

## Grupo Security Earnings Report

**Grupo Security reported profit of CH\$61,026 million for the first nine months of 2019, 5.5% higher than for the same period in 2018.**

- Banco Security's consolidated profit was CH\$58,584 million for 9M19, +2.4% YoY, which represents an ROAE of 12.6%. Banco Security's stand-alone profit was CH\$56,845 million for 9M19, +12.0% YoY.
- Banco Security's market share was 3.3% for 9M19. Commercial loans expanded 12.4% YoY, with market share in its target segment of medium and large companies of 6.6%<sup>1</sup>.
- Banco Security's consolidated efficiency ratio was 45.6% for 3Q19, an improvement over the 2Q19 figure of 46.5%, due to improved operating results. The efficiency ratio was 47.8% for 9M19. Its risk ratio, measured as provisions to loans, was 1.62% as of September 2019, a slight improvement over 1.59% as of September 2018. Lastly, the Bank reported ROAE of 13.2% as of September 2019.
- Factoring Security reported profit of CH\$6,818 million for 9M19, +13.3% YoY, with 18.9% YoY growth in total factored receivables.
- Vida Security reported profit of CH\$18,500 million for 9M19, +62.0% YoY, with improved investment income and better margins from group insurance.
- Protecta Security reported profit of S./ 11.1 million for 9M19, higher than the S./ 1.6 million reported for 9M18, due to improved investment income. Protecta Security has 20% market share in annuities, positioning it second in the Peruvian market.
- Inversiones Security reported profit of CH\$3,006 million for 9M19, -29.2% YoY, due to reduced profit from the brokerage subsidiary.
- Inmobiliaria Security posted a loss of -CH\$1,533 million for 9M19, -CH\$669 million YoY and -CH\$200 million QoQ, due to ownership being transferred on fewer units compared to the same period in the previous year. There is a lag between a sale and revenue recognition. Under IFRS, revenue is recognized once legal title to the property has been transferred.
- Travel Security reported profit of CH\$2,493 million for 9M19, -9.7% YoY, with sales similar to last year and higher operating expenses.
- As a result, the Group reported total profit of CH\$61,026 million for 9M19, +5.5% YoY.

**Santiago, Chile – August 19, 2019. Grupo Security S.A., (BCS: SECURITY; BBG: SECUR).**

Grupo Security's CEO, Renato Peñafiel, commented, "Grupo Security reported profit of CH\$61,026 million for 9M19, which represents growth of 5.5% over last year. However, events have taken place in Chile since October 18, 2019, that have produced a complex macroeconomic and political setting, which could negatively affect the local economy, consumption, investment and our business environment. Therefore, our challenge is to proactively approach these conditions by reinforcing our customer focus, controlling risks, and taking advantage of any potential opportunities."

Grupo Security Indicators <i>In MCH\$</i>	Sep-19	Jun-19	Dec-18	Sep-18	QoQ	% Chg YTD	YoY
Banco - Total Loans	5,822,872	5,495,624	5,346,071	5,182,434	6.0%	8.9%	12.4%
Industry - Total Loans <sup>1</sup>	174,763,100	169,261,534	163,068,919	156,592,324	3.3%	7.2%	11.6%
Inversiones - AUM Mutual Funds	2,825,655	2,919,234	2,496,079	2,699,356	-3.2%	13.2%	4.7%
Industry - AUM Mutual Funds	45,946,411	42,943,731	37,637,881	38,586,487	7.0%	22.1%	19.1%
Vida - Investment Portfolio	2,573,959	2,532,887	2,485,091	2,473,784	1.6%	3.6%	4.0%
Industry (life insurance) - Investment Portfolio	44,688,918	42,990,628	41,296,487	40,754,441	4.0%	8.2%	9.7%
Factoring - Factored Receivables	375,075	355,716	360,251	315,389	5.4%	4.1%	18.9%
<b>Operations</b>							
Employees (number)	3,969	3,904	3,939	3,952	1.7%	0.8%	0.4%

<sup>1</sup>Excludes loans and advances to banks and foreign subsidiaries of local banks.

<sup>1</sup>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 Statement of Income	3Q19	2Q19	3Q18		% Chg			9M19	9M18	% Chg
				QoQ	YTD	YoY				
Banco - Net Interest Margin	49,388	44,515	41,753	10.9%	16.2%	18.3%		134,912	125,739	7.3%
Banco - Net Fees	17,394	17,941	16,188	-3.0%	0.8%	7.4%		52,192	51,498	1.3%
Banco - Operating Expenses	-33,247	-32,486	-33,157	2.3%	2.7%	0.3%		-99,151	-95,951	3.3%
Banco - Net Provision Expenses	-14,742	-9,524	-8,181	54.8%	5.4%	80.2%		-29,541	-27,569	7.2%
Vida - Direct Premium	61,031	66,109	65,563	-7.7%	-10.0%	-6.9%		193,537	268,265	-27.9%
Vida - Claims Paid	-33,825	-26,749	-7,598	26.5%	182.4%	345.2%		-84,478	-85,027	-0.6%
Vida - Pensions Paid	-32,062	-40,738	-58,795	-21.3%	-37.7%	-45.5%		-116,801	-151,165	-22.7%
Vida - Investment Income	36,507	35,802	32,069	2.0%	53.1%	13.8%		112,627	74,719	50.7%
Factoring - Revenue	8,691	8,532	7,235	1.9%	10.3%	20.1%		25,705	21,948	17.1%

Ratios	Sep-19	Jun-19	Dec-18	Sep-18		% Chg		
					QoQ	YTD	YoY	
Grupo - Share Price (Ch\$)	251.0	277.2	290.9	308.1	-9.5%	-13.7%	-18.5%	
Grupo - Number of Shares (millions)	3,695	3,695	3,695	3,695	0.0%	0.0%	0.0%	
Grupo - ROE	11.5%	11.8%	11.2%	11.1%	-31 p	25 p	37 p	
Banco (Consolidated) - ROAE	13.2%	13.7%	12.8%	13.6%	-52 p	35 p	-42 p	
Factoring - ROE	18.4%	18.6%	18.7%	19.3%	-20 p	-25 p	-85 p	
Vida - ROAE	8.0%	13.5%	18.5%	9.6%	-556 p	-1051 p	-165 p	
Travel - ROE	25.6%	28.3%	49.9%	33.6%	-270 p	-2430 p	-800 p	
Grupo - Leverage	36.0%	33.0%	34.5%	35.5%	299 p	155 p	52 p	
Banco - Efficiency	47.8%	48.9%	47.7%	47.7%	-115 p	4 p	5 p	
Factoring - Efficiency	41.6%	42.2%	42.5%	42.8%	-62 p	-93 p	-118 p	
Banco - Non-Performing Loans	1.52%	1.68%	1.50%	1.42%	-16 p	2 p	11 p	
Banco - Risk Index	1.62%	1.55%	1.69%	1.59%	8 p	-6 p	4 p	
Factoring - Risk Index	2.1%	2.0%	2.2%	2.5%	6 p	-8 p	-44 p	
Banco - BIS Tier I Ratio	7.6%	7.8%	7.8%	7.9%	-11 p	-15 p	-31 p	
Banco - BIS Tier II Ratio	12.8%	12.9%	13.2%	13.5%	-10 p	-42 p	-74 p	

On October 14, 2019, we announced that Bonifacio Bilbao, CEO of Banco Security, will resign on March 6, 2020. Banco Security's board has appointed Eduardo Olivares to replace him as CEO. Mr. Olivares is currently the Corporate Digital Businesses Manager at Grupo Security.

On October 3, 2019, Grupo Security's board approved a dividend of CH\$4.8 per share. This consists of an additional dividend of CH\$2.6 per share charged to profit for 2018 and an interim dividend of CH\$2.2 per share charged to profit for the current year.

At an extraordinary shareholders' meeting of Grupo Security on October 3, 2019, shareholders approved a capital increase of up to CH\$100,000 million. It is being registered with the regulatory bodies.

On September 13, 2019, 70,408,186 Vida Security shares were issued from the capital increase approved on December 18, 2017, for a total of CH\$35,000 million.

On June 5, 2019, Factoring Security completed the placement of the H series bond on the local market for CH\$40,000 million, with demand doubling the offering. The five-year notes were placed at a nominal rate of 3.95% per annum, which represents a spread of 0.69%.

At this meeting, shareholders also approved the annual report, balance sheet and financial statements for the year 2018, and reelected the Board of Directors for Grupo Security, which is now comprised of Francisco Silva, Jorge Marín, Horacio Pavez, Mario Weiffenbach, Juan Cristóbal Pavez, Naoshi Matsumoto, Ana Sainz de Vicuña, Bruno Philippi and Hernán De Las Heras (independent director). The shareholders also agreed to appoint EY as the Company's external auditors for the year 2019.

On April 29, 2019, Grupo Security shareholders approved a dividend payment of CH\$7.45 per share charged to profit for the year 2018. This dividend plus the interim dividend distributed in October 2018 are equivalent to CH\$11.95 per share, totaling CH\$44,155 million, or 55% of profit for the year 2018.

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## GRUPO SECURITY EARNINGS REPORT FOR THE FIRST NINE MONTHS OF 2019

Grupo Security reported profit of CH\$61,805 million for 9M19, +9.0% YoY and -3.5% QoQ. EBITDA for 9M19 totaled CH\$104,741 million, +11.5% YoY and 10.3% QoQ.

The Group posted an ROAE for 9M19 of 11.5%, +37 b.p. YoY and -31 b.p. QoQ, while profit from the Group's business areas for 9M19 was CH\$83,943, +10.5% YoY.

### EARNINGS CONTRIBUTION BY BUSINESS AREA

Earnings from Related Companies								
	3Q19	2Q19	3Q18	% Chg		Sep-19	Sep-18	% Chg
				QoQ	YoY			
<b>Lending Area</b>								
Banco Security (standalone)	20,398	19,495	15,700	4.6%	29.9%	56,844	50,766	12.0%
Factoring Security	2,371	2,262	1,960	4.8%	21.0%	6,818	6,019	13.3%
<b>Asset Management Area</b>								
Valores Security	-3,531	280	575	-	-	-2,745	1,873	-
AGF Security	1,564	1,696	1,608	-7.8%	-2.8%	4,487	4,601	-2.5%
<b>Insurance Area</b>								
Vida Security	7,073	6,231	6,589	13.5%	7.3%	18,500	11,420	62.0%
Servicios Security	352	246	147	43.0%	138.9%	734	451	62.6%
<b>Other Services</b>								
Inmobiliaria Security	-669	-469	-545	-	-	-1,533	-1,237	-
Travel Security	798	799	1,243	-0.2%	-35.8%	2,493	2,762	-9.7%
<b>International Business</b>								
Protecta Security (S./ Th.)	2,228	7,748	-3,512	-71.2%	-	11,119	-1,614	-
Travex Security (S./ Th.)	87	-267	836	-	-89.6%	395	2,211	-82.2%
<b>Grupo Security Profit</b>	<b>18,207</b>	<b>21,661</b>	<b>20,728</b>	<b>-15.9%</b>	<b>-12.2%</b>	<b>61,026</b>	<b>57,823</b>	<b>5.5%</b>

(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 as of September 2019; 75.8% of profit from business areas for 9M19)

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

Banco Security reported consolidated profit attributable to its owners of CH\$58,584 million for 9M19, +2.4% YoY. Banco Security's stand-alone profit (excluding asset management subsidiaries AGF Security and Valores Security Corredores de Bolsa) were CH\$56,845 million, +12.0% YoY.

The return on average equity for Banco Security is calculated by annualizing the profit for 9M19, and this came to 13.2%.

## Banco Security - Operating Segments

Banco Security Segment Note	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
	Sep-19	Sep-18	Sep-19	Sep-18	Sep-19	Sep-18	Sep-19	Sep-18	Sep-19	Sep-18	Sep-19	Sep-18	Sep-19	Sep-18
<i>In Ch\$ Million</i>														
Net interest margin	69,943	62,736	50,224	48,239	20,758	18,116	-5,732	-3,075	135,193	126,016	-281	-277	134,912	125,739
Δ% 9M19	11.5%		4.1%		14.6%		86.4%		7.3%		1.4%		3.3%	
Net Fees	15,088	14,247	16,023	16,583	-235	-280	404	-540	31,280	30,009	20,912	21,489	52,192	51,498
Δ% 9M19	5.9%		-3.4%		-16.1%		-174.8%		4.2%		-2.7%		1.3%	
Net FX transactions and other income	6,426	5,324	1,590	1,887	11,375	8,117	-1,147	-3,086	18,245	12,242	1,000	6,086	19,245	18,328
Δ% 9M19	20.7%		-15.7%		40.1%		-62.8%		49.0%		-83.6%		5.0%	
Loan losses and foreclosed assets	-7,666	-9,767	-19,146	-17,680	38	30	-4,454	662	-31,229	-26,755	0	0	-31,229	-26,755
Δ% 9M19	-21.5%		8.3%		-		-773.2%		16.7%		-		16.7%	
Total operating income, net of credit risk prov.	83,790	72,541	48,692	49,028	31,936	25,983	-10,929	-6,039	153,489	141,512	21,631	27,298	175,120	168,810
Δ% 9M19	15.5%		-0.7%		22.9%		81.0%		8.5%		-20.8%		3.7%	
Operating expenses	-28,306	-27,704	-43,464	-41,912	-9,625	-9,024	2,557	2,129	-78,838	-76,511	-20,313	-19,440	-99,151	-95,951
Δ% 9M19	2.2%		3.7%		6.7%		20.1%		3.0%		4.5%		3.3%	
Net operating income	55,485	44,836	5,228	7,116	22,310	16,959	-8,372	-3,910	74,651	65,001	1,318	7,858	75,969	72,859
Δ% 9M19	23.7%		-26.5%		31.6%		114.1%		14.8%		-83.2%		4.3%	
Income tax expense	-13,245	-9,828	-1,248	-1,560	-5,326	-3,717	1,994	854	-17,824	-14,251	424	-1,385	-17,400	-15,636
Δ% 9M19	34.8%		-20.0%		43.3%		133.7%		25.1%		-130.6%		11.3%	
Profit attributable to equity holders of the bank	42,240	35,009	3,980	5,556	16,985	13,242	-6,359	-3,039	56,845	50,768	1,739	6,470	58,584	57,238
Δ% 9M19	20.7%		-28.4%		28.3%		109.3%		12.0%		-73.1%		2.4%	

Banco Security Segment Note	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
	3Q-19	2Q-19	3Q-19	2Q-19	3Q-19	2Q-19	3Q-19	2Q-19	3Q-19	2Q-19	3Q-19	2Q-19	3Q-19	2Q-19
<i>In Ch\$ Million</i>														
Net interest margin	24,289	23,217	16,887	16,595	9,681	6,554	-1,390	-1,860	49,466	44,507	-78	8	49,388	44,515
Δ% 3Q19	4.6%		1.8%		47.7%		-25.3%		11.1%		-1075.0%		10.9%	
Net Fees	4,900	5,336	5,353	5,705	-86	-83	64	2	10,231	10,960	7,163	6,981	17,394	17,941
Δ% 3Q19	-8.2%		-6.2%		-		-		-6.7%		2.6%		-3.0%	
Net FX transactions and other income	1,919	2,142	942	263	5,740	3,474	-769	-1,120	7,833	4,760	-2,652	1,868	5,181	6,628
Δ% 3Q19	-10.4%		257.8%		65.3%		-31.3%		64.6%		-242.0%		-21.8%	
Loan losses and foreclosed assets	-4,556	-2,500	-7,434	-5,721	2	21	-2,793	-1,745	-14,780	-9,945	0	0	-14,780	-9,945
Δ% 3Q19	82.2%		29.9%		-		-		48.6%		-		48.6%	
Total operating income, net of credit risk prov.	26,552	28,196	15,748	16,843	15,337	9,966	-4,888	-4,723	52,750	50,282	4,433	8,857	57,183	59,139
Δ% 3Q19	-5.8%		-6.5%		53.9%		3.5%		4.9%		-49.9%		-3.3%	
Operating expenses	-9,491	-9,041	-14,311	-14,671	-3,068	-2,994	1,018	927	-25,852	-25,779	-7,395	-6,707	-33,247	-32,486
Δ% 3Q19	5.0%		-2.5%		2.5%		9.8%		0.3%		10.3%		2.3%	
Net operating income	17,061	19,155	1,438	2,172	12,269	6,972	-3,870	-3,796	26,898	24,503	-2,962	2,150	23,936	26,653
Δ% 3Q19	-10.9%		-		76.0%		1.9%		9.8%		-237.8%		-10.2%	
Income tax expense	-4,140	-3,880	-350	-459	-2,946	-1,547	930	875	-6,507	-5,012	993	-179	-5,514	-5,191
Δ% 3Q19	6.7%		-23.8%		90.5%		6.3%		29.8%		-654.7%		6.2%	
Profit attributable to equity holders of the bank	12,920	15,274	1,088	1,713	9,322	5,425	-2,929	-2,913	20,401	19,499	-1,973	1,972	18,428	21,470
Δ% 3Q19	-15.4%		-36.5%		71.9%		0.6%		4.6%		-200.1%		-14.2%	

### Commercial Banking

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 September 2019, commercial loans had expanded by 12.4% YoY and 8.7% YTD, totaling CH\$4,596 billion. Industry wide, commercial loans grew by 9.9% YoY and 7.0% YTD. Including foreign subsidiaries,

the industry's commercial loans grew +9.7% YoY and 6.9% YTD. Banco Security's market share in commercial loans was 4.8% for 9M19 (excluding foreign subsidiaries), while its market share in its target segment of medium and large companies was 6.6%<sup>2</sup>. The commercial banking division had 9,257 customers as of September 2019 (+1.1% YoY).

The commercial banking division posted profit of CH\$42,240 million for 9M19 (+CH\$7,231 million, +20.7% YoY). This is explained by a higher net interest margin of CH\$69,943 million for 9M19 (+CH\$7,206 million or +11.5% YoY), due to increased commercial loans (+12.4% YoY). In

Commercial Loans by Economic Sector	Sep-19	% Total
<i>In Ch\$ Millions</i>		
Construction and real estate	916,379	19.9%
Financial services and insurance	957,477	20.8%
corporate services	690,296	15.0%
Wholesale and retail trade	521,003	11.3%
Manufacturing	374,535	8.1%
Transportation	269,822	5.9%
Social services	313,528	6.8%
Utilities	216,608	4.7%
Agriculture and livestock	150,444	3.3%
Fishing	94,936	2.1%
Mining	59,843	1.3%
Telecom	23,878	0.5%
Forestry	7,745	0.2%
<b>Total commercial loans</b>	<b>4,596,493</b>	<b>100%</b>

<sup>2</sup>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).

addition, the division reported lower provision expenses of CH\$7,666 million (-21.5% YoY), due to a well-performing portfolio during the period. Also, financial operating income, net FX transactions and other income totaled CH\$6,426 million (+CH\$1,102 million, +20.7% YoY), from currency transactions and better performance from leasing products. Net fee and commission income was CH\$15,088 million (+CH\$841 million, +5.9% YoY), due to increased business. Operating expenses rose to CH\$28,306 million (+2.2% YoY), because of increased expenses on personnel and consultants.

Profit for 3Q19 was CH\$12,920 million (-15.4% QoQ), due to a higher provision expense of CH\$4,556 million (+82.2% QoQ), due to portfolio growth, and an increase in provisions for medium-sized companies with a low basis of comparison in 2Q19. Operating expenses were higher at CH\$9,491 million, +5.0% QoQ, because of contributions paid to regulators, which are distributed across all the standalone Bank's segments. During 3Q19 the Company received net fee and commission income of CH\$4,900 million (-8.2% QoQ). It also received financial operating income, net FX transactions and other income of CH\$1,919 million (-10.4% QoQ), due to lower foreign exchange income. These effects were not fully offset by the higher net interest margin of CH\$24,289 million (+4.6% QoQ), due to increased loans (+6.1% 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 loan growth of 13% since Sept 2014.

As of September 2019, the Bank had total retail loans of CH\$1,223 billion (+12.1% YoY, +10.4% YTD), driven by consumer loans (+11.5% YoY, +8.5% YTD), and mortgage loans (+12.6% YoY, +12.0% YTD). For the industry, retail loans increased by 13.9% YoY, driven by consumer loans (+20.9% YoY), and, to a lesser extent, mortgage loans (+10.7% YoY). In December 2018, BCI added the Presto credit card portfolio from Walmart, and Banco Falabella added the CMR credit card portfolio. Retail loans for the industry grew by 6.5% YTD, with increases in both mortgage loans of 7.7% YTD and consumer loans of 4.1% YTD. The industry's retail loans, including foreign subsidiaries, grew by 13.4% YoY and 6.2% YTD. The Bank boasts market share of 5.2%<sup>3</sup> in its target segment of high-income individuals as of September 2019. The retail banking division had 71,252 customers as of September 2019 (+0.8% YoY).

Retail banking reported profit of CH\$3,980 million for 9M19 (-28.4% YoY), due to higher operating expenses totaling CH\$43,464 million (+3.7% YoY), due to higher project expenses and higher mortgage volumes, together with a higher provision expense that totaled CH\$19,146 million (+8.3% YoY), mainly due to the impact of the group's commercial regulatory matrix, introduced in July 2019. The effect of this matrix totals CH\$4,040 million for Banco Security, so CH\$2,000 million was added as provisions in June, and CH\$1,220 million will be allocated every quarter to the retail banking division during the second half of 2019. Net fee and commission income fell to CH\$16,023 million (-3.4% YoY), due to the decrease in supplementary loan insurance products. Financial operating income, net FX transactions and other income totaled CH\$1,590 million (-15.7% YoY), due to decreased sales of mortgage bonds. These effects were not fully offset by the greater net interest margin that totaled CH\$50,224 million for 9M19 (+4.1% YoY), due to increased loans (+12.1% YoY).

The division posted a quarterly profit of CH\$1,088 million for 3Q19 (-36.5% QoQ), mainly because of increased provision expenses, which totaled CH\$7,434 million (+29.9% QoQ), mainly due to the impact of the group's commercial regulatory matrix, introduced in July 2019. The effect of this matrix totals CH\$4,040 million for Banco Security, so CH\$2,000 million was added as provisions in June, and CH\$1,220 million will be allocated every quarter to the retail banking division during the second half of 2019. Net fee and commission income fell to CH\$5,353 million (-6.2% QoQ), due to the decrease in supplementary loan insurance products. These effects were not offset by higher

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<sup>3</sup>This division includes individuals between 24 and 65 years of age in the middle and high-income segments (UF 60 in Santiago or UF 50 elsewhere in Chile) with a risk/return profile similar to Banco Security's customers, only for regions where Banco Security has offices. Source: Chilean Internal Revenue Service (SBIIF).

financial operating income, net FX transactions and other income of CH\$942 million (+CH\$679 million, +257.8% QoQ), mainly due to increased sales of mortgage bonds. Operating expenses decreased to CH\$14,311 million (-2.5% QoQ), due to adjustments to the customer loyalty model. The net interest margin totaled CH\$16,887 million (+1.8% QoQ), due to greater loans (+5.4% QoQ).

## Treasury

The treasury division reported profit of CH\$16,985 million for 9M19 (+CH\$3,743 million, +28.3% YoY), due to higher financial operating income, net FX transactions and other income totaled of CH\$11,375 million (+CH\$3,258 million, +40.1% YoY), due to greater bond brokerage business. The division also recorded a higher net interest margin of CH\$20,758 million (+CH\$2,642 million, +14.6% YoY), due to increased prepayments. Operating expenses rose to CH\$9,625 million (+6.7% YoY) mainly due to increased security expenses.

During 3Q19, the division reported profit of CH\$9,322 million (+CH\$3,898 million, +71.9% QoQ), due to a higher net interest margin of CH\$9,681 million for 3Q19 (+CH\$3,126 million, +47.7% QoQ), due to higher income associated with prepaid commercial loans. Financial operating income, net FX transactions and other income rose to CH\$5,740 million for 3Q19 (+CH\$2,267 million, +65.3% QoQ), due to greater bond brokerage business. The division reported operating expenses of CH\$3,068 million (+2.5% 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. As of September 2019, ALM represented 59.4% 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 20.9% of treasury income. The remaining 19.7% of treasury income comes from the distribution desk, which brokers specialized products for commercial banking customers (currency, forwards and structured products).

## Banco Security - Consolidated Statement of Income

Banco Security posted profit of CH\$58,587 million for 9M19 (+2.4% YoY), and CH\$18,432 million for 3Q19 (-14.1% QoQ).

In Ch\$ Millon	3Q19	2Q19	3Q18	% Chg		9M19	9M18	% Chg
				QoQ	YoY			
Net interest margin	49,388	44,515	41,753	10.9%	18.3%	134,912	125,739	7.3%
Net Fees	17,394	17,941	16,188	-3.0%	7.4%	52,192	51,498	1.3%
Net financial Operating Income	8,780	4,158	6,039	111.2%	45.4%	18,830	14,711	28.0%
Net foreign exchange transactions	1,848	2,450	-205	-	-	4,204	4,439	-
Recovery of charged-off loans	906	1,216	1,713	-25.5%	-47.1%	2,879	4,688	-38.6%
Other net operating income	-5,485	-401	555	-	-	-5,477	-8	-
<b>Gross operating income</b>	<b>72,831</b>	<b>69,879</b>	<b>66,043</b>	<b>4.2%</b>	<b>10.3%</b>	<b>207,540</b>	<b>201,067</b>	<b>3.2%</b>
Credit risk provisions	-15,648	-10,740	-9,894	45.7%	58.2%	-32,420	-32,257	0.5%
Administrative expenses	-33,247	-32,486	-33,157	2.3%	0.3%	-99,151	-95,951	3.3%
<b>Net operating income</b>	<b>23,936</b>	<b>26,653</b>	<b>22,992</b>	<b>-10.2%</b>	<b>4.1%</b>	<b>75,969</b>	<b>72,859</b>	<b>4.3%</b>
Income attributable to investments in other companies	10	8	9	-	-	18	18	-
<b>Profit before tax</b>	<b>23,946</b>	<b>26,661</b>	<b>23,001</b>	<b>-10.2%</b>	<b>4.1%</b>	<b>75,987</b>	<b>72,877</b>	<b>4.3%</b>
Income tax expense	-5,514	-5,191	-5,117	6.2%	7.8%	-17,400	-15,636	11.3%
<b>Profit for the period</b>	<b>18,432</b>	<b>21,470</b>	<b>17,884</b>	<b>-14.1%</b>	<b>3.1%</b>	<b>58,587</b>	<b>57,241</b>	<b>2.4%</b>

The net interest margin was CH\$134,912 million for 9M19 (+7.3% YoY), mainly due to greater loans (+12.4% YoY). Interest and indexation income totaled CH\$295,635 million for 9M19 (+7.1% YoY), mainly due to greater loans. Interest and indexation expense totaled CH\$160,723 million for 9M19 (+6.9% YoY), due to 12.6% YoY growth in the Bank's total liabilities.

The net interest margin totaled CH\$49,388 million for 3Q19 (+10.9% QoQ), due to greater loans (+6.0% QoQ). Interest and indexation income totaled CH\$100,483 million for 3Q19 (-12.5% QoQ), due to lower inflation in the period, and a smaller mismatch in UF. Interest and indexation expense totaled CH\$51,095 million for 3Q19 (-27.3% QoQ), due to a 75 bp drop in the TPM, which affects liabilities more quickly than assets, and refinancing senior bonds maturing in the period at lower rates.



Net Interest Margin In Ch\$ Million	3Q19	2Q19	3Q18	% Chg		9M19	9M18	% Chg
				QoQ	YoY			
Interest and indexation income	100,483	114,797	94,489	-12.5%	6.3%	295,635	276,126	7.1%
Interest and indexation expenses	-51,095	-70,282	-52,736	-27.3%	-3.1%	-160,723	-150,387	6.9%
<b>Net interest margin</b>	<b>49,388</b>	<b>44,515</b>	<b>41,753</b>	<b>10.9%</b>	<b>18.3%</b>	<b>134,912</b>	<b>125,739</b>	<b>7.3%</b>
Interest margin net of provisions	33,740	33,775	31,859	-0.1%	5.9%	102,492	93,482	9.6%
Net interest margin / total loans	3.39%	3.24%	3.22%	15 p	17 p	3.09%	3.24%	-15 p
Net interest margin net of provisions / Total loans	2.32%	2.46%	2.46%	-14 p	-14 p	2.35%	2.41%	-6 p

Net fee and commission income totaled CH\$52,192 million for 9M19 (+1.3% YoY), due to increased business in the commercial banking division, partially offset by lower net fee and commission income in the retail banking division.

Net fee and commission income totaled CH\$17,394 million for 3Q19 (-3.0% QoQ), due to decreased business in the commercial banking division and decreased sales of supplementary loan insurance products by the retail banking division.

Net financial income, which is the sum of net financial operating income and the net gain from foreign exchange transactions, totaled CH\$23,034 million for 9M19 (+20.3% YoY), due to greater bond brokerage income in the treasury division, and foreign exchange transactions in the commercial banking division. Net financial income was CH\$10,628 million in 3Q19 (+60.8% QoQ), due to greater bond brokerage income in the treasury division.

The credit risk provision expense was CH\$32,420 million for 9M19 (+0.5% YoY). The credit risk provision expense was CH\$15,648 million for 3Q19 (+45.7% QoQ), mainly due to the impact of the group's commercial regulatory matrix, introduced in July 2019. The effect of this matrix totals CH\$4,040 million for Banco Security, so CH\$2,000 million was added as provisions in June, and CH\$1,220 million will be allocated every quarter to the retail banking division during the second half of 2019. Provision expenses net of recovered loans was 1.01% for 3Q19 (+32 b.p. QoQ), due to additional provisions.

In Ch\$ Million	3Q19	2Q19	3Q18	% Chg		
				QoQ	YTD	YoY
<b>Total Loans</b>	<b>5,822,872</b>	<b>5,495,624</b>	<b>5,182,434</b>	<b>6.0%</b>	<b>8.9%</b>	<b>12.4%</b>
Nonperforming loans - consumer	7,175	6,569	6,455	9.2%	14.7%	11.2%
Nonperforming loans - mortgage	7,814	6,455	5,468	21.1%	32.2%	42.9%
Nonperforming loans - commercial	73,636	79,445	61,495	-7.3%	8.3%	19.7%
<b>Total nonperforming loans</b>	<b>88,625</b>	<b>92,469</b>	<b>73,418</b>	<b>-4.2%</b>	<b>10.6%</b>	<b>20.7%</b>
Non-performing loans - consumer	1.33%	1.26%	1.34%	8 p	7 p	0 p
Non-performing loans - mortgage	1.14%	1.01%	0.90%	13 p	17 p	24 p
Non-performing loans - commercial	1.60%	1.83%	1.50%	-23 p	-1 p	10 p
<b>Total nonperforming loans</b>	<b>1.52%</b>	<b>1.68%</b>	<b>1.42%</b>	<b>-16 p</b>	<b>2 p</b>	<b>11 p</b>
Gross provisions	122,493	104,738	111,518	17.0%	-3.9%	9.8%
Write-offs	(27,962)	(19,745)	(29,365)	41.6%	-25.2%	-4.8%
<b>Credit risk provisions</b>	<b>94,531</b>	<b>84,993</b>	<b>82,153</b>	<b>11.2%</b>	<b>4.9%</b>	<b>15.1%</b>
Provisions - consumer (% total)	22,528	21,633	19,333	4.1%	11.2%	16.5%
Provisions - mortgage (% total)	1,279	1,256	1,093	1.8%	19.0%	17.0%
Provisions - commercial (% total)	70,724	62,104	61,727	13.9%	2.8%	14.6%
<b>Credit risk provisions</b>	<b>94,531</b>	<b>84,993</b>	<b>82,153</b>	<b>11.2%</b>	<b>4.9%</b>	<b>15.1%</b>
Coverage - consumer	314.0%	329.3%	299.5%	-1534 p	-993 p	1447 p
Coverage - mortgage	16.4%	19.5%	20.0%	-309 p	-182 p	-362 p
Coverage - commercial	96.0%	78.2%	100.4%	1787 p	-521 p	-433 p
<b>Coverage - total nonperforming loans<sup>1</sup></b>	<b>106.7%</b>	<b>91.9%</b>	<b>111.9%</b>	<b>1475 p</b>	<b>-584 p</b>	<b>-523 p</b>
Provisions / loans	1.62%	1.55%	1.59%	8 p	-6 p	4 p
Provision expenses <sup>2</sup> / loans	1.01%	0.69%	0.63%	32 p	-3 p	38 p

<sup>1</sup> Stock of credit risk provisions/ Stock of nonperforming loans

<sup>2</sup> Credit risk provisions net of recovery of charged-off loans



Banco Security focuses on corporate customers and high-income individuals, which is reflected in its risk ratios, which are among the lowest in the industry. As of September 2019, Banco Security's risk index was 1.62%, +4 b.p. YoY and +8 b.p. QoQ. The 90-day non-performing loans portfolio was 1.52%, +11 b.p. YoY and -16 b.p. QoQ. The resulting 90-day NPL coverage ratio was 106.7%.

	Credit Risk (%)									
	Provisions / Loans					Over 90 Day Nonperforming Loans				
	Mortgage	Consumer	Total	Commercial	Total	Mortgage	Consumer	Commercial	Total	
Banco Security	0.19	4.18	1.95	1.54	1.62	1.14	1.33	1.60	1.52	
Medium Banks*	0.26	3.93	1.28	1.73	1.65	1.78	0.99	1.57	1.53	
Banking system	0.70	6.70	2.69	2.32	2.46	2.21	2.25	1.69	1.90	

Operating expenses were CH\$99,151 million for 9M19 (+3.3% YoY). Administrative expenses totaled CH\$50,787 million for 9M19 (+3.0% YoY), due to higher commercial mortgage volumes and an increase in consulting expenses. Depreciation and amortization expenses were CH\$5,246 million for 9M19, +31.4% YoY, explained by the effects of applying IFRS 16, which records lease contracts in depreciation and amortization instead of administrative expenses.

Operating expenses totaled CH\$33,247 million for 3Q19 (+2.3% QoQ), with all expenses remaining stable QoQ.

<i>In Ch\$ Millions</i>	3Q19	2Q19	3Q18	% Chg QoQ	% Chg YoY	9M19	9M18	% Chg
Personnel	-14,250	-14,307	-14,133	-0.4%	0.8%	-43,118	-42,673	1.0%
Administrative expenses	-17,212	-16,377	-17,549	5.1%	-1.9%	-50,787	-49,286	3.0%
Depreciation and amortization	-1,785	-1,802	-1,475	-0.9%	21.0%	-5,246	-3,992	31.4%
<b>Total operating expenses</b>	<b>-33,247</b>	<b>-32,486</b>	<b>-33,157</b>	<b>2.3%</b>	<b>0.3%</b>	<b>-99,151</b>	<b>-95,951</b>	<b>3.3%</b>
<b>Gross operating income</b>	<b>72,831</b>	<b>69,879</b>	<b>66,043</b>	<b>4.2%</b>	<b>10.3%</b>	<b>207,540</b>	<b>201,067</b>	<b>3.2%</b>
<b>Operating expenses / Gross operating income</b>	<b>45.6%</b>	<b>46.5%</b>	<b>50.2%</b>	<b>-84 p</b>	<b>-456 p</b>	<b>47.8%</b>	<b>47.7%</b>	<b>5 p</b>

Banco Security's efficiency ratio, measured as operating expenses + other operating expenses over total operating income, was 47.8% for 9M19 (+5 b.p. YoY) and 45.6% for 3Q19 (-84 b.p. QoQ). This ratio for 9M19 compares to 44.9% for the banking industry and 43.0% for peer banks<sup>4</sup>.

The income tax expense rose to CH\$17,400 million for 9M19 (+11.3% YoY), due to a higher effective tax rate, calculated by deducting inflation indexation on taxable equity, as inflation is lower compared to last year.

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

Total loans reached CH\$5,822,872 million as of September 2019, +12.4% YoY and 8.9% YTD. For the industry, loans increased +11.6% YoY and 7.2% YTD. Including foreign investments, the industry's retail loans grew +11.5% YoY and 6.8% YTD. As of September 2019, commercial loans grew by 12.4% YoY and 8.7% YTD, totaling CH\$4,596,493 million (78.9% of Banco Security's total loan portfolio), while retail loans (consumer + mortgage) were CH\$1,223,255 million, +12.1% YoY and +10.4% YTD. The 20 largest borrowers represent 10.6% of the Bank's total loan portfolio.

<sup>4</sup> Peer banks: Average for BICE, Consorcio, Banco Internacional and Security

Total Loans		Sep-19	Jun-19	Sep-18	Dec-18	QoQ	%Chg YTD	YoY
<i>In Ch\$ Millions</i>								
Consumer	Loans	538,523	522,813	482,790	496,523	3.0%	8.5%	11.5%
Mortgage	Loans	684,732	638,077	608,165	611,583	7.3%	12.0%	12.6%
<b>Mortgage + Consumer</b>	<b>Loans</b>	<b>1,223,255</b>	<b>1,160,890</b>	<b>1,090,955</b>	<b>1,108,106</b>	<b>5.4%</b>	<b>10.4%</b>	<b>12.1%</b>
<b>Mortgage + Consumer</b>	<b>No. Customers</b>	<b>71,252</b>	<b>70,482</b>	<b>70,685</b>	<b>70,726</b>	<b>1.1%</b>	<b>0.7%</b>	<b>0.8%</b>
<b>Commercial</b>	<b>Loans</b>	<b>4,596,493</b>	<b>4,330,707</b>	<b>4,090,837</b>	<b>4,227,198</b>	<b>6.1%</b>	<b>8.7%</b>	<b>12.4%</b>
<b>Commercial</b>	<b>No. Customers</b>	<b>9,257</b>	<b>9,156</b>	<b>8,869</b>	<b>9,040</b>	<b>1.1%</b>	<b>2.4%</b>	<b>4.4%</b>
<b>Total Loans</b>		<b>5,822,872</b>	<b>5,495,624</b>	<b>5,182,434</b>	<b>5,346,071</b>	<b>6.0%</b>	<b>8.9%</b>	<b>12.4%</b>
<b>Market Share</b>		<b>3.3%</b>	<b>3.2%</b>	<b>3.3%</b>	<b>3.3%</b>	<b>9 p</b>	<b>5 p</b>	<b>2 p</b>

Interest and indexation income		3Q19	2Q19	3Q18	4Q18	QoQ	%Chg YTD	YoY
<i>In Ch\$ Millions</i>								
Consumer		14,055	14,184	13,300	14,006	-0.9%	0.3%	5.7%
Mortgage		8,539	12,630	9,689	9,750	-32.4%	-12.4%	-11.9%
<b>Mortgage + Consumer</b>		<b>22,594</b>	<b>26,814</b>	<b>22,989</b>	<b>23,756</b>	<b>-15.7%</b>	<b>-4.9%</b>	<b>-1.7%</b>
<b>Commercial</b>		<b>69,139</b>	<b>78,344</b>	<b>63,717</b>	<b>66,843</b>	<b>-11.7%</b>	<b>3.4%</b>	<b>8.5%</b>

Interest and indexation income		3Q19	2Q19	3Q18	4Q18	QoQ	%Chg YTD	YoY
<i>In Ch\$ Millions</i>								
Consumer		10.44%	10.85%	11.02%	11.28%	-41 p	-84 p	-58 p
Mortgage		4.99%	7.92%	6.37%	6.38%	-293 p	-21.8%	-138 p
<b>Mortgage + Consumer</b>		<b>7.39%</b>	<b>9.24%</b>	<b>8.43%</b>	<b>8.58%</b>	<b>-185 p</b>	<b>-13.8%</b>	<b>-104 p</b>
<b>Commercial</b>		<b>6.02%</b>	<b>7.24%</b>	<b>6.23%</b>	<b>6.33%</b>	<b>-122 p</b>	<b>-4.9%</b>	<b>-21 p</b>
		<b>6.30%</b>	<b>7.65%</b>	<b>6.69%</b>	<b>6.78%</b>	<b>-135 p</b>	<b>0 p</b>	<b>-39 p</b>

## Banco Security - Funding Sources

Funding Sources		Sep-19	Jun-19	Sep-18	Dec-18	QoQ	% Chg YTD	YoY
<i>In MCH\$</i>								
Demand deposits		722,186 9.6%	735,393 10.2%	599,065 8.9%	654,815 9.4%	-1.8%	10.3%	20.6%
Time deposits		2,904,499 38.6%	2,930,101 40.7%	2,852,541 42.5%	2,965,403 42.8%	-0.9%	-2.1%	1.8%
<b>Total deposits</b>		<b>3,626,685 48.2%</b>	<b>3,665,494 50.9%</b>	<b>3,451,606 51.4%</b>	<b>3,620,218 52.2%</b>	<b>-1.1%</b>	<b>0.2%</b>	<b>5.1%</b>
Bonds		2,545,855 33.9%	2,299,984 32.0%	2,078,394 31.0%	2,205,499 31.8%	10.7%	15.4%	22.5%
Interbank loans		275,550 3.7%	214,389 3.0%	221,016 3.3%	223,071 3.2%	28.5%	23.5%	24.7%
Other liabilities*		464,968 6.2%	425,261 5.9%	390,755 5.8%	308,677 4.5%	9.3%	50.6%	19.0%
<b>Total Liabilities</b>		<b>6,913,058 92%</b>	<b>6,605,128 92%</b>	<b>6,141,771 92%</b>	<b>6,357,465 92%</b>	<b>4.7%</b>	<b>8.7%</b>	<b>12.6%</b>
Equity		606,409 8.1%	593,019 8.2%	567,497 8.5%	577,647 8.3%	2.3%	5.0%	6.9%
<b>Liabilities + Equity</b>		<b>7,519,467 100%</b>	<b>7,198,147 100%</b>	<b>6,709,268 100%</b>	<b>6,935,112 100%</b>	<b>4.5%</b>	<b>8.4%</b>	<b>12.1%</b>

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

### ○ Demand and Time Deposits

As of September 2019, deposits totaled CH\$3,626,685 million, +5.1% YoY and +0.2% YTD. For the industry, deposits increased by +7.2% YoY and +3.2% YTD, and +6.7% YoY and +2.6% YTD including foreign deposits. Banco Security's time deposits consisted of 38.6% retail deposits and 61.4% institutional deposits. The 15 largest depositors<sup>5</sup> represent 21.5% of the Bank's total deposits. The loan to deposit ratio was 161% as of September 2019, compared to 143% as of September 2018.

<sup>5</sup> Excludes stock brokerage companies.

Banco Security's strategy is to diversify funding sources using sales incentives to increase its retail deposit base. Banco Security strictly monitors liquidity risk<sup>6</sup>, striving to diversify funding sources while monitoring and controlling a series of limits on asset/liability mismatches, by maintaining a significant volume of liquid assets and lengthening liabilities to increase funding terms. The Bank's exposure from asset and liability mismatches is among the industry's lowest. As of September 2019, the ratio of long-term interest rate risk to regulatory capital was 3.4%<sup>7</sup>. As of September 2019, liquid assets<sup>8</sup> represented 52% of demand and other time deposits.

## ○ Debt Issued

Series	SBIF Registration Number	SBIF Registration Date	Currency	Amount	Annual Interest Rate	Duration (Years)	Maturity
H1	3/2007	25-Jan-07	UF	3,000,000	3.00	23	1-Dec-29
R1	10/2011	6-Oct-11	UF	3,000,000	3.00	10	1-Jun-21
K2	1/2012	14-Mar-12	UF	4,000,000	3.25	10	1-Nov-21
K3	1/2013	26-Feb-13	UF	4,000,000	3.50	10	1-Nov-22
K4	10/2013	6-Nov-13	UF	5,000,000	3.60	10	1-Oct-23
K5	14/2014	9-Oct-14	UF	5,000,000	2.75	10	1-Jun-24
B4	05/2015	1-Apr-15	UF	5,000,000	2.25	5	1-Jun-20
K6	05/2015	1-Apr-15	UF	5,000,000	2.75	10	1-Mar-25
K7	05/2015	1-Apr-15	UF	5,000,000	2.75	10	1-Sep-25
Z1	10/2015	1-Sep-15	CLP	75,000,000,000	5.25	5	1-Jul-20
B5	11/2016	3-Oct-16	UF	5,000,000	2.40	5	1-Aug-21
K8	12/2016	3-Oct-16	UF	5,000,000	2.80	10	1-Oct-26
Z2	13/2016	3-Oct-16	CLP	75,000,000,000	5.30	5.5	1-Feb-22
B6	6/2017	11-Jul-17	UF	5,000,000	2.25	5.5	1-Oct-22
B7	8/2018	9-May-18	UF	4,000,000	2.20	5.5	1-Aug-23
Z3	8/2018	9-May-18	CLP	75,000,000,000	4.80	5.5	1-Jun-23
K9	8/2018	9-May-18	UF	5,000,000	2.75	10.5	1-Jul-28
B8	11/2018	20-Dec-18	UF	5,000,000	1.80	5.5	1-Feb-24
D1	11/2018	20-Dec-18	UF	5,000,000	2.20	10.5	1-Feb-29
Q1	11/2018	20-Dec-18	UF	3,000,000	2.50	15	1-Aug-33
Z4	11/2018	20-Dec-18	CLP	75,000,000,000	4.80	5.5	1-Apr-24

As of September 2019, Banco Security had issued debt of CH\$2,533,137 million, as detailed in Note 18 of Banco Security's interim financial statements.

<sup>6</sup> Liquidity risk represents the possibility of not fulfilling obligations when they mature as a result of the inability to liquidate assets or funds, or not being able to dispose of them easily or offset exposure without significantly reducing prices due to insufficient market depth (Grupo Security Annual Report, note 35).

<sup>7</sup> 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.

<sup>8</sup> Includes cash and cash deposits, transactions pending settlement and the portfolio of financial instruments.

## Banco Security - Capitalization

As of September 2019, Banco Security's equity attributable to owners of the parent totaled CH\$606,354 million (+6.9% YoY, +2.3% QoQ and +5.0% YTD).

<i>In Ch\$ Millions</i>	Sep-19	Jun-19	Sep-18	Dec-18	QoQ	% Chg YTD	YoY
Capital	302,047	302,047	302,047	302,047	0.0%	0.0%	0.0%
Reserves and valuation accounts	35,447	34,957	26,689	25,897	1.4%	36.9%	32.8%
Retained earnings	268,860	255,956	238,703	249,643	5.0%	7.7%	12.6%
<b>Equity attributable to equity holders of bank</b>	<b>606,354</b>	<b>592,960</b>	<b>567,439</b>	<b>577,588</b>	<b>2.3%</b>	<b>5.0%</b>	<b>6.9%</b>
Tier I (core capital)	606,354	592,960	567,439	577,588	2.3%	5.0%	6.9%
Regulatory capital	823,733	789,139	765,787	774,770	4.4%	6.3%	7.6%
Minimum required capital	514,904	489,267	452,570	468,961	5.2%	9.8%	13.8%
Risk-weighted assets	6,436,294	6,115,838	5,657,126	5,862,013	5.2%	9.8%	13.8%
BIS ratio	12.80%	12.90%	13.54%	13.22%	-10 p	-42 p	-74 p
Core capital / total assets	7.64%	7.75%	7.95%	7.79%	-11 p	-15 p	-31 p

The Bank's capital adequacy ratio as of September 2019, calculated as regulatory capital over risk-weighted assets, was 12.80% (with a regulatory minimum of 8%), -74 b.p. YoY and -42 b.p. YTD. The fall in this ratio is due to growth in its risk-weighted assets, driven by greater total loans, +12.4% YoY and +8.9% YTD. The ratio of core capital to total assets was 7.64%, -31 b.p. YoY and -15 b.p. YTD. The return on average equity for Banco Security is calculated by annualizing profit for 9M19, and this came to 13.2%.

## **FACTORING SECURITY**

Factoring Security reported profit of CH\$6,818 million for 9M19 (+13.3% YoY), with operating income of CH\$25,705 million, (+CH\$3,757 million, +17.1% YoY), due to a larger volume of factored receivables (+18.9% YoY), which was partially offset by a smaller spread. This was not fully offset by increased operating expenses of CH\$7,342 million (+21.5% YoY), due to a larger volume of factored receivables and increased operating expenses of CH\$7,831 million (+10.2% YoY), due to increased business.

It reported profit of CH\$2,371 million for 3Q19 (+4.8% QoQ), due to greater operating income of CH\$8,691 million (+CH\$159 million, +1.9% QoQ). This was not fully offset by increased operating expenses of CH\$2,634 million (+6.5% QoQ), and greater support expenses of CH\$2,647 million (+1.5% QoQ).

The efficiency ratio was 41.6% for 9M19 (-118 b.p. YoY). As of September 2019, the risk ratio measured as provisions over total loans was 2.10%, -44 b.p. YoY and +6 b.p. QoQ.

In Ch\$ Million	3Q19	2Q19	3Q18	% Chg		9M19	9M18	% Chg YoY
				QoQ	YoY			
Factored receivables	375,075	355,716	315,389	5.4%	18.9%	375,075	315,389	18.9%
Provisions	7,859	7,253	8,002	8.4%	-1.8%	7,859	8,002	-1.8%
Gross operating income	8,691	8,532	7,235	1.9%	20.1%	25,705	21,948	17.1%
Operating expenses	-2,634	-2,473	-1,917	6.5%	37.4%	-7,342	-6,041	21.5%
Support expenses	-2,647	-2,607	-2,388	1.5%	10.9%	-7,831	-7,109	10.2%
<b>Profit for the period</b>	<b>2,371</b>	<b>2,262</b>	<b>1,960</b>	<b>4.8%</b>	<b>21.0%</b>	<b>6,818</b>	<b>6,019</b>	<b>13.3%</b>
Efficiency ratio	40.4%	41.6%	43.4%	-118 p	-294 p	41.6%	42.8%	-118 p
Risk ratio	2.10%	2.04%	2.54%	6 p	-44 p	2.10%	2.54%	-44 p

## INSURANCE BUSINESS AREA (24.3% of assets as of September 2019; 22.7% of profit from business areas for 9M19)

The insurance business area reported profit of CH\$19,020 million for 9M19. 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

On September 13, 2019, 70,408,186 Vida Security shares were issued from the capital increase approved on December 18, 2017, for a total of CH\$35,000 million.

Vida Security reported profit attributable to owners of the parent of CH\$18,500 million for 9M19 (+CH\$7,080 million, +62.0% YoY), due to an improved investment result of CH\$112,627 million (+50.7% YoY).

In MCH\$	Individuales		Protección Familiar		Colectivos		RRVV		SIS		Total	
	9M19	9M18	9M19	9M18	9M19	9M18	9M19	9M18	9M19	9M18	9M19	9M18
Gross written premiums	81,326	79,565	5,058	4,871	56,326	52,180	50,277	37,186	550	94,463	193,537	268,265
<b>Net premiums written</b>	<b>79,849</b>	<b>78,190</b>	<b>5,058</b>	<b>4,871</b>	<b>54,762</b>	<b>50,768</b>	<b>50,277</b>	<b>37,186</b>	<b>208</b>	<b>57,989</b>	<b>190,154</b>	<b>229,004</b>
Variation in technical reserves	-33,177	-10,018	-15	36	-415	287	-	-	-	-567	-33,608	-10,262
Claims paid	-59,638	-62,123	-1,255	-1,035	-33,913	-32,011	-	-	10,329	10,141	-84,478	-85,027
Pensions paid	-2,005	-769	-	-	-	-	-100,905	-84,528	-13,890	-65,868	-116,801	-151,165
Underwriting expenses	-7,995	-7,920	-1,939	-1,671	-3,174	-2,686	-378	-391	-	-	-13,486	-12,669
Medical expenses	-27	-30	-0	-1	-5	-5	0	0	-	-	-33	-36
Insurance impairment	-	-	-	-	124	42	-	-	5	-	128	42
<b>Contribution Margin</b>	<b>-22,994</b>	<b>-2,671</b>	<b>1,848</b>	<b>2,200</b>	<b>17,378</b>	<b>16,396</b>	<b>-51,006</b>	<b>-47,732</b>	<b>-3,348</b>	<b>1,695</b>	<b>-58,122</b>	<b>-30,112</b>
<b>CUI Portfolio</b>	<b>32,697</b>	<b>13,121</b>									<b>32,697</b>	<b>13,121</b>
<b>Proprietary portfolio</b>	<b>-</b>	<b>-</b>									<b>79,930</b>	<b>61,598</b>
<b>Investment income</b>											<b>112,627</b>	<b>74,719</b>
Administrative expenses											-30,726	-29,471
Investment income											-823	447
Exchange differences											-1,728	-2,813
Gain (loss) on indexed assets and liabilities											305	-13
Income tax expense											-3,035	-1,336
<b>Profit for the period</b>											<b>18,500</b>	<b>11,420</b>

Vida Security reported profit attributable to owners of the parent of CH\$7,073 million for 3Q19 (+CH\$842 million; +13.5% QoQ), due to higher investment income totaling CH\$36,507 million (+2.0% QoQ).

In MCH\$	Individual		Family protection		Group insurance		Annuities		DSI		Total	
	3Q19	2Q19	3Q19	2Q19	3Q19	2Q19	3Q19	2Q19	3Q19	2Q19	3Q19	2Q19
Gross written premiums	28,158	27,511	1,713	1,642	18,896	19,043	12,186	17,704	77	208	61,031	66,109
<b>Net premiums written</b>	<b>27,594</b>	<b>26,980</b>	<b>1,713</b>	<b>1,642</b>	<b>18,216</b>	<b>18,472</b>	<b>12,186</b>	<b>17,704</b>	<b>-15</b>	<b>94</b>	<b>59,695</b>	<b>64,893</b>
Variation in technical reserves	-6,921	-10,604	4	10	78	-18	-	-	-	-	-6,840	-10,612
Claims paid	-21,598	-19,961	-482	-373	-12,066	-11,568	-	-	321	5,155	-33,825	-26,749
Pensions paid	-867	-411	-	-	-	-	-28,745	-34,695	-2,450	-5,632	-32,062	-40,738
Underwriting expenses	-2,763	-2,772	-659	-687	-1,141	-1,088	-87	-138	-	-0	-4,650	-4,685
Medical expenses	-9	-10	-0	-0	-1	-2	0	0	-	-	-10	-12
Insurance impairment	-	-	-	-	58	144	-	-	-	-	58	144
<b>Contribution Margin</b>	<b>-4,564</b>	<b>-6,778</b>	<b>576</b>	<b>592</b>	<b>5,144</b>	<b>5,940</b>	<b>-16,645</b>	<b>-17,129</b>	<b>-2,144</b>	<b>-383</b>	<b>-17,633</b>	<b>-17,759</b>
<b>CUI Portfolio</b>	<b>8,168</b>	<b>9,791</b>									<b>8,168</b>	<b>9,791</b>
<b>Proprietary portfolio</b>	<b>-</b>	<b>-</b>									<b>28,339</b>	<b>26,011</b>
<b>Investment income</b>											<b>36,507</b>	<b>35,802</b>
Administrative expenses											-9,665	-10,762
Investment income											424	-166
Exchange differences											-795	-953
Gain (loss) on indexed assets and liabilities											12	133
Income tax expense											-1,776	-64
<b>Profit for the period</b>											<b>7,073</b>	<b>6,231</b>

In aggregate, gross written premiums totaled CH\$193,537 million (-27.9% YoY) for 9M19. This reduction with respect to last year can be explained by the expiration of contract No. 5 for disability and survivor insurance (DSI). The company was not awarded new fractions under contract No. 6<sup>9</sup>. This was partially offset by greater annuity sales and greater premiums from individual and group insurance. Gross written premiums, excluding the effects of the DSI contract expiring, increased by 11.0% YoY.

For 9M19, the subsidiary recorded a larger variation in technical reserves (-CH\$33,608 million versus -CH\$10,262 million for 9M18), particularly in individual insurance, due to improved returns from equity investments in the CUI and APV portfolios and increased gross written premiums from individual insurance. Claims and pensions paid totaled CH\$201,278 million (-14.8% YoY), due to the expiration of DSI contract No. 5, offset in part by increased pensions paid due to greater annuity sales. Excluding the effects of the DSI contract expiring, claims and pensions paid increased by 9.6% YoY. Finally, underwriting expenses totaled CH\$13,486 million (+6.4% YoY), reflecting increased commercial business for group and family protection products.

This explains the contribution margin of -CH\$58,122 million for 9M19, compared to -CH\$30,112 million for 9M18.

The lower contribution margin was offset by greater investment income of CH\$112,627 million (+50.7% YoY), attributable to higher investment income from equity investments, mainly in the CUI and APV investment portfolios, as markets performed well during the period. Improved returns on the CUI and APV investment portfolio are counterbalanced by greater variations in technical reserves. Administrative expenses were CH\$30,726 million for 9M19 (+4.3% YoY). Finally, exchange differences were -CH\$823 million for 9M19 compared to CH\$447 million for 9M18, while the loss on indexed assets and liabilities was -CH\$1,728 million for 9M19 compared to -CH\$2,813 million for 9M18, since inflation was lower than last year. Income tax increased to CH\$3,035 million for 9M19 (+127.2% YoY), due to a higher effective rate because of lower inflation.

In MCH\$	3Q19	2Q19	3Q18	% Chg.		9M19	9M18	% Chg.
				QoQ	YoY			
Gross written premiums	61,031	66,109	65,563	-7.7%	-6.9%	193,537	268,265	-27.9%
<b>Net premiums written</b>	<b>59,695</b>	<b>64,893</b>	<b>64,880</b>	<b>-8.0%</b>	<b>-8.0%</b>	<b>190,154</b>	<b>229,004</b>	<b>-17.0%</b>
Variation in technical reserves	-6,840	-10,612	-7,424	-	-	-33,608	-10,262	-
Claims paid	-33,825	-26,749	-7,598	26.5%	345.2%	-84,478	-85,027	-0.6%
Pensions paid	-32,062	-40,738	-58,795	-21.3%	-45.5%	-116,801	-151,165	-22.7%
Underwriting expenses	-4,650	-4,685	-4,712	-	-	-13,486	-12,669	6.4%
Medical expenses	-10	-12	-14	-20.1%	-29.6%	-33	-36	-8.6%
Insurance impairment	58	144	5	-59.9%	966.3%	128	42	202.7%
<b>Contribution Margin</b>	<b>-17,633</b>	<b>-17,759</b>	<b>-13,657</b>	<b>-</b>	<b>-</b>	<b>-58,122</b>	<b>-30,112</b>	<b>-</b>
Administrative expenses	-9,665	-10,762	-9,910	-10.2%	-2.5%	-30,726	-29,471	4.3%
Investment income	36,507	35,802	32,069	2.0%	13.8%	112,627	74,719	50.7%
Exchange differences	424	-166	637	-	-33.4%	-823	447	-
Gain (loss) on indexed assets and liabilities	-795	-953	-1,152	-	-	-1,728	-2,813	-
	12	133	33	-91.0%	-63.7%	305	-13	-
	-1,776	-64	-1,431	-	24.1%	-3,035	-1,336	127.2%
<b>Profit for the period</b>	<b>7,073</b>	<b>6,231</b>	<b>6,589</b>	<b>13.5%</b>	<b>7.3%</b>	<b>18,500</b>	<b>11,420</b>	<b>62.0%</b>
<b>Administrative ratios</b>								
(1) (Claims paid + pension paid)/ Net written premiums	110.4%	104.0%	102.3%	638 p	804 p	105.9%	103.1%	271 p
(2) Administrative expenses/ Net written premiums	16.2%	16.6%	15.3%	-39 p	92 p	16.2%	12.9%	329 p
(3) Underwriting expenses/ Net written premiums	7.8%	7.2%	7.3%	57 p	53 p	7.1%	5.5%	156 p
Combined Ratio (1) + (2) + (3)	134.4%	127.8%	124.9%	655 p	949 p	129.1%	121.5%	756 p
(4) Profit / Net written premiums	11.8%	9.6%	10.2%	225 p	169 p	9.7%	5.0%	474 p

<sup>9</sup> See page 17, section "Disability and Survivor Insurance" for more details on this product line.



Vida Security posted profit of CH\$7,073 million for 3Q19 (+13.5% QoQ). Gross written premiums were CH\$61,031 million for 3Q19 (-7.7% QoQ), due to lower gross written annuity premiums, which was not offset by higher premiums for individual policies. The third quarter saw a smaller variation in technical reserves (-CH\$6,840 million versus -CH\$10,612 million in 2Q19), due to reduced investment income from the CUI and APV portfolios and greater claims paid (surrenders and transfers from CUI and APV accounts), partly offset by greater gross written premiums for CUI and APV policies. Claims and pensions paid fell in 3Q19 (-2.4% QoQ), due to a decrease in annuity pensions paid, partially offset by increases in other product lines. Investment income totaled CH\$36,507 million for 3Q19 (+2.0% QoQ), due to improved returns on fixed-income instruments and real estate investments. Income tax increased to CH\$1,776 million for 3Q19 (CH\$64 million for 2Q19), due to a higher effective rate because of lower inflation.

## Results by Product Line

### ○ Individual Insurance (42.0% of gross written premiums for 9M19)

Individual insurance policies are contracted by individuals to cover certain risks (life, health, credit life, etc.), They include product lines 101-112 and 425 and exclude line 107 in figure 601 in the financial statements of Vida Security.

This business reported profit, calculated by adding the CUI investment result to the individual insurance contribution margin, of CH\$9,703 million for 9M19 (-7.1% YoY). Gross written premiums were CH\$81,326 million for 9M19 (+2.2% YoY), due to greater gross written premiums from insurance with retirement savings components. The variation in technical reserves was -CH\$33,177 million for 9M19, below the -CH\$10,018 million for 9M18, due to higher investment income from equity investments in the CUI and APV portfolios, increased gross written premiums and decreased claims paid (surrenders and transfers from CUI and APV accounts). Claims paid totaled -CH\$59,638 million (-4.0% YoY), due to decreased surrenders and transfers from CUI policies. Underwriting expenses totaled -CH\$7,995 million for 9M19 (+0.9% YoY).

As of September 2019, CUI and APV policies represent 87.9% of total individual insurance premiums.

Individual Insurance In MCH \$	3Q19	2Q19	3Q18	% Chg.		9M19	9M18	% Chg.
				QoQ	YoY			
Gross written premiums	28,158	27,511	30,102	2.4%	-6.5%	81,326	79,565	2.2%
<b>Net premiums written</b>	<b>27,594</b>	<b>26,980</b>	<b>29,683</b>	<b>2.3%</b>	<b>-7.0%</b>	<b>79,849</b>	<b>78,190</b>	<b>2.1%</b>
Variation in technical reserves	-6,921	-10,604	-9,286	-	-	-33,177	-10,018	-
Claims paid	-21,598	-19,961	-21,744	8.2%	-0.7%	-59,638	-62,123	-4.0%
Pensions paid	-867	-411	-233	111.0%	271.3%	-2,005	-769	160.8%
Underwriting expenses	-2,763	-2,772	-3,081	-0.3%	-10.3%	-7,995	-7,920	0.9%
Medical expenses	-9	-10	-11	-14.6%	-24.4%	-27	-30	-9.9%
Insurance impairment	0	0	0	-	-	0	0	-
<b>Contribution Margin</b>	<b>-4,564</b>	<b>-6,778</b>	<b>-4,672</b>	<b>-32.7%</b>	<b>-2.3%</b>	<b>-22,994</b>	<b>-2,671</b>	<b>761.0%</b>
	<b>8,168</b>	<b>9,791</b>	<b>6,774</b>	<b>-16.6%</b>	<b>20.6%</b>	<b>32,697</b>	<b>13,121</b>	<b>149.2%</b>
	<b>3,604</b>	<b>3,012</b>	<b>2,103</b>	<b>19.7%</b>	<b>71.4%</b>	<b>9,703</b>	<b>10,451</b>	<b>-7.1%</b>
Claims rate (1)	81.4%	75.5%	74.0%	590 p	737 p	77.2%	80.4%	-323 p
Underwriting expense rate (2)	10.0%	10.3%	10.4%	-26 p	-36 p	10.0%	10.1%	-12 p

(1) Claims paid/ Net written premiums

(2) Underwriting expense/ Net written premiums

For 3Q19, the product line reported profit, calculated by adding the CUI investment result to the contribution margin, of CH\$3,604 million (+19.7% QoQ). The variation in technical reserves was -CH\$6,921 million for 3Q19, less than 2Q19, due to lower investment income from equity investments in the CUI and APV portfolios and increased claims paid (surrenders and transfers from CUI and APV accounts). This product line reported claims paid of CH\$21,598 million for 3Q19 (+8.2% QoQ) explained by greater surrenders and transfers from APV funds.

○ **Family Protection** (2.6% of gross written premiums for 9M19)

Family protection insurance covers the insured party's family group in the event of death or disability, depending on the terms of the policy. It is product line 107 in figure 601 in the Vida Security financial statements.

<b>Family Protection</b>				% Chg.		9M19	9M18	% Chg.
In MCH\$	3Q19	2Q19	3Q18	QoQ	YoY			
Gross written premiums	1,713	1,642	1,586	4.3%	8.0%	5,058	4,871	3.8%
<b>Net premiums written</b>	<b>1,713</b>	<b>1,642</b>	<b>1,586</b>	<b>4.3%</b>	<b>8.0%</b>	<b>5,058</b>	<b>4,871</b>	<b>3.8%</b>
Variation in technical reserves	4	10	34	-57.5%	-87.9%	-15	36	-
Claims paid	-482	-373	-385	29.0%	25.2%	-1,255	-1,035	21.3%
Pensions paid	0	0	0	-	-	0	0	-
Underwriting expenses	-659	-687	-607	-4.0%	8.7%	-1,939	-1,671	16.0%
Medical expenses	0	0	0	-	-	0	-1	-
Insurance impairment	0	0	0	-	-	0	0	-
<b>Contribution Margin</b>	<b>576</b>	<b>592</b>	<b>628</b>	<b>-2.7%</b>	<b>-8.3%</b>	<b>1,848</b>	<b>2,200</b>	<b>-16.0%</b>
Claims rate (1)	28.1%	22.7%	24.3%	539 p	385 p	24.8%	21.2%	358 p
Underwriting expense rate (2)	38.5%	41.8%	38.3%	-332 p	22 p	38.3%	34.3%	402 p

(1) Claims paid/ Net written premiums

(2) Underwriting expense/ Net written premiums

The contribution margin totaled CH\$1,848 million for 9M19 and CH\$576 million for 3Q19 (-16.0% YoY and -2.7% QoQ). Gross written premiums totaled CH\$5,058 million for 9M19 and CH\$1,713 million for 3Q19 (+3.8% YoY and +4.3% QoQ). Claims paid were -CH\$1,255 million for 9M19 and -CH\$482 million in 3Q19 (+21.3% YoY and +29.0% QoQ). Underwriting expenses totaled -CH\$1,939 million for 9M19 (+16.0% YoY), and -CH\$659 million for 3Q19 (-4.0% QoQ).

○ **Group Insurance** (29.1% of gross written premiums for 9M19)

<b>Group Insurance</b>				% Chg.		9M19	9M18	% Chg.
In MCH\$	3Q19	2Q19	3Q18	QoQ	YoY			
Gross written premiums	18,896	19,043	17,278	-0.8%	9.4%	56,326	52,180	7.9%
<b>Net premiums written</b>	<b>18,216</b>	<b>18,472</b>	<b>16,850</b>	<b>-1.4%</b>	<b>8.1%</b>	<b>54,762</b>	<b>50,768</b>	<b>7.9%</b>
Variation in technical reserves	78	-18	161	-	-52.0%	-415	287	-
Claims paid	-12,066	-11,568	-11,032	4.3%	9.4%	-33,913	-32,011	5.9%
Pensions paid	0	0	0	-	-	0	0	-
Underwriting expenses	-1,141	-1,088	-868	4.8%	31.4%	-3,174	-2,686	18.2%
Medical expenses	-1	-2	-2	-52.6%	-58.9%	-5	-5	6.6%
Insurance impairment	58	144	5	-	-	124	42	-
<b>Contribution Margin</b>	<b>5,144</b>	<b>5,940</b>	<b>5,114</b>	<b>-13.4%</b>	<b>0.6%</b>	<b>17,378</b>	<b>16,396</b>	<b>6.0%</b>
Claims rate (1)	66.2%	62.6%	65.5%	361 p	77 p	61.9%	63.1%	-112 p
Underwriting expense rate (2)	6.3%	5.9%	5.2%	37 p	111 p	5.8%	5.3%	50 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 was CH\$17,378 million for 9M19 (+6.0% YoY), due to the claims rate rising from 63.1% as of September 2018, to 61.9% as of September 2019. Underwriting expenses totaled -CH\$3,174 million for 9M19 (+18.2% YoY).

The contribution margin was CH\$5,144 million for 3Q19 (-13.4% QoQ), due to increased claims paid of CH\$12,066 million (+4.3% QoQ) explained by seasonal effects.

○ **Annuities** (26.0% of gross written premiums for 9M19)

Workers that choose an annuity upon retirement turn over their retirement funds to an insurance company and receive in exchange a fixed, inflation-indexed monthly payment for the rest of their life and survivor pensions for their legal beneficiaries. Based on figure 601 in the financial statements of Vida Security, it includes product lines 421, 422 and 423<sup>10</sup>.

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\$	3Q19	2Q19	3Q18	% Chg.		9M19	9M18	% Chg.
				QoQ	YoY			
Gross written premiums	12,186	17,704	15,734	-31.2%	-22.5%	50,277	37,186	35.2%
<b>Net premiums written</b>	<b>12,186</b>	<b>17,704</b>	<b>15,734</b>	<b>-31.2%</b>	<b>-22.5%</b>	<b>50,277</b>	<b>37,186</b>	<b>35.2%</b>
Variation in technical reserves	0	0	0	-	-	0	0	-
Claims paid	0	0	0	-	-	0	0	-
Pensions paid	-28,745	-34,695	-32,183	-17.1%	-10.7%	-100,905	-84,528	19.4%
Underwriting expenses	-87	-138	-156	-37.4%	-44.4%	-378	-391	-3.3%
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	0	0	0	-	-	0	0	-
<b>Contribution Margin</b>	<b>-16,645</b>	<b>-17,129</b>	<b>-16,604</b>	<b>-2.8%</b>	<b>0.2%</b>	<b>-51,006</b>	<b>-47,732</b>	<b>6.9%</b>
Underwriting expense rate (1)	0.7%	0.8%	1.0%	-7 p	-28 p	0.8%	1.1%	-30 p

(1) Claims paid/ Net written premiums

The contribution margin for annuities was -CH\$51,006 million for 9M19 (+6.9% YoY), due to a rise in gross written premiums (+35.2% YoY). Pensions paid totaled -CH\$100,905 million for 9M19 (+19.4% YoY), due to increased reserves following the rise in gross written premiums.

The contribution margin was -CH\$16,645 million for 3Q19 (-2.8% QoQ), due to a fall in gross written premiums (-31.2% QoQ). Pensions paid were -CH\$28,745 million for 3Q19 (-17.1% QoQ).

<sup>10</sup>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 September 2019, this line accounts for only CH\$ 635 million in pensions paid by Vida Security.

○ **Disability and Survivor Insurance (DSI)** (0.3% of gross written premiums for 9M19)

DSI In MCH\$	3Q19	2Q19	3Q18	% Chg.		9M19	9M18	% Chg.
				QoQ	YoY			
Gross written premiums	77	208	863	-62.8%	-91.0%	550	94,463	-99.4%
<b>Net premiums written</b>	<b>-15</b>	<b>94</b>	<b>1,026</b>	-	-101.5%	<b>208</b>	<b>57,989</b>	<b>-99.6%</b>
Variation in technical reserves	0	0	1,666	-	-	0	-567	-
Claims paid	321	5,155	25,563	-93.8%	-	10,329	10,141	-
Pensions paid	-2,450	-5,632	-26,378	-56.5%	-90.7%	-13,890	-65,868	-78.9%
Underwriting expenses	0	0	0	-	-	0	0	-
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	0	0	0	-	-	5	0	-
<b>Contribution Margin</b>	<b>-2,144</b>	<b>-383</b>	<b>1,877</b>	-	-	<b>-3,348</b>	<b>1,695</b>	-

Claims Rate (1)	-	506.4%	79.4%	-	-	-	96.1%	-
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(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<sup>11</sup>. It provides protection to the insured and his or her family group in the event of disability or death of the insured party. Based on figure 601 in the financial statements of Vida Security, it includes product line 420.

This table of pensions paid includes disability and survivor payments to insured retirees. Claims paid includes a reserve for the present value of the obligation with the insured parties.

The fifth DSI tender was organized by the AFPs for the period from July 2016 to June 2018, and Vida Security was awarded two fractions for men and two for women. The sixth DSI tender for the next 24-month period from 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\$3,348 million for 9M19 compared to -CH\$1,695 million for 9M18. Net premiums written totaled CH\$550 million for 9M19 (-99.4% YoY), claims and pensions paid were CH\$3,561 million (-93.6% YoY), and the variation in technical reserves was CH\$0 million compared to CH\$567 million for 9M18, all attributable to the expiration of contract 5. Given the drop in interest rates and increased claims frequency, greater provisions had to be recorded for future payments. Compared to the immediately preceding quarter, the contribution margin for DSI totaled -CH\$2,144 million in 3Q19 (versus -CH\$383 million in 2Q19), due to the expiration of contract No. 5 in June 2018.

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

In MCH\$	3Q19	2Q19	3Q18	% Chg		9M19	9M18	%Chg.
				QoQ	YoY			
Payroll	-3,588	-3,433	-3,459	4.5%	3.8%	-10,664	-10,475	1.8%
Distribution Channel expenses	-880	-990	-802	-11.1%	9.8%	-2,945	-3,035	-3.0%
Other	-5,197	-6,339	-5,649	-18.0%	-8.0%	-17,117	-15,962	7.2%
<b>Total administrative expenses</b>	<b>-9,665</b>	<b>-10,762</b>	<b>-9,910</b>	<b>-10.2%</b>	<b>-2.5%</b>	<b>-30,726</b>	<b>-29,471</b>	<b>4.3%</b>

Vida Security's administrative expenses were CH\$30,726 million for 9M19 (+4.3% YoY), due to an increase in other expenses (+7.2% YoY), partially offset by a decrease in expenses associated with the distribution channel.

<sup>11</sup> <http://www.spensiones.cl/portal/orientacion/580/w3-article-3024.html>

## Investment Income - Vida Security

For 9M19, investment income reached CH\$113,004 million (+42.9% YoY), attributable to better returns on equity investments mainly in the CUI and APV investment portfolios, as markets performed well during the period. Improved returns on the CUI and APV investment portfolio are counterbalanced by greater variations in technical reserves.

The investment portfolio for CUI and APV policies totaled CH\$535,865 million for 9M19, (+7.6% YoY).

<i>Investment income</i> In Ch\$ Million	CUI portfolio		Proprietary portfolio		Total	
	9M19	9M18	9M19	9M18	9M19	9M18
Fixed income	7,206	6,233	54,508	51,078	61,713	57,311
Equities and indexes	25,493	6,949	3,841	-3,076	29,333	3,872
Real estate	0	0	21,218	16,363	21,218	16,363
Other investments	0	0	739	1,549	739	1,549
<b>Investments income</b>	<b>32,698</b>	<b>13,182</b>	<b>80,305</b>	<b>65,913</b>	<b>113,004</b>	<b>79,095</b>
<b>Investment stock</b>	<b>535,865</b>	<b>498,138</b>	<b>2,076,963</b>	<b>1,980,080</b>	<b>2,612,828</b>	<b>2,478,218</b>

  

<i>Investment income</i> In Ch\$ Million	CUI portfolio		Proprietary portfolio		Total	
	3Q19	2Q19	3Q19	2Q19	3Q19	2Q19
Fixed income	2,544	2,376	19,769	18,295	22,313	20,671
Equities and indexes	5,625	7,415	1,307	1,454	6,932	8,869
Real estate	0	0	7,360	6,532	7,360	6,532
Other investments	0	0	174	224	174	224
<b>Investments income</b>	<b>8,169</b>	<b>9,790</b>	<b>28,610</b>	<b>26,505</b>	<b>36,779</b>	<b>36,296</b>
<b>Investment stock</b>	<b>535,865</b>	<b>528,211</b>	<b>2,076,963</b>	<b>2,008,378</b>	<b>2,612,828</b>	<b>2,536,589</b>

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

Exchange differences totaled -CH\$823 million for 9M19 (CH\$447 million for 9M18) and CH\$424 million for 3Q19 (-CH\$166 million for 2Q19). The loss on indexation adjustments was -CH\$1,728 million for 9M19 (-CH\$2,813 million for 9M18) and -CH\$795 million for 3Q19 (-CH\$953 million for 2Q19), due to greater reserves in UF and lower inflation during the period.

## ASSET MANAGEMENT BUSINESS AREA (2.1% of assets as of September 2019; 1.3% of profit from business areas for 9M19)

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	9M19	6M19	9M18	2018	QoQ	% Chg YoY	YTD
Assets under management (AUM)	4,708,946	4,837,245	4,728,741	4,383,489	-2.7%	-0.4%	7.4%
Mutual funds under management	2,825,655	2,919,234	2,699,356	2,496,079	-3.2%	4.7%	13.2%
Market share - mutual funds	6.1%	6.8%	7.0%	6.6%	-65 p	-85 p	-48 p

In Ch\$ Million	3Q19	2Q19	3Q18	% Chg		9M19	9M18	% Chg
				QoQ	YoY			
Value of shares traded	292,507	595,619	622,389	-50.9%	-53.0%	1,500,577	2,202,152	-31.9%
Market share - equities brokerage	2.8%	3.9%	4.3%	-104 p	-147 p	3.7%	4.8%	-115 p
Operating income	9,752	9,295	9,714	4.9%	0.4%	28,445	30,717	-7.4%
Non-operating income	1,376	1,984	1,309	-30.6%	5.2%	4,691	3,346	40.2%
Total expenses	-13,900	-9,088	-8,309	52.9%	67.3%	-31,607	-26,278	20.3%
Efficiency ratio	124.9%	80.6%	75.4%	4433 p	4952 p	95.4%	77.1%	1824 p
Fund management	1,564	1,696	1,608	-7.8%	-2.8%	4,487	4,602	-2.5%
Equity, currency and fixed income brokerage, portfolio mgt and Int'l business (*)	-3,520	309	566	-	-	-2,761	1,777	-
Securitization	-202	-452	15	-	-	-878	56	-
<b>Profit - Asset Management</b>	<b>(2,158)</b>	<b>1,553</b>	<b>2,189</b>	<b>-</b>	<b>-</b>	<b>848</b>	<b>6,435</b>	<b>-86.8%</b>

The subsidiary's AUM totaled CH\$4,708,946 million as of September 2019, -0.4% YoY, +7.4% YTD and -2.7% QoQ. Mutual funds under management totaled CH\$2,825,655 million, +4.7% YoY, +13.2% YTD and -3.2% QoQ, with a market share of 6.1%. The total value of shares traded was CH\$1,500,577 million for 9M19 (-31.9% YoY), with market share of 3.7%, while the traded value was CH\$292,507 million for 3Q19 (-50.9% QoQ), with market share of 2.8%.

The asset management area reported profit of CH\$848 million for 9M19 (-86.8% YoY), a decrease mainly due to an increase in total expenses of CH\$5,329 million, due to the recognition of a loss associated with a specific transaction by Valores Security. Operating revenue was CH\$28,445 million for 9M19 (-7.4% YoY), due to a decrease in transactional revenue in Valores Security. Securitizadora Security and Inmobiliaria CasaNuestra also reported lower results. These effects were only partially offset by greater non-operating income of CH\$4,691 million for 9M19 (+40.2% YoY), due to improved returns on the Valores and AGF Security's proprietary trading portfolio.

It reported profit of -CH\$2,158 million for 3Q19, mainly due to increased total expenses of CH\$13,900 million (+52.9% QoQ), due to the recognition of a loss associated with a specific transaction by Valores Security. These effects were only partially offset by greater operating revenue of CH\$9,752 million for 3Q19 (+4.9% QoQ).

## OTHER SERVICES BUSINESS AREA (1.5% of assets as of September 2019; 0.6% of profit from business areas for 9M19)

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 reported a loss of -CH\$1,533 million for 9M19, due to ownership being transferred on fewer units. Ownership was transferred on 8 units in 9M19, compared to 19 units in 9M18, while ownership was transferred on 3 units in 3Q19, up from 2 units in 2Q19. Inmobiliaria Security signed purchase promise agreements totaling UF 932,000 for 9M19 (+2.1% YoY) and UF 425,000 in 3Q19 (+32.9% QoQ). 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\$113,503 million, (+36.9% YoY and +12.9% QoQ), due to capitalization of projects under development.

<i>In Ch\$ Million</i>	3Q19	2Q19	3Q18	% Chg		9M19	9M18	% Chg
				QoQ	YoY			
Real estate assets under management	113,503	100,490	82,912	12.9%	36.9%	113,503	82,912	36.9%
Total income	332	-75	150	-	120.7%	461	213	116.5%
Total expenses	-602	-472	-762	27.6%	-38.1%	-1,644	-1,561	5.3%
Profit before tax	-270	-547	-612	-	-	-1,183	-1,348	-
<b>Profit for the period</b>	<b>-669</b>	<b>-469</b>	<b>-545</b>	<b>-</b>	<b>-</b>	<b>-1,533</b>	<b>-1,237</b>	<b>-</b>

### TRAVEL AGENCY: TRAVEL SECURITY

Travel Security reported profit of CH\$2,493 million for 9M19 (-9.7% YoY), due to an increase in operating expenses and lower non-operating income, only partially offset by an increase of CH\$58 YoY in the average CH\$/US\$ exchange rate.

Travel Security's profit was CH\$798 million for 3Q19 (-0.2% QoQ) due to lower sales, only partially offset by lower operating expenses on higher commercial efficiency.

	3Q19	2Q19	3Q18	% Chg		9M19	9M18	% Chg
				QoQ	YoY			
Total sales - Travel (MUSD)	68	75	63	-9.1%	9.5%	207	200	3.7%
Net operating income (MCH\$)	1,399	1,417	1,733	-1.2%	-19.3%	4,170	4,007	4.1%
<b>Profit for the period - Travel (MCH\$)</b>	<b>798</b>	<b>799</b>	<b>1,243</b>	<b>-0.2%</b>	<b>-35.8%</b>	<b>2,493</b>	<b>2,762</b>	<b>-9.7%</b>



## **INTERNATIONAL BUSINESS AREA** (3.0% of assets as of September 2019; -0.4% of profit from business areas for 9M19)

The international business area reported loss attributable to the owners of -CH\$303 million. This area has consolidated 61% of Protecta Security since 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**

Protecta reported profit of S./ 11.1 million for 9M19, up from S./ -1.6 million for 9M18, due to improved investment income of S./ 87.1 million (+30.3% YoY), partially offset by higher administrative expenses on greater business of S./ 25.9 million (+10.1% YoY) and higher net claims (+2.0% YoY).

Protecta had annuity sales of S./ 142.1 million for 9M19 (+17.8% YoY), giving it market share of 20.0%, and private annuity sales of S./ 99.7 million (+351.6% YoY), with market share of 13.7%.

It reported profit of S./ 2.2 million for 3Q19, lower than profit of S./ 7.7 million in 2Q19, due to lower investment income of S./ 29.5 million (-19.0% QoQ), only partially offset by a rise in total premiums written of S./ 103.8 million (+5.8% QoQ). Administrative expenses and claims remained stable during the third quarter. The figures for 2Q19 represent a high comparison, due to strong investment income during the period.

<i>En miles de S./</i>	3Q19	2Q19	3Q18	% Chg		9M19	9M18	% Chg
				QoQ	YoY			
Prima Total Rentas Vitalicias	48,256	45,414	43,872	6.3%	10.0%	142,092	120,613	17.8%
Participación de Mercado RRVV	20.0%	19.9%	18.9%	9 p	109 p	20.0%	18.9%	109 p
Prima Total Rentas Particulares	38,001	35,680	8,225	6.5%	362.0%	99,732	22,084	351.6%
Participación de Mercado RRPP	13.7%	12.4%	3.7%	128 p	1001 p	13.7%	3.7%	1001 p
<b>Prima Total</b>	<b>103,833</b>	<b>98,108</b>	<b>68,294</b>	<b>5.8%</b>	<b>52.0%</b>	<b>292,350</b>	<b>193,164</b>	<b>51.3%</b>
Resultado de inversiones	29,532	36,468	21,407	-19.0%	38.0%	87,110	66,848	30.3%
Rendimiento anualizado del portafolio	8.8%	8.9%	8.4%	-11 p	31 p	8.8%	8.4%	31 p
<b>Utilidad Neta</b>	<b>2,228</b>	<b>7,748</b>	<b>-3,512</b>	<b>-71.2%</b>	<b>-</b>	<b>11,119</b>	<b>-1,614</b>	<b>-</b>

### **Travex Security**

Travex Security is Travel Security's Peruvian travel agency subsidiary, and it reported sales of US\$50 million for 9M19 (-7.7% YoY) and profit of US\$116,336 (-82.8% YoY).

## RISK RATINGS

	Grupo Security	Banco Security	Vida Security	Factoring Security	Inv. Previsión Security
FitchRatings (local)	AA-	AA	AA-	AA-	A+
ICR (local)	AA-	AA	AA	AA-	A+
Standard & Poors (internacional)		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	49,562	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
<b>Total</b>			<b>UF</b>	<b>8,738,562</b>			

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, 2019, Grupo Security's board approved a dividend of CH\$4.8 per share. This consists of an additional dividend of CH\$2.6 per share charged to profit for 2018 and an interim dividend of CH\$2.2 per share charged to profit for the current year.

On April 29, 2019, Grupo Security shareholders approved a dividend payment of CH\$7.45 per share charged to profit for 2018. This dividend and the interim dividend distributed in October 2018 total CH\$11.95 per share, equivalent to CH\$44,155 million, or 55% of profit for 2018.

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 4.4% in 2018. Grupo Security's stock reported a return of -11.3% for 9M19, underperforming the S&P/CLX IPSA (-0.9%).

## 3Q19 EARNINGS CONFERENCE CALL

Grupo Security's third quarter earnings report will be explained to the market in a conference call on Thursday December 5, 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](mailto:relacioninversionistas@security.cl).

## GRUPO SECURITY

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

### Safe Harbor

This report contains 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 2018	September, 30 2019
<b>Current assets</b>		
Cash and cash equivalents	472,890	566,830
Other financial assets, current	3,412,740	3,519,494
Other non-financial assets, current	50,224	37,533
Trade and other receivables, current	5,833,242	6,289,424
Accounts receivable from related parties, current	48,248	61,935
Inventories	86,581	126,787
Current tax assets	39,257	26,670
<b>Total current assets other than assets or disposal groups classified as held for sale or held for distribution to owners</b>	<b>9,943,182</b>	<b>10,628,673</b>
Non-current assets or disposal groups classified as held for sale or held for distribution to owners	1,234	4,421
<b>Total non-current assets classified as held for sale or held for distribution to owners</b>	<b>1,234</b>	<b>4,421</b>
<b>Total current assets</b>	<b>9,944,416</b>	<b>10,633,094</b>
<b>Non-current assets</b>		
Other non-financial assets, non-current	119,878	200,313
Equity-accounted investments	3,875	2,292
Intangible assets other than goodwill	37,811	36,824
Goodwill	119,067	119,067
Property, plant and equipment	51,733	53,509
Investment property	214,170	233,242
Deferred tax assets	51,738	48,557
<b>Total non-current assets</b>	<b>598,272</b>	<b>693,804</b>
<b>Total assets</b>	<b>10,542,688</b>	<b>11,326,897</b>

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

Liabilities and Equity In Ch\$ Millions	December, 31 2018	September, 30 2019
Other financial liabilities, current	6,217,422	6,614,871
Trade and other payables	2,597,213	2,758,410
Accounts payable to related parties, current	995	615
Other short-term provisions	124,325	134,334
Current tax liabilities	22,810	22,239
Employee benefit provisions, current	9,258	9,417
Other non-financial liabilities, current	146,415	222,061
<b>Total current liabilities</b>	<b>9,118,439</b>	<b>9,761,947</b>
<b>Non-current liabilities</b>		
Other financial liabilities, non-current	578,311	693,357
Accounts payable, non-current	92,877	100,155
Accounts payable to related parties, non-current	3,323	3,381
Deferred tax liabilities	697	460
<b>Total non-current liabilities</b>	<b>675,208</b>	<b>797,353</b>
<b>Total liabilities</b>	<b>9,793,647</b>	<b>10,559,300</b>
<b>Equity</b>		
Issued Capital	431,784	435,616
Retained earnings	353,948	374,397
Share premium	611	-3,221
Other reserves	(57,847)	(62,714)
<b>Equity attributable to equity holders of parent</b>	<b>728,495</b>	<b>744,077</b>
Non-controlling interests	20,545	23,520
<b>Total equity</b>	<b>749,040</b>	<b>767,597</b>
<b>Total liabilities and equity</b>	<b>10,542,688</b>	<b>11,326,897</b>

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

<b>Consolidated statement of income (MCh\$)</b>		
	<b>September, 30 2018</b>	<b>September, 30 2019</b>
Revenue	804,181	847,843
Cost of sales	-550,876	-560,775
<b>Gross profit</b>	<b>253,305</b>	<b>287,068</b>
Other income	4,814	2,392
Distribution costs	0	0
Administrative expenses	-167,177	-182,169
Other expenses	-4,527	-11,644
Other gains	1,136	395
Finance income	-	77
Finance costs	-10,566	-10,565
Share of profit (loss) of associates and joint ventures, equity-accounted	1,031	596
Exchange differences	4,545	4,455
Gain (loss) on indexed assets and liabilities	-7,100	-6,262
Gains arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	896	1,310
<b>Profit before tax</b>	<b>76,355</b>	<b>85,652</b>
Income tax benefit (expense)	-19,634	-23,846
<b>Profit (loss) from continuing operations</b>	<b>56,722</b>	<b>61,805</b>
Profit (loss) from discontinued operations	0	0
<b>Profit (loss) for the period</b>	<b>56,722</b>	<b>61,805</b>
<b>Profit (loss) attributable to</b>		
Profit (loss) attributable to equity holders of the parent	57,823	61,026
Profit (loss) attributable to non-controlling interests	-1,102	779
<b>Profit (loss) for the period</b>	<b>56,722</b>	<b>61,805</b>
Depreciation and amortization	7,018	8,524
<b>Ebitda</b>	<b>93,940</b>	<b>104,741</b>

## 4. Segment Note - Grupo Security YoY

Segment Note - Grupo Security <i>In MCH\$</i>	Lending and Treasury		Asset Management		Insurance		International Business		Other Services		Consolidation Adjustments, Support Areas and Group Expenses		Total Grupo Security	
	Sep-18	Sep-19	Sep-18	Sep-19	Sep-18	Sep-19	Sep-18	Sep-19	Sep-18	Sep-19	Sep-18	Sep-19	Sep-18	Sep-19
Revenue	342,427	373,524	43,178	53,074	401,679	317,733	-	81,060	24,917	25,356	-8,021	-2,904	804,181	847,843
Cost of sales	-189,609	-201,248	-10,363	-21,850	-344,225	-255,261	-	-69,057	-9,008	-12,236	2,330	-1,124	-550,876	-560,775
Gross profit	152,818	172,277	32,814	31,225	57,454	62,471	-	12,003	15,909	13,120	-5,691	-4,028	253,305	287,068
Other income	25	20	1,746	134	533	404	-	166	591	273	1,920	1,395	4,814	2,392
Administrative expenses	-85,254	-88,410	-24,544	-26,080	-45,396	-37,574	-	-12,704	-13,446	-11,589	1,462	-5,812	-167,177	-182,169
Other expenses	-2,363	-4,538	-1,646	-6,331	-212	-371	-	-298	-287	-22	-20	-84	-4,527	-11,644
Other gains (losses)	-4	0	137	286	167	358	-	737	502	303	334	-1,290	1,136	395
Finance income	0	0	0	44	0	32	-	0	0	0	0	0	0	77
Finance costs	0	0	-536	-77	-36	-22	-	-233	-1,119	-970	-8,875	-9,264	-10,566	-10,565
Share of profit (loss) of associates and joint ventures, equity-accounted	0	0	0	0	892	-157	-	0	-3	-1	141	754	1,031	596
Exchange differences	6,908	4,177	-173	126	166	-276	-	-24	324	262	-2,680	190	4,545	4,455
Gain (loss) from indexed assets and liabilities	-2	0	-106	74	-2,025	-1,726	-	0	-9	13	-4,957	-4,623	-7,100	-6,262
Gains (losses) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	771	396	125	914	0	0	-	0	0	0	0	0	896	1,310
<b>Profit (loss) before tax</b>	<b>72,899</b>	<b>83,922</b>	<b>7,818</b>	<b>314</b>	<b>11,542</b>	<b>23,139</b>	<b>-</b>	<b>-353</b>	<b>2,462</b>	<b>1,389</b>	<b>-18,366</b>	<b>-22,760</b>	<b>76,355</b>	<b>85,652</b>
Income tax benefit (expense)	-16,114	-20,260	-1,381	775	-1,612	-3,548	-	-154	-855	-516	329	-143	-19,634	-23,846
Profit (loss) from continuing operations	56,785	63,663	6,437	1,090	9,930	19,591	-	-507	1,607	872	-18,037	-22,903	56,722	61,805
<b>Profit (loss) attributable to</b>		<b>6,877</b>		<b>-5,345</b>		<b>7,282</b>		<b>-303</b>		<b>-567</b>				
Profit (loss) attributable to equity holders of the parent	56,772	63,648	6,435	1,090	11,738	19,020	-	-303	1,055	488	-18,037	-22,917	57,823	61,026
Profit (loss) attributable to non-controlling interest	13	14	2	0	-1,808	570	-	-204	552	384	139	14	-1,102	779
Profit (loss) for the period	56,785	63,663	6,437	1,090	9,930	19,591	-	-507	1,607	872	-18,037	-22,903	56,722	61,805

## 5. Segment Note - Grupo Security QoQ

Segment Note - Grupo Security <i>In MCH\$</i>	Lending and Treasury		Asset Management		Insurance		International Business		Other Services		Consolidation Adjustments, Support Areas and Group Expenses		Total Grupo Security	
	2Q-19	3Q-19	2Q-19	3Q-19	2Q-19	3Q-19	2Q-19	3Q-19	2Q-19	3Q-19	2Q-19	3Q-19	2Q-19	3Q-19
Revenue	138,855	128,987	14,138	25,432	105,522	102,539	33,861	14,501	7,528	9,493	-898	-6	299,006	280,945
Cost of sales	-83,473	-69,802	-3,810	-14,726	-84,303	-80,782	-23,843	-25,169	-3,097	-5,003	-562	-465	-199,088	-195,946
Gross profit	55,382	59,185	10,328	10,706	21,219	21,757	10,018	-10,668	4,431	4,489	-1,460	-471	99,918	84,999
Other income	8	11	426	-618	190	168	49	94	71	118	555	537	1,299	310
Administrative expenses	-28,996	-29,128	-8,843	-9,197	-12,889	-12,136	-13,525	9,545	-4,256	-4,039	-1,044	-4,276	-69,553	-49,231
Other expenses	-1,399	-1,444	-535	-5,230	-184	-126	-115	-95	-6	-10	-362	768	-2,601	-6,138
Other gains (losses)	0	0	15	243	57	182	276	248	353	0	38	-1,669	740	-995
Finance income	0	0	0	44	-4	32	0	0	0	0	0	0	-4	77
Finance costs	0	0	62	-6	1	-15	-87	-73	-343	-307	-3,003	-3,206	-3,370	-3,606
Share of profit (loss) of associates and joint ventures, equity-accounted	0	0	0	0	-89	-37	0	0	0	0	-3	762	-93	725
Exchange differences	2,443	1,443	7	405	-430	538	5	-33	87	124	50	2	2,161	2,477
Gain (loss) from indexed assets and liabilities	0	0	35	33	-953	-794	0	0	25	-29	-3,270	-1,395	-4,163	-2,186
Gains (losses) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	117	107	28	617	0	0	0	0	0	0	0	0	145	723
<b>Profit (loss) before tax</b>	<b>27,554</b>	<b>30,173</b>	<b>1,524</b>	<b>-3,003</b>	<b>6,918</b>	<b>9,569</b>	<b>-3,380</b>	<b>-983</b>	<b>362</b>	<b>347</b>	<b>-8,498</b>	<b>-8,947</b>	<b>24,479</b>	<b>27,155</b>
Income tax benefit (expense)	-5,797	-7,404	29	1,087	-255	-1,998	-40	-60	-58	-224	484	-372	-5,636	-8,971
Profit (loss) from continuing operations	21,757	22,769	1,553	-1,916	6,663	7,570	-3,420	-1,043	303	124	-8,014	-9,319	18,843	18,185
<b>Profit (loss) attributable to</b>														
Profit (loss) attributable to equity holders of the parent	21,746	22,766	1,553	-1,916	6,406	7,343	-72	-823	157	-12	-8,130	-9,150	21,661	18,207
Profit (loss) attributable to non-controlling interest	11	3	0	0	257	227	-3,348	-220	146	135	116	-168	-2,818	-22
Profit (loss) for the period	21,757	22,769	1,553	-1,916	6,663	7,570	-3,420	-1,043	303	124	-8,014	-9,319	18,843	18,185



## 6. Grupo Security Consolidated Statement of Cash Flows

Statement of Cash Flows	Sep-18	Sep-19
<b>For the periods ended June 30, 2018 and 2017</b>	<b>MM\$</b>	<b>MM\$</b>
Net cash flows provided by (used in) operating activities	-36,641	85,404
Net cash flows used in investing activities	-22,059	-14,411
Net cash flows used in financing activities	5,080	22,636
<b>Increase (decrease) in cash and cash equivalents before effect of exchange rate changes</b>	<b>-53,621</b>	<b>93,629</b>
Effect of changes in exchange rates on cash and cash equivalents	144	311
Net increase (decrease) in cash and cash equivalents	<b>-53,477</b>	<b>93,940</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>599,767</b>	<b>472,890</b>
<b>Cash and cash equivalents at end of period</b>	<b>546,291</b>	<b>566,830</b>

## 7. Quarterly Statement of Income

Quarterly Earnings		2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Revenue	M Ch\$	288,363	248,661	219,957	267,893	299,006	280,945
Cost of sales	M Ch\$	-207,311	-161,998	-122,228	-165,741	-199,088	-195,946
Gross profit	M Ch\$	81,052	86,663	97,729	102,151	99,918	84,999
Administrative expenses	M Ch\$	-61,607	-50,600	-49,784	-63,385	-69,553	-49,231
Operating income	M Ch\$	19,784	37,058	45,384	37,294	29,802	28,946
Finance costs	M Ch\$	-3,145	-4,245	-4,271	-3,589	-3,370	-3,606
Profit before tax	M Ch\$	17,288	28,244	31,536	34,017	24,479	27,155
Profit attributable to equity holders of parent	M Ch\$	13,528	20,728	22,725	21,158	21,661	18,207
EBITDA <sup>1</sup>	M Ch\$	22,783	34,956	37,849	40,341	30,618	33,781

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

## 8. Financial and Business Indicators

Activity levels		30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19	30-Sep-19
Cash (Grupo Security Standalone)	\$ millions	40,538	13,126	55,052	20,736	20,087
Total Assets	\$ millions	10,158,868	10,542,688	10,519,158	10,808,061	11,326,897
Total Liabilities	\$ millions	9,427,080	9,793,647	9,744,655	10,028,529	10,559,300
Total Equity	\$ millions	731,787	749,040	774,503	779,532	767,597

Leverage Ratios		30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19	30-Sep-19
Individual leverage ratio <sup>1</sup>	Times	0.355	0.345	0.345	0.330	0.360
Consolidated financial expenses <sup>2</sup>	Times	8.23	8.27	10.48	9.41	9.11

Profitability		30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19	30-Sep-19
Revenue	\$ millions	804,181	1,024,138	267,893	566,898	847,843
Profit attributable to equity holders of the company	\$ millions	57,823	80,548	21,158	42,819	61,026
EBITDA	\$ millions	93,940	131,788	40,341	70,960	104,741
Return of equity <sup>3</sup>	%	11.11%	11.24%	10.71%	11.80%	11.49%
Return on assets <sup>4</sup>	%	0.80%	0.79%	0.76%	0.82%	0.78%
Earnings per share <sup>5</sup>	\$	21.38	21.82	21.15	23.35	22.67
Number of shares	\$ millions	3,695	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\$11,326,897 million as of September 2019, +7.4% YTD. Of these assets, 55.5% are trade and other receivables, primarily the Bank's loan portfolio. As of September 2019, this item reached CH\$6,289,424 million, +7.8% YTD, driven by +8.9% YTD growth in loans as explained on page 10 of this report.

Furthermore, 31.1% 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 September 2019, other current financial assets totaled CH\$3,519,494 million (+3.1% YTD), as a result of the 6.0% YTD increase in the investment portfolio for the insurance subsidiary's technical reserves, which totaled CH\$2,534,043 million as of September 2019, in keeping with business growth and portfolio returns. The above was only partially offset by a decrease of 3.6% in the Bank's current financial assets, which fell to CH\$984,219 million as of September 2019.

As of September 2019, total consolidated liabilities were CH\$10,559,300 million, +7.8% YTD. Of those, 62.6% 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 September 2019, other current financial liabilities were CH\$6,614,871 million, +6.4% YTD, due to an increase in debt issued, offset by a decrease in savings accounts and time deposits at the Bank, as explained on page 12 of this report.

Of total liabilities, 26.1% were trade and other payables, which are primarily the technical reserves of Vida Security and Protecta Security. As of September 2019, trade payables were CH\$2,758,410 million, +6.2% YTD, due to the 7.5% YTD increase in life insurance technical reserves, which were CH\$2,651,771 million, due to increased reserves at Vida Security, mainly due to higher investment income from equity investments in the CUI and APV portfolio and greater annuity sales during the period, as explained on pages 14 to 20 of this report. There were also greater reserves at Protecta Security, in line with greater sales of annuities and private annuities, as discussed on page 23 of this report.

Grupo Security's total equity was CH\$744,077 million as of September 2019, +2.1% YTD, due to profit for the period allocated to retained earnings.

The individual leverage ratio is defined in note 38 of Grupo Security's financial statements as the ratio of standalone financial liabilities, as presented in the

FECU disclosures, to total equity. Under the bondholder protection covenant, it may not exceed 0.4, measured on the standalone statement of financial position. As of September 2019, this ratio was 0.36, +155 b.p. YTD.

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. Consolidated financial expense coverage was 9.1 for 9M19, +10.7% YoY, reflecting the 12.2% YoY increase in profit before tax.

Operating revenue was CH\$847,843 million for 9M19, +5.4% YoY. Of this, 29.9% corresponds to gross written premiums from Vida Security, which fell 16.9% YoY due to the expiration of contract No. 5 for Disability and Survivor Insurance (DSI), partially offset by increased annuity sales and larger gross written premiums for individual and group insurance, as explained on pages 14 to 20 of this report. In addition, 25.8% of revenue was from interest and indexation on Bank loans, which grew 6.4% YoY, as explained on pages 8 and 9. On the other hand, 6.1% of consolidated revenue corresponds to other income from interest earned mainly on Vida Security's investment portfolio, which had higher returns on equity investments in the CUI and APV portfolio because of strong market performances during the period, as mentioned on pages 14 to 19 of this report.

For 9M19, profit attributable to owners of the parent was CH\$61,026 million, +5.5% YoY, while EBITDA was CH\$104,741 million, +11.5% YoY. As of September 2019, return on equity was 11.5%, +38 b.p. YoY, and return on assets was 0.78%, -2 b.p. YoY, with earnings per share of CH\$22.7, +6.0% YoY. These results are explained by the results of Grupo Security and its subsidiaries, which are presented in detail throughout this report.

## Market Information

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

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. Starting in 4Q18, the international business area, which consists of the Peruvian subsidiaries Protecta Security and Travex Security, is reported separately.

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

### **BANKING INDUSTRY**

As of September 2019, the Chilean banking industry was made up of 18 financial institutions, including 1 state-owned bank (Banco Estado), 14 domestic banks and 3 branches of foreign banks. As of that date, industry loans totaled CH\$190,702,361 million (CH\$174,763,100 million excluding foreign subsidiaries). Equity totaled CH\$21,583,099 million, while profit for 9M19 were CH\$2,095,510 million, with return on average equity of 13.2%. The industry reported an efficiency ratio of 44.9%, 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 2.46%, measured as loan loss provisions to total loans, and 1.90%, measured as 90-day nonperforming loans to total loans. As of September 2019, Banco Security had total loans of CH\$5,822,872 million, positioning it 8th in total loans with 3.1% 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 September 2019, the mutual fund industry reported average assets under management of CH\$45,946,411 million and 2,630,118 investors. Administradora General de Fondos Security boasted average assets under management of CH\$2,825,655 million as of September 2019, giving it a market share of 6.1% and a fifth-place industry ranking among the 20 fund managers operating in the market.

### **STOCK BROKERAGE INDUSTRY**

During the first nine months of 2019, market activity measured as value of shares traded decreased 10.7% in comparison to 9M18, reaching CH\$40,694

billion. Value of shares traded for Valores Security Corredores de Bolsa for the same period totaled CH\$1,501 billion with market share of 43.7%. Market share is calculated based on transactions on Santiago Exchange and the Chilean Electronic Stock Exchange.

## **LIFE INSURANCE INDUSTRY**

As of September 2019, there were 35 life insurance companies in Chile. Total gross written premiums for the industry were CH\$4,707,283 million for 9M19. The life insurance industry posted profit of CH\$246,703 million for the period ended September 2019. For the same period, Vida Security had market share of 4.1% based on gross written premiums.

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

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Grupo Security participates in the insurance and services businesses through its investments in related companies, mainly Europ Assistance and in private investment funds through Inmobiliaria Security. As of September 2019, investments accounted for using the equity method in the Consolidated Statements of Financial Position represent approximately 0.02% 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 September 2019, equivalent to 1.05% of total assets.

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

## **Risk Factors**

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### **DEPENDENCE ON SUBSIDIARY RESULTS**

Grupo Security is the ultimate parent company of a conglomerate of companies and receives its income from subsidiary profits. As of September 2019, Banco Security had distributed CH\$43,591 million in dividends to Grupo Security (60% of profit for 2018).

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 September 30, 2019, the company has loans at reasonable rates based on current market conditions.

### **Foreign Exchange Risk**

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

### **Commodity Risk**

As of September 30, 2019, 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

