

## Grupo Security Earnings Report

### **Grupo Security Reports Profit of MCH\$6,500 for the first quarter of 2020, down 69.3% from the same period in 2019, mainly because of reduced returns on financial investments at Vida Security.**

- Banco Security's consolidated profit was MCH\$15,918 for the first quarter of 2020, -14.8% YoY, which represents an ROAE of 10.4%. The Bank's standalone profit for 1Q20 was MCH\$14,789, -12.7% YoY. This decrease can be explained by a low basis of comparison for provision expenses in the commercial banking division.
- Banco Security's market share reached 3.3% as of March 2020. Commercial loans expanded 16.6% YoY and 3.7% YTD, with market share in its target segment of medium and large companies of 5.7%<sup>1</sup>. Banco Security's consolidated efficiency ratio was 51.9% as of March 2020 (+37 bps YoY). Its risk ratio, measured as provisions to loans, was 1.66% as of March 2020 (+4 bps YoY).
- In the context of the current public health crisis, Banco Security has joined the government's COVID-19 lending program to support its customers, regardless of their industry. The process requires companies to meet conditions defined by the program and the Bank's risk policies. The customer service model is personalized and cases are reviewed individually to meet the needs of each customer.
- Factoring Security reported profit of MCH\$2,862 for 1Q20, +31.0% YoY, with 10.2% YoY growth in total factored receivables and lower financing costs.
- Vida Security had a net loss of -MCH\$957 for 1Q20 (profit of MCH\$5,197 for 1Q19) due to a loss on investments of -MCH\$13,212 (income of MCH\$40,319 for 1Q19) due to the drop in the markets in March. It is important to mention that the insurance business (individual, group, family protection and annuities) is operating in line with projections for this year.
- On May 27th, Vida Security reported a deal to acquire Mapfre's annuity portfolio and Caja Reaseguradora de Chile's annuity reinsurance portfolio. This transaction will involve transferring MUF 3.33 in assets, and will increase Vida Security's financial assets by 4.4% and its reserves by 6.3%.
- Protecta Security reported profit of MS./5.9 for 1Q20, higher than the MS./1.1 reported for 1Q19, due to improved investment income. Protecta Security has 26.0% market share in annuities, positioning it second in sales in the Peruvian market.
- Inversiones Security, including Securitizadora Security, posted profit of MCH\$471 for 1Q20 (-67.6% YoY) because of reduced profit from the brokerage subsidiary (MCH\$59, -88.4% YoY) and the fund management subsidiary (MCH\$1,070, -12.8% YoY), and weaker results from its proprietary trading portfolio and slightly lower commercial revenue than last year.
- Inmobiliaria Security reported a loss of -MCH\$168 for 1Q20, explained by the company's cycle for transferring ownership on properties. There is a lag between a sale and revenue recognition. Under IFRS, revenue is recognized once legal title to the property has been transferred. The company expects this effect to be reversed during the year as it transfers ownership on units that have already been sold.
- Travel Security reached profit of MCH\$90 for 1Q20 (versus MCH\$896 for 1Q19), as a result of the impact of the public health crisis on the travel and tourism industry. This profound impact and the complex outlook for the future have led us to cut costs through a variety of measures including laying off 32% of our workforce and shifting to a digital sales model.

#### **Santiago, Chile – May 28, 2020. Grupo Security S.A., (BCS: SECURITY; BBG: SECUR).**

Grupo Security's CEO, Renato Peñafiel, commented, "Grupo Security reported profit of MCH\$6,500 for the first quarter of 2020, which is 69.3% lower than last year, mainly because of reduced returns on financial investments at Vida Security. This first quarter the WHO declared COVID-19 a pandemic, with profound effects on financial markets and local and international economies. In particular, the outlook for the future of our travel business is very complex, which led us to take important measures to adjust our structure from a long-term perspective. We are reviewing each business in detail, looking for ways and opportunities to make our business model more digital in order to better serve our customers as efficiently as possible."

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<sup>1</sup>This includes companies with annual sales over MCH \$800, only in the regions of Chile where Banco Security has offices. Source: Chilean Internal Revenue Service (SII).

Grupo Security Indicators In MCh\$	mar-20	dic-19	mar-19	% Chg	
				QoQ	YoY
Banco - Total Loans	6,191,897	6,051,817	5,362,225	2.3%	15.5%
Industry - Total Loans <sup>1</sup>	187,627,727	180,057,437	166,009,169	4.2%	13.0%
Inversiones - AUM Mutual Funds	2,558,199	2,660,717	2,681,921	-3.9%	-4.6%
Industry - AUM Mutual Funds	45,325,172	45,052,916	39,215,179	0.6%	15.6%
Vida - Investment Portfolio	2,567,097	2,558,585	2,486,271	0.3%	3.3%
Industry (life insurance) - Investment Portfolio	46,409,505	45,208,815	42,122,110	2.7%	10.2%
Factoring - Factored Receivables	387,505	411,703	351,743	-5.9%	10.2%

Operations				% Chg	
				QoQ	YoY
Employees (number)	3,892	3,961	3,919	-1.7%	-0.7%

Grupo Security Indicators Statement of Income	1Q20	4Q19	1Q19	% Chg	
				QoQ	YoY
Banco - Net Interest Margin	47,542	47,523	41,009	0.0%	15.9%
Banco - Net Fees	16,491	15,085	16,857	9.3%	-2.2%
Banco - Operating Expenses	-35,607	-33,804	-33,418	5.3%	6.6%
Banco - Net Provision Expenses	-13,106	-12,350	-5,275	6.1%	148.5%
Vida - Direct Premium	63,408	64,463	66,397	-1.6%	-4.5%
Vida - Claims Paid	-42,156	-51,828	-23,904	-18.7%	76.4%
Vida - Pensions Paid	-24,786	-21,813	-44,001	13.6%	-43.7%
Vida - Investment Income	-13,212	32,649	40,319	-	-
Factoring - Revenue	9,096	8,961	8,481	1.5%	7.2%

Ratios	mar-20	dic-19	mar-19	% Chg	
				QoQ	YoY
Grupo - Share Price (Ch\$)	142.6	195.6	276.5	-27.1%	-48.4%
Grupo - Number of Shares (millions)	3,695	3,695	3,695	0.0%	0.0%
Grupo - ROE	3.4%	10.8%	11.5%	-743 p	-807 p
Banco (Consolidated) - ROAE	10.4%	12.9%	13.0%	-248 p	-260 p
Factoring - ROE	22.4%	18.6%	18.6%	381 p	376 p
Vida - ROAE	-1.9%	10.8%	12.1%	-1274 p	-1403 p
Travel - ROE	3.3%	37.9%	30.3%	-3462 p	-2702 p
Grupo - Leverage	36.6%	35.1%	34.5%	154 p	209 p
Banco - Efficiency	51.9%	47.5%	51.5%	446 p	37 p
Factoring - Efficiency	39.7%	42.2%	42.8%	-251 p	-312 p
Banco - Non-Performing Loans	1.56%	1.55%	1.74%	1 p	-18 p
Banco - Risk Index	1.66%	1.66%	1.62%	0 p	4 p
Factoring - Risk Index	1.88%	1.86%	2.25%	2 p	-37 p
Banco - BIS Tier I Ratio	6.8%	7.1%	7.7%	-30 p	-92 p
Banco - BIS Tier II Ratio	12.0%	12.3%	12.8%	-28 p	-78 p

ROAE: profit 12M over average equity

On March 6, 2020, Eduardo Olivares took over as CEO of Banco Security, replacing Bonifacio Bilbao.

At the annual general meeting on April 7, 2020, Grupo Security shareholders approved a dividend payment of CH \$7.45 per share charged to profit for the year 2019. This dividend plus the interim dividend distributed in October 2019 are equivalent to CH \$12.25 per share, totaling MCH\$45,264, or 56% of profit for the year 2019. At this meeting, shareholders also approved the annual report, balance sheet and financial statements for the year 2019. They also agreed to appoint EY as the Company's external auditors for the year 2020 and Fitch and ICR as its risk rating agencies.

On April 16, 2020, Horacio Pavez resigned from Banco Security's Board, which appointed Bonifacio Bilbao to replace him.

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## GRUPO SECURITY EARNINGS REPORT FOR 1Q20

Grupo Security posted profit of MCH\$6,500 for the first quarter of 2020 (-69.3% YoY and -67.7% QoQ). EBIDTA for the same period totaled MCH\$14,805 (-63.3% YoY and -56.5% QoQ).

The Group posted an ROAE as of March 2020 of 3.4% (11.5% as of Mar 2019, 10.8% as of Dec 2019). Profit from the Group's business areas reached MCH\$17,377, -35.1% YoY.

### EARNINGS CONTRIBUTION BY BUSINESS AREA

Earnings from Related Companies (In Ch\$ Million)					
	1Q20	4Q19	1Q19	% Chg	
				QoQ	YoY
<b>Lending Area</b>					
Banco Security (standalone)	14,789	20,737	16,951	-28.7%	-12.8%
Factoring Security	2,862	2,353	2,186	21.7%	30.9%
<b>Asset Management Area</b>					
Valores Security	59	(3,089)	506	-	-
AGF Security	1,070	722	1,228	48.2%	-12.8%
Securizadora Security	(253)	1,865	(122)	-	-
<b>Insurance Area</b>					
Vida Security	(957)	1,646	5,197	-158.1%	-118.4%
Servicios Security	240	86	136	180.5%	76.4%
<b>Other Services</b>					
Inmobiliaria Security	(168)	(681)	(395)	-	-
Travel Security	90	1,527	896	-94.1%	-90.0%
<b>International Business</b>					
Protecta Security (S./ Th.)	5,898	11,453	1,143	-48.5%	418.0%
Travex Security (S./ Th.)	(571)	(322)	575	-	-
<b>Grupo Security Profit<sup>1</sup></b>	<b>6,500</b>	<b>20,130</b>	<b>21,158</b>	<b>-67.7%</b>	<b>-69.3%</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 (70.8% of assets; 101.6% of profit from business areas as of March 2020)

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

#### BANCO SECURITY

For 1Q20, Banco Security reported consolidated profit attributable to owners of the parent of MCH\$15,918, -14.8% YoY. Banco Security's standalone profit (excluding subsidiaries AGF Security and Valores Security Corredores de Bolsa) was MCH\$14,789, -12.7% YoY.

Banco Security's ROAE (profit LTM over average equity) was 10.4%, -260 bps YoY.

#### Banco Security - Operating Segments

Banco Security Segment Note	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
	mar-20	mar-19	mar-20	mar-19	mar-20	mar-19	mar-20	mar-19	mar-20	mar-19	mar-20	mar-19	mar-20	mar-19
<i>In Ch\$ Million</i>														
Net interest margin	24,563	22,580	16,023	16,716	9,070	5,400	-2,038	-3,477	47,618	41,220	-76	-211	47,542	41,009
Δ% 3M20	8.8%		-4.1%		67.9%		-41.4%		15.5%		-64.0%		15.9%	
Net Fees	5,378	4,852	4,694	4,965	-58	-66	-94	338	9,920	10,089	6,571	6,768	16,491	16,857
Δ% 3M20	10.8%		-5.5%		-10.9%		-127.7%		-1.7%		-2.9%		-2.2%	
Net FX transactions and other income	2,336	2,364	1,559	391	2,398	2,161	-2,686	736	3,607	5,652	1,227	1,784	4,834	7,436
Δ% 3M20	-1.2%		298.6%		11.0%		-465.1%		-36.2%		-31.2%		-35.0%	
Loan losses and foreclosed assets	-6,038	-610	-6,812	-5,992	-1,100	14	-326	84	-14,276	-6,504	0	0	-14,276	-6,504
Δ% 3M20	889.4%		13.7%		-		-489.7%		119.5%		-		119.5%	
Total operating income, net of credit risk prov.	26,239	29,186	15,463	16,080	10,309	7,510	-5,143	-2,320	46,869	50,457	7,722	8,341	54,591	58,798
Δ% 3M20	-10.1%		-3.8%		37.3%		121.7%		-7.1%		-7.4%		-7.2%	
Operating expenses	-11,669	-9,832	-14,244	-14,444	-4,314	-3,543	1,140	612	-29,088	-27,207	-6,519	-6,211	-35,607	-33,418
Δ% 3M20	18.7%		-1.4%		21.8%		86.2%		6.9%		5.0%		6.6%	
Net operating income	14,570	19,354	1,219	1,637	5,995	3,967	-4,003	-1,708	17,781	23,250	1,203	2,130	18,984	25,380
Δ% 3M20	-24.7%		-25.5%		51.1%		134.4%		-23.5%		-43.5%		-25.2%	
Income tax expense	-2,452	-5,247	-205	-444	-1,009	-1,075	674	461	-2,992	-6,305	-74	-390	-3,066	-6,695
Δ% 3M20	-53.3%		-53.8%		-6.2%		46.1%		-52.5%		-81.0%		-54.2%	
Profit attributable to equity holders of the bank	12,118	14,107	1,014	1,193	4,986	2,892	-3,329	-1,246	14,789	16,945	1,129	1,739	15,918	18,684
Δ% 3M20	-14.1%		-15.0%		72.4%		167.1%		-12.7%		-35.1%		-14.8%	

Banco Security Segment Note	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
	1Q-20	4Q-19	1Q-20	4Q-19	1Q-20	4Q-19	1Q-20	4Q-19	1Q-20	4Q-19	1Q-20	4Q-19	1Q-20	4Q-19
<i>In Ch\$ Million</i>														
Net interest margin	24,563	26,226	16,023	16,898	9,070	7,161	-2,038	-2,717	47,618	47,567	-76	-44	47,542	47,523
Δ% 1Q20	-6.3%		-5.2%		26.7%		-25.0%		0.1%		72.7%		0.0%	
Net Fees	5,378	5,784	4,694	4,558	-58	-81	-94	79	9,920	10,339	6,571	4,746	16,491	15,085
Δ% 1Q20	-7.0%		3.0%		-		-		-4.1%		38.5%		9.3%	
Net FX transactions and other income	2,336	2,029	1,559	-16	2,398	5,882	-2,686	-2,202	3,607	5,693	1,227	1,397	4,834	7,090
Δ% 1Q20	15.1%		-		-59.2%		22.0%		-36.6%		-12.2%		-31.8%	
Loan losses and foreclosed assets	-6,038	-3,475	-6,812	-9,262	-1,100	0	-326	2,395	-14,276	-10,342	0	0	-14,276	-10,342
Δ% 1Q20	73.8%		-26.4%		-		-		38.0%		-		38.0%	
Total operating income, net of credit risk prov.	26,239	30,563	15,463	12,178	10,309	12,961	-5,143	-2,445	46,869	53,257	7,722	6,099	54,591	59,356
Δ% 1Q20	-14.1%		27.0%		-20.5%		110.3%		-12.0%		26.6%		-8.0%	
Operating expenses	-11,669	-10,135	-14,244	-15,058	-4,314	-2,883	1,140	1,680	-29,088	-26,396	-6,519	-7,408	-35,607	-33,804
Δ% 1Q20	15.1%		-5.4%		49.6%		-32.2%		10.2%		-12.0%		5.3%	
Net operating income	14,570	20,428	1,219	-2,880	5,995	10,078	-4,003	-765	17,781	26,861	1,203	-1,309	18,984	25,552
Δ% 1Q20	-28.7%		-		-40.5%		423.1%		-33.8%		-191.9%		-25.7%	
Income tax expense	-2,452	-4,663	-205	694	-1,009	-2,315	674	156	-2,992	-6,128	-74	-1,054	-3,066	-7,182
Δ% 1Q20	-47.4%		-129.6%		-56.4%		331.4%		-51.2%		-93.0%		-57.3%	
Profit attributable to equity holders of the bank	12,118	15,765	1,014	-2,186	4,986	7,763	-3,329	-609	14,789	20,733	1,129	-2,367	15,918	18,367
Δ% 1Q20	-23.1%		-146.4%		-35.8%		446.6%		-28.7%		-147.7%		-13.3%	

## Commercial Banking

Banco Security's Commercial Banking Division targets companies with annual sales above MUS\$1.2. 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 March 2020, the Bank's commercial loans were up 16.6% YoY and 3.7% YTD, totaling BCH\$4,938, while the industry's commercial loans had grown 15.8% YoY and 6.2% YTD. Including foreign subsidiaries, the industry's commercial loans grew 16.6% YoY and 6.6% YTD. Banco Security's market share in commercial loans was 4.7% as of March 2020<sup>2</sup>, while its market share in its target segment of medium and large companies was 5.7%<sup>3</sup>. The commercial banking division had 8,219 customers as of March 2020 (-0.2% YoY).

The commercial banking division reported profit of MCH\$12,118 for 1Q20 (-14.1% YoY). This figure is explained mainly by increased provision expenses, which reached MCH\$6,038 for 1Q20, up from MCH\$610 for 1Q19, which is a low basis of comparison due to the reversal of several provisions. There was also an increase in provisions due to portfolio growth (+3.7% 1Q20 vs +0.1% 1Q19) and a drop in the prices of stocks serving as guarantees. Operating expenses rose +18.7% YoY to MCH\$11,669 for 1Q20 because of increased personnel expenses for 2019 performance bonuses. This effect was not fully offset by a greater net interest margin, which reached MCH\$24,563 (+MCH\$1,983, +8.8% YoY), reflecting an increase in commercial loans (+16.6% YoY), with a slightly larger spread than the previous year. The division also recognized higher net fees of MCH\$5,378 (+10.8% YoY), explained by increased business.

Compared to the immediately preceding quarter, profit of MCH\$12,118 (-23.1% QoQ) can be explained by higher risk expenses (+73.8% QoQ), due to increased provisions and a smaller net interest margin (-6.3% QoQ), where the rise in loans was offset by MPR cuts during the period (Mar-20 1.0% vs 3.0% Mar-19). In addition, operating expenses rose +15.1% QoQ because of increased personnel expenses. The above was not fully offset by higher financial operating income, net FX transactions and other income of MCH\$2,336 (+15.1% QoQ), mainly due to increased business.

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## Retail Banking

Banco Security's Retail Banking Division targets high-income individuals. In recent years, the retail division has focused on expanding consumer products.

As of March 2020, the Bank had total retail loans (consumer + mortgage) of BCH \$1,254 (+11.3% YoY, -2.8% YTD), driven by consumer (+2.6% YoY, -3.1% YTD) and mortgage (18.6% YoY, -2.5% YTD) loans, representing 8.5% and 11.7% of the Bank's total loans, respectively. For the industry, retail loans increased 9.6% YoY and 1.4% YTD, driven by consumer loans (+4.1% YoY and -1.5% YTD) and mortgage loans (+12.3% YoY and +2.8% YTD). The industry's retail loans, including foreign subsidiaries, grew +9.6% YoY and 1.4% YTD. As of November 30, 2019, Santander Consumer, a non-banking company providing automotive

Commercial Loans by Economic Sector	mar-20	% Total
<i>In Ch\$ Millions</i>		
Construction and real estate	980,692	19.9%
Financial services and insurance	1,035,728	21.0%
corporate services	817,908	16.6%
Wholesale and retail trade	487,116	9.9%
Manufacturing	408,087	8.3%
Transportation	239,124	4.8%
Social services	361,235	7.3%
Utilities	242,742	4.9%
Agriculture and livestock	156,898	3.2%
Fishing	122,608	2.5%
Mining	57,410	1.2%
Telecom	21,294	0.4%
Forestry	6,928	0.1%
<b>Total commercial loans</b>	<b>4,937,771</b>	<b>100%</b>

<sup>2</sup> Excluding foreign subsidiaries of Chilean banks

<sup>3</sup> This includes companies with annual sales over MCH \$800, only in the regions of Chile where Banco Security has offices. Source: Chilean Internal Revenue Service (SII).

financing, joined the Chilean banking industry with BCH\$451 in consumer loans, and was consolidated with Banco Santander. The Bank boasts market share of 4.1% in its target segment of high-income individuals as of March 2020. The retail banking division had 69,953 customers as of March 2020 (-0.1% YoY).

The retail banking division reported profit of MCH\$1,014 for 1Q20 (-15.0% YoY), with provision expenses of MCH\$6,812 (+13.7% YoY), due to an increase in the NPL ratio (1.80% 1Q20 vs 1.27% 1Q19)<sup>5</sup>. Additionally, it had a lower net financial margin of MCH\$16,023 (-4.1% YoY), with a lower spread than 1Q19, and lower net fees of MCH\$4,694 (-5.5% YoY). These effects were not fully offset by higher financial operating income, net FX transactions and other income of MCH\$1,559 (+MCH\$1,168, +298.6% YoY), mainly due to increased sales of mortgage bonds, nor by lower operating expenses during the period (-1.4% YoY).

Compared to the immediately preceding quarter, profit of MCH\$1,014 (vs -MCH\$2,186 for 4Q19) can be explained by lower provision expenses, which totaled MCH\$6,812 (-26.4% QoQ), due to the implementation of the new regulatory-mandated group commercial matrix, which meant allocating MCH\$1,220 in 4Q19, and a lower loan volume (-2.8% QoQ). There was also an increase in financial operating income, net FX transactions and other income, which reached MCH\$1,559 (vs -MCH\$16 for 4Q19) due to greater sales of mortgage bonds, along with reduced operating expenses of MCH\$14,244 (-5.4% QoQ), because of decreased business and lower personnel expenses. Net fees totaled MCH\$4,694 for 1Q20 (+3.0% QoQ). These effects were only partially offset by a smaller net interest margin of MCH\$16,023 (-5.2% QoQ), due to a smaller spread.

## **Treasury**

For 1Q20, the treasury division reported profit of MCH\$4,986, (+72.4% YoY), due to greater net operating income of MCH\$10,309 (+37.3% YoY) because of higher accumulated inflation (Mar-20: 1.4% vs Mar-19: 0.6%) and MPR cuts during the period (Mar-20 1.0% vs Mar-19 3.0%), partially offset by reduced prepayments. Operating expenses rose to MCH\$4,314 (+21.8% YoY) mainly due to increased personnel expenses.

Compared to the immediately preceding quarter, profit of MCH\$4,986 (-31.8% QoQ) can be explained by decreased trading of fixed-income instruments, partially offset by MPR cuts during the period. Operating expenses totaled MCH\$4,314 (+49.6% QoQ) mainly due to increased personnel and software expenses. In addition, it recorded a risk-related loss of MCH\$1,100 (MCH\$0 for 4Q19) due to impairment on an instrument in the available-for-sale investment portfolio.

The treasury division consists of trading, investment, distribution and asset and liability management (ALM) transactions. The ALM desk manages financial investments used to stabilize the net interest margin, manage the balance of interest rate risk, manage liquidity and efficiently fund the bank's loan portfolio. As of March 2020, ALM represented 63.7% 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 7.0% of treasury income. The remaining 29.3% 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**

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<sup>4</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: Financial Market Commission (CMF).

<sup>5</sup> NPL ratio for consumer portfolio.

Banco Security posted consolidated profit of MCH\$15,918 for 1Q20 (-14.8% YoY) and MCH\$18,367 for 4Q19 (-13.3% QoQ).

<i>In Ch\$ Million</i>	1Q20	4Q19	1Q19	% Chg	
				QoQ	YoY
Net interest margin	47,542	47,523	41,009	0.0%	15.9%
Net Fees	16,491	15,085	16,857	9.3%	-2.2%
Net financial Operating Income	2,083	5,248	5,892	-60.3%	-64.6%
Net foreign exchange transactions	5,399	6,257	-94	-13.7%	-
Recovery of charged-off loans	889	925	757	-3.9%	17.4%
Other net operating income	-3,818	-2,407	409	-	-
<b>Gross operating income</b>	<b>68,586</b>	<b>72,631</b>	<b>64,830</b>	<b>-5.6%</b>	<b>5.8%</b>
Credit risk provisions	-13,995	-13,275	-6,032	5.4%	132.0%
Administrative expenses	-35,607	-33,804	-33,418	5.3%	6.6%
<b>Net operating income</b>	<b>18,984</b>	<b>25,552</b>	<b>25,380</b>	<b>-25.7%</b>	<b>-25.2%</b>
Income attributable to investments in other companies	0	0	0	-	-
<b>Profit before tax</b>	<b>18,984</b>	<b>25,552</b>	<b>25,380</b>	<b>-25.7%</b>	<b>-25.2%</b>
Income tax expense	-3,066	-7,182	-6,695	-57.3%	-54.2%
<b>Profit for the period</b>	<b>15,918</b>	<b>18,370</b>	<b>18,685</b>	<b>-13.3%</b>	<b>-14.8%</b>

The net interest margin was MCH\$47,542 (+15.9% YoY), due to greater total loans (+15.5% YoY) and MPR cuts, which increased the net interest margin since price adjustments for liabilities are faster than for assets. This was partially offset by reduced prepayments. Interest and indexation income reached MCH\$114,217 (+42.1% YoY), due to a rise in total loans (+15.5% YoY) and higher inflation than last year (Mar-20: 1.4% vs Mar-19: 0.6%). Interest and indexation expense totaled MCH\$66,675 for 1Q20 (+69.5% YoY), due to 25.3% YoY growth in the Bank's total liabilities, explained by greater volumes of debt instruments issued, primarily bonds, and higher inflation than last year.

During the quarter, the interest margin stayed in line with 4Q19 (+0.0% QoQ). Interest and indexation income was up 3.3% QoQ, due to greater loan volumes (+2.3% QoQ), while interest and indexation expenses increased +5.7% QoQ, because of a 3.8% rise in the Bank's total liabilities.

<b>Net Interest Margin</b> <i>In Ch\$ Million</i>	1Q20	4Q19	1Q19	% Chg	
				QoQ	YoY
Interest and indexation income	114,217	110,586	80,355	3.3%	42.1%
Interest and indexation expenses	-66,675	-63,063	-39,346	5.7%	69.5%
<b>Net interest margin</b>	<b>47,542</b>	<b>47,523</b>	<b>41,009</b>	<b>0.0%</b>	<b>15.9%</b>
Interest margin net of provisions	33,547	34,248	34,977	-2.0%	-4.1%
Net interest margin / total loans	3.07%	3.14%	3.06%	-7 p	1 p
Net interest margin net of provisions / Total loans	2.17%	2.26%	2.61%	-10 p	-44 p

Net fees totaled MCH\$16,491 for 1Q20 (-2.2% YoY), due to reduced income from supplementary loan insurance products mainly in the retail banking division and reduced business in the Bank's subsidiaries. With respect to the preceding quarter, net fees were up 9.3% QoQ, because of increased business at the Bank's subsidiaries (AGF and Valores Security).

Finance income, which is the sum of net financial operating income (loss) and the net gain from FX transactions, totaled MCH\$7,482 (+29.0% YoY), due to greater revenue from the treasury division from brokering fixed-income instruments. Compared to 4Q19, there was a decrease of 35.0% QoQ, due to a weaker performance by the treasury division's Investment Desk.

Loan loss provision expenses for 1Q20 totaled MCH\$13,995 (+132.0% YoY), due to a low basis of comparison because of the reversal of provisions in the retail banking division in 1Q19, portfolio growth and a drop in the prices of stocks serving as guarantees. Compared to the prior quarter, loan loss provision expenses were up 5.4% QoQ, due to a rise in provisions in the retail banking division and impairment of an instrument in the available-for-sale investment portfolio, partially offset by implementing the new regulatory-mandated group commercial matrix, which resulted in allocating MCH\$1,220 in 4Q19.

Provision expenses net of recovered loans reached 0.85% for 1Q20 (+3 bps QoQ).

In Ch\$ Million	1Q20	4Q19	1Q19	% Chg	
				QoQ	YoY
Consumer loans	526,997	543,953	513,729	-3.1%	2.6%
Mortgage loans	726,885	745,550	612,994	-2.5%	18.6%
Commercial loans	4,937,771	4,761,744	4,233,163	3.7%	16.6%
<b>Total Loans</b>	<b>6,191,897</b>	<b>6,051,817</b>	<b>5,362,225</b>	<b>2.3%</b>	<b>15.5%</b>
Nonperforming loans - consumer	9,462	8,807	6,526	7.4%	45.0%
Nonperforming loans - mortgage	9,025	9,365	6,660	-3.6%	35.5%
Nonperforming loans - commercial	78,050	75,643	80,305	3.2%	-2.8%
<b>Total nonperforming loans</b>	<b>96,537</b>	<b>93,815</b>	<b>93,491</b>	<b>2.9%</b>	<b>3.3%</b>
Non-performing loans - consumer	1.80%	1.62%	1.27%	18 p	53 p
Non-performing loans - mortgage	1.24%	1.26%	1.09%	-1 p	16 p
Non-performing loans - commercial	1.58%	1.59%	1.90%	-1 p	-32 p
<b>Total nonperforming loans</b>	<b>1.56%</b>	<b>1.55%</b>	<b>1.74%</b>	<b>1 p</b>	<b>-18 p</b>
Gross provisions	115,551	137,705	96,247	-16.1%	20.1%
Write-offs	(12,757)	(37,179)	(9,345)	-65.7%	36.5%
<b>Credit risk provisions</b>	<b>102,794</b>	<b>100,526</b>	<b>86,902</b>	<b>2.3%</b>	<b>18.3%</b>
Provisions - consumer (% total)	23,234	23,689	21,096	-1.9%	10.1%
Provisions - mortgage (% total)	1,312	1,469	1,159	-10.7%	13.2%
Provisions - commercial (% total)	78,248	75,368	64,647	3.8%	21.0%
<b>Credit risk provisions</b>	<b>102,794</b>	<b>100,526</b>	<b>86,902</b>	<b>2.3%</b>	<b>18.3%</b>
Coverage - consumer	245.6%	269.0%	323.3%	-2343 p	-7771 p
Coverage - mortgage	14.5%	15.7%	17.4%	-115 p	-287 p
Coverage - commercial	100.3%	99.6%	80.5%	62 p	1975 p
<b>Coverage - total nonperforming loans<sup>1</sup></b>	<b>106.5%</b>	<b>107.2%</b>	<b>93.0%</b>	<b>-67 p</b>	<b>1353 p</b>
Provisions / loans	1.66%	1.66%	1.62%	0 p	4 p
<b>Expense in total provisions</b>	<b>(13,106)</b>	<b>(12,350)</b>	<b>(5,275)</b>	<b>6.1%</b>	<b>148.5%</b>
Consumer provisions	(5,505)	(5,797)	(5,026)	-5.0%	9.5%
Mortgage provisions	(63)	(381)	(127)	-83.5%	-50.4%
Commercial provisions	(7,611)	(8,265)	(71)	-7.9%	-
Others	73	2,093	(51)	-	-
<b>Provision expenses<sup>2</sup> / loans</b>	<b>0.85%</b>	<b>0.82%</b>	<b>0.39%</b>	<b>3 p</b>	<b>45 p</b>
Consumer provisions / Total Loans	4.18%	4.26%	3.91%	-8 p	27 p
Mortgage provisions / Total Loans	0.03%	0.20%	0.08%	-17 p	-5 p
Commercial provisions / Total Loans	0.62%	0.69%	0.01%	-8 p	61 p

<sup>1</sup> Credit risk provisions / Total nonperforming loans

<sup>2</sup> Expense in provisions net of recovery

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 March 2020, Banco Security's risk index reached 1.66%, -4 bps YoY and +0 bps QoQ. The 90-day nonperforming loans portfolio reached 1.56%, -18 bps YoY and +1 bps QoQ. The resulting 90-day NPL coverage ratio was 106.5%.

	Credit Risk (%)								
	Provisions / Loans					Over 90 Day Nonperforming Loans			
	Mortgage	Consumer	Total	Commercial	Total	Mortgage	Consumer	Commercial	Total
Banco Security	0.18	4.41	1.96	1.58	1.66	1.24	1.80	1.58	1.56
Medium Banks*	0.26	4.09	1.24	1.73	1.64	2.23	1.49	1.55	1.50
Banking system	0.71	7.19	2.79	2.43	2.56	2.38	2.50	1.79	2.03

\*Average for BICE, Security, Internacional, Consorcio

For 1Q20, the Bank reported operating expenses of MCH\$35,607 (+6.6% YoY) Personnel expenses totaled MCH\$17,235, +18.4% YoY, due to an increase in commercial bonuses. Administrative expenses fell to MCH\$16,486 (-4.1% YoY). Finally, depreciation and amortization expense reached MCH\$1,885 (+13.6% YoY).

Compared to the preceding quarter, operating expenses were up +5.3% QoQ, due to increased personnel expenses to pay commercial bonuses.

<i>In Ch\$ Millions</i>	1Q20	4Q19	1Q19	% Chg	
				QoQ	YoY
Personnel	-17,236	-15,757	-14,561	9.4%	18.4%
Administrative expenses	-16,486	-16,160	-17,198	2.0%	-4.1%
Depreciation and amortization	-1,885	-1,887	-1,659	-0.1%	13.6%
<b>Total operating expenses</b>	<b>-35,607</b>	<b>-33,804</b>	<b>-33,418</b>	<b>5.3%</b>	<b>6.6%</b>
<b>Gross operating income</b>	<b>68,586</b>	<b>72,631</b>	<b>64,830</b>	<b>-5.6%</b>	<b>5.8%</b>
<b>Operating expenses / Gross operating income</b>	<b>51.9%</b>	<b>46.5%</b>	<b>51.5%</b>	<b>537 p</b>	<b>37 p</b>

Banco Security's efficiency ratio, measured as operating expenses + other operating expenses over total operating income, was 51.9% for 1Q20 (+37 bps YoY and +537 bps QoQ). This ratio for 1Q20 compares to 42.6% for the banking industry and 44.6% for peer banks<sup>6</sup>.

For 1Q20, the Bank had a smaller income tax expense (MCH\$3,066, -54.2% YoY), due to a decrease in profit before tax (-25.2% YoY) and a lower effective tax rate because of increased price-level restatement of tax-basis equity in line with higher inflation as compared to last year.

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

Total loans reached MCH\$6,191,897 as of March 2020, +15.5% YoY and +2.3% YTD, while industry loans were up +13.0% YoY and 4.2% YTD. Including foreign investments, the industry's retail loans grew +13.5% YoY and 4.6% YTD. As of March 2020, commercial loans grew 16.6% YoY and 3.7% YTD, to MCH\$4,937,771 (79.7% of Banco Security's total loan portfolio), while retail loans (consumer + mortgage) reached MCH\$1,253,882, +11.3% YoY and -2.8% YTD. The 20 largest borrowers represent 11.2% of the Bank's total loan portfolio.

<b>Total Loans</b>		mar-20	dic-19	mar-19	%Chg	
<i>In Ch\$ Millions</i>					QoQ	YoY
<b>Consumer</b>	Loans	526,997	543,953	513,729	-3.1%	2.6%
<b>Mortgage</b>	Loans	726,885	745,550	612,994	-2.5%	18.6%
<b>Mortgage + Consumer</b>	Loans	1,253,882	1,289,503	1,126,723	-2.8%	11.3%
<b>Mortgage + Consumer</b>	No. Customers	69,953	70,633	70,030	-1.0%	-0.1%
<b>Commercial</b>	Loans	4,937,771	4,761,744	4,233,163	3.7%	16.6%
<b>Commercial</b>	No. Customers	8,206	9,281	9,098	-11.6%	-9.8%
<b>Total Loans</b>		<b>6,191,897</b>	<b>6,051,817</b>	<b>5,362,225</b>	<b>2.3%</b>	<b>15.5%</b>
<b>Market Share</b>		<b>3.3%</b>	<b>3.4%</b>	<b>3.2%</b>	<b>-6 p</b>	<b>7 p</b>

<b>Interest and indexation income</b>		1Q20	4Q19	1Q19	%Chg	
<i>In Ch\$ Millions</i>					QoQ	YoY
<b>Consumer</b>		13,830	13,923	14,408	-0.7%	-4.0%
<b>Mortgage</b>		12,300	11,851	5,121	3.8%	140.2%
<b>Mortgage + Consumer</b>		26,130	25,774	19,529	1.4%	33.8%
<b>Commercial</b>		78,418	75,377	52,599	4.0%	49.1%

<b>Interest and indexation income</b>		1Q20	4Q19	1Q19	%Chg	
<i>In Ch\$ Millions</i>					QoQ	YoY
<b>Consumer</b>		10.50%	10.24%	11.22%	26 p	-72 p
<b>Mortgage</b>		6.77%	6.36%	3.34%	41 p	343 p
<b>Mortgage + Consumer</b>		8.34%	8.00%	6.93%	34 p	140 p
<b>Commercial</b>		6.35%	6.33%	4.97%	2 p	138 p
<b>Total</b>		<b>6.75%</b>	<b>6.69%</b>	<b>5.38%</b>	<b>7 p</b>	<b>137 p</b>

<sup>6</sup> Peer banks: Average for BICE, Consorcio, Banco Internacional and Security

## Banco Security – Funding Sources

Funding Sources <i>In MCH\$</i>	mar-20		dic-19		mar-19		% Chg	
							QoQ	YoY
Demand deposits	939,332	11.0%	974,730	11.8%	700,160	10.1%	-3.6%	34.2%
Time deposits	3,106,695	36.3%	3,039,673	36.8%	2,802,883	40.6%	2.2%	10.8%
Total deposits	4,046,027	47.3%	4,014,403	48.6%	3,503,043	50.7%	0.8%	15.5%
Bonds	2,887,452	33.8%	2,768,376	33.5%	2,215,796	32.1%	4.3%	30.3%
Interbank loans	413,868	4.8%	272,634	3.3%	238,362	3.5%	51.8%	73.6%
Other liabilities*	594,259	7.0%	592,031	7.2%	378,778	5.5%	0.4%	56.9%
<b>Total Liabilities</b>	<b>7,941,606</b>	<b>92.9%</b>	<b>7,647,444</b>	<b>92.5%</b>	<b>6,335,979</b>	<b>91.7%</b>	<b>3.8%</b>	<b>25.3%</b>
Equity	607,075	7.1%	617,326	7.5%	572,116	8.3%	-1.7%	6.1%
<b>Liabilities + Equity</b>	<b>8,548,681</b>	<b>100%</b>	<b>8,264,770</b>	<b>100%</b>	<b>6,908,095</b>	<b>100%</b>	<b>3.4%</b>	<b>23.7%</b>

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

### o Demand and Time Deposits

As of March 2020, deposits totaled MCH\$4,046,027, +15.5% YoY and +0.8% YTD. For the industry, deposits increased by +21.5% YoY and +7.4% YTD, and +20.5% YoY and +7.7% YTD including foreign deposits. Banco Security's time deposits consisted of 34.2% retail deposits and 65.8% institutional deposits. The 15 largest depositors represent 21.8% of the Bank's total deposits. The loan to deposit ratio was 153% as of March 2020, compared to 134% as of March 2019.

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>7</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 Mar-20, the ratio of long-term interest rate risk to regulatory capital was 4.3%<sup>8</sup>. As of Mar-20, liquid assets<sup>9</sup> represented 67% of demand and other time deposits. The liquidity coverage ratio<sup>10</sup> as of Mar-20 was 160.94%, above the regulatory minimum of 70%.

<sup>7</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>8</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>9</sup> Includes cash and cash deposits, transactions pending settlement and the portfolio of financial instruments.

<sup>10</sup> Liquidity Coverage Ratio (LCR, C48) published on website [www.bancosecurity.cl](http://www.bancosecurity.cl)

## Debt Issued

Series	CMF Registration Number	CMF Registration Date	Currency	Amount	Annual Interest Rate	Duration (Years)	Maturity
H1	03/2007	25-ene-07	U.F.	3,000,000	3.00	23	01-dic-29
R1	10/2011	06-oct-11	U.F.	3,000,000	3.00	10	01-jun-21
K2	01/2012	14-mar-12	U.F.	4,000,000	3.25	10	01-nov-21
K3	01/2013	26-feb-13	U.F.	4,000,000	3.50	10	01-nov-22
K4	10/2013	06-nov-13	U.F.	5,000,000	3.60	10	01-oct-23
K5	14/2014	09-oct-14	U.F.	5,000,000	2.75	10	01-jun-24
B4	05/2015	01-abr-15	U.F.	5,000,000	2.25	5	01-jun-20
K6	05/2015	01-abr-15	U.F.	5,000,000	2.75	5	01-mar-20
K7	05/2015	01-abr-15	U.F.	5,000,000	2.75	10	01-sept-25
Z1	10/2015	01-sept-15	CLP	75,000,000,000	5.25	5	01-sept-20
B5	11/2016	03-oct-16	U.F.	5,000,000	2.40	5	01-ago-26
K8	12/2016	03-oct-16	U.F.	5,000,000	2.80	10	01-oct-36
Z2	13/2016	03-oct-16	CLP	75,000,000,000	5.30	5.5	01-feb-27
B6	06/2017	11-jul-17	U.F.	5,000,000	2.25	5.5	01-abr-22
B7	08/2018	09-may-18	U.F.	4,000,000	2.20	5	01-feb-23
K9	08/2018	09-may-18	U.F.	5,000,000	2.75	10	01-ene-28
Z3	08/2018	09-may-18	CLP	75,000,000,000	4.80	5	01-dic-22
B8	11/2018	20-dic-18	U.F.	5,000,000	1.80	5.5	01-ago-23
Q1	11/2018	20-dic-18	U.F.	3,000,000	2.50	15	01-ago-33
Z4	11/2018	20-dic-18	CLP	75,000,000,000	4.80	5.5	01-oct-23
D1	11/2018	20-dic-18	U.F.	5,000,000	2.20	10.5	01-ago-28
B9	11/2019	11-nov-19	U.F.	5,000,000	0.70	5.5	01-abr-24
Z5	11/2019	11-nov-19	CLP	75,000,000,000	3.50	6	01-jun-25
D2	11/2019	11-nov-19	U.F.	5,000,000	0.90	8.5	01-mar-27
D3	11/2019	11-nov-19	U.F.	5,000,000	1.00	10.5	01-mar-29

As of March 2020, Banco Security had issued debt of MCH\$2,875,337, as detailed in Note 19 of Banco Security's interim financial statements.

## Banco Security – Capitalization

As of March 2020, Banco Security's equity attributable to owners of the parent totaled MCH\$607,075 (+6.1% YoY and -1.7% YTD).

<i>In Ch\$ Millions</i>	mar-20	dic-19	mar-19	% Chg	
				QoQ	YoY
Capital	302,047	302,047	302,047	0.0%	0.0%
Reserves and valuation accounts	12,163	33,506	29,084	-63.7%	-58.2%
Retained earnings	292,865	281,721	240,927	4.0%	21.6%
<b>Equity attributable to equity holders of bank</b>	<b>607,075</b>	<b>617,274</b>	<b>572,057</b>	<b>-1.7%</b>	<b>6.1%</b>
Tier I (core capital)	607,075	617,274	572,057	-1.7%	6.1%
Regulatory capital	825,812	834,064	768,615	-1.0%	7.4%
Minimum required capital	549,306	542,228	480,243	1.3%	14.4%
Risk-weighted assets	6,866,329	6,777,845	6,003,031	1.3%	14.4%
BIS ratio	12.03%	12.31%	12.80%	-28 p	-78 p
Core capital / total assets	6.82%	7.13%	7.75%	-30 p	-92 p

The Bank's capital adequacy ratio as of March 2020, calculated as regulatory capital over risk-weighted assets, reached 12.03% (with a regulatory minimum of 8%), -78 bps YoY and -28 bps YTD. This ratio fell due to growth in risk-weighted assets, driven by increased total loans (+15.5% YoY). The ratio of core capital to total assets was 6.82%, -92 bps YoY and -30 bps YTD. Return on average equity for Banco Security came to 10.4% for 1Q20.

In order to strengthen the Bank's capital base, its shareholders agreed to reduce dividends to 30% of profit for the year 2019, which is the legal minimum. In addition, Grupo Security is in the process of approving a capital increase, part of which will be used to capitalize Banco Security.

## **FACTORING SECURITY**

For 1Q20, Factoring Security reported profit of MCH\$2,862 (+31.0% YoY), with operating income of MCH\$9,096 (+7.2% YoY), because of increased volume of factored receivables (+10.2% YoY) and a larger spread. This was not fully offset by higher operating expenses of MCH\$3,079 (+37.8% YoY), due to a larger volume of factored receivables and higher support costs of MCH\$2,838 (+10.1% YoY), due to increased business.

Compared to 4Q19, profit of MCH\$2,862 (+21.7% QoQ) can be explained by greater operating income (MCH\$9,096, +1.5% QoQ) and reduced support costs (-8.1% QoQ), which were offset in part by greater operating expenses (+38.1% QoQ) and an increase in indexation income on UF-denominated loans.

The efficiency ratio reached 39.7% as of March 2020 (-312 bps YoY and -417 bps QoQ). As of March 2020, the risk ratio measured as provisions over total loans was 1.88%, -37 bps YoY and +2 bps QoQ.

In Ch\$ Million	1Q20	4Q19	1Q19	% Chg	
				QoQ	YoY
Factored receivables	387,505	411,703	351,743	-5.9%	10.2%
Provisions	7,299	7,674	7,929	-4.9%	-7.9%
Gross operating income	9,096	8,961	8,481	1.5%	7.2%
Operating expenses	-3,079	-2,229	-2,235	38.1%	37.8%
Support expenses	-2,838	-3,087	-2,577	-8.1%	10.1%
<b>Profit for the period</b>	<b>2,862</b>	<b>2,353</b>	<b>2,186</b>	<b>21.7%</b>	<b>31.0%</b>
Efficiency ratio	39.7%	43.9%	42.8%	-417 p	-312 p
Risk ratio	1.88%	1.86%	2.25%	2 p	-37 p

## INSURANCE BUSINESS AREA (22.1% of assets; -4.1% of profit from business areas as of March 2020)

The insurance business area reported a loss of -MCH\$709 for 1Q20. 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

Vida Security reported a loss attributable to owners of the parent of -MCH\$957 for 1Q20 (profit of MCH\$5,197 for 1Q19 and MCH\$1,646 for 4Q19).

On May 27th, Vida Security reported a deal to acquire Mapfre's annuity portfolio and Caja Reaseguradora de Chile's annuity reinsurance portfolio. This transaction will involve transferring MUF 3.33 in assets, and will increase Vida Security's financial assets by 4.4% and its reserves by 6.3%.

### Results by Product Line

In MCH\$	Individual		Family Protection		Group Insurance		Annuities		DSI		Total	
	3M20	3M19	3M20	3M19	3M20	3M19	3M20	3M19	3M20	3M19	3M20	3M19
Gross written premiums	39,491	25,657	1,735	1,702	17,429	18,387	4,629	20,386	124	264	63,408	66,397
<b>Net premiums written</b>	<b>38,882</b>	<b>25,276</b>	<b>1,721</b>	<b>1,702</b>	<b>17,005</b>	<b>18,073</b>	<b>4,629</b>	<b>20,386</b>	<b>46</b>	<b>129</b>	<b>62,282</b>	<b>65,566</b>
Variation in technical reserves	25,744	-15,652	-24	-29	-265	-474	-	-	-	-	25,455	-16,156
Claims paid	-33,356	-18,079	-448	-400	-9,803	-10,279	-	-	1,452	4,854	-42,156	-23,904
Pensions paid	-674	-728	-	-	-	-	-20,206	-37,465	-3,906	-5,808	-24,786	-44,001
Underwriting expenses	-2,344	-2,460	-543	-593	-981	-945	-64	-153	-	-	-3,932	-4,150
Medical expenses	-4	-8	-0	-0	-1	-3	0	0	-	-	-5	-11
Insurance impairment	-	-	-	-	-299	-78	-	-	-	5	-299	-73
<b>Contribution Margin</b>	<b>28,248</b>	<b>-11,652</b>	<b>705</b>	<b>680</b>	<b>5,656</b>	<b>6,295</b>	<b>-15,642</b>	<b>-17,232</b>	<b>-2,408</b>	<b>-821</b>	<b>16,559</b>	<b>-22,730</b>
<b>CUI portfolio</b>	<b>-23,621</b>	<b>14,739</b>									<b>-23,621</b>	<b>14,739</b>
<b>Proprietary portfolio</b>											<b>10,409</b>	<b>25,580</b>
<b>Investment income</b>											<b>-13,212</b>	<b>40,319</b>
Administrative expenses											-9,327	-10,299
Exchange differences											3,549	-1,081
Gain (loss) on indexed assets and liabilities											-1,248	21
Other income and expenses											-170	160
Income tax expense											2,893	-1,195
<b>Profit for the period</b>											<b>-957</b>	<b>5,197</b>

In MCH\$	Individual		Family Protection		Group Insurance		Annuities		DSI		Total	
	1Q20	4Q19	1Q20	4Q19	1Q20	4Q19	1Q20	4Q19	1Q20	4Q19	1Q20	4Q19
Gross written premiums	39,491	37,873	1,735	1,699	17,429	16,982	4,629	7,817	124	93	63,408	64,463
<b>Net premiums written</b>	<b>38,882</b>	<b>37,336</b>	<b>1,721</b>	<b>1,699</b>	<b>17,005</b>	<b>16,586</b>	<b>4,629</b>	<b>7,817</b>	<b>46</b>	<b>18</b>	<b>62,282</b>	<b>63,456</b>
Variation in technical reserves	25,744	-9,403	-24	10	-265	-316	-	-	-	-	25,455	-9,708
Claims paid	-33,356	-33,161	-448	-399	-9,803	-10,078	-	-	1,452	-8,191	-42,156	-51,828
Pensions paid	-674	-242	-	-	-	-	-20,206	-23,488	-3,906	1,916	-24,786	-21,813
Underwriting expenses	-2,344	-2,586	-543	-615	-981	-977	-64	-129	-	-	-3,932	-4,306
Medical expenses	-4	-13	-0	-1	-1	-2	0	-0	-	-	-5	-16
Insurance impairment	-	-	-	-	-299	78	-	-	-	-	-299	78
<b>Contribution Margin</b>	<b>28,248</b>	<b>-8,068</b>	<b>705</b>	<b>695</b>	<b>5,656</b>	<b>5,292</b>	<b>-15,642</b>	<b>-15,801</b>	<b>-2,408</b>	<b>-6,256</b>	<b>16,559</b>	<b>-24,138</b>
<b>CUI portfolio</b>	<b>-23,621</b>	<b>12,327</b>									<b>-23,621</b>	<b>12,327</b>
<b>Proprietary portfolio</b>											<b>10,409</b>	<b>20,322</b>
<b>Investment income</b>											<b>-13,212</b>	<b>32,649</b>
Administrative expenses											-9,327	-6,544
Exchange differences											3,549	1,099
Gain (loss) on indexed assets and liabilities											-1,248	-1,509
Other income and expenses											-170	92
Income tax expense											2,893	-3
<b>Profit for the period</b>											<b>-957</b>	<b>1,646</b>

○ **Individual Insurance** (62.3% of gross written premiums as of March 2020)

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.

The contribution margin totaled MCH\$28,248 for 1Q20, up from -MCH\$11,652 recorded for 1Q19. Gross written premiums were MCH\$39,491 for 1Q20 (+53.9% YoY), due to greater gross written premiums from insurance with savings components (CUI). The variation in technical reserves was MCH\$25,744 (-MCH\$15,652 for 1Q19), due to a loss on the CUI investment portfolio of -MCH\$23,621 (MCH\$14,739 for 1Q19). Claims paid totaled -MCH\$33,356 (+84.5%) due to increased surrenders and transfers from CUI policies. Finally, underwriting expenses totaled -MCH\$2,344 for 1Q20 (-4.7% YoY).

As of March 2020, CUI and APV policies represent 91.1% of total individual insurance premiums.

<b>Individual Insurance</b>		1Q20	4Q19	1Q19	% Chg.	
In MCH \$					QoQ	YoY
Gross written premiums		39,491	37,873	25,657	4.3%	53.9%
<b>Net premiums written</b>		<b>38,882</b>	<b>37,336</b>	<b>25,276</b>	4.1%	53.8%
Variation in technical reserves		25,744	-9,403	-15,652	-	-
Claims paid		-33,356	-33,161	-18,079	0.6%	84.5%
Pensions paid		-674	-242	-728	178.7%	-7.4%
Underwriting expenses		-2,344	-2,586	-2,460	-9.4%	-4.7%
Medical expenses		-4	-13	-8	-70.5%	-53.9%
Insurance impairment		0	0	0	-	-
<b>Contribution Margin</b>		<b>28,248</b>	<b>-8,068</b>	<b>-11,652</b>	-	-
Claims rate (1)		87.5%	89.5%	74.4%	-195 p	1311 p
Underwriting expense rate (2)		6.0%	6.9%	9.7%	-90 p	-370 p

(1) Claims paid/ Net written premiums

In 1Q20, the contribution margin was MCH\$28,248, up from -MCH\$8,068 for 4Q19. The total variation in technical reserves was MCH\$25,744 for 1Q20, due to a drop in investment income. Meanwhile, claims paid totaled MCH\$33,356 (+0.6% QoQ) and underwriting expenses reached -MCH\$2,344 (-9.4% QoQ).

○ **Family Protection** (2.7% of gross written premiums as of March 2020)

<b>Family Protection</b>		1Q20	4Q19	1Q19	% Chg.	
In MCH\$					QoQ	YoY
Gross written premiums		1,735	1,699	1,702	2.1%	1.9%
<b>Net premiums written</b>		<b>1,721</b>	<b>1,699</b>	<b>1,702</b>	1.3%	1.1%
Variation in technical reserves		-24	10	-29	-338.9%	-18.7%
Claims paid		-448	-399	-400	12.4%	12.1%
Pensions paid		0	0	0	-	-
Underwriting expenses		-543	-615	-593	-11.6%	-8.3%
Medical expenses		0	-1	0	-	-
Insurance impairment		0	0	0	-	-
<b>Contribution Margin</b>		<b>705</b>	<b>695</b>	<b>680</b>	1.5%	3.6%
Claims rate (1)		26.1%	23.5%	23.5%	259 p	256 p
Underwriting expense rate (2)		31.6%	36.2%	34.8%	-460 p	-323 p

(1) Claims paid/ Net written premiums

(2) Underwriting expense/ Net written premiums

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.

For 1Q20, the contribution margin for these policies totaled MCH\$705 (+3.6% YoY and +1.5% QoQ) with greater gross written premiums of MCH\$1,735 (+1.9% YoY and +2.1% QoQ), and reduced underwriting expenses (-323 bps YoY and -460 bps QoQ). This was partially offset by an increase in claims paid, reaching MCH\$448 for 1Q20 (+12.1% YoY, +12.4% QoQ).

○ **Group Insurance** (27.5% of gross written premiums as of March 2020)

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.

Group Insurance In MCH\$	1Q20	4Q19	1Q19	% Chg.	
				QoQ	YoY
Gross written premiums	17,429	16,982	18,387	2.6%	-5.2%
<b>Net premiums written</b>	<b>17,005</b>	<b>16,586</b>	<b>18,073</b>	<b>2.5%</b>	<b>-5.9%</b>
Variation in technical reserves	-265	-316	-474	-	-44.1%
Claims paid	-9,803	-10,078	-10,279	-2.7%	-4.6%
Pensions paid	0	0	0	-	-
Underwriting expenses	-981	-977	-945	0.4%	3.8%
Medical expenses	-1	-2	-3	-47.1%	-65.3%
Insurance impairment	-299	78	-78	-	-
<b>Contribution Margin</b>	<b>5,656</b>	<b>5,292</b>	<b>6,295</b>	<b>6.9%</b>	<b>-10.1%</b>

Claims rate (1)	57.6%	60.8%	56.9%	-311 p	77 p
Underwriting expense rate (2)	5.8%	5.9%	5.2%	-12 p	54 p

(1) Claims paid/ Net written premiums

(2) Underwriting expense/ Net written premiums

The contribution margin for 1Q20 totaled MCH\$5,656 (-10.1% YoY), thanks to a drop in gross written premiums reaching MCH\$17,429 (-5.2% YoY), partly offset by a drop in claims paid (MCH\$9,803 for 1Q20, -4.6% YoY).

Compared to the preceding quarter, the margin was up (+6.9% QoQ) due to an increase in gross written premiums (+2.6% YoY) and a lower claims rate (57.6% in 1Q20, -311 bps QoQ).

○ **Annuities** (7.3% of gross written premiums as of March 2020)

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>11</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 recognized within the line item pensions paid. This results in an accounting loss in the income statement.

<sup>11</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 December 2019, this product line accounts for only MCH \$963 in pensions paid by Vida Security.

<b>Annuities</b>	<b>1Q20</b>	<b>4Q19</b>	<b>1Q19</b>	<b>% Chg.</b>	
<b>In MCH\$</b>				<b>QoQ</b>	<b>YoY</b>
Gross written premiums	4,629	7,817	20,386	-40.8%	-77.3%
<b>Net premiums written</b>	<b>4,629</b>	<b>7,817</b>	<b>20,386</b>	<b>-40.8%</b>	<b>-77.3%</b>
Variation in technical reserves	0	0	0	-	-
Claims paid	0	0	0	-	-
Pensions paid	-20,206	-23,488	-37,465	-14.0%	-46.1%
Underwriting expenses	-64	-129	-153	-50.0%	-57.9%
Medical expenses	0	0	0	-	-
Insurance impairment	0	0	0	-	-
<b>Contribution Margin</b>	<b>-15,642</b>	<b>-15,801</b>	<b>-17,232</b>	<b>-1.0%</b>	<b>-9.2%</b>
<b>Underwriting expense rate (1)</b>	<b>1.4%</b>	<b>1.7%</b>	<b>0.8%</b>	<b>-26 p</b>	<b>64 p</b>

(1) Claims paid/ Net written premiums

For 1Q20, the contribution margin for annuities totaled -MCH\$15,642 (-9.2% YoY and -1.0% QoQ), while gross written premiums reached MCH\$4,629 (-77.3% YoY and -40.8% QoQ) due to market conditions, which contracted during the first quarter of 2020. This was partially offset by a decrease in annuities paid, reaching MCH\$20,206 for 1Q20 (-46.1% YoY and -14.0% QoQ), because of lower reserve requirements due to lower annuity sales volumes.

○ **Disability and Survivor Insurance (DSI)** (0.2% of gross written premiums as of March 2020)

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>12</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.

<b>DSI</b>	<b>1Q20</b>	<b>4Q19</b>	<b>1Q19</b>	<b>% Chg.</b>	
<b>In MCH\$</b>				<b>QoQ</b>	<b>YoY</b>
Gross written premiums	124	93	264	34.0%	-53.1%
<b>Net premiums written</b>	<b>46</b>	<b>18</b>	<b>129</b>	<b>147.3%</b>	<b>-64.5%</b>
Variation in technical reserves	0	0	0	-	-
Claims paid	1,452	-8,191	4,854	-	-
Pensions paid	-3,906	1,916	-5,808	-	-32.8%
Underwriting expenses	0	0	0	-	-
Medical expenses	0	0	0	-	-
Insurance impairment	0	0	5	-	-
<b>Contribution Margin</b>	<b>-2,408</b>	<b>-6,256</b>	<b>-821</b>	-	-

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 tender for SIS insurance for the next 24-month period (July 1, 2018 to June 30, 2020) was concluded on April 26, 2018, and Vida Security was not awarded any fractions.

The contribution margin for DSI totaled -MCH\$2,408 in 1Q20 (versus -MCH\$821 for 1Q19), due to an increase in claims and pensions paid, totaling MCH\$2,454 (+157.2% YoY). Compared to the immediately preceding quarter, this product line's contribution margin of -MCH\$2,408 (versus -MCH\$6,256 for 4Q19) can be explained by a decrease in claims and pensions paid

<sup>12</sup> <http://www.spensiones.cl/portal/orientacion/580/w3-article-3024.html>

(-60.9% QoQ) explained by a high basis of comparison in 4Q19 because of falling rates, which increased reserve requirements to cover future payments.

## Vida Security - Consolidated Results

Vida Security had a net loss of -MCH\$957 for 1Q20 (MCH\$5,197 for 1Q19 and MCH\$1,646 for 4Q19) due to a loss from financial investments of -MCH\$13,212 (MCH\$40,319 for 1Q19, MCH\$32,649 for 4Q19).

In MCH\$	1Q20	4Q19	1Q19	% Chg.	
				QoQ	YoY
Gross written premiums	63,408	64,463	66,397	-1.6%	-4.5%
<b>Net premiums written</b>	<b>62,282</b>	<b>63,456</b>	<b>65,566</b>	<b>-1.8%</b>	<b>-5.0%</b>
Variation in technical reserves	25,455	-9,708	-16,156	-	-
Claims paid	-42,156	-51,828	-23,904	-18.7%	76.4%
Pensions paid	-24,786	-21,813	-44,001	13.6%	-43.7%
Underwriting expenses	-3,932	-4,306	-4,150	-8.7%	-5.3%
Medical expenses	-5	-16	-11	-69.0%	-57.2%
Insurance impairment	-299	78	-73	-	309.1%
<b>Contribution Margin</b>	<b>16,559</b>	<b>-24,138</b>	<b>-22,730</b>	-	-
Administrative expenses	-9,327	-6,544	-10,299	42.5%	-9.4%
Investment income	-13,212	32,649	40,319	-	-
Exchange differences	3,549	1,099	-1,081	223.0%	-
Gain (loss) on indexed assets and liabilities	-1,248	-1,509	21	-17.3%	-
Other income and expenses	-170	92	160	-	-
Income tax expense	2,893	-3	-1,195	-	-
<b>Profit for the period</b>	<b>-957</b>	<b>1,646</b>	<b>5,197</b>	-	-
<b>Administrative ratios</b>					
(1) (Claims paid + pension paid)/ Net written premiums	107.5%	116.1%	103.6%	-857 p	391 p
(2) Administrative expenses/ Net written premiums	15.0%	10.3%	15.7%	466 p	-73 p
(3) Underwriting expenses/ Net written premiums	6.3%	6.8%	6.3%	-47 p	-2 p
Combined Ratio (1) + (2) + (3)	128.8%	133.2%	125.6%	-438 p	317 p
(4) Profit / Net written premiums	-1.5%	2.6%	7.9%	-413 p	-946 p

In aggregate, gross written premiums reached MCH\$63,408 for 1Q20 (-4.5% YoY) explained by lower sales of annuities (-77.3% YoY) and group insurance policies, offset by growth in individual insurance (+53.9% YoY).

For 1Q20, the subsidiary recognized a variation in technical reserves of MCH\$25,455 (-MCH\$16,156 for 1Q19), particularly in individual insurance, due to weaker returns on investments in the CUI and APV portfolios. Claims and pensions paid reached MCH\$66,942 for 1Q20 (-1.4% YoY), holding steady year-over-year, because the decrease in annuities paid was offset by an increase in claims paid on individual insurance. Finally, underwriting expenses totaled -MCH\$3,932 (-5.3% YoY).

This explains the contribution margin of MCH\$16,559 for 1Q20, compared to -MCH\$22,730 for 1Q19.

The greater contribution margin was more than offset by a loss on investments of -MCH\$13,212 (MCH\$40,319 for 1Q19), attributable to a negative result from equity investments, in both the proprietary trading portfolio and the CUI and APV investment portfolios, due to the drop in the markets. Weaker returns on the CUI and APV investment portfolio are counterbalanced by releases of technical reserves. Administrative expenses reached MCH\$9,327 (-9.4% YoY). Exchange differences totaled MCH\$3,549 for 1Q20 compared to -MCH\$1,081 for 1Q19, while the subsidiary reported a loss on indexed assets and liabilities of -MCH\$1,248 for 1Q20 compared to MCH\$21 for 1Q19. Additionally, the company recorded an income tax benefit of MCH\$2,893, versus an expense of -MCH\$1,195 for 1Q19.

In 1Q20, Vida Security's loss of -MCH\$957 compares to profit of MCH\$1,646 for 4Q19. The decrease in gross written premiums (-1.6% QoQ) is explained by reduced annuity sales, partially offset by growth in gross written premiums for individual insurance.

The variation in technical reserves of MCH\$25,744 (-MCH\$9,708 for 4Q19), was mainly because of the variation in technical reserves for individual insurance, due to weaker returns on investments in the CUI and APV portfolios. In addition, this subsidiary reported a drop in claims and pensions paid (-9.1% QoQ), explained by a high basis of comparison for DSI policies and a decrease in pensions paid on annuity policies. It reported a loss on investments of -MCH\$13,212 (MCH\$32,649 for 4Q19), attributable to a negative result from equity investments, in both the proprietary trading portfolio and the CUI and APV investment portfolios, due to the drop in the markets.

### Administrative Expenses - Vida Security

In MCH\$	1Q20	4Q19	1Q19	% Chg	
				QoQ	YoY
Payroll	-3,899	-2,710	-3,643	43.8%	7.0%
Distribution Channel expenses	-1,018	-748	-1,074	36.0%	-5.2%
Other	-4,411	-3,085	-5,581	43.0%	-21.0%
<b>Total administrative expenses</b>	<b>-9,327</b>	<b>-6,544</b>	<b>-10,299</b>	<b>42.5%</b>	<b>-9.4%</b>

For 1Q20, Vida Security reported administrative expenses of MCH\$9,327 (-9.4% YoY) because of savings in other expenses. Compared to the preceding quarter, administrative expenses were up 42.5% due to releasing provisions for expenses not made in 4Q19, resulting in a lower basis of comparison.

### Investment Income - Vida Security

The subsidiary reported a loss on investments of -MCH\$13,212 (versus MCH\$32,649 for 1Q19 and MCH\$40,319 for 4Q19) due to weaker returns from equity investments in both the proprietary trading portfolio and the CUI and APV investment portfolios, due to the drop in the markets. Weaker returns on the CUI and APV investment portfolio are counterbalanced by releases of technical reserves.

The investment portfolio for CUI and APV policies totaled MCH\$525,677 as of March 2019, +1.7% YoY and -3.7% YTD.

Investment Stock Ch\$ Million	mar-20	dic-19	mar-19	% Chg		Stock % 3M20
				QoQ	YoY	
Fixed Income	1,802,671	1,767,637	1,745,859	2.0%	3.3%	68.4%
Equities and indexes	543,500	573,049	494,355	-5.2%	9.9%	20.6%
Real estate	239,162	235,468	228,534	1.6%	4.7%	9.1%
Other investments	49,244	37,854	23,663	30.1%	108.1%	1.9%
<b>Investment Stock</b>	<b>2,634,577</b>	<b>2,614,008</b>	<b>2,492,411</b>	<b>0.8%</b>	<b>5.7%</b>	
CUI	525,677	546,112	517,003	-3.7%	1.7%	
No CUI	2,108,899	2,067,896	1,975,408	2.0%	6.8%	
<b>Investment Stock</b>	<b>2,634,577</b>	<b>2,614,008</b>	<b>2,492,411</b>	<b>0.8%</b>	<b>5.7%</b>	

Investment Income In Ch\$ Million	1Q20	4Q19	1Q19	% Chg	
				QoQ	YoY
Fixed Income	19,421	18,833	19,126	3.1%	1.5%
Equities and indexes	-34,371	6,874	17,649	-	-
Real estate	3,320	7,011	3,328	-52.6%	-0.2%
Other investments	-1,582	-70	216	-	-
<b>Investments Income</b>	<b>(13,212)</b>	<b>32,649</b>	<b>40,319</b>	<b>-</b>	<b>-</b>
CUI	-23,621	12,327	14,739	-	-
No CUI	10,409	20,322	25,580	-48.8%	-59.3%
<b>Investments Income</b>	<b>(13,212)</b>	<b>32,649</b>	<b>40,319</b>	<b>-</b>	<b>-</b>

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

Exchange differences totaled MCH\$3,549 in 1Q20 (-MCH\$1,081 for 1Q19 and MCH\$1,099 for 4Q19) due to the subsidiary's exchange rate exposure strategy. It posted a loss from indexed assets and liabilities of -MCH\$1,248 for 1Q20 (-MCH\$21 for 1Q19) due to greater reserves in UF and higher inflation during the period (Mar-20: 1.4% vs Mar-19: 0.6%).

## **ASSET MANAGEMENT BUSINESS AREA** (2.0% of assets; 2.7% of profit from business areas as of March 2020)

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 offered by the different companies in the asset management business area are: AGF Security manages mutual funds, investment funds and voluntary retirement savings (APV). Valores Security offers foreign exchange and stock brokerage services and forwards. Asesorías Security and Global Security provide support and advisory services for the different asset management businesses.

In Ch\$ Million	3M20	2019	3M19	% Chg	
				QoQ	YoY
Assets under management (AUM)	3,872,756	4,339,221	4,717,507	-10.7%	-17.9%
Mutual funds under management	2,558,199	2,660,717	2,681,921	-3.9%	-4.6%
Market share - mutual funds	5.6%	5.9%	6.8%	-26 p	-119 p

In Ch\$ Million	1Q20	4Q19	1Q19	% Chg	
				QoQ	YoY
Value of shares traded	287,473	756,662	612,451	-62.0%	-53.1%
Market share - equities brokerage	1.9%	3.2%	4.1%	-129 p	-220 p
Operating income	9,623	10,285	9,398	-6.4%	2.4%
Non-operating income	625	-165	1,331	-	-
Total expenses	-9,233	-11,565	-8,619	-20.2%	7.1%
Efficiency ratio	90.1%	114.3%	80.3%	-2419 p	976 p
AGF Security	1,070	721	1,228	48.4%	-12.8%
Valores Security	59	-3,081	505	-	-88.4%
Asesorías Security and Global Security	-273	-88	-56	-	-
Securitization	-385	1,974	-224	-	-
<b>Profit - Asset Management</b>	<b>471</b>	<b>(474)</b>	<b>1,453</b>	<b>-</b>	<b>-67.6%</b>

The subsidiary's AUM as of March 2020 totaled MCH\$3,872,756, (-17.9% YoY and -10.7% YTD). Mutual funds under management totaled MCH\$2,558,199, (-4.6% YoY and -3.9% YTD) with a market share of 5.6%. The total value of shares traded was MCH\$287,473 for 1Q20 (-53.1% YoY and -62.0% QoQ) with market share of 1.9%.

For 1Q20, the asset management area reported profit of MCH\$471 (-67.6% YoY). This was mainly due to higher total expenses of MCH\$9,233 (+7.1% YoY), explained by increased personnel expenses, and reduced non-operating income (-53.0% YoY) as a result of weaker returns on proprietary trading positions at these subsidiaries. These effects were only partially offset by greater operating income on funds managed by AGF Security.

The first quarter profit of MCH\$471 compares favorably to the result for 4Q19 (-MCH\$474), which was impacted by higher administrative expenses at Valores Security.

## OTHER SERVICES BUSINESS AREA (1.4% of assets; 0.0% of profit from business areas as of March 2020)

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 -MCH\$168 for 1Q20, explained by the company's cycle for transferring ownership on properties. During 1Q20, ownership was transferred on 13 units versus 3 units in 1Q19 and 3 units in 4Q19. Inmobiliaria Security signed purchase promise agreements totaling UF 214,000 in 1Q20 (+14.5% YoY and +20.1% 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 MCH\$124,549, (+46.2% YoY and +1.1% QoQ), due to capitalization of projects under development.

<i>In Ch\$ Million</i>	1Q20	4Q19	1Q19	% Chg	
				QoQ	YoY
Real estate assets under management	124,549	123,151	85,203	1.1%	46.2%
Total income	167	90	204	84.8%	-18.5%
Total expenses	-490	-587	-570	-16.5%	2.9%
Profit before tax	-174	-815	-366	-	-
<b>Profit for the period</b>	<b>-168</b>	<b>-681</b>	<b>-395</b>	<b>-</b>	<b>-</b>

### TRAVEL AGENCY: TRAVEL SECURITY

Travel Security reported profit of MCH\$90 for 1Q20 (-90.0% YoY and -94.1% QoQ), explained by the impact of the public health crisis on the travel and tourism industry.

	1Q20	4Q19	1Q19	% Chg	
				QoQ	YoY
Total sales - Travel (MUSD)	43	59	64	-28.3%	-33.1%
Net operating income (MCH\$)	578	2,345	1,354	-75.4%	-57.3%
<b>Profit for the period - Travel (MCH\$)</b>	<b>90</b>	<b>1,527</b>	<b>896</b>	<b>-94.1%</b>	<b>-90.0%</b>

## **INTERNATIONAL BUSINESS AREA** (3.6% of assets as of March 2020; -0.1% of profit from business areas for 1Q20)

The international business area reported a loss attributable to the owners of the parent of -MCH\$25. 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**

For 1Q20, Protecta reported profit of MS./5.9, up from MS./1.1 in 1Q19, mainly because of improved investment income, which totaled MS./35.1 (+66.0% YoY). These effects were not fully offset by higher administrative expenses of MS./8.9 (+10.5% YoY), because of increased business and a higher claims rate.

Protecta had annuity sales of MS./66.3 for 1Q20 (+36.9% YoY), giving it market share of 26.0%, and private annuity sales of MS./34.2 (+31.4% YoY), with market share of 14.3%.

It reported profit of MS./5.9 for 1Q20, a decrease from MS./11.5 in 4Q19, due to reduced investment income of MS./35.1 (-12.2% QoQ), partially offset by lower administrative expenses of MS./8.9 (-18.4% QoQ).

<i>In S./ Thousands</i>	1Q20	4Q19	1Q19	% Chg	
				QoQ	YoY
Annuities - Premiums written	66,274	53,285	48,423	24.4%	36.9%
Annuities - Market share	26.0%	22.0%	20.0%	400 p	605 p
Private annuities - Premiums written	34,225	36,086	26,051	-5.2%	31.4%
Private annuities - Market share	14.3%	15.7%	10.4%	-143 p	393 p
<b>Premiums written</b>	<b>119,513</b>	<b>107,999</b>	<b>90,409</b>	<b>10.7%</b>	<b>32.2%</b>
Investment income	35,051	39,935	21,110	-12.2%	66.0%
Annualised return	9.7%	9.3%	8.3%	34 p	137 p
<b>Profit for the period</b>	<b>5,898</b>	<b>11,453</b>	<b>1,143</b>	<b>-48.5%</b>	<b>416.0%</b>

### **Travex Security**

Travex Security, Travel Security's Peruvian travel agency subsidiary, reported sales of MUS \$12 for 1Q20 (-30.0% YoY and -17.9% QoQ) and a net loss of -US \$166,195 as a result of the impact of the public health crisis on the travel and tourism industry.

## 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+
FitchRatings (international)		BBB+			

## BONDS ISSUED BY GRUPO SECURITY

Series	Registration Number	Registration Date	Currency	Amount	Annual Interest Rate	Duration (Years)	Maturity
F	620	15-09-09	UF	47,656	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>			UF	<b>8,736,656</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 April 7, 2020, Grupo Security shareholders approved a dividend payment of CH \$7.45 per share charged to profit for the year 2019. This dividend, along with the interim and additional dividends of CH \$2.2 and CH \$2.6, respectively, that have already been paid, total CH \$12.25 per share, equivalent to 56% of profit for the year 2019.

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 4.5% in 2019. Grupo Security's stock reported a return of -28.0% for 1Q20, underperforming the S&P/CLX IPSA (-27.4%).

## 1Q20 EARNINGS CONFERENCE CALL

Grupo Security's first quarter earnings report will be explained to the market in a conference call on June 8, 2020. 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 2019	March, 31 2020
<b>Current assets</b>		
Cash and cash equivalents	791,824	644,030
Other financial assets, current	3,738,514	4,084,556
Other non-financial assets, current	47,091	40,494
Trade and other receivables, current	6,639,592	6,715,297
Accounts receivable from related parties, current	71,771	58,461
Inventories	124,009	129,591
Current tax assets	52,637	63,072
<b>Total current assets other than assets or disposal groups classified as held for sale or held for distribution to owners</b>	<b>11,465,439</b>	<b>11,735,502</b>
Non-current assets or disposal groups classified as held for sale or held for distribution to owners	4,687	2,607
<b>Total non-current assets classified as held for sale or held for distribution to owners</b>	<b>4,687</b>	<b>2,607</b>
<b>Total current assets</b>	<b>11,470,127</b>	<b>11,738,110</b>
<b>Non-current assets</b>		
Other non-financial assets, non-current	124,930	222,496
Equity-accounted investments	3,093	2,313
Intangible assets other than goodwill	37,896	38,081
Goodwill	119,067	119,067
Property, plant and equipment	53,284	52,389
Investment property	250,076	277,809
Assets for right of use	11,756	10,050
Deferred tax assets	50,772	62,620
<b>Total non-current assets</b>	<b>650,874</b>	<b>784,825</b>
<b>Total assets</b>	<b>12,121,001</b>	<b>12,522,935</b>

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

Liabilities and Equity		December, 31 2019	March, 31 2020
In Ch\$ Millions			
Other financial liabilities, current		7,187,383	7,693,004
Liabilities for leases, current		288	247
Trade and other payables		2,849,866	2,861,422
Accounts payable to related parties, current		26	393
Other short-term provisions		132,503	133,996
Current tax liabilities		34,146	41,778
Employee benefit provisions, current		10,056	8,826
Other non-financial liabilities, current		360,195	233,244
<b>Total current liabilities</b>		<b>10,574,462</b>	<b>10,972,910</b>
<b>Non-current liabilities</b>			
Other financial liabilities, non-current		705,035	750,596
Liabilities for leases, non-current		10,456	9,971
Accounts payable, non-current		42,694	14,956
Accounts payable to related parties, non-current		3,412	3,447
Deferred tax liabilities		791	588
<b>Total non-current liabilities</b>		<b>762,388</b>	<b>779,558</b>
<b>Total liabilities</b>		<b>11,336,851</b>	<b>11,752,468</b>
<b>Equity</b>			
Issued Capital		432,124	432,124
Retained earnings		378,573	383,123
Share premium		0	0
Other reserves		(40,943)	(56,559)
<b>Equity attributable to equity holders of parent</b>		<b>769,754</b>	<b>758,688</b>
Non-controlling interests		11,779	11,779
<b>Total equity</b>		<b>784,150</b>	<b>770,467</b>
<b>Total liabilities and equity</b>		<b>12,522,935</b>	<b>12,522,935</b>

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

Consolidated statement of income (MCh\$)		
	March, 31 2019	March, 31 2020
Revenue	262,200	298,418
Cost of sales	(165,741)	(215,693)
<b>Gross profit</b>	<b>96,459</b>	<b>82,725</b>
Other income	782	509
Distribution costs	0	0
Administrative expenses	-57,325	-67,772
Other expenses	(2,905)	(5,103)
Other gains	281	746
Finance income	4	214
Finance costs	(3,589)	(3,797)
Share of profit (loss) of associates and joint ventures, equity-accounted	-35	-85
Exchange differences	-184	4,504
Gain (loss) on indexed assets and liabilities	87	-4,142
Gains arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	442	(46)
<b>Profit before tax</b>	<b>34,017</b>	<b>7,752</b>
Income tax benefit (expense)	(9,239)	(1,267)
<b>Profit (loss) from continuing operations</b>	<b>24,777</b>	<b>6,485</b>
Profit (loss) from discontinued operations	0	0
<b>Profit (loss) for the period</b>	<b>24,777</b>	<b>6,485</b>
<b>Profit (loss) attributable to</b>		
Profit (loss) attributable to equity holders of the parent	21,158	6,500
Profit (loss) attributable to non-controlling interests	3,620	-15
<b>Profit (loss) for the period</b>	<b>24,777</b>	<b>6,485</b>
Depreciation and amortization	2,735	3,256
<b>Ebitda</b>	<b>40,341</b>	<b>14,805</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	
	mar-19	mar-20	mar-19	mar-20	mar-19	mar-20	mar-19	mar-20	mar-19	mar-20	mar-19	mar-20	mar-19	mar-20
Revenue	105,682	138,835	13,504	13,261	109,672	58,236	32,699	38,935	8,335	9,151	-1,999	40,000	267,893	298,418
Cost of sales	-47,972	-84,292	-3,313	-5,291	-90,176	-48,866	(20,045)	-32,835	-4,136	-5,086	-98	-39,322	-165,741	-215,693
Gross profit	57,710	54,543	10,191	7,969	19,495	9,370	12,653	6,099	4,199	4,065	-2,097	678	102,151	82,725
Other income	2	7	326	9	46	142	23	5	83	246	303	99	782	509
Administrative expenses	-30,286	-32,737	-8,040	-8,840	-12,549	-11,714	(8,724)	-5,402	-3,294	-3,685	-492	-5,395	-63,385	-67,772
Other expenses	-1,695	-4,485	-566	-383	-61	-130	(88)	-103	-6	-10	-490	9	-2,905	-5,103
Other gains (losses)	0	0	27	338	119	40	213	260	-50	-18	341	127	650	746
Finance income	0	0	0	208	4	6	-	0	0	0	0	0	4	214
Finance costs	0	0	-133	-2	-9	-12	(72)	-44	-320	-303	-3,055	-3,436	-3,589	-3,797
Share of profit (loss) of associates and joint ventures, equity-accounted	0	0	0	0	-31	-85	-	0	-1	-1	-5	1	-36	-85
Exchange differences	291	4,052	-286	1,350	-384	140	5	-838	51	11	139	-212	-184	4,504
Gain (loss) from indexed assets and liabilities	0	0	6	-129	21	-1,239	-	0	17	0	43	-2,774	87	-4,142
Gains (losses) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	172	56	269	-102	0	0	-	0	0	0	0	0	442	-46
<b>Profit (loss) before tax</b>	26,195	21,436	1,794	419	6,652	-3,482	4,010	-23	680	305	-5,314	-10,903	34,017	7,752
Income tax benefit (expense)	-7,059	-3,785	-340	51	-1,295	2,815	(54)	-15	-235	-320	-256	-12	-9,239	-1,267
Profit (loss) from continuing operations	19,136	17,651	1,453	470	5,357	-667	3,956	-38	445	-16	-5,570	-10,915	24,777	6,485
<b>Profit (loss) attributable to</b>														
Profit (loss) attributable to equity holders of the parent	19,136	17,647	1,453	471	5,271	-708	592	-25	343	-8	-5,637	-10,877	21,158	6,500
Profit (loss) attributable to non-controlling interest	0	4	0	-1	86	42	3,364	-13	103	-8	67	-39	3,620	-15
Profit (loss) for the period	19,136	17,651	1,453	470	5,357	-667	3,956	-38	445	-16	-5,570	-10,915	24,777	6,485

## 5. Segment Note - Grupo Security QoQ

Segment Note - Grupo Security <i>In MCHS</i>	Lending and Treasury		Asset Management		Insurance		International Business		Other Services		Consolidation Adjustments, Support Areas and		Total Grupo Security	
	4Q-19	1Q-20	4Q-19	1Q-20	4Q-19	1Q-20	4Q-19	1Q-20	4Q-19	1Q-20	4Q-19	1Q-20	4Q-19	1Q-20
Revenue	137,755	138,835	20,816	13,261	100,096	58,236	34,220	38,935	8,921	9,151	6,360	40,000	308,167	298,418
Cost of sales	-78,123	-84,292	-10,634	-5,291	-90,518	-48,866	-27,615	-32,835	-3,338	-5,086	774	-39,322	-209,456	-215,693
Gross profit	59,631	54,543	10,182	7,969	9,577	9,370	6,605	6,099	5,582	4,065	7,134	678	98,712	82,725
Other income	5	7	3	9	159	142	147	5	108	246	38	99	459	509
Administrative expenses	-30,221	-32,737	-9,447	-8,840	-8,342	-11,714	-5,239	-5,402	-4,374	-3,685	-11,334	-5,395	-68,958	-67,772
Other expenses	-1,938	-4,485	-1,780	-383	-129	-130	-87	-103	-8	-10	-6	9	-3,948	-5,103
Other gains (losses)	0	0	-39	338	-77	40	240	260	72	-18	1,941	127	2,136	746
Finance income	0	0	162	208	6	6	0	0	0	0	14	0	182	214
Finance costs	0	0	-2	-2	-6	-12	-10	-44	-315	-303	-3,363	-3,436	-3,695	-3,797
Share of profit (loss) of associates and joint ventures, equity-accounted	0	0	0	0	1,084	-85	0	0	-1	-1	-756	1	327	-85
Exchange differences	2,799	4,052	3,459	1,350	1,073	140	-29	-838	95	11	-139	-212	7,257	4,504
Gain (loss) from indexed assets and liabilities	31	0	-286	-129	-1,290	-1,239	0	0	31	0	-2,375	-2,774	-3,888	-4,142
Gains (losses) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	-231	56	-1,032	-102	0	0	0	0	0	0	0	0	-1,263	-46
<b>Profit (loss) before tax</b>	30,076	21,436	1,220	419	2,055	-3,482	1,626	-23	1,191	305	-8,847	-10,903	27,321	7,752
Income tax benefit (expense)	-6,987	-3,785	-1,701	51	-137	2,815	-3	-15	-314	-320	3,043	-12	-6,097	-1,267
Profit (loss) from continuing operations	23,090	17,651	-481	470	1,918	-667	1,623	-38	877	-16	-5,803	-10,915	21,224	6,485
<b>Profit (loss) attributable to</b>														
Profit (loss) attributable to equity holders of the parent	23,084	17,647	-474	471	1,716	-708	985	-25	633	-8	-5,814	-10,877	20,130	6,500
Profit (loss) attributable to non-controlling interest	5	4	-7	-1	202	42	638	-13	244	-8	11	-39	1,094	-15
Profit (loss) for the period	23,090	17,651	-481	470	1,918	-667	1,623	-38	877	-16	-5,803	-10,915	21,224	6,485

## 6. Grupo Security Consolidated Statement of Cash Flows

Statement of Cash Flows	mar-19	mar-20
For the periods ended December 31st, 2019 and 2018	MCh\$	MCh\$
Net cash flows provided by (used in) operating activities	48,303	(137,278)
Net cash flows used in investing activities	(4,183)	(918)
Net cash flows used in financing activities	(27,175)	(18,934)
<b>Increase (decrease) in cash and cash equivalents before effect of exchange rate changes</b>	<b>16,945</b>	<b>(157,130)</b>
Effect of changes in exchange rates on cash and cash equivalents	45	738
Net increase (decrease) in cash and cash equivalents	16,990	(156,392)
Cash and cash equivalents at beginning of period	472,890	800,422
Cash and cash equivalents at end of period	489,880	644,030

### Operating Cash Flows

For 1Q20, the decrease in operating cash flows with respect to 1Q19 is related to the Bank, which had an increase in outflows to increase financial investments.

### Investing Cash Flows

For 1Q20, the variation in investing cash flows is related to a decrease in purchases of intangible assets (mainly software), which was down MCH\$1,787 in relation to the same period last year.

### Financing Cash Flows

For 1Q20, financing cash flows improved because of a decrease in loan repayments with respect to the same period last year.

## 7. Quarterly Statement of Income

Quarterly Earnings (M Ch\$)		4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Revenue	M Ch\$	219,957	262,200	304,698	280,945	308,167	298,418
Cost of sales	M Ch\$	-122,228	-165,741	-199,088	-195,946	-209,456	-215,693
Gross profit	M Ch\$	97,729	96,459	105,610	84,999	98,712	82,725
Administrative expenses	M Ch\$	-49,784	-57,325	-75,613	-49,231	-68,958	-67,772
Operating income	M Ch\$	45,384	37,292	29,804	28,946	28,401	11,104
Finance costs	M Ch\$	-4,271	-3,589	-3,370	-3,606	-3,695	-3,797
Profit before tax	M Ch\$	31,536	34,017	24,479	27,155	27,321	7,752
Profit attributable to equity holders of parent	M Ch\$	22,725	21,158	21,661	18,207	20,130	6,500
EBITDA <sup>1</sup>	M Ch\$	37,849	40,341	30,618	33,781	34,059	14,805

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

## 8. Financial and Business Indicators

Activity levels (M Ch\$)		31-mar-19	30-jun-19	30-sept-19	31-dic-19	31-mar-20
Cash (Grupo Security Standalone)	\$ millions	55,052	20,736	20,087	8,026	3,977
Total Assets	\$ millions	10,519,158	10,808,061	11,326,897	12,121,001	12,522,935
Total Liabilities	\$ millions	9,744,655	10,028,529	10,559,300	11,336,851	11,752,468
Total Equity	\$ millions	774,503	779,532	767,597	784,150	770,467

Leverage Ratios (M Ch\$)		31-mar-19	30-jun-19	30-sept-19	31-dic-19	31-mar-20
Individual leverage ratio <sup>1</sup>	%	34.55%	33.04%	36.03%	35.10%	36.64%
Consolidated financial expenses <sup>2</sup>	Times	10.48	9.41	9.11	8.92	3.04

Profitability (M Ch\$)		31-mar-19	30-jun-19	30-sept-19	31-dic-19	31-mar-20
Revenue	\$ millions	262,200	566,898	847,843	1,156,010	298,418
Profit attributable to equity holders of the company	\$ millions	21,158	42,819	61,026	81,156	6,500
EBITDA	\$ millions	40,341	70,960	104,741	138,799	14,805
Return of equity <sup>3</sup>	%	11.47%	11.53%	11.05%	10.83%	3.40%
Return on assets <sup>4</sup>	%	0.804%	0.802%	0.744%	0.716%	0.211%
Earnings per share <sup>5</sup>	\$	21.1	23.3	22.7	22.0	17.8
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 for the annualized period and average equity attributable to controlled properties.
4. Return on assets: Defined as the quotient between profit attributable to controlled companies for the annualized period 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 MCH\$12,522,935 as of March 2020, +3.3% YTD. Of these assets, 53.6% are trade and other receivables, primarily the Bank's loan portfolio. As of March 2020, this item reached MCH\$6,715,297, +1.1% YTD, driven by +2.3% YTD growth in loans as explained on pages 9 and 10.

Furthermore, 32.6% of total assets are other current financial assets. This line item primarily includes the investment portfolio for the insurance subsidiary's technical reserves and the Bank's portfolio of financial instruments. As of March 2020, other current financial assets reached

MCH\$4,084,556, +9.3% YTD, because of the rise of 26.6% YTD in the Bank's current financial assets, which totaled MCH\$1,477,229 as of March 2020, and an increase of 1.4% YTD in the investment portfolio for the insurance company's technical reserves, which reached MCH\$2,605,792 as of March 2020.

As of March 2020, total consolidated liabilities were MCH\$11,752,468, +3.7% YTD. Of those, 65.5% are other current financial liabilities, which include the Bank's time deposits and current accounts, as well as debt issued by the Bank or the Group. As of March 2020, other current financial liabilities reached MCH\$7,693,004, +7.0% YTD.

Of total liabilities, 24.3% were trade and other payables, which are primarily the technical reserves of Vida Security and Protecta Security. As of March 2020, trade payables totaled MCH\$2,861,422 (+0.4% YTD), as a result of the 0.9% YTD increase in life insurance technical reserves, which totaled MCH\$2,712,470, in keeping with activity levels at Vida Security, as explained on pages 13 to 18. 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 amounted to MCH\$770,467 as of March 2020, -1.7% YTD, because of equity reserves established by the Bank for impairment of an available-for-sale investment.

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 March 2020, this ratio was 0.3664, +154 bps YoY.

Consolidated financial expense coverage is the sum of profit before tax and finance costs, divided by finance costs. The majority of finance costs for this indicator are interest and indexation expenses for Grupo Security bonds. As of March 2020, the consolidated financial expense coverage was 3.04 times, -71.0% YTD due to a -77.2% variation in profit before tax.

As of March 2020, revenue was MCH\$298,418, +13.8% YoY. Of this, 21.2% corresponds to gross written premiums from Vida Security, which fell 4.5% due to a drop in annuity and group insurance sales, offset by growth in individual premiums, as explained on pages 13 to 18 of this report. In addition, 37.7% of revenue was from interest and indexation on Bank loans, which grew 42.9% YoY, due to greater volumes of total loans and higher inflation with respect to last year, as explained on pages 8 and 9. On the other hand, 6.4% of consolidated revenue corresponds to other interest income earned mainly on Vida Security's investment portfolio, which had lower returns on investments, mainly in the CUI and APV portfolio, as mentioned on pages 13 to 18 of this report.

For 1Q20, profit attributable to owners of the parent was MCH\$6,500, -69.3% YoY, while EBITDA reached MCH\$14,805 (-63.3% YoY). As of March 2020, return on equity was 3.4% (-807 bps YoY) and return on assets was 0.21% (-59 bps YoY) with earnings per share of CH \$17.8 (-15.7% YoY). These results are explained by the results of Grupo Security and its subsidiaries, which are presented in detail throughout this report.

## Market Information

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 March 2020, 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 MCH\$205,585,747 (MCH\$187,627,727 excluding foreign subsidiaries). Equity totaled MCH\$22,542,702 while profit for 1Q20 was MCH\$635,552, with return on average equity<sup>13</sup> of 11.5%. The industry reported an efficiency ratio of 42.6% measured as operating expenses over gross operating profit, and 1.6% measured as operating expenses over total assets. The banking system posted a risk ratio of 2.56%, measured as loan loss provisions to total loans, and 2.03%, measured as 90-day nonperforming loans to total loans. As of March 2020, Banco Security had total loans of MCH\$6,191,897, positioning it 8th in total loans with 3.0% of the Chilean market (3.3% excluding foreign subsidiaries).

### **FACTORING INDUSTRY**

Factoring has become an important source of alternative financing to complement traditional bank lending for small- and medium-sized companies. This service allows customers to receive advances on receivables via a discount on their invoices, checks, promissory notes or other similar documents. It provides them immediate liquidity and reduces costs and inefficiencies by handing the collections process over to the factoring service provider. Although the industry is still maturing, several situations and regulatory changes have boosted growth recently, making it one of the financial sector industries with the best domestic and international outlook.

### **MUTUAL FUND INDUSTRY**

As of March 2020, the mutual fund industry reported average assets under management of MCH\$45,325,172 and 2,464,105 investors. Administradora General de Fondos Security boasted average assets under management of MCH\$2,558,199 as of March 2020, giving it a market share of 5.6% and a sixth-place industry ranking among the 20 fund managers operating in the market.

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<sup>13</sup> Annualized profit for the period over average equity for the period

## **STOCK BROKERAGE INDUSTRY**

During the first quarter of 2020, market activity measured as value of shares traded increased 2.4% in comparison to 1Q19, reaching BCH \$15,437. Value of shares traded for Valores Security Corredores de Bolsa for the same period totaled BCH \$287 with market share of 1.9%. Market share is calculated based on transactions on Santiago Exchange and the Chilean Electronic Stock Exchange.

## **LIFE INSURANCE INDUSTRY**

As of March 2020, there were 35 life insurance companies in Chile. Total gross written premiums for the industry were MCH\$1,417,329 for 1Q20. The life insurance industry posted profit of MCH\$391 for the period ended March 2020. For the same period, Vida Security had market share of 4.5% 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 March 2020, 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 MCH\$119,067 as of March 2020, equivalent to 0.95% 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 March 2020, Grupo Security had not received any dividends from its subsidiaries.

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 March 31, 2020, the Company's 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 March 31, 2020, 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

