Grupo Security Earnings Report

Grupo Security Reports Profit of CH$80,548 Million for the Year 2018 (+7.8% YoY), with 15.3% YoY Growth at Banco Security.

- Starting November 30, 2018, Grupo Security's stock was included on the MSCI Chile Small Cap Index, favoring the stock's liquidity and helping attract new local and foreign shareholders into the Group's shareholder base.
- On November 26, 2018, Security Internacional completed its acquisition of Vida Security's entire interest in Inversiones Security Perú S.A.C, the parent of Protecta Security, for S./ 100 million. This transaction generated a one-time gain of CH$12,157 million for Vida Security, which was fully reversed at group level.
- Banco Security reported profit of CH$72,653 million (+15.3% YoY) in 2018, explained by a strong performance from the commercial banking (CH$42,883 million, +13.8% YoY) and retail banking (CH$8,253 million, +28.8% YoY) divisions, partially offset by weaker results from the treasury division and asset management subsidiaries.
- Banco Security had total loans of CH$5,346,071 million (+10.6% YoY), with market share of 3.3%. The Bank reported particularly strong growth in commercial loans (+12% YoY), with market share in its target segment of medium and large companies of 6.5%[1] as of December 2018.
- The Bank's consolidated efficiency ratio was 47.7% in 2018, reflecting an improvement over prior years (49.7% in 2017 and 59.3% in 2016). In risk indicators, the Bank reported a ratio of provisions to loans of 1.69% as of December 2018, provision expenses to loans of 0.78% and an NPL coverage ratio of 112.5%. ROAE was 12.8% in 2018, up from 12.4% last year.
- Factoring Security had factored receivables of CH$ 360,251 million as of December 2018, up 18.4% over last year, and profit of CH$8,155 million, +8.7% YoY.
- Vida Security posted profit of CH$30,159 million (+127.5% YoY), driven by the sale of Inversiones Security Perú--parent of Protecta Security--to Security Internacional, generating a one-time gain of CH$12,157 million (fully reversed at group level). Vida Security reported good operating results across all business lines, with a stronger contribution margin than 2017, offset by weaker returns from equity investments.
- Inversiones Security reported improved results of CH$10,715 million (+11.2% YoY), due to stronger earnings from Securitizadora Security from placing securitized bonds and their respective mezzanine series.
- Inmobiliaria Security had a loss of -CH$232 million in 2018, in line with the company's business plan since 2018 was considered a development year. Travel Security reported profit of CH$3,752 million (-7.4% YoY), because of lower airline commissions.
- Starting in 2018, we incorporated the International Business segment into the segment reporting note in the financial statements. This segment includes Protecta Security and Travex Security. Profit attributable to equity holders of the parent was CH$1,429 million as of December 2018.
- Protecta Security reported profit of S./ 2.8 million as of December 2018, down from S./ 5.2 million last year, explained by greater sales of annuities and private annuities, giving 19% market share in annuities.

Santiago, Chile – February 28, 2019. Grupo Security S.A., (BCS: SECURITY; BBG: SECUR).

Renato Peñafiel, Grupo Security's CEO, commented, "Grupo Security reported profit of CH$80,548 million for the year 2018, up +7.8% from 2017. These results were driven by the Bank's earnings, reporting profit of CH$72,653 million (+15.3% YoY), thanks to strong performances from the commercial banking (CH$42,883 million, +13.8%) and retail banking (CH$8,253 million, +28.8%) divisions. Vida Security reported strong operating results across all business lines, despite the negative impact markets had on investment income. In Peru, Protecta Security reached market share of 19% in annuities, with profit of S./ 2.8 million. Our projections for 2019 call for continued returns for our shareholders, through sustained growth of our businesses in Chile and Peru, with conservative risk management and the seal of excellence that has characterized Grupo Security since its formation."

[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).

Grupo Security Indicators *In MCH$*	Dec-18	Sep-18	Dec-17	% Chg QoQ	YoY
Banco - Total Loans	5,346,071	5,182,434	4,834,290	3.2%	10.6%
Industry - Total Loans[1]	163,068,919	156,592,324	146,250,331	4.1%	11.5%
Inversiones - AUM Mutual Funds	2,496,079	2,699,356	2,558,301	-7.5%	-2.4%
Industry - AUM Mutual Funds	37,637,881	38,586,487	35,056,763	-2.5%	7.4%
Vida - Investment Portfolio	2,479,478	2,468,419	2,402,514	0.4%	3.2%
Industry (life insurance) - Investment Portfolio	41,296,487	40,754,441	38,236,277	1.3%	8.0%
Factoring - Factored Receivables	360,251	315,389	304,393	14.2%	18.4%
Operations					
Employees (number)	3,939	3,952	3,887	-0.3%	1.3%

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

Grupo Security Indicators Statment of Income	4Q18	3Q18	4Q17	% Chg QoQ	YoY
Banco - Net Interest Margin	42,486	41,753	40,335	1.8%	5.3%
Banco - Net Fees	27,806	5,638	17,680	393.2%	57.3%
Banco - Operating Expenses	-32,372	-33,157	-29,299	-2.4%	10.5%
Banco - Net Provision Expenses	-13,981	-8,181	-11,217	70.9%	24.6%
Vida - Direct Premium	67,828	65,563	107,507	3.5%	-36.9%
Vida - Claims Paid	-11,979	-7,598	-73,357	57.7%	-83.7%
Vida - Pensions Paid	-51,495	-58,795	-19,199	-12.4%	168.2%
Vida - Investment Income	23,851	32,069	23,229	-25.6%	2.7%
Factoring - Revenue	7,881	7,235	7,212	8.9%	9.3%

Ratios	Dec-18	Sep-18	Dec-17	% Chg QoQ	YoY
Grupo - Share Price (Ch$)	290.9	308.1	280.1	-5.6%	3.9%
Grupo - Number of Shares (millions)	3,695	3,695	3,683	0.0%	0.3%
Grupo - ROE	11.2%	11.1%	11.6%	12 p	-34 p
Banco (Consolidated) - ROAE	12.8%	14.2%	12.4%	-137 p	43 p
Factoring - ROE	21.4%	22.2%	22.3%	-80 p	-90 p
Vida - ROAE	18.5%	7.2%	8.3%	1126 p	1012 p
Travel - ROE	49.9%	33.6%	32.6%	1630 p	1730 p
Grupo - Leverage	34.5%	35.5%	29.3%	-103 p	517 p
Banco - Efficiency	47.7%	47.7%	49.7%	2 p	-198 p
Factoring - Efficiency	42.3%	42.8%	43.8%	-53 p	-152 p
Banco - Non-Performing Loans	1.50%	1.42%	1.38%	8 p	12 p
Banco - Risk Index	1.69%	1.59%	1.67%	10 p	2 p
Factoring - Risk Index	2.2%	2.5%	2.5%	-36 p	-31 p
Banco - BIS Tier I Ratio	7.8%	7.9%	8.1%	-15 p	-30 p
Banco - BIS Tier II Ratio	13.2%	13.5%	14.0%	-32 p	-80 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 Seguros Security Previsión, they agreed to accept the offer made by Security Internacional to buy the company's shares in Inversiones Security Perú (99.99999%), which in turn owns 61% of Protecta Security. On July 27, 2018, the parties signed an agreement to purchase the shares of Inversiones Security Perú for S./100 million. The transaction is subject to a series of conditions that are customary for this type of transaction, including regulatory approvals. On November 16, 2018, these conditions were met and the closing documents for the deal were signed. The sales price for Inversiones Security Perú was paid. This transaction generated a one-time gain of CH$12,157 million for Vida Security, which was fully reversed at group level. On November 19, 2018, shareholders agreed to a second capital increase for Protecta Security of S./ 45 million to be completed in 2018 in order to strengthen its capital base and sustain its growth plans. Inversiones Security Perú S.A.C paid its respective contribution of S./ 27.45 million on November 28, 2018.

On October 3, 2018, Grupo Security's board approved a dividend of CH$4.5 per share. This consists of an additional dividend of CH$2.6 per share charged to profit for 2017 and an interim dividend of CH$1.9 per share charged to profit for the current year.

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GRUPO SECURITY EARNINGS REPORT FOR 4Q18 AND 2018

Grupo Security posted profit of CH$80,548 million for the year ended December 2018 (+7.8% YoY and +9.6% QoQ). EBIDTA for the same period totaled CH$130,430 million, +7.0% YoY and +4.4% QoQ.

The Group posted an ROAE as of December 2018 of 11.2%, -34 b.p. YoY and +12 b.p. QoQ. Profit from the Group's business areas was CH$117,162 million, +28.1% YoY and +52.2% QoQ.

EARNINGS CONTRIBUTION BY BUSINESS AREA

Earnings from Related Companies	4Q18	3Q18	4Q17	% Chg QoQ	% Chg YoY	Dec-18	Dec-17	% Chg
Lending Area								
Banco Security (standalone)	13,204	15,700	15,127	-15.9%	-12.7%	63,970	53,902	18.7%
Factoring Security	2,136	1,960	1,924	9.0%	11.0%	8,155	7,502	8.7%
Asset Management Area								
Valores Security	250	575	813	-56.6%	-69.3%	2,123	2,458	-13.6%
AGF Security	1,961	1,608	2,304	22.0%	-14.9%	6,563	6,666	-1.5%
Insurance Area								
Vida Security	18,739	6,589	46	184.4%	40327.1%	30,159	13,258	127.5%
Servicios Security	188	147	270	27.9%	-30.3%	639	586	9.2%
Other Services								
Inmobiliaria Security	1,005	(545)	7	-	-	(232)	3,305	-107.0%
Travel Security	990	1,243	1,084	-20.4%	-8.7%	3,752	4,050	-7.4%
Travex Security	822	836	614	-1.6%	34.0%	3,034	2,877	5.4%
Grupo Security Profit	**22,725**	**20,728**	**21,047**	**9.6%**	**8.0%**	**80,548**	**74,708**	**7.8%**

(1) Subsidiary earnings correspond to 100% of their profits and differ from those used to prepare 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 (69.2% of assets; 61.6% of profit from business areas as of December 2018)

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

BANCO SECURITY

As of December 2018, Banco Security reported consolidated profit attributable to its owners of CH$72,653 million, +15.3% YoY. Banco Security's stand-alone profit (excluding asset management subsidiaries AGF Security and Valores Security Corredores de Bolsa) was CH$63,970 million, +18.7% YoY.

Banco Security's ROAE (profit LTM over average equity) was 12.9%, +43 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	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17
Net interest margin	84,864	78,206	64,743	62,636	20,365	19,106	-1,330	-4,786	168,642	155,162	-417	-475	168,225	154,687
∆% 12M18	8.5%		3.4%		6.6%		-72.2%		8.7%		-12.3%		8.8%	
Net Fees	18,648	15,349	22,627	22,513	-361	-472	-1,305	-620	39,609	36,770	29,145	28,065	68,754	64,835
∆% 12M18	21.5%		0.5%		-23.5%		110.4%		7.7%		3.8%		6.0%	
Net FX transactions and other income	8,306	10,289	2,295	2,266	14,852	21,464	-6,599	-14,654	18,854	19,365	7,923	7,471	26,777	26,836
∆% 12M18	-19.3%		1.3%		-30.8%		-55.0%		-2.6%		6.1%		-0.2%	
Loan losses and foreclosed assets	-19,711	-18,000	-22,401	-23,804	-46	-12	-631	-96	-42,789	-41,912	0	0	-42,789	-41,912
∆% 12M18	9.5%		-5.9%		-		559.4%		2.1%		-		2.1%	
Total operating income, net of credit risk prov.	92,107	85,844	67,264	63,611	34,810	40,086	-9,865	-20,156	184,315	169,385	36,651	35,061	220,967	204,446
∆% 12M18	7.3%		5.7%		-13.2%		-51.1%		8.8%		4.5%		8.1%	
Operating expenses	-37,075	-37,239	-56,673	-55,349	-12,145	-12,209	3,651	4,884	-102,242	-99,913	-26,081	-23,678	-128,323	-123,591
∆% 12M18	-0.4%		2.4%		-0.5%		-25.2%		2.3%		10.1%		3.8%	
Net operating income	55,032	48,605	10,591	8,262	22,665	27,877	-6,214	-15,272	82,073	69,472	10,570	11,383	92,644	80,855
∆% 12M18	13.2%		28.2%		-18.7%		-59.3%		18.1%		-7.1%		14.6%	
Income tax expense	-12,149	-10,907	-2,338	-1,854	-5,003	-6,256	1,368	3,421	-18,122	-15,596	-1,884	-2,259	-20,006	-17,855
∆% 12M18	11.4%		26.1%		-20.0%		-60.0%		16.2%		-16.6%		12.0%	
Profit attributable to equity holders of the bank	42,883	37,698	8,253	6,408	17,662	21,621	-4,828	-11,825	63,970	53,902	8,683	9,120	72,653	63,022
∆% 12M18	13.8%		28.8%		-18.3%		-59.2%		18.7%		-4.8%		15.3%	

Banco Security Segment Note	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
In Ch$ Million	4Q-18	3Q-18	4Q-18	3Q-18	4Q-18	3Q-18	4Q-18	3Q-18	4Q-18	3Q-18	4Q-18	3Q-18	4Q-18	3Q-18
Net interest margin	22,430	21,796	16,489	16,136	4,038	4,278	-331	-292	42,626	41,919	-140	-166	42,486	41,753
∆% 4Q18	2.9%		2.2%		-5.6%		13.6%		1.7%		-15.7%		1.8%	
Net Fees	4,346	4,355	5,559	5,027	-81	-82	-223	-21	9,600	9,279	7,656	6,909	17,256	16,188
∆% 4Q18	-0.2%		10.6%		-		-		3.5%		10.8%		6.6%	
Net FX transactions and other income	2,980	1,507	409	458	4,778	2,715	-2,729	-7,680	5,437	4,620	1,837	2,106	7,274	6,726
∆% 4Q18	97.8%		-10.8%		76.0%		-64.5%		17.7%		-12.8%		8.1%	
Loan losses and foreclosed assets	-9,945	-3,189	-4,721	-5,265	-76	9	-117	-74	-14,859	-8,518	0	0	-14,859	-8,518
∆% 4Q18	211.9%		-10.3%		-		-		74.4%		-		74.4%	
Total operating income, net of credit risk prov.	19,812	24,470	17,734	16,356	8,659	6,921	-3,401	-447	42,803	47,300	9,353	8,849	52,157	56,149
∆% 4Q18	-19.0%		8.4%		25.1%		660.9%		-9.5%		5.7%		-7.1%	
Operating expenses	-9,401	-9,504	-14,784	-14,373	-3,068	-3,043	1,522	-89	-25,731	-27,009	-6,641	-6,148	-32,372	-33,157
∆% 4Q18	-1.1%		2.9%		0.8%		-1816.2%		-4.7%		8.0%		-2.4%	
Net operating income	10,410	14,966	2,951	1,983	5,591	3,878	-1,879	-536	17,072	20,291	2,712	2,701	19,785	22,992
∆% 4Q18	-30.4%		-		44.2%		250.7%		-15.9%		0.4%		-13.9%	
Income tax expense	-2,368	-3,382	-663	-454	-1,261	-895	422	128	-3,871	-4,604	-499	-513	-4,370	-5,117
∆% 4Q18	-30.0%		46.1%		40.8%		229.5%		-15.9%		-2.7%		-14.6%	
Profit attributable to equity holders of the bank	8,042	11,583	2,287	1,529	4,331	2,982	-1,458	-399	13,202	15,696	2,213	2,187	15,415	17,884
∆% 4Q18	-30.6%		49.6%		45.2%		265.2%		-15.9%		1.2%		-13.8%	

Commercial Banking

Commercial Loans by Economic Sector *In Ch$ Millions*	Dec-18	% Total
Construction and real estate	890,805	21.1%
Financial services and insurance	846,285	20.0%
corporate services	617,077	14.6%
Wholesale and retail trade	502,092	11.9%
Manufacturing	373,443	8.8%
Transportation	261,174	6.2%
Social services	259,283	6.1%
Utilities	181,458	4.3%
Agriculture and livestock	127,141	3.0%
Fishing	70,275	1.7%
Mining	66,003	1.6%
Telecom	26,237	0.6%
Forestry	5,925	0.1%
Total commercial loans	**4,227,198**	**100%**

Banco Security's commercial banking division targets companies with annual sales above US$ 1.2 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.

As of December 2018, commercial loans had expanded +12.0% YoY to CH$4,227 billion. Industry wide, commercial loans grew +10.8% YoY. Including foreign subsidiaries, the industry's commercial loans grew +12.3% YoY. The Bank boasts market share of 6.5%[2] in its target segment of medium and large companies as of December 2018. The commercial banking division had 9,040 customers as of December 2018 (+6.2% YoY).

The commercial banking division posted profit of CH$42,883 million for 2018 (+CH$5,185 million and +13.8% YoY). This is explained by a larger net interest margin of CH$84,864 million in 2018 (+CH$6,657 million and +8.5% YoY) due to increased commercial loans (+12.0% YoY) and a larger average spread YoY. The division also reported greater net fees of CH$18,648 million in 2018 (+CH$3,299 million and

[2] 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).

21.5% YoY), due to increased commercial activity. Operating expenses reached CH$37,075 million (-0.4% YoY) in 2018, as a result of reduced administrative expenses, which are distributed across all the standalone Bank's business segments, partially offset by higher personnel expenses because of increased commercial activity. These effects were only partially offset by the drop in net FX transactions and other income, which totaled CH$8,306 million (-19.3% YoY). In addition, the division reported greater provision expenses of CH$19,711 million for 2018 (+9.5% YoY), due to impairment of a few customers in the electric power sector towards the end of the year.

The division posted quarterly profit of CH$8,042 million for 4Q18 (-30.6% QoQ), mainly because of increased provision expenses, which totaled CH$9,945 million (+211.9% QoQ), due to the impairment of some customers in the electric power sector late in the year as mentioned above. This was only partially offset by greater net FX transactions and other income, which totaled CH$2,980 million in 4Q18 (+CH$1,473 million, +97.8% QoQ), due to increased income from distributing structured products. The division also reported a larger net interest margin of CH$22,430 million (+CH$634 million, +2.9% QoQ), explained by greater loans (+3.3% QoQ), while operating expenses totaled CH$9,401 million (-1.1% QoQ).

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 15% since 2013.

As of December 2018, the Bank had total retail loans (consumer + mortgage) of CH$1,108 billion (+4.6% YoY), driven by consumer loans (+12.8% YoY) and partially offset by mortgage loans (-1.1% YoY). For the industry, retail loans increased +13.4% YoY, driven by consumer loans (+21.9% YoY) and, to a lesser extent, mortgage loans (+9.4% YoY). Including foreign subsidiaries, the industry's retail loans grew +14.3% YoY. The Bank boasts market share of 6.0%[3] in its target segment of high-income individuals as of December 2018. The retail banking division had 70,726 customers as of December 2018 (-0.2% YoY).

The retail banking division reported profit of CH$8,253 million in 2018 (+CH$1,845 million, +28.8% YoY), explained by a larger net interest margin of CH$64,743 million (+CH$2,107 million, +3.4% YoY), due to greater loans (+4.6% YoY). In addition, provision expenses fell to CH$22,401 million (-5.9% YoY), due to fortified risk and collections processes and structures. The division had higher operating expenses of CH$56,673 million (+2.4% YoY), because of increased personnel expenses explained by increased commercial activity, partially offset by reduced administrative expenses, which are distributed across all the standalone Bank's business segments.

For 4Q18, the division reported quarterly profit of CH$2,287 million (+CH 759 million, +49.6% QoQ), explained by lower provision expenses of CH$ 4,721 million (-10.3% QoQ), in line with a well-performing portfolio during the quarter. Net fees reached CH$5,559 million (+CH$531 million, +10.6% QoQ), due to a rise in credit card fees. The division also recorded a larger net interest margin, which reached CH$16,489 million (+CH$353 million, +2.2% QoQ), due to increased loans. These effects were partially offset by increased operating expenses of CH$14,784 million (+2.9% QoQ).

Treasury

As of December 2018, this division posted profit of CH$17,662 million (-18.3% YoY), due to a drop in financial income (net financial operating income (loss) + gain from FX transactions + other income), which amounted to CH$14,852 million in 2018 (-30.8% YoY). Although 2018 saw increased income from distributing structured products, driven by greater commercial activity towards year end, it is important to

[3] 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).

remember that 2017 is a high basis of comparison due to strong performances from foreign currency derivatives.

These effects were only partially offset by a larger net interest margin of CH$20,365 million for 2018 (+6.6% YoY), due to growth in the Bank's assets thanks to a favorable funding structure, the use of accounting hedges and liabilities that matured in late 2017 and early 2018 being renewed under better financial conditions.

For 4Q18, the treasury division reported profit of CH$4,331 million (+45.2% QoQ), due to an increase in financial income (net financial operating income (loss) + gain from FX transactions + other income), which reached CH$4,778 million (+76.0% QoQ), explained by greater income from structured products, driven by increased commercial activity towards the end of the year. These effects were only partially offset by a smaller net interest margin of CH$4,038 million (-5.6% QoQ).

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. For 2018, ALM represented 57.8% of treasury income. The investment and trading desks manage the Bank's own portfolio of primarily Chilean Central Bank notes and corporate bonds and represent 16.1% of treasury income. The remaining 26.1% 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	4Q18	3Q18	4Q17	% Chg QoQ	% Chg YoY	2018	2017	% Chg
Net interest margin	42,486	41,753	40,335	1.8%	5.3%	168,225	154,687	8.8%
Net Fees	17,256	16,188	17,680	6.6%	-2.4%	68,754	64,835	6.0%
Net financial Operating Income	9,025	6,039	7,163	49.4%	26.0%	23,736	34,226	-30.6%
Net foreign exchange transactions	-1,224	-205	-1,315	-	-	3,215	-4,073	-
Recovery of charged-off loans	1,599	1,713	747	-6.7%	114.1%	6,287	2,553	146.3%
Other net operating income	-1,405	555	-23	-	-	-1,413	-3,203	-55.9%
Gross operating income	**67,737**	**66,043**	**64,587**	**2.6%**	**4.9%**	**268,804**	**249,025**	**7.9%**
Credit risk provisions	-15,580	-9,894	-11,964	57.5%	30.2%	-47,837	-44,579	7.3%
Administrative expenses	-32,372	-33,157	-29,299	-2.4%	10.5%	-128,323	-123,591	3.8%
Net operating income	**19,785**	**22,992**	**23,324**	**-13.9%**	**-15.2%**	**92,644**	**80,855**	**14.6%**
Income attributable to investments in other cc	0	9	-306	-	-	18	26	-
Profit before tax	**19,785**	**23,001**	**23,018**	**-14.0%**	**-14.0%**	**92,662**	**80,881**	**14.6%**
Income tax expense	-4,370	-5,117	-4,768	-14.6%	-8.3%	-20,006	-17,855	12.0%
Profit for the period	**15,415**	**17,884**	**18,250**	**-13.8%**	**-15.5%**	**72,656**	**63,026**	**15.3%**

For 2018, the Bank reported a net interest margin of CH$168,225 million (+8.8% YoY), explained mainly by greater total loans (+10.6% YoY). Interest and indexation income reached CH$375,166 million (+13.2% YoY), due to a rise in total loans and higher inflation than last year. Interest and indexation expense totaled CH$206,941 million in 2018 (+17.1% YoY), due to 23.4% YoY growth in debt issued by the Bank and higher inflation.

Net Interest Margin *In Ch$ Million*	4Q18	3Q18	4Q17	% Chg QoQ	% Chg YoY	2018	2017	% Chg
Interest and indexation income	99,040	94,489	85,624	4.8%	15.7%	375,166	331,383	13.2%
Interest and indexation expenses	-56,554	-52,736	-45,289	7.2%	24.9%	-206,941	-176,696	17.1%
Net interest margin	42,486	41,753	40,335	1.8%	5.3%	168,225	154,687	8.8%
Interest margin net of provisions	26,906	31,859	28,371	-15.5%	-5.2%	120,388	110,108	9.3%
Net interest margin / total loans	3.18%	3.22%	3.34%	-4 p	-16 p	3.15%	3.20%	-5 p
Net interest margin net of provisions / Total loans	2.01%	2.46%	2.35%	-45 p	-33 p	2.25%	2.28%	-3 p

Net fees totaled CH$68,764 million in 2018 (+6.0% YoY), because of increased commercial activity in the commercial banking division and greater fund management 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$26,951 million (-10.6% YoY). Although 2018 saw increased income from distributing structured products, driven by greater commercial activity towards year end, it is important to remember that 2017 is a high basis of comparison due to strong performances from foreign currency derivatives.

For 2018, recovery of written-off loans was up +CH$3,734 million, reaching CH$6,287 million, due to a stronger collections process in the retail banking division. Credit risk provision expenses for 2018 totaled CH$47,837 million, (+7.3% YoY), due to impairment of some commercial banking division customers in the electric power sector late in the year, which was only partially offset by stronger risk processes and structures in the retail banking division.

Operating expenses totaled CH$128,323 million (+3.8% YoY), due to higher personnel expenses because of increased commercial activity in the standalone bank and the asset management subsidiaries, partially offset by reduced administrative, depreciation and amortization expenses at the Bank.

The division reported other net operating losses of -CH$1,413 million, down from a loss of -CH$3,203 million last year, explained by a lower basis of comparison due to intangible assets impaired in 2017.

Income tax expense for 2018 totaled CH$20,006 million (+12.0% YoY), due to a larger profit before tax (+14.6% YoY).

Banco Security reported consolidated profit of CH$15,415 million for 4Q18, reflecting a decrease of 13.8% over 3Q18. The net interest margin totaled CH$42,486 million for 4Q18 (+1.8% QoQ) due to greater loans (+2.8% QoQ). Net fees totaled CH$17,256 million for 4Q18 (+6.6% QoQ), because of increased credit card fees in the retail banking division. Financial income (net financial operating income (loss) + net gain from FX transactions) totaled CH$7,801 million (+33.7% QoQ), explained by greater income from structured products, driven by increased commercial activity late in the year. Credit risk provisions for 4Q18 totaled CH$15,580 million, (+57.5% QoQ), due to impairment of some commercial banking division customers in the electric power sector late in the year, which was only partially offset by a well-performing portfolio in the retail banking division during the quarter. The division reported operating expenses of CH$32,372 million (-2.4% QoQ).

Banco Security - Operating Expenses and Efficiency

In Ch$ Millions	4Q18	3Q18	4Q17	% Chg QoQ	% Chg YoY	2018	2017	% Chg
Personnel	-15,416	-14,133	-13,784	9.1%	11.8%	-58,089	-52,309	11.1%
Administrative expenses	-15,763	-17,549	-14,284	-10.2%	10.4%	-65,049	-65,661	-0.9%
Depreciation and amortization	-1,193	-1,475	-1,231	-19.1%	-3.1%	-5,185	-5,621	-7.8%
Total operating expenses	**-32,372**	**-33,157**	**-29,299**	**-2.4%**	**10.5%**	**-128,323**	**-123,591**	**3.8%**
Operating expenses / Gross operating income	**47.8%**	**50.2%**	**45.7%**	**-241 p**	**209 p**	**47.7%**	**49.7%**	**-198 p**

Banco Security's efficiency ratio, measured as support expenses + other operating expenses over total operating income, totaled 47.7% as of December 2018 (-198 b.p. YoY). This ratio compares to 47.6% for the banking system and 45.6% for peer banks[4] as of December 2018.

The Bank reported operating expenses of CH$128,323 million (+3.8% YoY) for 2018. For 2018, personnel expenses amounted to CH$58,089 million, +11.1% YoY, as a result of increased commercial activity, while administrative expenses reached CH$ 65,049 million, -0.9% YoY. Depreciation and amortization expense reached CH$5,185 million, -7.8% YoY, as several intangible assets reached the end of their useful lives in 2017.

[4] Peer banks: Average for BICE, Consorcio and Security

Operating expenses in 4Q18 decreased 2.4% QoQ to CH$32,372 million in comparison to 3Q18. For 4Q18, personnel expenses amounted to CH$15,416 million, +9.1% QoQ, explained by increased commercial activity, and administrative expenses reached CH$15,763 million (-10.2% QoQ). The third quarter of 2018 represents a high basis of comparison for administrative expenses due to contributions paid to regulators. This brings the efficiency ratio to 47.8% for 4Q18, below the figure of 50.2% for 3Q18.

Banco Security Loan Portfolio

Total loans reached CH$5,346,071 million as of December 2018, +10.6% YoY. For the industry, loans increased +11.5 % YoY. Including foreign subsidiaries, this figure increased +13.3% YoY. Commercial loans grew +12.0% YoY, to CH$4,227,198 million (79.1% of Banco Security's total loan portfolio), while retail loans (consumer + mortgage) reached CH$1,108,106 million as of December 2018, +4.6% YoY. The 20 largest borrowers represent 10.5% of the Bank's total loan portfolio.

Total Loans *In Ch$ Millions*		Dec-18	Sep-18	Dec-17	%Chg QoQ	%Chg YoY
Consumer	Loans	496,523	482,790	440,241	2.8%	12.8%
Mortgage	Loans	611,583	608,165	618,630	0.6%	-1.1%
Mortgage + Consumer	Loans	1,108,106	1,090,955	1,058,871	1.6%	4.6%
Mortgage + Consumer	No. Customers	70,726	70,685	70,862	0.1%	-0.2%
Commercial	Loans	4,227,198	4,090,837	3,775,419	3.3%	12.0%
Commercial	No. Customers	9,040	8,869	8,513	1.9%	6.2%
Total Loans		**5,346,071**	**5,182,434**	**4,834,290**	**3.2%**	**10.6%**
Market Share		**3.3%**	**3.3%**	**3.3%**	**-3 p**	**-3 p**

Interest and indexation income *In Ch$ Millions*	4Q18	3Q18	4Q17	%Chg QoQ	%Chg YoY	4Q18	4Q17	% Chg
Consumer	14,006	13,300	12,626	5.3%	10.9%	14,006	12,626	5.3%
Mortgage	9,750	9,689	8,641	0.6%	12.8%	9,750	8,641	10.6%
Mortgage + Consumer	23,756	22,989	21,267	3.3%	11.7%	23,756	21,267	7.5%
Commercial	66,843	63,717	56,071	4.9%	19.2%	66,843	56,071	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	Dec-18	Sep-18	Dec-17	% Chg QoQ	% Chg YTD	% Chg YoY
Total Loans	**5,346,071**	**5,182,434**	**4,834,290**	**3.2%**	**3.2%**	**10.6%**
Nonperforming loans - consumer	6,256	6,455	5,457	-3.1%	-3.1%	14.6%
Nonperforming loans - mortgage	5,910	5,468	6,267	8.1%	8.1%	-5.7%
Nonperforming loans - commercial	67,963	61,495	55,005	10.5%	10.5%	23.6%
Total nonperforming loans	**80,129**	**73,418**	**66,729**	**9.1%**	**9.1%**	**20.1%**
Non-performing loans - consumer	1.26%	1.34%	1.24%	-8 p	-8 p	2 p
Non-performing loans - mortgage	0.97%	0.90%	1.01%	7 p	7 p	-5 p
Non-performing loans - commercial	1.61%	1.50%	1.46%	10 p	10 p	15 p
Total nonperforming loans	**1.50%**	**1.42%**	**1.38%**	**8 p**	**8 p**	**12 p**
Gross provisions	127,529	111,518	122,134	14.4%	14.4%	4.4%
Write-offs	(37,377)	(29,365)	(41,626)	27.3%	27.3%	-10.2%
Credit risk provisions	**90,152**	**82,153**	**80,508**	**9.7%**	**9.7%**	**12.0%**
Provisions - consumer (% total)	20,264	19,333	17,490	4.8%	4.8%	15.9%
Provisions - mortgage (% total)	1,075	1,093	1,265	-1.6%	-1.6%	-15.0%
Provisions - commercial (% total)	68,813	61,727	61,753	11.5%	11.5%	11.4%
Credit risk provisions	**90,152**	**82,153**	**80,508**	**9.7%**	**9.7%**	**12.0%**
Coverage - consumer	323.9%	299.5%	320.5%	2441 p	2441 p	341 p
Coverage - mortgage	18.2%	20.0%	20.2%	-180 p	-180 p	-200 p
Coverage - commercial	101.3%	100.4%	112.3%	87 p	87 p	-1102 p
Coverage - total nonperforming loans1	**112.5%**	**111.9%**	**120.6%**	**61 p**	**61 p**	**-814 p**
Provisions / loans	1.69%	1.59%	1.67%	10 p	10 p	2 p
Provision expenses2 / loans	0.78%	0.71%	0.87%	7 p	7 p	-9 p

[1] Stock of credit risk provisions/ Stock of nonperforming loans

2 Credit risk provisions net of recovery of charged-off loans

As of December 2018, Banco Security's risk index reached 1.69%, slightly above the 1.67% posted as of December 2017. The nonperforming loan portfolio reached 1.50%, which is above the 1.38% recorded as of December 2017. The resulting NPL coverage ratio was 112.5%.

The ratio of provisions net of recovery to total loans for 2018 was 0.78% (-9 b.p. YoY) because loan growth (+10.6% YoY) exceeded the rise in credit risk provision expenses (+7.4% YoY).

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	0.18	4.08	1.93	1.63	1.69	0.97	1.26	1.61	1.50
Medium Banks*	0.29	3.91	1.44	1.71	1.69	0.94	1.16	0.94	1.01
Banking system	0.76	6.45	2.69	2.28	2.44	2.36	2.08	1.65	1.90

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

Banco Security - Funding Sources

Funding Sources							% Chg	
In MCH$	Dec-18		Sep-18		Dec-17		QoQ	YoY
Demand deposits	654,815	9.4%	599,065	8.9%	673,475	10.5%	9.3%	-2.8%
Time deposits	2,965,403	42.8%	2,852,541	42.5%	2,927,755	45.5%	4.0%	1.3%
Total deposits	3,620,218	52.2%	3,451,606	51.4%	3,601,230	55.9%	4.9%	0.5%
Bonds	2,205,499	31.8%	2,078,394	31.0%	1,786,574	27.7%	6.1%	23.4%
Interbank loans	223,071	3.2%	221,016	3.3%	188,346	2.9%	0.9%	18.4%
Other liabilities*	308,677	4.5%	390,755	5.8%	312,210	4.8%	-21.0%	-1.1%
Total Liabilities	**6,357,465**	**92%**	**6,141,771**	**92%**	**5,888,360**	**91%**	**3.5%**	**8.0%**
Equity	577,647	8.3%	567,497	8.5%	553,023	8.6%	1.8%	4.5%
Liabilities + Equity	**6,935,112**	**100%**	**6,709,268**	**100%**	**6,441,383**	**100%**	**3.4%**	**7.7%**

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

○ Demand and Time Deposits

As of December 2018, deposits totaled CH$3,620,218 million, up +0.5% YoY. For the industry, loans fluctuated +6.0% YoY. Including foreign subsidiaries, this figure varied +7.1% YoY. Banco Security's time deposits consisted of 34.9% retail deposits and 65.1% institutional deposits. The 15 largest depositors[5] represent 23.7% of the Bank's total deposits. The loan to deposit ratio was 148% as of December 2018, compared to 134% as of December 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[6], 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 December 2018, the ratio of long-term interest rate risk to regulatory capital was 2.58%[7]. As of December 31, 2018, liquid assets[8] represented 48% of demand and other time deposits.

[5] Excludes stock brokerage companies.

[6] 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).

[7] 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.

[8] 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-2007	UF	3,000,000	3.00	23	1-Dec-2029
M1	1/2009	19-May-2009	UF	3,000,000	3.00	10.5	1-Jul-2019
N1	1/2009	19-May-2009	UF	3,000,000	3.00	105	1-Jul-2019
R1	10/2011	6-Oct-2011	UF	3,000,000	3.00	10	1-Jun-2021
K2	1/2012	14-Mar-2012	UF	4,000,000	3.25	10	1-Nov-2021
K3	1/2013	26-Feb-2013	UF	4,000,000	3.50	10	1-Nov-2022
K4	10/2013	6-Nov-2013	UF	5,000,000	3.60	10	1-Oct-2023
B3	14/2014	9-Oct-2014	UF	5,000,000	2.50	5	1-Jun-2019
K5	14/2014	9-Oct-2014	UF	5,000,000	2.75	10	1-Jun-2024
B4	05/2015	1-Apr-2015	UF	5,000,000	2.25	5	1-Jun-2020
K6	05/2015	1-Apr-2015	UF	5,000,000	2.75	10	1-Mar-2025
K7	05/2015	1-Apr-2015	UF	5,000,000	2.75	10	1-Sep-2025
Z1	10/2015	1-Sep-2015	CLP	75,000,000,000	5.25	5	1-Jul-2020
B5	11/2016	3-Oct-2016	UF	5,000,000	2.40	5	1-Aug-2021
K8	12/2016	3-Oct-2016	UF	5,000,000	2.80	10	1-Oct-2026
Z2	13/2016	3-Oct-2016	CLP	75,000,000,000	5.30	5.5	1-Feb-2022
B6	6/2017	11-Jul-2017	UF	5,000,000	2.25	5.5	1-Oct-2022
X1	2/2018	2-Feb-2018	USD	50,000,000	3.50	5	15-Jan-2023
Z3	8/2018	9-May-2018	CLP	75,000,000,000	4.80	5.5	1-Jun-2023
K9	8/2018	9-May-2018	UF	5,000,000	2.75	10.5	1-Jul-2028
B7	8/2018	9-May-2018	UF	4,000,000	2.20	5.5	1-Aug-2023

Banco Security - Capitalization

As of December 2018, Banco Security's equity attributable to the equity holders of the parent totaled CH$577,588 million (+4.5% YoY). 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$ Millions	Dec-18	Sep-18	Dec-17	% Chg QoQ	% Chg YTD	% Chg YoY
Capital	302,047	302,047	302,047	0.0%	0.0%	0.0%
Reserves and valuation accounts	25,897	26,689	30,204	-3.0%	-14.3%	-14.3%
Retained earnings	249,643	238,703	220,716	4.6%	13.1%	13.1%
Equity attributable to equity holders of bank	**577,588**	**567,439**	**552,966**	**1.8%**	**4.5%**	**4.5%**
Tier I (core capital)	577,588	567,439	552,966	1.8%	4.5%	4.5%
Regulatory capital	774,770	765,787	751,457	1.2%	3.1%	3.1%
Minimum required capital	468,961	452,570	428,810	3.6%	9.4%	9.4%
Risk-weighted assets	5,862,013	5,657,126	5,360,129	3.6%	9.4%	9.4%
BIS ratio	13.22%	13.54%	14.02%	-32 p	-80 p	-80 p
Core capital / total assets	7.79%	7.95%	8.10%	-15 p	-30 p	-30 p

The Bank's capital adequacy ratio as of December 2018, calculated as regulatory capital over risk-weighted assets, reached 13.22% (with a regulatory minimum of 8%), -80 b.p. YoY. The ratio of core capital to total assets reached 7.79%, -30 b.p. YoY. Both ratios fell from one year to the next as a result of growth in assets, driven by greater total loans (+10.6% YoY).

FACTORING SECURITY

For 2018, Factoring Security reported profit of CH$8,155 million (+8.7% YoY), due to greater operating income of CH$29,829 million, (+2.5% YoY), due to a larger volume of factored receivables (CH$360,251 million as of December 2018, +18.4% YoY), partially offset by a smaller spread. The division reported operating expenses of CH$8,677 million (+6.9% YoY).

For 4Q18, Factoring Security reported profit of CH$2,136 million (+9.0% QoQ), due to greater operating income of CH$7,881 million, (+8.9% QoQ), explained by a larger volume of factored receivables (+14.2% QoQ), partially offset by a smaller spread. Operating expenses reached CH$2,636 million (+37.5% QoQ) due to increased banking costs as a result of a larger volume of factored receivables.

The efficiency ratio reached 42.3% as of December 2018, -152 b.p. YoY. The risk ratio, measured as provisions over total factored receivables, was 2.18% as of December 2018, -36 b.p. QoQ.

In Ch$ Million	4Q18	3Q18	4Q17	% Chg QoQ	% Chg YoY	2018	2017	% Chg
Factored receivables	360,251	315,389	304,393	14.2%	18.4%	360,251	304,393	18.4%
Provisions	7,844	8,002	7,574	-2.0%	3.6%	7,844	7,574	3.6%
Gross operating income	7,881	7,235	7,212	8.9%	9.3%	29,829	29,095	2.5%
Operating expenses	-2,636	-1,917	-1,891	37.5%	39.4%	-8,677	-8,118	6.9%
Support expenses	-2,972	-2,944	-2,947	0.9%	0.8%	-11,711	-11,681	0.3%
Profit for the period	**2,136**	**1,960**	**1,924**	**9.0%**	**11.0%**	**8,155**	**7,502**	**8.7%**
Efficiency ratio	40.8%	43.0%	43.5%	-218 p	-267 p	42.3%	43.8%	-152 p
Risk ratio	2.18%	2.54%	2.49%	-36 p	-31 p	2.18%	2.49%	-31 p

INSURANCE BUSINESS AREA (24.9% of assets; 26.0% of profit from business areas as of December 2018)

The insurance business area reported profit of CH$30,440 million. This area includes the insurance company Vida Security and Servicios Security, the holding that groups the insurance brokerage (Corredora de Seguros Security) and assistance business (Europ Assistance).

VIDA SECURITY

For 2018 Vida Security reported profit attributable to the equity holders of the parent of CH$30,159 million (+127.5% YoY). On November 26, 2018, Inversiones Security Perú, the parent of Protecta Security, was sold to Security Internacional for a total of S./ 100 million. This transaction generated a one-time gain of CH$12,157 million for Vida Security, which was fully reversed at group level.

Gross written premiums totaled CH$336,094 million (-24.8% YoY). This reduction with respect to last year can be explained by the expiration of contract No. 5 for disability and survivor insurance. The company was not awarded new fractions under contract No. 6[9]. Other contributing factors included reduced premiums from individual insurance with savings components and decreased annuity sales.

During 2018, the subsidiary recorded a smaller variation in technical reserves (-CH$3,463 million versus -CH$69,418 million for 2017), particularly in individual insurance, due to 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. Claims and pensions paid totaled CH$299,666 million (-17.9% YoY), due to the end of DSI contract No. 5. Finally, underwriting expenses totaled CH$17,414 million (+10.3% YoY), reflecting increased commercial activity in the individual product line.

This all explains the greater contribution margin as of December 2018 (-CH$25,486 million versus -CH$73,258 million in 2017).

This was more than offset by reduced investment income of CH$98,570 million (-22.2% YoY), attributable to weaker returns on equity investments due to greater volatility and market corrections. In addition, the year 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$38,148 million (+2.1% YoY), reflecting increased commercial activity. Finally, exchange differences totaled -CH$1,067 million (CH$1,154 million in

[9] See page 17, section "Disability and Survivor Insurance" for more details on this product line.

2017), while the gain (loss) on indexed assets and liabilities was -CH$3,608 million in 2018, up from -CH$1,444 million in 2017, because the Bank had more indexed liabilities than indexed assets and inflation was higher in 2018.

In MCH$	4Q18	3Q18	4Q17	% Chg. QoQ	% Chg. YoY	2018	2017	% Chg.
Gross written premiums	67,828	65,563	107,507	3.5%	-36.9%	336,094	446,838	-24.8%
Net premiums written	**66,116**	**64,880**	**89,286**	**1.9%**	**-26.0%**	**295,121**	**376,360**	**-21.6%**
Variation in technical reserves	6,799	-7,424	-4,425	-	-	-3,463	-69,418	-95.0%
Claims paid	-11,979	-7,598	-73,357	57.7%	-83.7%	-97,007	-181,323	-46.5%
Pensions paid	-51,495	-58,795	-19,199	-12.4%	168.2%	-202,659	-183,666	10.3%
Underwriting expenses	-4,745	-4,712	-4,371	0.7%	8.6%	-17,414	-15,786	10.3%
Medical expenses	-23	-14	-12	70.0%	98.2%	-59	-49	20.3%
Insurance impairment	-47	5	34	-971.3%	-239.5%	-5	624	-100.8%
Contribution Margin	**4,626**	**-13,657**	**-12,042**	**-**	**-**	**-25,486**	**-73,258**	**-65.2%**
Administrative expenses	-8,677	-9,910	-9,276	-12.4%	-6.5%	-38,148	-37,362	2.1%
Investment income	23,851	32,069	23,229	-25.6%	2.7%	98,570	126,738	-22.2%
Exchange differences	-1,514	637	-853	-337.7%	-	-1,067	1,154	-192.5%
Gain (loss) on indexed assets and liabilities	-794	-1,152	-303	-	-	-3,608	-1,444	149.9%
Profit for the period	18,739	6,589	46	184.4%	-	30,159	13,258	127.5%
Administrative ratios								
(1) (Claims paid + pension paid)/ Net written premiums	96.0%	102.3%	103.7%	-633 p	-766 p	101.5%	97.0%	456 p
(2) Administrative expenses/ Net written premiums	13.1%	15.3%	10.4%	-215 p	273 p	12.9%	9.9%	300 p
(3) Underwriting expenses/ Net written premiums	7.2%	7.3%	4.9%	-9 p	228 p	5.9%	4.2%	171 p
Combined Ratio (1) + (2) + (3)	116.3%	124.9%	118.9%	-856 p	-264 p	120.4%	111.1%	927 p
(4) Profit / Net written premiums	28.3%	10.2%	0.1%	1819 p	2829 p	10.2%	3.5%	670 p

For 4Q18, Vida Security posted profit of CH$18,739 million (+184.4% QoQ). Gross written premiums totaled CH$67,828 million (+3.5% QoQ), explained by increased gross written premiums in group policies and annuities, which were partially offset by reduced gross written premiums in individual insurance with savings components (CUI and APV). The fourth quarter saw a smaller variation in technical reserves (+CH$6,799 million versus -CH$7,424 million in 3Q18) because of reduced investment income from the CUI and APV portfolios, reduced claims paid (surrenders and transfers from CUI and APV accounts) and reduced gross written premiums for CUI and APV policies. In addition, in the fourth quarter this subsidiary reported a reduction in claims and pensions paid (-4.4% QoQ), explained by decreased surrenders and transfers from individual insurance with savings components (CUI and APV). Brokerage expenses totaled -CH$4,745 million for 4Q18 (+0.7% QoQ). Investment income reached CH$23,851 million (-25,6% QoQ), due to reduced income from equity investments, because of high volatility and market corrections, partially offset by the one-time gain of CH$12,157 million from the sale of Inversiones Security Perú to Security Internacional. Finally, exchange differences totaled -CH$1,514 million for 4Q18, under the +CH$637 in 3Q18, while the gain (loss) on indexed assets and liabilities was -CH$794 million for 4Q18, up from -CH$1,152 million for 3Q18, because the Bank had more indexed liabilities than indexed assets.

Results by Product Line

- **Individual Insurance** (32.2% of gross written premiums as of December 2018)

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.

The contribution margin totaled +CH$9,543 million in 2018, an increase from the -CH$22,735 million recorded in 2017. Gross written premiums reached CH$108,372 million as of December 2018 (-22.0% YoY) due to lower gross written premiums from insurance with savings components as compared to 2017. The variation in technical reserves was -CH$4,922 million versus -CH$70,091 million in 2017, 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. Claims paid totaled -CH$79,826 million (+4.4% YoY), explained by increased surrenders and transfers from CUI and APV policies. Underwriting expenses totaled -CH$10,974 million in 2018 (+22.4% YoY), explained by increased commercial activity.

As of December 2018, CUI and APV policies represent 89.6% of total individual insurance premiums.

Individual Insurance In MCH $	4Q18	3Q18	4Q17	% Chg. QoQ	% Chg. YoY	2018	2017	% Chg.
Gross written premiums	28,807	30,102	27,286	-4.3%	5.6%	108,372	138,918	-22.0%
Net premiums written	**28,507**	**29,683**	**26,683**	**-4.0%**	**6.8%**	**106,696**	**137,080**	**-22.2%**
Variation in technical reserves	5,096	-9,286	-4,261	-	-	-4,922	-70,091	-93.0%
Claims paid	-17,703	-21,744	-20,844	-18.6%	-15.1%	-79,826	-76,458	4.4%
Pensions paid	-630	-233	-213	169.8%	195.6%	-1,399	-4,261	-67.2%
Underwriting expenses	-3,053	-3,081	-2,027	-0.9%	50.6%	-10,974	-8,963	22.4%
Medical expenses	-18	-11	-10	54.0%	84.4%	-48	-42	13.6%
Insurance impairment	0	0	0	-	-	0	0	-
Contribution Margin	**12,198**	**-4,672**	**-671**	-361.1%	-1918.1%	**9,528**	**-22,735**	-141.9%
Claims rate (1)	64.3%	74.0%	78.9%	-973 p	-1460 p	76.1%	58.9%	1724 p
Underwriting expense rate (2)	10.7%	10.4%	7.6%	33 p	311 p	10.3%	6.5%	375 p

(1) Claims paid/ Net written premiums
(2) Underwriting expense/ Net written premiums

In 4Q18, the contribution margin from individual insurance was +CH$12,214 million, up from -CH$4,672 million for 3Q18. Gross written premiums fell 4.3% QoQ to CH$28,807 million due to reduced gross written premiums from CUI and APV policies. The variation in technical reserves was +CH$5,096 million for 4Q18 versus -CH$9,286 million for 3Q18, due to weaker returns on investments in the CUI and APV portfolios and reduced gross written premiums from CUI and APV policies, partially offset by reduced claims paid (surrenders and transfers from CUI and APV accounts). This product line reported claims paid of CH$17,703 million for 4Q18, -1.4% QoQ, explained by a drop in surrenders and transfers from CUI and APV funds. Brokerage expenses totaled -CH$3,053 million for 4Q18, -0.9% QoQ.

- **Family Protection** (2.0% of gross written premiums as of December 2018)

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.

Family Protecction In MCH$	4Q18	3Q18	4Q17	% Chg. QoQ	% Chg. YoY	2018	2017	% Chg.
Gross written premiums	1,826	1,586	1,689	15.1%	8.1%	6,697	6,622	1.1%
Net premiums written	**1,826**	**1,586**	**1,745**	**15.1%**	**4.7%**	**6,697**	**6,622**	**1.1%**
Variation in technical reserves	-31	34	10	-	-	5	-39	-
Claims paid	-569	-385	-529	47.7%	7.4%	-1,603	-1,806	-11.2%
Pensions paid	0	0	0	-	-	0	0	-
Underwriting expenses	-680	-607	-551	12.0%	23.4%	-2,351	-2,196	7.1%
Medical expenses	0	0	0	-	-	-1	0	-
Insurance impairment	0	0	0	-	-	0	0	-
Contribution Margin	**547**	**628**	**675**	-13.0%	-19.0%	**2,747**	**2,581**	6.4%
Claims rate (1)	31.1%	24.3%	30.3%	687 p	81 p	23.9%	27.3%	-334 p
Underwriting expense rate (2)	37.2%	38.3%	31.6%	-105 p	564 p	35.1%	33.2%	195 p

(1) Claims paid/ Net written premiums
(2) Underwriting expense/ Net written premiums

The contribution margin was CH$2,747 million in 2018 (+6.4% YoY), and CH$547 million in 4Q18 (-13.0% QoQ). Gross written premiums totaled CH$6,697 million in 2018 (+1.1% YoY), and CH$1,826 million for 4Q18 (+15.1% QoQ). Claims paid reached -CH$1,603 million in 2018 (-11.2% YoY), and -CH$569 million for 4Q18 (+47.7% QoQ). Underwriting expenses totaled -CH$2,351 million in 2018 (+7.1% YoY), and -CH$680 million for 4Q18 (+12.0% QoQ).

- **Group Insurance** (21.4% of gross written premiums as of December 2018)

Group Insurance In MCH$	4Q18	3Q18	4Q17	% Chg. QoQ	% Chg. YoY	2018	2017	% Chg.
Gross written premiums	19,627	17,278	18,090	13.6%	8.5%	71,808	67,871	5.8%
Net premiums written	**19,021**	**16,850**	**17,535**	**12.9%**	**8.5%**	**69,788**	**65,545**	**6.5%**
Variation in technical reserves	71	161	1	-	-	358	-1,024	-
Claims paid	-9,401	-11,032	-10,873	-14.8%	-13.5%	-41,412	-44,281	-6.5%
Pensions paid	0	0	0	-	-	0	0	-
Underwriting expenses	-895	-868	-1,599	3.0%	-44.1%	-3,581	-3,895	-8.1%
Medical expenses	-3	-2	-2	33.0%	31.5%	-8	-7	9.2%
Insurance impairment	-42	5	34	-	-	0	624	-
Contribution Margin	**8,750**	**5,114**	**5,095**	71.1%	71.7%	**25,146**	**16,962**	48.3%
Claims rate (1)	49.4%	65.5%	62.0%	-1604 p	-1258 p	59.3%	67.6%	-822 p
Underwriting expense rate (2)	4.7%	5.2%	9.1%	-45 p	-442 p	5.1%	5.9%	-81 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.

The contribution margin for 2018 totaled CH$25,146 million (+48.3% YoY), thanks to greater gross written premiums (CH$71,808 million in 2018, +5.8% YoY), mainly from health policies and credit life coverage for consumer loans, and a drop in claims paid (-CH$41,412 million for 2018, -6.5% YoY) on life and health policies. Brokerage expenses totaled -CH$3,581 million, -8.1% YoY.

For 4Q18, the contribution margin reached CH$8,750 million (+71.1% QoQ), because of increased gross written premiums of CH$19,627 million (+13.6% QoQ) from credit life coverage for consumer loans, and reduced claims paid (-CH$9,401 million for 4Q18, -14.8% QoQ) from health and life policies.

- **Annuities** (16.1% of gross written premiums as of December 2018)

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[10].

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$	4Q18	3Q18	4Q17	% Chg. QoQ	% Chg. YoY	2018	2017	% Chg.
Gross written premiums	17,022	15,734	16,643	8.2%	2.3%	54,209	61,586	-12.0%
Net premiums written	**17,022**	**15,734**	**16,643**	**8.2%**	**2.3%**	**54,209**	**61,586**	**-12.0%**
Variation in technical reserves	0	0	0	-	-	0	0	-
Claims paid	0	0	0	-	-	0	0	-
Pensions paid	-33,433	-32,183	-31,771	3.9%	5.2%	-117,960	-122,752	-3.9%
Underwriting expenses	-118	-156	-194	-24.3%	-39.3%	-509	-732	-30.5%
Medical expenses	-2	0	0	-	-	-2	0	-
Insurance impairment	0	0	0	-	-	0	0	-
Contribution Margin	**-16,530**	**-16,604**	**-15,322**	**-0.4%**	**7.9%**	**-64,263**	**-61,897**	**3.8%**
Underwriting expense rate (1)	0.7%	1.0%	1.2%	-30 p	-47 p	0.9%	1.2%	-25 p

(1) Claims paid/ Net written premiums

[10] 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 December 2018, this product line accounts for only CH$1,470 million in pensions paid by Vida Security.

The contribution margin for annuities was -CH$64,278 million in 2018 (+3.8% YoY) and -CH$16,546 million for 4Q18 (-0.4% QoQ). Gross written premiums totaled CH$54,209 million in 2018 (-12.0% YoY), and CH$17,022 million for 4Q18 (+8.2% QoQ). Pensions paid totaled -CH$117,960 million in 2018 (-3.9% YoY) and -CH$33,433 million for 4Q18 (+3.9% QoQ), in line with annuity sales for each period.

- **Disability and Survivor Insurance (DSI)** (28.3% of gross written premiums as of December 2018)

DSI In MCH$	4Q18	3Q18	4Q17	% Chg. QoQ	 YoY	2018	2017	% Chg.
Gross written premiums	546	863	43,798	-36.8%	-98.8%	95,008	171,841	-44.7%
Net premiums written	**-259**	**1,026**	**26,681**	-125.2%	-101.0%	**57,730**	**105,527**	-45.3%
Variation in technical reserves	1,663	1,666	-176	-0.2%	-	1,096	1,736	-36.8%
Claims paid	15,694	25,563	-41,111	-38.6%	-138.2%	25,835	-58,778	-
Pensions paid	-17,432	-26,378	12,785	-33.9%	-236.3%	-83,300	-56,653	47.0%
Underwriting expenses	0	0	0	-	-	0	0	-
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	-5	0	0	-	-	-5	0	-
Contribution Margin	**-339**	**1,877**	**-1,820**	-118.0%	-81.4%	**1,356**	**-8,168**	-
Claims Rate (1)	-670.7%	79.4%	106.2%	-75014 p	-77687 p	99.5%	109.4%	-984 p

(1) Claims and Pensions Paid/ Net written 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 employers throughout a member's active work life with a fraction of the additional amount charged by the AFP[11]. 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.

In this table, the line 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 fractions.

The contribution margin for DSI totaled CH$ 1,356 million in 2018 (versus -CH$8,168 million in 2017). For 2018, net premiums written totaled CH$57,730 million (-45.3% YoY), claims and pensions paid reached -CH$57,465 million (-50.2% YoY), and the variation in technical reserves was -CH$1,096 million (CH$1,736 million in 2017), all attributable to the expiration of contract No. 5.

The contribution margin for DSI totaled -CH$339 million for 4Q18 (versus CH$ 1,877 million for 3Q18). For 4Q18, net premiums written totaled CH$259 million (-125.2% QoQ), claims and pensions paid reached -CH$1,738 million (+113.2% QoQ), and the variation in technical reserves was CH$1,663 million (CH$1,666 million for 3Q18), all attributable to the expiration of contract No. 5.

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

Administrative Expenses - Vida Security

In MCH$	4Q18	3Q18	4Q17	% Chg QoQ	% Chg YoY	2018	2017	%Chg.
Payroll	-3,852	-3,459	-3,492	11.4%	10.3%	-14,327	-13,407	6.9%
Distribution Channel expenses	-518	-802	-862	-35.4%	-39.9%	-3,552	-4,015	-11.5%
Other	-4,307	-5,649	-4,922	-23.8%	-12.5%	-20,269	-19,940	1.6%
Total administrative expenses	-8,677	-9,910	-9,276	**-12.4%**	**-6.5%**	-38,148	-37,362	**2.1%**

For 2018, Vida Security reported administrative expenses of CH$38,148 million (+2.1% YoY) because of an increase in payroll expenses, which totaled CH$14,327 million in 2018 (+6.9% YoY), due to increased commercial activity. Distribution channel expenses totaled CH$3,552 million (-11.5% YoY), while other administrative expenses reached CH$20,269 million (+1.6% YoY).

For 4Q18, Vida Security reported administrative expenses of CH$8,677 million (-12.4% QoQ), explained by lower administrative expenses of CH$4,307 million for 4Q18 (-23.8% QoQ) and reduced distribution channel expenses of CH$518 million (-35.4% QoQ), partially offset by an increase in personnel expenses, which totaled CH$3,852 million (+11.4% QoQ).

Investment Income - Vida Security

Investment income for 2018 totaled CH$98,570 million, down -CH$28,168 million YoY, attributable to weaker returns on equity investments due to greater volatility and market corrections. In addition, the year 2017 represents a high basis of comparison for investment income due to strong market performances during that period.

Investment income from equities and indexes totaled -CH$1,004 million for the year ended December 2018, -CH$35,508 million YoY, due to high volatility and market corrections. (MSCI as of Dec-18 in US$: Developed Countries -17.3%, Emerging Countries -14.3%, Chile -18.6%).

In addition, in September 2018, an adjustment of CH$3,254 million was made to the Single Investment Account (CUI) investment portfolio, charged to investment income for this type of insurance, because of changes in the asset valuation model as per IFRS9.

The investment portfolio for CUI and APV policies totaled CH$499,398 million as of December 2018, +4.1% 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.

On November 26, 2018, Inversiones Security Perú, the parent of Protecta Security, was sold to Security Internacional for a total of S./ 100 million. This transaction generated a one-time gain of CH$12,157 million for Vida Security, recorded in other investments, which was fully reversed at group level.

Investment Stock Ch$ Million	Dec-18	Sep-18	Dec-17	% Chg QoQ	% Chg YoY	Stock % dec-18
Fixed Income	1,766,645	1,714,026	1,729,875	3.1%	2.1%	71.3%
Equities and indexes	458,426	482,917	397,996	-5.1%	15.2%	18.5%
Real estate	229,938	230,670	229,827	-0.3%	0.0%	9.3%
Other investments	24,469	40,806	44,815	-40.0%	-45.4%	1.0%
Investment Stock	**2,479,478**	**2,468,419**	**2,402,514**	**0.4%**	**3.2%**	

Investment Income In Ch$ Million	4Q18	3Q18	4Q17	% Chg QoQ	% Chg YoY	2018	2017	% Chg.
Fixed Income	18,250	14,299	16,141	27.6%	13.1%	75,699	74,102	2.2%
Equities and indexes	-10,644	16,586	2,153	-	-	-1,004	34,504	-102.9%
Real estate	3,328	3,675	3,200	-9.4%	4.0%	13,328	13,027	2.3%
Other investments	12,916	-2,491	1,734	-	-	10,547	5,105	106.6%
Investments Income	**23,851**	**32,069**	**23,229**	**-25.6%**	**2.7%**	**98,570**	**126,738**	**-22.2%**

Exchange Differences and Gain (Loss) from Indexation Adjustments

Exchange differences totaled -CH$1,067 million in 2018 (CH$1,154 million in 2017) and CH$1,514 million for 4Q18 (+CH$637 million for 3Q18). The subsidiary posted a loss from indexed assets and liabilities of -CH$3,608 million in 2018 (-CH$1,444 million in 2017) and -CH$794 million for 4Q18 (-CH$1,152 million for 3Q18), because the Bank had more indexed liabilities than indexed assets and inflation was higher in 2018.

ASSET MANAGEMENT BUSINESS AREA (2.2% of assets; 9.1% of profit from business areas as of December 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	2018	9M18	2017	% Chg QoQ	% Chg YoY
Assets under management (AUM)	4,383,489	4,728,741	4,506,967	-7.3%	-2.7%
Mutual funds under management	2,496,079	2,699,356	2,558,301	-7.5%	-2.4%
Market share - mutual funds	6.6%	7.0%	7.3%	-36 p	-67 p

In Ch$ Million	4Q18	3Q18	4Q17	% Chg QoQ	% Chg YoY	2018	2017	% Chg
Value of shares traded	505,313	622,389	849,594	-18.8%	-40.5%	2,707,465	3,139,690	-13.8%
Market share - equities brokerage	3.7%	4.3%	5.3%	-60 p	-154 p	4.6%	6.9%	-231 p
Operating income	10,102	9,714	11,363	4.0%	-11.1%	40,819	40,336	1.2%
Non-operating income	1,439	1,309	907	10.0%	58.8%	4,786	3,551	34.8%
Total expenses	-8,883	-8,309	-8,260	6.9%	7.5%	-35,161	-32,544	8.0%
Efficiency ratio	77.0%	75.4%	67.3%	158 p	964 p	77.1%	74.2%	294 p
Fund management	1,961	1,608	2,303	22.0%	-14.8%	6,563	6,663	-1.5%
Equity, currency and fixed income brokerage, portfolio mgt and Int´l business (*)	209	566	876	-63.1%	-76.2%	1,985	2,458	-19.2%
Securitization	2,110	15	346	-	-	2,166	516	319.8%
Profit - Asset Management	**4,280**	**2,189**	**3,526**	**95.5%**	**21.4%**	**10,715**	**9,637**	**11.2%**

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

The subsidiary's AUM as of December 2018 totaled CH$4,383,489 million, -2.7% YoY. Mutual funds under management totaled CH$2,496,079 million, -2.4% YoY, with a market share of 6.6%. The area reported total value of shares traded of CH$2,707,465 million, with market share of 4.6%.

The asset management area had profit of CH$10,715 million in 2018 (+11.2% YoY), due to strong results from Securitizadora and Inmobiliaria CasaNuestra, (CH$2,166 million in 2018, +CH$516 million YoY, +319.8% YoY), because of the placement of preferential securitized bonds and their respective mezzanine series. The area also reported greater operating income of CH$40,819 million (+CH$483 million YoY, +1.2% YoY), due to a larger average volume of mutual funds during the year and greater income from the sale of foreign funds with alternative investment strategies, partially offset by reduced transactional income at Valores Security. This business area also had greater non-operating income of CH$4,786 million (+34.8% YoY), due to improved returns on fixed-income instruments in Valores Security's proprietary trading portfolio. In addition, this increased commercial activity was accompanied by higher total expenses of CH$35,161 million (+8.0% YoY).

The asset management area had profit of CH$4,280 million for 4Q18 (+95.5% QoQ), due to strong results from Securitizadora and Inmobiliaria CasaNuestra (CH$2,280 million in 4Q18, +CH$2,095 million QoQ), from placing preferential securitized bonds and their respective mezzanine series. The area also reported greater operating income of CH$10,102 million (+CH$389 million QoQ, +4.0% QoQ), due to greater income from the sale of foreign funds with alternative investment strategies, partially offset by reduced transactional income at Valores Security. It also had greater non-operating income of CH$1,439 million (+CH$131 million QoQ, +10.0% QoQ). In addition, this increased commercial activity was accompanied by higher total expenses of -CH$8,883 million (+6.9% QoQ).

OTHER SERVICES BUSINESS AREA (1.3% of assets; 2.1% of profit from business areas in 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.

INMOBILIARIA SECURITY

Inmobiliaria Security posted a loss of -CH$232 million for the year ended December 2018. Ownership was transferred on 27 units as of December 2018 versus 55 units as of December 2017. For 4Q18, ownership was transferred on 8 units, two more than in 3Q18. These results are in line with the company's business plan since 2018 is considered a development year. Inmobiliaria Security signed apartment purchase promise agreements totaling UF 1,195,000 in 2018 (+85.9% YoY) and UF 282,000 in 4Q18 (-36.2% 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$85,202 million, +18.6% YoY and +2.8% QoQ, due to capitalization of projects under development.

In Ch$ Million	4Q18	3Q18	4Q17	% Chg YTD ó QoQ	% Chg YoY	2018	2017	% Chg
Real estate assets under management	85,202	82,912	71,846	2.8%	18.6%	85,202	71,846	18.6%
Total income	1,439	150	2,443	857.4%	-41.1%	1,652	4,681	-64.7%
Total expenses	-527	-762	-126	-30.8%	319.4%	-2,088	-1,441	44.9%
Profit before tax	912	-612	2,318	-	-60.7%	-436	3,240	-
Profit for the period	**1,005**	**-545**	**2,350**	**-**	**-57.2%**	**-232**	**3,305**	**-**

TRAVEL AGENCY: TRAVEL SECURITY

Travel Security reported profit of CH$3,752 million in 2018, -7.4% YoY and -20.4% QoQ, explained by the CH$9 YoY drop in the average CH$/US$ exchange rate. It also recorded lower airline commissions due to changes in the industry and the composition of sales.

	4Q18	3Q18	4Q17	% Chg QoQ	% Chg YoY	2018	2017	% Chg
Total sales - Travel (MUSD)	68	63	65	8.0%	3.3%	268	265	1.1%
Net operating income (MCH$)	1,386	1,733	1,506	-20.0%	-8.0%	5,393	5,640	-4.4%
Profit for the period - Travel (MCH$)	**990**	**1,243**	**1,084**	**-20.4%**	**-8.7%**	**3,752**	**4,050**	**-7.4%**

INTERNATIONAL BUSINESS AREA (2.5% of assets; 1.2% of profit from business areas as of December 2018)

The international business area reported profit attributable to the equity holders of CH$1,429 million. This area consolidates 61% of

Protecta Security as of November 2018. Protecta Security is a Peruvian life insurance company focused on annuities that was acquired in September 2015, and marks Grupo Security's entrance into the Peruvian financial market. This area also consolidates 75% of Travex Security, the group's travel agency in Peru.

Protecta Security

For 2018, Protecta Security posted profit of S./ 2.8 million, down from S./ 5.2 million for 2017. This YoY reduction in profit can be explained by a larger variation in technical reserves, in line with greater sales of annuities and private annuities and an adjustment to the valuation method for the portfolio of real estate investments. Claims paid and net fees increased in line with greater sales of annuities and private annuities.

Protecta Security reported annuity sales of S./ 166.1 million as of December 18 (+41.2% YoY). In the same period, the Peruvian life insurance industry reported annuity sales of S./ 875.6 million (-7.0% YoY), 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 retire. In this context, the increase in annuity sales by Protecta Security has resulted in a rise in its market share from 5.3% as of September 2015 to 19.0% as of December 2018. Investment income totaled S./ 92.2 million, (+10.1% YoY) and administrative expenses reached S./ 31.6 million (-4.3% YoY).

Protecta Security's business plan for the next three years calls for strong growth in annuities, which will require future capital increases. In line with this plan, in March 2018 a capital increase of S./ 25 million was approved and carried out. Then, on November 19, 2018, shareholders agreed to a second capital increase for Protecta Security of S./ 45 million to be completed in 2018 in order to strengthen its capital base and support its growth plans. Inversiones Security Perú S.A.C paid its respective contribution of S./ 27.45 million on November 28, 2018.

Travex Security

Travex Security, Travel Security's Peruvian travel agency subsidiary, recorded sales of US$70 million (+2.2% YoY and -12.9% QoQ) and profit of CH$578 million for 2018 (+0.7% YoY and -8.4% QoQ).

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	53,375	4.50	23	15-09-32
K	763	30-06-13	UF	3,000,000	4.00	25	30-06-38
L3	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
Total			**UF**	**8,742,375**			

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 October 3, 2018, Grupo Security's board approved a dividend of CH$4.5 per share. This consists of an additional dividend of CH$2.6 per share charged to profit for 2017 and an interim dividend of CH$1.9 per share charged to profit for the current year.

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 year 2018, Grupo Security's stock reported a return of +8.0%, outperforming the S&P/CLX IPSA (-8.3%).

4Q18 EARNINGS CONFERENCE CALL

Grupo Security's fourth quarter earnings report will be explained in a conference call led by Mr. Renato Peñafiel, the company's CEO, on March 6, 2019. 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	December, 31 2018
Current assets		
Cash and cash equivalents	599,767	472,890
Other financial assets, current	3,162,603	3,412,740
Other non-financial assets, current	27,138	50,224
Trade and other receivables, current	5,355,571	5,833,242
Accounts receivable from related parties, current	32,019	48,248
Inventories	72,113	86,581
Current tax assets	32,517	39,257
Total current assets other than assets or disposal groups classified as held for sale or held for distribution to owners	**9,281,728**	**9,943,182**
Non-current assets or disposal groups classified as held for sale or held for distribution to owners	3,641	1,234
Total non-current assets classified as held for sale or held for distribution to owners	**3,641**	**1,234**
Total current assets	**9,285,369**	**9,944,416**
Non-current assets		
Other non-financial assets, non-current	74,084	119,878
Equity-accounted investments	3,077	3,875
Intangible assets other than goodwill	38,518	37,811
Goodwill	119,067	119,067
Property, plant and equipment	65,088	51,733
Investment property	159,663	214,170
Deferred tax assets	96,435	51,738
Total non-current assets	**555,932**	**598,272**
Total assets	**9,841,301**	**10,542,688**

2. Financial Statements and Indicators - Liabilities and Equity

Liabilities and Equity In Ch$ Millions	**December, 31 2017**	**December, 31 2018**
Other financial liabilities, current	5,591,020	6,217,422
Trade and other payables	2,504,746	2,597,213
Accounts payable to related parties, current	1,949	995
Other short-term provisions	117,699	124,325
Current tax liabilities	24,881	22,810
Employee benefit provisions, current	8,708	9,258
Other non-financial liabilities, current	188,926	146,415
Total current liabilities	**8,437,929**	**9,118,439**
Non-current liabilities		
Other financial liabilities, non-current	540,756	578,311
Accounts payable, non-current	92,844	92,877
Accounts payable to related parties, non-current	1,948	3,323
Deferred tax liabilities	45,297	697
Total non-current liabilities	**680,845**	**675,208**
Total liabilities	**9,118,775**	**9,793,647**
Equity		
Issued Capital	429,040	431,784
Retained earnings	311,415	353,948
Shaere premium	0	611
Other reserves	(35,545)	(57,847)
Equity attribuable to equity holders of parent	**704,910**	**728,495**
Non-controling interests	17,616	20,545
Total equity	**722,526**	**749,040**
Total liabilities and equity	**9,841,301**	**10,542,688**

3. Financial Statements and Indicators - Consolidated Statement of Income

Consolidated statement of income (MCh$)	December, 31 2017	December, 31 2018
Revenue	1,177,768	1,024,138
Cost of sales	(839,571)	(673,105)
Gross profit	**338,197**	**351,034**
Other income	4,252	4,685
Distribution costs	0	0
Administrative expenses	-215,483	-216,962
Other expenses	(8,561)	(7,565)
Other gains	5,457	1,742
Finance income	-	13
Finance costs	(13,110)	(14,837)
Share of profit (loss) of associates and joint ventures, equity-accounted	-379	-1,775
Exchange differences	-4,926	1,222
Gain (loss) on indexed assets and liabilities	-4,179	-10,399
Gains arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	(1,586)	734
Profit before tax	**99,684**	**107,891**
Income tax benefit (expense)	(25,971)	(24,733)
Profit (loss) from continuing operations	**73,712**	**83,159**
Profit (loss) from discontinued operations	0	0
Profit (loss) for the period	**73,712**	**83,159**
Profit (loss) attributable to		
Profit (loss) attributable to equity holders of the parent	74,708	80,548
Profit (loss) attributable to non-controlling interests	-996	2,610
Profit (loss) for the period	**73,712**	**83,159**
Depreciation and amortization	9,061	9,060
Ebitda	**121,856**	**131,788**

4. Segment Note - Grupo Security YoY

Segment Note - Grupo Security *In MCH$*	Lending and Treasury dic-17	dic-18	Asset Management dic-17	dic-18	Insurance dic-17	dic-18	dic-17	dic-18	Other Services dic-17	dic-18	Consolidation Adjustments, Support Areas and Group Expenses dic-17	dic-18	Total Grupo Security dic-17	dic-18
Revenue	435,048	469,579	54,765	60,347	637,513	437,039	-	23,365	57,863	7,664	-7,422	-3,342	1,177,768	1,024,138
Cost of sales	-232,432	-261,715	-13,073	-13,682	-561,397	-365,320	-	-13,621	-31,464	-6,340	-1,205	-1,421	-839,571	-673,105
Gross profit	202,616	207,864	41,692	46,665	76,116	71,719	-	9,744	26,399	1,324	-8,626	-4,763	338,197	351,034
Other income	-268	21	1,834	2,532	729	275	-	402	719	-1	1,238	740	4,252	4,685
Administrative expenses	-111,589	-113,952	-29,852	-33,004	-58,652	-45,721	-	-6,663	-17,356	-909	1,967	-2,534	-215,483	-216,962
Other expenses	-7,121	-4,709	-852	-2,142	-263	-311	-	-306	-324	-83	0	-2	-8,561	-7,565
Other gains (losses)	0	0	450	-33	389	206	-	1,007	834	0	3,785	742	5,457	1,742
Finance income	0	0	0	0	0	13	-	0	0	0	0	0	0	13
Finance costs	0	0	-400	-781	-682	-54	-	-542	-1,179	-1	-10,848	-12,263	-13,110	-14,837
Share of profit (loss) of associates and joint ventures, equity-accounted	0	0	0	0	-364	10,274	-	0	-16	0	0	-12,050	-379	-1,775
Exchange differences	-3,507	2,916	-611	-142	-1,363	-991	-	-606	744	-16	-189	-231	-4,926	1,222
Gain (loss) from indexed assets and liabilities	21	25	38	141	-1,028	-3,605	-	0	69	-27	-3,279	-6,912	-4,179	-10,399
Gains (losses) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	-1,384	655	-202	79	0	0	-	0	0	0	0	0	-1,586	734
Profit (loss) before tax	78,769	92,821	12,097	13,316	14,881	31,806	-	3,036	9,890	288	-15,953	-37,273	99,684	107,891
Income tax benefit (expense)	-17,366	-20,696	-2,453	-2,601	-2,901	-649	-	-307	-2,421	-74	-831	659	-25,971	-24,733
Profit (loss) from continuing operations	61,404	72,125	9,643	10,715	11,980	31,156	-	2,730	7,469	214	-16,784	-36,613	73,712	83,159
Profit (loss) attributable to														
Profit (loss) attributable to equity holders of the parent	61,390	72,122	9,637	10,715	13,797	30,440	-	1,429	6,660	214	-16,784	-36,613	74,708	80,548
Profit (loss) attributable to non-controlling interest	14	3	6	0	-1,817	716	-	1,301	810	0	-8	0	-996	2,610
Profit (loss) for the period	61,404	72,125	9,643	10,715	11,980	31,156	-	2,730	7,469	214	-16,784	-36,613	73,712	83,159

5. Grupo Security Consolidated Statement of Cash Flows

Statement of Cash Flows	Dec-17	Dec-18
For the periods ended June 30, 2018 and 2017	**MM$**	**MM$**
Net cash flows provided by (used in) operating activities	305,916	(92,082)
Net cash flows used in investing activities	(1,519)	(83,074)
Net cash flows used in financing activities	(214,952)	48,283
Increase (decrease) in cash and cash equivalents before effect of exchange rate changes	**89,445**	**(126,873)**
Effect of changes in exchange rates on cash and cash equivalents	(13)	(5)
Net increase (decrease) in cash and cash equivalents	**89,432**	**(126,878)**
Cash and cash equivalents at beginning of period	**510,335**	**599,767**
Cash and cash equivalents at end of period	**599,767**	**472,890**

6. Quarterly Statement of Income

Quarterly Earnings		2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Revenue	M Ch$	302,428	289,948	297,596	267,157	288,363	248,661	219,957
Cost of sales	M Ch$	(213,234)	(209,449)	(213,764)	(181,567)	(207,311)	(161,998)	(122,228)
Gross profit	M Ch$	89,193	80,499	83,832	85,590	81,052	86,663	97,729
Administratie expenses	M Ch$	(56,011)	(53,096)	(51,225)	(54,970)	(61,607)	(50,600)	(49,784)
Operating income	M Ch$	32,343	29,934	33,469	30,708	19,784	37,058	45,384
Finance costs	M Ch$	(3,513)	(3,474)	(2,989)	(3,176)	(3,145)	(4,245)	(4,271)
Profit before tax	M Ch$	25,029	24,158	27,385	30,824	17,288	28,244	31,536
Profit attributable to equity holders of parent	M Ch$	18,648	17,704	21,047	23,568	13,528	20,728	22,725
EBITDA[1]	M Ch$	30,830	29,922	32,512	36,201	22,783	34,956	37,849

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

8. Financial and Business Indicators

Activity levels		30-Sep-17	31-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18
Cash (Grupo Secuirity Standalone)	$ millions	102,187	30,719	102,046	61,088	40,538	13,126
Total Assets	$ millions	9,678,785	9,841,301	9,931,584	10,156,853	10,158,868	10,542,688
Total Liabilities	$ millions	8,954,456	9,118,775	9,201,314	9,433,211	9,427,080	9,793,647
Total Equity	$ millions	724,329	722,526	730,270	723,642	731,787	749,040

Leverage Ratios		30-Sep-17	31-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18
Individual leverage ratio [1]	Times	0.295	0.293	0.358	0.346	0.355	0.345
Consolidated financial expenses[2]	Times	8.14	8.60	10.71	8.61	8.23	8.27

Profabilty		30-Sep-17	31-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18
Revenue	$ millions	880,172	1,177,768	267,157	555,520	804,181	1,024,138
Profit attributable to equity holders of the company	$ millions	53,661	74,708	23,568	37,095	57,823	80,548
EBITDA	$ millions	89,344	121,856	36,201	58,984	93,940	131,788
Return of equity [3]	%	10.63%	11.58%	12.38%	11.61%	11.11%	11.24%
Return on assets[4]	%	0.74%	0.78%	0.84%	0.77%	0.80%	0.79%
Earnings per share[5]	$	20.67	21.75	22.86	20.77	21.38	21.82
Number of shares	$ millions	3,683	3,683	3,695	3,695	3,695	3,695

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 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$10,539,505 million as of December 2018, +7.1% YoY. Of that total, 55.1% are trade and other receivables, primarily the Bank's loan portfolio. As of December 2018, this item reached CH$5,804,886 million, +8.4% YoY, driven by 10.6% YoY growth in loans as explained on page 9.

Furthermore, 32.4% 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 December 2018, other current financial assets totaled CH$3,412,740 million (+7.9% YoY), as a result of the 11.68% YoY increase in the investment portfolio for the insurance subsidiary's technical reserves, which totaled CH$2,390,894 million as of December 2018, in keeping with business growth and portfolio returns. The Bank had current financial assets of CH$1,020,627 million, +12.1% YoY.

As of December 2018, total consolidated liabilities reached CH$9,790,465 million, +7.9% YoY. Of those, 63.5% 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 December 2018, other current financial liabilities totaled CH$6,221,144 million, +11.3% YoY, because of the rise in savings accounts and time deposits at the Bank. Both effects are part of the Bank's funding strategy.

Of total liabilities, 26.5% were trade and other payables, which are primarily Vida Security's technical reserves. As of December 2018, trade payables reached CH$2,590,310 million, +3.4% YoY, due to the +3.8% YoY increase in life insurance technical reserves, which totaled CH$2,466,795 million, due to increased sales of annuities and private annuities at Protecta, partially offset by individual insurance policies at Vida Security, due to reduced returns on variable income investment in the CUI and APV portfolio, reduced claims paid (surrenders and transfers from CUI and APV accounts) and reduced gross written premiums, as explained on page 13, 14, 15 and 21 of this report.

Grupo Security's total equity amounted to CH$749,040 million as of December 2018, +3.7% YoY, because profit for the year increased more than 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 December 2018, this indicator reached 0.34, +517 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 December 2018, consolidated financial expense coverage was 8.30 times, +3.5% YoY, reflecting the 7.1% YoY increase in profit before tax.

As of December 2018, revenue was CH$1,006,181 million, -14.6% YoY. Of this, 43.4% corresponds to gross written premiums from Vida Security, which decreased 24.8% due to the reduction in gross written premiums at Vida Security (standalone) and the expiration of contract No. 5 for Disability and Survivor Insurance, as explained on pages 13 to 19 of this report. In addition, 48.5% of revenue was from interest and indexation on Bank loans, which grew 12.0% YoY, as explained on page 10. On the other hand, 5.8% of consolidated revenue 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 market corrections, as mentioned on page 18 and 19 of this report.

For 2018, profit attributable to the equity holders of the parent was CH$80,548 million, 7.8% YoY, while EBIDTA was CH$106,745 million, +7.1 YoY. As of December 2018, return on equity was 11.24% (+34 b.p. YoY) and return on assets was 0.78% (+3 b.p. YoY) with earnings per share of CH$21.8 (+0.3% YoY). These results can be explained by the results of each subsidiary, which are presented in detail throughout this report.

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 December 2018, the Chilean banking industry was made up of 19 financial institutions, including 1 state-owned bank (Banco Estado), 13 domestic banks and 5 branches of foreign banks. As of that date, industry loans totaled CH$178,578,376 million (CH$163,068,919 million excluding foreign subsidiaries). Equity totaled CH$20,790,519 million while profit for the year 2018 was CH$2,395,359 million, with return on average equity of 12.5%. The industry reported an efficiency ratio of 47.7%, measured as operating expenses over gross operating profit, and 1.9%, measured as operating expenses over total assets. The banking system posted a risk ratio of 2.44%, measured as loan loss provisions to total loans, and 1.90%, measured as 90-day nonperforming loans to total loans. As of December 2018, Banco Security had total loans of CH$5,346,071 million, positioning it 8th 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 December 2018, the mutual fund industry reported average assets under management of CH$37,637,881 million and 2,668,447 investors. Administradora General de Fondos Security boasted average assets under management of CH$2,496,079 million as of December 2018, giving it a market share of 6.6% and a sixth-place industry ranking among the 21 fund managers operating in the market.

STOCK BROKERAGE INDUSTRY

During 2018, market activity measured as value of shares traded increased 14.6% in comparison to 2017, reaching CH$59,159 billion. Value of shares traded for Valores Security Corredores de Bolsa for the same period totaled CH$2,707 billion with market share of 4.6%. Market share is calculated based on transactions on the Santiago Stock Exchange and the Chilean Electronic Stock Exchange.

LIFE INSURANCE INDUSTRY

As of September 2018, there were 36 life insurance companies in Chile. Total gross written premiums for the industry were CH$4,566,052 million for the period. The life insurance industry posted profit of CH$324,503 million for the period ended September 2018. As of September 2018, Vida Security had market share of 5.9% 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 December 2018, investments accounted for using the equity method in the Consolidated Statements of Financial Position represent approximately 0.04% 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 December 2018, equivalent to 1.13% 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 September 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 December 31, 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 December 31, 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