin</b>	<b>4,859</b>	<b>2,400</b>	<b>2,949</b>	<b>102.5%</b>	<b>64.8%</b>	<b>11,184</b>	<b>10,146</b>	<b>10.2%</b>
Claims rate (1)	67.9%	69.4%	77.0%	-150 p	-907 p	66.7%	70.0%	-330 p
Underwriting expense rate (2)	5.9%	5.8%	6.9%	14 p	-99 p	5.8%	6.8%	-104 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 September 2016, direct premiums from group insurance represented 22.2% of Vida Security's total direct premiums.

The contribution margin for 9M16 totaled CH\$ 11,184 million, +CH\$ 1,038 million or +10.2% YoY, thanks to growth in direct premiums, which totaled CH\$ 52,402 million, +CH\$ 7,636 million (+17.1% YoY), because of increased sales of health insurance.

Claims paid totaled CH\$ 34,973 million for 9M16 (+11.5% YoY). The total variation in technical reserves was CH\$ 993 million

for the period ended September 2016, a decrease of CH\$ 1,634 million over September 2015.

For 3Q16, a contribution margin of CH\$ 4,859 million was recorded, +CH\$ 2,459 million or +102.5% QoQ. In 3Q16 direct premiums from group insurance reached CH\$ 18,015 million, -CH\$ 345 million or -1.9% QoQ. Claims paid totaled CH\$ 12,233 million for 3Q16 (-4.0% QoQ). The total variation in technical reserves for 3Q16 freed CH\$ 1,220 million in reserves mainly from the credit life business.

## ○ Annuities

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 and survivor pensions for their legal beneficiaries. Based on figure 601 in the financial statements of Vida Security, it includes product lines 421, 422 and 423<sup>6</sup>. As of September 2016, direct premiums from annuities represented 16.8% 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.

Annuities In MCH\$	3Q16	2Q16	3Q15	% Chg		9M16	9M15	%Chg
				QoQ	YoY			
Direct premium	12,892	13,188	21,823	-2.2%	-40.9%	39,687	50,409	-21.3%
<b>Retained premium</b>	<b>12,892</b>	<b>13,188</b>	<b>21,823</b>	-2.2%	-40.9%	<b>39,687</b>	<b>50,409</b>	<b>-21.3%</b>
Variation in technical reserves	0	0	0	-	-	0	0	-
Claims paid	0	0	0	-	-	0	0	-
Pensions paid	-28,431	-28,551	-35,960	-0.4%	-20.9%	-84,269	-93,488	-9.9%
Underwriting expenses	-161	-136	-264	18.9%	-38.8%	-454	-619	-26.7%
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	0	0	0	-	-	0	0	-
<b>Contribution margin</b>	<b>-15,700</b>	<b>-15,499</b>	<b>-14,401</b>	1.3%	9.0%	<b>-45,036</b>	<b>-43,698</b>	<b>3.1%</b>
Underwriting expense rate (1)	1.3%	1.0%	1.2%	22 p	4 p	1.1%	1.2%	-8 p

(1) Underwriting expenses / Direct premium

For 9M16, the contribution margin for annuities reached -CH\$ 45,036 million (+3.1 YoY). For the same period, total direct premiums reached CH\$ 39,687 million, -CH\$ 10,722 million or -21.3% YoY. This is equivalent to UF 1.51 million as of September 2016. It is important to note that there was a high basis of comparison in 2015 when sales of the company's annuities were boosted by a change in regulations<sup>7</sup> that reduced the accounting loss that had to be recognized upon sale. Pensions paid totaled CH\$ 84,269 million for the period ended September 2016, CH\$ 9,219 million less than September 2015 as a result of decreased annuity sales.

For 3Q16, the contribution margin totaled CH\$ 15,700 million (+1.3% QoQ). Total direct premiums reached CH\$ 12,892 million for the period, -CH\$ 296 million or -2.2% QoQ, while pensions paid totaled CH\$ 28,431 million (-0.4% QoQ).

## ○ Disability and Survivor Insurance (SIS)

<sup>6</sup> 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 September 2016, this line accounts for only CH\$ 851 million in pensions paid by Vida Security.

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

<b>Disability and Survivor Insurance</b>									
<i>In MCH\$</i>	3Q16	2Q16	3Q15	% Chg		9M16	9M15	%Chg	
				QoQ	YoY				
Direct premium	39,341	68	90	-	-	39,454	344	-	-
<b>Retained premium</b>	<b>23,997</b>	<b>68</b>	<b>110</b>	-	-	<b>24,110</b>	<b>342</b>	-	-
Variation in technical reserves	306	317	-255	-	-	795	-68	-	-
Claims paid	-21,384	2,544	3,228	-	-	-17,211	7,890	-	-
Pensions paid	-5,463	-2,549	-1,700	-	-	-10,201	-5,774	-	-
Underwriting expenses	0	0	0	-	-	0	0	-	-
Medical expenses	0	0	0	-	-	0	0	-	-
Insurance impairment	0	0	0	-	-	0	0	-	-
<b>Contribution margin</b>	<b>-2,543</b>	<b>380</b>	<b>1,382</b>	-	-	<b>-2,508</b>	<b>2,390</b>	-	-
<b>Underwriting expense rate (1)</b>	<b>68.2%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69.5%</b>	<b>-</b>	<b>-</b>	<b>-</b>

(1) Underwriting expenses / Direct premium

Disability and survivor insurance is mandatory for all individuals with pension accounts at Pension Fund Management Companies (AFPs) and is directly contracted collectively by the AFPs for these individuals through public bidding processes every two years. It is financed by employers throughout a member's active work life with a fraction of the additional amount charged by the AFP<sup>8</sup>. 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 of September 2016, direct premiums from SIS insurance represented 16.7% of Vida Security's total direct premiums.

In the fifth SIS bidding process organized by the AFPs, Vida Security was awarded two fractions for men and two for women for the period from July 2016 to June 2018. As a result, for 9M16 the SIS product line reported a contribution margin of -CH\$ 2,508 million with CH\$ 39,454 million in total direct premiums, CH\$ 17,211 million in claims paid and CH\$ 10,201 million in pensions paid.

For 3Q16, it reported a contribution margin of -CH\$ 2,543 million with CH\$ 39,341 million in total direct premiums, CH\$ 21,384 million in claims paid and CH\$ 5,463 million in pensions paid.

### **Administrative Expenses - Vida Security**

<i>In MCH\$</i>	3Q16	2Q16	3Q15	% Chg		9M16	9M15	%Chg	
				QoQ	YoY				
Payroll	-2,989	-3,009	-2,786	-0.7%	7.3%	-8,825	-8,186	7.8%	
Distribution channel expenses	-1,676	-1,119	-2,499	49.8%	-32.9%	-4,071	-6,457	-37.0%	
Other	-4,128	-4,814	-2,289	-14.2%	80.3%	-12,111	-8,693	39.3%	
<b>Total administrative expenses</b>	<b>-8,794</b>	<b>-8,942</b>	<b>-7,575</b>	<b>-1.7%</b>	<b>16.1%</b>	<b>-25,008</b>	<b>-23,336</b>	<b>7.2%</b>	

For 9M16, Vida Security reported administrative expenses of CH\$ 25,008 million (+7.2% YoY). For the period, distribution channel expenses totaled CH\$ 4,071 million (-37.0% YoY), thanks to synergies harnessed from the Cruz del Sur merger in 2015. Other administrative expenses totaled CH\$ 12,111 million (+39.3% YoY), in part related to collection expenses. Payroll expenses totaled CH\$ 8,825 million (+7.8% YoY).

In 3Q16, administrative expenses totaled CH\$ 8,794 million (-1.7% QoQ) because of other administrative expenses of CH\$ 4,128 million (-14.2% QoQ) related in part to collection expenses. Distribution channel expenses totaled CH\$ 1,676 million (+49.8% QoQ).

<sup>8</sup> <http://www.spensiones.cl/portal/orientacion/580/w3-article-3024.html>

## Investment Income - Vida Security

The subsidiary posted investment income of CH\$ 86,074 million for 9M16, +CH\$ 16,776 million or +24.2% YoY, due to the strong performance of the CUI and APV investment portfolio, which has grown 23.1% YoY to CH\$ 386,961 million, thanks to increased sales. It is important to note that improved investment income from individual insurance with savings components requires increased technical reserves, which partially offsets the positive effect of the net gain.

Investment income from equities and indexes totaled CH\$ 11,171 million for the period ended September 2016, +CH\$ 11,431 million YoY, where weak conditions in developed markets during 3Q15 left a low basis of comparison for that period (9M15 returns: S&P 500 -6.7%; MSCI Europe -7.3% YTD, MSCI Japan -1.3%).

The subsidiary recorded a loss on "other investments" of -CH\$ 1,349 million as of September 2016, versus a profit of CH\$ 7,465 million for 9M15, mainly because of poorly performing foreign currency derivatives, affected by the appreciation of CH\$ 51.08 in the exchange rate during 9M16.

For 3Q16, investment income totaled CH\$ 39,116 million, +CH\$ 14,826 million or +61.0% QoQ. Investment income from equities and indexes totaled CH\$ 8,101 million for the third quarter of 2016, +CH\$ 7,261 million QoQ, thanks to a recovery in international markets during the period (3Q16 returns: S&P 500 +2.7%; MSCI Europe +5.0% YTD, MSCI Japan +7.7%). Investment income from fixed income instruments totaled CH\$ 25,029 million for 3Q16, +CH\$ 5,334 million or +27.1% QoQ. It recorded a gain on other investments of CH\$ 2,320 million for 3Q16, which is greater than the CH\$ 587 million in 2Q16, thanks to reduced exposure to foreign currency derivatives.

In MCH\$	3Q16	2Q16	3Q15	% Chg		% of Portfolio 3Q16
				QoQ	YoY	
Fixed income	1,601,117	1,593,164	1,500,884	0.5%	6.7%	72.0%
Equities and indexes	350,646	316,400	325,177	10.8%	7.8%	15.8%
Real estate	232,824	234,903	243,805	-0.9%	-4.5%	10.5%
Other investments	39,129	33,830	40,205	15.7%	-2.7%	1.8%
<b>Investment portfolio</b>	<b>2,223,716</b>	<b>2,178,297</b>	<b>2,110,071</b>	<b>2.1%</b>	<b>5.4%</b>	

In MCH\$	3Q16	2Q16	3Q15	% Chg		9M16	9M15	% Chg
				QoQ	YoY			
Fixed income	25,029	19,695	17,503	27.1%	43.0%	65,782	52,329	25.7%
Equities and indexes	8,101	840	-10,503	-	-	11,171	-260	-
Real estate	3,666	3,169	2,873	15.7%	27.6%	10,470	9,764	7.2%
Other investments	2,320	587	1,162	-	99.6%	-1,349	7,465	-118.1%
<b>Investment income</b>	<b>39,116</b>	<b>24,290</b>	<b>11,035</b>	<b>61.0%</b>	<b>254.5%</b>	<b>86,074</b>	<b>69,298</b>	<b>24.2%</b>

## Exchange Differences and Gain (Loss) from Indexation Adjustments

During 9M16, exchange differences totaled -CH\$ 2,137 million as a result of the drop of CH\$ 51.08 in the exchange rate during the period. For 9M16 the company posted a loss from indexed units of -CH\$ 2,368 million, due to a larger number of indexed liabilities than indexed assets.

## **ASSET MANAGEMENT BUSINESS AREA** (2.1% of assets; 6.6% of profit from business areas as of September 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>	3Q16	2Q16	3Q15	% Chg		9M16	9M15	% Chg
				QoQ	YoY			
Assets under management (AUM)	4,161,898	4,218,696	3,136,721	-1.3%	32.7%	4,161,898	3,136,721	32.7%
Mutual funds under management	1,929,972	1,935,670	1,755,955	-0.3%	9.9%	1,929,972	1,755,955	9.9%
<i>Market share - mutual funds</i>	6.0%	6.2%	5.8%	-23 p	21 p	6.0%	5.8%	21 p
Value of shares traded	642,162	469,675	354,120	36.7%	81.3%	1,429,364	1,047,146	36.5%
<i>Market share - equities</i>	5.5%	5.6%	4.9%	-19 p	60 p	5.1%	4.1%	102 p
Operating income	9,484	8,959	8,497	5.9%	11.6%	26,872	24,062	11.7%
Non-operating income	1,035	1,326	946	-22.0%	9.5%	3,414	4,961	-31.2%
Total expenses	-7,687	-8,583	-6,569	-10.4%	17.0%	-23,393	-18,614	25.7%
Efficiency ratio	73.1%	83.4%	69.6%	-12.4%	5.0%	77.2%	64.1%	20.4%
Fund management	1,910	1,492	2,323	28.0%	-17.8%	5,183	6,574	-21.2%
Equity, currency and fixed income brokerage*	584	-56	257	-	127.7%	732	2,114	-65.4%
Advisory, portfolio mgt and int'l business	-250	-158	18	-	-	-427	91	-
Securitization	-97	-117	-105	-	-	-333	-268	-
<b>Profit - Asset Management</b>	<b>2,161</b>	<b>1,161</b>	<b>2,492</b>	<b>86.1%</b>	<b>-13.3%</b>	<b>5,170</b>	<b>8,510</b>	<b>-39.3%</b>

The subsidiary's AUM as of September 2016 totaled CH\$ 4,161,898 million, +32.7% YoY and -1.3% QoQ. The YoY rise is due mainly to the merger with Penta and fund distribution. Mutual funds under management totaled CH\$ 1,929 billion, +9.9% YoY and -0.3% QoQ, with a market share of 6.0%. The area reported total value of shares traded of CH\$ 1,429 billion for 9M16, with market share of 5.1%.

For 9M16, the asset management area reported profit of CH\$ 5,170 million, -CH\$ 3,340 million or -39.3% YoY. Operating income totaled CH\$ 26,872 million, +CH\$ 2,810 million or +11.7% YoY, due to increased activity across all businesses lines (equities, fixed income, portfolio management, foreign exchange, etc.), and income from managing mutual funds below 2015 figures, posting a greater volume of funds managed with smaller average fees, and increased income from fund distribution.

Non-operating income totaled CH\$ 3,414 million, -CH\$ 1,447 million or -31.2% YoY, due to the absence of the extraordinary sale of a share of Santiago Exchange for CH\$ 2,200 million to Bovespa in May 2015, despite an improved result on its own position in fixed income instruments. For 9M16, the area posted total expenses of CH\$ 23,393 million, +25.7% YoY, because of increased commercial activity and expenses to merge Banco Penta's asset management business.

For 3Q16, it reported quarterly profit of CH\$ 2,161 million, +CH\$ 1,000 million or +86.1% QoQ. Operating income for 3Q16 totaled CH\$ 9,484 million, +CH\$ 525 million or +5.9% QoQ, due to increased income from fund distribution. Non-operating income totaled CH\$ 1,035 million, -CH\$ 1,547 million or -22.0% QoQ, due to decreased income from proprietary trading and a high basis of comparison because of dividend payments received from the Santiago Stock Exchange in 2Q16. The area posted expenses for 3Q16 of CH\$ 7,867 million (-10.4% QoQ), because of a high basis of comparison in 2Q16 with expenses for the merger with Penta.

**OTHER SERVICES BUSINESS AREA** (1.4% of assets; 3.3% of profit from business areas as of September 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\$ 6 million for 9M16 (-99.8% YoY) and a loss of -CH\$ 512 million for 3Q16, -CH\$ 636 million 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 29 units in 9M16 versus 106 units in 9M15. In quarterly terms, ownership was transferred on 3 units, which is less than the 11 units in 2Q16. Inmobiliaria Security signed purchase promise agreements for apartments totaling UF 781 thousand in 9M16 (+UF 87 thousand and +12.5% YoY) and UF 479 thousand in 3Q16 (+UF 257 thousand and +116.0% QoQ).

Real estate assets under management totaled CH\$ 68,943 million, +87.1% YoY and +13.2% QoQ. The increase is due mainly to the purchase of new lots and capitalization of projects under development.

<i>In MCH\$</i>	3Q16	2Q16	3Q15	% Chg		9M16	9M15	% Chg
				QoQ	YoY			
Real estate assets under management	68,943	60,920	36,857	13.2%	87.1%	68,943	36,857	87.1%
Total income	-1	478	-121	-	-	1,292	3,674	-64.8%
Total expenses	-529	-427	-423	23.8%	25.1%	-1,412	-1,082	30.5%
Profit before tax	-530	51	-544	-	-2.6%	-121	2,592	-
<b>Profit for the period</b>	<b>-512</b>	<b>125</b>	<b>-501</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>2,627</b>	<b>-99.8%</b>

**CORPORATE TRAVEL AGENCY: TRAVEL SECURITY**

Travel Security posted profit of CH\$ 3,097 million for the period ended September 2016, -CH\$ 96 million and -3.0% YoY. During 9M16, income was driven by the increase in the average exchange rate, which reached CH\$ 659.08 as of September 2016, (-CH\$ 51.08 YoY and -CH\$ 2.41 QoQ), as well as an increase in fees paid by airlines to boost demand. However, this was offset by falling sales, which totaled US\$ 182 million for 9M16, -US\$ 14 million or -7.1% YoY, in line with the industry measured through the BSP<sup>9</sup> (-14% YoY), impacted by the sluggish economic context. For 3Q16, it reported quarterly profit of CH\$ 1,046 million, -CH\$ 17 million or -1.6% QoQ. The subsidiary reported total sales of US\$ 64 million (+1.0% QoQ).

Travex Security, Travel Security's Peruvian travel agency subsidiary, recorded profit of CH\$ 216 million for 9M16 (-63.7% YoY) and CH\$ 93 million for 3Q16 (+68.1% QoQ).

	3Q16	2Q16	3Q15	% Chg		9M16	9M15	% Chg
				QoQ	YoY			
Total sales - Travel (MUSD)	64	63	63	1.0%	1.2%	182	196	-7.1%
Total sales - Travex (MUSD)	15	14	16	2.7%	-6.3%	42	51	-17.5%
Net operating income (MCH\$)	1,340	1,510	1,402	-11.3%	-4.4%	4,242	4,092	3.7%
<b>Profit for the period - Travel (MCH\$)</b>	<b>1,046</b>	<b>1,063</b>	<b>1,164</b>	<b>-1.6%</b>	<b>-10.1%</b>	<b>3,097</b>	<b>3,193</b>	<b>-3.0%</b>

<sup>9</sup> Billing and Settlement Plan is a system that centralizes airfare payments from travel agencies to airlines.

## 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		

## 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

In an extraordinary meeting on October 14, 2016, the Board of Directors of Grupo Security agreed to pay a total dividend of CH\$ 4.25 per share. This will be distributed as an interim dividend of CH\$ 2.0 per share and an additional dividend of CH\$ 2.25 per share.

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 Hernán De Las Heras, Jorge Marín, Naoshi Matsumoto, Horacio Pavez, Juan Cristóbal Pavez, Bruno Philippi, Ana Sainz de Vicuña, Francisco Silva 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 nine months of 2016, Grupo Security's stock reported a return of +20.0%, outperforming the IPSA (+13.2%) and the banking sector index (+9.1%).

### 3Q16 EARNINGS CONFERENCE CALL

Grupo Security's third quarter earnings report will be explained in a conference call led by Mr. Renato Peñafiel, the company's CEO, on November 24, 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](mailto: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	September 30,	September 30,
In MCH\$	2015	2016
<b>Current assets</b>		
Cash and cash equivalents	499,309	564,647
Other financial assets, current	2,718,357	2,838,816
Other non-financial assets, current	16,861	18,209
Trade and other receivables, current	4,321,283	4,741,562
Accounts receivable from related parties, current	53,237	38,356
Inventories	36,836	69,422
Biological assets, current	0	0
Current tax assets	20,926	23,227
<b>Total current assets other than assets or disposal groups classified as held for sale or held for distribution to owners</b>	<b>7,666,808</b>	<b>8,294,239</b>
Non-current assets or disposal groups classified as held for sale or held for distribution to owners	1,749	2,620
<b>Total non-current assets classified as held for sale or held for distribution to owners</b>	<b>1,749</b>	<b>2,620</b>
<b>Total current assets</b>	<b>7,668,557</b>	<b>8,296,859</b>
<b>Non-current assets</b>		
Other non-financial assets, non-current	58,119	81,214
Equity-accounted investments	12,760	810
Intangible assets other than goodwill	60,765	51,356
Goodwill	114,746	119,393
Property, plant and equipment	93,043	73,995
Investment property	120,738	143,789
Deferred tax assets	114,613	126,030
<b>Total non-current assets</b>	<b>574,785</b>	<b>596,587</b>
<b>Total assets</b>	<b>8,243,342</b>	<b>8,893,445</b>

## 2. Financial Statements and Indicators - Liabilities and Equity

<b>LIABILITIES AND EQUITY</b>	<b>September 30,</b>	<b>September 30,</b>
In MCH\$	<b>2015</b>	<b>2016</b>
Other financial liabilities, current	4,793,072	5,079,519
Trade and other payables, current	2,072,474	2,247,940
Accounts payable to related parties, current	2,717	0
Other short-term provisions	96,626	109,765
Current tax liabilities	21,268	23,596
Provisions for employee benefits, current	6,410	7,645
Other non-financial liabilities, current	122,090	133,480
<b>Total current liabilities not held for sale or for distribution to the owners</b>	<b>7,114,658</b>	<b>7,601,945</b>
Liabilities held for sale	0	0
<b>Total current liabilities</b>	<b>7,114,658</b>	<b>7,601,945</b>
<b>Non-current liabilities</b>		
Other financial liabilities, non-current	435,854	517,467
Accounts payable, non-current	60,628	89,453
Accounts payable to related parties, non-current	0	964
Deferred tax liabilities	71,909	73,857
<b>Total non-current liabilities</b>	<b>568,391</b>	<b>681,742</b>
<b>Total liabilities</b>	<b>7,683,049</b>	<b>8,283,687</b>
<b>Equity</b>		
Issued capital	302,406	302,406
Retained earnings	239,856	276,970
Share premium	33,219	33,210
Other reserves	(31,053)	(23,386)
<b>Equity attributable to equity holders of parent</b>	<b>544,427</b>	<b>589,200</b>
Non-controlling interests	15,865	20,558
<b>Total equity</b>	<b>560,293</b>	<b>609,758</b>
<b>Total liabilities and equity</b>	<b>8,243,342</b>	<b>8,893,445</b>

### 3. Financial Statements and Indicators - Consolidated Statement of Income

Consolidated Statement of Income (MCH\$)	Sep-15	Sep-16
Revenue	613,502	741,265
Cost of sales	(419,034)	(494,512)
<b>Gross profit</b>	<b>194,468</b>	<b>246,752</b>
Other income	1,487	1,910
Distribution costs	0	0
Administrative expenses	-130,119	-154,904
Other expenses	(6,012)	(20,737)
Other gains	4,304	2,213
Finance income	-	-
Finance costs	(9,751)	(10,043)
Share of profit of associates and joint ventures, equity-accounted	616	19,321
Exchange differences	20,535	-17,468
Gain (loss) on indexed assets and liabilities	-11,172	6,450
Gains arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	3,322	1,194
<b>Profit before tax</b>	<b>67,677</b>	<b>74,687</b>
Income tax expense	(14,883)	(14,662)
<b>Profit from continuing operations</b>	<b>52,794</b>	<b>60,026</b>
Profit from discontinued operations	0	0
<b>Profit for the period</b>	<b>52,794</b>	<b>60,026</b>
<b>Profit attributable to</b>		
Profit attributable to equity holders of the parent	51,253	59,373
Profit attributable to non-controlling interests	1,541	652
<b>Profit for the period</b>	<b>52,794</b>	<b>60,026</b>
Depreciation and amortization	7,109	9,990
<b>Ebitda</b>	<b>84,537</b>	<b>94,720</b>

#### 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	
	Sep-15	Sep-16	Sep-15	Sep-16	Sep-15	Sep-16	Sep-15	Sep-16	Sep-15	Sep-16	Sep-15	Sep-16
	Revenue	274,502	329,557	35,085	37,748	264,892	355,574	44,195	24,366	-5,173	-5,979	613,502
Cost of sales	-171,376	-175,918	-9,207	-9,710	-213,736	-299,819	-23,684	-8,545	-1,031	-521	-419,034	-494,512
Gross profit	103,126	153,639	25,878	28,038	51,157	55,755	20,511	15,821	-6,204	-6,500	194,468	246,752
Other income	33	23	241	302	711	612	300	577	202	396	1,487	1,910
Administrative expenses	-69,682	-81,706	-15,948	-21,385	-30,425	-38,312	-12,179	-12,137	-1,885	-1,364	-130,119	-154,904
Other expenses	-3,572	-19,362	-1,056	-872	-164	-179	-173	-325	-1,047	0	-6,012	-20,737
Other gains	0	0	334	288	2,828	319	585	699	557	907	4,304	2,213
Finance income	0	0	0	0	9	0	0	0	-9	0	0	0
Finance costs	0	0	-9	-3	-287	-309	-1,117	-817	-8,339	-8,915	-9,751	-10,043
Share of profit (loss) of associates and joint ventures, equity-accounted	0	0	14	17	73	19,108	-6	-10	535	207	616	19,321
Exchange differences	16,226	-5,491	402	-513	3,647	-11,501	605	296	-345	-260	20,535	-17,468
Gain (loss) from indexed assets and liabilities	23	22	12	10	-6,392	10,304	-14	110	-4,801	-3,996	-11,172	6,450
Gains arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	3,113	887	209	307	0	0	0	0	0	0	3,322	1,194
<b>Profit (loss) before tax</b>	49,267	48,013	10,077	6,190	21,155	35,798	8,513	4,212	-21,334	-19,525	67,677	74,687
Income tax benefit (expense)	-9,095	-8,658	-1,548	-1,004	-3,795	-5,171	-2,050	-1,019	1,605	1,189	-14,883	-14,662
<b>Profit (loss) from continuing operations</b>	40,172	39,355	8,529	5,186	17,360	30,627	6,463	3,193	-19,729	-18,336	52,794	60,026
<b>Profit (loss) attributable to</b>												
Profit (loss) attributable to equity holders of parent	40,172	39,355	8,511	5,170	17,234	30,944	5,434	2,578	-19,729	-18,336	51,253	59,373
Profit (loss) attributable to non-controlling interests	0	0	18	16	126	-318	1,028	616	368	338	1,541	652
<b>Profit (loss) for the period</b>	40,172	39,355	8,529	5,186	17,360	30,627	6,463	3,193	-19,729	-18,336	52,794	60,026

## 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	
	2Q-16	3Q-16	2Q-16	3Q-16	2Q-16	3Q-16	2Q-16	3Q-16	2Q-16	3Q-16	2Q-16	3Q-16
Revenue	109,565	109,777	12,821	12,692	103,816	156,495	9,185	6,474	-2,595	-1,261	232,791	284,177
Cost of sales	-60,521	-59,470	-3,414	-2,886	-86,152	-133,222	-3,764	-1,811	-121	-188	-153,970	-197,577
Gross profit	49,044	50,307	9,407	9,806	17,664	23,273	5,422	4,663	-2,716	-1,449	78,821	86,599
Other income	15	2	196	95	434	136	265	206	132	185	1,043	625
Administrative expenses	-25,329	-28,478	-7,644	-7,157	-14,343	-13,282	-4,160	-4,179	8	-1,004	-51,468	-54,100
Other expenses	-11,005	-7,707	-453	-209	-53	-61	-23	-216	0	0	-11,533	-8,193
Other gains	0	0	92	99	253	33	170	390	146	493	660	1,014
Finance income	0	0	0	0	-4	0	0	0	0	0	-4	0
Finance costs	0	0	-1	-1	-192	-89	-285	-255	-2,636	-3,369	-3,114	-3,714
Share of profit (loss) of associates and joint ventures, equity-accounted	0	0	0	17	310	35	-4	-3	214	-6	520	42
Exchange differences	3,448	-1,309	-229	-47	-2,903	-1,818	90	269	-106	-75	300	-2,981
Gain (loss) from indexed assets and liabilities	-5	8	4	3	2,370	1,522	83	-74	-1,617	-1,147	836	312
Gains arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	-102	104	-4	23	0	0	0	0	0	0	-106	128
<b>Profit (loss) before tax</b>	16,067	12,927	1,368	2,627	3,536	9,748	1,558	801	-6,575	-6,371	15,955	19,732
Income tax benefit (expense)	-2,186	-2,609	-201	-461	412	-2,417	-362	-232	1,187	-62	-1,150	-5,781
Profit (loss) from continuing operations	13,882	10,317	1,167	2,166	3,948	7,331	1,195	569	-5,388	-6,433	14,805	13,950
<b>Profit (loss) attributable to</b>	0	0	0	0	0	0	0	0	0	0	0	0
Profit (loss) attributable to equity holders of parent	13,882	10,317	1,161	2,161	4,011	7,714	1,007	356	-5,388	-6,433	14,527	13,957
Profit (loss) attributable to non-controlling interests	0	0	6	5	-64	-383	188	212	147	158	277	-7
Profit (loss) for the period	13,882	10,317	1,167	2,166	3,948	7,331	1,195	569	-5,388	-6,433	14,805	13,950

## 6. Grupo Security Consolidated Statement of Cash Flows

Statement of Cash Flows	Sep-15	Sep-16
<b>For the periods ended September 30, 2015 and 2016</b>	<b>MCH\$</b>	<b>MCH\$</b>
Net cash flows provided by operating activities	244,641	14,009
Net cash flows used in investing activities	(25,298)	(30,588)
Net cash flows used in financing activities	(110,739)	(45,347)
<b>Increase (decrease) in cash and cash equivalents before effect of exchange rate changes</b>	<b>108,604</b>	<b>(61,926)</b>
Effect of changes in exchange rates on cash and cash equivalents	(13)	(184)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>108,591</b>	<b>(62,111)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>390,718</b>	<b>626,758</b>
<b>Cash and cash equivalents at end of period</b>	<b>499,309</b>	<b>564,647</b>

## 7. Quarterly Statement of Income

Quarterly Earnings		3Q16	2Q16	1Q16	4Q15	3Q15	2Q15
Revenue	MCH\$	284,177	232,791	224,297	235,131	203,979	236,783
Cost of sales	MCH\$	(197,577)	(153,970)	(142,964)	(166,457)	(156,995)	(155,464)
Gross profit	MCH\$	86,599	78,821	81,332	68,674	46,985	81,319
Administrative expenses	MCH\$	(54,100)	(51,468)	(49,336)	(49,215)	(42,522)	(43,634)
Operating income	MCH\$	25,945	17,523	31,766	16,491	3,345	39,070
Finance costs	MCH\$	(3,714)	(3,114)	(3,215)	(3,388)	(2,994)	(3,426)
Profit before tax	MCH\$	19,732	15,955	39,001	12,263	9,598	33,387
Profit attributable to equity holders of parent	MCH\$	13,957	14,527	30,889	13,769	6,728	26,210
EBITDA <sup>6</sup>	MCH\$	27,637	22,035	45,048	18,206	15,490	38,192

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

## 8. Financial and Business Indicators

Financial Indicators	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Financial Expense Coverage (times)	9.59 x	7.94 x	7.08 x	13.13 x	9.68 x	8.44 x
Debt / Equity (1)	0.35	0.36	0.35	0.35	0.34	0.34
Number of Shares (in millions)	3,243	3,258	3,258	3,258	3,258	3,258.36
LTM Earnings per Share (Ch\$)	21.09	19.16	19.96	23.81	20.23	22.45
Return on Equity (2)	13.0%	11.7%	12.1%	14.0%	11.8%	12.9%

(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 to the Group's financial statements.

## 9. Financial Indicators

Liquidity Ratios		30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15
Liquidity Ratios (Total current assets / Total current liabilities)	times	1.09	1.08	1.09	1.06	1.08
Acid ratio (Cash and cash equivalents / Total current liabilities)	times	0.07	0.07	0.07	0.08	0.07
Activity levels		30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15
Total assets	MCH\$	8,893,445	8,616,435	8,578,056	8,608,450	8,243,342
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-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15
Individual leverage ratio <sup>1</sup>	times	0.34	0.34	0.35	0.35	0.36
Current liabilities / Total liabilities	times	0.92	0.92	0.92	0.94	0.93
Non-current liabilities / Total liabilities	times	0.08	0.08	0.08	0.06	0.07
Consolidated financial expenses coverage <sup>8</sup>	times	8.44	9.68	13.13	7.08	7.94
Results		30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15
Revenue	MCH\$	741,265	457,088	224,297	848,633	613,502
Cost of sales	MCH\$	(494,512)	(296,935)	(142,964)	(585,492)	(419,034)
Gross profit	MCH\$	246,752	160,153	81,332	263,141	194,468
Administrative expenses	MCH\$	(154,904)	(100,804)	(49,336)	(179,333)	(130,119)
Net operating income	MCH\$	75,234	49,289	31,766	80,617	64,127
Finance costs	MCH\$	(10,043)	(6,329)	(3,215)	(13,139)	(9,751)
Profit before tax	MCH\$	74,687	54,956	39,001	79,940	67,677
Profit attributable to equity holders of the company	MCH\$	59,373	45,416	30,889	65,022	51,253
EBITDA <sup>6</sup>	MCH\$	94,720	67,083	45,048	102,743	84,537
Profitability		30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15
Return on equity <sup>2</sup>	%	12.90%	11.76%	13.95%	12.10%	11.70%
Return on assets <sup>3</sup>	%	0.85%	0.80%	0.95%	0.80%	0.78%
Return on operating assets <sup>4/7</sup>	%	1.15%	0.90%	1.19%	0.68%	0.22%
Earnings per share <sup>5</sup>	CH\$	22.45	20.23	23.81	19.96	19.16

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

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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 September 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\$ 148,769,374 million (CH\$ 137,778,712 excluding foreign subsidiaries). Equity totaled CH\$ 17,623,326 million while profit for the first nine months of 2016 was CH\$ 1,585,415 million, with return on average equity of 12.85%. The industry reported an efficiency ratio of 49.28%, measured as operating expenses over gross operating profit, and 2.12%, measured as operating expenses over total assets. The banking system posted a risk ratio of 2.50%, measured as loan loss provisions to total loans, and 1.83%, measured as 90-day nonperforming loans to total loans. As of September 2016, Banco Security had total loans of CH\$ 4,298,132 million, positioning it 8th in total loans with 2.9% of the Chilean market (3.1% excluding foreign subsidiaries).

### **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 September 2016 reached CH\$ 1,745,772 million, down 16.9% from the same month in 2015. As of September 2016, Factoring Security had total factored receivables of CH\$ 251,308 million, equivalent to a market share of 14.4%.

### **MUTUAL FUND INDUSTRY**

As of September 2016, the mutual fund industry reported average assets under management of CH\$ 32,264 billion and 2,150,113 investors. Administradora General de Fondos Security boasted average assets under management of CH\$ 1,929,972 million as of September 2016, giving it a market share of 6.0% and a fifth place industry ranking among the 18 fund managers operating in the market.

### **STOCK BROKERAGE INDUSTRY**

During the first nine months of 2016, market activity measured as traded equity volumes rose 9.0% in comparison to the same period in 2015, reaching CH\$ 28,066 billion. Value of shares traded for Valores Security Corredores de Bolsa for the same period totaled CH\$ 1,429 billion with market share of 5.1%. Market share is calculated based on transactions on the Santiago Stock Exchange and the Chilean Electronic Stock Exchange.

## **LIFE INSURANCE INDUSTRY**

As of September 2016, there were 36 life insurance companies in Chile. Total direct premiums for the industry were CH\$ 4,411 billion for the nine months ended September 2016. The life insurance industry posted profit of CH\$ 300,673 million for the period ended September 2016. As of September 2016, Vida Security had market share of 5.4% based on direct premiums.

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

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Grupo Security participates in the insurance and services businesses through its investments in related companies, mainly Europ Assistance and in private investment funds through Inmobiliaria Security. As of September 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\$ 119,292 million as of September 2016, equivalent to 1.34% 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**

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### **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 September 2016, Banco Security had distributed CH\$ 4,223 million in dividends to Grupo Security. During the first nine months of 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 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 September 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 September 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

