

Grupo Security

Financial Results December 2017

March 2018





Macroeconomic Recap 2017 - Summary and Outlook

- **GDP:** Closed 2017 with growth of 1.6%, in line with improved external conditions and better domestic expectations, which should continue, with GDP growth of 3.8% expected for 2018.
- **Unemployment:** Averaged 6.7% with a 2% rise in employment. Should remain below 7% on average in 2018.
- **Exchange rate:** Closed 2017 at CLP/USD 585, in line with a weaker dollar globally. A weak dollar and more vigorous economy should push the rate to CLP/USD 585 by year-end 2018.
- **Inflation:** Ended 2017 at 2.3%, falling with the appreciating exchange rate. Although the drop in the exchange rate should limit inflation, increased activity should drive it upwards of 3% in 2018.
- **MPR:** Cut from 3.5% to 2.5% between January and May 2017, in line with the weak economy and moderate inflation. Remained at 2.5% for the rest of 2017, and should stay there for most of 2018. Next movement should be upwards.
- **Market interest rates:** Fell during the 1H17 in line with the MPR. During 2H17, began to rise in line with improved economic expectations. For the year, BCP10 rate closed at 4.5% and BCU10 at 1.8%. This trend should continue in 2018, with the BCP10 reaching 5% and a BCU10 of 2%.
- **Bank loans:** Grew 5% on average, driven by mortgage (9.5%), consumer (7,4%) and commercial (2.5%) loans. During 2018, loans grew between 7% and 8%, due to increased activity.

Significant and Subsequent Events

Capitalization

- **Capital increase by Grupo Security, CH\$ 93,424 million raised, 97.3% subscribed (August 2017)**
- **Capital increase by Banco Security of CH\$ 50,000 million (December 2017)**

Risk Rating

- **S&P upgrades Banco Security's rating to BBB/A-2 (August 2017)**
- **Fitch upgrades outlook to positive for the Group, Bank and Factoring (March 2017)**

Bond Exchange

- **Exchange of M bonds for F bonds (January 2017)**

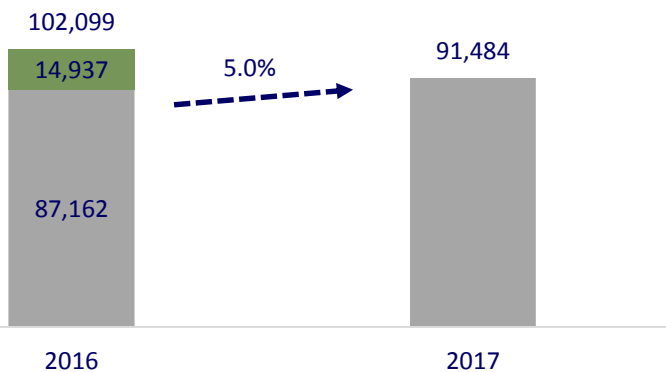
Grupo Security Results¹

Profit - Business Areas

(CH\$ million)

Growth 2017-2016 = -10.4%

■ Extraordinary Profit Sale Penta-Security

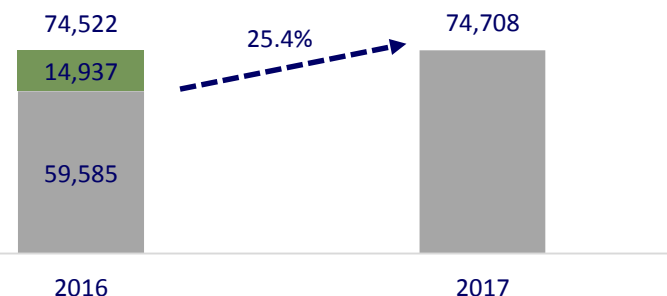


Grupo Security Profit

(CH\$ million)

Growth 2017-2016 = 0.2%

■ Extraordinary Profit Sale Penta-Security



91,484

Profit Business Areas Dec-17

-32.1%
Δ YoY
(7,988)

Support Areas and Group Expenses

-4.8%
Δ YoY
(11,141)

Finance Costs

-28.8%
Δ YoY
(3,288)

Indexation Units

5,641

Others

74,708

Profit Grupo Security Dec-17

¹ Profit (loss) attributable to owners of the controller based on segment note in Grupo Security Earnings Report

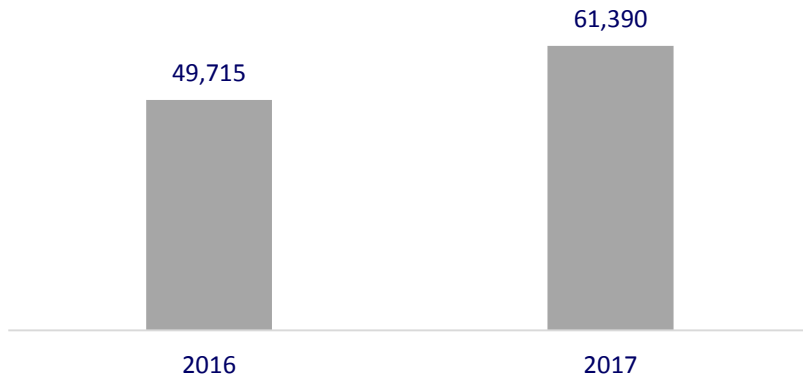


Grupo Security Results by Business Area¹

Lending Area Profit

(CH\$ million)

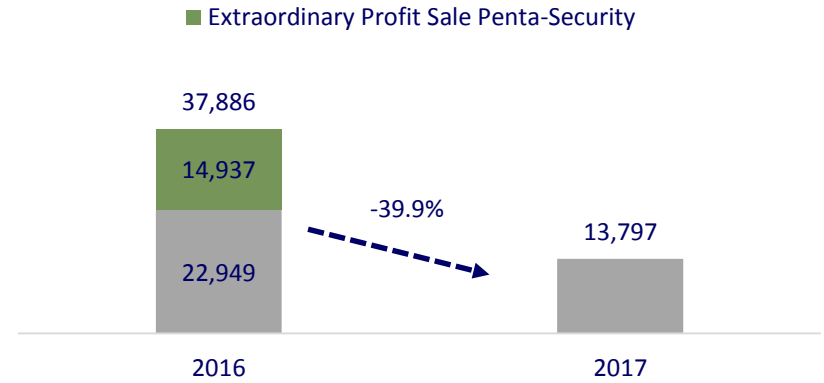
CAGR 2009-2017 = 12.5%
Growth 2017/16 +23.5%



Insurance Area Profit

(CH\$ million)

CAGR 2009-2017 = -0.2%
Growth 2017/16 -63.6%



Asset Management Area Profit

(CH\$ million)

CAGR 2009-2017 = 17.9%
Growth 2017/16 +33.9%



Other Services Area Profit

(CH\$ million)

CAGR 2009-2017 = 30.7%
Growth 2017/16 -8.8%



¹ Profit (loss) attributable to owners of the controller based on segment note in Grupo Security Earnings Report

Lending Area - Banco Security (standalone)

Profit

CH\$ 53,902 million
+27.0% YoY

Loans

CH\$ 4,834 billion
+8.3% YoY

NPL Coverage¹

120.6%
-564 bp YTD

NPL / Total Loans

1.38%
-5 bp YTD

	Commercial Banking			Retail Banking			Treasury		
	Dec-17	Dec-16	Change	Dec-17	Dec-16	Change	Dec-17	Dec-16	Change
	MCH\$	MCH\$	YoY %	MCH\$	MCH\$	YoY %	MCH\$	MCH\$	YoY %
Net interest margin	78,529	71,228	10.2%	62,636	57,629	8.7%	18,891	14,392	31.3%
Net fees and commissions	15,424	16,623	-7.2%	23,158	20,272	14.2%	(472)	(523)	-9.6%
Net FX transactions and other income	10,288	9,470	8.6%	2,266	1,792	26.5%	21,464	24,515	-12.4%
Loan losses and foreclosed assets	(18,001)	(7,708)	133.5%	(23,804)	(19,181)	24.1%	(12)	64	-118.1%
Total operating income, net of credit risk provisions	86,241	89,613	-3.8%	64,255	60,511	6.2%	39,872	38,448	3.7%
Administrative expenses	(37,061)	(39,337)	-5.8%	(55,528)	(57,146)	-2.8%	(12,208)	(15,153)	-19.4%
Net operating income	49,180	50,276	-2.2%	8,727	3,365	159.3%	27,664	23,295	18.8%
Profit attributable to controllers	38,144	40,907	-6.8%	6,769	2,738	147.2%	21,456	18,954	13.2%
Loans (CH\$ million)	3,775,419	3,506,685	7.7%	1,058,871	955,409	10.8%			
Risk ratio (%)	1.6%	1.9%	-24.7 p	1.8%	1.5%	24.0 p			
NPL portfolio (%)	1.5%	1.5%	-7.4 p	1.1%	1.1%	4.4 p			
NPL portfolio coverage	112.3%	122.9%	-1066.9 p	160.0%	144.0%	1596.4 p			

Note: Banco Security's main business areas. The column "other" must also be considered to reach the final result since it includes items that are not allocated to these areas.

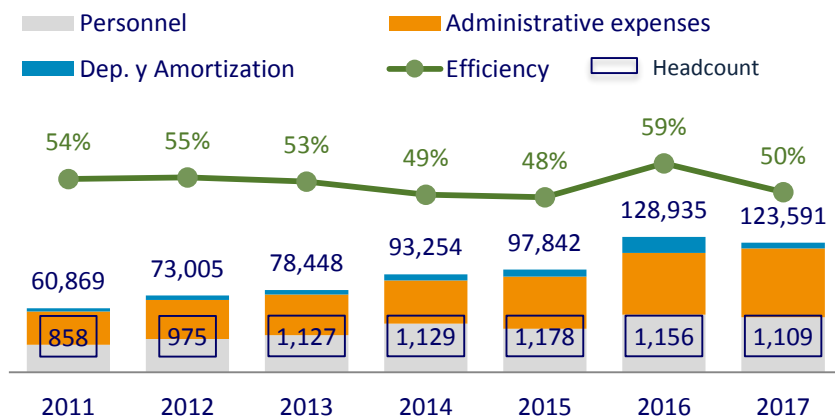
1NPL: Nonperforming loans

Returns driven by ongoing operational improvements lay the foundation for efficient growth

- Review of technological processes led to disposal of systems and implementation of new core banking system
- Operating structure prepared to efficiently address commercial growth
- Improved efficiency: Goal to maintain efficiency ratio at least on line with the industry

Operating Expenses and Efficiency¹ - Banco Security

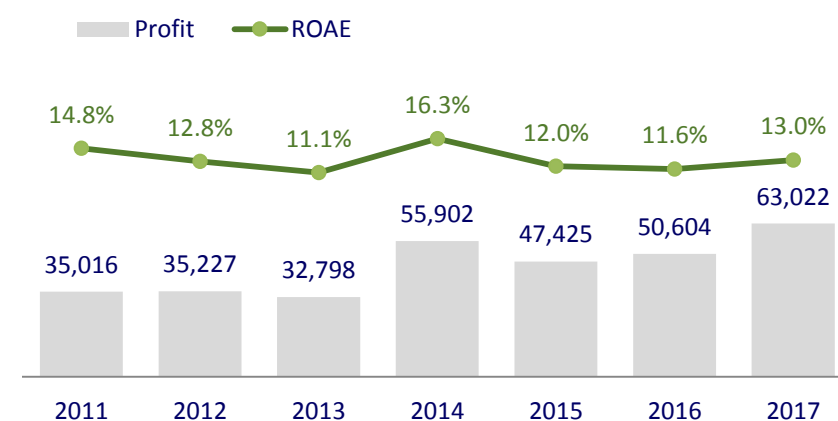
(CH\$ million)



Profit and ROAE² - Banco Security

(CH\$ million)

CAGR 2011-2017 = 10.3%



Source: SBIF; Grupo Security

1. Operating expenses / Net operating income

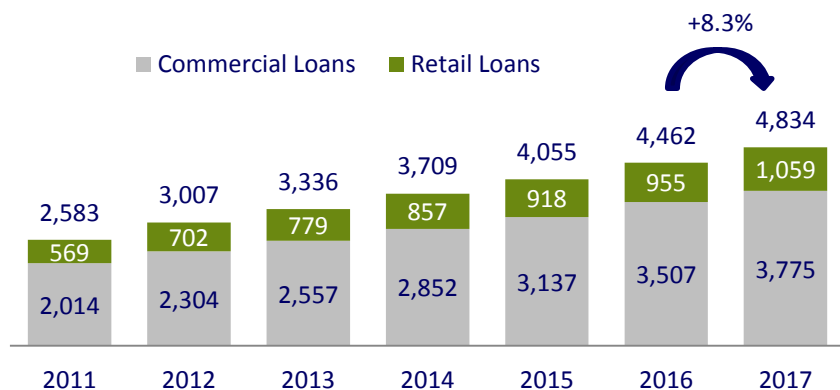
2. Return on average equity

Sustained growth in loans and profit, with risk levels below industry averages...

Loans

(CH\$ billion)

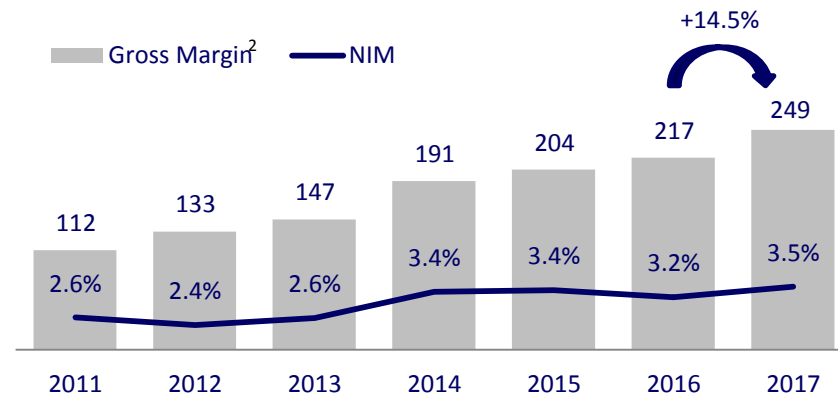
CAGR 2011-2017 = 11.0%



Gross Margin and NIM¹ (%)

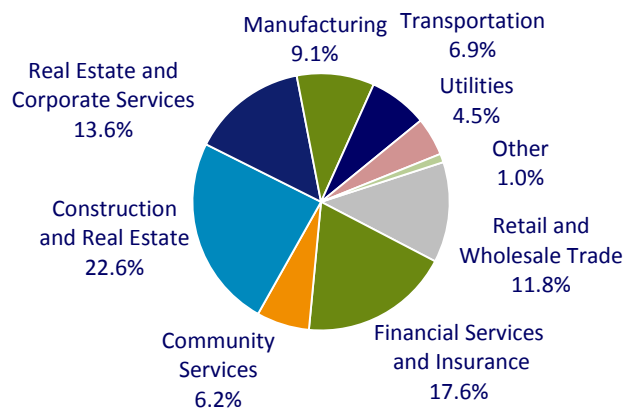
(CH\$ billion)

CAGR 2011-2017 = 14.1%

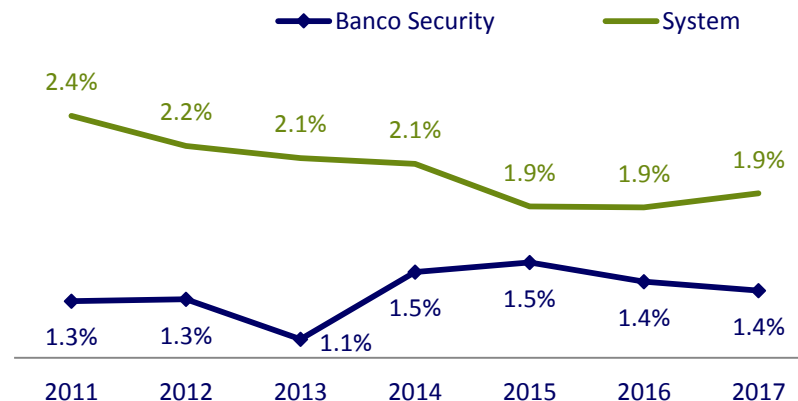


Diversified Commercial Portfolio

Total commercial loans = CH\$ 3,775 billion



Nonperforming Loans (%)



Source: SBIF; Grupo Security

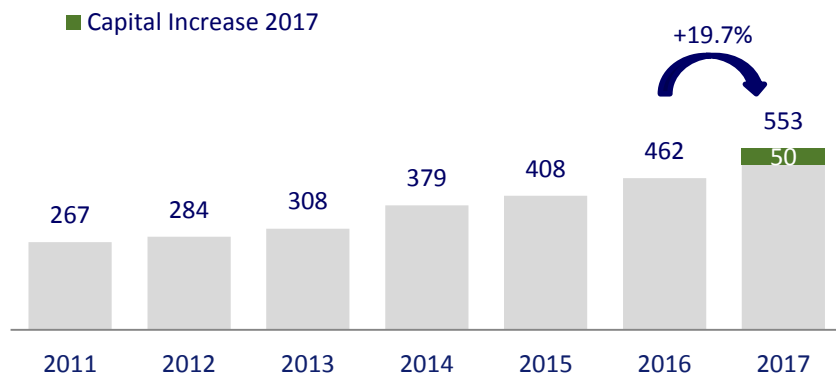
1. NIM: Net interest margin
2. Net interest margin / Total loans

... with a solid capital structure and healthy funding profile, including the recent capital increase (December 2017)

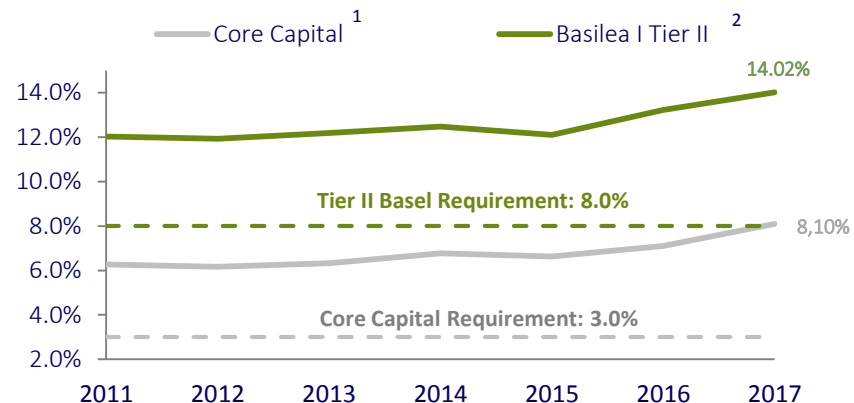
Core Capital - Banco Security

(CH\$ billion)

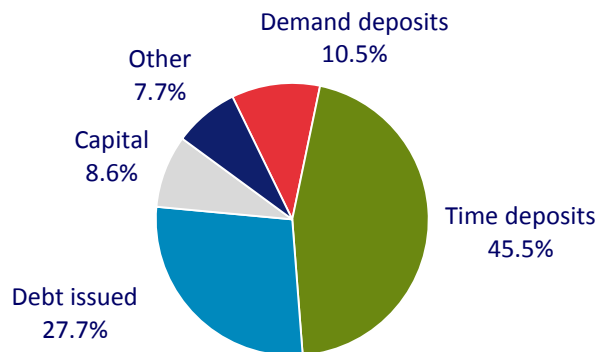
CAGR 2011-2017 = 12.9%



Solvency - Banco Security

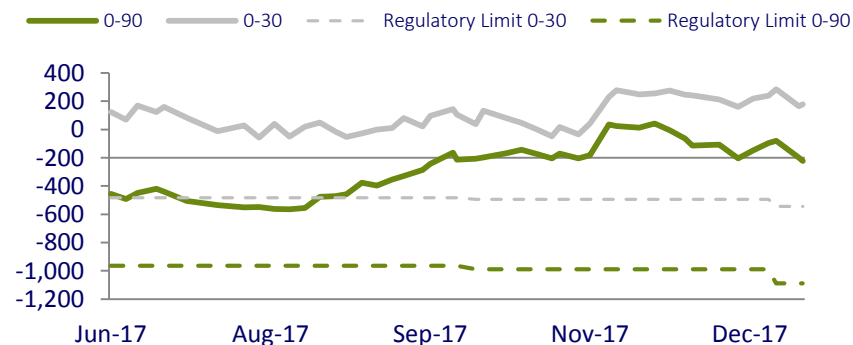


Funding Sources - Banco Security



Regulatory Liquidity Index C-46¹

(CH\$ billion)



Source: SBIF; Grupo Security. 1) Core capital / Total assets. 2) Regulatory Capital / Risk-Weighted Assets

¹The C46 index provides information on contractual cash inflows and outflows (i.e. those that will occur at a given future time according to asset and liability contracts). For items without contractual maturities, simulations are created based on statistical studies to infer maturity behavior. A negative mismatch means that negative cash flows are greater than positive cash flows. A liquidity gap of 0-30 days has a regulatory limit of one time core capital. A liquidity gap of 0-60 days has a regulatory limit of two times core capital

Factoring Security: Efficient and diversified growth

Profit:
CH\$ 7,502 million
+2.7% YoY, +5.2 QoQ

Factored Receivables:
CH\$ 304,393 million
+6.1% YoY, +14.4 QoQ

Efficiency Ratio:
43.8%
-48 bp YTD

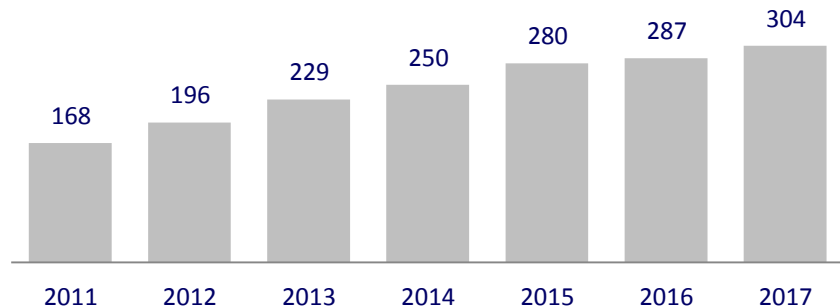
Risk Ratio:
2.5%
+2 bp YoY

Factored Receivables¹

(CH\$ billion)

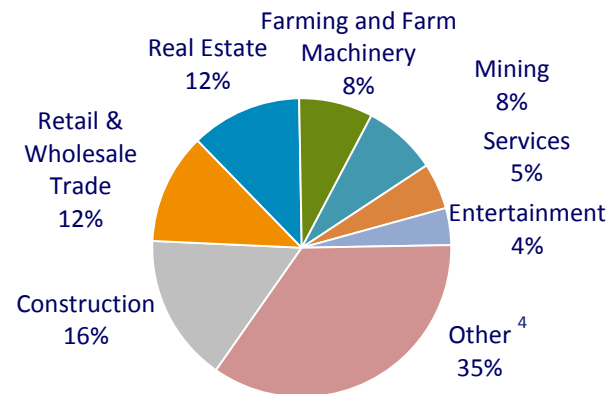
CAGR 2010-2015= 12.4%

+6.1%

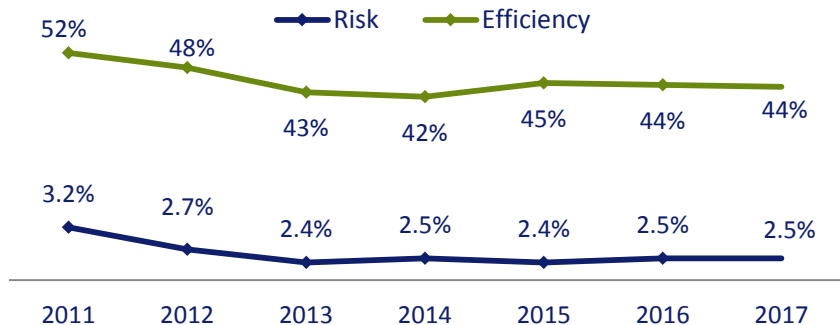


Factored Receivables by Industry Sector

(CH\$ 304 billion as of December 2017)



Risk² and Efficiency³

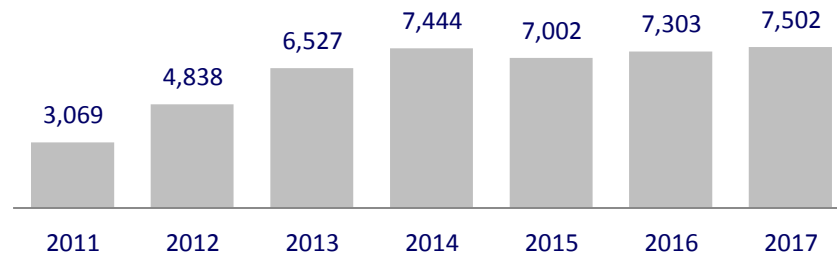


Profit

(CH\$ million)

CAGR 2010-2015= 19.8%

+2.7%



Source: ACHEF; Grupo Security

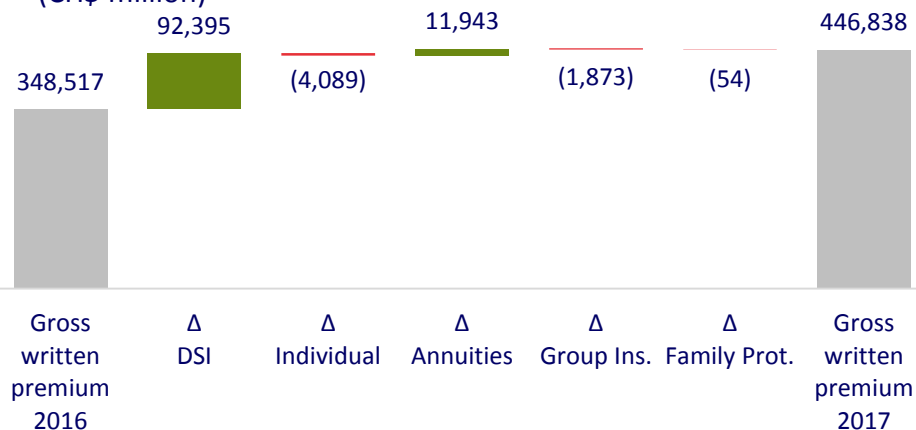
1) Excludes Santander's factored receivables. 2) Credit risk provisions. 3) Operating expenses over net operating income. 4) Includes 37 other sectors.

Vida Security - Results

- **Profit** totaled CH\$13,258 million for 2017, -39.5% YoY, affected by DSI contract No. 5 and greater surrenders and transfers on individual insurance policies (CUI and APV).

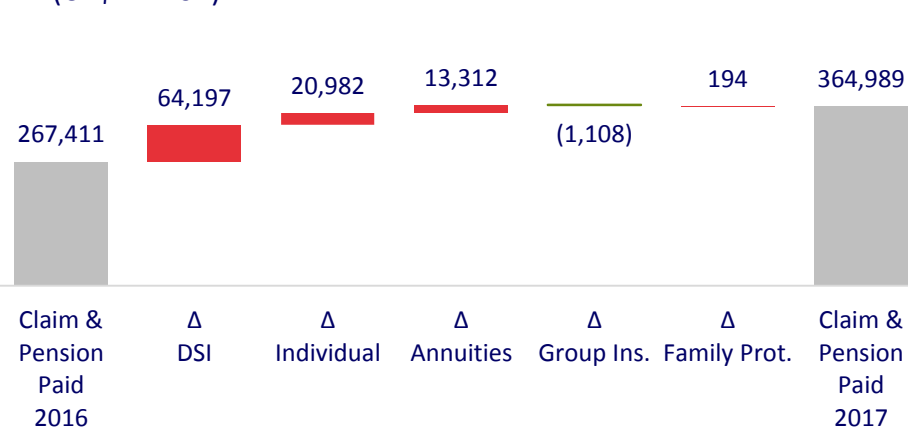
Direct Premium

(CH\$ million)



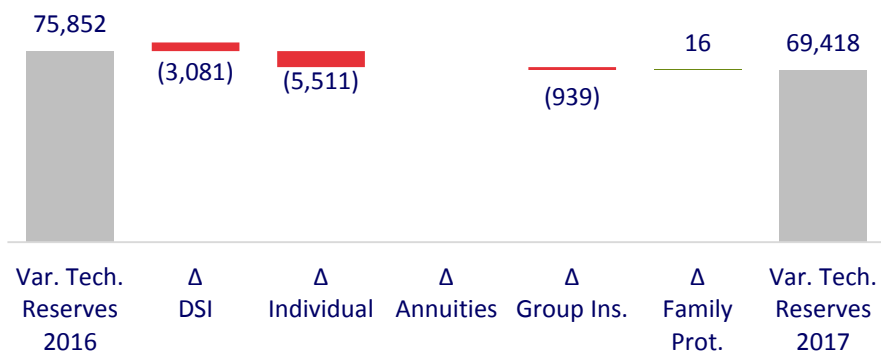
Claims Paid

(CH\$ million)



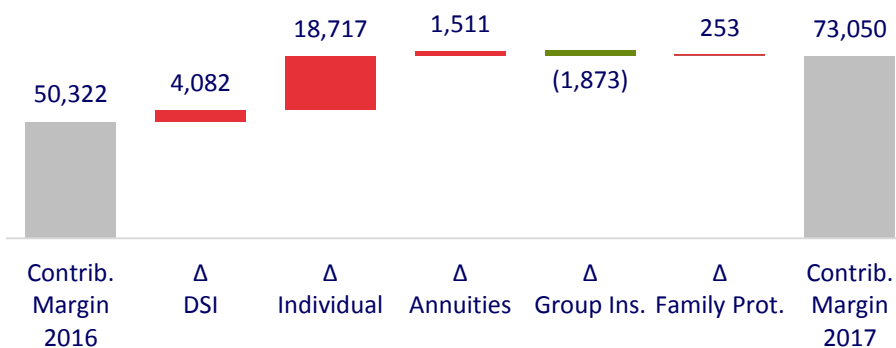
Variation in Technical Reserves

(CH\$ million)



Contribution Margin

(CH\$ million)



Improved investment income from individual insurance with savings components requires increased technical reserves.

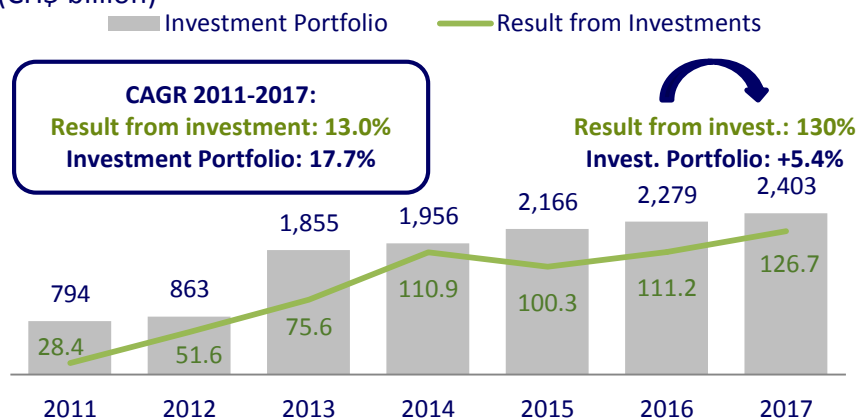
Vida Security - Profit and Investment Income

- Improved **investment income** (MCH\$ 126,738 as of Dec-17, +14.0% YoY, -32.6% QoQ). Portfolios performed well because of strong results from equity instruments on global markets.

In CH\$ million	Portfolio			Investment Income			Returns	
	Dec-16	Dec-17	Δ YoY	2016	2017	Δ YoY	Dec-16	Dec-17
Fixed income	1,687,248	1,729,875	2.5%	84,204	74,102	-12.0%	5.0%	4.3%
Equities and indexes	319,647	397,996	24.5%	13,234	34,504	-	4.1%	8.7%
Real estate	232,103	229,827	-1.0%	13,892	13,027	-6.2%	6.0%	5.7%
Other investments	39,934	44,815	12.2%	-111	5,105	-	-0.3%	11.4%
Investment portfolio	2,278,932	2,402,514	5.4%	111,218	126,738	14.0%	4.9%	5.3%

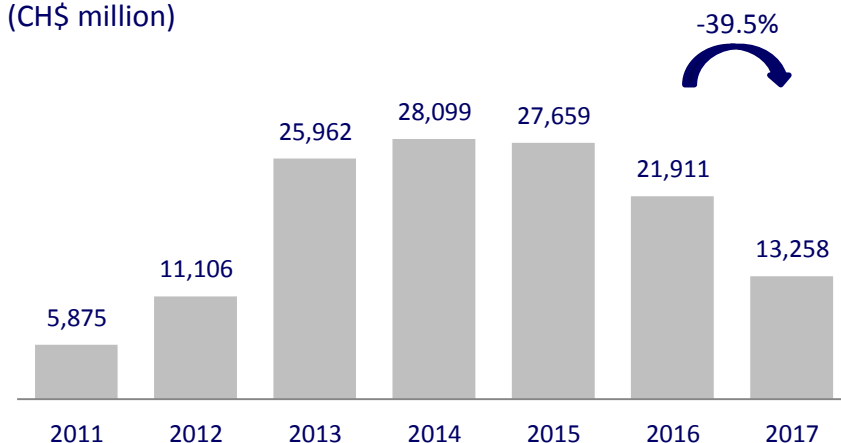
Portfolio Size and Investment Income

(CH\$ billion)



Profit

(CH\$ million)



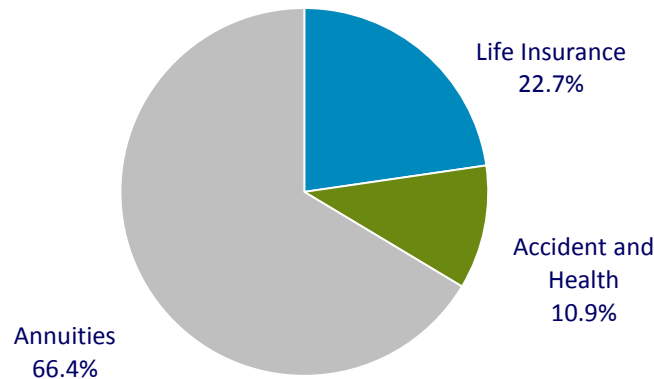


Protecta Compañía de Seguros

- This acquisition marks Grupo Security's entrance into the Peruvian life insurance market with a 61% stake in the company.
- Focus on annuities, market share of 12.5% as of Dec-17.
- Profit Dec-17 PEN 5.2 million (US\$ 1.6 million), versus profit Dec-16 of PEN 4.8 million (US\$ 1.4 million)
- Investment income of PEN 83.7 million for year ended Dec-17 (+36.1% YoY) because of good performance on real estate investments.

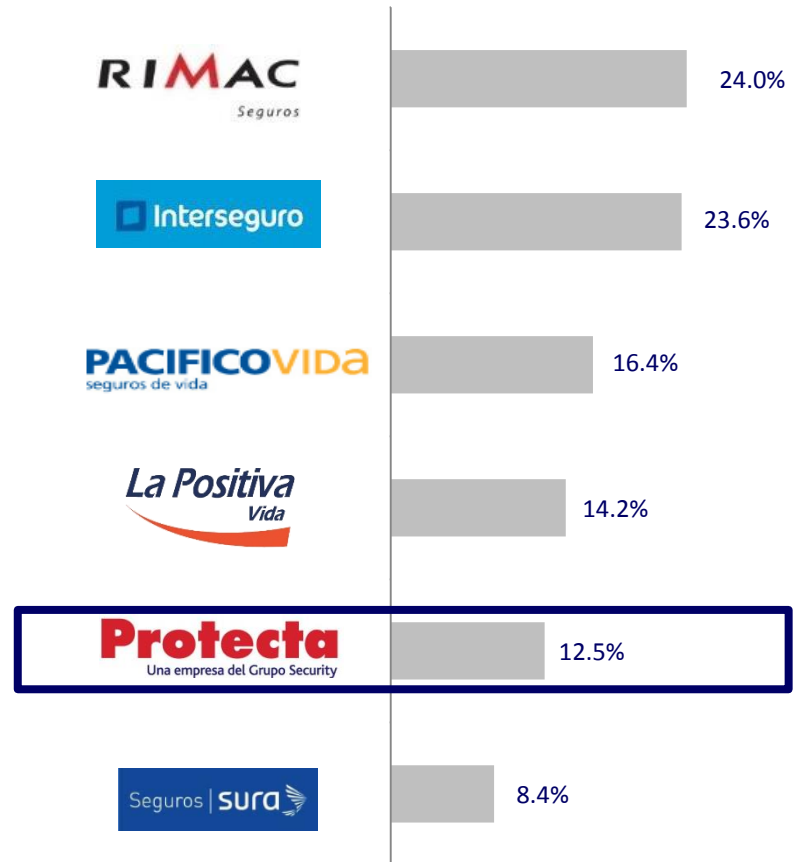
Direct Premium

December 2017



Direct Premium - Annuities

Peruvian life insurance companies as of Dec-17



Sustained growth and solid investment portfolio

AUM

CH\$ 4,507 billion
+19.5% YoY, +1.3 QoQ

Profit

CH\$ 9,637 million
+33.9% YoY, +38% QoQ

6th Place

5.7% Market Share
MF + IF Ranking

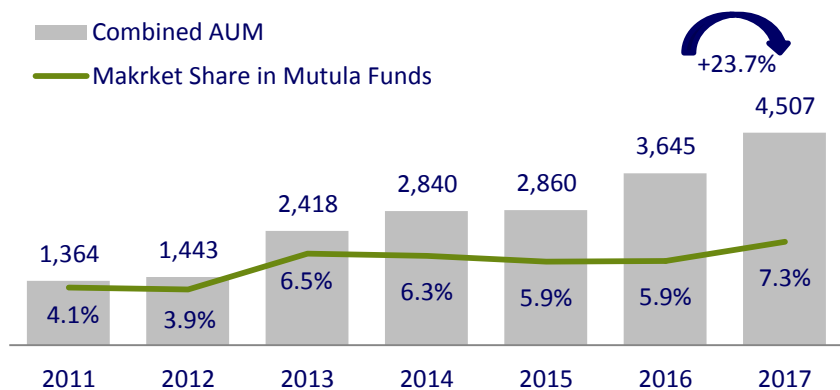
5th Place

6.1% Market Share
MF Ranking

Organic and Inorganic Growth in Mutual Funds

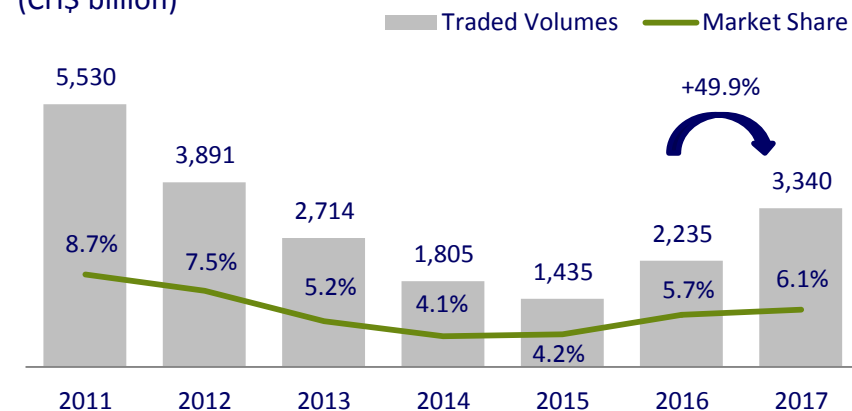
(CH\$ billion)

CAGR 2011-2017 = 22.0%



Trading Value

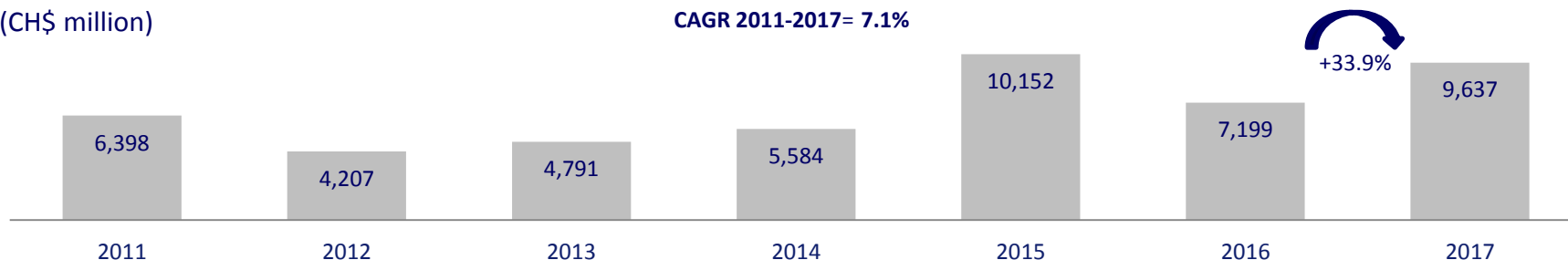
(CH\$ billion)



Asset Management Area Profit

(CH\$ million)

CAGR 2011-2017 = 7.1%



Travel Security and the real estate business complement the financial services offered to our target market

Profit - Travel Security

CH\$ 4,050 million
-4.0% YoY, -2.1 QoQ

Sales Travel+Travex

USD 333 million
+10.6% YoY

Profit - Inmobiliaria

CH\$ 3,305 million
-13% YoY

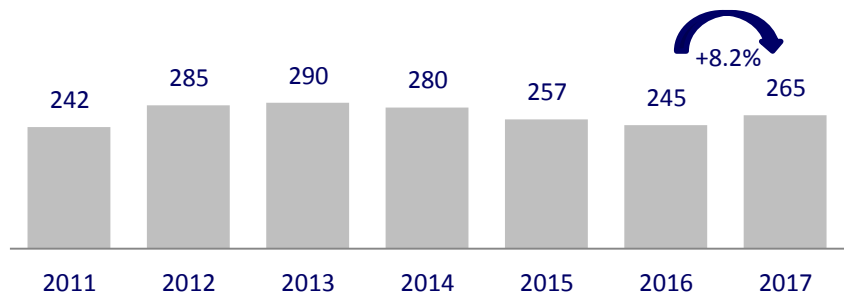
Ownership

Transfers (No. of Units)
55 in 2017 vs 85 in 2016

Sales - Travel Security

(US\$ million)

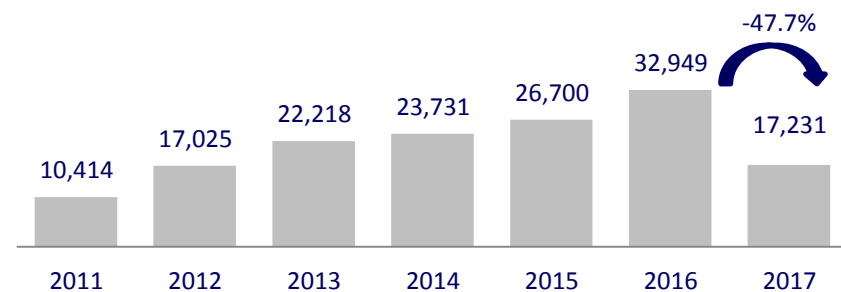
CAGR 2011-2017 = 1.6%



Sales - Inmobiliaria

(CH\$ million)

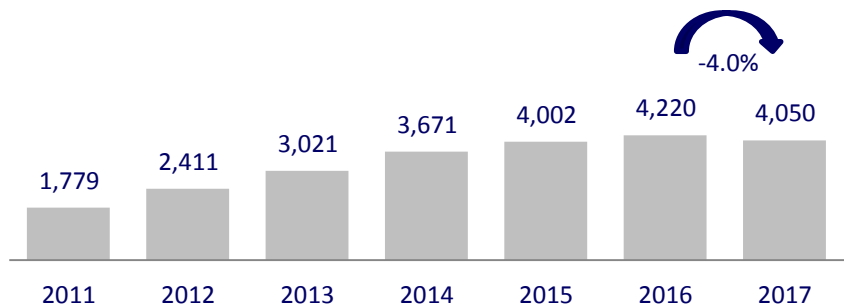
CAGR 2011-2017 = 8.8%



Profit - Travel Security

(CH\$ million)

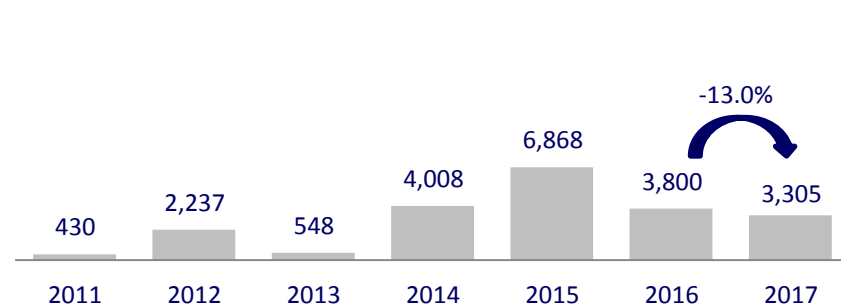
CAGR 2011-2017 = 14.7%



Profit - Inmobiliaria

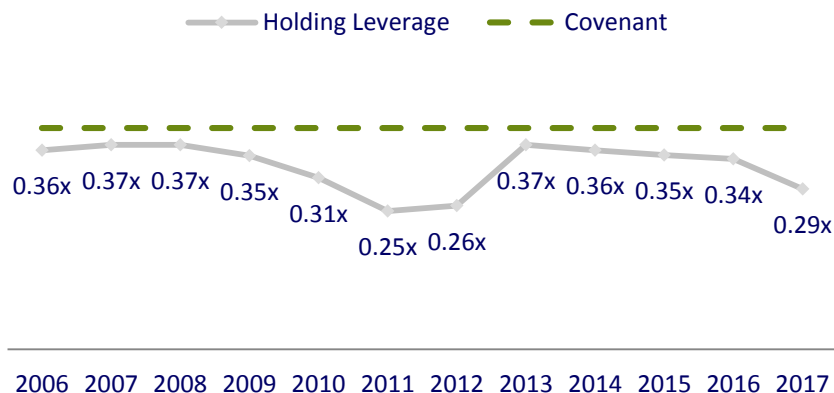
(CH\$ million)

CAGR 2011-2017 = 40.5%

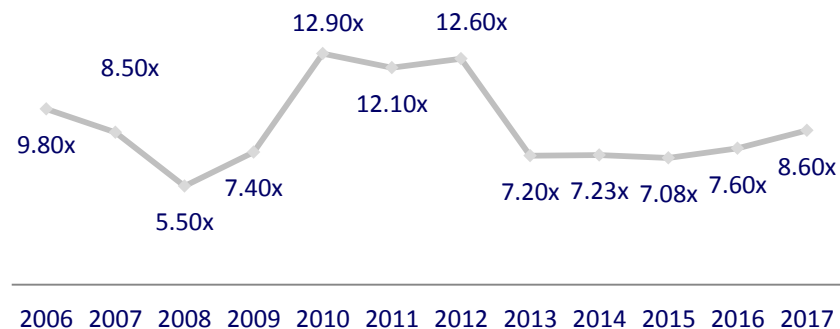


Sound financial position and sustained earnings growth

Individual Leverage¹



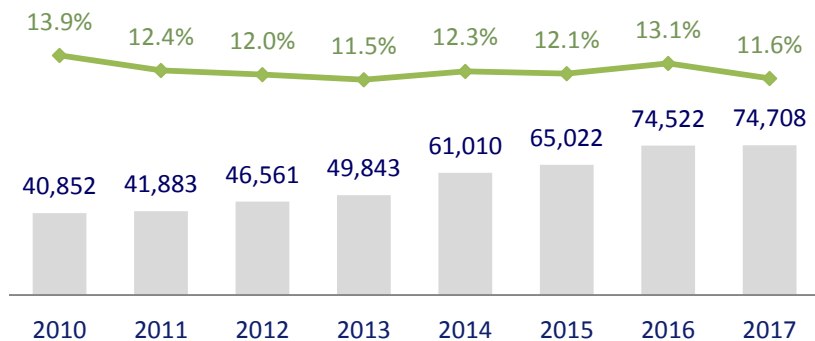
Financial Expense Coverage²



Consolidated Profit

(CH\$ million)

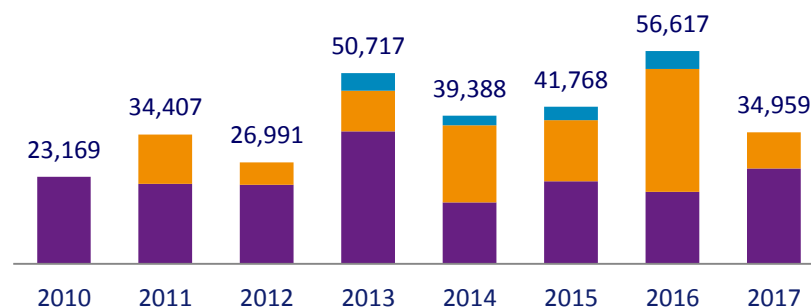
CAGR 2010-2017: 9.0%



Dividends Received by Grupo Security

(CH\$ million)

Lending Insurance Other Services



Source: SBIF, Grupo Security

1. Individual financial liabilities / Total equity
 2. Profit before taxes and finance costs / Finance costs



Profit - Grupo Security - Summary and Outlook

2017: Grupo Security outgrowing the industry and adjusting efficiency

Banco Security Loan Portfolio:
+8.3% YoY

Industry Loans:
+4.3% YoY
excluding foreign subsidiaries

Factored Receivables
+6.1% YoY

Security AUM MF:
+38.0% YoY

Industry AUM MF:
+12.4% YoY

Direct Premium - Vida Security:
+28.2% YoY

Direct Premium - Life Insurance
Industry (Sep-17):
-1.8% YoY

2018: Focus on efficiency: Expand recurring revenue base without increasing expenses

- Continue growing above industry averages
- Expand recurring revenue base
- Increase active customer base
- Focus on productivity
- Incorporate digital transformation into management controls and value offering

Grupo Security

Financial Results December 2017

March 2018

