Grupo Security Earnings Report

Grupo Security Reports Profit of CH$37,095 Million for the First Half of 2018, driven by the Bank's earnings, which increased 36.6% YoY.

- At an extraordinary meeting of the shareholders of Vida Security, they agreed to accept the offer to buy Vida Security's interest in Inversiones Security Perú S.A.C, the parent company of Protecta Security, for S./ 100 million. The offer was made by Security Internacional SpA and is subject to approval by Peruvian authorities.
- In June 2018, Vida Security completed a capital increase of CH$15,151 million, which is part of the CH$50,050 million approved in February of this year.
- At the annual general meeting on April 12th, Grupo Security shareholders agreed to pay a total dividend of CH$7.25 per share. Combined with the dividend paid in November 2017, dividends charged to 2017 profit climbed to CH$11.6 per share, equal to CH$42,810 million or 57.3% of profit.
- On March 28, 2018, Grupo Security successfully concluded the placement of 71,769,048 shares through an order book auction. The package contained 11,980,563 shares left over from the entity's capital increase in August 2017, and a secondary offering of 59,788,485 shares. Demand was 9 times supply, equivalent to over US$ 297 million.
- On March 15, 2018, Grupo Security completed the placement of the N1 series bond on the local market for UF 1.5 million, with demand of 1.8 times the offering. This 25-year bond, with a 20-year grace period and a duration of 16.5 years, was placed at a rate of UF + 3.05%.
- In March 2018, a capital increase of S./ 25 million was approved and carried out by Protecta Security in order to strengthen the company's solvency and sustain its commercial growth.

Santiago, Chile – August 24, 2018. Grupo Security S.A., (SSE: SECURITY; BBG: SECUR), ("Grupo Security"), a niche Chilean-based diversified financial group offering banking, insurance, asset management and other services to large and medium-sized companies and individuals, today announced financial results for the three and six months ended June 2018.

Renato Peñafiel, CEO of Grupo Security, commented, "During the first half of 2018, Grupo Security posted profit of CH$37,095 million (+3.2% YoY), driven by the Bank's earnings, which increased 36.6% YoY, with efficiency at 46.5% and loans expanding 9.7% LTM, which is above the industry's 7.4%. This was partially offset by a weaker performance from Vida Security, where earnings were affected by reduced returns on the investment portfolio due to a market correction in 1H18, with a high basis of comparison YoY. Our other businesses have posted results in line with expectations."

Grupo Security Indicators *In MCH$*	Jun-18	Mar-18	Dec-17	Jun-17	% Chg QoQ	% Chg YTD	% Chg YoY
Banco - Total Loans	5,070,827	4,923,754	4,834,290	4,620,365	3.0%	4.9%	9.7%
Industry - Total Loans[1]	153,759,956	149,047,145	146,250,331	143,128,384	3.2%	5.1%	7.4%
Inversiones - AUM Mutual Funds	2,726,097	2,797,621	2,558,301	2,396,620	-2.6%	6.6%	13.7%
Industry - AUM Mutual Funds	37,985,895	36,945,172	35,056,763	35,903,443	2.8%	8.4%	5.8%
Vida - Investment Portfolio	2,449,258	2,420,029	2,402,514	2,363,879	1.2%	1.9%	3.6%
Industry (life insurance) - Investment Portfolio	39,820,993	39,111,551	38,236,277	36,933,098	1.8%	4.1%	7.8%
Factoring - Factored Receivables	301,116	295,883	304,393	263,222	1.8%	-1.1%	14.4%
Operations							
Employees (number)	3,892	3,784	3,887	3,816	2.9%	0.1%	2.0%

[1]Excludes loans and advances to banks and foreign subsidiaries of local Banks.

Grupo Security Indicators Statment of Income	2Q18	1Q18	2Q17	% Chg QoQ	% Chg YoY	6M18	6M17	% Chg
Banco - Net Interest Margin	43,525	40,461	39,666	7.6%	9.7%	83,986	75,661	11.0%
Banco - Net Fees	17,948	17,362	16,142	3.4%	11.2%	35,310	30,604	15.4%
Banco - Operating Expenses	-30,639	-32,155	-31,498	-4.7%	-2.7%	-62,794	-64,343	-2.4%
Banco - Net Provision Expenses	-12,939	-6,449	-8,786	100.6%	47.3%	-19,388	-19,150	1.2%
Vida - Direct Premium	105,911	96,792	122,038	9.4%	-13.2%	202,702	221,928	-8.7%
Vida - Claims Paid	-41,528	-35,902	-33,679	15.7%	23.3%	-77,430	-70,978	9.1%
Vida - Pensions Paid	-48,837	-43,533	-52,499	12.2%	-7.0%	-92,370	-94,896	-2.7%
Vida - Investment Income	19,146	23,505	28,012	-18.5%	-31.7%	42,651	69,030	-38.2%
Factoring - Revenue	7,397	7,316	7,352	1.1%	0.6%	14,713	14,979	-1.8%

Ratios	Jun-18	Mar-18	Dec-17	Jun-17	% Chg QoQ	% Chg YTD	% Chg YoY
Grupo - Share Price (Ch$)	298.8	305.0	280.1	231.0	-2.0%	6.7%	29.4%
Grupo - Number of Shares (millions)	3,695	3,695	3,683	3,258	0.0%	0.3%	13.4%
Grupo - ROE	11.6%	12.3%	11.6%	11.0%	-77 p	0 p	55 p
Banco (Consolidated) - ROAE	14.2%	14.2%	12.4%	10.9%	1 p	176 p	331 p
Factoring - ROE	22.1%	20.9%	22.3%	21.6%	120 p	-20 p	50 p
Vida - ROAE	3.1%	7.6%	8.3%	17.0%	-452 p	-526 p	-1390 p
Travel - ROE	24.0%	19.1%	32.6%	28.0%	490 p	-860 p	-400 p
Grupo - Leverage	34.6%	35.8%	29.3%	33.3%	-121 p	525 p	125 p
Banco - Efficiency	46.51%	48.10%	49.72%	53.29%	-160 p	-321 p	-679 p
Factoring - Efficiency	42.8%	44.2%	43.8%	43.8%	-140 p	-105 p	-100 p
Banco - Non-Performing Loans	1.37%	1.75%	1.38%	1.32%	-38 p	-1 p	5 p
Banco - Risk Index	1.65%	1.57%	1.67%	1.73%	8 p	-2 p	-9 p
Factoring - Risk Index	2.6%	2.9%	2.5%	2.9%	-29 p	12 p	-28 p
Banco - BIS Tier I Ratio	7.7%	7.9%	8.1%	7.4%	-15 p	-38 p	35 p
Banco - BIS Tier II Ratio	13.4%	13.7%	14.0%	13.3%	-32 p	-61 p	9 p

ROAE: profit 12M over average equity

On March 1, 2018, at a meeting of the board of Vida Security, the directors agreed to issue 100,100,000 new nominative, single-series, common shares with no par value as part of the capital increase agreed by shareholders at the extraordinary meeting on December 18, 2017. The board also decided to place the first set of 30,000,000 shares at a subscription price of UF 0.01866583342 each, once the issuance was registered in the Securities Registry maintained by the Financial Market Commission (CMF), which occurred in June 2018 (CH$15,151 million).

In March 2018, a capital increase of S./ 25 million was approved and carried out by Protecta in order to strengthen the company's solvency and sustain its path of commercial growth. Protecta's business plan for the next three years calls for strong growth in annuities, which will require future capital increases.

On March 15, 2018, Grupo Security issued the N1 series bond on the local market for UF 1.5 million, with total demand of UF 2.7 million, or 1.8 times the offering. This 25-year bond, with a 20-year grace period and a duration of 16.5 years, was placed at a rate of UF + 3.05%.

The issuance is part of a liability restructuring plan that Grupo Security began in 2017 in order to lengthen the duration of its liabilities, which rose from 11.3 in late 2016 to the current figure of 12.78. This restructuring plan also included a bond exchange in January 2017, by which UF1,189,000 in F bonds (originally UF 1,250,000) were exchanged for M bonds leaving a balance of UF61,000 in F bonds; and an issuance of long-term debt in December 2017 to replace bank loans in its intermediate holding, Inversiones Previsión Security. These 21-year bonds have a grace period of 10 years and raised UF 1,000,000.

On March 28, 2018, we sold 71,769,048 shares through an order book auction, comprised of 11,980,563 shares not subscribed during the capital increase in August 2017 and a secondary offering of 59,788,485 shares, attracting demand of 9 times the offering, equivalent to more than US$ 297 million. The cut-off price–the maximum with which the offering is completed–was CH$290 per share. However, in order to attract new investors (particularly foreign) and expand the holdings of AFPs and local institutional investors, the Company decided to set a price of CH$280 per share.

On April 12, 2018, Grupo Security shareholders approved a dividend payment of CH$7.25 per share charged to profit for the year 2017. This dividend and the interim dividend distributed in November 2017 total CH$11.6 per share, equivalent to CH$42,810 million, or 57% of profit for the year 2017. The shareholders also approved the annual report and financial statements for the year 2017 at this meeting.

On July 24, 2018, at an extraordinary meeting of the shareholders of Compañía Seguros Security Previsión S.A., they agreed to accept the offer to buy the Company's shares in Inversiones Security Perú (99.99999%), which in turn owns 61% of Protecta. The offer was made by Security Internacional SpA. On July 27, 2018, that company's management signed a private share purchase agreement for the entire interest owned by Seguros Vida Security Previsión S.A. in Inversiones Security Perú S.A.C. for the sum of S/100,000,000, in Peruvian legal currency. The purchase is subject to fulfillment of a series of conditions precedent that are customary for this type of transaction, including approval from the Superintendency of Banks, Insurance and AFPs, the National Customs Superintendency and the Tax Administration, all in Peru.

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GRUPO SECURITY EARNINGS REPORT FOR 1H18 AND 2Q18

Grupo Security posted profit of CH$ 37,095 million for the six months ended June 2018 (+3.2% YoY and -42.6% QoQ). EBIDTA for the same period totaled CH$58,984 million, -0.7% YoY and -37.1% QoQ.

The Group posted an ROAE as of June 2018 of 11.6%, +55 b.p. YoY and -77 b.p. QoQ. Profit from the Group's business areas was CH$48,945 million, +2.6% YoY and -33.8% QoQ.

EARNINGS CONTRIBUTION BY BUSINESS AREA

Earnings from Related Companies	2Q18	1Q18	2Q17	% Chg QoQ	% Chg YoY	6M18	6M17	% Chg
Lending Area								
Banco Security (standalone)	16,101	18,965	14,263	-15.1%	12.9%	35,066	24,812	41.3%
Factoring Security	2,034	2,025	1,893	0.5%	7.5%	4,059	3,748	8.3%
Asset Management Area								
Valores Security	809	489	784	65.2%	3.2%	1,298	1,215	6.8%
AGF Security	1,556	1,437	1,523	8.3%	2.2%	2,993	2,792	7.2%
Insurance Area								
Vida Security	(1,576)	6,406	5,522	-124.6%	-	4,831	13,101	-63.1%
Servicios Security	262	42	244	527.4%	7.5%	304	139	119.0%
Other Services								
Inmobiliaria Security	(424)	(268)	165	58.3%	-	(693)	853	-181.2%
Travel Security	894	625	1,144	43.0%	-21.8%	1,519	1,859	-18.3%
Travex Security	145	113	154	28.9%	-5.8%	258	276	-6.8%
Grupo Security Profit	**13,528**	**23,568**	**18,648**	**-42.6%**	**-27.5%**	**37,095**	**35,958**	**3.2%**

(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.

REVIEW OF OPERATIONS BY BUSINESS AREA

LENDING BUSINESS AREA (68.5% of assets; 79.9% of profit from business areas as of June 2018)

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

For 1H18, Banco Security reported consolidated profit attributable to its owners of CH$39,355 million, +36.6% YoY. Banco Security's stand-alone profit (excluding asset management subsidiaries AGF Security and Valores Security Corredores de Bolsa) reached CH$35,072 million, +41.3% YoY.

Banco Security's ROAE (profit LTM over average equity) was 14.2%, +331 b.p. YoY.

Banco Security - Operating Segments

Banco Security Segment Note	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
In Ch$ Million	Jun-18	Jun-17	Jun-18	Jun-17	Jun-18	Jun-17	Jun-18	Jun-17	Jun-18	Jun-17	Jun-18	Jun-17	Jun-18	Jun-17
Net interest margin	40,637	38,097	32,118	30,536	12,049	10,060	-707	-2,579	84,097	76,114	-111	-453	83,986	75,661
∆% 6M17	6.7%		5.2%		19.8%		-72.6%		10.5%		-75.5%		11.0%	
Net Fees	9,948	7,608	12,041	11,596	-198	-238	-1,061	-918	20,730	18,048	14,580	12,556	35,310	30,604
∆% 6M17	30.8%		3.8%		-16.7%		-		14.9%		16.1%		15.4%	
Net FX transactions and other income	3,819	5,156	1,429	1,191	7,359	11,234	3,810	-7,888	8,797	9,693	3,980	4,125	12,777	13,818
∆% 6M17	-25.9%		20.0%		-34.5%		-148.3%		-9.2%		-3.5%		-7.5%	
Loan losses and foreclosed assets	-6,578	-6,813	-12,415	-12,018	21	-5	-440	-799	-19,412	-19,635	0	0	-19,412	-19,635
∆% 6M17	-3.4%		3.3%		-		-45.0%		-1.1%		-		-1.1%	
Total operating income, net of credit risk prov.	47,826	44,048	33,173	31,305	19,231	21,051	-6,017	-12,184	94,212	84,220	18,449	16,228	112,661	100,448
∆% 6M17	8.6%		6.0%		-8.6%		-50.6%		11.9%		13.7%		12.2%	
Operating expenses	-18,169	-19,333	-27,516	-28,801	-6,035	-6,473	2,218	2,146	-49,502	-52,461	-13,292	-11,882	-62,794	-64,343
∆% 6M17	-6.0%		-4.5%		-6.8%		3.3%		-5.6%		11.9%		-2.4%	
Net operating income	29,657	24,715	5,657	2,504	13,196	14,578	-3,799	-10,038	44,710	31,759	5,157	4,346	49,867	36,105
∆% 6M17	20.0%		125.9%		-9.5%		-62.2%		40.8%		18.7%		38.1%	
Income tax expense	-6,398	-5,416	-1,220	-549	-2,847	-3,195	819	2,196	-9,647	-6,963	-872	-621	-10,519	-7,584
∆% 6M17	18.1%		122.4%		-10.9%		-62.7%		38.5%		40.4%		38.7%	
Profit attributable to equity holders of the bank	23,259	19,299	4,437	1,955	10,349	11,383	-2,971	-7,826	35,072	24,812	4,283	4,004	39,355	28,816
∆% 6M17	20.5%		126.9%		-9.1%		-62.0%		41.3%		7.0%		36.6%	

Banco Security Segment Note	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
In Ch$ Million	2Q-18	1Q-18	2Q-18	1Q-18	2Q-18	1Q-18	2Q-18	1Q-18	2Q-18	1Q-18	2Q-18	1Q-18	2Q-18	1Q-18
Net interest margin	20,795	19,842	16,091	16,027	7,123	4,926	-506	-201	43,503	40,594	22	-133	43,525	40,461
∆% 1Q18	4.8%		0.4%		44.6%		151.1%		7.2%		-116.5%		7.6%	
Net Fees	4,893	5,055	6,569	5,472	-108	-90	-731	-330	10,623	10,107	7,325	7,255	17,948	17,362
∆% 1Q18	-3.2%		20.0%		-		-		5.1%		1.0%		3.4%	
Net FX transactions and other income	1,743	2,076	801	628	1,616	5,743	7,094	-3,284	3,634	5,163	1,893	2,087	5,527	7,250
∆% 1Q18	-16.1%		27.7%		-71.9%		-316.0%		-29.6%		-9.3%		-23.8%	
Loan losses and foreclosed assets	-5,690	-888	-6,786	-5,629	-10	30	-767	327	-13,253	-6,159	0	0	-13,253	-6,159
∆% 1Q18	-		20.6%		-		-		115.2%		-		115.2%	
Total operating income, net of credit risk prov.	21,740	26,086	16,675	16,498	8,621	10,610	-2,528	-3,489	44,507	49,705	9,240	9,209	53,747	58,914
∆% 1Q18	-16.7%		1.1%		-18.7%		-27.5%		-10.5%		0.3%		-8.8%	
Operating expenses	-8,593	-9,577	-14,091	-13,425	-2,677	-3,358	1,129	1,089	-24,231	-25,271	-6,408	-6,884	-30,639	-32,155
∆% 1Q18	-10.3%		5.0%		-20.3%		3.7%		-4.1%		-6.9%		-4.7%	
Net operating income	13,147	16,509	2,584	3,073	5,944	7,252	-1,399	-2,400	20,276	24,434	2,832	2,325	23,108	26,759
∆% 1Q18	-20.4%		-		-18.0%		-41.7%		-17.0%		21.8%		-13.6%	
Income tax expense	-2,700	-3,698	-532	-688	-1,223	-1,624	282	537	-4,173	-5,474	-479	-393	-4,652	-5,867
∆% 1Q18	-27.0%		-22.7%		-24.7%		-47.4%		-23.8%		21.9%		-20.7%	
Profit attributable to equity holders of the bank	10,447	12,811	2,052	2,384	4,722	5,627	-1,109	-1,862	16,111	18,961	2,352	1,931	18,463	20,892
∆% 1Q18	-18.5%		-13.9%		-16.1%		-40.5%		-15.0%		21.8%		-11.6%	

Commercial Banking

Banco Security's commercial banking division targets companies with annual sales above US$ 1.6 million. While Banco Security's core business targets large companies, efforts have been made in recent years to strengthen the medium-sized company segment by tailoring services to its needs. This strategy is designed to diversify our customer base and improve returns in each segment.

Commercial Loans by Economic Sector In Ch$ Millions	Loans Jun-18	% Total
Construction and real estate	914,973	23.0%
Financial services and insurance	724,954	18.2%
Real estate investors and corporate services	523,103	13.1%
Wholesale and retail trade	495,990	12.5%
Manufacturing	361,289	9.1%
Transportation	242,484	6.1%
Social services	235,277	5.9%
Utilities	171,757	4.3%
Agriculture and livestock	123,552	3.1%
Fishing	76,567	1.9%
Mining	71,245	1.8%
Telecom	32,345	0.8%
Forestry	5,927	0.1%
Total commercial loans	**3,979,463**	**100%**

As of June 2018, commercial loans had expanded +9.0% YoY and +5.4% YTD, totaling CH$3,979 billion. Industry wide, commercial loans grew +7.2% YoY and +5.9% YTD. Including foreign subsidiaries, the industry's commercial loans grew +8.6% YoY and 7.5% YTD. The Bank boasts market share of 6.2%[1] in its target segment of medium-sized and large companies as of June 2018. The commercial banking division had 8,830 customers as of June 2018 (+7.5% YoY).

The commercial banking division posted profit of CH$23,259 million for 1H18 (+20.5% YoY). This is explained by a larger net interest margin of CH$40,637 million for 1H18, +CH$2,540 million or +6.7% YoY, due to increased commercial loans (+9.0% YoY). It also reported greater net fees of CH$9,948 million for 1H18, +CH$2,340 million more than 1H17 (+30.8% YoY), due to stronger commercial activity. Operating expenses fell to CH$18,169 million (-6.0% YoY) for 1H18 as a result of reduced expenses for technology projects, depreciation and amortization, which are distributed across all the standalone Bank's business segments. In addition, the division reported lower provision expenses of CH$6,578 million for 1H18 (-3.4% YoY), due to impairment of a few customers that had guarantees and thus required fewer provisions in 1Q18. The above effects were not offset by the drop in FX transactions and other income, which totaled CH$3,819 million (-25.9% YoY), explained by reduced income from structured products.

The division posted profit of CH$10,447 million for 2Q18 (-CH$2,364 million, -18.5% QoQ), mainly because of increased provision expenses, which totaled CH$5,690 million, +CH$4,803 million QoQ, due to impairment of some medium-sized commercial customers. It is worth noting that 1Q18 was a low basis of comparison due to impairment of a few customers that had guarantees and, therefore, required fewer provisions. These effects were not fully offset by the greater net interest margin, which reached CH$20,795 million, +CH$953 million from 1Q18 (+4.8% QoQ), due to increased loans (+3.2% QoQ). In addition, the Bank reported operating expenses of CH$8,593 million (-10.3% QoQ). Net fees totaled CH$4,893 million (-3.2% QoQ), while FX transactions and other income reached CH$1,743 million (-16.1% QoQ), explained by reduced income from structured products.

Retail Banking

Banco Security's retail banking division targets high-income individuals. In recent years, the retail division has focused on expanding consumer products while conservatively managing risk, resulting in average annual growth of 17% since 2013.

As of June 2018, the Bank had total retail loans (consumer + mortgage) of CH$1,086 billion (+12.0% YoY and +2.6% YTD), driven primarily by consumer loans (+18.8% YoY and +6.6% YTD) and, to a lesser extent, by mortgage loans (+7.3% YoY and -0.3% YTD). For the industry, retail loans increased +8.9% YoY and +3.8% YTD, driven by mortgage loans (+9.2% YoY and +4.2% YTD) and, to a lesser extent, consumer loans (+8.3% YoY and +3.0% YTD). Including foreign subsidiaries, the industry's retail loans grew +9.6% YoY and +5.0% YTD. The Bank

[1] This includes companies with annual sales over CH$800 million, only in the regions of Chile where Banco Security has offices. Source: Chilean Internal Revenue Service (SII).

boasts market share of 5.7%[2] in its target segment of high-income individuals as of June 2018. The retail banking division had 70,758 customers as of June 2018 (+2.3% YoY).

The retail banking division reported profit of CH$4,437 million for 1H18, which compares positively with CH$1,955 million for 1H17, explained by a larger net interest margin of CH$32,118 million (+CH$1,582 million, +5.2% YoY), due to greater loans (+12.0% YoY). Operating expenses fell to CH$27,516 million (-CH$1,285 million or -4.5% YoY) as a result of reduced expenses for technology projects, depreciation and amortization, which are distributed across all the standalone Bank's business segments. Net fees totaled CH$12,041 million, (+CH$445 million or +3.8% YoY) due to increased sales of supplementary loan insurance products. Provision expenses rose to CH$12,415 million (+3.3% YoY), due to the Bank's efforts to strengthen its risk and collections structure, partially offset by impairment of a few entrepreneur banking customers in 2Q18.

The division posted profit of CH$2,052 million for 2Q18 (-CH$332 million, -13.9% QoQ), mainly because of increased risk expenses, which totaled CH$6,786 million (+20.6% QoQ) affected by loans to entrepreneur banking customers. In addition, the division's support expenses rose to CH$14,091 million (+5.0% YoY), because of increased commercial activity. These effects were not fully offset by higher net fees of CH$6,569 million (+20.0% QoQ), due to increased sales of supplementary loan insurance products. The net interest margin reached CH$16,091 million (+0.4% QoQ), in line with loan growth during the quarter (+0.5% QoQ). FX transactions and other income totaled CH$801 million (+27.7% QoQ).

Treasury

As of June 2018, this division posted profit of CH$10,349 million (-9.1% YoY), due to a decrease in financial income (net financial operating income (loss) + gain from FX transactions + other income), which amounted to CH$7,359 million in 1H18 (-34.5% YoY) due to a drop in structured products distributed as a result of macroeconomic uncertainty. The first half of 2017 represents a high basis of comparison due to a strong performance from currency derivatives and increased income from structured products. The division reported a larger net interest margin for 1H18 of CH$12,049 million (+19.8% YoY), due to renewals of mature liabilities with better financial conditions during 1H18, and increased use of accounting hedges. These factors were partially offset by the negative effects on the spread of assets adjusting more slowly than liabilities to MPR cuts in 1H17, and a higher cost of funds in dollars. In addition, support expenses fell to CH$6,035 million (-6.8% YoY) for 1H18 as a result of reduced expenses for technology projects, depreciation and amortization, which are distributed across all the standalone Bank's business segments.

The treasury division reported profit of CH$4,722 million for 2Q18 (-CH$906 million, -16.1% QoQ) due to lower financial income (CH$1,616 million for 2Q18, -71.9% QoQ), explained by a drop in structured products distributed because of macroeconomic uncertainty and the use of CH$/US$ accounting hedges, which was offset by a greater net interest margin (CH$7,123 million in 2Q18, +44.6% QoQ). In addition, the greater net interest margin was offset in part by a higher cost of funds in dollars as a result of higher interest rates and accounting hedges renewed at higher rates. These effects were not fully offset by reduced support expenses for 2Q18 of CH$2,677 million (-20.3% YoY). For this item, the first quarter of the year represented a high basis of comparison due to seasonal effects.

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 June 2018, ALM represented 61.7% of treasury income. The investment and trading desks manage the

[2] This division includes individuals between 24 and 65 years of age in the middle and high-income segments (ABC1) with a risk/return profile similar to Banco Security's customers, only for regions where Banco Security has offices. Source: Superintendency of Banks and Financial Institutions (SBIF).

Bank's own portfolio of primarily Chilean Central Bank notes and corporate bonds and represent 19.6% of treasury income. The remaining 18.7% of treasury income comes from the distribution desk, which brokers specialized products for commercial banking customers (currency, forwards and structured products).

Banco Security - Consolidated Statement of Income

In Ch$ Millon	2Q18	1Q18	2Q17	% Chg QoQ	% Chg YoY	6M18	6M17	% Chg
Net interest margin	43,525	40,461	39,666	7.6%	9.7%	83,986	75,661	11.0%
Net Fees	17,948	17,362	16,142	3.4%	11.2%	35,310	30,604	15.4%
Net financial Operating Income	5,018	3,654	7,184	37.3%	-30.2%	8,672	16,678	-48.0%
Net foreign exchange transactions	485	4,159	-654	-88.3%	-	4,644	-440	-
Recovery of charged-off loans	1,494	1,481	613	0.9%	143.7%	2,975	1,141	160.7%
Other net operating income	-290	-273	-1,155	6.2%	-	-563	-2,905	-
Gross operating income	**68,180**	**66,844**	**61,796**	**2.0%**	**10.3%**	**135,024**	**120,739**	**11.8%**
Credit risk provisions	-14,433	-7,930	-9,399	82.0%	53.6%	-22,363	-20,291	10.2%
Operating expenses	-30,639	-32,155	-31,498	-4.7%	-2.7%	-62,794	-64,343	-2.4%
Net operating income	**23,108**	**26,759**	**20,899**	**-13.6%**	**10.6%**	**49,867**	**36,105**	**38.1%**
Income attributable to investments in other companies	9	0	297	-	-96.9%	9	297	-96.9%
Profit before tax	**23,117**	**26,759**	**21,196**	**-13.6%**	**9.1%**	**49,876**	**36,402**	**37.0%**
Income tax expense	-4,652	-5,867	-4,631	-20.7%	0.5%	-10,519	-7,584	38.7%
Profit for the period	**18,465**	**20,892**	**16,565**	**-11.6%**	**11.5%**	**39,357**	**28,818**	**36.6%**

For 1H18, the Bank reported a net interest margin of CH$83,986 million (+11.0% YoY), explained mainly by greater total loans (+9.7% YoY) and strong results from accounting hedges. Interest and indexation income totaled CH$181,637 million (+5.2% YoY), due to greater total loans, which was only partially offset by the downward adjustment of assets as a result of MPR cuts in 1H17. Interest and indexation expenses rose to CH$97,651 million for 1H18 (+0.6% YoY), due to 10.5% YoY growth in the Bank's total liabilities, partially offset by the renewal of liabilities that matured in 4Q17 and early 1Q18 under better financial conditions.

Net Interest Margin *In Ch$ Million*	2Q18	1Q18	2Q17	% Chg QoQ	% Chg YoY	6M18	6M17	% Chg
Interest and indexation income	94,329	87,308	89,388	8.0%	5.5%	181,637	172,736	5.2%
Interest and indexation expenses	-50,804	-46,847	-49,723	8.4%	2.2%	-97,651	-97,075	0.6%
Net interest margin	43,525	40,461	39,666	7.6%	9.7%	83,986	75,661	11.0%
Interest margin net of provisions	29,092	32,531	30,267	-10.6%	-3.9%	61,623	55,370	11.3%
Net interest margin / total loans	3.43%	3.29%	3.43%	15 p	0 p	3.31%	3.28%	4 p
Net interest margin net of provisions / Total loans	2.29%	2.64%	2.62%	-35 p	-33 p	2.43%	2.40%	3 p

Net fees totaled CH$35,310 million for 1H18 (+15.4% YoY), because of greater commercial activity in the commercial banking division, greater commissions from supplementary loan insurance products in the retail banking division and increased fund management and brokerage income from the asset management subsidiaries.

Financial income, which is the sum of net financial operating income (loss) and the net gain from FX transactions, totaled CH$13,316 million (-18.0% YoY), due to heightened macroeconomic uncertainty. The first half of 2017 represents a high basis of comparison due to a strong performance from currency derivatives and increased income from structured products.

In 1H18 recovery of written-off loans was up +CH$1,834 million, reaching CH$2,975 million, due to a stronger collections process in the retail banking division. Credit risk provision expenses for 1H18 totaled CH$22,363 million (+10.2% YoY), due to impairment of a few entrepreneur and medium-sized commercial banking customers, partially offset by a few cases of commercial banking customers with guarantees requiring smaller provisions in 1Q18.

Support expenses reached CH$62,794 million, -2.4% YoY, reflecting reduced expenses at the Bank to implement technology projects and for depreciation and amortization, partially offset by increased expenses at asset management subsidiaries associated with increased commercial activity.

Other net operating income amounted to -CH$563 million, + CH$2,342 million, due to intangible assets impaired in 1H17.

Income tax expense for 1H18 totaled CH$10,519 million, up +CH$2,935 million YoY, due to the larger profit before tax and a higher tax rate (25.5% v/s 27.0%).

Banco Security reported consolidated profit of CH$18,465 million for 2Q18, reflecting a decrease of 11.6% over 1Q18. The net interest margin totaled CH$43,525 million for 2Q18 (+7.6% QoQ) due to greater loans (+3.0% QoQ). Net fees totaled CH$17,948 million for 2Q18, +3.4% QoQ, because of increased commissions from supplementary loan insurance products by the retail banking division. Financial income (net financial operating income (loss) + net gain from FX transactions) totaled CH$5,503 million (-29.6% QoQ), due to reduced income from structured products because of macroeconomic uncertainty, and reduced income from currency derivative instruments. In 2Q18, credit risk provisions totaled CH$14,433 million, up from CH$7,930 million in 1Q18, due to impairment of a few entrepreneur and medium-sized commercial banking customers. It is worth noting that 1Q18 was a low basis of comparison due to impairment of a few companies that had guarantees and, therefore, required fewer provisions. Support expenses totaled CH$30,639 million (+4.7% YoY), due to seasonal effects during the first quarter.

Banco Security - Support Expenses and Efficiency

In Ch$ Millions	2Q18	1Q18	2Q17	% Chg QoQ	% Chg YoY	6M18	6M17	% Chg
Personnel	-13,943	-14,597	-12,361	-4.5%	12.8%	-28,540	-23,969	19.1%
Administrative expenses	-15,401	-16,336	-17,692	-5.7%	-12.9%	-31,737	-37,418	-15.2%
Depreciation and amortization	-1,295	-1,222	-1,445	6.0%	-10.4%	-2,517	-2,956	-14.9%
Total operating expenses	**-30,639**	**-32,155**	**-31,498**	**-4.7%**	**-2.7%**	**-62,794**	**-64,343**	**-2.4%**
Operating expenses / Gross operating income	**44.9%**	**48.1%**	**51.0%**	**-317 p**	**-603 p**	**46.5%**	**53.3%**	**-679 p**

Banco Security's efficiency ratio, measured as support expenses + other operating expenses over total operating income, totaled 46.5% as of June 2018 (-679 b.p. YoY). This ratio compares to 47.2% for the banking system and 46.5% for peer banks[3] as of June 2018.

The Bank reported support expenses of CH$62,794 million (-2.4% YoY) for 1H18. For 1H18, personnel expenses amounted to CH$28,540 million, +19.1% YoY, while administrative expenses totaled CH$31,737 million, -15.2% YoY. Part of the increase in personnel expenses in 1H18 is offset by a decrease in administrative expenses as a result of an accounting reclassification in 4Q17. In addition, reduced administrative expenses from implementing technology projects were reported for 1H18. Depreciation and amortization expense reached CH$2,517 million, -14.9% YoY, as several intangible assets reached the end of their useful lives in 2017.

Support expenses in 2Q18 decreased 4.7% QoQ in comparison to 1Q18, totaling CH$30,639 million due to seasonal effects during the first quarter. For 2Q18, personnel expenses amounted to CH$13,943 million, -4.5% YoY, because of commercial bonuses paid during 1Q18. Administrative expenses reached CH$15,401 million, -5.7% YoY, because of taxes, property taxes and contributions paid in 1Q18. This brings the efficiency ratio to 44.9% for 2Q18, an improvement over 48.1% in 1Q18.

Banco Security Loan Portfolio

Total loans reached CH$5,070,827 million as of June 2018, +9.7% YoY and +4.9% YTD. For the industry, loans increased +7.4 % YoY and +5.1% YTD. Including foreign subsidiaries, this figure increased +8.5% YoY and +6.5% YTD. As of June 2018, commercial loans grew +9.0% YoY and +5.4% YTD, to CH$3,979,463 million (78.5% of Banco Security's total loan portfolio), while retail loans (consumer + mortgage) reached CH$1,086,191 million, +12.0% YoY and +2.6% YTD. The 20 largest borrowers represent 10.5% of the Bank's total loan portfolio.

[3] Peer banks: Average for BBVA, Scotiabank, BICE, Consorcio and Security

Total Loans *In Ch$ Millions*		**Jun-18**	**Mar-18**	**Dec-17**	**Jun-17**	**% Chg QoQ**	**YTD**	**YoY**
Consumer	Loans	469,450	454,135	440,241	395,197	3.4%	6.6%	18.8%
Mortgage	Loans	616,741	626,453	618,630	574,532	-1.6%	-0.3%	7.3%
Mortgage + Consumer	Loans	1,086,191	1,080,588	1,058,871	969,729	0.5%	2.6%	12.0%
Mortgage + Consumer	No. Customers	70,758	70,646	70,862	69,182	0.2%	-0.1%	2.3%
Commercial	Loans	3,979,463	3,842,604	3,775,419	3,649,975	3.6%	5.4%	9.0%
Commercial	No. Customers	8,830	8,646	8,513	8,213	2.1%	3.7%	7.5%
Total Loans		**5,070,827**	**4,923,754**	**4,834,290**	**4,620,365**	**3.0%**	**4.9%**	**9.7%**
Market Share		**3.3%**	**3.3%**	**3.3%**	**3.2%**	**-1 p**	**-1 p**	**7 p**

Interest and indexation income *In Ch$ Millions*	**Jun-18**	**Mar-18**	**Jun-17**	**% Chg QoQ**	**YoY**	**Jun-18**	**Jun-17**	**% Chg YoY**
Consumer	13,245	13,052	12,312	1.5%	7.6%	26,297	24,984	5.3%
Mortgage	9,819	9,327	9,343	5.3%	5.1%	19,146	17,307	10.6%
Mortgage + Consumer	23,064	22,379	21,655	3.1%	6.5%	45,443	42,291	7.5%
Commercial	62,542	57,227	59,321	9.3%	5.4%	119,769	114,268	4.8%

Asset Quality

Given Banco Security's exposure to corporate and high-income customers, its risk ratios are among the lowest in the industry.

In Ch$ Million	**Jun-18**	**Mar-18**	**Dec-17**	**Jun-17**	**% Chg QoQ**	**YTD**	**YoY**
Total Loans	**5,070,827**	**4,923,754**	**4,834,290**	**4,620,365**	**3.0%**	**4.9%**	**9.7%**
Nonperforming loans - consumer	5,835	6,013	5,457	5,889	-3.0%	6.9%	-0.9%
Nonperforming loans - mortgage	5,491	5,919	6,267	5,604	-7.2%	-12.4%	-2.0%
Nonperforming loans - commercial	58,173	74,278	55,005	49,332	-21.7%	5.8%	17.9%
Total nonperforming loans	**69,499**	**86,210**	**66,729**	**60,825**	**-19.4%**	**4.2%**	**14.3%**
Non-performing loans - consumer	1.24%	1.32%	1.24%	1.49%	-8 p	0 p	-25 p
Non-performing loans - mortgage	0.89%	0.94%	1.01%	0.98%	-5 p	-12 p	-9 p
Non-performing loans - commercial	1.46%	1.93%	1.46%	1.35%	-47 p	0 p	11 p
Total nonperforming loans	**1.37%**	**1.75%**	**1.38%**	**1.32%**	**-38 p**	**-1 p**	**5 p**
Gross provisions	102,001	87,261	122,134	99,025	16.9%	-16.5%	3.0%
Write-offs	(18,416)	(10,112)	(41,626)	(18,881)	82.1%	-55.8%	-2.5%
Credit risk provisions	**83,585**	**77,149**	**80,508**	**80,144**	**8.3%**	**3.8%**	**4.3%**
Provisions - consumer (% total)	19,036	18,535	17,490	16,304	2.7%	8.8%	16.8%
Provisions - mortgage (% total)	1,070	1,270	1,265	1,322	-15.7%	-15.4%	-19.1%
Provisions - commercial (% total)	63,479	57,344	61,753	62,518	10.7%	2.8%	1.5%
Credit risk provisions	**83,585**	**77,149**	**80,508**	**80,144**	**8.3%**	**3.8%**	**4.3%**
Coverage - consumer	326.2%	308.2%	320.5%	276.9%	1799 p	573 p	4938 p
Coverage - mortgage	19.5%	21.5%	20.2%	23.6%	-197 p	-70 p	-410 p
Coverage - commercial	109.1%	77.2%	112.3%	126.7%	3192 p	-315 p	-1761 p
Coverage - total nonperforming loans[1]	**120.3%**	**89.5%**	**120.6%**	**131.8%**	**3078 p**	**-38 p**	**-1149 p**
Provisions / loans	1.65%	1.57%	1.67%	1.73%	8 p	-2 p	-9 p
Provision expenses[2] / loans	0.76%	0.52%	0.87%	0.83%	24 p	-10 p	-6 p

[1] Stock of credit risk provisions/ Stock of nonperforming loans
[2] Credit risk provisions net of recovery of charged-off loans

As of June 2018, Banco Security's risk ratio was 1.65%, down from 1.67% as of December 2017, due to impairment of a few companies that had guarantees and, therefore, required fewer provisions during 1Q18, partially offset by an increase in provisions due to impairment of a few entrepreneur and medium-sized commercial banking customers in 2Q18.

The nonperforming loan portfolio reached 1.37%, which is slightly below the 1.38% recorded as of December 2017. During 1Q18, few customers were added to the nonperforming loan portfolio that had guarantees and, therefore, required fewer provisions. These customers normalized their situation during 2Q18, which explains the quarterly drop of 38 bps in the nonperforming loan indicator.

The ratio of provisions net of recovery to total loans for 1H18 was 0.76% (-10 b.p. YoY), due to a fortified risk and collections structure in the retail banking division and a few cases of customers with guarantees requiring fewer provisions. This was partially offset by an increase in provisions as a result of impairment of a few entrepreneur and medium-sized commercial banking customers in 2Q18.

It is also important to mention that the risk expense for 1Q17 includes a one-time effect of CH$1,969 million for an adjustment to the provisioning model for consumer loans implemented in January 2017, and, therefore, is a high basis of comparison.

	Credit Risk (%)								
	Provisions / Loans					Over 90 Day Nonperforming Loans			
	Mortgage	Consumer	Total	Commercial	Total	Mortgage	Consumer	Commercial	Total
Banco Security	0.17	4.05	1.85	1.60	1.65	0.89	1.24	1.46	1.37
Medium Banks*	0.41	4.28	1.65	1.67	1.73	1.16	1.31	1.00	1.12
Banking system	0.81	6.35	2.56	2.30	2.39	2.38	2.08	1.70	1.93

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

Banco Security - Funding Sources

Funding Sources *In MCH$*	**Jun-18**		**Mar-18**		**Dec-17**		**Jun-17**		**% Chg QoQ**	**YTD**	**YoY**
Demand deposits	622,933	9.2%	619,866	9.6%	673,475	10.5%	613,572	10.0%	0.5%	-7.5%	1.5%
Time deposits	2,959,357	43.6%	2,944,289	45.5%	2,927,755	45.5%	2,843,583	46.4%	0.5%	1.1%	4.1%
Total deposits	3,582,290	52.8%	3,564,155	55.0%	3,601,230	55.9%	3,457,155	56.4%	0.5%	-0.5%	3.6%
Bonds	1,959,746	28.9%	1,852,245	28.6%	1,786,574	27.7%	1,700,712	27.7%	5.8%	9.7%	15.2%
Interbank loans	224,650	3.3%	185,584	2.9%	188,346	2.9%	181,882	3.0%	21.1%	19.3%	23.5%
Other liabilities*	478,536	7.0%	330,581	5.1%	312,210	4.8%	309,670	5.1%	44.8%	53.3%	54.5%
Total Liabilities	**6,245,222**	**92%**	**5,932,565**	**92%**	**5,888,360**	**91%**	**5,649,419**	**92%**	**5.3%**	**6.1%**	**10.5%**
Equity	543,058	8.0%	543,058	8.4%	553,023	8.6%	482,493	7.9%	0.0%	-1.8%	12.6%
Liabilities + Equity	**6,788,280**	**100%**	**6,475,623**	**100%**	**6,441,383**	**100%**	**6,131,912**	**100%**	**4.8%**	**5.4%**	**10.7%**

*Includes borrowings from financial institutions and derivative instruments, among other items.

o Demand and Time Deposits

As of June 2018, deposits totaled CH$ 3,582,290 million, +3.6% YoY and -0.5% YTD. For the industry, loans fluctuated +6.9% YoY and +1.8% YTD. Including foreign subsidiaries, this figure varied +8.6% YoY and +4.6% YTD. Banco Security's time deposits consisted of 33.6% retail deposits and 66.4% institutional deposits. The 15 largest depositors[4] represent 23% of the Bank's total deposits. The loan to deposit ratio was 142% as of June 2018, compared to 134% as of June 2017.

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[5], striving to diversify funding sources while applying strict limits to asset/liability mismatches, maintaining liquid assets and lengthening liabilities to increase funding terms. It is important to note that the Bank's exposure from asset and liability mismatches is among the industry's lowest. As of June 2018, the ratio of long-term interest rate risk to regulatory capital was 1.92%[6]. As of June 30, 2018, liquid assets[7] represented 52% of demand and other time deposits.

[4] Excludes stock brokerage companies.

[5] 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).

[6] This measures the exposure to changes in interest rates as a percentage of equity. Exposure to long-term interest rates is calculated as the sum of the differences by time band and currency of cash flows from banking books assets and liabilities, including amortization and interest, adjusted by a sensitivity factor as per table 2 of appendix 1 of Chapter III.B.2.2 of the Chilean Central Bank's compendium of financial standards.

[7] Includes cash and cash deposits, transactions pending settlement and the portfolio of financial instruments.

- **Debt Issued**

Series	SBIF Registration Number	SBIF Registration Date	Currency	Amount	Annual Interest Rate	Duration (Years)	Maturity
H1	3/2007	25-Jan-07	UF	3,000,000	3.00	23	1-Dec-29
M1	1/2009	19-May-09	UF	3,000,000	3.00	10.5	1-Jul-19
N1	1/2009	19-May-09	UF	3,000,000	3.00	105	1-Jul-19
R1	10/2011	6-Oct-11	UF	3,000,000	3.00	10	1-Jun-21
K2	1/2012	14-Mar-12	UF	4,000,000	3.25	10	1-Nov-21
K3	1/2013	26-Feb-13	UF	4,000,000	3.50	10	1-Nov-22
K4	10/2013	6-Nov-13	UF	5,000,000	3.60	10	1-Oct-23
B3	14/2014	9-Oct-14	UF	5,000,000	2.50	5	1-Jun-19
K5	14/2014	9-Oct-14	UF	5,000,000	2.75	10	1-Jun-24
B4	05/2015	1-Apr-15	UF	5,000,000	2.25	5	1-Jun-20
K6	05/2015	1-Apr-15	UF	5,000,000	2.75	10	1-Mar-25
K7	05/2015	1-Apr-15	UF	5,000,000	2.75	10	1-Sep-25
Z1	10/2015	1-Sep-15	CLP	75,000,000,000	5.25	5	1-Jul-20
B5	11/2016	3-Oct-16	UF	5,000,000	2.40	5	1-Aug-21
K8	12/2016	3-Oct-16	UF	5,000,000	2.80	10	1-Oct-26
Z2	13/2016	3-Oct-16	CLP	75,000,000,000	5.30	5.5	1-Feb-22
B6	6/2017	11-Jul-17	UF	5,000,000	2.25	5.5	1-Oct-22
X1	2/2018	2-Feb-18	USD	50,000,000	3.50	5	15-Jan-23
Z3	8/2018	7-Jun-18	CLP	75,000,000,000	4.80	5.5	1-Jun-23
K9	8/2018	7-Jun-18	UF	5,000,000	2.75	10.5	1-Jul-28
B7	8/2018	7-Jun-18	UF	4,000,000	2.20	5.5	1-Aug-23

Banco Security - Capitalization

As of June 2018, Banco Security's equity attributable to the owners totaled CH$554,890 million (+15.0% YoY, +0.3% QoQ). For some years now, Banco Security has been preparing for the implementation of Basel III. In line with this objective, on December 21, 2017, Banco Security completed a capital increase of CH$50,000 million, issuing 17,523,256 new shares at a value of approximately CH$2,853 per share.

In Ch$ Million	Jun-18	Mar-18	Dec-17	Jun-17	% Chg QoQ	% Chg YTD	% Chg YoY
Capital	302,047	302,047	302,047	252,047	0.0%	0.0%	19.8%
Reserves and valuation accounts	26,659	28,868	30,204	33,619	-7.7%	-11.7%	-20.7%
Retained earnings	226,184	212,086	220,716	196,772	6.6%	2.5%	14.9%
Equity attributable to equity holders of bank	**554,890**	**543,001**	**552,967**	**482,438**	**2.2%**	**0.3%**	**15.0%**
Tier I (core capital)	554,890	543,001	552,967	482,438	2.2%	0.3%	15.0%
Regulatory capital	752,517	741,820	751,457	683,281	1.4%	0.1%	10.1%
Minimum required capital	448,957	432,163	428,810	410,308	3.9%	4.7%	9.4%
Risk-weighted assets	5,611,957	5,402,043	5,360,129	5,128,845	3.9%	4.7%	9.4%
BIS ratio	13.41%	13.73%	14.02%	13.32%	-32 p	-61 p	9 p
Core capital / total assets	7.72%	7.88%	8.10%	7.37%	-15 p	-38 p	35 p

The Bank's capital adequacy ratio as of June 2018, calculated as regulatory capital over risk-weighted assets, reached 13.41% (with a regulatory minimum of 8%), +9 b.p. YoY and -32 b.p. YTD. The ratio of core capital to total assets reached 7.72%, +35 b.p. YoY and -15 b.p. YTD. Both ratios improved YoY due to the Bank's recent capital increase of CH$50,000 million and its increased retained earnings. Both ratios fell YTD due to growth in risk-weighted assets and a dividend distributed in March 2018 of CH$37,813 million, equivalent to 60% of profit for 2017.

FACTORING SECURITY

For 1H18, Factoring Security reported profit of CH$4,059 million, +8.3% YoY and +0.5% QoQ, due to reduced operating expenses (CH$4,125 million for 1H18, -8.6% YoY and +32.1% QoQ), explained by reduced banking costs and bond interest because of improved funding conditions. It also reported lower support expenses of CH$5,796 million for 1H18 (-0.9% YoY and +7.5% QoQ). This was due to reduced provision expenses following implementation of a new provision calculation model based on IFRS 9 that took effect in January 2018.

These effects were only partially offset by reduced operating income of CH$14,713 million for 1H18 (-1.8% YoY +1.1% QoQ) due to a smaller annual average spread with a loan volume of CH$301,116 million as of June 2018 (+14.4% YoY and +1.8% QoQ).

The efficiency ratio reached 42.8%, -100 b.p. YoY. The risk ratio, measured as provisions over total loans, was 2.61% as of June 2018, -28 b.p. YoY and -29 b.p. QoQ.

In Ch$ Million	2Q18	1Q18	2Q17	% Chg		6M18	6M16	% Chg
				YTD/ QoQ	YoY			
Factored receivables	301,116	295,883	263,222	-1.1%	14.4%	301,116	242,698	14.4%
Provisions	7,865	8,576	7,621	3.8%	3.2%	7,865	7,122	3.2%
Gross operating income	7,397	7,316	7,352	1.1%	0.6%	14,713	14,294	-1.8%
Operating expenses	-2,347	-1,777	-2,113	32.1%	11.1%	-4,125	-4,702	-8.6%
Support expenses	-3,003	-2,793	-2,932	7.5%	2.4%	-5,796	-5,394	-0.9%
Profit for the period	**2,034**	**2,025**	**1,893**	**0.5%**	**7.5%**	**4,059**	**3,580**	**8.3%**
Efficiency ratio	41.4%	44.2%	42.8%	-275 p	-140 p	42.8%	44.9%	-100 p
Risk ratio	2.61%	2.90%	2.90%	-29 p	-28 p	2.61%	2.9%	-28 p

In November 2017, Factoring Security placed UF 1.5 million (US$ 63.07 million) in bonds to refinance the company's short- and long-term liabilities and finance working capital and new loans. The notes (E series) were bullet bonds that mature in 4 years and 11 months. They were rated A+ by Fitch and AA- by ICR Chile, and placed on the Santiago Stock Exchange at an IRR of 2.47%.

INSURANCE BUSINESS AREA (27.7% of assets; 10.2% of profit from business areas as of June 2018)

The insurance business area reported profit of CH$5,015 million. 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 1H18 Vida Security reported profit of CH$4,831 million (-63.1% YoY).

Gross written premiums reached CH$202,702 million (-8.7% YoY) due to reduced premiums from individual insurance with savings components, partially offset by increased premiums from DSI and group insurance policies and annuities.

During the first half of the year, the subsidiary recorded a smaller variation in technical reserves (-CH$2,838 million versus -CH$50,966 million for 1H17), due to a smaller variation in technical reserves for individual insurance, weaker results from investments related to the CUI and APV portfolios, increased claims paid (surrenders and transfers from CUI and APV accounts) and decreased gross written premiums. This drop was only partially offset by additional DSI reserves required because of regulatory tests. Claims and pensions paid totaled CH$169,800 million (+2.4% YoY), because of an increase in surrenders and transfers from CUI and APV accounts and a rise in annuities paid resulting from higher sales, partially offset by a reduction in claims rates for DSI contract No. 5. Finally, underwriting expenses totaled CH$7,957 million (+10.7% YoY), reflecting increased sales of group insurance and increased commercial activity in the individual product line.

This all explains the greater contribution margin as of June 2018 (-CH$16,455 million versus -CH$36,331 million for 1H17).

This was more than offset by reduced investment income of CH$42,651 million (-38.2% YoY), attributable to weaker returns on equity investments due to greater volatility and market corrections during 1H18. In addition, the first half of 2017 represents a high basis of comparison for investment income due to strong market performances during that period. The subsidiary reported administrative expenses of CH$19,562 million (+6.9% YoY), reflecting increased commercial activity. Lastly, exchange differences totaled -CH$190 million, versus CH$2,094 million in 1H17, because of reduced exposure to foreign exchange risk and a lower average exchange rate.

In MCH$	2Q18	1Q18	2Q17	% Chg.		6M18	6M17	% Chg.
				QoQ	YoY			
Gross written premiums	105,911	96,792	122,038	9.4%	-13.2%	202,702	221,928	-8.7%
Net premiums written	**86,757**	**77,368**	**104,170**	**12.1%**	**-16.7%**	**164,125**	**187,405**	**-12.4%**
Variation in technical reserves	-2,408	-430	-26,885	-	-91.0%	-2,838	-50,966	-94.4%
Claims paid	-41,528	-35,902	-33,679	15.7%	23.3%	-77,430	-70,978	9.1%
Pensions paid	-48,837	-43,533	-52,499	12.2%	-7.0%	-92,370	-94,896	-2.7%
Underwriting expenses	-4,208	-3,749	-4,160	12.2%	1.1%	-7,957	-7,185	10.7%
Medical expenses	-15	-8	-6	-	-	-22	-19	-
Insurance impairment	273	-236	760	-	-	37	306	-
Contribution Margin	**-9,966**	**-6,490**	**-12,300**	**53.6%**	**-19.0%**	**-16,455**	**-36,331**	**-54.7%**
Administrative expenses	-10,005	-9,557	-10,082	4.7%	-0.8%	-19,562	-18,295	6.9%
Investment income	19,146	23,505	28,012	-18.5%	-31.7%	42,651	69,030	-38.2%
Exchange differences	-899	708	934	-	-	-190	2,094	-109.1%
Gain (loss) on indexed assets and liabilities	-731	-931	-934	-21.5%	-21.8%	-1,661	-1,271	30.7%
Profit for the period	-1,576	6,406	5,522	-124.6%	-128.5%	4,831	13,101	-63.1%
Administrative ratios								
(1) (Claims paid + pension paid)/ Net written premiums	104.2%	102.7%	82.7%	-99 p	692 p	103.5%	88.5%	692 p
(2) Administrative expenses/ Net written premiums	11.5%	12.4%	9.7%	196 p	249 p	11.9%	9.8%	249 p
(3) Underwriting expenses/ Net written premiums	4.9%	4.8%	4.0%	-5 p	121 p	4.8%	3.8%	121 p
Combined Ratio (1) + (2) + (3)	120.5%	119.9%	96.4%	92 p	1062 p	120.2%	102.1%	1062 p
(4) Profit / Net written premiums	-1.8%	8.3%	5.3%	823 p	-83 p	2.9%	7.0%	-83 p

In 2Q18, Vida Security posted a loss of -CH$1,576 million, offset by CH$ $6,406 million in 1Q18, to give CH $4,831 million for the first half of the year.

Gross written premiums reached CH$105,911 million (+9.4% QoQ) due to higher premiums from individual insurance, annuities and group policies. The subsidiary posted a larger variation in technical reserves during the second quarter (-CH$2,408 million in 2Q18 versus -CH$430 million in 1Q18), due to a greater variation in technical reserves for individual policies, greater gross written premiums for CUI and APV policies and stronger quarterly returns on investments in the CUI and APV portfolios, which was only partially offset by increased claims paid (surrenders and transfers from CUI and APV accounts). This variation was partially offset by reduced DSI reserves required because of regulatory tests and a smaller variation in reserves for group policies, in line with the drop in commercial activity in this product line. In addition, the subsidiary reported increased claims and pensions paid (+13.8% QoQ) due to greater surrenders and transfers from CUI and APV accounts, increased claims filed during the quarter for group policies and DSI contract No. 5 as compared to 1Q18, and a rise in pensions paid due to increased sales. Underwriting expenses totaled -CH$4,208 million (+12.2% QoQ), explained by increased sales of individual and family protection policies. Investment income totaled CH$19,146 million, (-18.5% QoQ), due to weaker returns on international equity instruments in the subsidiary's proprietary trading portfolio. Finally, exchange differences totaled -CH$899 million for 2Q18, below the +CH$708 million recorded for 1Q18, due to higher average exchange rates, partially offset by reduced exposure to foreign currency risk.

Results by Product Line

o 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 gross written premiums to an individual investment account that invests in mutual funds or portfolios managed by the company. Based on figure 601 in the financial statements of Vida Security, it includes product lines 101-112 and 425 and excludes line 107. As of June 2018, gross written premiums from individual insurance represented 24.4% of Vida Security's total gross written premiums.

The contribution margin totaled +CH$2,001 million for 1H18, up from -CH$14,120 million recorded for 1H17. Gross written premiums reached CH$49,463 million for 1H18 (-38.4% YoY) due to lower sales of insurance with savings components as compared to 2017. The variation in technical reserves was -CH$732 million versus -CH$52,692 million for 1H17, due to weaker returns on investments in the CUI and APV portfolios, increased claims paid (surrenders and transfers from CUI and APV accounts) and decreased gross written premiums.

As of June 2018, CUI and APV policies represented 89.3% of total individual insurance premiums.

Individual Insurance In MCH $	2Q18	1Q18	2Q17	% Chg. QoQ	 YoY	6M18	6M17	%Chg.
Gross written premiums	27,809	21,654	44,460	28.4%	-37.5%	49,463	80,339	-38.4%
Net premiums written	**27,408**	**21,098**	**43,973**	**29.9%**	**-37.7%**	**48,506**	**79,246**	**-38.8%**
Variation in technical reserves	-2,870	2,137	-27,965	-234.3%	-89.7%	-732	-52,692	-98.6%
Claims paid	-23,165	-17,213	-16,994	34.6%	36.3%	-40,379	-34,474	17.1%
Pensions paid	-81	-455	-908	-82.2%	-91.1%	-536	-1,744	-69.3%
Underwriting expenses	-2,554	-2,285	-2,403	11.8%	6.3%	-4,840	-4,441	9.0%
Medical expenses	-12	-7	-5	-	-	-19	-17	-
Insurance impairment	0	0	0	-	-	0	0	-
Contribution Margin	**-1,274**	**3,275**	**-4,303**	-138.9%	-70.4%	**2,001**	**-14,120**	-114.2%
Claims rate (1)	84.8%	83.7%	40.7%	483 p	3182 p	84.3%	45.7%	3865 p
Underwriting expense rate (2)	9.3%	10.8%	5.5%	324 p	506 p	10.0%	5.6%	437 p

(1) Claims paid/ Net written premiums

(2) Underwriting expense/ Net written premiums

In 2Q18, the contribution margin from individual insurance was a loss of -CH$1,274 million, down from +CH$3,275 million for 1Q18. Although gross written premiums increased 28.4% QoQ, the variation in technical reserves was -CH$2,870 million, down from +CH$2,137 million for 1Q18, due to greater gross written premiums and stronger quarterly returns on investments in the CUI and APV portfolios, which was only partially offset by increased claims paid (surrenders and transfers from CUI and APV accounts). In addition, this product line reported claims paid of CH$23,165 million for 1H18, +34.6% QoQ, explained by increased surrenders and transfers from CUI and APV funds and greater claims reported.

o Family Protection

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 Vida Security financial statements, it includes product line 107. As of June 2018, gross written premiums from family protection insurance represented 1.6% of Vida Security's total gross written premiums.

Family Protecction In MCH$	2Q18	1Q18	2Q17	% Chg. QoQ	 YoY	6M18	6M17	%Chg.
Gross written premiums	1,604	1,682	1,580	-4.6%	1.5%	3,286	3,291	-0.2%
Net premiums written	**1,605**	**1,681**	**1,561**	**-4.5%**	**2.8%**	**3,286**	**3,254**	**1.0%**
Variation in technical reserves	7	-5	46	-	-	1	-3	-
Claims paid	-236	-413	291	-42.8%	-181.2%	-650	-393	65.5%
Pensions paid	0	0	0	-	-	0	0	-
Underwriting expenses	-583	-482	-517	20.9%	12.6%	-1,064	-1,109	-4.0%
Medical expenses	-1	0	0	-	-	-1	0	-
Insurance impairment	0	0	0	-	-	0	0	-
Contribution Margin	**792**	**780**	**1,382**	1.5%	-42.7%	**1,572**	**1,750**	-10.1%
Claims rate (1)	14.7%	24.6%	-18.7%	-985 p	3339 p	19.8%	12.1%	772 p
Underwriting expense rate (2)	36.3%	28.7%	33.1%	765 p	318 p	32.4%	34.1%	-169 p

(1) Claims paid/ Net written premiums

(2) Underwriting expense/ Net written premiums

The contribution margin was CH$1,572 million for 1H18 (-10.1% YoY), and CH$792 million in 2Q18 (+1.5% QoQ). Gross written premiums totaled CH$3,286 million for 1H18 (-0.2% YoY), and CH$1,604 million in 2Q18 (-4.6% QoQ). Claims paid reached CH$650 million for 1H18 (+65.5% YoY), and -CH$236 million for 2Q18 (-42.8% QoQ). Underwriting expenses totaled CH$1,064 million for 1H18 (-4.0% YoY), and -CH$583 million in 2Q18 (+20.9% QoQ).

○ Group Insurance

Group Insurance In MCH$	2Q18	1Q18	2Q17	% Chg. QoQ	 YoY	6M18	6M17	%Chg.
Gross written premiums	18,151	16,752	17,686	8.4%	2.6%	34,903	32,243	8.2%
Net premiums written	**17,609**	**16,309**	**16,980**	**8.0%**	**3.7%**	**33,918**	**31,066**	**9.2%**
Variation in technical reserves	470	-344	-237	-	-298.1%	126	-594	-121.2%
Claims paid	-10,972	-10,007	-10,853	9.6%	1.1%	-20,979	-21,642	-3.1%
Pensions paid	0	0	0	-	-	0	0	-
Underwriting expenses	-940	-878	-1,049	7.0%	-10.4%	-1,818	-1,376	32.1%
Medical expenses	-2	-1	-1	-	-	-3	-2	-
Insurance impairment	273	-236	760	-	-	37	306	-
Contribution Margin	**6,438**	**4,843**	**5,601**	32.9%	15.0%	**11,281**	**7,758**	6.2%
Claims rate (1)	62.3%	61.4%	63.9%	95 p	-161 p	61.9%	69.7%	-781 p
Underwriting expense rate (2)	5.3%	5.4%	6.2%	-5 p	-84 p	5.4%	4.4%	93 p

(1) Claims paid/ Net written premiums

(2) Underwriting expense/ Net written premiums

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 202-213 and 302-313. As of June 2018, gross written premiums from group insurance represented 17.2% of Vida Security's total gross written premiums.

The contribution margin for 1H18 totaled CH$11,281 million (+6.2% YoY), thanks to greater gross written premiums (CH$34,903 million for 1H18, +8.2% YoY), mainly from health policies, and a drop in claims paid (CH$20,979 million in 1H18, -3.1% YoY) on life, health and group policies.

From a quarterly perspective, the contribution margin of CH$6,438 million for 2Q18 reflected an improvement of +32.9% QoQ, thanks to higher gross written premiums (CH$18,151 million, +8.4% QoQ), mainly from credit life and health policies, which were only partially offset by the increase in claims paid (CH$10,972 million in 2Q18, +9.6% QoQ) on health policies.

○ 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[8]. As of June 2018, gross written premiums from annuities represented 10.6% of Vida Security's total gross written 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, which is recorded within the line item pensions paid. This results in an accounting loss in the income statement.

Annuities In MCH$	2Q18	1Q18	2Q17	% Chg. QoQ	 YoY	6M18	6M17	%Chg.
Gross written premiums	11,462	9,990	15,447	14.7%	-25.8%	21,452	20,296	5.7%
Net premiums written	**11,462**	**9,990**	**15,447**	**14.7%**	**-25.8%**	**21,452**	**20,296**	**5.7%**
Variation in technical reserves	0	0	-128	-	-	0	-128	-
Claims paid	0	0	0	-	-	0	0	-
Pensions paid	-26,728	-25,616	-29,352	4.3%	-8.9%	-52,344	-50,655	3.3%
Underwriting expenses	-131	-104	-191	25.9%	-31.2%	-235	-259	-9.1%
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	0	0	0	-	-	0	0	-
Contribution Margin	**-15,397**	**-15,731**	**-14,224**	**-2.1%**	**8.2%**	**-31,128**	**-30,746**	**1.2%**
Underwriting expense rate (1)	1.1%	1.0%	1.2%	10 p	0 p	1.1%	1.3%	0 p

(1) Claims paid/ Net w ritten premiums

The contribution margin for annuities was -CH$31,128 million for 1H18 (+1.2% YoY) and -CH$15,397 million in 2Q18 (-2.1% QoQ). Gross written premiums totaled CH$21,452 million for 1H18 (+5.7% YoY), and CH$11,462 million in 2Q18 (+14.7% QoQ). Pensions paid totaled -CH$52,344 million for 1H18 +3.3% YoY and -CH$26,728 million for 2Q18 (+4.3% QoQ), in line with greater reserves because of increased annuity sales.

○ Disability and Survivor Insurance (DSI)

DSI In MCH$	2Q18	1Q18	2Q17	% Chg. QoQ	 YoY	6M18	6M17	%Chg.
Gross written premiums	46,885	46,715	42,864	0.4%	9.4%	93,600	85,759	9.1%
Net premiums written	**28,672**	**28,291**	**26,209**	1.3%	9.4%	**56,963**	**53,544**	6.4%
Variation in technical reserves	-15	-2,218	1,398	-	-	-2,233	2,451	-
Claims paid	-7,154	-8,268	-6,123	-13.5%	16.8%	-15,422	-14,470	6.6%
Pensions paid	-22,028	-17,463	-22,239	26.1%	-1.0%	-39,490	-42,497	-7.1%
Underwriting expenses	0	0	0	-	-	0	0	-
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	0	0	0	-	-	0	0	-
Contribution Margin	**-524**	**342**	**-755**	-	-30.5%	**-182**	**-972**	-81.3%
Claims Rate (1)	101.8%	90.9%	108.2%	1083 p	-644 p	96.4%	106.4%	-999 p

(1) Claims and Pensions Paid/ Net w ritten premiums

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 semi-annual public bidding processes. It is financed by

[8] This also includes line 424 from the SVS, which corresponds to the old Disability and Survivor's system defined in Circular 528 (C-528). As of June 2018, this line contributes to Vida Security only CH$714 million in pensions paid.

employers throughout a member's active work life with a fraction of the additional amount charged by the AFP[9]. 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.

This table of pensions paid includes disability and survivor payments to insured retirees. Claims paid includes a reserve for the present value of the obligation with the insured parties. The variation in technical reserves corresponds to reserve adjustments required after applying regulatory tests.

In the fifth DSI 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. The sixth tender for DSI insurance for the next 24-month period (July 1, 2018 to June 30, 2020) was concluded on April 26, 2018, and Vida Security was not awarded any segments. As of June 2018, gross written premiums from DSI insurance represented 46.2% of Vida Security's total gross written premiums.

The contribution margin from DSI insurance totaled -CH$182 million for 1H18 (versus -CH$972 million for 1H17), due to greater net premiums written (CH$56,963 million, +6.4% YoY) and reduced claims and pensions paid (CH$54,912 million for 1H17, -3.6% YoY), due to a reduction in claims filed during the year. These effects were not fully offset by the variation in technical reserves of CH$2,233 million as of June 2018 (CH$2,451 million as of June 2017), because of the results of regulatory tests.

For 2Q18, the contribution margin was -CH$524 million, down from CH$342 million in 1Q18, due to greater claims and pensions paid (CH$54,912 million for 1H18, -3.6% YoY), due to higher claims during the quarter that were not fully offset by a smaller variation in technical reserves of -CH$15 million in 2Q18 (-CH$2,218 million in 1Q18), due to the results of regulatory tests.

Administrative Expenses - Vida Security

In MCH$	2Q18	1Q18	2Q17	% Chg QoQ	% Chg YoY	6M18	6M17	%Chg.
Payroll	-3,635	-3,382	-3,234	7.5%	12.4%	-7,016	-6,539	7.3%
Distribution Channel expenses	-956	-1,277	-949	-25.1%	0.7%	-2,233	-2,114	5.6%
Other	-5,414	-4,898	-5,898	10.5%	-8.2%	-10,312	-9,642	7.0%
Total administrative expenses	-10,005	-9,557	-10,082	**4.7%**	**-0.8%**	-19,562	-18,295	**6.9%**

For 1H18, Vida Security reported administrative expenses of CH$19,562 million (+6.9% YoY and +4.7% QoQ) because of an increase in other administrative expenses, which totaled CH$10,312 million for 1H18 (+7.0% YoY and +10.5% QoQ), due to increased collection expenses. Distribution channel expenses totaled CH$2,233 million, +5.6% YoY and -25.1% QoQ, while payroll expenses reached CH$7,016 million (+7.3% YoY and +7.5% QoQ).

Investment Income - Vida Security

Investment income for 1H18 totaled CH$42,651 million, reflecting a decrease of -CH$26,380 million YoY, explained by a weakly performing equity market due to high volatility and market corrections in 1H18. In addition, the first half of 2017 represents a high basis of comparison due to strong market performances during that period.

Investment results from equities and indexes was a loss of -CH$6,946 million for 1H18, down -CH$26,351 million YoY, due to a series of external events that have negatively impacted emerging economies in recent months, affecting both the subsidiary's proprietary trading portfolio and the investment portfolio for CUI and APV policies. (MSCI 2018 in US$: Developed Countries -1.0%, Emerging Countries -

[9] http://www.spensiones.cl/portal/orientacion/580/w3-article-3024.html

8.6%, Chile -12.4%).

The investment portfolio for CUI and APV policies totaled CH$496,108 million as of June 2018, +7.7% YoY. It is important to note that reduced investment income from this portfolio of individual insurance with savings components has a positive effect on technical reserves.

Investment Stock Ch$ Million	Jun-18	Mar-18	Dec-17	Jun-17	QoQ	% Chg YTD	YoY	Stock % 2Q18
Fixed Income	1,704,847	1,674,851	1,729,875	1,725,410	1.8%	-1.4%	-1.2%	69.6%
Equities and indexes	481,148	467,606	397,996	370,299	2.9%	20.9%	29.9%	19.6%
Real estate	229,874	229,729	229,827	230,472	0.1%	0.0%	-0.3%	9.4%
Other investments	33,389	47,844	44,815	37,698	-30.2%	-25.5%	-11.4%	1.4%
Investment Stock	**2,449,258**	**2,420,029**	**2,402,514**	**2,363,879**	**1.2%**	**1.9%**	**3.6%**	**100%**

Investment Income In Ch$ Million	2Q18	1Q18	2Q17	% Chg QoQ	YoY	6M18	6M17	% Chg.
Fixed Income	23,127	20,023	19,638	15.5%	17.8%	43,149	41,316	4.4%
Equities and indexes	-6,111	-835	5,177	-	-	-6,946	19,405	-
Real estate	3,193	3,132	2,959	2.0%	7.9%	6,325	6,497	-2.6%
Other investments	-1,063	1,185	237	-	-	122	1,812	-
Investments Income	**19,146**	**23,505**	**28,012**	**-18.5%**	**-31.7%**	**42,651**	**69,030**	**-38.2%**

Exchange Differences and Gain (Loss) from Indexation Adjustments

Exchange differences totaled -CH$190 million for 1H18, versus CH$2,094 million in 1H17 and -CH$899 million for 2Q18 (CH$ 708 million for 1Q18), because of reduced exposure to foreign exchange risk and a lower average exchange rate. The subsidiary posted a loss from indexed assets and liabilities of -CH$1,661 million for 1H18 (-CH$1,271 million for 1H17) and -CH$731 million for 2Q18 (-CH$931 million for 1Q18).

Protecta

Protecta is a Peruvian life insurance company focused on annuities. It is a subsidiary of Vida Security, which holds a 61% interest. It was acquired in September 2015, and marks Grupo Security's entrance into the Peruvian financial market.

In 1H18, Protecta posted profit of S./ 1.9 million, down from the 1H17 profit of S./ 9.2 million.

This YoY reduction in profit can be explained by a larger variation in technical reserves, in line with greater annuity sales and an adjustment to the valuation method for the portfolio of real estate investments. Claims paid also increased as a result of growth in the mass insurance business and a rise in claims.

For 1H18, Protecta posted annuity sales of S./ 76.7 million, reflecting an increase of 61.2% over 1H17. In the same period, the Peruvian life insurance industry reported annuity sales of S./ 402.0 million, down 15.3% from 1H17, impacted by a law approved in early 2016 that allows individuals paying into the pension system to withdraw up to 95.5% of their savings when they retired. In this context, Protecta's rise in sales of annuities has expanded its market share from 5.3% when it was acquired in September 2015 to 19.1% in June 2018. Protecta's business plan for the next three years calls for strong growth in annuities, which will require future capital increases. Consequently, in March 2018, a capital increase of S./ 25 million was approved and carried out in order to strengthen the company's solvency and sustain its path of commercial growth.

Investment income totaled S./ 45.4 million, (+9.3% YoY) and administrative expenses reached S./ 15.9 million (+9.7% YoY).

ASSET MANAGEMENT BUSINESS AREA (2.5% of assets; 8.7% of profit from business areas as of June 2018)

The asset management business area includes Administradora General de Fondos Security and Valores Security Corredores de Bolsa. 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 customer segment. 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.

In Ch$ Million	Jun-18	Mar-18	Dec-17	Jun-17	% Chg QoQ	% Chg YTD	YoY
Assets under management (AUM)	4,763,479	4,839,158	4,506,967	4,207,365	-1.6%	5.7%	13.2%
Mutual funds under management	2,726,097	2,797,621	2,558,301	2,396,620	-2.6%	6.6%	13.7%
Market share - mutual funds	7.2%	7.6%	7.3%	6.7%	-40 p	-12 p	50 p

In Ch$ Million	2Q18	1Q18	2Q17	% Chg QoQ	% Chg YoY	6M18	6M17	% Chg
Value of shares traded	825,842	753,921	651,930	9.5%	26.7%	1,579,763	1,491,930	5.9%
Market share - equities brokerage	5.0%	5.1%	5.6%	-10 p	-57 p	5.1%	6.9%	-179 p
Operating income	10,530	10,473	9,632	0.5%	9.3%	21,003	18,708	12.3%
Non-operating income	1,074	963	976	11.5%	10.1%	2,037	2,115	-3.7%
Total expenses	-8,785	-9,184	-8,168	-4.3%	7.6%	-17,969	-16,272	10.4%
Efficiency ratio	75.7%	80.3%	77.0%	-460 p	-129 p	78.0%	78.1%	-16 p
Fund management	1,557	1,437	1,523	8.4%	2.2%	2,993	2,791	7.3%
Equitry, currency and fixed income brokerage, portfolio mgt and Int´l business (*)	812	398	755	103.9%	7.6%	1,211	1,165	3.9%
Securitization	-32	74	-301	-	-	42	-400	-
Profit - Asset Management	**2,337**	**1,909**	**1,977**	**22.4%**	**18.2%**	**4,246**	**3,556**	**19.4%**

'(*) Includes results from support areas (Asesorías y Global Security)

The subsidiary's AUM as of June 2018 totaled CH$4,763,479 million, +13.2% YoY and +5.7% YTD. Mutual funds under management totaled CH$2,726,097 million, +13.7% YoY and +6.6% YTD, with a market share of 7.2%. The area reported total value of shares traded of CH$1,579,763 million, with market share of 5.1%.

As of June 2018, the asset management area reported profit of CH$4,248 million (+19.4% YoY), attributable to higher operating income of CH$21,003 million (+12.3% YoY), reflecting increased income from mutual funds due to larger volumes (+13.7% YoY). In addition, this increased commercial activity was accompanied by higher total expenses of CH$17,969 million (+10.4% YoY).

For 2Q18, it reported quarterly profit of CH$2,337 million (+22.4% QoQ). Operating income grew 0.5% QoQ to CH$10,530 million for the quarter, due to reduced transactional income as a result of heightened macroeconomic uncertainty. Operating expenses fell 4.3% QoQ to CH$8,785 million, explained in part by seasonal effects typical of the first quarter.

OTHER SERVICES BUSINESS AREA (1.4% of assets; 1.2% of profit from business areas as of June 2018)

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 a loss of -CH$693 million for 1H18, (-CH$1,546 million YoY and -CH$424 million QoQ) due to ownership being transferred on fewer units. Ownership was transferred on 13 units in 1H18, versus 29 units in 1H17. In quarterly terms, ownership was transferred on 6 units in 2Q18, down from 7 units in 1Q18. Inmobiliaria Security signed apartment purchase promise agreements totaling UF 471,000 for the first half of 2018 (+61.9% YoY) and UF 334,000 in 2Q18 (+143.2% QoQ). It is important to note that there is a lag between a sale and revenue recognition. Under IFRS, revenue is recognized once legal title to the property has been transferred.

Real estate assets under management totaled CH$78,288 million, +4.9% YoY and +9.0% QoQ, due to capitalization of projects under development.

In Ch$ Million	2Q18	1Q18	2Q17	% Chg YTD/ QoQ	% Chg YoY	6M18	6M17	% Chg
Real estate assets under management	78,288	74,290	74,666	9.0%	4.9%	78,288	74,666	4.9%
Total income	63	114	557	-45.3%	-88.8%	63	1,630	-96.2%
Total expenses	-799	-366	-436	118.0%	83.0%	-799	-789	1.2%
Profit before tax	-736	-252	120	192.2%	-	-736	842	-
Profit for the period	**-693**	**-268**	**165**	**158.3%**	**-**	**-693**	**853**	**-**

CORPORATE TRAVEL AGENCY: TRAVEL SECURITY

Travel Security reported profit of CH$1,519 million for 1H18, -18.3% YoY and +43.0% QoQ, explained by the CH$49 YoY drop in the average CH$/US$ exchange rate. It also recorded lower airline commissions due to changes in the industry and the composition of sales. These effects were not fully offset by the +3.3% YoY increase in sales.

Travex Security, Travel Security's Peruvian travel agency subsidiary, recorded profit of CH$258 million for 1H18 (-6.8% YoY and +128.9% QoQ).

	2Q18	1Q18	2Q17	% Chg QoQ	% Chg YoY	6M18	6M17	% Chg
Total sales - Travel (MUSD)	73	65	71	12.7%	2.0%	138	133	3.3%
Total sales - Travex (MUSD)	18	18	18	2.1%	1.1%	36	35	3.7%
Net operating income (MCH$)	1,332	942	1,489	41.5%	-10.5%	2,274	2,643	-14.0%
Profit for the period - Travel (MCH$)	**894**	**625**	**1,144**	**43.0%**	**-21.8%**	**1,519**	**1,859**	**-18.3%**

RISK RATINGS

	Grupo Security	Banco Security	Vida Security	Factoring Security	Inv. Previsión Security
FitchRatings (local)	A+	AA-	AA-	A+	A+
ICR (local)	AA-	AA	AA	AA-	A+
Standard & Poors (international)		BBB/A-2			

BONDS ISSUED BY GRUPO SECURITY

Series	Registration Number	Registration Date	Currency	Amount	Annual Interest Rate	Duration (Years)	Maturity
F	620	15/09/09	UF	55,281	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	3.40	21	15/11/35
M	842	25/10/16	UF	1,189,000	4.20	25	15/10/41
N1	885	31/01/18	UF	1,500,000	2.85	25	10/12/42

For more information on debt issued by subsidiaries of Grupo Security, please see the financial liability notes in the financial statements.

Returns and Dividends

On April 12, 2018, Grupo Security shareholders approved a dividend payment of CH$7.25 per share charged to profit for the year 2017. This dividend and the interim dividend distributed in November 2017 total CH$11.6 per share, equivalent to CH$42,810 million, or 57% of profit for the year 2017.

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 3.8% in 2017. For the first half of 2018, Grupo Security's stock reported a return of +9.1%, outperforming the banking sector index (+8.3%) and the IPSA (-4.7%).

2Q18 EARNINGS CONFERENCE CALL

Grupo Security's second quarter earnings report will be explained in a conference call led by Mr. Renato Peñafiel, the company's CEO, on Thursday, August 30, 2018. A transcript of the call will be available on our website. For more information, please contact the Investor Relations Team at relacioninversionistas@security.cl.

GRUPO SECURITY

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

Safe Harbor

This report contains results of the different business units, which are not guarantees of future results and are subject to significant risks and uncertainty. They may be affected by 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 In Ch$ Millions	December 31, 2017	June 30, 2019
Current assets		
Cash and cash equivalents	599,767	625,247
Other financial assets, current	3,162,603	3,205,801
Other non-financial assets, current	27,138	30,752
Trade and other receivables, current	5,355,571	5,551,786
Accounts receivable from related parties, current	32,019	43,292
Inventories	72,113	91,789
Current tax assets	32,517	24,044
Total current assets other than assets or disposal groups classified as held for sale or held for distribution to owners	**9,281,728**	**9,572,711**
Non-current assets or disposal groups classified as held for sale or held for distribution to owners	3,641	2,214
Total non-current assets classified as held for sale or held for distribution to owners	**3,641**	**2,214**
Total current assets	**9,285,369**	**9,574,925**
Non-current assets		
Other non-financial assets, non-current	74,084	120,619
Equity-accounted investments	3,077	2,824
Intangible assets other than goodwill	38,518	39,219
Goodwill	119,067	119,067
Property, plant and equipment	65,088	67,488
Investment property	159,663	170,453
Deferred tax assets	96,435	62,259
Total non-current assets	**555,932**	**581,929**
Total assets	**9,841,301**	**10,156,853**

2. Financial Statements and Indicators - Liabilities and Equity

Liabilities and Equity In Ch$ Millions	December 31, 2017	June 30, 2019
Other financial liabilities, current	5,591,020	5,873,125
Trade and other payables	2,504,746	2,578,090
Accounts payable to related parties, current	1,949	2,058
Other short-term provisions	117,699	118,030
Current tax liabilities	24,881	13,182
Employee benefit provisions, current	8,708	7,906
Other non-financial liabilities, current	188,926	151,487
Total current liabilities	**8,437,929**	**8,743,877**
Non-current liabilities		
Other financial liabilities, non-current	540,756	572,663
Accounts payable, non-current	92,844	105,880
Accounts payable to related parties, non-current	1,948	3,218
Deferred tax liabilities	45,297	7,573
Total non-current liabilities	**680,845**	**689,334**
Total liabilities	**9,118,775**	**9,433,211**
Equity		
Issued Capital	429,040	431,784
Retained earnings	311,415	326,286
Shaere premium	0	611
Other reserves	(35,545)	(53,066)
Equity attribuable to equity holders of parent	**704,910**	**705,614**
Non-controling interests	17,616	18,028
Total equity	**722,526**	**723,642**
Total liabilities and equity	**9,841,301**	**10,156,853**

3. Financial Statements and Indicators - Consolidated Statement of Income

Consolidated statement of income (MCh$)	Jun-17	Jun-18
Revenue	590,224	555,520
Cost of sales	(416,358)	(388,879)
Gross profit	**173,866**	**166,641**
Other income	1,001	2,977
Distribution costs	0	0
Administrative expenses	-111,161	-116,578
Other expenses	(5,185)	(3,090)
Other gains	1,939	541
Finance income	-	-
Finance costs	(6,647)	(6,321)
Share of profit (loss) of associates and joint ventures, equity-accounted	-36	5
Exchange differences	-1,018	7,560
Gain (loss) on indexed assets and liabilities	-3,065	-4,490
Gains arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	(1,551)	866
Profit before tax	**48,142**	**48,112**
Income tax benefit (expense)	(12,211)	(11,886)
Profit (loss) from continuing operations	**35,931**	**36,226**
Profit (loss) from discontinued operations	0	0
Profit (loss) for the period	**35,931**	**36,226**
Profit (loss) attributable to		
Profit (loss) attributable to equity holders of the parent	35,958	37,095
Profit (loss) attributable to non-controlling interests	-27	-870
Profit (loss) for the period	**35,931**	**36,226**
Depreciation and amortization	4,633	4,551
Ebitda	**59,422**	**58,984**

4. Segment Note - Grupo Security YoY

Segment Note - Grupo Security	Lending and Treasury		Asset Management		Insurance		Other Services		Adjustments, Support Areas and Group Expenses		Total Grupo Security	
In MCH$	Jun-17	Jun-18	Jun-17	Jun-18	Jun-17	Jun-18	Jun-17	Jun-18	Jun-17	Jun-18	Jun-17	Jun-18
Revenue	224,165	225,088	25,948	28,856	320,067	283,216	23,511	16,676	-3,467	1,684	590,224	555,520
Cost of sales	-123,139	-126,763	-6,611	-7,041	-275,136	-247,762	-11,034	-6,480	-438	-832	-416,358	-388,879
Gross profit	101,025	98,325	19,337	21,815	44,932	35,454	12,477	10,196	-3,905	852	173,866	166,641
Other income	23	14	320	1,253	324	114	173	354	160	1,242	1,001	2,977
Administrative expenses	-58,311	-55,297	-15,005	-16,688	-28,237	-30,074	-8,466	-8,689	-1,143	-5,829	-111,161	-116,578
Other expenses	-4,570	-1,474	-296	-1,283	-139	-144	-179	-180	0	-9	-5,185	-3,090
Other gains (losses)	0	0	188	101	164	76	219	284	1,369	79	1,939	541
Finance income	0	0	0	0	0	0	0	0	0	0	0	0
Finance costs	0	0	-157	-214	-291	-18	-564	-767	-5,635	-5,322	-6,647	-6,321
Share of profit (loss) of associates and joint ventures, equity-accounted	0	3	0	0	-25	9	-13	-1	1	-6	-36	5
Exchange differences	-238	7,638	-201	91	-697	-319	256	257	-139	-107	-1,018	7,560
Gain (loss) from indexed assets and liabilities	11	-2	34	-23	-967	-1,241	35	-104	-2,177	-3,120	-3,065	-4,490
Gains (losses) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	-1,393	829	-158	36	0	0	0	0	0	0	-1,551	866
Profit (loss) before tax	36,547	50,036	4,062	5,088	15,063	3,857	3,939	1,351	-11,470	-12,220	48,142	48,112
Income tax benefit (expense)	-7,989	-10,908	-504	-840	-2,296	-40	-1,165	-470	-258	372	-12,211	-11,886
Profit (loss) from continuing operations	28,559	39,129	3,558	4,248	12,767	3,816	2,774	881	-11,728	-11,848	35,931	36,226
Profit (loss) attributable to												
Profit (loss) attributable to equity holders of the parent	28,552	39,116	3,556	4,246	13,178	5,015	2,396	568	-11,728	-11,848	35,958	37,095
Profit (loss) attributable to non-controlling interest	7	12	2	2	-411	-1,198	378	312	-3	3	-27	-870
Profit (loss) for the period	28,559	39,129	3,558	4,248	12,767	3,816	2,774	881	-11,731	-11,845	35,931	36,226

5. Segment Note - Grupo Security QoQ

Segment Note - Grupo Security	**Lending and Treasury**		**Asset Management**		**Insurance**		**Other Services**		**Consolidation Adjustments, Support Areas and Group**		**Total Grupo Security**	
In MCH$	**1Q-18**	**2Q-18**	**1Q-18**	**2Q-18**	**1Q-18**	**2Q-18**	**1Q-18**	**2Q-18**	**1Q-18**	**2Q-18**	**1Q-18**	**2Q-18**
Revenue	107,520	117,568	13,963	14,893	138,823	144,393	8,993	7,682	-2,142	3,827	267,157	288,363
Cost of sales	-56,334	-70,429	-3,502	-3,540	-117,266	-130,496	-4,205	-2,275	-261	-572	-181,567	-207,311
Gross profit	51,186	47,139	10,461	11,353	21,557	13,897	4,788	5,408	-2,403	3,255	85,590	81,052
Other income	3	12	622	631	37	77	150	204	180	1,061	992	1,986
Administrative expenses	-28,065	-27,233	-8,621	-8,067	-14,428	-15,646	-4,073	-4,616	216	-6,045	-54,970	-61,607
Other expenses	-831	-643	-299	-984	-85	-58	-81	-99	-2	-8	-1,298	-1,792
Other gains (losses)	0	0	47	53	43	34	117	167	188	-108	395	146
Finance income	0	0	0	0	4	-4	0	0	0	0	4	-4
Finance costs	0	0	-92	-122	-7	-11	-396	-371	-2,681	-2,641	-3,176	-3,145
Share of profit (loss) of associates and joint ventures, equity-accounted	1	3	0	0	110	-100	-1	-1	-1	-5	109	-103
Exchange differences	4,212	3,426	-15	106	42	-361	137	120	-51	-56	4,325	3,235
Gain (loss) from indexed assets and liabilities	0	-2	16	-39	-620	-621	-25	-79	-1,326	-1,794	-1,955	-2,535
Gains (losses) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	590	239	219	-183	0	0	0	0	0	0	809	56
Profit (loss) before tax	27,095	22,941	2,339	2,749	6,651	-2,795	618	733	-5,879	-6,341	30,824	17,288
Income tax benefit (expense)	-6,104	-4,803	-429	-411	-824	784	-233	-237	-2	374	-7,593	-4,293
Profit (loss) from continuing operations	20,991	18,138	1,910	2,338	5,827	-2,011	384	497	-5,881	-5,967	23,231	12,995
Profit (loss) attributable to												
Profit (loss) attributable to equity holders of the parent	20,985	18,131	1,909	2,337	6,302	-1,287	251	318	-5,881	-5,967	23,568	13,528
Profit (loss) attributable to non-controlling interest	5	7	1	1	-474	-724	133	179	-2	5	-337	-533
Profit (loss) for the period	20,991	18,138	1,910	2,338	5,827	-2,011	384	497	-5,881	-5,967	23,231	12,995

6. Grupo Security Consolidated Statement of Cash Flows

Statement of Cash Flows	Jun-17	Jun-18
For the periods ended June 30, 2018 and 2017	**MM$**	**MM$**
Net cash flows provided by (used in) operating activities	156,400	93,746
Net cash flows used in investing activities	(7,468)	(3,765)
Net cash flows used in financing activities	(83,731)	(64,575)
Increase (decrease) in cash and cash equivalents before effect of exchange rate changes	**65,202**	**25,406**
Effect of changes in exchange rates on cash and cash equivalents	(17)	73
Net increase (decrease) in cash and cash equivalents	**65,185**	**25,479**
Cash and cash equivalents at beginning of period	**510,335**	**599,767**
Cash and cash equivalents at end of period	**575,520**	**625,247**

7. Quarterly Statement of Income

Quarterly Earnings		2Q18	1Q18	4Q17	3Q17	2Q17	1Q17
Revenue	M Ch$	288,363	267,157	297,596	289,948	302,428	287,797
Cost of sales	M Ch$	(207,311)	(181,567)	(213,764)	(209,449)	(213,234)	(203,124)
Gross profit	M Ch$	81,052	85,590	83,832	80,499	89,193	84,673
Administratie expenses	M Ch$	(61,607)	(54,970)	(51,225)	(53,096)	(56,011)	(55,150)
Operating income	M Ch$	19,784	30,708	33,469	29,934	32,343	28,117
Finance costs	M Ch$	(3,145)	(3,176)	(2,989)	(3,474)	(3,513)	(3,134)
Profit before tax	M Ch$	17,288	30,824	27,385	24,158	25,029	23,113
Profit attributable to equity holders of parent	M Ch$	13,528	23,568	21,047	17,704	18,648	17,310
EBITDA[1]	M Ch$	22,783	36,201	32,512	29,922	30,830	28,592

[1] EBITDA: Defined as the sum of profit before tax, finance costs and depreciation

8. Consolidated Financial and Business Indicators

Activity levels		30-jun-18	31-mar-18	31-dic-17	30-sep-17	30-jun-17	31-mar-17
Cash (Grupo Secuirity Standalone)	$ millions	61,088	102,046	30,719	102,187	7,738	32,709
Total Assets	$ millions	10,156,853	9,931,584	9,841,301	9,678,785	9,454,605	9,288,940
Total Liabilities	$ millions	9,433,211	9,201,314	9,118,775	8,954,456	8,834,076	8,672,213
Total Equity	$ millions	723,642	730,270	722,526	724,329	620,529	616,727

Leverage Ratios		30-jun-18	31-mar-18	31-dic-17	30-sep-17	30-jun-17	31-mar-17
Individual leverage ratio [1]	Times	0.346	0.358	0.293	0.295	0.333	0.35
Consolidated financial expenses[2]	Times	8.61	10.71	8.60	8.14	8.24	8.37

Profabilty		30-jun-18	31-mar-18	31-dic-17	30-sep-17	30-jun-17	31-mar-17
Revenue	$ millions	555,520	267,157	1,177,768	880,172	590,224	287,797
Profit attributable to equity holders of the company	$ millions	37,095	23,568	74,708	53,661	35,958	17,310
EBITDA	$ millions	58,984	36,201	121,856	89,344	59,422	28,592
Return of equity [3]	%	11.61%	12.38%	11.58%	10.63%	11.03%	10.38%
Return on assets[4]	%	0.77%	0.84%	0.78%	0.74%	0.72%	0.68%
Earnings per share[5]	$	20.77	22.86	21.75	20.67	19.97	18.70
Number of shares	$ millions	3,695	3,695	3,683	3,683	3,258	3,258

1. Individual leverage ratio: Defined as the quotient between the sum of Grupo Security's individually considered leverage and total consolidated equity, defined in Note 38 to Grupo Security's Consolidated Financial Statement.
2. Financial expense coverage: Defined as the the sum of profit before tax and finance costs divided by finance costs.
3. Return on equity: Defined as the quotient between profit attributable to controlled properties LTM and average equity attributable to controlled properties.
4. Return on assets: Defined as the quotient between profit attributable to controlled companies LTM and total average assets.
5. Earnings per share: Defined as the quotient between profit attributable to controlled companies LTM and the weighted average number of shares LTM.

Grupo Security's total consolidated assets were CH$ 10,156,853 million as of June 2018, +3.2% YTD. Of that total, 54.7% are trade and other receivables, primarily the Bank's loan portfolio. As of June 2018, this item reached CH$ 5,551,786 million, +3.7% YTD, in keeping with the 4.9% YTD growth in loans as explained on page 9.

Furthermore, 31.6% of total assets are other current financial assets. This line item primarily includes the investment portfolio for the insurance subsidiary's technical reserves and the Bank's portfolio of financial instruments. As of June 2018, other financial assets totaled CH$3,205,801 million (+1.4% YTD), as a result of the 8.2% YTD increase in the investment portfolio for the insurance subsidiary's technical reserves, which totaled CH$2,315,483 million as of June 2018, in keeping with business growth and portfolio returns. The above was not fully offset by a decrease in the Bank's current financial assets, which fell to CH$889,101 million (-2.3% YTD).

As of June 2018, total consolidated liabilities reached CH$ 9,433,211 million, +3.45% YTD. Of those, 62.3% are other current financial liabilities, which include the Bank's time deposits and current accounts, as well as debt issued by the Bank or the Group. As of June 2018, other financial liabilities totaled CH$5,873,125 million (+5.0% YTD) due to a decrease in the Bank's deposits and current accounts, which was only partially offset by an increase in senior bonds and borrowings from financial institutions. Both effects are part of the Bank's funding strategy.

Of total liabilities, 27.3% were trade and other payables, which are primarily Vida Security's technical reserves. As of June 2018, trade payables totaled CH$2,578,090 million (+2.9% YTD), as a result of the +3.6% YTD increase in Vida Security's technical reserves, which totaled CH$2,462,407 million, in keeping with business growth. This was partially affected by weaker returns on investments in the CUI and APV portfolio and a drop in sales of individual policies during the period, as explained on pages 13 and 14 of this report.

Grupo Security's total equity amounted to CH$705,617 million as of June 2018, +0.1% YTD, because of profit for the period allocated to retained earnings and the placement of 11,980,563 shares left over from the capital increase approved in 2017. These elements were not offset by larger reserves.

The individual leverage ratio is defined in note 38 of Grupo Security's financial statements. Under the bondholder protection covenant, the individual leverage ratio may not exceed 0.4 measured on its quarterly standalone statement of financial position. Leverage is defined as the ratio of standalone financial liabilities, as presented in the FECU disclosures, and total equity. As of June 2018, this indicator reached 0.35, +506 YTD, explained by the increase in non-current financial liabilities due to the recent placement of the N1 bond for UF 1,500,000, as explained on page 2.

Consolidated financial expense coverage is the sum of profit before tax and finance costs, divided by finance costs. The majority of finance costs for this indicator are interest and indexation expenses for Grupo Security bonds. As of June 2018, consolidated financial expense coverage was 8.61 times, +5.7% YoY due to a 4.9% reduction in finance costs.

As of June 2018, revenue was CH$555,520 million, -5.9% YoY. Of this, 40.7% corresponds to gross written premiums from Vida Security, which decreased 4.2% due to the reduction in gross written premiums at Vida Security (standalone), as explained on pages 13 to 18 of this report. In addition, 29.7% of revenue was from interest and indexation on Bank loans, which grew 5.6% YoY, as explained on page 9. On the other hand, 9.4% of consolidated income corresponds to other income from interest earned mainly on Vida Security's investment portfolio, which did not perform well as a result of high volatility and corrections in global markets, as mentioned on page 18 and 19 of this report.

For 1H18, profit attributable to the owners of the parent was CH$37,095 million, 3.2% YoY, while EBIDTA was CH$58,984 million, -7.0 YoY.

As of June 2018, return on equity was 11.58% (+55 b.p. YoY) and return on assets was 0.77% (+5 b.p. YoY) with earnings per share of CH$20.5 (+2.6% YoY).

Market Information

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

Grupo Security is the parent company of a conglomerate of diversified companies engaged in the main sectors of the Chilean financial industry. Its subsidiaries Banco Security and Factoring Security provide lending services to companies and individuals. The subsidiary 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 and Securitizadora Security, complement the Group's offering of financial services by developing and distributing specialized financial products and personalized investment and asset management services.

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

BANKING INDUSTRY

As of June 2018, the Chilean banking industry was made up of 20 financial institutions, including 1 state-owned bank (Banco Estado), 14 domestic banks and 5 branches of foreign banks. As of that date, industry loans totaled CH$168,153,105 million (CH$153,759,956 million excluding foreign subsidiaries). Equity totaled CH$ 18,957,471 million while profit for the first half of 2018 was CH$ 1,298,000 million, with return on average equity of 12.4%. The industry reported an efficiency ratio of 47.2%, measured as support expenses over gross operating profit, and 2.1%, measured as support expenses over total assets. The banking system posted a risk ratio of 2.39%, measured as loan loss provisions to total loans, and 1.93%, measured as 90-day nonperforming loans to total loans. As of June 2018, Banco Security had total loans of CH$ 5,070,827 million, positioning it 9th in total loans with 3.0% of the Chilean market (3.3% 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. This service allows customers to receive advances on receivables via a discount on their invoices, checks, promissory notes or other similar documents. It provides them immediate liquidity and reduces costs and inefficiencies by handing the collections process over to the factoring service provider. Although the industry is still maturing, several situations and regulatory changes have boosted growth recently, making it one of the financial sector industries with the best domestic and international outlook.

MUTUAL FUND INDUSTRY

As of June 2018, the mutual fund industry reported average assets under management of CH$ 37,958,895 million and 2,675,873 investors. Administradora General de Fondos Security boasted average assets under management of CH$ 2,726,097 million as of June 2018, giving it a market share of 7.2% and a fifth-place industry ranking among the 20 fund managers operating in the market.

STOCK BROKERAGE INDUSTRY

During 6M18, market activity measured as value of shares traded grew 43.3% in comparison to 6M17, reaching CH$31,155 billion. Value of shares traded for Valores Security Corredores de Bolsa for the same period totaled CH$1,580 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 June 2018, there were 36 life insurance companies in Chile. Total gross written premiums for the industry were CH$3,019,235 million for the period. The life insurance industry posted profit of CH$ 210,648 million for the period ended June 2018. As of June 2018, Vida Security had market share of 6.7% based on gross written premiums.

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

Grupo Security participates in the insurance and services businesses through its investments in related companies, mainly Europ Assistance and in private investment funds through Inmobiliaria Security. As of June 2018, investments accounted for using the equity method in the Consolidated Statements of Financial Position represent approximately 0.03% of total assets.

Goodwill, which represents the difference between the acquisition cost and the fair value of assets and liabilities, totaled CH$ 119,067 million as of June 2018, equivalent to 1.17% of total assets.

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

Risk Factors

DEPENDENCE ON SUBSIDIARY RESULTS

Grupo Security is the ultimate parent company of a conglomerate of companies and receives its income from subsidiary profits. As of June 2018, Grupo Security had received the following dividends from subsidiaries: CH$37,803 million (60% of 2017 profit) from Banco Security and CH$3,751 million from Factoring Security (50% of 2017 profit).

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 each subsidiary's investment policies based on growth requirements. This situation enables Grupo Security to increase its economic value by reinvesting its subsidiaries’ profits while maintaining a flow of dividends to Grupo Security, which enables it to meet its financial obligations and pay dividends to its shareholders. This is especially true because of the vast diversification of the Company’s revenue 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 June 30, 2018, the company has loans at reasonable rates based on current market conditions.

Foreign Exchange Risk

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

Commodity Risk

As of June 30, 2018, 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 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