

Grupo Security Earnings Report

Grupo Security Reports Profit of MCH\$17,328 for the first half of 2020, affected mainly by reduced returns on financial investments at Vida Security and increased provision expenses at Banco Security.

- Banco Security's consolidated profit was MCH\$29,493 for the first half of 2020, -26.6% YoY, which represents an ROAE of 9.4%. The decline can be explained by greater provision expenses mainly in the commercial banking division due to the public health crisis and a low basis of comparison.
- Banco Security's market share reached 3.3% as of June 2020. Commercial loans expanded 16.1% YoY and 5.6% YTD, with market share in its target segment of medium and large companies of 5.7%¹. Banco Security's consolidated efficiency ratio was 50.3% as of June 2020 (+135 bps YoY). Its risk ratio, measured as provisions to loans, was 1.67% as of June 2020 (+13 bps YoY) because of greater risk in the economy as a result of the public health crisis.
- Factoring Security reported profit of MCH\$5,568 for 1H20, +25.2% YoY, with a drop of 9.7% YoY in factored receivables due to a decelerating economy, offset by larger spreads.
- Vida Security had a net loss of -MCH\$1,992 for 1H20 (profit of MCH\$11,428 for 1H19) attributable to investment income of MCH\$22,810 (MCH\$76,121 for 1H19) due to the drop in markets. It is important to mention that the insurance business (individual, group, family protection and annuities) is operating in line with projections for this year.
- For 1H20, Protecta Security reported profit of MS./ 4.7. Protecta Security has 25.1% market share in annuities, positioning it second in sales in the Peruvian market.
- Inversiones Security, including Securitizadora Security, posted profit of MCH\$2,035 for 1H20 (-32.3% YoY) because of reduced profit from the fund management subsidiary (MCH\$1,999, -31.6% YoY) and the brokerage subsidiary (MCH\$688, -12.4% YoY), and weaker results from its subsidiaries' proprietary trading portfolio.
- Inmobiliaria Security reported a loss of -MCH\$514 for 1H20, 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 had a loss of -MCH\$2,771 for 1H20 (versus MCH\$1,695 for 1H19), as a result of the impact of the public health crisis on the travel and tourism industry and expenses to adapt its structure to a digital sales model.

Santiago, Chile – August 27, 2020. Grupo Security S.A., (BCS: SECURITY; BBG: SECUR).

Renato Peñafiel, CEO of Grupo Security, commented that "Grupo Security's reduced profit for 1H20 reflects the depth of the crisis we are going through as a result of the pandemic declared in March and its profound effects on financial markets and the local and international economy. In particular, our results were affected by weaker returns on Vida Security's investment portfolio and higher provision expenses at Banco Security. We are focused on improving efficiency across all businesses, reviewing structures from a long-term perspective and creating a more digital business model that lets us serve our customers as efficiently as possible, while maintaining the service quality that we have been known for since our founding."

¹This 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\$	Jun-20	Mar-20	Jun-19	% Chg	
				QoQ	YoY
Banco - Total Loans	6,225,354	6,191,897	5,495,624	0.5%	13.3%
Industry - Total Loans ¹	190,041,601	187,627,727	169,261,534	1.3%	12.3%
Inversiones - AUM Mutual Funds	2,620,154	2,558,199	2,919,234	2.4%	-10.2%
Industry - AUM Mutual Funds	49,492,371	45,325,172	42,943,731	9.2%	15.2%
Vida - Investment Portfolio	2,627,217	2,634,577	2,536,589	-0.3%	3.6%
Industry (life insurance) - Investment Portfolio	46,456,290	46,409,505	42,990,628	0.1%	8.1%
Factoring - Factored Receivables	321,201	387,505	355,716	-17.1%	-9.7%

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

Grupo Security Indicators Statement of Income	2Q20	1Q20	2Q19	% Chg		6M20	6M19	% Chg
				QoQ	YoY			
Banco - Net Interest Margin	47,316	47,542	44,515	-0.5%	6.3%	94,858	85,524	10.9%
Banco - Net Fees	14,636	16,491	17,941	-11.2%	-18.4%	31,127	34,798	-10.5%
Banco - Operating Expenses	-31,199	-35,607	-32,486	-12.4%	-4.0%	-66,806	-65,904	1.4%
Banco - Net Provision Expenses	-14,589	-13,106	-9,524	11.3%	53.2%	-27,695	-14,799	87.1%
Vida - Direct Premium	50,281	63,408	66,109	-20.7%	-23.9%	113,690	132,506	-14.2%
Vida - Claims Paid	-12,214	-42,156	-26,749	-71.0%	-54.3%	-54,370	-50,653	7.3%
Vida - Pensions Paid	-29,188	-24,786	-40,738	17.8%	-28.4%	-53,974	-84,739	-36.3%
Vida - Investment Income	36,022	-13,212	35,802	-	0.6%	22,810	76,121	-70.0%
Factoring - Revenue	8,750	10,225	8,737	-14.4%	0.1%	18,975	16,989	11.7%

Ratios	Jun-20	Mar-20	Jun-19	% Chg	
				QoQ	YoY
Grupo - ROE	4.6%	3.4%	11.5%	115 p	-698 p
Banco (Consolidated) - ROAE	9.4%	10.4%	13.7%	-99 p	-431 p
Factoring - ROE	21.6%	22.4%	18.6%	-77 p	298 p
Vida - ROAE	-2.0%	-1.9%	13.5%	-10 p	-1553 p
Travel - ROE	0.0%	3.3%	28.3%	-328 p	-2830 p
Grupo - Leverage	34.5%	36.6%	33.0%	-218 p	142 p
Banco - Efficiency	50.3%	51.9%	48.9%	-164 p	135 p
Factoring - Efficiency	39.8%	39.7%	42.2%	9 p	-241 p
Banco - Non-Performing Loans	1.87%	1.56%	1.68%	31 p	18 p
Banco - Risk Index	1.67%	1.66%	1.55%	1 p	13 p
Factoring - Risk Index	2.33%	1.88%	2.04%	44 p	29 p
Banco - BIS Tier I Ratio	7.2%	6.8%	7.8%	37 p	-56 p
Banco - BIS Tier II Ratio	13.1%	12.0%	12.9%	111 p	23 p

Grupo Security	26-Aug-20 ¹	Jun-20	Mar-20	Dec-19	Sep-20	Jun-19	% Chg	
							QoQ	YoY
Share Price (Ch\$)	154.9	147.0	142.6	195.6	251.0	277.2	3.0%	-47.0%
Number of Shares (millions)	4,017	3,695	3,695	3,695	3,695	3,695	0.0%	0.0%
Free float	28%	27%	27%	27%	27%	27%	0 p	0 p
Profit per share	13.9	15.1	18.0	22.0	22.7	23.3	-16.3%	-35.5%
Price-earnings ratio	11.2	9.8	7.9	8.9	11.1	11.9	23.1%	-17.8%
Price / Book value	0.8	0.7	0.7	0.9	1.2	1.3	0.3%	-47.8%
ROAE: profit 12M over average equity	3,468	3,530	3,892	3,961	3,969	3,904	-9.3%	-9.6%

¹Total equity and profit for the period as of jun-20

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 García resigned from Banco Security's board, which appointed Bonifacio Bilbao to replace him.

On August 15th, the Corporate Culture Division Manager, Ms. Karin Becker Schmidt, retired after 38 years with the company. The board of Grupo Security S.A. was informed of her decision at its July 30th meeting and made note in the minutes of its recognition and appreciation for Ms. Becker's valuable contribution and professionalism. Similarly, at the same meeting, the board agreed to appoint Ms. Isabel Alliende Kingston as the new Corporate Culture Division Manager, a senior executive position, effective August 17th.

On August 19, 2020, the preferential option period for the Company's capital increase was successfully brought to a close, raising MCH\$51,555. A total of 322,220,568 shares were subscribed at a value of CH \$160 per share, or almost 78% of the issuance. The remaining 92 million shares were granted on a prorata basis—approximately 0.28 shares for each share subscribed—to the shareholders participating in this increase, to be acquired by them for CH\$160 per share over the next 18 months.

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GRUPO SECURITY EARNINGS REPORT FOR 1H20

Grupo Security posted profit of MCH\$17,328 for the six months ended June 2020 (-59.5% YoY) and MCH\$10,828 for 2Q20 (+66.6% QoQ). EBITDA totaled MCH\$28,070 for 1H20 (-60.4% YoY) and MCH\$13,264 for 2Q20 (-10.4% QoQ).

The Group posted an ROAE as of June 2020 of 9.4% (13.7% as of June 2019, 10.8% as of Dec 2019). Profit from the Group's business areas reached MCH\$29,649, -47.6% YoY.

EARNINGS CONTRIBUTION BY BUSINESS AREA

Earnings from Related Companies (In Ch\$ Million)								
	2Q20	1Q20	2Q19	% Chg		Jun-20	Jun-19	% Chg
				QoQ	YoY			
Lending Area								
Banco Security (standalone)	12,018	14,789	19,495	-18.7%	-38.4%	26,806	36,446	-26.4%
Factoring Security	2,706	2,862	2,262	-5.5%	19.6%	5,568	4,447	25.2%
Asset Management Area								
Valores Security	630	59	280	971.0%	125.2%	689	786	-12.4%
AGF Security	928	1,070	1,696	-13.3%	-45.3%	1,999	2,924	-31.6%
Securizadora Security	-133	-253	-397	-	-	-386	-519	-
Insurance Area								
Vida Security	-1,035	-957	6,231	-	-	-1,992	11,428	-
Servicios Security	101	240	246	-58.0%	-58.9%	341	382	-10.7%
Other Services								
Inmobiliaria Security	-346	-168	-469	-	-	-514	-864	-
Travel Security	-2,861	90	799	-	-	-2,771	1,695	-
International Business								
Protecta Security (S./ Th.)	-1,243	5,898	7,748	-	-	4,655	8,891	-47.6%
Travex Security (S./ Th.)	-4,286	-571	-267	-	-	-4,857	308	-
Grupo Security Profit¹	10,828	6,500	21,661	66.6%	-50.0%	17,328	42,819	-59.5%

- (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.

Ch\$ Million	2Q20	1Q20	Var QoQ	Jun-20	Jun-19	Var YoY
Business areas profit	12,272	17,377	-29.4%	29,649	56,586	-47.6%
Support areas and group expenses	-3,212	-3,057	5.1%	-6,268	-5,292	18.5%
Finance costs	-3,063	-3,412	-10.2%	-6,474	-5,884	10.0%
Indexation units	-707	-2,774	-74.5%	-3,481	-3,227	7.9%
Support areas adjustments	538	-1,928	-	-1,390	87	-
Taxes and others	5,001	293	-	5,293	550	-
Grupo Security profit	10,761	6,567	63.9%	17,328	42,819	-59.5%

Grupo Security posted profit of MCH\$ 17,328 for the six months ended June 2020 (-59.5% YoY), due to lower profit from the Group's business areas of MCH\$ 29,649 (-47.6% YoY). In addition, Group and support area expenses reached MCH\$6,268 (+18.5% YoY) due to greater expenditures for termination benefits and a rise in finance costs to MCH\$6,474 (+10.0% YoY), in line with greater liabilities. Furthermore, the adjustment for support companies was a loss of -MCH\$1,390 for 1H20, due to termination benefits, which were partially offset by tax refunds.

During the quarter, Grupo Security posted profit of MCH\$17,328 (+66.6% QoQ), explained by tax refunds recorded during 2Q20. Additionally, it reported a loss on indexed assets and liabilities of -MCH\$707 (-74.5% QoQ) due to lower inflation during the period. The adjustment for support companies was MCH\$538 (versus a loss of -MCH\$1,928 for 1Q20), due to a low basis of comparison because of termination benefits paid in 1Q20 and tax refunds. These effects were only partially offset by decreased profit from business areas of MCH\$12,272 for the quarter (-29.4% QoQ).

REVIEW OF OPERATIONS BY BUSINESS AREA

LENDING BUSINESS AREA (70.8% of assets; 109.2% of profit from business areas as of June 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 1H20, Banco Security reported consolidated profit attributable to owners of the parent of MCH\$29,493, -26.6% YoY. Banco Security's standalone profit (excluding subsidiaries AGF Security and Valores Security Corredores de Bolsa) was MCH\$26,807, -26.4% YoY.

Banco Security's ROAE (profit LTM over average equity) was 9.4%, -431 bps YoY.

Banco Security - Operating Segments

Banco Security Segment Note	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19
<i>In Ch\$ Million</i>														
Net interest margin	49,571	45,996	31,398	33,337	18,005	11,554	-4,188	-5,160	94,786	85,727	72	-203	94,858	85,524
Δ% 6M20	7.8%		-5.8%		55.8%		-18.8%		10.6%		-135.5%		10.9%	
Net Fees	10,407	10,188	8,140	10,670	-103	-149	31	340	18,475	21,049	12,652	13,749	31,127	34,798
Δ% 6M20	2.1%		-23.7%		-30.6%		-91.0%		-12.2%		-8.0%		-10.5%	
Net FX transactions and other income	4,022	4,507	1,896	712	3,273	5,635	-4,668	-1,980	4,523	8,874	2,950	3,652	7,473	12,526
Δ% 6M20	-10.8%		166.1%		-41.9%		135.8%		-49.0%		-19.2%		-40.3%	
Loan losses and foreclosed assets	-15,308	-3,110	-14,546	-11,712	-67	35	-134	-124	-30,055	-14,911	0	0	-30,054	-14,911
Δ% 6M20	392.2%		24.2%		-		7.9%		101.6%		-		101.6%	
Total operating income, net of credit risk prov.	48,692	57,581	26,888	33,007	21,108	17,075	-8,959	-6,924	87,729	100,739	15,674	17,198	103,404	117,937
Δ% 6M20	-15.4%		-18.5%		23.6%		29.4%		-12.9%		-8.9%		-12.3%	
Operating expenses	-21,468	-19,085	-27,579	-28,883	-7,511	-6,557	2,454	1,539	-54,104	-52,986	-12,702	-12,918	-66,806	-65,904
Δ% 6M20	12.5%		-4.5%		14.6%		59.5%		2.1%		-1.7%		1.4%	
Net operating income	27,224	38,496	-691	4,124	13,597	10,518	-6,505	-5,385	33,625	47,753	2,972	4,280	36,598	52,033
Δ% 6M20	-29.3%		-116.8%		29.3%		20.8%		-29.6%		-30.6%		-29.7%	
Income tax expense	-5,521	-9,121	140	-977	-2,758	-2,492	1,319	1,273	-6,820	-11,317	-286	-569	-7,106	-11,886
Δ% 6M20	-39.5%		-114.3%		10.6%		3.6%		-39.7%		-49.7%		-40.2%	
Profit attributable to equity holders of the bank	21,703	29,375	-551	3,147	10,839	8,026	-5,184	-4,104	26,807	36,444	2,685	3,710	29,493	40,154
Δ% 6M20	-26.1%		-117.5%		35.0%		26.3%		-26.4%		-27.6%		-26.6%	

Banco Security Segment Note	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
	2Q-20	1Q-20	2Q-20	1Q-20	2Q-20	1Q-20	2Q-20	1Q-20	2Q-20	1Q-20	2Q-20	1Q-20	2Q-20	1Q-20
<i>In Ch\$ Million</i>														
Net interest margin	25,007	24,563	15,375	16,023	8,935	9,070	-2,150	-2,038	47,168	47,618	148	-76	47,316	47,542
Δ% 2Q20	1.8%		-4.0%		-1.5%		5.5%		-0.9%		-294.7%		-0.5%	
Net Fees	5,028	5,378	3,446	4,694	-45	-58	124	-94	8,555	9,920	6,081	6,571	14,636	16,491
Δ% 2Q20	-6.5%		-26.6%		-		-		-13.8%		-7.5%		-11.2%	
Net FX transactions and other income	1,686	2,336	337	1,559	875	2,398	-1,982	-2,686	916	3,607	1,723	1,227	2,639	4,834
Δ% 2Q20	-27.8%		-78.4%		-63.5%		-26.2%		-74.6%		40.4%		-45.4%	
Loan losses and foreclosed assets	-9,270	-6,038	-7,733	-6,812	1,033	-1,100	191	-326	-15,779	-14,276	0	0	-15,778	-14,276
Δ% 2Q20	53.5%		13.5%		-		-		10.5%		-		10.5%	
Total operating income, net of credit risk prov.	22,453	26,239	11,424	15,463	10,798	10,309	-3,816	-5,143	40,860	46,869	7,952	7,722	48,813	54,591
Δ% 2Q20	-14.4%		-26.1%		4.7%		-25.8%		-12.8%		3.0%		-10.6%	
Operating expenses	-9,798	-11,669	-13,334	-14,244	-3,196	-4,314	1,314	1,140	-25,016	-29,088	-6,183	-6,519	-31,199	-35,607
Δ% 2Q20	-16.0%		-6.4%		-25.9%		15.3%		-14.0%		-5.2%		-12.4%	
Net operating income	12,654	14,570	-1,910	1,219	7,602	5,995	-2,502	-4,003	15,844	17,781	1,769	1,203	17,614	18,984
Δ% 2Q20	-13.1%		-		26.8%		-37.5%		-10.9%		47.0%		-7.2%	
Income tax expense	-3,069	-2,452	345	-205	-1,749	-1,009	645	674	-3,828	-2,992	-212	-74	-4,040	-3,066
Δ% 2Q20	25.2%		-268.3%		73.4%		-4.3%		27.9%		186.5%		31.8%	
Profit attributable to equity holders of the bank	9,585	12,118	-1,565	1,014	5,852	4,986	-1,854	-3,329	12,018	14,789	1,556	1,129	13,575	15,918
Δ% 2Q20	-20.9%		-254.3%		17.4%		-44.3%		-18.7%		37.8%		-14.7%	

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 June 2020, the Bank's commercial loans were up 16.1% YoY and 5.6% YTD, totaling BCH\$5,027, while the industry's commercial loans had grown 17.7% YoY and 11.2% YTD. Including foreign subsidiaries, the industry's commercial loans grew 19.1% YoY and 11.2% YTD.

Banco Security's market share in commercial loans was 4.6% as of June 2020², while its market share in its target segment of medium and large companies was 5.7%³. The commercial banking division had 8,106 customers as of June 2020 (-1.7% YoY).

The commercial banking division posted profit of MCH\$21,703 for 1H20 (-26.1% YoY). This weaker result is explained by increased provision expenses, totaling MCH\$15,308 for 1H20 compared to MCH\$3,110 in 1H19. It is important to note that 1H19 represents a low basis of comparison due to provisions reversed in 1Q19. In addition, provisions were up due to changes in customer risk ratings as a result of the pandemic. Also, operating expenses rose +12.5% YoY to MCH\$21,468 for 1H20 because of increased personnel expenses in 1Q20 for 2019 performance bonuses and investments in cybersecurity. It also reported a decrease in financial operating income, net FX transactions and other income, which totaled MCH\$4,022 for 1H20 (-10.8% YoY), because of reduced income from leases. This was not fully offset by the higher net interest margin of MCH\$ 49,571 for 1H20 (+7.8% YoY), due to increased commercial loans (+16.1% YoY). Meanwhile, net fees remained in line with the prior year (+2.1% YoY).

For the quarter, the commercial banking division reported profit of MCH\$9,585 (-20.9% QoQ) explained by increased provision expenses of MCH\$9,270 (+53.5% QoQ), due to changes in customer risk ratings in its portfolio. In addition, financial operating income, net FX transactions and other income fell to MCH\$1,686 for 2Q20 (-27.8% QoQ) because of decreased income from distributing structured products and lower net fees of MCH\$5,028 (-6.5% QoQ), due to reduced business. This was partially offset by lower operating expenses of MCH\$1,871 for the quarter (-16.0% QoQ), due to a high basis of comparison because of bonuses recognized in 1Q20 and a larger net interest margin of MCH\$25,007 (+1.8% QoQ), explained by an increased spread and 1.8% growth in commercial loans.

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 June 2020, the Bank had total retail loans (consumer + mortgage) of BCH\$1,199 (+3.2% YoY, -7.1% YTD), driven by consumer (-4.5% YoY, -8.2% YTD) and mortgage (+9.6% YoY, -6.2% YTD) loans, representing 8.0% and 11.2% of the Bank's total loans, respectively. For the industry, retail loans increased 5.7% YoY and 0.1% YTD, driven by growth in mortgage loans

Commercial Loans by Economic Sector	% Total
Construction and real estate	18.6%
Financial services and insurance	18.4%
Corporate services	17.1%
Social services	11.4%
Wholesale and retail trade	9.9%
Manufacturing	6.7%
Transportation	6.0%
Utilities	4.8%
Agriculture and livestock	3.0%
Fishing	2.4%
Mining	1.3%
Telecom	0.3%
Forestry	0.1%

² Excluding foreign subsidiaries of Chilean banks

³ 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).

(+10.6% YoY and +4.3% YTD), partially offset by consumer loans (-4.1% YoY and -8.2% YTD). The industry's retail loans, including foreign subsidiaries, grew +5.8% YoY and +0.1% YTD. The Bank boasts market share of 4.1%⁴ in its target segment of high-income individuals as of June 2020. The retail banking division had 68,864 customers as of June 2020 (-2.3% YoY).

The retail banking division reported a loss of -MCH\$551 for 1H20 (profit of MCH\$3,147 for 1H19) due to a -7.3% YoY drop in operating income—net interest margin, net fees and financial operating income, net FX transactions and other income—and a rise in provision expenses to MCH\$14,546 (+24.2% YoY), related to an increased NPL ratio (1.90% June 2020 vs 1.26% June 2019)⁵. Net fees were down to MCH\$8,140 (-23.7% YoY), due to reduced income from supplementary loan insurance products and a smaller net interest margin of MCH\$31,398 (-5.8% YoY), because of MPR cuts (June 2020 0.5% vs June 2019 2.5%). That decline was partially offset by lower operating expenses of MCH\$27,579 (-4.5% YoY) due to reduced business and a rise in financial operating income, net FX transactions and other income to MCH\$1,896 for 1H20 (+166.1% YoY).

The division reported a quarterly loss of -MCH\$1,565 (vs MCH\$1,014 for 1Q20) because of a -14.0% QoQ drop in operating income—net interest margin, net fees and financial operating income, net FX transactions and other income—plus higher provision expenses for the quarter (+13.5% QoQ). The net interest margin of MCH\$15,375 for 2Q20 (-4.0% QoQ) is less due to MPR cuts (0.5% as of June 2020, 1.0% as of March 2020), while net fees were down because of decreased business. Financial operating income, net FX transactions and other income totaled MCH\$337 for the quarter (-78.4% QoQ). Provision expenses reached MCH\$7,733 (+13.5% QoQ), attributable to impairment in the consumer portfolio (4.82% as of June 2020 vs 4.37% as of March 2020). These effects were partly offset by lower operating expenses of MCH\$13,334 (-6.4% QoQ), because of reduced business.

Treasury

For 1H20, the treasury area reported profit of MCH\$10,839 (+35.0% YoY), explained by higher net operating income of MCH\$21,108 (+23.6% YoY), growth in its proprietary investment portfolio and the effects of MPR cuts (June 2020 0.5% vs June 2019 2.5%). Operating expenses rose to MCH\$7,511 (+14.6% YoY) mainly due to increased personnel expenses.

The area had profit of MCH\$5,852 for 2Q20 (+17.4% QoQ), due to lower operating expenses of MCH\$3,196 for the quarter (-25.9% QoQ) because of bonus payments in 1Q20, and greater net operating income of MCH\$10,798 (+4.7% QoQ). In 1Q20 the division recorded a risk-related loss of MCH\$1,100 due to impairment on an instrument in the available-for-sale investment portfolio. This effect was reversed in 2Q20 by selling the instrument, recorded in financial operating income, net FX transactions and other income.

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 June 2020, ALM represented 59.7% 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 14.8% of treasury income. The remaining 25.5% of treasury income comes from the distribution desk, which brokers specialized products for commercial banking customers (currency, forwards and structured products).

⁴ 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).

⁵ NPL ratio for consumer portfolio.

Banco Security - Consolidated Statement of Income

Banco Security posted consolidated profit of MCH\$29,494 for 1H20 (-26.5% YoY) and MCH\$13,576 for 2Q20 (-14.7% QoQ).

<i>In Ch\$ Million</i>	2Q20	1Q20	4Q19	% Chg		6M20	6M19	% Chg
				QoQ	YoY			YoY
Net interest margin	47,316	47,542	47,523	-0.5%	6.3%	94,858	85,524	10.9%
Net Fees	14,636	16,491	15,085	-11.2%	-18.4%	31,127	34,798	-10.5%
Net financial Operating Income	2,811	2,083	5,248	34.9%	-32.4%	4,894	10,050	-51.3%
Net foreign exchange transactions	-527	5,399	6,257	-	-	4,872	2,356	106.8%
Recovery of charged-off loans	901	889	925	1.3%	-25.9%	1,790	1,973	-9.3%
Other net operating income	-834	-3,818	-2,407	-	-	-4,652	8	-
Gross operating income	64,303	68,586	72,631	-6.2%	-8.0%	132,889	134,709	-1.4%
Credit risk provisions	-15,490	-13,995	-13,275	10.7%	44.2%	-29,485	-16,772	75.8%
Administrative expenses	-31,199	-35,607	-33,804	-12.4%	-4.0%	-66,806	-65,904	1.4%
Net operating income	17,614	18,984	25,552	-7.2%	-33.9%	36,598	52,033	-29.7%
Income attributable to investments in other companies	2	0	0	-	-	2	8	-
Profit before tax	17,616	18,984	25,552	-7.2%	-33.9%	36,600	52,041	-29.7%
Income tax expense	-4,040	-3,066	-7,182	31.8%	-22.2%	-7,106	-11,886	-40.2%
Profit for the period	13,576	15,918	18,370	-14.7%	-36.8%	29,494	40,155	-26.5%

The net interest margin was MCH\$94,858 (+10.9% YoY), explained by greater total loans (+13.3% YoY), particularly commercial (+16.1%) and mortgage (+9.6%) loans, and MPR cuts, which increased the net interest margin since price adjustments for liabilities are faster than for assets. Interest and indexation income reached MCH\$203,258 (+4.2% YoY), due to a rise in total loans (+13.3% YoY), partly offset by falling interest rates. Interest and indexation expense totaled MCH\$108,400 (-1.1% YoY) because of the lower cost of central bank funding lines and lower rates on time deposits, partially offset by a rise in the Bank's total liabilities (+18.1% YoY).

During the quarter, the interest margin stayed in line with 1Q20 (-0.5% QoQ). Interest and indexation income fell 22.0% QoQ because of a drop in market interest rates. This reduced income was offset by lower interest and indexation expenses (-37.4% QoQ) for central bank funding lines and lower rates on time deposits.

Net Interest Margin <i>In Ch\$ Million</i>	2Q20	1Q20	2Q19	% Chg		6M20	6M19	% Chg
				QoQ	YoY			
Interest and indexation income	89,041	114,217	114,797	-22.0%	-22.4%	203,258	195,152	4.2%
Interest and indexation expenses	-41,725	-66,675	-70,282	-37.4%	-40.6%	-108,400	-109,628	-1.1%
Net interest margin	47,316	47,542	44,515	-0.5%	6.3%	94,858	85,524	10.9%
Interest margin net of provisions	31,826	33,547	33,775	-5.1%	-5.8%	65,373	68,752	-4.9%
Net interest margin / total loans	3.04%	3.07%	3.24%	-3 p	-20 p	3.05%	3.11%	-6 p
Net interest margin net of provisions / Total loans	2.04%	2.17%	2.46%	-12 p	-41 p	2.10%	2.50%	-40 p

Net fees totaled MCH\$31,127 for 1H20 (-10.5% YoY), due to reduced income from supplementary loan insurance products mainly in the retail banking division and lower fees in the fund management subsidiary. With respect to the preceding quarter, net fees were down 11.2% QoQ, because of decreased business in the retail banking division.

Finance income, which is the sum of net financial operating income (loss) and the net gain from FX transactions, fell to MCH\$9,766 (-21.3% YoY), due to the impact of the crisis on the bank's investment portfolio and a drop in sales of mortgage bonds. For the quarter, this figure was MCH\$ 2,284 (-69.5% QoQ) explained by a loss on the sale of instruments in the available-for-sale portfolio, coupled with reduced income from brokering structured products.

The Bank reported other net operating loss of -MCH\$4,652 for 1H20 (vs MCH\$8 for 1H19), explained by write-offs of repossessed or awarded assets. For the quarter, this figure was -MCH\$834 (versus -MCH\$3,818 in 1Q20).

Loan loss provision expenses for 1H20 totaled MCH\$29,485 (+75.8% YoY), due to a low basis of comparison because of provisions reversed by the retail banking division in 1Q19. However, the pandemic has led to a decline in economic activity, resulting in several customers in the individual portfolio being reclassified and a rising NPL ratio in the retail banking division. Compared to the prior quarter, loan loss provision expenses were up 10.7% because of customer reclassifications and a rise in consumer loan provisions related to an increase in that portfolio's NPL ratio (1.90% as of June 2020, 1.80% as of March 2020). The ratio of provision expenses net of recovered loans to loans reached 0.89% as of June 2020 (+35 bps YoY)

In Ch\$ Million	2Q20	1Q20	2Q19	4Q19	QoQ	% Chg YTD	En Ch\$ For
Nonperforming loans - consumer	9,504	9,462	6,569	8,807	0.4%	7.9%	44.7%
Nonperforming loans - mortgage	9,441	9,025	6,455	9,365	4.6%	0.8%	Stock C
Nonperforming loans - commercial	97,185	78,050	79,445	75,643	24.5%	28.5%	46.3%
Total nonperforming loans	116,130	96,537	92,469	93,815	20.3%	23.8%	Cartera
Non-performing loans - consumer	1.90%	1.80%	1.26%	1.62%	11 p	28 p	65 p
Non-performing loans - mortgage	1.35%	1.24%	1.01%	1.26%	11 p	9 p	Cartera
Non-performing loans - commercial	1.93%	1.58%	1.83%	1.59%	35 p	34 p	Cartera
Total nonperforming loans	1.87%	1.56%	1.68%	1.55%	31 p	32 p	Cartera
Gross provisions	128,555	115,551	104,738	137,705	11.3%	-6.6%	22.7%
Write-offs	(24,462)	(12,757)	(19,745)	(37,179)	91.8%	-34.2%	23.9%
Credit risk provisions	104,093	102,794	84,993	100,526	1.3%	3.5%	22.5%
Provisions - consumer (% total)	25,060	23,234	21,633	23,689	7.9%	5.8%	15.8%
Provisions - mortgage (% total)	1,097	1,312	1,256	1,469	-16.4%	-25.3%	-12.7%
Provisions - commercial (% total)	77,936	78,248	62,104	75,368	-0.4%	3.4%	25.5%
Credit risk provisions	104,093	102,794	84,993	100,526	1.3%	3.5%	22.5%
Coverage - consumer	263.7%	245.6%	329.3%	269.0%	1813 p	-530 p	-6564 p
Coverage - mortgage	11.6%	14.5%	19.5%	15.7%	-292 p	-407 p	-784 p
Coverage - commercial	80.2%	100.3%	78.2%	99.6%	-2006 p	-1944 p	202 p
Coverage - total nonperforming loans¹	89.6%	106.5%	91.9%	107.2%	-1685 p	-1752 p	-228 p
Provisions / loans	1.67%	1.66%	1.55%	1.66%	1 p	1 p	13 p
Total impaired loans	5.57%	4.79%	4.32%	4.54%	77 p	103 p	124 p
Impaired loans - consumer	4.82%	4.37%	3.72%	4.10%	45 p	72 p	110 p
Impaired loans - mortgage	1.74%	1.61%	1.51%	1.56%	14 p	19 p	24 p
Impaired loans - commercial	6.17%	5.31%	4.82%	5.06%	86 p	111 p	136 p

¹ Credit risk provisions / Total nonperforming loans

In Ch\$ Million	2Q20	1Q20	2Q19	% Chg		6M20	6M20	%Chg YoY
				QoQ	YoY			
Consumer provisions ²	(8,414)	(5,505)	(4,766)	52.8%	76.5%	(13,919)	(9,792)	42.1%
Mortgage provisions ²	(465)	(63)	(64)	638.1%	626.6%	(528)	(191)	176.4%
Commercial provisions ²	(5,001)	(7,611)	(4,996)	-34.3%	0.1%	(12,612)	(5,067)	148.9%
Others ³	(709)	73	302	-	-	(636)	251	-353.4%
Expense in total provisions²	(14,589)	(13,106)	(9,524)	11.3%	53.2%	(27,695)	(14,799)	87.1%
Consumer provisions / Total Loans	6.74%	4.18%	3.65%	256 p	309 p	5.57%	3.75%	183 p
Mortgage provisions / Total Loans	0.27%	0.03%	0.04%	23 p	23 p	0.15%	0.06%	9 p
Commercial provisions / Total Loans	0.40%	0.62%	0.46%	-22 p	-6 p	0.50%	0.23%	27 p
Provision expenses² / loans	0.94%	0.85%	0.69%	9 p	24 p	0.89%	0.54%	35 p

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 June 2020, its risk index reached 1.67%, +13 bps YoY and +1 bps QoQ. The 90-day nonperforming loans portfolio reached 1.87%, +18 bps YoY and +31 bps QoQ. The resulting 90-day NPL coverage ratio was 89.6%.

	Credit Risk (%)								
	Provisions / Loans					Over 90 Day Nonperforming Loans			
	Mortgage	Consumer	Total	Commercial	Total	Mortgage	Consumer	Commercial	Total
Banco Security	0.16	5.02	2.18	1.55	1.67	1.35	1.90	1.93	1.87
Medium Banks*	0.24	4.52	1.30	1.94	1.83	2.27	1.58	1.43	1.41
Banking system	0.72	7.57	2.79	2.55	2.63	2.40	2.83	1.70	2.02

*Average for BICE, Security, Internacional, Consorcio

For 1H20 the Bank reported operating expenses of MCH\$66,806 (+1.4% YoY) Personnel expenses totaled MCH\$32,269 (+11.8% YoY), due to an increase in commercial bonuses for 2019 earnings and termination benefits. Administrative expenses totaled MCH\$30,665 (-8.7% YoY), due to decreased business in retail banking. Finally, depreciation and amortization expense reached MCH\$3,872 (+11.9% YoY).

For the quarter, administrative expenses fell to MCH\$31,199 (-12.4% YoY). Personnel expenses totaled MCH\$15,033 (-12.8% QoQ) because of bonuses and termination benefits paid in 1Q20, while administrative expenses dropped to MCH\$14,179 (-14.0% QoQ) because of a high basis of comparison due to regulatory contributions in 1Q20 and reduced business. Finally, depreciation and amortization expense reached MCH\$1,987 for 2Q20 (+5.4% QoQ).

<i>In Ch\$ Millions</i>	2Q20	1Q20	2Q19	% Chg		6M20	6M19	% Chg
				QoQ	YoY			
Personnel	-15,033	-17,236	-14,307	-12.8%	5.1%	-32,269	-28,868	11.8%
Administrative expenses	-14,179	-16,486	-16,377	-14.0%	-13.4%	-30,665	-33,575	-8.7%
Depreciation and amortization	-1,987	-1,885	-1,802	5.4%	10.3%	-3,872	-3,461	11.9%
Total operating expenses	-31,199	-35,607	-32,486	-12.4%	-4.0%	-66,806	-65,904	1.4%
Gross operating income	64,303	68,586	69,879	-6.2%	-8.0%	132,889	134,709	-1.4%
Operating expenses / Gross operating income	48.5%	51.9%	46.5%	-340 p	203 p	50.3%	48.9%	135 p

Banco Security's efficiency ratio, measured as operating expenses + other operating expenses over total operating income, was 50.3% as of June 2020 (+135 bps YoY and -340 bps QoQ). This ratio compares to 49.2% for the banking system and 40.1% for peer banks⁶.

For 1H20, the Bank had a smaller income tax expense (MCH\$7,106, -40.2% YoY), due to a decrease in profit before tax (-29.7% YoY) and a lower effective tax rate because of increased price-level restatement of tax-basis equity.

Banco Security's Loan Portfolio

Total loans reached MCH\$6,225,354 as of June 2020, +13.3% YoY and +2.9% YTD, while industry loans were up +12.3% YoY and 5.5% YTD. Including foreign investments, the industry's retail loans grew +13.2% YoY and 6.5% YTD. Commercial loans grew 16.1% YoY and 5.6% YTD, to MCH\$5,026,821 (80.7% of Banco Security's total loan portfolio), while retail loans (consumer + mortgage) reached MCH\$1,198,533 as of June 2020, +3.2% YoY and -7.1% YTD. The 20 largest borrowers represent 11.3% of the Bank's total loan portfolio.

Total Loans		Jun-20	Mar-20	Jun-19	QoQ	%Chg YTD	YoY	Jun-20	Jun-19	% Chg YoY
<i>In Ch\$ Millions</i>										
Consumer	Loans	499,409	526,997	522,813	-5.2%	-8.2%	-4.5%	499,409	522,813	-4.5%
Mortgage	Loans	699,124	726,885	638,077	-3.8%	-6.2%	9.6%	699,124	638,077	9.6%
Mortgage + Consumer	Loans	1,198,533	1,253,882	1,160,890	-4.4%	-7.1%	3.2%	1,198,533	1,160,890	3.2%
Mortgage + Consumer	No. Customers	68,864	69,953	70,482	-1.6%	-2.5%	-2.3%	68,864	70,482	-2.3%
Commercial	Loans	5,026,821	4,937,771	4,330,707	1.8%	5.6%	16.1%	5,026,821	4,330,707	16.1%
Commercial	No. Customers	8,106	8,219	8,246	-1.4%	-2.2%	-1.7%	8,106	8,246	-1.7%
Total Loans		6,225,354	6,191,897	5,495,624	0.5%	2.9%	13.3%	6,225,354	5,495,624	13.3%
Market Share		3.3%	3.3%	3.2%	-2 p	-9 p	3 p	3.3%	3.2%	3 p

Interest and indexation income		2Q20	1Q20	2Q19	QoQ	%Chg YTD	YoY	Jun-20	Jun-19	% Chg
<i>In Ch\$ Millions</i>										
Consumer		13,448	13,830	14,184	-2.8%	-3.4%	-5.2%	27,278	28,592	-5.2%
Mortgage		7,401	12,300	12,630	-39.8%	-37.5%	-41.4%	19,701	17,751	-41.4%
Mortgage + Consumer		20,849	26,130	26,814	-20.2%	-19.1%	-22.2%	46,979	46,343	-22.2%
Commercial		60,825	78,418	78,344	-22.4%	-19.3%	-22.4%	139,243	130,943	-22.4%

Interest and indexation income		2Q20	1Q20	2Q19	QoQ	%Chg YTD	YoY	Jun-20	Jun-19	% Chg YoY
<i>In Ch\$ Millions</i>										
Consumer		10.77%	10.50%	10.85%	27 p	53 p	-8 p	10.92%	10.94%	-1 p
Mortgage		4.23%	6.77%	7.92%	-253 p	-33.4%	-368 p	5.64%	5.56%	7 p
Mortgage + Consumer		6.96%	8.34%	9.24%	-138 p	-13.0%	-228 p	7.84%	7.98%	-14 p
Commercial		4.84%	6.35%	7.24%	-151 p	-23.6%	-240 p	5.54%	6.05%	-51 p
Total		5.25%	6.75%	7.65%	-151 p	0 p	-241 p	5.98%	6.45%	-47 p

⁶ Peer banks: Average for BICE, Consorcio, Banco Internacional and Security

Banco Security – Funding Sources

Funding Sources <i>In MCH\$</i>	Jun-20		Mar-20		Dec-19		Jun-19		% Chg		
									QoQ	YTD	YoY
Demand deposits	1,005,490	11.9%	939,332	11.0%	974,730	11.8%	735,393	10.2%	7.0%	3.2%	36.7%
Time deposits	2,454,696	29.1%	3,106,695	36.3%	3,039,673	36.8%	2,930,101	40.7%	-21.0%	-19.2%	-16.2%
Total deposits	3,460,186	41.0%	4,046,027	47.3%	4,014,403	48.6%	3,665,494	50.9%	-14.5%	-13.8%	-5.6%
Bonds	2,938,914	34.8%	2,887,452	33.8%	2,768,376	33.5%	2,299,984	32.0%	1.8%	6.2%	27.8%
Interbank loans	935,471	11.1%	413,868	4.8%	272,634	3.3%	214,389	3.0%	126.0%	243.1%	336.3%
Other liabilities*	468,019	5.5%	594,208	7.0%	592,031	7.2%	425,261	5.9%	-21.2%	-20.9%	10.1%
Total Liabilities	7,802,590	92.5%	7,941,555	92.9%	7,647,444	93%	6,605,128	91.8%	-1.7%	2.0%	18.1%
Equity	636,348	7.5%	607,126	7.1%	617,326	7.5%	593,019	8.2%	4.8%	3.1%	7.3%
Liabilities + Equity	8,438,938	100%	8,548,681	100%	8,264,770	100%	7,198,147	100%	-1.3%	2.1%	17.2%

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

o Demand and Time Deposits

As of June 2020, deposits totaled MCH\$3,460,186, -5.6 YoY and -13.8% YTD. For the industry, deposits increased by +17.6% YoY and +6.4% YTD, and +17.0% YoY and +7.3% YTD including foreign deposits. Banco Security's time deposits consisted of 30.8% retail deposits and 69.2% institutional deposits. The 15 largest depositors represent 17.3% of the Bank's total deposits. The loan to deposit ratio was 180% as of June 2020, compared to 137% as of June 2019. Banco Security's strategy is to diversify funding sources using sales incentives to increase its retail deposit base.

Banco Security strictly monitors liquidity risk⁷, 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 thanks to a conservative interest rate gap strategy that takes advantage of record-low rates to lengthen our liabilities. As of June 2020, the ratio of long-term interest rate risk to regulatory capital was 4.6%⁸.

As of June 30, 2020 liquid assets⁹ represented 83% of demand and other time deposits. The liquidity coverage ratio¹⁰ as June 2020 was 125.1%, above the regulatory minimum of 70%.

Debt Issued

⁷ 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).

⁸ 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.

⁹ Includes cash and cash deposits, transactions pending settlement and the portfolio of financial instruments.

¹⁰ Liquidity Coverage Ratio (LCR, C48) published on website www.bancosecurity.cl

Series	CMF Registration Number	CMF Registration Date	Currency	Amount	Annual Interest Rate	Duration (Years)	Maturity
H1	03/2007	25-Jan-07	U.F.	3,000,000	3.00	23	1-Dec-29
R1	10/2011	6-Oct-11	U.F.	3,000,000	3.00	10	1-Jun-21
K2	01/2012	14-Mar-12	U.F.	4,000,000	3.25	10	1-Nov-21
K3	01/2013	26-Feb-13	U.F.	4,000,000	3.50	10	1-Nov-22
K4	10/2013	6-Nov-13	U.F.	5,000,000	3.60	10	1-Oct-23
K5	14/2014	9-Oct-14	U.F.	5,000,000	2.75	10	1-Jun-24
K6	05/2015	1-Apr-15	U.F.	5,000,000	2.75	5	1-Mar-25
K7	05/2015	1-Apr-15	U.F.	5,000,000	2.75	10	1-Sep-25
Z1	10/2015	1-Sep-15	CLP	75,000,000,000	5.25	5	1-Sep-20
B5	11/2016	3-Oct-16	U.F.	5,000,000	2.40	5	1-Aug-26
K8	12/2016	3-Oct-16	U.F.	5,000,000	2.80	10	1-Oct-36
Z2	13/2016	3-Oct-16	CLP	75,000,000,000	5.30	5.5	1-Feb-27
B6	06/2017	11-Jul-17	U.F.	5,000,000	2.25	5.5	1-Apr-22
B7	08/2018	9-May-18	U.F.	4,000,000	2.20	5	1-Feb-23
K9	08/2018	9-May-18	U.F.	5,000,000	2.75	10	1-Jan-28
Z3	08/2018	9-May-18	CLP	75,000,000,000	4.80	5	1-Dec-22
B8	11/2018	20-Dec-18	U.F.	5,000,000	1.80	5.5	1-Aug-23
Q1	11/2018	20-Dec-18	U.F.	3,000,000	2.50	15	1-Aug-33
Z4	11/2018	20-Dec-18	CLP	75,000,000,000	4.80	5.5	1-Oct-23
D1	11/2018	20-Dec-18	U.F.	5,000,000	2.20	10.5	1-Aug-28
B9	11/2019	11-Nov-19	U.F.	5,000,000	0.70	5.5	1-Apr-24
Z5	11/2019	11-Nov-19	CLP	75,000,000,000	3.50	6	1-Jun-25
D2	11/2019	11-Nov-19	U.F.	5,000,000	0.90	8.5	1-Mar-27
D3	11/2019	11-Nov-19	U.F.	5,000,000	1.00	10.5	1-Mar-29

As of June 2020, Banco Security had issued current debt of MCH\$2,579,016, as detailed in Note 19 of Banco Security's interim financial statements.

Banco Security – Capitalization

As of June 2020, Banco Security's equity attributable to owners of the parent totaled MCH\$636,296 (+7.3% YoY and +3.1% YTD).

<i>In Ch\$ Million</i>	Jun-20	Mar-20	Dec-19	Jun-19	QoQ	% Chg YTD	YoY
Capital	302,047	302,047	302,047	302,047	0.0%	0.0%	0.0%
Reserves and valuation accounts	31,882	12,163	33,506	34,957	162.1%	-4.8%	-8.8%
Retained earnings	302,367	292,865	281,721	255,956	3.2%	7.3%	18.1%
Equity attributable to equity holders of bank	636,296	607,075	617,274	592,960	4.8%	3.1%	7.3%
Tier I (core capital)	636,296	607,075	617,274	592,960	4.8%	3.1%	7.3%
Regulatory capital	911,641	825,812	834,064	789,139	10.4%	9.3%	15.5%
Minimum required capital	555,127	549,306	542,228	489,267	1.1%	2.4%	13.5%
Risk-weighted assets	6,939,083	6,866,329	6,777,845	6,115,838	1.1%	2.4%	13.5%
BIS ratio	13.14%	12.03%	12.31%	12.90%	111 p	83 p	23 p
Core capital / total assets	7.19%	6.82%	7.13%	7.75%	37 p	7 p	-56 p

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 completed the first stage of a capital increase. Over the next few months it will allocate part of the funds raised to capitalizing the Bank.

The Bank's capital adequacy ratio as of June 2020, calculated as regulatory capital over risk-weighted assets, reached 13.1% (with a regulatory minimum of 8%), +23 bps YoY and +83 bps YTD. This increase can be attributed to 15.5% growth in regulatory capital because of an 18.1% rise in retained earnings, impacted positively by a reduction in dividend distributions. The ratio of core capital to total assets was 7.19%, -56 bps YoY and +7 bps YTD. Return on average equity for Banco Security came to 9.4% for 1H20.

FACTORING SECURITY

As a result of the pandemic, Factoring Security has reinforced its digital sales channel, thus strengthening its fully online platform, AutoFactoring. The platform has helped the subsidiary increase self-service, make products instantaneously available and broaden geographic coverage to reach customers in 14 of the country's 16 regions.

For 1H20, Factoring Security reported profit of MCH\$5,568 (+25.2% YoY), with operating income of MCH\$18,975 (+11.7% YoY) due to a larger spread. This was only partly offset by lower volumes of factored receivables (-9.7% YoY), increased operating expenses of MCH\$4,814 (+2.3% YoY), and greater support expenses of MCH\$5,636 (+8.7% YoY), due to expenditures on termination benefits and technology.

For 2Q20, Factoring Security reported profit of MCH\$2,706 (-5.5% QoQ), due to reduced operating income (-14.4% QoQ), explained by a drop in factored receivables (-17.1% QoQ) and reduced support expenses (-1.4% QoQ). These effects were partially offset by lower operating expenses (-43.6% QoQ) and a smaller gain from indexed receivables in UF.

The efficiency ratio reached 39.8% as of June 2020 (-241 bps YoY and +18 bps QoQ). The risk ratio, measured as provisions over total loans, was 2.33% as of June 2020, +29 bps YoY and +44 bps QoQ.

In Ch\$ Million	2Q20	1Q20	2Q19	% Chg		6M20	6M19	% Chg
				QoQ	YoY			YoY
Factored receivables	321,201	387,505	355,716	-17.1%	-9.7%	321,201	355,716	-9.7%
Provisions	7,474	7,299	7,253	2.4%	3.0%	7,474	7,253	3.0%
Gross operating income	8,750	10,225	8,737	-14.4%	0.1%	18,975	16,989	11.7%
Operating expenses	-1,735	-3,079	-2,473	-43.6%	-29.8%	-4,814	-4,708	2.3%
Support expenses	-2,798	-2,838	-2,607	-1.4%	7.3%	-5,636	-5,184	8.7%
Profit for the period	2,706	2,862	2,262	-5.5%	19.6%	5,568	4,447	25.2%
Efficiency ratio	39.9%	39.7%	41.6%	18 p	-172 p	39.8%	42.2%	-241 p
Risk ratio	2.33%	1.88%	2.04%	44 p	29 p	2.33%	2.04%	29 p

INSURANCE BUSINESS AREA (22.6% of assets; -5.3% of profit from business areas as of June 2020)

The insurance business area reported a loss of -MCH\$1,584 for 1H20. 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 had a net loss of -MCH\$1,992 for 1H20 (MCH\$11,428 for 1H19) due to reduced investment income of MCH\$22,810 (-70.0% YoY).

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%.

In July 2020, Inversiones Previsión Security, the parent of Vida Security, completed the placement of UF 1,200,000 21-year bonds (series D) issued in August 2019 at an interest rate of 2.3%.

Results by Product Line

In MCH\$	Individual		Family Protection		Group Insurance		Annuities		DSI		Total	
	6M20	6M19	6M20	6M19	6M20	6M19	6M20	6M19	6M20	6M19	6M20	6M19
Gross written premiums	66,729	53,168	3,436	3,345	34,991	37,430	8,373	38,090	160	472	113,690	132,506
Net premiums written	65,688	52,255	3,412	3,345	34,205	36,546	8,373	38,090	24	223	111,702	130,459
Variation in technical reserves	-4,613	-26,256	-14	-19	160	-492	-	-	-	-	-4,467	-26,768
Claims paid	-49,299	-38,041	-400	-773	-15,953	-21,847	-	-	11,282	10,008	-54,370	-50,653
Pensions paid	-1,050	-1,139	-	-	-	-	-40,103	-72,160	-12,820	-11,440	-53,974	-84,739
Underwriting expenses	-5,025	-5,232	-927	-1,279	-2,086	-2,033	-116	-291	-	-0	-8,154	-8,836
Medical expenses	-6	-18	-0	-0	-2	-5	0	0	-	-	-8	-23
Insurance impairment	-	-	-	-	-46	66	-	-	-	5	-46	71
Contribution Margin	5,695	-18,430	2,071	1,272	16,277	12,234	-31,846	-34,361	-1,515	-1,204	-9,317	-40,488
CUI portfolio	-842	24,529	-	-	-	-	-	-	-	-	-842	24,529
Proprietary portfolio	-	-	-	-	-	-	-	-	-	-	23,652	51,591
Investment income											22,810	76,121
Administrative expenses	-	-	-	-	-	-	-	-	-	-	-16,940	-21,060
Exchange differences	-	-	-	-	-	-	-	-	-	-	401	-1,247
Gain (loss) on indexed assets and liabilities	-	-	-	-	-	-	-	-	-	-	-1,464	-932
Other income and expenses	-	-	-	-	-	-	-	-	-	-	-121	293
Income tax expense	-	-	-	-	-	-	-	-	-	-	2,639	-1,259
Profit for the period											-1,992	11,428

In MCH\$	Individual		Family Protection		Group Insurance		Annuities		DSI		Total	
	2Q20	1Q20	2Q20	1Q20	2Q20	1Q20	2Q20	1Q20	2Q20	1Q20	2Q20	1Q20
Gross written premiums	27,238	39,491	1,701	1,735	17,562	17,429	3,744	4,629	36	124	50,281	63,408
Net premiums written	26,806	38,882	1,691	1,721	17,199	17,005	3,744	4,629	-22	46	49,419	62,282
Variation in technical reserves	-30,356	25,744	9	-24	425	-265	-	-	-	-	-29,922	25,455
Claims paid	-15,943	-33,356	49	-448	-6,150	-9,803	-	-	9,830	1,452	-12,214	-42,156
Pensions paid	-377	-674	-	-	-	-	-19,897	-20,206	-8,914	-3,906	-29,188	-24,786
Underwriting expenses	-2,681	-2,344	-384	-543	-1,105	-981	-52	-64	-	-	-4,222	-3,932
Medical expenses	-2	-4	-0	-0	-1	-1	-	0	-	-	-3	-5
Insurance impairment	-	-	-	-	253	-299	-	-	-	-	253	-299
Contribution Margin	-22,553	28,248	1,366	705	10,621	5,656	-16,204	-15,642	894	-2,408	-25,876	16,559
CUI portfolio	22,779	-23,621	-	-	-	-	-	-	-	-	22,779	-23,621
Proprietary portfolio	-	-	-	-	-	-	-	-	-	-	13,243	10,409
Investment income											36,022	-13,212
Administrative expenses	-	-	-	-	-	-	-	-	-	-	-7,613	-9,327
Exchange differences	-	-	-	-	-	-	-	-	-	-	-3,147	3,549
Gain (loss) on indexed assets and liabilities	-	-	-	-	-	-	-	-	-	-	-215	-1,248
Other income and expenses	-	-	-	-	-	-	-	-	-	-	48	-170
Income tax expense	-	-	-	-	-	-	-	-	-	-	-254	2,893
Profit for the period											-1,035	-957

○ Individual Insurance (58.7% of gross written premiums as of June 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. One-year permanence of funds from insurance with savings components (CUI) has averaged 88.8% over the last twelve months (+160 bps YoY).

The contribution margin totaled MCH\$5,695 for 1H20, up from -MCH\$18,430 recorded for 1H19. Gross written premiums were MCH\$66,729 for 1H20 (+25.5% YoY), due to greater gross written premiums from CUI insurance. The variation in technical reserves was MCH\$4,613 (-MCH\$26,256 for 1H19), due to a loss on the CUI investment portfolio of -MCH\$842 (MCH\$24,529 for 1H19). Claims paid totaled -MCH\$49,299 (+29.6%) due to increased surrenders and transfers from CUI policies. Finally, underwriting expenses totaled -MCH\$5,025 for 1H20 (-4.0% YoY).

As of June 2020, CUI and APV policies represented 89.9% of total individual insurance premiums.

Individual Insurance				% Chg.				
In MCH \$	2Q20	1Q20	2Q19	QoQ	YoY	6M20	6M19	% Chg.
Gross written premiums	27,238	39,491	27,511	-31.0%	-1.0%	66,729	53,168	25.5%
Net premiums written	26,806	38,882	26,980	-31.1%	-0.6%	65,688	52,255	25.7%
Variation in technical reserves	-30,356	25,744	-10,604	-	-	-4,613	-26,256	-
Claims paid	-15,943	-33,356	-19,961	-52.2%	-20.1%	-49,299	-38,041	29.6%
Pensions paid	-377	-674	-411	-44.1%	-8.3%	-1,050	-1,139	-7.8%
Underwriting expenses	-2,681	-2,344	-2,772	14.4%	-3.3%	-5,025	-5,232	-4.0%
Medical expenses	-2	-4	-10	-40.8%	-77.8%	-6	-18	-67.1%
Insurance impairment	0	0	0	-	-	0	0	-
Contribution Margin	-22,553	28,248	-6,778	-	-	5,695	-18,430	-130.9%
CUI Portfolio	22,779	-23,621	9,791	-196.4%	132.7%	-842	24,529	-103.4%
Individual Insurance Profit	226	4,627	3,012	-95.1%	-92.5%	4,853	6,099	-20.4%
Claims rate (1)	60.9%	87.5%	75.5%	-2664 p	-1463 p	76.6%	75.0%	167 p
Underwriting expense rate (2)	10.0%	6.0%	10.3%	397 p	-27 p	7.6%	10.0%	-236 p

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

For 2Q20, the contribution margin was a loss of -MCH\$22,553, down from MCH\$28,248 for 1Q20. The total variation in technical reserves was -MCH\$30,356 for 2Q20, due to improved investment income. Meanwhile, claims paid totaled -MCH\$15,943 (-52.2% QoQ) and underwriting expenses reached -MCH\$2,681 (+14.4% QoQ).

○ **Family Protection** (3.0% of gross written premiums as of June 2020)

Family Protection				% Chg.				
In MCH\$	2Q20	1Q20	2Q19	QoQ	YoY	6M20	6M19	% Chg.
Gross written premiums	1,701	1,735	1,642	-2.0%	3.6%	3,436	3,345	2.7%
Net premiums written	1,691	1,721	1,642	-1.7%	3.0%	3,412	3,345	2.0%
Variation in technical reserves	9	-24	10	-138.9%	-5.5%	-14	-19	-
Claims paid	49	-448	-373	-110.9%	-113.1%	-400	-773	-48.3%
Pensions paid	0	0	0	-	-	0	0	-
Underwriting expenses	-384	-543	-687	-29.4%	-44.1%	-927	-1,279	-27.5%
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	0	0	0	-	-	0	0	-
Contribution Margin	1,366	705	592	93.6%	130.7%	2,071	1,272	62.8%
Claims rate (1)	-2.9%	26.1%	22.7%	-2894 p	-2562 p	11.7%	23.1%	-1141 p
Underwriting expense rate (2)	22.7%	31.6%	41.8%	-889 p	-1914 p	27.2%	38.2%	-1108 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 1H20, the contribution margin for these policies totaled MCH\$2,071 (+62.8% YoY) with greater gross written premiums of MCH\$3,436 (+2.7% YoY) and reduced underwriting expenses of -MCH\$400 (-48.3% YoY).

Compared to the preceding quarter, the contribution margin for 2Q20 was MCH\$1,366 (+93.6% QoQ), due to a drop in claims paid to MCH\$49 in 2Q20 (-MCH\$448 in 1Q20) and a lower underwriting expense rate (-889 bps QoQ). Gross written premiums totaled MCH\$1,701 for 2Q20 (-2.0% QoQ).

○ **Group Insurance** (30.8% of gross written premiums as of June 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	2Q20	1Q20	2Q19	% Chg.		6M20	6M19	% Chg.
In MCH\$				QoQ	YoY			
Gross written premiums	17,562	17,429	19,043	0.8%	-7.8%	34,991	37,430	-6.5%
Net premiums written	17,199	17,005	18,472	1.1%	-6.9%	34,205	36,546	-6.4%
Variation in technical reserves	425	-265	-18	-	-2436.8%	160	-492	-
Claims paid	-6,150	-9,803	-11,568	-37.3%	-46.8%	-15,953	-21,847	-27.0%
Pensions paid	0	0	0	-	-	0	0	-
Underwriting expenses	-1,105	-981	-1,088	12.7%	1.6%	-2,086	-2,033	2.6%
Medical expenses	-1	-1	-2	-37.3%	-67.4%	-2	-5	-66.1%
Insurance impairment	253	-299	144	-	-	-46	66	-
Contribution Margin	10,621	5,656	5,940	87.8%	78.8%	16,277	12,234	33.0%
Claims rate (1)	35.8%	57.6%	62.6%	-2189 p	-2687 p	46.6%	59.8%	-1314 p
Underwriting expense rate (2)	6.4%	5.8%	5.9%	66 p	54 p	6.1%	5.6%	54 p

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

For 1H20, the contribution margin reached MCH\$16,277 (+33.0% YoY), due to a decrease in claims paid, which was - MCH\$15,953 for the period (-27.0% YoY). There was a drop in gross written premiums, which totaled MCH\$34,991 for 1H20 (-6.5% YoY). Compared to the preceding quarter, the contribution margin was up +87.8% QoQ due to a lower claims rate (35.8% in 2Q20, -2,189 bps QoQ) and a rise in gross written premiums (+0.8% YoY).

○ **Annuities** (7.4% of gross written premiums as of June 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 423¹¹.

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.

As of June 2020, annuity sales rates in the industry have averaged 1.7% over the last 12 months. In contrast, the rate for calculating scheduled withdrawals has averaged 2.8% LTM, which has driven individuals to prefer scheduled withdrawals over annuities, thus sharply reducing sales industry-wide.

¹¹ 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.

Annuities				% Chg.				
In MCH\$	2Q20	1Q20	2Q19	QoQ	YoY	6M20	6M19	% Chg.
Gross written premiums	3,744	4,629	17,704	-19.1%	-78.8%	8,373	38,090	-78.0%
Net premiums written	3,744	4,629	17,704	-19.1%	-78.8%	8,373	38,090	-78.0%
Variation in technical reserves	0	0	0	-	-	0	0	-
Claims paid	0	0	0	-	-	0	0	-
Pensions paid	-19,897	-20,206	-34,695	-1.5%	-42.7%	-40,103	-72,160	-44.4%
Underwriting expenses	-52	-64	-138	-20.0%	-62.7%	-116	-291	-60.2%
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	0	0	0	-	-	0	0	-
Contribution Margin	-16,204	-15,642	-17,129	3.6%	-5.4%	-31,846	-34,361	-7.3%
Underwriting expense rate (1)	1.4%	1.4%	0.8%	-2 p	60 p	1.4%	0.8%	62 p

(1) Claims paid/ Net written premiums

For 1H20, the contribution margin for annuities totaled -MCH\$31,846 (-7.3% YoY), while gross written premiums reached MCH\$8,373 (-78.0% YoY) due to a contracting market during the first half of 2020. This was partially offset by a decrease in annuities paid, reaching MCH\$40,103 for 1H20 (-44.4% YoY), because of lower reserve requirements due to lower annuity sales volumes.

Compared to the immediately preceding quarter, Vida Security reported a contribution margin of -MCH\$16,204 for 2Q20 (+3.6% QoQ), due to lower direct premiums written of MCH\$3,744 (-19.1% QoQ), explained by market conditions. These effects were only partially offset by a decrease in annuities paid in 2Q20 of -MCH\$19,897 (vs -MCH\$20,206 in 1Q20).

o **Disability and Survivor Insurance (DSI)** (0.1% of gross written premiums as of June 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 AFP¹². 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.

DSI				% Chg.				
In MCH\$	2Q20	1Q20	2Q19	QoQ	YoY	6M20	6M19	% Chg.
Gross written premiums	36	124	208	-70.8%	-82.6%	160	472	-66.1%
Net premiums written	-22	46	94	-147.8%	-123.2%	24	223	-89.3%
Variation in technical reserves	0	0	0	-	-	0	0	-
Claims paid	9,830	1,452	5,155	-	-	11,282	10,008	-
Pensions paid	-8,914	-3,906	-5,632	-	58.3%	-12,820	-11,440	12.1%
Underwriting expenses	0	0	0	-	-	0	0	-
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	0	0	0	-	-	0	5	-
Contribution Margin	894	-2,408	-383	-	-	-1,515	-1,204	-

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 seventh tender for DSI insurance for the next 24-month period (July 1, 2020 to June 30, 2022) was recently concluded, and Vida Security was not awarded any fractions.

The contribution margin for DSI totaled -MCH\$1,515 for 1H20 (versus -MCH\$1,204 for 1H19), due to an increase in claims and pensions paid, totaling -MCH\$1,539 (+7.5% YoY). Compared to the immediately preceding quarter, this product line's

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

contribution margin of MCH\$894 (versus -MCH\$2,408 for 1Q20) can be explained by a decrease in claims and pensions paid (MCH\$916 vs -MCH\$2,454 1Q20).

Vida Security - Consolidated Results

Vida Security had a net loss of -MCH\$1,992 for 1H20 (MCH\$11,428 for 1H19) due to reduced investment income of MCH\$22,810 (-70.0% YoY). In quarterly terms, Vida Security reported a loss of -MCH\$1,035 for 2Q20 (versus -MCH\$957 for 1Q20).

In MCH\$	2Q20	1Q20	2Q19	% Chg.		6M20	6M19	% Chg.
				QoQ	YoY			
Gross written premiums	50,281	63,408	66,109	-20.7%	-23.9%	113,690	132,506	-14.2%
Net premiums written	49,419	62,282	64,893	-20.7%	-23.8%	111,702	130,459	-14.4%
Variation in technical reserves	-29,922	25,455	-10,612	-	-	-4,467	-26,768	-
Claims paid	-12,214	-42,156	-26,749	-71.0%	-54.3%	-54,370	-50,653	7.3%
Pensions paid	-29,188	-24,786	-40,738	17.8%	-28.4%	-53,974	-84,739	-36.3%
Underwriting expenses	-4,222	-3,932	-4,685	7.4%	-9.9%	-8,154	-8,836	-7.7%
Medical expenses	-3	-5	-12	-38.8%	-75.5%	-8	-23	-66.7%
Insurance impairment	253	-299	144	-	75.8%	-46	71	-
Contribution Margin	-25,876	16,559	-17,759	-	-	-9,317	-40,488	-
Administrative expenses	-7,613	-9,327	-10,762	-18.4%	-29.3%	-16,940	-21,060	-19.6%
Investment income	36,022	-13,212	35,802	-	-	22,810	76,121	-70.0%
Exchange differences	-3,147	3,549	-166	-188.7%	-	401	-1,247	-
Gain (loss) on indexed assets and liabilities	-215	-1,248	-953	-82.8%	-	-1,464	-932	57.1%
Other income and expenses	48	-170	133	-	-	-121	293	-
Income tax expense	-254	2,893	-64	-	-	2,639	-1,259	-309.7%
Profit for the period	-1,035	-957	6,231	-	-	-1,992	11,428	-117.4%
Administrative ratios								
(1) (Claims paid + pension paid)/ Net written premiums	83.8%	107.5%	104.0%	-2370 p	-2022 p	97.0%	103.8%	-679 p
(2) Administrative expenses/ Net written premiums	15.4%	15.0%	16.6%	43 p	-118 p	15.2%	16.1%	-98 p
(3) Underwriting expenses/ Net written premiums	8.5%	6.3%	7.2%	223 p	132 p	7.3%	6.8%	53 p
Combined Ratio (1) + (2) + (3)	107.7%	128.8%	127.8%	-2105 p	-2008 p	119.5%	126.7%	-724 p
(4) Profit / Net written premiums	-2.1%	-1.5%	9.6%	-56 p	-1170 p	-1.8%	8.8%	-1054 p

In aggregate, gross written premiums reached MCH\$113,690 for 1H20 (-14.2% YoY) explained by lower sales of annuities (-78.0% YoY) and group insurance policies (-6.5% YoY), offset by growth in individual insurance (+25.5% YoY).

For 1H20, the subsidiary recognized a variation in technical reserves of -MCH\$4,467 (-MCH\$26,768 for 1H19), particularly in individual insurance, due to weaker returns on investments in the CUI and APV portfolios. Claims and pensions paid reached MCH\$108,344 for 1H20 (-20.0% YoY) because the decrease in annuities paid was offset by an increase in claims paid on individual insurance. Finally, underwriting expenses totaled -MCH\$8,154 (-7.7% YoY).

This explains the contribution margin of -MCH\$9,317 for 1H20, compared to -MCH\$40,488 for 1H19. It reported a gain on investments of MCH\$22,810 (versus MCH\$76,121 for 1H19), attributable to a negative result from equity and index 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\$16,940 (-19.6% YoY). Exchange differences totaled MCH\$401 for 1H20 compared to -MCH\$1,247 for 1H19, while the subsidiary reported a loss on indexed assets and liabilities of -MCH\$1,464 for 1H20 compared to -MCH\$932 for 1H19. Additionally, the company recorded an income tax benefit of MCH\$2,639, versus an expense of -MCH\$1,259 for 1H19.

In 2Q20, Vida Security's loss of -MCH\$1,035 compares to a loss of -MCH\$957 for 1Q20. The decrease in direct premiums written (-1.6% QoQ) can be explained mainly by a drop in premiums for individual insurance policies (-31.0% QoQ). The variation in technical reserves of -MCH\$29,922 (MCH\$25,455 for 1Q20), was 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 (-38.2% QoQ), mainly because of decreases in the claims rate for individual policies, claims paid on group policies and claims and pensions paid for DSI policies. It reported investment income of MCH\$36,022 (loss of -MCH\$13,212 for 1Q20), attributable to improved returns from equity investments, in both the proprietary trading portfolio and the CUI and APV investment portfolios, due to recovering markets.

Administrative Expenses - Vida Security

In MCH\$	2Q20	1Q20	2Q19	% Chg		6M20	6M19	%Chg.
				QoQ	YoY			
Payroll	-3,316	-3,899	-3,433	-15.0%	-3.4%	-7,214	-7,076	2.0%
Distribution Channel expenses	-313	-1,018	-990	-69.3%	-68.4%	-1,331	-2,065	-35.5%
Other	-3,984	-4,411	-6,339	-9.7%	-37.1%	-8,395	-11,920	-29.6%
Total administrative expenses	-7,613	-9,327	-10,762	-18.4%	-29.3%	-16,940	-21,060	-19.6%

For 1H20, Vida Security reported administrative expenses of MCH\$16,940 (-19.6% YoY) because of savings in other expenses and reduced distribution channel expenses. For the quarter, administrative expenses fell to MCH\$7,613 (-18.4% QoQ). Vida Security is in the process of reviewing all expenses to improve efficiency across all businesses.

Investment Income - Vida Security

The subsidiary reported investment income of MCH\$22,810 for 1H20 versus MCH\$76,121 for 1H19 due to weaker returns on equity investments in both the proprietary trading portfolio and the CUI and APV investment portfolios, due to the drop in the markets. The most important benchmarks for equity investments in the proprietary trading portfolio are the S&P 500 (in dollars: -4.0% YTD, +20.0% QoQ) and the IPSA (in Chilean pesos: -15.2% YTD, +13.5% QoQ).

Compared to the immediately preceding quarter, investment income totaled MCH\$36,022 (versus -MCH\$13,212 in 1Q20), due to improved market performance. Weaker returns on the CUI and APV investment portfolio are counterbalanced by releases of technical reserves.

Investment Income In Ch\$ Million	2Q20	1Q20	2Q19	% Chg		6M20	6M19	% Chg.
				QoQ	YoY			
Fixed Income	20,235	19,421	20,408	4.2%	-0.8%	39,656	39,534	0.3%
Equities and indexes	14,939	-34,371	12,493	-	19.6%	-19,432	30,142	-
Real estate	2,643	3,320	3,217	-20.4%	-17.8%	5,963	6,545	-8.9%
Other investments	-1,795	-1,582	-315	-	-	-3,376	-100	-
Investments Income	36,022	-13,212	35,802	-	-	22,810	76,121	-70.0%
CUI Portfolio	22,779	-23,621	9,791	-	132.7%	-842	24,529	-
Proprietary portfolio	13,243	10,409	26,011	27.2%	-49.1%	23,652	51,591	-54.2%
Investments Income	36,022	-13,212	35,802	-	-	22,810	76,121	-70.0%

Investment Stock In Ch\$ Million	2Q20	1Q20	2Q19	% Chg		Stock % 2Q20
				QoQ	YoY	
Fixed Income	1,782,089	1,802,671	1,770,717	-1.1%	0.6%	67.8%
Equities and indexes	578,988	543,500	493,912	6.5%	17.2%	22.0%
Real estate	243,440	239,162	240,123	1.8%	1.4%	9.3%
Other investments	22,701	49,244	31,837	-53.9%	-28.7%	0.9%
Investments Stock	2,627,217	2,634,577	2,536,589	-0.3%	3.6%	-
CUI Portfolio	552,722	525,677	528,211	5.1%	4.6%	21.0%
Proprietary portfolio	2,074,495	2,108,899	2,008,378	-1.6%	3.3%	79.0%
Investments Stock	2,627,217	2,634,577	2,536,589	-0.3%	3.6%	-

Exchange Differences and Gain (Loss) from Indexation Adjustments

Exchange differences totaled MCH\$401 in 1H20 (MCH\$1,247 in 1H19). Compared to the immediately preceding quarter, exchange differences resulted in a loss of -MCH\$3,147 for 2Q20 (MCH\$3,549 in 1Q20), due to a lower exchange rate.

It posted a loss from indexed assets and liabilities of -MCH\$1,464 (-MCH\$932 for 1H19; -MCH\$1,248 for 1Q20) due to greater reserves in UF and lower inflation during the period (June 2020: 1.1% vs June 2019: 1.5%; 2Q20: -0.2% vs 1Q20: 1.3%).

ASSET MANAGEMENT BUSINESS AREA (1.9% of assets; 6.9% of profit from business areas as of June 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	6M20	3M20	6M19	2019	QoQ	% Chg YoY	YTD
Assets under management (AUM)	4,149,422	3,872,756	4,837,245	4,339,221	7.1%	-14.2%	-4.4%
Mutual funds under management	2,620,154	2,558,199	2,919,234	2,660,717	2.4%	-10.2%	-1.5%
Market share - mutual funds	5.3%	5.6%	6.8%	5.9%	-35 p	-150 p	-61 p

In Ch\$ Million	2Q20	1Q20	2Q19	% Chg		6M20	6M19	% Chg
				QoQ	YoY			
Value of shares traded	355,650	287,473	595,619	23.7%	-40.3%	643,123	1,208,070	-46.8%
Market share - equities brokerage	1.9%	1.9%	3.9%	2 p	-200 p	1.9%	4.0%	-210 p
Operating income	8,978	9,623	9,295	-6.7%	-3.4%	18,601	18,693	-0.5%
Non-operating income	813	625	1,984	30.1%	-59.0%	1,438	3,315	-56.6%
Total expenses	-7,975	-9,233	-9,088	-13.6%	-12.2%	-17,208	-17,707	-2.8%
Efficiency ratio	81.5%	90.1%	80.6%	-864 p	87 p	85.9%	80.5%	541 p
AGF Security	928	1,070	1,696	-13.3%	-45.3%	1,999	2,924	-31.6%
Valores Security	630	59	280	-	124.6%	689	786	-12.4%
Asesorías Security and Global Security	170	-273	29	-	-	-103	-27	-
Securitization	-164	-385	-452	-	-	-549	-676	-
Profit - Asset Management	1,565	471	1,553	232.5%	0.7%	2,035	3,006	-32.3%

The subsidiary's AUM as of June 2020 totaled MCH\$4,149,422, (-14.2% YoY and -4.4% YTD). Mutual funds under management totaled MCH\$2,620,154, (-10.2% YoY and -1.5% YTD) with a market share of 5.3%. The total value of shares traded was MCH\$643,123 for 1H20 (-46.8% YoY and +23.7% QoQ) with market share of 1.9%.

For 1H20, the asset management area reported profit of MCH\$2,035, (-32.3% YoY), mainly due to reduced non-operating income (-56.6% YoY), as a result of a decrease in its subsidiaries' proprietary trading positions because of the drop in the markets. These effects were only partially offset by lower total expenses of MCH\$17,208 (-2.8% YoY). Operating income totaled MCH\$18,601 for 1H20 (-0.5% YoY).

The area reported profit of MCH\$1,565 for 2Q20, (+232.5% QoQ), explained by increased non-operating income (+30.1% QoQ) because its subsidiaries' proprietary trading positions improved with recovering markets. In addition, total expenses were down (-13.6% QoQ) at both Valores Security and AGF Security.

OTHER SERVICES BUSINESS AREA (1.4% of assets; -7.0% of profit from business areas as of June 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\$514 for 1H20, explained by the company's cycle for transferring ownership on properties. Ownership was transferred on 18 units in 1H20 versus 5 units in 1H19. In quarterly terms, ownership was transferred on 5 units in 2Q20 and 13 units in 1Q20. Inmobiliaria Security signed purchase promise agreements totaling UF 389 in 1H20 (-23.3% YoY and -18.5% 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\$128,438, (+27.8% YoY and +3.1% QoQ), due to capitalization of projects under development.

<i>In Ch\$ Million</i>	2Q20	1Q20	2Q19	% Chg		6M20	6M19	% Chg
				QoQ	YoY			
Real estate assets under management	128,438	124,549	100,490	3.1%	27.8%	128,438	100,490	27.8%
Total income	67	167	-75	-59.8%	-189.3%	234	129	80.7%
Total expenses	-442	-490	-472	-9.9%	3.8%	-931	-1,042	-10.6%
Profit before tax	-524	-174	-547	-	-	-698	-913	-
Profit for the period	-346	-168	-469	-	-	-514	-864	-

TRAVEL AGENCY: TRAVEL SECURITY

Travel Security reported a loss of -MCH\$2,771 for 1H20 (versus profit of MCH\$1,695 for 1H19), explained by the impact of the public health crisis on the travel and tourism industry and employee termination expenses.

	2Q20	1Q20	2Q19	% Chg		6M20	6M19	% Chg
				QoQ	YoY			
Total sales - Travel (MUSD)	4	43	75	-90.0%	-94.4%	47	139	-66.4%
Net operating income (MCH\$)	(2,685)	578	1,417	-	-	(2,107)	2,771	-
Profit for the period - Travel (MCH\$)	-2,861	90	799	-	-	-2,771	1,695	-

INTERNATIONAL BUSINESS AREA (3.4% of assets; -3.7% of profit from business areas as of June 2020)

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 Travel Perú, the group's travel agency in Peru.

Protecta Security

For 1H20, Protecta posted profit of MS./ 4.7, down from MS./ 8.9 for 1H19. The increased level of premiums (MS./ 191.0; +1.3% YoY) was more than offset by fewer reserves released for claims incurred but not reported.

Protecta had annuity sales of MS./ 101.3 (+7.9% YoY), giving it market share of 25.1%, and private annuity sales of MS./ 61.5 (-0.4% YoY), with market share of 16.5%.

It reported profit of MS./ 1.2 for 2Q20, due to reduced insurance premiums of MS./ 71.5 (-40.1% QoQ) and reduced investment income of MS./ 22.6 (-35.5% QoQ).

<i>In S./ Thousands</i>	2Q20	1Q20	2Q19	% Chg		6M20	6M19	% Chg
				QoQ	YoY			
Annuities - Premiums written	34,996	66,274	45,414	-47.2%	-22.9%	101,270	93,836	7.9%
Annuities - Market share	23.5%	26.0%	19.9%	-253 p	363 p	25.1%	19.9%	517 p
Private annuities - Premiums written	27,268	34,225	35,680	-20.3%	-23.6%	61,494	61,731	-0.4%
Private annuities - Market share	20.5%	14.3%	14.6%	623 p	593 p	16.5%	12.4%	407 p
Premiums written	71,536	119,513	98,108	-40.1%	-27.1%	191,048	188,518	1.3%
Investment income	22,622	35,051	36,468	-35.5%	-38.0%	57,672	57,578	0.2%
Annualised return	8.3%	9.7%	8.9%	-135 p	-56 p	8.3%	8.9%	-56 p
Profit for the period	-1,243	5,898	7,748	-	-	4,655	8,891	-47.6%

Travel Perú

Travel Perú, Travel Security's Peruvian travel agency subsidiary, reported sales of MUS \$13 for 1H20 (-62.4% YoY and -93.0% QoQ) and a net loss of -MUS \$1.4 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. Prevision 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
Total			UF	8,736,656			

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 -21.0% for 1H20, underperforming the S&P/CLX IPSA (-15.2%).

2Q20 EARNINGS CONFERENCE CALL

Grupo Security's second quarter earnings report will be explained to the market in a conference call on August 31, 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.

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	June, 30 2020
Current assets		
Cash and cash equivalents	791,824	418,525
Other financial assets, current	3,732,022	4,217,298
Other non-financial assets, current	29,663	10,479
Trade and other receivables, current	6,556,495	6,600,550
Accounts receivable from related parties, current	71,771	58,179
Inventories	124,009	143,453
Current tax assets	52,637	43,972
Total current assets other than assets or disposal groups classified as held for sale or held for distribution to owners	11,358,422	11,492,456
Non-current assets or disposal groups classified as held for sale or held for distribution to owners	4,687	2,516
Total non-current assets classified as held for sale or held for distribution to owners	4,687	2,516
Total current assets	11,363,109	11,494,972
Non-current assets		
Other non-financial assets, non-current	124,930	130,879
Equity-accounted investments	3,093	1,682
Intangible assets other than goodwill	37,896	37,523
Goodwill	119,067	119,067
Property, plant and equipment	53,292	52,114
Investment property	253,548	273,474
Assets for right of use	11,756	9,975
Deferred tax assets	50,772	53,100
Total non-current assets	654,353	677,813
Total assets	12,017,462	12,172,785

2. Financial Statements and Indicators - Liabilities and Equity

Liabilities and Equity In Ch\$ Millions	December, 31 2019	June, 30 2020
Other financial liabilities, current	7,187,383	7,399,610
Liabilities for leases, current	288	692
Trade and other payables	2,833,287	2,851,727
Accounts payable to related parties, current	26	870
Other short-term provisions	31,977	34,316
Current tax liabilities	34,146	16,383
Employee benefit provisions, current	10,056	11,247
Other non-financial liabilities, current	360,195	197,118
Total current liabilities	10,457,358	10,511,964
Non-current liabilities		
Other financial liabilities, non-current	705,035	816,380
Liabilities for leases, non-current	10,456	9,556
Accounts payable, non-current	42,694	39,496
Accounts payable to related parties, non-current	3,412	3,459
Deferred tax liabilities	791	210
Total non-current liabilities	762,388	869,101
Total liabilities	11,219,747	11,381,065
Equity		
Issued Capital	432,124	432,124
Retained earnings	378,573	379,392
Share premium	0	0
Other reserves	(40,943)	(48,621)
Equity attributable to equity holders of parent	769,754	762,895
Non-controlling interests	27,962	28,826
Total equity	797,716	791,721
Total liabilities and equity	12,017,462	12,172,785

3. Financial Statements and Indicators - Consolidated Statement of Income

Consolidated statement of income (MCh\$)		
	June, 30 2019	June, 30 2020
Revenue	566,898	497,886
Cost of sales	-364,829	-340,652
Gross profit	202,069	157,234
Other income	2,081	1,009
Administrative expenses	-132,938	-127,711
Other expenses	-5,506	-7,261
Other gains	1,390	1,037
Finance income	0	0
Finance costs	-6,959	-7,066
Share of profit (loss) of associates and joint ventures, equity-accounted	-129	-127
Exchange differences	1,978	2,582
Gain (loss) on indexed assets and liabilities	-4,076	-5,180
Gains arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	587	28
Profit before tax	58,496	14,544
Income tax benefit (expense)	-14,876	1,752
Profit (loss) from continuing operations	43,620	16,295
Profit (loss) from discontinued operations	0	0
Profit (loss) for the period	43,620	16,295
Profit (loss) attributable to		
Profit (loss) attributable to equity holders of the parent	42,819	17,328
Profit (loss) attributable to non-controlling interests	801	-1,033
Profit (loss) for the period	43,620	16,295
Depreciation and amortization	5,505	6,460
Ebitda	70,960	28,070

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	
	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20	Jun-19	Jun-20
Revenue	244,537	249,240	27,643	27,928	215,194	146,400	66,559	62,641	15,863	11,261	-2,898	416	566,898	497,886
Cost of sales	-131,446	-143,798	-7,123	-11,076	-174,480	-126,831	(43,888)	-53,690	-7,232	-5,817	-659	560	-364,829	-340,652
Gross profit	113,091	105,442	20,519	16,852	40,714	19,569	22,671	8,951	8,631	5,444	-3,557	976	202,069	157,234
Other income	9	13	752	344	236	90	72	7	155	367	858	188	2,081	1,009
Administrative expenses	-59,282	-61,375	-16,883	-16,710	-25,439	-21,556	(22,249)	-9,119	-7,550	-8,669	-1,536	-10,282	-132,938	-127,711
Other expenses	-3,094	-5,951	-1,101	-848	-245	-271	(203)	-198	-12	-18	-852	25	-5,506	-7,261
Other gains (losses)	0	0	43	343	176	87	489	407	303	-24	379	224	1,390	1,037
Finance income	0	0	0	0	0	0	-	0	0	0	0	0	0	0
Finance costs	0	0	-71	-3	-8	-13	(159)	-86	-663	-450	-6,058	-6,513	-6,959	-7,066
Share of profit (loss) of associates and joint ventures, equity-accounted	0	0	0	0	-120	-127	-	0	-1	-1	-8	2	-129	-127
Exchange differences	2,734	2,767	-279	2,108	-813	-371	10	-1,719	138	62	189	-264	1,978	2,582
Gain (loss) from indexed assets and liabilities	0	-25	41	-162	-932	-1,557	-	0	42	45	-3,227	-3,481	-4,076	-5,180
Gains (losses) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	290	-46	297	74	0	0	-	0	0	0	0	0	587	28
Profit (loss) before tax	53,749	40,825	3,317	1,997	13,570	-4,150	630	-1,757	1,042	-3,245	-13,813	-19,127	58,496	14,544
Income tax benefit (expense)	-12,855	-8,450	-311	38	-1,550	2,544	(94)	1	-293	810	228	6,808	-14,876	1,752
Profit (loss) from continuing operations	40,894	32,374	3,006	2,035	12,020	-1,606	536	-1,756	749	-2,434	-13,584	-12,318	43,620	16,295
Profit (loss) attributable to														
Profit (loss) attributable to equity holders of the parent	40,883	32,367	3,006	2,035	11,677	-1,584	520	-1,086	500	-2,084	-13,767	-12,321	42,819	17,328
Profit (loss) attributable to non-controlling interest	11	7	0	0	343	-21	16	-670	249	-351	183	3	801	-1,033
Profit (loss) for the period	40,894	32,374	3,006	2,035	12,020	-1,606	536	-1,756	749	-2,434	-13,584	-12,318	43,620	16,295

5. Segment Note - Grupo Security QoQ

Segment Note - Grupo Security <i>In MCHS</i>	Lending and Treasury		Asset Management		Insurance		International Business		Other Services		Adjustments, Support Areas and Group Expenses		Total Grupo Security	
	1Q-20	2Q-20	1Q-20	2Q-20	1Q-20	2Q-20	1Q-20	2Q-20	1Q-20	2Q-20	1Q-20	2Q-20	1Q-20	2Q-20
Revenue	138,835	110,405	13,261	14,668	58,236	88,164	38,935	23,706	9,151	2,110	799	-383	259,216	238,670
Cost of sales	-84,292	-59,506	-5,291	-5,785	-48,866	-77,965	-32,835	-20,855	-5,086	-731	-121	681	-176,491	-164,161
Gross profit	54,543	50,899	7,969	8,883	9,370	10,199	6,099	2,852	4,065	1,379	678	298	82,725	74,509
Other income	7	6	9	335	142	-52	5	2	246	121	99	89	509	500
Administrative expenses	-32,737	-28,638	-8,840	-7,870	-11,714	-9,842	-5,402	-3,718	-3,685	-4,984	-5,395	-4,887	-67,772	-59,939
Other expenses	-4,485	-1,466	-383	-465	-130	-141	-103	-94	-10	-8	9	17	-5,103	-2,158
Other gains (losses)	0	0	338	5	40	47	260	147	-18	-6	127	97	746	291
Finance income	0	0	208	-208	6	-6	0	0	0	0	0	0	214	-214
Finance costs	0	0	-2	-1	-12	-2	-44	-41	-303	-147	-3,436	-3,077	-3,797	-3,269
Share of profit (loss) of associates and joint ventures, equity-accounted	0	0	0	0	-85	-42	0	0	-1	0	1	0	-85	-42
Exchange differences	4,052	-1,285	1,350	758	140	-511	-838	-881	11	50	-212	-52	4,504	-1,921
Gain (loss) from indexed assets and liabilities	0	-25	-129	-33	-1,239	-318	0	0	0	45	-2,774	-707	-4,142	-1,039
Gains (losses) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	56	-102	-102	176	0	0	0	0	0	0	0	0	-46	74
Profit (loss) before tax	21,436	19,388	419	1,578	-3,482	-668	-23	-1,734	305	-3,549	-10,903	-8,223	7,752	6,791
Income tax benefit (expense)	-3,785	-4,665	51	-13	2,815	-271	-15	16	-320	1,131	-12	6,820	-1,267	3,019
Profit (loss) from continuing operations	17,651	14,723	470	1,565	-667	-939	-38	-1,718	-16	-2,419	-10,915	-1,403	6,485	9,810
Profit (loss) attributable to														
Profit (loss) attributable to equity holders of the parent	17,647	14,720	471	1,565	-708	-876	-25	-1,061	-8	-2,076	-10,877	-1,444	6,500	10,828
Profit (loss) attributable to non-controlling interest	4	3	-1	0	42	-63	-13	-657	-8	-342	-39	41	-15	-1,018
Profit (loss) for the period	17,651	14,723	470	1,565	-667	-939	-38	-1,718	-16	-2,419	-10,915	-1,403	6,485	9,810

6. Grupo Security Consolidated Statement of Cash Flows

Statement of Cash Flows	Jun-19	Jun-20
For the periods ended June 30th, 2019 and 2020	MCh\$	MCh\$
Net cash flows provided by (used in) operating activities	205,397	-551,785
Net cash flows used in investing activities	-3,238	-2,503
Net cash flows used in financing activities	-29,502	179,592
Increase (decrease) in cash and cash equivalents before effect of exchange rate changes	172,657	-374,697
Effect of changes in exchange rates on cash and cash equivalents	60	1,398
Net increase (decrease) in cash and cash equivalents	172,717	-373,299
Cash and cash equivalents at beginning of period	472,890	791,824
Cash and cash equivalents at end of period	645,607	418,525

Operating Cash Flows

For 1H20, the decrease in operating cash flows with respect to 1H19 is related to the Bank, because of financial instruments acquired, coupled with reduced premium collections by Vida Security due to lower premium volumes (-14.2% YoY).

Investing Cash Flows

For 1H20, the variation in investing cash flows is related to a decrease in purchases of intangible assets—mainly software—and a drop in purchases of property, plant and equipment.

Financing Cash Flows

For 1H20, the variation in financing cash flows is explained to a large extent by the MCH\$40,000 in bonds placed by Factoring Security in June 2019, in addition to more loans paid off by the same subsidiary.

7. Quarterly Statement of Income

Quarterly Earnings (M Ch\$)		1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Revenue	M Ch\$	262,200	304,698	280,945	308,167	298,418	199,468
Cost of sales	M Ch\$	-165,741	-199,088	-195,946	-209,456	-215,693	-124,960
Gross profit	M Ch\$	96,459	105,610	84,999	98,712	82,725	74,509
Administrative expenses	M Ch\$	-57,325	-75,613	-49,231	-68,958	-67,772	-59,939
Operating income	M Ch\$	37,292	29,804	28,946	28,401	11,104	13,202
Finance costs	M Ch\$	-3,589	-3,370	-3,606	-3,695	-3,797	-3,269
Profit before tax	M Ch\$	34,017	24,479	27,155	27,321	7,752	6,791
Profit attributable to equity holders of parent	M Ch\$	21,158	21,661	18,207	20,130	6,500	10,828
EBITDA ¹	M Ch\$	40,341	30,618	33,781	34,059	14,805	13,264

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-Sep-19	31-Dec-19	31-Mar-20	30-Jun-20
Cash (Grupo Security Standalone)	\$ millions	55,052	20,736	20,087	8,026	3,977	5,807
Total Assets	\$ millions	10,519,158	10,808,061	11,326,897	12,017,462	12,522,935	12,172,785
Total Liabilities	\$ millions	9,744,655	10,028,529	10,559,300	11,219,747	11,752,468	11,381,065
Total Equity	\$ millions	774,503	779,532	767,597	797,716	770,467	791,721

Leverage Ratios (M Ch\$)		31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	30-Jun-20
Individual leverage ratio ¹	%	34.55%	33.04%	36.03%	35.10%	36.64%	34.46%
Consolidated financial expenses ²	Times	10.48	9.41	9.11	8.92	3.04	3.06

Profitability (M Ch\$)		31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	30-Jun-20
Revenue	\$ millions	262,200	566,898	847,843	1,156,010	298,418	497,886
Profit attributable to equity holders of the company	\$ millions	21,158	42,819	61,026	81,156	6,500	17,328
EBITDA	\$ millions	40,341	70,960	104,741	138,799	14,805	28,070
Return of equity ³	%	11.47%	11.53%	11.05%	10.83%	3.40%	4.56%
Return on assets ⁴	%	0.80%	0.80%	0.74%	0.72%	0.21%	0.28%
Earnings per share ⁵	\$	21.15	23.35	22.67	21.96	18.00	15.06
Number of shares	\$ millions	3,695	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\$12,172,785 as of June 2020, +1.3% YTD. Of these assets, 54.2% are trade and other receivables, primarily the Bank's loan portfolio. As of June 2020, this item reached MCH\$6,600,549, +0.7% YTD, driven by +2.9% YTD growth in loans as explained on pages 9 and 11.

Furthermore, 34.6% of total assets are other current financial assets. This line item primarily includes the investment portfolio for the insurance subsidiary's technical reserves and the Bank's portfolio of financial instruments. As of June 2020, other current financial assets reached MCH\$4,217,298, +13.0% YTD, because of the rise of 37.1% YTD in the Bank's current financial assets, which totaled MCH\$1,599,451 as of June 2020, and an increase of 1.7% YTD in the investment portfolio for the insurance company's technical reserves, which reached MCH\$2,608,262 as of June 2020.

As of June 2020, total consolidated liabilities were MCH\$11,381,065, +1.4% YTD. Of those, 65.0% are other current financial liabilities, which include the Bank's time deposits and current accounts, as well as debt issued by the Bank or the Group. As of June 2020, other current financial liabilities reached MCH\$7,399,610, +3.0% YTD.

Of total liabilities, 25.1% were trade and other payables, which are primarily the technical reserves of Vida Security and Protecta Security. As of June 2020, trade payables totaled MCH\$2,851,727 (+0.7% YTD), as a result of the 1.9% YTD increase in life insurance technical reserves, which totaled MCH\$2,723,730, in keeping with activity levels at Vida Security, as explained on pages 14 to 21. 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\$791,721 as of June 2020, -0.8% 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 June 2020, this ratio was 0.3446, +142 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 June 2020, the consolidated financial expense coverage was 3.06 times, -65.7% YTD due to a -60.4% variation in profit before tax.

As of June 2020, revenue was MCH\$497,886, -12.2% YoY. Of this, 22.8% corresponds to gross written premiums from Vida Security, which fell 14.2% due to a drop in annuity and group insurance sales, offset by growth in individual premiums, as explained on pages 14 to 21 of this report. In addition, 37.4% of revenue was from interest and indexation on Bank loans, which grew 5.0% YoY, due to greater volumes of total loans and higher inflation with respect to last year, as explained on pages 8 to 11. On the other hand, 9.1% 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 14 to 21 of this report.

For 1H20, profit attributable to owners of the parent was MCH\$17,328, -59.5% YoY, while EBITDA reached MCH\$28,070 (-60.4% YoY). As of June 2020, return on equity was 4.6% (-698 bps YoY) and return on assets was 0.28% (-52 bps YoY), with earnings per share of CH \$15.1 (-35.5% YoY). These results can be 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 Travel Perú, 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 June 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\$209,139,299 (MCH\$190,041,601 excluding foreign subsidiaries). Equity totaled MCH\$21,982,395 while profit for the first half of 2019 was MCH\$324,514, with return on average equity¹³ of 6.9%. The industry reported an efficiency ratio of 49.2% 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 2.63%, measured as loan loss provisions to total loans, and 2.02%, measured as 90-day nonperforming loans to total loans. As of June 2020, Banco Security had total loans of MCH\$6,225,354, 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 June 2020, the mutual fund industry reported average assets under management of MCH\$49,492,371 and 2,512,275 investors. Administradora General de Fondos Security boasted average assets under management of MCH\$2,620,154 as of June 2020, giving it a market share of 5.3% and a seventh place industry ranking among the 20 fund managers operating in the market.

¹³ Annualized profit for the period over average equity for the period

STOCK BROKERAGE INDUSTRY

During the first half of 2020, market activity measured as value of shares traded increased 12.9% in comparison to 1H19, reaching BCH\$34,348. Value of shares traded for Valores Security Corredores de Bolsa for the same period totaled BCH\$643 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 June 2020, there were 34 life insurance companies in Chile. Total gross written premiums for the industry were MCH\$2,509,068. The life insurance industry posted profit of MCH\$166,762 for the period ended June 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

Grupo Security participates in the insurance and services businesses through its investments in related companies, mainly Europ Assistance and in private investment funds through Inmobiliaria Security. As of June 2020, investments accounted for using the equity method in the Consolidated Statements of Financial Position represent approximately 0.01% 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 June 2020, equivalent to 0.97% of total assets.

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

Risk Factors

DEPENDENCE ON SUBSIDIARY RESULTS

Grupo Security is the ultimate parent company of a conglomerate of companies and receives its income from subsidiary profits. As of June 2020, Grupo Security had received the following dividends from subsidiaries: MCH\$23,084 (30% of 2019 profit) from Banco Security and MCH\$5,502 from Factoring Security (60% of 2019 profit).

Grupo Security controls its main subsidiaries with an ownership interest of more than 90% in each subsidiary, which gives it flexibility in setting each subsidiary's investment policies based on growth requirements. This situation enables Grupo Security to increase its economic value by reinvesting its subsidiaries' profits while maintaining a flow of dividends to Grupo Security, which enables it to meet its financial obligations and pay dividends to its shareholders. This is especially true because of the vast diversification of the Company's revenue sources, with subsidiaries in various sectors of the financial industry.

OTHER RISK FACTORS

Risks Associated with General Economic Performance

The performance of the Grupo Security subsidiaries is correlated to economic and financial conditions that, in turn, are dependent on monetary policy, which results in reduced growth of income and profit under restrictive conditions and the opposite under expansionary conditions.

Competition in All Group Business Areas

The industries in which the Group competes are known for being highly competitive, especially the banking and insurance industries, and trending toward decreased margins. The mergers and alliances that arise between competitors are proof of the competition that Group companies face. Despite the potential challenges to the companies, the possible negative effects of competition are deemed to be offset by Grupo Security's solid brand image in its target market, strong customer loyalty and the niche strategy that drives the Group's development. This has allowed Grupo Security to earn a favorable market position with which to face future competition.

Regulatory changes

The banking and insurance industries in which the Group does business are government-regulated and are consequently subject to potential regulatory changes over time. However, this risk is estimated to be low thanks to market transparency, the considerable development of these industries and their excellent global reputation.

RISKS ASSOCIATED WITH THE FINANCIAL BUSINESS

Credit Risk

Credit risk is dependent on monetary policy, which ultimately determines a customers' payment capacity. In early 2008, a general deterioration was seen in the system's loan portfolio, which was reflected in higher risk and delinquency ratios. In the third quarter of 2011, trends in risk ratios began to shift, with an improvement in risk levels. Within this framework, Banco Security has consistently posted risk levels below industry averages.

Market Risk

The main market risks facing the Chilean banking industry are inflation and interest rate risk. As a result, Grupo Security has established market risk policies, procedures and limits to manage its maturity and exchange rate exposure in accordance with its own objectives and regulatory limits. In particular, the bank, its subsidiaries and the insurance companies have implemented a special system for controlling interest rate risk that also allows ongoing monitoring of their medium- and long-term investment portfolios.

Risks Associated with International Financial Market Volatility

The Chilean economy and its markets generally operate within international markets and may be affected by external shocks. The volatility of world financial markets and changes in global economic conditions can negatively affect the performance of local and international assets and risk premiums demanded by investors.

Interest Rate Risk

As of June 30, 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 June 30, 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

