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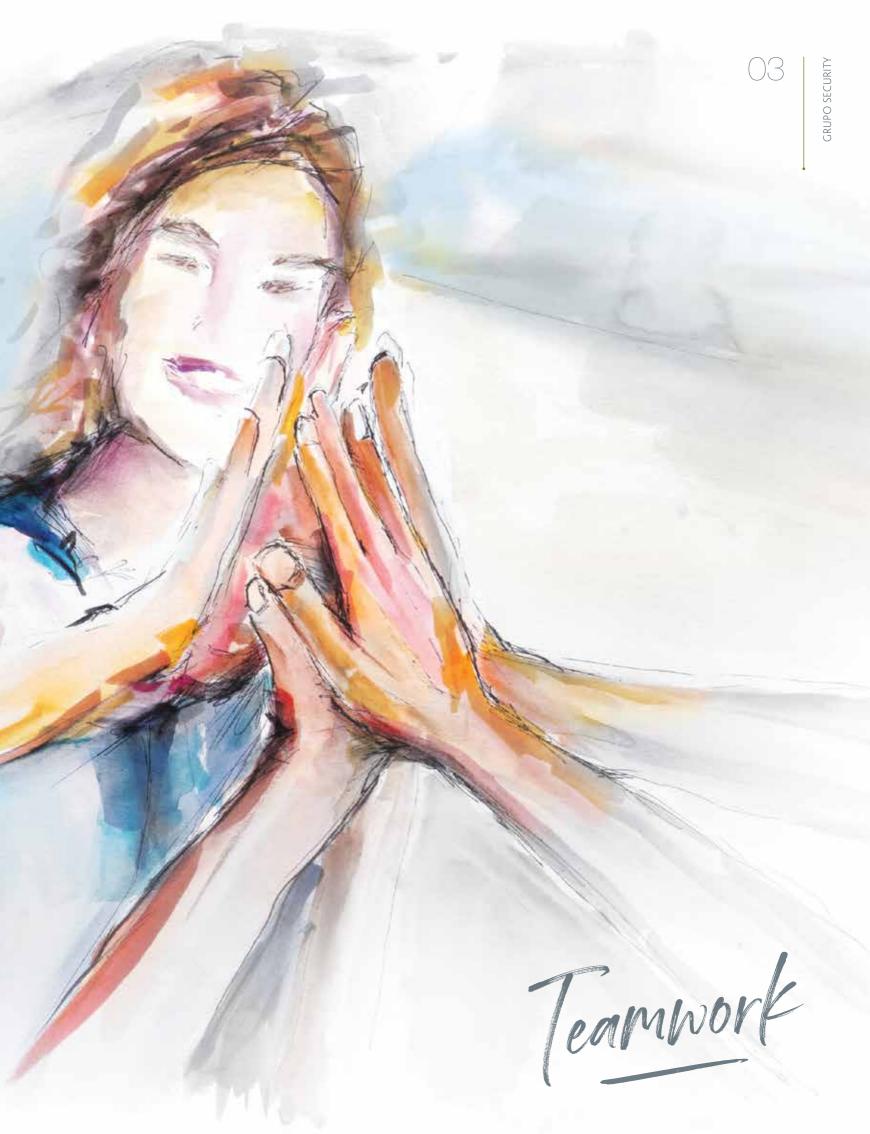
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Grupo Security is particularly concerned that our businesses are managed in a manner consistent with our global business strategy and corporate values.





### **DEAR SHAREHOLDERS**

It is my pleasure to present Grupo Security's annual report for 2019.

The year began in Chile with high expectations of overcoming economic stagnation, including greater taxation clarity and stability that would encourage investment and growth. Accordingly, the finance industry performed well during most of the year, with limited risks and stable rates. However, it was generally less auspicious than expected and since October the situation has changed and forced us to become more cautious. We were concerned to find that the macroeconomic and political context had become complex, which negatively affected the local economy and impacted confidence, consumption, investment and the general business environment.

Meanwhile, although the political scene in Peru has seen controversy arising between various state authorities that led to the dissolution of its parliament and early elections, the economy has followed a different avenue with growth of 2.2% in 2019.

Almost two years of trade tensions between the US and China have affected the international political and economic context. Nevertheless, the phase 1 agreement between these two countries has raised hopes that the global economic slowdown will be reversed. The copper price on international markets was very volatile throughout 2019, due to the uncertainty caused by the tensions between these two countries, which clearly affected the Chilean economy. The year closed with prices rising, but the outlook for 2020 is not yet clear.



### **OUR MILESTONES IN 2019**

We implemented various initiatives to strengthen our businesses during 2019, in order to continue building value by providing simple, agile and timely solutions. This was reflected in the launch of a plan within commercial and retail banking and asset management focused on modernizing processes, incorporating new technologies and developing new customer segments.

This plan has demonstrated the transformation our business needs to adapt to market challenges and trends. Therefore, a capital increase of BCH\$100 was proposed for Grupo Security to finance plans to continue growing, update business models and strengthen customer relationships, which was approved by its shareholders at an Extraordinary Shareholders' Meeting held on October 3, 2019. Also, a BCH\$35 capital increase was announced

at Vida Security during September, in order to strengthen the company's asset base.

One of the hallmarks that distinguishes us is our relationship with our customers, based on service excellence, closeness, kindness, trust, honesty and comprehensive attention to their needs. This characteristic is the result of the human warmth expressed by all those who belong to the Company. It is the Group's main resource and a distinctive and integrated feature in all our subsidiaries.

Our team is comprised of people with the skills required to tackle the challenges presented by our customers, who are the main focus of our business. They are encouraged by the opportunity to be participants and protagonists in Chile's development, to help people improve their quality of life and well-being.



This is reflected in the various awards we have received over the years, which recognize the benefits of this joint commitment.

Grupo Security achieved fourth place in the Great Place to Work ranking in 2019, which for the nineteenth year ranks our Company as one of the best places to work in Chile. This award consistently demonstrates the importance the Company places on its employees and their families, which has a positive impact on approximately 15,000 people.

Furthermore, 64% of our employees are women, who play a fundamental role in the diversity, culture and development of our companies. This has earned us the Impulsa Award for the second time, for encouraging the talented women within Grupo Security.

Business excellence at our subsidiaries was also rewarded in various aspects, which makes us very proud. For example, Banco Security achieved first place in the Praxis Xperience Index (PXI) and first place in the banking sector, the only national ranking of experiences in Chile. Meanwhile, Inmobiliaria Security received the Best Place to Live award from TGA for the second consecutive year.

Our asset management team also celebrated the recognition it earned at the 2019 Salmon Awards, received for their Security Global mutual funds in the developed country equity funds category, Security Index Fund US in the US equity funds category, and Security Strategic Balance, in the moderately balanced

category. Additionally, Morningstar named the Global Security Fund the best international equity fund. All this is evidence of the professionalism, dedication and high-quality performance of our employees.

Grupo Security's digital transformation was recognized by Qlik in the U.S. for its corporate digital management platform that provides an integrated and consolidated summary of information from the entire Company, which is used to make informed, databacked decisions.

### **FINANCIAL PERFORMANCE IN 2019**

As of year end, our Group had 3,961 employees, more than BUS\$20 in assets under management and market capitalization of MUS\$971. Earnings for the year at Grupo Security were MCH\$81,156, which was higher than 2018, despite the complex situation in Chile and the global environment.

Generally speaking, the results were driven by Banco Security's consolidated earnings of MCH\$76,951, including subsidiaries. Loans grew by 13.4% over 12 months and the Bank achieved efficiency of 47.45% by the end of the year.

Similarly, Vida Security's earnings were MCH\$20,146, mainly due to good investment performance, which was 47.38% higher than the previous year.



### **PROFIT FOR THE YEAR 2019**

MCH\$81,156

Factoring Security achieved earnings of MCH\$9,171, up 12.5% from last year. The portfolio of factored receivables for this business was MCH\$411,703, an increase of 14.3% over the previous year.

The travel agency Travel Security recorded earnings of MCH\$4,020, up 7.1% from 2018. Corredora de Seguros Security earned MCH\$617, 22.4% higher than in 2018. Inmobiliaria Security reported a loss of MCH\$2,214.

Securitizadora Security achieved earnings of MCH\$1,232, as a result of placing new securitized bonds backed by a portfolio of residential mortgage loans, mainly provided by Inmobiliaria Casanuestra S.A.

Grupo Security reported EBITDA of MCH\$138,799 in 2019, representing an increase of 5.3% over 2018. Return on average equity (ROAE) reached 10.8% as of year end.

### **ADAPTING TO NEW CIRCUMSTANCES**

We live in a rapidly changing world and must adapt to circumstances that emerge and continually evolve. Our industry is very competitive, but we know that the key is to provide simple, agile and timely solutions, supply a broad range of products on our platforms and, above all, to stay close to and understand our customers.

Chile has had to deal with the initial effects of the coronavirus pandemic in March 2020. Although this disease has not yet reached its peak, we are already saddened by its effect on our fellow Chileans. Unfortunately, as time passes we will experience loss of life and profound economic and social problems.

Grupo Security is adopting all the measures within its power to protect the health of its employees and provide continual support for its customers.

We grasped the challenge of proactively addressing this crisis with our characteristic energy and perseverance, reinforcing our customer focus, mitigating risks and anticipating potential opportunities that may arise. Our obligation to you, our shareholders, is to drive Grupo Security forward into the future. Once again, we are grateful for your continued support and trust, as this encourages us to advance.

We are very aware of our Company's role and responsibilities to society. Our growth and our progress are certainly linked to Chile's fortunes. Therefore, we will continue contributing to value creation as extensively as possible.

FRANCISCO SILVA S.

Chairman of the Board

Grupo Security

# FINANCIAL **SUMMARY**

### GRUPO SECURITY SUMMARIZED STANDALONE FINANCIAL STATEMENTS

FIGURES IN MILLIONS OF CHILEAN PESOS

| STATEMENT OF FINANCIAL POSITION     | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    | 2008    | 2009    |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Total current assets                | 8,172   | 9,988   | 12,256  | 7,194   | 7,455   | 13,529  | 13,550  | 30,835  |
| Total property, plant and equipment | 88      | 56      | 43      | 1,087   | 1,482   | 1,347   | 1,778   | 1,611   |
| Total other assets                  | 115,676 | 129,157 | 190,842 | 208,709 | 276,907 | 313,949 | 323,034 | 356,577 |
| TOTAL ASSETS                        | 123,935 | 139,201 | 203,142 | 216,990 | 285,844 | 328,825 | 338,363 | 389,023 |
| Total current liabilities           | 6,542   | 5,173   | 3,221   | 8,041   | 7,672   | 7,229   | 6,706   | 6,609   |
| Total long-term liabilities         | 21,449  | 28,805  | 39,150  | 34,675  | 68,522  | 81,641  | 84,864  | 91,190  |
| Total equity                        | 95,944  | 105,223 | 160,771 | 174,274 | 209,649 | 239,955 | 246,793 | 291,224 |
| TOTAL LIABILITIES AND EQUITY        | 123,935 | 139,201 | 203,142 | 216,990 | 285,844 | 328,825 | 338,363 | 389,023 |

| STATEMENT OF INCOME                           | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| OPERATING LOSS                                | -1,740 | -1,325 | -1,485 | -2,508 | -3,435 | -4,421 | -3,404 | -4,290 |
| Sales and administrative expenses             | -1,740 | -1,325 | -1,485 | -2,508 | -3,435 | -4,421 | -3,404 | -4,290 |
| NON-OPERATING INCOME                          | 9,018  | 15,368 | 17,010 | 22,465 | 30,092 | 36,123 | 20,282 | 34,346 |
| Finance income                                | 327    | 188    | 267    | 348    | 459    | 623    | 671    | 388    |
| Profits from investments in related companies | 9,940  | 16,356 | 19,797 | 24,343 | 35,110 | 42,974 | 25,774 | 38,842 |
| Amortization of goodwill                      | -43    | -43    | -916   | -1,330 | -1,835 | -2,290 | -2,493 | -2,436 |
| Finance costs                                 | -1,600 | -1,496 | -1,642 | -1,759 | -3,029 | -4,200 | -3,787 | -3,655 |
| Other non-operating income (loss)             | 204    | 208    | 28     | 1,335  | -67    | -139   | 1,893  | 233    |
| Price-level restatement                       | -41    | 71     | -514   | -468   | -551   | -845   | -1,776 | 973    |
| Exchange differences                          | 232    | 85     | -11    | -3     | 5      | -1     | 0      | 0      |
| PROFIT BEFORE TAX                             | 7,278  | 14,043 | 15,525 | 19,956 | 26,657 | 31,702 | 16,878 | 30,056 |
| Income tax benefit (expense)                  | 66     | 66     | -19    | 254    | 90     | 316    | 782    | 21     |
| Amortization of negative goodwill             | 0      | 0      | 0      | 0      | 0      | 0      | 124    | 0      |
| PROFIT FOR THE YEAR                           | 7,344  | 14,110 | 15,506 | 20,210 | 26,746 | 32,018 | 17,785 | 30,076 |
| TOTAL DEBT / EQUITY                           | 0.29   | 0.32   | 0.26   | 0.25   | 0.36   | 0.37   | 0.37   | 0.34   |
| Number of shares (in millions)                | 1,655  | 1,655  | 2,040  | 2,040  | 2,201  | 2,201  | 2,201  | 2,550  |
| Earnings per share                            | 4.4    | 8.5    | 7.6    | 9.9    | 12.2   | 14.5   | 8.1    | 11.08  |
| Return on average equity                      | 7.9%   | 14.0%  | 11.7%  | 12.1%  | 13.9%  | 14.2%  | 7.3%   | 11.2%  |

### GRUPO SECURITY SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

FIGURES IN MILLIONS OF CHILEAN PESOS

| STATEMENT OF FINANCIAL POSITION                     | 2010      | 2011      | 2012      | 2013      | 2014      | 2015      | 2016      | 2017      | 2018       | 2019       |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| Total current assets                                | 3,967,917 | 4,752,901 | 5,181,497 | 6,370,038 | 7,101,898 | 7,999,828 | 8,742,226 | 9,285,369 | 9,947,290  | 11,390,646 |
| Total non-current assets                            | 205,325   | 221,710   | 235,689   | 426,190   | 566,945   | 608,622   | 585,719   | 555,932   | 595,398    | 730,355    |
| TOTAL ASSETS  | 4,173,242 | 4,974,611 | 5,417,186 | 6,796,228 | 7,668,844 | 8,608,450 | 9,327,945 | 9,841,301 | 10,542,688 | 12,121,001 |
| Total current liabilities                           | 3,582,463 | 4,319,805 | 4,696,348 | 5,917,494 | 6,603,976 | 7,521,151 | 8,035,493 | 8,437,929 | 9,152,914  | 10,574,462 |
| Total non-current liabilities                       | 284,440   | 274,901   | 318,914   | 405,500   | 533,833   | 516,021   | 686,737   | 680,845   | 640,734    | 762,388    |
| TOTAL LIABILITIES                                   | 3,866,903 | 4,594,706 | 5,015,262 | 6,322,994 | 7,137,809 | 8,037,173 | 8,722,230 | 9,118,775 | 9,793,647  | 11,336,851 |
| Equity attributable to owners of the parent company | 300,641   | 376,742   | 397,790   | 467,004   | 522,718   | 551,653   | 585,628   | 704,910   | 728,495    | 769,754    |
| Non-controlling interests                           | 5,699     | 3,163     | 4,134     | 6,230     | 8,317     | 19,624    | 20,087    | 17,616    | 20,545     | 14,396     |
| Total equity  | 306,340   | 379,905   | 401,924   | 473,234   | 531,035   | 571,277   | 605,715   | 722,526   | 749,040    | 784,150    |
| TOTAL LIABILITIES AND EQUITY                        | 4,173,243 | 4,974,611 | 5,417,186 | 6,796,228 | 7,668,844 | 8,608,450 | 9,327,945 | 9,841,301 | 10,542,688 | 12,121,001 |

| STATEMENT OF INCOME  | 2010     | 2011     | 2012     | 2013     | 2014     | 2015     | 2016      | 2017      | 2018      | 2019      |
|--|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|
| Revenue  | 348,044  | 436,553  | 584,193  | 710,361  | 808,422  | 848,633  | 1,026,690 | 1,177,768 | 1,042,141 | 1,156,010 |
| Cost of sales  | -199,319 | -274,766 | -389,761 | -511,620 | -556,117 | -585,492 | -700,949  | -839,571  | -689,733  | -770,231  |
| GROSS PROFIT   | 148,725  | 161,787  | 194,431  | 198,741  | 252,304  | 263,141  | 325,741   | 338,197   | 352,408   | 385,780   |
| Other income   | 1,281    | 5,047    | 7,809    | 6,000    | 1,790    | 2,142    | 2,777     | 4,252     | 3,310     | 2,851     |
| Administrative expenses  | -86,934  | -93,962  | -127,412 | -154,805 | -153,775 | -179,333 | -219,682  | -215,483  | -216,962  | -251,127  |
| Other expenses, by function  | -18,059  | -16,701  | -18,393  | -11,211  | -16,077  | -15,337  | -27,594   | -8,561    | -7,565    | -15,592   |
| Other gains  | 2,366    | 4,385    | 1,760    | 2,655    | 5,576    | 10,005   | 3,014     | 5,457     | 1,742     | 2,531     |
| NET OPERATING INCOME   | 47,378   | 60,556   | 58,195   | 41,380   | 89,817   | 80,617   | 84,255    | 123,863   | 132,934   | 124,442   |
| Finance income   | 0        | 0        | 0        | 18       | 84       | 0        | 0         | 0         | 13        | 258       |
| Finance costs  | -4,122   | -4,449   | -4,950   | -9,965   | -12,729  | -13,139  | -13,473   | -13,110   | -14,837   | -14,260   |
| Share of profit of associates and joint ventures, equity-accounted   | 2,758    | 2,710    | 1,094    | 1,387    | 3,116    | 692      | 18,835    | -379      | -1,775    | 922       |
| Exchange differences   | 4,583    | -2,680   | 5,749    | 30,373   | 12,906   | 24,443   | -9,110    | -4,926    | 1,222     | 11,712    |
| Gain (loss) on indexed assets and liabilities  | -1,980   | -6,462   | -2,256   | -80      | -12,866  | -13,811  | 5,695     | -4,179    | -10,399   | -10,150   |
| Gain (loss) from difference between the prior carrying amount and the fair value of reclassified financial assets measured at fair value | 566      | 304      | -574     | -960     | -1,074   | 1,136    | 2,750     | -1,586    | 734       | 48        |
| PROFIT BEFORE TAX  | 49,183   | 49,978   | 57,258   | 62,152   | 79,254   | 79,940   | 88,952    | 99,684    | 107,891   | 112,973   |
| Income tax expense   | -7,327   | -7,662   | -10,103  | -11,181  | -16,284  | -13,338  | -13,866   | -25,971   | -24,733   | -29,944   |
| PROFIT FROM CONTINUING OPERATIONS  | 41,856   | 42,316   | 47,155   | 50,971   | 62,970   | 66,602   | 75,086    | 73,712    | 83,159    | 83,029    |
| Profit from discontinued operations  | 0        | 0        | 0        | 0        | 0        | 0        | 0         | 0         | 0         | 0         |
| PROFIT FOR THE YEAR  | 41,856   | 42,316   | 47,155   | 50,971   | 62,970   | 66,602   | 75,086    | 73,712    | 83,159    | 83,029    |
| Profit attributable to owners of the parent company  | 40,852   | 41,883   | 46,561   | 49,843   | 61,010   | 65,022   | 74,522    | 74,708    | 80,548    | 81,156    |
| Profit attributable to non-controlling interests   | 1,004    | 433      | 594      | 1,128    | 1,960    | 1,580    | 563       | -996      | 2,610     | 1,873     |
| PROFIT FOR THE YEAR  | 41,856   | 42,316   | 47,155   | 50,971   | 62,970   | 66,602   | 75,086    | 73,712    | 83,159    | 83,029    |
| TOTAL STANDALONE DEBT / EQUITY   | 0.31     | 0.25     | 0.26     | 0.37     | 0.36     | 0.35     | 0.36      | 0.29      | 0.34      | 0.36      |
| Number of shares (in millions)   | 2,550    | 2,882    | 2,882    | 3,184    | 3,232    | 3,258    | 3,258     | 3,683     | 3,695     | 3,695     |
| Earnings per share   | 16.0     | 14.5     | 16.2     | 15.7     | 18.9     | 20.0     | 22.9      | 21.7      | 21.8      | 22.0      |
| Return on average equity   | 13.9%    | 12.4%    | 12.0%    | 11.5%    | 12.3%    | 12.1%    | 13.1%     | 11.6%     | 11.2%     | 10.8%     |



### **→ 1981**

Banco Urquijo de Chile, a subsidiary of Spain's Banco Urquijo, was created.

### **1987**

Corredora de Bolsa Valores Security was created to provide financial advisory and brokerage services to the Chilean capital market. Security Pacific Corporation acquired all the shares of Banco Urquijo de Chile.

### \_ 1990

Leasing Security was created, and later joined Banco Security in 2001.

### **1991**

Security Pacific Overseas Corporation sold 60% of Banco Urquijo and renamed it Banco Security.

Grupo Security was created when Agencia de Valores Corredora de Bolsa became a Banco Security subsidiary and changed its name to Valores Security Corredores de Bolsa.

### \_ 1992

Administradora de Fondos Mutuos Security S.A. and Factoring Security S.A. were created.

### **→ 1993**

Asesorías Security was created.

### **- 1994**

Bank of America was the legal successor of Security Pacific National Bank and sold its interest in the Bank to Grupo Security, which thereby gained 100% ownership.

### **→ 1995**

Grupo Security placed its shares on the stock market.

It acquired a majority interest in AFP Protección as well as the insurance companies Previsión Vida and Previsión Generales.

### **→ 1996**

Grupo Security acquired 62.69% of Previsión Vida and Previsión Generales.

Merchant Security and Inmobiliaria Security joined the Group.

### **1997**

Securitizadora Security joined the Group.

### **- 1998**

Sale of interest in AFP Protección. Previsión Vida and Previsión Generales insurance companies were transferred to the parent company, Inversiones Seguros Security Limitada.

### **- 1999**

Travel Security joined the Group and Corredora de Seguros Security was created.

### \_ 2001

Servicios Security S.A., Corredora de Reaseguros Security and Agencia Security were created.

### **- 2002**

Asesorías Security's international asset management business and Banco Security's international private banking business.

The names of the insurance companies were changed to Seguros Vida Security Previsión S.A. and Seguros Security Previsión.

### **- 2004**

Banco Security acquired 99.67% of Dresdner Bank Lateinamerika A.G. and 100% of Dresdner Lateinamerika S.A. Corredora de Bolsa. Banco Dresdner then merged with Banco Security.

Seguros Generales Las Américas merged with Seguros Security Previsión Generales.

An alliance with Europ Assistance was formed, creating Europ Assistance Chile.

Grupo Security partnered with English reinsurance brokerage firm, Cooper Gay, and Cooper Gay Chile was born.

### \_ 2006

Interamericana Rentas Seguros de Vida was acquired, which changed its name to Rentas Security.



### **- 2007**

Grupo Security and Grupo Ultramar merged their travel agencies, Travel Security and Turismo Tajamar, in 2007 under the name Travel Security S.A.

The subsidiaries Vida Security and Rentas Security were merged.

Grupo Security acquired Cigna Compañía de Seguros de Vida and Cigna Asistencia Administrativa Ltda. Vida Security then merged with Cigna Seguros de Vida.

### **\_ 2009**

Through an alliance with American Express, Travel Security was awarded exclusive representation of the world's largest travel agency in Chile.

### **- 2012**

Travel Security acquired a 75% interest in Travex, Peru's third largest travel agency.

### **- 2013**

Grupo Security acquired the Cruz del Sur group and sold its stake in Cooper Gay Chile.

### \_ 2014

Vida Security merged with Compañía de Seguros de Vida Cruz del Sur S.A.

Cruz del Sur Capital S.A. merged with Invest Security. The name of the merged company was changed to Capital S.A.

### → **2014** (CONTINUED)

Administradora General de Fondos Security merged with Cruz del Sur Administradora General de Fondos.

Banco Security opened a representative office in Hong Kong:

### **~ 2015**

Valores Security Corredores de Bolsa merged with Cruz del Sur Corredora de Bolsa.

The Group acquired a 61% interest in Corredora de Seguros Protecta in Peru.

### **- 2016**

The acquisition and merger with AGF and Valores Security was completed.

Sale of interest in Penta Security to Liberty International Holdings.

### \_ 2017

Capital increase was completed, raising MCH\$93,424, or 97.3% of the offering.

### \_ 2018

A corporate order was issued in which Protecta Compañía de Seguros was placed under the control of Security International SpA and capital was raised for MPEN 70 to strengthen the company's business plan in the Peruvian market.

# MILESTONES IN 2019

### GRUPO security

**-**

Grupo Security shareholders approve a BCH\$100 capital increase by issuing 415 million shares over three years.

### FACTORING security

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A second bond issuance is approved in one or more series for a maximum of UF 1,500,000 per series, as market conditions allow.

### VIDA security

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The capital increase at Vida Security of BCH\$35 is paid in full.



Grupo Security is a diversified financial group with 13 companies structured into five 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, which consists of the Group's businesses in Peru.

### **LENDING AREA**

### **BANCO SECURITY**

Banco Security is a niche bank focusing on corporations, large and mid-sized companies, and high-income individuals.

### **FACTORING SECURITY**

Factoring Security specializes in factoring and confirming. Its electronic platform covers its customers' requirements throughout Chile.

### ASSET MANAGEMENT AREA

### VALORES SECURITY S.A. CORREDORES DE BOLSA

Valores Security specializes in providing proactive advice to Chilean and international investors.

### ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

AGF Security is one of the leading managers of mutual and investment funds in the Chilean market. It focuses on medium-sized investors, high net worth individuals, companies and institutional investors.

### **SECURITIZADORA SECURITY**

Securitizadora Security is a pioneer in its industry and number one by issuance of securitized mortgage-backed bonds. It also provides asset management services for separate estates.

### **INMOBILIARIA CASANUESTRA**

Inmobiliaria Casanuestra S.A. is a residential leasing company that grants direct and indirect residential loans using leases and mutual endorsable mortgages, where around 90% contain housing subsidies.



### **INSURANCE AREA**

### **VIDA SECURITY**

Vida Security has over 90 years' experience in the market and provides individual and group life insurance, life insurance with savings, health insurance, additional retirement savings with life insurance, and annuities for individuals, using specialized executives and after-sales services on multi-channel platforms.

### **CORREDORA DE SEGUROS**

Corredora de Seguros Security advises customers on the process of identifying, evaluating and preventing risk, as well as planning, implementing and managing general, life, health and group insurance programs.

### **EUROP ASSISTANCE**

Europ Assistance provides personalized travel, vehicle, health and home assistance services, aimed at companies and individuals. It sells travel assistance services in Peru.

### HIPOTECARIA SECURITY PRINCIPAL

Hipotecaria Security Principal is one of the leading, non-bank mortgage lenders for new and used homes, land, offices and general purposes, as well as mortgage refinancing.

### **OTHER SERVICES AREA**

### **TRAVEL SECURITY**

Travel Security is a travel agency that specializes in corporate customers and discerning travelers who require a high standard of service.

### **INMOBILIARIA SECURITY**

Inmobiliaria Security invests and develops housing and office projects, mainly in the northeast sector of Santiago.

### INTERNATIONAL BUSINESS AREA

### PROTECTA COMPAÑÍA DE SEGUROS

Protecta (Peru) is a life insurance and reinsurance company, which is also licensed to sell general insurance.

### **TRAVEX**

Travex is a leading corporate travel agency and the exclusive representative in Peru of American Express Global Business Travel.

# BOARD OF DIRECTORS



Civil Engineering, Universidad Católica de Chile Engineering, Stanford University Master of Science, Stanford University Chilean ID number: 4.103.061-5



HERNÁN DE LAS HERAS MARÍN

Business Administration, Universidad de Chile Chilean ID number: 6.381.765-1



Administration
Business
Chilean ID number: 7.639.707-4



NAOSHI MATSUMOTO TAKAHASHI

Business Administration, Universidad Católica de Chile Chilean ID number: 3.805.153-9



HORACIO PAVEZ GARCÍA

Civil Construction, Universidad Federico Santa María Chilean ID number: 3.899.021-7



Business Administration, Universidad Católica de Chile • Master of Business Administration, Massachusetts Institute of Technology Chilean ID number: 9.901.478-4



Civil Engineering, Universidad Católica de Chile Master of Science Operation Research, Stanford University • Ph.D. Engineering-Economic Systems, Stanford University Chilean ID number: 4.818.243-7

**IRARRÁZABAL** 



ANA SAÍNZ DE VICUÑA BEMBERG

BSc Honours Degree Agricultural Economics, Reading University U.K. Chilean ID number: 48.128.454-6



MARIO WEIFFENBACH OYARZÚN

Business Administration and Certified Public Accountant, Universidad de Chile. Chilean ID number: 4.868.153-0

### MANAGEMENT

### AND SENIOR EXECUTIVES



### CHIEF EXECUTIVE OFFICER

### **RENATO PEÑAFIEL MUÑOZ**

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Master in Strategic Human Resource

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Bachelor of Arts in Communications,

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### CONTROLLER AND BUSINESS RISK MANAGER

### ALFONSO VERDUGO RAMÍREZ DE ARELLANO

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### FELIPE HERNÁN JAQUE SARRO

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### CORPORATE CULTURE MANAGER

### CORPORATE TECHNOLOGY MANAGER

### SANDRA ROITMAN CACHI

Information Systems Engineer Universidad Tecnológica Nacional Chilean ID number: 21.612.261-5

# CORPORATE **MANAGEMENT**

### **CHIEF EXECUTIVE OFFICER**

Grupo Security is strategically managed by the Chief Executive Officer, who is responsible for defining and planning objectives in conjunction with Group companies and reports to the Board of Directors.

### **DUTIES**

Ensure compliance with strategic growth and development objectives. He is directly involved in the financial and commercial management of the business areas and participates in Board meetings for each company, as well as the Expense, Corporate Services and Commercial Committees, all of which provide opportunities for coordination among the Group companies.

### **EXPENSE COMMITTEES**

Members include corporate management and executives from each Group company. It meets bimonthly to control budget execution and review spending policies, critical variables and the cost centers defined in the annual budget.

### **COMMERCIAL COMMITTEES**

These committees include the Group's CEO, the Chairman of the Board and managers from each company. They meet monthly to review business plans in detail, detect deviations, implement action plans and monitor the status of strategic initiatives.

### PLANNING AND DEVELOPMENT DIVISION

### **DUTIES**

- Establish corporate guidelines for the commercial and financial management of Grupo Security companies, as well as strategic business plan development.
- Report commercial and financial performance on a monthly basis to the Group CEO.

 Prepare investor information with respect to the Group's businesses.

### CORPORATE MARKETING AND QUALITY DIVISION

### **DUTIES**

- Define the guidelines, strategic focus, and policies for each company with respect to brand strategy, service quality, commercial integration and customer loyalty.
- Support and monitor Group companies to ensure they provide customers with comprehensive services that exceed expectations and sets the Group apart for its quality, thereby generating loyalty and building a brand with recognized market value.

### **CORPORATE CULTURE DIVISION**

### **DUTIES**

- Maintain and foster an organizational culture that inspires employees to put the Group's values into practice on a daily basis and guarantees the availability of human capital to ensure compliance with the Group's corporate strategy.
- Contribute to the good labor practices that make Grupo Security a great place to work and earned it accreditation as a family-responsible company and recognition as a company that promotes work-family balance as well as professional and personal growth for all employees.

### **ACCOUNTING DIVISION**

### **DUTIES**

 Provide high-quality, accurate and timely corporate accounting services, and produce financial statements that reflect the consolidated financial situation of Grupo Security.

### **TECHNOLOGY SERVICES DIVISION**

### **DUTIES**

 Provide efficient and high-quality technological services to all companies, covering IT management, computer security, technology and architecture, and to develop and maintain corporate applications.

### CONTROL AND BUSINESS RISK DIVISION

This division reports to the Group's Board and the Boards of its subsidiaries.

### **DUTIES**

- Framed within the Group's Comprehensive Risk Management Policy, its duties include verifying and regularly reporting to senior management on the effectiveness of corporate governance, risk management and internal control.
- Support and coordinate the organization as it implements and operates the Integrated Risk Management process.

→ Support Compliance Officers with prevention of money laundering, terrorism financing, bribery, fraud and receiving stolen property, in order to comply with the Board of Director's instructions in the Crime Prevention Model and the corresponding regulations (Laws 19,913 and 20,119, and their amendments).

### DIGITAL BUSINESS DEVELOPMENT DIVISION

### **DUTIES**

- This division is responsible for leading the Group's digital strategies across all its companies. It also coordinates the initiatives that strengthen the Company's digitalization, in line with changes in the industry, the general economy and customer behavior.
- It also drives the introduction of methodologies that use technology and information to more effectively relate to our customers, in order to continue improving their service experience.

# ETHICS AND COMPLIANCE

Grupo Security and its subsidiaries comply with Laws 20,393 and 19,913 and the regulations issued by the Financial Market Commission (CMF) and the Financial Analysis Unit (UAF). It has implemented a Crime Prevention Model certified by an external company authorized by the CMF (MC Compliance), which includes policies, guidelines, manuals, a Code of Ethics, a Code of Conduct, internal regulations, compliance officers at all subsidiaries and crime prevention committees.

Employment contracts now include a clause that refers to Law 20,393 on the Criminal Liability of Legal Entities, which was also incorporated into supplier contracts.

An orientation course is available for all employees, both in person and annually via e-learning. Moreover, directors, managers and executives were trained in person, and all other employees via e-learning, in the crimes added to the scope of Law 20,393.

There are also tools to detect and communicate suspicious and cash transactions, and a secure and anonymous complaint hotline.

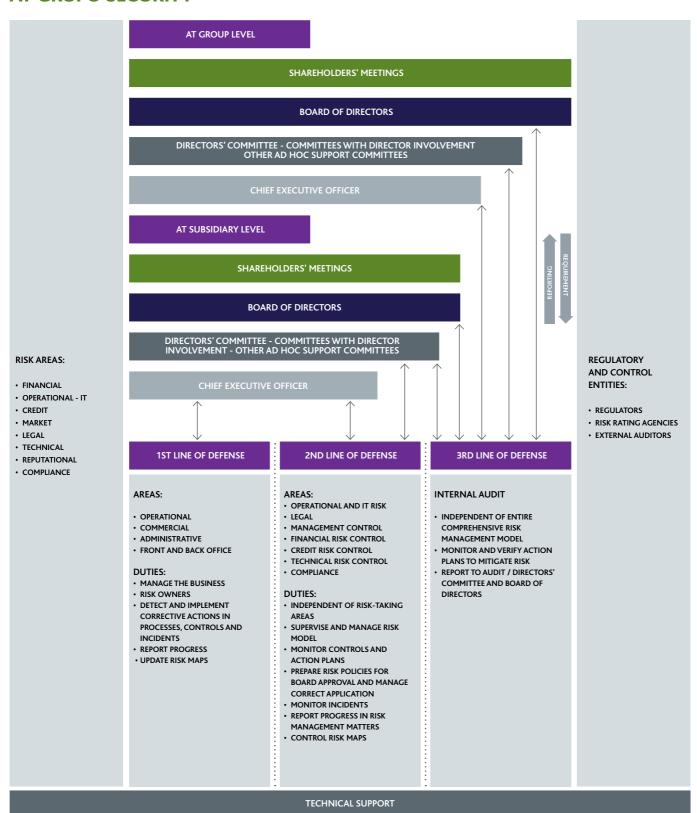
### CORPORATE GOVERNANCE

Corporate governance at Grupo Security is designed to ensure that the activities undertaken by the Group's companies are consistent with its business strategy, institutional values and risk tolerance and aversion, and to add value to the Company through self-regulation and regulatory compliance.

### **CORPORATE GOVERNANCE STRUCTURE**



### CORPORATE GOVERNANCE BASED ON COMPREHENSIVE RISK MANAGEMENT AT GRUPO SECURITY



### A. SHAREHOLDERS' MEETINGS

Shareholders' meetings provide the highest level of corporate governance, in accordance with Chile's Corporations Law. The last annual general shareholders' meeting took place on April 29, 2019.

### **MAIN AGREEMENTS**

- → Approved the annual report and financial statements for 2018, including the independent auditors' report for that year.
- Approved profit distribution and dividend payments.
- Approved dividend policies.
- Elected the Board of Directors.
- Set Board compensation for 2019.
- Reviewed Directors' Committee activities, performance and expenses during 2018.
- Set Directors' Committee compensation and approved its 2019 budget.
- Reviewed Board expenses for 2018.
- → Appointed the Company's independent auditors.
- Appointed risk rating agencies.
- Reviewed information on related party transactions in accordance with Corporations Law.
- → Selected the newspaper for legal publications.

### **B. BOARD OF DIRECTORS**

The Board of Directors is elected by shareholders and is the Company's main corporate governance authority. It is composed of nine members and has no alternate directors. The entire Board is elected every three years, with the most recent elections held on April 29, 2019, and the next elections in April 2022.

The Board held 13 regular meetings and two extraordinary meetings in 2019, where they discussed business performance issues.

### **MAIN ACTIVITIES IN 2019**

- Received monthly reports on the financial performance of each business unit.
- Reviewed transactions between the Company and its directors or related parties.
- → Received interim and audited annual consolidated financial statements for Grupo Security and its subsidiaries.
- Received the independent auditors' opinion on the financial statements at a Board meeting attended by the Deloitte audit partner.
- → Received the independent auditors' report on CMF Ruling 979.
- → Called the annual shareholders' meeting.
- → Proposed dividend distributions.
- Proposed risk rating agencies and independent auditors.
- Proposed Board compensation and the budget for accounting, financial, legal and other advisory services.
- Proposed Directors' Committee compensation and its 2019 expense budget.
- → Constituted the Board of Directors, appointed the Chairman and members of the Directors' Committee.
- Heard a presentation on the external auditors' annual plan, by the EY audit partner.

- Received the Internal Control Report at a Board meeting attended by the EY audit partner.
- Reviewed the matters addressed by the Directors' Committee during 2019, as well as the Directors' Committee's Annual Management Report for 2018.
- Approved the 2019 budget.
- Reviewed global and local macroeconomic reports.
- Approved the corporate governance self-assessment report, in accordance with General Standard 385 issued by the CMF.
- Reviewed correspondence received from the CMF.
- Reviewed compliance with the 2019 internal auditing plan for Grupo Security and its subsidiaries.
- Approved the 2019 annual auditing plan for Grupo Security and its subsidiaries.
- Reviewed compliance with the 2019 internal auditing plan for Grupo Security and its subsidiaries.
- Reviewed the biannual reports from the Crime Prevention Officer, Law 20,393.
- Approved updates to the Code of Conduct, incorporating changes to the scope of Law 20,393, as well as its implementation and training.
- Reviewed in-person training given to directors, managers and senior executives of the Group and its subsidiaries and the in-person or e-learning training schedule for all employees of the Group and its subsidiaries on changes to the scope of Law 20,393.
- Reviewed the Cybersecurity Plan for Grupo Security and subsidiaries.
- Called an extraordinary shareholders' meeting to amend and update the bylaws and approve the capital increase.
- Reviewed regulatory changes for the period.
- The directors actively participate in the main committees of the Group and its subsidiaries.

### C. COMMITTEES

C.1

**DIRECTORS' COMMITTEE** 

**C.2** 

STRATEGIC COMMITTEE

**C.3** 

**COMPENSATION COMMITTEE** 

**C.4** 

PLANNING AND DEVELOPMENT COMMITTEE

**C.5** 

MARKETING AND QUALITY COMMITTEE

**C.6** 

**OPERATIONS AND IT COMMITTEE** 

**C.7** 

**COMPLIANCE COMMITTEE** 

### C.1 DIRECTORS' COMMITTEE

The Directors' Committee is responsible for upholding Art. 50 bis of Law 18,046.

The following board members are serving a three-year term on the Directors' Committee:

- Hernán de las Heras Marín (appointed on 04/29/2019) (Independent director)
- Jorge Eduardo Marín Correa (appointed on 04/29/2019)
- → Horacio Pavez García (appointed on 04/29/2019)

### **MAIN ACTIVITIES**

- Reviewed and accepted the independent auditors' report and financial statements prepared for the shareholders of Grupo Security and its subsidiaries, as of December 31, 2018.
   The audit partner from Deloitte and the Corporate Chief Accounting Manager from Grupo Security also participated in this meeting.
- 2. Requested bids for external auditing services for 2019 from the following audit firms: (a) Deloitte; (b) KPMG; (c) PwC and (d) EY. These firms are among the most important audit firms in both the international and local markets. After evaluating the proposals received from Deloitte, Price, KPMG and EY, the committee agreed to propose to the Board of Directors, for it to in turn propose to shareholders at the annual general shareholders' meeting, EY Servicios Profesionales de Auditoria y Asesorías SPA (EY) as its first option as external auditors for Grupo Security and subsidiaries for 2019, and Deloitte as its second option. Among the factors taken into account in proposing external auditors, the committee considered:

- **a)** Experience and knowledge of Grupo Security's business areas, especially auditing banks, insurance companies and other financial companies in Chile.
- **b)** Presence and participation as independent auditors in the financial and insurance markets
- c) Audit and partner independence (Art. 242 to 245 of Law 18,045)
- **d)** Suitable technical skills and partner experience with risks addressed by IFRS.
- e) Value, coverage and scope of service.
- **3.** Recommended that the Board of Directors of Grupo Security propose that the shareholders reappoint Fitch Ratings and ICR as risk raters.
- **4.** Approved the committee's 2018 annual performance report to be presented to the Board of Directors and included as a note in the Company's annual report in accordance with Art. 50 Bis of Law 18,046.
- **5.** Reviewed the Annual Independence Review Letter submitted by Deloitte.
- **6.** Reviewed compliance with the 2018 Annual Internal Auditing Plan for the Group and its Subsidiaries.
- **7.** Reviewed and approved the 2019 Annual Internal Auditing Plan for the Group and its Subsidiaries, including its main scope and risk focus.
- 8. Reviewed the 2019 Annual External Auditing Plan prepared by EY for Grupo Security and its subsidiaries, which includes the Management Report (internal control evaluation), the Auditor's Report on the Financial Statements as of December 31, 2019, the Interim review report as of June 30, 2019, and other reports such as: The Provision Adequacy Report (method and calculations), the Report on Chapter XXI, the Internal Control Report on Law 20,712 (Single Funds Law) and Ruling 1441 on insurance, the Report on Ruling 1962, as well as the schedule, the assigned team and principal audit focuses for 2019, all with a risk-based approach.

- **9.** Reviewed the proposed updates to the Code of Conduct, its implementation schedule and training on site and via e-learning.
- 10. Reviewed and monitored the tasks aimed at preventing money laundering, fraud, bribery, receiving stolen goods, conflicts of interest, corruption, misappropriation and improper management. Reviewed the complaints received through the complaint channel. Reviewed progress of training provided to directors, managers and senior executives of the Group and its subsidiaries on site regarding Laws 20,393 and 19,913, and this training provided to all employees on site or via e-learning. Monitored the biannual process to renew certification under Law 20,393 for Group subsidiaries.
- 11. Regularly reviewed the most important operational, technological, compliance and credit risks as identified through comprehensive risk management and implemented at each subsidiary, and monitored the change to the administration, risk management, compliance and audit platform.
- 12. Regularly reviewed loss events reported by Group companies.
- 13. Regularly reviewed compliance with annual internal auditing plan covering the main audit findings from Grupo Security's businesses and companies, as well as ensured that commitments arising from the audit were resolved, with special emphasis on enforcing action plans, especially those that are behind schedule and those relating to the Internal Control Department's projects in progress.
- **14.** Reviewed regulatory changes issued by regulatory bodies during the year.
- **15.** Reviewed the proposed response to the "Corporate Governance Self-Assessment" questionnaire mandated by CMF General Standard 385.
- **16.** Reviewed compensation and incentive plans for Grupo Security managers, senior executives and other employees.

- 17. Reviewed the Management Report issued by external auditors EY on November 26, 2019, presented by the EY audit partner, which includes findings on the Group and its subsidiaries arising from the audit of the financial statements as of December 31, 2019.
- **18.** Reviewed transactions between related parties, subsidiaries and associates of Grupo Security, as reported by them. In particular, the Directors' Committee verified compliance with the General Policy on Ordinary Customary Transactions with Related Parties, approved at board meeting 211 on April 29, 2010, and the subsequent amendments by its subsidiaries. The Directors' Committee verified compliance with this policy.
- Reviewed the Policy on Customary Transactions with Related Parties.
- **20.** Reviewed other topics of interest to the committee and matters regarding internal auditing.
- 21. The committee did not make any recommendations to the shareholders.

### **COMPENSATION**

UF15, budgeting for 12 meetings per year. This per-meeting compensation has not changed over the last three years.

### **BUDGET**

UF 1,100

### **NUMBER OF MEETINGS**

The committee met twelve times during the year.

### **EXPENSES**

This committee did not incur any administrative or consulting expenses in 2019.

### C.2 STRATEGIC COMMITTEE

The objective of this committee is to regularly review the implementation of strategic plans for each Group company and the corporate services division, and report to the Board of Directors.

### **DUTIES**

- Analyze company results, opportunities and challenges arising from technological, commercial and financial issues.
- Increase the visibility of strategic plans that impact the Group's medium and long-term results. In 2019, the committee analyzed the Risk Management Model implemented at Grupo Security and subsidiaries, and the potential capital requirements for the Bank as a result of implementing Basel III standards.

# C.3 COMPENSATION COMMITTEE

Together with the Directors' Committee, this committee is responsible for informing the Board about compensation issues.

### **DUTIES**

- Examine the compensation systems and plans for Company executives, managers and employees.
- Encourage a conservative approach to risk within the organization, which is in the best interest of the shareholders and the general public.

# C.4 PLANNING AND DEVELOPMENT COMMITTEE

This committee focuses on the planning and control of financial and commercial management for all Group companies, and monitors corporate strategic initiatives.

### **DUTIES**

- Define and supervise implementation of the corporate expense control policy and budget scheduling.
- Manage the corporate governance model.

# C.5 MARKETING AND QUALITY COMMITTEE

This committee is focused on brand control and customer experience activities, based on metrics that are monitored through committees. It meets every three months.

### **DUTIES**

- Define and monitor company plans, and verify their alignment with corporate objectives and strategy regarding marketing, quality and business intelligence.
- Define and control the quality models implemented in all companies, and verify their alignment with the Security Customer Experience Model.
- Structure and monitor a common model for processing requests, complaints and claims.
- Define, monitor and control implementation of the Comprehensive Customer Value Proposition Model.
- Protect the Security brand at each subsidiary.

# C.6 OPERATIONS AND IT COMMITTEE

This committee fulfills a key role in defining and implementing operational and IT processes.

### **DUTIES**

- → Plan and monitor operating and technological issues.
- Review operational and technological continuity.
- Analyze, plan and evaluate IT projects.

# C.7 COMPLIANCE COMMITTEE

This committee is led by the Controller, whom the Board has appointed as responsible for crime prevention. The remaining committee members are the compliance officers at all Group companies and representatives from the Corporate Compliance Department.

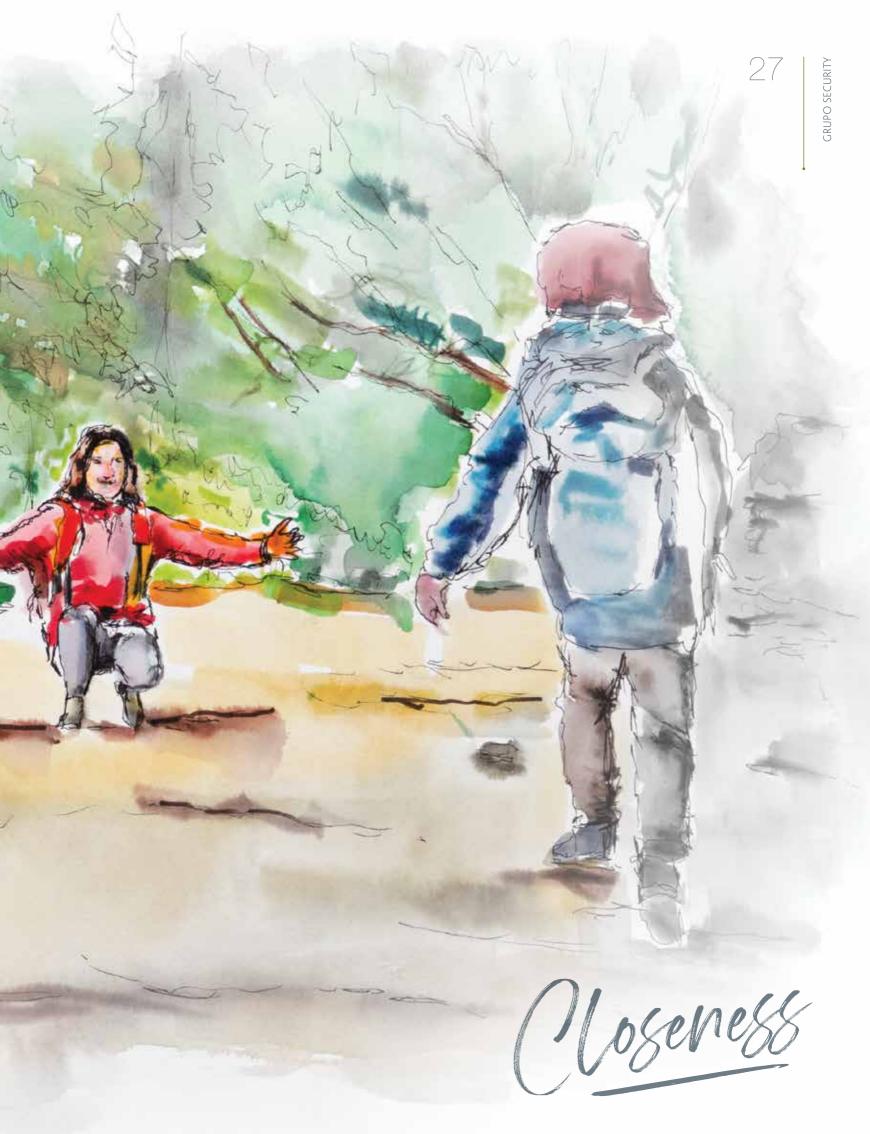
### **DUTIES**

Plan, coordinate, set and monitor guidelines to ensure that the policies and procedures established in the Group's Crime Prevention Model are fully implemented and operative, in accordance with Law 20,393 and its amendments on the Criminal Liability of Legal Entities.

CHAPTER

Encouraging balance between our work and personal life is at the heart of our culture.







The key to developing a successful business strategy at Grupo Security is having a recognized and well-positioned brand, a solid organizational culture, and engagement mechanisms that draw it closer to its stakeholders.

The brand is an asset whose focus is on generating awareness of its business areas. Therefore, every team member plays an important role by providing excellent service that is appreciated by customers.

Corporate culture is a key component of building a strong identity, backed by clear and consistent values that transcend the Company's market and the whole of society.

### THE SECURITY CULTURE

Since its inception, Grupo Security has placed people at the core of its business and has focused on achieving work-family-life balance, to ensure that all employees can successfully combine personal and professional aspects of their lives. The Company is convinced that being a good place to work is a great attribute, so it strives to become a benchmark for business and human resources, while satisfying the needs of its customers, shareholders, employees and the community where it does business.

The identity of the Security culture is based on solid, shared values that empower corporate objectives, represented in its vision and mission.



### **VISION**

We want to set the standard in all of our relationships, both in business and among employees, in order to comprehensively meet the needs of our customers, shareholders, employees and the world in which we do business, while encouraging a healthy workfamily-life balance.



### **MISSION**

To satisfy our customers' requirements for lending, asset management, insurance, travel and real estate projects, by providing comprehensive services of exceptional quality that exceed their expectations.



### **CORPORATE VALUES**

The Company's values and the foundations of the Security culture can be found throughout the organization and are reflected in spontaneous and genuine behavior and attitudes every day, which demonstrate a solid and distinctive culture within the market.

### **CLOSENESS**

Inspired by a strong vocation for service and concern for others, listening to others and meeting their needs.

### **TRANSPARENCY**

Love of truth, transparency in relationships and honorable conduct.

### **PROFESSIONALISM**

Loyalty and commitment to our Company's objectives and motivated to do a "good job" the first time.

### FOUNDATIONS OF THE SECURITY CULTURE



### **INDIVIDUAL DIGNITY**

We are inspired to respect the dignity of individuals, respect others and ourselves, and every day we are committed to ensuring that people enjoy coming to work. We want employees to see their job as a way to enrich their lives and grow professionally and personally, and as a path to becoming better people every day, in order to give back to their family and society.



### **WORK-FAMILY-LIFE BALANCE**

We believe in the value of people and are concerned for their wellbeing. We strive each day so that all employees can successfully combine personal and professional aspects of their lives. We respect working hours and are flexible to adapt the Company's needs to the particular circumstances of each team member, paying particular concern to the specific needs at each stage of life of our employees.



### THE IMPORTANCE OF "HOW"

Grupo Security's organizational culture is reflected in our behavior and particularly in how we conduct ourselves, because the values that inspire us are reflected in everything we do. Everyone that belongs to this Company is not only concerned with meeting the targets that we have set for ourselves but also with how we achieve these goals, because the "how" demonstrates our organizational culture, our strength, our hallmark and our main competitive advantage.

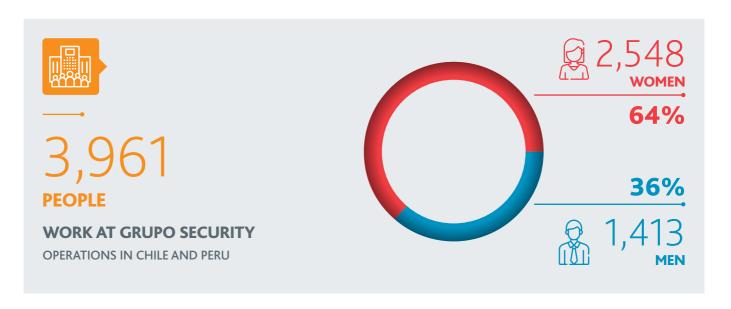


### **LONG-TERM RELATIONSHIP**

We want to build a long-term relationship with our employees that harmonizes their personal objectives and our Company's goals. We aim to be a role model for corporate relations and set ourselves apart by always providing exceptional, transparent, personalized and professional service, which enables us to maintain and cultivate long-term, profitable and sustainable relationships with our customers in benefit of our shareholders.



### OUR **EMPLOYEES**



### TRAINING MODEL

This model was created in response to the challenges faced by Grupo Security in one of the most dynamic sectors of the market. Its objective is to contribute to value creation within the organization and support the development of personal and professional skills among our employees by giving them opportunities to learn, in order to achieve Grupo Security's strategic objectives. The model provides a variety of different contents and specializations depending on the participants.

O 1 | CORPORATE | O 2 | EXCELLENCE | PROGRAMS | (DEVELOPMENT) | O 3 | FUNCTIONAL | PROGRAM | COMPETENCIES MODEL |

STRATEGIC FOCUSES / CORPORATE VALUES | GRUPO SECURITY'S VISION



### **PROMOTING EXCELLENCE**

Excellence programs are strategic and aimed at strengthening the critical capabilities of the organization by teaching participants knowledge and skills that enable them to achieve excellent performance while developing their maximum potential.



### LEADERSHIP DEVELOPMENT PROGRAM

The aim is to embed the Company's own style of leading and managing people based on its culture, and to stimulate talent and professional development.



### COMMERCIAL EXCELLENCE AND SERVICE QUALITY PROGRAM

The purpose is to provide employees in direct contact with customers with a thorough and uniform understanding of Grupo Security's various businesses.



### **COLLABORATIVE WORK PROGRAM**

The goal is to provide an appropriate learning setting and context, in order to build relationships and incorporate innovation into processes, while always focusing on the customer and their experience within the Company. Opportunities exist to suggest proposals for improvements and co-create new solutions.



### **LIGHTNING COURSES**

These courses quickly provide specific skills that enable people to improve their performance.



### **WORK-FAMILY-LIFE BALANCE**

One of the main objectives of the Grupo Security culture is to encourage a healthy balance between work and personal life. The Company is committed to ensuring that employees can develop in other areas besides their professional skills, and enrich themselves as individuals by dedicating time to their families, sports or other activities.

The Company's market leadership is a significant competitive advantage, not only in attracting and retaining talented people, in low turnover and absenteeism rates, but also in customer evaluations. They express their satisfaction with the service provided by motivated, professional, transparent and cheerful people.

Benefits that encourage people to achieve a healthy work-family-life balance include:

### → GRADUAL RETURN

During the first four weeks following their legal maternity leave, mothers can leave work at 4 p.m., regardless of the type of maternity leave they have chosen. Full salary is paid during leave.

### → CHILD CARE

Day care funding for all mothers or, alternatively, a bonus to hire a child care assistant to care for the child at home until two years of age. Parents are given an allowance equivalent to the day care benefit during the child's first month to hire someone to assist with its care.

### → DISABILITY ALLOWANCE

This benefit is granted to all employees with a child or dependent family member with a disability.

### → "24 HOURS FOR YOU"

Employees can take 24 hours off per year to do something that is important to them. This is in addition to vacation time.

### → ADDITIONAL VACATION DAYS

Extra vacation days are given during high and low seasons to encourage employees to take more than 10 vacations days in a row given the proven health benefits of extended breaks.

### → DAY OFF FOR DEGREE EXAM

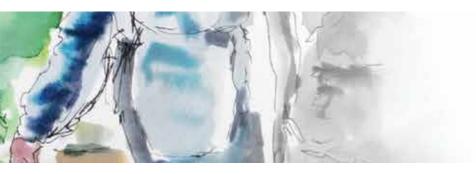
Anyone taking a licensing or degree exam or defending a thesis to earn an academic title or degree is given a day off.

### → BIRTHDAY AFTERNOON

All Security employees can take the afternoon off on their birthday.

### → DAY OFF FOR MOVING

Employees can take a day off to move their primary place of residence.



### **HEALTH AND SUSTAINABILITY**

The program ""Yo Elijo Salud y Sustentabilidad" (I Choose Health and Sustainability), encourages healthy living, building awareness of the importance of caring for the environment and supporting the community so that its employees are drivers and leaders of change among their family members and close friends. Some of the main initiatives include:



### **HEALTH FAIR**

These provide medical testing and specialty consultations within the working day to resolve or progress medical issues such as dentistry, ophthalmology, physical therapy, nutrition, etc.



### **FLU VACCINATION**

All employees are offered this vaccination during the working day, free of charge.



### **SECURITY SPORTS**

Numerous soccer, 5 a-side soccer and bowling tournaments are organized throughout the year to encourage sports.



### **EXERCISE BREAKS**

Once a week employees can participate in exercise breaks at work to alleviate bad posture and muscle pain.



### **PARENTING SCHOOL**

Talks that provide skills and advice that reinforces family values.



### **BRAND**

Consistency between the Grupo Security brand and its organizational culture is fundamental. This objective is achieved by building long-term relationships between account executives and customers, which are strengthened by the commitment, closeness and excellent performance of each employee. They are our greatest strength, without a doubt. Their commitment and dedication are the attributes that differentiate the Security brand.

We have developed several initiatives that reinforce the characteristic attributes of Grupo Security, which are trust, closeness, honesty and professionalism, bearing in mind that the Group's role is to contribute to emotionally positioning the brand, leaving the companies with the task of transmitting their respective value proposition.





The attributes that customers most value were transmitted last year during the "What matters to you unites us" campaign. They recognize that Security companies are reliable, providing expert advice and a unique service style.

Another communication milestone during 2019 was a partnership with National Geographic, which resulted in a group of customers flying to 39,000 feet to enjoy the solar eclipse, a unique and unforgettable experience.





# BRAND, CULTURE AND ENGAGEMENT

# **EVENTS**

In keeping with tradition, the Group invited customers to a variety of premium events during the year, to thank them for their loyalty and preference.



# **SECURITY ECONOMIC SEMINAR**

The 2019 edition of this renowned seminar was entitled "FORWARD or REWIND, what awaits Chile?". Economist Ricardo Caballero and political scientist and former minister Genaro Arriagada participated in the event, discussing the fragility of the world economy, the complexity of financial and trade networks, as well as Chile's current political situation.





# **SECURITY MOVIETOUR**

The latest Security Movietour took place in the summer. This open-air cinema showed entertaining films for the whole family at several of the country's favorite beach towns.





# **EVENTS WITH CUSTOMERS**

Various events were held for customers throughout the year, including the shows "Yo soy Tango" and the "Ballet Nacional de España", the musical "Billy Elliot" and the acclaimed opera "Carmen".





1,061

**CUSTOMERS** 

ATTENDED THE EVENTS
ARRANGED BY GRUPO SECURITY



91.75%

AVERAGE SCORE

FOR GRUPO SECURITY EVENTS



# EXCELLENCE FOR CUSTOMERS

Grupo Security uses an excellence management model based on the Iberoamerican Quality Award (FUNDIBEQ). This model is used to maintain and cultivate long-term relationships with customers that are profitable and sustainable for shareholders.

Group companies have introduced many measures and action plans during the year that have helped them grow by using the excellence model. These include:

- → Senior management participated in measures relating to the customer experience.
- → The voice of the customer was incorporated into process design and optimization.
- Senior management was encouraged to make direct contact with customers, to become their first choice to address requirements and opportunities.
- The customer journey was designed.

# **GRUPO SECURITY EXCELLENCE MANAGEMENT MODEL**

# SENIOR MANAGEMENT

- Analyze the structure, incentives and deployment of resources that reflect an authentic commitment to customers.
- Analyze how to develop and put into practice behaviors that leverage our values and build a culture of service to customers.



# **CUSTOMERS**

 Analyze how the organization designs, develops, produces and serves products and services that are aligned with each segment's value proposition. THE EXCELLENCE
MANAGEMENT MODEL
EVALUATES HOW QUALITY
AND CUSTOMER EXPERIENCE
ARE BEING MANAGED: WHICH
AREAS SHOULD BE
STRENGTHENED AND
IMPROVED

# **POLICY AND STRATEGY**

 Analyze how the organization links the customer experience to its strategy and aims to have an impact on the business.

### **PEOPLE**

- Analyze how trained, motivated and empowered people are to deliver an excellent customer experience.
- Analyze the quality recognition system used for all company employees, aligned with business strategies.

# PROCESSES, RESOURCES AND EXTERNAL SUPPLIERS

- Analyze how the company intelligently prioritizes customer journeys with the greatest impact on the organization's results.
- Analyze how well coordinated the organization's different areas are to deliver an excellent customer experience.



# BRAND, CULTURE AND ENGAGEMENT

# **SATISFACTION RESULTS**

The figure "Evolution of Net Customer Satisfaction" shows the results for the last six years of all the companies in Grupo Security: Banco Security, Inversiones Security, Factoring Security, Vida Security, Corredora de Seguros Security, Travel Security and Inmobiliaria Security. The increase in satisfaction with respect to 2018 is mainly due to a better result from customers of the Commercial Banking Division and factoring and asset management subsidiaries. The remaining companies had similar results to last year.

The second chart reflects the percentage of customers who say they have had a problem with the service provided by one of the companies in Grupo Security. The indicator has decreased mainly due to improvements implemented at the Bank and factoring, life insurance and asset management subsidiaries. The indicator for the remaining companies was similar to last year. However, these are below the complaint rates for their particular industries.







SOURCE: RESULTS FROM PROCALIDAD, INSC 2019
GRUPO SECURITY SATISFACTION SURVEY, EOL RESEARCH 2019



# **AWARDS**

Grupo Security is encouraged by the opportunity to be participants and protagonists in Chile's development, to help people improve their quality of life and well-being. The various awards received by Grupo Security over the years are the result of its commitment shared with its employees.

The Company has a team of very capable people, committed and willing to tackle the challenges presented by our customers, who are the main focus of what we do.

# **GRUPO SECURITY**

# **GREAT PLACE TO WORK**

Grupo Security has been recognized as one of the best places to work in Chile for nineteen consecutive years, according to the Great Place to Work ranking. It achieved fourth place in 2019, demonstrating consistency and commitment to its values over time.

This award reflects the Company's concern for building a pleasant and safe working environment every day, together with each employee. The main asset of Grupo Security is the warmth of its team members, one of the greatest strengths of a solid organizational culture that knows how to reflect the values of closeness, transparency and professionalism.



# **IMPULSA AWARDS 2019**

Grupo Security was distinguished as the best company in the Banking and Financial Institutions sector by "Impulsa Talento Femenino" (Driving Female Talent). This award is granted by the ChileMujeres Foundation, PwC Chile and PULSO to promote the employment of women in Chile by increasing the rate of female recruitment and development in the organization. The Company won the award for the best company in its industry in 2019 for the second consecutive year, and Vida Security won the award for best company in the insurance sector for the first time ever.

Grupo Security has pursued a corporate culture focused on a healthy work-family-life balance for its employees since it began. This consistent focus has resulted in specific measures and results, such as 64% of employees being female, and professional development being independent of whether an employee is male or female.





# BRAND, CULTURE AND ENGAGEMENT

We have also received other awards that highlight how our companies function, their daily accomplishments, management capabilities and service excellence.

# **GRUPO SECURITY**

# **MERCO CORPORATE REPUTATION**

First place in the corporate holding category



# **QLIK SENSE AWARD**

Qlik 2019 Global Transformation Award



# **BANCO SECURITY**

# **PRAXIS XPERIENCE INDEX**

First place in the National Experiences Ranking First place in the banking sector



# **INMOBILIARIA SECURITY**

# **BEST PLACE TO LIVE**

TGA Certification



# **INVERSIONES SECURITY**

# **SALMON AWARDS**

Security Global Mutual Fund Security US Index Mutual Fund Security Strategic Balanced Mutual Fund



# **MORNINGSTAR**

Security Global Mutual Fund as Best International Equity Fund



# ECONOMIC AND FINANCIAL CONTEXT

# CHAPTER

In an increasingly volatile, competitive and regulated environment, we grow our businesses by promoting their differentiating features.





# **OVERVIEW**

In economic terms, 2019 was a year characterized by changes. Initially there was considerable economic, financial and political uncertainty associated with the trade war between two global powers, the U.S. and China. But as the tone softened and positions began to move towards seeking closure, the markets began to scale back their negative predictions. However, it was a year of economic slowdown that was more pronounced than expected. On the positive side, the monetary policy response of the world's major economies was swift and helped to contain the economic moderation.

In fact, the Federal Reserve began the year with a restrictive discourse, as it had just raised the interest rate in December 2018 to 2.5%. But this was modified over successive months and it even reduced the reference rate on three occasions (July, September and October) in mid-cycle adjustments, in order to counteract the slowdown.

Global markets reacted in different ways to these developments. The U.S. dollar began the year on a weakening trend, but closed the year 1.5% above developed currencies (measured by the DXY index) and 1.6% above a basket of emerging currencies (EMCI index). The prices of significant raw materials for Chile increased, specifically 5% for copper and 27% for oil, although these increases largely occurred in December after progress was achieved on the agreement to end the trade war. Global equities performed well with an increase of 24% measured by the MSCI Global index, driven mainly by the U.S. at 29%, as the performance of the remainder was comparatively moderate. The MSCI Emerging Market Index rose by 15%, with increases in both Latin America at 13% and Emerging Asia at 16%, all measured in U.S. dollars.

# **GLOBAL GROWTH**

The year began with very negative prospects after the poor economic figures— especially in Europe and China—as

expectations called for more restrictive financial conditions due to the interest rate hikes that the Federal Reserve was planning to introduce during the year and the escalation of the trade war. A recession in some major economies was not even ruled out. But the change of tack in U.S. monetary policy and the start of talks to reverse tariffs in the trade war generated a gradual improvement in the global outlook. Global GDP grew by 2.9% in 2019, a moderate figure compared to the previous year when it grew by 3.6%. Developed nations grew by 1.7% (2.3% in 2018), while emerging nations were up 3.7% (4.5% in 2018).

# **DEVELOPED NATIONS**

The United States grew by 2.9% in 2018 and by 2.3% in 2019, driven by strong private consumption (up 2.6%), which arose from a strong labor market and growth in non-residential industrial investment, which grew by 2.1%.

The Eurozone moderated its pace of growth with GDP growing by 1.2%, below the 2018 figure of 1.9%. This was partially explained by monetary policy becoming slightly less expansionary. An analysis by country indicates that Germany represented most of the moderation, with GDP rising by 1.5% in 2018 and only 0.6% in 2019. Moreover, the region was affected by the trade war, which was reflected in lower confidence indicators. However, the stock market rose 17% as measured by the MSCI Europe index, in line with other stock markets worldwide.

# **EMERGING NATIONS**

China continued to be a dominant global protagonist during 2019, due to its trade conflict with the U.S. and the size of its economy.

# ECONOMIC AND FINANCIAL CONTEXT

Economic figures changed considerably, as an abrupt halt was ruled out. GDP growth was 6.1%, in line with expectations and continuing with a very gradual economic moderation. This was reflected in the stock market, which increased 21% during the year.

Latin America experienced a slight contraction in GDP (-0.1%) dragged down by the 2.1% drop in the Argentinian economy and -0.1% in Mexico, which was not offset by the rise in Brazil of 1.1%, Peru at 2.2%, Colombia at 3.2% and Chile at 1.2%, whose performance was worse than expected.

# **EQUITY AND DEBT MARKETS**

As already mentioned, the overall picture improved as the months unfolded, which was reflected in an increased appetite for risky assets. The global stock market was up 24% in U.S. dollar terms (measured by the MSCI index), driven by a rise in developed nations of 25%, followed by 15% in emerging nations.

The former included a rise of 29% in U.S. stocks, followed by 20% in the Eurozone and 18% in Japan. The latter included a noteworthy rise of 21% in China, while Latin America registered an increase of 14%, due to the good performance of Brazil at 22%. Idiosyncratic factors led to an 8.5% fall in the Chilean stock market (IPSA). Added to the Chilean peso's depreciation, that resulted in a 16% fall in U.S. dollar terms.

This increased global risk appetite was also reflected in the bond market, where the value of U.S. bonds with higher risk (high yield) and the most secure (high grade) rose by 14%. Sovereign bonds from emerging nations (EMBI) rose by 14%, while corporate bonds (CEMBI) rose by 13%.

**GLOBAL GDP (% CHANGE)** 



2019

2.9%

2018

3.6%

**US GDP (% CHANGE)** 



2019

2.3%

2018

2.9%

**EUROZONE GDP (% CHANGE)** 



2019

1.2%

2018

1.9%

**LATIN AMERICAN GDP (% CHANGE)** 



2019

-0.1%

2018

1.0%

# **CHILE**

The year 2019 will be remembered in Chile for a particular event. At the beginning of the year, the economy performed slowly due to lower external momentum, but a more marked recovery in growth began in the second half of the year. Accordingly, GDP growth was 1.5% in the first quarter, 1.9% in the second and 3.3% in the third. However, this recovery was interrupted by social unrest, with GDP contracting 1.8% in the last quarter, resulting in a rise of only 1.2% for the year as a whole. The social unrest also hit consumer and business economic expectations indicators hard, taking them to record lows.

# **SPENDING**

Domestic demand grew by 1.5% during the year, which was mostly influenced by private consumption rising by 2%, while investment was more dynamic with growth of 2.5%. There was also evidence of inventories being consumed, which reduced growth by almost 0.2%.

# **GROWTH BY INDUSTRY**

The most dynamic and influential economic sector was Financial Services with growth of 3.3%, followed by Transport at 3.2% and Construction at 2.4%. Mining, Agriculture and Electricity contracted by -1%, -3% and -1.2% respectively, with respect to 2018. This economic performance created around 190,000 more jobs, equivalent to 2.1%. However, the social unrest caused an abrupt change in the trend, as the 300,000 new jobs created by September had plummeted to 170,000 by the last quarter. Nevertheless, the unemployment rate averaged 7.2% for the year, practically the same as the 2018 figure of 7.4%. An analysis

of job creation indicated that salaried employment increased by 2.2%, or 135,000 new jobs, while self-employment increased by 3.6%, or 65,000 new jobs.

# **FOREIGN TRADE**

Exports totaled BUS\$69.7, a decrease from the BUS\$75.5 exported in 2018. Practically half of these exports were copper shipments, totaling BUS\$33.4. Export volumes decreased slightly by 1%, due to copper exports falling by 2.5%, which was partially offset by exports of all other products increasing by 0.5%. Imports reached BUS\$65.5, with reductions in all categories, particularly -11% in consumer, -8% in fuel and -5% in capital goods. Total import volumes fell by 2%. Accordingly, the year-end balance of trade was a positive MUS\$ 4.2.

The year closed with a fiscal deficit of 2.8% of GDP, well above the 1.7% achieved in 2018, due to increases in spending in the latter part of the year along with moderating income due to the economic slowdown.

### **PRICE INDEXES**

Inflation remained stable throughout the year, fluctuating around the lower end of its target range of 2% to 4%. Its acceleration from 1.7% at the beginning of the year to 3% by the end was mainly due to an increase in the prices for volatile commodities such as food and energy and exchange rates. Core inflation (IPCSAE), which excludes these components, gradually increased from 1.8% at the beginning of 2019 to 2.5% in December. The

# ECONOMIC AND FINANCIAL CONTEXT

CPI for tradables increased by 3.3% in the year, while the CPI for non-tradables reached 2.6%.

# **REFERENCE INTEREST RATES**

The central bank adopted a restrictive bias for monetary policy in the second half of 2018, and then began to withdraw the stimulus in October by raising the monetary policy rate (MPR) from 2.5% to 2.75%, which continued in January 2019 from 2.75% to 3%. However, the economic moderation at the beginning of the year together with lower-than-expected inflation indicators and the calibration of economic structural parameters, such as the rise in GDP and fall in MPR, led authorities to reverse the hikes, reducing the MPR by 50bp in June and September. Furthermore, after the social unrest, the governing body reduced the interest rate by another 25bp in October, bringing it down to 1.75%, where it remained until the end of the year.

# **EXCHANGE RATES**

In 2019 the U.S. dollar strengthened worldwide, although with volatility, in response to the trade war softening. The Chilean peso was affected by these developments and climbed from about CH\$650 at the beginning of the year to CH\$720 by the end of the third quarter. Then the social unrest left the Chilean peso as the main catalyst for Chile's higher country risk. Accordingly, it climbed to CH\$830, which triggered intervention by authorities that managed to reverse part of this rise, to finally close at CH\$745, equivalent to depreciation of around 8% on average for the year.

# **CHILEAN GDP (% CHANGE)**



2019

1.2%

2018

4.0%

# **UNEMPLOYMENT RATE (%)**



2019

7.2%

2018

7.4%

# **EXCHANGE RATE (Y/E CH\$/US\$)**



2019

745

2018

696

# ANNUAL INFLATION (%)



2019

3.0%

2018

2.6%

# **PERU**

# **ACTIVITY**

As in other emerging and Latin American nations, the Peruvian economy achieved moderate growth in the first half of the year of 1.8%, before gradually recovering in the second half to 2.6%, leading to GDP growth of 2.2% for the year as a whole. Domestic demand increased by 2.6% in 2019, with its main components rising faster than GDP, with private consumption up by 2.8% and private investment by 2.9%.

# **BALANCE OF TRADE**

The trade balance reached a surplus of BUS\$6 in 2019. This was due to exports decreasing by 3.5% to BUS\$47.4, while imports decreased by -1.2% to BUS\$41.4. Meanwhile, terms of trade fell slightly by 1.5% in 2019, although they dropped in the first half of the year and rebounded in the second half, due to the decline in export prices (-3.6%) being greater than that of imports (-2.1%). The current account deficit on the balance of payments was 2.2% of GDP in the year, in line with the average since 2006.

# **INFLATION**

Inflation began the year at close to 2%, then gradually increased to 2.7% in May, and then began to fall slowly to 1.9% in September, and remained there until the end of the year. Inflation excluding food and energy hovered between 2.0% and 2.5% throughout the year. Both measures stayed within their target range of 1% to 3%.

# **REFERENCE INTEREST RATES**

The Peruvian Central Reserve Bank maintained the reference rate throughout the first half of the year, then reduced it twice by 25bp in August and November to reach 2.25%, and it did not change for the remainder of the year. This delivered a stimulus to counteract economic slowdown, while inflation remained under control, inflation expectations were stable and the output gap was negative.

# **EXCHANGE RATES**

The exchange rate appreciated during the first few months of the year, in line with trends in emerging and Latin American currencies. It rose from 3.36 soles to the U.S. dollar at the end of 2018 to 3.29 soles in July 2019. But then exchange rate volatility increased and it depreciated to 3.40 soles, ending the year at 3.31 soles, equivalent to an appreciation of 1.9% over December 2018, although the annual average weakened by 1.5%.

PERUVIAN GDP (% CHANGE)



2019

2.2%

2018

4.0%

# ECONOMIC AND FINANCIAL CONTEXT

# MAIN ECONOMIC INDICATORS

| MAIN<br>ECONOMIC INDICATORS - CHILE                      | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   | 2019   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| GDP (BUS\$)  | 252    | 267    | 278    | 261    | 244    | 250    | 278    | 298    | 281    |
| GDP per Capita (US\$)                                    | 14,619 | 15,313 | 15,805 | 14,647 | 13,574 | 13,780 | 15,079 | 15,906 | 14,695 |
| GDP (% change)   | 6.1    | 5.3    | 4.0    | 1.8    | 2.3    | 1.7    | 1.3    | 4.0    | 1.2    |
| Domestic Spending (% change)                             | 9.4    | 7.2    | 3.6    | -0.5   | 2.5    | 1.8    | 2.9    | 4.7    | 1.6    |
| Private Consumption                                      | 8.2    | 6.1    | 4.6    | 2.7    | 2.1    | 2.6    | 3.0    | 4.0    | 2.1    |
| Fixed Capital Investment                                 | 16.1   | 11.3   | 3.3    | -4.8   | -0.3   | -1.3   | -2.7   | 4.7    | 2.5    |
| Exports (% change, in real terms)                        | 5.5    | 0.4    | 3.3    | 0.3    | -1.7   | 0.5    | -1.1   | 5.0    | -0.8   |
| Imports (% change, in real terms)                        | 15.2   | 5.2    | 2.0    | -6.5   | -1.1   | 0.9    | 4.7    | 7.6    | -2.1   |
| Global Growth PPP (%)                                    | 4.3    | 3.5    | 3.5    | 3.6    | 3.5    | 3.4    | 3.8    | 3.6    | 2.9    |
| Copper Price (average US cents/pound)                    | 400    | 361    | 332    | 311    | 250    | 221    | 280    | 294    | 274    |
| WTI Oil Price (average US\$/per barrel)                  | 95     | 94     | 98     | 93     | 49     | 43     | 51     | 64     | 57     |
| Federal Funds Rate (Y/E, %)                              | 0.3    | 0.3    | 0.3    | 0.3    | 0.4    | 0.8    | 1.5    | 2.5    | 1.8    |
| 180-day LIBOR Rate (Y/E, %)                              | 0.8    | 0.5    | 0.3    | 0.3    | 0.8    | 1.3    | 1.8    | 2.9    | 1.9    |
| 10-year US Treasury Bonds (Y/E, %)                       | 1.9    | 1.8    | 2.9    | 2.2    | 2.2    | 2.5    | 2.4    | 2.8    | 1.9    |
| Euro (Y/E, US\$)   | 1.30   | 1.32   | 1.37   | 1.21   | 1.09   | 1.05   | 1.18   | 1.14   | 1.11   |
| Yen (Y/E, ¥/US\$)  | 77     | 87     | 105    | 120    | 122    | 116    | 113    | 112    | 109    |
| Balance of Trade (BUS\$)                                 | 10.8   | 2.6    | 2.0    | 6.5    | 3.4    | 4.9    | 7.4    | 4.7    | 4.2    |
| Exports (BUS\$)  | 81.4   | 78.1   | 76.8   | 75.1   | 62.0   | 60.7   | 68.9   | 75.5   | 69.7   |
| Imports (BUS\$)  | 70.7   | 75.5   | 74.8   | 68.6   | 58.6   | 55.9   | 61.5   | 70.8   | 65.5   |
| Current Account (BUS\$)                                  | -4.1   | -10.5  | -11.2  | -4.3   | -5.6   | -4.0   | -6.0   | -9.2   | -7.9   |
| Current Account (% of GDP)                               | -1.6   | -3.9   | -4.0   | -1.6   | -2.3   | -1.6   | -2.1   | -3.1   | -2.8   |
| Central Government Balance (% of GDP)                    | 1.3    | 0.6    | -0.6   | -1.6   | -2.1   | -2.7   | -2.7   | -1.7   | -2.8   |
| CPI Dec-Dec (%)  | 4.4    | 1.5    | 3.0    | 4.6    | 4.4    | 2.7    | 2.3    | 2.6    | 3.0    |
| Underlying CPI (CPIXfn) Dec-Dec (%)                      | 2.4    | 1.5    | 2.1    | 4.3    | 4.7    | 2.8    | 1.9    | 2.3    | 2.5    |
| Chilean Central Bank International Inflation (% average) | 9.9    | -0.2   | 0.4    | -1.1   | -9.8   | -2.8   | 3.9    | 2.3    | -2.5   |
| Monetary Policy Rate, MPR (Y/E, %, in CH\$)              | 5.3    | 5.0    | 4.5    | 3.0    | 3.5    | 3.5    | 2.5    | 2.8    | 1.8    |
| BCP-10 365d Bonds (Y/E, % in CH\$)                       | 5.3    | 5.6    | 5.2    | 4.4    | 4.7    | 4.4    | 4.7    | 4.4    | 3.3    |
| BCU-10 365d Bonds (Y/E, % in UF)                         | 2.7    | 2.6    | 2.2    | 1.5    | 1.6    | 1.5    | 1.9    | 1.6    | 0.5    |
| Official Exchange Rate (Y/E CH\$/US\$)                   | 521    | 479    | 524    | 607    | 707    | 667    | 615    | 696    | 745    |
| Official Exchange Rate (avg, CH\$/US\$)                  | 484    | 486    | 495    | 570    | 654    | 677    | 649    | 641    | 703    |
| Job Growth (%)   | 5.0    | 2.2    | 2.1    | 1.4    | 1.7    | 1.2    | 2.4    | 2.2    | 2.1    |
| Labor Force Growth (%)                                   | 3.8    | 1.5    | 1.6    | 1.9    | 1.5    | 1.6    | 2.7    | 2.6    | 2.0    |
| Unemployment Rate (average %)                            | 7.3    | 6.6    | 6.1    | 6.5    | 6.3    | 6.7    | 7.0    | 7.4    | 7.2    |
| Salary Growth in Real Terms (average %)                  | 2.6    | 3.3    | 3.9    | 2.2    | 1.9    | 0.2    | 3.5    | 2.1    | 2.4    |



Exceptional customer relationships differentiate our companies' services.

GRUPO security







# GRUPO SECURITY RESULTS IN 2019

# **GRUPO SECURITY MAIN FIGURES**

FIGURES IN MILLIONS OF NOMINAL CHILEAN PESOS

|   | 2015    | 2016    | 2017    | 2018    | 2019    |
|---|---------|---------|---------|---------|---------|
| Equity attributable to owners of the parent | 551,653 | 585,628 | 704,910 | 728,495 | 769,753 |
| Return on average equity                    | 12.1%   | 13.1%   | 11.6%   | 11.2%   | 10.8%   |

SOURCE: GRUPO SECURITY



SOURCE: GRUPO SECURITY



SOURCE: GRUPO SECURITY

# **PROFIT BY BUSINESS AREA**

FIGURES IN MILLIONS OF NOMINAL CHILEAN PESOS

|                        | DEC-18  | DEC-19  | CHANGE %<br>19 / 18 |
|------------------------|---------|---------|---------------------|
| Lending                | 72,122  | 86,732  | 20.3%               |
| Asset Management       | 10,715  | 616     | -94.3%              |
| Insurance              | 30,440  | 20,737  | -31.9%              |
| Services               | 2,457   | 1,121   | -54.4%              |
| International          | 1,429   | 682     | -52.3%              |
| TOTAL - BUSINESS AREAS | 117,162 | 109,888 | -6.2%               |



# **RESULTS BY BUSINESS AREA**

**TOTAL AS OF DECEMBER 2019** 

FIGURES IN MILLIONS OF NOMINAL CHILEAN PESOS

CH\$109,888



# **PROFIT TRENDS BY BUSINESS AREA**

FIGURES IN MILLIONS OF NOMINAL CHILEAN PESOS

| PROFIT OF GRUPO SECURITY'S MAIN COMPANIES | 2015   | 2016   | 2017   | 2018   | 2019   |
|---|--------|--------|--------|--------|--------|
| Banco Security, Consolidated <sup>1</sup> | 47,424 | 50,604 | 63,026 | 72,656 | 76,951 |
| LENDING AREA                              |        |        |        |        |        |
| Banco Security, Standalone                | 36,968 | 42,431 | 53,902 | 63,970 | 77,578 |
| Factoring Security                        | 7,002  | 7,303  | 7,502  | 8,155  | 9,171  |
| ASSET MANAGEMENT AREA                     |        |        |        |        |        |
| Valores Security                          | 1,871  | 1,233  | 2,458  | 2,123  | -5,834 |
| AGF Security                              | 8,584  | 6,939  | 6,666  | 6,563  | 5,210  |
| INSURANCE AREA                            |        |        |        |        |        |
| Vida Security                             | 27,659 | 21,911 | 13,258 | 30,159 | 20,146 |
| Servicios Security <sup>2</sup>           | 680    | 1,123  | 586    | 639    | 819    |
| Penta-Security <sup>3</sup>               | 632    | 18,979 | 0      | 0      | 0      |
| SERVICES AREA                             |        |        |        |        |        |
| Inmobiliaria Security                     | 6,868  | 3,800  | 3,298  | -232   | -2,214 |
| Travel Security                           | 4,002  | 4,220  | 4,050  | 3,752  | 4,020  |
| INTERNATIONAL AREA <sup>5</sup>           |        |        |        |        |        |
| Protecta Compañía de Seguros⁴             | 2,411  | 998    | 1,069  | 580    | 5,069  |
| Travex Security                           | 835    | 283    | 593    | 626    | 16     |
| GRUPO SECURITY                            | 65,022 | 74,522 | 74,708 | 80,548 | 81,156 |

### NOTE:

SUBSIDIARY EARNINGS REFLECT ALL OF THEIR PROFITS AND DIFFER FROM THOSE USED TO PREPARE THE SEGMENT NOTE, WHICH INCLUDES CONSOLIDATION ADJUSTMENTS TO ACCOUNT FOR GRUPO SECURITY'S PERCENTAGE OWNERSHIP IN EACH OF ITS RESPECTIVE SUBSIDIARIES.

THE RESULTS OF PROTECTA COMPAÑÍA DE SEGUROS AND TRAVEX SECURITY WERE CONVERTED TO CHILEAN PESOS AS OF 12.31.2019 USING THE FOLLOWING EXCHANGE RATES SOLES/USD 3,316 CLP/USD 744.66.

- 1. THE CONSOLIDATED BANCO SECURITY RESULTS INCLUDE ITS SUBSIDIARIES VALORES SECURITY AND AGF SECURITY.
- 2. THE RESULTS FOR SERVICIOS SECURITY INCLUDE CORREDORA DE SEGUROS SECURITY AND EUROP ASSISTANCE, WHERE GRUPO SECURITY HAS A 49% INTEREST.
- 3. THE FIGURE SHOWN HERE IS THE BEFORE-TAX GAIN ON THE SALE OF ITS MINORITY INTEREST IN THE COMPANY. THE AFTER-TAX GAIN WAS MCH\$14,937.
- 4. GRUPO SECURITY ACQUIRED 61% OF COMPAÑÍA DE SEGUROS PROTECTA IN 2015.
- 5. PERUVIANACCOUNTING STANDARDS MUST BEADAPTED TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) IN ORDER TO CONSOLIDATE IN CHILETHE COMPANIES LOCATED IN PERU.
  THESE DIFFER FROM PERUVIANACCOUNTING STANDARDS, ESPECIALLY WITH RESPECT TO THE VALUATION OF INVESTMENT PROPERTIES AND THE TREATMENT OF DEFERRED ACQUISITION COSTS.

| RESULTS OF INTERNATIONAL BUSINESS AREA (THOUSANDS OF SOLES) |        |       |       |       |        |  |
|---|--------|-------|-------|-------|--------|--|
| Protecta Compañía de Seguros                                | 11,691 | 4,839 | 5,182 | 2,810 | 22,572 |  |
| Travex Security   | 4,047  | 1,370 | 2,877 | 3,034 | 72     |  |



# **LENDING**

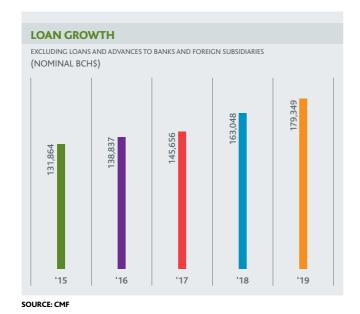
The Grupo Security Lending Area comprises Banco Security, with a focus on corporate banking, high-income individuals and treasury services, and Factoring Security, which is characterized by its experience and specialization in factoring and confirming.

# **BANKING INDUSTRY**

# **LOANS**

| BANKING INDUSTRY LOANS               |                 |
|--------------------------------------|-----------------|
| EXCLUDES LOANS AND ADVANCES TO BANKS |                 |
| AS OF DECEMBER 2019                  |                 |
| MCH\$194,899,837                     |                 |
| AS OF DECEMBER 2018                  |                 |
| MCH\$177,028,608                     |                 |
| GROWTH                               |                 |
| 10.1%                                |                 |
| GROWTH COMPARED TO 2018              |                 |
| MORTGAGE LOANS CONSUMER LOANS        | 11.25%<br>6.74% |
| COMMERCIAL LOANS                     | 10.38%          |

| BANKING INDUSTRY LOANS   |                           |
|--|---------------------------|
| EXCLUDES LOANS AND ADVANCES TO BANKS AND FOREIGN SUBSIDIARIES OF | LOCAL BANKS.              |
| AS OF DECEMBER 2019  |                           |
| MCH\$179,349,611   |                           |
| AS OF DECEMBER 2018  |                           |
| MCH\$163,048,373   |                           |
| GROWTH   |                           |
| 10.0%  |                           |
| GROWTH COMPARED TO 2018  |                           |
| MORTGAGE LOANS CONSUMER LOANS COMMERCIAL LOANS                   | 11.20%<br>7.16%<br>10.14% |
|  |                           |

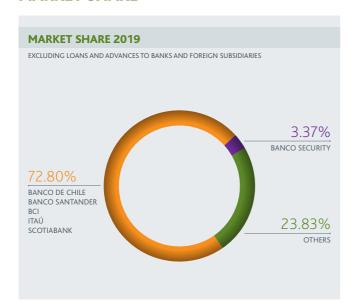




SOURCE: CMF



# **MARKET SHARE**



SOURCE: CMF

# MARKET SHARE 2018 EXCLUDING LOANS AND ADVANCES TO BANKS AND FOREIGN SUBSIDIARIES 3.27% BANCO SECURITY BANCO SECURITY 23.53% OTHERS

SOURCE: CMF

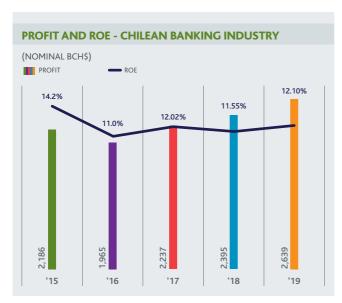
# **RESULTS**

# INDUSTRY PROFIT 2019 MCH\$2,639,390 2018 MCH\$2,395,359 CHANGE 10.19% FACTORS BEHIND THE CHANGE INCREASE IN INTEREST MARGIN INCREASE IN NET FEES INCREASE IN FINANCIAL INCOME 28.18%

| GROWT  | H IN TOTAL EQUITY          |
|--------|----------------------------|
| 2019   | MCH\$21,834<br>MCH\$20,735 |
| CHANGE | 5.30%                      |
| RETURN | I ON EQUITY                |
| 2019   | 12.10%<br>11.52%           |
| RETURN | I ON TOTAL ASSETS          |
| 2019   | 0.91%<br>0.97%             |



# PROFIT AND RETURN ON EQUITY FOR THE CHILEAN BANKING INDUSTRY



SOURCE: CMF

# OPERATING EXPENSES 2019 MCH\$5,405 MCH\$4,900 CHANGE 10.29% FACTORS BEHIND THE CHANGE INCREASE IN EMPLOYEE REMUNERATION AND EXPENSES 9.16% INCREASE IN DEPRECIATION AND AMORTIZATION 49.87% INCREASE IN DEPRECIATION AND AMORTIZATION 2.69%

# **EFFICIENCY RATIO**



SOURCE: SBIF

| EFFICIENCY RATIO               | 2019   | 2018   |
|--------------------------------|--------|--------|
| BANCO SANTANDER-CHILE          | 38.30% | 38.15% |
| BANCO DE CHILE                 | 43.20% | 42.77% |
| SCOTIABANK CHILE               | 46.49% | 47.95% |
| BANCO DE CRÉDITO E INVERSIONES | 47.78% | 51.55% |
| ITAÚ CORPBANCA                 | 54.89% | 55.3%  |
| LARGE BANKS                    | 46.13% | 47.14% |

SOURCE: CMF

| FINANCIAL INDUSTRY       | EFFICIENCY RATIO |        |
|--------------------------|------------------|--------|
| 2019                     | 2018             |        |
| 45.04%                   | 47.57            | %      |
| CHANGE                   |                  |        |
| 253 bp                   |                  |        |
| FACTORS BEHIND THE CHANG | GE               |        |
| INCREASE IN GROSS OP     | erating profit   | 16.46% |
|                          |                  | 10.29% |

| EFFICIENCY RATIO    | 2019   | 2018   |
|---------------------|--------|--------|
| BANCO CONSORCIO     | 32.39% | 37.59% |
| BANCO INTERNACIONAL | 43.80% | 53.85% |
| BANCO SECURITY      | 47.45% | 47.74% |
| BANCO BICE          | 46.69% | 49.86% |
| MEDIUM BANKS        | 42.59% | 47.26% |
| BANKING INDUSTRY    | 45.04% | 47.57% |

SOURCE: CMF



# **RISK**

| KISK                                    |       |
|---|-------|
| RISK RATIO FOR CHILEAN BANKING INDUSTRY |       |
| PERCENT OF LOANS                        |       |
| 2019                                    |       |
| 2.56%                                   |       |
| 2018                                    |       |
| 2.44%                                   |       |
| CHANGE                                  |       |
| 12 bp                                   |       |
| DISTRIBUTION OF RISK RATIO              |       |
| risk ratio for commercial loans         | 2.40% |
| RISK RATIO FOR MORTGAGE LOANS           | 0.72% |
| RISK RATIO FOR CONSUMER LOANS           | 7.09% |

| NPL RATIO FOR CHILEAN BAN<br>PORTFOLIO | NKING INDUSTRY | - TOTAL |
|--|----------------|---------|
| NONPERFORMING LOANS                    |                |         |
| 2019                                   |                |         |
| <b>→</b>                               |                |         |
| 2.07%                                  |                |         |
| 2018                                   |                |         |
| 1.90%                                  |                |         |
| 1.90%                                  |                |         |
| GROWTH                                 |                |         |
| 17 bp                                  |                |         |
| יןט זו                                 |                |         |
| DISTRIBUTION OF NPL RATIO              |                |         |
|  | 2019           | 2018    |
| CONSUMER LOANS                         | 2.51%          | 2.08%   |
| MORTGAGE LOANS                         | 2.36%          | 2.36%   |
| COMMERCIAL LOANS                       | 1.84%          | 1.65%   |

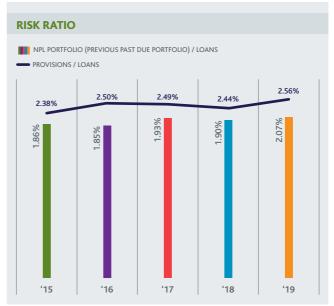
# **CREDIT RISK INDICES**

| CREDIT RISK INDICES  | DEC-19 | DEC-18 |
|--|--------|--------|
| LOAN LOSS PROVISIONS<br>/TOTAL LOANS                                   | 2.56%  | 2.44%  |
| NONPERFORMING LOANS / TOTAL LOANS EXCLUDES LOANS AND ADVANCES TO BANKS | 2.07%  | 1.90%  |
| COMMERCIAL LLP / COMMERCIAL LOANS                                      | 2.40%  | 2.28%  |
| RETAIL LLP / RETAIL LOANS  | 2.83%  | 2.69%  |
| MORTGAGE LLP /<br>MORTGAGE LOANS                                       | 0.72%  | 0.76%  |
| CONSUMER LLP / CONSUMER LOANS  | 7.09%  | 6.45%  |

# SOURCE: CMF

NONPERFORMING LOANS ARE A STRESSED MEASUREMENT OF THE FORMER PAST DUE PORTFOLIO INDICATOR. INCLUDES THE TOTAL AMOUNT OF THE NONPERFORMING LOAN (> 90 DAYS PAST DUE) EVEN WHEN ONLY ONE OR SOME LOAN INSTALLMENTS (PRINCIPAL AND/OR INTEREST) ARE DELINQUENT. IT ALSO FORMS PART OF THE IMPAIRED PORTFOLIO AND IS PUBLISHED FROM JANUARY 2009 ONWARDS.

# **RISK RATIO**



SOURCE: CMF

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# **BANCO SECURITY**

Banco Security is the main asset of Grupo Security, and is positioned as a niche bank focused on corporations, large and mid-sized companies, and high-income individuals.

The Bank's mission is to meet the financial needs of its customers, by delivering excellent service in order to build long-term relationships. In an increasingly competitive and regulated market, Banco Security is strengthening its position, exploring and developing new specializations, which will reinforce its differentiating features, and improve its flexibility and agility to respond to the particular needs of each customer.

# **MILESTONES 2019**

- → Fitch's risk rating upgraded from AA- to AA.
- Record Commercial Banking earnings: MCH\$58,000, which was 35% higher than 2018, and ROE of 16%.
- → Good performance from the Treasury Division, particularly in managing the asset management portfolio.
- → A new Bank CEO will be appointed on March 6, 2020.
- Management changes were made in the Retail Banking Division.
- Customer Experience Award from Praxis Xperience Index (PXI).

# BANCO SECURITY RESULTS LOANS

# **BANCO SECURITY LOAN PORTFOLIO**

EXCLUDES LOANS AND ADVANCES TO BANKS

2019

MCH\$6,051

2018

MCH\$5,335

CHANGE

13.42%

# POSITION IN THE DOMESTIC MARKET BY TOTAL LOANS

FOR BANKS OPERATING IN CHILE, EXCLUDING LOANS AND ADVANCES TO BANKS AND FOREIGN SUBSIDIARIES OF LOCAL BANKS.

2019

EIGHTH PLACE

# **LOAN GROWTH IN 2019**

BANCO SECURITY

13.42%

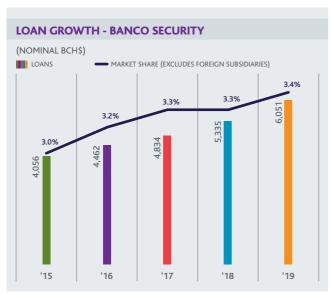
INDUSTRY

10.00%

BANCO SECURITY LOAN GROWTH BY SEGMENT

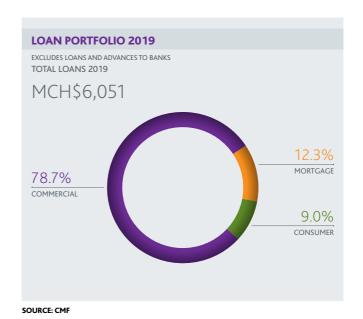
MORTGAGE LOANS21.90%CONSUMER LOANS9.55%COMMERCIAL LOANS12.65%



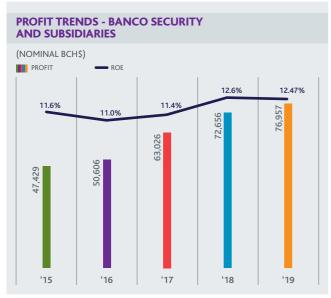


SOURCE: CMF

CONTINGENT LOANS WERE EXCLUDED FROM HISTORICAL LOANS, AS THESE MUST BE EXCLUDED FROM THE STATEMENT OF FINANCIAL POSITION WITH EFFECT FROM JANUARY 2008, IN ACCORDANCE WITH NEW STANDARDS.



# **RESULTS**



SOURCE: CMF

| PROFIT FOR THE YEAR - BANCO SECURITY AND SUBSIDIARIES |       |
|---|-------|
|   |       |
| 2019  |       |
| MCH\$76,957   |       |
| 1 101197 0,337  |       |
| 2018  |       |
| MCIIÇAS CEC   |       |
| MCH\$72,656   |       |
| CHANGE  |       |
|   |       |
| 5.92%   |       |
|   |       |
| REASONS FOR THE CHANGE                                |       |
| INCREASE IN GROSS OPERATING PROFIT                    | 4.2%  |
| Increase in operating expenses                        | 3.61% |
| DECREASE IN PROVISIONS                                | -4.5% |
|   |       |



## **GROWTH IN OPERATING EXPENSES**

BANCO SECURITY

3.61%

AVERAGE FOR THE INDUSTRY

10.29%

### **REASONS FOR THE CHANGE**

INCREASE IN ADMINISTRATIVE EXPENSES 2.9%

INCREASE IN PAYROLL

AND PERSONNEL EXPENSES

1.4%

INCREASE IN DEPRECIATION AND AMORTIZATION 37.6%

## **EFFICIENCY RATIO**

2019

47.45%

2018

47.74%

### **REASONS FOR THE CHANGE**

INCREASE IN GROSS OPERATING PROFIT OFFSET BY HIGHER EXPENSES

# **RETURN ON EQUITY - BANCO SECURITY**

2019

12.47%

2018

12.58%

RANKING IN THE INDUSTRY

EIGHTH PLACE

# **RISK**

Banco Security manages four categories of inherent business risk.

- → Credit Risk
- → Market Risk
- → Liquidity Risk
- → Operational Risk

To do so, it uses clear policies and a defined structure. The risk control areas are independent of those areas that manage risk.

Therefore, its conservative risk management policy and coordination with sales departments for commercial and retail loan portfolios have enabled the Bank to manage its credit risk indicators in a manner that compares them favorably with the industry.



| RISK RATIO                               |  |
|--|--|
| BANCO SECURITY  2019  1.66%  2018  1.69% | AVERAGE FOR THE INDUSTRY $ \begin{array}{c} 2019 \\ \hline 2.56\% \\ \hline 2.018 \\ \hline 2.44\% \end{array} $ |

| NPL RATIO |                         |
|-----------|-------------------------|
| 2019 20   | /ERAGE FOR THE INDUSTRY |
| 2018      | 2.07%<br>.90%           |

| BANCO SECURITY $ \begin{array}{cccccccccccccccccccccccccccccccccc$ | IMPAIRED PORTFOLIO TO TOTAL LOANS |       |  |
|--|-----------------------------------|-------|--|
| 4 59% 4 99%  | 5.06%                             | 4.54% |  |



# **CAPITALIZATION**

The Bank aims to continually achieve a ratio of regulatory capital to risk-weighted assets higher than 10%, and to remain at or above 12% most of the time.

Capital contributions plus retained earnings reflect the ongoing commitment and support of our shareholders to the process of strengthening the Bank's capital base. These efforts are designed to position the Bank on strong footing to best address the challenges of loan and asset growth and to gradually meet the stricter requirements for core capital once Basel III is applied.





SOURCE: CMF



# **SUBSIDIARIES**

Banco Security consolidates the following subsidiaries:

- → VALORES SECURITY S.A CORREDORES DE BOLSA (99.88%)
- → ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A. (99.99%)

As of year-end 2019, these companies reported aggregate profit of MCH\$8,682, which represents a decrease of 4.8% over 2018.

PROFIT - AGF SECURITY

2019
MCH\$5,210

2018
MCH\$6,563

CHANGE
-20.61%

2019 MCH\$(5,834)

2018 MCH\$2,123

MARKET SHARE - AGF SECURITY

2019
5.9%
2018
6.6%

VALUE OF SHARES TRADED - VALORES SECURITY

2019
MCH\$2,257,239

ON RANKING OF BROKERS BY VALUE OF SHARES TRADED
12<sup>TH</sup> PLACE



# **FACTORING SECURITY**

# YEAR JOINED GRUPO SECURITY

**1992** 

## **SERVICE PROPOSAL**

Factoring Security has been operating for 27 years and provides tools to solve liquidity problems for its customers and support collections management. It has a continually innovative approach and provides technological platforms to help customers complete their transactions quickly and securely.

# **MILESTONES 2019**

- Fitch Ratings upgraded Factoring Security's rating to AA- for long-term solvency, with a stable outlook.
- → A BCH\$40 five-year bullet bond was issued at an annual interest rate in Chilean pesos of 3.95% (spread 0.69%).
- BCH\$5 in commercial paper was issued on November 20, 2019, at 155 days at an interest rate of 0.25%. Sura Group acquired them all.
- → Launch of customer self-service platform.





# SOURCE: ACHEF

# THE INDUSTRY

Factoring is an important source of alternative financing to complement traditional bank lending for companies. This service allows customers to receive cash flows from receivables in advance 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. Factoring Security ranks second with a 26% share among the institutions that comprise the Chilean Factoring Companies Association (ACHEF).



# **ASSET MANAGEMENT**

The Asset Management Area encompasses a group of Grupo Security companies that specialize in asset management and developing financial products for individuals, companies and institutional investors.

The division's mission is to support and guide its customers, while identifying and implementing the best solutions for their asset management requirements. Its vision is to be a leader in consulting and asset management for high-net-worth customers, individuals and institutional investors, while conducting business that is consistent and complementary to Grupo Security's value proposition.

The companies that comprise the Asset Management Area are:

- Administradora General de Fondos Security
- → Valores Security Corredores de Bolsa
- Securitizadora Security
- → Inmobiliaria Casanuestra



SOURCE: GRUPO SECURITY

# **OBJECTIVES IN 2019**

- Consolidate its current business and focus on expanding its attractive segments.
- Continuously innovate with its products, covering all classes of assets tailored to its diverse customer segments.

# **MAIN ACHIEVEMENTS IN 2019**

→ Assets under management reached MUS\$6,261.



# ADMINISTRADORA GENERAL DE FONDOS

# YEAR JOINED GRUPO SECURITY

**1992** 

# **SERVICE PROPOSAL**

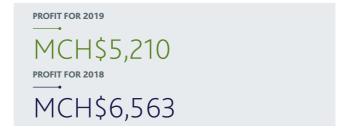
AGF Security is one of the leading Chilean fund managers. It has 31 mutual funds and 19 investment funds. It manages assets exceeding BUS\$4.1 on behalf of over 49,000 customers.

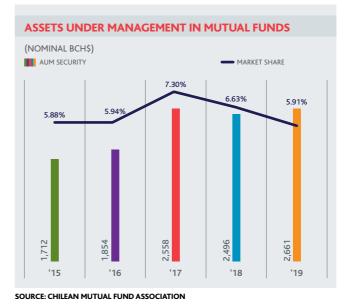
It has been actively involved in managing funds for institutional investors, such as local and foreign pension funds and insurance companies, since the end of 2007, as their fiduciary role requires maximum professionalism and expertise. Its solid performance is reflected in one third of its assets under management coming from institutional resources.

# **MILESTONES 2019**

- Successfully launched the Real Estate Investment Fund from Rentas Security I, which received investment commitments totaling UF1,200,000, where UF750,000 has already been called
- Received three Salmon Awards: Security Global Mutual Fund in the developed nations stock fund category; Security US Index Mutual Fund in the U.S. stock fund category; and Security Strategic Balance Mutual Fund in the moderate balanced category. It also received a Morningstar award for the Security Global Mutual Fund as the best international equity fund.
- It established international fund distribution partnerships with Pantheon, Marathon and Lyxor during the first quarter, which were strengthened during the year. It also established further partnerships with ParkSquare and StepStone funds with the goal of placing their funds during the first quarter of 2020. It arranged the first AIMA seminar for institutional

- clients in accordance with expectations, but beyond agreements.
- Significant new flows were raised for the Latin American corporate debt fund domiciled in Luxembourg totaling over MUS\$150. This fund currently has MUS\$230 in assets.
- The Real Estate Debt and Preferred Equity Investment Fund began to operate with assets under management as of December 2019 of MCH\$10,192.





# THE INDUSTRY

The mutual fund industry recorded annual growth of 19.7% over the last 12 months, measured in terms of average assets under management. The growth of domestic fixed-income funds under 90 days, and the international fixed-income U.S. dollar funds was outstanding. These asset classes recorded annual growth of 32.7% and 64.0%, respectively. The conservative balanced and moderately balanced funds grew by 72.7% and 59.5%, respectively. As of December 2019, AGF Security had MCH\$2,660,717 in assets under management, reflecting annual growth of 6.6% compared to 2018. Its market share was 5.9% in 2019.



# **VALORES SECURITY S.A. CORREDORES DE BOLSA**

# YEAR JOINED GRUPO SECURITY

**1991** 

# **SERVICE PROPOSAL**

Valores Security S.A. Corredores de Bolsa and its highly trained investment and banking team work to understand its customers' needs and proactively assist investors in selecting from among the various investment alternatives available in the Chilean and international markets. It also has a relationship with Pershing LLC-BNY Mellon and Banco Inversis S.A. to provide its customers a straightforward, transparent platform for investing globally in various asset classes, by relying on a single account at Valores Security and its recognized experience in trading local debt instruments.

# **MILESTONES 2019**

- During the first half of the year it successfully launched the optional digital signature for customers, which extended its achievements to strengthen and transform its digital capacities.
- During the first quarter it commissioned its "online chat" project, to complement other customer service channels. Information on the profitability of the total customer portfolio for various periods and currencies was incorporated into the consolidated statement.

- → The flow of investment payments was streamlined within the organization, mainly through the "automatic customer credits in the broker's account" project, which improved response times to customers and mitigated risks in internal processes.
- A project was developed that allows local stock orders to be sent from the local platform to the stock exchange, in accordance with process improvement.

| TOTAL ASSETS IN CUSTODY AND UNDER MANAGEMENT |            |            |  |
|--|------------|------------|--|
| FIGURES IN MCH\$                             | 12.31.2019 | 12.31.2018 |  |
| CUSTODY SERVICES FOR UNRELATED THIRD PARTIES | 1,111,062  | 1,399,230  |  |
| CUSTODY SERVICES FOR RELATED THIRD PARTIES   | 71,719     | 73,973     |  |
| INTERNATIONAL                                | 421,907    | 412,873    |  |
| TOTAL  | 1,604,688  | 1,886,076  |  |

SOURCE: VALORES SECURITY S.A. CORREDORES DE BOLSA

# THE INDUSTRY

During 2019, market activity measured as the value of shares traded increased by 9.3% in comparison to 2018, to reach BCH\$35,586. The value of shares traded for Valores Security Corredores de Bolsa totaled BCH\$2,257 with a market share of 3.5% ranking it 12th place by value of shares traded. Market share is based on transactions on Santiago Exchange and the Chilean Electronic Stock Exchange.



# **SECURITIZADORA SECURITY**

# YEAR JOINED GRUPO SECURITY

**1997** 

# **SERVICE PROPOSAL**

Securitizadora Security is the market leader in Chile for mortgage asset securitization. It currently manages 10 separate estates that together owe MUS\$153 in securitized bonds and manages MUS\$145 in mutual mortgage loans and residential leases. Its most important services are issuing structured securitized bonds on residential mortgage loans and master management and general coordination of estates.

→ At the end of 2019 the preferred series of the separate estates BSECS-5 were canceled, the same for BSECS-7 and on January 2, 2020, the entire preferred series of BSECS-2 was canceled.

### **PROFIT - SECURITIZADORA SECURITY**

2019

MCH\$1,232

# **MILESTONES 2019**

- → Third securitization charged to a line inaugurated in 2017 for UF 3 million. The company sold UF 835,000 in preferential AAA-rated bonds issued at an interest rate of UF + 2.5% per annum, the lowest rate in the history of such asset securitization in Chile. This issue has a term of 23 years and a duration of nine. It was placed in December 2019 in a generally unfavorable context for investment in Chile.
- Placement of subordinated bonds, categorized AA, issued at UF + 3.75%, for UF 139,000 in nominal value.

# **SEPARATE ESTATES**

2019

MCH\$120,710

2018

MCH\$104,089

GROWTH IN ASSETS UNDER MANAGEMENT

16%

# THE INDUSTRY

Securitization transforms future flows generated by typically illiquid assets into publicly traded instruments. These securitization debt securities are issued by a securitization company, usually in various series with a range of structures and risk classifications. The demand for these securities is generally concentrated in those classified as investment grade and they are acquired by institutional investors.

Securitizedora Security is the most important company issuing securitized mortgage-backed bonds in Chile, whether they are leases or endorsable mutual mortgage contracts. It is very concerned about the measures taken by primary administrators to control major asset indicators, such as delinquency, pre-payment, default and other indicators.

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# INMOBILIARIA CASANUESTRA

# YEAR JOINED GRUPO SECURITY

**2015** 

# **SERVICE PROPOSAL**

The objective of Inmobiliaria Casanuestra is to contribute to the homeownership dreams of customers not served by traditional banks, advising them and granting mortgage loans, with access to housing subsidies provided by the state (MINVU), and geographical coverage from the 4th to the 9th regions. Since its foundation, Casanuestra has directly and indirectly granted over UF 1,900,000 in loans, under residential leases and mutual endorsable mortgage loans, approximately 90% of which have an associated housing subsidy. Since being formed, it has helped over 2,200 families purchase their own home. All of these assets are grouped together to create separate estates in order to issue

and place securitized bonds on the securities market, which are sought after by institutional and qualified investors.

# **MILESTONES 2019**

- Originated over UF 590,000 in mortgage assets during the year, of which over 80% received a housing subsidy.
- → All the mortgage assets originated by Casanuestra were used to issue the securitized bond BSECS14-3.

FINANCING ORIGINATED

UF 592,254

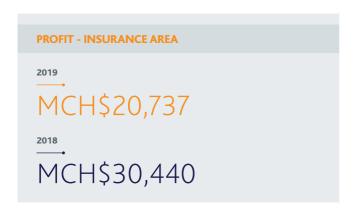
# THE INDUSTRY

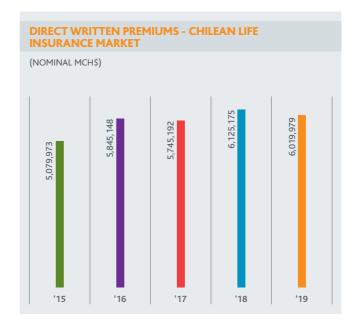
The residential leasing industry provides alternatives to mortgage financing and focuses mainly on segments C2 and C3, which represent 37% of the Chilean population, according to the Casen 2015 survey, considering segmentation by income, education and occupation. This sector is regulated by Law 19,281 issued by the Ministry of Housing and Urban Development, and regulations and rulings issued by the Financial Market Commission.



# **INSURANCE**

Grupo Security's Insurance Area comprises Vida Security, Corredora de Seguros, Europ Assistance and Hipotecaria Security, which provide a range of services, mainly individual and group life insurance, annuities, general assistance and granting and refinancing mortgage loans.





SOURCE: CHILEAN INSURERS ASSOCIATION (AACH)

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# **VIDA SECURITY**

# YEAR JOINED GRUPO SECURITY

**1995** 

# **SERVICE PROPOSAL**

Vida Security has consolidated its position in the insurance industry over the past 91 years. The company's mission is to financially protect people and their families, to preserve their quality of life, improve their standard of health care, or to build savings in order to improve their quality of life in old age, finance projects or manage adverse events. It has a customer-oriented commercial structure, based on a multi-channel sales platform operated by specialized executives who provide comprehensive advice to individuals and companies. The company provides life insurance, insurance with a savings component, insurance with voluntary retirement savings (APV), life and health insurance for individuals and companies, as well as pension and private annuities.

# **MILESTONES 2019**

- The digital sales process (on click) was strengthened, which covers almost all of the company's individual insurance sales.
- → The economic evaluation and further specification of the selected Vida Innova 1.0 projects continued, and progress was made in the second stage of this process, where four teams presented their projects to the company's Innovation Committee.
- During the year, supervisors were trained in Agile Methodologies, also the Systems department was certified in this new method for organizing work. Vida Security managers

- are also receiving training in Business Agility, which involves a new method for managing priorities and teams.
- Home office working was implemented for some departments within the company. This initiative has achieved specific benefits, such as productivity improvements, reduced medical leave and an increase in the department's GPTW score.

PROFIT FOR 2019

MCH\$20,146

PROFIT FOR 2018

MCH\$30,159

GROSS WRITTEN PREMIUMS 2019

CH\$257,999,254



SOURCE: CHILEAN INSURERS ASSOCIATION (AACH)

# THE INDUSTRY

The Chilean insurance industry is composed of two major branches, life insurance and general insurance. They are differentiated by the regulations governing these markets and the products sold. Specifically, the life insurance industry is segmented into retirement insurance and traditional insurance. The latter includes individual insurance, group life insurance, catastrophic and supplemental health insurance, and mass insurance, while retirement insurance is classified into pension annuities, private annuities, and disability and survivor insurance. Vida Security is a leading asset within Grupo Security. It actively participates in both segments. As of December 2019, there were 36 life insurance companies in Chile. Vida Security had market share of 4.3% based on gross written premiums.



# **CORREDORA DE SEGUROS**

# YEAR JOINED GRUPO SECURITY

<del>-</del> 1999

# **SERVICE PROPOSAL**

Corredora de Seguros Security specializes in advising customers on the process of identifying, evaluating and preventing risk, as well as planning, implementing and managing insurance programs. The company provides a wide range of general, life & health, and credit insurance brokerage services. It has excellent management and a web sales platform for retail products, which has won it market recognition and sustained growth since its inception.

# **MILESTONES 2019**

→ Implemented the retail sales channel through the Trade Association.

- → Increased the number of claims handled by the broker by 17%, due to the new claims system.
- Implemented a system that automatically sends performance reports for life and health insurance customers, covering 72% of the portfolio.

# PROFIT - CORREDORA DE SEGUROS 2019 MCH\$617 2018 MCH\$504

# **EUROP ASSISTANCE**

# YEAR JOINED GRUPO SECURITY

**2004** 

# **SERVICE PROPOSAL**

Europ Assistance is the market leader in the national assistance market, with strong local and international support. It provides excellent, personalized services covering travel, vehicle, health and home assistance for companies and individuals. The company began 56 years ago, and arrived in Chile 15 years ago. It is also in Peru, where it sells its travel assistance services. During its solid history it has developed competitive products designed to meet the needs of customers, enhanced by services and tools that secure a high standard of satisfaction.

# **MILESTONES 2019**

- Achieved a market share of nearly 33% in vehicle assistance for insurance companies, with over 520,000 vehicles covered.
- → Growth of 28% in sales and 21% in EBIT compared to 2018.
- Consolidation as a leader in the tele-assistance market, with an estimated market share of 43%.

# PROFIT - EUROP ASSISTANCE PROFIT FOR 2019 MCH\$546 PROFIT FOR 2018 MCH\$451 GROWTH 21% SALES GROWTH IN 2019 28% SALES GROWTH IN THE LAST 5 YEARS

# THE INDUSTRY

Although there are no official figures on the travel assistance market, it is estimated at close to MUS\$30 per year and only about 20% of international passengers contract this service. Five companies share an estimated 80% of the market. Europ Assistance has a 17% market share and is one of three leading companies in this industry.

110%



#### **OUR BUSINESS**

#### HIPOTECARIA SECURITY PRINCIPAL

#### YEAR JOINED GRUPO SECURITY

**2013** 

#### **SERVICE PROPOSAL**

Hipotecaria Security Principal is a leading, non-bank mortgage lender that finances new and used homes, land, offices and general purpose projects, as well as mortgage refinancing. Its objective is to provide the best advisory, origination and management services, in order to supply these products to companies and individuals. Its products include flexible mortgage loans, classic mortgage loans, personalized mortgage loans and universal mortgage loans. In addition, it is constantly working to lay the foundations to be the leading provider of quality endorsable mortgage loans for institutional investors.

#### **MILESTONES 2019**

 Very dynamic market due to the fall of mutual mortgage interest rates to historical lows, which resulted in a tremendous volume of internal and external refinancing and prepayments.

- The social unrest at the end of the year again led to higher mortgage interest rates and affected the loan market, as some investors stopped buying commercial property until the situation returns to normal.
- The nonperforming loan ratio fell to 7.84% at the end of November, compared to 8.44% the previous year.
- The company maintained its leading position in the mutual mortgage asset management market, with the highest share of loans at 31.7% and mutual management at 32.8% in UF.

#### **PROFIT - HIPOTECARIA SECURITY PRINCIPAL**

2019

MCH\$1,177

2018

MCH\$853

#### THE INDUSTRY

The Chilean mortgage market has two groups of providers: banks with a 92% share, and other entities such as mutual insurance companies, compensation funds, cooperatives and private finance companies, with the remaining 8% share. There are 13 mutual mortgage financiers that currently report to the Financial Market Commission. The three leading entities have 75% of the market, where Hipotecaria Security Principal leads the list, with a loan share of 31.7% and mutual management of 32.8% in UF.





## **OTHER SERVICES**

The other services area is designed to complement Grupo Security's non-financial portfolio of products and services, which is composed of Travel Security and Inmobiliaria Security.





SOURCE: GRUPO SECURITY



#### **OUR BUSINESS**

#### TRAVEL SECURITY

#### YEAR JOINED GRUPO SECURITY

**1999** 

#### **SERVICE PROPOSAL**

Travel Security is one of the three largest travel agencies on the market and leads the corporate customer segment. It mainly focuses on corporate customers and discerning travelers who require a high standard of service. Accordingly, it employs highly qualified personnel and sophisticated technology, which distinguishes it in this market. The company is a member of American Express, the world leader in corporate travel, and Virtuoso, the most prestigious network of travel agencies and premium tourism service providers.

#### **MILESTONES 2019**

- → During the year the company's sales in CLP grew by 9%, due to growth of 17% in demand, offset by a 7% decrease in average fares. The greatest growth in sales came from the corporate segment.
- Successfully integrated new sales teams.
- → Changed its website, leading to a 22% increase in sales.
- Awarded the Amex HRG portfolio, with significant sales volumes expected in 2020.

- Cost containment, despite a significant increase in volume and the arrival of new sales teams.
- Achieved greater productivity, measured by the number of transactions per employee, which increased by 10%.
- Despite the poor performance of the Peruvian subsidiary Travex S.A., and the suspension of APEC 2019, where Travel was responsible for managing hotels for participating nations, its consolidated performance was in line with expectations.
- Margins were adversely affected by unilateral changes in conditions agreed with airlines, mainly Air France, KLM and Aerolíneas Argentinas, and litigation is ongoing.
- The Supreme Court rejected Latam's alliance with American Airlines, Iberia and British Airways.
- The market was severely affected by the social unrest during the last quarter of the year. Although the market had grown by 22%, it shrunk to 3%.
- Throughout last year Travel Security developed and implemented new platforms and tools to support remote work, ensuring operational and service continuity for our customers.

#### **PROFIT - TRAVEL SECURITY**

2019

MCH\$4,020

2018

MCH\$3,752

#### THE INDUSTRY

There are three main groups in the travel agency industry: online agencies, offline agencies and mixed agencies. Furthermore, they are classified between corporate and vacation/personal trips. The first group contains a couple of agencies basically focused on the vacation/personal market. The second group contains medium-sized agencies focused on the vacation/personal market and SMEs. The third group contains Travel Security, with mixed models of customer service, covering both corporate and and vacation/ personal trips using online and offline platforms. The four largest agencies have 63% of the market, with Travel Security ranked in third place with a 15% market share.





## **INMOBILIARIA SECURITY**

#### YEAR JOINED GRUPO SECURITY

**→** 1996

#### **SERVICE PROPOSAL**

Inmobiliaria Security has an outstanding track record in the Santiago real estate market, investing in and developing residential and office projects, mainly in the northeast sector of the capital. Its service is differentiated by its appropriate capital structure, state-of-the-art technology and customer satisfaction focused service.

#### **MILESTONES 2019**

- For the second consecutive year, the company was included in the Best Place To Live ranking. This ranks the best real estate agencies based on home buyer satisfaction.
- → During 2019, three construction contracts were awarded totaling UF 606,787, with work starting on 65 new homes.
- During 2019, sales were only UF 267,232, due to delays in granting municipal approval for the Espacio Escondido Building with 63 apartments, the Laderas del Valle Building

with 16 apartments and the Espacio Lo Matta Building with 91 apartments. Municipal approval for Phase II of the Brisas del Canto Project was granted in November 2019, consisting of 28 houses, in Chamisero, Colina.

- During 2019, 86 purchase commitment agreements for houses and apartments were signed totaling UF 1,110,241, which was 7% less than the previous year.
- During 2019, the company was not able to finalize the sale of homes with purchase commitment agreements, which will be finalized during the first half of 2020. Therefore, the company had losses totaling MCH\$2,214.
- → 2019 ended with real estate assets of UF 4,350,111, compared to UF 3,090,848 at the end of the previous year.
- → During 2019, a 4,000 m² plot of land was acquired in Ñuñoa to build and sell 100 apartments.

#### **PROFIT - INMOBILIARIA SECURITY**

2019

MCH\$(2,214)

2018

MCH\$(232)

#### THE INDUSTRY

The real estate market in Chile is very fragmented, with over 200 companies participating, many of whom operate in various Chilean communities and regions. Competition is fierce to supply the various project and real estate requirements.

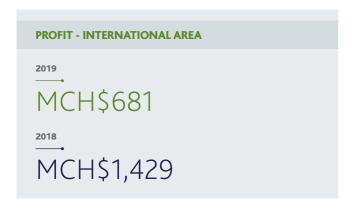
Market segments relate to the commercial price of housing: less than UF 900 (groups D and E), between UF 900 and 3,700 (C2 and C3) and over UF 3,700 (ABC1). The market also sells offices for large and medium-sized companies, either directly or to investors who lease these properties at a profit. Inmobiliaria Security has a market share of 2%, based on its sales in UF in the communities where we have a weighted interest.



## **OUR BUSINESS**

## **INTERNATIONAL**

The International Area consolidates Grupo Security's businesses abroad, in accordance with the parent company's regional expansion strategy. Protecta (Peru) provides a range of services related to life insurance and reinsurance, while Travex (Peru) provides comprehensive travel services.





SOURCE: GRUPO SECURITY



## PROTECTA COMPAÑÍA DE SEGUROS

#### YEAR JOINED GRUPO SECURITY

**→** 2015

#### **SERVICE PROPOSAL**

Protecta Security (Peru) is a life insurance and reinsurance company that focuses on life products, but is also licensed to sell general insurance. Its objective is to provide services that are familiar, flexible, easy to use and transparent, and to become a proactive commercial partner for medium-sized brokers by providing them with the support, flexibility and competitiveness they need to serve their customer portfolio. Currently, the company has over 900,000 customers who appreciate its offering and services.

#### **MILESTONES 2019**

- → Growth in premiums of 44% over 2018 (+ MPEN 122).
- Increase in profit for the year of 703%, from MPEN 2.8 to MPEN 22.6.
- → Improved efficiency ratio (expenses/premiums) from 10.3% in 2018 to 9.2% in 2019.
- Achieved second place in the annuity market ranking for the second consecutive year.
- Increased its share of the annuity market from 19.1% in 2018 to 20.9% in 2019. Annual premium growth was 17.6% (+ MPEN 29).
- → The return on its investment portfolio ranked it first among

- life insurance companies (8.8% as of October 2019).
- → Annual growth in private income premiums of 197.8% (+ MPEN 90).
- → Total digitization of SOAT and SCRT products Life and Accident Insurance 2020 is in progress.

#### PROFIT - PROTECTA COMPAÑÍA DE SEGUROS

2019

MPFN 22.6

2018

**MPEN 2.8** 

INCREASE

707%

#### **PREMIUM GROWTH 2018-2019**

44%

ALMOST THREE TIMES THE GROWTH RATE OF THE TOTAL LIFE AND GENERAL INSURANCE MARKET

#### THE INDUSTRY

The Peruvian life insurance market mainly covers the risks that affect individual's lives. They also include regular life insurance policies, insurance contracts based on pension plans based on age or individual retirement plans, and those involving pensions. The life insurance market grew by 17.6% last year. It encompasses twelve companies, five are life insurance only companies and seven are mixed companies providing both life and general insurance. Protecta Security has a 5.57% share of the life insurance market, and is ranked in sixth position in the general market with a market share of about 3% (Source: SBS as of 11.30.2019).



#### **OUR BUSINESS**

#### TRAVEX SECURITY

#### YEAR JOINED GRUPO SECURITY

**2012** 

#### **SERVICE PROPOSAL**

Travex Security (Peru) specializes in serving corporate customers and has developed a comprehensive and personalized proposal that builds business relationships based on mutual trust. Its services are supported by technological solutions and the best conditions negotiated with local and global suppliers, which enables it to efficiently manage the travel budget for companies, manage inbound tourism, manage group incentives and organize events. It is the third largest travel agency in the Peruvian market by number of tickets issued and the largest in the corporate segment, with branches in Lima, Arequipa and Cusco. It is a member of Virtuoso, a network of travel agencies and tourism service providers, and it is the exclusive Peruvian representative for American Express Global Business Travel, a world leader in business travel.

#### **MILESTONES 2019**

- Regional integration of Chile and Peru, focused on the structure of administrative and technology processes, with the objective of totally integrating these businesses.
- Growth of 2.6% in the number of transactions compared to the previous year. Closed 2019 with 159,362 tickets issued

- after reducing the number of travel consultants by 11%.
- 110% growth in the number of transactions using selfservice platforms, from 11,342 in 2018 to 23,732 in 2019.
- Promotion of ground services for the corporate segment, achieving 6.3% growth in sales during 2019. Nominated by the most representative local chains as the leading agency in corporate sales.
- American Express GBT acquired the Hogg Robinson Group (HRG), which added 13 corporate customers to Travex's portfolio during the fourth quarter of 2019. Their sales began to be included during that period, and will contribute to growth in 2020.
- Creation of the Meetings & Events Unit: DMC (Destination Management Company), focused on supporting corporate events to be held in Peru. Travex Security was registered as a preferred supplier to the American Express GBT global network, and its objective is to expand this market and go beyond our network, which will generate significant growth in sales and expand the area in 2020.

#### **PROFIT - TRAVEL SECURITY**

2019

**MPEN 0.07** 

2018

**MPEN 3.0** 

#### THE INDUSTRY

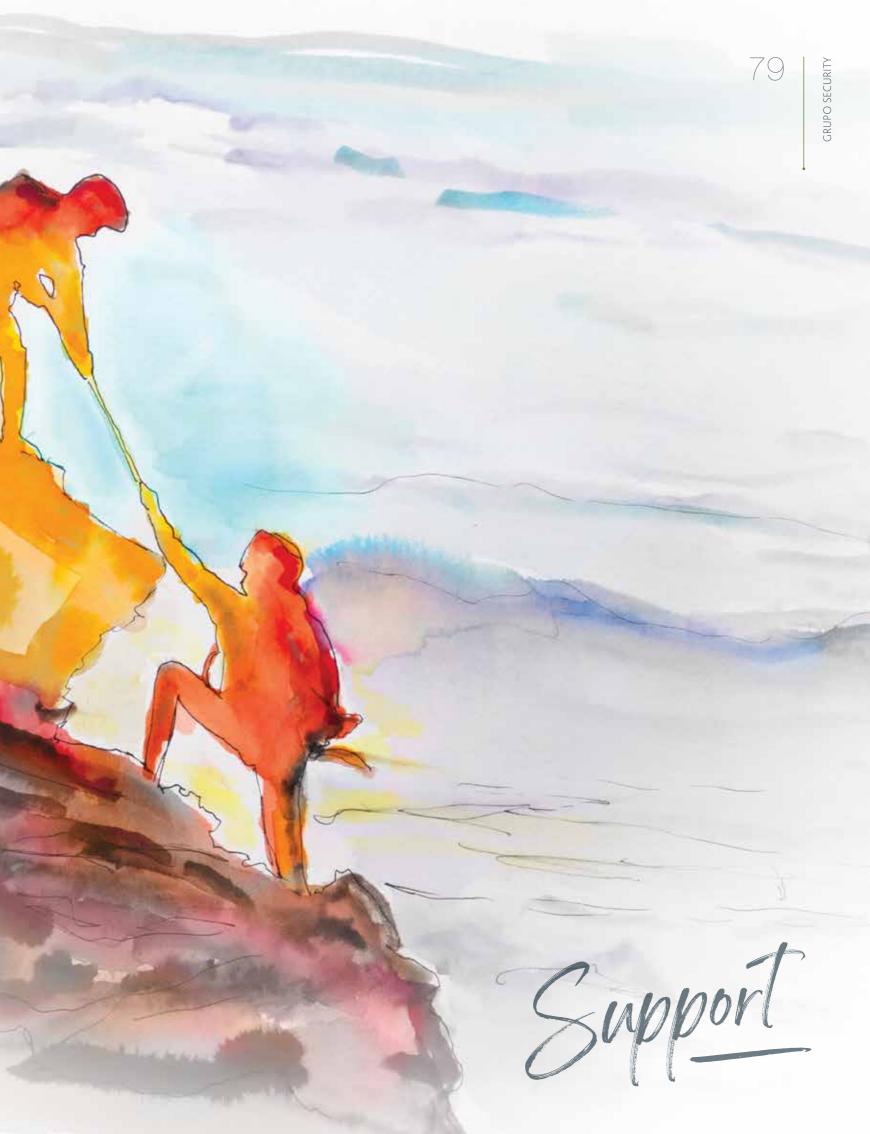
Peru's tourism industry is the third largest generator of foreign currency in Peru, after mining and agriculture, according to data from the Ministry of Commerce and Tourism (Mincetur). Inbound tourism has been growing for 10 consecutive years and it generates over BPEN 7 in foreign currency. Between January and October 2019, inbound tourism grew by 6.3%.

# COMPANYINFORMATION



The dedication and commitment of our employees are an essential, distinctive and integrated resource at all our subsidiaries.

GRUPO security





#### **OWNERSHIP STRUCTURE**

Grupo Security does not have a controller, as defined in Article 97 of Section XV of the Securities Market Law. A group of shareholders with around a 72.87% interest has a share transfer agreement and has actively participated in the Group's management since its founding in 1991. Since that date, Grupo Security has created and incorporated new subsidiaries and development areas, expanding its business base in the financial sector and positioning itself as a first-rate provider of comprehensive financial services.

As of December 31, 2019, the Group has 3,695,000 single-series shares and 412 registered shareholders.

As of December 31, 2019, Grupo Security's 12 largest shareholders were:

| NAME   | CHILEAN TAX ID | NUMBER OF SHARES | OWNERSHIP INTEREST % | CUMULATIVE OWNERSHIP INTEREST % |
|--|----------------|------------------|----------------------|---------------------------------|
| Centinela SpA  | 76.447.620-4   | 373,095,429      | 10.10%               | 10.10%                          |
| Sociedad de Ahorro Matyco Limitada                     | 96.512.100-5   | 358,481,708      | 9.70%                | 19.80%                          |
| Inversiones Hemaco Limitada                            | 96.647.170-0   | 288,664,066      | 7.81%                | 27.61%                          |
| Inversiones Hidroeléctricas Limitada                   | 79.884.660-4   | 225,420,000      | 6.10%                | 33.71%                          |
| Arcoinvest Chile S.A.                                  | 76.057.087-7   | 222,729,075      | 6.03%                | 39.74%                          |
| Valores Security S.A. Corredores de Bolsa              | 96.515.580-5   | 164,857,960      | 4.46%                | 44.2%                           |
| Inversiones Llascahue Limitada                         | 79.884.060-6   | 152,050,000      | 4.12%                | 48.32%                          |
| Sociedad Comercial de Servicios e Inversiones Limitada | 79.553.600-0   | 137,463,405      | 3.72%                | 52.04%                          |
| Sociedad de Ahorro Alisios Dos Limitada                | 76.093.398-8   | 131,247,969      | 3.55%                | 55.59%                          |
| Sociedad de Ahorro Atacalco Dos Limitada               | 76.093.394-5   | 131,212,568      | 3.55%                | 59.14%                          |
| Sociedad de Ahorro Tenaya Dos Limitada                 | 76.093.362-7   | 131,212,567      | 3.55%                | 62.69%                          |
| Bolsa de Comercio de Santiago Bolsa de Valores         | 90.249.000-0   | 112,990,038      | 3.06%                | 65.75%                          |

#### SOURCE: DCV

In accordance with SVS General Standard No. 283, the following individuals directly or indirectly, as individuals or through legal entities, own 10% or more of Grupo Security S.A. as of December 31, 2019: Mr. Gustavo Pavez Rodríguez (Bank director) Chilean ID number 4.609.215-5, and Mr. Juan Cristóbal Pavez Recart (Group director) Chilean ID number 9.901.478-4, in representation of himself, his father, his mother and his sisters, with a 13.82% interest through Inversiones Centinela SpA and Sociedad Comercial de Servicios e Inversiones Ltda. Mr. Horacio Pavez García (Group director) Chilean ID number 3.899.021-7, in representation of himself and his sons and daughters with a 10.65% interest through Sociedad de Ahorro Tenaya Dos Ltda., Sociedad de Ahorro Atacalco Dos Ltda. and Sociedad de Ahorro Alisios Dos Ltda., and Mr. Jorge Marín Correa, Chilean ID number 7.639.707-4, in representation of himself, his spouse, his sons, daughters, brothers, sisters, nieces, nephews, aunts and uncles with a 10.05% interest through Inversiones Hemaco Ltda., Polo Sur Soc. de Rentas Ltda., Rentas e Inv. San Antonio Ltda., Sociedad de Rentas Don Ernesto Ltda. and Don Guillermo S.A.

#### **DIVIDEND POLICY**

The current dividend policy, approved at the 2019 annual general shareholders' meeting, authorizes the Board to distribute at least 30% of Grupo Security's annual profits, provided that distribution does not impede or hinder compliance with the Company's current or future financial obligations. The distribution can be charged to profit for the year or retained earnings from prior years. The policy also stipulates that payment is divided into two dividends: one interim and one final.



Thus, the Board proposes that interim dividends, which do not represent more than 20% of the Company's earnings accrued between January and June, be paid between October and November of each year. The Board was also authorized to distribute an additional dividend of up to CH\$4.8 per share, charged to retained earnings.

Likewise, a final dividend is expected to be distributed between April and May of the following year up to a minimum of 30% of Grupo Security's profit for the year.

| MILLIONS OF CHILEAN PESOS      | 2015        | 2016        | 2017        | 2018        | 2019        |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Profit for the year            | MCH\$65,022 | MCH\$74,522 | MCH\$74,708 | MCH\$80,548 | MCH\$81,156 |
| Dividends paid during the year | MCH\$34,922 | MCH\$37,471 | MCH\$41,273 | MCH\$43,417 | MCH\$45,264 |

#### **DIVIDENDS PAID**

The following table lists the dividends paid to Grupo Security shareholders since the Company's IPO in 1995.

| NO. | DATE       | DIVIDEND PER<br>SHARE IN CH\$ | NO. OF SHARES | AMOUNT IN<br>MCH\$ | TYPE OF<br>DIVIDEND |
|-----|------------|-------------------------------|---------------|--------------------|---------------------|
| 1   | 02/25/1995 | 12.36                         | 170,827,056   | 2,111              | Interim             |
| 2   | 05/03/1996 | 11.00                         | 236,388,722   | 2,600              | Final               |
| 3   | 05/02/1997 | 14.00                         | 236,388,722   | 3,309              | Final               |
| 4   | 11/14/1997 | 1.00                          | 1,654,721,054 | 1,655              | Interim             |
| 5   | 05/05/1998 | 1.50                          | 1,654,721,054 | 2,482              | Final               |
| 6   | 10/07/1998 | 1.00                          | 1,654,721,054 | 1,655              | Interim             |
| 7   | 10/07/1998 | 4.50                          | 1,654,721,054 | 7,446              | Final               |
| 8   | 04/06/1999 | 2.00                          | 1,654,721,054 | 3,309              | Final               |
| 9   | 10/14/1999 | 1.00                          | 1,654,721,054 | 1,655              | Final               |
| 10  | 10/14/1999 | 0.50                          | 1,654,721,054 | 827                | Interim             |
| 11  | 04/11/2000 | 2.75                          | 1,654,721,054 | 4,550              | Final               |
| 12  | 10/21/2000 | 1.00                          | 1,654,721,054 | 1,655              | Final               |
| 13  | 10/21/2000 | 0.25                          | 1,654,721,054 | 414                | Interim             |
| 14  | 04/24/2001 | 2.00                          | 1,654,721,054 | 3,309              | Final               |
| 15  | 10/17/2001 | 0.40                          | 1,654,721,054 | 662                | Final               |
| 16  | 10/17/2001 | 0.60                          | 1,654,721,054 | 993                | Final               |
| 17  | 04/30/2002 | 2.20                          | 1,654,721,054 | 3,640              | Final               |
| 18  | 10/10/2002 | 0.27                          | 1,654,721,054 | 448                | Interim             |
| 19  | 10/10/2002 | 0.33                          | 1,654,721,054 | 546                | Final               |
| 20  | 05/02/2003 | 2.60                          | 1,654,721,000 | 4,302              | Final               |
| 21  | 10/14/2003 | 0.74                          | 1,654,721,054 | 1,228              | Final               |
| 22  | 10/14/2003 | 0.76                          | 1,654,721,054 | 1,254              | Interim             |
| 23  | 04/30/2004 | 3.15                          | 1,654,721,054 | 5,212              | Final               |
| 24  | 10/01/2004 | 0.50                          | 1,751,470,139 | 876                | Interim             |
| 25  | 10/01/2004 | 1.00                          | 1,751,470,139 | 1,751              | Final               |
| 26  | 04/19/2005 | 3.30                          | 2,040,264,415 | 6,733              | Final               |
| 27  | 10/11/2005 | 0.75                          | 2,040,264,415 | 1,530              | Interim             |
| 28  | 10/11/2005 | 1.00                          | 2,040,264,415 | 2,040              | Final               |
| 29  | 04/13/2006 | 3.75                          | 2,201,000,000 | 8,254              | Final               |
| 30  | 10/10/2006 | 1.15                          | 2,201,000,000 | 2,531              | Final               |
| 31  | 10/10/2006 | 1.00                          | 2,201,000,000 | 2,201              | Interim             |
| 32  | 04/17/2007 | 4.15                          | 2,201,000,000 | 9,134              | Final               |
| 33  | 10/24/2007 | 1.10                          | 2,201,000,000 | 2,421              | Final               |
| 34  | 10/24/2007 | 1.70                          | 2,201,000,000 | 3,742              | Interim             |
| 35  | 04/11/2008 | 4.80                          | 2,201,000,000 | 10,565             | Final               |

| NO. | DATE       | DIVIDEND PER<br>SHARE IN CH\$ | NO. OF SHARES | AMOUNT IN<br>MCH\$ | TYPE OF<br>DIVIDEND |
|-----|------------|-------------------------------|---------------|--------------------|---------------------|
| 36  | 10/09/2008 | 0.50                          | 2,201,000,000 | 1,101              | Interim             |
| 37  | 10/09/2008 | 1.50                          | 2,201,000,000 | 3,302              | Final               |
| 38  | 04/09/2009 | 4.25                          | 2,201,000,000 | 9,354              | Final               |
| 39  | 10/09/2009 | 1.50                          | 2,550,000,000 | 3,825              | Final               |
| 40  | 10/09/2009 | 1.00                          | 2,550,000,000 | 2,550              | Interim             |
| 41  | 04/30/2010 | 5.00                          | 2,550,000,000 | 12,750             | Final               |
| 42  | 10/15/2010 | 1.00                          | 2,550,000,000 | 2,550              | Interim             |
| 43  | 10/15/2010 | 2.00                          | 2,550,000,000 | 5,100              | Final               |
| 44  | 03/29/2011 | 6.50                          | 2,550,000,000 | 16,575             | Final               |
| 45  | 10/14/2011 | 2.25                          | 2,882,258,605 | 6,485              | Final               |
| 46  | 10/14/2011 | 1.00                          | 2,882,258,605 | 2,882              | Interim             |
| 47  | 03/31/2012 | 6.75                          | 2,882,258,605 | 19,455             | Final               |
| 48  | 10/19/2012 | 2.25                          | 2,882,258,605 | 6,485              | Final               |
| 49  | 10/19/2012 | 1.00                          | 2,882,258,605 | 2,882              | Interim             |
| 50  | 05/24/2013 | 7.00                          | 2,882,258,605 | 20,176             | Final               |
| 51  | 11/14/2013 | 1.50                          | 3,183,674,667 | 4,776              | Final               |
| 52  | 11/14/2013 | 1.00                          | 3,183,674,667 | 3,184              | Interim             |
| 53  | 04/22/2014 | 5.00                          | 3,183,676,610 | 15,918             | Final               |
| 54  | 10/18/2014 | 1.50                          | 3,228,757,947 | 4,843              | Interim             |
| 55  | 10/18/2014 | 2.00                          | 3,228,757,947 | 6,458              | Final               |
| 56  | 04/23/2015 | 6.75                          | 3,242,722,621 | 21,888             | Final               |
| 57  | 10/30/2015 | 2.00                          | 3,258,363,592 | 6,517              | Interim             |
| 58  | 10/30/2015 | 2.00                          | 3,258,363,592 | 6,517              | Final               |
| 59  | 05/09/2016 | 7.25                          | 3,258,363,592 | 23,623             | Final               |
| 60  | 11/07/2016 | 2.00                          | 3,258,363,592 | 6,517              | Interim             |
| 61  | 11/07/2016 | 2.25                          | 3,258,363,592 | 7,331              | Final               |
| 62  | 05/08/2017 | 7.75                          | 3,258,363,592 | 25,252             | Final               |
| 63  | 11/03/2017 | 1.75                          | 3,683,019,437 | 6,445              | Interim             |
| 64  | 11/03/2017 | 2.60                          | 3,683,019,437 | 9,576              | Final               |
| 65  | 04/23/2018 | 7.25                          | 3,695,000,000 | 26,789             | Final               |
| 66  | 10/25/2018 | 1.90                          | 3,695,000,000 | 7,021              | Interim             |
| 67  | 10/25/2018 | 2.60                          | 3,695,000,000 | 9,607              | Final               |
| 68  | 05/10/2019 | 7.45                          | 3,695,000,000 | 27,528             | Final               |
| 69  | 10/25/2019 | 2.20                          | 3,695,000,000 | 8,129              | Interim             |
| 70  | 10/25/2019 | 2.60                          | 3,695,000,000 | 9,607              | Final               |



#### **STOCK PERFORMANCE**

In 2019, Chile's main stock index (IPSA) fell by 8.5%, in comparison to 25.7% in 2018.

| GRUPO SECURITY STOCK PERFORMANCE |                |
|----------------------------------|----------------|
| PRICE IN CH\$ (NOT DIVIDEND      | ADJUSTED)      |
| 195.62                           | 2018<br>290.94 |

| GRUPO SECURITY STOCK PERFORMANCE |        |
|----------------------------------|--------|
| GROWTH % OVER THE PREVIOU        | S YEAR |
| <del>2019</del><br>-32.8%        | 3.9%   |

| GRUPO SECURITY STOCK EXCHANGE PRESE | NCE    |
|-------------------------------------|--------|
| PRESENCE % (4Q)                     |        |
| 2019                                | 2018   |
| 99.44%                              | 97.28% |





#### **ANNUAL VARIATION IN SECURITY STOCK AND IPSA**

|          | 2010 | 2011 | 2012 | 2013 | 2014  | 2015  | 2016  | 2017  | 2018  | 2019   |
|----------|------|------|------|------|-------|-------|-------|-------|-------|--------|
| SECURITY | 61%  | -18% | 13%  | 0%   | 27%   | -6.8% | 25.2% | 31.2% | 7.5%  | -32.6% |
| IPSA     | 38%  | -15% | 3%   | -14% | 4.10% | -4.4% | 12.8% | 34.0% | -8.3% | -8.5%  |



## COMPANY INFORMATION

#### STOCK MARKET INDICATORS AND TRANSACTIONS

The following table shows Grupo Security's year-end stock market indicators between 2010 and 2019.

|                                       | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  |
|---------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Price in CH\$ (not dividend adjusted) | 227.0 | 175.0 | 187.0 | 177.0 | 215.9 | 190.7 | 225.9 | 280.1 | 290.9 | 195.6 |
| Earnings per Share CH\$               | 16.0  | 14.5  | 16.1  | 15.6  | 18.9  | 19.9  | 22.9  | 20.3  | 21.8  | 22.0  |
| Price/Earnings                        | 14.2  | 12.0  | 11.6  | 11.3  | 11.4  | 9.6   | 9.9   | 13.8  | 13.3  | 8.9   |
| Price/Book Value                      | 1.9   | 1.3   | 1.4   | 1.2   | 1.3   | 1.1   | 1.3   | 1.5   | 1.5   | 0.9   |
| Stock Exchange Presence               | 96.4% | 94.0% | 93.2% | 96.8% | 98.0% | 67.8% | 60.6% | 96.1% | 97.2% | 99.4% |
| Number of Shares (in millions)        | 2,550 | 2,882 | 2,882 | 3,184 | 3,232 | 3,258 | 3,258 | 3,683 | 3,695 | 3,695 |
| Market Value (MUS\$)                  | 1,236 | 967   | 1,126 | 1,076 | 1,149 | 878   | 1,103 | 1,677 | 1,545 | 971   |

#### SOURCE: ECONOMATICA

The following table shows the number of Grupo Security shares traded, trading value in Chilean pesos and the average price in recent years:

| QUARTER                      | NO. OF SHARES<br>(IN THOUSANDS) | TRADING VALUE<br>(IN THCH\$) | AVERAGE PRICE<br>(CH\$) |
|------------------------------|---------------------------------|------------------------------|-------------------------|
| 1 <sup>rd</sup> Quarter 2018 | 206,728                         | 61,504,387                   | 298                     |
| 2 <sup>nd</sup> Quarter 2018 | 88,311                          | 28,153,972                   | 319                     |
| 3 <sup>rd</sup> Quarter 2018 | 118,860                         | 35,604,895                   | 300                     |
| 4 <sup>th</sup> Quarter 2018 | 148,199                         | 43,145,652                   | 291                     |
| 2018                         | 562,098                         | 168,408,906                  | 300                     |
| 1st Quarter 2019             | 170,823                         | 48,688,885                   | 285                     |
| 2 <sup>nd</sup> Quarter 2019 | 101,210                         | 27,878,176                   | 275                     |
| 3 <sup>rd</sup> Quarter 2019 | 80,491                          | 20,482,986                   | 254                     |
| 4 <sup>th</sup> Quarter 2019 | 136,768                         | 29,216,849                   | 214                     |
| 2019                         | 489,291                         | 126,266,895                  | 258                     |

SOURCE: FIGURES FOR NUMBER OF SHARES AND TRADED VALUE COME FROM SANTIAGO EXCHANGE AND THE CHILEAN ELECTRONIC STOCK EXCHANGE.

| DATE                      | 1 <sup>ST</sup> QUARTER 2018 | 2 <sup>ND</sup> QUARTER 2018 | 3 <sup>RD</sup> QUARTER 2018 | 4 <sup>TH</sup> QUARTER 2018 | 1 <sup>ST</sup> QUARTER 2019 | 2 <sup>ND</sup> QUARTER 2019 | 3 <sup>RD</sup> QUARTER 2019 | 4 <sup>™</sup> QUARTER 2019 |
|---------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------|
| Quarterly Market Presence | 97.78%                       | 96.11%                       | 95.56%                       | 97.22%                       | 99.44%                       | 100.00%                      | 99.44%                       | 99.44%                      |

#### SOURCE: DCV



#### **RISK RATING**

|                                  | GRUPO<br>SECURITY | BANCO<br>SECURITY | VIDA<br>SECURITY | FACTORING<br>SECURITY | INVERSIONES<br>PREVISIÓN<br>SECURITY |
|----------------------------------|-------------------|-------------------|------------------|-----------------------|--------------------------------------|
| FITCH RATINGS (LOCAL)            | AA-               | AA                | AA-              | AA-                   | A+                                   |
| ICR (LOCAL)                      | AA-               | AA                | AA               | AA-                   | A+                                   |
| STANDARD & POORS (INTERNATIONAL) |                   | BBB/A-2           |                  |                       |                                      |

#### **GRUPO SECURITY**

#### **FITCH RATINGS**

#### **GRUPO SECURITY RATING**

AA- for solvency and bonds with a stable outlook

#### **RATING BASIS AND COMMENTS**

- → Rating confirmed in May 2018.
- According to Fitch Ratings, Grupo Security has clear positioning in its lending, asset management and life insurance businesses.
- It highlighted its customer base and clearly expanding organic revenue, together with the Company's inorganic growth through recent acquisitions.
- It valued the improved competitiveness of its subsidiaries after implementing a plan to improve commercial integration among them, including deeper segmentation and business intelligence and management tools.
- → The report also emphasized that the directors of Grupo Security have broad experience in the financial sector and the owners are strongly committed to management.

#### **GRUPO SECURITY**

#### **ICR**

#### **GRUPO SECURITY RATING**

AA- for solvency and bonds with a stable outlook

#### **RATING BASIS AND COMMENTS**

- → Rating confirmed in May 2019.
- Valued the financial strength of Grupo Security's subsidiaries.
- → Emphasized the parent company's robust liquidity.
- Valued the stability of the cash flows received by Grupo Security from its subsidiaries.



# COMPANY INFORMATION

#### **BANCO SECURITY**

#### **FITCH RATINGS**

#### **BANCO SECURITY RATING**

AA for long-term deposits, letters of credit and performance bonds. Upgraded the long-term rating for Chile in March 2019, with a stable outlook.

A+ for subordinated bonds.

N1+ for short-term deposits.

## RATING BASIS AND COMMENTS

- Rating upgraded based on the bank's financial profile improvements, reflected in a consistent strategy, sustained growth in profitability indicators and positive growth in equity.
- Emphasized the good quality of its management and banking vision, which integrates synergies with its subsidiaries.
- Recognized the increased diversification of recurring revenue, which decreased its exposure to volatility within its financial variables.

#### **BANCO SECURITY**

#### **ICR**

#### **BANCO SECURITY RATING**

All its ratings were confirmed in June 2019, with a stable outlook.

AA for solvency, long-term deposits, letters of credit and performance bonds.

N1+ for short-term deposits.

AA- for subordinated bonds.

## RATING BASIS AND COMMENTS

- Recognized a consistent strategy, which achieved increases in commercial loans and strengthened the consumer segment, compared to the industry and its peers.
- Emphasized a loan portfolio with appropriate risk exposure.
- Appropriate capital adequacy, similar to the industry average.
- Emphasized growth in profits, and profitability and efficiency increases were greater than the industry.

#### **BANCO SECURITY**

#### S&P

#### **BANCO SECURITY RATING**

Ratings confirmed in January 2019.

BBB long-term, with a stable outlook.

A-2 short-term.

## RATING BASIS AND COMMENTS

 Stable business position, suitable risk profile and good-quality assets.

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#### **VIDA SECURITY**

#### **FITCH RATINGS**

#### **VIDA SECURITY RATING**

AA-(cl), with a stable outlook. Rating confirmed in July 2019.

#### **RATING BASIS AND COMMENTS**

- Emphasized appropriate product diversification, which indicates that it is a significant company in the insurance with savings components and health markets.
- Mentioned its competitive profitability indicators compared to the industry.
- Emphasized the importance of financial income to the company's performance. Fitch mentioned that its return on investments was stable.

#### **INVERSIONES PREVISIÓN SECURITY**

#### **FITCH RATINGS**

#### **INVERSIONES PREVISIÓN SECURITY RATING**

A+ for long-term solvency and bond lines.

Rating confirmed in September 2019 with a stable outlook.

#### **RATING BASIS AND COMMENTS**

- Rating based on debt indicators that are appropriate for the business.
- Emphasized the strength of its main asset, Vida Security, with a moderate business profile and a strict regulatory framework, given its focus on the pension business.

#### **VIDA SECURITY**

#### **ICR**

#### **VIDA SECURITY RATING**

AA with a stable outlook. Rating confirmed in April 2019.

#### **RATING BASIS AND COMMENTS**

- → Based on its competitive position and wide range of products.
- → Mentioned the high recurrence of technical income and its capacity to sustainably generate profits.
- Emphasized the financial and management support provided by Grupo Security, which provide greater sustainability to the business.

#### **INVERSIONES PREVISIÓN SECURITY**

#### **ICR**

#### **INVERSIONES PREVISIÓN SECURITY RATING**

A+ for solvency and bonds.

Rating confirmed in July 2019 with a stable outlook.

#### **RATING BASIS AND COMMENTS**

- Based on its main subsidiary, Vida Security, within a regulatory framework that supports its solvency.
- → Holds a controlling interest in all its subsidiaries and influences dividend policies.
- The rating of its main subsidiary is based on its competitive position, strengthened by product diversification and a conservative risk profile.

## COMPANY INFORMATION

#### **FACTORING SECURITY**

#### **ICR**

#### **FACTORING SECURITY RATING**

Rating confirmed in May 2019.

AA- for solvency and bonds.

N1+ for commercial paper.

#### **RATING BASIS AND COMMENTS**

- → Emphasized the support of Grupo Security, which provides solid financial and credit guarantees and access to the parent company's broad portfolio of customers, support from corporate departments and a lower cost of capital.
- Mentioned sustained growth in loans, good portfolio fragmentation and broad diversification by geographical area and economic sector.
- → Improved risk indices.
- → Diversification of funding sources.

#### **FACTORING SECURITY**

#### **FITCH RATINGS**

#### **FACTORING SECURITY RATING**

Rankings confirmed in August 2019, with stable outlook.

AA- for long-term domestic.

N1+ for short-term domestic.

#### **RATING BASIS AND COMMENTS**

- Emphasized the parent company's ability and willingness to provide support, and the strategic importance of Factoring Security, making support from Grupo Security highly likely.
- Emphasized that Factoring Security is autonomous in terms of funding, personnel and operations, and provides services not only to the Group's target markets, but has expanded to include small and medium-sized businesses.



#### PERSONNEL AND COMPENSATION

As of December 31, 2019, Grupo Security S.A. and its subsidiaries had a total of 3,961 employees, or 0.63% more than December 2019.

The Company's team of associates, a key contributing factor to the organization's sustained growth, has a considerable percentage of female employees (64.3% of the total workforce).

During 2019, Grupo Security senior executives received total compensation of CH\$2,274,834,276 (CH\$1,732,669,978 in 2018). Benefits totaled CH\$1,303,603,721 (CH\$806,140,988 in 2018).

Moreover, both Grupo Security and its subsidiaries have target-based incentive plans in place. The targets involve profits, efficiency, return on equity and reserves as well as annual budget compliance. Each company directly incurs the expenses associated with its incentive plan.

The Company does not have any share-based plans or benefits.

| COMPANY                                       | EXECUTIVE | PROFESSIONAL | EMPLOYEE | TOTAL<br>OVERALL |
|---|-----------|--------------|----------|------------------|
| Grupo Security S.A.                           | 16        | 21           | 4        | 41               |
| Banco Security and subsidiaries               | 62        | 827          | 380      | 1,269            |
| Factoring Security S.A.                       | 8         | 98           | 58       | 164              |
| Inmobiliaria Security S.A.                    | 2         | 27           | 10       | 39               |
| Securitizadora Security S.A.                  | 1         | 6            | 2        | 9                |
| Capital S.A. and subsidiaries                 | 25        | 728          | 348      | 1,101            |
| Inversión Previsión Security and subsidiaries | 30        | 373          | 670      | 1,073            |
| Security Internacional and subsidiaries       | 9         | 122          | 134      | 265              |
| GRAND TOTAL                                   | 153       | 2,202        | 1,606    | 3,961            |

SOURCE: GRUPO SECURITY

#### **SALARY GAP BY GENDER**

| POSITION                       | GAP (AVERAGE SALARY WOMAN/AVERAGE SALARY MAN) |
|--------------------------------|---|
| Junior administrative staff    | 99%   |
| Mid-range administrative staff | 99%   |
| Senior administrative staff    | 99%   |
| Junior professionals           | 94%   |
| Mid-range professionals        | 101%  |
| Senior professionals           | 94%   |
| Mid-range supervisors          | 91%   |
| Senior supervisors             | 95%   |
| Mid-range deputy managers      | 97%   |
| Senior deputy managers         | 107%  |
| Junior executives              | 96%   |
| Mid-range executives           | 101%  |
| Senior executives              | 103%  |

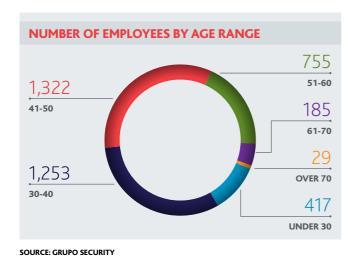


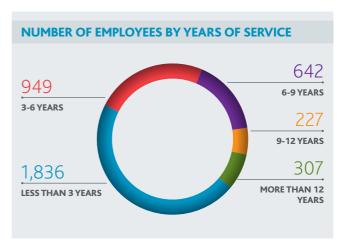
#### **ORGANIZATIONAL DIVERSITY**

|   | NUMBER OF EMPLOYEES |  |  |  |  |  |
|---|---------------------|--|--|--|--|--|
| NUMBER OF EMPLOYEES BY GENDER           |                     |  |  |  |  |  |
| Men                                     | 1,413               |  |  |  |  |  |
| Women                                   | 2,548               |  |  |  |  |  |
| TOTAL                                   | 3,961               |  |  |  |  |  |
| NUMBER OF EMPLOYEES BY NATIONALITY      |                     |  |  |  |  |  |
| Domestic <sup>(*)</sup>                 | 3,897               |  |  |  |  |  |
| Foreign                                 | 64                  |  |  |  |  |  |
| TOTAL                                   | 3,961               |  |  |  |  |  |
| NUMBER OF EMPLOYEES BY AGE RANGE        |                     |  |  |  |  |  |
| Under 30                                | 417                 |  |  |  |  |  |
| 30-40                                   | 1,253               |  |  |  |  |  |
| 41-50                                   | 1,322               |  |  |  |  |  |
| 51-60                                   | 755                 |  |  |  |  |  |
| 61-70                                   | 185                 |  |  |  |  |  |
| Over 70                                 | 29                  |  |  |  |  |  |
| TOTAL                                   | 3,961               |  |  |  |  |  |
| NUMBER OF EMPLOYEES BY YEARS OF SERVICE |                     |  |  |  |  |  |
| Less than 3 years                       | 1,836               |  |  |  |  |  |
| 3-6 years                               | 949                 |  |  |  |  |  |
| 6-9 years                               | 642                 |  |  |  |  |  |
| 9-12 years                              | 227                 |  |  |  |  |  |
| More than 12 years                      | 307                 |  |  |  |  |  |
| TOTAL                                   | 3,961               |  |  |  |  |  |

(\*) PERUVIAN EMPLOYEES ARE CLASSIFIED AS DOMESTIC FOR PROTECTA AND TRAVEX.

SOURCE: GRUPO SECURITY





SOURCE: GRUPO SECURITY



#### **BOARD DIVERSITY**

| NAME                        | CHILEAN ID<br>NUMBER | POSITION | PROFESSION              | GENDER | NATIONALITY | DATE OF BIRTH | YEAR OF<br>APPOINTMENT |
|-----------------------------|----------------------|----------|-------------------------|--------|-------------|---------------|------------------------|
| Francisco Silva Silva       | 4.103.061-5          | Chairman | Civil Engineering       | Male   | Chilean     | 11/26/1941    | 1991                   |
| Hernán de las Heras Marín   | 6.381.765-1          | Director | Business Administration | Male   | Chilean     | 03/20/1954    | 2013                   |
| Jorge Marín Correa          | 7.639.707-4          | Director | Business Administration | Male   | Chilean     | 05/21/1960    | 1994                   |
| Naoshi Matsumoto Takahashi  | 3.805.153-9          | Director | Business Administration | Male   | Chilean     | 01/18/1936    | 1991                   |
| Horacio Pavez García        | 3.899.021-7          | Director | Civil Construction      | Male   | Chilean     | 02/11/1938    | 1991                   |
| Juan Cristóbal Pavez Recart | 9.901.478-4          | Director | Business Administration | Male   | Chilean     | 4/7/1970      | 2002                   |
| Bruno Philippi Irarrázabal  | 4.818.243-7          | Director | Civil Engineering       | Male   | Chilean     | 2/22/1944     | 2013                   |
| Ana Saínz de Vicuña Bemberg | 48.128.454-6         | Director | Agricultural Economics  | Female | Spanish     | 11/8/1962     | 2009                   |
| Mario Weiffenbach Oyarzún   | 4.868.153-0          | Director | Business Administration | Male   | Chilean     | 5/31/1944     | 2016                   |

## DIVERSITY AMONG THE CEO AND SENIOR EXECUTIVES THAT REPORT TO THE CEO OR THE BOARD OF DIRECTORS

| NAME                                   | CHILEAN ID<br>NUMBER | POSITION  | PROFESSION                         | GENDER | NATIONALITY | DATE OF BIRTH | DATE APPOINTED |
|--|----------------------|---|------------------------------------|--------|-------------|---------------|----------------|
| Renato Peñafiel Muñoz                  | 6.350.390-8          | Chief Executive Officer                           | Business Administration            | Male   | Chilean     | 4/15/1952     | 2/1/1996       |
| Rodrigo Antonio Carvacho<br>Contreras  | 13.434.182-3         | Corporate Chief<br>Accounting Manager             | Business Administration            | Male   | Chilean     | 5/31/1978     | 6/1/2014       |
| Fernando Salinas Pinto                 | 8.864.773-4          | Planning and<br>Development Manager               | Business Administration            | Male   | Chilean     | 6/4/1970      | 11/1/2005      |
| Alejandra Zegers Correa                | 10.201.117-1         | Corporate Marketing and Quality Manager           | Business Administration            | Female | Chilean     | 12/12/1969    | 6/6/2005       |
| Karin Becker Schmidt                   | 5.360.901-5          | Corporate Culture<br>Manager                      | Education (Spanish language)       | Female | Chilean     | 7/21/1950     | 1/1/2002       |
| Alfonso Verdugo Ramírez de<br>Arellano | 7.097.708-7          | Controller and Corporate<br>Business Risk Manager | Business Administration            | Male   | Chilean     | 1/7/1961      | 5/2/2006       |
| Felipe Hernán Jaque Serrano            | 10.577.183-5         | Chief Economist                                   | Business Administration            | Male   | Chilean     | 7/1/1973      | 3/1/2017       |
| Eduardo Olivares Veloso                | 9.017.530-0          | Digital Business  Development Manager             | Business Administration            | Male   | Chilean     | 11/16/1973    | 3/28/2019      |
| Sandra Roitman Cachi                   | 21.612.261-5         | Corporate Technology<br>Manager                   | Information Systems<br>Engineering | Female | Argentinean | 12/23/1970    | 11/1/2018      |

#### **BOARD ALLOWANCES AND FEES**

At a shareholders' meeting held April 29, 2019, shareholders agreed to set board compensation at UF 35 per director and UF 50 for the Chairman. These figures are capped at 19 paid meetings. Any additional meetings are not compensated. Annual allowances paid to directors are capped at UF 6,270. Grupo Security paid its Board of Directors total compensation of UF 4,340 during the year.

The Board of Directors did not incur any advisory expenses in 2019.

In 2019, directors of the parent company received gross compensation for their services as directors of subsidiaries as follows:

At Grupo Security: Mr. Francisco Silva Silva received UF 700 (UF 800 in 2018) in fees for attending meetings and UF 12,176 (UF 10,146 in 2018) in bonuses. Mr. Hernán de las Heras Marín received UF 490 (UF 595 in 2018) in fees for attending meetings, UF 180 (UF 180 in 2018) for attending Directors' Committee meetings and UF 691 (UF 668 in 2018) in bonuses. Mr. Bruno Philippi Irarrázabal received UF 490 (UF 595 in 2018) in fees for attending meetings and UF 691 (UF 668 in 2018) in bonuses. Ms. Ana Saínz de Vicuña received UF 315 (UF 455 in 2018) in fees for attending meetings and UF 691 (UF 668 in 2018) in bonuses. Mr. Jorge Marín Correa received UF 490 (UF 420 in 2018) in fees for attending meetings and UF 165 (UF 120 in 2018) for attending Directors' Committee meetings. Mr. Naoshi Matsumoto Takahashi received UF 455 (UF 595 in 2018) in fees for attending meetings and UF 691 (UF 668 in 2018) in bonuses. Mr. Juan Cristóbal Pavez Recart received UF 490 (UF 490 in 2018) in fees for attending meetings and UF 691 (UF 668 in 2018) in bonuses. Mr. Horacio Pavez García received UF 455 (UF 560 in 2018) in fees for attending meetings, UF 165 (UF 180 in 2018) for attending Directors' Committee meetings and UF 691 (UF 668 in 2018) in bonuses. Mr. Mario Weiffenbach Oyarzún received UF 455 (UF 490 in 2018) in fees for attending meetings.

At Banco Security: Mr. Francisco Silva Silva received UF 600 (UF 600 in 2018) in fees for attending meetings and UF 11,984 (UF 11,982 in 2018) in bonuses. Mr. Jorge Marín Correa received UF 600 (UF 550 in 2018) in fees for attending meetings, UF 120 (UF 150 in 2018) for attending Committee meetings and UF 691 (UF 668 in 2018) in bonuses. Mr. Horacio Pavez García received UF 600 (UF 600 in 2018) in fees for attending meetings and UF 135 (UF 135 in 2018) for attending Committee meetings. Mr. Mario Weiffenbach Oyarzún received UF 100 (UF 200 in 2018) in fees for attending meetings and UF 4,669 (UF 4,669 in 2018) in bonuses.

At Seguros de Vida Security: Mr. Francisco Silva Silva received UF 341 (UF 341 in 2018) in fees for attending meetings. Mr. Juan Cristóbal Pavez received UF 372 (UF 341 in 2018) in fees for attending meetings.

At Factoring Security, Mr. Mario Weiffenbach Oyarzún received UF 691 (UF 668 in 2018) in bonuses.

#### **ARTICLES OF INCORPORATION**

Sociedad de Inversiones Grupo Security S.A. was incorporated by public instrument on February 8, 1991, before notary public Mr. Enrique Morgan Torres. The respective extract of the articles of incorporation was published in the Official Gazette on February 22, 1991. It was registered on February 19, 1991, in the Santiago Commerce Registry on page 5,720, number 2,820. Grupo Security is a publicly traded corporation that was registered in the Securities Registry under number 0499 on January 30, 1995, and, therefore, is supervised by the SVS. A shareholders' meeting held on October 20, 1997 approved a legal name change from Security Holdings S.A. to the Company's current name Grupo Security S.A.

#### PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment are detailed in Note 8 to the financial statements. The Group's consolidated property, plant and equipment was valued at MCH\$53,284 (0.4% of assets) as of December 31, 2019. All Group companies own their respective headquarters. Of the Group's total office space, 27% is owned (22 offices) while the remaining 73% are leased (60 offices).

#### TRADEMARKS AND PATENTS

Grupo Security owns the "Security" trademark for the categories related to the business activities of the parent company, subsidiaries and affiliates.

#### **SUPPLIERS AND CUSTOMERS**

Grupo Security centralizes its corporate support areas in Capital S.A., which provides IT, accounting, marketing, human resources, purchasing and research services for all Security companies.

The sales force for Banco Security and Factoring Security is employed by Mandatos Security, while the sales force for the asset management companies are employed by Global Security. During 2019, the services provided to the Group by Capital S.A. (formerly Inversiones Invest Security), Mandatos Security and Global Security accounted for over 8.4% of the services outsourced by the Group companies as a whole. In 2019, no other customers represented 10% or more of sales for any of the Security companies.

#### **REGULATORY FRAMEWORK**

Grupo Security and its subsidiaries fully comply with the current regulatory framework that applies to its businesses, which is set forth in the General Banking Law, the Insurance Law, the Capital Markets Law, the Corporations Law, and all laws and regulations that apply to Grupo Security's businesses.

#### PERCENTAGE INTEREST HELD BY DIRECTORS AND SENIOR EXECUTIVES

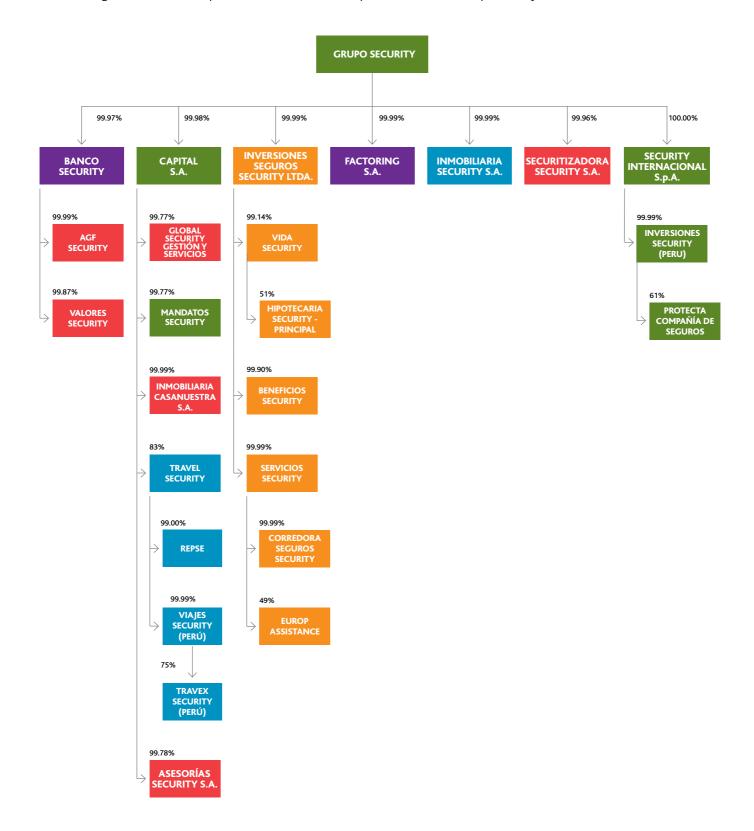
Some of the Group's directors and executives have ownership interests in the Company as follows:

| NAME                    | OWNERSHIP<br>INTEREST (%) |
|-------------------------|---------------------------|
| Juan Cristóbal Pavez R. | 13.82%                    |
| Horacio Pavez G.        | 10.65%                    |
| Jorge Marín C.          | 10.05%                    |
| Naoshi Matsumoto T.     | 9.70%                     |
| Francisco Silva S.      | 6.69%                     |
| Ana Saínz de Vicuña B.  | 6.03%                     |
| Renato Peñafiel M.      | 5.01%                     |
| Bruno Philippi I.       | 1.27%                     |
| Mario Weiffenbach O.    | 0.53%                     |



#### **CORPORATE STRUCTURE**

The following chart shows the corporate structure and ownership interests between Grupo Security and its subsidiaries:





#### **MATERIAL EVENTS**

#### SANTIAGO, MARCH 29, 2019

On March 28, 2019, the Board of Directors of Grupo Security agreed to call an annual general shareholders' meeting for April 29, 2019, at 9 a.m. in the Company's offices located at Augusto Leguía Sur 70, underground floor, Las Condes, Santiago. The following matters are to be addressed at the annual shareholders' meeting:

- 1. Approval of the annual report and financial statements for the year-ended December 31, 2018, including the report of independent auditors for that year.
- Approval of profit distribution and dividend payments.
- Dividend policies. 3.
- Elected the Board of Directors. 4.
- 5. Board compensation for 2019.
- Information regarding Directors' Committee activities, performance and expenses during 2018.
- Directors' Committee compensation and approval of the 2019 budget.
- Board expenses in 2018.
- Appointment of the Company's independent auditors.
- 10. Appointment of risk rating agencies.
- 11. Information on related party transactions in accordance with Articles 146 et seq. of the Corporations Law.
- **12.** Designation of newspaper for legal publications.
- 13. In general, all other matters that should be addressed at an annual shareholders' meeting according to law.

The Board also agreed to propose a final dividend of CH\$7.45 per share at the annual general shareholders' meeting. When added to the interim dividend of CH\$1.9 per share and the additional dividend of CH\$2.6 per share already paid on October 25, 2018, this gives a total dividend of CH\$11.95 per share for 2018. The Board also agreed to propose a dividend payment date of May 10, 2019 at the annual general shareholders' meeting.

#### SANTIAGO, APRIL 29, 2019

An annual shareholders' meeting was held on April 29, 2019, where the shareholders agreed to:

- (i) Approve the Annual Report and Financial Statements as of December 31, 2018,
- (ii) Reappoint the Board of Directors, so the Board comprises Francisco Silva Silva, Jorge Marín Correa, Horacio Pavez García, Mario Weiffenbach Oyarzún, Juan Cristóbal Pavez Recart and Naoshi Matsumoto, and Hernán de las Heras Marín was elected as an independent director, and
- (iii) Appoint EY Servicios Profesionales de Auditoria y Asesorías SpA. as the Company's independent auditors for 2019.
  - A board meeting was also held on this date immediately after the annual shareholders' meeting, where the new directors unanimously agreed to:
- Appoint Mr. Francisco Silva Silva as Chairman of the Board and the Company for a new statutory period, and
- (ii) Unanimously appoint the independent director Mr. Hernan de las Heras Marín as a member and Chairman of the Directors' Committee from this date, who appointed the directors Mr. Jorge Marin Correa and Mr. Horacio Pavez García as members of this Committee, in accordance with Article 50 bis of Law 18,046 on Corporations and Circular 1,956 issued by the CMF.

#### SANTIAGO, APRIL 29, 2019

In accordance with Law 18,046 (the Corporations Law) and CMF Ruling 660, a dividend of CH\$7.45 per share will be paid in cash and charged to retained earnings for 2018.

## COMPANY INFORMATION

#### SANTIAGO, AUGUST 29, 2019

On August 29, 2019, the Board of Directors of Grupo Security S.A. agreed to call an extraordinary shareholders' meeting for October 3, 2019, at 9:00 a.m. in the Company's offices located at Augusto Leguía Sur 70, underground floor, Las Condes, Santiago. The following matters are to be addressed at the extraordinary shareholders' meeting:

- Update the statutory share capital in accordance with Article 26 of Law 18,046, in order to recognize the net share premium obtained from placing shares issued for the capital increase agreed at the extraordinary shareholders' meeting on April 27, 2017, and the costs of issuing and placing such shares;
- 2. Increase the Company's capital by up to CH\$100,000,000,000, or another amount decided by shareholders, by issuing the number of new shares agreed upon by shareholders. The new shares to be issued will be from the same series and have no par value, and shall be offered in one or more stages, based on the conditions and other matters determined by shareholders within a term of three years from the date of approval;
- 3. Should this capital increase be approved, the shareholders shall agree on the placement price of the shares to be issued as part of this capital increase, or shall authorize the board of directors to do so;
- 4. Agree to offer to third parties any new shares to be issued as part of the aforementioned capital increase that are not subscribed by the Company's shareholders, or at least part of them, as determined by the shareholders;
- 5. Authorize the Board of Directors to (a) issue and place these shares, in one or more stages, and decide how to use the funds received from this placement; (b) request that the issuance is registered in the CMF Securities Registry; (c) comply with the regulations on preferential options for share placements; (d) place and offer to third parties, in one or more stages, the shares that are not subscribed by the shareholders and/or their assignees within the preferential

option period and the shares from fractions produced from dividing the shares pro rata among the shareholders, under the terms provided for in the Corporations Law; and (e) approve all agreements required or that it deems necessary to carry out the capital increase under these proposed terms;

- Approve any amendments to the Company's bylaws that are necessary to implement these amendments and adjust all permanent and temporary clauses as necessary; and
- **7.** Adopt all other agreements necessary to implement the decisions made with respect to this process.

Likewise, at that board meeting, the Board also agreed to approve the issuance and registration in the Securities Registry of a line of dematerialized bearer bonds with a maximum maturity of 30 years and for a maximum nominal amount of up to UF 1 million. The new bond line will be targeted at the general market.

#### **SANTIAGO, OCTOBER 3, 2019**

In accordance with the agreements made at the annual general shareholders' meeting held on April 29, 2019, the Company's board of directors agreed, at its October 3, 2014, meeting, to pay a total dividend of CH\$4.8 per share, distributed as follows:

- (i) An interim dividend of CH\$2.00 per share to be paid in cash and charged to retained earnings for 2019.
- (ii) An additional dividend of CH\$2.60 per share to be paid in cash and charged to prior year retained earnings.

#### **SANTIAGO, OCTOBER 3, 2019**

On October 3, 2019, at an extraordinary meeting of the shareholders of Grupo Security, the shareholders agreed, among other matters, to increase the Company's capital from CH\$432,124,050,059 divided into 3,695,000,000 shares to

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CH\$532,124,050,058 divided into a total of 4,110,000,000 registered, single-series, common shares with no par value by issuing 415,000,000 new registered, common shares with no par value of the same existing series, which shall be issued, subscribed and paid within a period of three years from the date of the shareholders' meeting. At this meeting, the shareholders also agreed the following:

- (a) To delegate to the Company's Board, in accordance with Article 23 of the Corporations Regulations, the authority to set the final placement price of the shares to be issued under this capital increase
- (b) To authorize the Board to approve the agreements necessary to, among other things, issue in one or more stages and on the dates determined by the Board, the 415,000,000 new shares under this capital increase.

A Board Meeting was held on that same date, where the directors in attendance unanimously agreed to issue a total of 415,000,000 new registered, single series, common shares with no par value under this capital increase and register them with the CMF Securities Register.

## INVESTMENT AND FINANCING POLICIES

Grupo Security has not established a particular investment policy or plan. Even so, the Group's strategy has focused primarily on investment in the financial services sector or complementary industries, in an attempt to support the Group's business areas and underscore the Company's commitment to providing excellent, comprehensive service.

Likewise, Grupo Security does not have an established financing policy. The Company obtains financial capital through its own resources, contributions, bond issuances and other traditional debt sources, such as bank loans.

#### **SERIES F BOND**

#### DATE: NOVEMBER 20, 2009

#### → LEVERAGE

As of January 1, 2010, an agreement established that leverage should not exceed 0.4 times, measured quarterly using the statement of financial position issued in accordance with IFRS. Leverage is defined as the ratio of standalone financial liabilities, as presented in the FECU-IFRS disclosures, to equity (hereinafter "IFRS Leverage").

Individual financial liabilities are the sum of financial obligations contracted by Grupo Security, excluding subsidiary financial obligations, regardless of whether those subsidiaries are consolidated by Grupo Security. Thus, standalone financial liabilities encompass the Company's standalone debts, which are classified within the following FECU-IFRS accounting concepts: (i) interbank loans, current and non-current (as included in those concepts in the FECU-IFRS statements), (ii) financial obligations with the public (promissory notes and bonds), current and non-current (as included in those concepts in the FECU-IFRS statements), (iii) accounts payable to related parties, current and non-current (as included in those concepts in the FECU-IFRS statements). Point (iii) above shall include those individually considered Group accounts payable that have been contracted with related parties, which have been eliminated during the consolidation process and therefore are not present in the issuer's financial statements.

In both cases, such liabilities shall include guarantees, joint and several guarantees, joint assumption of debt and other personal or real guarantees that the issuer has granted to guarantee third-party obligations, including subsidiary obligations.

#### → BANCO SECURITY OWNERSHIP

The Company must hold, directly or indirectly through one or more subsidiaries, at least 51% of Banco Security's issued shares with voting rights.

## COMPANY INFORMATION

#### **SERIES K BOND**

#### **DATE: AUGUST 27, 2013**

#### → LEVERAGE

Leverage may not exceed 0.4 times, measured quarterly using the statement of financial position issued in accordance with IFRS. Leverage is defined as the ratio of individual financial liabilities, as presented in the financial statement disclosures (23), to equity (24) (hereinafter "Leverage"). Therefore, the issuer should include a note of the issuer's standalone financial liabilities and the aforementioned ratio in the quarterly financial statement disclosures. Individual financial liabilities are the sum of financial obligations contracted by Grupo Security, excluding subsidiary financial obligations (Note 25), regardless of whether those subsidiaries are consolidated by Grupo Security. Thus, standalone financial liabilities include the sum of the Company's standalone debts, which are classified within the following accounting concepts: (i) borrowings from banks and financial institutions, current and non-current (as included in those concepts in the financial statements), (ii) financial obligations with the public (promissory notes and bonds), current and non-current (as included in those concepts in the financial statements), (iii) other liabilities, trade payables, miscellaneous payables and provisions, all current and non-current (as included in those concepts in the financial statements), (iv) accounts payable to related parties, current and non-current (as included in those concepts in the financial statements). Point (iv) above shall include those individually considered Group accounts payable that have been contracted with related parties, which have been eliminated during the consolidation process and therefore are not present in the issuer's financial statements. Liabilities shall include the amount of guarantees, joint and several guarantees, joint assumption of debt and other personal or real guarantees that the issuer has granted to guarantee third-party obligations, including subsidiary obligations.

#### → BANCO SECURITY OWNERSHIP

The Company must hold, directly or indirectly through one or more subsidiaries, at least 51% of Banco Security's issued shares with voting rights.

#### **SERIES L-3 BONDS**

#### DATE: DECEMBER 4, 2014

#### → LEVERAGE

Leverage may not exceed 0.4 times, measured quarterly using the statement of financial position issued in accordance with IFRS. Leverage is defined as the ratio of standalone financial liabilities, as presented in the financial statements to equity (hereinafter "Leverage"). Therefore, the issuer should include a note of the issuer's standalone financial liabilities and the aforementioned ratio in the quarterly financial statement disclosures. Individual financial liabilities are the sum of financial obligations contracted by Grupo Security, excluding subsidiary financial obligations (Note 25), regardless of whether those subsidiaries are consolidated by Grupo Security. Thus, standalone financial liabilities include the sum of the Company's standalone debts, which are classified within the following accounting concepts: (i) borrowings from banks and financial institutions, current and non-current (as included in those concepts in the financial statements), (ii) financial obligations with the public (promissory notes and bonds), current and non-current (as included in those concepts in the financial statements), (iii) other liabilities, trade payables, miscellaneous payables and provisions, all current and non-current (as included in those concepts in the financial statements), (iv) accounts payable to related parties, current and non-current (as included in those concepts in the financial statements). Point (iv) above shall include those individually considered Group accounts payable that have been contracted with related parties, which have been eliminated during the consolidation process and therefore are

not present in the issuer's financial statements. Liabilities shall include the amount of guarantees, joint and several guarantees, joint assumption of debt and other personal or real guarantees that the issuer has granted to guarantee third-party obligations, including subsidiary obligations.

#### → BANCO SECURITY OWNERSHIP

The Company must hold, directly or indirectly through one or more subsidiaries, at least 51% of Banco Security's issued shares with voting rights.

#### **SERIES M BONDS**

**DATE: JANUARY 5, 2017** 

#### → LEVERAGE

Leverage should not exceed 0.4 times, measured quarterly using the statement of financial position issued in accordance with IFRS. Leverage is defined as the ratio of standalone financial liabilities, as presented in the financial statements to equity (hereinafter "Leverage"). Therefore, the issuer should include a note of the issuer's standalone financial liabilities and the aforementioned ratio in the quarterly financial statement disclosures. Individual financial liabilities are the sum of financial obligations contracted by Grupo Security, excluding subsidiary financial obligations, regardless of whether those subsidiaries are consolidated by Grupo Security. Thus, standalone financial liabilities include the sum of the Company's standalone debts, which are classified within the following accounting concepts: (i) borrowings from banks and financial institutions, current and non-current (as included in those concepts in the financial statements), (ii) financial obligations with the public (promissory notes and bonds), current and non-current (as included in those concepts in the financial statements), (iii) other liabilities, trade payables, miscellaneous payables and provisions, all current and non-current (as included in those concepts in the financial statements), (iv) accounts payable to related parties, current and non-current (as included in those concepts in the financial statements). Point (iv) above shall include those individually considered Group accounts payable that have been contracted with related parties, which have been eliminated during the consolidation process and therefore are not present in the issuer's financial statements. Liabilities shall include the guarantees, joint and several guarantees, joint assumption of debt and other personal or real guarantees that the issuer has granted to guarantee third-party obligations, including subsidiary obligations.

#### → BANCO SECURITY OWNERSHIP

The Company must hold, directly or indirectly through one or more subsidiaries, at least 51% of Banco Security's issued shares with voting rights.

#### **SERIES N1 BONDS**

**DATE: FEBRUARY 15, 2018** 

#### → LEVERAGE

Leverage should not exceed 0.4 times, measured quarterly using the statement of financial position issued in accordance with IFRS. Leverage is defined as the ratio of standalone financial liabilities, as presented in the financial statements to equity (hereinafter "Leverage"). Therefore, the issuer should include a note of the issuer's standalone financial liabilities and the aforementioned ratio in the quarterly financial statement disclosures. Individual financial liabilities are the sum of financial obligations contracted by Grupo Security, excluding subsidiary financial obligations, regardless of whether those subsidiaries are consolidated by

## COMPANY

Grupo Security. Thus, standalone financial liabilities include the sum of the Company's standalone debts, which are classified within the following accounting concepts: (i) borrowings from banks and financial institutions, current and non-current (as included in those concepts in the financial statements) financial obligations with the public (promissory notes and bonds), current and non-current (as included in those concepts in the financial statements), (iii) other liabilities, trade payables, miscellaneous payables and provisions, all current and non-current (as included in those concepts in the financial statements), (iv) accounts payable to related parties, current and non-current (as included in those concepts in the financial statements). Point (iv) above shall include those individually considered Group accounts payable that have been contracted with related parties, which have been eliminated during the consolidation process and therefore are not present in the issuer's financial statements. Liabilities shall include the guarantees, joint and several guarantees, joint assumption of debt and other personal or real guarantees that the issuer has granted to guarantee third-party obligations, including subsidiary obligations.

#### → BANCO SECURITY OWNERSHIP

The Company must hold, directly or indirectly through one or more subsidiaries, at least 51% of Banco Security's issued shares with voting rights.

#### **CREDITOR BANKS**

As of December 31, 2019, Grupo Security has received a loan from BCI of BCH\$10.

## DEPENDENCE ON SUBSIDIARY DIVIDENDS

Grupo Security is the ultimate parent company of a conglomerate of companies; as such, it receives its income from subsidiary dividends. As a result, the Company's earnings are considerably dependent on the performance of its subsidiaries.

In 2019, Banco Security distributed MCH\$43,580 in dividends to Grupo Security. Banco Security received solvency ratings of AA from International Credit Ratings (ICR) and AA- from Fitch Ratings, both with stable outlooks, while international rating agency Standard & Poor's gave it a long-term rating of BBB and a short-term rating of A-2.

Inversiones Previsión Security distributed MCH\$20,000 in dividends to Grupo Security. Vida Security was rated AA- by Fitch Ratings and AA by International Credit Ratings. Securitizadora Security distributed MCH\$200 in dividends to Grupo Security.

Grupo Security controls its main subsidiaries with an ownership interest of over 90%, thus giving it flexibility to set dividend policies according to its needs. This point is supported by the Company's diversified revenue streams, due to its subsidiaries participating in several different sectors within the finance industry.



#### **RISK**

#### **OTHER RISK FACTORS**

## RISKS ASSOCIATED WITH GENERAL ECONOMIC PERFORMANCE

The performance of 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 profits 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 its 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.

## COMPANY INFORMATION

#### **INTEREST RATE RISK**

As of December 30, 2019, the Company has loans at reasonable rates based on current market conditions.

#### **FOREIGN EXCHANGE RISK**

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

#### **COMMODITY RISK**

As of December 30, 2019, Grupo Security does not have any significant assets or liabilities in commodities.

## RISKS ASSOCIATED WITH THE INSURANCE AREA

#### **LOCAL FINANCIAL RISKS**

Decreases in medium- and long-term interest rates could affect the performance of life annuity-backing assets and guaranteedreturn 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.

#### REINSURANCE INDUSTRY

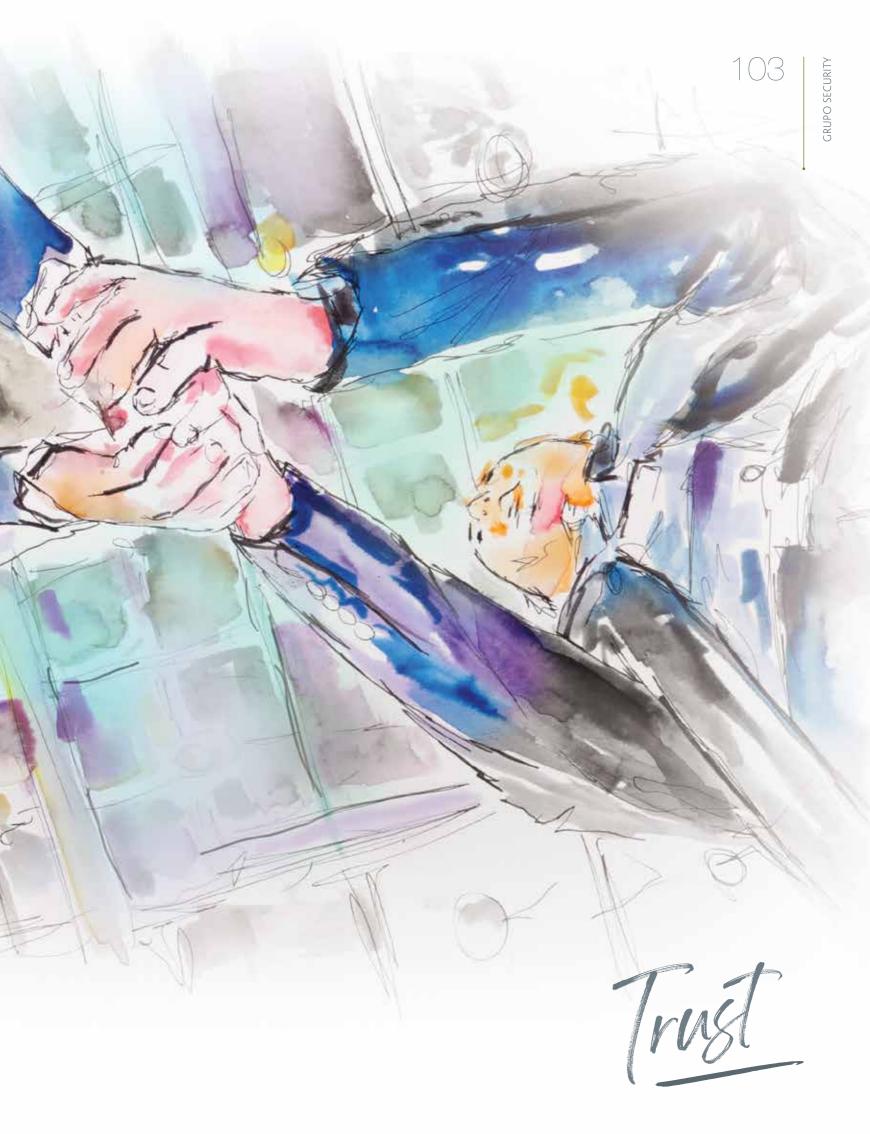
The current trend toward concentration of re-insurance companies could affect the variety of coverage options and could prevent the reinsurance of risks that are currently backed thanks to the strong competition that until recently had existed in this market.





Our aspiration is to grow in order to create value for shareholders, relying on leading business strategies and a strong relationship with our customers.

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## INDEPENDENT **AUDITORS' REPORT**

# TO THE SHAREHOLDERS AND DIRECTORS OF GRUPO SECURITY S.A.

Hemos efectuado una auditoría a los estados financieros consolidados adjuntos de Grupo Security S.A. y filiales, que comprenden el estado de situación financiera consolidado al 31 de diciembre de 2019 y los correspondientes estados consolidados de resultados integrales, de cambios en el patrimonio y de flujos de efectivo por el año terminado en esa fecha, y las correspondientes notas a los estados financieros consolidados.

## RESPONSABILIDAD DE LA ADMINISTRACIÓN POR LOS ESTADOS FINANCIEROS CONSOLIDADOS

La Administración es responsable por la preparación y presentación razonable de estos estados financieros consolidados de acuerdo con normas contables e instrucciones impartidas por la Comisión para el Mercado Financiero. Esta responsabilidad incluye el diseño, implementación y mantención de un control interno pertinente para la preparación y presentación razonable de estados financieros consolidados que estén exentos de representaciones incorrectas significativas, ya sea debido a fraude o error.

#### **RESPONSABILIDAD DEL AUDITOR**

Nuestra responsabilidad consiste en expresar una opinión sobre estos estados financieros consolidados a base de nuestra auditoría. Efectuamos nuestra auditoría de acuerdo con Normas de Auditoría Generalmente Aceptadas en Chile. Tales normas requieren que planifiquemos y realicemos nuestro trabajo con el objeto de lograr un razonable grado de seguridad que los estados financieros consolidados están exentos de representaciones incorrectas significativas.

Una auditoría comprende efectuar procedimientos para obtener evidencia de auditoría sobre los montos y revelaciones en los estados financieros consolidados. Los procedimientos seleccionados dependen del juicio del auditor, incluyendo la evaluación de los riesgos de representaciones incorrectas significativas de los estados financieros consolidados, ya sea debido a fraude o error. Al efectuar estas evaluaciones de los riesgos, el auditor considera el control interno pertinente para la preparación y presentación razonable de los estados financieros consolidados de la entidad con el objeto de diseñar procedimientos de auditoría que sean apropiados en las circunstancias, pero sin el propósito de expresar una opinión sobre la efectividad del control interno de la entidad. En consecuencia, no expresamos tal tipo de opinión. Una auditoría incluye, también, evaluar lo apropiadas que son las políticas de contabilidad utilizadas y la razonabilidad de las estimaciones contables significativas efectuadas por la Administración, así como una evaluación de la presentación general de los estados financieros consolidados.

Consideramos que la evidencia de auditoría que hemos obtenido es suficiente y apropiada para proporcionarnos una base para nuestra opinión de auditoría.



#### FINANCIAL STATEMENTS



#### **OPINIÓN**

En nuestra opinión, los mencionados estados financieros consolidados presentan razonablemente, en todos sus aspectos significativos, la situación financiera de Grupo Security S.A. y filiales al 31 de diciembre de 2019, y los resultados de sus operaciones y los flujos de efectivo por el año terminado en esa fecha de acuerdo con normas contables e instrucciones impartidas por la Comisión para el Mercado Financiero.

#### OTROS ASUNTOS, INFORMACIÓN NO AUDITADA

La Nota 35.III a los estados financieros consolidados, de la sección riesgos asociados al negocio de seguros, no ha sido auditada por nosotros y por lo tanto este informe no se extiende a la misma.

#### OTROS ASUNTOS, BASES DE CONTABILIZACIÓN

Los estados financieros consolidados de Grupo Security S.A. y filiales, incluyen la consolidación de los estados financieros consolidados de sus filiales Banco Security y Seguros de Vida Security Previsión S.A., los cuales han sido preparados sobre bases contables distintas a las que aplica la Matriz, ello en consideración a que Banco Security y Seguros de Vida Security Previsión S.A. preparan sus estados financieros consolidados de acuerdo a criterios específicos establecidos por la Comisión para el Mercado Financiero, en lo que corresponde al negocio bancario y negocio de seguros, respectivamente.

## OTROS ASUNTOS, INFORME DE OTROS AUDITORES SOBRE LOS ESTADOS FINANCIEROS CONSOLIDADOS AL 31 DE DICIEMBRE DE 2018

Los estados financieros consolidados de Grupo Security S.A y filiales por el año terminado al 31 de diciembre de 2018 fueron auditados por otros auditores, quienes expresaron una opinión sin salvedades sobre los mismos en su informe de fecha 28 de febrero de 2019.

Juan Francisco Martínez A.

EY Audit SpA



# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2019 AND 2018 (TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH – SEE NOTE 2)

|   | AS OF DECEMBER 31, | AS OF DECEMBER 31, |                |
|---|--------------------|--------------------|----------------|
| ASSETS  | NOTE               | 2019<br>THCH\$     | 2018<br>THCH\$ |
| CURRENT ASSETS  |                    |                    |                |
| Cash and cash equivalents   | 3                  | 791,823,903        | 472,889,690    |
| Other financial assets, current   | 13                 | 3,738,514,272      | 3,412,739,964  |
| Other non-financial assets, current   | 14                 | 47,196,657         | 44,627,268     |
| Trade and other receivables, current  | 12                 | 6,560,005,515      | 5,833,242,081  |
| Accounts receivable from related parties, current   | 6                  | 71,771,274         | 48,248,089     |
| Inventory, current  | 5                  | 124,009,249        | 86,580,672     |
| Current tax assets  | 15                 | 52,637,468         | 47,727,860     |
| TOTAL CURRENT ASSETS OTHER THAN ASSETS OR DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE OR AS HELD FOR DISTRIBUTION TO OWNERS |                    | 11,385,958,338     | 9,946,055,624  |
| Non-current assets or disposal groups classified as held for sale or as held for distribution to owners                     |                    | 4,687,486          | 1,233,954      |
| TOTAL CURRENT ASSETS  |                    | 11,390,645,824     | 9,947,289,578  |
| NON-CURRENT ASSETS  |                    |                    |                |
| Other non-financial assets, non-current   | 16                 | 216,166,569        | 117,004,357    |
| Equity-accounted investments  | 7                  | 3,093,437          | 3,875,455      |
| Intangible assets other than goodwill   | 10                 | 37,896,155         | 37,811,188     |
| Goodwill  | 11                 | 119,066,570        | 119,066,570    |
| Property, plant and equipment   | 8                  | 53,284,037         | 51,733,402     |
| Investment property   | 9                  | 250,075,982        | 214,169,545    |
| Deferred tax assets   | 4                  | 50,772,292         | 51,737,634     |
| TOTAL NON-CURRENT ASSETS  |                    | 730,355,042        | 595,398,151    |
| TOTAL ASSETS  |                    | 12,121,000,866     | 10,542,687,729 |



# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| LIABILITIES AND EQUITY                           | NOTE | AS OF DECEMBER 31,<br>2019<br>THCH\$ | AS OF DECEMBER 31<br>2018<br>THCH\$ |
|--|------|--------------------------------------|-------------------------------------|
| LIABILITIES                                      |      |                                      |                                     |
| CURRENT LIABILITIES                              |      |                                      |                                     |
| Other financial liabilities, current             | 18   | 7,187,670,756                        | 6,217,422,354                       |
| Trade and other payables                         | 17   | 2,849,865,663                        | 2,631,688,232                       |
| Accounts payable to related parties, current     | 25   | 25,819                               | 994,592                             |
| Other short-term provisions                      | 21   | 132,502,785                          | 124,324,835                         |
| Current tax liabilities                          | 20   | 32,308,157                           | 22,810,449                          |
| Employee benefit provisions, current             | 22   | 10,055,971                           | 9,257,959                           |
| Other non-financial liabilities, current         | 19   | 362,033,141                          | 146,415,379                         |
| TOTAL CURRENT LIABILITIES                        |      | 10,574,462,292                       | 9,152,913,800                       |
| NON-CURRENT LIABILITIES                          |      |                                      |                                     |
| Other financial liabilities, non-current         | 23   | 715,490,146                          | 578,311,298                         |
| Accounts payable, non-current                    | 24   | 42,694,449                           | 58,402,135                          |
| Accounts payable to related parties, non-current | 26   | 3,412,460                            | 3,322,762                           |
| Deferred tax liabilities                         | 4    | 791,357                              | 697,392                             |
| TOTAL NON-CURRENT LIABILITIES                    |      | 762,388,412                          | 640,733,587                         |
| TOTAL LIABILITIES                                |      | 11,336,850,704                       | 9,793,647,387                       |
| EQUITY   |      |                                      |                                     |
| Issued capital                                   | 36   | 432,124,050                          | 431,676,083                         |
| Retained earnings                                |      | 378,572,816                          | 342,846,218                         |
| Share premium                                    |      | -                                    | 718,834                             |
| Other reserves                                   |      | (40,943,154)                         | (46,745,815)                        |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT      |      | 769,753,712                          | 728,495,320                         |
| Non-controlling interests                        |      | 14,396,450                           | 20,545,022                          |
| Total equity                                     |      | 784,150,162                          | 749,040,342                         |
| TOTAL LIABILITIES AND EQUITY                     |      | 12,121,000,866                       | 10,542,687,729                      |



# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| PROFIT FOR THE YEAR   | NOTES | DECEMBER 31,<br>2019<br>THCH\$ | AS OF DECEMBER 31,<br>2018<br>THCH\$ |
|---|-------|--------------------------------|--------------------------------------|
| Revenue   | 27    | 1,156,010,469                  | 1,042,141,420                        |
| Cost of sales   | 27    | (770,230,965)                  | (689,733,400)                        |
| GROSS PROFIT  |       | 385,779,504                    | 352,408,020                          |
| Other income  | 27    | 2,851,011                      | 3,310,328                            |
| Administrative expenses   | 28    | (251,126,804)                  | (216,961,503)                        |
| Other expenses  | 27    | (15,592,370)                   | (7,565,279)                          |
| Other gains   |       | 2,530,981                      | 1,742,070                            |
| NET OPERATING INCOME  |       | 124,442,322                    | 132,933,636                          |
| Finance income  |       | 258,464                        | 12,974                               |
| Finance costs   |       | (14,260,085)                   | (14,836,551)                         |
| Share of profit (loss) of associates and joint ventures, equity-accounted   |       | 922,273                        | (1,775,235)                          |
| Exchange differences  |       | 11,712,241                     | 1,221,557                            |
| Loss on indexed assets and liabilities  |       | (10,150,071)                   | (10,399,293)                         |
| Gain (loss) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value |       | 47,586                         | 734,381                              |
| PROFIT BEFORE TAX   |       | 112,972,730                    | 107,891,469                          |
| Income tax expense  | 4     | (29,943,693)                   | (24,732,925)                         |
| PROFIT FROM CONTINUING OPERATIONS   |       | 83,029,037                     | 83,158,544                           |
| PROFIT FOR THE YEAR   |       | 83,029,037                     | 83,158,544                           |
| PROFIT ATTRIBUTABLE TO  |       |                                |                                      |
| Owners of the parent  |       | 81,155,810                     | 80,548,352                           |
| Non-controlling interests   |       | 1,873,227                      | 2,610,192                            |
| PROFIT FOR THE YEAR   |       | 83,029,037                     | 83,158,544                           |
| EARNINGS PER SHARE  |       |                                |                                      |
| BASIC EARNINGS PER SHARE  |       | CH\$                           | CH\$                                 |
| Basic earnings per share from continuing operations   | 32    | 21.9637                        | 21.8111                              |
| Basic earnings per share from discontinued operations   |       | 0.0000                         | 0.0000                               |
| BASIC EARNINGS PER SHARE  |       | 21.9637                        | 21.8111                              |



# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| STATEMENTS OF OTHER COMPREHENSIVE INCOME                              | 2019<br>THCH\$ | 2018<br>THCH\$ |
|---|----------------|----------------|
| PROFIT FOR THE YEAR   | 83,029,037     | 83,158,544     |
| OTHER INCOME AND EXPENSES CHARGED OR CREDITED TO NET EQUITY           |                |                |
| nsurance company reserves   | (12,259,645)   | (8,644,505)    |
| Reserve for financial assets available for sale and other bank assets | 11,233,336     | (4,574,509)    |
| ranslation adjustment reserve   | (1,446,921)    | 2,086,080      |
| OTAL OTHER INCOME AND EXPENSES CHARGED OR CREDITED TO NET EQUITY      | (2,473,230)    | (11,132,934)   |
| OTAL NET COMPREHENSIVE INCOME   | 80,555,807     | 72,025,610     |
|   |                |                |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:                    | THCH\$         | THCH\$         |
| Owners of the parent  | 86,704,379     | 69,415,418     |
| Non-controlling interests   | (6,148,572)    | 2,610,192      |
| TOTAL COMPREHENSIVE INCOME  | 80,555,807     | 72,025,610     |



# CONSOLIDATED STATEMENTS OF **CHANGES IN EQUITY**

|   | ISSUED CAPITAL<br>THCH\$ | SHARE PREMIUM<br>THCH\$ | OTHER<br>RESERVES<br>THCH\$ | RETAINED<br>EARNINGS<br>THCH\$ | INTERIM<br>DIVIDENDS<br>THCH\$ | EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT THCH\$ | NON-<br>CONTROLLING<br>INTERESTS<br>THCH\$ | TOTAL EQUITY<br>THCH\$ |
|---|--------------------------|-------------------------|-----------------------------|--------------------------------|--------------------------------|--|--|------------------------|
| OPENING BALANCE CURRENT PERIOD 1/01/2019  | 431,784,190              | 610,727                 | (57,847,246)                | 378,112,155                    | (24,164,506)                   | 728,495,320  | 20,545,022                                 | 749,040,342            |
| Increase (decrease) due to reclassifications at beginning of year $\ensuremath{^{(*)}}$ | (108,107)                | 108,107                 | 11,101,431                  | (11,101,431)                   |                                | -  |  | -                      |
| RESTATED BEGINNING BALANCE  | 431,676,083              | 718,834                 | (46,745,815)                | 367,010,724                    | (24,164,506)                   | 728,495,320  | 20,545,022                                 | 749,040,342            |
| Profit for the year   | -                        | -                       | -                           | 81,155,810                     | -                              | 81,155,810   | 1,873,227                                  | 83,029,037             |
| Comprehensive reserves from subsidiaries and other investments                          | -                        | -                       | 5,548,569                   | -                              | -                              | 5,548,569  | (8,021,799)                                | (2,473,230)            |
| TOTAL COMPREHENSIVE INCOME  | -                        | -                       | 5,548,569                   | 81,155,810                     | -                              | 86,704,379   | (6,148,572)                                | 80,555,807             |
| Interim dividend  | -                        | -                       | -                           | (24,164,506)                   | 24,164,506                     | -  | -  | -                      |
| Final dividend April 2019   | -                        | -                       | -                           | (3,363,244)                    | -                              | (3,363,244)  | -  | (3,363,244)            |
| Final dividend October 2019   | -                        | -                       | -                           | (9,607,000)                    | -                              | (9,607,000)  | -  | (9,607,000)            |
| Interim dividend October 2019   | -                        | -                       | -                           | (8,129,000)                    | -                              | (8,129,000)  | -  | (8,129,000)            |
| Capitalization of issuance costs  | (270,867)                |                         | 270,867                     | -                              | -                              | -  | -  | -                      |
| Premium on share placement  | 3,939,990                | (3,939,990)             | -                           | -                              | -                              | -  | -  | -                      |
| Capitalization of premium on share placement  | (3,221,156)              | 3,221,156               | -                           | -                              | -                              | -  | -  | -                      |
| Minimum dividend provision  | -                        | -                       | -                           | -                              | (24,346,743)                   | (24,346,743)                                       | -  | (24,346,743)           |
| Increase (decrease) due to transfers and other changes                                  | -                        | -                       | (16,775)                    | 16,775                         | -                              | -  | -  | -                      |
| TOTAL CHANGES IN EQUITY   | 447,967                  | (718,834)               | 254,092                     | (45,246,975)                   | (182,237)                      | (45,445,987)                                       | -  | (45,445,987)           |
| CLOSING BALANCE CURRENT PERIOD 12/31/2019   | 432,124,050              | -                       | (40,943,154)                | 402,919,559                    | (24,346,743)                   | 769,753,712  | 14,396,450                                 | 784,150,162            |

<sup>(\*)</sup> RECLASSIFICATIONS MADE FOR ISSUANCE PREMIUMS FOR GRUPO SECURITY S.A., IFRS 15 FOR SUBSIDIARIES BANCO SECURITY AND SEGUROS VIDA SECURITY PREVISIÓN S.A. AND IFRS 9 FOR SUBSIDIARY FACTORING S.A.



# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

|  | ISSUED CAPITAL<br>THCH\$ | SHARE PREMIUM<br>THCH\$ | OTHER<br>RESERVES<br>THCH\$ | RETAINED<br>EARNINGS<br>THCH\$ | INTERIM<br>DIVIDENDS<br>THCH\$ | EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT THCH\$ | NON-<br>CONTROLLING<br>INTERESTS<br>THCH\$ | TOTAL EQUITY<br>THCH\$ |
|--|--------------------------|-------------------------|-----------------------------|--------------------------------|--------------------------------|--|--|------------------------|
| OPENING BALANCE CURRENT PERIOD 1/01/2018                       | 429,040,360              | -                       | (35,545,420)                | 311,415,141                    | -                              | 704,910,081  | 17,616,080                                 | 722,526,161            |
| Increase (decrease) due to changes in accounting policy        | -                        | -                       | -                           | (11,101,431)                   | -                              | (11,101,431)                                       | -  | (11,101,431)           |
| RESTATED BEGINNING BALANCE                                     | 429,040,360              | -                       | (35,545,420)                | 300,313,710                    | -                              | 693,808,650  | 17,616,080                                 | 711,424,730            |
| Profit for the year  | -                        | -                       | -                           | 80,548,352                     | -                              | 80,548,352   | 2,610,192                                  | 83,158,544             |
| Comprehensive reserves from subsidiaries and other investments | -                        | -                       | (11,132,934)                | -                              | -                              | (11,132,934)                                       | -  | (11,132,934)           |
| TOTAL COMPREHENSIVE INCOME                                     | -                        | -                       | (11,132,934)                | 80,548,352                     | -                              | 69,415,418   | 2,610,192                                  | 72,025,610             |
| Equity issuance  | 2,635,723                | 718,834                 | -                           | -                              | -                              | 3,354,557  | 9,000                                      | 3,363,557              |
| Dividends (paid and interim)                                   | -                        | -                       | -                           | (20,428,659)                   | (24,164,506)                   | (44,593,165)                                       | -  | (44,593,165)           |
| Share issuance and placement costs                             | -                        | -                       | (67,461)                    | -                              | -                              | (67,461)   | -  | (67,461)               |
| Increase (decrease) due to transfers and other changes         | -                        | -                       | -                           | 6,577,321                      | -                              | 6,577,321  | 309,750                                    | 6,887,071              |
| TOTAL CHANGES IN EQUITY  | 2,635,723                | 718,834                 | (67,461)                    | (13,851,338)                   | (24,164,506)                   | (34,728,748)                                       | 318,750                                    | (34,409,998)           |
| CLOSING BALANCE CURRENT PERIOD 12/31/2018                      | 431,676,083              | 718,834                 | (46,745,815)                | 367,010,724                    | (24,164,506)                   | 728,495,320  | 20,545,022                                 | 749,040,342            |



# CONSOLIDATED STATEMENTS OF CASH FLOWS (DIRECT METHOD)

| STATEMENT OF CASH FLOWS   | DECEMBER 31,<br>2019<br>THCH\$ | DECEMBER 31,<br>2018<br>THCH\$ |
|---|--------------------------------|--------------------------------|
| CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES                                   |                                |                                |
| PROCEEDS FROM OPERATING ACTIVITIES  |                                |                                |
| Proceeds from sales of goods and provision of services                                  | 292,036,552,547                | 248,266,872,538                |
| Proceeds from royalties, installments, commissions and other operating income           | 54,465,323,745                 | 49,089,568,807                 |
| Proceeds from contracts held for brokering or trading                                   | 146,521,570,135                | 122,674,292,697                |
| Proceeds from premiums and claims, annuities and other policy benefits                  | 307,489,849                    | 658,697,624                    |
| Proceeds from leases and subsequent sale of assets                                      | 5,228,911                      | 8,161,783                      |
| Other payments for operating activities   | (189,545,097)                  | (127,582,484)                  |
| CLASSES OF PAYMENTS   |                                |                                |
| Payments to suppliers for supply of goods and services                                  | (220,479,672,477)              | (192,982,058,448)              |
| Payments from contracts held for brokering or trading                                   | (270,306,656,621)              | (225,775,291,740)              |
| Payments to and on behalf of employees  | (107,743,620)                  | (104,197,983)                  |
| Payments for premiums and claims, annuities and other policy obligations                | (360,265,854)                  | (533,644,244)                  |
| Payments for building or acquiring assets held to lease to others and subsequently sell | (11,503,062)                   | (27,735,583)                   |
| Other payments for operating activities   | (1,757,964,915)                | (1,467,491,227)                |
| NET CASH FLOWS PROVIDED BY (USED IN) OPERATIONS   | 122,813,541                    | (320,408,260)                  |
| Interest paid   | (172,491,581)                  | (156,368,398)                  |
| Interest received   | 319,747,440                    | 308,581,320                    |
| Income taxes paid   | (41,256,305)                   | (36,808,883)                   |
| Other cash inflows  | 39,795,940                     | 45,610,190                     |
| NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES                               | 268,609,035                    | (159,394,031)                  |
| CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES                                   |                                |                                |
| Purchases of property, plant and equipment  | (6,388,558)                    | (4,315,904)                    |
| Proceeds from the sale of intangible assets   | 23,092                         | 733,663                        |
| Purchases of intangible assets  | (5,610,937)                    | (2,696,280)                    |
| Dividends received  | 157,287                        | 415                            |
| Interest received   | 38,335                         | 11,267                         |
| Other cash inflows (outflows)   | (852,964)                      | 498,476                        |
| TOTAL NET CASH FLOWS USED IN INVESTING ACTIVITIES                                       | (12,633,745)                   | (5,768,363)                    |



# CONSOLIDATED STATEMENTS OF CASH FLOWS (DIRECT METHOD)

| STATEMENT OF CASH FLOWS                                      | DECEMBER 31,<br>2019<br>THCH\$ | DECEMBER 31,<br>2018<br>THCH\$ |
|--|--------------------------------|--------------------------------|
| CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES        |                                |                                |
| Proceeds from share issuance                                 | 8,062                          | 3,363,558                      |
| Payment to purchase or redeem treasury shares                | (465)                          | (3,220)                        |
| PROCEEDS FROM LOANS  | 303,489,298                    | 220,284,913                    |
| Proceeds from long-term loans                                | 68,317,891                     | 49,058,027                     |
| Proceeds from short-term loans                               | 235,171,407                    | 171,226,886                    |
| Loan repayments  | (195,006,249)                  | (135,845,218)                  |
| Repayment of finance lease liabilities                       | (222,422)                      | (667,265)                      |
| Dividends paid   | (45,547,116)                   | (43,938,957)                   |
| Interest paid  | (3,243,356)                    | (2,765,458)                    |
| Other cash inflows (outflows)                                | 3,019,292                      | (2,139,241)                    |
| NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES              | 62,497,044                     | 38,289,112                     |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS             | 318,472,334                    | (126,873,282)                  |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS |                                |                                |
| Effect of exchange rate changes on cash and cash equivalents | 461,879                        | (4,507)                        |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS             | 318,934,213                    | (126,877,789)                  |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD             | 472,889,690                    | 599,767,479                    |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD                   | 791,823,903                    | 472,889,690                    |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH – SEE NOTE 2)

#### **NOTE 1 - CORPORATE INFORMATION**

#### A) COMPANY INFORMATION

Grupo Security S.A. (hereinafter "Grupo Security", the "Company", or the "Group") is a corporation incorporated in Chile in conformity with the Corporations Law and its corporate purpose is investing and providing advisory services of any kind in Chile. Its corporate domicile is Av. Apoquindo 3150, Floor 14, Las Condes, Santiago, Chile.

The nature of the operations and main activities of Grupo Security S.A., are described in letter b) of this note.

The consolidated financial statements of Grupo Security S.A., and subsidiaries have been prepared in accordance with the standards set by the Financial Market Commission (CMF), which call for adopting International Financial Reporting Standards (IFRS), except for the financial statements of the subsidiaries Seguros Vida Security Previsión S.A. (Vida Security), which have been prepared in accordance with the standards and instructions issued by the CMF for insurance entities, and the financial statements of Banco Security and subsidiaries (the Bank), which have been prepared in accordance with the Compendium of Accounting Standards issued by the Financial Market Commission (formerly SBIF). Therefore, certain accounting policies of the financial statements of Banco Security and subsidiaries and Vida Security are presented separately for better understanding in accordance with CMF Official Ruling No. 506.



The following companies are included in Grupo Security's scope of consolidation as of December 31, 2019 and 2018:

|  |                       |                        | 2019                 |                |                        | 2018                 |               |  |
|--|-----------------------|------------------------|----------------------|----------------|------------------------|----------------------|---------------|--|
| COMPANY NAME                                   | TAXPAYER ID<br>NUMBER | DIRECT<br>INTEREST     | INDIRECT<br>INTEREST | TOTAL INTEREST | DIRECT<br>INTEREST     | INDIRECT<br>INTEREST | TOTAL INTERES |  |
| Factoring Security S.A.                        | 96.655.860-1          | 99.99800%              | 0.00200%             | 100.00000%     | 99.99800%              | 0.00200%             | 100.00000%    |  |
| Factoring Security S.A.  Banco Security S.A.   | 97.053.000-1          | 99.99800%              | 0.0020076            | 99.97481%      | 99.99800%              | 0.0020070            | 99.97272%     |  |
| Administradora General de Fondos Security S.A. | 96.639.280-0          | 99.99042%              | 0.00958%             | 100.00000%     | 99.99042%              | 0.00958%             | 100.00000%    |  |
|  |                       |                        |                      |                |                        |                      |               |  |
| Valores Security S.A. Corredores de Bolsa      | 96.515.580-5          | 99.87580%              | 0.12420%             | 100.00000%     | 99.87580%              | 0.12420%             | 100.00000%    |  |
| nversión Previsión Security Ltda.              | 78.769.870-0          | 99.99998%<br>99.78180% | 0.00002%             | 100.00000%     | 99.99950%<br>99.78180% | 0.00050%             | 100.00000%    |  |
| Asesorías Security S.A.                        | 96.803.620-3          |                        | 0.21820%             | 100.00000%     |                        | 0.21820%             | 100.00000%    |  |
| Security Internacional SPA                     | 76.452.179-K          | 100.0000%<br>99.14100% |                      | 100.00000%     | 100.00000%             |                      | 100.00000%    |  |
| Seguros Vida Security Previsión S.A.           | 99.301.000-6          | 99.14100%              |                      | 99.14100%      | 97.82117%              | 1 000000/            | 97.82117%     |  |
| Global Assets Advisor                          | E-0                   | 00 000000/             | 0.100000/            | 100.000000/    | 99.00000%              | 1.00000%             | 100.00000%    |  |
| Servicios y Beneficios Security Ltda.          | 77.431.040-1          | 99.90000%              | 0.10000%             | 100.00000%     | 99.90000%              | 0.10000%             | 100.00000%    |  |
| Servicios Security S.A.                        | 96.849.320-5          | 99.99998%              | 0.00002%             | 100.00000%     | 99.99998%              | 0.00002%             | 100.00000%    |  |
| Corredora de Seguros Security Ltda.            | 77.371.990-K          | 99.99800%              | 0.00200%             | 100.00000%     | 99.99800%              | 0.00200%             | 100.00000%    |  |
| Mandatos Security Ltda.                        | 77.512.350-8          | 99.77000%              | 0.23000%             | 100.00000%     | 99.77000%              | 0.23000%             | 100.00000%    |  |
| Global Gestión y Servicios Security Ltda.      | 76.181.170-3          | 99.77000%              | 0.23000%             | 100.00000%     | 99.77000%              | 0.23000%             | 100.00000%    |  |
| Travel Security S.A.                           | 85.633.900-9          | 83.00000%              | 0.0005==:            | 83.00000%      | 83.00000%              | 0.000===:            | 83.00000%     |  |
| Viajes Security S.A.C.                         | 20548601372           | 99.99998%              | 0.00002%             | 100.00000%     | 99.99998%              | 0.00002%             | 100.00000%    |  |
| Travex S.A.                                    | 20505238703           | 75.00000%              |                      | 75.00000%      | 75.00000%              |                      | 75.00000%     |  |
| Securitizadora Security S.A.                   | 96.847.360-3          | 99.96000%              | 0.04000%             | 100.00000%     | 99.96000%              | 0.04000%             | 100.00000%    |  |
| Representaciones Security Ltda.                | 77.405.150-3          | 99.00000%              | 1.00000%             | 100.00000%     | 99.00000%              | 1.00000%             | 100.00000%    |  |
| Capital S.A.                                   | 96.905.260-1          | 99.98530%              | 0.01470%             | 100.00000%     | 99.98530%              | 0.01470%             | 100.00000%    |  |
| Inmobiliaria Casanuestra S.A.                  | 76.459.878-4          | 99.99867%              | 0.00133%             | 100.00000%     | 99.99867%              | 0.00133%             | 100.00000%    |  |
| nmobiliaria Security S.A.                      | 96.786.270-3          | 99.99900%              | 0.00100%             | 100.00000%     | 99.99900%              | 0.00100%             | 100.00000%    |  |
| nmobiliaria SH Uno Ltda.                       | 77.173.860-5          |                        | 99.99000%            | 99.99000%      |                        | 99.99000%            | 99.99000%     |  |
| Inmobiliaria Security Siete Ltda.              | 78.972.520-9          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.00000%    |  |
| Inmobiliaria Security Nueve Ltda.              | 77.441.660-9          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.00000%    |  |
| Inmobiliaria Security Diez Ltda.               | 77.464.540-3          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.00000%    |  |
| Inmobiliaria Security Once Ltda.               | 77.611.170-8          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.00000%    |  |
| Inmobiliaria Alto Vitacura S.A.                | 76.505.706-K          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.00000%    |  |
| Inmobiliaria El Taihuen S.A.                   | 76.477.415-9          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.00000%    |  |
| Inmobiliaria Vista La Dehesa S.A.              | 76.524.227-4          |                        | 70.00000%            | 70.00000%      |                        | 70.00000%            | 70.00000%     |  |
| Inmobiliaria Security Doce S.A.                | 76.207.657-8          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.00000%    |  |
| Inmobiliaria El Peumo S.A.                     | 99.584.690-K          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.00000%    |  |
| General Flores Fondo de Inversión Privado      | 76.036.147-K          |                        | 66.45000%            | 66.45000%      |                        | 66.45000%            | 66.45000%     |  |
| Quirihue Fondo de Inversión Privado            | 76.036.113-5          |                        | 60.00000%            | 60.00000%      |                        | 60.00000%            | 60.000009     |  |
| Silvina Hurtado Fondo de Inversión Privado     | 76.036.115-1          |                        | 66.92307%            | 66.92307%      |                        | 66.92307%            | 66.92307%     |  |
| nmobiliaria Los Espinos S.A.                   | 76.167.559-1          |                        | 70.00000%            | 70.00000%      |                        | 70.00000%            | 70.00000%     |  |
| nmobiliaria Ñuñoa IV SA                        | 76.200.933-1          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.000009    |  |
| nmobiliaria Cordillera S.A.                    | 76.229.736-1          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.000009    |  |
| Alonso Sotomayor Fondo de Inversión Privado    | 76.036.118-6          |                        | 88.44827%            | 88.44827%      |                        | 88.44827%            | 88.448279     |  |
| nmobiliaria Security Norte SA                  | 76.249.637-2          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.000009    |  |
| Vitacura IV Fondo De Inversión Privado         | 76.036.137-2          |                        | 80.00000%            | 80.00000%      |                        | 80.00000%            | 80.000009     |  |
| nmobiliaria Security San Damián S.A.           | 76.307.757-8          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.00000%    |  |
| nmobiliaria Alto San Rafael S.A.               | 76.307.766-7          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.000009    |  |
| nmobiliaria Alto Chamisero S.A.                | 76.360.997-9          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.000009    |  |
| nmobiliaria Ñuñoa V SPA                        | 76.594.758-8          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.000007    |  |
| nm.Security Los Dominicos SPA                  | 76.594.759-6          |                        | 100.00000%           | 100.00000%     |                        | 100.00000%           | 100.000009    |  |
| Hipotecaria Security Principal S.A.            | 96.538.310-7          | 51.00000%              | . 55.00000/0         | 51.00000%      | 51.00000%              | . 55.5550070         | 51.000009     |  |
| nversiones Security Perú S.A.C.                | 20600419430           | 99.99900%              |                      | 99.99900%      | 99.99900%              |                      | 99.99900%     |  |
| Cía. de Seguros Protecta S.A.                  | 20517207331           | 61.00000%              |                      | 61.00000%      | 61.00000%              |                      | 61.00000%     |  |



### Main shareholders of Grupo Security S.A.

|   | TAXPAYER ID NUMBER | SHARES AS OF<br>12.31.2019 | %      | ACCUMULATED % |
|---|--------------------|----------------------------|--------|---------------|
| INVERSIONES CENTINELA LIMITADA                      | 76.447.620-4       | 373,095,429                | 10.10% | 10.10%        |
| SOCIEDAD DE AHORRO MATYCO LIMITADA                  | 96.512.100-5       | 358,481,708                | 9.70%  | 19.80%        |
| INV HEMACO LTDA                                     | 96.647.170-0       | 288,664,066                | 7.81%  | 27.61%        |
| INVERSIONES HIDROELECTRICAS SPA                     | 79.884.660-4       | 225,420,000                | 6.10%  | 33.71%        |
| ARCOINVEST CHILE SA                                 | 76.057.087-7       | 222,729,075                | 6.03%  | 39.74%        |
| VALORES SECURITY S A C DE B                         | 96.515.580-5       | 164,857,960                | 4.46%  | 44.20%        |
| INVERSIONES LLASCAHUE LTDA                          | 79.884.060-6       | 152,050,000                | 4.12%  | 48.32%        |
| SOC COMERCIAL DE SERVICIOS E INV LTDA               | 79.553.600-0       | 137,463,405                | 3.72%  | 52.04%        |
| SOCIEDAD DE AHORRO ALISIOS DOS LTDA                 | 76.093.398-8       | 131,247,969                | 3.55%  | 55.59%        |
| SOCIEDAD DE AHORRO ATACALCO DOS LTDA                | 76.093.394-5       | 131,212,568                | 3.55%  | 59.14%        |
| SOCIEDAD DE AHORRO TENAYA DOS LTDA                  | 76.093.362-7       | 131,212,567                | 3.55%  | 62.69%        |
| BOLSA DE COMERCIO DE SANTIAGO BOLSA DE VALORES      | 90.249.000-0       | 112,990,038                | 3.06%  | 65.75%        |
| INVERSIONES LOS CACTUS LTDA                         | 79.884.050-9       | 98,000,000                 | 2.65%  | 68.40%        |
| INMOBILIARIA CAB LIMITADA                           | 96.941.680-8       | 86,040,495                 | 2.33%  | 70.73%        |
| BCI C DE B S A                                      | 96.519.800-8       | 80,952,172                 | 2.19%  | 72.92%        |
| BICE INVERSIONES CORREDORES DE BOLSA S A            | 79.532.990-0       | 56,598,074                 | 1.53%  | 74.45%        |
| LARRAIN VIAL S A CORREDORA DE BOLSA                 | 80.537.000-9       | 53,913,417                 | 1.46%  | 75.91%        |
| COMPASS SMALL CAP CHILE FONDO DE INVERSION          | 96.804.330-7       | 51,456,985                 | 1.39%  | 77.30%        |
| INVERSIONES LOS CHILCOS S A                         | 79.884.030-4       | 49,330,000                 | 1.34%  | 78.64%        |
| KINTO INVERSIONES SPA                               | 76.503.271-7       | 46,880,493                 | 1.27%  | 79.91%        |
| SMAC SPA  | 76.536.902-9       | 46,880,493                 | 1.27%  | 81.18%        |
| BANCO ITAU CORPBANCA ON BEHALF OF FOREIGN INVESTORS | 97.023.000-9       | 42,243,116                 | 1.14%  | 82.32%        |
| POLO SUR SOCIEDAD DE RENTAS LTDA                    | 79.685.260-7       | 39,459,521                 | 1.07%  | 83.39%        |
| SIGLO XXI FONDO DE INVERSION                        | 76.100.825-0       | 37,244,004                 | 1.01%  | 84.40%        |
| BTG PACTUAL CHILE S A C DE B                        | 84.177.300-4       | 36,054,807                 | 0.98%  | 85.37%        |
| SAN LEON INVERSIONES Y SERVICIOS LTDA               | 78.538.290-0       | 34,493,212                 | 0.93%  | 86.31%        |
| BANCHILE C DE B S A                                 | 96.571.220-8       | 32,271,189                 | 0.87%  | 87.18%        |
| RENTAS E INV SAN ANTONIO LTDA                       | 79.944.140-3       | 31,839,730                 | 0.86%  | 88.04%        |



#### B) DESCRIPTION OF OPERATIONS AND MAIN ACTIVITIES

The structure of the operations and main activities of Grupo Security is summarized as follows:

| LENDING                |   |
|------------------------|---|
|                        | Bank  |
|                        | Commercial Banking                                      |
|                        | Retail Banking  |
|                        | Factoring   |
| ASSET MANAGEMENT       |   |
|                        | General Fund Management                                 |
|                        | Securities Brokerage                                    |
|                        | Asset Management  |
|                        | Securitization  |
| INSURANCE              |   |
|                        | Life Insurance  |
|                        | General Insurance                                       |
|                        | Travel Assistance                                       |
|                        | Insurance Brokerage                                     |
| INTERNATIONAL BUSINESS |   |
|                        | Security Internacional                                  |
|                        | Travel  |
| OTHER SERVICES         |   |
|                        | Travel Agency   |
|                        | Real Estate   |
| CORPORATE SUPPORT AREA |   |
|                        | Technological Development and Business Support Services |

#### · LENDING:

Through Banco Security and Factoring Security, Grupo Security offers a broad range of products to meet the lending needs of high-income individuals and medium and large companies.

#### ASSET MANAGEMENT:

Grupo Security provides investment and third-party asset management services through Administradora General de Fondos Security; stock brokerage and securities intermediation services through Valores Security Corredores de Bolsa; and advisory services, asset management and securitized equities through Securitizadora Security and Asesorías Security.

#### · INSURANCE:

Grupo Security participates in the insurance industry through Seguros de Vida Security Previsión S.A. and Corredora de Seguros Security Limitada. Likewise, the Group has an alliance with Europ Assistance Chile. Europ Assistance is the world's second largest travel, vehicle and home assistance company.

#### INTERNATIONAL BUSINESS:

Grupo Security has investments in businesses related to insurance and travel in Peru, through its subsidiaries Cía. de Seguros Protecta S.A. and Travex Security Perú.



#### OTHER SERVICES:

This area includes the Group's companies engaged in real estate development and travel and tourism.

#### · CORPORATE SUPPORT AREA:

This area comprises the subsidiaries Capital S.A., Mandatos Security, Global Gestión y Servicios Security and the standalone entity Grupo Security, all geared towards providing the group with supplementary support services.

#### C) EMPLOYEES

The following chart shows the number of individuals employed by Grupo Security as of December 31, 2019 and 2018:

#### AS OF DECEMBER 31, 2019

| COMPANY                                       | EXECUTIVES | PROFESSIONALS | WORKERS | TOTAL |
|---|------------|---------------|---------|-------|
| Grupo Security S.A.                           | 16         | 21            | 4       | 41    |
| Banco Security and subsidiaries               | 62         | 827           | 380     | 1,269 |
| Factoring Security S.A.                       | 8          | 98            | 58      | 164   |
| Inmobiliaria Security S.A.                    | 2          | 27            | 10      | 39    |
| Securitizadora Security S.A.                  | 1          | 6             | 2       | 9     |
| Capital S.A. and subsidiaries                 | 25         | 728           | 348     | 1,101 |
| Inversión Previsión Security and subsidiaries | 30         | 373           | 670     | 1,073 |
| Security Internacional and subsidiaries       | 9          | 122           | 134     | 265   |
| TOTAL   | 153        | 2,202         | 1,606   | 3,961 |

#### AS OF DECEMBER 31, 2018

| COMPANY  | EXECUTIVES | PROFESSIONALS | WORKERS | TOTAL |
|--|------------|---------------|---------|-------|
| Grupo Security S.A.  | 15         | 25            | 1       | 41    |
| Banco Security and subsidiaries                                  | 63         | 839           | 366     | 1,268 |
| Factoring Security S.A.  | 8          | 101           | 59      | 168   |
| Inmobiliaria Security S.A. and Inmobiliaria Security Siete Ltda. | 2          | 27            | 8       | 37    |
| Asesorías Security S.A.  | -          | 2             | 2       | 4     |
| Securitizadora Security S.A.                                     | 1          | 2             | 1       | 4     |
| Capital S.A. and subsidiaries                                    | 25         | 755           | 333     | 1,113 |
| Inversión Previsión Security and subsidiaries                    | 38         | 374           | 892     | 1,304 |
| Security Internacional   | -          | -             | -       | -     |
| TOTAL  | 152        | 2,125         | 1,662   | 3,939 |



# NOTE 2 - BASES OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 ACCOUNTING PERIOD

The accompanying consolidated financial statements cover the following periods:

- Statements of Financial Position as of December 31, 2019 and 2018.
- Statement of Changes in Equity for the years ended December 31, 2019 and 2018.
- Statements of Comprehensive Income (by Function) for the years ended December 31, 2019 and 2018.
- Statement of Cash Flows for the years ended December 31, 2019 and 2018.

#### 2.2 BASIS OF PREPARATION

A) The consolidated financial statements of Grupo Security S.A., and subsidiaries have been prepared in accordance with the standards set by the Financial Market Commission (CMF), which call for adopting International Financial Reporting Standards (IFRS), except for the financial statements of the subsidiaries Seguros Vida Security Previsión S.A., and subsidiaries (Vida Security), which have been prepared in accordance with the standards and instructions issued by the Financial Market Commission for insurance entities, and the financial statements of Banco Security and subsidiaries, which have been prepared in accordance with the Compendium of Accounting Standards for Banks from the former Superintendency of Banks and Financial Institutions (SBIF) for the banking business.

Certain accounting practices applied by the Company that conform to IFRS may not conform to generally accepted accounting principles in the United States ("US GAAP") or to generally accepted accounting principles in Chile ("Chilean GAAP"). For the convenience of the reader these financial statements have been translated from Spanish to English.

Specifically, the financial statements of Seguros Vida Security Previsión S.A. and subsidiaries have been prepared in accordance with the standards and instructions issued by the Financial Market Commission and, in the absence of specific standards from the CMF, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) are applied. The financial statements of Banco Security and subsidiaries have been prepared in accordance with SBIF (presently CMF) regulations contained in the Compendium of Accounting Standards and specific instructions issued by that entity. In all matters not addressed in the compendium, the Bank applies the technical standards issued by the Chilean Institute of Accountants, which are consistent with International Financial Reporting Standards (IFRS). Should any discrepancies arise between these accounting principles and the accounting criteria issued by the SBIF (presently CMF), the latter shall take precedence.

#### B) NEW ACCOUNTING PRONOUNCEMENTS

The Company has applied certain standards, interpretations and amendments for the first time, which are effective for periods beginning on or after January 1, 2019.

The following table details the nature and impact of the standards, interpretations and amendments to IFRS that took effect as of the reporting date:

| IFRS     | STANDARDS AND INTERPRETATIONS          | MANDATORY EFFECTIVE DATE |
|----------|--|--------------------------|
| IFRS 16  | Leases                                 | January 1, 2019          |
| IFRIC 23 | Uncertainty over Income Tax Treatments | January 1, 2019          |



#### **IFRS 16 LEASES**

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to put most leases on their balance sheets using a single accounting model. For lessors, the accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify leases as operating or financial leases using principles similar to those in IAS 17. The effects of adopting this standard for the first time are included in Note 2.46, Accounting Changes.

#### IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

The Interpretation addresses the accounting of income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Tax. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

The entity must determine whether it considers each uncertain tax treatment separately or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

Adopting this standard did not have a significant impact on the Group's consolidated financial statements.

|         | AMENDMENTS   |                 |
|---------|--|-----------------|
| IFRS 3  | Business Combinations – Previously Held Interests in a Joint Operation                 | January 1, 2019 |
| IFRS 9  | Financial Instruments – Prepayment Features with Negative Compensation                 | January 1, 2019 |
| IFRS 11 | Joint Arrangements – Previously Held Interests in a Joint Operation                    | January 1, 2019 |
| IAS 12  | Income Taxes – Income Tax Consequences of Payments on Instruments Classified as Equity | January 1, 2019 |
| IAS 23  | Borrowing Costs – Borrowing Costs Eligible for Capitalization                          | January 1, 2019 |
| IAS 28  | Investments in Associates – Long-term Investments in Associates or Joint Ventures      | January 1, 2019 |
| IAS 19  | Employee Benefits - Plan Amendment, Curtailment or Settlement                          | January 1, 2019 |

#### IFRS 3 BUSINESS COMBINATIONS – PREVIOUSLY HELD INTERESTS IN A JOINT OPERATION

The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The amendments must be applied to business combinations completed after January 1, 2019. Early adoption is permitted.



Adopting this standard did not have a significant impact on the financial statements.

#### IFRS 9 FINANCIAL INSTRUMENTS – PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 intend to clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that cause the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments to IFRS 9 should be applied when the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small.

Adopting this standard did not have a significant impact on the financial statements.

#### IFRS 11 JOINT ARRANGEMENTS – PREVIOUSLY HELD INTERESTS IN A JOINT OPERATION

The amendment affects joint arrangements over interests previously held in a joint operation. A party that invests in but does not have joint control of a joint operation may obtain control if the activity of the joint operation constitutes a business as defined by IFRS 3. The amendments clarify that interests previously held in that joint operation would not be remeasured at the time of the transaction.

Adopting this standard did not have a significant impact on the financial statements.

#### IAS 12 INCOME TAXES – INCOME TAX CONSEQUENCES OF PAYMENTS ON INSTRUMENTS CLASSIFIED AS EQUITY

The amendments clarify that income taxes on dividends generated by financial instruments classified as equity are linked more directly to the originating transactions or events that generated the distributable profits than to distributions to shareholders. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity based on where the entity originally recognized these originating transactions or events.

Adopting this standard did not have a significant impact on the financial statements.

#### IAS 23 BORROWING COSTS – BORROWING COSTS ELIGIBLE FOR CAPITALIZATION

The amendments clarify that an entity treats any borrowings made specifically for the purpose of obtaining a qualifying asset as a general loan when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

Adopting this standard did not have a significant impact on the financial statements.



#### IAS 28 INVESTMENTS IN ASSOCIATES – LONG-TERM INVESTMENTS IN ASSOCIATES OR JOINT VENTURES

The amendments clarify that an entity applies IFRS 9 "Financial Instruments" to long-term interests in an associate or joint venture to which it does not apply the equity method but that, in substance, are part of a net investment in an associate or joint venture. This clarification is relevant because it implies that the expected credit loss model, described in IFRS 9, is applied to these long-term interests.

Adopting this standard did not have a significant impact on the financial statements.

#### IAS 19 EMPLOYEE BENEFITS - PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity must:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset)

Adopting this standard did not have a significant impact on the financial statements.

# NEW ACCOUNTING PRONOUNCEMENTS (STANDARDS, INTERPRETATIONS AND AMENDMENTS) WITH MANDATORY APPLICATION FOR ANNUAL PERIODS BEGINNING ON OR AFTER JANUARY 1, 2020.

The new standards, interpretations and amendments to IFRS that have been issued but have not yet taken effect as of the date of these financial statements are detailed below. The Company has not adopted these standards early:

| STANDARDS AND INTERPRETATIONS |                                | MANDATORY EFFECTIVE DATE |
|-------------------------------|--------------------------------|--------------------------|
| Conceptual Framework          | Conceptual Framework (Revised) | January 1, 2020          |
| IFRS 17                       | Insurance Contracts            | January 1, 2021          |

#### CONCEPTUAL FRAMEWORK (REVISED)

The IASB issued the revised Conceptual Framework in March 2018. It includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. The revised Conceptual Framework is effective for annual periods beginning on or after January 1, 2020.



The Company is still in the process of evaluating application of this amendment to the Conceptual Framework.

#### **IFRS 17 INSURANCE CONTRACTS**

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them.

IFRS 17 is effective for periods starting on or after January 1, 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Management is analyzing this standard and its application to the Chilean insurance market. It is subject to the definitions and requirements set by the Financial Market Commission.

|                          | AMENDMENTS  |                  |
|--------------------------|---|------------------|
| IFRS 3                   | Definition of a Business  | January 1, 2020  |
| IAS 1 and IAS 8          | Definition of Material  | January 1, 2020  |
| IFRS 9, IAS 9 and IFRS 7 | Interest Rate Benchmark Reform  | January 1, 2020  |
| IFRS 10 and IAS 28       | Consolidated Financial Statements – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

#### IFRS 3 BUSINESS COMBINATIONS – DEFINITION OF A BUSINESS

The IASB issued amendments in terms of the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. The IASB clarifies the minimum requirements for a business; removes the assessment of whether market participants are capable of replacing any missing elements; adds guidance to help entities assess whether an acquired process is substantive; narrows the definitions of a business and of outputs; and introduces an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering the acquisition of a set of activities and assets after first applying the amendments should update their accounting policies on a timely basis.

The amendments could be relevant in other areas of IFRS. For example, the definition of a business may also be relevant where a parent loses control of a subsidiary and has early adopted Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The Company is evaluating the impact of this new amendment.



# IAS 1 FINANCIAL STATEMENT PRESENTATION AND IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS – DEFINITION OF MATERIAL

In October 2018, the IASB issued IAS 1 Financial Statement Presentation and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of "material" across all standards and to clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments must be applied prospectively. Earlier application is permitted and must be disclosed.

Although the amendments to the definition of material are not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgments are made in practice, by elevating the importance of how the information is communicated and organized in the financial statements.

The Company is evaluating the impact of this new amendment.

#### IFRS 9, IAS 9 AND IFRS 7 INTEREST RATE BENCHMARK REFORM

In September 2019, the IASB published amendments to IFRS 9, IAS 39 and IFRS 7, which brings to a conclusion phase one of the IASB's work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Earlier application is permitted and must be disclosed.

The Company is evaluating the impact of this new amendment.

# IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS AND IAS 28 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES – SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address an inconsistency between the requirements of IFRS 10 and IAS 28 (2011) in the treatment of the sale or provision of assets between an investor and its associate or joint venture. The amendments were issued in September 2014, and state that when the transaction involves a business (whether or not in a subsidiary), all the gain or loss is recognized. A partial gain or loss is recognized when the transaction involves assets that do not constitute a business, even when the assets are in a subsidiary. The date of mandatory application of these amendments is to be determined since the IASB is waiting for the results of its research project on accounting using the equity the method. These amendments must be applied retrospectively, and early adoption is permitted, which must be disclosed.

The Company is evaluating the impact of this new amendment.



#### 2.3 BASIS OF CONSOLIDATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In the preparation of the consolidated financial statements, Grupo Security considers all those entities in which it holds a direct or indirect interest of 50% or more. Grupo Security also considers those entities in which the Company has the ability to exercise effective control, without considering the ownership percentages in the consolidated companies. According to IFRS 10, control is understood as the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Grupo Security consolidates these entities on a line-by-line basis. Consequently, all balances and effects of significant transactions between the consolidated companies are eliminated upon consolidation.

In addition, the participation of third parties in the equity of the consolidated companies is presented in the item "Non-controlling interests" in equity in the consolidated statement of financial position; and profit or loss is presented as "profit (loss) attributable to Non-controlling interests" in the statement of comprehensive income and the statement of changes in equity.

In consolidating foreign subsidiaries, IAS 21 is used to translate the financial statements of Peruvian subsidiaries.

The companies included in the scope of consolidation as of December 31, 2019 and 2018, are detailed as follows:

| COMPANY NAME   | TAXPAYER ID NUMBER | DIRECT    |
|--|--------------------|-----------|
| Factoring Security S.A.                                | 96.655.860-1       | 99.9980%  |
| Banco Security S.A. and subsidiaries                   | 97.053.000-2       | 99.9748%  |
| Inmobiliaria Security S.A.                             | 96.786.270-3       | 99.9990%  |
| Inversión Previsión Security Limitada and subsidiaries | 78.769.870-0       | 99.99998% |
| Capital S.A. and subsidiaries                          | 96.905.260-1       | 99.9853%  |
| Securitizadora Security S.A.                           | 96.847.360-3       | 99.9600%  |
| Security Internacional S.A. and subsidiaries           | 96.847.360-3       | 100.0000% |

#### 2.4 VALUATION AT AMORTIZED COST

Amortized cost is the amount at which an asset or liability is measured at initial recognition, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the amount at maturity.

In the case of financial assets, amortized cost includes corrections for any impairment that may have occurred.

#### 2.5 FAIR VALUE

A fair value measurement estimates the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at a given date under current market conditions.



#### **FAIR VALUE HIERARCHY**

- LEVEL 1: Quoted (unadjusted) price in markets for identical assets and liabilities;
- LEVEL 2: Inputs that are not quoted prices included in Level 1 that are observable for the asset or liability;
- LEVEL 3: Inputs that are not based on observable markets.

When an instrument's market is not active, the Group determines fair value using techniques to approximate a fair price, such as interest rate curves based on market transactions or comparison with similar instruments.

#### 2.6 VALUATION AT ACQUISITION COST

Acquisition cost is defined as the cost of the transaction to acquire the asset, less any impairment losses that may exist.

The accompanying consolidated financial statements have been prepared using amortized cost criteria except for:

- Derivative financial instruments measured at fair value.
- Financial instruments held for trading measured at fair value through profit or loss or equity.
- Investments available for sale measured at fair value, for the Bank.

#### 2.7 GOODWILL

At Grupo Security, goodwill generated upon consolidation represents the difference between the acquisition cost and the Company's share of the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity as of the acquisition date.

At each year end, it is tested for any impairment that reduces its recoverable amount to below its carrying amount. If appropriate, this difference is recognized in the consolidated statement of income under "administrative expenses" in accordance with IFRS 3.

#### 2.7.1 GOODWILL - BANCO SECURITY

At Banco Security, goodwill generated upon consolidation represents the difference between the acquisition cost and the Bank's share of the fair value of identifiable assets and liabilities of a subsidiary or jointly controlled entity as of the acquisition date.

Any goodwill generated is valued at acquisition cost and is tested as of each reporting date for any impairment that reduces its recoverable amount to below its carrying amount. If appropriate, this difference is recognized in the consolidated statement of income under "administrative expenses", in accordance with IFRS 3.



#### 2.8 INTANGIBLE ASSETS OTHER THAN GOODWILL

#### **SOFTWARE:**

Expenses for in-house developed software are recognized as an asset when the Group is able to demonstrate its intent and ability to complete development and use it within the organization to generate future economic benefits and it can reliably measure the costs of completing this development. Capitalized costs of in-house developed software include all costs directly attributable to developing the software and they are amortized over their estimated useful lives.

Computer software purchased by the Group is recognized at cost less accumulated amortization and impairment losses.

Useful life has been determined based on the period of time over which economic benefits are expected. The amortization period and method are reviewed annually, and any change is treated as a change in an estimate. Maintenance costs for an intangible asset are recognized with a charge to profit or loss in the year in which they are incurred. Amortization of intangible assets is recognized on a straight-line basis as of the date when the asset is available for use. Any subsequent expenses in software assets are capitalized only when they increase the future economic benefit for the specific asset. All other expenses are recognized in profit or loss as incurred.

The Company performs impairment tests if there are signs that the carrying value exceeds the recoverable value of the intangible asset.

#### 2.9 PROPERTY, PLANT AND EQUIPMENT

Grupo Security accounts for property, plant and equipment using the cost model. The cost model is an accounting method in which property, plant and equipment is recognized at cost less accumulated depreciation and impairment losses. Depreciation is determined using the straight-line method over the cost of the assets less their residual value. The land on which buildings and other facilities are built is considered to have an infinite useful life and, therefore, is not depreciated. Depreciation for the year is recognized in profit or loss for the year and calculated based on the estimated useful lives of the respective assets. Any gain or loss from the disposal or retirement of an asset is calculated as the difference between the sales price and the asset's carrying amount and is recognized in profit or loss.

The estimated useful life of each of the items of property, plant and equipment for 2019 and 2018 is detailed as follows:

|                                     | UNIT  | MINIMUM LIFE<br>OR RATE |
|-------------------------------------|-------|-------------------------|
| Buildings                           | years | 60 to 80                |
| Plant and equipment                 | years | 3 to 5                  |
| Motor vehicles                      | years | 3                       |
| Other property, plant and equipment | years | 2 to 5                  |

#### 2.9.1 PROPERTY, PLANT AND EQUIPMENT – BANCO SECURITY

Items of property, plant and equipment are measured at cost minus accumulated depreciation and impairment losses. Depreciation is recognized in the statement of income on a straight-line basis over the useful life of the respective asset.



For certain real estate properties, the Bank recognized their fair values, based on independent appraisals, as their costs upon first-time adoption of IFRS. The estimated useful lives of property, plant and equipment are detailed as follows:

|                          | UNIT  | MINIMUM LIFE<br>OR RATE |
|--------------------------|-------|-------------------------|
| Buildings                | years | 60 years                |
| Equipment                | years | 5 years                 |
| Supplies and accessories | years | 2 years                 |

#### 2.10 LEASE AGREEMENTS

Lease receivables, included in "loans to customers", are periodic payments from lease agreements that meet certain requirements to qualify as finance leases and they are presented at nominal value net of unaccrued interest at year-end.

#### 2.11 REPOSSESSED OR AWARDED ASSETS

Repossessed or awarded assets are classified within "non-current assets classified as held for sale" at the lesser of their foreclosure cost and their fair value less impairment provisions.

#### 2.11.1 REPOSSESSED OR AWARDED ASSETS, BANCO SECURITY

Repossessed assets are classified within "other assets" at the lesser of their foreclosure cost and their fair value less required regulatory write-offs and are presented net of provisions.

The SBIF (presently CMF) requires regulatory write-offs if the asset is not sold within one year of foreclosure.

#### 2.12 IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS

At each closing date of the consolidated statement of financial position, Grupo Security reviews the carrying amount of its assets subject to impairment to determine whether there are indicators that such assets may be impaired. If any indicators are detected, the recoverable amount of the asset is estimated in order to calculate the amount of the impairment loss (if any).

The recoverable amount is the higher of the asset's fair value less cost to sell and the asset's future cash flows. When assessing the estimated future cash flows, the Company discounts them to present value using a discount rate that shows the current market valuations regarding the time value of money and the specific risks of the asset for which the estimated future cash flows have not been adjusted.

If the Company estimates that the recoverable value of an asset (or a cash generating unit) is below its carrying amount, then the carrying amount of the asset (or cash generating unit) is reduced to its recoverable value. The Company, therefore, immediately recognizes an impairment loss in profit or loss, except when the relevant asset is recognized at a restated amount, in which case the impairment loss is recognized as a decrease to the revaluation reserve.



When an impairment loss is reversed, the carrying amount of the asset is increased to the estimated recoverable value, which is recognized as income.

Intangible assets with an indefinite useful life are tested annually for indications of impairment.

All impairment losses are recognized in profit or loss. An impairment loss can only be reversed if it can be related objectively to an event occurring after the impairment loss was recognized.

# 2.12.1 IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS – INVERSIONES PREVISIÓN SECURITY (PARENT OF SEGUROS VIDA SECURITY PREVISIÓN S.A.)

The Financial Risk Area, in coordination with Investment Management, has defined a series of key indicators to discern whether the value of an asset may be impaired at a certain level. The Financial Risk Area continuously monitors these indicators in order to duly alert any probable impairment of an asset. When the alert is given, all additional information available will be gathered in order to confirm and explain this impairment.

For purposes of estimating the impairment of endorsable mortgage loans, Vida Security has decided to use the model defined by the CMF in General Standard No. 311 dated June 28, 2011. In addition, for retiree loans, Vida Security has decided to maintain the standard defined in General Standard No. 208 dated October 12, 2007 and amendments.

#### **INSURANCE PREMIUMS**

Impairment related to insurance premiums is estimated in conformity with CMF Ruling No. 1,499. Under this ruling, the provision for estimated loss is recognized in profit or loss depending on whether the premium is secured by notes, whether it has payment specification and based on the aging of the debt.

#### REINSURANCE CLAIMS RECEIVABLE

Considering that the Vida Security's current reinsurers have historically incurred no significant delays, caused by contractual non-compliance, in payments for ceded claims, the Company has decided to recognize impairment of the reinsurance liability in accordance with General Standard No. 848 on provisions for reinsurance claims receivable.

This means that reinsurance assets will be impaired in proportion to the claims provisioned for in relation to total reinsurance claims receivable (for insurance reinsured with the reinsurer for which the provision has been established).

In regard to the impairment of the reinsurance share of technical reserves, to date there is no objective evidence of impairment of any reinsurers with which Vida Security operates. All reinsurers meet the minimum selection requirements in the Company's reinsurance policy, duly approved by the Board of Directors, which calls for a risk rating of A or higher and no payment contingencies involving the Company. Thus, the subsidiary has no impairment provision in the reinsurance share of technical reserves.

#### **LOANS**

Impairment of retiree loans is estimated in accordance with CMF General Standard No. 208 and amendments.



#### 2.12.2 IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS – BANCO SECURITY

#### **FINANCIAL ASSETS**

As of each reporting date, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets may be impaired. A financial asset is impaired and a loss will arise if objective evidence of impairment exists. Financial assets carried at amortized cost show evidence of impairment when the present value of the estimated future cash flows, discounted at the asset's original effective interest rate, is less than the asset's carrying amount. An impairment loss for available-for-sale financial assets is calculated using its fair value.

Financial assets that are individually significant are assessed individually to determine whether objective evidence of impairment exists. Financial assets that are not individually significant and have characteristics similar to other assets are assessed as a group. All impairment losses are recognized in profit or loss. An impairment loss can only be reversed if it can be related objectively to an event occurring after the impairment loss was recognized.

See impairment criteria for loans granted by Banco Security in Note 2.20 "Provisions - Banco Security".

#### **NON-FINANCIAL ASSETS**

As of each reporting date, the Bank reviews the carrying amount of its non-financial assets to determine if objective evidence of impairment exists. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is reversed if there has been a change in the estimations used to determine the recoverable amount.

#### 2.13 VALUATION OF FINANCIAL INSTRUMENTS

Financial assets are recognized in the financial statements when acquired and are initially measured at fair value including costs related to their acquisition for instruments subsequently valued at amortized cost.

Financial assets maintained by Grupo Security S.A., and subsidiaries are classified in accordance with IFRS 9 based on the business model under which a financial asset is managed and the features of its contractual cash flows.

Specifically:

#### FINANCIAL ASSETS AT AMORTIZED COST:

Financial assets that are held within a business model, the objective of which is to collect contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI"), are subsequently measured at amortized cost.

#### LOANS AND RECEIVABLES:

These correspond to financial assets used to provide cash financing or services directly to a debtor.

Loans and receivables are accounted for at amortized cost recognizing accrued interest in profit or loss in accordance with the effective interest method. Amortized cost is the amount at which an asset or liability is measured at initial recognition, plus or minus the cumulative amortization using the effective interest method.



The effective interest rate is the rate that sets the value of a financial instrument equal to the sum of its cash flows estimated for all concepts over its remaining useful life.

#### FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME:

Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and/or selling financial assets, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI"), are subsequently measured at fair value through other comprehensive income.

#### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS:

All other financial assets (debt and equity instruments) are measured at fair value through profit and loss.

At each reporting date, Grupo Security S.A. assesses whether there is objective evidence that a financial asset or group of financial assets may be impaired.

#### **FAIR VALUE:**

The fair value of a financial instrument is defined as the amount at a given date for which it could be bought or sold on that date between two knowledgeable, willing parties in an arm's length transaction. The most objective and typical reference of fair value of a financial instrument is the price that is paid in an organized, transparent and deep market. If this market price cannot be estimated objectively and reliably for a certain financial instrument, the Company will estimate its fair value in reference to the most recent transactions of similar instruments or at the present value of all future cash flows (receipts or disbursements), discounted using a market interest rate for similar financial instruments (same term, currency, interest rate and equivalent risk rating).

#### 2.13.1 VALUATION OF FINANCIAL INSTRUMENTS – BANCO SECURITY

Banco Security presents its investments in financial instruments in accordance with IAS 39, as required by the Financial Market Commission (formerly SBIF) and detailed as follows:

#### TRADING SECURITIES

Financial instruments held for trading are securities, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or securities included in a portfolio in which there is a pattern of short-term profit-making.

Financial instruments held for trading are recognized at fair value based on year-end market prices. Gains or losses from fair value adjustments, as well as gains or losses from trading activities and accrued interest and indexation, are included in "financial instruments held for trading" within "net financial operating income" in the statement of income, as specified in detail in Note 27 to the Bank's financial statements.



Investment securities are classified into two categories:

- Investments held to maturity
- Investments assets available for sale

Investments held to maturity are those instruments that the Bank has the ability and intent to hold to maturity. The rest of the investment instruments are considered as available for sale. As of the date of issuance of these financial statements, Banco Security does not have any investments held to maturity.

Investment securities are initially measured at cost, including transaction costs.

Investments available for sale are subsequently recognized at fair value based on market prices or valuations obtained from models. Unrealized gains or losses arising from changes in their fair value are recognized with a charge or credit to equity accounts. When these investments are disposed of or impaired, the amount of the fair value adjustments accumulated in equity is transferred to profit or loss and reported in "sale of financial assets available for sale" in "net financial operating income" in the statement of income, as specified in detail in Note 27 to the financial statements of Banco Security.

Investments held to maturity are recognized at cost plus accrued interest and indexation, less impairment provisions recognized when the amount recognized is greater than the estimated recoverable amount. As of December 31, 2019 and 2018, Banco Security did not have any investments held to maturity.

The interest and indexation for inflation of held to maturity and available for sale investments are included in the "Interest and indexation income" line in the Bank's financial statements.

Investment securities used as accounting hedges are adjusted under hedge accounting rules.

# 2.13.2 VALUATION OF FINANCIAL INSTRUMENTS – INVERSIONES PREVISIÓN SECURITY LTDA. (PARENT OF SEGUROS VIDA SECURITY PREVISIÓN S.A.)

The company has applied the provisions of IFRS 9 – Financial Instruments. However, in accordance with ordinary rulings 6593, 11999, 14144 and 15907 from the Financial Market Commission, it has made an exception to IFRS 9 for fixed-income investments backing obligations for technical reserves for retirement annuities under D.L. 3,500, which are classified as investments at amortized cost.

#### 2.14 FINANCIAL DERIVATIVE CONTRACTS

Due to the types of transactions performed by Grupo Security, the Company is exposed to financial risks related to foreign exchange and interest rate fluctuations. To mitigate these currency and interest rate risks, Grupo Security uses currency derivatives, primarily US dollar, and interest rate forwards.

These contracts are classified as derivative instruments. Such instruments are initially recognized at fair value on the date on which the derivative contract is signed and subsequently remeasured at fair value.



Derivative instruments, which include foreign currency and UF forwards, interest rate futures, currency and interest rate swaps and options, and other financial derivative instruments, are recognized initially in the statement of financial position at cost (including transactions costs) and subsequently measured at fair value. The fair value is obtained from corresponding market pricings, discounted cash flow models and pricing valuation models. The derivative instruments are recognized as an asset when their fair value is positive and as a liability when they are negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related with those of the host contract and when such host contracts are not measured at fair value through profit or loss.

If a derivative instrument is classified as a hedging instrument, it can be: (1) a hedge of the fair value of existing assets or liabilities or firm commitments, or (2) a hedge of cash flows related to existing assets or liabilities or forecasted transactions. A hedge relationship for hedge accounting purposes must meet all of the following requirements: (a) at its inception, the hedge relationship has been formally documented; (b) it is expected that the hedge will be highly effective; (c) the effectiveness of the hedge can be measured reasonably; and (d) the hedge is highly effective with respect to the hedged risk, continuously throughout the entire hedge relationship.

Certain derivative transactions that do not qualify for hedge accounting are treated and reported as derivatives for trading purposes, even though they provide an effective hedge for managing risk positions.

When a derivative hedges the exposure to changes in the fair value of an existing item of the asset or liability, such hedged item is measured at fair value from the designation of the fair value hedge until its expiration, termination, etc. The mark to market adjustments for both the hedged item and the hedging instrument are recognized in the consolidated statements of income.

If the item hedged in a fair value hedge is a firm commitment, the changes in the fair value of the firm commitment regarding the covered risk are recognized as assets or liabilities recognized against the consolidated statements of income for the year. Gains or losses from fair value adjustments of the derivative instrument are recognized in profit or loss. When an asset or liability is acquired as a result of the commitment, the initial recognition of the asset or liability acquired is adjusted to incorporate the accumulated effect of the valuation at fair value of the firm commitment, which was previously recognized in the statement of financial position.

When a derivative hedges the risk of changes in the cash flows of existing assets or liabilities or forecasted transactions, the effective portion of changes in the fair value related to the hedged risk is recognized in equity.

Any ineffective portion is recognized directly in the consolidated statements of income for the year. The accumulated amounts recognized in equity are transferred to profit or loss when the hedged item affects profit or loss.

When an interest rate fair value hedge is performed on a loan portfolio basis and the hedged item is an amount instead of individualized assets or liabilities, gains or losses from fair value adjustments, for both the hedged portfolio and the derivative instrument, are recognized in profit or loss for the year, but the fair value adjustment of the hedged portfolio is reported in the statement of financial position, either in assets or liabilities, according to the position of the hedged portfolio at that moment in time.

When a cash flow hedge is used to hedge exposure to changes in cash flows that are attributed to a particular risk related to an asset or liability involved in a transaction that is predicted to be highly likely, the effective portion of changes in the fair value with respect to the hedged risk is recognized in equity, while the ineffective portion is recognized in profit or loss for the year.



#### 2.14.1 FINANCIAL DERIVATIVE CONTRACTS – BANCO SECURITY

Banco Security has applied IAS 39, as expressly mandated by the CMF (formerly SBIF) in its Compendium of Accounting Standards. Banco Security's derivative instruments, which include foreign currency and UF forwards, interest rate futures, currency and interest rate swaps and options, and other financial derivative instruments, are recognized initially in the statement of financial position at cost (including transactions costs) and subsequently measured at fair value. The fair value is obtained from corresponding market pricings, discounted cash flow models and pricing valuation models. Derivative instruments are reported as an asset when their fair value is positive and as a liability when negative, under "financial derivative instruments".

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related with those of the host contract and when such host contracts are not measured at fair value through profit or loss. At the moment of subscribing to a derivative agreement, the Bank must designate it either as a derivative instrument for trading or for hedge accounting purposes. Changes in fair value of derivative instruments held for trading purposes are included under "trading derivatives" in "net financial operating income (loss)", in the consolidated statement of income.

If a derivative instrument is classified as a hedging instrument, it can be:

(1) a hedge of the fair value of existing assets or liabilities or firm commitments, or (2) a hedge of cash flows related to existing assets or liabilities or forecasted transactions. A hedge relationship for hedge accounting purposes must meet all of the following requirements: (a) at its inception, the hedge relationship has been formally documented; (b) it is expected that the hedge will be highly effective; (c) the effectiveness of the hedge can be measured reasonably; and (d) the hedge is highly effective with respect to the hedged risk, continuously throughout the entire hedge relationship.

Certain transactions with derivatives that do not qualify for being classified as hedging derivatives are treated and recognized as trading derivatives, even when they provide effective economic hedges of the risk positions. When a derivative hedges the exposure to changes in the fair value of an existing item of the asset or liability, such hedged item is measured at fair value from the designation of the fair value hedge until its expiration, termination, etc. The mark to market adjustments for both the hedged item and the hedging instrument are recognized in the consolidated statements of income.

If the item hedged in a fair value hedge is a firm commitment, the changes in the fair value of the firm commitment regarding the covered risk are recognized as assets or liabilities recognized against the consolidated statements of income for the year. Gains or losses from fair value adjustments of the derivative instrument are recognized in profit or loss. When an asset or liability is acquired as a result of the commitment, the initial recognition of the asset or liability acquired is adjusted to incorporate the accumulated effect of the valuation at fair value of the firm commitment, which was previously recognized in the statement of financial position.

When a derivative hedges the risk of changes in the cash flows of existing assets or liabilities or forecasted transactions, the effective portion of changes in the fair value related to the hedged risk is recognized in equity.

Any ineffective portion is recognized directly in the consolidated statements of income for the year. The accumulated amounts recognized in equity are transferred to profit or loss when the hedged item affects profit or loss.



When an interest rate fair value hedge is performed on a portfolio basis and the hedged item is an amount instead of individualized assets or liabilities, gains or losses from fair value adjustments, for both the hedged portfolio and the derivative instrument, are recognized in profit or loss for the year, but the fair value adjustment of the hedged portfolio is reported in "financial derivative instruments", either in assets or liabilities, according to the position of the hedged portfolio at that moment in time.

When a cash flow hedge is used to hedge exposure to changes in cash flows that are attributed to a particular risk related to an asset or liability involved in a transaction that is predicted to be highly likely, the effective portion of changes in the fair value with respect to the hedged risk is recognized in equity, while the ineffective portion is recognized in profit or loss for the year.

# 2.14.2 FINANCIAL DERIVATIVE CONTRACTS – INVERSIONES PREVISIÓN SECURITY LTDA. (PARENT OF SEGUROS VIDA SECURITY PREVISIÓN S.A.)

The company enters into forwards during the period in order to cover changes in the exchange rate that may adversely affect its assets in foreign currency (US dollars), which are at fair value at year end in accordance with CMF General Standard No. 311. Changes in value during the year are recognized in profit or loss.

All derivatives carried at fair value may be quoted in the market and the fair value is calculated based on standard financial formulas by using market parameters such as exchange rate, volatilities or discount rates.

# 2.15 FINANCIAL INVESTMENTS – INVERSIONES PREVISIÓN SECURITY LTDA. (PARENT OF SEGUROS VIDA SECURITY PREVISIÓN S.A.)

Financial investments are valued in conformity with CMF General Standard No. 311 and based on the principles and criteria included in IFRS 9 and IAS 39, as applicable, for the valuation of investments and their recognition in profit or loss or equity.

IFRS 9 "Financial Instruments" introduces new requirements and specifies how an entity should classify and measure financial assets. This standard requires that all financial assets be classified on the basis of an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are measured at amortized cost or fair value and only those financial assets measured at amortized cost are tested for impairment.

The IASB has not established a mandatory effective date for IFRS 9; however, CMF General Standard No. 311 established early mandatory application for life and general insurance companies from January 1, 2012, and provided instructions regarding the valuation of financial investments that insurance and reinsurance companies may make. In accordance with that standard, the company has classified its investments as follows:

#### A) FINANCIAL ASSETS AT FAIR VALUE

All of the company's financial assets other than those detailed in section b) below are measured at fair value.



The company does not have any in-house developed valuation models for determining the fair value of its financial investments and, therefore, in conformity with CMF General Standard No. 311, it uses the following fair value valuation standards:

#### I) LISTED SHARES WITH ADJUSTED PRESENCE:

Shares recorded with annual adjusted presence over 25% or with a market marker in conformity with Section II and III of General Standard No. 327 are valued in accordance with the following calculation. Within the last 180 trading days before the day of the calculation, the number of days in which total daily exchange transactions have reached a minimum amount equivalent to UF 1,000, in conformity with the value of that unit each of those days, will be calculated. That number will be divided by 180 and the resulting quotient will be multiplied by 100 to get a percentage.

#### II) OTHER SHARES:

Shares not listed or traded on stock markets are measured at their carrying amount at the reporting date.

#### III) INVESTMENT FUND UNITS:

Investment fund units with annual adjusted presence of 20% or more are valued at the weighted average of the transactions of the last trading day, corresponding to the year end, considering the transactions in which an amount equal to or greater than UF 150 has been traded. Investment fund units without presence or with low presence are valued at the unit value, which is reported monthly by the fund as equity divided into the number of units, regardless of whether this is the carrying amount or a financial value. It is assumed that if the fund reports its financial statements under IFRS, then its assets and liabilities will be valued at fair value as appropriate. Therefore, the reported unit value will be an appropriate estimate of the fair value of the unit.

#### IV) MUTUAL FUND UNITS:

Mutual fund units are measured at the redemption value of the units at the reporting date; differences between this value and the closing amount recognized in the prior financial statements are recognized in profit or loss.

#### V) FOREIGN INVESTMENT FUND AND MUTUAL FUND UNITS:

Investments in these funds are measured at the value of the unit on the last working day of the month of the financial statement close.

#### VI) DERIVATIVES:

The company enters into forwards during the period in order to cover changes in the exchange rate that may adversely affect its assets in foreign currency (US dollars), which are at fair value at year end in accordance with CMF General Standard No. 311. Changes in value during the year are recognized in profit or loss.

#### B) FINANCIAL ASSETS AT AMORTIZED COST

The company's policy is to maintain a portfolio of long-term fixed income financial and real estate securities sufficient to back total annuity reserves and intended to provide a legal reserve for cash flows as tight as possible in the tranches where feasible (tranches 1 to 7). In accordance with General Standard No. 311, these investments are recognized at amortized cost. Life annuity reserves represent approximately 67% of the company's total liabilities.



For purposes of classifying financial assets at amortized cost, the subsidiary verifies that the securities have the features of a loan and confirms that the business model considers the recovery of the portfolio by means of contractual cash flows, according to the following criteria:

#### I) FIXED INCOME SECURITIES:

These are measured at their present value estimated based on the same discount rate used to determine the price of the instrument at the time of acquisition (IRR). This rate is obtained by setting the acquisition costs for the instrument, plus initial transaction costs, equal to its future cash flows. The difference between the par value and the present value is amortized over the life of the instrument.

#### II) LOANS:

These are loans granted to individuals in accordance with the provisions of CMF General Standard No. 208 and amendments. Loans are recognized at the amount of outstanding payments plus accrued but unpaid interest.

#### III) FIXED INCOME STRUCTURED NOTES:

The Company maintains fixed income investments abroad (structured notes) which are measured using the same discount rate used to determine the price of the instrument at the time of the purchase.

#### C) HEDGING TRANSACTIONS

Hedging transactions correspond to the acquisition or sale of a financial asset that is related to the hedged instrument.

The company has a general policy to recognize derivatives at fair value with the exception of cross currency swaps, which are measured at amortized cost in conformity with CMF General Standard No. 200 and amendments, as they perfectly cover the future cash flows from long-term fixed income securities that back annuity reserves.

#### D) INVESTMENTS FOR INSURANCE WITH SAVINGS COMPONENTS (CUI)

Investments backing reserves for insurance with savings components (CUI) are classified as instruments at fair value for funds in which the return on the policy is related to the performance of a certain investment portfolio managed by the company or subject to a financial indicator without a minimum return guarantee.

Fixed income investments backing reserves for CUI insurance, in which the funds are guaranteed by the company, are valued at amortized cost, as the investments were purchased and are held in order for their accrued cash flows to cover the guaranteed rate for these funds. In compliance with the IFRS conditions to recognize an asset at amortized cost.

Equity instruments used to back this reserve include stocks, investment fund units and mutual fund units.



Debt securities at fair value are valued as follows:

#### I) LOCAL DEBT SECURITIES:

Local debt securities are valued at their present value resulting from deducting future cash flows of the instruments from the market IRR of the instruments at that date. That rate is the rate reported in the price vector provided by the Risk América Consultores, on the web page www.portal.aach.cl/Home.aspx, corresponding to the first working day after the year end. If an instrument is not shown in the price vector, the underlying rate of the exchange transaction of the instrument within the six months before the year end is used; or if there are no transactions in that period, the real annual average internal rate of return (AIRR) of the month of the year end reported by Santiago Exchange is used.

#### II) FOREIGN DEBT SECURITIES:

Foreign debt securities are valued in accordance with the quoted value of the security in international markets on the instrument's last day of trading before year end; or if there are no transactions, the company uses the present value of the instrument deducted at the IRR of another instrument with similar characteristics that is representative of the market rate of the instrument held.

#### 2.16 REPURCHASE AGREEMENTS AND SECURITIES LENDING – BANCO SECURITY

Banco Security engages in repurchase and resale agreements for funding purposes. The Bank's investments that are sold with a repurchase obligation and that serve as a guarantee for the loan are included in "financial instruments held for trading" and the obligation is recognized in liabilities under "payables from repurchase agreements and securities lending". When financial instruments are purchased with a resale obligation, they are included in assets under "receivables from repurchase agreements and securities borrowing". Repurchase and resale agreements are valued at amortized cost based on the transaction's IRR.

#### 2.17 SAVINGS ACCOUNTS AND TIME DEPOSITS - BANCO SECURITY

Savings accounts and time deposits consist of funds obtained from third parties and/or the market. Regardless of the type of instrument or maturity, they are valued at amortized cost. Other debt instruments issued are valued as of the placement date, including transaction costs, and subsequently valued at amortized cost using the effective interest method.

#### 2.18 FINANCIAL LIABILITIES

Financial instruments issued by Grupo Security S.A., and subsidiaries are recognized at the amount received, net of direct issuance costs.

The main financial liabilities are classified as follows:

- i) Financial liabilities held to maturity are recognized at amortized cost using the effective interest method.
- ii) Financial liabilities held for trading are stated at fair value, following the same criteria as financial assets held for trading. Gains and losses from fluctuations in fair value are included in profit or loss for the year. As of December 31, 2019 and 2018, Grupo Security and



subsidiaries account for obligations for financial derivative contracts in this account, recognized at fair value.

Loans accruing interest are recognized at the amount received, net of direct issuance costs. Finance costs, including commissions to be paid upon settlement or reimbursement and direct issuance costs, are recognized in profit or loss using the accrual method and the effective interest method.

#### 2.19 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Grupo Security derecognizes a financial asset only when the contractual rights to the cash flows of the financial asset have expired or when the contractual rights to receive the cash flows of the financial asset are transferred during a transaction in which all risks and rewards are transferred.

Grupo Security derecognizes a financial liability only when the obligation specified in the corresponding contract has been extinguished (i.e. paid or settled).

#### 2.20 GENERAL PROVISIONS

Provisions are recognized when:

- i) Grupo Security has a present obligation as a result of a past event,
- ii) It is probable that an outflow of resources including economic benefits will be required to settle the obligation,
- iii) A reliable estimate can be made of the amount of the obligation.

These correspond to amounts covering present obligations at the date of the statement of financial position arising from past events from which actual explicit or constructive obligations can be derived in relation to their nature and for which the amount can be estimated.

The financial statements of Grupo Security include all material provisions for which the probability of paying the obligation is considered more than likely.

#### 2.20.1 PROVISIONS - BANCO SECURITY

At Banco Security, provisions required to cover risk of loan losses have been recognized in accordance with guidance and specific instructions from the CMF (formerly SBIF). Effective loans are presented net of such provisions, while contingent loan provisions are presented in liabilities. The Bank uses models or methods based on individual and group analyses of debtors to establish provisions for loan losses. These models and methods are in accordance with CMF (formerly SBIF) guidance and instructions.

Loans to customers, both originally granted by the Bank and acquired, are non-derivative financial assets with fixed or defined charges that are not quoted on an active market and that the Bank has no intention of selling immediately or in the short term. They are valued initially at fair value plus incremental transaction costs and subsequently measured at amortized cost using the effective interest method.



#### A) IMPAIRED PORTFOLIO

The impaired portfolio includes loans for which concrete evidence exists that the borrowers will not meet some of their obligations in the agreed upon payment terms, regardless of the possibility of recovering amounts owed from collateral, through court collections or by negotiating different terms.

Within this context, the Bank will keep these loans in the impaired portfolio until the payment capacity or behavior has returned to normal. However, the Bank may continue to write off any individual loans.

#### B) PROVISIONS ON LOANS ASSESSED INDIVIDUALLY, BANK

An individual debtor assessment is used when the Bank needs to understand and analyze a customer, whether an individual or legal entity, in detail because of its size, complexity or exposure level. It requires a risk rating for each debtor.

For provisioning purposes, the Bank categorizes debtors and their loans and contingent loans into the appropriate category after assigning them to either the normal, substandard or default portfolio, which are defined as follows:

#### NORMAL AND SUBSTANDARD PORTFOLIO:

| PORTFOLIO TYPE        | DEBTOR CATEGORY | PROBABILITY OF<br>DEFAULT<br>(%) | LOSS GIVEN DEFAULT (%) | EXPECTED LOSS<br>(%) |
|-----------------------|-----------------|----------------------------------|------------------------|----------------------|
| Normal Portfolio      | A1              | 0.04                             | 90.00                  | 0.03600              |
|                       | A2              | 0.10                             | 82.50                  | 0.08250              |
|                       | A3              | 0.25                             | 87.50                  | 0.21875              |
|                       | A4              | 2.00                             | 87.50                  | 1.75000              |
|                       | A5              | 4.75                             | 90.00                  | 4.27500              |
|                       | A6              | 10.00                            | 90.00                  | 9.00000              |
| Substandard Portfolio | B1              | 15.00                            | 92.50                  | 13.87500             |
|                       | B2              | 22.00                            | 92.50                  | 20.35000             |
|                       | В3              | 33.00                            | 97.50                  | 32.17500             |
|                       | B4              | 45.00                            | 97.50                  | 43.87500             |

Nevertheless, Banco Security must maintain a minimum provision of 0.50% on loans and contingent loans in the normal portfolio.

#### **DEFAULT PORTFOLIO**

| PORTFOLIO TYPE    | SCALE OF RISK | RANGE OF EXPECTED LOSS   | PROVISION (%) |
|-------------------|---------------|--------------------------|---------------|
| Default Portfolio | C1            | More than 0% up to 3%    | 2             |
|                   | C2            | More than 3% up to 20%   | 10            |
|                   | C3            | More than 20% up to 30%  | 25            |
|                   | C4            | More than 30 % up to 50% | 40            |
|                   | C5            | More than 50% up to 80%  | 65            |
|                   | C6            | More than 80%            | 90            |



#### C) PROVISIONS ON LOANS ASSESSED IN A GROUP

Group assessments are used to analyze a large number of transactions with small individual amounts. For these purposes, the Bank uses models based on the characteristics of debtors and their loans, as well as models based on the behavior of a group of loans. In group assessments, provisions for the consumer portfolio will always be recognized according to expected loss based on the models used by the Bank. Provisions are made for the commercial and mortgage portfolios using incurred loss methodologies.

#### D) ADDITIONAL LOAN PROVISIONS

According to SBIF (presently CMF) instructions, Banco Security may establish additional provisions on its individually assessed loan portfolio based on the expected impairment of that portfolio. This provision is calculated based on the Bank's past experience and potential adverse macroeconomic scenarios or circumstances that may affect a particular sector, industry, debtor group or project. As of December 31, 2019 and 2018, the Bank had not recognized any additional provisions.

#### E) LOAN WRITE-OFFS

Loans are written off when recovery efforts have been exhausted in accordance with timetables issued by the SBIF, as follows:

| TYPE OF LOAN                                    | TERM      |
|---|-----------|
| Consumer loans secured and unsecured            | 6 months  |
| Other unsecured operations                      | 24 months |
| Commercial loans secured                        | 36 months |
| Residential mortgage loans                      | 48 months |
| Consumer leasing                                | 6 months  |
| Other non-real-estate leases                    | 12 months |
| Real estate leases (commercial and residential) | 36 months |

#### **RECOVERY OF WRITTEN-OFF LOANS:**

Subsequent repayments on written-off loans are recognized directly in profit or loss under "recovery of written-off loans" in "provisions for loan losses" in the Bank's financial statements.

#### **ACCRUAL SUSPENSION CRITERIA:**

| LOANS SUBJECT TO SUSPENSION:                             | SUSPENDED:   |
|--|--|
| Individual assessment:<br>Loans classified in C5 and C6  | For being in the impaired portfolio.                             |
| Individual assessment:<br>Loans classified in C3 and C4  | For having been in the impaired portfolio for three months.      |
| Group assessment:<br>Loans with less than 80% collateral | When the loan or one of its installments is six months past due. |



#### 2.21 INVENTORY - INMOBILIARIA SECURITY S.A.

Inventory is recognized at the lower of cost and net realizable value. Costs, which include an appropriate portion of fixed and variable costs, are allocated to inventory by the most appropriate method according to the type of inventory, based mainly on the distribution per built square meter and the area of the land, accordingly. Net realizable value corresponds to the estimated sales price for inventory less all necessary costs to sell. The Group's inventory comes from the subsidiary Inmobiliaria Security S.A. and correspond mainly to the following items:

#### A) LAND FOR CONSTRUCTION

This land was acquired with the intention to use it in a construction plan. The Group values this land using the cost method.

#### **B) WORK IN PROGRESS**

Corresponds to disbursements made to develop real estate projects, which are valued at cost.

#### C) HOUSES AND APARTMENTS IN STOCK

Corresponds to homes that have been approved by municipal authorities and are available for sale, which are valued at cost.

#### D) MORTGAGE BOND AND LEASE AGREEMENTS

These agreements are valued at amortized cost, acquired to issue bonds as separate estates (Securitizadora Security S.A).

Inmobiliaria Security S.A. measures its inventory at the lower of cost and net realizable value. At year end, the Company performs an evaluation of the net realizable value of inventory. When inventory is considered to be overstated, it recognizes any adjustments to inventory with a charge to profit or loss. As of year end, the Group has not recognized an obsolescence provision on its inventory. The main components of the cost of a house or apartment correspond to the land, lump sum construction contract, architect and engineers' fees, permits and municipal taxes, operating expenses, financing costs and other disbursements related directly to the construction of the home that are necessary for its completion.

#### 2.22 RECOGNITION OF REVENUE AND EXPENSES

#### A) REVENUE

IFRS 15 establishes the principles that an entity must apply to account for revenue and proceeds from contracts for the sale of goods or services to customers.



According to this standard, Grupo Security S.A. recognizes revenue from contracts with customers when it has satisfied its obligations to transfer goods or perform services, as contractually agreed upon, and deems that a good or service has been transferred when the customer obtains control of the good or service (either over time or at a point in time).

The amount recognized is the price of the consideration received.

#### B) EXPENSES

Expenses are recognized in the statement of income when there is a decrease in the future economic benefits related to a reduction in an asset, or an increase in a liability, that can be measured reliably. This implies that an expense would be recognized at the same time as the increase in the liability or the reduction in the asset is recognized.

An expense is recognized immediately when a disbursement does not generate future economic benefits or when it does not meet the necessary requirements to be recognized as an asset.

#### 2.22.1 REVENUE AND EXPENSE RECOGNITION – BANCO SECURITY

At Banco Security, interest and indexation income and expenses are presented on an accrual basis until year end, using the effective interest method, which is a discount rate that exactly matches the estimated cash flows to be received or paid over the expected life of the transaction.

However, for impaired loans, accrual is suspended as defined by the CMF (formerly SBIF) in Chapter B-2 of the Compendium of Accounting Standards, using the following criteria:

| LOANS SUBJECT TO SUSPENSION:                             | SUSPENDED:   |
|--|--|
| Individual assessment:<br>Loans classified in C5 and C6  | For being in the impaired portfolio.                             |
| Individual assessment:<br>Loans classified in C3 and C4  | For having been in the impaired portfolio for three months.      |
| Group assessment:<br>Loans with less than 80% collateral | When the loan or one of its installments is six months past due. |

#### FEE AND COMMISSION INCOME

Fee and commission income and expenses that are part of the effective interest rate of a financial asset or liability are recognized in profit or loss over the life of the transactions from which they arise. Fee and commission income and expenses generated by providing a given service are recognized in profit or loss as the services are provided. Those involving financial assets and liabilities are recognized when collected.

#### 2.23 OFFSETTING OF BALANCES

Balances will only be offset when the debtor and creditor balances generated in transactions, either contractually or legally, establish the possibility of offsetting and the Group has the intent to liquidate them for their net or realizable amount and to simultaneously pay the liability.



#### 2.24 CURRENT AND DEFERRED INCOME TAXES

The provision for corporate (first category) income taxes is calculated based on the tax laws in force as of the reporting date.

Deferred taxes arising from temporary differences and other events that generate differences between the carrying amount for financial reporting purposes and tax bases of assets and liabilities are recognized in accordance with IAS 12. They are calculated using tax rates in force as of the date on which the corresponding deferred tax assets or liabilities are expected to be reversed.

The Company's tax rate is 27%, in accordance with letter B) of article 14 of the Income Tax Law, in effect beginning January 1, 2018 (Semi-Integrated System).

As of December 31, 2019 and 2018, the Company has recognized deferred tax assets and liabilities for temporary differences that will be reversed in subsequent years.

#### 2.25 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit or loss for the year by the weighted average shares outstanding during such period, without including the average number of shares of Grupo Security S.A. owned by the other subsidiaries.

The Company has not engaged in any type of transaction with a potential dilutive effect that assumes diluted earnings per share that differ from basic earnings per share.

#### 2.26 FUNCTIONAL CURRENCY

The items included in the financial statements of each of the entities of Grupo Security are valued using the currency of the primary economic environment in which the entity operates (functional currency).

Grupo Security's management has concluded that the currency of the main economic environment in which the Company operates is the Chilean peso. This conclusion is based on the following:

- A) It is the currency of the country (Chile) whose competitive forces and regulations mainly determine the prices of the services that Grupo Security provides.
- **B)** It is the currency that mainly influences the Group's cost structure as it relates to the services Grupo Security provides to its customers.

As a result, we can conclude that the Chilean peso reflects the transactions, events and conditions that underlie and are relevant to Grupo Security.

The financial statements of its subsidiaries in Peru are prepared in Peruvian nuevo soles and converted to Chilean pesos under IAS 21 for translation and presentation purposes. The effects of translation are recognized in "other comprehensive income" within equity.



The financial statements of its subsidiary Security Internacional Spa., are prepared in US dollars and converted to Chilean pesos under IAS 21 for translation and presentation purposes. The effects of translation are recognized in "other comprehensive income" within equity.

#### 2.27 VARIATIONS IN FOREIGN CURRENCY AND INDEXED UNITS

The management of Grupo Security has defined the Company's functional currency as the Chilean peso.

Consequently, transactions in currencies other than the Chilean peso and those carried out in indexed units such as the UF, UTM, IVP, etc., are considered foreign currency and/or indexed units, respectively, and are recognized at the exchange rates and/or closing values in force as of the respective transaction date.

In preparing Grupo Security's consolidated financial statements, monetary assets and liabilities denominated in foreign currency and/ or indexed units are converted at the exchange rates and/or closing values in force as of the reporting date. The resulting exchange differences are recognized in profit or loss.

#### 2.27.1 VARIATIONS IN FOREIGN CURRENCY AND INDEXED UNITS – BANCO SECURITY

At Banco Security, transactions in foreign currency are translated to Chilean pesos at the exchange rate in force on the transaction date. Note that monetary items in foreign currency are translated using the closing exchange rate at each year end, and non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

The net foreign exchange gains shown in the consolidated statement of income, include both the result of foreign exchange transactions and the effects of exchange rate variations on foreign-currency-denominated assets and liabilities.

#### 2.28 STATEMENT OF CASH FLOWS

Grupo Security prepares its consolidated statement of cash flows using the direct method, based on the following definitions:

#### **CASH FLOWS:**

Inflows and outflows of cash or cash equivalents, which are short-term, highly-liquid investments with a low risk of changes in value.

#### **OPERATING CASH FLOWS:**

Cash flows from Grupo Security's normal activities as well as other activities that cannot be classified as from investing or financing.

#### **INVESTING CASH FLOWS:**

Cash flows resulting from acquiring, selling or otherwise disposing of long-term assets and other investments not included in cash and cash equivalents.



#### FINANCING CASH FLOWS:

Cash flows resulting from activities that bring about changes in the size and composition of net equity and financial liabilities that are not part of cash flows from operating activities.

#### 2.29 RELATED PARTY DISCLOSURES

The most important balances and transactions with related parties are disclosed in the consolidated financial statements, detailing the nature of the relationship and information on the transactions and the respective balances.

### 2.30 EQUITY-ACCOUNTED INVESTMENTS

Associates are entities over which Grupo Security has the ability to exercise significant influence, although not control. Usually this capacity manifests itself through an ownership interest equal to or greater than 20% of the entity's voting rights and is valued using the equity method, recognizing results on an accrual basis.

#### 2.31 OPERATING SEGMENTS

The Group's operating segments are defined as components of Grupo Security, about which separate financial reporting is available that is evaluated regularly by the chief decision maker in making decisions about allocating resources and assessing performance. Grupo Security operates in five business segments: Lending, Asset Management, Insurance, International Business and Other Services.

Grupo Security provides financial information by segment in order to identify and disclose in the notes to the consolidated financial statements the results obtained by its distinct business areas in conformity with IFRS 8.

#### 2.32 USE OF ESTIMATES

In preparing the consolidated financial statements, certain estimates made by the respective companies' management teams have been used in order to quantify some assets, liabilities, income, expenses and commitments recognized in such statements. These estimates basically refer to:

- A) The valuation of assets and goodwill to determine the existence of impairment losses.
- B) The assumptions used to calculate the fair value of financial instruments.
- **C)** The assumptions used to calculate estimates of allowances for doubtful accounts.
- **D)** Contingencies and commitments.
- **E)** The assumptions used to calculate inventory obsolescence estimates.
- **F)** Estimate of taxable earnings to evaluate the recoverability of deferred tax assets.
- G) Determination of the useful life of property and equipment and intangible assets.



Although these estimates have been based on the best information available at the date of issuance of these Consolidated Financial Statements, it is possible that events may occur in the future that will require a change (increase or decrease) in future periods, which would occur prospectively, recognizing the effects of such change in estimate in the corresponding future Consolidated Financial Statements.

#### 2.33 PRESENTATION OF THE FINANCIAL STATEMENTS

#### A) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Grupo Security has decided to present its consolidated statement of financial position under a presentation format based on the classified current value.

#### B) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Grupo Security has decided to present its consolidated statement of comprehensive income by function.

#### 2.34 REAL ESTATE INVESTMENTS

Grupo Security's real estate investments include land, building and other construction held to earn rentals or for capital appreciation upon sale as a result of possible future increases in their respective market prices.

Real estate investments are presented in the financial statements using the cost or fair value models. Using the cost model, these properties are recognized at cost less accumulated depreciation and any accumulated impairment losses. Under the fair value model, properties are remeasured at least on an annual basis to determine their fair value. Increases or decreases in fair value at the time of the remeasurement are immediately recognized in profit or loss for the year.

Depreciation is determined using the straight-line method over the cost of the investment property less its residual value. The land on which buildings and other facilities are built is considered to have an infinite useful life and, therefore, is not depreciated.

Depreciation for each year is recognized in profit or loss and calculated based on the estimated useful lives of the respective real estate investment.

Any gain or loss from the disposal of a real estate investment is calculated as the difference between the sales price and its carrying amount and will be recognized in profit or loss. The fair value of investment property must be disclosed in the notes to the consolidated financial statements.

# 2.35.1 REAL ESTATE INVESTMENTS – INVERSIONES PREVISIÓN SECURITY LTDA. (PARENT OF SEGUROS VIDA SECURITY PREVISIÓN S.A.)

As of each year end, the Company presents the following types of real estate investments:

#### A) INVESTMENT PROPERTY

Real estate and investment properties are recognized at the lesser of their original cost plus legal revaluations, net of accumulated depreciation as of year end, and the appraisal value of these assets in accordance with CMF General Standard No. 316 from August 12,



2011. The cost includes the acquisition price and all costs directly related to bringing the asset to the location and condition necessary for its operation.

Depreciation is calculated on a straight-line basis over the useful life of the respective asset and recognized in the statement of income. When the appraisal value is less than the corrected cost, an adjustment is made for the difference by recording a provision in profit and loss.

#### B) REAL ESTATE LEASE AGREEMENTS

Real estate lease agreements are recognized in conformity with CMF General Standard No. 316 at the lower of the agreement's residual value determined in accordance with the standards of the Chilean Institute of Accountants, the price-level adjusted cost less accumulated depreciation or market value, which is represented by the last two available commercial appraisals.

#### C) PROPERTIES FOR OWN USE

Real estate and investment properties are recognized at the lesser of their original cost plus legal revaluations, net of accumulated depreciation as of year end, and the appraisal value of these assets in accordance with CMF General Standard No. 316 from August 12, 2011. The cost includes the acquisition price and all costs directly related to bringing the asset to the location and condition necessary for its operation.

Depreciation is calculated on a straight-line basis over the useful life of the respective asset and recognized in the statement of income. When the appraisal value is less than the corrected cost, an adjustment is made for the difference by recording a provision in profit and loss.

#### D) FURNISHINGS AND EQUIPMENT FOR OWN USE

Furnishings and equipment are stated at cost net of accumulated depreciation at year end.

Depreciation is calculated on a straight-line basis over the useful life of the respective asset and recognized in the statement of income.

#### 2.35 CLASSIFICATION OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

Assets and liabilities classified as current include those maturing within 12 months or those intended to be sold, realized, settled or paid during the normal course of business of Grupo Security.

Non-current assets and liabilities include all assets or liabilities that are not classified as current assets or liabilities.

In their statements of financial position, the subsidiaries Banco Security and Seguros Vida Security Previsión S.A., classify their assets and liabilities in accordance with instructions from the Financial Market Commission, which do not use the classifications of current and non-current. Therefore, for presentation purposes, Grupo Security S.A., has classified the assets and liabilities of the banking and insurance businesses as current in its consolidated financial statements.



#### 2.36 TREASURY SHARES

Equity is presented net of all Grupo Security S.A. shares that are owned by its consolidated subsidiaries.

#### 2.37 PRICE-LEVEL RESTATEMENT IN HYPERINFLATIONARY ECONOMIES

As Chile is not classified as a hyperinflationary economy in accordance with IAS 29, the consolidated financial statements of Grupo Security are not be adjusted for variations in the Consumer Price Index (CPI).

#### 2.38 CONTINGENT ASSETS AND LIABILITIES

A contingent asset or liability is any right or obligation arisen from past events whose existence will be confirmed only if one or more uncertain future events not under the control of Grupo Security occurs.

Contingent assets are not to be recognized in the consolidated financial statements. Nevertheless, when the realization of the income or expense associated with this contingent asset is more likely than not, it is recognized in the financial statements.

Contingent liabilities are recognized to the extent that their realization is likely and the amount can be reliably measured.

Contingent assets and liabilities are disclosed in a note to the consolidated financial statements as required by IAS 37.

#### 2.39 MINIMUM DIVIDENDS

The dividend policy agreed by the shareholders is to distribute at least 30% of the profits of Grupo Security S.A. received from its direct subsidiaries during the year and divide the payment in two dividends, an interim dividend and a final dividend. Additionally, the Board of Directors has been authorized to approve additional dividend distributions with a charge to retained earnings if, in the opinion of the Board, Grupo Security S.A.'s financial condition allows it.

Accordingly, it has recognized a minimum dividend provision charged to equity.

#### 2.40 EMPLOYEE BENEFITS

#### A) EMPLOYEE VACATION

The annual cost of employee vacation is recognized on an accrual basis.

#### **B) SHORT-TERM BENEFITS**

Grupo Security has a yearly bonus plan for its employees that may be given based on their performance and ability to meet targets. Provisions are made for them based on the estimated amount to be distributed.



#### C) SEVERANCE INDEMNITIES

Grupo Security has not agreed to any severance indemnities that will be payable no matter the reason for terminating employment and, as a result, has not made any such provisions. Any such expenses are recognized in profit or loss as incurred.

#### **2.41 LEASES**

Starting January 1, 2019, Grupo Security has adopted IFRS 16 – Leases and has therefore recognized assets and liabilities in accordance with this standard. Under this standard, the "right-of-use" asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated amortization, adjusted for any re-measurement of the lease liability. The "lease liability" is initially measured at the present value of the lease payments that are not paid as of that date. Subsequently, the lease liability is adjusted to account for interest and lease payments as well as modifications to the lease, among others.

# 2.42 TECHNICAL RESERVES – INVERSIONES PREVISIÓN SECURITY LTDA. (PARENT OF SEGUROS VIDA SECURITY PREVISIÓN S.A.)

Technical reserves represent a monetary measure of the net obligations maintained by insurance companies with policy holders. The estimate of this reserve is based on actuarial estimates of the mentioned obligations, which are made using mortality and morbidity tables created based on statistical information and, when dealing with long-term insurance, based on present value.

In Chile, actuarial formulas, mortality and morbidity tables and discount rates used to estimate present value included in long-term reserves are determined by the CMF and their application is mandatory. Reserves estimated in this way represent minimum reserves. However, Chilean standards establish that when there is evidence obtained through studies or analyses that the reserves are insufficient, additional amounts shall be included to eliminate such insufficiency. These analyses are performed through Premium Sufficiency Tests and Liability Adequacy Tests established by the CMF.

Minimum reserves, as well as those determined by the Premium Sufficiency Tests and Liability Adequacy Tests, must be estimated in conformity with the actuarial basis generally accepted in international practice adjusted to Chilean standards.

CMF General Standard No. 318 issued on September 1, 2011, provides "Instructions regarding the application of IFRS to the determination of technical reserves for annuities and disability and survivor insurance under DL No. 3,500 of 1980".

CMF General Standard No. 306 issued on April 4, 2011, and amended by SVS General Standard No. 320 issued on September 1, 2011, provides instructions on the determination of technical reserves for insurance other than retirement insurance under DL No. 3,500 of 1980".

CMF General Standard No. 243 issued on February 3, 2009, provides "Instructions regarding the determination of technical reserves for disability and survivor insurance under DL No. 3,500 of 1980.



#### A) UNEXPIRED RISK RESERVE

This reserve is recognized for insurance contracted for a period under or equal to four years and it corresponds to unearned net premium in conformity with the instructions provided by the CMF in General Standard No. 306.

In general, the Company's short-term policies and additional clauses relate to annual insurance with coverage and premium recognition on a monthly basis. The grace period of the related coverage is one (1) month. Accordingly, the unexpired risk reserve considered by the Company is equivalent to one (1) month of premium not discounted for acquisition costs.

For short-term policies and additional clauses with coverage and premium recognition in periods over one month, the unexpired risk reserve is estimated starting from the recognized unearned premium based on daily figures and without recognizing acquisition costs, in conformity with the provisions of section 1.1 of clause II of General Standard No. 306.

There is no long-term insurance for which the unexpired risk reserve has been considered.

#### B) PRIVATE INCOME RESERVE

For technical reserve purposes, these policies are treated like annuities.

#### C) MATHEMATICAL RESERVE

The mathematical reserve has been estimated in accordance with the methods determined by the CMF in General Standard No. 306 dated April 14, 2011, which corresponds to the present value of future payments for claims generated by policies less the current value of future premiums as per mortality tables M-95 H and M-95 M and the annual technical interest rate of 3%.

The Company's long-term policies relate to the main coverage for individual traditional insurance and level premiums as well as individual and group single premium insurance that are completely paid.

#### D) RESERVE FOR DISABILITY AND SURVIVOR INSURANCE (DSI)

For disability and survivor insurance in force from August 1, 1990, reserves have been calculated in conformity with CMF General Standard No. 243.

The reserves for claims related to disability and survivor insurance which are in force from July 1, 2010, have been estimated in conformity with the instructions included in CMF General Standard No. 243 from February 2009 and its amendments, as well as CMF General Standard No. 318 from September 1, 2011.

#### E) ANNUITIES RESERVE

This reserve has been set up in accordance with the calculation methods determined by the CMF and is the current value of future payments to the insured parties or beneficiaries, calculated based on the life tables and the maximum interest rate stated in Ruling No.



422 and its amendments. From January 2001, the Company has applied Ruling No. 1,512 of 2001 for insurance governed by Ruling No. 528 of 1985. From January 2012, the Company has applied CMF General Standard No. 318.

For life annuity policies in effect until December 31, 2011, the Company has set up a financial technical reserve in accordance with CMF Ruling No. 1,512 dated January 2, 2001, and CMF General Standard No. 318 dated September 1, 2011, on the valuation of assets and liabilities, at the present value of future discounted payments at a weighted rate that is calculated based on a 3% rate and the underlying internal rate of return in transactions on formal markets of long-term state-owned instruments at the starting date of the life of policies, weighted by liability hedge rates at year end.

For policies initially in effect since January 1, 2012, the discount rate used in the calculation of present value is the lesser of the underlying internal rate of return (IRR) in the transactions of formal markets of long-term, state-issued instruments, at the starting date of the life of the policies and the sale rate (SR), as defined in Section III of CMF Ruling No. 1512.

Beginning March 2015, the discount rate used to calculate present value is the lesser of the sale rate (SR) as defined in Section III of CMF Ruling No. 1512 and the Equivalent Cost Rate (CR) calculated in accordance with General Standard No. 374 from January 2015, using the Discount Rate Vector (DRV) published monthly by the CMF.

By means of General Standard No. 172, the CMF provided life table RV-2004. General Standard No. 178 governed the gradual application of this table to the calculation of the financial technical reserve of policies in effect before March 9, 2005. Subsequently, by means of General Standard No. 207, the CMF provided life tables MI-2006 and B-2006. Rulings Nos. 1,857, 1,872 and 1,874, governed the gradual application of these tables to the calculation of the financial technical reserve of policies in effect before February 1, 2008. For the application of life tables MI-2006 and B-2006, the Board of Directors of Seguros Vida Security Previsión S.A. has decided to gradually recognize the higher financial reserve of the new life tables.

CMF General Standard No. 274 defined table RV-2009. CMF Ruling No. 1,986 details how it should be applied to calculate reserves. The effects on reserves of the latter regulation were fully recognized in the financial statements as of December 31, 2011, and the monthly effects are recognized each time reserves are estimated.

Lastly, CMF General Standard No. 398 from November 20, 2015, defined tables RV-2014, CB-2014, B-2014 and MI-2014. CMF Ruling No. 2197 details how they should be applied to calculate reserves. The effects on reserves of the latter regulation will be fully recognized over a period of six years from December 31, 2016.

#### F) CLAIMS RESERVE

This reserve has been set up in accordance with CMF regulations and includes claims that have not been settled and/or paid, claims incurred but not reported and claims detected but not reported as of year end.

In regard to all kinds of reported claims: settled and unpaid claims; claims settled and questioned by the insured; and claims being settled, the reserve is calculated as follows:



- When the benefit is the payment of a single fixed amount, the reserve is the insured amount of the claim coverage.
- When the benefit determined in the policy stipulates the payment of the insured amount in a predefined number of installments or life annuities, the reserve is the present value of life annuities or installments that have not been paid yet, considering a real annual discount rate of 3%.
- When the coverage is a reimbursement or the amount of the benefit depends on the occurrence of certain conditions as in most insurance policies or additional health coverages, the reserve is an estimate of the whole amount of the benefit to be paid.

All the above includes, as appropriate, the settlement costs of the related claims.

The reserve of incurred but not reported claims is an estimate of claims that have been incurred and for which the Company is obliged, as they involve covered benefits, but that have not been reported to the Company yet. The calculation of this reserve is made based on CMF General Standard No. 306, considering the standard general application method (Bornhuetter-Ferguson method) stated in Appendix 2 and based on the Company's own historical experience by grouping information on claims based on portfolios or portions of homogeneous claims. The calculation excludes exceptional claims with a lag between the payment date and the claim date, since they are not very frequent and do not reflect the behavior observed in most cases.

A separate analysis was made for the following groups of policies of the Company's insurance portfolio: i) individual insurance, except insurance from annuity product line 105, ii) group insurance, except insurance from health product line 209, and iii) group health insurance (line 209). The above groups are based on the fact that policies included in each group have similar and homogeneous expected risks and conduct in regard to claims and are materially different from other groups. Another factor considered was the need to have an appropriate number of claims to have significant results from the methodology applied.

For both individual insurance in i) and group insurance in ii) and iii), information on paid claims and claims undergoing settlement for the last five (5) years of the Company's experience was considered. The methodology for the liability adequacy test for incurred but not reported claims is described in Note 25.2.8 to the financial statements of subsidiary Vida Security.

Regarding claims detected but not reported, starting December 31, 2018, in accordance with CMF General Standard No. 413, which modified CMF General Standard No. 306, we have established a claims reserve for all policies for which the company has learned by any means of the death of the insured party without having received a formal claim.

This reserve is equivalent to the insured amount of the death benefit. This technical reserve will be maintained until the claim is formally filed, with a statute of limitations of four years from the date on which the beneficiary or beneficiaries are notified. If notification cannot be accredited, the statute of limitations will be 10 years from the date the claim occurred.

#### G) PREMIUM DEFICIENCY RESERVE

In conformity with current regulations, this reserve includes the amount that must be recognized after applying the Premium Insufficiency Test (PIT).



# PREMIUM DEFICIENCY RESERVE IN INSURANCE WITH UNEXPIRED RISK RESERVE AND DISABILITY AND SURVIVOR INSURANCE

This is the reserve that recognizes the effect of premiums which are insufficient to cover claims and expenses. This type of reserve is associated with insurance with unexpired risk reserve regulated by CMF General Standard No. 306 and disability and survivor insurance of D.L. No. 3,500 of 1980 regulated by CMF General Standard No. 243.

#### H) ADDITIONAL RESERVE FOR LIABILITY ADEQUACY TEST

This reserve includes the amount obtained by the Company after applying the liability adequacy test (LAT). The objective is to assess the sufficiency of reserves based on analyses or studies that prove that minimum reserves established by the CMF are clearly insufficient for the portfolio subject to analysis.

The liability adequacy test applied to insurance, hedges and long-term risks, which includes retirement insurance listed in General Standard No. 318, is described in Note 25.2.8 of the financial statements of Vida Security.

In regard to short-term insurance policies with unexpired risk reserves, the Company has determined that the premium insufficiency test (PIT) defined in appendix 1 of General Standard No. 306 is or replaces the liability adequacy test. This is considering that the Company's short-term insurance policies with current risk reserve are annual additional policies or clauses, for which the PST appropriately considers all the variables that allow the sufficiency of reserves to be determined when they are calculated from the premium.

In fact, claims, acquisition costs, operating expenses and investment profit or loss are all the components that are considered in pricing these products and comprehensively include income, expenses and obligations arising from these insurance policies.

ADJUSTMENTS TO CHILEAN RESERVE STANDARDS IN THE FINANCIAL STATEMENTS OF PROTECTA, THE PERUVIAN SUBSIDIARY OF SEGUROS VIDA SECURITY PREVISIÓN.

#### **ADJUSTMENTS TO TECHNICAL RESERVES:**

Like Chilean standards, Peruvian reserve standards are designed to ensure that insurers are able to meet their obligations with policyholders. Therefore, they take into account Peruvian conditions regarding products, trade laws and practices and mortality and morbidity assumptions. As a result, technical reserves are not adjusted to the extent that differences between Peruvian and Chilean methodologies are not based on accounting criteria but rather assumptions.

#### ADJUSTMENTS FOR LIABILITY ADEQUACY TEST:

Criteria in Peruvian laws and standards regarding the sufficiency of reserves must be used for the purpose of consolidating that subsidiary's financial statements. Peruvian laws and standards, like Chilean regulations, are intended to ensure that companies established in Peru have sufficient reserves. As a result, any potential insufficiency in reserves with respect to liabilities are recognized directly in the Peruvian financial statements and have not been adjusted upon consolidation with the Chilean entity.



#### OTHER TECHNICAL RESERVES

This item includes the reserve for debts with the insured and other reserves set up by the insurance company in accordance with current regulations.

#### J) REINSURANCE SHARE IN TECHNICAL RESERVES

For insurance included in reinsurance contracts, an asset is recognized under Reinsurance share for the portion of the risks ceded to the reinsurers.

An exception relates to the mathematical reserves of level premium individual insurance and settled individual insurance and group single premium insurance for which no reinsurance asset is considered as the related coverage includes premium and risk transfers on a monthly basis.

Technical provisions for transfers to reinsurers are shown in assets in the statement of financial position and are calculated based on signed reinsurance contracts and under the same criteria used to calculate total gross reserve, but based on reinsured capital.

The subsidiary Vida Security does not receive unearned commissions or discounts of transfer from reinsurers on account of reinsurance transfers made.

#### K) RESERVES FOR LIFE INSURANCE WITH SAVINGS COMPONENT

In conformity with the instructions provided in CMF General Standard No. 306 and related amendments, the Company records a fund value reserve, a risk hedging cost reserve and a mismatch reserve.

The fund value reserve reflects the Company's obligation related to the policyholder's investment account. It is the policy value or balance in the related savings account and is determined based on the conditions stipulated in the policy.

In regard to the analysis of compliance with the condition of transfer of significant insurable risk (SIR) between the insured and the insurer, the Company's insurance policies with CUI show that the minimum compensation percentage is 10% of the insured capital.

#### L) PARTICIPATION OF REINSURANCE IN TECHNICAL RESERVES

Insurance policies with CUI have hedges for insurance risk and recognize the cost of those hedges on a monthly basis. Thus, for all insurance policies with CUI and all hedges involved, the current risk reserve is one (1) month of premium without acquisition cost recognition.

It also records a mismatch reserve for the risk the company assumes arising from the mismatch in the term, interest rate, currency and types of securities between the fund value reserve and the investments backing this reserve. The mismatch reserve is based on the risk profile and the returns on the investments backing the corresponding present value.



# 2.43 MATCHING – INVERSIONES PREVISIÓN SECURITY LTDA. (PARENT OF SEGUROS VIDA SECURITY PREVISIÓN S.A.)

For policies in effect before January 1, 2012, Vida Security analyzes asset and liability matching over time calculated using the methodology described in Ruling No. 1,512. This gives the financial technical reserve, which it then adds to the base technical reserve to form the mismatching reserve.

#### METHODOLOGY OF GRADUAL RECOGNITION OF THE UNIFIED PORTFOLIO

Following the merger of Cruz del Sur Vida and Vida Security, each entity's portfolio of insurance policies existing before January 1, 2011, must be unified for asset and liability matching calculations.

Thus, the company cannot continue to apply the gradual recognition methodology chosen by Cruz del Sur Vida (i.e. the fixed installment method) independently to its portion of the unified portfolio and the gradual recognition methodology chosen by Vida Security (i.e. the variable installment method) to its portion of the unified portfolio.

Thus, one of the two methodologies had to be adopted to continue to gradually recognize the company's unified portfolio resulting from the merger of both companies.

The sum of what each company has recognized independently until now seems like a reasonable basis from which to adopt one gradual recognition method for the unified portfolio. Thus, the unrecognized portion and the methodology adopted should give an explanation of current differences or remainders to be recognized, and the remaining period of time to cover the period stated in the regulation.

Finally, it is important to consider that both companies, Cruz del Sur Vida and Vida Security, have already completely recognized the application of life table RV04. Therefore, there is no gradual recognition to be considered in regard to the related effect of these tables.

The methodology adopted after the merger of Cruz del Sur Vida and Vida Security is based on the recognition of a fixed installment to be accumulated in time, as follows:

- I. A new fixed installment for the current insurance portfolio of the merged companies Cruz del Sur Vida and Vida Security in accordance with a) c) third paragraph of number 2 in CMF Ruling No. 1,857 of 2007 was determined based on the following considerations:
  - A) The projected annual flows of additional reserve were calculated as of March 31, 2014, after applying tables B06 and MI06, considering the gradual recognition procedure that is currently performed in this portfolio.
  - B) The present value of flows as stated in a) above by using the equivalent average cost rate underlying in the calculation of the base technical reserve as of March 31, 2014, out of the total portfolio of life annuity policies of both companies subject to the gradual recognition of life tables B06 and MI06, was calculated.



- C) The installment discounted at the rate stated in b) above for the remaining gradual adjustment period (i.e. the remaining time to complete the gradual recognition) that is equal to the present value stated in b) above, was calculated. The installment will be recalculated as stated in the regulation for remaining periods at year end of financial statements as of December 31, 2018, and December 31, 2022.
- II. The technical reserve will be calculated by adding the technical reserve calculated considering tables B85 and MI85 to the total recognized as of December 31, 2014, by each of the companies, in addition to the accumulation from the adoption of this fixed installment methodology.
- III. The calculation in ii) above will be maintained during the entire remaining adjustment period. The last installment will be adjusted to the difference at that date between the reserve that Vida Security has and the reserve that is calculated by fully applying tables B06 and MI06.

#### 2.44 ACCOUNTING CHANGES

On January 1, 2019, Grupo Security S.A., began applying IFRS 16 to account for finance lease assets and liabilities, recognizing a right of use asset and a finance lease liability. The effect recognized as of the reporting date was THCH\$12,944,222.

The right is amortized on a straight-line basis over the term of the agreement and the obligation is recognized at the present value of the future cash flows from the agreement, calculated using a current market rate. Previously, leases were recognized as operating leases (i.e. the installments accrued and/or paid during the period were expensed).

The effect on profit or loss recognized during the year 2019 was THCH\$2,457,186.

#### 2.45 RECLASSIFICATIONS

A) As of December 31, 2018, the subsidiary Inmobiliaria Casanuestra S.A. changed the way it presented gains or losses from portfolio sales. Previously, the gain or loss was presented net. For the financial statements as of December 31, 2019, it began presenting these results as revenue, cost of sales and net gain, detailed as follows:

|               | PRIOR PRESENTATION<br>2018 FINANCIAL STATEMENTS<br>THCH\$ | MODIFIED PRESENTATION<br>2018 FINANCIAL STATEMENTS<br>THCH\$ |
|---------------|---|--|
| Revenue       | -   | 18,003,019   |
| Cost of sales | -   | (16,628,599)   |
| NET GAIN      | 1,374,420   | 1,374,420  |

B) As of December 31, 2018, the following reclassifications were made in the statement of cash flows.

| RECLASSIFICATIONS STATEMENTS OF CASH FLOWS<br>AS OF 12.31.2018  | REPORTED BALANCE<br>AS OF 12.31.2018<br>THCH\$ | RECLASSIFICATION<br>MADE<br>THCH\$ | RECLASSIFIED BALANCE<br>AS OF 12.31.2018<br>THCH\$ |
|---|--|------------------------------------|--|
| Payments from contracts held for brokering or trading           | (225,805,016,288)                              | 29,724,548                         | (225,775,291,740)                                  |
| Payments for building or acquiring assets held to lease or sell | (35,353,854)                                   | 7,618,271                          | (27,735,583)                                       |
| Income taxes paid   | (7,115,211)                                    | (29,693,672)                       | (36,808,883)                                       |
| Proceeds from disposals of property, plant and equipment        | 7,618,271                                      | (7,618,271)                        | -  |
| Income taxes paid (refunded)                                    | 30,876   | (30,876)                           | -  |
|   | (225,839,836,206)                              | <u>-</u>                           | (225,839,836,206)                                  |

The reclassifications are related to the presentation of taxes paid during 2018 and the presentation of amounts and disbursements from real estate investments.

**C)** As of December 31, 2018, the following reclassifications were made in the statement of financial position.

| RECLASSIFICATIONS<br>STATEMENTS OF FINANCIAL POSITION | REPORTED BALANCE<br>AS OF 12.31.2018<br>THCH\$ | RECLASSIFICATION<br>MADE<br>THCH\$ | RECLASSIFIED BALANCE<br>AS OF 12.31.2018<br>THCH\$ |
|---|--|------------------------------------|--|
| Trade payables  | 2,597,213,493                                  | 34,474,739                         | 2,631,688,232                                      |
| Accounts payable, non-current                         | 92,876,874                                     | (34,474,739)                       | 58,402,135   |
|   | 2,690,090,367                                  | -                                  | 2,690,090,367                                      |

Reclassification of brokerage payables by Valores Security Corredores de Bolsa.

# **NOTE 3 - CASH AND CASH EQUIVALENTS**

As of December 31, 2019 and 2018, the composition of cash and cash equivalents is detailed as follows:

#### a) This account is detailed as follows:

|  | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|--|---------------------------------|---------------------------------|
| Cash and cash equivalents                | 728,183,423                     | 411,558,327                     |
| Time deposits                            | 7,124,138                       | 2,845,433                       |
| Fund units                               | 36,472,838                      | 39,137,410                      |
| Transactions pending settlement, net (*) | 20,043,504                      | 19,348,520                      |
| TOTAL                                    | 791,823,903                     | 472,889,690                     |

<sup>(1)</sup> TRANSACTIONS PENDING SETTLEMENT CONSIST OF TRANSACTIONS AWAITING SETTLEMENT, WHICH WILL INCREASE OR DECREASE FUNDS IN THE CHILEAN CENTRAL BANK OR FOREIGN OR DOMESTIC BANKS, NORMALLY WITHIN 24 TO 48 BUSINESS HOURS.



**b)** Cash and cash equivalents by type of currency are detailed as follows:

|       | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|-------|---------------------------------|---------------------------------|
| USD   | 299,681,663                     | 161,817,934                     |
| Euro  | 9,389,741                       | 4,273,313                       |
| CH\$  | 482,012,440                     | 301,075,379                     |
| Other | 740,059                         | 5,723,064                       |
| TOTAL | 791,823,903                     | 472,889,690                     |

#### **NOTE 4 - INCOME TAXES**

Deferred tax assets include temporary differences that are estimated to be paid or recovered by Grupo Security and subsidiaries for the differences between the carrying and tax bases of assets, as well as current tax losses and other tax credits.

Deferred tax assets identified for temporary differences are only recognized when it is considered probable that Grupo Security will have sufficient taxable income in the future to realize the benefits from deferred tax assets.

A) Balances of deferred tax assets and liabilities through profit and loss and equity are related to the following items:

#### **DEFERRED TAX ASSETS THROUGH PROFIT AND LOSS**

|   | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|---|----------------------|----------------------|
| Deferred tax assets related to depreciation     | 119,107              | 107,605              |
| Deferred tax assets related to amortization     | 524,862              | 385                  |
| Deferred tax assets related to provisions       | 30,999,800           | 32,462,339           |
| Deferred tax assets related to lease agreements | 1,273,230            | 573,974              |
| Deferred tax assets related to tax losses       | 7,207,605            | 4,525,849            |
| Deferred tax assets related to other items      | 4,097,384            | 3,221,819            |
| DEFERRED TAX ASSETS                             | 44,221,988           | 40,891,971           |

#### DEFERRED TAX LIABILITIES THROUGH PROFIT AND LOSS

|  | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|--|----------------------|----------------------|
| Deferred tax liabilities related to depreciation     | 62,735               | 410,458              |
| Deferred tax liabilities related to amortization     | 2,872,431            | 1,811,114            |
| Deferred tax liabilities related to provisions       | 264,513              | 368,187              |
| Deferred tax liabilities related to lease agreements | (2,260,392)          | (326,788)            |
| Deferred tax liabilities related to other items      | 6,560,753            | 4,663,104            |
| DEFERRED TAX LIABILITIES                             | 7,500,040            | 6,926,075            |



## DEFERRED TAX ASSETS THROUGH EQUITY

|  | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|--|----------------------|----------------------|
| Tax goodwill                                   | 15,298,552           | 16,689,187           |
| Investments available for sale                 | (2,524,122)          | 527,346              |
| First-time adoption adjustment MC points       | 1,174,081            | 1,174,081            |
| Deferred tax assets related to applying IFRS 9 | 432,247              | (618,876)            |
| Cash flow hedge                                | (718,726)            | -                    |
| EFFECT ON EQUITY (DEBTOR BALANCE)              | 13,662,032           | 17,771,738           |

### **DEFERRED TAX LIABILITIES THROUGH EQUITY**

|   | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|---|----------------------|----------------------|
| Increase in value, variable-income securities   | 403,045              | 697,392              |
| EFFECT ON EQUITY (CREDITOR BALANCE)             | 403,045              | 697,392              |
| NET DEFERRED TAX ASSET                          | 49,980,935           | 51,040,242           |
| PRESENTATION OF STATEMENT OF FINANCIAL POSITION |                      |                      |
| DEFERRED TAX ASSETS                             | 50,772,292           | 51,737,634           |
| DEFERRED TAX LIABILITIES                        | 791,357              | 697,392              |

### B) INCOME TAX EXPENSE

| INCOME TAX EXPENSE                                    | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|---|----------------------|----------------------|
| Current tax expense                                   | (32,604,919)         | (21,796,094)         |
| Adjustments to prior period current tax               | (1,063,416)          | (254,656)            |
| Other current tax benefits (expenses)                 | 968,590              | (1,653,994)          |
| CURRENT TAX EXPENSE, NET, TOTAL                       | (32,699,745)         | (23,704,744)         |
| Deferred benefits (expense) for temporary differences | 2,756,052            | (1,028,181)          |
| INCOME TAX EXPENSE                                    | (29,943,693)         | (24,732,925)         |

### C) RECONCILIATION OF STATUTORY TAX RATE TO EFFECTIVE TAX RATE

|   | 12.31.2019<br>% | 12.31.2018<br>% |
|---|-----------------|-----------------|
| Statutory tax rate                              | 27.00%          | 27.00%          |
| Other increase (decrease) in statutory tax rate | (0.49%)         | (4.08%)         |
| TOTAL ADJUSTMENTS TO STATUTORY TAX RATE         | (0.49%)         | (4.08%)         |
| EFFECTIVE TAX RATE                              | 26.51%          | 22.92%          |



# **NOTE 5 - INVENTORY**

This account is detailed as follows:

|  | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|--|---------------------------------|---------------------------------|
| Land                                     | 113,090,549                     | 76,633,766                      |
| Houses                                   | 7,003,123                       | 1,515,018                       |
| Apartments                               | 2,514,189                       | 6,268,530                       |
| Storage facilities                       | 89,704                          | 134,597                         |
| Parking spaces                           | 453,857                         | 651,267                         |
| Residential leases                       | 300,779                         | 787,477                         |
| Mortgage loans funded with own resources | 557,048                         | 590,017                         |
| TOTAL                                    | 124,009,249                     | 86,580,672                      |

|  |                           |                     | 12.31.2019<br>THCH\$ |                 |                           |
|--|---------------------------|---------------------|----------------------|-----------------|---------------------------|
|  | OPENING BALANCE<br>THCH\$ | PURCHASES<br>THCH\$ | TRANSFERS<br>THCH\$  | SALES<br>THCH\$ | CLOSING BALANCE<br>THCH\$ |
| Land                                     | 76,633,766                | 46,702,139          | -                    | (10,245,356)    | 113,090,549               |
| Houses                                   | 1,515,018                 | -                   | 7,514,356            | (2,026,251)     | 7,003,123                 |
| Apartments                               | 6,268,530                 | -                   | -                    | (3,754,341)     | 2,514,189                 |
| Storage facilities                       | 134,597                   | -                   | -                    | (44,893)        | 89,704                    |
| Parking spaces                           | 651,267                   | -                   | -                    | (197,410)       | 453,857                   |
| Residential leases                       | 787,477                   | 6,477,415           | -                    | (6,964,113)     | 300,779                   |
| Mortgage loans funded with own resources | 590,017                   | 13,151,871          | -                    | (13,184,840)    | 557,048                   |
| TOTAL                                    | 86,580,672                | 66,331,425          | 7,514,356            | (36,417,204)    | 124,009,249               |

|  |                           |                     | 12.31.2018<br>THCH\$ |                 |                           |
|--|---------------------------|---------------------|----------------------|-----------------|---------------------------|
|  | OPENING BALANCE<br>THCH\$ | PURCHASES<br>THCH\$ | TRANSFERS<br>THCH\$  | SALES<br>THCH\$ | CLOSING BALANCE<br>THCH\$ |
| Land                                     | 62,630,808                | 30,272,762          | (14,128,814)         | (2,140,990)     | 76,633,766                |
| Houses                                   | 5,761,370                 | -                   | -                    | (4,246,352)     | 1,515,018                 |
| Apartments                               | 3,000,822                 | -                   | 13,091,881           | (9,824,173)     | 6,268,530                 |
| Storage facilities                       | 54,364                    | -                   | 200,254              | (120,021)       | 134,597                   |
| Parking spaces                           | 398,999                   | -                   | 836,679              | (584,411)       | 651,267                   |
| Residential leases                       | 68,580                    | 15,852,637          | (15,133,740)         | -               | 787,477                   |
| Mortgage loans funded with own resources | 198,203                   | 7,260,711           | (6,868,897)          | -               | 590,017                   |
| TOTAL                                    | 72,113,146                | 53,386,110          | (22,002,637)         | (16,915,947)    | 86,580,672                |



# **NOTE 6 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

Transactions between the Group and its subsidiaries consist of customary transactions in terms of their objective and conditions. These intercompany transactions have been eliminated upon consolidation and are not disclosed in this note.

The balances of accounts receivable between unconsolidated related parties are detailed as follows:

#### **DECEMBER 2019**

|         |                         |          |                 | EFFECT ON PROFIT (LOSS) | RELATED PARTY BALANCES         |
|---------|-------------------------|----------|-----------------|-------------------------|--------------------------------|
| COUNTRY | NATURE OF RELATIONSHIP  | CURRENCY | TRANSACTION     | 12.31.2019<br>THCH\$    | RECEIVABLE (CURRENT)<br>THCH\$ |
| Chile   | Through ownership       | CH\$     | Mortgage loan   | 50,544                  | 937,331                        |
| Chile   | Through ownership       | CH\$     | Commercial loan | 3,038,930               | 45,189,906                     |
| Chile   | Through ownership       | CH\$     | Consumer loan   | 17,340                  | 197,424                        |
| Chile   | Through ownership       | CH\$     | Lease           | 173,573                 | 6,775,254                      |
| Chile   | Through management      | CH\$     | Mortgage loan   | 408,883                 | 8,161,848                      |
| Chile   | Through management      | CH\$     | Commercial loan | 306,983                 | 8131399                        |
| Chile   | Through management      | CH\$     | Consumer loan   | 140,614                 | 1,644,168                      |
| Chile   | Through management      | CH\$     | Lease           | 19,812                  | 276167                         |
| Chile   | Banking support company | CH\$     | Commercial loan | 323                     | 457,777                        |
| TOTAL   |                         |          |                 | 4,157,002               | 71,771,274                     |

#### **DECEMBER 2018**

|         |                        |          |                 | EFFECT ON PROFIT (LOSS) | RELATED PARTY BALANCES         |
|---------|------------------------|----------|-----------------|-------------------------|--------------------------------|
| COUNTRY | NATURE OF RELATIONSHIP | CURRENCY | TRANSACTION     | 12.31.2019<br>THCH\$    | RECEIVABLE (CURRENT)<br>THCH\$ |
| Chile   | Through ownership      | CH\$     | Commercial loan | 2,169,652               | 31,451,904                     |
| Chile   | Through ownership      | CH\$     | Lease           | 27,600                  | 259,762                        |
| Chile   | Through ownership      | CH\$     | Consumer loan   | 12,142                  | 193,369                        |
| Chile   | Through management     | CH\$     | Commercial loan | 204,757                 | 14,840,395                     |
| Chile   | Through management     | CH\$     | Consumer loan   | 26,019                  | 510,287                        |
| Chile   | Through management     | CH\$     | Mortgage loan   | 54,071                  | 992,372                        |
| TOTAL   |                        |          |                 | 2,494,241               | 48,248,089                     |



# **NOTE 7 - INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES**

Investments in associates are detailed as follows:

| DETAIL                    | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|---------------------------|---------------------------------|---------------------------------|
| Investments in associates | 3,093,437                       | 3,875,455                       |
| TOTAL                     | 3,093,437                       | 3,875,455                       |

#### MOVEMENTS IN INVESTMENTS IN ASSOCIATES

| TAXPAYER ID<br>NUMBER | ASSOCIATE                           | COUNTRY | OWNERSHIP<br>INTEREST | BALANCE<br>12.31.2018<br>THCH\$ | ADDITIONS<br>(SALES)<br>THCH\$ | SHARE OF<br>PROFIT (LOSS)<br>THCH\$ | DIVIDENDS<br>RECEIVED<br>THCH\$ | OTHER<br>INCREASE/<br>DECREASE<br>THCH\$ | BALANCE<br>12.31.2019<br>THCH\$ |
|-----------------------|-------------------------------------|---------|-----------------------|---------------------------------|--------------------------------|-------------------------------------|---------------------------------|--|---------------------------------|
| 99.573.400-1          | Europ Assistance Chile S.A.         | Chile   | 49%                   | 1,052,326                       | -                              | 260,907                             | -                               | (133,135)                                | 1,180,098                       |
| 76.507.823-7          | Inmobiliaria Parque<br>el Rodeo SPA | Chile   | 50%                   | 2,823,129                       | -                              | 661,366                             | -                               | (1,571,156)                              | 1,913,339                       |
| TOTAL                 |                                     |         |                       | 3,875,455                       | -                              | 922,273                             | -                               | (1,704,291)                              | 3,093,437                       |

### SUMMARIZED FINANCIAL INFORMATION ABOUT THE MAIN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD:

The following financial statements are prepared in conformity with the accounting standards issued by the CMF and, in matters that are not regulated by the CMF, in accordance with IFRS:

#### **EUROP ASSISTANCE CHILE S.A.**

LINE OF BUSINESS: Travel assistance insurance.

OWNERSHIP INTEREST: 49%NUMBER OF SHARES: 179

- DATE PURCHASED: 12/31/2013

- SERVICES: It provides direct services for several companies in the market.

### INMOBILIARIA PARQUE EL RODEO SPA

- LINE OF BUSINESS: The Company's line of business is to buy, sell, lease or exchange all types of real estate,

whether urban, agricultural, industrial, residential or commercial.

- OWNERSHIP INTEREST: 50.00%

NUMBER OF SHARES: 220,248 (subscribed and paid-in shares)

- DATE PURCHASED: 12/21/2015

- The ultimate controller of the company is Inversiones North Bay SpA, which has a 50.00% interest in the company.



# **EUROP ASSISTANCE CHILE S.A.**

| ASSETS             | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|--------------------|----------------------|----------------------|
| Current assets     | 5,477,068            | 4,288,610            |
| Non-current assets | 542,557              | 460,461              |
| TOTAL ASSETS       | 6,019,625            | 4,749,071            |

| LIABILITIES                  | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|------------------------------|----------------------|----------------------|
| Current liabilities          | 3,611,267            | 2,597,927            |
| Non-current liabilities      | -                    | -                    |
| Equity                       | 2,408,358            | 2,151,144            |
| TOTAL LIABILITIES AND EQUITY | 6,019,625            | 4,749,071            |

| STATEMENT OF INCOME                              | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|--|----------------------|----------------------|
| Gross profit                                     | 813,221              | 651,355              |
| Non-operating loss                               | (17,642)             | (23,066)             |
| PROFIT BEFORE TAX                                | 795,579              | 628,289              |
| Income tax expense                               | (263,115)            | (169,537)            |
| PROFIT FOR THE YEAR                              | 532,464              | 458,752              |
| Profit attributable to owners of the parent      | 271,557              | 233,964              |
| Profit attributable to non-controlling interests | 260,907              | 224,788              |

# INMOBILIARIA PARQUE EL RODEO SPA

| ASSETS             | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|--------------------|----------------------|----------------------|
| Current assets     | 18,540,068           | 20,162,696           |
| Non-current assets | 343,037              | 373,787              |
| TOTAL ASSETS       | 18,883,105           | 20,536,483           |

| LIABILITIES                  | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|------------------------------|----------------------|----------------------|
| Current liabilities          | 15,056,430           | 14,888,968           |
| Non-current liabilities      | 0                    | 1,258                |
| Equity                       | 3,826,675            | 5,646,257            |
| TOTAL LIABILITIES AND EQUITY | 18,883,105           | 20,536,483           |

| STATEMENT OF INCOME                              | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|--|---------------------------------|---------------------------------|
| Gross profit                                     | 3,109,819                       | 2,387,338                       |
| Non-operating loss                               | (1,333,003)                     | (689,033)                       |
| PROFIT BEFORE TAX                                | 1,776,816                       | 1,698,305                       |
| Income tax expense                               | (452,304)                       | (408,278)                       |
| PROFIT FOR THE YEAR                              | 1,324,512                       | 1,290,027                       |
| Profit attributable to owners of the parent      | 662,256                         | 645,014                         |
| Profit attributable to non-controlling interests | 662,256                         | 645,014                         |



# **NOTE 8 - PROPERTY, PLANT AND EQUIPMENT**

A) The balances of property, plant and equipment are detailed as follows:

| CLASSES OF PROPERTY, PLANT AND EQUIPMENT, NET | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|---|----------------------|----------------------|
| PROPERTY, PLANT AND EQUIPMENT, NET            | 53,284,037           | 51,733,402           |
| Construction in progress, net                 | 169,889              | -                    |
| Land, net                                     | 6,531,468            | 5,914,817            |
| Buildings, net                                | 28,458,437           | 28,242,224           |
| Plant and equipment, net                      | 1,782,238            | 1,726,515            |
| T equipment, net                              | 1,422,092            | 997,937              |
| ixtures and accessories, net                  | 3,685,793            | 3,205,864            |
| Motor vehicles, net                           | 173,898              | 224,093              |
| Leasehold improvements, net                   | 194,694              | -                    |
| Other property, plant and equipment, net      | 10,865,528           | 11,421,952           |

| CLASSES OF PROPERTY, PLANT AND EQUIPMENT, GROSS | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|---|----------------------|----------------------|
| PROPERTY, PLANT AND EQUIPMENT, GROSS            | 91,323,527           | 88,822,082           |
| Construction in progress, gross                 | 169,889              | -                    |
| Land, gross                                     | 6,531,468            | 5,914,817            |
| Buildings, gross                                | 34,351,511           | 33,446,842           |
| Plant and equipment, gross                      | 12,422,335           | 11,825,679           |
| IT equipment, gross                             | 4,452,003            | 4,514,878            |
| Fixtures and accessories, gross                 | 7,095,220            | 6,169,884            |
| Motor vehicles, gross                           | 412,371              | 421,019              |
| Leasehold improvements, gross                   | 217,440              | -                    |
| Other property, plant and equipment, gross      | 25,671,290           | 26,528,963           |

| CLASSES OF ACCUMULATED DEPRECIATION AND IMPAIRMENT, PROPERTY, PLANT AND EQUIPMENT | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|---|----------------------|----------------------|
| ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT, NET                    | 38,039,490           | 37,088,680           |
| Accumulated depreciation and impairment, buildings                                | 5,893,074            | 5,204,618            |
| Accumulated depreciation and impairment, plant and equipment                      | 10,640,097           | 10,099,164           |
| Accumulated depreciation and impairment, IT equipment                             | 3,029,911            | 3,516,941            |
| Accumulated depreciation and impairment, fixtures and accessories                 | 3,409,427            | 2,964,020            |
| Accumulated depreciation and impairment, motor vehicles                           | 238,473              | 196,926              |
| Leasehold improvements, net   | 22,746               | -                    |
| Accumulated depreciation and impairment, other                                    | 14,805,762           | 15,107,011           |



### B) Details of movements as of December 31, 2019

| CURRENT PERIOD 12/31/2019                            | CONSTRUCTION<br>IN PROGRESS | LAND      | BUILDINGS  | PLANT AND<br>EQUIPMENT | COMPUTER<br>EQUIPMENT | FACILITIES | MOTOR<br>VEHICLES | LEASEHOLD<br>IMPROVEMENTS | OTHER<br>PROPERTY | TOTAL       |
|--|-----------------------------|-----------|------------|------------------------|-----------------------|------------|-------------------|---------------------------|-------------------|-------------|
| PROPERTY, PLANT<br>AND EQUIPMENT,<br>OPENING BALANCE | -                           | 5,914,817 | 28,242,224 | 1,726,515              | 997,936               | 3,205,864  | 224,093           | -                         | 11,421,953        | 51,733,402  |
| Additions to property, plant and equipment           | 169,889                     | 445,421   | 591,464    | 700,840                | 690,528               | 1,234,787  | 16,106            | 209,415                   | 955,434           | 5,013,884   |
| Depreciation expense                                 | -                           | -         | (860,286)  | (608,739)              | (617,095)             | (567,971)  | (79,019)          | (14,721)                  | (1,449,213)       | (4,197,044) |
| Other increase (decrease)                            | -                           | 171,230   | 485,035    | (36,378)               | 350,723               | (186,887)  | 12,718            | -                         | (62,646)          | 733,795     |
| Changes in property, plant and equipment, total      | 169,889                     | 616,651   | 216,213    | 55,723                 | 424,156               | 479,929    | (50,195)          | 194,694                   | (556,425)         | 1,550,635   |
| PROPERTY, PLANT<br>AND EQUIPMENT                     | 169,889                     | 6,531,468 | 28,458,437 | 1,782,238              | 1,422,092             | 3,685,793  | 173,898           | 194,694                   | 10,865,528        | 53,284,037  |

The Company does not have any fixed assets that serve as guarantees for fulfilling existing obligations and there are no commitments to purchase fixed assets.

Furthermore, the Company does not have fixed assets that are currently out of service; assets that are fully amortized, but still in use; or assets pending retirement not classified as held for sale.

#### C) Details of movements as of December 31, 2018

| CURRENT PERIOD 12/31/2018                            | CONSTRUCTION<br>IN PROGRESS | LAND        | BUILDINGS   | PLANT AND<br>EQUIPMENT | COMPUTER<br>EQUIPMENT | FACILITIES | MOTOR<br>VEHICLES | LEASEHOLD<br>IMPROVEMENTS | OTHER<br>PROPERTY | TOTAL        |
|--|-----------------------------|-------------|-------------|------------------------|-----------------------|------------|-------------------|---------------------------|-------------------|--------------|
| PROPERTY, PLANT<br>AND EQUIPMENT,<br>OPENING BALANCE | -                           | 13,870,668  | 31,786,980  | 2,473,034              | 911,075               | 3,166,092  | 159,766           | -                         | 12,720,753        | 65,088,368   |
| Additions to property, plant and equipment           | -                           | 764,403     | 966,998     | 254,368                | 377,398               | 176,496    | 170,178           | -                         | 315,735           | 3,025,576    |
| Depreciation expense                                 | -                           | -           | (649,830)   | (426,952)              | (76,986)              | (113,654)  | (58,305)          | -                         | (2,236,025)       | (3,561,752)  |
| Other increase (decrease)                            | -                           | (8,720,254) | (3,861,924) | (573,935)              | (213,550)             | (23,070)   | (47,546)          | -                         | 621,489           | (12,818,790) |
| Changes in property, plant and equipment, total      | -                           | (7,955,851) | (3,544,756) | (746,519)              | 86,862                | 39,772     | 64,327            | -                         | (1,298,801)       | (13,354,966) |
| PROPERTY, PLANT<br>AND EQUIPMENT                     | -                           | 5,914,817   | 28,242,224  | 1,726,515              | 997,937               | 3,205,864  | 224,093           | -                         | 11,421,952        | 51,733,402   |



# **NOTE 9 - INVESTMENT PROPERTY**

Investment property is property (land or buildings) held to earn rentals or for capital appreciation or both, rather than for use in production or for administrative purposes, or sale in the ordinary course of business.

|           | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|-----------|---------------------------------|---------------------------------|
| Land      | 93,473,781                      | 78,392,929                      |
| Buildings | 156,602,201                     | 135,776,616                     |
| TOTAL     | 250,075,982                     | 214,169,545                     |

|           |                           | MOVEMENTS IN INVESTMENT PROPERTY DECEMBER 2019 |                     |                        |                       |                           |  |  |  |  |  |  |
|-----------|---------------------------|--|---------------------|------------------------|-----------------------|---------------------------|--|--|--|--|--|--|
|           | OPENING BALANCE<br>THCH\$ | INCREASES<br>THCH\$                            | DISPOSALS<br>THCH\$ | DEPRECIATION<br>THCH\$ | REVALUATION<br>THCH\$ | CLOSING BALANCE<br>THCH\$ |  |  |  |  |  |  |
| Land      | 78,392,929                | 11,546,894                                     | (1,981,933)         | -                      | 5,515,891             | 93,473,781                |  |  |  |  |  |  |
| Buildings | 135,776,616               | 20,249,005                                     | (7,098,942)         | (1,757,721)            | 9,433,243             | 156,602,201               |  |  |  |  |  |  |
| TOTAL     | 214,169,545               | 31,795,899                                     | (9,080,875)         | (1,757,721)            | 14,949,134            | 250,075,982               |  |  |  |  |  |  |

|                |                           | MOVEMENTS IN INVESTMENT PROPERTY DECEMBER 2018 |                     |                        |                       |                           |  |  |  |  |  |  |
|----------------|---------------------------|--|---------------------|------------------------|-----------------------|---------------------------|--|--|--|--|--|--|
|                | OPENING BALANCE<br>THCH\$ | INCREASES<br>THCH\$                            | DISPOSALS<br>THCH\$ | DEPRECIATION<br>THCH\$ | REVALUATION<br>THCH\$ | CLOSING BALANCE<br>THCH\$ |  |  |  |  |  |  |
| Land           | 53,373,031                | 23,603,678                                     | -                   | -                      | 1,416,220             | 78,392,929                |  |  |  |  |  |  |
| Buildings      | 81,003,907                | 60,472,440                                     | (8,446,572)         | (1,788,093)            | 4,534,934             | 135,776,616               |  |  |  |  |  |  |
| Other property | 25,286,253                | -  | (25,286,253)        | -                      | -                     | -                         |  |  |  |  |  |  |
| TOTAL          | 159,663,191               | 84,076,118                                     | (33,732,825)        | (1,788,093)            | 5,951,154             | 214,169,545               |  |  |  |  |  |  |

# **NOTE 10 - INTANGIBLE ASSETS OTHER THAN GOODWILL**

#### A) Intangible assets are detailed as follows:

|                            |                 | 12.31.2019<br>THCH\$ |               |                   |                             |            |  |  |  |  |  |
|----------------------------|-----------------|----------------------|---------------|-------------------|-----------------------------|------------|--|--|--|--|--|
|                            | OPENING BALANCE | ACQUISITIONS         | DERECOGNITION | RECLASSIFICATIONS | AMORTIZATION/<br>IMPAIRMENT | NET VALUE  |  |  |  |  |  |
| Computer software          | 34,996,467      | 2,731,927            | -             | 155,995           | (3,337,255)                 | 34,547,134 |  |  |  |  |  |
| Projects under development | -               | 1,339,275            | -             | -                 | -                           | 1,339,275  |  |  |  |  |  |
| Computer licenses          | 1,265,883       | 762,002              | -             | (155,995)         | (684,196)                   | 1,187,694  |  |  |  |  |  |
| Other                      | 1,548,838       | 1,299,095            | -             | -                 | (2,025,881)                 | 822,052    |  |  |  |  |  |
| TOTAL                      | 37,811,188      | 6,132,299            | -             | -                 | (6,047,332)                 | 37,896,155 |  |  |  |  |  |



|                            |                 | 12.31.2018<br>THCH\$ |               |                   |                             |            |  |  |  |  |  |  |
|----------------------------|-----------------|----------------------|---------------|-------------------|-----------------------------|------------|--|--|--|--|--|--|
|                            | OPENING BALANCE | ACQUISITIONS         | DERECOGNITION | RECLASSIFICATIONS | AMORTIZATION/<br>IMPAIRMENT | NET VALUE  |  |  |  |  |  |  |
| Computer software          | 36,949,848      | 463,821              | (671,917)     | -                 | (1,745,284)                 | 34,996,467 |  |  |  |  |  |  |
| Projects under development | 302,392         | -                    | (302,392)     | -                 | -                           | -          |  |  |  |  |  |  |
| Computer licenses          | 760,013         | 1,170,234            | -             | -                 | (664,364)                   | 1,265,883  |  |  |  |  |  |  |
| Other                      | 505,722         | 1,566,192            | -             | -                 | (523,076)                   | 1,548,838  |  |  |  |  |  |  |
| TOTAL                      | 38,517,974      | 3,200,247            | (974,309)     | -                 | (2,932,724)                 | 37,811,188 |  |  |  |  |  |  |

B) The amortization of intangible assets is calculated using the straight-line method over the estimated useful life of the asset.

# **NOTE 11 - GOODWILL**

A) This account is detailed as follows:

|                            |                         |              | 12.31.2019<br>THCH\$                            |   |                         | 12.31.2018<br>THCH\$    |              |   |   |                         |
|----------------------------|-------------------------|--------------|---|---|-------------------------|-------------------------|--------------|---|---|-------------------------|
|                            | OPENING<br>BALANCE, NET | ACQUISITIONS | IMPAIRMENT<br>LOSSES<br>RECOGNIZED<br>IN EQUITY | IMPAIRMENT<br>LOSSES<br>RECOGNIZED<br>IN<br>PROFIT (LOSS) | CLOSING<br>BALANCE, NET | OPENING<br>BALANCE, NET | ACQUISITIONS | IMPAIRMENT<br>LOSSES<br>RECOGNIZED<br>IN EQUITY | IMPAIRMENT<br>LOSSES<br>RECOGNIZED<br>IN PROFIT<br>(LOSS) | CLOSING<br>BALANCE, NET |
| Goodwill Interrentas       | 20,834,249              | -            | -   | -   | 20,834,249              | 20,834,249              | -            | -   | -   | 20,834,249              |
| Goodwill Banco Dresdner    | 2,224,741               | -            | -   | -   | 2,224,741               | 2,224,741               | -            | -   | -   | 2,224,741               |
| Goodwill Cooper            | 13,112,972              | -            | -   | -   | 13,112,972              | 13,112,972              | -            | -   | -   | 13,112,972              |
| Goodwill Travel            | 2,470,896               | -            | -   | -   | 2,470,896               | 2,470,896               | -            | -   | -   | 2,470,896               |
| Goodwill Travex S.A. (1)   | 1,181,440               | -            | -   | -   | 1,181,440               | 1,181,440               | -            | -   | -   | 1,181,440               |
| Goodwill AGF CDS           | 8,677,240               | -            | -   | -   | 8,677,240               | 8,677,240               | -            | -   | -   | 8,677,240               |
| Goodwill Penta AGF         | 205,188                 | -            | -   | -   | 205,188                 | 205,188                 | -            | -   | -   | 205,188                 |
| Goodwill Penta C.B.        | 4,156,682               | -            | -   | -   | 4,156,682               | 4,156,682               | -            | -   | -   | 4,156,682               |
| Goodwill Vida Cruz del Sur | 65,475,856              | -            | -   | -   | 65,475,856              | 65,475,856              | -            | -   | -   | 65,475,856              |
| Goodwill Capital CDS       | 727,306                 | -            | -   | -   | 727,306                 | 727,306                 | -            | -   | -   | 727,306                 |
| TOTAL                      | 119,066,570             | -            | -   | -   | 119,066,570             | 119,066,570             | -            | -   | -   | 119,066,570             |

### **NOTE 12 - TRADE AND OTHER RECEIVABLES**

Trade and other receivables (net of provisions) of Grupo Security as of December 31, 2019, amount to THCH \$6,560,005,515 (THCH \$5,833,242,081 in 2018).



Grupo Security has a policy regarding the allowance for bad debt, which is determined based on a classification system for its risk portfolio using components related to customer and debtor behavior, allowing such provisions to be associated with industry trends. Banco Security has calculated its provisions in accordance with CMF standards, as stated in Note 2.20.1

As of December 31, 2019 and 2018, this account is detailed as follows:

|  | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|--|---------------------------------|---------------------------------|
| BANK                                       |                                 |                                 |
| Loans and advances to banks                | 569,329                         | -                               |
| Commercial loans                           | 4,324,816,573                   | 3,836,030,979                   |
| Lease agreements                           | 351,309,309                     | 329,345,735                     |
| Mortgage loans                             | 736,450,462                     | 603,029,760                     |
| Consumer loans                             | 539,366,568                     | 492,797,291                     |
| Brokerage receivables                      | 53,763,223                      | 57,901,216                      |
| Other customer receivables                 | 32,471,193                      | 20,940,634                      |
| INSURANCE SUBSIDIARY                       |                                 |                                 |
| Leases receivable                          | 83,869,277                      | 81,007,707                      |
| Trade receivables                          | 70,135,730                      | 57,288,763                      |
| PARENT COMPANY AND OTHER SUBSIDIARIES      |                                 |                                 |
| Invoices receivable                        | 19,794,423                      | 21,298,423                      |
| Notes and accounts receivable              | 7,697,346                       | 8,936,987                       |
| Leases receivable                          | 6,723,483                       | 6,904,496                       |
| Other receivables and factored receivables | 333,038,599                     | 317,760,090                     |
| TOTAL                                      | 6,560,005,515                   | 5,833,242,081                   |

|                                      |                                       | 12.31.2019                                      |                                    |                                       | 12.31.2018                                      |                                    |
|--------------------------------------|---------------------------------------|---|------------------------------------|---------------------------------------|---|------------------------------------|
|                                      | ASSETS BEFORE<br>ALLOWANCES<br>THCH\$ | ALLOWANCES<br>ON TRADE<br>RECEIVABLES<br>THCH\$ | NET TRADE<br>RECEIVABLES<br>THCH\$ | ASSETS BEFORE<br>ALLOWANCES<br>THCH\$ | ALLOWANCES<br>ON TRADE<br>RECEIVABLES<br>THCH\$ | NET TRADE<br>RECEIVABLES<br>THCH\$ |
| CURRENT TRADE RECEIVABLES            | 6,637,884,335                         | 110,453,596                                     | 6,527,430,739                      | 5,908,463,470                         | 95,338,109                                      | 5,813,125,361                      |
| Current loan receivables             | 6,105,315,479                         | 107,676,772                                     | 5,997,638,707                      | 5,000,432,279                         | 90,151,577                                      | 4,910,280,702                      |
| Current factoring receivables        | 6,561,611                             | 1,523,564                                       | 5,038,047                          | 332,710,924                           | 4,229,025                                       | 328,481,899                        |
| Current lease agreements (net)       | 438,395,394                           | 148,222   | 438,247,172                        | 421,326,266                           | 166,535   | 421,159,731                        |
| Current miscellaneous receivables    | 87,611,851                            | 1,105,038                                       | 86,506,813                         | 153,994,001                           | 790,972   | 153,203,029                        |
| OTHER CURRENT RECEIVABLES            | 32,574,776                            | -   | 32,574,776                         | 24,272,672                            | 4,155,952                                       | 20,116,720                         |
| Other current receivables            | 32,574,776                            | -   | 32,574,776                         | 24,272,672                            | 4,155,952                                       | 20,116,720                         |
| TRADE AND OTHER RECEIVABLES, CURRENT | 6,670,459,111                         | 110,453,596                                     | 6,560,005,515                      | 5,932,736,142                         | 99,494,061                                      | 5,833,242,081                      |



|   |  |   | 12.31.2019  |                                     |  |
|---|--|---|---|-------------------------------------|--|
|   | NUMBER OF<br>CUSTOMERS NON-<br>RENEGOTIATED<br>PORTFOLIO | NON-<br>RENEGOTIATED<br>PORTFOLIO<br>THCH\$ | NUMBER OF<br>CUSTOMERS<br>RENEGOTIATED<br>PORTFOLIO | RENEGOTIATED<br>PORTFOLIO<br>THCH\$ | TOTAL UNSECURED<br>PORTFOLIO<br>THCH\$ |
| Unsecuritized portfolio, current            | 79,830   | 5,478,468,244                               | 1,806   | 753,776,129                         | 6,232,244,373                          |
| Unsecuritized portfolio, 1 to 30 days       | 186,650  | 164,146,745                                 | 780   | 525,310                             | 164,672,055                            |
| Unsecuritized portfolio, 31 to 60 days      | 4,050  | 12,017,410                                  | 469   | 403,939                             | 12,421,349                             |
| Unsecuritized portfolio, 61 to 90 days      | 1,882  | 6,150,731                                   | 355   | 6,580,220                           | 12,730,951                             |
| Unsecuritized portfolio, 91 to 120 days     | 1,334  | 12,205,341                                  | 264   | 4,039,949                           | 16,245,290                             |
| Unsecuritized portfolio, 121 to 150 days    | 168  | 469,241                                     | 7   | 182,277                             | 651,518                                |
| Unsecuritized portfolio, 151 to 180 days    | 2,292  | 8,724,935                                   | 130   | 1,258,635                           | 9,983,570                              |
| Unsecuritized portfolio, 181 to 210 days    | 466  | 12,636,982                                  | 49  | 757,812                             | 13,394,794                             |
| Unsecuritized portfolio, 211 to 250 days    | 144  | 1,525,854                                   | -   | -                                   | 1,525,854                              |
| Unsecuritized portfolio, more than 250 days | 378  | 94,244,301                                  | 20  | 1,891,460                           | 96,135,761                             |
| TOTAL UNSECURED PORTFOLIO                   | 277,194  | 5,790,589,784                               | 3,880   | 769,415,731                         | 6,560,005,515                          |

|   |  |  | 12.31.2018  |                                     |  |
|---|--|--|---|-------------------------------------|--|
|   | NUMBER OF<br>CUSTOMERS NON-<br>RENEGOTIATED<br>PORTFOLIO | NON-<br>RENEGOTIATED<br>PORTFOLIO THCH\$ | NUMBER OF<br>CUSTOMERS<br>RENEGOTIATED<br>PORTFOLIO | RENEGOTIATED<br>PORTFOLIO<br>THCH\$ | TOTAL UNSECURED<br>PORTFOLIO<br>THCH\$ |
| Unsecuritized portfolio, current            | 76,711   | 5,585,341,273                            | 1,675   | 23,353,615                          | 5,608,694,888                          |
| Unsecuritized portfolio, 1 to 30 days       | 177,683  | 104,939,750                              | 649   | 307,868                             | 105,247,618                            |
| Unsecuritized portfolio, 31 to 60 days      | 4,079  | 16,534,678                               | 363   | 282,643                             | 16,817,321                             |
| Unsecuritized portfolio, 61 to 90 days      | 1,779  | 10,829,897                               | 242   | 1,175,893                           | 12,005,790                             |
| Unsecuritized portfolio, 91 to 120 days     | 1,394  | 7,904,024                                | 162   | 825,998                             | 8,730,022                              |
| Unsecuritized portfolio, 121 to 150 days    | 254  | 181,019                                  | -   | -                                   | 181,019                                |
| Unsecuritized portfolio, 151 to 180 days    | 441  | 6,969,910                                | 52  | 2,700,820                           | 9,670,730                              |
| Unsecuritized portfolio, 181 to 210 days    | 1,772  | 1,396,615                                | -   | -                                   | 1,396,615                              |
| Unsecuritized portfolio, 211 to 250 days    | 93   | 21,167                                   | -   | -                                   | 21,167                                 |
| Unsecuritized portfolio, more than 250 days | 1,416  | 67,916,460                               | 97  | 2,560,451                           | 70,476,911                             |
| TOTAL UNSECURED PORTFOLIO                   | 265,622  | 5,802,034,793                            | 3,240   | 31,207,288                          | 5,833,242,081                          |

### MOVEMENTS IN PROVISIONS

|                        | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|------------------------|----------------------|----------------------|
| OPENING BALANCE        | 99,494,061           | 89,637,391           |
| Provisions recognized  | 148,891,808          | 143,889,518          |
| Reversal of provisions | (98,848,058)         | (96,065,322)         |
| Write-offs             | (39,084,215)         | (37,967,526)         |
| CLOSING BALANCE        | 110,453,596          | 99,494,061           |



# **NOTE 13 - OTHER CURRENT FINANCIAL ASSETS**

As of December 31, 2019 and 2018, this account is detailed as follows:

| BALANCE<br>12.31.2019   | USD<br>THCH\$ | EURO<br>THCH\$ | UNIDAD DE<br>FOMENTO (UF)<br>THCH\$ | CH\$<br>THCH\$ | NUEVO SOL AND<br>OTHERS<br>THCH\$ | TOTAL<br>THCH\$ |
|---|---------------|----------------|-------------------------------------|----------------|-----------------------------------|-----------------|
| OTHER FINANCIAL ASSETS, BANK                                  |               |                |                                     |                |                                   |                 |
| Investments available for sale                                | 170,949,041   | -              | 160,049,454                         | 425,596,998    | -                                 | 756,595,493     |
| Financial instruments held for trading                        | -             | -              | 30,030,256                          | 92,901,799     | 831,680                           | 123,763,735     |
| Financial derivative instruments                              | -             | -              | -                                   | 274,948,963    | 26,148                            | 274,975,111     |
| Leased assets   | -             | -              | -                                   | 11,225,006     | -                                 | 11,225,006      |
| INVESTMENTS FOR TECHNICAL RESERVES, INSURANCE SUBSIDIARY      |               |                |                                     |                |                                   |                 |
| Fund units  | 180,169,985   | 24,295,853     | 19,079,852                          | 321,677,729    | 5,703,485                         | 550,926,904     |
| Derivatives   | -             | -              | -                                   | -              | -                                 | -               |
| Shares  | -             | -              | 1,913,338                           | 749,451        | -                                 | 2,662,789       |
| Bonds   | 205,453,045   | -              | 1,211,364,026                       | 45,064,960     | 229,965,557                       | 1,691,847,588   |
| Mortgage bonds  | -             | -              | 27,931,478                          | -              | -                                 | 27,931,478      |
| Fixed and adjustable time deposits                            | -             | -              | 11,245,868                          | 7,124,137      | -                                 | 18,370,005      |
| Mortgage loans  | -             | -              | 214,958,642                         | -              | -                                 | 214,958,642     |
| Third-party guarantees  | -             | -              | 42,465                              | -              | -                                 | 42,465          |
| PRC, CORA and other Central Bank instruments                  | -             | -              | 54,056,641                          | 1,171,449      | -                                 | 55,228,090      |
| Instruments from international institutions                   | -             | -              | -                                   | -              | -                                 | -               |
| Residential and real estate leases                            | -             | -              | -                                   | -              | -                                 | -               |
| Other investment securities                                   | -             | -              | -                                   | 8,606,325      | 175,349                           | 8,781,674       |
| OTHER FINANCIAL ASSETS, PARENT COMPANY AND OTHER SUBSIDIARIES |               |                |                                     |                |                                   |                 |
| Bonds   | -             | -              | 640,859                             | -              | -                                 | 640,859         |
| Shares  | -             | -              | -                                   | 2,597          | -                                 | 2,597           |
| Derivatives   | -             | -              | -                                   | -              | -                                 | -               |
| Other investment securities                                   | 553,309       | -              | -                                   | -              | 8,527                             | 561,836         |
| TOTAL   | 557,125,380   | 24,295,853     | 1,731,312,879                       | 1,189,069,414  | 236,710,746                       | 3,738,514,272   |

| BALANCE<br>12.31.2018   | USD<br>THCH\$ | EURO<br>THCH\$ | UNIDAD DE<br>FOMENTO (UF)<br>THCH\$ | CH\$<br>THCH\$ | NUEVO SOL AND<br>OTHERS<br>THCH\$ | TOTAL<br>THCH\$ |
|---|---------------|----------------|-------------------------------------|----------------|-----------------------------------|-----------------|
| OTHER FINANCIAL ASSETS, BANK                                  |               |                |                                     |                |                                   |                 |
| Investments available for sale                                | 148,259,454   | -              | 104,986,728                         | 497,960,630    | -                                 | 751,206,812     |
| Financial instruments held for trading                        | -             | -              | 17,613,202                          | 87,285,013     | 1,197,446                         | 106,095,661     |
| Financial derivative instruments                              | -             | -              | -                                   | 150,243,752    | 20,811                            | 150,264,563     |
| Leased assets   | -             | -              | -                                   | 13,090,149     | -                                 | 13,090,149      |
| INVESTMENTS FOR TECHNICAL RESERVES, INSURANCE SUBSIDIARY      | -             | -              | -                                   | -              | -                                 |                 |
| Fund units  | 150,197,547   | 15,476,583     | 16,528,962                          | 265,940,611    | 1,934,824                         | 450,078,527     |
| Derivatives   | -             | -              | -                                   | -              | -                                 | -               |
| Shares  | -             | -              | -                                   | 13,109,774     | -                                 | 13,109,774      |
| Bonds   | 245,295,461   | 3,846,115      | 1,158,049,803                       | 60,227,998     | 157,163,540                       | 1,624,582,917   |
| Mortgage bonds  | -             | -              | 31,123,799                          | -              | -                                 | 31,123,799      |
| Fixed and adjustable time deposits                            | -             | -              | 10,538,776                          | -              | -                                 | 10,538,776      |
| Mortgage loans  | -             | -              | 209,130,249                         | -246,672       | -                                 | 208,883,577     |
| Third-party guarantees  | -             | -              | 41,349                              | -              | -                                 | 41,349          |
| PRC, CORA and other Central Bank instruments                  | -             | -              | 48,303,704                          | 1,191,508      | -                                 | 49,495,212      |
| Instruments from international institutions                   | -             | -              | -                                   | -              | -                                 | -               |
| Residential and real estate leases                            | -             | -              | -                                   | -              | -                                 | -               |
| Other investment securities                                   | -             | -              | -                                   | 2,149,073      | 891,033                           | 3,040,106       |
| OTHER FINANCIAL ASSETS, PARENT COMPANY AND OTHER SUBSIDIARIES | -             | -              | -                                   | -              | -                                 |                 |
| Bonds   | -             | -              | 296,158                             | -              | -                                 | 296,158         |
| Shares  | -             | -              | -                                   | 1,952          | -                                 | 1,952           |
| Derivatives   | -             | -              | -                                   | -              | -                                 | -               |
| Other investment securities                                   | 567,309       | -              | -                                   | -              | 323,323                           | 890,632         |
| TOTAL   | 544,319,771   | 19,322,698     | 1,596,612,730                       | 1,090,953,788  | 161,530,977                       | 3,412,739,964   |



# **NOTE 14 - OTHER CURRENT NON-FINANCIAL ASSETS**

As of December 31, 2019 and 2018, this account is detailed as follows:

|   | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|---|---------------------------------|---------------------------------|
| OTHER NON-FINANCIAL ASSETS, INSURANCE SUBSIDIARY                  |                                 |                                 |
| Retiree loans   | 17,428,456                      | 16,679,436                      |
| Advances to suppliers   | 77,902                          | 57,833                          |
| Employee accounts and loans                                       | -                               | 187,304                         |
| Miscellaneous receivables   | 1,965,966                       | 185,803                         |
| OTHER NON-FINANCIAL ASSETS, PARENT COMPANY AND OTHER SUBSIDIARIES |                                 |                                 |
| Miscellaneous receivables   | 1,716,831                       | 1,478,669                       |
| Advances to suppliers   | 2,235,176                       | 2,040,306                       |
| Prepaid expenses  | 352,637                         | 350,506                         |
| Guarantees  | 59,257                          | 52,091                          |
| Employee accounts and loans                                       | 128,479                         | 137,411                         |
| Lease right of use  | 105,211                         | -                               |
| Receivable, bond placement  | 23,126,742                      | 23,457,909                      |
| TOTAL   | 47,196,657                      | 44,627,268                      |

# **NOTE 15 - CURRENT TAX ASSETS**

As of December 31, 2019 and 2018, this account is detailed as follows:

|  | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|--|---------------------------------|---------------------------------|
| Employee training credit (Sence)       | 329,664                         | 328,891                         |
| Monthly provisional tax payments (PPM) | 28,832,053                      | 27,407,553                      |
| VAT tax credit                         | 13,460,342                      | 8,497,999                       |
| Credit for PP&E                        | -                               | 387                             |
| Recovery of tax loss                   | 245,791                         | 597,258                         |
| Recoverable taxes (PPUA)               | 9,769,618                       | 10,895,772                      |
| TOTAL                                  | 52,637,468                      | 47,727,860                      |

### **NOTE 16 - OTHER NON-CURRENT NON-FINANCIAL ASSETS**

Other non-current non-financial assets as of each year end are detailed as follows:

|   | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|---|---------------------------------|---------------------------------|
| Prepaid expenses                              | 1,316,087                       | 2,341,476                       |
| Lease guarantees                              | 233,509                         | 95,801                          |
| Insurance receivable                          | 7,811,391                       | 9,534,212                       |
| Bilateral guarantees, ComDer margin and other | 109,636,011                     | 50,118,444                      |
| Mortgage bonds in registration process        | 79,586,335                      | 51,226,309                      |
| Shares and rights                             | 2,095,046                       | 2,095,046                       |
| Lease right of use                            | 11,650,388                      | -                               |
| Other assets                                  | 3,837,802                       | 1,593,069                       |
| TOTAL   | 216,166,569                     | 117,004,357                     |



## **NOTE 17 - TRADE AND OTHER PAYABLES**

As of December 31, 2019 and 2018, this account is detailed as follows:

|                        | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|------------------------|---------------------------------|---------------------------------|
| Suppliers              | 11,732,096                      | 9,135,535                       |
| Fees payable           | 830,428                         | 98,128                          |
| Payables to customers  | 12,998,686                      | 12,529,298                      |
| Leases payable         | 1,078,215                       | 1,181,757                       |
| Brokerage payables     | 43,109,454                      | 35,992,489                      |
| Insurance payable      | -                               | 7,028,462                       |
| Expired checks         | 80,935                          | 1,159,004                       |
| Mortgage loans         | 41,783,812                      | 46,666,511                      |
| INSURANCE SUBSIDIARY   |                                 |                                 |
| Ceded premium          | 20,084,488                      | 23,173,964                      |
| Technical reserves     | 2,695,230,323                   | 2,466,794,731                   |
| Claims payable         | 22,892,939                      | 24,957,863                      |
| Suppliers              | 20,793                          | -                               |
| Other accounts payable | 23,494                          | 2,970,490                       |
| TOTAL                  | 2,849,865,663                   | 2,631,688,232                   |

#### **NOTE 18 - OTHER CURRENT FINANCIAL LIABILITIES**

On November 20, 2009, the CMF certified the Group's filing under number 620 in the Securities Registry of the issuance of dematerialized F series bonds for UF 1,250,000, with annual interest of 4.5%.

On August 27, 2013, the CMF certified the Group's filing under number 763 in the Securities Registry of the issuance of K series bonds for UF 3,000,000, with annual interest of 4.2%.

On December 4, 2014, the CMF certified the Group's filing under number 795 in the Securities Registry of the issuance of L3 series bonds for UF 3,000,000, with annual interest of 3.8%.

On December 27, 2016, the CMF certified the Group's filing under number 842 in the Securities Registry of the issuance of M series bonds for UF 1,189,000, with annual interest of 4.2%.

On January 6, 2018, the Company finalized the process by which bondholders could voluntarily exchange series F bonds for new series M bonds under identical conditions for all bondholders in accordance with article 130 of Law No. 18,045 on Securities Markets and the terms and conditions in the Exchange Notice published. Bonds were exchanged for 95% of the original issuance, equivalent to a nominal amount of UF1,189,000.

On February 15, 2018, the CMF certified the Group's filing under number 885 in the Securities Registry of the issuance of N1 and N2 series bonds for UF 1,500,000, with annual interest of 2.85% and 2.7%, respectively.



## As of December 31, 2019 and 2018, this account is detailed as follows:

|  | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|--|---------------------------------|---------------------------------|
| BANK   | THCH\$                          | THCH\$                          |
| Borrowings from financial institutions                     | 198,380,976                     | 159,312,131                     |
| Current accounts   | 654,631,238                     | 544,900,274                     |
| Senior bonds   | 2,480,270,074                   | 1,597,440,301                   |
| Derivatives  | 244,481,703                     | 117,961,012                     |
| Payables from repurchase agreements and securities lending | 79,811,559                      | 34,003,101                      |
| Savings accounts and time deposits                         | 3,039,672,758                   | 3,344,560,447                   |
| Mortgage finance bonds                                     | 12,435,440                      | 13,674,325                      |
| Public-sector obligations                                  | 4,166,437                       | 7,192,355                       |
| Short-term lease right of use                              | 5,788,108                       | -                               |
| Payables to credit card operators                          | -                               | 4,770,709                       |
| INSURANCE SUBSIDIARY                                       |                                 |                                 |
| Borrowings from financial institutions                     | 20,512,806                      | 21,119,813                      |
| Senior bonds   | -                               | 312,254                         |
| Derivatives  | 24,165,220                      | 14,514,264                      |
| Other liabilities to domestic financial institutions       | 83,294                          | 220,581                         |
| PARENT COMPANY AND OTHER SUBSIDIARIES                      |                                 |                                 |
| Borrowings from financial institutions                     | 421,221,137                     | 352,543,156                     |
| Senior bonds   | 1,761,248                       | 1,052,148                       |
| Derivatives  | 773                             | 1,202                           |
| Other liabilities to domestic financial institutions       | -                               | 3,844,281                       |
| Lease liabilities  | 287,985                         | -                               |
| TOTAL  | 7,187,670,756                   | 6,217,422,354                   |



### BORROWINGS FROM FINANCIAL INSTITUTIONS AS OF DECEMBER 31, 2019, ARE DETAILED AS FOLLOWS:

|  |                       |                                     |                   |                         |                                    |                     |                        |                         |                     |                   |             | CARRYING AMOUN       | T             |
|--|-----------------------|-------------------------------------|-------------------|-------------------------|------------------------------------|---------------------|------------------------|-------------------------|---------------------|-------------------|-------------|----------------------|---------------|
|  |                       |                                     |                   |                         |                                    |                     |                        |                         |                     |                   |             | MATURITY             |               |
| DESCRIPTION OF DEBT                    | DEBTOR<br>Taxpayer ID | DEBTOR                              | DEBTOR<br>COUNTRY | CREDITOR<br>Taxpayer ID | CREDITOR                           | CREDITOR<br>COUNTRY | CURRENCY               | TYPE OF<br>AMORTIZATION | EFFECTIVE<br>RATE % | NOMINAL<br>RATE % | 0-90 DAYS   | 91 DAYS TO 1<br>YEAR | TOTAL         |
| Borrowings from financial institutions | 85.633.900-9          | Travel Security S.A.                | CHILE             | 99.500.410-0            | BANCO CORPBANCA                    | CHILE               | PERUVIAN SOL           | MONTHLY                 |                     | 0.25%             | 200         | -                    | 200           |
| Borrowings from financial institutions | 85.633.900-9          | Travel Security S.A.                | CHILE             | 97.004.000-5            | BANCO DE CHILE                     | CHILE               | PERUVIAN SOL           | MONTHLY                 |                     | 0.25%             | 16,771      | -                    | 16,771        |
| Borrowings from financial institutions | 85.633.900-9          | Travel Security S.A.                | CHILE             | 97.032.000-8            | BANCO SCOTIABANK                   | CHILE               | PERUVIAN SOL           | MONTHLY                 |                     | 0.25%             | 1,119,162   | -                    | 1,119,162     |
| Borrowings from financial institutions | 85.633.900-9          | Travel Security S.A.                | CHILE             | 97.004.000-5            | BANCO CHILE                        | CHILE               | PERUVIAN SOL           | MONTHLY                 |                     | 0.25%             | 57,510      | -                    | 57,510        |
| Borrowings from financial institutions | 20548601372           | Viajes Security S.A.                | Peru              | 20,100,047,218          | BANCO DE CRÉDITO<br>DEL PERU       | Peru                | PERUVIAN SOL           | MONTHLY                 |                     | 0.25%             | -           | 3,235,919            | 3,235,919     |
| Borrowings from financial institutions | 96.655.860-1          | Factoring Security S.A.             | CHILE             | 97.004.000-5            | BANCO CHILE                        | CHILE               | CH\$                   | MONTHLY                 | 0.21%               | 0.21%             | 39,212,318  | -                    | 39,212,318    |
| Borrowings from financial institutions | 96.655.860-1          | Factoring Security S.A.             | CHILE             | 97.030.000-7            | BANCO ESTADO                       | CHILE               | CH\$                   | MONTHLY                 | 0.22%               | 0.22%             | 35,873,549  | -                    | 35,873,549    |
| Borrowings from financial institutions | 96.655.860-1          | Factoring Security S.A.             | CHILE             | 76.249.637-2            | BANCO BCI                          | CHILE               | CH\$                   | MONTHLY                 | 0.23%               | 0.23%             | 19,892,214  | -                    | 19,892,214    |
| Borrowings from financial institutions | 96.655.860-1          | Factoring Security S.A.             | CHILE             | 97.032.000-8            | BANCO BBVA                         | CHILE               | CH\$                   | MONTHLY                 | 0.21%               | 0.21%             | 26,354,872  | _                    | 26,354,872    |
| Borrowings from financial institutions | 96.655.860-1          | Factoring Security S.A.             | CHILE             | 97.018.000-1            | BANCO SCOTIABANK                   | CHILE               | CH\$                   | MONTHLY                 | 0.21%               | 0.21%             | 14,018,953  | _                    | 14,018,953    |
| Borrowings from financial institutions | 96.655.860-1          | Factoring Security S.A.             | CHILE             | 97036600-K              | BANCO SANTANDER                    | CHILE               | CH\$                   | MONTHLY                 | 0.22%               | 0.22%             | 25,136,981  | _                    | 25,136,981    |
| Borrowings from financial institutions | 96.655.860-1          | Factoring Security S.A.             | CHILE             | 97.023.000-9            | BANCO ITAU-CORPBANCA               | CHILE               | CH\$                   | MONTHLY                 | 0.23%               | 0.23%             | 28,767,767  | _                    | 28,767,767    |
| Borrowings from financial institutions | 96.655.860-1          | Factoring Security S.A.             | CHILE             | 97080000-K              | BANCO BICE                         | CHILE               | CH\$                   | MONTHLY                 | 0.23%               | 0.23%             | 40,074,893  | _                    | 40,074,893    |
| Borrowings from financial institutions | 96.655.860-1          | Factoring Security S.A.             | CHILE             | 99.500.410-0            | BANCO CONSORCIO                    | CHILE               | CH\$                   | MONTHLY                 | 0.32%               | 0.32%             | 3,001,600   |                      | 3,001,600     |
| Borrowings from financial institutions | 96.655.860-1          | Factoring Security S.A.             | CHILE             | 99.500.410-0            | BANCO ITAU                         | CHILE               | USD                    | MONTHLY                 | 3.82%               | 3.82%             | 3,733,545   | _                    | 3,733,545     |
| Borrowings from financial institutions | 96.655.860-1          | Factoring Security S.A.             | CHILE             | 97.951.000-4            | BANCO HSBC                         | CHILE               | USD                    | MONTHLY                 | 3.75%               | 3.75%             | 2,016,695   |                      | 2,016,695     |
| Borrowings from financial institutions | 96.655.860-1          | Factoring Security S.A.             | CHILE             | 99.500.410-0            | BANCO CONSORCIO                    | CHILE               | USD                    | MONTHLY                 | 4.93%               | 4.93%             | 223,447     |                      | 223,447       |
| Borrowings from financial institutions | 96.655.860-1          | Factoring Security S.A.             | CHILE             | 97.951.000-4            | BANCO HSBC                         | CHILE               | CH\$                   | MONTHLY                 | 0.23%               | 0.23%             | 7,013,147   |                      | 7,013,147     |
| Borrowings from financial institutions | 96.655.860-1          | ,                                   | CHILE             | 76.249.637-2            | BANCO BCI                          | CHILE               | CH\$                   | MONTHLY                 | 3.34%               | 3.34%             | 1,575,417   |                      | 1,575,417     |
| 0                                      |                       | Factoring Security S.A.             |                   |                         |                                    |                     |                        |                         |                     |                   | 11+,010,1   | 10.055.000           |               |
| Borrowings from financial institutions | 96.604.380-6          | Grupo Security S.A.                 | CHILE             | 76.249.637-2            | BANCO BCI                          | CHILE               | Unidad de fomento (UF) | MONTHLY                 | 0.21%               | 0.21%             | 2 1 5 7 700 | 10,055,998           | 10,055,998    |
| Borrowings from financial institutions | 20517207331           | Protecta S.A. Compañía de Seguros   | PERU              |                         | BANCO DE CRÉDITO                   | PERU                | PERUVIAN SOL           | MONTHLY                 | 3.60%               | 3.60%             | 2,157,700   | -                    | 2,157,700     |
| Borrowings from financial institutions | 20517207331           | Protecta S.A. Compañía de Seguros   | PERU              |                         | BANCO GNB PERÚ S.A.                | PERU                | PERUVIAN SOL           | MONTHLY                 | 3.70%               | 3.70%             | 2,157,700   | - (02.076            | 2,157,700     |
| Borrowings from financial institutions | 20517207331           | Protecta S.A. Compañía de Seguros   | PERU              |                         | BANCO DE CRÉDITO                   | PERU                | USD                    | MONTHLY                 | 4.94%               | 4.94%             | -           | 6,482,976            | 6,482,976     |
| Borrowings from financial institutions | 20517207331           | Protecta S.A. Compañía de Seguros   | PERU              |                         | BANCO BBVA PERÚ                    | PERU                | USD                    | MONTHLY                 | 5.65%               | 5.65%             | -           | 467,382              | 467,382       |
| Borrowings from financial institutions | 96.786.270-3          | Inmobiliaria Security S.A.          | CHILE             | 97.036.000-K            | BANCO SANTANDER                    | CHILE               | CH\$                   | AT MATURITY             | 4.50%               | 4.50%             | -           | 1,614,492            | 1,614,492     |
| Borrowings from financial institutions | 96.786.270-3          | Inmobiliaria Security S.A.          | CHILE             | 97.006.000-6            | BANCO DE CHILE                     | CHILE               | CH\$                   | AT MATURITY             | 4.53%               | 4.53%             | 848,564     | 1,842,444            | 2,691,008     |
| Borrowings from financial institutions | 96.786.270-3          | Inmobiliaria Security S.A.          | CHILE             | 76.249.637-2            | BANCO BCI                          | CHILE               | CH\$                   | AT MATURITY             | 3.12%               | 3.12%             | -           | 945,866              | 945,866       |
| Borrowings from financial institutions | 96.786.270-3          | Inmobiliaria Security S.A.          | CHILE             | 99.500.410-0            | BANCO CONSORCIO                    | CHILE               | CH\$                   | AT MATURITY             | 3.04%               | 3.04%             | 1,072,342   | -                    | 1,072,342     |
| Borrowings from financial institutions | 96.786.270-3          | Inmobiliaria Security S.A.          | CHILE             | 97080000-K              | BANCO BICE                         | CHILE               | CH\$                   | AT MATURITY             | 4.70%               | 4.70%             | 1,401,771   | -                    | 1,401,771     |
| Borrowings from financial institutions | 76.249.637-1          | Inmobiliaria Security Norte S.A.    | CHILE             | 76.249.637-2            | BANCO BCI                          | CHILE               | CH\$                   | AT MATURITY             | 3.20%               | 3.20%             | 4,038,478   | 4,639,387            | 8,677,865     |
| Borrowings from financial institutions | 96.786.270-3          | Inmobiliaria Security Diez Ltda     | CHILE             | 97.006.000-6            | BANCO DE CHILE                     | CHILE               | CH\$                   | AT MATURITY             | 3.36%               | 3.36%             | -           | 4,296,732            | 4,296,732     |
| Borrowings from financial institutions | 76.360.997-8          | Inmobiliaria Alto Chamisero         | CHILE             | 97.006.000-6            | BANCO DE CHILE                     | CHILE               | CH\$                   | AT MATURITY             | 4.15%               | 4.15%             | -           | 3,687,574            | 3,687,574     |
| Borrowings from financial institutions | 76.594.759-6          | Inmobiliaria Security Los Dominicos | CHILE             | 76.104.355-2            | BANCO DE CHILE                     | CHILE               | CH\$                   | AT MATURITY             | 4.30%               | 4.30%             | 1,151,325   | 9,535,949            | 10,687,274    |
| Borrowings from financial institutions | 76.505.706-K          | Inmobiliaria Alto Vitacura S.A.     | CHILE             | 97080000-K              | BANCO BICE                         | CHILE               | CH\$                   | AT MATURITY             | 4.24%               | 4.24%             | 8,030,384   | 4,856,043            | 12,886,427    |
| Borrowings from financial institutions | 76.594.758-8          | Inmobiliaria Ñuñoa V SPA            | CHILE             | 97.036.000-K            | BANCO SANTANDER                    | CHILE               | CH\$                   | AT MATURITY             | 4.42%               | 4.42%             | 3,925,441   | 1,963,035            | 5,888,476     |
| Borrowings from financial institutions | 76.477.415-9          | Inmobiliaria El Taihuen S.A.        | CHILE             | 99.500.410-0            | BANCO CONSORCIO                    | CHILE               | CH\$                   | AT MATURITY             | 4.47%               | 4.47%             | 3,279,904   | 16,481,637           | 19,761,541    |
| Borrowings from financial institutions | 96.847.360-3          | Securitizadora Security S.A.        | CHILE             | E-9                     | INTER-AMERICAN<br>DEVELOPMENT BANK | USA                 | USD                    | QUARTERLY               | 3.11%               | 3.11%             | 3,014,395   | -                    | 3,014,395     |
| Borrowings from financial institutions | 96.847.360-3          | Securitizadora Security S.A.        | CHILE             | 99.500.410-0            | BANCO CONSORCIO                    | CHILE               | UNIDAD DE FOMENTO (UF) | SEMI-ANNUAL             | 3.03%               | 3.03%             | -           | 482,028              | 482,028       |
| Borrowings from financial institutions | 96.847.360-3          | Securitizadora Security S.A.        | CHILE             | 99.500.410-0            | BANCO CONSORCIO                    | CHILE               | UNIDAD DE FOMENTO (UF) | SEMI-ANNUAL             | 3.03%               | 3.03%             | -           | 1,134,185            | 1,134,185     |
| Borrowings from financial institutions | 96.847.360-3          | Securitizadora Security S.A.        | CHILE             | 99.500.410-0            | BANCO CONSORCIO                    | CHILE               | UNIDAD DE FOMENTO (UF) | SEMI-ANNUAL             | 3.03%               | 3.03%             | -           | 1,702,538            | 1,702,538     |
| Borrowings from financial institutions | 96.847.360-3          | Securitizadora Security S.A.        | CHILE             | 99.500.410-0            | BANCO CONSORCIO                    | CHILE               | UNIDAD DE FOMENTO (UF) | SEMI-ANNUAL             | 3.03%               | 3.03%             | -           | 1,134,185            | 1,134,185     |
| Borrowings from financial institutions | 96.847.360-3          | Securitizadora Security S.A.        | CHILE             | 99.500.410-0            | BANCO CONSORCIO                    | CHILE               | UNIDAD DE FOMENTO (UF) | SEMI-ANNUAL             | 3.07%               | 3.07%             | 576,157     | -                    | 576,157       |
| Borrowings from financial institutions | 96.847.360-3          | Securitizadora Security S.A.        | CHILE             | 76.362.099-9            | BANCO BTG PACTUAL                  | CHILE               | UNIDAD DE FOMENTO (UF) | ANNUAL                  | 2.00%               | 2.00%             | _           | 8,556,208            | 8,556,208     |
| Borrowings from financial institutions | 96.847.360-3          | Securitizadora Security S.A.        | CHILE             | 76.362.099-9            | BANCO BTG PACTUAL                  | CHILE               | UNIDAD DE FOMENTO (UF) | ANNUAL                  | 2.00%               | 2.00%             | -           | 8,523,099            | 8,523,099     |
| Borrowings from financial institutions | 99.301.000-6          | Seguros de Vida Security            | CHILE             | 97.018.000-1            | BANCO SCOTIABANK                   | CHILE               | CH\$                   | MONTHLY                 | 4.38%               | 4.38%             | 14,050      | 10,000,000           | 10,014,050    |
| Borrowings from financial institutions | 99.301.000-6          | Seguros de Vida Security            | CHILE             | 99.500.410-0            | BANCO CONSORCIO                    | CHILE               | CH\$                   | AT MATURITY             | 4.96%               | 4.96%             | 498,756     | 10,000,000           | 10,498,756    |
| Borrowings from financial institutions | 78.769.870-0          | Inversiones Seguros Security        | CHILE             | 97.004.000-5            | BANCO BCI                          | CHILE               | CH\$                   | AT MATURITY             | 7.01%               | 7.01%             | 183,136     |                      | 183,136       |
| Borrowings from financial institutions | 78.769.870-0          | Inversiones Seguros Security        | CHILE             | 97.006.000-6            | BANCO DE CHILE                     | CHILE               | CH\$                   | AT MATURITY             | 7.19%               | 7.19%             | 164,009     | _                    | 164,009       |
| Borrowings from financial institutions | 78.769.870-0          | Inversiones Seguros Security        | CHILE             | 97.006.000-6            | BANCO DE CHILE                     | CHILE               | CH\$                   | AT MATURITY             | 0.19%               | 0.19%             | 18,056,742  | _                    | 18,056,742    |
| Borrowings from financial institutions | 78.769.870-0          | Inversiones Seguros Security        | CHILE             | 99.500.410-0            | BANCO CONSORCIO                    | CHILE               | CH\$                   | AT MATURITY             | 4.86%               | 4.86%             | 181,585     | _                    | 181,585       |
| 00                                     |                       |                                     |                   |                         |                                    | 222                 | SUB TOTAL              |                         |                     |                   | 298,841,480 | 111,637,677          | 410,479,157   |
|  |                       |                                     |                   |                         |                                    |                     | JUDIOINE               |                         |                     |                   | 230,071,400 | 1110,16011           | לנו ,ל וד,טוד |



# BORROWINGS FROM FINANCIAL INSTITUTIONS AS OF DECEMBER 31, 2019, ARE DETAILED AS FOLLOWS: (CONTINUED)

|  |                       |                                 |                   |                         |  |                     |          |                         |                     |                   | (           | CARRYING AMOUN       | T           |
|--|-----------------------|---------------------------------|-------------------|-------------------------|--|---------------------|----------|-------------------------|---------------------|-------------------|-------------|----------------------|-------------|
| DESCRIPTION OF DEBT                    | DEBTOR<br>Taxpayer ID | DEBTOR                          | DEBTOR<br>COUNTRY | CREDITOR<br>Taxpayer ID | CREDITOR                               | CREDITOR<br>COUNTRY | CURRENCY | TYPE OF<br>AMORTIZATION | EFFECTIVE<br>RATE % | NOMINAL<br>RATE % | 0-90 DAYS   | 91 DAYS TO 1<br>YEAR | TOTAL       |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 405.752.832-5           | BCO BILBAO VISCAYA ARGENTARIA URUGUAY  | URUGUAY             | USD      | MONTHLY                 | 0.00%               | 0.00%             | 106,997     | -                    | 106,99      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 406.595.168-7           | BANK OF CHINA                          | CHINA               | USD      | QUARTERLY               | 0.00%               | 0.00%             | 69,901      |                      | 69,90       |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 406.595.168-7           | BANK OF CHINA                          | CHINA               | USD      | QUARTERLY               | 0.00%               | 0.00%             | 51,108      | _                    | 51,108      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 406.595.168-7           | BANK OF CHINA                          | CHINA               | USD      | QUARTERLY               | 0.00%               | 0.00%             | 66,591      | _                    | 66,59       |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 407855136-K             | BANK OF MONTREAL                       | CANADA              | USD      | ANNUAL                  | 3.17%               | 3.17%             | 15,443,741  | _                    | 15,443,74   |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 409.047.240-8           | BANCO SANTANDER MADRID                 | SPAIN               | EURO     | QUARTERLY               | 0.00%               | 0.00%             | 42,992      | -                    | 42,992      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 410.485.104-0           | BCO ITAU BBA S A                       | BRAZIL              | USD      | MONTHLY                 | 0.00%               | 0.00%             | 17,663      | -                    | 17,663      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 411.885.828-5           | CITIBANK N.A.                          | UNITED STATES       | USD      | SEMI-<br>ANNUAL         | 2.48%               | 2.48%             | 22,599,944  | -                    | 22,599,94   |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 411.885.828-5           | CITIBANK N.A.                          | UNITED STATES       | USD      | QUARTERLY               | 2.25%               | 2.25%             | 22,668,187  | -                    | 22,668,18   |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 412.335.204-7           | COMMERZBANK AG                         | GERMANY             | USD      | ANNUAL                  | 2.58%               | 2.58%             | 7,553,324   | -                    | 7,553,324   |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 412.393.168-3           | CHINA MERCHANTS BANK                   | CHINA               | USD      | MONTHLY                 | 0.00%               | 0.00%             | 98,196      | -                    | 98,19       |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 412.393.168-3           | CHINA MERCHANTS BANK                   | CHINA               | USD      | QUARTERLY               | 0.00%               | 0.00%             | 1,996       | _                    | 1,996       |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 412.393.168-3           | CHINA MERCHANTS BANK                   | CHINA               | USD      | MONTHLY                 | 0.00%               | 0.00%             | 19,293      |                      | 19,293      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 412.527.204-0           | COMMERZBANK AG                         | GERMANY             | EURO     | QUARTERLY               | 0.00%               | 0.00%             | 42,644      |                      | 42,644      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 407855136-K             | COMMERZBANK AG                         | CANADA              | USD      | QUARTERLY               | 0.00%               | 0.00%             | 16,786      |                      | 16,786      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 407855136-K             | COMMERZBANK AG                         | CANADA              | EURO     | QUARTERLY               | 0.00%               | 0.00%             | 16,786      |                      | 16,786      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 412.527.204-0           | COMMERZBANK AG                         | GERMANY             | EURO     | QUARTERLY               | 0.00%               | 0.00%             | 10,081      |                      | 10,08       |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 412.527.204-0           | COMMERZBANK AG                         | GERMANY             | USD      | MONTHLY                 | 0.00%               | 0.00%             | 11,440      |                      | 11,44       |
| •                                      |                       | ,                               | CHILE             | 413.260.376-1           |  | INDIA               | USD      | QUARTERLY               |                     | 0.00%             |             |                      | 37,25       |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  |                   |                         | CITIBANK                               |                     |          | ,                       | 0.00%               |                   | 37,254      | 1                    |             |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 445.315.168-4           | IND AND COMMERCIAL BANK OF CHINA       | CHINA               | USD      | QUARTERLY               | 0.00%               | 0.00%             | 10,547,858  | -                    | 10,547,858  |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 446.410.828-4           | THE BANK OF NEW YORK MELLON            | UNITED STATES       | USD      | ANNUAL                  | 2.47%               | 2.47%             | 44,693      | -                    | 44,693      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 446.410.828-4           | THE BANK OF NEW YORK MELLON            | UNITED STATES       | USD      | QUARTERLY               | 0.00%               | 0.00%             | 44,693      | -                    | 44,693      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 446.410.828-4           | THE BANK OF NEW YORK MELLON            | UNITED STATES       | USD      | QUARTERLY               | 0.00%               | 0.00%             | 39,891      | -                    | 39,89       |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 446.410.828-4           | THE BANK OF NEW YORK MELLON            | UNITED STATES       | USD      | QUARTERLY               | 0.00%               | 0.00%             | 18,810,000  | -                    | 18,810,00   |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 458.915.828-3           | WELLS FARGO BANK N A NY                | UNITED STATES       | USD      | ANNUAL                  | 2.33%               | 2.33%             | 15,161,452  | -                    | 15,161,45   |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 458.915.828-3           | WELLS FARGO BANK N A NY                | UNITED STATES       | USD      | ANNUAL                  | 2.30%               | 2.30%             | 22,685,498  | -                    | 22,685,49   |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 458.915.828-3           | WELLS FARGO BANK N A NY                | UNITED STATES       | USD      | ANNUAL                  | 2.65%               | 2.65%             | 18,860,588  | -                    | 18,860,58   |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 458.915.828-3           | WELLS FARGO BANK N A NY                | UNITED STATES       | USD      | QUARTERLY               | 2.25%               | 2.25%             | 10,955      | -                    | 10,95       |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 460.217.376-9           | KOTAK MAHINDRA BANK LIMITED            | INDIA               | USD      | QUARTERLY               | 0.00%               | 0.00%             | 54,773      | -                    | 54,773      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 460.217.376-9           | KOTAK MAHINDRA BANK LIMITED            | INDIA               | USD      | QUARTERLY               | 0.00%               | 0.00%             | 43,797      | -                    | 43,797      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 460.217.376-9           | KOTAK MAHINDRA BANK LIMITED            | INDIA               | USD      | QUARTERLY               | 0.00%               | 0.00%             | 54,829      | -                    | 54,829      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 460.217.376-9           | KOTAK MAHINDRA BANK LIMITED            | INDIA               | USD      | MONTHLY                 | 0.00%               | 0.00%             | 10,955      | -                    | 10,95       |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 460.217.376-9           | KOTAK MAHINDRA BANK LIMITED            | INDIA               | USD      | MONTHLY                 | 0.00%               | 0.00%             | 33,565      | -                    | 33,56       |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 464.826.168-9           | WELLS FARGO BANK CHINA                 | CHINA               | USD      | QUARTERLY               | 0.00%               | 0.00%             | 3,780,630   | 9,423,630            | 13,204,260  |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 464.843.168-1           | CHINA DEVELOPMENT BANK                 | CHINA               | USD      | ANNUAL                  | 2.90%               | 2.90%             | 43,073      | -                    | 43,073      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 472815168-K             | STANDARD CHARTERED BANK                | CHINA               | USD      | MONTHLY                 | 0.00%               | 0.00%             | 47,119      | -                    | 47,119      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 472.928.340-7           | STANDARD CHARTERED BANK HONG KONG LIMI | HONG KONG           | USD      | MONTHLY                 | 0.00%               | 0.00%             | 35,315      | -                    | 35,31       |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 472.928.340-7           | STANDARD CHARTERED BANK HONG KONG LIMI | HONG KONG           | USD      | QUARTERLY               | 0.00%               | 0.00%             | 23,079      | -                    | 23,079      |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 472.928.340-7           | STANDARD CHARTERED BANK HONG KONG LIMI | HONG KONG           | USD      | QUARTERLY               | 0.00%               | 0.00%             | 14,401      |                      | 14,40       |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 472.928.340-7           | STANDARD CHARTERED BANK HONG KONG LIMI | HONG KONG           | USD      | MONTHLY                 | 0.00%               | 0.00%             | 30,102,686  | _                    | 30,102,686  |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 473.960.828-2           | SUMITOMO MITSUI BANKING CORPORATION    | UNITED STATES       | USD      | ANNUAL                  | 2.54%               | 2.54%             | 15,066,485  | _                    | 15,066,485  |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 473.960.828-2           | SUMITOMO MITSUI BANKING CORPORATION    | UNITED STATES       | USD      | SEMI-<br>ANNUAL         | 2.51%               | 2.51%             | 15,066,485  | -                    | 15,066,485  |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 473.960.828-2           | SUMITOMO MITSUI BANKING CORPORATION    | UNITED STATES       | USD      | SEMI-<br>ANNUAL         | 2.51%               | 2.51%             | 12,008      | _                    | 12,00       |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 478.108.796-9           | TURKIYE VAKIFLAR BANKASI TA O          | TURKEY              | USD      | MONTHLY                 | 0.00%               | 0.00%             | 45,338      | _                    | 45,33       |
| Borrowings from financial institutions | 97.053.005-3          | Banco Security                  | CHILE             | 480.612.396-5           | UNICREDIT BANCA SPA CRED ITL           | ITALY               | EURO     | QUARTERLY               | 0.00%               | 0.00%             | 351,924     | _                    | 351,924     |
| Borrowings from financial institutions | 97.053.005-3          | Valores Security<br>S.A C.de B. | CHILE             | 97.008.000-7            | BANCO CITIBANK                         | CHILE               | USD      | MONTHLY                 | 0.00%               | 0.00%             | 345,118     | _                    | 345,118     |
|  |                       | J.N C.UE D.                     |                   |                         |  |                     | TOTAL    |                         |                     |                   | 519,053,612 | 121,061,307          | 640,114,919 |



### BORROWINGS FROM FINANCIAL INSTITUTIONS AS OF DECEMBER 31, 2018, ARE DETAILED AS FOLLOWS:

|                                       |                              |  |                   |                                |  |                  |                        |                         |                     |                   | CARRYING AMOUNT   |                      |                 |
|---------------------------------------|------------------------------|--|-------------------|--------------------------------|--|------------------|------------------------|-------------------------|---------------------|-------------------|-------------------|----------------------|-----------------|
|                                       |                              |  |                   |                                |  |                  |                        |                         |                     |                   |                   | MATURITY             |                 |
| DESCRIPTION OF DEBT                   | DEBTOR<br>Taxpayer ID        | DEBTOR                                 | DEBTOR<br>COUNTRY | CREDITOR<br>Taxpayer ID        | CREDITOR                                     | CREDITOR COUNTRY | CURRENCY               | TYPE OF<br>Amortization | EFFECTIVE<br>RATE % | NOMINAL<br>RATE % | 0-90 DAYS         | 91 DAYS TO 1<br>YEAR | TOTAL           |
| orrowings from financial institutions | 85.633.900-9                 | Travel Security S.A.                   | CHILE             | 97.004.000-5                   | Banco Chile                                  | CHILE            | CH\$                   | AT MATURITY             | 5.36%               | 5.36%             | 1,400,000         | -                    | 1,400,00        |
| orrowings from financial institutions | 85.633.900-9                 | Travel Security S.A.                   | CHILE             | 97.004.000-5                   | Banco Chile                                  | CHILE            | CH\$                   | AT MATURITY             | 5.36%               | 5.36%             | 790               | -                    | 7               |
| orrowings from financial institutions | 20548601372                  | Viajes Security S.A.                   | Peru              | 20,100,047,218                 | Banco de Crédito del Perú                    | PERU             | CH\$                   | AT MATURITY             | 5.92%               | 5.92%             | -                 | 3,107,150            | 3,107,1         |
| orrowings from financial institutions | 96.655.860-1                 | Factoring Security                     | CHILE             | 97.004.000-5                   | Banco De Chile                               | CHILE            | CH\$                   | MONTHLY                 | 0.25%               | 0.25%             | 40,017,883        | -                    | 40,017,8        |
|                                       | 96.655.860-1                 | Factoring Security                     | CHILE             | 97.023.000-9                   | International                                | CHILE            | CH\$                   | MONTHLY                 | 0.26%               | 0.26%             | 13,520,090        | -                    | 13,520,0        |
|                                       | 96.655.860-1                 | Factoring Security                     | CHILE             | 97.030.000-7                   | Banco Estado                                 | CHILE            | CH\$                   | MONTHLY                 | 0.26%               | 0.26%             | 31,648,891        | -                    | 31,648,8        |
|                                       | 96.655.860-1                 | Factoring Security                     | CHILE             | 97.006.000-6                   | Banco De Credito E Inversiones               | CHILE            | CH\$                   | MONTHLY                 | 0.31%               | 0.31%             | 19,612,459        | -                    | 19,612,4        |
| orrowings from financial institutions | 96.655.860-1                 | Factoring Security                     | CHILE             | 97.032.000-8                   | Banco Bbva                                   | CHILE            | CH\$                   | MONTHLY                 | 0.26%               | 0.26%             | 26,491,812        | -                    | 26,491,8        |
|                                       | 96.655.860-1                 | Factoring Security                     | CHILE             | 97.018.000-1                   | Banco Scotiabank                             | CHILE            | CH\$                   | MONTHLY                 | 0.26%               | 0.26%             | 14,017,262        | -                    | 14,017,2        |
| rrowings from financial institutions  | 96.655.860-1                 | Factoring Security                     | CHILE             | 97036600-K                     | Banco Santander                              | CHILE            | CH\$                   | MONTHLY                 | 0.26%               | 0.26%             | 26,241,688        | -                    | 26,241,6        |
| prrowings from financial institutions | 96.655.860-1                 | Factoring Security                     | CHILE             | 97.041.000-7                   | Banco Itau                                   | CHILE            | CH\$                   | MONTHLY                 | 0.26%               | 0.26%             | 23,860,318        | -                    | 23,860,3        |
|                                       | 96.655.860-1                 | Factoring Security                     | CHILE             | 97080000-K                     | Banco Bice                                   | CHILE            | CH\$                   | MONTHLY                 | 0.26%               | 0.26%             | 24,999,919        | -                    | 24,999,9        |
|                                       | 96.655.860-1                 | Factoring Security                     | CHILE             | 99.500.410-0                   | Banco Consorcio                              | CHILE            | CH\$                   | MONTHLY                 | 0.27%               | 0.27%             | 26,531,124        | -                    | 26,531,1        |
|                                       | 96.655.860-1                 | Factoring Security                     | CHILE             | 99.500.410-0                   | Banco Consorcio                              | CHILE            | USD                    | MONTHLY                 | 2.76%               | 2.76%             | 417,954           | -                    | 417,9           |
| rrowings from financial institutions  | 96.655.860-1                 | Factoring Security                     | CHILE             | 97.030.000-7                   | Banco Del Estado                             | CHILE            | USD                    | MONTHLY                 | 3.35%               | 3.35%             | 3,576,482         | -                    | 3,576,4         |
|                                       | 96.655.860-1                 | Factoring Security                     | CHILE             | 97.951.000-4                   | HSBC   | CHILE            | USD                    | MONTHLY                 | 2.09%               | 2.09%             | 3,560,397         | -                    | 3,560,3         |
| rrowings from financial institutions  | 96.655.860-1                 | Factoring Security                     | CHILE             | 97.951.000-4                   | HSBC   | CHILE            | CH\$                   | MONTHLY                 | 0.28%               | 0.28%             | 5,011,792         | -                    | 5,011,7         |
| rrowings from financial institutions  | 96.786.270-3                 | Inmobiliaria Security S.A.             | CHILE             | 97.036.000-K                   | Banco Santander                              | CHILE            | CH\$                   | AT MATURITY             | 5.07%               | 5.07%             | _                 | 1,615,923            | 1,615,9         |
| ŭ                                     |                              | ,                                      |                   |                                |  |                  |                        |                         |                     |                   | 1.010.005         |                      |                 |
|                                       | 96.786.270-3                 | Inmobiliaria Security S.A.             | CHILE             | 97.004.000-5                   | Banco de Chile                               | CHILE            | CH\$                   | AT MATURITY             | 4.09%               | 4.09%             | 1,816,695         | 632,482              | 2,449,1         |
|                                       | 96.786.270-3                 | Inmobiliaria Security S.A.             | CHILE             | 97.006.000-6                   | Banco BCI                                    | CHILE            | CH\$                   | AT MATURITY             | 5.00%               | 5.00%             | 1.070.00          | 948,733              | 948,7           |
| 0                                     | 96.786.270-3                 | Inmobiliaria Security S.A.             | CHILE             | 99.500.410-0                   | Banco Consorcio                              | CHILE            | CH\$                   | AT MATURITY             | 3.90%               | 3.90%             | 1,078,097         | -                    | 1,078,0         |
| U .                                   | 96.786.270-3                 | Inmobiliaria Security S.A.             | CHILE             | 97080000-K                     | Banco BICE                                   | CHILE            | CH\$                   | AT MATURITY             | 4.00%               | 4.00%             | 1,392,072         | -                    | 1,392,0         |
| 0                                     | 76.249.637-1                 | Inmobiliaria Security Norte S.A.       | CHILE             | 97.006.000-6                   | Banco BCI                                    | CHILE            | CH\$                   | AT MATURITY             | 4.40%               | 4.40%             | 1,936,639         | 2,065,270            | 4,001,9         |
| rrowings from financial institutions  | 76.360.997-8                 | Inmobiliaria Alto Chamisero            | CHILE             | 97.006.000-6                   | Banco BCI                                    | CHILE            | CH\$                   | AT MATURITY             | 4.00%               | 4.00%             | 1,831,420         | -                    | 1,831,4         |
| rowings from financial institutions   | 76.594.759-6                 | Inmobiliaria Security Los<br>Dominicos | CHILE             | 76.104.355-2                   | Banco de Chile                               | CHILE            | CH\$                   | AT MATURITY             | 4.08%               | 4.08%             | 4,533,477         | -                    | 4,533,4         |
| rrowings from financial institutions  | 76.505.706-K                 | Inmobiliaria Alto Vitacura S.A.        | CHILE             | 97080000-K                     | Banco Bice                                   | CHILE            | CH\$                   | AT MATURITY             | 4.11%               | 4.11%             | _                 | 6,394,511            | 6,394,5         |
|                                       | 76.594.758-8                 | Inmobiliaria Ñuñoa V SPA               | CHILE             | 97.036.000-K                   | Banco Santander                              | CHILE            | CH\$                   | AT MATURITY             | 3.91%               | 3.91%             | 2,650,460         | 0,00 1,011           | 2,650,46        |
| U .                                   | 76.477.415-9                 | Inmobiliaria El Taihuen S.A.           | CHILE             | 99.500.410-0                   | Banco Consorcio                              | CHILE            | CH\$                   | AT MATURITY             | 4.60%               | 4.60%             | 2,031,485         | 11,088,338           | 13,119,82       |
|                                       | 20517207331                  | Protecta Compañía Seguros SA           | PERU              | 20,100,130,204                 | Banco de Crédito                             | PERU             | USD                    | MONTHLY                 | 4.94%               | 4.00%             | 2,455,096         | 11,000,000           | 2,455,09        |
|                                       | 20517207331                  | Protecta Compañía Seguros SA           | PERU              | 20,100,130,204                 | Banco de Crédito                             | PERU             | USD                    | MONTHLY                 | 4.94%               | 4.94%             | 3,857,655         |                      | 3,857,6         |
| ,                                     |                              |  |                   |                                | Banco Interamericano del                     |                  |                        |                         |                     |                   |                   |                      |                 |
|                                       | 96.847.360-3                 | Securitizadora Security S.A.           | Chile             | E-9                            | Desarrollo<br>Banco Interamericano del       | UNITED STATES    | USD                    | MONTHLY                 | 3.75%               | 3.75%             | 6,584             | -                    | 6,5             |
| owings from financial institutions    | 96.847.360-3                 | Securitizadora Security S.A.           | Chile             | E-9                            | Desarrollo                                   | UNITED STATES    | USD                    | MONTHLY                 | 3.75%               | 3.75%             | -                 | 2,442,902            | 2,442,9         |
| rrowings from financial institutions  | 96.847.360-3                 | Securitizadora Security S.A.           | Chile             | E-9                            | Corporación Interamericana de<br>Inversiones | UNITED STATES    | USD                    | MONTHLY                 | 3.75%               | 3.75%             | -                 | 1,044,016            | 1,044,01        |
| rowings from financial institutions   | 96.847.360-3                 | Securitizadora Security S.A.           | CHILE             | 97.006.000-6                   | Banco Crédito e Inversiones                  | CHILE            | CH\$                   | MONTHLY                 | 3.94%               | 3.94%             | 2,524,148         |                      | 2,524,14        |
|                                       | 96.847.360-3                 | Securitizadora Security S.A.           | CHILE             | 97.006.000-6                   | Banco Crédito e Inversiones                  | CHILE            | CH\$                   | MONTHLY                 | 4.18%               | 4.18%             | 1,105,856         |                      | 1,105,8         |
| •                                     | 96.847.360-3                 | ,                                      | CHILE             | 97.006.000-6                   | Banco Crédito e Inversiones                  | CHILE            | UNIDAD DE FOMENTO (UF) |                         | 1.94%               | 1.94%             |                   |                      | 1,106,7         |
| •                                     |                              | Securitizadora Security S.A.           |                   |                                |  |                  | ٠,                     |                         |                     |                   | 1,106,731         | 1                    |                 |
| U U                                   | 96.847.360-3                 | Securitizadora Security S.A.           | CHILE             | 97.006.000-6                   | Banco Crédito e Inversiones                  | CHILE            | CH\$                   | MONTHLY                 | 4.03%               | 4.03%             | 1,658,013         | -                    | 1,658,0         |
| U U                                   | 96.847.360-3                 | Securitizadora Security S.A.           | CHILE             | 97.006.000-6                   | Banco Crédito e Inversiones                  | CHILE            | UNIDAD DE FOMENTO (UF) | MONTHLY                 | 1.55%               | 1.55%             | 1,106,525         | -                    | 1,106,52        |
| U .                                   | 96.847.360-3                 | Securitizadora Security S.A.           | CHILE             | 97.006.000-6                   | Banco Crédito e Inversiones                  | CHILE            | UNIDAD DE FOMENTO (UF) |                         | 2.47%               | 2.47%             | 415,294           | -                    | 415,2           |
| 0                                     | 96.847.360-3                 | Securitizadora Security S.A.           | CHILE             | 97.006.000-6                   | Banco Crédito e Inversiones                  | CHILE            | 1 1                    |                         | 2.77%               | 2.77%             | 138,317           | -                    | 138,31          |
| U U                                   | 96.847.360-3                 | Securitizadora Security S.A.           | CHILE             | 97.006.000-6                   | Banco Crédito e Inversiones                  | CHILE            | UNIDAD DE FOMENTO (UF) |                         | 2.98%               | 2.98%             | 276,548           | -                    | 276,54          |
|                                       | 96.847.360-3                 | Securitizadora Security S.A.           | CHILE             | 99.500.410-0                   | Banco Consorcio                              | CHILE            | UNIDAD DE FOMENTO (UF) | MONTHLY                 | 3.39%               | 3.39%             | -                 | 1,126,800            | 1,126,80        |
| rrowings from financial institutions  | 96.847.360-3                 | Securitizadora Security S.A.           | CHILE             | 99.500.410-0                   | Banco Consorcio                              | CHILE            | UNIDAD DE FOMENTO (UF) | MONTHLY                 | 3.25%               | 3.25%             | 691,260           | -                    | 691,26          |
|                                       | 96.847.360-3                 | Securitizadora Security S.A.           | CHILE             | 99.500.410-0                   | Banco Consorcio                              | CHILE            | UNIDAD DE FOMENTO (UF) |                         | 1.71%               | 1.71%             | -                 | 1,388,169            | 1,388,1         |
| rowings from financial institutions   | 96.847.360-3                 | Securitizadora Security S.A.           | CHILE             | 99.500.410-0                   | Banco Consorcio                              | CHILE            | UNIDAD DE FOMENTO (UF) | MONTHLY                 | 1.56%               | 1.56%             | -                 | 3,345,451            | 3,345,4         |
|                                       | 96.847.360-3                 | Securitizadora Security S.A.           | CHILE             | 99.500.410-0                   | Banco Consorcio                              | CHILE            | UNIDAD DE FOMENTO (UF) | MONTHLY                 | 3.06%               | 3.06%             | -                 | 248,809              | 248,8           |
|                                       | 96.847.360-3                 | Securitizadora Security S.A.           | CHILE             | 99.500.410-0                   | Banco Consorcio                              | CHILE            | UNIDAD DE FOMENTO (UF) | MONTHLY                 | 4.17%               | 4.17%             | 552,976           | -                    | 552,9           |
|                                       | 96.847.360-3                 | Securitizadora Security S.A.           | CHILE             | 99.500.410-0                   | Banco Consorcio                              | CHILE            | UNIDAD DE FOMENTO (UF) | MONTHLY                 | 3.92%               | 3.92%             | -                 | 469,231              | 469,2           |
|                                       | 99.301.000-6                 | Seguros de Vida Security               | CHILE             | 97.018.000-1                   | Banco Scotiabank                             | CHILE            | CH\$                   | MONTHLY                 | 4.13%               | 4.13%             | 21,900            | 10,000,000           | 10,021,9        |
|                                       | 99.301.000-6                 | Seguros de Vida Security               | CHILE             | 99.500.410-0                   | Banco Consorcio                              | CHILE            | CH\$                   | AT MATURITY             | 4.28%               | 4.28%             | 420,867           | 10,000,000           | 10,420,8        |
|                                       | 78.769.870-0                 | Inversiones Previsión Security Ltda    | CHILE             | 97.004.000-5                   | Banco BCI                                    | CHILE            | UNIDAD DE FOMENTO (UF) |                         | 7.01%               | 7.01%             | 218,255           |                      | 218,2           |
|                                       | 78.769.870-0                 | Inversiones Previsión Security Ltda    |                   | 97.006.000-6                   | Banco de Chile                               | CHILE            | CH\$                   | AT MATURITY             | 7.19%               | 7.19%             | 190,532           | _                    | 190,5           |
|                                       | 78.769.870-0                 | Inversiones Previsión Security Ltda    |                   | 99.500.410-0                   | Banco Consorcio                              | CHILE            | CH\$                   | AT MATURITY             | 4.44%               | 4.46%             | 268,259           | _                    | 268,2           |
| •                                     | 97.053.005-3                 | Banco Security                         | CHILE             | 97.032.000-8                   | Banco Bilbao Vizcaya Argentaria<br>Chile     | CHILE            | USD                    | MONTHLY                 | 0.00%               | 0.00%             | 49,925            | -                    | 49,9            |
| rowings from financial institutions   | 97.053.005-3                 | Banco Security                         | CHILE             | 404270240-K                    | Bco Bilbao Vizcaya Argentaria<br>S.A. Esp    | SPAIN            | EURO                   | SEMI-<br>ANNUAL         | 0.00%               | 0.00%             | -                 | 168,288              | 168,2           |
| rowings from financial institutions   | 97.053.005-3                 | Banco Security                         | CHILE             | 404270240-K                    | Bco Bilbao Vizcaya Argentaria                | SPAIN            | EURO                   | SEMI-                   | 0.00%               | 0.00%             | _                 | 96,896               | 96,8            |
| •                                     | 97.053.005-3                 | Banco Security                         | CHILE             | 404.590.548-4                  | S.A. Esp<br>Bbva Bancomer S.A.               | MEXICO           | USD                    | ANNUAL<br>Quarterly     | 0.00%               | 0.00%             | 10,001            |                      | 10,0            |
|                                       | 97.053.005-3                 | Banco Security                         | CHILE             | 404.590.548-4                  | Bbva Bancomer S.A.                           | MEXICO           | USD                    | MONTHLY                 | 0.00%               | 0.00%             | 18,153            | ]                    | 18,1            |
| •                                     | 97.053.005-3                 | Banco Security                         | CHILE             | 405.752.832-5                  | Bco Bilbao Viscaya Argentaria<br>Uruguay     | URUGUAY          | USD                    | QUARTERLY               | 0.00%               | 0.00%             | 73,580            | -                    | 73,5            |
| ,                                     | 97.053.005-3                 | Banco Security                         | CHILE             | 405.752.832-5                  | Bco Bilbao Viscaya Argentaria                | URUGUAY          | USD                    | QUARTERLY               | 0.00%               | 0.00%             | 78,685            | _                    | 78,61           |
| · ·                                   | 97.053.005-3                 | Banco Security                         | CHILE             | 405.752.832-5                  | Uruguay<br>Bco Bilbao Viscaya Argentaria     | URUGUAY          | USD                    | QUARTERLY               | 0.00%               | 0.00%             | -,                | 8,496                | 8,4             |
| v                                     | 97.053.005-3                 | ,                                      |                   |                                | Uruguay<br>Bankinter S A                     |                  |                        | SEMI-                   |                     |                   | -                 |                      |                 |
| roughed from tinancial inctitutions   | 7/ リココ リリコーゴ                 | Banco Security                         | CHILE             | 406.575.240-4                  | Bankinter S A                                | SPAIN            | EURO                   | ANNUAL                  | 0.00%               | 0.00%             | -                 | 28,415               | 28,41           |
| 0                                     |                              | *                                      | CLILE             | 100 505 100 5                  | p lotel:                                     | CHILL            | LICD                   |                         | 0.000*              | 0.000/            | 27.055            |                      |                 |
| rrowings from financial institutions  | 97.053.005-3<br>97.053.005-3 | Banco Security Banco Security          | CHILE<br>CHILE    | 406.595.168-7<br>406.598.168-3 | Bank Of China<br>Bank Of China               | CHINA<br>CHINA   | USD<br>USD             | QUARTERLY<br>QUARTERLY  | 0.00%<br>0.00%      | 0.00%<br>0.00%    | 27,993<br>197,503 | -                    | 27,99<br>197,50 |



# BORROWINGS FROM FINANCIAL INSTITUTIONS AS OF DECEMBER 31, 2018, ARE DETAILED AS FOLLOWS: (CONTINUED)

|                                       |                       |                  |                   | CREDITOR<br>TAXPAYER ID |  | CREDITOR COUNTRY | CURRENCY | TYPE OF AMORTIZATION |                     | ŀ                 | CARRYING AMOUNT  MATURITY |                      |        |  |
|---------------------------------------|-----------------------|------------------|-------------------|-------------------------|--|------------------|----------|----------------------|---------------------|-------------------|---------------------------|----------------------|--------|--|
| DESCRIPTION OF DEBT                   | DEBTOR<br>Taxpayer ID | DEBTOR           | DEBTOR<br>COUNTRY |                         | CREDITOR                               |                  |          |                      | EFFECTIVE<br>RATE % | NOMINAL<br>RATE % | 0-90 DAYS                 | 91 DAYS TO 1<br>YEAR | TOTAL  |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 407.655.268-7           | BNP PARIBAS S A FRANCIA                | FRANCE           | Euro     | QUARTERLY            | 0.00%               | 0.00%             | 120,050                   | -                    | 120    |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 408.130.412-8           | BANK OF TOKYO MITSUBISHI               | JAPAN            | USD      | QUARTERLY            | 0.00%               | 0.00%             | 44,083                    | -                    | 44     |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 409.047.240-8           | BANCO SANTANDER MADRID                 | SPAIN            | Euro     | SEMI-ANNUAL          | 0.00%               | 0.00%             | 7,312                     | -                    | 7      |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 411.885.828-5           | CITIBANK N.A.                          | UNITED STATES    | USD      | SEMI-ANNUAL          | 1.36%               | 1.36%             | -                         | 18,216,550           | 18,216 |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 411.885.828-5           | CITIBANK N.A.                          | UNITED STATES    | USD      | SEMI-ANNUAL          | 1.85%               | 1.85%             | -                         | 15,166,553           | 15,166 |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 411.885.828-5           | CITIBANK N.A.                          | UNITED STATES    | USD      | ANNUAL               | 2.18%               | 2.18%             | -                         | 6,055,258            | 6,055  |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 412.335.204-7           | COMMERZBANK AG                         | GERMANY          | USD      | ANNUAL               | 1.60%               | 1.60%             | -                         | 6,110,841            | 6,110  |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 412.335.204-7           | COMMERZBANK AG                         | GERMANY          | USD      | QUARTERLY            | 1.96%               | 1.96%             | -                         | 15,170,761           | 15,170 |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 412.335.204-7           | COMMERZBANK AG                         | GERMANY          | Euro     | SEMI-ANNUAL          | 0.00%               | 0.00%             | -                         | 72,519               | 7.     |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 412.527.204-0           | COMMERZBANK AG                         | GERMANY          | Euro     | SEMI-ANNUAL          | 0.00%               | 0.00%             | -                         | 388,757              | 38     |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 412.527.204-0           | COMMERZBANK AG                         | GERMANY          | Euro     | SEMI-ANNUAL          | 0.00%               | 0.00%             | -                         | 50,182               | 5      |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 412.527.204-0           | COMMERZBANK AG                         | GERMANY          | Euro     | QUARTERLY            | 0.00%               | 0.00%             | -                         | 17,018               | 1      |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 414.741.808-1           | CITIBANK N A                           | TAIWAN           | USD      | MONTHLY              | 0.00%               | 0.00%             | 8,209                     | -                    |        |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 414.741.808-1           | CITIBANK N A                           | TAIWAN           | USD      | MONTHLY              | 0.00%               | 0.00%             | 6,524                     |                      |        |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 414.741.808-1           | CITIBANK N A                           | TAIWAN           | USD      | QUARTERLY            | 0.00%               | 0.00%             | 18,841                    |                      | 1      |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 414.741.808-1           | CITIBANK N A                           | TAIWAN           | USD      | MONTHLY              | 0.00%               | 0.00%             | 15,244                    |                      | 1      |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 414.741.808-1           | CITIBANK N A                           | TAIWAN           | USD      | QUARTERLY            | 0.00%               | 0.00%             | 19,381                    |                      | 1      |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 448.660.440-4           | KOREA EXCHANGE BANK                    | SOUTH KOREA      | USD      | QUARTERLY            | 0.00%               | 0.00%             | 11,641                    |                      |        |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 448.660.440-4           | KOREA EXCHANGE BANK                    | SOUTH KOREA      | USD      | QUARTERLY            | 0.00%               | 0.00%             | 11,641                    |                      |        |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 448.660.440-4           | KOREA EXCHANGE BANK                    | SOUTH KOREA      | USD      | QUARTERLY            | 0.00%               | 0.00%             | 11,641                    | _                    |        |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 448.660.440-4           | KOREA EXCHANGE BANK                    | SOUTH KOREA      | USD      | QUARTERLY            | 0.00%               | 0.00%             | 11,218                    | _                    |        |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 448.660.440-4           | KOREA EXCHANGE BANK                    | SOUTH KOREA      | USD      | QUARTERLY            | 0.00%               | 0.00%             | 11,218                    |                      |        |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 452.827.340-3           | INTESA SANPAOLO SPA HONG KONG          | HONG KONG        | USD      | MONTHLY              | 0.00%               | 0.00%             | 23,960                    |                      |        |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 452.827.340-3           | INTESA SANPAOLO SPA HONG KONG          | HONG KONG        | USD      | MONTHLY              | 0.00%               | 0.00%             | 12,063                    |                      |        |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 452.827.340-3           | INTESA SANPAOLO SPA HONG KONG          | HONG KONG        | USD      | MONTHLY              | 0.00%               | 0.00%             | 8,356                     |                      |        |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 452.827.340-3           | INTESA SANPAOLO SPA HONG KONG          | HONG KONG        | USD      | MONTHLY              | 0.00%               | 0.00%             | 41,063                    |                      |        |  |
| prowings from financial institutions  | 97.053.005-3          | Banco Security   | Chile             | 454.231.616-6           | BANK OF CHINA PANAMA BRANCH            | PANAMA           | USD      | ANNUAL               | 1.89%               | 1.89%             | +1,003                    | 15,172,004           | 15,1   |  |
| prowings from financial institutions  | 97.053.005-3          | Banco Security   | Chile             | 454343636-K             | BANK OF PUNJABTHE                      | PAKISTAN         | USD      | MONTHLY              | 0.00%               | 0.00%             | 11,811                    | 13,172,004           | 13,1   |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | Chile             | 458.340.168-2           | CHINA CONSTRUCTION BANK                | CHINA            | USD      | QUARTERLY            | 0.00%               | 0.00%             | 62,199                    |                      |        |  |
| prowings from financial institutions  | 97.053.005-3          | Banco Security   | Chile             | 458.340.168-2           | CHINA CONSTRUCTION BANK                | CHINA            | USD      | QUARTERLY            | 0.00%               | 0.00%             | 31,100                    |                      |        |  |
| prowings from financial institutions  | 97.053.005-3          | Banco Security   | Chile             | 458.340.168-2           | CHINA CONSTRUCTION BANK                | CHINA            | USD      | QUARTERLY            | 0.00%               | 0.00%             | 31,100                    | ]                    |        |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 458.340.168-2           | CHINA CONSTRUCTION BANK                | CHINA            | USD      | QUARTERLY            | 0.00%               | 0.00%             | 31,100                    |                      |        |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | Chile             | 458.340.168-2           | CHINA CONSTRUCTION BANK                | CHINA            | USD      | QUARTERLY            | 0.00%               | 0.00%             | 31,100                    |                      |        |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | CHILE             | 458.340.168-2           | CHINA CONSTRUCTION BANK                | CHINA            | USD      | QUARTERLY            | 0.00%               | 0.00%             | 45,424                    |                      |        |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | CHILE             | 458.915.828-3           | WELLS FARGO BANK N A NY                | UNITED STATES    | USD      | ANNUAL               | 2.89%               | 2.89%             | 73,727                    | 15,126,250           | 15,1   |  |
| •                                     |                       | ,                |                   |                         |  |                  |          |                      |                     |                   | -                         |                      |        |  |
| prrowings from financial institutions | 97.053.005-3          | Banco Security   | CHILE             | 458.915.828-3           | WELLS FARGO BANK N A NY                | UNITED STATES    | USD      | ANNUAL               | 2.85%               | 2.85%             | -                         | 12,180,620           | 12,1   |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | CHILE             | 458.915.828-3           | WELLS FARGO BANK N A NY                | UNITED STATES    | USD      | QUARTERLY            | 2.07%               | 2.07%             | -                         | 18,175,716           | 18,1   |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | CHILE             | 463282828-K             | WOORI BANK NEW YORK                    | UNITED STATES    | USD      | QUARTERLY            | 0.00%               | 0.00%             | 104,625                   |                      | 1      |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | CHILE             | 464.843.168-1           | CHINA DEVELOPMENT BANK                 | CHINA            | USD      | ANNUAL               | 2.62%               | 2.62%             |                           | 12,199,665           | 12,1   |  |
| orrowings from financial institutions | 97.053.005-3          | Banco Security   | CHILE             | 467.788.340-0           | WELLS FARGO BANK NA                    | HONG KONG        | USD      | MONTHLY              | 0.00%               | 0.00%             | 7,878                     |                      |        |  |
| prrowings from financial institutions | 97.053.005-3          | Banco Security   | CHILE             | 467.788.340-0           | WELLS FARGO BANK NA                    | HONG KONG        | USD      | MONTHLY              | 0.00%               | 0.00%             | 12,014                    |                      |        |  |
| prrowings from financial institutions | 97.053.005-3          | Banco Security   | CHILE             | 467.788.340-0           | WELLS FARGO BANK NA                    | HONG KONG        | USD      | MONTHLY              | 0.00%               | 0.00%             | 9,110                     | -                    |        |  |
| prrowings from financial institutions | 97.053.005-3          | Banco Security   | CHILE             | 470.300.136-5           | ROYAL BANK OF CANADA                   | CANADA           | USD      | MONTHLY              | 0.00%               | 0.00%             | 54,065                    | -                    |        |  |
| prrowings from financial institutions | 97.053.005-3          | Banco Security   | CHILE             | 472815168-K             | STANDARD CHARTERED BANK                | CHINA            | USD      | QUARTERLY            | 0.00%               | 0.00%             | 17,189                    | -                    |        |  |
| prrowings from financial institutions | 97.053.005-3          | Banco Security   | CHILE             | 472815168-K             | STANDARD CHARTERED BANK                | CHINA            | USD      | QUARTERLY            | 0.00%               | 0.00%             | -                         | 14,113               |        |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 472815168-K             | STANDARD CHARTERED BANK                | CHINA            | USD      | MONTHLY              | 0.00%               | 0.00%             | 15,073                    | -                    |        |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 472815168-K             | STANDARD CHARTERED BANK                | CHINA            | USD      | MONTHLY              | 0.00%               | 0.00%             | 129,690                   | -                    | 1      |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 472815168-K             | STANDARD CHARTERED BANK                | CHINA            | USD      | QUARTERLY            | 0.00%               | 0.00%             | 66,313                    | -                    |        |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 472815168-K             | STANDARD CHARTERED BANK                | CHINA            | USD      | QUARTERLY            | 0.00%               | 0.00%             | 16,699                    | -                    |        |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 472.928.340-7           | STANDARD CHARTERED BANK HONG KONG LIMI | HONG KONG        | USD      | QUARTERLY            | 0.00%               | 0.00%             | 20,042                    | -                    |        |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 472.928.340-7           | STANDARD CHARTERED BANK HONG KONG LIMI | HONG KONG        | USD      | QUARTERLY            | 0.00%               | 0.00%             | -                         | 16,290               |        |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 472.928.340-7           | STANDARD CHARTERED BANK HONG KONG LIMI | HONG KONG        | USD      | QUARTERLY            | 0.00%               | 0.00%             | 7,136                     | -                    |        |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 472.928.340-7           | STANDARD CHARTERED BANK HONG KONG LIMI | HONG KONG        | USD      | QUARTERLY            | 0.00%               | 0.00%             | 2,379                     | -                    |        |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 472.928.340-7           | STANDARD CHARTERED BANK HONG KONG LIMI | HONG KONG        | USD      | MONTHLY              | 0.00%               | 0.00%             | 13,892                    | -                    |        |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 472.928.340-7           | STANDARD CHARTERED BANK HONG KONG LIMI | HONG KONG        | USD      | MONTHLY              | 0.00%               | 0.00%             | 12,184                    | -                    |        |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 472.928.340-7           | STANDARD CHARTERED BANK HONG KONG LIMI | HONG KONG        | USD      | MONTHLY              | 0.00%               | 0.00%             | 30,950                    | -                    |        |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 473450828-K             | SHINHAN BANK                           | UNITED STATES    | USD      | QUARTERLY            | 0.00%               | 0.00%             | 21,540                    | -                    |        |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 473450828-K             | SHINHAN BANK                           | UNITED STATES    | USD      | QUARTERLY            | 0.00%               | 0.00%             | 21,540                    | -                    |        |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 473450828-K             | SHINHAN BANK                           | UNITED STATES    | USD      | QUARTERLY            | 0.00%               | 0.00%             | 25,445                    | -                    |        |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 473.960.828-2           | SUMITOMO MITSUI BANKING CORPORATION    | UNITED STATES    | USD      | ANNUAL               | 1.91%               | 1.91%             | 20,528,948                | -                    | 20,5   |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 473.960.828-2           | SUMITOMO MITSUI BANKING CORPORATION    | UNITED STATES    | USD      | ANNUAL               | 1.74%               | 1.74%             | 18,172,572                |                      | 18,1   |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 473.960.828-2           | SUMITOMO MITSUI BANKING CORPORATION    | UNITED STATES    | USD      | QUARTERLY            | 1.19%               | 1.19%             | 6,062,926                 |                      | 6,0    |  |
| rrowings from financial institutions  | 97.053.005-3          | Banco Security   | CHILE             | 480.612.396-5           | UNICREDIT BANCA SPA CRED ITL           | ITALY            | EURO     | QUARTERLY            | 0.00%               | 0.00%             |                           | 61,621               | -,-    |  |
| 0                                     |                       | Valores Security |                   |                         |  | CHILE            |          | -                    |                     | 0.00%             |                           | ,== .                | 9      |  |
| rrowings from financial institutions  | 97.053.005-3          |                  | CHILE             | 97.008.000-7            | BANCO CITIBANK                         |                  | USD      | MONTHLY              | 0.00%               |                   | 932,151                   |                      |        |  |



# **NOTE 19 - OTHER CURRENT NON-FINANCIAL LIABILITIES**

As of December 31, 2019 and 2018, this account is detailed as follows:

|   | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|---|---------------------------------|---------------------------------|
| BANK  |                                 |                                 |
| Letters of credit paid in cash                  | -                               | 40                              |
| Demand deposits                                 | 2,924,799                       | 2,494,375                       |
| Expired time deposits                           | 2,331,206                       | 2,847,253                       |
| Available funds mortgage loans                  | 109,544,906                     | 17,800,560                      |
| Current transactions pending payment            | 1,174,469                       | 1,109,285                       |
| Pending payment orders                          | 4,373,970                       | 3,048,755                       |
| Collection on behalf of customers               | 4,214,323                       | 6,237,710                       |
| Collections made but not yet received           | 7,965,946                       | 8,325,616                       |
| Credit balances from exchange rate transactions | -                               | 6                               |
| Credit card balances payable                    | 645,457                         | 932,107                         |
| Cashier's checks                                | 67,192,978                      | 51,887,271                      |
| Other non-financial liabilities, current        | 98,220,245                      | 7,777,750                       |
| Performance bonds                               | 12,910,520                      | 7,455,987                       |
| PARENT COMPANY AND OTHER SUBSIDIARIES           |                                 |                                 |
| Dividends payable                               | 16,259,508                      | 17,190,001                      |
| Taxes payable                                   | 2,910,413                       | 1,416,386                       |
| Third-party obligations                         | 6,404,426                       | 6,161,003                       |
| Taxes payable                                   | 118,252                         | (109,470)                       |
| Second category tax                             | 32,025                          | 11,241                          |
| Single employee tax                             | 633,314                         | 299,412                         |
| VAT debit                                       | 1,838,262                       | 923,941                         |
| Compensation payable                            | 123,161                         | 60,606                          |
| Monthly provisional tax prepayments payable     | -                               | 2,869                           |
| Other payables                                  | 5,664,450                       | 1,741,678                       |
| Deferred income                                 | 16,550,511                      | 8,800,997                       |
| TOTAL   | 362,033,141                     | 146,415,379                     |

# **NOTE 20 - CURRENT TAX LIABILITIES**

As of December 31, 2019 and 2018, this account is detailed as follows:

|                       | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|-----------------------|---------------------------------|---------------------------------|
| Additional tax        | 172,058                         | 80,054                          |
| Income tax provision  | 31,924,623                      | 21,796,094                      |
| Article 21 provision  | 303                             | -                               |
| Stamp tax             | 8,493                           | 81,811                          |
| Other tax liabilities | 202,680                         | 852,490                         |
| TOTAL                 | 32,308,157                      | 22,810,449                      |



# **NOTE 21 - OTHER SHORT-TERM PROVISIONS**

Short-term provisions include the following items:

|                                       | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|---------------------------------------|---------------------------------|---------------------------------|
| BANK                                  |                                 |                                 |
| Loans to domestic banks               | 236                             | -                               |
| Loans to foreign banks                | 1,642                           | 36,814                          |
| Commercial loans                      | 73,197,049                      | 64,180,199                      |
| Lease agreements                      | 2,278,497                       | 4,647,797                       |
| Mortgage loans                        | 1,362,040                       | 1,063,912                       |
| Consumer loans                        | 23,688,910                      | 20,261,619                      |
| Contingent loan risk                  | 5,092,320                       | 7,344,583                       |
| Repossessed or awarded assets         | 400,900                         | 5,200                           |
| Minimum dividends                     | -                               | 5,493                           |
| Country risk                          | 274,182                         | 261,629                         |
| Other provisions                      | 7,083,817                       | 6,172,019                       |
| PARENT COMPANY AND OTHER SUBSIDIARIES |                                 |                                 |
| Minimum dividends                     | 369,677                         | -                               |
| Portfolio fluctuations                | 927,017                         | 682,122                         |
| Provisions for other expenses         | 17,826,498                      | 19,663,448                      |
| TOTAL                                 | 132,502,785                     | 124,324,835                     |

# **NOTE 22 - EMPLOYEE BENEFIT PROVISIONS**

## **MOVEMENT 2019**

## CONSOLIDATED

| ITEM                                  | OPENING<br>BALANCE | PROVISIONS<br>RECOGNIZED | REVERSAL OF<br>PROVISIONS | RECOVERED<br>AMOUNTS | WRITE-OFFS | CLOSING BALANCE |
|---------------------------------------|--------------------|--------------------------|---------------------------|----------------------|------------|-----------------|
| Vacation provision                    | 7,912,561          | 1,606,326                | (1,328,604)               | -                    | -          | 8,190,283       |
| Provision for other employee benefits | 1,109,564          | 909,214                  | (388,924)                 | -                    | -          | 1,629,854       |
| Bonus provision                       | 235,834            | -                        | -                         | -                    | -          | 235,834         |
| TOTAL                                 | 9,257,959          | 2,515,540                | (1,717,528)               | -                    | -          | 10,055,971      |

# **MOVEMENT 2018**

## CONSOLIDATED

| ITEM                                  | OPENING<br>BALANCE | PROVISIONS<br>RECOGNIZED | REVERSAL OF PROVISIONS | RECOVERED<br>AMOUNTS | WRITE-OFFS | CLOSING BALANCE |
|---------------------------------------|--------------------|--------------------------|------------------------|----------------------|------------|-----------------|
| Vacation provision                    | 8,408,365          | 605,194                  | (1,100,998)            | -                    | -          | 7,912,561       |
| Provision for other employee benefits | 715,245            | 404,796                  | (10,477)               | -                    | -          | 1,109,564       |
| Bonus provision                       | 235,834            | -                        | -                      | -                    | -          | 235,834         |
| TOTAL                                 | 9,359,444          | 1,009,990                | (1,111,475)            | -                    | -          | 9,257,959       |



# **NOTE 23 - OTHER NON-CURRENT FINANCIAL LIABILITIES**

|   | BALANCE<br>12.31.2019<br>THCH\$                       | BALANCE<br>12.31.2018<br>THCH\$                       |
|---|---|---|
| Borrowings from financial institutions  | 33,729,618  | 32,258,233  |
| SUBTOTAL, BORROWINGS FROM FINANCIAL INSTITUTIONS  | 33,729,618  | 32,258,233  |
| Long-term outstanding bond obligations Subordinated bonds Indexation payable on subordinated bonds Interest payable on subordinated bonds | 358,229,647<br>211,106,657<br>50,230,718<br>2,420,445 | 309,799,854<br>187,760,394<br>46,468,513<br>2,212,124 |
| Deferred price difference on subordinated bonds  Expenses for subordinated bonds  | 11,938,603<br>(25,714)                                | 580,896<br>(30,531)                                   |
| SUBTOTAL, BONDS PAYABLE   | 633,900,356   | 546,791,250   |
| Discount on bond placement  Long-term lease liabilities  Loans maturing in over one year (Bank) and other obligations                     | (5,712,927)<br>10,455,523<br>43,117,576               | (6,530,086)<br>-<br>5,791,901                         |
| TOTAL   | 715,490,146   | 578,311,298   |

# BORROWINGS FROM FINANCIAL INSTITUTIONS AS OF DECEMBER 31, 2019, ARE DETAILED AS FOLLOWS:

|  |  |  |                   |                         | THC              | H\$                 |                    |                     |           |           |           |            |                      |            |  |  |
|--|--|--|-------------------|-------------------------|------------------|---------------------|--------------------|---------------------|-----------|-----------|-----------|------------|----------------------|------------|--|--|
|  |  |  |                   |                         |                  |                     |                    |                     |           |           |           | CARRYIN    | CARRYING AMOUNT      |            |  |  |
|  |  |  |                   |                         |                  |                     | TYPE               | EFFECTIVE EFFECTIVE | NOMINAL   |           | MAT       | URITY      |                      |            |  |  |
| DESCRIPTION                            | TAXPAYER ID<br>Debtor                          | DEBTOR                                 | DEBTOR<br>COUNTRY | TAXPAYER ID<br>CREDITOR | CREDITOR         | CREDITOR<br>COUNTRY | OF<br>AMORTIZATION | RATE<br>%           | RATE<br>% | RATE<br>% | 1-3 YEARS | 3-5 YEARS  | MORE THAN 5<br>YEARS | TOTAL      |  |  |
| Borrowings from financial institutions | 78.769.870-0                                   | Inversiones Previsión<br>Security Ltda | Chile             | 97.006.000-6            | Banco BCI        | Chile               | CH\$               | Semi-<br>annual     | 7.01%     | 7.01%     | 3,835,313 | 2,556,875  | 3,835,312            | 10,227,500 |  |  |
| Borrowings from financial institutions | 78.769.870-0                                   | Inversiones Previsión<br>Security Ltda | Chile             | 99.500.410-0            | Banco de Chile   | Chile               | CH\$               | Semi-<br>annual     | 7.19%     | 7.19%     | 5,357,045 | 3,571,364  | -                    | 8,928,409  |  |  |
| Borrowings from financial institutions | 78.769.870-0                                   | Inversiones Previsión<br>Security Ltda | Chile             | 99.500.410-0            | Banco Consorcio  | Chile               | CH\$               | Semi-<br>annual     | 4.44%     | 4.46%     | 4,714,032 | 3,142,688  | 4,714,031            | 12,570,751 |  |  |
| Borrowings from financial institutions | 85.633.900-9                                   | Travel Security S.A.                   | Chile             | 97.032.000-8            | Banco Scotiabank | Chile               | CH\$               | Monthly             | 0.25%     | 0.25%     | 2,002,958 |            |                      | 2,002,958  |  |  |
| TOTAL                                  | TOTAL 15,909,348 9,270,927 8,549,343 33,729,61 |  |                   |                         |                  |                     |                    |                     |           |           |           | 33,729,618 |                      |            |  |  |

# BORROWINGS FROM FINANCIAL INSTITUTIONS AS OF DECEMBER 31, 2018 ARE DETAILED AS FOLLOWS:

|  |                       |  |                   |                         |                  | THCH\$              |                    |                 |           |             |           |                 |                      |            |  |  |
|--|-----------------------|--|-------------------|-------------------------|------------------|---------------------|--------------------|-----------------|-----------|-------------|-----------|-----------------|----------------------|------------|--|--|
|  |                       |  |                   |                         |                  |                     |                    |                 |           |             |           | CARRYING AMOUNT |                      |            |  |  |
|  |                       |  |                   |                         |                  |                     | TYPE               | EFFECTIVE       | EFFECTIVE | IVE NOMINAL |           | MAT             | URITY                |            |  |  |
| DESCRIPTION                            | TAXPAYER ID<br>DEBTOR | DEBTOR                                 | DEBTOR<br>COUNTRY | TAXPAYER ID<br>CREDITOR | CREDITOR         | CREDITOR<br>COUNTRY | OF<br>AMORTIZATION | RATE<br>%       | RATE<br>% | RATE<br>%   | 1-3 YEARS | 3-5 YEARS       | MORE THAN 5<br>YEARS | TOTAL      |  |  |
| Borrowings from financial institutions | 78.769.870-0          | Inversiones Previsión<br>Security Ltda | Chile             | 97.006.000-6            | Banco BCI        | Chile               | CH\$               | Semi-<br>annual | 7.01%     | 7.01%       | 2,556,875 | 2,556,875       | 5,113,750            | 10,227,500 |  |  |
| Borrowings from financial institutions | 78.769.870-0          | Inversiones Previsión<br>Security Ltda | Chile             | 99.500.410-0            | Banco de Chile   | Chile               | CH\$               | Semi-<br>annual | 7.19%     | 7.19%       | 3,571,364 | 3,571,364       | 1,785,682            | 8,928,410  |  |  |
| Borrowings from financial institutions | 78.769.870-0          | Inversiones Previsión<br>Security Ltda | Chile             | 99.500.410-0            | Banco Consorcio  | Chile               | CH\$               | Semi-<br>annual | 4.44%     | 4.46%       | 3,142,688 | 3,142,687       | 6,285,375            | 12,570,750 |  |  |
| Borrowings from financial institutions | 20,517,207,331        | Protecta Compañía<br>Seguros SA        | Peru              | 20100130204             | Banco de Crédito | Peru                | USD                | Monthly         | 4.94%     | 4.94%       |           | 531,573         |                      | 531,573    |  |  |
| TOTAL                                  |                       |  |                   |                         |                  |                     |                    |                 |           |             | 9,270,927 | 9,802,499       | 13,184,807           | 32,258,233 |  |  |



# BONDS AS OF DECEMBER 31, 2019 ARE DETAILED AS FOLLOWS (THCH\$)

|                |                        |                  |                  |                      |                                     |                       |                   |                 |                               |                   |                      | CARRYING AMOUNT |            |                     |             |
|----------------|------------------------|------------------|------------------|----------------------|-------------------------------------|-----------------------|-------------------|-----------------|-------------------------------|-------------------|----------------------|-----------------|------------|---------------------|-------------|
|                |                        | NOMINAL          |                  | PERIO                | DDICITY                             | PLACEMENT             |                   |                 |                               |                   |                      |                 | MATI       | JRITY               |             |
| BOND<br>SERIES | INDEXATION UNIT        | AMOUNT<br>PLACED | MATURITY<br>DATE | INTEREST<br>PAYMENTS | AMORTIZATION PAYMENTS               | IN CHILE OR<br>ABROAD | EFFECTIVE<br>RATE | NOMINAL<br>RATE | IL ISSUER NAME                | ISSUER<br>COUNTRY | GUARANTEED<br>YES/NO | 1-3 YEARS       | 3-5 YEARS  | MORETHAN 5<br>YEARS | TOTAL       |
| BSECU-L3       | Unidad de fomento (UF) | 3,000,000        | 11/15/2035       | Semi-Annual          | Semi-Annual                         | CHILE                 | 3.80%             | 3.80%           | GRUPO SECURITY S.A.           | CHILE             | NO                   | -               | -          | 84,929,820          | 84,929,820  |
| BSECU-F        | Unidad de fomento (UF) | 1,250,000        | 6/15/2038        | Semi-Annual          | Semi-Annual                         | CHILE                 | 4.52%             | 4.50%           | GRUPO SECURITY S.A.           | CHILE             | NO                   | -               | -          | 1,295,180           | 1,295,180   |
| BSECU-K        | Unidad de fomento (UF) | 3,000,000        | 9/15/2032        | Semi-Annual          | Semi-Annual                         | CHILE                 | 4.20%             | 4.20%           | GRUPO SECURITY S.A.           | CHILE             | NO                   | -               | -          | 84,929,820          | 84,929,820  |
| BSECU-M        | Unidad de fomento (UF) | 1,189,000        | 10/15/2041       | Semi-Annual          | Semi-Annual                         | CHILE                 | 4.20%             | 4.20%           | GRUPO SECURITY S.A.           | CHILE             | NO                   | -               | -          | 33,660,519          | 33,660,519  |
| BSECU-N1       | Unidad de fomento (UF) | 1,500,000        | 12/10/2042       | Semi-Annual          | Semi-Annual                         | CHILE                 | 2.85%             | 2.85%           | GRUPO SECURITY S.A.           | CHILE             | NO                   | -               | -          | 42,464,911          | 42,464,911  |
| BFSEC-A        | Unidad de fomento (UF) | 1,500,000        | 10/15/2020       | Semi-Annual          | Semi-Annual                         | CHILE                 | 2.40%             | 2.40%           | FACTORING SECURITY S.A.       | CHILE             | NO                   | 42,434,267      | -          | -                   | 42,434,267  |
| BFSEC-H        | CH\$                   | 1,500,000        | 4/15/2024        | Semi-Annual          | Semi-Annual                         | CHILE                 | 3.95%             | 4.40%           | FACTORING SECURITY S.A.       | CHILE             | NO                   | 40,610,882      | -          | -                   | 40,610,882  |
| Series A       | Unidad de fomento (UF) | 1,000,000        | 8/31/2038        | Semi-Annual          | Beginning the 10 <sup>th</sup> Year | CHILE                 | 3.60%             | 3.38%           | INV. PREVISION SECURITY LTDA. | CHILE             | NO                   | -               | -          | 27,904,248          | 27,904,248  |
| USECD2         | Unidad de fomento (UF) | 607,349          | 9/1/2022         | Semi-Annual          | Semi-Annual                         | CHILE                 | 7.16%             | 6.50%           | BCO SECURITY                  | CHILE             | NO                   | 1,063,163       | 5,637,785  | -                   | 6,700,948   |
| USECE1         | Unidad de fomento (UF) | 1,200,000        | 5/1/2028         | Semi-Annual          | Semi-Annual                         | CHILE                 | 7.38%             | 6.00%           | BCO SECURITY                  | CHILE             | NO                   | -               | 7,220,087  | 13,236,906          | 20,456,993  |
| USECJ1         | Unidad de fomento (UF) | 2,000,000        | 12/1/2031        | Semi-Annual          | Semi-Annual                         | CHILE                 | 3.00%             | 3.00%           | BCO SECURITY                  | CHILE             | NO                   | -               | 9,896,450  | 35,543,665          | 45,440,115  |
| USECJ2         | Unidad de fomento (UF) | 3,000,000        | 3/1/2037         | Semi-Annual          | Semi-Annual                         | CHILE                 | 4.05%             | 4.00%           | BCO SECURITY                  | CHILE             | NO                   | -               | -          | 85,675,844          | 85,675,844  |
| USECJ3         | Unidad de fomento (UF) | 2,500,000        | 10/1/2038        | Semi-Annual          | Semi-Annual                         | CHILE                 | 4.00%             | 4.00%           | BCO SECURITY                  | CHILE             | NO                   | -               | -          | 74,988,804          | 74,988,804  |
| USECJ4         | Unidad de fomento (UF) | 2,500,000        | 10/1/2038        | Semi-Annual          | Semi-Annual                         | CHILE                 | 4.00%             | 4.00%           | BCO SECURITY                  | CHILE             | NO                   | -               | -          | 42,408,005          | 42,408,005  |
|                |                        |                  |                  |                      |                                     |                       |                   |                 |                               | TOTAL             |                      | 84,108,312      | 22,754,322 | 527,037,722         | 633,900,356 |

# BONDS AS OF DECEMBER 31, 2018 ARE DETAILED AS FOLLOWS (THCH\$)

|                |                        |                  |                  |                      |                                     |                       |                   |                 |                                  |                   |                      |            | CARRYING   | AMOUNT               |             |
|----------------|------------------------|------------------|------------------|----------------------|-------------------------------------|-----------------------|-------------------|-----------------|----------------------------------|-------------------|----------------------|------------|------------|----------------------|-------------|
|                |                        | NOMINAL          |                  | PERIO                | ODICITY                             | PLACEMENT             |                   |                 |                                  |                   |                      |            | MATU       | RITY                 |             |
| BOND<br>SERIES | INDEXATION UNIT        | AMOUNT<br>PLACED | MATURITY<br>DATE | INTEREST<br>PAYMENTS | AMORTIZATION PAYMENTS               | IN CHILE OR<br>ABROAD | EFFECTIVE<br>RATE | NOMINAL<br>RATE | ISSUER NAME                      | ISSUER<br>COUNTRY | GUARANTEED<br>YES/NO | 1-3 YEARS  | 3-5 YEARS  | MORE THAN 5<br>YEARS | TOTAL       |
| BSECU-L3       | Unidad de fomento (UF) | 3,000,000        | 11/15/2035       | Semi-Annual          | Semi-Annual                         | CHILE                 | 3.80%             | 3.80%           | GRUPO SECURITY S.A.              | CHILE             | NO                   | -          | -          | 82,697,370           | 82,697,370  |
| BSECU-F        | Unidad de fomento (UF) | 1,250,000        | 6/15/2038        | Semi-Annual          | Semi-Annual                         | CHILE                 | 4.52%             | 4.50%           | GRUPO SECURITY S.A.              | CHILE             | NO                   | -          | -          | 1,366,229            | 1,366,229   |
| BSECU-K        | Unidad de fomento (UF) | 3,000,000        | 9/15/2032        | Semi-Annual          | Semi-Annual                         | CHILE                 | 4.20%             | 4.20%           | GRUPO SECURITY S.A.              | CHILE             | NO                   | -          | -          | 82,697,371           | 82,697,371  |
| BSECU-M        | Unidad de fomento (UF) | 1,189,000        | 10/15/2041       | Semi-Annual          | Semi-Annual                         | CHILE                 | 4.20%             | 4.20%           | GRUPO SECURITY S.A.              | CHILE             | NO                   | -          | -          | 32,775,724           | 32,775,724  |
| BSECU-N1       | Unidad de fomento (UF) | 1,500,000        | 12/10/2042       | Semi-Annual          | Semi-Annual                         | CHILE                 | 2.85%             | 2.85%           | GRUPO SECURITY S.A.              | CHILE             | NO                   | -          | -          | 41,348,685           | 41,348,685  |
| BFSEC-A        | Unidad de fomento (UF) | 1,000,000        | 12/15/2017       | Semi-Annual          | Semi-Annual                         | CHILE                 | 4.50%             | 2.47%           | FACTORING SECURITY               | CHILE             | NO                   | -          | 41,348,685 | -                    | 41,348,685  |
| Series A       | Unidad de fomento (UF) | 1,000,000        | 8/31/2038        | Semi-Annual          | Beginning the 10 <sup>Th</sup> Year | CHILE                 | 3.60%             | 3.38%           | INV. PREVISION<br>SECURITY LTDA. | CHILE             | NO                   | -          | -          | 27,565,790           | 27,565,790  |
| USECC          | Unidad de fomento (UF) | 500,000          | 7/1/2018         | Semi-Annual          | Semi-Annual                         | CHILE                 | 7.16%             | 6.50%           | BCO SECURITY                     | CHILE             | NO                   | 1,367,949  | -          | -                    | 1,367,949   |
| USECD          | Unidad de fomento (UF) | 750,000          | 9/1/2022         | Semi-Annual          | Semi-Annual                         | CHILE                 | 7.38%             | 6.00%           | BCO SECURITY                     | CHILE             | NO                   | 5,830,294  | 3,164,293  | -                    | 8,994,587   |
| USECE          | Unidad de fomento (UF) | 1,200,000        | 5/1/2028         | Semi-Annual          | Semi-Annual                         | CHILE                 | 4.47%             | 4.00%           | BCO SECURITY                     | CHILE             | NO                   | 6,919,175  | 4,612,783  | 12,685,232           | 24,217,190  |
| USECJ1         | Unidad de fomento (UF) | 2,000,000        | 12/1/2031        | Semi-Annual          | Semi-Annual                         | CHILE                 | 3.00%             | 3.00%           | BCO SECURITY                     | CHILE             | NO                   | 8,875,826  | 6,369,881  | 33,819,407           | 49,065,114  |
| USECJ2         | Unidad de fomento (UF) | 3,000,000        | 3/1/2037         | Semi-Annual          | Semi-Annual                         | CHILE                 | 4.05%             | 4.00%           | BCO SECURITY                     | CHILE             | NO                   | -          | -          | 80,735,560           | 80,735,560  |
| USECJ3         | Unidad de fomento (UF) | 2,500,000        | 10/1/2038        | Semi-Annual          | Semi-Annual                         | CHILE                 | 4.00%             | 4.00%           | BCO SECURITY                     | CHILE             | NO                   | -          | -          | 72,610,996           | 72,610,996  |
|                |                        |                  |                  |                      |                                     |                       |                   |                 |                                  | TOTAL             |                      | 22,993,244 | 55,495,642 | 468,302,364          | 546,791,250 |



# **NOTE 24 - NON-CURRENT PAYABLES**

As of December 31, 2019 and 2018, this account is detailed as follows:

|                                       | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|---------------------------------------|---------------------------------|---------------------------------|
| BANK                                  |                                 |                                 |
| Long-term accounts and notes payable  | 23,223,135                      | 35,159,829                      |
| Unearned income                       | 122,447                         | 1,795,028                       |
| Other liabilities                     | 16,204,755                      | 16,994,848                      |
| PARENT COMPANY AND OTHER SUBSIDIARIES |                                 |                                 |
| Long-term lease obligations           | 955,504                         | 1,524,248                       |
| Long-term notes payable               | 2,188,608                       | 2,928,182                       |
| TOTAL                                 | 42,694,449                      | 58,402,135                      |

## **NOTE 25 - CURRENT ACCOUNTS PAYABLE TO RELATED PARTIES**

As of December 31, 2019 and 2018, this account is detailed as follows:

| TAXPAYER ID<br>NUMBER | COMPANY                                      | COUNTRY | RELATIONSHIP         | CURRENCY | OWNERSHIP<br>INTEREST | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|-----------------------|--|---------|----------------------|----------|-----------------------|---------------------------------|---------------------------------|
| 96.588.080-1          | Principal Cía. de Seguros de Vida Chile S.A. | Chile   | Through<br>ownership | CH\$     | 49%                   | 25,819                          | 994,592                         |
| TOTAL                 |  |         |                      |          |                       | 25,819                          | 994,592                         |

Principal Compañía de Seguros de Vida Chile S.A., an entity that does not belong to Grupo Security, has a relationship with the subsidiary Hipotecaria Security Principal S.A. (it holds shares in this company) and its balances correspond to dividends received and paid the month after receipt.

This company is part of Principal Servicios de Administración S.A., which has a 48.997% interest in the subsidiary Hipotecaria Security Principal S.A., with 349,956 shares acquired in July 2012.

## **NOTE 26 - NON-CURRENT ACCOUNTS PAYABLE TO RELATED PARTIES**

As of December 31, 2019 and 2018, this account is detailed as follows:

| TAXPAYER ID<br>NUMBER | COMPANY               | COUNTRY | RELATIONSHIP       | CURRENCY | OWNERSHIP<br>INTEREST | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|-----------------------|-----------------------|---------|--------------------|----------|-----------------------|---------------------------------|---------------------------------|
| 76.213.641-4          | Inversiones CMC Ltda. | Chile   | Through management | CH\$     | 30%                   | 3,412,460                       | 3,322,762                       |
| TOTAL                 |                       |         |                    |          |                       | 3,412,460                       | 3,322,762                       |

This is an endorsable promissory note with the following characteristics:

- AMOUNT: UF 35,160 - INTEREST: 5.75%

- MATURITY: December 2021



# **NOTE 27 - REVENUE AND EXPENSES**

# A) REVENUE

For the years ended December 31, 2019 and 2018, this account is detailed as follows:

|   | 12.31.2019<br>THCH\$       | 12.31.2018<br>THCH\$              |
|---|----------------------------|-----------------------------------|
| Factoring revenue                               | 35,425,718                 | 31,113,639                        |
| Securitization revenue                          | 2,799,506                  | 3,990,655                         |
| Gross written premiums                          | 327,942,636                | 333,710,202                       |
| Other interest income                           | 83,863,213                 | 1,682,850                         |
| Insurance brokerage commissions                 | 5,446,827                  | 6,037,628                         |
| Real estate advisory and other services         | 690,323                    | 1,097,661                         |
| Advisory and other services                     | 26,962,708                 | 13,551,896                        |
| Sales revenue                                   | 23,214,705                 | 25,488,945                        |
| Investment income                               | 55,152,027                 | 94,172,139                        |
| Lease income                                    | 36,222,080                 | 13,331,500                        |
| Fee and commission income INTEREST              | 18,368,791                 | 12,092,928                        |
| Repurchase agreements                           | 21,027                     | 12,637                            |
| Loans and advances to banks                     | 886,799                    | 720,590                           |
| Commercial loans                                | 217,714,894                | 200,795,057                       |
| Mortgage loans                                  | 20,576,473                 | 21,207,132                        |
| Consumer loans                                  | 56,570,267                 | 53,604,308                        |
| Investment securities                           | 20,935,792                 | 20,493,456                        |
| Financial instruments held for trading          | 2,554,116                  | 3,652,904                         |
| Other interest income                           | 7,760,739                  | 6,525,205                         |
| INDEXATION                                      |                            | .,,                               |
| Commercial loans                                | 57,745,854                 | 49,532,734                        |
| Mortgage loans                                  | 17,544,314                 | 17,350,962                        |
| Consumer loans                                  | 368                        | (1,221)                           |
| Investment securities                           | 2,810,293                  | 2,681,372                         |
| Other indexation earned                         | 239,227                    | 191,578                           |
| FEES AND COMMISSIONS                            | 255,221                    | .5 .,5.                           |
| Loans funded with mortgage bonds                | 20,378                     | 26,726                            |
| Lines of credit and overdrafts                  | 700,707                    | 1,304,238                         |
| Guarantees and letters of credit                | 5,846,267                  | 5,566,368                         |
| Card services                                   | 9,345,887                  | 8,714,490                         |
| Account maintenance                             | 4,627,072                  | 4,196,353                         |
| Collections and payments                        | 13,747,735                 | 14,002,367                        |
| Securities brokerage and management             | 11,669,570                 | 13,355,048                        |
| Mutual funds and other investments              | 24,271,561                 | 24,853,101                        |
| Other fees and commissions earned               | 14,901,959                 | 12,610,704                        |
| FINANCIAL OPERATING INCOME                      | 1 1,50 1,555               | 12,010,101                        |
| Net gain on instruments held for trading        | 5,523,385                  | 2,928,382                         |
| Trading derivatives                             | 5,247,703                  | 11,764,053                        |
| Net gain on investments available for sale      | 10,696,054                 | 1,951,961                         |
| Sale of loan portfolio                          | 752,123                    | 1,326,022                         |
| Other income                                    | 634,547                    | 3,741,824                         |
| OTHER OPERATING INCOME                          | 054,547                    | 3,7 + 1,0 <b>L</b> +              |
| Income from repossessed or awarded assets       | 136,777                    | 468,855                           |
| Release of provisions for contingencies         | 106,724                    | 136,037                           |
| Gain on sale of property, plant and equipment   | 1,579,916                  | 486,656                           |
| Rental payments received                        | 188,599                    | 155,033                           |
| Recovery of expenses                            | 2,418,181                  | 1,785,311                         |
| Penalty interest                                | 35,017                     | 42,095                            |
| •   |                            | 42,095<br>18,590,226              |
| Other operating income from leases Other income | 20,333,153<br>1,778,457    |                                   |
| TOTAL   | 1,778,457<br>1,156,010,469 | 1,098,813<br><b>1,042,141,420</b> |



# B) COST OF SALES

Cost of sales is detailed as follows:

|  | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|--|----------------------|----------------------|
| Cost of sales, Factoring                     | 9,601,920            | 8,702,850            |
| Cost of sales, Inmobiliaria Security         | 6,054,776            | 15,014,160           |
| Cost of sales, Vida Security                 | 431,678,528          | 360,670,427          |
| Cost of sales, other subsidiaries            | 16,299,038           | 7,790,281            |
| Loss on sale of assets to securitize         | 18,504,858           | 16,628,599           |
| Other fees and commissions                   | 5,511,650            | 13,755,675           |
| Other costs                                  | 580,460              | 476,873              |
| INTEREST                                     |                      |                      |
| Demand deposits                              | 150,129              | 159,261              |
| Repurchase agreements                        | 587,557              | 592,970              |
| Savings accounts and time deposits           | 88,594,063           | 82,929,946           |
| Borrowings from financial institutions       | 8,314,011            | 5,776,539            |
| Debt instruments issued                      | 66,753,757           | 59,502,676           |
| Other financial liabilities                  | 153,124              | 480,815              |
| Lease liabilities                            | 158,408              | -                    |
| Other interest or indexation expenses        | 131,162              | 23,685               |
| INDEXATION                                   |                      |                      |
| Demand deposits                              | 97,114               | 116,866              |
| Savings accounts and time deposits           | 2,520,144            | 5,245,244            |
| Debt instruments issued                      | 56,088,124           | 50,546,505           |
| Other financial liabilities                  | 132,804              | 234,498              |
| Other interest or indexation expenses        | 45                   | 1,411                |
| FEES AND COMMISSIONS                         |                      |                      |
| Securities transactions fees and commissions | 131,083              | 2,987,606            |
| Other fees and commissions                   | 13,778,471           | 10,573,260           |
| PROVISIONS                                   |                      |                      |
| Commercial loans                             | 23,133,245           | 25,828,213           |
| Mortgage loans                               | 764,454              | 405,607              |
| Consumer loans                               | 23,655,433           | 21,354,952           |
| Loans and advances to banks                  | (34,935)             | 36,812               |
| Contingent loans                             | (2,252,264)          | (511,608)            |
| Recovery of written-off loans                | (3,804,093)          | (6,287,051)          |
| OTHER OPERATING EXPENSES                     |                      |                      |
| Other operating expenses                     | 2,947,899            | 6,696,328            |
| TOTAL  | 770,230,965          | 689,733,400          |



# C) OTHER EXPENSES

Other expenses by function are detailed as follows:

|  | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|--|----------------------|----------------------|
| Administrative expenses, insurance area      | 202,209              | 310,804              |
| Provisions for repossessed or awarded assets | 834,262              | 1,659,600            |
| Country risk provisions                      | 119,279              | 183,041              |
| Loss due to prepayments                      | 1,421,095            | -                    |
| Loss on sale of PP&E                         | 1,299,651            | -                    |
| Expenses for short-term leases               | 545,596              | -                    |
| Impairment                                   | 5,463,205            | 497,690              |
| Miscellaneous expenses                       | 4,291,277            | 3,904,493            |
| Other expenses                               | 1,415,796            | 1,009,651            |
| TOTAL  | 15,592,370           | 7,565,279            |

# D) OTHER INCOME

Other income by function is detailed as follows:

|  | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|--|---------------------------------|---------------------------------|
| Interest earned                                    | 111,352                         | 927,204                         |
| Income from time deposits                          | 327,922                         | 108,328                         |
| Income from mutual funds                           | 395,056                         | 1,194,217                       |
| Other financial operating income                   | 404,390                         | 835,234                         |
| Proceeds from shares and rights in other companies | 18,468                          | 18,213                          |
| Other income                                       | 1,593,823                       | 1,601,552                       |
| TOTAL  | 2,851,011                       | 3,310,328                       |



# **NOTE 28 - ADMINISTRATIVE EXPENSES**

Administrative expenses are detailed as follows:

|   | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|---|----------------------|----------------------|
| Remuneration                                    | 123,018,769          | 114,901,110          |
| Advisory services                               | 24,695,970           | 6,489,719            |
| Maintenance expenses                            | 3,932,285            | 6,019,490            |
| Office supplies                                 | 713,544              | 652,704              |
| Depreciation and amortization                   | 11,566,226           | 9,060,338            |
| Leases  | 1,862,412            | 6,904,490            |
| Insurance                                       | 677,004              | 902,346              |
| IT and communications expenses                  | 10,361,257           | 9,068,209            |
| Outsourced services                             | 11,523,069           | 9,744,884            |
| Board expenses                                  | 1,547,927            | 1,604,588            |
| Advertising                                     | 9,629,997            | 8,870,423            |
| Taxes, property taxes and contributions to SBIF | 3,940,101            | 3,692,496            |
| Loan provision                                  | 2,559,403            | 1,602,515            |
| Miscellaneous provisions                        | 6,463,161            | 3,774,485            |
| Fees and commissions                            | 712,071              | -                    |
| Expenses for short-term leases                  | 3,021,988            | -                    |
| General expenses                                | 34,901,620           | 33,673,706           |
| TOTAL   | 251,126,804          | 216,961,503          |

# **NOTE 29 - PAYROLL AND PERSONNEL EXPENSES**

Payroll and personnel expenses consist of expenses accrued during the year for employee remuneration and compensation.

The expense for the years ended December 31, 2019 and 2018, is detailed as follows:

|                    | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|--------------------|---------------------------------|---------------------------------|
| Wages and salaries | 93,418,993                      | 86,701,439                      |
| Employee benefits  | 29,599,776                      | 28,199,671                      |
| TOTAL              | 123,018,769                     | 114,901,110                     |

|   | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|---|---------------------------------|---------------------------------|
| Compensation paid to key management personnel | 23,282,951                      | 20,576,274                      |



## **NOTE 30 - FINANCIAL INSTRUMENTS**

In accordance with the definition of Fair Value Measurement and Valuation of Financial Instruments in Note 2 Bases of Preparation and Presentation of the Consolidated Financial Statements and Significant Accounting Policies, financial assets are recognized in the consolidated financial statements when acquired and are initially measured at fair value including costs related to their acquisition for instruments valued at amortized cost.

Their carrying amounts versus their market values as of December 31, 2019 and 2018, by financial instrument category are detailed as follows.

|   | 12.31.               | 2019                 | 12.31.               | 2018                 |
|---|----------------------|----------------------|----------------------|----------------------|
| FINANCIAL ASSETS                                  | BOOK VALUE<br>THCH\$ | FAIR VALUE<br>THCH\$ | BOOK VALUE<br>THCH\$ | FAIR VALUE<br>THCH\$ |
| CASH AND CASH EQUIVALENTS                         |                      |                      |                      |                      |
| Cash  | 735,307,561          | 735,307,561          | 414,403,760          | 414,403,760          |
| Cash equivalents                                  | 56,516,342           | 56,516,342           | 58,485,930           | 58,485,930           |
| TOTAL   | 791,823,903          | 791,823,903          | 472,889,690          | 472,889,690          |
| OTHER FINANCIAL ASSETS, CURRENT                   |                      |                      |                      |                      |
| Investments available for sale                    | 756,595,493          | 756,595,493          | 751,206,812          | 751,206,812          |
| Financial instruments held for trading            | 123,763,735          | 123,763,735          | 106,095,661          | 106,095,661          |
| Hedge assets                                      | 274,975,111          | 274,975,111          | 150,264,563          | 150,264,563          |
| Other financial assets                            | 2,583,179,933        | 2,583,179,933        | 2,405,172,928        | 2,405,172,928        |
| TOTAL   | 3,738,514,272        | 3,738,514,272        | 3,412,739,964        | 3,412,739,964        |
| RECEIVABLES                                       |                      |                      |                      |                      |
| Trade and other receivables, current              | 6,560,005,515        | 6,758,050,515        | 5,833,242,081        | 5,825,556,081        |
| Accounts receivable from related parties, current | 71,771,274           | 71,771,274           | 48,248,089           | 48,248,089           |
| TOTAL   | 6,631,776,789        | 6,829,821,789        | 5,881,490,170        | 5,873,804,170        |
| INVESTMENT PROPERTY                               |                      |                      |                      |                      |
| Investment property (*)                           | 250,075,982          | 250,075,982          | 214,169,545          | 214,169,545          |
| TOTAL   | 250,075,982          | 250,075,982          | 214,169,545          | 214,169,545          |

|  | 12.31.2019           |                      | 12.31.2018           |                      |
|--|----------------------|----------------------|----------------------|----------------------|
| FINANCIAL LIABILITIES                            | BOOK VALUE<br>THCH\$ | FAIR VALUE<br>THCH\$ | BOOK VALUE<br>THCH\$ | FAIR VALUE<br>THCH\$ |
| OTHER FINANCIAL LIABILITIES                      |                      |                      |                      |                      |
| Other financial liabilities, current             | 7,187,670,756        | 7,187,670,756        | 6,217,422,354        | 6,217,422,354        |
| Other financial liabilities, non-current         | 715,490,146          | 715,490,146          | 578,311,298          | 578,311,298          |
| TOTAL  | 7,903,160,902        | 7,903,160,902        | 6,795,733,652        | 6,795,733,652        |
| ACCOUNTS PAYABLE                                 |                      |                      |                      |                      |
| Trade and other payables, current                | 2,849,865,663        | 2,849,865,663        | 2,631,688,232        | 2,631,688,232        |
| Accounts payable to related parties, current     | 25,819               | 25,819               | 994,592              | 994,592              |
| Accounts payable, non-current                    | 42,694,449           | 42,694,449           | 58,402,135           | 58,402,135           |
| Accounts payable to related parties, non-current | 3,412,460            | 3,412,460            | 3,322,762            | 3,322,762            |
| TOTAL  | 2,895,998,391        | 2,895,998,391        | 2,694,407,721        | 2,694,407,721        |



(\*) Investment property must be valued at the lesser of price-restated cost less accumulated depreciation, calculated in accordance with standards from the Chilean Institute of Accountants, and the commercial appraisal value, which is the lesser of two appraisals. If the commercial appraisal value is greater than the price-restated cost less accumulated depreciation, the real estate property will not be subject to any accounting adjustment and this difference as a result of the appraisal will be reflected in Disclosures. If the appraisal value is less than the price-restated cost less accumulated depreciation, the Company must make an adjustment for the difference by recognizing a provision in profit or loss that will remain until a new appraisal is made, on which date the provision will be reversed and a new provision established, if appropriate.

Under this model, these properties are recognized at restated cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is determined using the straight-line method over the cost of the investment property less its residual value. The land on which buildings and other facilities are built is considered to have an infinite useful life and, therefore, is not depreciated.

The reference market value is calculated based on appraisals made by expert appraisers (level 2).

The fair value levels are described in 2.5 in Note 2 Bases of Preparation and Presentation of the Consolidated Financial Statements and Significant Accounting Policies and are detailed as follows by type of financial asset and liability:

#### 12.31.2019

|   | 12.31.2019        |                   |                   |                 |  |
|---|-------------------|-------------------|-------------------|-----------------|--|
| FINANCIAL ASSETS                                  | LEVEL 1<br>THCH\$ | LEVEL 2<br>THCH\$ | LEVEL 3<br>THCH\$ | TOTAL<br>THCH\$ |  |
| CASH AND CASH EQUIVALENTS                         |                   |                   |                   |                 |  |
| Cash  | 735,307,561       | -                 | -                 | 735,307,561     |  |
| Cash equivalents                                  | 56,516,342        | -                 | -                 | 56,516,342      |  |
| TOTAL   | 791,823,903       | -                 | -                 | 791,823,903     |  |
| OTHER FINANCIAL ASSETS, CURRENT                   |                   |                   |                   |                 |  |
| Investments available for sale                    | -                 | 756,595,493       | -                 | 756,595,493     |  |
| Financial instruments held for trading            | -                 | 123,763,735       | -                 | 123,763,735     |  |
| Hedge assets                                      | -                 | 274,975,111       | -                 | 274,975,111     |  |
| Other financial assets                            | -                 | 2,583,179,933     | -                 | 2,583,179,933   |  |
| TOTAL   | -                 | 3,738,514,272     | -                 | 3,738,514,272   |  |
| FINANCIAL LIABILITIES Other financial liabilities |                   |                   |                   |                 |  |
| Other financial liabilities, current              | -                 | 7,187,670,756     | -                 | 7,187,670,756   |  |
| Other financial liabilities, non-current          | -                 | 715,490,146       | -                 | 715,490,146     |  |
| TOTAL   | -                 | 7,903,160,902     | -                 | 7,903,160,902   |  |



# 12.31.2018

|  |                   | 12.31             | .2018             |                 |
|--|-------------------|-------------------|-------------------|-----------------|
| FINANCIAL ASSETS                         | LEVEL 1<br>THCH\$ | LEVEL 2<br>THCH\$ | LEVEL 3<br>THCH\$ | TOTAL<br>THCH\$ |
| CASH AND CASH EQUIVALENTS                |                   |                   |                   |                 |
| Cash                                     | 414,403,760       | -                 | -                 | 414,403,760     |
| Cash equivalents                         | 58,485,930        | -                 | -                 | 58,485,930      |
| TOTAL                                    | 472,889,690       | -                 | -                 | 472,889,690     |
| OTHER FINANCIAL ASSETS, CURRENT          |                   |                   |                   |                 |
| Investments available for sale           | -                 | 751,206,812       | -                 | 751,206,812     |
| Financial instruments held for trading   | _                 | 106,095,661       | -                 | 106,095,661     |
| Hedge assets                             | -                 | 150,264,563       | -                 | 150,264,563     |
| Other financial assets                   | -                 | 2,405,172,928     | -                 | 2,405,172,928   |
| TOTAL                                    | -                 | 3,412,739,964     | -                 | 3,412,739,964   |
| FINANCIAL LIABILITIES                    |                   |                   |                   |                 |
| Other financial liabilities              |                   |                   |                   |                 |
| Other financial liabilities, current     | -                 | 6,217,422,354     | -                 | 6,217,422,354   |
| Other financial liabilities, non-current | -                 | 578,311,298       | -                 | 578,311,298     |
| TOTAL                                    | -                 | 6,795,733,652     | -                 | 6,795,733,652   |



# **NOTE 31 - FOREIGN CURRENCY**

| CURRENT ASSETS                                    | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|---|---------------------------------|---------------------------------|
| CASH AND CASH EQUIVALENTS                         | 791,823,903                     | 472,889,690                     |
| USD   | 299,681,663                     | 161,817,934                     |
| Euro  | 9,389,741                       | 4,273,313                       |
| CH\$  | 482,012,440                     | 301,075,379                     |
| Other   | 740,059                         | 5,723,064                       |
| OTHER FINANCIAL ASSETS, CURRENT                   | 3,738,514,272                   | 3,412,739,964                   |
| USD   | 778,827,363                     | 499,184,080                     |
| Euro  | 24,295,853                      | 19,322,698                      |
| Unidad de fomento (UF)                            | 1,731,312,878                   | 1,599,736,469                   |
| CH\$  | 1,189,622,723                   | 1,119,949,995                   |
| Other   | 14,455,455                      | 174,546,722                     |
| OTHER NON-FINANCIAL ASSETS, CURRENT               | 47,196,657                      | 50,224,120                      |
| USD   | 1,893,159                       | (1,005)                         |
| Unidad de fomento (UF)                            | 744,583                         | -                               |
| CH\$  | 43,813,248                      | 48,612,682                      |
| Other   | 745,667                         | 1,612,443                       |
| TRADE AND OTHER RECEIVABLES, CURRENT              | 6,560,005,515                   | 5,833,242,081                   |
| USD   | 592,979,228                     | 492,350,873                     |
| Euro  | 12,643,249                      | 10,510,024                      |
| Unidad de fomento (UF)                            | 3,412,349,404                   | 2,547,282,753                   |
| CH\$  | 2,521,750,745                   | 2,753,231,441                   |
| Other   | 20,282,889                      | 29,866,990                      |
| ACCOUNTS RECEIVABLE FROM RELATED PARTIES, CURRENT | 71,771,274                      | 48,248,089                      |
| Unidad de fomento (UF)                            | 5,166,478                       | 10,125,719                      |
| CH\$  | 66,604,796                      | 38,122,370                      |
| INVENTORY   | 124,009,249                     | 86,580,672                      |
| Unidad de fomento (UF)                            | 857,827                         | 1,377,494                       |
| CH\$  | 123,151,422                     | 85,203,178                      |
| CURRENT TAX ASSETS                                | 52,637,468                      | 42,131,008                      |
| USD   | 3,128                           | -                               |
| CH\$  | 52,581,038                      | 42,077,377                      |
| Other   | 53,302                          | 53,631                          |
| NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE    | 4,687,486                       | 1,233,954                       |
| CH\$  | 4,687,486                       | 1,233,954                       |
| TOTAL CURRENT ASSETS                              | 11,390,645,824                  | 9,947,289,578                   |
| USD   | 1,673,384,541                   | 1,153,351,882                   |
| Euro  | 46,328,843                      | 34,106,035                      |
| Unidad de fomento (UF)                            | 5,150,431,170                   | 4,158,522,435                   |
| CH\$  | 4,484,223,898                   | 4,389,506,376                   |
| Other   | 36,277,372                      | 211,802,850                     |



| NON-CURRENT ASSETS                      | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
|---|---------------------------------|---------------------------------|
| OTHER NON-FINANCIAL ASSETS, NON-CURRENT | 216,166,569                     | 117,004,357                     |
| USD                                     | 43,668,986                      | 12,526,619                      |
| Euro                                    | -                               | 11,785                          |
| Unidad de fomento (UF)                  | 81,163,323                      | -                               |
| CH\$                                    | 91,076,269                      | 52,635,103                      |
| Other                                   | 257,991                         | 51,830,850                      |
| EQUITY-ACCOUNTED INVESTMENTS            | 3,093,437                       | 3,875,455                       |
| CH\$                                    | 3,093,437                       | 3,875,455                       |
| INTANGIBLE ASSETS OTHER THAN GOODWILL   | 37,896,155                      | 37,811,188                      |
| USD                                     | 919,574                         | -                               |
| CH\$                                    | 36,887,178                      | 36,906,892                      |
| Other                                   | 89,403                          | 904,296                         |
| GOODWILL                                | 119,066,570                     | 119,066,570                     |
| CH\$                                    | 117,885,131                     | 117,885,130                     |
| Other                                   | 1,181,439                       | 1,181,440                       |
| PROPERTY, PLANT AND EQUIPMENT           | 53,284,037                      | 51,733,402                      |
| USD                                     | 2,686,464                       | -                               |
| CH\$                                    | 38,063,430                      | 37,996,271                      |
| Other                                   | 12,534,143                      | 13,737,131                      |
| INVESTMENT PROPERTY                     | 250,075,982                     | 214,169,545                     |
| USD                                     | 111,583,890                     | -                               |
| CH\$                                    | 138,492,092                     | 136,169,267                     |
| Other                                   | -                               | 78,000,278                      |
| DEFERRED TAX ASSETS                     | 50,772,292                      | 51,737,634                      |
| CH\$                                    | 50,772,292                      | 51,737,634                      |
| TOTAL NON-CURRENT ASSETS                | 730,355,042                     | 595,398,151                     |
| USD                                     | 158,858,914                     | 12,526,619                      |
| Euro                                    | -                               | 11,785                          |
| Unidad de fomento (UF)                  | 81,163,323                      | -                               |
| CH\$                                    | 476,269,829                     | 437,205,752                     |
| Other                                   | 14,062,976                      | 145,653,995                     |



|  | UP TO 9                         | 00 DAYS                         | 91 DAYS                         | TO 1 YEAR                       | ADJUST                          | MENTS                           | TO <sup>°</sup>                 | ΓAL                             |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| CURRENT LIABILITIES                          | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ | BALANCE<br>12.31.2019<br>THCH\$ | BALANCE<br>12.31.2018<br>THCH\$ |
| OTHER FINANCIAL LIABILITIES,                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |                                 |
| CURRENT                                      | 3,065,147,791                   | 2,713,197,234                   | 4,162,602,893                   | 3,526,776,282                   | (40,079,928)                    | (22,551,162)                    | 7,187,670,756                   | 6,217,422,354                   |
| USD  | 719,936,241                     | 632,563,013                     | 280,715,407                     | 165,451,449                     | -                               | -                               | 1,000,651,648                   | 798,014,462                     |
| Euro   | 15,382,892                      | 14,041,801                      | 576,053                         | 411,193                         | -                               | -                               | 15,958,945                      | 14,452,994                      |
| Unidad de fomento (UF)                       | 124,248,990                     | 149,190,555                     | 2,236,371,131                   | 265,994,057                     | -                               | -                               | 2,360,620,121                   | 415,184,612                     |
| CH\$   | 2,202,031,019                   | 1,914,216,471                   | 1,644,940,302                   | 3,094,919,583                   | (40,079,928)                    | (22,551,162)                    | 3,806,891,393                   | 4,986,584,892                   |
| Other  | 3,548,649                       | 3,185,394                       | -                               | -                               |                                 |                                 | 3,548,649                       | 3,185,394                       |
| TRADE AND OTHER PAYABLES                     | 98,555,969                      | 266,142,307                     | 2,739,141,800                   | 2,331,071,186                   | 12,167,894                      | 34,474,739                      | 2,849,865,663                   | 2,631,688,232                   |
| USD  | -                               | -                               | 334,078,184                     | 31,615,991                      | -                               | -                               | 334,078,184                     | 31,615,991                      |
| Euro   | -                               | 23,297                          | 1,080,246                       | 1,032,997                       | -                               | -                               | 1,080,246                       | 1,056,294                       |
| Unidad de fomento (UF)                       | -                               | 907,957                         | 2,067,751,975                   | 1,977,228,942                   | -                               | -                               | 2,067,751,975                   | 1,978,136,899                   |
| CH\$   | 95,098,054                      | 65,123,591                      | 206,624,130                     | 197,254,866                     | 12,167,894                      | 34,474,739                      | 313,890,078                     | 296,853,196                     |
| Other  | 3,457,915                       | 200,087,462                     | 129,607,265                     | 123,938,390                     | -                               | -                               | 133,065,180                     | 324,025,852                     |
| ACCOUNTS PAYABLE TO RELATED PARTIES, CURRENT | 3,135,799                       | 15,789,363                      | 1,518,232                       | -                               | (4,628,212)                     | (14,794,771)                    | 25,819                          | 994,592                         |
| Unidad de fomento (UF)                       | 58,830                          | 1,246,636                       | 286,084                         | -                               | -                               | -                               | 344,914                         | (13,548,135)                    |
| CH\$   | 3,076,969                       | 14,542,727                      | 1,232,148                       | -                               | (4,628,212)                     | (14,794,771)                    | (319,095)                       | 14,542,727                      |
| OTHER SHORT-TERM PROVISIONS                  | 146,900,516                     | 121,752,270                     | 8,691,304                       | 2,572,565                       | (23,089,035)                    | -                               | 132,502,785                     | 124,324,835                     |
| USD  | -                               | -                               | 3,455,278                       | -                               | -                               | -                               | 3,455,278                       | -                               |
| Unidad de fomento (UF)                       | 188,737                         | 900,543                         | 226,652                         | 180,884                         | -                               | -                               | 415,389                         | 1,081,427                       |
| CH\$   | 146,615,849                     | 116,558,945                     | 4,082,357                       | 1,709,559                       | (23,089,035)                    |                                 | 127,609,171                     | 118,268,504                     |
| Other  | 95,930                          | 4,292,782                       | 927,017                         | 682,122                         | -                               | -                               | 1,022,947                       | 4,974,904                       |
| CURRENT TAX LIABILITIES                      | 30,802,581                      | 22,810,449                      | 1,505,576                       | -                               | -                               | -                               | 32,308,157                      | 22,810,449                      |
| USD  | 110,311                         | _                               | -                               | -                               | -                               | -                               | 110,311                         |                                 |
| CH\$   | 30,706,550                      | 22,467,918                      | 1,505,576                       | -                               |                                 | -                               | 32,212,126                      | 22,467,918                      |
| Other  | (14,280)                        | 342,531                         | -                               | -                               | -                               | -                               | (14,280)                        | 342,531                         |
| EMPLOYEE BENEFIT PROVISIONS, CURRENT         | 6,683,564                       | 9,257,959                       | 3,372,407                       | -                               | -                               | -                               | 10,055,971                      | 9,257,959                       |
| USD  | -                               | -                               | 320,569                         | -                               | -                               | -                               | 320,569                         | -                               |
| CH\$   | 6,568,042                       | 8,844,093                       | 3,051,838                       | -                               | -                               | -                               | 9,619,880                       | 8,844,093                       |
| Other  | 115,522                         | 413,866                         | -                               | -                               | -                               | -                               | 115,522                         | 413,866                         |
| OTHER NON-FINANCIAL<br>LIABILITIES, CURRENT  | 332,478,346                     | 30,624,901                      | 35,506,073                      | 115,790,478                     | (5,951,278)                     | -                               | 362,033,141                     | 146,415,379                     |
| USD  | 6,407,087                       | -                               | 321,489                         | -                               | -                               | -                               | 6,728,576                       | -                               |
| Euro   | 274,890                         | -                               | -                               | -                               | -                               | -                               | 274,890                         | -                               |
| Unidad de fomento (UF)                       | 8,242,209                       | 1,349,625                       | 14,291,056                      | 6,844,001                       | -                               | -                               | 22,533,265                      | 8,193,626                       |
| CH\$   | 317,443,049                     | 29,042,164                      | 20,893,528                      | 108,946,477                     | (5,951,278)                     | -                               | 332,385,299                     | 137,988,641                     |
| Other  | 111,111                         | 233,112                         | _                               | -                               | -                               | -                               | 111,111                         | 233,112                         |
| TOTAL CURRENT LIABILITIES                    | 3,683,704,566                   | 3,179,574,483                   | 6,952,338,285                   | 5,976,210,511                   | (61,580,559)                    | (2,871,194)                     | 10,574,462,292                  | 9,152,913,800                   |
| USD  | 726,453,639                     | 632,563,013                     | 618,890,927                     | 197,067,440                     | -                               | -                               | 1,345,344,566                   | 829,630,453                     |
| Euro   | 15,657,782                      | 14,065,098                      | 1,656,299                       | 1,444,190                       | -                               | -                               | 17,314,081                      | 15,509,288                      |
| Unidad de fomento (UF)                       | 132,738,766                     | 153,595,316                     | 4,318,926,898                   | 2,250,247,884                   | -                               | -                               | 4,451,665,664                   | 2,403,843,200                   |
| CH\$   | 2,801,539,532                   | 2,170,795,909                   | 1,882,329,879                   | 3,402,830,485                   | (61,580,559)                    | (2,871,194)                     | 4,622,288,852                   | 5,570,755,200                   |
| Other  | 7,314,847                       | 208,555,147                     | 130,534,282                     | 124,620,512                     | _                               | _                               | 137,849,129                     | 333,175,659                     |



|  | MORE THAN 1           |                       | 3 TO 5                | YEARS                 | MORE THA              | N 5 YEARS             | ADJUST                | MENTS                 | TO                    | TAL                   |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | BALANCE<br>12.31.2019 | BALANCE<br>12.31.2018 |
| NON-CURRENT LIABILITIES                          | THCH\$                |
| OTHER FINANCIAL LIABILITIES, NON-CURRENT         | 104,923,626           | 24,730,418            | 27,969,628            | 23,763,772            | 583,393,296           | 529,817,108           | (796,404)             | -                     | 715,490,146           | 578,311,298           |
| USD  | 145,995               | -                     | -                     | -                     | -                     | -                     |                       | -                     | 145,995               | -                     |
| Unidad de fomento (UF)                           | 51,734,948            | 15,270,436            | 16,051,228            | 13,536,272            | 328,445,058           | 282,378,300           |                       | -                     | 396,231,234           | 311,185,008           |
| CH\$   | 53,042,683            | 8,928,409             | 11,918,400            | 10,227,500            | 254,948,238           | 247,438,808           | (796,404)             | -                     | 319,112,917           | 266,594,717           |
| Other  | -                     | 531,573               | -                     | -                     | -                     | -                     |                       | -                     | -                     | 531,573               |
| ACCOUNTS PAYABLE, NON-CURRENT                    | 88,032,796            | 92,876,874            | 23,533                | -                     | 546,033               | -                     | (45,907,913)          | (34,474,739)          | 42,694,449            | 58,402,135            |
| USD  | 13,599,395            | -                     | -                     | -                     | -                     | -                     |                       | -                     | 13,599,395            | -                     |
| Euro   | 292,708               | -                     | -                     | -                     | -                     | -                     |                       | -                     | 292,708               | -                     |
| Unidad de fomento (UF)                           | -                     | 41,262,993            | -                     | -                     | -                     | -                     |                       | -                     | -                     | 41,262,993            |
| CH\$   | 73,183,866            | 50,089,633            | 23,533                | -                     | 546,033               | -                     | (45,907,913)          | (34,474,739)          | 27,845,519            | 15,614,894            |
| Other  | 956,827               | 1,524,248             | -                     | -                     | -                     | -                     |                       | -                     | 956,827               | 1,524,248             |
| ACCOUNTS PAYABLE TO RELATED PARTIES, NON-CURRENT | -                     | -                     | 3,412,460             | 3,322,762             | -                     | -                     | -                     | -                     | 3,412,460             | 3,322,762             |
| Unidad de fomento (UF)                           | -                     | -                     | 3,412,460             | 3,322,762             | -                     | -                     |                       | -                     | 3,412,460             | 3,322,762             |
| DEFERRED TAX LIABILITIES                         | 4,141,065             | 3,573,051             | -                     | -                     | -                     | -                     | (3,349,708)           | (2,875,659)           | 791,357               | 697,392               |
| CH\$   | 4,141,065             | 3,256,917             | -                     | -                     | -                     | -                     | (3,349,708)           | (2,875,659)           | 791,357               | 381,258               |
| Other  | -                     | 316,134               | -                     | -                     | -                     | -                     |                       | -                     | -                     | 316,134               |
| TOTAL NON-CURRENT LIABILITIES                    | 197,097,487           | 121,180,343           | 31,405,621            | 27,086,534            | 583,939,329           | 529,817,108           | (50,054,025)          | (37,350,398)          | 762,388,412           | 640,733,587           |
| USD  | 13,745,390            | -                     | -                     | -                     | -                     | -                     | -                     | -                     | 13,745,390            | -                     |
| Euro   | 292,708               | -                     | -                     | -                     | -                     | -                     | -                     | -                     | 292,708               | -                     |
| Unidad de fomento (UF)                           | 51,734,948            | 56,533,429            | 19,463,688            | 16,859,034            | 328,445,058           | 282,378,300           | -                     | -                     | 399,643,694           | 355,770,763           |
| CH\$   | 130,367,614           | 62,274,959            | 11,941,933            | 10,227,500            | 255,494,271           | 247,438,808           | (50,054,025)          | (37,350,398)          | 347,749,793           | 282,590,869           |
| Other  | 956,827               | 2,371,955             | -                     | -                     | -                     | -                     | -                     | -                     | 956,827               | 2,371,955             |

# **NOTE 32 - EARNINGS PER SHARE**

The following chart details the earnings or loss per share generated during the reporting periods:

| EARNINGS PER SHARE                                    | 2019<br>CH\$  | 2018<br>CH\$  |
|---|---------------|---------------|
| BASIC EARNINGS PER SHARE                              |               |               |
| Basic earnings per share from continuing operations   | 21.9637       | 21.8111       |
| Basic earnings per share from discontinued operations | 0.0000        | 0.00000       |
| BASIC EARNINGS PER SHARE                              | 21.9637       | 21.8111       |
| Profit attributable to owners of the parent           | 81,155,810    | 80,548,352    |
| Annual average number of shares                       | 3,695,000,000 | 3,693,003,240 |



## **NOTE 33 - OPERATING SEGMENTS**

Grupo Security is the parent company of a diversified conglomerate of companies engaged in the major sectors of the domestic financial services industry.

The conglomerate is structured into four main business areas. Each area has subsidiaries and divisions that share common business objectives. These four areas are: lending, insurance, asset management and other services.

The lending area includes Banco Security and Factoring Security, which provide lending services to companies and individuals.

The subsidiaries Vida Security, Corredora de Seguros Security and Europ Assistance operate in the life insurance, insurance brokerage and assistance industries, respectively.

In the asset management area, Valores Security Corredores de Bolsa, Administradora General de Fondos Security, Asesorías 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.

The services area comprises the real estate business with the subsidiary Inmobiliaria Security and the travel and tourism industry with Travel Security.

The corporate support area comprises the subsidiaries Mandatos Security, Global Gestión and Servicios Security, which provide the sales force for the lending area, and Capital S.A., which provides a variety of services such as accounting, business risk and control, corporate culture, corporate research and technology services that meet the technological development and support needs of all Group companies. The standalone entity Grupo Security is also included in this area.

Grupo Security discloses segment information in accordance with IFRS 8 "Operating Segments", which sets forth the rules for operating segment reporting and related disclosures for financial and other services.

The management of Grupo Security S.A. prepares statements of financial position and of income by segment to analyze and make operating decisions. Note that those statements are only prepared for the purposes of analyzing such segments. The statements are detailed below:

# A) CLASSIFIED STATEMENT OF FINANCIAL POSITION BY SEGMENT AS OF DECEMBER 31, 2019

| STATEMENT OF FINANCIAL<br>POSITION | LENDING<br>THCH\$ | ASSET<br>MANAGEMENT<br>THCH\$ | INSURANCE<br>THCH\$ | SERVICES<br>THCH\$ | INTERNATIONAL<br>BUSINESS<br>THCH\$ | CORPORATE<br>SUPPORT<br>THCH\$ | ADJUSTMENTS<br>THCH\$ | TOTAL<br>THCH\$ |
|------------------------------------|-------------------|-------------------------------|---------------------|--------------------|-------------------------------------|--------------------------------|-----------------------|-----------------|
| ASSETS                             |                   |                               |                     |                    |                                     |                                |                       |                 |
| Total current assets               | 8,225,309,720     | 301,469,570                   | 2,537,415,377       | 168,507,497        | 249,237,071                         | 77,291,061                     | (168,584,472)         | 11,390,645,824  |
| Total non-current assets           | 303,859,505       | 19,303,111                    | 261,677,931         | 12,762,901         | 119,217,777                         | 1,356,300,983                  | (1,342,767,166)       | 730,355,042     |
| TOTAL ASSETS                       | 8,529,169,225     | 320,772,681                   | 2,799,093,308       | 181,270,398        | 368,454,848                         | 1,433,592,044                  | (1,511,351,638)       | 12,121,000,866  |
| LIABILITIES                        |                   |                               |                     |                    |                                     |                                |                       |                 |
| Total current liabilities          | 7,410,880,970     | 198,585,038                   | 2,579,254,872       | 136,653,305        | 322,111,231                         | 63,900,391                     | (136,923,515)         | 10,574,462,292  |
| Total non-current liabilities      | 448,415,899       | 9,174,307                     | 10,396,325          | 12,045,849         | 1,715,634                           | 302,476,956                    | (21,836,558)          | 762,388,412     |
| TOTAL LIABILITIES                  | 7,859,296,869     | 207,759,345                   | 2,589,651,197       | 148,699,154        | 323,826,865                         | 366,377,347                    | (158,760,073)         | 11,336,850,704  |



#### STATEMENT OF INCOME BY SEGMENT FOR THE YEAR ENDED DECEMBER 31, 2019. B)

| INCOME STATEMENT  | LENDING<br>THCH\$ | ASSET<br>MANAGEMENT<br>THCH\$ | INSURANCE<br>THCH\$ | SERVICES<br>THCH\$ | INTERNATIONAL<br>BUSINESS<br>THCH\$ | CORPORATE<br>SUPPORT<br>THCH\$ | ADJUSTMENTS<br>THCH\$ | TOTAL<br>THCH\$ |
|---|-------------------|-------------------------------|---------------------|--------------------|-------------------------------------|--------------------------------|-----------------------|-----------------|
| PROFIT FOR THE YEAR   |                   |                               |                     |                    |                                     |                                |                       |                 |
| Revenue   | 511,278,693       | 73,890,656                    | 417,828,222         | 34,276,663         | 115,280,304                         | 23,772,733                     | (20,316,802)          | 1,156,010,469   |
| Cost of sales   | (279,370,958)     | (32,484,104)                  | (345,779,872)       | (15,574,234)       | (96,672,241)                        | (1,433,381)                    | 1,083,825             | (770,230,965)   |
| GROSS PROFIT  | 231,907,735       | 41,406,552                    | 72,048,350          | 18,702,429         | 18,608,063                          | 22,339,352                     | (19,232,977)          | 385,779,504     |
| Other income  | 24,920            | 136,859                       | 562,551             | 381,232            | 312,416                             | 1,433,033                      | -                     | 2,851,011       |
| Distribution costs  | -                 | -                             | -                   | -                  | -                                   | -                              | -                     | -               |
| Administrative expenses   | (118,630,333)     | (35,527,291)                  | (45,916,349)        | (15,963,387)       | (17,943,522)                        | (36,250,715)                   | 19,104,793            | (251,126,804)   |
| Other expenses  | (6,475,561)       | (8,111,607)                   | (499,561)           | (29,664)           | (385,590)                           | (356,371)                      | 265,984               | (15,592,370)    |
| Other gains   | -                 | 247,089                       | 280,961             | 375,046            | 976,694                             | 651,191                        | -                     | 2,530,981       |
| NET OPERATING INCOME (LOSS)   | 106,826,761       | (1,848,398)                   | 26,475,952          | 3,465,656          | 1,568,061                           | (12,183,510)                   | 137,800               | 124,442,322     |
| Gain (loss) arising from<br>derecognition of financial assets<br>measured at amortized cost   | -                 | -                             | -                   | -                  | -                                   | -                              | -                     | -               |
| Finance income  | -                 | 206,260                       | 38,335              | -                  | -                                   | 151,423                        | (137,554)             | 258,464         |
| Finance costs   | -                 | (78,247)                      | (28,303)            | (1,284,600)        | (242,403)                           | (12,626,530)                   | (2)                   | (14,260,085)    |
| Share of profit (loss) of associates, equity-accounted  | (256)             | -                             | 927,022             | (1,935)            | -                                   | 35,472                         | (38,030)              | 922,273         |
| Exchange differences  | 6,975,599         | 3,584,668                     | 796,909             | 356,102            | (52,796)                            | 51,759                         | -                     | 11,712,241      |
| Gain (loss) on indexed assets and liabilities   | 31,446            | (212,360)                     | (3,015,964)         | 44,168             | -                                   | (6,997,361)                    | -                     | (10,150,071)    |
| Gain (loss) arising from the<br>difference between the prior<br>carrying amount and the fair value<br>of financial assets reclassified at<br>fair value | 165,208           | (117,622)                     | -                   | -                  | -                                   | -                              | -                     | 47,586          |
| PROFIT (LOSS) BEFORE TAX  | 113,998,758       | 1,534,301                     | 25,193,951          | 2,579,391          | 1,272,862                           | (31,568,747)                   | (37,786)              | 112,972,730     |
| Income tax expense from continuing operations   | (27,246,571)      | (925,314)                     | (3,685,366)         | (830,122)          | (156,539)                           | 2,900,219                      | -                     | (29,943,693)    |
| PROFIT (LOSS) FROM CONTINUING OPERATIONS  | 86,752,187        | 608,987                       | 21,508,585          | 1,749,269          | 1,116,323                           | (28,668,528)                   | (37,786)              | 83,029,037      |
| Profit from discontinued operations   | -                 | -                             | -                   | -                  | -                                   | -                              | -                     | -               |
| PROFIT (LOSS) FOR THE YEAR  | 86,752,187        | 608,987                       | 21,508,585          | 1,749,269          | 1,116,323                           | (28,668,528)                   | (37,786)              | 83,029,037      |
| PROFIT (LOSS) ATTRIBUTABLE TO:  |                   |                               |                     |                    |                                     |                                |                       |                 |
| Profit (loss) attributable to owners of the parent  | 86,732,461        | 615,561                       | 20,736,716          | 1,120,988          | 681,894                             | (28,668,528)                   | (63,282)              | 81,155,810      |
| Profit (loss) attributable to non-controlling interests   | 19,727            | (6,575)                       | 771,869             | 628,280            | 434,429                             | -                              | 25,497                | 1,873,227       |
| PROFIT (LOSS) FOR THE YEAR  | 86,752,188        | 608,986                       | 21,508,585          | 1,749,268          | 1,116,323                           | (28,668,528)                   | (37,785)              | 83,029,037      |

NOTE: THE INFORMATION IN THE CONSOLIDATED STATEMENT OF INCOME PER SEGMENT PRESENTED HERE DIFFERS FROM THE FINANCIAL STATEMENTS OF EACH SUBSIDIARY, AS IT INCLUDES CONSOLIDATION AND PRESENTATION ADJUSTMENTS. ADDITIONALLY, THE RESULTS OF BANCO SECURITY INCLUDED IN THE LENDING AREA DO NOT CONSIDER THE ACCRUED INCOME OF ITS SUBSIDIARIES VALORES SECURITY AND ADMINISTRADORA GENERAL DE FONDOS SECURITY, WHICH ARE PRESENTED IN THE ASSET MANAGEMENT AREA.

THE COLUMN "CORPORATE SUPPORT" DOES NOT CORRESPOND TO A BUSINESS SEGMENT, BUT INSTEAD TO OPERATING AND/OR OTHER EXPENSES OF THE GROUP'S PARENT COMPANY.



# C) STATEMENT OF CASH FLOWS BY SEGMENT (DIRECT METHOD) AS OF DECEMBER 31, 2019

| STATEMENT OF CASH FLOWS                                      | LENDING<br>THCH\$ | ASSET<br>MANAGEMENT<br>THCH\$ | INSURANCE<br>THCH\$ | SERVICES<br>THCH\$ | INTERNATIONAL<br>BUSINESS<br>THCH\$ | CORPORATE<br>SUPPORT<br>THCH\$ | ADJUSTMENTS<br>THCH\$ | TOTAL<br>THCH\$ |
|--|-------------------|-------------------------------|---------------------|--------------------|-------------------------------------|--------------------------------|-----------------------|-----------------|
| Net cash flows provided by (used in) operating activities    | 508,483,835       | 37,889,680                    | 2,192,525           | (26,478,840)       | 21,085,494                          | (1,740,420)                    | (272,823,239)         | 268,609,035     |
| Net cash flows provided by (used in) investing activities    | (255,308,010)     | 37,994,740                    | (4,501,719)         | (1,310,303)        | (11,198,559)                        | 28,847,677                     | 192,842,429           | (12,633,745)    |
| Net cash flows provided by (used in) financing activities    | (10,507,386)      | 17,083,042                    | 15,926,108          | 28,691,890         | 3,885,586                           | (38,479,571)                   | 45,897,375            | 62,497,044      |
| Net increase (decrease) in cash and cash equivalents         | 242,668,439       | 92,967,462                    | 13,616,914          | 902,747            | 13,772,521                          | (11,372,314)                   | (34,083,435)          | 318,472,334     |
| Effect of exchange rate changes on cash and cash equivalents | -                 | 291,173                       | (12)                | -                  | 170,721                             | -                              | (3)                   | 461,879         |
| Increase (decrease) in cash and cash equivalents             | 242,668,439       | 93,258,635                    | 13,616,902          | 902,747            | 13,943,242                          | (11,372,314)                   | (34,083,438)          | 318,934,213     |
| Cash and cash equivalents at beginning of year               | 411,012,451       | 10,800,215                    | 11,482,196          | 6,057,280          | 4,435,771                           | 37,695,989                     | (8,594,212)           | 472,889,690     |
| CASH AND CASH<br>EQUIVALENTS AT END OF<br>YEAR               | 653,680,890       | 104,058,850                   | 25,099,098          | 6,960,027          | 18,379,013                          | 26,323,675                     | (42,677,650)          | 791,823,903     |

# D) CLASSIFIED STATEMENT OF FINANCIAL POSITION BY SEGMENT AS OF DECEMBER 31, 2018

| STATEMENT OF FINANCIAL<br>POSITION | LENDING<br>THCH\$ | ASSET<br>MANAGEMENT<br>THCH\$ | INSURANCE<br>THCH\$ | SERVICES<br>THCH\$ | INTERNATIONAL<br>BUSINESS<br>THCH\$ | CORPORATE<br>SUPPORT<br>THCH\$ | ADJUSTMENTS<br>THCH\$ | TOTAL<br>THCH\$ |
|------------------------------------|-------------------|-------------------------------|---------------------|--------------------|-------------------------------------|--------------------------------|-----------------------|-----------------|
| ASSETS                             |                   |                               |                     |                    |                                     |                                |                       |                 |
| Total current assets               | 7,057,121,160     | 204,988,267                   | 2,392,564,761       | 127,129,714        | 177,151,515                         | 74,345,635                     | (86,011,474)          | 9,947,289,578   |
| Total non-current assets           | 246,406,956       | 22,370,241                    | 231,497,113         | 10,030,334         | 85,301,290                          | 1,032,778,556                  | (1,032,986,339)       | 595,398,151     |
| TOTAL ASSETS                       | 7,303,528,116     | 227,358,508                   | 2,624,061,874       | 137,160,048        | 262,452,805                         | 1,107,124,191                  | (1,118,997,813)       | 10,542,687,729  |
| LIABILITIES                        |                   |                               |                     |                    |                                     |                                |                       |                 |
| Total current liabilities          | 6,358,748,718     | 95,637,361                    | 2,443,507,861       | 92,890,921         | 213,864,924                         | 33,913,845                     | (85,649,830)          | 9,152,913,800   |
| Total non-current liabilities      | 318,141,759       | 20,548,114                    | 2,928,182           | 9,428,294          |                                     | 294,280,408                    | (6,965,125)           | 640,733,587     |
| TOTAL LIABILITIES                  | 6,676,890,477     | 116,185,475                   | 2,446,436,043       | 102,319,215        | 213,864,924                         | 328,194,253                    | (92,614,955)          | 9,793,647,387   |



# E) STATEMENT OF INCOME BY SEGMENT FOR THE YEAR ENDED DECEMBER 31, 2018.

| INCOME STATEMENT   | LENDING<br>THCH\$ | ASSET<br>MANAGEMENT<br>THCH\$ | INSURANCE<br>THCH\$ | SERVICES<br>THCH\$ | INTERNATIONAL<br>BUSINESS<br>THCH\$ | CORPORATE<br>SUPPORT<br>THCH\$ | ADJUSTMENTS<br>THCH\$ | TOTAL<br>THCH\$ |
|--|-------------------|-------------------------------|---------------------|--------------------|-------------------------------------|--------------------------------|-----------------------|-----------------|
| PROFIT FOR THE YEAR  |                   |                               |                     |                    |                                     |                                |                       |                 |
| Revenue  | 469,579,402       | 60,346,703                    | 437,039,009         | 37,150,316         | 23,364,880                          | 21,500,793                     | (6,839,683)           | 1,042,141,420   |
| Cost of sales  | (261,715,469)     | (13,681,915)                  | (365,320,252)       | (17,345,215)       | (13,621,299)                        | (1,420,651)                    | (16,628,599)          | (689,733,400)   |
| GROSS PROFIT   | 207,863,933       | 46,664,788                    | 71,718,757          | 19,805,101         | 9,743,581                           | 20,080,142                     | (23,468,282)          | 352,408,020     |
| Other income   | 20,906            | 2,531,715                     | 274,973             | 715,890            | 401,737                             | 2,556,270                      | (3,191,163)           | 3,310,328       |
| Distribution costs   | -                 | -                             | -                   | -                  | -                                   | -                              | -                     | -               |
| Administrative expenses  | (113,952,148)     | (33,004,158)                  | (45,720,677)        | (15,087,013)       | (6,663,296)                         | (29,193,656)                   | 26,659,445            | (216,961,503)   |
| Other expenses   | (4,708,555)       | (2,141,673)                   | (310,807)           | (97,134)           | (305,507)                           | (1,603)                        | -                     | (7,565,279)     |
| Other gains (losses)   | -                 | (32,679)                      | 205,828             | (180,267)          | 1,007,390                           | 741,798                        | -                     | 1,742,070       |
| NET OPERATING INCOME (LOSS)  | 89,224,136        | 14,017,993                    | 26,168,074          | 5,156,577          | 4,183,905                           | (5,817,049)                    | -                     | 132,933,636     |
| Finance income   | -                 | -                             | 12,974              | -                  | -                                   | -                              | -                     | 12,974          |
| Finance costs  | -                 | (781,199)                     | (53,813)            | (1,197,034)        | (541,506)                           | (12,262,999)                   | -                     | (14,836,551)    |
| Share of profit (loss) of associates and joint ventures, equity-accounted  | 117               | -                             | 10,274,133          | 342                | -                                   | (12,049,827)                   | -                     | (1,775,235)     |
| Exchange differences   | 2,915,741         | (141,549)                     | (990,617)           | 275,379            | (606,021)                           | (231,376)                      | -                     | 1,221,557       |
| Gain (loss) on indexed assets and liabilities  | 25,444            | 141,150                       | (3,605,229)         | (48,980)           | -                                   | (6,911,678)                    | -                     | (10,399,293)    |
| Gain arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value | 655,138           | 79,243                        | -                   | -                  | -                                   | -                              | -                     | 734,381         |
| PROFIT (LOSS) BEFORE TAXES   | 92,820,576        | 13,315,638                    | 31,805,522          | 4,186,284          | 3,036,378                           | (37,272,929)                   | -                     | 107,891,469     |
| Income tax expense from continuing operations  | (20,695,566)      | (2,601,002)                   | (649,401)           | (1,139,675)        | (306,738)                           | 659,457                        | -                     | (24,732,925)    |
| PROFIT (LOSS) FROM CONTINUING OPERATIONS   | 72,125,010        | 10,714,636                    | 31,156,121          | 3,046,609          | 2,729,640                           | (36,613,472)                   | -                     | 83,158,544      |
| Profit (loss) from discontinued operations   |                   |                               |                     |                    |                                     |                                |                       |                 |
| PROFIT (LOSS) FOR THE YEAR   | 72,125,010        | 10,714,636                    | 31,156,121          | 3,046,609          | 2,729,640                           | (36,613,472)                   | -                     | 83,158,544      |
| PROFIT (LOSS) ATTRIBUTABLE TO:   |                   |                               |                     |                    |                                     |                                |                       |                 |
| Owners of the parent   | 72,121,805        | 10,714,636                    | 30,439,642          | 2,456,794          | 1,428,948                           | (36,613,473)                   | -                     | 80,548,352      |
| Non-controlling interests  | 3,204             | -                             | 716,480             | 589,816            | 1,300,692                           | -                              | -                     | 2,610,192       |
| PROFIT (LOSS) FOR THE YEAR   | 72,125,009        | 10,714,636                    | 31,156,122          | 3,046,610          | 2,729,640                           | (36,613,473)                   | -                     | 83,158,544      |



# F) STATEMENT OF CASH FLOWS BY SEGMENT (DIRECT METHOD) FOR THE YEAR ENDED DECEMBER 31, 2018.

| STATEMENT OF CASH FLOWS                                      | LENDING<br>THCH\$ | ASSET<br>MANAGEMENT<br>THCH\$ | INSURANCE<br>THCH\$ | SERVICES<br>THCH\$ | INTERNATIONAL<br>BUSINESS<br>THCH\$ | CORPORATE<br>SUPPORT<br>THCH\$ | ADJUSTMENTS<br>THCH\$ | TOTAL<br>THCH\$ |
|--|-------------------|-------------------------------|---------------------|--------------------|-------------------------------------|--------------------------------|-----------------------|-----------------|
| Net cash flows provided by (used in) operating activities    | 179,314,563       | (19,707,424)                  | (32,463,619)        | 2,904,642          | (18,019,674)                        | (2,903,215)                    | (268,519,304)         | (159,394,031)   |
| Net cash flows provided by (used in) investing activities    | (258,086,337)     | (5,864,812)                   | 25,537,654          | 1,072,945          | (30,268,960)                        | (9,049,925)                    | 270,891,072           | (5,768,363)     |
| Net cash flows provided by (used in) financing activities    | (26,528,494)      | 17,802,559                    | 7,346,198           | (3,663,798)        | 50,708,101                          | (2,226,264)                    | (5,149,190)           | 38,289,112      |
| Net increase (decrease) in cash and cash equivalents         | (105,300,268)     | (7,769,677)                   | 420,233             | 313,789            | 2,419,467                           | (14,179,404)                   | (2,777,422)           | (126,873,282)   |
| Effect of exchange rate changes on cash and cash equivalents | -                 | 232,901                       | -                   | -                  | (237,408)                           | -                              | -                     | (4,507)         |
| Increase (decrease) in cash and cash equivalents             | (105,300,268)     | (7,536,776)                   | 420,233             | 313,789            | 2,182,059                           | (14,179,404)                   | (2,777,422)           | (126,877,789)   |
| Cash and cash equivalents at beginning of year               | 518,119,949       | 16,529,243                    | 11,061,963          | 5,743,492          | 2,253,715                           | 51,875,392                     | (5,816,275)           | 599,767,479     |
| CASH AND CASH EQUIVALENTS AT END OF YEAR                     | 412,819,681       | 8,992,467                     | 11,482,196          | 6,057,281          | 4,435,774                           | 37,695,988                     | (8,593,697)           | 472,889,690     |

## **NOTE 34 - ENVIRONMENT**

As of the reporting date for the consolidated financial statements, given the nature of their businesses, Grupo Security S.A. and subsidiaries have not made any environmental disbursements.

## **NOTE 35 - RISK MANAGEMENT**

Grupo Security considers risk management to be critical to achieving the target returns defined by its shareholders and guaranteeing business continuity. Risk management at Grupo Security is supervised centrally by the Business Risk Management Area and Controller's Office, which consolidates and reports to Grupo Security's Board of Directors on a regular basis.

As Grupo Security S.A. is the parent of a conglomerate of companies that are diversified across different sectors of the local financial services industry, its subsidiaries face a number of risk factors that are unique to the particular sector in which they do business. These specific risks are controlled by specialized units in each of the companies.

In each of its related companies, Grupo Security has overseen the development of structures and processes required to properly identify, measure and value all kinds of risks, as well as follow-up on those risks in accordance with policies defined by the Board of Directors of each company and regulations defined by authorities.



## I RISK FACTORS

## 1) OPERATIONAL RISK

In an effort to continuously improve its corporate governance and particularly its internal controls, Grupo Security has used an audit approach to develop control tools for the most significant processes in each of its companies. This involved mapping those processes, developing flowcharts and separate and consolidated risk maps, and documenting all information collected, which is used in operations. This has allowed the Group to identify risks and develop mitigating action plans. On a monthly basis, the Group monitors its mitigating action plans and risk determination, with its respective risk matrix, using a computer program that helps it obtain the status of those plans from the respective process owner for all companies within Grupo Security.

## 2) HIGHLY COMPETITIVE BUSINESSES LINES

The industries in which the Group competes are known for being highly competitive, especially the banking and insurance industries. Continual mergers and competitor alliances are proof of the competition Group companies face. Despite the potential challenges to income generation, 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, the niche strategy that drives the Group's development and its excellent service quality.

These qualities allow the Group to offer its customers personalized, specialized products and services, which is very difficult in large organizations targeting more large-scale segments of the population. The Group's offering has earned it a favorable market position with which to face future competition.

### 3) REGULATORY CHANGES IN GROUP INDUSTRIES

The industries in which the Group does business, particularly the banking and insurance industries, 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.

## 4) FINANCIAL RISK

For Grupo Security, financial risk management and oversight are critical to guaranteeing liquidity and solvency in each of its subsidiaries. This allows its businesses to operate and grow in the long term.

Financial risk management and oversight in Grupo Security's companies are based on the implementation of policies, procedures, methodologies and limits defined by their respective Boards of Directors, in order to strengthen the companies' financial position and also improve and ensure their long-term profitability and reduce funding and liquidity costs.



## 4.1) RISKS ASSOCIATED WITH INTERNATIONAL 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 assets and risk premiums demanded by investors.

#### 4.2) CREDIT RISK

The companies in the lending area (Banco Security S.A. and Factoring Security S.A.) have skilled employees and an appropriate structure for analyzing and measuring credit risk. Through this structure, these employees participate in all credit-related processes and support sales areas as an independent counterpart in the loan origination process.

The risk management policies of our subsidiaries Banco Security and Vida Security are published in their annual financial statements in accordance with the Compendium of Standards from the former SBIF (presently CMF) and the CMF Standards, respectively, and, therefore, the interim financial statements contain the most recent annual disclosure published.

## II RISKS ASSOCIATED WITH THE BANKING BUSINESS

#### **RISK MANAGEMENT**

- I. RISK MANAGEMENT OBJECTIVES
- II. RISK MANAGEMENT STRUCTURE
- III. CREDIT RISK
- IV. FINANCIAL RISK
- V. OPERATIONAL RISK
- VI. RISK COMMITTEE
- VII. CAPITAL REGULATORY REQUIREMENTS

## I. RISK MANAGEMENT OBJECTIVES

Banco Security considers risk management to be a critical component in guaranteeing business continuity, achieving necessary solvency and ensuring sustainable results. Risk management is intended to minimize losses from risk and optimize the risk-return ratio and growth (risk appetite) defined by senior management.

In order to achieve this, the Bank has made a considerable effort to optimize risk management. Therefore, risk management is separated into three specific divisions by type of risk: Credit Risk, Financial Risk and Operational Risk.

Through this structure, the Bank can properly and timely identify, measure, value and monitor all kinds of risk that Banco Security may face.



#### II. RISK MANAGEMENT STRUCTURE

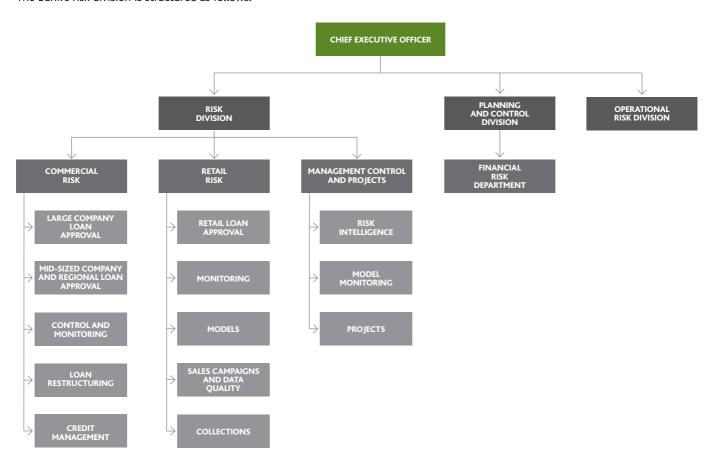
Risk management is carried out through four divisions that report to the Chief Executive Officer: The Risk Division (credit risk); the Planning and Control Division (financial risk) and the Operational Risk Division, all of which operate independently from other business areas and serve as a counterbalance on the Bank's various committees.

The Risk Division is focused on credit risk management and is divided into three areas: Commercial Risk, Retail Risk and Management Control and Projects.

The Financial Risk Department now reports to the Planning and Control Division. It is also responsible for financial control and capital management.

In 2018, the Operational Risk Division was created. This structure helps create complete independence from possible sources of operational risk.

The Bank's risk division is structured as follows:



Another important component of this structure is the Office of the Controller, which is responsible for regularly and independently evaluating whether the defined risk policies enable effective management and meet regulatory requirements. It is also responsible for conducting audits to verify compliance. The conclusions of these audits are analyzed by the Audit Committee and included in a written report submitted to the Bank's CEO and the department managers involved in the review. The reports provide conclusions from the evaluation and a work plan for resolving the observations made.



#### **AREA DESCRIPTIONS**

## 1) CREDIT RISK

#### **COMMERCIAL RISK**

This department is in charge of to risk for entire credit process for customers in the Commercial Banking and Finance divisions. In this role, the department is responsible for defining the policies and procedures for this process and ensuring compliance, all in line with defined risk appetite. It is also responsible for monitoring operations, ensuring risk is correctly classified and maximizing recovery through the collections department. To accomplish this, the department is structured as follows:

#### A. LARGE COMPANY LOAN APPROVAL DEPARTMENT:

Area in charge of analyzing risk during customer assessment for the large companies and finance segments. as well as evaluating and controlling the Bank's exposure in foreign markets.

This department also participates in decision-making committees for its segment, such as the Circulating Folder Committee and the Managers Committee; and acts as secretary for the Board Credit Committee.

The Real Estate Analysis Department is within this department, which is responsible for analyzing this portfolio and generating warning reports used by the monitoring department to control real estate customers. This department also serves as the counterparty and controls the loan process for subsidiaries of Banco Security.

#### B. MID-SIZED COMPANY AND REGIONAL LOAN APPROVAL DEPARTMENT:

Department in charge of analyzing risk during customer assessment of mid-sized and regional companies. It is also responsible for standardizing and analyzing the financial statements for the entire portfolio.

This department also participates in decision-making committees, such as the Circulating Folder Committee and the Managers Committee; and acts as secretary for the Board Credit Committee. It manages all record keeping and procedures related to loan decision making for Commercial Banking.

## C. CREDIT MANAGEMENT AREA:

The Credit Management Area is responsible for credit management, particularly changes in portfolio classification and the provisioning process (at month end). It also oversees credit management tasks such as supervising appraisers.

#### D. MONITORING:

The Monitoring Area is responsible for three functions:

Early detection, which helps the Bank more efficiently recover amounts owed by customers.



Consolidating customer and loan information, which provides data for the ongoing reclassification process to ensure that customer classifications faithfully reflect potential losses.

It is also responsible for controlling compliance with credit risk policies, and managing the pre-court collections process for Commercial Banking.

It also controls and monitors progress on real estate projects using reports prepared by the Real Estate Analysis Department.

#### E. LOAN RESTRUCTURING:

This department is responsible for the collections process and for efficiently recovering amounts owed by customers with payment problems. It also manages collections once a loan enters the past-due portfolio, including court and out-of-court collections (defined as sale of the written-off portfolio once all collections alternatives have been exhausted).

In addition, this department manages repossessed or awarded assets for the entire division.

#### **RETAIL RISK**

This department is in charge of risk for entire credit process with customers in the Retail Banking Divisions. In this role, the department is responsible for defining the policies and procedures for this process and ensuring compliance, all in line with defined risk appetite. It is also responsible for monitoring operations, ensuring risk is correctly classified and maximizing recovery through the collections department. To accomplish this, the department is structured as follows:

## A. RETAIL LOAN APPROVAL DEPARTMENT:

Department in charge of risk for loan approval process (initiation, assessment and decision) with customers in the Retail Banking Division. In this role, it is responsible for defining the policies and procedures for this process and ensuring compliance, all in line with the defined risk appetite.

## B. SALES CAMPAIGN AND DATA QUALITY DEPARTMENT:

Department in charge of generating sales campaigns and monitoring outcomes.

It is also responsible for the process of validating and maintaining data for the entire Risk Division,

as well as validating regulatory reports for which the Risk Division is responsible.

#### C. MODELS DEPARTMENT:

Department in charge of generating and maintaining models in accordance with the Bank's requirements and guidelines from the Model Monitoring Department.



#### D. MONITORING DEPARTMENT:

The Credit Risk Monitoring Department is responsible for three functions:

Early detection, which helps the Bank more efficiently recover amounts owed by customers.

Consolidating customer and loan information, which provides data for the ongoing reclassification process to ensure that customer classifications faithfully reflect potential losses.

#### E. COLLECTIONS DEPARTMENT:

This department is responsible for the collections process and for efficiently recovering amounts owed by customers with payment problems. It also manages pre-court, court and out-of-court collections (defined as sale of the written-off portfolio once all collections alternatives have been exhausted).

### MANAGEMENT CONTROL AND PROJECTS DEPARTMENT:

This department is in charge of three functions: Risk intelligence, model monitoring and provision adequacy, in addition to global credit risk management processes:

It is responsible for the following central processes:

- Interpreting and implementing regulatory modifications,
- Updating, coordinating and communicating credit risk policies and their related procedures,
- Managing the Risk Committee.

It also provides internal support such as:

- Managing projects for the division and others related to credit risk management.
- Conducting training.
- Controlling internal targets.
- · Managing the division's budget and director plan.

### A. RISK INTELLIGENCE DEPARTMENT:

This department is in charge of continuously monitoring risk indicators, generating risk management and analysis reports and monitoring limits and concentration in order to more efficiently manage risk in accordance with the Bank's defined risk appetite.

It is also responsible for monitoring new market trends in credit risk management in search of new tools and processes to attain its objectives.



### B. MODEL MONITORING AND PROVISION ADEQUACY DEPARTMENT:

This department is in charge of continuously monitoring all of the Bank's models and making recommendations regarding any deviations detected.

It must also monitor the adequacy of provisions on the Bank's portfolios.

Lastly, it is responsible for conducting stress testing for capital management.

## 2) FINANCIAL RISK

#### FINANCIAL RISK DEPARTMENT

Department in charge of ensuring financial risk is effectively managed, which is staffed by nine employees. Further information on its functions is available in section IV.

# 3) OPERATIONAL RISK

#### **OPERATIONAL RISK UNIT**

Unit in charge of ensuring operational risk, business continuity and information security are effectively managed, which is staffed by nine employees. Further information on its functions is available in section V.

#### III. CREDIT RISK

## A. CREDIT RISK MANAGEMENT OBJECTIVES

The Risk Division is responsible for managing credit risk through the Credit Risk Department. The objective of this department is to complete the six-stage loan approval process: Target market; analysis and assessment; decision; management; monitoring and control; and collections.

The above must be carried out in accordance with the risk tolerance (appetite) defined by senior management.

#### **B.** CREDIT RISK STRUCTURE

The Credit Risk Department has numerous departments that participate throughout the entire loan approval process, supporting the Bank's sales departments at all times and acting as an independent counterweight during the loan decision-making process.

This department is made up of:

- Commercial Risk.
- Retail Risk.
- Management Control and Projects.



## C. CREDIT RISK PROCESS:

The following chart details the six stages of the loan approval process and the departments that participate in each stage.

| LOAN APPROVAL PROCESS          | COMMERCIAL      | RETAIL          |  |
|--------------------------------|-----------------|-----------------|--|
| Target Market                  |                 |                 |  |
| Credit Analysis and Assessment |                 |                 |  |
| Loan Decision                  | Commercial      | Retail          |  |
| Credit Management              | Risk Management | Risk Management |  |
| Credit Monitoring and Control  |                 |                 |  |
| Collections                    |                 |                 |  |

#### C.1 CREDIT RISK STAGES

#### 1. TARGET MARKET:

Although the Bank's senior management is responsible for defining the target market, this decision is based on a proposal prepared jointly by the sales and risk departments after having analyzed the opportunities available on the market and the risks of the different segments. This proposal is contained in the Bank's Credit Risk Policy Manual.

#### 2. CREDIT ANALYSIS AND ASSESSMENT:

The tools used to analyze and assess a customer depend on the customer's market. For example, a scoring system is used in retail banking (individuals and companies), while a case-by-case analysis prepared by a credit risk expert is utilized in commercial banking.

#### 3. LOAN DECISION:

The credit risk department acts as a counterweight in the loan decision process in all committees on which it sits. It also defines the approval limits for commercial departments and may intervene if risk standards are surpassed at any time.

There are mainly two types of committees, separated by the way they operate: circulating folder or meeting. In the first case, which involves smaller amounts, a folder is passed from one level to the next until it reaches the required level. In the second case, for larger amounts, a meeting is held where an account executive presents the loan to members of the committee for their approval. Meeting committees are also divided by amount.

Of these loan committees, the most important is the Board Credit Committee, which includes four directors, the Bank's CEO, the Risk Division Manager and the Commercial Loan Approval Manager. This committee analyzes the most important loans, assessing close to 70% of loans in terms of amount and 5% in terms of number of customers.



#### 4. CREDIT MANAGEMENT:

This area works to ensure proper customer classification, which begins with executives, followed by reclassifications made mainly by the Monitoring and Control Department, committees and the Loan Restructuring Department, and ends with the Reclassification Committee. The latter body executes and carries out the classification and provisioning process in order to ensure the Bank is operating correctly and to reflect the reality of its portfolio. It also works with sales areas to keep the number of expired and/or overdrawn lines of credit within expected parameters, and it maintains strict control of appraisals of assets provided to guarantee loans.

#### 5. COLLECTIONS:

In this stage, the specialized Collections (Retail Risk) and Loan Restructuring (Commercial Risk) departments perform a variety of activities to collect on loans, including out-of-court and court collections.

#### 6. MONITORING AND CONTROL:

This stage aims to maintain an overall vision of how the above-mentioned loan processes are functioning. Its involvement includes reviewing and auditing current credit policies, monitoring the performance of the analysis departments and committees, and properly managing credit.

It relies on various sources of information to fulfill its duties, including reports provided by the Credit Risk Intelligence Department and information on portfolio behavior. It uses this information to strictly monitor and control the Bank's portfolio and, as a result, it is the department that proposes most of the potential customer reclassifications.

This function is separated into two departments that serve the Commercial and Retail Banking divisions.

## D. RISK RATING AND PROVISIONS

Risk rating and assessments for provisioning purposes depend on customer and product type. Customers can be rated individually or as a group, as detailed below:

| INDIVIDUAL RATING                                       |                | GROUP RATING               |                            |  |
|---|----------------|----------------------------|----------------------------|--|
| CUSTOMER TYPE   | METHODOLOGY    | CUSTOMER TYPE              | METHODOLOGY                |  |
| Companies (includes individuals with business accounts) | Business rules |                            | Standard regulatory matrix |  |
| Real estate   | Business rules | Commercial loans           |                            |  |
| Other   |                |                            |                            |  |
| - Banks   |                |                            |                            |  |
| - Restructuring of retail and commercial loans          | Business rules | Residential mortgage loans | Standard regulatory matrix |  |
| - Non-profit  |                |                            | Internal model             |  |
| - Special group leasing                                 |                | Consumer loans             |                            |  |



# **D.1 RATING INDIVIDUAL CUSTOMERS**

This group includes all customers (individuals or legal entities) that the Bank needs to understand and analyze in detail because of their size, complexity or exposure level.

As a result, Banco Security individually rates all entities with annual sales over MCH\$1,500 and debt over MCH\$100, as well as real estate projects, institutional companies, non-profit organizations and bankrupt entities, among others.

#### **D.2 RATING GROUP LOANS**

Group assessments are used for customers that tend to behave similarly. Thus, they are assessed using methodologies and models to analyze operations related to the same product.

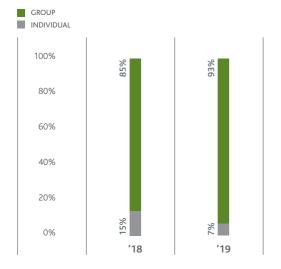
- 1. Commercial Products
- 2. Consumer Products
- 3. Mortgage Products

#### D.3 DISTRIBUTION OF LOAN PORTFOLIO

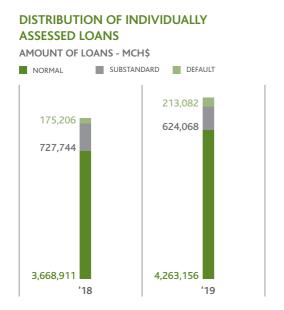
The Bank's portfolio is distributed as follows, based on the type of risk assessment used (i.e. group or individual):

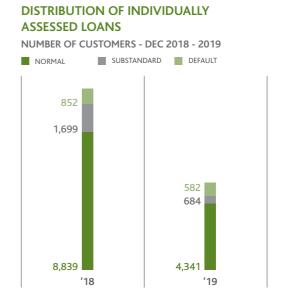
## **ASSESSMENT BY CUSTOMER TYPE**

NUMBER OF CUSTOMERS



Individually assessed loans are distributed by category (normal, substandard and default) using the following criteria:





# D.4 PORTFOLIO DISTRIBUTION BY DELINQUENCY:

Banco Security's portfolio has the following delinquency levels, detailed by product:

#### **DEC 2019 MCH\$**

| PORTFOLIO            | LOANS     | PAST DUE | NPL (> 90) | % PAST DUE / LOANS | % NPL (> 90) / LOANS |
|----------------------|-----------|----------|------------|--------------------|----------------------|
| Commercial           | 5,062,503 | 5,164    | 29,508     | 0.10%              | 0.58%                |
| Consumer             | 793,350   | 1,888    | 3,123      | 0.24%              | 0.39%                |
| Residential mortgage | 744,256   | 213      | 766        | 0.03%              | 0.10%                |
| TOTAL                | 6,600,109 | 7,265    | 33,397     | 0.11%              | 0.51%                |

#### **DEC 2018 MCH\$**

| PORTFOLIO            | LOANS     | PAST DUE | NPL (> 90) | % PAST DUE / LOANS | % NPL (> 90) / LOANS |
|----------------------|-----------|----------|------------|--------------------|----------------------|
| Commercial           | 4,512,299 | 11,174   | 24,600     | 0.25%              | 0.49%                |
| Consumer             | 745,867   | 1,899    | 1,798      | 0.24%              | 0.23%                |
| Residential mortgage | 610,291   | 148      | 407        | 0.02%              | 0.05%                |
| TOTAL                | 5,868,457 | 13,221   | 26,805     | 0.20%              | 0.41%                |



The impaired portfolio by type of assessment is detailed as follows:

#### **DEC 2019 MCH\$**

| PRODUCTION | LOANS     | IMPAIRED | % IMP / LOANS |
|------------|-----------|----------|---------------|
| Group      | 1,820,635 | 53,204   | 2.92%         |
| Individual | 4,779,474 | 221,589  | 4.64%         |
| TOTAL      | 6,600,109 | 274,793  | 4.16%         |

#### **DEC 2018 MCH\$**

| PRODUCTION | LOANS     | IMPAIRED | % IMP / LOANS |
|------------|-----------|----------|---------------|
| Group      | 1,661,314 | 44,057   | 2.65%         |
| Individual | 4,207,142 | 201,099  | 4.78%         |
| TOTAL      | 5,868,457 | 245,156  | 4.18%         |

## IV. FINANCIAL RISK

## A. FINANCIAL RISK MANAGEMENT OBJECTIVES

For the organization, financial activities are defined as all transactions that are closed by the Bank and its subsidiaries Valores Security and Administradora General de Fondos, either on their own account or on behalf of third parties.

In general, financial transactions include operations involving foreign currency, loans, financing instruments, fixed-income instruments, derivatives and stocks.

The strategic objectives of financial activities include:

- Strengthening and expanding the Bank's position, consolidating and developing long-term relationships with customers and different market players, and providing a full range of investment banking products.
- Improving and ensuring the stability of long-term returns and effectively managing the different potential risks.

Financial activities are limited to previously-approved strategic product areas and will only be carried out within the overall risk guidelines defined by the Bank's Board of Directors.

In managing the portfolio of financial investments, the organization will actively manage positions based on an ongoing analysis of economic and financial conditions. Therefore, positions in financial instruments will be in line with the consensus for the macroeconomic outlook. However, short-term trading positions can also be taken to capitalize on a one-time misalignment of a market variable.



In order to achieve the objectives established in the Bank's investment strategies, a broad range of currencies and products can be traded, always in accordance with current applicable regulations.

The Bank is primarily engaged in trading non-derivative fixed-income financial instruments, interbank funding, transactions with repo agreements, foreign currency spot sales and purchases, currency and interest rate derivatives (forwards and swaps), stocks and simultaneous operations.

Treasury products can be geared towards different objectives, such as profiting from short or medium-term variations in market factors, making returns by generating spreads with respect to the financing rate of positions, leveraging maturity mismatches and slopes of interest rate structures or exchange rate differentials, engaging in economic and/or accounting hedges and distributing treasury products through the Bank's sales network.

Derivatives are particularly used to hedge risks, for market arbitrage some market or to take certain proprietary positions.

Hedge management using derivatives can use economic or accounting hedges, depending on the defined strategy.

Strategies with derivatives with accounting hedges can be used to hedge cash flows or the fair value of any item in the statement of financial position or expected transaction that generates risk or volatility in profit or loss, in compliance with international accounting standards. These strategies must meet all requirements included in current regulations and their effectiveness is reviewed at least monthly for each hedge.

Risk management and control take place through policies, procedures, methodologies and limits, which create value for shareholders and the market in general, guaranteeing adequate solvency levels.

These internal limits, defined by portfolio type, maturity mismatches, currency and instrument type based on the Bank's risk appetite, allow the Bank to control risk levels and diversify investment portfolios. The Bank's policies also allow it to require guarantees under certain circumstances, mainly for derivative transactions, in order to mitigate credit risk.

## **B. FINANCIAL RISK STRUCTURE**

The Board of Directors is responsible for approving risk management policies, limits and structures for the Bank and its subsidiaries. To accomplish this, it has set up several committees to monitor compliance with defined policies and limits. These committees are made up of directors and executives and provide the Board with regular reports on risk exposure, strategies and management results analyzed in those committees

The following committees currently analyze matters related to financial risk:

- FINANCE COMMITTEE: Controls and manages financial investments from a short and medium-term trading perspective and the risks associated with these portfolios.



ASSET AND LIABILITY COMMITTEE: Controls and manages the risk of mismatches in assets and liabilities in order to stabilize and
protect and control the Bank's financial margin and economic value. It also monitors liquidity gaps, diversification of funding
sources, highly-liquid assets and risk-adjusted capital limits (solvency).

The objective of the Bank's financial risk management policies is to identify and analyze the risks faced by the Group, set concentration limits and put ongoing controls in place to monitor compliance.

The committees regularly revise these policies in order to incorporate changes in market conditions and the Bank's activities. Once revised, the changes are submitted to the Board for its approval.

The Financial Risk Department, which reports to the Planning and Control Division, is charged with monitoring and controlling risks and is independent from the business areas that take and manage the risks.

This department is specifically responsible for:

- Centralizing efforts to control and measure the different risks affecting the Bank and its subsidiaries by applying uniform policies and controls.
- Ensuring that risk managers, senior management and the Board of Directors are kept informed of key matters regarding market and liquidity risk.
- Ensuring that recommendations from regulators and internal auditors are followed and appropriately implemented.
- Reporting and monitoring market risk and liquidity and limit compliance on a daily basis for the Bank and its subsidiaries.
- Developing and reviewing the effectiveness of methods and procedures for measuring risk.

Risk is measured and controlled on a daily basis using risk reports used by senior management to make decisions. These reports include Value at Risk measurements and rate sensitivity for both the investment portfolio and the banking book as a whole, risk exposure by portfolio, instrument, risk factors and concentration and compliance with internal limits.

#### C. FINANCIAL RISK PROCESS

Risk measurements are based on automated systems used to monitor and control the risk to which the Bank and its subsidiaries are exposed on a daily basis, thus allowing for proper decision-making.

The Treasury is in charge of taking positions and risks within the limits defined by senior management. It is responsible for managing financial risks arising from positions in investment books, from structural asset/liability mismatches and from managing liquidity gaps and also for adequately funding operations.

The Internal Audit Department regularly assesses risk processes. The general risk structure is continuously being evaluated by the CMF, the Bank's independent auditors and other individuals who are independent from management.



## D. DEFINITION OF FINANCIAL RISKS

#### A) MARKET RISK

Market risk represents the potential loss that can result from changes in market prices over a certain period of time as a result of variations in interest rates, foreign currencies, indexation and stock prices. These losses affect the value of financial instruments held for trading and available for sale, both for the Bank and its subsidiaries.

#### MARKET RISK METHODOLOGY

Market risk is measured using the Value at Risk (VaR) methodology, which allows the different risks and types of operations to be standardized, modeling the collective relationship of these factors in a single risk measurement.

VaR provides an estimate of the maximum potential loss from treasury positions of financial assets or liabilities in the event of an adverse, yet normal, scenario.

The methodology used to calculate VaR is a parametric technique that assumes that the price returns on investments follow a normal distribution using a threshold of 95% confidence, a maintenance horizon of 1 day and a historical data sample of 250 days adjusted using statistical techniques to assign greater weight to more recent developments, in order to quickly capture increases in market volatilities.

The assumptions on which the model is based have some limitations, including:

- A maintenance period of one day assumes that the positions can be covered or disposed of within that period. However, investment portfolios held for trading are comprised of highly-liquid instruments.
- A confidence level of 95% does not reflect the losses that could occur in the remaining 5% of the distribution.
- Value at risk is calculated with positions at the end of the day and does not reflect the exposure that could arise during the trading day.
- The use of historical information to determine possible ranges of future outcomes may not cover all possible scenarios, especially exceptional circumstances.
- Market price returns of financial instruments can present abnormal probability distributions.

The limitations of the assumptions used by the VaR model are minimized using nominal limits for investment concentration and sensitivity to specific risk factors.

The reliability of the VaR methodology used is verified using backtesting, which is contrasted with the actual results obtained to determine whether they are consistent with the methodological assumptions within the given confidence levels. Ongoing monitoring of these tests allows the Bank to confirm the validity of the assumptions and hypothesis used in the model.



Control of financial risk is complemented with specific simulation exercises and stress testing to analyze different financial crises that have occurred in the past and the effect they may have on current investment portfolios.

These risks are monitored on a daily basis. Risk levels incurred and compliance with limits established for each unit are reported to risk managers and senior management.

Banco Security and its subsidiaries measure and limit Value at Risk in their investment portfolios (trading and available for sale) by risk factor, interest rates, currencies, instrument type and portfolio type.

The market risks of the different investment portfolios by type of risk are detailed as follows:

|                          | VAR BY TYPE OF RISK           |                               |  |  |
|--------------------------|-------------------------------|-------------------------------|--|--|
|                          | DECEMBER 31,<br>2019<br>MCH\$ | DECEMBER 31,<br>2018<br>MCH\$ |  |  |
| TRADING:                 |                               |                               |  |  |
| Fixed income (rate)      | 125                           | 59                            |  |  |
| Derivatives (rate)       | 83                            | 48                            |  |  |
| Embedded options (price) | 1                             | 0                             |  |  |
| FX (currency)            | 134                           | 41                            |  |  |
| Shares (price)           | 3                             | 22                            |  |  |
| Diversification effect   | (108)                         | (63)                          |  |  |
| TOTAL PORTFOLIO          | 239                           | 107                           |  |  |
| AVAILABLE FOR SALE:      |                               |                               |  |  |
| Rate                     | 702                           | 349                           |  |  |
| TOTAL PORTFOLIO          | 702                           | 349                           |  |  |
| Total diversification    | (279)                         | (17)                          |  |  |
| TOTAL VAR                | 770                           | 502                           |  |  |

#### B) STRUCTURAL INTEREST RATE RISK

This risk stems mainly from commercial activity (commercial loans v/s deposits), caused by the effects of variations in interest rates and/ or the slopes of interest rate curves to which assets and liabilities are indexed. When these show temporary repricing or maturity gaps, they can impact the stability of results (financial margin) and solvency levels (economic value of equity).

To do this, the Bank establishes internal limits using sensitivity techniques for interest rate structures. The Bank also uses stress testing to evaluate the sensitivity of interest rates, currency repricing, changes in stock prices, changes in underlying assets for options and changes in commissions that may be sensitive to interest rates. This stress testing enables the Bank to measure and control the impact of sudden movements in the different risk factors that affect its solvency ratio, the financial margin and the economic value of equity.

Compliance with limits established by the Bank, in accordance with the definitions established by the Chilean Central Bank in Chapter III.B.2.21 of the Compendium of Financial Standards and by the CMF in Chapter 12-21 of the Updated Standards, is also monitored on a daily basis. The Bank also files a weekly report with the CMF on the risk positions of the investment portfolio within the trading book

and limit compliance. It also files a monthly report with the CMF on the consolidated positions at risk (including subsidiaries) for the trading book and individually for the banking book, which includes sensitivity to market risk in the available-for-sale portfolio and the commercial book.

In accordance with the methodology defined in Chapter III.B.2.2 of the Compendium of Financial Standards of the Chilean Central Bank, market risk is detailed as follows:

|                                   | MARKET RISK                   | TRADING BOOK                  |
|-----------------------------------|-------------------------------|-------------------------------|
|                                   | DECEMBER 31,<br>2018<br>MCH\$ | DECEMBER 31,<br>2019<br>MCH\$ |
| Market Risk                       |                               |                               |
| Interest rate risk                | 9,307                         | 8,529                         |
| Currency risk                     | 1,162                         | 3,037                         |
| Options risk                      | 1                             | 97                            |
| TOTAL RISK                        | 10,470                        | 11,663                        |
| Consolidated risk-weighted assets | 5,862,013                     | 6,777,845                     |
| Regulatory capital (RC)           | 774,770                       | 834,064                       |
| BASEL LIMIT                       | 8.00%                         | 8.00%                         |
| BASEL WITH MARKET RISK            | 12.93%                        | 12.05%                        |
| BASEL I                           | 13.22%                        | 12.31%                        |

|                                 | MARKET RISK BANKING BOOK      |                               |  |  |
|---------------------------------|-------------------------------|-------------------------------|--|--|
|                                 | DECEMBER 31,<br>2018<br>MCH\$ | DECEMBER 31,<br>2019<br>MCH\$ |  |  |
| Short-term                      |                               |                               |  |  |
| Interest rate risk (short-term) | 9,610                         | 12,239                        |  |  |
| UF mismatch                     | 813                           | 5,054                         |  |  |
| Sensitive commissions           | 175                           | 204                           |  |  |
| TOTAL RISK                      | 10,598                        | 17,497                        |  |  |
| Limit 35% margin (Board)        | 59,325                        | 67,317                        |  |  |
| SURPLUS (BOARD)                 | 48,727                        | 49,820                        |  |  |
| Long-term                       |                               |                               |  |  |
| Interest rate risk              | 19,984                        | 22,429                        |  |  |
| LIMIT 25% RC (BOARD)            | 193,693                       | 208,516                       |  |  |
| SURPLUS (BOARD)                 | 173,709                       | 186,087                       |  |  |

The regulatory methodology is focused on measuring and controlling exposure to losses that may be incurred as a result of adverse changes in market interest rates or in the value, measured in domestic currency, of foreign currencies and indexation units or indices in which instruments, contracts and other transactions are denominated, which are registered as assets or liabilities.

That methodology involves classifying cash flows from the asset and liability positions into fourteen time bands. These amounts are sensitized in present value through movements in interest rate curves (this is the greatest risk factor for the positions of the Bank and its subsidiaries), assigning vertical and horizontal adjustments that attempt to simulate the effects of correlations between maturities and currencies.



For the trading book, the following shocks are established in basis points (bp) over the interest rate curves:

- In CH\$ and FX, 125 bp in the bands up to 1 year, 100 bp between 1 and 4 years and 75 bp over 4 years.
- In CH\$, they start at 350 bp up to 1 month, decreasing almost proportionally in each of the bands until reaching 75 bp over 4 years.

For the banking book, the impacts on the interest rate curves are detailed as follows:

- In CH\$ and FX, 200 bp across the board for all control bands.
- In CLF, 400 bp for up to 1 year, 300 bp between 1 and 2 years and 200 bp for bands over 2 years.

The details of other types of lower-impact risks (indexation, options, currency) are detailed in Appendix 1 of Chapter III.B.2.2

# C) LIQUIDITY RISK

Liquidity risk represents the possibility of not fulfilling obligations when they mature as a result of the inability to liquidate assets or obtain funds, or not being able to dispose of them easily or offset exposure without significantly reducing prices due to insufficient market depth (market liquidity).

The following concepts are involved with liquidity risk.

- MATURITY RISK: the risk arising from having cash inflows and outflows with different maturity dates.
- COLLECTION RISK: the risk of being unable to collect any cash inflow as a result of stoppage of payment, default or delay.
- **FUNDING RISK:** the risk of being unable to raise market funds, either in the form of debt or capital, or only being able to do so by substantially increasing the cost of funds, thus affecting the financial margin.
- **CONCENTRATION RISK:** the risk from concentrating funding or revenue sources in a few counterparties that may bring about an abrupt change in the matching structure.
- **LIQUIDITY MARKET RISK:** this risk is linked to certain products or markets and arises from not being able to close or sell a particular position at the last quoted market price (or a similar price) due to low liquidity.

#### LIQUIDITY RISK METHODOLOGY

The methodologies used to control liquidity are the liquidity gap, which considers probable behavior scenarios for assets and liabilities, stress testing, liability concentration limits and early warning indicators.

The liquidity gap provides information regarding contractual cash inflows and outflows (i.e. those that will occur at a given future time according to asset and liability contracts). For items without contractual maturities, simulations are created based on statistical studies to infer maturity behavior.

Based on these scenarios, assumptions for normal operating conditions are established. These omit items (mainly assets) that create a set of conservative liquidity management conditions from daily management. They are limited through minimum mismatching margins per control segment defined on a weekly and monthly basis over a horizon of one year.

This is supplemented by special procedures to face a liquidity crisis and early warning indicators that can identify any potential risk.

A series of ratios and funding concentration limits by creditor and maturity are also controlled. This enables the Bank to keep its funding sources organized and diversified.

The Bank uses the contractual maturity methodology to comply with the regulatory liquidity limits established in Chapter III.B.2.1 of the Chilean Central Bank's Compendium of Financial Standards and Chapter 12-20 of the CMF's Updated Compilation of Standards.

Mismatches and compliance with consolidated regulatory limits by the Bank and its subsidiaries are reported to the SBIF every three days.

Regulatory liquidity gaps as of December 31, 2019 and 2018, in all currencies presented in MCH\$, are detailed as follows.

|  | <1M0      | ONTH      | 1-3 M       | ONTHS       | 3 MONTH:  | S - 1 YEAR | 1-3Y      | EARS      | 3-6Y      | EARS      | >6Y       | ARS       | TO <sup>*</sup> | TAL        |
|--|-----------|-----------|-------------|-------------|-----------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------------|------------|
|  | 2019      | 2018      | 2019        | 2018        | 2019      | 2018       | 2019      | 2018      | 2019      | 2018      | 2019      | 2018      | 2019            | 2018       |
| Available funds                            | 786,851   | 440,133   | -           | -           | -         | -          | -         | -         | -         | -         | -         | -         | 786,851         | 440,133    |
| Financial investments                      | 784,292   | 818,754   | 72,460      | 33,371      | 18,456    | 795        | 72        | 676       | 66        | 617       | 88        | 830       | 875,434         | 855,043    |
| Loans to other domestic banks              | 286       | 3,172     | -           | 3,879       | -         | 108        | -         | -         | -         | -         | -         | -         | 286             | 7,159      |
| Commercial and consumer loans              | 434,424   | 418,386   | 599,114     | 501,375     | 1,431,149 | 1,370,613  | 1,029,294 | 923,625   | 939,852   | 843,366   | 1,263,539 | 1,133,823 | 5,697,372       | 5,191,188  |
| Lines of credit and overdrafts             | 537,436   | 391,636   | 1,062,884   | 787,546     | 283,362   | 661,792    | -         | -         | -         | -         | -         | -         | 1,883,682       | 1,840,974  |
| Residential mortgage loans                 | 5,259     | 4,703     | 9,937       | 8,555       | 45,387    | 38,587     | 283,216   | 241,875   | 258,606   | 220,857   | 347,670   | 296,920   | 950,075         | 811,497    |
| Other assets                               | 298,393   | 91,477    | 238         | 2,316       | 2         | 388        | -         | -         | -         | -         | -         | -         | 298,633         | 94,181     |
| Derivatives                                | 145,795   | 73,999    | 72,587      | 113,330     | 216,926   | 126,743    | 136,834   | 161,227   | 124,944   | 147,217   | 167,975   | 197,919   | 865,061         | 820,435    |
|  | 2,992,736 | 2,242,260 | 1,817,220   | 1,450,372   | 1,995,282 | 2,199,026  | 1,449,416 | 1,327,403 | 1,323,468 | 1,212,057 | 1,779,272 | 1,629,492 | 11,357,394      | 10,060,610 |
|  |           |           |             |             |           |            |           |           |           |           |           |           |                 |            |
| Current accounts and other demand deposits | 895,434   | 656,065   | -           | -           | -         | -          | -         | -         | -         | -         | -         | -         | 895,434         | 656,065    |
| Domestic interbank loans                   | 58,138    | 9,811     | -           | -           | -         | -          | -         | -         | -         | -         | -         | -         | 58,138          | 9,811      |
| Savings accounts and time deposits         | 723,080   | 687,185   | 914,451     | 965,308     | 1,255,396 | 1,265,259  | 53,925    | 25,196    | 53,995    | 25,229    | 66,909    | 31,263    | 3,067,756       | 2,999,440  |
| External funding                           | 23,572    | 23,424    | 27,804      | 25,042      | 173,543   | 118,388    | 17,322    | 19,489    | 17,345    | 19,515    | 21,493    | 24,182    | 281,079         | 230,040    |
| Letters of credit                          | 346       | 392       | 118         | 130         | 1,294     | 1,391      | 4,098     | 4,579     | 4,104     | 4,585     | 5,085     | 5,682     | 15,045          | 16,759     |
| Bonds                                      | 3,915     | 9,719     | 15,816      | 10,699      | 296,066   | 271,985    | 860,374   | 687,876   | 861,494   | 688,772   | 1,067,528 | 853,498   | 3,105,193       | 2,522,549  |
| Lines of credit and overdrafts             | 541,614   | 392,717   | 1,066,231   | 784,319     | 307,214   | 654,805    | -         | -         | -         | -         | -         | -         | 1,915,059       | 1,831,841  |
| Other liabilities                          | 443,379   | 153,790   | 73,889      | 4,347       | 10,608    | 8,041      | 666       | 1,389     | 667       | 1,391     | 826       | 1,724     | 530,035         | 170,682    |
| Derivative instruments                     | 183,704   | 89,798    | 77,090      | 119,298     | 192,035   | 109,037    | 123,169   | 154,452   | 123,329   | 154,653   | 152,824   | 191,640   | 852,151         | 818,878    |
|  | 2,873,182 | 2,022,901 | 2,175,399   | 1,909,143   | 2,236,156 | 2,428,906  | 1,059,554 | 892,981   | 1,060,934 | 894,145   | 1,314,665 | 1,107,989 | 10,719,890      | 9,256,065  |
| Net cash flow                              | 119,554   | 219,359   | (358,179)   | (458,771)   | (240,874) | (229,880)  | 389,862   | 434,422   | 262,534   | 317,912   | 464,607   | 521,503   | 637,504         | 804,545    |
| Accumulated net cash flow                  | 119,554   | 219,359   | (238,625)   | (239,412)   | (479,499) | (469,292)  | (89,637)  | (34,870)  | 172,897   | 283,042   | 637,504   | 804,545   | 1,275,008       | 1,609,090  |
| Regulatory limit                           | (617,274) | (577,587) | (1,234,548) | (1,155,174) |           |            |           |           |           |           |           |           |                 |            |
| Limit exceeded by                          | (736,828) | (796,946) | (995,923)   | (915,762)   |           |            |           |           |           |           |           |           |                 |            |



Regulatory liquidity gap as of December 31, 2019 and 2018, in foreign currency presented in MCH\$.

|   | < 1 MC    | )NTH      | 1 - 3 MC  | ONTHS     | 3 MONTH   | S-1YFAR   | 1-3Y    | FARS    | 3 - 6 Y | FARS    | > 6 YI  | -ARS    | TOT       | -AI       |
|---|-----------|-----------|-----------|-----------|-----------|-----------|---------|---------|---------|---------|---------|---------|-----------|-----------|
|   | 2019      | 2018      | 2019      | 2018      | 2019      | 2018      | 2019    | 2018    | 2019    | 2018    | 2019    | 2018    | 2019      | 2018      |
| Available funds                                     | 431,953   | 147,741   | -         | 4,206     | -         | -         | -       | -       | -       | -       | -       | -       | 431,953   | 151,947   |
| Financial investments                               | 173,262   | 3,172     | -         | 3,879     | -         | 108       | -       | -       | -       | -       | -       | -       | 173,262   | 7,159     |
| Domestic interbank loans                            | 286       | -         | -         | -         | -         | -         | -       | -       | -       | -       | -       | -       | 286       | -         |
| Commercial and consumer loans                       | 103,209   | 70,126    | 73,018    | 89,613    | 149,198   | 135,637   | 113,359 | 102,741 | 103,508 | 93,814  | 139,157 | 126,123 | 681,449   | 618,054   |
| Lines of credit and overdrafts                      | -         | -         | -         | -         | -         | -         | -       | -       | -       | -       | -       | -       | -         | -         |
| Other assets  | 57,923    | -         | 234       | -         | -         | -         | -       | -       | -       | -       | -       | -       | 58,157    | -         |
| Derivatives   | 63,539    | 43,215    | 32,186    | 49,736    | 91,545    | 58,218    | 71,110  | 86,528  | 64,931  | 79,009  | 87,294  | 106,220 | 410,605   | 422,926   |
|   | 830,172   | 264,254   | 105,438   | 147,434   | 240,743   | 193,963   | 184,469 | 189,269 | 168,439 | 172,823 | 226,451 | 232,343 | 1,755,712 | 1,200,086 |
| Current<br>accounts and<br>other demand<br>deposits | 153,985   | -         | -         | -         | -         | -         | -       | -       | -       | -       | -       | -       | 153,985   | -         |
| Domestic interbank loans                            | 16,811    | -         | -         | -         | -         | -         | -       | -       | -       | -       | -       | -       | 16,811    | -         |
| Savings<br>accounts and<br>time deposits            | 166,966   | 23,424    | 190,329   | 25,042    | 102,889   | 118,388   | -       | 19,489  | -       | 19,515  | -       | 24,182  | 460,184   | 230,040   |
| External funding                                    | 23,572    | 104,285   | 27,804    | -         | 173,543   | -         | 17,322  | -       | 17,345  | -       | 21,493  | -       | 281,079   | 104,285   |
| Other liabilities                                   | 201,562   | -         | -         | -         | -         | -         | -       | -       | -       | -       | -       | -       | 201,562   | -         |
| Derivative instruments                              | 82,677    | 126,454   | 30,172    | 274,712   | 81,746    | 48,266    | 63,077  | -       | 63,159  | -       | -       | -       | 320,831   | 449,432   |
|   | 645,574   | 254,163   | 248,305   | 299,754   | 358,178   | 166,654   | 80,399  | 19,489  | 80,504  | 19,515  | 21,493  | 24,182  | 1,434,452 | 783,757   |
| Net cash flow                                       | 184,597   | 10,091    | (142,867) | (152,320) | (117,435) | 27,309    | 104,070 | 169,780 | 87,935  | 153,308 | 204,958 | 208,161 | 321,260   | 416,329   |
| Accumulated net cash flow                           | 184,597   | 10,091    | 41,731    | (142,229) | (75,704)  | (114,920) | 28,366  | 54,860  | 116,301 | 208,168 | 321,259 | 416,329 | 642,519   | 832,658   |
| Regulatory limit                                    | (617,274) | (577,587) |           |           |           |           |         |         |         |         |         |         |           |           |
| Limit exceeded by                                   | 801,871   | 587,678   |           |           |           |           |         |         |         |         |         |         |           |           |

This regulatory methodology is based on measuring and controlling the difference between cash outflows and inflows, on and off balance sheet, for a given maturity or time band, which is known as a maturity gap.

Maturity gaps are calculated separately for domestic and foreign currency. Cash flows related to indexed items or those expressed in foreign currency but payable in domestic currency are always recognized in the maturity gap in domestic currency.



Chapter III.B.2.1 V.1 No. 8, letter b, establishes the criteria for allocating flows among time bands. Asset accounts and their corresponding cash inflows are classified in a time band based on the latest maturity or contractual date of payment, as appropriate. Cash outflows related to liability accounts are classified in a time band based on the nearest contractual maturity date.

Likewise, to calculate gaps, debtors, depositors and creditors are classified as "wholesalers" (i.e. considering the effect on liquidity of each operation recognized in its books contractually with no adjustments based on the hypothesis of renewal (the most conservative position in liquidity management).

To supplement these gap analyses, the Bank monitors the amount of liquid assets backing net cash outflows over a 30-day horizon under stress scenarios (Liquidity Coverage Ratio or LCR).

LCR = High Quality Liquid Assets / Net Outflows Stressed up to 30 Days

The calculation methodology, assumptions and criteria are detailed in Chapter 12-20 of the CMF's Updated Compilation of Standards.

The LCR has a regulatory limit of 60% (year 2019), which increases by 10% every year until it reaches 100% in 2023.

Among its risk control policies, Banco Security has established internal limits that are more conservative than current regulations, maintaining a ratio above 100% at all times in 2019 and reaching 224.60% as of 12/31/2019.

# **HEDGE ACCOUNTING**

The Bank hedges assets or liabilities in the statement of financial position using derivatives in order to minimize the effects on profit or loss of possible variations in their market value or estimated cash flows.

At the inception of the hedge relationship, the Bank formally documents the relationship between hedging instruments and the hedged item, as well as the hedge's strategies and objectives and the methodologies for testing its effectiveness.

The effectiveness of the hedge relationship is tested using prospective and retrospective evaluations. The hedge is deemed highly effective if the results of the tests are between 80% and 125%.

As of December 31, 2019, the bank has five hedge accounting strategies to cover the following risks:

- 1) Cash Flow Hedging Strategy, to hedge the future cash flow risk of UF liabilities arising from bonds placed in UF.
- 2) Cash Flow Hedging Strategy, to hedge the future cash flow risk of UF assets arising from mortgages in UF.
- 3) Cash Flow Hedging Strategy, to hedge the future cash flow risk of loans in US\$.



4) Fair Value Hedging Strategy, to hedge the risk of volatility in base interest rates on UF, arising from commercial loans placed in UF.

Fair Value Hedging Strategy, using macro hedges to hedge the risk of volatility in interest rates in UF, arising from mortgage loans in UF.

#### **EMBEDDED DERIVATIVES**

These derivatives can be embedded in another contractual agreement (or host contract) and, therefore, are accounted for at market price separately from the host contract when it is not recognized at fair value since the characteristics and economic risks of the embedded derivative are not related to the characteristics and economic risks of the host contract.

Currently, the Bank carries at fair value through profit and loss embedded derivatives arising from variable rate mortgage loans that incorporate a fixed rate after a certain amount of time or a rate ceiling used by customers to obtain an option in their favor. These will generate negative effects for the Bank when market rates are above the rate ceiling on these loans. This effect is determined on a daily basis using sophisticated methodologies to evaluate options, and the change in fair value is treated as profit or loss for the year (increases in the theoretical value of that derivative are a loss for the Bank).

Relevant data on these embedded derivatives are detailed as follows:

|                                | AS OF DECEMBER 31,<br>2019<br>MCH\$ | AS OF DECEMBER 31,<br>2018<br>MCH\$ |
|--------------------------------|-------------------------------------|-------------------------------------|
| Balance MUF mortgage portfolio | 44                                  | 61                                  |
| Rate ceiling (average)         | 7.2%                                | 7.0%                                |
| Option value MCH\$             | 21                                  | 0.2                                 |

# V. OPERATIONAL RISK (UNAUDITED)

#### A. DEFINITION

The Bank and its subsidiaries define operational risk as the risk of losses resulting from inadequate or faulty processes, staff and internal systems, or due to external incidents. This definition includes legal and reputational risks but excludes strategic risks.

Furthermore, loss (write-off) is defined as negative financial effects on the physical, financial or intangible assets of the Bank and its subsidiaries caused by events related to an operational risk. If this event does not generate negative financial effects, it will not be considered "an incident".



# B. MAIN OBJECTIVES AND PRINCIPLES

The objective of operational risk management is to define a framework for managing operational risk in Banco Security and its subsidiaries. This includes establishing principles for identifying, assessing, controlling and mitigating such risk in order to reduce losses from operational risk, thus complying with corporate objectives, its risk appetite and providing a suitable level of exposure to and management of operational risk.

The following principles govern the operational risk management efforts of Banco Security and its subsidiaries:

- Operational risk is defined as a category apart from traditional banking risks and requires proactive management to identify, assess, control and mitigate such risk.
- A clear definition of operational risk must exist and it must be classified based on the guidelines established in the Basel capital agreements and current regulations.
- The Board of Directors and senior management serve an important role in approving and supervising compliance with the operational and cybersecurity risk management policy and strategy and risk appetite.
- Specific definitions must exist for operational loss and tolerance levels set by the Bank and its subsidiaries.
- An individual with an independent, specific position should be in charge of the operational risk function.
- Consistency with current regulations and best practices in its regard.

### C. OPERATIONAL RISK MANAGEMENT STRATEGY

The operational and cybersecurity management strategy, implemented by the Operational Risk Division, must be consistent with the volume and complexity of the activities of the Bank and its subsidiaries. To accomplish this, it defines lines of action for operational risk management in the following areas: Products or processes, suppliers, business continuity, information security and cybersecurity. These lines are implemented throughout the Bank and its subsidiaries.

The strategy must set a risk appetite and tolerance level for operational risk taken on by the Bank and its subsidiaries that enables it to manage mitigation efforts and monitor risks with exposure greater than or equal to this set tolerance. The strategy must be implemented throughout the entire Bank and its subsidiaries, which means that all levels of personnel must understand and accept their responsibilities regarding the management of this risk.

At a minimum, the strategy should address the following areas: Yearly planning, operational risk models and methodologies and a tool for consolidating all operational risks for the Bank and its subsidiaries.

#### D. OPERATIONAL RISK STRUCTURE

The Operational Risk Division reports to the Chief Executive Officer.



According to the operational risk policy approved by the Board of Directors, risk management is based on: those responsible for and those who carry out processes, who are the primary risk managers (first line of defense); the operational risk department, which is in charge of operational risk management and monitoring (second line of defense); the Board of Directors and the Operational Risk Committee, which are responsible for ensuring that the Bank has an operational risk management framework in accordance with defined objectives and good practices, as well as ensuring that the Bank has the trained personnel, organizational structure and budget necessary to implement this framework. Three lines of defense model.

#### E. OPERATIONAL RISK MANAGEMENT

In order to properly manage risk and comply with the objectives defined by the Bank in its Operational Risk Policy, a series of activities have been developed and are described below:

The Operational Risk Management Framework is based on three basic pillars:

- CULTURE: Raising awareness of the importance of operational risk management across the entire organization at all levels.
- QUALITATIVE MANAGEMENT: Managing by detecting present and potential risks in order to manage them effectively (i.e. avoiding, transferring, mitigating or accepting these risks). Qualitative management is based on the following activities:
  - Database of losses and incidents
  - Identification and assessment of operational risks
  - Key risk indicators
  - Critical supplier reviews
  - Project reviews
  - Process reviews
  - Reviews of procedures and operating manuals
  - Others
- QUANTITATIVE MANAGEMENT: Managing by creating awareness in the organization of the level and nature of operational
  loss events. This enables the Bank to allocate funds through provisions for expected losses and to efficiently allocate capital for
  unexpected losses. Quantitative management is based on the following activities:
  - Gathering and managing data.
  - Integrating qualitative and quantitative management.

# F. OPERATIONAL RISK MANAGEMENT FRAMEWORK

The Operational Risk Management Framework is applied in the following stages:

• **ESTABLISHING THE CONTEXT:** Setting the strategic, organizational and risk management context within which the process will take place. The Bank must stipulate the criteria for assessing risks and define the analysis structure.



- IDENTIFYING RISKS: Associating risks with the numerous processes and/or procedures executed as part of the various activities
  carried out by the Bank and subsidiaries.
- ANALYZING RISKS: Specifically analyzing each of the risks detected based on the context set to determine whether that risk has an associated control or requires an action or mitigation plan. This situation will be established in accordance with the priorities of the Bank and its subsidiaries.
- ASSESSING RISKS: Assessing each of the risks based on the probability of occurrence and the level of impact.
- MITIGATING RISKS: Once risks have been detected and assessed, an analysis will be performed. To accomplish this, the Bank will define an action plan, assign an individual in charge of executing it and set a date for its resolution.
- MONITORING AND REVIEWING: Monitoring, reviewing and updating the risk survey and resolution commitments from the
  person in charge; Live risk.
- **COMMUNICATING AND CONSULTING:** Communicating and consulting with internal and external stakeholders, as appropriate, in each stage of the risk management process, considering the process as a whole.
- **CULTURE:** Developing various initiatives that help the organization to understand every aspect of operational risk, in order to make the model sustainable and appropriately manage operational and cybersecurity risk.

# VI. RISK COMMITTEES

In order to correctly manage risks, Banco Security has set up several risk committees, as described briefly below:

#### A. CREDIT RISK COMMITTEES

There are three credit risk committees: The Board Credit Committee, the Executive Credit Committee and the Circulating Folder Credit Committee. The Bank's retail banking and commercial banking credit risk policies clearly specify the criteria used to identify which committee should analyze each transaction. The sales areas have almost no lending authority on their own and must almost always obtain approval from the credit risk areas or the respective committees in order to approve loans.

# **COMPOSITION OF CREDIT RISK COMMITTEE:**

The Committee is made up of four directors, the Bank's CEO, the Risk Division Manager and the Commercial Loan Approval Manager. The Bank also has a Management Credit Committee.

#### **MATTERS ADDRESSED**

These committees are responsible for approving or rejecting the loan applications submitted to the appropriate committee based on the loan amount and conditions.



### **PERIODICITY**

The Board Credit Risk Committee meets every Tuesday and Thursday (except the second Thursday of each month) while the Executive Credit Risk Committee meets every Wednesday.

#### **BOARD INVOLVEMENT**

The Board is highly involved in the credit risk process through the Board Credit Risk Committee. Two directors and the Chairman of the Board sit on this committee, which is the Bank's main credit risk body and is responsible for approving the most important transactions.

### B. CREDIT RISK RECLASSIFICATION COMMITTEE

This committee's objective is to review customer risk classifications in light of new developments that may downgrade or upgrade their risk rating provided by the rating system.

This committee meets monthly and is comprised of:

- · Chief Executive Officer
- Risk Division Manager
- Commercial Division Manager (depending on the case being assessed)
- · Retail Division Manager (depending on the case being assessed)
- Commercial Risk Manager
- Retail Risk Manager
- Commercial Division Agents (depending on the case being assessed)
- Company Control and Monitoring Deputy Manager
- Retail Credit Risk Control and Monitoring Manager

# C. WATCH COMMITTEE

This committee is responsible for monitoring and controlling operations and customers by reviewing information on potential future problems (asymptomatic), non-evident variables and evident variables. It also monitors any previously given instructions.

There are two types of committees:

- i. The Board Watch Committee.
- ii. The Monitoring or Management Watch Committee.



### D. MODELING COMMITTEE

This committee meets to review and monitor all models used for credit risk management. It is also charged with approving new models and monitoring progress. It also reviews the different credit risk methodologies that the Bank uses or is considering using.

#### E. RISK COMMITTEE

This committee's objective is to thoroughly review all the risks faced by the Bank and those that may impact it in the future. Based on this review, it generates guidelines and approves action plans in order to meet the objectives outlined in the budget based on the defined risk appetite.

This committee also reviews credit risk policies and processes and lending authority and any proposed amendments.

In addition, it analyzes the matters and resolutions discussed by the remaining credit risk committees.

Lastly, this committee is in charge of presenting topics, committee resolutions and policies to the Board for its approval.

This committee meets monthly and its members are:

- One director
- Chief Executive Officer
- Division managers (Commercial, Risk, Finance, Operations and Planning)
- Commercial Risk Manager
- Retail Risk Manager
- Risk and Project Management Control Deputy Manager

### F. FINANCE COMMITTEE

This committee's objective is to jointly evaluate positions in financial investments and risks taken by the Bank and its subsidiaries, defining strategies to be adopted and validating compliance.

Its main duties include reporting on each unit's performance regarding profits and margins versus budget, aligning strategies and escalating investment and divestiture decisions.

The Financial Committee is also responsible for proposing risk management policies and methodologies for managing financial assets to the Board and ensuring compliance with market risk limits.

This committee is comprised of:

- Two Banco Security Directors.
- Chief Executive Officer at Banco Security



- Finance Division Manager at Banco Security
- Planning and Control Division Manager at Banco Security
- Chief Financial Officer at Valores Security

#### G. OPERATIONAL RISK COMMITTEES

#### **COMPOSITION OF OPERATIONAL RISK COMMITTEE**

The members of the Operational Risk Committee are a Director (Chairman), Chief Executive Officer (Vice Chairman), Operational Risk Division Manager (Secretary), Operations and IT Division Manager. (Replacement for the Vice Chairman), Operational Risk Division Manager - Secretary, Commercial Banking Division Manager, Retail Banking Division Manager, Finance and Corporate Division Manager, Planning and Control Division Manager, Credit Risk Division Manager, Representative from the Legal Department, Information Security and BCP Officer, Controller and the Asset Management Division Manager

The Controller for Grupo Security must attend committee meetings but does not have any responsibility for risk management. His or her purpose is to ensure that any potential corrective measures in response to observations on audited areas are properly implemented.

#### **MATTERS ADDRESSED**

The committee is also in charge of disseminating the operational risk policy, evaluating identified risks and defining action plans based the Bank's risk profile. Another of its responsibilities is to align and be aware of operational risks, policy compliance levels and integral management of operational risk at each subsidiary.

# **FREQUENCY**

The Operational Risk Committee meets regularly, ideally monthly or as otherwise needed.

# **BOARD INVOLVEMENT**

The Board is informed about the implementation of the Operational Risk Policy and other related policies, as well as the detection of incidents, potential risks and measurements of operational risks (i.e. severity and frequency of loss). New product and service approval. Knowledge of cybersecurity levels and related risks.

# H. ASSET AND LIABILITY COMMITTEE

This committee is responsible for managing and controlling (1) structural maturity and currency mismatches in the statement of financial position, (2) liquidity and (3) the Bank's financial margin and stability, as well as for (4) defining and controlling capital management policies.

The standing members of this committee are:

- · Two directors
- · Chief Executive Officer
- · inance and Corporate Division Manager
- · Risk Division Manager
- · Financial Risk Manager
- · Planning and Management Manager
- · Trading Desk and Investment Manager
- · Distribution Desk Manager
- · Asset and Liability Management Desk Manager
- · Corporate Banking Division Manager
- · Retail Banking Division Manager
- · Foreign Trade and International Services Manager

# VII. CAPITAL REGULATORY REQUIREMENTS

In accordance with the General Banking Law, the Bank must maintain a minimum ratio of Regulatory Capital to Consolidated Risk-Weighted Assets of 8%, net of required provisions, and a minimum ratio of Basic Capital to Total Consolidated Assets of 3%, net of required provisions. To accomplish this, Regulatory Capital is determined based on Capital and Reserves and Basic Capital with the following adjustments: a) Adding subordinate bonds limited to 50% of Basic Capital and b) subtracting the asset balance of goodwill or premiums paid and unconsolidated investments in companies.

Assets are weighted using risk categories, which are assigned a risk percentage based on the capital needed to back up each asset. There are 5 risk categories (0%, 10%, 20%, 60% and 100%). For example, cash, due from banks and financial instruments issued by the Chilean Central Bank have 0% risk, which means that, in accordance with current standards, no capital is required to back up assets. Property, plant and equipment have 100% risk, which means that a minimum capital equivalent to 8% of the value of these assets is needed.

All derivative instruments traded off-market are taken into account to determine risk assets using conversion factors over notional values, thus calculating the value of the credit risk exposure (or "credit equivalent"). For weighting purposes, "credit equivalent" also considers off-balance sheet contingent loans.

Levels of Basic and Regulatory Capital as of December 31, 2019 and 2018, are detailed as follows:



|   | CONSOLIDA     | TED ASSETS    | RISK-WEIGHT   | ED ASSETS     |
|---|---------------|---------------|---------------|---------------|
|   | 2019<br>MCH\$ | 2018<br>MCH\$ | 2019<br>MCH\$ | 2018<br>MCH\$ |
| BALANCE SHEET ASSETS (NET OF PROVISIONS)                        |               |               |               |               |
| Cash and due from banks   | 693,082       | 394,332       | -             | -             |
| Transactions pending settlement                                 | 150,526       | 35,628        | 108,387       | 5,102         |
| Financial instruments held for trading                          | 123,763       | 106,095       | 81,260        | 42,789        |
| Receivables from repurchase agreements and securities borrowing | -             | -             | -             | -             |
| Financial derivative instruments                                | 209,656       | 160,726       | 150,955       | 115,248       |
| Loans and advances to banks                                     | 568           | 10,730        | 339           | 5,008         |
| Loans to customers  | 5,950,720     | 5,245,152     | 5,653,087     | 5,000,949     |
| Financial investments available for sale                        | 756,594       | 751,206       | 266,693       | 218,786       |
| Investments held to maturity                                    | -             | -             | -             | -             |
| Investments in other companies                                  | 2,095         | 2,095         | 2,095         | 2,095         |
| Intangible assets   | 44,943        | 46,624        | 31,904        | 33,585        |
| Property, plant and equipment                                   | 22,168        | 22,656        | 22,166        | 22,656        |
|   | 8,206         |               | 8,207         |               |
| Current tax assets  | 2,085         | 2,053         | 209           | 205           |
| Deferred tax assets   | 24,434        | 23,248        | 2,443         | 2,325         |
| Other assets  | 210,611       | 143,691       | 172,655       | 134,678       |
| OFF-BALANCE-SHEET ASSETS  |               |               |               |               |
| Contingent loans  | 462,407       | 462,360       | 277,445       | 278,632       |
| TOTAL RISK-WEIGHTED ASSETS                                      | 8,661,858     | 7,406,596     | 6,777,845     | 5,862,058     |

|                    | AMOUNT<br>2019<br>MCH\$ | AMOUNT<br>2018<br>MCH\$ | RATIO<br>2019<br>% | RATIO<br>2018<br>% |
|--------------------|-------------------------|-------------------------|--------------------|--------------------|
| Core capital       | 617,274                 | 577,587                 | 7.13%              | 7.80%              |
| Regulatory capital | 834,064                 | 774,770                 | 12.31%             | 13.22%             |

# Regulatory capital is calculated as follows:

|  | AS OF DECEMBER 31,<br>2019<br>MCH\$ | AS OF DECEMBER 31,<br>2018<br>MCH\$ |
|--|-------------------------------------|-------------------------------------|
| CORE CAPITAL                                     | 617,274                             | 577,587                             |
| Subordinated bonds                               | 229,778                             | 210,163                             |
| Tax guarantees                                   | -                                   | -                                   |
| Equity attributable to non-controlling interests | 51                                  | 59                                  |
| Goodwill subsidiaries                            | (13,039)                            | (13,039)                            |
| REGULATORY CAPITAL                               | 834,064                             | 774,770                             |



# RISKS RELATED TO THE INSURANCE BUSINESS OF VIDA SECURITY

As a direct subsidiary of Grupo Security, Inversiones Previsión aligns its practices with the risk management definitions and policies defined by its parent company. Grupo Security considers risk management to be critical to achieving the target returns defined by its shareholders and guaranteeing business continuity. Risk management at Grupo Security is supervised centrally by the Business Risk Management Area and Controller's Office, which consolidates and reports to Grupo Security's Board of Directors on a regular basis.

As Grupo Security S.A. is the parent of a conglomerate of companies that are diversified across different sectors of the local financial services industry, its subsidiaries face a number of risk factors that are unique to the particular sector in which they do business. These specific risks are controlled by specialized units in each of the companies.

In each of its related companies, Grupo Security has overseen the development of structures and processes required to properly identify, measure and value all kinds of as well as follow-up on those risks in accordance with policies defined by the Board of Directors of each company and regulations defined by authorities.

# I. RISK FACTORS

# 1) OPERATIONAL RISK

In an effort to continuously improve its corporate governance and particularly its internal controls, Grupo Security has used an audit approach to develop control tools for the most significant processes in each of its companies. This involved mapping those processes flowcharts and separate and consolidated risk maps, and documenting all information collected, which is used in operations. This has allowed the Group to identify risks and develop mitigating action plans. On a monthly basis, the Group monitors its mitigating action plans and risk determination, with its respective risk matrix, using a computer program that helps it obtain the status of those plans from the respective process owner. All Grupo Security companies are involved in this process.

#### 2) HIGHLY COMPETITIVE BUSINESSES LINES

The industries in which the Group competes are known for being highly competitive, especially the banking and insurance industries. Continual mergers and competitor alliances are proof of the competition Group companies face. Despite the potential challenges to income generation, 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, the niche strategy that drives the Group's development and its excellent service quality.

These qualities allow the Group to offer its customers personalized, specialized products and services, which is very difficult in large organizations targeting more large-scale segments of the population. The Group's offering has earned it a favorable market position with which to face future competition.



## 3) REGULATORY CHANGES IN GROUP INDUSTRIES

The industries in which the Group does business, particularly the banking and insurance industries, 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.

#### 4) FINANCIAL RISK

For Grupo Security, financial risk management and oversight are critical to guaranteeing liquidity and solvency in each of its subsidiaries. This allows its businesses to operate and grow in the long term.

Financial risk management and oversight in Grupo Security's companies are based on the implementation of policies, procedures, methodologies and limits defined by their respective Boards of Directors, in order to strengthen the companies' financial position and also improve and ensure their long-term profitability and reduce funding and liquidity costs.

The risk management policies of our subsidiary Vida Security are published in its annual financial statements in accordance with CMF Standards, and, therefore, the interim financial statements contain the most recent annual disclosure published.

## 5) CORPORATE GOVERNANCE

Corporate governance refers to the set of practices and policies set forth by Grupo Security's Board of Directors. These corporate governance principles aim to ensure that the Group's objectives are met and its values are upheld. They add value to the Company by encouraging self-regulation and regulatory compliance, and establishing common guidelines for the Group companies. Thus, corporate governance facilitates decision making in Group companies, within a framework of transparency and responsibility, involving all those who participate in the organization: shareholders, employees or other stakeholders. At the same time, corporate governance principles ensure that the activities undertaken by the Group's companies are consistent with its business strategy, institutional values and risk tolerance and appetite. Grupo Security's Board of Directors is responsible for ensuring that corporate policies are applied at company level. Compliance is monitored by the Corporate CEO and the Directors' Committee, as well as various corporate- and subsidiary-level committees.

Vida Security (the "Company") has a board-approved corporate governance policy that encompasses the following matters.

- A description of the corporate governance structure at Vida Security and the corporate governance best practices adopted by the Company.
- The structure and operation of the Board of Directors and Directors' Committees, including the treatment of reports presented, minutes, creation record of each committee and the procedure to update the Directors' Xtranet, which houses all past presentations given to the Board of Directors and Directors' Committees.



The Company's corporate governance structure includes the following levels:

#### ANNUAL SHAREHOLDERS' MEETINGS AND THE BOARD OF DIRECTORS.

The role of the Board is to oversee control and strategic monitoring for the Company in both the short- and long-term. Its seven members have broad professional experience and the necessary moral standing to hold the office of director.

#### DIRECTORS' COMMITTEE.

The Board of Directors delegates to these committees powers and responsibilities related to the implementation, control and monitoring of the strategic guidelines provided by the Board, as well as compliance with policies. The following committees, on which at least 3 directors sit, meet regularly: Businesses, Financial Risk, Compliance and Operational Risk, Technical Actuarial, Audit, Operations and IT.

#### SENIOR MANAGEMENT.

The Company's organizational structure allows it to assign and control compliance with strategic objectives by establishing functions or business and support areas with clearly defined objectives and adequate resources for reaching their goals, with properly segregated duties and an appropriate internal control environment. There are corporate support areas that provide services to all Group companies, including Culture, Marketing, Technology Services Unit, Accounting, Controller's Office and Business Risk.

#### RISK MANAGEMENT DIVISION.

This division is aligned with the Group's Comprehensive Risk Management Model and is in charge of maintaining the Company's process maps and risk matrices. This division is responsible for managing operational and compliance risk. The Insurance Technical Risk Division is responsible for managing insurance technical risks and the Financial Risk Unit is responsible for financial risk management.

#### GRUPO SECURITY CORPORATE CONTROLLER

This division has a team dedicated exclusively to auditing Vida Security based on planning approved by the Audit Committee and Board of Directors using a risk approach consistent with the Group's comprehensive risk management model.

To ensure quick and timely responses to inquiries from shareholders and investors, Grupo Security provides support to the Company in the form of presentations to analysts and investors given on a quarterly basis or as required, which also involve Vida Security's Chief Executive Office. The Company also has a Corporate Investor Relations Area that is responsible for managing investor relations and preparing periodical market information, which is available on Grupo Security's website. Finally, due to the Company's share structure, any inquiry from a shareholder is personally responded to by the Chief Executive Officer or the person appointed by him for this purpose.

The Company applies these principles for Market Conduct in the Insurance Sector (General Standard 420) using different internal policies and procedures such as its quality and transparency policies, which aim to provide customers fair and transparent treatment in accordance with the values and principles that Vida Security promotes. The Company conducted the self-assessment to determine the degree of compliance as set forth in that standard and complies fully with these principles.

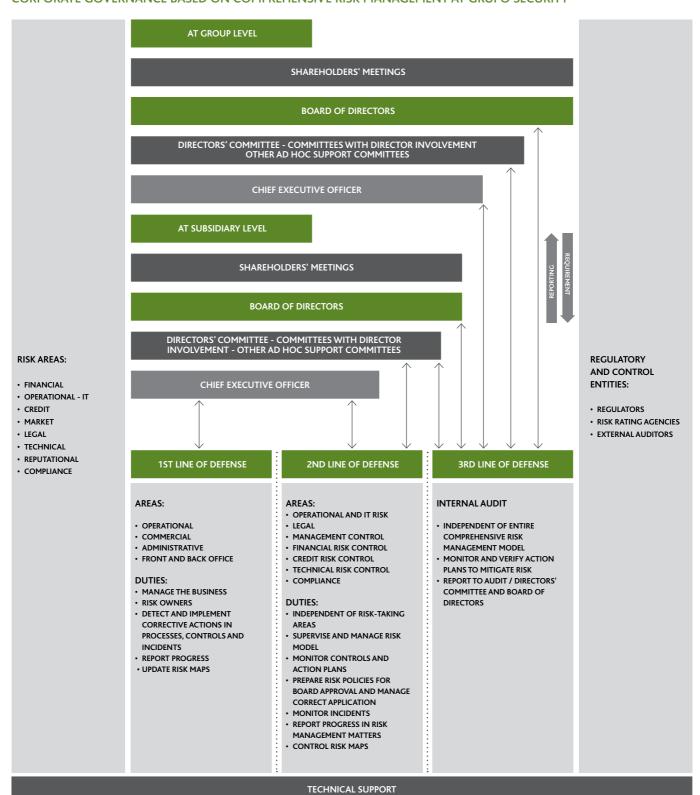
As a publicly held corporation, Vida Security must complete the questionnaire on "Adoption of Corporate Governance Practices" as per CMF SVS General Standard No. 385, where the Company states whether or not it has adopted a number of practices.



- The Company has corporate policies and manuals to which it adheres, and internal policies in accordance with its reality. These corporate policies include the Comprehensive Risk Management Policy; the Information Security Policy; the Crime Prevention Policy; the Code of Ethics and Code of Conduct, and the Significant Market Information Management Policy, among others. The insurance area policies include the Investment and Financial (Credit, Market and Liquidity) Risk Management Policy, the Technical Risk Management Policy (Reinsurance, Pricing and Subscription, Reserve and Claim Management), the Good Corporate Governance Policy, the Legal and Regulatory Risk Management Policy, the Quality and Transparency Policy, the Related Party Customary Transactions Policy, the IT Corporate Governance Policy, the Supplier Management Policy and the Crime Prevention Manual, among others. All these policies provide general and specific guidelines on the Company's daily operations and are the cornerstone of a suitable internal control environment.
- This policy and the entire content of a Good Corporate Governance Handbook are the main tools used for the induction of new directors, managers and senior executives. Additionally, directors may hold meetings with other directors, the Chief Executive Officer or managers to learn about the Company, its businesses, risks, policies, procedures, significant accounting policies and the most significant current legal framework applicable to the Company and the Board of Directors. Also, the Board of Directors has access to the online Directors' Xtranet, which contains minutes and presentations made to the Board and Directors' Committees.
- The Board of Directors has an annual budget of UF 10,000 approved by shareholders to hire consultants specialized in accounting, financial, legal and other matters any time the Board sees fit.
- The Board of Directors holds meetings twice a year with the external auditing company that is responsible for auditing the financial statements to review the management letter, the audited financial statements, the annual audit plan, the limited review report on the June financial statements and other matters of interest. When appropriate, these meetings will be conducted without the presence of the senior executives.
- External audit and risk rating services are provided by internationally reputable firms registered with the CMF.
- The Company has a Code of Ethics and a Code of Conduct, which are prepared by Grupo Security for all Group companies and then adapted to each individual company and approved by its Board of Directors. Both documents are also applicable to directors.
- The Company has a Senior Management Recruitment and Compensation Policy approved by the Board of Directors. There is also an Incentive Policy and a Compensation Committee in place for Grupo Security and subsidiaries, which regularly reviews and applies the Incentive Program.
- The Company has a senior management performance evaluation process to verify compliance with objectives set by the Board of Directors.
- The Company has an Internal Legal and Compliance Risk Committee that deals with matters related to legal and regulatory compliance, the Code of Ethics and the Code of Conduct, fraud, reported irregularities or criminal offenses, etc. There is also an online corporate reporting channel that ensures all claims remain confidential.
- The Company has an Intercompany Customary Transactions Policy that determines and approves customary transactions with related parties in accordance with the Company's corporate purpose (Article No. 147 of Law No. 18,046). This policy is reviewed on an annual basis and Note 49 of the financial statements, which discloses all of the related party transactions carried out in the year to date, is presented to the Board of Directors on a quarterly basis.

# **RISK MANAGEMENT STRATEGY**

### CORPORATE GOVERNANCE BASED ON COMPREHENSIVE RISK MANAGEMENT AT GRUPO SECURITY





In order to comply with the provisions of CMF General Standard No. 325, the Company has formalized a Risk Management Strategy (RMS), which is intended to adopt best practices in risk management, thus allowing for adequate identification, analysis, evaluation, treatment and monitoring of risks in conformity with the guidelines established by the Group for such purposes, current industry regulations and the individual needs of the business.

The Company adopts Grupo Security's Comprehensive Risk Management Policy, which has been part of the Company's culture since 2007, and assigns roles and responsibilities based on the Company's organizational structure and its three lines of defense: operating areas, support areas and internal auditing. The following figure shows the governance system established to correctly manage the risks of Grupo Security, which is followed by the Company:

Through its RMS, the Company establishes the objective of managing the main risks to which the entity is comprehensively exposed. These risks include Financial Risks, Insurance Technical Risks, Operational and Compliance Risks, and are defined as follows:

# **FINANCIAL RISKS**

- **CREDIT:** Exposure to economic losses as a result of a counterparty's failure to comply with the terms and conditions stipulated in a contract or agreement.
- MARKET: Possible loss caused by changes in market prices of stocks, inflation, interest rates or exchange rates. It also includes
  mismatch and reinvestment risks.
- LIQUIDITY: Insurer's failure to obtain the funds necessary to pay obligations without incurring significant losses.

### **INSURANCE TECHNICAL RISKS**

- **PREMIUM RATING:** Significant departures from estimates of variables used in the determination of rates for products. This includes longevity risks in annuities and lapse of policy.
- **SUBSCRIPTION:** Possible losses related to significant weaknesses in the risk subscription process or an incorrect assessment of the premiums to be charged for acceptance.
- **PRODUCT DESIGN:** This relates to the Company's incursion in new unknown lines of business or the introduction of or significant modification to existing products.
- **CLAIMS MANAGEMENT:** Significant increase in losses associated with claims due to weaknesses in the controls over processes for evaluating and managing such claims.
- **INSUFFICIENCY INTECHNICAL RESERVES:** Possible losses and weakening of creditworthiness due to an insufficient determination of future obligations assumed by the Company with policyholders and costs to be incurred by management to fulfill them.

• **REINSURANCE:** Risk related to the transfer of the insurance risks accepted by the Company and transferred to a reinsurer. This risk includes the credit risk related to reinsurers as well as the proper determination of reinsurance hedging, contract management and application of guidelines for the subscription of risks and claims agreed with them.

#### **OPERATIONAL AND COMPLIANCE RISKS**

- **OPERATIONAL RISK**: Risk of losses resulting from the lack of adaptation or a failure involving processes, personnel and internal systems or due to external events. It includes Technological Risk.
- **REGULATORY / LEGAL RISK:** The risk of receiving legal or regulatory sanctions, material financial losses or reputational losses that may affect the Company as a result of non-compliance with laws, regulations, self-regulation standards and codes of conduct applicable to its activities.
- **REPUTATIONAL:** This is the possibility of losses incurred by an entity due to discredit, corporate image problems, negative advertising, whether true or not, regarding the institution and its business practices that causes losses to its clients, decreases in revenue or legal actions.
- **GROUP RISK:** Group risk derives from belonging to a foreign or domestic economic or financial group and is related to the losses to which the Company is exposed due to investments, transactions or operations with related companies and risk of contagion or reputational risk in the event of any problems of the Company's controlling group.

The RMS states that the risk monitoring process is consistent with the roles and responsibilities of the different levels defined in the RMS and is inherent to the Company. It also establishes a number of mechanisms that allow the Company to effectively monitor all types of risks. These include:

- Monitoring responsibilities assigned at the executive (first and second lines of defense), Board, Board committee and other levels in order to ensure consistent and effective monitoring of risks and their exposure in accordance with defined corporate governance practices.
- Establishing a role in the Company (risk function) in charge of ensuring that monitoring mechanisms are being carried out.
- Considering the monitoring activities in the Company's and Group's risk management policies and procedures.
- Defining tolerance limits and levels to preventively identify the existence of potential business risks.
- Support tools to generate risk reports, monitoring of action plans, indicators and limits.

The Chief Executive Officer reports to the Board of Directors, which validates strategies and provides guidelines on the matter. There is also a Corporate Risk Division, which provides support and monitors on an aggregate basis the risk of each of the companies and reports to the Group's Board of Directors. The Internal Audit Department, which is part of this corporate division, is the third line of defense.

The RMS also defines that the Company's risk management be carried out by the aforementioned Board committees and the different functions involved in managing and controlling risks.



General Standard No. 408, which supplements General Standard No. 309 regarding corporate governance principles and risk management and internal control systems, contains two self-assessment processes:

#### 1. CORPORATE GOVERNANCE SELF-ASSESSMENT:

This self-assessment consisted of reporting on the degree of compliance with the principles in General Standard No. 309, through a questionnaire regarding all of the topics covered by the standard. The self-assessment revealed that the Company thoroughly complies with all of the principles in the standard with only a few immaterial exceptions. The most recent self-assessment as of year-end 2017, which did not vary significantly from the prior self-assessment, was filed in June 2018. In 2020, the Company must file its self-assessment for 2019.

### 2. OWN RISK SOLVENCY ASSESSMENT (ORSA):

In June 2019, the Company submitted its third report as of December 2018 containing the results of applying the Own Risk Solvency Assessment (ORSA) methodology to the CMF. This methodology, based on the European solvency model of the same name, was introduced into the Chilean insurance industry by the aforementioned General Standard. The Vida Security model considers the following aspects: i) defining the company's appetite and risk tolerance for its most strategic risk factors; ii) preparing a three-year forecast for its financial statements based on exercise V of the Risk-Based Capital (RBC) methodology; iii) defining and applying stress scenarios to the model for the most strategic risk factors; iv) preparing a model for qualitatively measuring the degree of maturity of its risk management and v) drafting the ORSA Report filed with the CMF. The exercise fulfilled the objective of assessing solvency requirements in the given horizon based on the company's risk appetite and strategic business plan. It will now work to introduce improvements each year to make the assessment a valid instrument for decision making by senior management and the Board, just like RBC has after its first few years in use.

The following section describes the different types of risk to which the company is exposed:

#### **FINANCIAL RISK**

### **QUALITATIVE INFORMATION**

Vida Security has a specialized, independent area for controlling financial risks related to the company's investments. Its main duties include identifying credit, liquidity and market risks; measuring their impact in terms of potential related losses; and recommending actions for the company to take in light of different risk scenarios.

To comply with these duties, our policies are regularly updated in order to incorporate changes in financial markets and Vida Security's consolidated portfolio.

Thus, our policy becomes a key tool in controlling risks, defining the qualitative and quantitative indicators to monitor, allowed limits and reporting procedures. In this context, reports are prepared for management and directors, which are regularly submitted to the Board Financial Risk Committee.

Finally, one of the main challenges for the following years is to continue improving risk management models and incorporating new regulatory requirements.



### **CREDIT RISK**

# **QUALITATIVE INFORMATION**

Credit risk refers to the possible exposure to losses due to a counterparty's breach of conditions stipulated in a contract or agreement. Due to the fact that a significant percentage of our investments are intended to meet medium and long-term obligations, efficient management of this risk is crucial in order to minimize possible related losses.

As a result, our policy contains the principles, the risk map, the indicators to be monitored, the main roles and responsibilities of the agents involved and the limits the investments will be subject to, diversified by type of security and issuer.

One of the tools we use is our scoring model. This model, combined with qualitative and quantitative analysis and regular monitoring, allows us to set investment lines by issuer in order to properly diversify and, thus, mitigate credit risk.

The above is supplemented by limits based on the rating of debt securities, where at least 70% must have a rating equal to or greater than A- and 5% lower than B-.

In addition, the impairment calculation is based on the guidelines in IFRS 9. We divided the investments subject to impairment testing into three buckets: Bucket 1 (assets without significant impairment in credit quality), Bucket 2 (assets with significant deterioration but no objective evidence of impairment) and Bucket 3 (assets with objective evidence of impairment). Based on this, a probability of default of 12 months is used for Bucket 1 and of the life of the loan is used for Buckets 2 and 3. A factor for probability of recovery is also used. All assets governed by some other local regulation are excluded from this analysis.

### **QUANTITATIVE INFORMATION**

As of year-end 2019, our Impairment Policy (for the proprietary and CUI portfolios) has resulted in a balance of MCH\$802, as shown in the table below:

|   | IMPAIRMENT<br>MCH\$ |
|---|---------------------|
| State-issued local fixed income         | 0                   |
| Corporate local fixed income            | 166                 |
| State-issued international fixed income | 0                   |
| Corporate international fixed income    | 209                 |
| Syndicated loan                         | 4,363               |
| RFC                                     | 12                  |
| TOTAL                                   | 4,749               |



The age by tranche of past due financial assets is detailed as follows:

| DELINQUENCY PER TRANCHE | MORTGAGE<br>LOANS | COMPLEMENTARY<br>LOANS | RETIREE LOANS | LOANS<br>SYNDICATED | NON-RESIDENTIAL<br>LEASES | LEASES |
|-------------------------|-------------------|------------------------|---------------|---------------------|---------------------------|--------|
| 1 - 3 months            | 12                | 0                      | 1             | 361                 | 13.2                      | 125.9  |
| 4 - 6 months            | 6                 | -                      | 1             | -                   | -                         | 35.4   |
| 7 - 9 months            | 32                | -                      | 0             | -                   | -                         | -      |
| 10 - 12 months          | 32                | -                      | -             | -                   | -                         | -      |
| 13 - 24 months          | 155               | -                      | 0             | -                   | -                         | -      |
| More than 24 months     | 96                | -                      | -             | -                   | -                         | -      |
| TOTAL (MCH\$)           | 333               | 0                      | 2             | 361                 | 13.2                      | 161.3  |
| TOTAL (% OF NET EQUITY) | 0.2%              | 0.0%                   | 0.0%          | 0.2%                | 0.0%                      | 0.1%   |
| PROVISION (MCH\$)       | 830               | 4                      | 71            | 4,363               | -                         | 87     |

<sup>\*</sup> DELINQUENCY WAS CALCULATED BY MULTIPLYING THE VALUE OF THE INSTALLMENT BY THE NUMBER OF UNPAID PERIODS.

As of December 2019, the Company had the following guarantees for the above amounts:

| INSTRUMENT             | GUARANTEE<br>(MCH\$) | GUARANTEE TYPE |
|------------------------|----------------------|----------------|
| Mortgage loans         | 6,961                | Shareholders   |
| Complementary loans    | 626                  | Shareholders   |
| Retiree loans          |                      | Unsecured      |
| Syndicated loans       |                      | Unsecured      |
| Non-residential leases | 2,267                | Shareholders   |
| Leases                 |                      | Unsecured      |
| TOTAL                  | 9,854                |                |

Of rated debt securities, over 80% have a rating equal to or greater than A-, while less than 1% of them has a rating equal to or lower than B-. Investments by risk rating and type of instrument (debt securities portfolio includes CUI) are detailed as follows:

|   |         |         |         | RISK R  | ATING   |        |       |         |           |
|---|---------|---------|---------|---------|---------|--------|-------|---------|-----------|
| TYPE OF INSTRUMENT                      | AAA     | AA      | Α       | ВВВ     | ВВ      | В      | С     | s/c     | TOTAL     |
| Domestic corporate bonds                | 126,474 | 661,118 | 326,282 | 151,129 | 9,345   | -      | 1,172 | 75,172  | 1,350,692 |
| Recognition bonds                       | 15,268  | -       | -       | -       | -       | -      | -     | -       | 15,268    |
| Chilean Central Bank and treasury bonds | 55,228  | -       | -       | -       | -       | -      | -     | -       | 55,228    |
| Foreign corporate bonds                 | 6,735   | 3,118   | 4,320   | 12,429  | 90,711  | 15,738 | -     | -       | 133,051   |
| Fixed income real estate                | 20,885  | 5,253   | 1,793   | -       | -       | -      | -     | 299,341 | 327,272   |
| TOTAL (MCH\$)                           | 224,590 | 669,489 | 332,395 | 163,558 | 100,056 | 15,738 | 1,172 | 374,513 | 1,881,511 |

<sup>\*</sup>NOTE: FIXED INCOME REAL ESTATE WITH NO RATING CORRESPONDS TO MORTGAGE LOANS AND LEASES, WHICH HAVE NO SPECIFIC RISK RATING.

As of December 31, 2019, the Company had been awarded and held the following real estate properties:

|                           | AMOUNT    |           |                     |
|---------------------------|-----------|-----------|---------------------|
| ADDRESS                   | NET VALUE | APPRAISAL | STATUS              |
| Puerto Domingo 1172       | 24        | 25        | In eviction process |
| Michimalongo 1791 CASA 14 | 179       | 253       | Title study         |
| Pje Voipir 359            | 95        | 113       | Title study         |
| TOTAL                     | 298       | 391       |                     |

# **LIQUIDITY RISK**

## **QUALITATIVE INFORMATION**

Liquidity risk corresponds to the possible inability of the insurer to obtain the funds necessary to pay its obligations without incurring in significant losses. In this context, the purpose of our policy is to ensure that the Company has liquid funds required to meet assumed commitments at all times. For this purpose, the policy identifies the main sources of internal and external liquidity risk faced by the Company. Based on that information, the Company develops and determines limits for each indicator to be monitored.

Particularly, the Company should maintain highly liquid investments equal to or greater than 20% of liabilities within regulatory tier 1, have readily realizable instruments for an amount equal to or greater than its financial debt, have lines of credit that allow it to cover the payment of at least one month of pensions, have readily realizable tier 1 assets equal to or greater than tier 1 liabilities, among other requirements

Other purposes include analyzing potential reputational impairment, financial system crises and regulatory changes.

### **QUANTITATIVE INFORMATION**

In general, all of the Company's investments are highly liquid, except for the following investments held at year end 2019:

| TYPE OF INSTRUMENT   | AMOUNT<br>(MCH\$) |
|----------------------|-------------------|
| Shares               | 4,544             |
| Alternative assets   | 126,549           |
| Debt funds           | 4,726             |
| Real estate funds    | 67,270            |
| Infrastructure funds | 67,392            |
| TOTAL                | 270,481           |



The table below details investments in fixed income instruments (including CUI) by maturity:

|   | DURATION (YEARS) |        |         |        |         |           |           |  |  |
|---|------------------|--------|---------|--------|---------|-----------|-----------|--|--|
| TYPE OF INSTRUMENT                      | 1                | 2      | 3       | 4      | 5       | OVER 6    | TOTAL     |  |  |
| Domestic corporate bonds                | 25,202           | 21,749 | 67,953  | 69,724 | 199,372 | 966,692   | 1,350,692 |  |  |
| Recognition bonds                       | 11,202           | 2,140  | 847     | 403    | 271     | 404       | 15,267    |  |  |
| Chilean Central Bank and treasury bonds | 162              | 1,132  | 62      | 57     | 172     | 53,642    | 55,227    |  |  |
| Foreign corporate bonds                 | 9,845            | 9,069  | 27,547  | 6,199  | 24,312  | 56,080    | 133,052   |  |  |
| Fixed income real estate                | 2,123            | 5,781  | 8,919   | 8,441  | 24,914  | 277,095   | 327,273   |  |  |
| TOTAL (MCH\$)                           | 48,534           | 39,871 | 105,328 | 84,824 | 249,041 | 1,353,913 | 1,881,511 |  |  |

In regard to financial liabilities, the Company has short-term debt of MCH \$10,080 and long-term commitments for MCH \$10,513. detailed below at year-end 2019:

|                                  |            | OUTSTANDI         | NG BALANCE | SHORT-TERM       |                  |                   |                  | LONG-TERM     |                   |
|----------------------------------|------------|-------------------|------------|------------------|------------------|-------------------|------------------|---------------|-------------------|
| BANK OR FINANCIAL INSTITUTION    | GRANT DATE | AMOUNT<br>(MCH\$) | CURRENCY   | INTEREST<br>RATE | LAST<br>MATURITY | AMOUNT<br>(MCH\$) | INTEREST<br>RATE | LAST MATURITY | AMOUNT<br>(MCH\$) |
| Banco Crédito (overdraft)        | 12/31/2019 | 77                | CH\$       | 0.0%             | 1/1/2020         | 77                | 0.0%             |               | -                 |
| Banco Estado (overdraft)         | 12/31/2019 | 5                 | CH\$       | 0.0%             | 1/1/2020         | 5                 | 0.0%             |               | -                 |
| Banco Scotiabank (overdraft)     | 12/31/2019 | 2                 | CH\$       | 0.0%             | 1/1/2020         | 2                 | 0.0%             |               | -                 |
| Banco BCI (line of credit)       | 12/31/2019 | -                 | CH\$       | 0.0%             | 1/1/2020         | 0                 | 0.0%             |               | -                 |
| Banco Santander (line of credit) | 12/31/2019 | -                 | CH\$       | 0.0%             | 1/1/2020         | 0                 | 0.0%             |               | -                 |
| Banco de Chile (line of credit)  | 12/31/2019 | -                 | CH\$       | 0.0%             | 1/1/2020         | 0                 | 0.0%             |               | -                 |
| Banco Scotiabank (loan)          | 12/16/2019 | 9,996             | CH\$       | 3.4%             | 12/15/2020       | 9,996             | 0.0%             |               | -                 |
| Banco Consorcio (loan)           | 1/3/2019   | 10,513            | CH\$       | 0.0%             |                  | 10,513            | 5.0%             | 1/3/2020      | 10,513            |
| TOTAL                            |            | 20,593            |            |                  |                  | 20,593            |                  |               | 10,513            |

#### **MARKET RISK**

# **QUALITATIVE INFORMATION**

Market risk is the possible loss caused by changes in market prices of variables such as stock prices, inflationary factors, interest or exchange rates that have an impact on profit or loss and/or equity. The policy establishes the main types of risk; their sources and the map of indicators required for monitoring and controlling limits. This category also includes mismatch risks (maturity and currency) and reinvestment risk.

# **QUANTITATIVE INFORMATION**

In order to manage these risks, one of the processes that we regularly perform is the calculation of value at risk (VaR) on the relevant portfolio. For this purpose, we use the methodology described in CMF General Standard No. 148 (repealed) to estimate the maximum probable loss that investments could have in one month with a confidence level of 95%.

For real estate VaR, two sources of risk were identified: the value of leased real estate property and changes in the unit value of funds with real estate investments for rent and/or development purposes. As not enough historical price data is available, an arbitrary value was selected (5% is used in General Standard No. 148 (repealed)) to calculate the VaR of real estate and real estate investment funds.

Thus, the sensitivity exercise performed by the Company to measure the impact of significant market risks is detailed as follows as of December 2019:

| TYPE OF RISK      | PRESENT VALUE<br>(MCH\$) | SENSITIVITY FACTOR | VAR<br>(MCH\$) | VAR<br>(% EQUITY) |
|-------------------|--------------------------|--------------------|----------------|-------------------|
| Stock risk        | 125,889                  | 5.9%               | 7,449          | 3.8%              |
| Fixed income risk | 64,496                   | 0.5%               | 351            | 0.2%              |
| Real estate risk  | 291,483                  | 5.0%               | 14,574         | 7.4%              |
| Currency risk     | 186,902                  | 1.0%               | 1,820          | 0.9%              |
| TOTAL             | 668,770                  |                    | 24,194         | 12.3%             |

In regard to assets in foreign currency, Vida Security's policy allows it to maintain an asset-liability mismatch, which may not exceed 20% of assets. This position is monitored in nominal terms using a historical VaR.

The company monitors and controls reinvestment risk using the Asset Sufficiency Test (AST), which as of December 2019 was 1.54%, with sufficiency of UF 643,776.73.

#### **USE OF DERIVATIVE PRODUCTS**

In order to minimize risks that may affect Vida Security's equity, our policy allows the company to use hedging derivatives for asset-liability mismatches. The policy authorizes the company to enter into trading derivatives under certain limits and controls. The total number of this type of transaction in net terms should not exceed the lesser of 20% of equity (measured based on the value of the hedged asset) and 1% of technical reserves plus equity at risk (measured based on the carrying amount of the transactions).

In regard to limits for these transactions, the company has defined that total hedging and investment derivatives may not exceed 2% of technical reserves plus equity at risk, detailed below as of year end 2019.

| LIMIT         | DERIVATIVES | 2% TECH RESERVES | SURPLUS |
|---------------|-------------|------------------|---------|
|               | (MCH\$)     | + EQUITY AT RISK | (MCH\$) |
| 2% (TR + EaR) | -24,165     | 50,145           | 25,980  |

Our policy includes a list of authorized counterparties. Any changes to this list must be approved by the Board Financial Risk Committee. Additionally, the company may not carry out hedging derivative transactions with the same counterparty (other than clearing houses) for more than 4% of technical reserves and equity at risk (measured based on the value of the hedged asset). As of December 2019, the largest counterparty was Banco Scotiabank with close to 3.5% of technical reserves plus equity at risk.



The company has pledged the following instruments as guarantees with counterparties of derivative transactions:

| COUNTERPARTY    | INSTRUMENT        | NOMINAL   | GUARANTEE USD |
|-----------------|-------------------|-----------|---------------|
| Deutsche London | CENC USP2205JAH34 | 1,500,000 | 1,575,006     |
| Deutsche London | CENC USP2205JAK62 | 1,500,000 | 1,591,785     |
| Deutsche London | CENC USP2205JAK62 | 500,000   | 530,595       |
| HSBC            | BTU0300339        | 36,000    | 1,906,237     |
| HSBC            | BTU0300339        | 125,000   | 6,618,879     |
| TOTAL           |                   |           | 12,222,502    |

Finally, any derivative transaction that negatively affects equity by 5% or more shall be reported to the Financial Risk Committee.

# II. INSURANCE RISK

# 1. INSURANCE RISK MANAGEMENT

# A) REINSURANCE

This involves managing insurance risks related to deviations, due to mortality or morbidity, in the expected results typical of insurance activity and by means of the proper transfer of part of these risks to reinsurers. It also includes the risk of properly selecting and managing reinsurance, including credit risk and the risk of improperly measuring the company's transfers to such reinsurers.

The above is performed based on the reinsurance policies that have been defined by the company and approved by the Board of Directors. These policies are updated in accordance with the evolution of businesses, the volume of insured portfolios and the type of risks taken.

Insurance risk management related to the mitigation of mortality and morbidity risks through reinsurance considers the following aspects:

- The portfolios or lines of business that will be considered in reinsurance, the coverage included in such reinsurance, and the retention limits defined by the Company to establish the risks it will take on its own (retained risks) are defined.
- The company has defined the individuals responsible for implementing and controlling agreements with reinsurers regarding limits and risks that are being included in the policyholder portfolio in order to ensure that the reinsurance policy and the related benefits are implemented with no exceptions for all new policies. The responsible individuals are:
  - The subscribers of the different business lines and those subject to the company's Rating and Subscription Policies.
  - The authorized assessors of medical and financial risk for policyholders must also follow the company's Pricing and Subscription Policies.

In regard to the proper selection of reinsurance including credit risk, the Reinsurance Policy establishes:

- The set of conditions that must be met by all reinsurers.
- The set of contents and requirements that should be contained in every formal transfer of risks to a reinsurer by means of reinsurance contracts and notes of coverage.

In regard to reinsurance management, the Reinsurance Policy requires that the company establish:

- The method and the individual responsible for the safeguarding of and access to the reinsurance contract.
- The area responsible for defining the set of standards, processes and procedures for managing and controlling transfers of reinsurance. The Technical Division has been assigned the latter role and, therefore:
  - It has been provided the required human and material resources to assume its role.
  - It has implemented procedure manuals and appropriate controls, which are subject to ongoing audits to verify compliance.
  - It is authorized to request that other areas in the company that are directly and indirectly involved in calculating or generating information for reinsurance, modify, reinforce or establish controls or processes to prevent errors or a lack of coordination.

Credit risk in reinsurance is controlled by following the Reinsurance Policy, including requirements that should be met by a reinsurer to operate with the company.

The company's exposure to reinsurance is due to the balance of reinsurance claims receivable. This balance is shown in the table below by business line: Note 17.3 provides additional information by month of maturity.

### **REINSURANCE CLAIMS RECEIVABLE DEC-19 (THCH\$)**

|  |                     |                                | REIN                      | ISURANCE BRO                              | KERS                                 |                      |                                |                           |                              |                     |  | REINS   | URER               |               |   |                               |           |
|--|---------------------|--------------------------------|---------------------------|---|--------------------------------------|----------------------|--------------------------------|---------------------------|------------------------------|---------------------|--|---|--------------------|---------------|---|-------------------------------|-----------|
|  | AON                 | CHILE                          |                           | MDB                                       |                                      | GUY CA               | RPENTER<br>I                   |                           |                              |                     |  | MÜNCHENER<br>RÜCKVERSICHERUNGS-   |                    |               |   |                               |           |
| BUSINESS LINE                                  | HANNOVER<br>RÜCK SE | XL RE LATIN<br>AMERICA<br>LTD. | AXA<br>FRANCE<br>VIE S.A. | SWISS RE<br>CORPORATE<br>SOLUTIONS<br>LTD | CAISSE<br>CENTRALE DE<br>REASSURANCE | SAGICOR<br>LIFE INC. | XL RE LATIN<br>AMERICA<br>LTD. | AXA<br>FRANCE<br>VIE S.A. | GENERAL<br>REINSURANCE<br>AG | HANNOVER<br>RÜCK SE | MAPFRE RE,<br>COMPANIA DE<br>REASEGUROS,<br>S.A. | GESELLSCHAFT AKTIENGESELLSCHAFT IN MÜNCHEN (MUNICH REINSURANCE COMPANY) | PARTNER<br>RE S.A. | SCOR<br>EARLY | SWISS RE<br>CORPORATE<br>SOLUTIONS<br>LTD | RGA<br>REINSURANCE<br>COMPANY | TOTAL     |
| RATING 1                                       | AA -                | A+                             | AA -                      | A+  | AA                                   | A-                   | A+                             | AA -                      | AA+                          | AA -                | A+   | A+  | A1                 | AA -          | A+  | A+                            |           |
| RATING 2                                       | A+                  | AA -                           | AA -                      | AA3                                       | A+                                   | BB-                  | AA -                           | AA -                      | AA1                          | A+                  | A  | AA -  | A+                 | A+            | AA3                                       | A1                            |           |
| Individual life                                | -                   | -                              | -                         | -   | -                                    | -                    | -                              | -                         | -                            | -                   | -  | -   | -                  | -             | -   | -                             | -         |
| Flexible (CUI)                                 | -                   | -                              | -                         | -   | -                                    | -                    | -                              | -                         | -                            | -                   | -  | -   | -                  | -             | 16,859                                    | -                             | 16,859    |
| Individual health                              | -                   | -                              | 76,752                    | 574                                       | -                                    | -                    | -                              | -                         | 62,570                       | -                   | 401,260  | -   | -                  | 6,165         | -   | 63,121                        | 610,442   |
| Individual personal accident                   | -                   | -                              | -                         | -   | -                                    | -                    | -                              | -                         | -                            | -                   | -  | -   | -                  | -             | -   | -                             | -         |
| Group life                                     | 5,733               | 2,202                          | -                         | -   | -                                    | -                    | -                              | -                         | 507                          | -                   | 33,520   | 95,854  | -                  | 6,691         | -   | -                             | 144,507   |
| Group health                                   | -                   | -                              | -                         | -   | -                                    | -                    | -                              | -                         | 103,126                      | -                   | 408,837  | -   | -                  | 7,338         | -   | 78,578                        | 597,879   |
| Group<br>personal accident                     | -                   | -                              | -                         | -   | -                                    | -                    | -                              | -                         | -                            | -                   | -  | -   | -                  | -             | -   | -                             | -         |
| Group credit life                              | -                   | -                              | -                         | -   | -                                    | -                    | -                              | -                         | -                            | -                   | 250,553  | -   | -                  | -             | -   | -                             | 250,553   |
| Disability and survivor insurance              | -                   | -                              | -                         | -   | -                                    | -                    | -                              | -                         | -                            | 8,447               | -  | -   | -                  | 5,027,291     | -   | -                             | 5,035,738 |
| Insurance with voluntary pension savings (APV) | -                   | -                              | -                         | -   | -                                    | -                    | -                              | -                         | -                            | -                   | -  | -   | -                  | -             | -   | -                             | -         |
|  | 5,733               | 2,202                          | 76,752                    | 574                                       | -                                    |                      |                                |                           | 166,203                      | 8,447               | 1,094,170  | 95,854  |                    | 5,047,485     | 16,859                                    | 141,699                       | 6,655,978 |



## **B)** COLLECTIONS

The purpose of collection efforts is to manage the portfolio receivable, ensure premiums are properly collected and keep uncollectability levels equal to or lower than 5%.

Premium collections are performed centrally by a specialized department that reports to the Operations Division. The Collections Unit is responsible for monitoring implementation of collection and default control policies to ensure that policies are followed, amounts due are collected and collection levels are controlled. The model is intensive in terms of use of resources depending on the product to be managed. Disability and survivor insurance and annuities have a pre-set model and there is ongoing communication between the different parties and the pension fund administrators. This method is 100% effective in collecting the amounts owed. For individual policies, the Company promotes automatic payments, whether through automatic checking account deductions or automatic credit card payments. If debits are rejected by the participating institutions (bank or Transbank), sales agents are an effective channel for collections.

Finally, for group policies collection is managed in several ways, including direct communication with debtors by phone or e-mail. The issue with this product is not the effectiveness of collection, which is very high (99%), but the time lag between coverage months and collection of those months. The company has implemented different policies with its clients to correct these time-lags. One of the most effective policies is to block benefits.

# C) DISTRIBUTION

The main distribution channel for each line of business is determined using factors such as customer purchasing methods and preferences, the specialization required, the efficiency of the channel, product features and the line's relative importance to the company's business plan, among others. Thus, for mass products related to banks or retailers, the distribution channels of the sponsoring bank or retailer are used. For consumer loans, which are offered exclusively to the life annuity portfolio, internal channels such as the company's call center and branch executives are used. These are non-exclusive channels since the product does not require a specialized channel.

Group life and health insurance policies are sold through insurance brokers specialized in this type of product. Assistance for this channel is provided by account executives, which guarantees high-quality service.

For individual insurance policies, although they are sold through external and internal channels, the Company prefers to sell them using its own sales force, which provides expert advice to the insured party, properly identifying their needs to offer the most adequate product for their situation. The Company also began selling uncomplicated, pre-approved personal accident products by phone in 2013.

Finally, the sales strategy for annuities includes the pension advisor channel and direct sales at the Company's branches. The pension advisor channel is staffed by life annuity sales executives, which guarantees high-quality service for both the channel and the client.



# D) TARGET MARKET

Vida Security's target market can be defined by line of business as follows:

#### INDIVIDUAL INSURANCE:

High-income men and women (socio-economic groups B, C1, C2, C3) interested in obtaining insurance to protect their family's

quality of life in case of unexpected events or their net worth or income in case of health complications, or as a savings objective for personal projects. This target group is comprised of individuals over 25 and less than 60 years old with stable employment who are generally married with dependents.

#### GROUP INSURANCE:

Companies and industries throughout Chile with 50 employees or more interested in protecting their employees, generating new benefits for them and securing their productivity.

#### ANNUITIES:

Vida Security's target market for annuities is retirement-aged men and women from middle and middle-low socio-economic groups mainly located in the cities with the largest workforces: Santiago, Antofagasta, Valparaíso/Viña del Mar, Rancagua, Talca, Concepción, Temuco and Puerto Montt.

#### 2. FINANCIAL RISK MANAGEMENT IN INSURANCE CONTRACTS

Management of financial risks related to insurance contracts, as well as typical insurance risks in insurance contracts, are disclosed below.

### A) CREDIT RISK IN INSURANCE CONTRACTS

The credit risk related to insurance contracts is based on reinsurance credit risk analyzed in 1a) in section II.

### B) LIQUIDITY RISK IN INSURANCE CONTRACTS

Liquidity needs related to insurance contracts are mainly based on the liability flows of annuities, private income and reinsurance debt.

|              | REINSURANCE DEBT AS C | OF DEC- 2019 (THCH\$) |           |
|--------------|-----------------------|-----------------------|-----------|
| REINSURER    | RATING 1              | RATING 2              | TOTAL     |
| EN RE        | AA+                   | Aa1                   | 788,581   |
| HANNOVER     | AA -                  | A+                    | 22,564    |
| MAPFRE RE    | A+                    | А                     | 1,852,948 |
| MUNCHENER RE | A+                    | AA -                  | 568,563   |
| SAGICOR      | A-                    | BB-                   | 92,945    |
| SCOR SE      | AA -                  | A+                    | 1,045,594 |
| SWISS RE     | A+                    | Aa3                   | 74,459    |
| RGA          | A+                    | A1                    | 142,851   |
|              |                       |                       | 4,588,504 |



Additionally, the company must consider the possibility of mass withdrawals from insurance with savings components (CUI); the concentration of significant saving amounts in individual clients especially in regard to policies with guarantees in savings return rates that may be redeemed unexpectedly and the possibility of catastrophic or significant claims in group insurance contracts. In the latter case, the company has entered into a number of reinsurance contracts that minimize this risk for the entire portfolio, which include clauses related to the prompt payment of significant claims or the significant accumulation of minor claims that affect the company's retention. Also, the company periodically monitors concentration indicators over the highest capital insured in individual and group insurance policies. In regard to the possibility of massive withdrawals, the company's Liquidity Policy calls for maintaining sufficient liquidity in order to deal with important redemption volumes. In particular, our policies require portfolios backing guaranteed fixed income instruments to maintain at least 10% in liquid assets.

# C) MARKET RISK IN INSURANCE CONTRACTS

Market risk in insurance contracts is mainly based on interest rate and reinvestment risk related to the flows of annuities. In this regard, the company believes that the AST is an adequate measure to control reinvestment risk.

Market risk is also observed in CUI investments if Vida Security does not accurately match client investments to the investments it actually makes, or if the guarantee has an adverse impact on the company in specific market situations. Therefore, the company monitors matches by fund on a daily basis since its Investment Policy allows a mismatch only in a limited number of assets.

Section I above provides an explanation for financial risks related to investments backing reserves in the different lines of business.

No currency risk is associated with insurance contracts as the company grants insurance contracts only in the local market and they are denominated in UF (inflation index-linked units of account). The policy does not allow a mismatch for savings denominated in foreign currency, basically in U.S. dollars. Finally, as stated above, the currency risk related to non-CUI investments in foreign currency is mitigated through swap contracts and conventional exchange rate insurance policies, thus allowing a maximum mismatch of 20% of assets.

# 3. CONCENTRATION OF INSURANCE POLICIES

The company's gross written premiums amounted to THCH\$257,999,254 in 2019. 94% of which was sold in central Chile, mainly in the Metropolitan Region (Santiago, Chile's capital and most important city). All pension policies are assigned to this region. Excluding this product, the total amount sold in this area is 55 % of total gross written premiums. Pension insurance policies (annuities and voluntary pension savings or APV) account for 39% of the company's total gross written premiums. These are followed by the individual products, which includes insurance with savings components (CUI), representing 33% of the total. Group products (life + health + personal accident) account for 23% of gross written premiums.

The distribution of gross written premiums by geographical area and type of insurance is detailed as follows:

|            |             | GROSS WRITTEN PREMIUMS 2019 BY GEOGRAPHIC AREA (THCH\$) |           |           |             |  |  |  |  |  |  |  |
|------------|-------------|---|-----------|-----------|-------------|--|--|--|--|--|--|--|
| PRODUCT    | CENTRAL     | NORTH CENTRAL   | NORTH     | south     | TOTAL       |  |  |  |  |  |  |  |
| Group      | 58,018,814  | 359,250   | 419,125   | 1,077,749 | 59,874,938  |  |  |  |  |  |  |  |
| DSI        | 642,454     |   |           |           | 642,454     |  |  |  |  |  |  |  |
| Individual | 70,271,845  | 1,693,297   | 6,773,190 | 5,926,541 | 84,664,873  |  |  |  |  |  |  |  |
| Retirement | 99,384,177  |   |           |           | 99,384,177  |  |  |  |  |  |  |  |
| Mass       | 13,432,813  |   |           |           | 13,432,813  |  |  |  |  |  |  |  |
| TOTAL      | 241,750,103 | 2,052,547   | 7,192,315 | 7,004,290 | 257,999,255 |  |  |  |  |  |  |  |

Geographical area is not a relevant analysis factor for the company given the high concentration in central Chile. Therefore, it does not analyze the number of claims based on this factor. Factors such as industry and currency are not relevant for the company either.

The distribution of gross written premiums by distribution channel and type of insurance are detailed as follows. The table also illustrates the importance of sales agents for individual insurance and brokers for group insurance. The annuity brokers channel is the same as the pension advisor channel.

|            |             | GROSS WRITTEN PREMIUMS 2019 BY DISTRIBUTION CHANNEL (THCH\$) |           |       |             |  |  |  |  |  |  |
|------------|-------------|--|-----------|-------|-------------|--|--|--|--|--|--|
| PRODUCT    | AGENT       | BROKERS  | ALLIANCES | OTHER | TOTAL       |  |  |  |  |  |  |
| Group      | 4,789,995   | 53,887,444   | 1,197,499 | 0     | 59,874,938  |  |  |  |  |  |  |
| DSI        | 642,454     |  |           | 0     | 642,454     |  |  |  |  |  |  |
| Individual | 78,481,946  | 6,182,927  | 0         | 0     | 84,664,873  |  |  |  |  |  |  |
| Retirement | 20,414,292  | 78,969,885   | 0         | 0     | 99,384,177  |  |  |  |  |  |  |
| Mass       |             | 13,432,813   |           |       | 13,432,813  |  |  |  |  |  |  |
| TOTAL      | 104,328,687 | 152,473,069  | 1,197,499 | 0     | 257,999,255 |  |  |  |  |  |  |

# 4. SENSITIVITY ANALYSIS

The following sensitivity analysis shows how profit or loss and equity in 2019 would have been affected by reasonable deviations in some risk variables.

#### A) METHODS AND ASSUMPTIONS USED TO PERFORM THE SENSITIVITY ANALYSIS

Given the lack of historical information available, the Company decided to use international benchmarks for this calculation. It relied particularly on recommendations from the Canadian Institute of Actuaries. Both qualitative and quantitative methods and assumptions were used based on the variable addressed. The Company performed a short-term analysis that determined the impact that a percentage variation of the insurance risk variables would have on profit and loss.

Similarly, it performed a long-term analysis that reviewed the corresponding impact on reserves. In this case, as the Company's reserve is a combination of the regulatory reserve established by the CMF and the related liability adequacy test (LAT), some lines have a clear surplus of regulatory reserves based on the LAT, while others present deficiencies. These analyses were performed considering this fact, so



that the effect will be null when the sensitivity variable still results in a reserve surplus in the corresponding LAT in regard to the regulatory reserves.

Finally, the impacts of each risk variable are not cumulative and are not linearly related. Therefore, the impacts should be analyzed separately and may not be added a priori.

# B) CHANGES IN METHODS AND ASSUMPTIONS FROM THE PRIOR PERIOD AND REASONS FOR SUCH CHANGES

Due to an absence of sufficient historical data for the local insurance industry, the Company continued using the methodology based on the recommendations of the Canadian Institute of Actuaries. Accordingly, there are no changes in the methods or assumptions used in this analysis.

# C) SIGNIFICANT RISK FACTORS FOR THE COMPANY

### I. MORTALITY

For this variable, the Company evaluated the possible impact of a deviation in the number of deceased individuals on the Company's 2019 profit or loss. Based on the recommendations from the Canadian Institute of Actuaries, the Company considered a 2% increase in mortality observed in the year. The effects are summarized in the following table:

| (FIGURES IN THCH\$) | REAL AS OF DEC. 2019 | EFFECT (%) | REAL AS OF DEC. 2018 | EFFECT (%) |
|---------------------|----------------------|------------|----------------------|------------|
| Death claims        | 18,108,287.62        | -0.45%     | 66,922,746.48        | -1.16%     |
| Reserve adjustment  | 11,620,483.67        | 0.04%      | 14,495,927.71        | -0.03%     |
| Pension payments    | 138,260,405.84       | 0.26%      | 133,855,026.48       | 0.07%      |
| TOTAL               | 167,989,177.13       | -0.15%     | 215,273,700.68       | -1.44%     |

The effect is measured in this case as a percentage of the total 2019 profit or loss. This is summarized by business line in the table below:

| (FIGURES IN THCH\$)      | EFFECT (%) 2019 | EFFECT (%) 2018 |
|--------------------------|-----------------|-----------------|
| Annuities                | 0.30%           | 0.04%           |
| Individual life          | -0.12%          | -0.08%          |
| Group                    | -0.18%          | -0.19%          |
| Credit life              | -0.04%          | -0.31%          |
| DSI                      | -0.10%          | -0.90%          |
| Mass                     | 0.00%           | 0.00%           |
| EFFECT ON PROFIT OR LOSS | -0.15%          | -1.44%          |



### II. MORBIDITY

For this variable, the Company reviewed the possible impact of a reasonable variation in morbidity on the Company's 2019 profit or loss. Based on the recommendations of the Canadian Institute of Actuaries, the Company considered a 5% deviation in morbidity noted during the year. The effects are summarized in the following table:

| (FIGURES IN THCH\$) | REAL AS OF DEC. 2019 | EFFECT (%) | REAL AS OF DEC. 2018 | EFFECT (%) |
|---------------------|----------------------|------------|----------------------|------------|
| Non-death claims    | 58,718,453,393       | -11.51%    | 104,096,219,628      | -22.55%    |

As previously indicated, the effect is measured as a percentage of the total 2019 profit or loss. This is summarized by business line in the table below:

| (FIGURES IN THCH\$)      | EFFECT (%) 2019 | EFFECT (%) 2018 |
|--------------------------|-----------------|-----------------|
| Annuities                | 0.00%           | 0.00%           |
| Individual life          | -0.91%          | -0.80%          |
| Group                    | -8.66%          | -8.88%          |
| Credit life              | -0.01%          | 0.00%           |
| DSI                      | -1.90%          | -12.84%         |
| Mass                     | -0.03%          | 0.00%           |
| EFFECT ON PROFIT OR LOSS | -11.51%         | -22.52%         |

#### III. LONGEVITY

For this variable the Company calculated the possible impact of a reasonable deviation on the Company's 2019 profit or loss, considering the recommendations made by the Canadian Institute of Actuaries. The Company considered a 2% increase in life span observed at year end for each business line.

Since the Company used the same percentage deviation for mortality and the effect of this variable has the same magnitude but the opposite sign, a 2% increase in life span would result in a 0.15% effect on profit or loss.

#### IV. INTEREST RATES

For the Company's portfolio of products, this variable is not significant when analyzing risks with an impact on profit or loss. This is due to the fact that products with guarantees in long-term interest rates are related to investments that are valued at purchase price. For short-term products, there is no guarantee or the reserve involved is very small compared to the Company's total reserve.

# V. EXCHANGE RATES

As the Company's insurance portfolio has mainly policies in local currency indexed to inflation, this variable is not considered a significant risk for profit or loss.

#### VI. INFLATION

As above, because the Company's insurance portfolio has been traded mainly in local currency indexed to inflation, this is not recognized as a significant risk to be analyzed with respect to profit or loss.

#### VII. UNEMPLOYMENT RATE

This risk has a significant impact mainly on coverage for disability and survivor insurance. Given the lack of experience with which to generate a correlation coefficient linking the unemployment rate and the results of the SIS business, this risk is evaluated based on the following assumptions:



- Even when the unemployment rate shows little change, there are important variations in the composition of employment as a result of the creation/elimination of salaried jobs, which directly affects the business. Therefore, the impact will be measured based on the variation in the number of salaried positions, not the unemployment rate.
- If the number of salaried positions falls, in the short term the number of policyholders with insurance coverage remains steady.

  However, the number of contributing policyholders decreases and, therefore, premiums paid are negatively affected.
- The impact of the decrease in the number of salaried positions is not reflected in the same number of contributors, since, in the short term, a person that no longer holds a salaried position does not necessary stop contributing. For example, if the number of salaried positions drops by 5%, that does not imply that the number of contributors falls by the same 5%.
- We have not found evidence that the number of claims is affected by deviations in unemployment. Therefore, the Company will not measure the sensitivity of the unemployment rate with respect to people that file for disability after becoming unemployed.
- Although the number of salaried positions tends to increase, shocks have occasionally produced decreases from one year to the
  next. The most relevant drops include: June 1999 with a drop of 5.36%; March 2001 with a fall of 1.76%; and July 2009 with a
  drop of 1.85%, all over the same respective month in the prior year.

Thus, the maximum historical variation is approximately 5.36%, which, given the low volume of premiums (portfolio runoff), translates into an impact of 0% on premiums:

| (FIGURES IN THCH\$)  | REAL AS OF DEC. 2019 | EFFECT (%) | REAL AS OF DEC. 2018 | EFFECT (%) |
|----------------------|----------------------|------------|----------------------|------------|
| Net premiums written | 226,565              | 0.00%      | 57,730,253           | -0.04%     |

Once again, the effect is measured as a percentage of the total profit or loss for 2019.

#### VIII. LOANS

Insignificant risk for the Company.

#### IX. COVERAGE FROM INSURANCE CONTRACTS

The Company has no insurance contracts with extraordinary coverage that have no reinsurance coverage to strongly limit this risk and, therefore this is not a significant risk.

#### X. EXPENSES

To evaluate the possible impact of a deviation in this variable on 2019 profit or loss, based on the recommendations made by the Canadian Institute of Actuaries, the Company has considered a 5% increase in direct administrative costs compared to year end by business line. The effects are summarized in the following table:

| (FIGURES IN THCH\$) | REAL AS OF DEC. 2019 | EFFECT | REAL AS OF DEC. 2018 | EFFECT |
|---------------------|----------------------|--------|----------------------|--------|
| Direct costs        | 27,224,846           | -5.34% | 28,528,156           | -4.34% |

Like before, the effect is measured as a percentage of the total 2019 profit or loss. This is summarized by business line in the table below:

| (FIGURES IN THCH\$)      | EFFECT (%) 2019 | EFFECT (%) 2018 |
|--------------------------|-----------------|-----------------|
| Annuities                | -2.00%          | -1.68%          |
| Individual life          | -1.88%          | -1.54%          |
| Group                    | -1.26%          | -0.93%          |
| Credit life              | -0.14%          | -0.12%          |
| DSI                      | -0.05%          | -0.05%          |
| Mass                     | -0.02%          | -0.02%          |
| EFFECT ON PROFIT OR LOSS | -5.35%          | -4.34%          |

#### XI. VARIATION IN AVERAGE CLAIM

This risk has only a significant impact on business where the claim amount is unknown a priori. These businesses are mainly concentrated on health care coverage. The claim amounts of the company's health care insurance portfolio are limited by coverage caps and reinsurance contracts in force that make this variable insignificant for the sensitivity analysis.

#### XII. OCCURRENCE OF DISASTERS

The company has a disaster reinsurance contract in effect, which makes the related risk to which the company is exposed insignificant for the sensitivity analysis.

# D) LONG-TERM IMPACT ON RESERVES AS OF 2019 YEAR END REGARDING SIGNIFICANT RISK FACTORS FOR THE COMPANY:

#### I. LONGEVITY

To evaluate the possible impact of a deviation in a variable on long-term reserves as of December 2019, the company analyzed the effect on the LAT of a 2% decrease of qx in mortality tables in the company's portfolio for annuities and individual life policies, specifically for products with mathematical reserves. As life span adversely affects the annuity portfolio and positively affects individual life policies, the company considered a joint impact, where the greater reserve surplus in LAT for individual life is offset by the decrease of the original surplus in life annuities. This has an immaterial effect given the clearance observed in both tests.

#### II. MORTALITY

As for life span, the company considered 2% growth of qx of life tables in its portfolio for annuities and individual life policies (mathematical reserve). The above would result in a greater surplus for annuities and smaller surplus for individual life. Thus, the effect would be null, since there would be an even larger surplus.

#### III. EXPENSES

Finally, in terms of expenses considered in the LAT analyses, the company considered a 5% increase in expenses. For annuities and individual life policies, the effect is a decrease in the surplus over regulatory reserves, so that the effect is null.



#### III. INTERNAL CONTROL (UNAUDITED)

The company performs a risk control and monitoring procedure consisting of updating process maps and risk matrices, identifying control weaknesses, establishing mitigating action plans and monitoring developments on a monthly basis, which is consistent with CMF General Standard Nos. 309.

Observations from external auditors from auditing operational cycles as stated in CMF Ruling No. 1441 (production, subscription of risks, valuation of reserves, reinsurance, claims, commissions and collections, systems and investments) and their amendments are added to this control process, as well as observations from internal audit and the CMF.

During 2019, the company strictly complied with the monthly risk control procedure described above and, at the same time, its external auditors reported no significant observations. Action plans behind schedule are analyzed in order to request background information to explain the delay and, thus, set new deadlines for action plans. None of the residual risks threaten the Company's equity or solvency at a residual level.

It also continued building a database of loss events and operational risk incidents and improving the existing procedure for detecting and preventing fraud, which occurs occasionally with health insurance policies.

## **NOTE 36 - EQUITY**

## A) ISSUED, SUBSCRIBED AND PAID-IN CAPITAL

Subscribed and paid-in capital as of December 31, 2019 is THCH \$432,124,050 (THCH \$431,676,083 in 2018), represented by 3,695,000,000 shares with no par value.

| BOND SERIES | NUMBER OF SUBSCRIBED | NUMBER OF PAID-IN | NUMBER OF VOTING | SUBSCRIBED AND PAID-IN |
|-------------|----------------------|-------------------|------------------|------------------------|
|             | SHARES               | SHARES            | SHARES           | CAPITAL THCH\$         |
| Single      | 3,695,000,000        | 3,695,000,000     | 3,695,000,000    | 432,124,050            |

#### **CAPITAL INCREASE**

At an extraordinary shareholders' meeting held October 3, 2019, shareholders agreed to increase the Company's capital by THCH \$100,000,000 by issuing 415,000,000 registered, common shares with no par value. The term for issuing and placing these shares is three years from October 3, 2019. At the same meeting, shareholders voted to capitalize placement expenses of THCH\$270,868 and the discount on the share placement of THCH\$3,221,156, from the capital increase from 2017 and 2018.

On April 27, 2018, at an extraordinary meeting of the shareholders of Grupo Security, shareholders agreed, among other matters, to increase the Company's capital from CH\$335,616,076, divided into 3,382,363,592 shares to CH\$435,616,074, divided into a total of



3,695,000,000 registered, single-series, common shares with no par value by issuing 436,636,408 new registered, common shares with no par value of the same existing series, which shall be issued, subscribed and paid in within a period of three years from the date of the shareholders' meeting.

At this meeting, shareholders also agreed to delegate to the Company's Board of Directors, in accordance with article 23 of the Regulations of the Corporations Law, the authority to set the final placement price for the shares that are issued as part of the capital increase and authorize the Board of Directors to adopt the agreements necessary to, among other things, issue in one or more stages and on the date or dates determined by the Board itself, the 436,636,408 new shares as part of this capital increase.

On August 24, 2018, the preferential subscription period for the shares in Grupo Security's capital increase ended. During this period, 424,655,845 of a total of 436,636,408 shares were subscribed and paid in, equivalent to 97.26% of the capital increase, raising a total of MCH\$93,424. The 11,980,563 shares left unsubscribed were made available to the Board as defined by shareholders at the extraordinary shareholders' meeting on April 27, 2018.

On March 29, 2018, Grupo Security placed the remaining 11,980,563 shares, thus completing the full capital increase agreed on April 27, 2018, raising MCH\$3,354,557 at a price of CH\$220 per share with a treasury share premium of MCH\$718,792.

#### B) SHARE PREMIUM

On April 27, 2018, at an extraordinary meeting of the shareholders of Grupo Security, the shareholders agreed to recognize in equity the historical account "share premium", which reflects the net balance of the goodwill or negative goodwill obtained from placing new shares for the numerous capital increases agreed over time.

As a result, and in accordance with Article 26 of the Corporations Law, it must now recognize an increase in issued capital of THCH\$33,209,745, in order to reflect the amounts effectively received by the Company as capital.

Share premiums forming part of equity are detailed as follows:

|                        | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|------------------------|----------------------|----------------------|
| Treasury share premium | -                    | 718,834              |
| TOTAL                  | -                    | 718,834              |

## C) OTHER RESERVES

|                        | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|------------------------|----------------------|----------------------|
| Treasury share premium | -                    | 718,834              |
| TOTAL                  | -                    | 718,834              |



#### D) DIVIDENDS

The dividend policy agreed by the shareholders is to distribute at least 30% of the profits of Grupo Security S.A. received from its direct subsidiaries during the year and divide the payment in two dividends, an interim dividend and a final dividend. Additionally, the Board of Directors has been authorized to approve additional dividend distributions with a charge to retained earnings if, in the opinion of the Board, Grupo Security S.A.'s financial condition allows it.

On April 27, 2018, the Company's Board agreed to pay a dividend of CH\$7.75 per share charged to earnings for the year 2016 and scheduled payment for May 8, 2018.

On October 11, 2018, the Company's Board agreed to pay a dividend of CH\$4.35 per share, distributed as follows:

- An interim dividend of CH\$1.75 per share to be paid in cash and charged to retained earnings for the year 2018; and
- An additional dividend of CH\$2.60 per share to be paid in cash and charged to retained earnings from prior years.

The dividend was paid on November 3, 2018.

On March 22, 2018, the Board agreed to distribute a final dividend of CH\$7.25 per share. When added to the interim dividend of CH\$1.75 per share and the additional dividend of CH\$2.60 per share already paid on November 3, 2018, this gives a total dividend of CH\$11.60 per share for 2018.

As authorized at the annual general shareholders' meeting on April 29, 2019, the Company's Board agreed on October 3, 2019, to pay a dividend of CH \$4.8.- per share, detailed as follows: an interim dividend of CH \$2.2.- and an additional dividend of CH \$2.6.- per share, which will be paid beginning October 25, 2019.

At the annual general shareholders' meeting on March 28, 2019, shareholders agreed to distribute a dividend of CH\$7.45 per share. When added to the interim dividend of CH\$1.9 per share and the additional dividend of CH\$2.6 per share already paid on October 25, 2018, this gives a final dividend of CH\$11.95 per share for the year 2018.

On April 29, 2019, at the annual general shareholders' meeting, shareholders agreed to distribute a final dividend for a total of CH \$27,411,514,658, which was paid on May 7, 2019, to shareholders.

#### **E) CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that its subsidiaries will be able to continue as a going concern, while maximizing shareholder value by optimizing debt and equity balances.

The Group's capital structure includes its net debt (bonds and loans as summarized in Notes 18 and 23) and equity (including issued capital, reserves and retained earnings).



#### **NOTE 37 - COMMITMENTS AND CONTINGENCIES**

#### A) LAWSUITS AND LEGAL PROCEEDINGS

#### **BANCO SECURITY**

As of the date of issuance of these consolidated financial statements, some legal actions have been filed against the Bank and its subsidiaries involving its normal operations. Management and its legal counsel do not believe that the Bank and its subsidiaries are exposed to any potential significant losses not disclosed in these consolidated financial statements.

#### **B) CONTINGENT LIABILITIES**

As of December 30, 2019 and 2018, contingent liabilities are detailed as follows:

|   | 12.31.2019<br>THCH\$ | 12.31.2018<br>THCH\$ |
|---|----------------------|----------------------|
| Commitments and responsibilities in memorandum accounts | 7,526,414,330        | 9,090,740,191        |
| Credit commitments                                      | 1,184,773,724        | 1,210,809,688        |
| Guarantees granted                                      | 125,621,787          | 86,552,743           |
| TOTAL   | 8,836,809,841        | 10,388,102,622       |

#### **NOTE 38 - BONDHOLDER PROTECTION COVENANT: LEVERAGE RATIO**

As of December 31, 2019, Grupo Security S.A. must comply with the following ratios and restrictions as a result of bond issuances:

Leverage: Grupo Security S.A. must maintain a leverage ratio below 0.4, measured on its quarterly standalone statement of financial position. Leverage is defined as the ratio of standalone financial liabilities, as presented in the FECU-IFRS financial statement disclosures, and equity (hereinafter "IFRS Leverage"). Standalone financial liabilities are the sum of financial obligations contracted by Grupo Security, excluding subsidiary financial obligations, regardless of whether those subsidiaries are consolidated by Grupo Security S.A. Thus, standalone financial liabilities include the sum of the company's individually considered debts, which are classified within the following FECU-IFRS accounting concepts: (i) obligations with banks and financial institutions, current and non-current (as included in those concepts in the FECU-IFRS statements), (ii) financial obligations with the public (promissory notes and bonds), current and non-current (as included in those concepts in the FECU-IFRS statements), (iv) accounts payable to related parties, current and non-current (as included in those concepts in the FECU-IFRS statements). Point (iv) above shall include those individually considered accounts payable to Grupo Security S.A. that have been contracted with related parties, which have been eliminated during the consolidation process and therefore are not present in the issuer's financial statements.



Financial and accounting information in accordance with the previous paragraph are detailed as follows.

|  | GROUP<br>(STANDALONE) | OTHER GROUP<br>COMPANIES /<br>CONSOLIDATION<br>ADJUSTMENTS | CONSOLIDATED   |
|--|-----------------------|--|----------------|
| CURRENT LIABILITIES  |                       |  |                |
| Other financial liabilities, current   | 11,097,956            | 7,176,572,800  | 7,187,670,756  |
| Trade and other payables   | 183,249               | 2,849,682,414  | 2,849,865,663  |
| Accounts payable to related parties, current   | -                     | 25,819   | 25,819         |
| Other short-term provisions  | -                     | 132,502,785  | 132,502,785    |
| Current tax liabilities  | -                     | 32,308,157   | 32,308,157     |
| Employee benefit provisions, current   | 1,957,453             | 8,098,518  | 10,055,971     |
| Other non-financial liabilities, current   | 19,635,840            | 342,397,301  | 362,033,141    |
| TOTAL CURRENT LIABILITIES OTHER THAN LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE | 32,874,498            | 10,541,587,794   | 10,574,462,292 |
| TOTAL CURRENT LIABILITIES  | 32,874,498            | 10,541,587,794   | 10,574,462,292 |
| NON-CURRENT LIABILITIES  |                       |  |                |
| Other financial liabilities, non-current   | 242,363,727           | 473,126,419  | 715,490,146    |
| Accounts payable, non-current  | -                     | 42,694,449   | 42,694,449     |
| Accounts payable to related parties, non-current   | -                     | 3,412,460  | 3,412,460      |
| Deferred tax liabilities   | -                     | 791,357  | 791,357        |
| TOTAL NON-CURRENT LIABILITIES  | 242,363,727           | 520,024,685  | 762,388,412    |
| TOTAL LIABILITIES  | 275,238,225           | 11,061,612,479   | 11,336,850,704 |
| EQUITY   |                       |  |                |
| Issued capital   | 432,124,050           | -  | 432,124,050    |
| Retained earnings (accumulated losses)   | 378,572,816           | -  | 378,572,816    |
| Share premium  | -                     | -  | -              |
| Other reserves   | (40,943,154)          | -  | (40,943,154)   |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT  | 769,753,712           | -  | 769,753,712    |
| Non-controlling interests  | -                     | 14,396,450   | 14,396,450     |
| TOTAL EQUITY   | 769,753,712           | 14,396,450   | 784,150,162    |
| TOTAL LIABILITIES AND EQUITY   | 1,044,991,937         | 11,076,008,929   | 12,121,000,866 |
| TOTAL CURRENT LIABILITIES GRUPO SECURITY (STANDALONE)  |                       |  | 275,238,225    |
| TOTAL EQUITY (TOTAL NET EQUITY) GRUPO SECURITY   |                       |  | 784,150,162    |
| LEVERAGE AS OF DECEMBER 31, 2019<br>(TOTAL STANDALONE CURRENT LIABILITIES / TOTAL EQUITY)                |                       |  | 35.10%         |

Ownership: To maintain a 51% ownership interest in Banco Security.

As of year end, the Group has not exceeded the required leverage ratio and maintains the required ownership percentages.



#### **NOTE 39 - MATERIAL EVENTS**

#### **GRUPO SECURITY S.A.**

At a board meeting on August 29, 2019, the Board of Group Security S.A., agreed to call an extraordinary shareholders' meeting for October 3, 2019, to address the following matters.

- l. Updating and adjusting the capital in the bylaws in order to recognize both the net balance of the goodwill or negative goodwill obtained upon placing the shares as part of the capital increase agreed at the extraordinary shareholders' meeting on April 27, 2017, and the issuance and placement costs of those shares.
- 2. Increasing the Company's capital to up to a total of Ch\$100,000,000,000, or another amount decided by shareholders, by issuing the number of new shares agreed upon by shareholders. The new shares to be issued will be of the same series already existing and have no par value, and shall be offered in one or more stages, based on the conditions and other matters determined by shareholders within a term of three years from the date of .
- 3. Should this capital increase be approved, the shareholders shall agree on the placement price of the shares to be issued as part of this capital increase, or shall authorize the board of directors to do so.
- 4. Agreeing to offer to third parties any new shares to be issued as part of the aforementioned capital increase that are not subscribed by the Company's shareholders, or at least part of them, as determined by the shareholders;
- 5. Authorize the Board of Directors to (a) issue and place these shares, in one or more stages, and decide how to use the funds received from this placement; (b) request that the issuance is registered in the CMF Securities Registry; (c) comply with the regulations on preferential options for share placements; (d) place and offer to third parties, in one or more stages, the shares that are not subscribed by the shareholders and/or their assignees within the preferential option period and the shares from fractions produced from dividing the shares pro rata among the shareholders, under the terms provided for in the Corporations Law; and (e) approve all agreements required or that it deems necessary to carry out the capital increase under these proposed terms;
- 6. Approving any amendments to the Company's by-laws that are necessary to implement these modifications and adjusting all permanent and temporary provisions necessary; and
- 7. Adopting all other agreements necessary to implement the decisions made with respect to this process.

Likewise, at that board meeting, the Board also agreed to approve the issuance and registration in the Securities Registry of a line of dematerialized bearer bonds with a maximum maturity of 30 years and for a maximum nominal amount of up to UF 1 million. The new bond line will be targeted at the general market.

At a board meeting on March 28, 2019, the Board of Group Security S.A., agreed to call an annual general shareholders' meeting for April 29, 2019, to address the following matters:

- l. Approval of the annual report and financial statements for the year-ended December 31, 2018, including the report of independent auditors for that year;
- 2. Profit distribution and dividend payments;
- 3. Dividend policies;
- 4. Election of the Board of Directors;
- 5. Board fees for 2019;
- 6. Information regarding Directors' Committee activities during 2018;
- 7. Directors' Committee compensation and approval of the 2019 budget;
- 8. Board expenses in 2018;



- 9. Appointment of the Company's independent auditors;
- 10. Appointment of risk rating agency;
- 11. Information on related party transactions in conformity with art. 146 et seq. of the Corporations Law;
- 12. Designation of the newspaper for legal publications; and
- 13. In general, all other matters that should be addressed at an annual shareholders' meeting according to law.

The Board agreed to propose a final dividend of CH\$7.45 per share at the annual general shareholders' meeting. When added to the interim dividend of CH\$1.9 per share and the additional dividend of CH\$2.6 per share already paid on October 25, 2018, this gives a total dividend of CH\$11.95 per share for 2018.

On April 29, 2019, shareholders agreed to distribute a final dividend for a total of CH \$27,411,514,658, which was paid on May 7, 2019, to shareholders.

On November 13, 2019, Mr. Carlos Budge Carvallo, presented his resignation from the position of director of Administradora General de Fondos Security S.A. Mr. Eduardo Olivares Veloso was appointed to replace him.

#### **FACTORING S.A.**

On April 11, 2019, a bond issuance was approved, charged to the line registered in the CMF Securities Registry under No. 872, for a maximum equivalent to UF 1,500,000 for each series. The maturity for each series of bonds will be up to 5 years.

#### **SECURITIZADORA S.A.**

At an extraordinary board meeting on April 3, 2019, Eduardo Ramírez Gutiérrez was appointed Interim Chief Executive Officer to replace the Chief Executive Officer in the event of absence for any reason.

At an annual general shareholders' meeting on April 30, 2019, shareholders agreed to distribute a final dividend charged to profit for the year 2018 of CH\$200,000,276, equivalent to CH\$19,348 per share. This dividend will be paid on May 10, 2019.

At the same meeting on April 30th, shareholders appointed the firm EY Servicios Profesionales de Auditoría y Asesorías SpA as external auditors for the year 2019.

At an extraordinary board meeting on May 9, 2019, the Board appointed the new Chief Executive Officer, Mr. Jorge Meyer de Pablo, effective June 1, 2019.

At an extraordinary board meeting on November 11, 2019, the Board appointed Alberto Apel Olmedo to replace Carlos Budge Carvallo.

#### SEGUROS VIDA SECURITY PREVISIÓN S.A.

a) On March 26, 2019, the Board unanimously approved a new General Policy for Ordinary Customary Transactions with Related Parties, which are within its line of business and are intended to contribute to the corporate interest and comply with arm's length principles regarding price, terms and conditions.



- b) At the annual general shareholders' meeting on April 18, 2019, the shareholders agreed to distributed a dividend of CH\$ 18,129,807,388.- equivalent to approximately 60.1142% of profit for the year 2018, consisting of a dividend of CH\$44 per share for shareholders registered in the shareholders' registry five business days before the day set for the annual general shareholders' meeting and to be distributed on April 26, 2019, at the offices of the share management company, Depósito Central de Valores. In addition, the shareholders agreed to appoint Ernst & Young as the Company's external auditors for the year 2019, based on their experience and business, their presence and participation as auditors in the insurance industry, their experience with IFRS, their prestige, quality and the cost of the services offered and also to appoint the following risk rating agencies: Fitch Chile Clasificadora de Riesgo Ltda. and ICR Compañía Calificadora de Riesgo Ltda., based on their prestige, quality and the cost of the services offered.
- c) On August 28, 2019, the company notified the market of an extraordinary shareholders' meeting to approve the second phase of the share placement, set its price and adopt other agreements necessary for implementation.
- d) On September 13, 2019, the company communicated the agreements made at the extraordinary shareholders' meeting (i.e. placement of 70,408,186 shares as the second phase of the capital increase agreed at the extraordinary shareholders' meeting on December 18, 2017). Shareholders also agreed on a placement price of 0.01866583342 Unidades de Fomento per share.

#### **VALORES SECURITY CORREDORA DE BOLSA S.A.**

To renew its guarantee, on January 4, 2019, Valores Security S.A. Corredores de Bolsa, contracted an insurance policy for UF10,000 expiring on 08.01.2020, through Cía. Seguros de Crédito Continental S.A., in favor of holders of voluntary retirement savings plans.

On August 23, 2019, Mr. Rodrigo Fuenzalida Besa presented his resignation from the position of Chief Executive Officer of Valores Security S.A. Corredores de Bolsa. On the same date, the Board appointed Piero Nasi Toso to replace him as Chief Executive Officer. During the year 2019, the company recognized a provision of MCH\$4,226 for simultaneous transactions for which it has not been able to collect the balance due from the counterparty.

#### HIPOTECARIA SECURITY PRINCIPAL S.A.

On May 7, 2019, the company reported that shareholders had elected the members of its Board at the annual general shareholders' meeting held on April 29, 2019. At that meeting, shareholders named the following directors with their respective alternates:

On May 1, 2019, Mr. José Miguel Contardo Morandé assumed the position of Chief Financial Officer.

| DIRECTOR                        | ALTERNATE                    |
|---------------------------------|------------------------------|
| Alejandro Alzérreca Luna        | José Miguel Arteaga Infante  |
| María Loreto Herrera Martínez   | Andrés Valenzuela Ugarte     |
| Rodrigo Alejandro Guzmán Leyton | María Macarena Lagos Jiménez |
| María Eugenia Norambuena Bucher | Pablo Cruzat Arteaga         |
| Ignacio Rodríguez Edwards       | Horacio Morandé Contardo     |



#### ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

On January 25, 2019, Administradora General de Fondos Security S.A. signed a Promise Purchase Agreement with Rentas Inmobiliarias Buin Ovalle SpA, Rentas Inmobiliarias Quilpué SpA, Rentas Inmobiliarias Los Militares SpA, RI Rentas Inmobiliarias SpA, Inmobiliaria Comtal SpA, Rentas Nueva Apoquindo SpA and Inmobiliaria Alcalá Limitada, on behalf of one of its managed entities that is in the process of being formed, to acquire eight real estate properties that have been valued at a total of UF 976,000. This will take place through the direct purchase of some real estate properties, assignment/novation of some real estate leases, assignment/novation of some mortgage loans and assignment of some lease agreements.

To renew its fund guarantee, on January 9, 2019, Administradora General de Fondos Security S.A., contracted the following insurance policies to guarantee faithful performance of its obligations as fund manager to manage third-party funds and cover compensation for damages that result from non-compliance in accordance with Article 226 of Law No. 18,045.

The 26th annual shareholders' meeting was held on March 21, 2018, at which shareholders approved the annual report and consolidated financial statements for the year ended March 31, 2018, the external auditors report for the same period, the distribution of profits and dividends, and in general all matters within its jurisdiction in accordance with the law.

On April 26, 2019, the twenty-seventh annual general shareholders' meeting was held at the Company's offices to address the following matters: approval of the annual report, balance sheet and financial statements for the year ended December 31, 2018, and the independent auditors' report for the same period; profit distributions and dividends; setting board compensation for the year 2019; information on the Board's expenses during the year 2018; appointment of the independent auditors; information on related party transactions in conformity with the Corporations Law; selection of the newspaper for legal publications; and in general all other matters that should be addressed at an annual shareholders' meeting according to law.

An extraordinary board meeting of Administradora General de Fondos Security S.A. was held on May 22, 2018, where Mr. Felipe Marin Viñuela was appointed Investment Manager.

Mr. Pablo Jacque Sahr resigned from the position of Investment Manager of Administradora General de Fondos Security S.A. on May 10, 2018. He will continue to serve as an advisor to the company, in order to ensure a smooth transition.

On November 13, 2019, the Board of Administradora General de Fondos Security S.A., accepted the resignation of Mr. Carlos Budge Carvallo from the position of director and appointed Mr. Eduardo Olivares Veloso in his place.

#### **BANCO SECURITY S.A.**

On January 11, 2019, Banco Security received Ruling 228 issued by the SBIF, which applied a fine of UF 696 due to events that the SBIF believes breaches Articles 6 and 6 ter of Law 18,010.

On July 30, 2018, the CMF (formerly SBIF) was informed that the Bank's Board appointed Mr. Ignacio Ruiz Tagle Vergara as second Alternate Director, as agreed in Banco Security's extraordinary shareholder's meeting N°25.



At a board meeting on October 14, 2019, the Board accepted the resignation of Mr. Bonifacio Bilbao H. from the position of Chief Executive Officer as of March 6, 2020. Mr. Eduardo Olivares Veloso was appointed as the new Chief Executive Officer as of that date.

#### INMOBILIARIA CASANUESTRA S.A.

At an extraordinary shareholders' meeting on July 3, 2019, the shareholders agreed to increase capital by CH\$ 1,651,341,786, divided into 170,694 shares, to CH\$4,651,258,860 divided into a total of 480,795 registered, common shares with no par value (i.e. CH\$ 2,999,917,074), by issuing 310,101 new registered, common shares with no par value, which shall be subscribed and paid within a period of three years from this date.

The shares were offered to the current shareholders, prorated based on their shareholdings, at a price of CH\$ 9,674 per share.

On July 11, 2019, the shareholder Capital S.A., subscribed and paid the capital increase in cash for CH\$ 2,999,878,378.

On July 11, 2019, the shareholder Grupo Security S.A., subscribed and paid the capital increase in cash for CH\$ 38,696.

On November 13, 2019, at an extraordinary board meeting, director Carlos Budge Carvallo presented his resignation and Mr. Alberto Apel Olmedo was appointed to replace him until the next shareholders' meeting.

#### INVERSIONES PREVISIÓN SECURITY LTDA.

On August 29, 2019, the Board of Grupo Security S.A., as managing partner of Inversión Previsión Security Limitada, agreed to issue and register in the CMF Securities Registry a line of dematerialized bearer bonds with a maximum maturity of 30 years and for a maximum nominal amount of up to UF 1.5 million. The new line of bonds will be targeted towards the general market and one or more series or sub-series may be issued depending on market conditions.

On September 12, 2019, it was agreed to increase capital by THCH\$45,000,000, of which THCH\$10,000,000 has been prepaid by Grupo Security S.A., leaving a balance of THCH\$35,000,000 payable by Grupo Security S.A., within a period of 5 years from this date.

On October 4, 2019, the partners of Inversiones Previsión Security Limitada withdrew a total of THCH\$20,000,003 from retained earnings, based on their holdings as of the date of distribution.

On October 29, and in conformity with the corporate amendment dated September 12, 2019, the managing partner Grupo Security contributed to a new effective capital increase on that date. The amount of this contribution is THCH\$7,000,000.

#### **NOTE 40 – SUBSEQUENT EVENTS**

#### **SECURITIZADORA S.A.**

On January 8, 2020, the B Series bond of Estate 14-3 was placed on the market for CH \$3,928,014,280.



In management's opinion, between January 1, 2020 and the date of issuance of these financial statements, no other events of a financial or other nature have occurred that could have a significant impact on the balances or interpretation of these financial statements.

#### **BANCO SECURITY S.A.**

On January 10, 2020, Banco Security was informed of Resolution No. 114-005 from the Director of the Financial Analysis Unit, by which it levies a fine of UF 800 for delayed reporting of suspicious operations by a customer.

Banco Security reserves the right to file any legal actions lawfully available to it in order to appeal the aforementioned resolution before administrative and judicial bodies.

#### **TRAVEL SECURITY S.A.**

At an extraordinary shareholders' meeting on January 2, 2020, shareholders of Travel Security S.A., approved a final dividend payment of THCH\$3,200,000, equivalent to CH\$ 12,307.692308 per share charged to retained earnings from prior years.

The payment will be made no later than January 6, 2020.

Between January 1, 2020, and the date these consolidated financial statements were issued, there have been no other subsequent events that significantly affect them.

#### **NOTE 41 - APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were approved by the Board of Directors in an ordinary meeting on Thursday, February 27, 2020.



# ANNUAL EARNINGS REPORT FOR THE

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

#### **GRUPO SECURITY RESULTS**

GRUPO SECURITY REPORTS PROFIT OF MCH \$81,156 FOR THE YEAR 2019, UP 0.8% FROM THE SAME PERIOD IN 2018.

- Banco Security's consolidated profit was MCH \$76,951 for the year 2019, +5.9% YoY, which represents an ROAE of 12.9%. The Bank's standalone profit was MCH \$77,578 for 2019, +21.3% YoY. The Commercial Banking Division reported profit of MCH \$58,005 (+35.4% YoY) for 2019, explained by an increase in gross revenue (12.3% YoY) and reduced provision expenses (-43.5% YoY).
- Banco Security's market share was 3.4% as of December 2019. Commercial loans expanded 12.6% YoY, with market share in its target segment of medium and large companies of 6.1%<sup>(1)</sup>.
- The Bank's consolidated efficiency ratio was 46.5% for 4Q19 and 47.5% for the year 2019. Its risk ratio, measured as provisions to loans, was 1.66% as of December 2019, below 1.69% as of December 2018.
- Factoring Security reported profit of MCH \$9,171 for 2019, +12.5% YoY, with 14.3% YoY growth in total factored receivables.
- Vida Security posted profit of MCH \$20,146 for 2019 (-33.2% YoY). Excluding the one-time effect of the transfer of Protecta Security in December 2018 (MCH \$12,157, reversed in Grupo Security's consolidated results), the company's profit was up 11.9% YoY, because of strong operating performances across all business lines and an improved return on investments in the first nine months of the year.
- Protecta Security reported profit of S./ 22.6 million for 2019, higher than the S./ 2.8 million reported for 2018, due to improved investment income. Protecta Security has 20.5% market share in annuities, positioning it second in sales in the Peruvian market.
- Inversiones Security, including Securitizadora Security, posted profit of MCH \$616 because of a loss in the brokerage subsidiary (-MCH \$5,834) and a weaker performance from the fund management subsidiary (MCH \$5,210, -20.6% YoY).
- Inmobiliaria Security posted a loss of -MCH \$2,214 for 2019, due to ownership being transferred on fewer units compared to the previous year. There is a lag between a sale and revenue recognition. Under IFRS, revenue is recognized once legal title to the property has been transferred.
- Travel Security reported MCH \$4,020 in profit for 2019, +7.1% YoY, with sales similar to the prior year and a rise of CH \$62 YoY in the average exchange rate.
- As a result, the Group reported total profit of MCH \$81,156 for the year 2019, +0.8% YoY.

<sup>(1)</sup> THIS INCLUDES COMPANIES WITH ANNUAL SALES OVER MCH \$800, ONLY IN THE REGIONS OF CHILE WHERE BANCO SECURITY HAS OFFICES. SOURCE: CHILEAN INTERNAL REVENUE SERVICE (SII).



#### SANTIAGO, CHILE - FEBRUARY 28, 2020. GRUPO SECURITY S.A., (BCS: SECURITY; BBG: SECUR).

Grupo Security's CEO, Renato Peñafiel, commented, "Grupo Security reported profit of MCH \$81,156 for 2019, which represents growth of 0.8% over last year. Given the complex fourth quarter of 2019, the uncertain political scenario for the next few months and the difficult international context, we continue to see a negative investment cycle and sluggish growth. However, we are prepared to take a proactive approach with these conditions by strengthening customer relationships, controlling risks and containing costs. In 2019, with the help of leading consultants, we conducted a complete review of the strategy employed by the bank and its asset management subsidiaries, designing a transformation plan that we will begin to implement in 2020. A positive impact on earnings is expected to be seen in 2021. We hope this transformation will enable us to provide our customers with a new service model that is more comprehensive, more efficient and a better fit for their banking and asset management needs."

#### **GRUPO SECURITY INDICATORS**

|   |             |             |             | % CHG |       |
|---|-------------|-------------|-------------|-------|-------|
| IN MCH\$  | DEC-19      | SEP-19      | DEC-18      | QoQ   | YoY   |
| Banco - Total Loans                               | 6,051,817   | 5,822,872   | 5,346,071   | 3.9%  | 13.2% |
| Industry - Total Loans¹                           | 180,057,437 | 174,763,100 | 163,068,919 | 3.0%  | 10.4% |
| Asset Mgt - AUM Mutual Funds                      | 2,660,717   | 2,825,655   | 2,496,079   | -5.8% | 6.6%  |
| Industry - AUM Mutual Funds                       | 45,052,916  | 45,946,411  | 37,637,881  | -1.9% | 19.7% |
| Vida - Investment Portfolio                       | 2,566,175   | 2,573,959   | 2,485,091   | -0.3% | 3.3%  |
| Industry (life insurance) - Investment Portfolio² | -           | 44,688,918  | 41,296,487  | -     | -     |
| Factoring - Total Factored Receivables            | 411,703     | 375,075     | 360,251     | 9.8%  | 14.3% |

| OPERATIONS |       |       |       |       |      |
|------------|-------|-------|-------|-------|------|
| Employees  | 3,961 | 3,969 | 3,939 | -0.2% | 0.6% |

#### **INCOME STATEMENT**

| INCOME STATEMENT                      |         |         |         | % CHG  |        |          |          |        |
|---------------------------------------|---------|---------|---------|--------|--------|----------|----------|--------|
| IN MCH\$                              | 4Q19    | 3Q19    | 4Q18    | QoQ    | YoY    | 2019     | 2018     | % CHG  |
| Banco - Net Interest Margin           | 47,523  | 49,388  | 42,486  | -3.8%  | 11.9%  | 182,435  | 168,225  | 8.4%   |
| Banco - Net Fee and Commission Income | 15,085  | 17,394  | 17,256  | -13.3% | -12.6% | 67,277   | 68,754   | -2.1%  |
| Banco - Operating Expenses            | -33,804 | -33,247 | -32,372 | 1.7%   | 4.4%   | -132,955 | -128,323 | 3.6%   |
| Banco - Net Provision Expenses        | -12,350 | -14,742 | -13,981 | -16.2% | -11.7% | -41,891  | -41,550  | 0.8%   |
| Vida - Gross Written Premiums         | 64,463  | 61,031  | 67,828  | 5.6%   | -5.0%  | 257,999  | 336,094  | -23.2% |
| Vida - Claims Paid                    | -51,828 | -33,825 | -11,979 | 53.2%  | 332.6% | -136,306 | -97,007  | 40.5%  |
| Vida - Pensions Paid                  | -21,813 | -32,062 | -51,495 | -32.0% | -57.6% | -138,614 | -202,659 | -31.6% |
| Vida - Investment Income              | 32,649  | 36,507  | 23,851  | -10.6% | 36.9%  | 145,276  | 98,570   | 47.4%  |
| Factoring - Revenue                   | 8,961   | 8,691   | 7,881   | 3.1%   | 13.7%  | 34,665   | 29,829   | 16.2%  |

EXCLUDING FOREIGN SUBSIDIARIES OF CHILEAN BANKS NOT AVAILABLE AS OF THE DATE OF PUBLICATION OF THE



#### **RATIOS**

|                                     |        |        |        |                  | CHG    |
|-------------------------------------|--------|--------|--------|------------------|--------|
|                                     | DEC-19 | SEP-19 | DEC-18 | Q <sub>0</sub> Q | YoY    |
| Grupo - Share Price (CH\$)          | 195.6  | 251.0  | 290.9  | -22.1%           | -32.8% |
| Grupo - Number of Shares (millions) | 3,695  | 3,695  | 3,695  | 0.0%             | 0.0%   |
| Grupo - ROAE                        | 10.8%  | 11.1%  | 11.2%  | -22 p            | -41 p  |
| Banco (Consolidated) - ROAE         | 12.9%  | 13.2%  | 12.8%  | -31 p            | 3 p    |
| Factoring - ROAE                    | 18.6%  | 18.7%  | 18.7%  | -15 p            | -11 p  |
| Vida - ROAE                         | 10.8%  | 8.0%   | 18.5%  | 287 p            | -763 p |
| Travel - ROE                        | 37.9%  | 25.6%  | 33.8%  | 1230 p           | 410 p  |
| Grupo - Leverage                    | 35.1%  | 36.0%  | 34.5%  | -93 p            | 62 p   |
| Banco - Efficiency                  | 47.5%  | 47.8%  | 47.7%  | -32 p            | -28 p  |
| Factoring - Efficiency              | 42.2%  | 41.6%  | 42.5%  | 62 p             | -31 p  |
| Banco - Nonperforming Loans         | 1.55%  | 1.52%  | 1.50%  | 3 p              | 5 p    |
| Banco - Risk Index                  | 1.66%  | 1.62%  | 1.69%  | 4 p              | -3 p   |
| Factoring - Risk Index              | 1.9%   | 2.1%   | 2.2%   | -23 p            | -31 p  |
| Banco - BIS Tier I Ratio            | 7.8%   | 7.6%   | 7.8%   | 11 p             | -4 p   |
| Banco - BIS Tier II Ratio           | 12.9%  | 12.8%  | 13.2%  | 10 p             | -31 p  |

#### ROAE: ANNUALIZED PROFIT OVER AVERAGE EQUITY ATTRIBUTABLE TO OWNERS

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

On October 3, 2019, Grupo Security's board approved a dividend of CH\$4.8 per share. This consists of an additional dividend of CH\$2.6 per share charged to profit for 2018 and an interim dividend of CH \$2.2 per share charged to profit for the current year. The board also decided to register a line of bonds with a maximum maturity of 30 years for up to UF 1 million (nominal) that will soon begin the regulatory registration process.

At an extraordinary shareholders' meeting on October 3rd, Grupo Security shareholders approved a capital increase of up to CH\$100.0 billion, which is currently being registered with regulators.

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

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

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



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

#### **CONTACT INFORMATION**

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## **GRUPO SECURITY EARNINGS REPORT FOR 4Q19 AND 2019**

Grupo Security posted profit of MCH \$81,156 for the year ended December 2019 (+0.8% YoY) and MCH \$20,130 for 4Q19 (+10.6% QoQ). EBITDA totaled MCH \$138,799 for the year 2019 (+5.3% YoY) and MCH \$34,059 for 4Q19 (+0.8% QoQ).

The Group posted an ROAE as of December 2019 of 10.8%, -41 b.p. YoY and -22 b.p. QoQ. Profit from the Group's business areas for 1H19 was MCH \$109,888, -6.2% YoY.

#### **EARNINGS CONTRIBUTION BY BUSINESS AREA**

#### **EARNINGS FROM RELATED COMPANIES**

|  |         |         |        | % (    | CHG    |         |        |        |
|--|---------|---------|--------|--------|--------|---------|--------|--------|
| (MCH\$)                                | 4Q19    | 3Q19    | 4Q18   | QoQ    | YoY    | DEC-19  | DEC-18 | % CHG  |
| LENDING AREA                           |         |         |        |        |        |         |        |        |
| Banco Security (standalone)            | 20,737  | 20,398  | 13,204 | 1.7%   | 57.0%  | 77,581  | 63,970 | 21.3%  |
| Factoring Security                     | 2,353   | 2,371   | 2,136  | -0.8%  | 10.1%  | 9,171   | 8,155  | 12.5%  |
| ASSET MANAGEMENT AREA                  |         |         |        |        |        |         |        |        |
| Valores Security                       | (3,089) | (3,531) | 250    | -      | -      | (5,834) | 2,123  | -      |
| AGF Security                           | 722     | 1,564   | 1,961  | -53.8% | -63.2% | 5,210   | 6,563  | -20.6% |
| Securitizadora Security                | 1,866   | (114)   | 2,081  | -      | -10.3% | 1,232   | 2,004  | -38.5% |
| INSURANCE AREA                         |         |         |        |        |        |         |        |        |
| Vida Security                          | 1,957   | 7,073   | 18,739 | -72.3% | -89.6% | 20,458  | 30,159 | -32.2% |
| Servicios Security                     | 86      | 352     | 188    | -75.6% | -54.5% | 819     | 639    | 28.1%  |
| OTHER SERVICES                         |         |         |        |        |        |         |        |        |
| Inmobiliaria Security                  | (681)   | (669)   | 1,005  | -      | -      | (2,214) | (232)  | -      |
| Travel Security                        | 1,527   | 798     | 990    | 91.3%  | 54.2%  | 4,020   | 3,752  | 7.1%   |
| INTERNATIONAL BUSINESS AREA            |         |         |        |        |        |         |        |        |
| Protecta Security (Thousands of soles) | 11,453  | 2,228   | 4,425  | 414.1% | 158.8% | 22,572  | 2,810  | 703.1% |
| Travex Security (Thousands of soles)   | (322)   | 87      | 822    | -      | -      | 72      | 3,034  | -97.6% |
| GRUPO SECURITY PROFIT                  | 20,130  | 18,207  | 22,725 | 10.6%  | -11.4% | 81,156  | 80,548 | 0.8%   |

<sup>(1)</sup> SUBSIDIARY EARNINGS CORRESPOND TO 100% OF THEIR PROFITS AND DIFFER FROM THOSE USED TO PREPARE THE SEGMENT NOTE, WHICH INCLUDES CONSOLIDATION ADJUSTMENTS TO ACCOUNT FOR GRUPO SECURITY'S PERCENT OWNERSHIP IN EACH OF ITS RESPECTIVE SUBSIDIARIES.



#### **REVIEW OF OPERATIONS BY BUSINESS AREA**

#### **LENDING BUSINESS AREA**

#### (69.9% OF ASSETS; 79.2% OF PROFIT FROM BUSINESS AREAS AS OF DECEMBER 2019)

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 the year 2019, Banco Security reported consolidated profit attributable to its owners of MCH \$76,951, +5.9% YoY. Banco Security's standalone profit (excluding subsidiaries AGF Security and Valores Security Corredores de Bolsa) was MCH \$77,578, +21.3% YoY.

The return on average equity for Banco Security came to 12.9%.

#### **BANCO SECURITY - OPERATING SEGMENTS**

#### **BANCO SECURITY SEGMENT NOTE (YoY)**

|  | COMM<br>BANI | ERCIAL<br>(ING | RETAIL B | ANKING  | TREA    | SURY    | ОТІ     | HER    | TOTAL    | BANK     | SUBSIC  | DIARIES |          | TAL<br>LIDATED |
|--|--------------|----------------|----------|---------|---------|---------|---------|--------|----------|----------|---------|---------|----------|----------------|
| IN MCH\$   | DEC-19       | DEC-18         | DEC-19   | DEC-18  | DEC-19  | DEC-18  | DEC-19  | DEC-18 | DEC-19   | DEC-18   | DEC-19  | DEC-18  | DEC-19   | DEC-18         |
| Net interest margin  | 96,169       | 84,864         | 67,122   | 64,743  | 27,918  | 22,737  | -8,449  | -3,702 | 182,760  | 168,642  | -325    | -417    | 182,435  | 168,225        |
| Δ% 12M19   | 13.3%        |                | 3.7%     |         | 22.8%   |         | 128.2%  |        | 8.4%     |          | -22.1%  |         | 8.4%     |                |
| Net fee and commission income                                    | 20,872       | 18,592         | 20,582   | 22,143  | -317    | -361    | 483     | -765   | 41,619   | 39,609   | 25,658  | 29,145  | 67,277   | 68,754         |
| Δ% 12M19   | 12.3%        |                | -7.1%    |         | -12.3%  |         | -163.1% |        | 5.1%     |          | -12.0%  |         | -2.1%    |                |
| Net FX transactions and other income                             | 8,455        | 8,306          | 1,574    | 2,294   | 17,257  | 12,469  | -3,348  | -5,542 | 23,938   | 17,528   | 2,397   | 7,923   | 26,335   | 25,45          |
| Δ% 12M19   | 1.8%         |                | -31.4%   |         | 38.4%   |         | -39.6%  |        | 36.6%    |          | -69.7%  |         | 3.5%     |                |
| Loan losses and foreclosed assets                                | -11,142      | -19,711        | -28,408  | -22,401 | 38      | -46     | -2,059  | 695    | -41,571  | -41,463  | 0       | 0       | -41,571  | -41,463        |
| Δ% 12M19   | -43.5%       |                | 26.8%    |         | -       |         | -396.2% |        | 0.3%     |          | -       |         | 0.3%     |                |
| TOTAL OPERATING INCOME (LOSS), NET OF PROVISIONS FOR LOAN LOSSES | 114,353      | 92,051         | 60,870   | 66,780  | 44,897  | 34,799  | -13,374 | -9,314 | 206,746  | 184,316  | 27,730  | 36,651  | 234,476  | 220,967        |
| Δ% 12M19   | 24.2%        |                | -8.9%    |         | 29.0%   |         | 43.6%   |        | 12.2%    |          | -24.3%  |         | 6.1%     |                |
| Operating expenses   | -38,441      | -37,075        | -58,522  | -56,673 | -12,508 | -12,145 | 4,237   | 3,651  | -105,234 | -102,242 | -27,721 | -26,081 | -132,955 | -128,323       |
| Δ% 12M19   | 3.7%         |                | 3.3%     |         | 3.0%    |         | 16.0%   |        | 2.9%     |          | 6.3%    |         | 3.6%     |                |
| NET OPERATING INCOME (LOSS)                                      | 75,913       | 54,976         | 2,348    | 10,107  | 32,388  | 22,654  | -9,137  | -5,663 | 101,512  | 82,074   | 9       | 10,570  | 101,521  | 92,644         |
| Δ% 12M19   | 38.1%        |                | -76.8%   |         | 43.0%   |         | 61.3%   |        | 23.7%    |          | -99.9%  |         | 9.6%     |                |
| Income tax benefit (expense)                                     | -17,908      | -12,136        | -554     | -2,231  | -7,641  | -5,001  | 2,151   | 1,247  | -23,952  | -18,122  | -630    | -1,884  | -24,582  | -20,006        |
| Δ% 12M19   | 47.6%        |                | -75.2%   |         | 52.8%   |         | 72.5%   |        | 32.2%    |          | -66.6%  |         | 22.9%    |                |
| PROFIT (LOSS)<br>ATTRIBUTABLE TO<br>OWNERS OF THE BANK           | 58,005       | 42,840         | 1,794    | 7,876   | 24,748  | 17,653  | -6,968  | -4,398 | 77,578   | 63,970   | -627    | 8,683   | 76,951   | 72,653         |
| Δ% 12M19   | 35.4%        |                | -77.2%   |         | 40.2%   |         | 58.4%   |        | 21.3%    |          | -107.2% |         | 5.9%     |                |



#### **BANCO SECURITY SEGMENT NOTE (QoQ)**

|  | COMM<br>BANI | ERCIAL<br>KING | RETAIL BA | NKING   | TREA   | SURY   | ОТН    | HER    | TOTAL   | BANK    | SUBSID  | IARIES |         | TAL<br>LIDATED |
|--|--------------|----------------|-----------|---------|--------|--------|--------|--------|---------|---------|---------|--------|---------|----------------|
| IN MCH\$   | 4Q-19        | 3Q-19          | 4Q-19     | 3Q-19   | 4Q-19  | 3Q-19  | 4Q-19  | 3Q-19  | 4Q-19   | 3Q-19   | 4Q-19   | 3Q-19  | 4Q-19   | 3Q-19          |
| Net interest margin  | 26,226       | 24,289         | 16,898    | 16,887  | 7,161  | 9,681  | -2,717 | -1,390 | 47,567  | 49,466  | -44     | -78    | 47,523  | 49,388         |
| Δ% 4Q19  | 8.0%         |                | 0.1%      |         | -26.0% |        | 95.4%  |        | -3.8%   |         | -43.6%  |        | -3.8%   |                |
| Net fee and commission income                                    | 5,784        | 4,900          | 4,558     | 5,353   | -81    | -86    | 79     | 64     | 10,339  | 10,231  | 4,746   | 7,163  | 15,085  | 17,394         |
| Δ% 4Q19  | 18.0%        |                | -14.8%    |         | -      |        | -      |        | 1.1%    |         | -33.7%  |        | -13.3%  |                |
| Net FX transactions and other income                             | 2,029        | 1,919          | -16       | 942     | 5,882  | 5,740  | -2,202 | -769   | 5,693   | 7,833   | 1,397   | -2,652 | 7,090   | 5,181          |
| Δ% 4Q19  | 5.7%         |                | -101.7%   |         | 2.5%   |        | 186.3% |        | -27.3%  |         | -152.7% |        | 36.9%   |                |
| Loan losses and repossessed assets                               | -3,475       | -4,556         | -9,262    | -7,434  | 0      | 2      | 2,395  | -2,793 | -10,342 | -14,780 | 0       | 0      | -10,342 | -14,780        |
| Δ% 4Q19  | -23.7%       |                | 24.6%     |         | _      |        | -      |        | -30.0%  |         | -       |        | -30.0%  |                |
| TOTAL OPERATING INCOME (LOSS), NET OF PROVISIONS FOR LOAN LOSSES | 30,563       | 26,552         | 12,178    | 15,748  | 12,961 | 15,337 | -2,445 | -4,888 | 53,257  | 52,750  | 6,099   | 4,433  | 59,356  | 57,183         |
| Δ% 4Q19  | 15.1%        |                | -22.7%    |         | -15.5% |        | -50.0% |        | 1.0%    |         | 37.6%   |        | 3.8%    |                |
| Operating expenses   | -10,135      | -9,491         | -15,058   | -14,311 | -2,883 | -3,068 | 1,680  | 1,018  | -26,396 | -25,852 | -7,408  | -7,395 | -33,804 | -33,247        |
| Δ% 4Q19  | 6.8%         |                | 5.2%      |         | -6.0%  |        | 65.0%  |        | 2.1%    |         | 0.2%    |        | 1.7%    |                |
| NET OPERATING INCOME (LOSS)                                      | 20,428       | 17,061         | -2,880    | 1,438   | 10,078 | 12,269 | -765   | -3,870 | 26,861  | 26,898  | -1,309  | -2,962 | 25,552  | 23,936         |
| Δ% 4Q19  | 19.7%        |                | -         |         | -17.9% |        | -80.2% |        | -0.1%   |         | -55.8%  |        | 6.8%    |                |
| Income tax benefit (expense)                                     | -4,663       | -4,140         | 694       | -350    | -2,315 | -2,946 | 156    | 930    | -6,128  | -6,507  | -1,054  | 993    | -7,182  | -5,514         |
| Δ% 4Q19  | 12.6%        |                | -298.4%   |         | -21.4% |        | -83.2% |        | -5.8%   |         | -206.1% |        | 30.3%   |                |
| PROFIT (LOSS)<br>ATTRIBUTABLE TO OWNERS<br>OF THE BANK           | 15,765       | 12,920         | -2,186    | 1,088   | 7,763  | 9,322  | -609   | -2,929 | 20,733  | 20,401  | -2,367  | -1,973 | 18,367  | 18,428         |
| Δ% 4Q19  | 22.0%        |                | -300.9%   |         | -16.7% |        | -79.2% |        | 1.6%    |         | 19.9%   |        | -0.3%   |                |
|  |              |                |           |         |        |        |        |        |         |         |         |        |         |                |

#### **COMMERCIAL BANKING**

Banco Security's Commercial Banking Division targets companies with annual sales above MUS\$ 1.2. While Banco Security's core business targets large companies, efforts have been made in recent years to strengthen the medium-sized company segment by tailoring services to its needs. This strategy is designed to diversify our customer base and improve returns in each segment.

#### **COMMERCIAL LOANS BY ECONOMIC SECTOR**

| IN MCH\$                           | DEC-19    | % OF TOTAL |
|------------------------------------|-----------|------------|
| Construction and real estate       | 966,613   | 20.3%      |
| Financial services and insurance   | 970,000   | 20.4%      |
| Real estate and corporate services | 781,136   | 16.4%      |
| Wholesale and retail trade         | 488,677   | 10.3%      |
| Manufacturing                      | 368,073   | 7.7%       |
| Transport                          | 268,964   | 5.6%       |
| Social services                    | 353,974   | 7.4%       |
| Utilities                          | 214,157   | 4.5%       |
| Agriculture and livestock          | 154,410   | 3.2%       |
| Fishing                            | 107,069   | 2.2%       |
| Mining                             | 57,187    | 1.2%       |
| Telecom                            | 23,394    | 0.5%       |
| Forestry                           | 8,090     | 0.2%       |
| TOTAL COMMERCIAL LOANS             | 4,761,744 | 100%       |



As of December 2019, commercial loans had expanded 12.6% YoY to CH \$4,762 billion. Industry wide, commercial loans grew 10.1% YoY. Including foreign subsidiaries, the industry's commercial loans grew 10.4% YoY. Banco Security's market share in commercial loans was 4.8% for 2019 (excluding foreign subsidiaries), while its market share in its target segment of medium and large companies was 6.1%<sup>(2)</sup>. The Commercial Banking Division had 9,281 customers as of December 2019 (+2.7% YoY).

The Commercial Banking Division posted profit of MCH \$58,005 for the year 2019 (+35.4% YoY). This is explained by a larger net interest margin of MCH \$96,169 for 2019 (+13.3% YoY), due to increased commercial loans (+12.6% YoY). Net fee and commission income totaled MCH \$20,872 (+12.3% YoY), due to increased business. Financial operating income, net FX transactions and other income totaled MCH \$8,455 (+1.8% YoY). In addition, the division reported lower provision expenses of MCH \$11,142 (-43.5% YoY), due to a well-performing portfolio during the period. Operating expenses rose to MCH \$38,441 (+3.7% YoY), because of increased expenses for advisory services and regulatory projects.

The division reported profit of MCH \$15,765 for 4Q19 (+22.0% QoQ), explained by a larger net interest margin of MCH \$26,226 (+8.0% QoQ), due to increased loans (+3.6% QoQ). Net fee and commission income totaled MCH \$5,784 for 4Q19 (+18.0% QoQ), due to increased business, while financial operating income, net FX transactions and other income reached MCH \$2,029 (+5.7% QoQ). In addition, the division reported lower provision expenses of MCH \$3,475 (-23.7% QoQ), due to a strongly performing portfolio. These effects were not fully offset by higher administrative expenses of MCH \$10,135 (+6.8% QoQ), because of benefits paid to workers.

#### **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 December 2019, the Bank had total retail loans (consumer + mortgage) of BCH \$1,290 (+16.4% YoY), driven by consumer (+9.6% YoY) and mortgage (+12.3% YoY) loans, representing 9.0% and 12.3% of the Bank's total loans, respectively. For the industry, retail loans were up 9.8% YoY, driven by consumer (+7.2% YoY) and mortgage (+11.2% YoY) loans. Including foreign subsidiaries, the industry's retail loans grew +9.7% YoY. As of November 30, 2019, Santander Consumer, a non-banking company providing automotive financing, joined the Chilean banking industry with BCH\$451 in consumer loans, and was consolidated with Banco Santander. The Bank boasts market share of 4.0%<sup>(3)</sup> in its target segment of high-income individuals as of December 2019. The Retail Banking Division had 70,633 customers as of December 2019 (-0.1% YoY).

The Retail Banking Division reported profit of MCH \$1,794 for 2019 (-77.2% YoY), with a net interest margin of MCH \$67,122 (+3.7% YoY), which was more than offset by reduced net fee and commission income and a rise in provision expenses. In particular,



the division's net fee and commission income fell to MCH \$20,582 (-7.1% YoY), due to reduced sales of supplementary loan insurance products. Financial operating income, net FX transactions and other income totaled MCH \$1,574 (-31.4% YoY), due to decreased sales of mortgage bonds. Risk expenses amounted to MCH \$28,408 (+26.8% YoY), explained by MCH \$2,439 in provisions to implement the new group commercial matrix, which took force in July 2019, 16.4% loan growth and a rise in delinquency in the last few months of the year. Operating expenses rose to MCH \$58,522 (+3.3% YoY) mainly due to increased business from mortgages and credit cards.

In 4Q19 the division reported a loss of -MCH \$2,186 (versus MCH \$1,088 in 3Q19), with a net interest margin of MCH \$16,898 (+0.1% QoQ) explained by an increase in deposits and 5.4% loan growth, offset by a smaller spread. Net fee and commission income totaled MCH \$4,558 (-14.8% QoQ) due to lower revenue from supplementary loan insurance products, while financial operating income, net FX transactions and other income totaled -MCH \$1n (versus MCH \$942 in 3Q19), because of a drop in sales of mortgage bonds. The division had higher provision expenses of MCH \$9,262 (+24.6% QoQ) due to loan growth (+5.4% QoQ) and a rise in delinquency during the last quarter of the year, mainly in consumer loans. Operating expenses rose to MCH \$15,058 (+5.2% QoQ), because of increased business from credit cards and benefits paid to workers.

#### **TREASURY**

For the year 2019, the treasury division reported profit of MCH \$24,748, (+40.2% YoY), due to a larger net interest margin of MCH \$27,918 (+22.8% YoY) because of more prepayments on commercial loans. Financial operating income, net FX transactions and other income totaled MCH \$17,257 (+38.4% YoY), due to increased business from brokering bonds. Operating expenses rose to MCH \$12,508 (+3.0% YoY) mainly due to higher security expenses and increased business in general.

During 4Q19, the division reported profit of MCH \$7,763 (-16.7% QoQ), due to a lower net interest margin of MCH \$7,161 (-26.0% QoQ), because of fewer prepayments. Bear in mind that 3Q19 represents a high basis of comparison for these types of income. The above was not fully offset by a rise in financial operating income, net FX transactions and other income, which totaled MCH \$5,882 (+2.5% QoQ), or lower administrative expenses of MCH \$2,883 (-6.0% QoQ).

The treasury division consists of trading, investment, distribution and asset and liability management (ALM) operations. The ALM desk manages financial investments used to stabilize the net interest margin, manage interest rate risk in the balance sheet, manage liquidity and efficiently fund the Bank's loan portfolio. For 2019, ALM represented 56.1% 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 24.7% of treasury income. The remaining 19.3% of treasury income comes from the distribution desk, which brokers specialized products for commercial banking customers (currency, forwards and structured products).

#### **BANCO SECURITY - CONSOLIDATED STATEMENT OF INCOME**

Banco Security posted consolidated profit of MCH \$76,957 for 2019 (+5.9% YoY) and MCH \$18,370 for 4Q19 (-0.3% QoQ).

|   |         |         |         | % C    | :HG    |          |          |        |
|---|---------|---------|---------|--------|--------|----------|----------|--------|
|   | 4Q19    | 3Q19    | 4Q18    | QoQ    | YoY    | 2019     | 2018     | % CHG  |
| Net interest margin                                   | 47,523  | 49,388  | 42,486  | -3.8%  | 11.9%  | 182,435  | 168,225  | 8.4%   |
| Net fee and commission income                         | 15,085  | 17,394  | 17,256  | -13.3% | -12.6% | 67,277   | 68,754   | -2.1%  |
| Net financial operating income                        | 5,248   | 8,780   | 9,025   | -40.2% | -41.9% | 24,078   | 23,736   | 1.4%   |
| Net foreign exchange transactions                     | 6,257   | 1,848   | -1,224  | 238.6% | -      | 10,461   | 3,215    | 225.4% |
| Recovery of written-off loans                         | 925     | 906     | 1,599   | 2.1%   | -42.2% | 3,804    | 6,287    | -39.5% |
| Other net operating loss                              | -2,407  | -5,485  | -1,405  | -      | -      | -7,884   | -1,413   | -      |
| TOTAL OPERATING INCOME                                | 72,631  | 72,831  | 67,737  | -0.3%  | 7.2%   | 280,171  | 268,804  | 4.2%   |
| Provisions for loan losses                            | -13,275 | -15,648 | -15,580 | -15.2% | -14.8% | -45,695  | -47,837  | -4.5%  |
| Administrative expenses                               | -33,804 | -33,247 | -32,372 | 1.7%   | 4.4%   | -132,955 | -128,323 | 3.6%   |
| NET OPERATING INCOME                                  | 25,552  | 23,936  | 19,785  | 6.8%   | 29.1%  | 101,521  | 92,644   | 9.6%   |
| Income attributable to investments in other companies | 0       | 10      | 0       | -      | -      | 18       | 18       | -      |
| PROFIT BEFORE TAX                                     | 25,552  | 23,946  | 19,785  | 6.7%   | 29.1%  | 101,539  | 92,662   | 9.6%   |
| Income tax benefit (expense)                          | -7,182  | -5,514  | -4,370  | 30.3%  | 64.3%  | -24,582  | -20,006  | 22.9%  |
| PROFIT FOR THE YEAR                                   | 18,370  | 18,432  | 15,415  | -0.3%  | 19.2%  | 76,957   | 72,656   | 5.9%   |

For 2019, the Bank reported a net interest margin of MCH \$182,435 (+8.4% YoY), explained by greater total loans (+13.2% YoY). Interest and indexation income for 2019 was MCH \$406,221 (+8.3% YoY), mainly due to an increase in loans. Interest and indexation expense totaled MCH \$223,786 for 2019 (+8.1% YoY), due to 20.3% YoY growth in the Bank's total liabilities.

The net interest margin for 4Q19 was MCH \$47,523 (-3.8% QoQ), due to a rise in debt instruments issued, partially offset by increased loans. Interest and indexation income reached MCH \$110,586 (+10.1% QoQ) due to larger loan volumes (+3.9%), while interest and indexation expense totaled CH M\$63,063 (+23.4% QoQ), due to a 10.6% increase in the Bank's total loans, a rise in debt instruments issued and a 25 bp drop in the MPR, which has a quicker impact on liabilities than assets.

|   |         |         |         | % CHG |       |          |          |       |
|---|---------|---------|---------|-------|-------|----------|----------|-------|
| NET INTEREST MARGIN                                 | 4Q19    | 3Q19    | 4Q18    | QoQ   | YoY   | 2019     | 2018     | % CHG |
| Interest and indexation income                      | 110,586 | 100,483 | 99,040  | 10.1% | 11.7% | 406,221  | 375,166  | 8.3%  |
| Interest and indexation expenses                    | -63,063 | -51,095 | -56,554 | 23.4% | 11.5% | -223,786 | -206,941 | 8.1%  |
| NET INTEREST MARGIN                                 | 47,523  | 49,388  | 42,486  | -3.8% | 11.9% | 182,435  | 168,225  | 8.4%  |
| Interest margin net of provisions                   | 34,248  | 33,740  | 26,906  | 1.5%  | 27.3% | 136,740  | 120,388  | 13.6% |
| NET INTEREST MARGIN / TOTAL LOANS                   | 3.14%   | 3.39%   | 3.18%   | -25 P | -4 P  | 3.01%    | 3.15%    | -13 P |
| NET INTEREST MARGIN NET OF PROVISIONS / TOTAL LOANS | 2.26%   | 2.32%   | 2.01%   | -5 P  | 25 P  | 2.26%    | 2.25%    | 1 P   |



Net fee and commission income totaled MCH \$67,277 for 2019 (-2.1% YoY), due to decreased business at the Bank's subsidiaries, partially offset by a rise in net fee and commission income because of loan growth in the Commercial Banking Division. Net fee and commission income for 4Q19 totaled MCH \$15,085 (-13.3% QoQ), because of decreased business at the Bank's subsidiaries (AGF and Valores Security).

Net financial income, which is the sum of net financial operating income and the net gain from foreign exchange transactions, totaled MCH \$34,539 for 2019 (+28.2% YoY), due to greater bond brokerage income in the treasury division and foreign exchange transactions with corporate customers. This item totaled MCH \$11,505 in 4Q19 (+8.3% QoQ), due to a strong performance by the Treasury Division's Investment Desk.

Expenses for provision for loan losses reached MCH \$45,695 for 2019 (-4.5% YoY), due to a strong performance from the Commercial Banking Division's portfolio. For 4Q19, provisions for loan losses totaled MCH \$13,275, -15.2% QoQ. Provision expenses net of recovered loans was 0.82% for 4Q19 (-20 b.p. QoQ).

|   |           |           |           | % (              | СНС     |
|---|-----------|-----------|-----------|------------------|---------|
| IN MCH\$                                | 4Q19      | 3Q19      | 4Q18      | Q <sub>0</sub> Q | YoY     |
| TOTAL LOANS                             | 6,051,817 | 5,822,872 | 5,346,071 | 3.9%             | 13.2%   |
| Nonperforming loans - consumer          | 8,807     | 7,175     | 6,256     | 22.7%            | 40.8%   |
| Nonperforming loans - mortgage          | 9,365     | 7,814     | 5,910     | 19.8%            | 58.5%   |
| Nonperforming loans - commercial        | 75,643    | 73,636    | 67,963    | 2.7%             | 11.3%   |
| TOTAL NONPERFORMING PORTFOLIO (%)       | 93,815    | 88,625    | 80,129    | 5.9%             | 17.1%   |
| Nonperforming portfolio - consumer      | 1.62%     | 1.33%     | 1.26%     | 29 p             | 36 p    |
| Nonperforming portfolio - mortgage      | 1.26%     | 1.14%     | 0.97%     | 11 p             | 29 p    |
| Nonperforming portfolio - commercial    | 1.59%     | 1.60%     | 1.61%     | -1 p             | -2 p    |
| TOTAL NONPERFORMING PORTFOLIO (%)       | 1.55%     | 1.52%     | 1.50%     | 3 P              | 5 P     |
| Gross provisions                        | 137,705   | 122,493   | 127,529   | 12.4%            | 8.0%    |
| Write-offs                              | (37,179)  | (27,962)  | (37,377)  | 33.0%            | -0.5%   |
| PROVISIONS FOR LOAN LOSSES              | 100,526   | 94,531    | 90,152    | 6.3%             | 11.5%   |
| Provisions - consumer                   | 23,689    | 22,528    | 20,264    | 5.2%             | 16.9%   |
| Provisions - mortgage                   | 1,469     | 1,279     | 1,075     | 14.9%            | 36.7%   |
| Provisions - commercial                 | 75,368    | 70,724    | 68,813    | 6.6%             | 9.5%    |
| PROVISIONS FOR LOAN LOSSES              | 100,526   | 94,531    | 90,152    | 6.3%             | 11.5%   |
| Coverage - consumer                     | 269.0%    | 314.0%    | 323.9%    | -4500 p          | -5493 p |
| Coverage - mortgage                     | 15.7%     | 16.4%     | 18.2%     | -68 p            | -250 p  |
| Coverage - commercial                   | 99.6%     | 96.0%     | 101.3%    | 359 p            | -161 p  |
| TOTAL NPL COVERAGE <sup>1</sup>         | 107.2%    | 106.7%    | 112.5%    | 49 p             | -536 P  |
| Provisions / Loans                      | 1.66%     | 1.62%     | 1.69%     | 4 p              | -3 p    |
| Provision expenses <sup>2</sup> / Loans | 0.82%     | 1.01%     | 1.05%     | -20 p            | -23 p   |
| TOTAL RISK PROVISIONS <sup>3</sup>      | -         | -         | -         | -15.2%           | -14.8%  |
| Risk provisions - consumer              | (6,504)   | (5,950)   | (5,809)   | 9.3%             | 12.0%   |
| Risk provisions - mortgage              | (381)     | (81)      | (8)       | 370.4%           | -       |
| Risk provisions - commercial            | (8,327)   | (11,727)  | (10,284)  | -29.0%           | -19.0%  |

<sup>1</sup> PROVISIONS FOR LOAN LOSSES / TOTAL NONPERFORMING LOANS.

<sup>2</sup> PROVISIONS NET OF RECOVERY.

THE TOTAL AMOUNT FOR 4Q19 IS CALCULATED BY TAKING THE CONSUMER, MORTGAGE AND COMMERCIAL PROVISIONS AND ADDING MCH \$22 IN PROVISIONS FOR INTERBANK LOANS MCH\$ IN ADDITIONAL PROVISIONS, MCH \$2,074 IN PROVISIONS FOR CONTINGENT LOANS, LESS MCH \$159 FOR THE ADJUSTMENT TO THE PROVISION FOR THE NORMAL PORTFOLIO.

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 December 2019, Banco Security's risk index was 1.66%, -3 b.p. YoY and +4 b.p. QoQ. The 90-day non-performing loans portfolio was 1.55%, +5 b.p. YoY and +3 b.p. QoQ. The resulting 90-day NPL coverage ratio was 107.2%.

|                  |          | CREDIT RISK (%) |                  |            |       |          |           |            |       |  |  |  |  |  |
|------------------|----------|-----------------|------------------|------------|-------|----------|-----------|------------|-------|--|--|--|--|--|
|                  |          | PI              | ROVISIONS / LOAI | NS         |       |          | NONPERFOR | MING LOANS |       |  |  |  |  |  |
|                  | MORTGAGE | CONSUMER        | TOTAL            | COMMERCIAL | TOTAL | MORTGAGE | CONSUMER  | COMMERCIAL | TOTAL |  |  |  |  |  |
| Banco Security   | 0.20     | 4.35            | 1.95             | 1.58       | 1.66  | 1.26     | 1.62      | 1.59       | 1.55  |  |  |  |  |  |
| Peer banks*      | 0.26     | 3.93            | 1.25             | 1.66       | 1.59  | 1.79     | 1.29      | 1.54       | 1.48  |  |  |  |  |  |
| Banking industry | 0.72     | 7.09            | 2.83             | 2.40       | 2.56  | 2.37     | 2.51      | 1.84       | 2.07  |  |  |  |  |  |

<sup>\*</sup> AVERAGE FOR BICE, CONSORCIO, INTERNACIONAL AND SECURITY

For 2019, the Bank reported operating expenses of MCH \$132,955 (+3.6% YoY) Administrative expenses rose to MCH \$66,947 (+2.9% YoY) mainly due to higher expenses for advisory services and increased business from mortgage loans and credit cards. Depreciation and amortization expenses were MCH \$7,133 for 2019, +37.6% YoY, explained by the effects of applying IFRS 16, which records lease contracts in depreciation and amortization instead of administrative expenses.

For 4Q19 administrative expenses totaled MCH \$33,804 (+1.7% QoQ), explained by personnel expenses and bonuses paid, offset by a drop in administrative expenses.

|                               |         |         |         | % CHG |        |          |          |       |
|-------------------------------|---------|---------|---------|-------|--------|----------|----------|-------|
| IN MCH\$                      | 4Q19    | 3Q19    | 4Q18    | QoQ   | YoY    | 2019     | 2018     | % CHG |
| Personnel                     | -15,757 | -14,250 | -15,416 | 10.6% | 2.2%   | -58,875  | -58,089  | 1.4%  |
| Administrative expenses       | -16,160 | -17,212 | -15,763 | -6.1% | 2.5%   | -66,947  | -65,049  | 2.9%  |
| Depreciation and amortization | -1,887  | -1,785  | -1,193  | 5.7%  | 58.2%  | -7,133   | -5,185   | 37.6% |
| TOTAL OPERATING EXPENSES      | -33,804 | -33,247 | -32,372 | 1.7%  | 4.4%   | -132,955 | -128,323 | 3.6%  |
| TOTAL OPERATING INCOME        | 72,631  | 72,831  | 67,737  | -0.3% | 7.2%   | 280,171  | 268,804  | 4.2%  |
| EFFICIENCY RATIO              | 46.5%   | 45.6%   | 47.8%   | 89 P  | -125 P | 47.5%    | 47.7%    | -28 P |

Banco Security's efficiency ratio, measured as operating expenses + other operating expenses over total operating income, was 47.5% for 2019 (-28 b.p. YoY) and 46.5% for 4Q19 (+89 b.p. QoQ). This ratio for 2019 compares to 45.0% for the banking industry and 42.6% for peer banks<sup>(4)</sup>.

For the year 2019, the Bank reported a greater income tax expense (MCH \$24,582 or +22.9% YoY).

#### **BANCO SECURITY'S LOAN PORTFOLIO**

Total loans reached MCH \$6,051,817 as of December 2019, +13.2% YoY, while industry loans were up +10.4% YoY. Including foreign investments, the industry's loans grew +10.0%. Commercial loans grew 12.6% YoY, to MCH \$4,761,744 (78.7% of Banco Security's total loan portfolio), while retail loans (consumer + mortgage) reached MCH \$1,289,503 as of December 2019, +16.4% YoY. The 20 largest borrowers represent 10.3% of the Bank's total loan portfolio.



| TOTAL LOANS         |           |           |           | % C   | :HG   |
|---------------------|-----------|-----------|-----------|-------|-------|
| IN MCH\$            | DEC. 19   | SEPT. 19  | DEC-18    | QoQ   | YoY   |
| CONSUMER            | 543,953   | 538,523   | 496,523   | 1.0%  | 9.6%  |
| MORTGAGE            | 745,550   | 684,732   | 611,583   | 8.9%  | 21.9% |
| MORTGAGE + CONSUMER | 1,289,503 | 1,223,255 | 1,108,106 | 5.4%  | 16.4% |
| NO. CUSTOMERS       | 70,633    | 71,252    | 70,726    | -0.9% | -0.1% |
| COMMERCIAL          | 4,761,744 | 4,596,493 | 4,227,198 | 3.6%  | 12.6% |
| NO. CUSTOMERS       | 9,281     | 9,257     | 9,040     | 0.3%  | 2.7%  |
| TOTAL LOANS         | 6,051,817 | 5,822,872 | 5,346,071 | 3.9%  | 13.2% |
| MARKET SHARE        | 3.4%      | 3.3%      | 3.3%      | 3 p   | 8 P   |

| INTEREST AND INDEXATION INCOME |        |        |        | % (   | CHG   |         |         |       |
|--------------------------------|--------|--------|--------|-------|-------|---------|---------|-------|
| IN MCH\$                       | 4Q19   | 3Q19   | 4Q19   | QoQ   | YoY   | DEC. 19 | DEC. 18 | % CHG |
| CONSUMER                       | 13,923 | 14,055 | 14,006 | -0.9% | -0.6% | 56,570  | 53,603  | 5.3%  |
| MORTGAGE                       | 11,851 | 8,539  | 9,750  | 38.8% | 21.5% | 38,141  | 38,585  | 10.6% |
| MORTGAGE + CONSUMER            | 25,774 | 22,594 | 23,756 | 14.1% | 8.5%  | 94,711  | 92,188  | 7.5%  |
| COMMERCIAL                     | 75,377 | 69,139 | 66,843 | 9.0%  | 12.8% | 275,459 | 250,329 | 4.8%  |

| INTEREST AND INDEXATION INCOME/ TOTAL |        |        |        | % C   | CHG    |         |         |        |
|---------------------------------------|--------|--------|--------|-------|--------|---------|---------|--------|
| LOANS                                 | 4Q19   | 3Q19   | 4Q19   | QoQ   | YoY    | DEC. 19 | DEC. 18 | % CHG  |
| CONSUMER                              | 10.24% | 10.44% | 11.28% | -20 p | -104 p | 20.80%  | 21.59%  | -79 p  |
| MORTGAGE                              | 6.36%  | 4.99%  | 6.38%  | 137 р | -2 p   | 10.23%  | 12.62%  | -239 p |
| MORTGAGE + CONSUMER                   | 8.00%  | 7.39%  | 8.58%  | 61 p  | -58 p  | 14.69%  | 16.64%  | -195 p |
| COMMERCIAL                            | 6.33%  | 6.02%  | 6.33%  | 32 p  | 1 p    | 11.57%  | 11.84%  | -27 p  |
| TOTAL                                 | 6.69%  | 6.30%  | 6.78%  | 38 p  | -9 p   | 12.23%  | 12.81%  | -58 p  |

#### **BANCO SECURITY - FUNDING SOURCES**

| FUNDING SOURCES                        |           |       |           |       |           |       | % C   | HG    |
|--|-----------|-------|-----------|-------|-----------|-------|-------|-------|
| IN MCH\$                               | DEC       | -19   | SEP-      | -19   | DEC-18    |       | QoQ   | YoY   |
| Demand deposits                        | 974,730   | 11.8% | 722,186   | 9.6%  | 654,815   | 9.4%  | 35.0% | 48.9% |
| Time deposits                          | 3,039,673 | 36.8% | 2,904,499 | 38.6% | 2,965,403 | 42.8% | 4.7%  | 2.5%  |
| Total deposits                         | 4,014,403 | 48.6% | 3,626,685 | 48.2% | 3,620,218 | 52.2% | 10.7% | 10.9% |
| Bonds                                  | 2,768,376 | 33.5% | 2,545,855 | 33.9% | 2,205,499 | 31.8% | 8.7%  | 25.5% |
| Borrowings from financial institutions | 272,634   | 3.3%  | 275,550   | 3.7%  | 223,071   | 3.2%  | -1.1% | 22.2% |
| Other liabilities*                     | 592,031   | 7.2%  | 464,968   | 6.2%  | 308,677   | 4.5%  | 27.3% | 91.8% |
| TOTAL LIABILITIES                      | 7,647,444 | 92.5% | 6,913,058 | 91.9% | 6,357,465 | 91.7% | 10.6% | 20.3% |
| Total equity                           | 617,326   | 7.5%  | 606,409   | 8.1%  | 577,647   | 8.3%  | 1.8%  | 6.9%  |
| LIABILITIES + EQUITY                   | 8,264,770 | 100%  | 7,519,467 | 100%  | 6,935,112 | 100%  | 9.9%  | 19.2% |

<sup>\*</sup> INCLUDES THE FOLLOWING ACCOUNTS: TRANSACTIONS PENDING SETTLEMENT, REPO AGREEMENTS, FINANCIAL DERIVATIVE INSTRUMENTS, OTHER FINANCIAL LIABILITIES, CURRENT TAXES, DEFERRED TAXES, PROVISIONS AND OTHER LIABILITIES.



#### **DEMAND AND TIME DEPOSITS**

As of December 2019, deposits totaled MCH \$4,014,403, +10.9% YoY. For the industry, loans fluctuated +10.7% YoY. Including foreign subsidiaries, this figure varied +9.6% YoY. Banco Security's time deposits consisted of 34.2% retail deposits and 65.8% institutional deposits. The 15 largest depositors<sup>(5)</sup> represent 21.8% of the Bank's total deposits. The loan to deposit ratio was 151% as of December 2019, compared to 148% as of December 2018.

Banco Security has a strategy to diversify funding sources using sales incentives to increase its retail deposit base. Banco Security strictly monitors liquidity risk<sup>(6)</sup>, striving to diversify funding sources while monitoring and controlling a series of limits on asset/liability mismatches, maintaining an important volume of liquid assets and lengthening liabilities to increase funding terms. The Bank's exposure from asset and liability mismatches is among the industry's lowest. As of December 2018, the ratio of long-term interest rate risk to regulatory capital was 2.7%<sup>(7)</sup>. As of December 31, 2019, liquid assets<sup>(8)</sup> represented 66% of demand and other time deposits.

#### **DEBT ISSUED**

| BOND<br>SERIES | CMF REGISTRATION<br>NUMBER | CMF REGISTRATION<br>DATE | CURRENCY | AMOUNT<br>REGISTERED | AMOUNT PLACED<br>OUTSTANDING | ANNUAL<br>INTEREST RATE | DURATION<br>(YEARS) | MATURITY  |
|----------------|----------------------------|--------------------------|----------|----------------------|------------------------------|-------------------------|---------------------|-----------|
| H1             | 03/2007                    | Jan-25-07                | UF       | 3,000,000            | 2,406,274                    | 3.00                    | 23                  | Dec-01-29 |
| R1             | 10/2011                    | Oct-06-11                | UF       | 3,000,000            | 467,632                      | 3.00                    | 10                  | Jun-01-21 |
| K2             | 01/2012                    | Mar-14-12                | UF       | 4,000,000            | 4,000,000                    | 3.25                    | 10                  | Nov-01-21 |
| К3             | 01/2013                    | Feb-26-13                | UF       | 4,000,000            | 4,000,000                    | 3.50                    | 10                  | Nov-01-22 |
| K4             | 10/2013                    | Nov-06-13                | UF       | 5,000,000            | 5,000,000                    | 3.60                    | 10                  | Oct-01-23 |
| K5             | 14/2014                    | Oct-09-14                | UF       | 5,000,000            | 5,000,000                    | 2.75                    | 10                  | Jun-01-24 |
| B4             | 05/2015                    | Apr-01-15                | UF       | 5,000,000            | 5,000,000                    | 2.25                    | 5                   | Jun-01-20 |
| K6             | 05/2015                    | Apr-01-15                | UF       | 5,000,000            | 5,000,000                    | 2.75                    | 5                   | Mar-01-20 |
| K7             | 05/2015                    | Apr-01-15                | UF       | 5,000,000            | 5,000,000                    | 2.75                    | 10                  | Sep-01-25 |
| Z1             | 10/2015                    | Sep-01-15                | CH\$     | 75,000,000,000       | 75,000,000,000               | 5.25                    | 5                   | Sep-01-20 |
| B5             | 11/2016                    | Oct-03-16                | UF       | 5,000,000            | 5,000,000                    | 2.40                    | 5                   | Aug-01-26 |
| K8             | 12/2016                    | Oct-03-16                | UF       | 5,000,000            | 5,000,000                    | 2.80                    | 10                  | Oct-01-36 |
| Z2             | 13/2016                    | Oct-03-16                | CH\$     | 75,000,000,000       | 75,000,000,000               | 5.30                    | 5.5                 | Feb-01-27 |
| В6             | 06/2017                    | Jul-11-17                | UF       | 5,000,000            | 5,000,000                    | 2.25                    | 5.5                 | Apr-01-22 |
| В7             | 08/2018                    | May-09-18                | UF       | 4,000,000            | 4,000,000                    | 2.20                    | 5                   | Feb-01-23 |
| К9             | 08/2018                    | May-09-18                | UF       | 5,000,000            | 5,000,000                    | 2.75                    | 10                  | Jan-01-28 |
| Z3             | 08/2018                    | May-09-18                | CH\$     | 75,000,000,000       | 75,000,000,000               | 4.80                    | 5                   | Dec-01-22 |
| В8             | 11/2018                    | Dec-20-18                | UF       | 5,000,000            | 5,000,000                    | 1.80                    | 5.5                 | Aug-01-23 |
| D1             | 11/2018                    | Dec-20-18                | UF       | 5,000,000            | 5,000,000                    | 2.20                    | 10.5                | Aug-01-28 |
| Q1             | 11/2018                    | Dec-20-18                | UF       | 3,000,000            | 3,000,000                    | 2.50                    | 15                  | Aug-01-33 |
| Z4             | 11/2018                    | Dec-20-18                | CH\$     | 75,000,000,000       | 75,000,000,000               | 4.80                    | 5.5                 | Oct-01-23 |
| В9             | 11/2019                    | Nov-11-19                | UF       | 5,000,000            | 5,000,000                    | 0.70                    | 5.5                 | Apr-01-24 |
| D2             | 11/2019                    | Nov-11-19                | UF       | 5,000,000            | 5,000,000                    | 0.90                    | 8.5                 | Mar-01-27 |
| D3             | 11/2019                    | Nov-11-19                | UF       | 5,000,000            | 5,000,000                    | 1.00                    | 10.5                | Mar-01-29 |

<sup>(5)</sup> EXCLUDES STOCK BROKERAGE COMPANIES.

<sup>6</sup> LIQUIDITY RISK REPRESENTS THE POSSIBILITY OF NOT FULFILLING OBLIGATIONS WHEN THEY MATURE AS A RESULT OF THE INABILITY TO LIQUIDATE ASSETS OR FUNDS, OR NOT BEING ABLE TO DISPOSE OF THEM FASILY OR OFFSET EXPOSLIBE WITHOUT SIGNIFICANTLY REPOIL FOR PRICES DUE TO INSURE FULFING MARKET DEPTH (CRUPO SECURITY ANNUAL REPORT NOTE 35)

DISPOSE OF THEM EASILY OR OFFSET EXPOSURE WITHOUT SIGNIFICANTLY REDUCING PRICES DUE TO INSUFFICIENT MARKET DEPTH (GRUPO SECURITY ANNUAL REPORT, NOTE 35).

17 THIS MEASURES THE EXPOSURE TO CHANGES IN INTEREST RATES AS A PERCENTAGE OF EQUITY. EXPOSURE TO LONG-TERM INTEREST RATES IS CALCULATED AS THE SUM OF THE DIFFERENCES BY TIME BAND AND CURRENCY OF CASH FLOWS FROM BANKING BOOKS ASSETS AND LIABILITIES, INCLUDING AMORTIZATION AND INTEREST, ADJUSTED BY A SENSITIVITY FACTOR AS PER TABLE 2 OF APPENDIX 1 OF CHAPTER III.B.2.2 OF THE CHILEAN CENTRAL BANK'S COMPENDIUM OF FINANCIAL STANDARDS.

<sup>8</sup> INCLUDES CASH AND CASH DEPOSITS, TRANSACTIONS PENDING SETTLEMENT AND THE PORTFOLIO OF FINANCIAL INSTRUMENTS.



As of December 2019, Banco Security had issued debt of MCH \$2,755,941, as detailed in Note 18 of Banco Security's financial statements.

#### **BANCO SECURITY - CAPITALIZATION**

As of December 2019, Banco Security's equity attributable to the owners of the bank totaled MCH \$617,274 (+6.9% YoY, +1.8% QoQ).

|   |           |           |           | % C   | CHG   |
|---|-----------|-----------|-----------|-------|-------|
| IN MCH\$                                  | DEC-19    | SEP-19    | DEC-18    | QoQ   | YoY   |
| Capital                                   | 302,047   | 302,047   | 302,047   | 0.0%  | 0.0%  |
| Reserves and valuation accounts           | 33,506    | 35,447    | 25,897    | -5.5% | 29.4% |
| Retained earnings                         | 281,721   | 268,860   | 249,643   | 4.8%  | 12.8% |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK | 617,274   | 606,354   | 577,588   | 1.8%  | 6.9%  |
| Tier 1 (core capital)                     | 617,274   | 606,354   | 577,588   | 1.8%  | 6.9%  |
| Regulatory capital                        | 834,064   | 823,733   | 774,770   | 1.3%  | 7.7%  |
| Minimum required capital                  | 542,228   | 514,904   | 468,961   | 5.3%  | 15.6% |
| Risk-weighted assets                      | 6,777,845 | 6,436,294 | 5,862,013 | 5.3%  | 15.6% |
| Regulatory capital / Risk-weighted assets | 12.31%    | 12.80%    | 13.22%    | -49 p | -91 p |
| Core capital / Total assets               | 7.13%     | 7.64%     | 7.79%     | -51 p | -67 p |

The Bank's capital adequacy ratio as of December 2019, calculated as regulatory capital over risk-weighted assets, reached 12.3% (with a regulatory minimum of 8%), -91 b.p. YoY. This YoY drop in this ratio is a result of growth in risk-weighted assets, driven by greater total loans (+13.2% YoY). The ratio of core capital to total assets reached 7.13%, -51 b.p. YoY. The return on average equity for Banco Security came to 12.9% as of December 2019.



#### **FACTORING SECURITY**

For 2019, Factoring Security reported profit of MCH \$9,171 (+12.5% YoY), with operating income of MCH \$34,665 (+16.2% YoY), because of a larger volume of factored receivables (+14.3% YoY), which was partially offset by a smaller spread. This was not fully offset by increased operating expenses of MCH \$7,342 (+10.3% YoY), due to a larger volume of factored receivables and increased operating expenses of MCH\$7,831 (+14.4% YoY), due to increased business.

For 4Q19, profit reached MCH \$2,353 (-0.8% QoQ), with greater operating income (MCH \$8,961, +3.1% QoQ) and reduced operating expenses (MCH \$2,229, -15.4% QoQ), which offset increased administrative expenses of MCH \$3,087 (+16.6% QoQ) and a drop in indexation income on UF-denominated loans.

The efficiency ratio reached 42.2% as of December 2019, -31 b.p. YoY. As of December 2019, the risk ratio measured as provisions over total loans was 1.86%, -31 b.p. YoY and -23 b.p. QoQ.

|                         |         |         |         | % CHG  |        |         |         |       |
|-------------------------|---------|---------|---------|--------|--------|---------|---------|-------|
| IN MCH\$                | 4Q19    | 3Q19    | 4Q18    | QoQ    | YoY    | 2019    | 2018    | % CHG |
| Loans                   | 411,703 | 375,075 | 360,251 | 9.8%   | 14.3%  | 411,703 | 360,251 | 14.3% |
| Provisions recognized   | 7,674   | 7,859   | 7,844   | -2.4%  | -2.2%  | 7,674   | 7,844   | -2.2% |
| Gross operating income  | 8,961   | 8,691   | 7,881   | 3.1%   | 13.7%  | 34,665  | 29,829  | 16.2% |
| Operating expenses      | -2,229  | -2,634  | -2,636  | -15.4% | -15.4% | -9,571  | -8,677  | 10.3% |
| Administrative expenses | -3,087  | -2,647  | -2,433  | 16.6%  | 26.9%  | -10,918 | -9,542  | 14.4% |
| PROFIT FOR THE PERIOD   | 2,353   | 2,371   | 2,136   | -0.8%  | 10.1%  | 9,171   | 8,155   | 12.5% |
| Efficiency ratio        | 43.9%   | 40.4%   | 41.8%   | 344 p  | 206 р  | 42.2%   | 42.5%   | -31 p |
| Risk ratio              | 1.86%   | 2.10%   | 2.18%   | -23 p  | -31 p  | 1.86%   | 2.18%   | -31 p |

#### **INSURANCE BUSINESS AREA**

#### (22.9% OF ASSETS; 18.9% OF PROFIT FROM BUSINESS AREAS AS OF DECEMBER 2019)

The insurance business area reported profit of MCH \$20,737 for 2019. This area includes the insurance company Vida Security and Servicios Security, the holding that groups the insurance brokerage (Corredora de Seguros Security) and assistance business (Europ Assistance).

#### **VIDA SECURITY**

On September 13, 2019, Vida Security increased capital by MCH \$35,000 as part of the capital increase approved on December 18, 2017.

For 2019 Vida Security reported profit attributable to the owners of the parent of MCH \$20,146 (-33.2% YoY). Compared to the immediately preceding quarter, Vida Security reported profit attributable to the owners of the parent of MCH \$1,646 (-76.7% QoQ).



#### **RESULTS BY PRODUCT LINE**

|   | INDIV   | IDUAL   | FAMILY PR | OTECTION | GRO     | DUP     | ANNL     | JITIES   | D:      | SI      | TO       | ΓAL      |
|---|---------|---------|-----------|----------|---------|---------|----------|----------|---------|---------|----------|----------|
| IN MCH\$                                      | 2019    | 2018    | 2019      | 2018     | 2019    | 2018    | 2019     | 2018     | 2019    | 2018    | 2019     | 2018     |
| Gross written premiums                        | 119,199 | 108,372 | 6,757     | 6,697    | 73,308  | 71,808  | 58,093   | 54,209   | 642     | 95,008  | 257,999  | 336,094  |
| NET PREMIUMS WRITTEN                          | 117,186 | 106,696 | 6,757     | 6,697    | 71,348  | 69,788  | 58,093   | 54,209   | 227     | 57,730  | 253,610  | 295,121  |
| Variation in technical reserves               | -42,580 | -4,922  | -5        | 5        | -730    | 358     | -        | -        | -       | 1,096   | -43,316  | -3,463   |
| Claims paid                                   | -92,800 | -79,826 | -1,654    | -1,603   | -43,991 | -41,412 | -        | -        | 2,139   | 25,835  | -136,306 | -97,007  |
| Pensions paid                                 | -2,247  | -1,399  | -         | -        | -       | -       | -124,393 | -117,960 | -11,974 | -83,300 | -138,614 | -202,659 |
| Underwriting expenses                         | -10,581 | -10,974 | -2,553    | -2,351   | -4,150  | -3,581  | -507     | -509     | -0      | -       | -17,792  | -17,414  |
| Medical expenses                              | -40     | -48     | -1        | -1       | -7      | -8      | -0       | -2       | -       | -0      | -48      | -59      |
| Insurance impairment                          | -       | -       | -         | -        | 202     | 0       | -        | -        | 5       | -5      | 207      | -5       |
| CONTRIBUTION MARGIN                           | -31,062 | 9,528   | 2,543     | 2,747    | 22,670  | 25,146  | -66,807  | -64,263  | -9,604  | 1,356   | -82,259  | -25,486  |
| Investment income (CUI)                       | 45,024  | 3,756   |           |          |         |         |          |          |         |         | 45,024   | 3,756    |
| Investment income (non-CUI)                   | -       | -       |           |          |         |         |          |          |         |         | 100,252  | 94,814   |
| INVESTMENT INCOME                             |         |         |           |          |         |         |          |          |         |         | 145,276  | 98,570   |
| Administrative expenses                       |         |         |           |          |         |         |          |          |         |         | -37,270  | -38,148  |
| Exchange differences                          |         |         |           |          |         |         |          |          |         |         | 276      | -1,067   |
| Gain (loss) on indexed assets and liabilities |         |         |           |          |         |         |          |          |         |         | -3,236   | -3,608   |
| Other income and expenses                     |         |         |           |          |         |         |          |          |         |         | 397      | 47       |
| Income tax expense                            |         |         |           |          |         |         |          |          |         |         | -3,037   | -149     |
| PROFIT FOR THE YEAR                           |         |         |           |          |         |         |          |          |         |         | 20,146   | 30,159   |

|   | INDIV   | IDUAL   | FAMILY PR | OTECTION | GRO     | OUP     | ANNU    | IITIES  | D:     | SI     | TO      | ΓAL     |
|---|---------|---------|-----------|----------|---------|---------|---------|---------|--------|--------|---------|---------|
| IN MCH\$                                      | 4Q19    | 3Q19    | 4Q19      | 3Q19     | 4Q19    | 3Q19    | 4Q19    | 3Q19    | 4Q19   | 3Q19   | 4Q19    | 3Q19    |
| Gross written premiums                        | 37,873  | 28,158  | 1,699     | 1,713    | 16,982  | 18,896  | 7,817   | 12,186  | 93     | 77     | 64,463  | 61,031  |
| NET PREMIUMS WRITTEN                          | 37,336  | 27,594  | 1,699     | 1,713    | 16,586  | 18,216  | 7,817   | 12,186  | 18     | -15    | 63,456  | 59,695  |
| Variation in technical reserves               | -9,403  | -6,921  | 10        | 4        | -316    | 78      | -       | -       | -      | -      | -9,708  | -6,840  |
| Claims paid                                   | -33,161 | -21,598 | -399      | -482     | -10,078 | -12,066 | -       | -       | -8,191 | 321    | -51,828 | -33,825 |
| Pensions paid                                 | -242    | -867    | -         | -        | -       | -       | -23,488 | -28,745 | 1,916  | -2,450 | -21,813 | -32,062 |
| Underwriting expenses                         | -2,586  | -2,763  | -615      | -659     | -977    | -1,141  | -129    | -87     | -      | -      | -4,306  | -4,650  |
| Medical expenses                              | -13     | -9      | -1        | -0       | -2      | -1      | -0      | 0       | -      | -      | -16     | -10     |
| Insurance impairment                          | -       | -       | -         | -        | 78      | 58      | -       | -       | -      | -      | 78      | 58      |
| CONTRIBUTION MARGIN                           | -8,068  | -4,564  | 695       | 576      | 5,292   | 5,144   | -15,801 | -16,645 | -6,256 | -2,144 | -24,138 | -17,633 |
| Investment income (CUI)                       | 12,327  | 8,168   |           |          |         |         |         |         |        |        | 12,327  | 8,168   |
| Investment income (non-CUI)                   | -       | -       |           |          |         |         |         |         |        |        | 20,322  | 28,339  |
| INVESTMENT INCOME                             |         |         |           |          |         |         |         |         |        |        | 32,649  | 36,507  |
| Administrative expenses                       |         |         |           |          |         |         |         |         |        |        | -6,544  | -9,665  |
| Exchange differences                          |         |         |           |          |         |         |         |         |        |        | 1,099   | 424     |
| Gain (loss) on indexed assets and liabilities |         |         |           |          |         |         |         |         |        |        | -1,509  | -795    |
| Other income and expenses                     |         |         |           |          |         |         |         |         |        |        | 92      | 12      |
| Income tax expense                            |         |         |           |          |         |         |         |         |        |        | -3      | -1,776  |
| PROFIT FOR THE YEAR                           |         |         |           |          |         |         |         |         |        |        | 1,646   | 7,073   |



#### **INDIVIDUAL INSURANCE**

#### (46.2% OF GROSS WRITTEN PREMIUMS AS OF DECEMBER 2019)

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

This business reported profit, calculated by adding the CUI investment result to the individual insurance contribution margin, of MCH \$13,962 for 2019 (+5.1% YoY). Gross written premiums were MCH \$119,199 for 2019 (+10.0% YoY), due to greater gross written premiums from insurance with retirement savings components. The variation in technical reserves was -MCH \$42,580 for 2019, below the -MCH \$4,922 for 2018, due to higher investment income from equity investments in the CUI and APV portfolios and increased gross written premiums. Claims paid totaled -MCH \$92,800 (+16.3% YoY), due to increased surrenders and transfers from CUI policies. Underwriting expenses totaled -MCH \$10,581 for 2019 (-3.6% YoY).

As of December 2019, CUI and APV policies represent 89.1% of total individual insurance premiums.

| INDIVIDUAL                             |         |         |         | % C    | :HG     |         |         |          |
|--|---------|---------|---------|--------|---------|---------|---------|----------|
| IN MCH\$                               | 4Q19    | 3Q19    | 4Q18    | QoQ    | YoY     | 2019    | 2018    | % CHG    |
| Gross written premiums                 | 37,873  | 28,158  | 28,807  | 34.5%  | 31.5%   | 119,199 | 108,372 | 10.0%    |
| NET PREMIUMS WRITTEN                   | 37,336  | 27,594  | 28,507  | 35.3%  | 31.0%   | 117,186 | 106,696 | 9.8%     |
| Variation in technical reserves        | -9,403  | -6,921  | 5,096   | -      | -       | -42,580 | -4,922  | -        |
| Claims paid                            | -33,161 | -21,598 | -17,703 | 53.5%  | 87.3%   | -92,800 | -79,826 | 16.3%    |
| Pensions paid                          | -242    | -867    | -630    | -72.1% | -61.6%  | -2,247  | -1,399  | 60.6%    |
| Underwriting expenses                  | -2,586  | -2,763  | -3,053  | -6.4%  | -15.3%  | -10,581 | -10,974 | -3.6%    |
| Medical expenses                       | -13     | -9      | -18     | 49.2%  | -26.8%  | -40     | -48     | -16.2%   |
| Insurance impairment                   | 0       | 0       | 0       | -      | -       | 0       | 0       | -        |
| CONTRIBUTION MARGIN                    | -8,068  | -4,564  | 12,198  | 76.8%  | -166.1% | -31,062 | 9,528   | -426.0%  |
| INVESTMENT INCOME (CUI)                | 12,327  | 8,168   | -9,365  | 50.9%  | -231.6% | 45,024  | 3,756   | 1,098.8% |
| PROFIT FOR THE YEAR - INDIVIDUAL       | 4,259   | 3,604   | 2,833   | 18.2%  | 50.3%   | 13,962  | 13,284  | 5.1%     |
| Claims rate <sup>1</sup>               | 89.5%   | 81.4%   | 64.3%   | 806 p  | 2515 p  | 81.1%   | 76.1%   | 498 p    |
| Underwriting expense rate <sup>2</sup> | 6.9%    | 10.0%   | 10.7%   | -309 p | -378 p  | 9.0%    | 10.3%   | -126 p   |

<sup>1</sup> CLAIMS PAID / GROSS WRITTEN PREMIUMS
2 UNDERWRITING EXPENSES / GROSS WRITTEN PREMIUMS

For 4Q19, the product line reported profit, calculated by adding the CUI investment result to the contribution margin, of MCH \$4,259 (+18.2% QoQ). The variation in technical reserves was -MCH \$9,403 for 4Q19, greater than 3Q19, due to greater investment income from equity investments in the CUI and APV portfolios and increased claims paid (surrenders and transfers from CUI and APV accounts). This product line reported claims paid of MCH \$33,161 for 4Q19 (+53.5% QoQ) explained by greater surrenders and transfers from APV funds.



#### **FAMILY PROTECTION**

#### (2.6% OF GROSS WRITTEN PREMIUMS AS OF DECEMBER 2019)

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.

| FAMILY PROTECTION                      |       |       |       | % (    | CHG     |        |        |       |
|--|-------|-------|-------|--------|---------|--------|--------|-------|
| IN MCH\$                               | 4Q19  | 3Q19  | 4Q18  | QoQ    | YoY     | 2019   | 2018   | % CHG |
| Gross written premiums                 | 1,699 | 1,713 | 1,826 | -0.8%  | -7.0%   | 6,757  | 6,697  | 0.9%  |
| NET PREMIUMS WRITTEN                   | 1,699 | 1,713 | 1,826 | -0.8%  | -7.0%   | 6,757  | 6,697  | 0.9%  |
| Variation in technical reserves        | 10    | 4     | -31   | 138.9% | -132.4% | -5     | 5      | -     |
| Claims paid                            | -399  | -482  | -569  | -17.2% | -29.8%  | -1,654 | -1,603 | 3.2%  |
| Pensions paid                          | 0     | 0     | 0     | -      | -       | 0      | 0      | -     |
| Underwriting expenses                  | -615  | -659  | -680  | -6.8%  | -9.6%   | -2,553 | -2,351 | 8.6%  |
| Medical expenses                       | -1    | 0     | 0     | -      | -       | -1     | -1     | -     |
| Insurance impairment                   | 0     | 0     | 0     | -      | -       | 0      | 0      | -     |
| CONTRIBUTION MARGIN                    | 695   | 576   | 547   | 20.6%  | 27.1%   | 2,543  | 2,747  | -7.4% |
| Claims rate <sup>1</sup>               | 23.5% | 28.1% | 31.1% | -465 p | -766 p  | 24.5%  | 23.9%  | 54 p  |
| Underwriting expense rate <sup>2</sup> | 36.2% | 38.5% | 37.2% | -232 p | -105 p  | 37.8%  | 35.1%  | 268 p |

<sup>1</sup> CLAIMS PAID / GROSS WRITTEN PREMIUMS

The contribution margin totaled MCH \$2,543 for 2019 (-7.4% YoY). For the same period, gross written premiums reached MCH \$6,757 (+0.9% YoY). Claims paid reached -MCH \$1,654 for 2019 (+3.2% YoY). Finally, underwriting expenses totaled -MCH \$2,553 for 2019 (+8.6% YoY).

The contribution margin for 4Q19 was MCH \$695 (+20.6% QoQ). For the same period, gross written premiums reached MCH \$1,699 (-0.8% QoQ). This product line reported claims paid of -MCH \$399 (-17.2% QoQ). Lastly, underwriting expenses totaled -MCH \$615 for 4Q19 (-6.8% QoQ).

<sup>2</sup> UNDERWRITING EXPENSES / GROSS WRITTEN PREMIUMS



#### **GROUP INSURANCE**

#### (28.4% OF GROSS WRITTEN PREMIUMS AS OF DECEMBER 2019)

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                                  |         |         |        | % (         | CHG     |         |         |       |
|--|---------|---------|--------|-------------|---------|---------|---------|-------|
| IN MCH\$                               | 4Q19    | 3Q19    | 4Q18   | QoQ         | YoY     | 2019    | 2018    | % CHG |
| Gross written premiums                 | 16,982  | 18,896  | 19,627 | -10.1%      | -13.5%  | 73,308  | 71,808  | 2.1%  |
| NET PREMIUMS WRITTEN                   | 16,586  | 18,216  | 19,021 | -9.0%       | -12.8%  | 71,348  | 69,788  | 2.2%  |
| Variation in technical reserves        | -316    | 78      | 71     | -           | -546.9% | -730    | 358     | -     |
| Claims paid                            | -10,078 | -12,066 | -9,401 | -16.5%      | 7.2%    | -43,991 | -41,412 | 6.2%  |
| Pensions paid                          | 0       | 0       | 0      | -           | -       | 0       | 0       | -     |
| Underwriting expenses                  | -977    | -1,141  | -895   | -14.4%      | 9.2%    | -4,150  | -3,581  | 15.9% |
| Medical expenses                       | -2      | -1      | -3     | 107.4%      | -35.9%  | -7      | -8      | -8.5% |
| Insurance impairment                   | 78      | 58      | -42    | -           | -       | 202     | 0       | -     |
| CONTRIBUTION MARGIN                    | 5,292   | 5,144   | 8,750  | 2.9%        | -39.5%  | 22,670  | 25,146  | -9.8% |
|  | 50.00/  | 55.00/  | 40.404 | <b>5.40</b> | 1100    | 64 70/  | 50.00/  |       |
| Claims rate <sup>1</sup>               | 60.8%   | 66.2%   | 49.4%  | -548 p      | 1133 p  | 61.7%   | 59.3%   | 232 p |
| Underwriting expense rate <sup>2</sup> | 5.9%    | 6.3%    | 4.7%   | -37 p       | 118 p   | 5.8%    | 5.1%    | 69 p  |

<sup>1</sup> CLAIMS PAID / GROSS WRITTEN PREMIUMS

For 2019, the contribution margin reached MCH \$22,670 (-9.8% YoY), due to a rise in the claims rate from 59.3% as of December 2018 to 61.7% as of December 2019. Underwriting expenses totaled -MCH \$4,150 (+15.9% YoY).

The contribution margin was MCH \$5,292 for 4Q19 (+2.9% QoQ), due to decreased claims paid of MCH \$10,078 (-16.5% QoQ) explained by seasonal effects.

#### **ANNUITIES**

#### (22.5% OF GROSS WRITTEN PREMIUMS AS OF DECEMBER 2019)

Workers that choose an annuity upon retirement turn over their retirement funds to an insurance company and receive in exchange a fixed, inflation-indexed monthly payment for the rest of their life and survivor pensions for their legal beneficiaries. Based on figure 601 in the financial statements of Vida Security, it includes product lines 421, 422 and 423<sup>(9)</sup>.

When an annuity is sold, a reserve must be recognized in the company's liabilities, equivalent to the present value of the obligations to the retiree, which is recognized within the line item pensions paid. This results in an accounting loss in the income statement.

<sup>2</sup> UNDERWRITING EXPENSES / GROSS WRITTEN PREMIUMS

<sup>(9)</sup> THIS ALSO INCLUDES LINE 424 FROM THE SVS, WHICH CORRESPONDS TO THE OLD DISABILITY AND SURVIVOR'S SYSTEM DEFINED IN RULING 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\$                               | 4Q19    | 3Q19    | 4Q18    | QoQ    | YoY    | 2019     | 2018     | % CHG |
| Gross written premiums                 | 7,817   | 12,186  | 17,022  | -35.9% | -54.1% | 58,093   | 54,209   | 7.2%  |
| NET PREMIUMS WRITTEN                   | 7,817   | 12,186  | 17,022  | -35.9% | -54.1% | 58,093   | 54,209   | 7.2%  |
| Variation in technical reserves        | 0       | 0       | 0       | -      | -      | 0        | 0        | -     |
| Claims paid                            | 0       | 0       | 0       | -      | -      | 0        | 0        | -     |
| Pensions paid                          | -23,488 | -28,745 | -33,433 | -18.3% | -29.7% | -124,393 | -117,960 | 5.5%  |
| Underwriting expenses                  | -129    | -87     | -118    | 49.2%  | 9.6%   | -507     | -509     | -0.3% |
| Medical expenses                       | 0       | 0       | -2      | -      | -      | 0        | -2       | -     |
| Insurance impairment                   | 0       | 0       | 0       | -      | -      | 0        | 0        | -     |
| CONTRIBUTION MARGIN                    | -15,801 | -16,645 | -16,530 | -5.1%  | -4.4%  | -66,807  | -64,263  | 4.0%  |
| Underwriting expense rate <sup>1</sup> | 1.7%    | 0.7%    | 0.7%    | 94 p   | 96 p   | 0.9%     | 0.9%     | -7 p  |

#### 1 UNDERWRITING EXPENSES / GROSS WRITTEN PREMIUMS

The contribution margin for annuities was -MCH \$66,807 for 2019 (+4.0% YoY) because of a rise in gross written premiums (7.2% YoY). Pensions paid totaled -MCH \$124,393 for 2019 (+5.5% YoY), due to increased reserves following the rise in gross written premiums.

The contribution margin for 4Q19 was -MCH \$15,801 (-5.1% QoQ), due to a fall in gross written premiums (-35.9% QoQ). Pensions paid reached -MCH \$23,488 for 1H19 (-18.3 % QoQ).

#### **DISABILITY AND SURVIVOR INSURANCE (DSI)**

#### (0.2% OF GROSS WRITTEN PREMIUMS AS OF DECEMBER 2019)

Disability and survivor insurance is mandatory for all individuals with pension accounts at Pension Fund Management Companies (AFPs) and is directly contracted collectively by the AFPs for these individuals through semi-annual public bidding processes. It is financed by employers throughout a member's active work life with a fraction of the additional amount charged by the AFP<sup>(10)</sup>. It provides protection to the insured and his or her family group in the event of disability or death of the insured party. Based on figure 601 in the financial statements of Vida Security, it includes product line 420.

| DSI                             |        |        |         | % CHG   |         |         |         |        |
|---------------------------------|--------|--------|---------|---------|---------|---------|---------|--------|
| IN MCH\$                        | 4Q19   | 3Q19   | 4Q18    | QoQ     | YoY     | 2019    | 2018    | % CHG  |
| Gross written premiums          | 93     | 77     | 546     | 19.4%   | -83.0%  | 642     | 95,008  | -99.3% |
| NET PREMIUMS WRITTEN            | 18     | -15    | -259    | -       | -107.1% | 227     | 57,730  | -99.6% |
| Variation in technical reserves | 0      | 0      | 1,663   | -       | -       | 0       | 1,096   | -      |
| Claims paid                     | -8,191 | 321    | 15,694  | -       | -       | 2,139   | 25,835  | -      |
| Pensions paid                   | 1,916  | -2,450 | -17,432 | -178.2% | -111.0% | -11,974 | -83,300 | -85.6% |
| Underwriting expenses           | 0      | 0      | 0       | -       | -       | 0       | 0       | -      |
| Medical expenses                | 0      | 0      | 0       | -       | -       | 0       | 0       | -      |
| Insurance impairment            | 0      | 0      | -5      | -       | -       | 5       | -5      | -      |
| CONTRIBUTION MARGIN             | -6,256 | -2,144 | -339    | -       | -       | -9,604  | 1,356   | -      |
| Claims rate <sup>1</sup>        | -      | -      | -670.7% | -       | -       | -       | 99.5%   | -      |

<sup>1</sup> CLAIMS PAID / GROSS WRITTEN PREMIUMS

<sup>(10)</sup> HTTP://WWW.SPENSIONES.CL/PORTAL/ORIENTACION/580/W3-ARTICLE-3024.HTML



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

The fifth DSI tender was organized by the AFPs for the period from July 2016 to June 2018, and Vida Security was awarded two fractions for men and two for women. The sixth tender for SIS insurance for the next 24-month period (July 1, 2018 to June 30, 2020) was concluded on April 26, 2018, and Vida Security was not awarded any segments.

The contribution margin for DSI totaled -MCH \$9,604 in 2019 (versus MCH \$1,356 in 2018). For 2019, gross written premiums fell to MCH \$642 (-99.3% YoY) because the company was not awarded any segments, while claims paid reached -MCH \$9,835 (-82.9% YoY). There was no variation in technical reserves in 2019 (+MCH \$1,096 as of Dec-18), because contract No. 5 had expired. Given the drop in interest rates and increased claims frequency, greater provisions had to be recognized for future payments. Compared to the immediately preceding quarter, the contribution margin for DSI totaled -MCH \$6,256 in 4Q19 (versus -MCH \$2,144 in 3Q19), due to the expiration of contract No. 5 in June 2018.

#### **VIDA SECURITY - CONSOLIDATED RESULTS**

For 2019 Vida Security reported profit attributable to the owners of the parent of MCH \$20,146 (-33.2% YoY). This decrease occurred because the basis of comparison from 2018 considers the one-time effect of MCH \$12,157 for the transfer of Inversiones Security Perú, the parent of Protecta Security, to Security Internacional for a total of S./ 100 million. Excluding this effect, Vida Security would have reported growth of 11.9% YoY.

|  |         |         |         | % CHG  |         |          |          |         |
|--|---------|---------|---------|--------|---------|----------|----------|---------|
| IN MCH\$   | 4Q19    | 3Q19    | 4Q18    | QoQ    | YoY     | 2019     | 2018     | % CHG   |
| Gross written premiums                               | 64,463  | 61,031  | 67,828  | 5.6%   | -5.0%   | 257,999  | 336,094  | -23.2%  |
| NET PREMIUMS WRITTEN                                 | 63,456  | 59,695  | 66,116  | 6.3%   | -4.0%   | 253,610  | 295,121  | -14.1%  |
| Variation in technical reserves                      | -9,708  | -6,840  | 6,799   | 41.9%  | -       | -43,316  | -3,463   | -       |
| Claims paid  | -51,828 | -33,825 | -11,979 | 53.2%  | 332.6%  | -136,306 | -97,007  | 40.5%   |
| Pensions paid  | -21,813 | -32,062 | -51,495 | -32.0% | -57.6%  | -138,614 | -202,659 | -31.6%  |
| Underwriting expenses                                | -4,306  | -4,650  | -4,745  | -7.4%  | -9.3%   | -17,792  | -17,414  | 2.2%    |
| Medical expenses                                     | -16     | -10     | -23     | 61.3%  | -33.2%  | -48      | -59      | -18.3%  |
| Insurance impairment                                 | 78      | 58      | -47     | 35.7%  | -266.1% | 207      | -5       | _       |
| CONTRIBUTION MARGIN                                  | -24,138 | -17,633 | 4,626   | -      | -       | -82,259  | -25,486  | -       |
| Administrative expenses                              | -6,544  | -9,665  | -8,677  | -32.3% | -24.6%  | -37,270  | -38,148  | -2.3%   |
| Investment income                                    | 32,649  | 36,507  | 23,851  | -10.6% | 36.9%   | 145,276  | 98,570   | 47.4%   |
| Exchange differences                                 | 1,099   | 424     | -1,514  | 158.9% | -       | 276      | -1,067   | -       |
| Gain (loss) on indexed assets and liabilities        | -1,509  | -795    | -794    | 89.7%  | 90.0%   | -3,236   | -3,608   | -10.3%  |
| Other income and expenses                            | 92      | 12      | 60      | 667.2% | 53.4%   | 397      | 47       | _       |
| Income tax expense                                   | -3      | -1,776  | 1,187   | -      | -       | -3,037   | -149     | 1940.9% |
| PROFIT FOR THE YEAR                                  | 1,646   | 7,073   | 18,739  | -76.7% | -91.2%  | 20,146   | 30,159   | -33.2%  |
| ADMINISTRATIVE RATIOS                                |         |         |         |        |         |          |          |         |
| (1)(Claims and Pensions Paid) / Net Premiums Written | 116.1%  | 110.4%  | 96.0%   | 568 p  | 2005 p  | 108.4%   | 101.5%   | 686 p   |
| (2) Administrative expenses / Net Premiums Written   | 10.3%   | 16.2%   | 13.1%   | -588 p | -281 p  | 14.7%    | 12.9%    | 177 p   |
| (3) Underwriting expenses / Net Premiums Written     | 6.8%    | 7.8%    | 7.2%    | -100 p | -39 p   | 7.0%     | 5.9%     | 111 p   |
| Combined ratio (1) + (2) + (3)                       | 133.2%  | 134.4%  | 116.3%  | -120 p | 1685 p  | 130.1%   | 120.4%   | 975 p   |
| (4) Profit / Gross written premiums                  | 2.6%    | 11.8%   | 28.3%   | -925 p | -2575 p | 7.9%     | 10.2%    | -228 p  |



Vida Security reported profit attributable to owners of the parent of MCH \$1,646 for 4Q19 (-76.7% QoQ), due to lower investment income of MCH \$32,649 (-10.6% QoQ).

In aggregate, gross written premiums totaled MCH \$257,999 (-23.2% YoY) for 2019. This reduction with respect to last year can be explained by the expiration of contract No. 5 for disability and survivor insurance (DSI). The company was not awarded new segments under contract No. 6<sup>(11)</sup>. This was partially offset by an increase in gross written premiums for individual and group policies and higher annuity sales. Gross written premiums, excluding the effects of the DSI contract expiring, increased by 6.7% YoY.

For 2019, the subsidiary recognized a larger variation in technical reserves (-MCH \$43,316 versus -MCH \$3,463 for 2018), particularly in individual insurance, due to improved returns from equity investments in the CUI and APV portfolios and increased gross written premiums from individual insurance. The 8.3% YoY drop in claims and pensions paid, which reached MCH \$274,920, can be explained by the expiration of DSI contract No. 5, offset only partially by increased claims paid on individual policies. Excluding the effects of the DSI contract expiring, claims and pensions paid increased by 9.4% YoY. Finally, underwriting expenses totaled MCH \$17,792 (+2.2% YoY), reflecting increased commercial business for group and family protection products.

This explains the contribution margin of -MCH \$82,259 for 2019, compared to -MCH \$25,486 for 2018.

The lower contribution margin was offset by greater investment income of MCH \$145,276 (+47.4% YoY), attributable to higher investment income from equity investments, mainly in the CUI and APV investment portfolios, as markets performed well during the period. Improved returns on the CUI and APV investment portfolio are counterbalanced by greater variations in technical reserves. Administrative expenses were MCH \$37,270 for 2019 (-2.3% YoY). Finally, exchange differences were MCH \$276 for 2019 compared to -MCH \$1,067 for 2018, while the loss on indexed assets and liabilities was -MCH \$3,236 for 2019 compared to -MCH \$3,608 for 2018. Income tax increased to MCH \$3,037 for 2019, versus MCH \$149 for 2018.

For 4Q19, Vida Security posted profit of MCH \$1,646 (-76.7% QoQ). Gross written premiums were MCH \$64,463 for 4Q19 (+5.6% QoQ), due to greater gross written premiums for individual policies, which was only partly offset by lower annuity premiums. The fourth quarter saw a larger variation in technical reserves (-MCH \$9,708 versus -MCH \$6,840 in 3Q19) because of greater investment income from the CUI and APV portfolios, increased claims paid (surrenders and transfers from CUI and APV accounts) and increased gross written premiums for CUI and APV policies. In addition, in the fourth quarter this subsidiary reported a drop in claims and pensions paid (+11.8% QoQ), explained by greater surrenders and transfers from CUI policies, partially offset by a decrease in pensions paid on annuity policies. Investment income totaled MCH \$32,649 for 4Q19 (-10.6% QoQ), due to weaker returns on fixed-income instruments and real estate investments. Income tax totaled MCH \$3, versus MCH \$1,776 for 3Q19.

#### **ADMINISTRATIVE EXPENSES - VIDA SECURITY**

|                               |        |        |        | % CHG  |        |         |         |       |
|-------------------------------|--------|--------|--------|--------|--------|---------|---------|-------|
| IN MCH\$                      | 4Q19   | 3Q19   | 4Q18   | QoQ    | YoY    | 2019    | 2018    | % CHG |
| Remuneration                  | -2,710 | -3,588 | -3,852 | -24.5% | -29.6% | -13,375 | -14,327 | -6.6% |
| Distribution channel expenses | -748   | -880   | -518   | -15.0% | 44.5%  | -3,693  | -3,552  | 4.0%  |
| Other                         | -3,085 | -5,197 | -4,307 | -40.6% | -28.4% | -20,202 | -20,269 | -0.3% |
| TOTAL ADMINISTRATIVE EXPENSES | -6,544 | -9,665 | -8,677 | -32.3% | -24.6% | -37,270 | -38,148 | -2.3% |

For 2019, Vida Security reported administrative expenses of MCH \$37,270 (-2.3% YoY) because of a decrease in payroll expenses (-6.6% YoY).

<sup>(11)</sup> SEE PAGE 18, SECTION "DISABILITY AND SURVIVOR INSURANCE" FOR MORE DETAILS ON THIS PRODUCT LINE



#### **INVESTMENT INCOME - VIDA SECURITY**

For 2019, investment income reached MCH \$145,698 (+64.7% YoY), attributable to better returns on equity investments mainly in the CUI and APV investment portfolios, as markets performed well during the period. Improved returns on the CUI and APV investment portfolio are counterbalanced by greater variations in technical reserves.

The investment portfolio for CUI and APV policies totaled MCH \$546,112 as of December 2019, +9.6% YoY.

|                      | C       | CUI     |           | NON-CUI   |           | TOTAL     |  |
|----------------------|---------|---------|-----------|-----------|-----------|-----------|--|
| IN MCH\$             | 2019    | 2018    | 2019      | 2018      | 2019      | 2018      |  |
| Fixed income         | 9,119   | 8,381   | 69,328    | 65,123    | 78,447    | 73,504    |  |
| Equities and indexes | 35,905  | -4,564  | 6,709     | -2,734    | 42,615    | -7,298    |  |
| Real estate          | 0       | 0       | 22,437    | 20,044    | 22,437    | 20,044    |  |
| Other investments    | 0       | 0       | 2,199     | 2,212     | 2,199     | 2,212     |  |
| INVESTMENT INCOME    | 45,025  | 3,817   | 100,673   | 84,644    | 145,698   | 88,461    |  |
| INVESTMENT PORTFOLIO | 546,112 | 498,138 | 2,067,896 | 1,980,080 | 2,614,008 | 2,478,218 |  |

|                      | CUI     |         | NON-CUI   |           | TOTAL     |           |
|----------------------|---------|---------|-----------|-----------|-----------|-----------|
| IN MCH\$             | 4Q19    | 3Q19    | 4Q19      | 3Q19      | 4Q19      | 3Q19      |
| Fixed income         | 1,914   | 2,544   | 14,820    | 19,769    | 16,734    | 22,313    |
| Equities and indexes | 10,413  | 5,625   | 2,869     | 1,307     | 13,282    | 6,932     |
| Real estate          | 0       | 0       | 1,219     | 7,360     | 1,219     | 7,360     |
| Other investments    | 0       | 0       | 1,459     | 174       | 1,459     | 174       |
| INVESTMENT INCOME    | 12,327  | 8,169   | 20,368    | 28,610    | 32,694    | 36,779    |
| INVESTMENT PORTFOLIO | 546,112 | 535,865 | 2,067,896 | 2,076,963 | 2,614,008 | 2,612,828 |

#### **EXCHANGE DIFFERENCES AND GAIN (LOSS) FROM INDEXATION ADJUSTMENTS**

Exchange differences totaled -MCH \$276 in 2019 (MCH \$1,067 in 2018) and MCH \$1,099 for 4Q19 (+MCH \$424 for 3Q19). The loss on indexation adjustments was -MCH \$3,236 for 2019 (-MCH \$3,608 for 2018) and -MCH \$1,509 for 4Q19 (-MCH \$795 for 3Q19), due to greater reserves in UF and higher inflation during the period.



#### **ASSET MANAGEMENT AREA**

#### (2.6% OF ASSETS; 0.3% OF PROFIT FROM BUSINESS AREAS AS OF DECEMBER 2019)

The asset management business area includes Administradora General de Fondos Security and Valores Security Corredores de Bolsa. It also includes Securitizadora Security, which manages securitized assets and their respective special purpose vehicles (SPVs). This business area complements the product range offered by the rest of the Group's companies, providing services tailored to the needs of each customer segment. The products and services offered by this business area include mutual funds, investment funds and voluntary pension savings (APV), foreign currency and forwards, stocks, portfolio management and international investments.

|                               |           |           |           | % C   | HG    |
|-------------------------------|-----------|-----------|-----------|-------|-------|
| IN MCH\$                      | 2019      | 9M19      | 2018      | QoQ   | YoY   |
| Assets under management (AUM) | 4,339,221 | 4,708,946 | 4,383,489 | -7.9% | -1.0% |
| Mutual funds under management | 2,660,717 | 2,825,655 | 2,496,079 | -5.8% | 6.6%  |
| Market share - mutual funds   | 5.9%      | 6.1%      | 6.6%      | -24 p | -73 p |

|   |         |         |         | % C     | HG     |           |           |        |
|---|---------|---------|---------|---------|--------|-----------|-----------|--------|
| IN MCH\$  | 4Q19    | 3Q19    | 4Q18    | QoQ     | YoY    | 2019      | 2018      | % CHG  |
| Value of shares traded  | 756,662 | 292,507 | 505,313 | 158.7%  | 49.7%  | 2,257,239 | 2,707,465 | -16.6% |
| Market share - stocks   | 3.2%    | 2.8%    | 3.7%    | 31 p    | -56 p  | 3.5%      | 4.6%      | -109 p |
| Operating income  | 10,285  | 9,752   | 10,102  | 5.5%    | 1.8%   | 38,730    | 40,819    | -5.1%  |
| Non-operating income  | -165    | 1,376   | 1,439   | -       | -      | 4,526     | 4,786     | -5.4%  |
| Total expenses  | -11,565 | -13,900 | -8,883  | -16.8%  | 30.2%  | -43,172   | -35,161   | 22.8%  |
| Efficiency  | 114.3%  | 124.9%  | 77.0%   | -1062 p | 3732 р | 99.8%     | 77.1%     | 2271 p |
| Fund management   | 721     | 1,564   | 1,961   | -53.9%  | -63.2% | 5,209     | 6,563     | -20.6% |
| Stock brokerage, portfolio management and international business <sup>(*)</sup> | -3,170  | -3,278  | 209     | -       | -      | -5,689    | 1,985     | -      |
| Securitizadora + Inmobiliaria Casanuestra                                       | 1,974   | -202    | 2,110   | -       | -6.4%  | 1,096     | 2,166     | -49.4% |
| PROFIT - ASSET MANAGEMENT   | (474)   | (1,916) | 4,280   | -       | -      | 616       | 10,715    | -94.3% |

<sup>\*</sup> INCLUDES RESULTS OF SUPPORT AREAS (ASESORÍAS AND GLOBAL SECURITY)

The subsidiary's AUM as of December 2019 totaled MCH \$4,339,221, -1.0% YoY and -7.9% QoQ. Mutual funds under management totaled MCH \$2,660,717, +6.6% YoY and -5.8% QoQ, with a market share of 5.9%. The total value of shares traded was MCH \$2,257,239 for 2019 (-16.6% YoY), with market share of 3.5%, while the traded value was MCH \$756,662 for 4Q19 (+158.7% QoQ), with market share of 3.2%.

The asset management area reported profit of MCH \$616 for 2019 (-94.3% YoY), explained by the recognition of an allowance for doubtful accounts for a specific transaction by Valores Security. Operating revenue was MCH \$38,730 for 2019 (-5.1% YoY), due to a decrease in transactional revenue at Valores Security. Securitizadora Security and Inmobiliaria CasaNuestra also reported lower results. Finally, this business area had non-operating income of MCH \$4,526 (-5.4% YoY), due to weaker returns on Valores Security's proprietary trading portfolio.

It reported profit of -MCH \$474 for 4Q19, because of weaker results from both entities' proprietary trading portfolios and provisions for employee termination benefits at Valores Security. These effects were only partially offset by greater operating revenue of MCH \$10,285 (+5.5% QoQ).

#### **OTHER SERVICES AREA**

#### (1.5% OF ASSETS; 1.0% OF PROFIT FROM BUSINESS AREAS AS OF DECEMBER 2019)

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 \$2,214 for 2019, due to ownership being transferred on fewer units than in 2018. Ownership was transferred on 11 units in 2019, compared to 27 units in 2018, while ownership was transferred on 3 units in 4Q19 and 3 units in 3Q19. Inmobiliaria Security signed purchase promise agreements totaling UF 1,110,000 for 2019 (-7.1% YoY) and UF 178,000 in 4Q19 (-58.0% 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 \$123,151, +44.5% YoY and +8.5% QoQ, due to capitalization of projects under development.

|                                     |         |         |        | % (    | CHG    |         |        |        |
|-------------------------------------|---------|---------|--------|--------|--------|---------|--------|--------|
| IN MCH\$                            | 4Q19    | 3Q19    | 4Q18   | QoQ    | YoY    | 2019    | 2018   | % CHG  |
| Real estate assets under management | 123,151 | 113,503 | 85,202 | 8.5%   | 44.5%  | 123,151 | 85,202 | 44.5%  |
| Total income                        | 90      | 332     | 1,439  | -72.8% | -93.7% | 551     | 1,652  | -66.6% |
| Total expenses                      | -587    | -602    | -527   | -2.5%  | 14.2%  | -2,231  | -2,088 | 6.8%   |
| Profit (loss) before tax            | -496    | -270    | 912    | -      | -      | -1,680  | -436   | -      |
| PROFIT FOR THE PERIOD               | -681    | -669    | 1,005  | -      | -      | -2,214  | -232   | -      |

#### TRAVEL AGENCY: TRAVEL SECURITY

Travel Security reported profit of MCH \$4,020 for 2019, 7.1% YoY, explained by the CH \$62 YoY rise in the average CH\$/US\$ exchange rate, which was not offset by an increase in operating expenses and lower non-operating income.

For 4Q19, it reported profit of MCH \$1,527 (+91.3% QoQ), due to greater revenue from suppliers due to a rise in air travel, partly offset by increased operating expenses.

|                                |       |       |       | % (    | CHG    |       |       |       |
|--------------------------------|-------|-------|-------|--------|--------|-------|-------|-------|
| IN MCH\$                       | 4Q19  | 3Q19  | 4Q18  | QoQ    | YoY    | 2019  | 2018  | % CHG |
| Total sales - Travel (MUSD)    | 59    | 68    | 68    | -13.4% | -12.2% | 267   | 268   | -0.3% |
| Net operating income - (MCH\$) | 2,345 | 1,399 | 1,386 | 67.6%  | 69.2%  | 6,515 | 5,393 | 20.8% |
| PROFIT FOR THE YEAR (MCH\$)    | 1,527 | 798   | 990   | 91.3%  | 54.2%  | 4,020 | 3,752 | 7.1%  |



#### INTERNATIONAL BUSINESS AREA

#### (3.0% OF ASSETS; 0.6% OF PROFIT FROM BUSINESS AREAS AS OF DECEMBER 2019)

The international business area reported profit attributable to the owners of the parent of MCH \$682. This area consolidates 61% of Protecta Security as of November 2018. Protecta Security is a Peruvian life insurance company focused on annuities that was acquired in September 2015, and marks Grupo Security's entrance into the Peruvian financial market. This area also consolidates 75% of Travex Security, the group's travel agency in Peru.

#### **PROTECTA SECURITY**

For 2019, Protecta reported profit of S./ 22.6 million, up from S./ 2.8 million in 2018, mainly because of improved investment income, which totaled S./ 127.0 million, +37.8% YoY, and a lower claims rate. These effects were not fully offset by higher operating expenses of S./ 36.9 million (+16.7% YoY), because of increased business.

Protecta had annuity sales of S./ 195.4 million for 9M19 (+17.6% YoY), giving it market share of 20.5%, and private annuity sales of S./ 135.8 million (+199.8% YoY), with market share of 14.2%.

It reported profit of S./ 11.5 million for 4Q19, an improvement over S./ 2.2 million in 3Q19, due to greater investment income of S./ 39.9 million (+35.2% QoQ), partially offset by higher administrative expenses of S./ 10.9 million (+20.6% QoQ).

|  |         |         |        | % CHG            |        |         |         |        |
|--|---------|---------|--------|------------------|--------|---------|---------|--------|
| (IN THOUSANDS OF SOLES)                    | 4Q19    | 3Q19    | 4Q18   | Q <sub>0</sub> Q | YoY    | 2019    | 2018    | % CHG  |
| Total premiums written - annuities         | 53,285  | 48,256  | 45,531 | 10.4%            | 17.0%  | 195,377 | 166,144 | 17.6%  |
| Market share - annuities                   | 22.0%   | 20.2%   | 19.1%  | 184 p            | 288 p  | 20.5%   | 19.0%   | 154 p  |
| Total premiums written - private annuities | 36,086  | 38,001  | 23,225 | -5.0%            | 55.4%  | 135,818 | 45,309  | 199.8% |
| Market share - private annuities           | 15.7%   | 16.5%   | 7.9%   | -77 p            | 781 p  | 14.2%   | 5.1%    | 910 p  |
| TOTAL PREMIUMS WRITTEN                     | 107,999 | 103,833 | 85,372 | 4.0%             | 26.5%  | 400,349 | 278,536 | 43.7%  |
| Investment income                          | 39,935  | 29,532  | 25,328 | 35.2%            | 57.7%  | 127,045 | 92,176  | 37.8%  |
| Annualized returns                         | 9.3%    | 8.8%    | 9.0%   | 57 p             | 31 p   | 9.3%    | 9.0%    | 31 p   |
| PROFIT FOR THE YEAR                        | 11,453  | 2,228   | 4,425  | 414.1%           | 158.8% | 22,572  | 2,810   | 703.1% |

#### **TRAVEX SECURITY**

Travex Security, Travel Security's Peruvian travel agency subsidiary reported sales of MUS \$64 for 2019 (-7.9% YoY) and profit of US \$19,432.



#### **RISK RATINGS**

|                                   | GRUPO SECURITY | BANCO SECURITY | VIDA SECURITY | FACTORING SECURITY | INV. PREVISIÓN<br>SECURITY |
|-----------------------------------|----------------|----------------|---------------|--------------------|----------------------------|
| Fitch Ratings (local)             | AA -           | AA             | AA -          | AA -               | A+                         |
| ICR (local)                       | AA -           | AA             | AA            | AA -               | A+                         |
| Standard & Poor's (international) |                | BBB/A-2        |               |                    |                            |

### **BONDS ISSUED BY GRUPO SECURITY**

| BOND<br>SERIES | NO. OF<br>REGISTRATION | REGISTRATION DATE | CURRENCY               | AMOUNT    | ANNUAL INTEREST<br>RATE | DURATION (YEARS) | MATURITY   |
|----------------|------------------------|-------------------|------------------------|-----------|-------------------------|------------------|------------|
| F              | 620                    | 9/15/2009         | Unidad de fomento (UF) | 49,562    | 4.50                    | 23               | 9/15/2032  |
| K              | 763                    | 6/30/2013         | Unidad de fomento (UF) | 3,000,000 | 4.00                    | 25               | 6/30/2038  |
| L3             | 795                    | 10/9/2014         | Unidad de fomento (UF) | 3,000,000 | 3.40                    | 21               | 11/15/2035 |
| М              | 842                    | 10/25/2016        | Unidad de fomento (UF) | 1,189,000 | 4.20                    | 25               | 10/15/2041 |
| N1             | 885                    | 1/31/2018         | Unidad de fomento (UF) | 1,500,000 | 2.85                    | 25               | 12/10/2042 |
| TOTAL          |                        |                   | Unidad de fomento (UF) | 8,738,562 |                         |                  |            |

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

#### **RETURNS AND DIVIDENDS**

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

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

Grupo Security's dividend yield, calculated as dividends per share, divided by the average share price when each dividend was distributed for the corresponding year, amounted to 4.5% in 2018. Grupo Security's stock reported a return of -29.5% for 2019, underperforming the S&P/CLX IPSA (-8.5%).



### **4Q19 EARNINGS CONFERENCE CALL**

Grupo Security's fourth quarter earnings report will be explained to the market in a conference call on Wednesday, March 4, 2020. A transcript of the call will be available on our website. For more information, please contact the Investor Relations Team at <a href="mailto:relations-rel

#### **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<br>IN MCH\$   | DECEMBER 31,<br>2018 | DECEMBER 31,<br>2019 |
|--|----------------------|----------------------|
| CURRENT ASSETS   |                      |                      |
| Cash and cash equivalents  | 472,890              | 791,824              |
| Other financial assets, current  | 3,412,740            | 3,738,514            |
| Other non-financial assets, current  | 44,627               | 47,197               |
| Trade and other receivables, current   | 5,833,242            | 6,560,006            |
| Accounts receivable from related parties, current  | 48,248               | 71,771               |
| Inventory  | 86,581               | 124,009              |
| Current tax assets   | 47,728               | 52,637               |
| TOTAL CURRENT ASSETS OTHER THAN ASSETS OR DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE OR HELD FOR DISTRIBUTION TO OWNERS | 9,946,056            | 11,385,958           |
| Non-current assets classified as held for sale or held for distribution to owners  | 1,234                | 4,687                |
| TOTAL NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE OR HELD FOR DISTRIBUTION TO OWNERS                                  | 1,234                | 4,687                |
| TOTAL CURRENT ASSETS   | 9,947,290            | 11,390,646           |
| NON-CURRENT ASSETS   |                      |                      |
| Other non-financial assets, non-current  | 117,004              | 216,167              |
| Equity-accounted investments   | 3,875                | 3,093                |
| Intangible assets other than goodwill  | 37,811               | 37,896               |
| Goodwill   | 119,067              | 119,067              |
| Property, plant and equipment  | 51,733               | 53,284               |
| Investment property  | 214,170              | 250,076              |
| Deferred tax assets  | 51,738               | 50,772               |
| TOTAL NON-CURRENT ASSETS   | 595,398              | 730,355              |
| TOTAL ASSETS   | 10,542,688           | 12,121,001           |



### 2. FINANCIAL STATEMENTS AND INDICATORS - LIABILITIES AND EQUITY

| LIABILITIES<br>IN MCH\$                            | DECEMBER 31,<br>2018 | DECEMBER 31,<br>2019 |
|--|----------------------|----------------------|
| Other financial liabilities, current               | 6,217,422            | 7,187,671            |
| Trade and other payables                           | 2,631,688            | 2,849,866            |
| Accounts payable to related parties, current       | 995                  | 26                   |
| Other short-term provisions                        | 124,325              | 132,503              |
| Current tax liabilities                            | 22,810               | 32,308               |
| Employee benefit provisions, current               | 9,258                | 10,056               |
| Other non-financial liabilities, current           | 146,415              | 362,033              |
| TOTAL CURRENT LIABILITIES                          | 9,152,914            | 10,574,462           |
| NON-CURRENT LIABILITIES                            |                      |                      |
| Other financial liabilities, non-current           | 578,311              | 715,490              |
| Accounts payable, non-current                      | 58,402               | 42,694               |
| Accounts payable to related companies, non-current | 3,323                | 3,412                |
| Deferred tax liabilities                           | 697                  | 791                  |
| TOTAL NON-CURRENT LIABILITIES                      | 640,734              | 762,388              |
| TOTAL LIABILITIES                                  | 9,793,647            | 11,336,851           |
| EQUITY   |                      |                      |
| Issued capital                                     | 431,676              | 432,124              |
| Retained earnings                                  | 342,846              | 378,573              |
| Share premium                                      | 719                  | 0                    |
| Other reserves                                     | (46,746)             | (40,943)             |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT        | 728,495              | 769,754              |
| Non-controlling interests                          | 20,545               | 14,396               |
| TOTAL EQUITY                                       | 749,040              | 784,150              |
| TOTAL LIABILITIES AND EQUITY                       | 10,542,688           | 12,121,001           |



### 3. FINANCIAL STATEMENTS AND INDICATORS - CONSOLIDATED STATEMENT OF INCOME

| CONSOLIDATED STATEMENT OF INCOME (MCH\$)   | DECEMBER 31,<br>2018 | DECEMBER 31,<br>2019 |
|--|----------------------|----------------------|
| Revenue  | 1,042,141            | 1,156,010            |
| Cost of sales  | (689,733)            | (770,231)            |
| GROSS PROFIT   | 352,408              | 385,780              |
| Other income   | 3,310                | 2,851                |
| Distribution costs   | 0                    | 0                    |
| Administrative expenses  | -216,962             | -251,127             |
| Other expenses   | (7,565)              | (15,592)             |
| Other gains  | 1,742                | 2,531                |
| Finance income   | 13                   | 258                  |
| Finance costs  | (14,837)             | (14,260)             |
| Share of profit (loss) of associates and joint ventures, equity-accounted  | -1,775               | 922                  |
| Exchange differences   | 1,222                | 11,712               |
| Loss on indexed assets and liabilities   | -10,399              | -10,150              |
| Gain arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value | 734                  | 48                   |
| PROFIT BEFORE TAXES  | 107,891              | 112,973              |
| Income tax expense   | (24,733)             | (29,944)             |
| PROFIT FROM CONTINUING OPERATIONS  | 83,159               | 83,029               |
| Profit from discontinued operations  | 0                    | 0                    |
| PROFIT FOR THE YEAR  | 83,159               | 83,029               |
| PROFIT ATTRIBUTABLE TO   |                      |                      |
| Owners of the parent   | 80,548               | 81,156               |
| Non-controlling interests  | 2,610                | 1,873                |
| Profit for the year  | 83,159               | 83,029               |
| Depreciation and amortization  | 9,060                | 11,566               |
| EBITDA   | 131,788              | 138,799              |



### 4. SEGMENT NOTE - GRUPO SECURITY YoY

| SEGMENT NOTE - GRUPO  | LENI     | DING     | ASSET MAN | IAGEMENT | INSUR    | ANCE     | INTERNA<br>BUSII |         | OTHER S | ERVICES |         |         | TOT<br>GRUPO S |           |
|---|----------|----------|-----------|----------|----------|----------|------------------|---------|---------|---------|---------|---------|----------------|-----------|
| SECURITY<br>IN MCH\$  | DEC-18   | DEC-19   | DEC-18    | DEC-19   | DEC-18   | DEC-19   | DEC-18           | DEC-19  | DEC-18  | DEC-19  | DEC-18  | DEC-19  | DEC-18         | DEC-19    |
| Revenue   | 469,579  | 511,279  | 60,347    | 73,891   | 437,039  | 417,828  | 23,365           | 115,280 | 37,150  | 34,277  | -3,342  | 3,456   | 1,024,138      | 1,156,010 |
| Cost of sales   | -261,715 | -279,371 | -13,682   | -32,484  | -365,320 | -345,780 | -13,621          | -96,672 | -17,345 | -15,574 | -1,421  | -350    | -673,105       | -770,231  |
| GROSS PROFIT  | 207,864  | 231,908  | 46,665    | 41,407   | 71,719   | 72,048   | 9,744            | 18,608  | 19,805  | 18,702  | -4,763  | 3,106   | 351,034        | 385,780   |
| Other income  | 21       | 25       | 2,532     | 137      | 275      | 563      | 402              | 312     | 716     | 381     | 740     | 1,433   | 4,685          | 2,851     |
| Administrative expenses   | -113,952 | -118,630 | -33,004   | -35,527  | -45,721  | -45,916  | -6,663           | -17,944 | -15,087 | -15,963 | -2,534  | -17,146 | -216,962       | -251,127  |
| Other expenses  | -4,709   | -6,476   | -2,142    | -8,112   | -311     | -500     | -306             | -386    | -97     | -30     | -2      | -90     | -7,565         | -15,592   |
| Other gains (losses)  | 0        | 0        | -33       | 247      | 206      | 281      | 1,007            | 977     | -180    | 375     | 742     | 651     | 1,742          | 2,531     |
| Finance income  | 0        | 0        | 0         | 206      | 13       | 38       | -                | 0       | 0       | 0       | 0       | 14      | 13             | 258       |
| Finance costs   | 0        | 0        | -781      | -78      | -54      | -28      | -542             | -242    | -1,197  | -1,285  | -12,263 | -12,627 | -14,837        | -14,260   |
| Share of profit (loss) of associates and joint ventures, equity-accounted   | 0        | 0        | 0         | 0        | 10,274   | 927      | -                | 0       | 0       | -2      | -12,050 | -3      | -1,775         | 922       |
| Exchange differences  | 2,916    | 6,976    | -142      | 3,585    | -991     | 797      | -606             | -53     | 275     | 356     | -231    | 52      | 1,222          | 11,712    |
| Gain (loss) on indexed assets and liabilities   | 25       | 31       | 141       | -212     | -3,605   | -3,016   | -                | 0       | -49     | 44      | -6,912  | -6,997  | -10,399        | -10,150   |
| Gain (loss) arising from the<br>difference between the prior<br>carrying amount and the<br>fair value of financial assets<br>reclassified at fair value | 655      | 165      | 79        | -118     | 0        | 0        | -                | 0       | 0       | 0       | 0       | 0       | 734            | 48        |
| PROFIT (LOSS) BEFORE TAXES  | 92,821   | 113,999  | 13,316    | 1,534    | 31,806   | 25,194   | 3,036            | 1,273   | 4,186   | 2,579   | -37,273 | -31,607 | 107,891        | 112,973   |
| Income tax expense  | -20,696  | -27,247  | -2,601    | -925     | -649     | -3,685   | -307             | -157    | -1,140  | -830    | 659     | 2,900   | -24,733        | -29,944   |
| Profit (loss) from continuing operations  | 72,125   | 86,752   | 10,715    | 609      | 31,156   | 21,509   | 2,730            | 1,116   | 3,047   | 1,749   | -36,613 | -28,706 | 83,159         | 83,029    |
| PROFIT (LOSS) ATTRIBUTABLE TO   |          |          |           |          |          |          |                  |         |         |         |         |         |                |           |
| Owners of the parent  | 72,122   | 86,732   | 10,715    | 289      | 30,440   | 20,737   | 1,429            | 682     | 2,457   | 1,121   | -36,613 | -28,732 | 80,548         | 81,156    |
| Non-controlling interests   | 3        | 20       | 0         | -7       | 716      | 772      | 1,301            | 434     | 590     | 628     | 0       | 26      | 2,610          | 1,873     |
| PROFIT (LOSS) FOR THE YEAR  | 72,125   | 86,752   | 10,715    | 609      | 31,156   | 21,509   | 2,730            | 1,116   | 3,047   | 1,749   | -36,613 | -28,706 | 83,159         | 83,029    |



# 5. SEGMENT NOTE - GRUPO SECURITY QoQ

| SEGMENT NOTE - GRUPO<br>SECURITY  | LEND    | DING    | ASSET MAN | IAGEMENT | INSUR   | ANCE    | INTERNA<br>BUSI | ATIONAL<br>NESS | OTHER S | ERVICES | CONSOL<br>ADJUST<br>SUPPORT A<br>GROUP E | REAS AND | TO<br>GRUPO S | TAL<br>SECURITY |
|---|---------|---------|-----------|----------|---------|---------|-----------------|-----------------|---------|---------|--|----------|---------------|-----------------|
| IN MCH\$  | 3Q19    | 4Q19    | 3Q19      | 4Q19     | 3Q19    | 4Q19    | 3Q19            | 4Q19            | 3Q19    | 4Q19    | 3Q19                                     | 4Q19     | 3Q19          | 4Q19            |
| Revenue   | 128,987 | 137,755 | 25,432    | 20,816   | 102,539 | 100,096 | 14,501          | 34,220          | 9,493   | 8,921   | -6                                       | 6,360    | 280,945       | 308,167         |
| Cost of sales   | -69,802 | -78,123 | -14,726   | -10,634  | -80,782 | -90,518 | -25,169         | -27,615         | -5,003  | -3,338  | -465                                     | 774      | -195,946      | -209,456        |
| GROSS PROFIT (LOSS)   | 59,185  | 59,631  | 10,706    | 10,182   | 21,757  | 9,577   | -10,668         | 6,605           | 4,489   | 5,582   | -471                                     | 7,134    | 84,999        | 98,712          |
| Other income  | 11      | 5       | -618      | 3        | 168     | 159     | 94              | 147             | 118     | 108     | 537                                      | 38       | 310           | 459             |
| Administrative expenses   | -29,128 | -30,221 | -9,197    | -9,447   | -12,136 | -8,342  | 9,545           | -5,239          | -4,039  | -4,374  | -4,276                                   | -11,334  | -49,231       | -68,958         |
| Other expenses  | -1,444  | -1,938  | -5,230    | -1,780   | -126    | -129    | -95             | -87             | -10     | -8      | 768                                      | -6       | -6,138        | -3,948          |
| Other gains (losses)  | 0       | 0       | 243       | -39      | 182     | -77     | 248             | 240             | 0       | 72      | -1,669                                   | 1,941    | -995          | 2,136           |
| Finance income  | 0       | 0       | 44        | 162      | 32      | 6       | 0               | 0               | 0       | 0       | 0  | 14       | 77            | 182             |
| Finance costs   | 0       | 0       | -6        | -2       | -15     | -6      | -73             | -10             | -307    | -315    | -3,206                                   | -3,363   | -3,606        | -3,695          |
| Share of profit (loss) of associates and joint ventures, equity-accounted   | 0       | 0       | 0         | 0        | -37     | 1,084   | 0               | 0               | 0       | -1      | 762                                      | -756     | 725           | 327             |
| Exchange differences  | 1,443   | 2,799   | 405       | 3,459    | 538     | 1,073   | -33             | -29             | 124     | 95      | 2  | -139     | 2,477         | 7,257           |
| Gain (loss) on indexed assets and liabilities   | 0       | 31      | 33        | -286     | -794    | -1,290  | 0               | 0               | -29     | 31      | -1,395                                   | -2,375   | -2,186        | -3,888          |
| Gain (loss) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value | 107     | -231    | 617       | -1,032   | 0       | 0       | 0               | 0               | 0       | 0       | 0  | 0        | 723           | -1,263          |
| PROFIT (LOSS) BEFORE TAXES  | 30,173  | 30,076  | -3,003    | 1,220    | 9,569   | 2,055   | -983            | 1,626           | 347     | 1,191   | -8,947                                   | -8,847   | 27,155        | 27,321          |
| Income tax benefit (expense) from continuing operations   | -7,404  | -6,987  | 1,087     | -1,701   | -1,998  | -137    | -60             | -3              | -224    | -314    | -372                                     | 3,043    | -8,971        | -6,097          |
| Profit (loss) from continuing operations  | 22,769  | 23,090  | -1,916    | -481     | 7,570   | 1,918   | -1,043          | 1,623           | 124     | 877     | -9,319                                   | -5,803   | 18,185        | 21,224          |
| PROFIT (LOSS) ATTRIBUTABLE TO   |         |         |           |          |         |         |                 |                 |         |         |  |          |               |                 |
| Owners of the parent  | 22,766  | 23,084  | -1,916    | -801     | 7,343   | 1,716   | -823            | 985             | -12     | 633     | -9,150                                   | -5,814   | 18,207        | 20,130          |
| Non-controlling interests   | 3       | 5       | 0         | -7       | 227     | 202     | -220            | 638             | 135     | 244     | -168                                     | 11       | -22           | 1,094           |
| PROFIT (LOSS) FOR THE YEAR  | 22,769  | 23,090  | -1,916    | -481     | 7,570   | 1,918   | -1,043          | 1,623           | 124     | 877     | -9,319                                   | -5,803   | 18,185        | 21,224          |



#### 6. GRUPO SECURITY CONSOLIDATED STATEMENT OF CASH FLOWS

| STATEMENT OF CASH FLOWS<br>FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019               | DEC-18<br>MCH\$ | DIC-19<br>MCH\$ |
|---|-----------------|-----------------|
| Net cash flows provided by (used in) operating activities                               | (159,394)       | 268,609         |
| Net cash flows provided by (used in) investing activities                               | (5,768)         | (12,634)        |
| Net cash flows provided by (used in) financing activities                               | 38,289          | 62,497          |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES | (126,873)       | 318,472         |
| Effect of exchange rate changes on cash and cash equivalents                            | (5)             | 462             |
| Increase (decrease) in cash and cash equivalents  | (126,878)       | 318,934         |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR  | 599,767         | 472,890         |
| CASH AND CASH EQUIVALENTS AT END OF YEAR  | 472,890         | 791,824         |

#### **OPERATING CASH FLOWS**

The increase in cash flows is related to the Bank, which experienced a sharp rise in funds from deposits and other demand obligations. Specifically, the Bank reported a negative operating cash flow of MCH \$18,655 in 2018 and a positive flow of MCH \$242,128 in 2019.

#### **INVESTING CASH FLOWS**

For the year ended December 2019, the variation is related to investments in property, plant and equipment and real estate investments, especially by Vida Security (MCH \$10,490) and Inversiones Security Perú (including its subsidiary Protecta for MCH \$10,982). Investments in software were also made.

#### FINANCING CASH FLOWS

For the year ended December 2019, the increased cash flows from financing activities are explained by a bond placed by Factoring Security, for a total of MCH \$41,010, and an increase in bank loans obtained to take advantage of good interest rates.

#### 7. QUARTERLY STATEMENT OF INCOME

| QUARTERLY EARNINGS                          |       | 3RD QTR<br>2018 | 4TH QTR<br>2018 | 1ST QTR<br>2019 | 2ND QTR<br>2019 | 3RD QTR<br>2019 | 4TH QTR<br>2019 |
|---|-------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue                                     | MCH\$ | 248,661         | 237,960         | 267,893         | 299,006         | 280,945         | 308,167         |
| Cost of sales                               | MCH\$ | (161,998)       | (138,857)       | (165,741)       | (199,088)       | (195,946)       | (209,456)       |
| Gross profit                                | MCH\$ | 86,663          | 99,103          | 102,151         | 99,918          | 84,999          | 98,712          |
| Administrative expenses                     | MCH\$ | (50,600)        | (49,784)        | (63,385)        | (69,553)        | (49,231)        | (68,958)        |
| Net operating income                        | MCH\$ | 37,058          | 45,384          | 37,294          | 29,802          | 28,946          | 28,401          |
| Finance costs                               | MCH\$ | (4,245)         | (4,271)         | (3,589)         | (3,370)         | (3,606)         | (3,695)         |
| Profit before tax                           | MCH\$ | 28,244          | 31,536          | 34,017          | 24,479          | 27,155          | 27,321          |
| Profit attributable to owners of the parent | MCH\$ | 20,728          | 22,725          | 21,158          | 21,661          | 18,207          | 20,130          |
| EBITDA <sup>1</sup> (Ebitda)                | MCH\$ | 34,956          | 37,849          | 40,341          | 30,618          | 33,781          | 34,059          |

 $<sup>^{\</sup>rm 1}\,$  EBITDA= PROFIT BEFORE TAX - (FINANCE COSTS) + ADJUSTED FOR DEPRECIATION AND AMORTIZATION



#### **CONSOLIDATED FINANCIAL AND BUSINESS INDICATORS**

| ACTIVITY RATIOS                |       | DEC-31-18  | MAR-31-19  | JUN-30-19  | SEPT-30-19 | DEC-31-19  |
|--------------------------------|-------|------------|------------|------------|------------|------------|
| Standalone cash                | MCH\$ | 13,126     | 55,052     | 20,736     | 20,087     | 8,026      |
| Total consolidated assets      | MCH\$ | 10,542,688 | 10,519,158 | 10,808,061 | 11,326,897 | 12,121,001 |
| Total consolidated liabilities | MCH\$ | 9,793,647  | 9,744,655  | 10,028,529 | 10,559,300 | 11,336,851 |
| Total equity                   | MCH\$ | 749,040    | 774,503    | 779,532    | 767,597    | 784,150    |

| LEVERAGE RATIO                                       |         | DEC-31-18 | MAR-31-19 | JUN-30-19 | SEPT-30-19 | DEC-31-19 |
|--|---------|-----------|-----------|-----------|------------|-----------|
| Individual leverage ratio <sup>1</sup>               | (times) | 0.34      | 0.35      | 0.33      | 0.36       | 0.35      |
| Consolidated financial expense coverage <sup>2</sup> | (times) | 8.27      | 10.48     | 9.41      | 9.11       | 8.92      |

| PROFITABILITY                               |         | DEC-31-18 | MAR-31-19 | JUN-30-19 | SEPT-30-19 | DEC-31-19 |
|---|---------|-----------|-----------|-----------|------------|-----------|
| Revenue                                     | million | 1,042,141 | 267,893   | 566,898   | 847,843    | 1,156,010 |
| Profit attributable to owners of the parent | million | 80,548    | 21,158    | 42,819    | 61,026     | 81,156    |
| EBITDA                                      | million | 131,788   | 40,341    | 70,960    | 104,741    | 138,799   |
| Return on equity <sup>3</sup>               | %       | 11.24%    | 10.71%    | 11.80%    | 11.49%     | 10.83%    |
| Return on assets <sup>4</sup>               | %       | 0.79%     | 0.764%    | 0.823%    | 0.780%     | 0.716%    |
| Earnings per share <sup>5</sup>             | CH\$    | 21.8      | 21.1      | 23.3      | 22.7       | 22.0      |
| Number of shares                            | million | 3,695     | 3,695     | 3,695     | 3,695      | 3,695     |

<sup>1.</sup> 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.

<sup>2.</sup> FINANCIAL EXPENSE COVERAGE: DEFINED AS THE SUM OF PROFIT BEFORE TAX AND FINANCE COSTS DIVIDED BY FINANCE COSTS.

3. RETURN ON EQUITY: DEFINED AS THE QUOTIENT BETWEEN PROFIT ATTRIBUTABLE TO CONTROLLED PROPERTIES LTM AND AVERAGE EQUITY ATTRIBUTABLE TO CONTROLLED PROPERTIES.

4. RETURN ON ASSETS: DEFINED AS THE QUOTIENT BETWEEN PROFIT ATTRIBUTABLE TO CONTROLLED COMPANIES LTM AND TOTAL AVERAGE ASSETS.

RETURN ON ASSETS: DEFINED AS THE QUOTIENT BETWEEN PROFIT ATTRIBUTABLE TO CONTROLLED COMPANIES LTM AND TOTAL AVERAGE ASSETS.
 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 \$12,121,001 as of December 2019, +15.0% YoY. Of these assets, 54.1% are trade and other receivables, primarily the Bank's loan portfolio. As of December 2019, this item reached MCH \$6,560,006, +12.5% YoY, driven by +12.6% YoY growth in loans as explained on pages 9 and 10.

Furthermore, 30.8% of total assets are other current financial assets. This line item primarily includes the investment portfolio for the insurance subsidiary's technical reserves and the Bank's portfolio of financial instruments. As of December 2019, other current financial assets totaled MCH \$3,738,514 (+9.5% YoY), as a result of the 7.5% YoY increase in the investment portfolio for the insurance subsidiary's technical reserves, which totaled MCH \$2,570,750 as of December 2019, in keeping with business growth and portfolio returns and the 14.3% increase in the Bank's current financial assets, which totaled MCH \$1,166,559 as of December 2019.

As of December 2019, total consolidated liabilities were MCH \$11,336,851, +15.8% YoY. Of those, 59.3% are other current financial liabilities, which include the Bank's time deposits and current accounts, as well as debt issued by the Bank or the Group. As of December 2019, other current financial liabilities totaled MCH \$7,187,671, +15.6% YoY, because of an increase in debt issued, offset by a decrease in savings and time deposits at the Bank, as explained on pages 10 and 11.

Of total liabilities, 23.1% were trade and other payables, which are primarily the technical reserves of Vida Security and Protecta Security. As of December 2019, trade payables were MCH \$2,849,866, +8.3% YoY, due to the 9.3% YoY increase in life insurance technical reserves, which totaled MCH \$2,695,230, due to increased reserves at Vida Security, mainly due to higher investment income from equity investments in the CUI and APV portfolio and greater annuity sales during the period, as explained on pages 14 to 21 of this report. There were also greater reserves at Protecta Security, in line with greater sales of annuities and private annuities, as discussed on page 24 of this report.

Grupo Security's total equity amounted to MCH \$784,150 as of December 2019, +4.7% YoY, because of profit for the period allocated to retained earnings.

The individual leverage ratio is defined in note 38 of Grupo Security's financial statements as the ratio of standalone financial liabilities, as presented in the FECU disclosures, to total equity. Under the bondholder protection covenant, it may not exceed 0.4, measured on the standalone statement of financial position. As of December 2019, this ratio was 0.35, +62 b.p. 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. The consolidated financial expense coverage was 8.9 for 2019, +7.9% YoY, reflecting the 5.3% YoY increase in profit before tax.

As of December 2019, revenue was MCH \$1,156,010, +10.9% YoY. Of this, 22.3% corresponds to gross written premiums from Vida Security, which fell 22.7% YoY due to the expiration of contract No. 5 for Disability and Survivor Insurance (DSI), partially offset by increased annuity sales and larger gross written premiums for individual and group insurance, as explained on pages 14 to 21 of this report. In addition, 32.0% of revenue was from interest and indexation on Bank loans, which grew 8.1% YoY, as explained on pages 7 and 8. On the other hand, 7.7% of consolidated revenue corresponds to other income from interest earned mainly on Vida Security's investment portfolio, which had higher returns on equity investments in the CUI and APV portfolio because of strong market performances during the period, as mentioned on pages 14 to 21 of this report.



For 2019, profit attributable to owners of the parent was MCH \$81,156, +0.8% YoY, while EBITDA reached MCH \$138,799 (+5.3% YoY). As of December 2019, return on equity was 10.8% (-41 b.p. YoY) and return on assets was 0.72% (-7 b.p. YoY) with earnings per share of CH \$22.0 (+0.7% YoY). These results are explained by the results of Grupo Security and its subsidiaries, which are presented in detail throughout this report.

#### **MARKET INFORMATION**

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

Grupo Security is the parent company of a conglomerate of diversified companies engaged in the main sectors of the Chilean financial industry. Its subsidiaries Banco Security and Factoring Security provide lending services to companies and individuals. The subsidiary Seguros de Vida Security Previsión, Corredora de Seguros Security and Europ Assistance operate respectively in the life insurance and life annuity, insurance brokerage and travel assistance industries. Valores Security Corredora de Bolsa, Administradora General de Fondos Security and Securitizadora Security, complement the Group's offering of financial services by developing and distributing specialized financial products and personalized investment and asset management services. Starting in 4Q18, the international business area, which consists of the Peruvian subsidiaries Protecta Security and Travex Security, is reported separately.

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

#### THE BANKING INDUSTRY

As of December 2019, the Chilean banking industry was made up of 18 financial institutions, including 1 state-owned bank (Banco Estado), 14 domestic banks and 3 branches of foreign banks. As of that date, industry loans totaled MCH \$196,453,788 (MCH \$180,057,437 excluding foreign subsidiaries). Equity totaled MCH \$21,833,823 while profit for the year 2019 was MCH \$2,639,390, with return on average equity of 12.8%. The industry reported an efficiency ratio of 45.0%, measured as operating expenses over gross operating profit, and 1.9% measured as operating expenses over total assets. The banking system posted a risk ratio of 2.56%, measured as loan loss provisions to total loans, and 2.07%, measured as 90-day nonperforming loans to total loans. As of December 2019, Banco Security had total loans of MCH \$6,051,817, positioning it 8th in total loans with 3.1% of the Chilean market (3.4% excluding foreign subsidiaries).



#### **FACTORING INDUSTRY**

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

#### **MUTUAL FUND INDUSTRY**

As of December 2019, the mutual fund industry reported average assets under management of MCH \$45,052,916 and 2,527,466 investors. Administradora General de Fondos Security boasted average assets under management of MCH \$2,660,717 as of December 2019, giving it a market share of 5.9% and a sixth-place industry ranking among the 20 fund managers operating in the market.

#### STOCK BROKERAGE INDUSTRY

During 2019, market activity measured as value of shares traded increased 9.3% in comparison to 2018, reaching BCH \$64,663 billion. Value of shares traded by Valores Security Corredores de Bolsa for the same period totaled BCH \$2,257 billion with market share of 3.5%. Market share is calculated based on transactions on Santiago Exchange and the Chilean Electronic Stock Exchange.

#### LIFE INSURANCE INDUSTRY

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

# DIFFERENCES BETWEEN BOOK VALUES AND ECONOMIC VALUES AND/OR MARKET VALUES OF PRINCIPAL ASSETS

Grupo Security participates in the insurance and services businesses through its investments in related companies, mainly Europ Assistance and in private investment funds through Inmobiliaria Security. As of December 2019, investments accounted for using the equity method in the Consolidated Statements of Financial Position represent approximately 0.03% of total assets.



Goodwill, which represents the difference between the acquisition cost and the fair value of assets and liabilities, totaled MCH \$119,067 as of December 2019, equivalent to 0.98% 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 December 2019, Grupo Security had received the following dividends from subsidiaries: MCH \$43,591 (60% of 2018 profit) from Banco Security, MCH \$20,000 from Inversiones Previsión Security and MCH \$200 from Securitizadora Security.

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**

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.

#### RISKS ASSOCIATED WITH INTERNATIONAL FINANCIAL MARKET VOLATILITY

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

#### **INTEREST RATE RISK**

As of December 31, 2019, the company has loans at reasonable rates based on current market conditions.

#### **FOREIGN EXCHANGE RISK**

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



#### **COMMODITY RISK**

As of December 31, 2019, Grupo Security does not have any significant assets or liabilities in commodities.

#### RISKS ASSOCIATED WITH THE INSURANCE BUSINESS

#### **LOCAL FINANCIAL RISKS**

Decreases in medium- and long-term interest rates could affect the performance of life annuity-backing assets and guaranteed-return investment accounts when investments with shorter maturities must be made, creating a medium-term operating deficit.

#### **MORTALITY AND MORBIDITY RATES**

Increases in morbidity rates could cause the number of catastrophic claims to rise in the medium-term and the number of medical reimbursement claims to increase in the short term. If companies do not adjust to the new structure of the mortality curves, the decrease in adult mortality rates could negatively affect the income expected from the annuities area.

#### **INDUSTRY STRUCTURE**

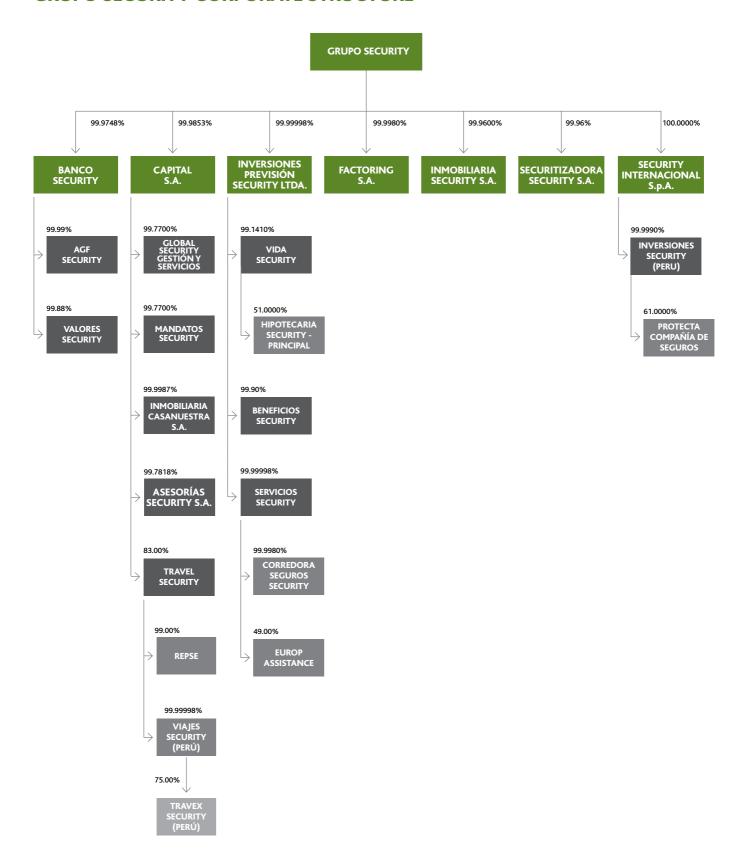
The large number industry players can lead to company closures and mergers. Consequently, the current industry structure may vary, triggering adjustments to the structure of sales and operating margins.

#### **RE-INSURANCE INDUSTRY**

The current trend toward concentration of re-insurance companies could affect the variety of coverage options and could prevent the reinsurance of risks that are currently backed thanks to the strong competition that until recently had existed in this market.



#### **GRUPO SECURITY CORPORATE STRUCTURE**





# SUMMARY FINANCIAL STATEMENTS OF SUBSIDIARIES

### **BANCO SECURITY AND SUBSIDIARIES**

#### **TYPE OF COMPANY**

Banking corporation.

#### **TAXPAYER ID NUMBER**

97.053.000-2

#### **SECURITIES REGISTRY**

Banco Security is not registered in the Securities Registry.

#### **CORPORATE PURPOSE**

To undertake the business, contracts, transactions and operations appropriate for a commercial bank, in accordance with current legislation.

#### **GENERAL BACKGROUND**

The company was formed by public instrument on August 26, 1981, signed before notary public Enrique Morgan Torres. The respective extract of the articles of incorporation was published in the Official Gazette on September 23, 1981.

#### **IMPORTANT INFORMATION**

On April 1, 2001, Leasing Security S.A. merged with Banco Security at its book value with no effect on profit or loss. On October 1, 2004, Banco Security merged with Dresdner Bank Lateinamerika, after which time Grupo Security took control of 99.67% of the company

Dresdner Bank Lateinamerika AG and 100% of the company Dresdner Bank Lateinamerika Corredora de Bolsa. This transaction was financed mainly through a capital increase from the Group's shareholders.

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$302.047.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Banco Security and subsidiaries represent 59.05% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT (\*)

Banco Security provides banking services (mercantile current accounts, loans, lines of credit and overdraft, payment services, etc.) to the parent company, subsidiaries and associates of Grupo Security S.A. These services may possibly be offered to customers of the group's subsidiaries and associates in the future.

(\*) FIGURES FOR TRANSACTIONS BETWEEN THE PARENT COMPANY AND ITS SUBSIDIARIES AND ASSOCIATES CAN BE FOUND IN THE FINANCIAL STATEMENTS OF GRUPO SECURITY.

#### **BOARD OF DIRECTORS**

#### CHAIRMAN OF THE BOARD

Francisco Silva S. Chilean National ID: 4.103.061-5

#### **DIRECTORS:**

Hernán Felipe Errázuriz C. Chilean National ID: 4.686.927-3

Jorge Marín C. Chilean National ID: 7.639.707-4

Gustavo Pavez R. Chilean National ID: 4.609.215-5

Renato Peñafiel M. Chilean National ID: 6.350.390-8

Horacio Pavez G. Chilean National ID: 3.899.021-7

Ramón Eluchans O. Chilean National ID: 6.464.460-2

#### **ALTERNATE DIRECTORS:**

Mario Weiffenbach O. Chilean National ID: 4.868.153-0 Ignacio Ruiz Tagle V. Chilean National ID: 6.068.262-3

#### **CHIEF EXECUTIVE OFFICER:**

Bonifacio Bilbao H. Chilean National ID: 9.218.210-K



#### **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|   | DECEMBER 31,<br>2019<br>MCH\$ | DECEMBER 31,<br>2018<br>MCH\$ |
|---|-------------------------------|-------------------------------|
| ASSETS  |                               |                               |
| Cash and due from banks   | 693,082                       | 394,332                       |
| Transactions pending settlement                                 | 150,526                       | 35,628                        |
| Financial instruments held for trading                          | 123,763                       | 106,095                       |
| Receivables from repurchase agreements and securities borrowing | -                             | -                             |
| Financial derivative instruments                                | 274,975                       | 150,265                       |
| Loans and advances to banks                                     | 568                           | 10,730                        |
| Loans to customers  | 5,950,720                     | 5,245,152                     |
| Financial investments available for sale                        | 756,594                       | 751,206                       |
| Investments held to maturity                                    | 750,551                       | -                             |
| Investments in other companies                                  | 2,095                         | 2,095                         |
| Intangible assets   | 44,943                        | 46,624                        |
| Property, plant and equipment                                   | 22,168                        | 22,656                        |
| Lease right-of-use asset  | 8,206                         | 22,030                        |
| Current tax assets  | 2,085                         | 2,053                         |
| Deferred tax assets   |                               |                               |
| Other assets  | 24,434<br>210,611             | 23,248<br>143,691             |
| TOTAL ASSETS  | 8,264,770                     | 6,933,775                     |
| TOTAL ASSETS  | 8,204,770                     | 0,955,115                     |
| LIABILITIES   |                               |                               |
| Current accounts and other demand deposits                      | 974,730                       | 669,965                       |
| Transactions pending settlement                                 | 130,482                       | 16,903                        |
| Payables from repurchase agreements and securities lending      | 79,811                        | 34,003                        |
| Savings accounts and time deposits                              | 3,039,673                     | 2,964,066                     |
| Financial derivative instruments                                | 244,482                       | 117,962                       |
| Borrowings from financial institutions                          | 272,634                       | 223,071                       |
| Debt issued   | 2,768,376                     | 2,205,499                     |
| Other financial liabilities                                     | 9,955                         | 11,963                        |
| Lease liabilities   | 8,350                         | _                             |
| Current tax liabilities   | 2,342                         | 358                           |
| Deferred tax liabilities  | -                             | 530                           |
| Provisions  | 34,429                        | 38,532                        |
| Other liabilities   | 82,181                        | 73,277                        |
| TOTAL LIABILITIES   | 7,647,445                     | 6,356,129                     |
| EQUITY  |                               | , ,                           |
| Attributable to owners of the bank:                             |                               |                               |
| Capital   | 302,047                       | 302,047                       |
| Reserves  | 24,739                        | 25,654                        |
| Valuation accounts  | 8,767                         | 243                           |
| Retained earnings   | =,, 0,                        | 3                             |
| Retained earnings from prior periods                            | 227,847                       | 198,786                       |
| Profit for the year   | 76,963                        | 72,653                        |
| Less: Minimum dividend provision                                | (23,089)                      | (21,796)                      |
| 2000.1  | 617,274                       | 577,587                       |
| Non-controlling interests                                       | 51                            | 59                            |
|   |                               |                               |
| TOTAL EQUITY  | 617,325                       | 577,646                       |
| TOTAL LIABILITIES AND EQUITY                                    | 8,264,770                     | 6,933,775                     |
|   |                               |                               |



### **CONSOLIDATED STATEMENT OF INCOME**

|  | DECEMBER 31,<br>2019<br>MCH\$ | DECEMBER 31,<br>2018<br>MCH\$ |
|--|-------------------------------|-------------------------------|
| Interest and indexation income                         | 406,221                       | 375,166                       |
| Interest and indexation expense                        | (223,786)                     | (206,941)                     |
| NET INTEREST AND INDEXATION INCOME                     | 182,435                       | 168,225                       |
| Fee and commission income                              | 81,186                        | 82,314                        |
| Fee and commission expense                             | (13,909)                      | (13,560)                      |
| NET FEE AND COMMISSION INCOME                          | 67,277                        | 68,754                        |
| Net financial operating income                         | 24,078                        | 23,736                        |
| Net foreign exchange transactions                      | 10,461                        | 3,215                         |
| Other operating income                                 | 5,469                         | 4,634                         |
| TOTAL OPERATING INCOME                                 | 289,720                       | 268,564                       |
| Provisions for loan losses                             | (41,891)                      | (41,550)                      |
| OPERATING INCOME, NET OF PROVISIONS FOR LOAN LOSSES    | 247,829                       | 227,014                       |
| Payroll and personnel expenses                         | (58,875)                      | (58,089)                      |
| Administrative expenses                                | (66,947)                      | (65,049)                      |
| Depreciation and amortization                          | (7,133)                       | (5,185)                       |
| Impairment   | -                             | (498)                         |
| Other operating expenses                               | (13,353)                      | (5,549)                       |
| TOTAL OPERATING EXPENSES                               | (146,308)                     | (134,370)                     |
| NET OPERATING INCOME                                   | 101,521                       | 92,644                        |
| Income attributable to investments in other companies  | 18                            | 18                            |
| PROFIT BEFORE TAX                                      | 101,539                       | 92,662                        |
| Income tax expense                                     | (24,582)                      | (20,006)                      |
| PROFIT FROM CONTINUING OPERATIONS                      | 76,957                        | 72,656                        |
| PROFIT FROM DISCONTINUED OPERATIONS                    | -                             | -                             |
| CONSOLIDATED PROFIT FOR THE YEAR                       | 76,957                        | 72,656                        |
| Attributable to:                                       |                               |                               |
| Owners of the Bank                                     | 76,963                        | 72,653                        |
| Non-controlling interests                              | (6)                           | 3                             |
| Earnings per share attributable to owners of the Bank: | CH\$                          | CH\$                          |
| Basic earnings per share                               | 337                           | 318                           |
| Diluted earnings per share                             | 337                           | 318                           |



### CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

|  | DECEMBER 31,<br>2019<br>MCH\$ | DECEMBER 31,<br>2018<br>MCH\$ |
|--|-------------------------------|-------------------------------|
| CONSOLIDATED PROFIT FOR THE YEAR                                     | 76,957                        | 72,656                        |
| OTHER COMPREHENSIVE INCOME   |                               |                               |
| Valuation of investments available for sale                          | 11,301                        | (8,064)                       |
| Valuation of accounting hedges                                       | 377                           | 2,976                         |
| Other comprehensive income   | -                             | -                             |
| Other comprehensive income (loss) before tax                         | 11,678                        | (5,088)                       |
| ncome taxes related to other comprehensive income (loss)             | (3,154)                       | 1,373                         |
| TOTAL OTHER COMPREHENSIVE INCOME (LOSS)                              | 8,524                         | (3,715)                       |
| CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR                       | 85,481                        | 68,941                        |
| Attributable to:   |                               |                               |
| Owners of the Bank   | 85,487                        | 68,938                        |
| Non-controlling interests  | (6)                           | 3                             |
| Comprehensive earnings per share attributable to owners of the Bank: | CH\$                          | CH\$                          |
| BASIC EARNINGS PER SHARE   | 374                           | 302                           |
| DILUTED EARNINGS PER SHARE   | 374                           | 302                           |
|  |                               |                               |



# **STATEMENT OF CHANGES IN EQUITY**

DECEMBER 31, 2019 AND 2018

|   |                             |                   | ATTRIBUTAB                     | LE TO OWNERS         | OF THE BANK                     |   |                |   |                |
|---|-----------------------------|-------------------|--------------------------------|----------------------|---------------------------------|---|----------------|---|----------------|
|   |                             |                   |                                | RE                   | TAINED EARNIN                   | IGS                                       |                |   |                |
|   | PAID-IN<br>CAPITAL<br>MCH\$ | RESERVES<br>MCH\$ | VALUATION<br>ACCOUNTS<br>MCH\$ | PRIOR YEARS<br>MCH\$ | PROFIT FOR<br>THE YEAR<br>MCH\$ | MINIMUM<br>DIVIDEND<br>PROVISION<br>MCH\$ | TOTAL<br>MCH\$ | NON-<br>CONTROLLING<br>INTERESTS<br>MCH\$ | TOTAL<br>MCH\$ |
| BALANCES AS OF JANUARY 1, 2018          | 302,047                     | 26,246            | 3,958                          | 176,601              | 63,022                          | (18,907)                                  | 552,967        | 56  | 553,023        |
| Reclassification of profit for the year | -                           | -                 | -                              | 63,022               | (63,022)                        | -   | -              | -   | -              |
| Dividends paid                          | -                           | -                 | -                              | (37,813)             | -                               | -   | (37,813)       | -   | (37,813)       |
| Minimum dividend provision              | -                           | -                 | -                              | -                    | -                               | 18,907                                    | 18,907         | -   | 18,907         |
| Adjustment for IFRS adoption            | -                           | -                 | -                              | (3,174)              | _                               | -   | (3,174)        | -   | (3,174)        |
| Other equity movements                  | -                           | (592)             | -                              | 150                  | -                               | -   | (442)          | -   | (442)          |
| Capital increase                        | -                           | -                 | -                              | -                    | -                               | -   | -              | -   | -              |
| Investments available for sale          | -                           | -                 | (5,887)                        | -                    | -                               | -   | (5,887)        | -   | (5,887)        |
| Accounting hedges                       | -                           | -                 | 2,172                          | -                    | -                               | -   | 2,172          | -   | 2,172          |
| Profit for the year                     | -                           | -                 | -                              | -                    | 72,653                          | -   | 72,653         | 3   | 72,656         |
| Minimum dividend provision              | -                           | -                 | -                              | -                    | -                               | (21,796)                                  | (21,796)       | -   | (21,796)       |
| AS OF DECEMBER 31, 2018                 | 302,047                     | 25,654            | 243                            | 198,786              | 72,653                          | (21,796)                                  | 577,587        | 59  | 577,646        |
| AS OF JANUARY 1, 2019                   | 302,047                     | 25,654            | 243                            | 198,786              | 72,653                          | (21,796)                                  | 577,587        | 59  | 577,646        |
| Reclassification of profit for the year | -                           | -                 | -                              | 72,653               | (72,653)                        | -   | -              | -   | -              |
| Dividends paid                          | -                           | -                 | -                              | (43,591)             | -                               | -   | (43,591)       | -   | (43,591)       |
| Minimum dividend provision              | -                           | -                 | -                              | -                    | -                               | 21,796                                    | 21,796         | -   | 21,796         |
| Other equity movements                  | -                           | (915)             | -                              | (1)                  | -                               | -   | (916)          | (2)                                       | (918)          |
| Capital increase                        | -                           | -                 | -                              | -                    | -                               | -   | -              | -   | -              |
| Investments available for sale          | -                           | -                 | 8,250                          | -                    | _                               | -   | 8,250          | -   | 8,250          |
| Accounting hedges                       | -                           | -                 | 274                            | -                    | _                               | -   | 274            | -   | 274            |
| Profit for the year                     | _                           | -                 | -                              | -                    | 76,963                          | -   | 76,963         | (6)                                       | 76,957         |
| Minimum dividend provision              | -                           | -                 | -                              | -                    | _                               | (23,089)                                  | (23,089)       | -   | (23,089)       |
| AS OF DECEMBER 31, 2019                 | 302,047                     | 24,739            | 8,767                          | 227,847              | 76,963                          | (23,089)                                  | 617,274        | 51  | 617,325        |



### **CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | DECEMBER 31,<br>2019 | DECEMBER 31,<br>2018 |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   | MCH\$                | MCH\$                |
| Consolidated profit before tax   | 101,539              | 92,662               |
| ·  | 101,339              | 32,002               |
| Charges (credits) to profit that do not represent cash flows:                  |                      |                      |
| Provisions for loan losses   | 41,891               | 41,550               |
| Depreciation and amortization  | 7,133                | 5,185                |
| Impairment   | -                    | 498                  |
| Other provisions   | 954                  | 1,843                |
| Operational write-offs   | (1.716)              | 137                  |
| Changes in deferred tax assets and liabilities                                 | (1,716)              | (2,050)              |
| Valuation of investments in trading book                                       | (49)                 | (1.107)              |
| Valuation of trading derivatives   | 7,562                | (1,107)              |
| Income attributable to investments in other companies                          | (18)                 | (18)                 |
| Gain on sales of repossessed or awarded assets                                 | (6)                  | (269)                |
| Net fee and commission income  | (67,277)             | (68,754)             |
| Net interest and indexation income   | (182,435)            | (161,630)            |
| Other credits that do not represent cash flows                                 | (11,665)             | (7,509)              |
| Changes in operating assets and liabilities:                                   | 10.124               | (40.502)             |
| (Increase) decrease in loans and advances to banks                             | 10,124               | (10,693)             |
| Increase in loans to customers   | (670,093)            | (475,766)            |
| Increase in investments  | (24,438)             | (85,567)             |
| (Increase) decrease in leased assets   | 1,865                | (8,693)              |
| Sale of repossessed or awarded assets  | 384                  | 1,041                |
| Increase (decrease) in current accounts and other demand deposits              | 242,128              | (18,655)             |
| Increase (decrease) in sales with repurchase agreements and securities lending | 45,702               | 19,830               |
| Increase (decrease) in savings accounts and time deposits                      | 75,295               | 36,358               |
| Net change in letters of credit  | (996)                | (3,055)              |
| Net change in senior bonds   | 503,353              | 402,168              |
| (Increase) decrease in other assets and liabilities                            | 21,373               | (53,115)             |
| Recovered taxes  | 713                  | 543                  |
| Interest and indexation received   | 297,424              | 357,777              |
| Interest and indexation paid   | (204,096)            | (242,916)            |
| Fees and commissions received  | 81,186               | 82,314               |
| Fees and commissions paid  | (13,909)             | (13,560)             |
| NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES                      | 261,928              | (111,436)            |
| CASH FLOWS FROM INVESTING ACTIVITIES:  |                      |                      |
| Purchase of property, plant and equipment                                      | (1,487)              | (2,192)              |
| Intangible assets acquired   | (2,009)              | (2,739)              |
| Sale of property, plant and equipment  | -                    | 1,676                |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES                                    | (3,496)              | (3,255)              |
| CASH FLOWS FROM FINANCING ACTIVITIES:  |                      |                      |
| Decrease in borrowings from domestic financial institutions                    | _                    | (115)                |
| Increase in foreign interbank loans  | 49,328               | 34,526               |
| Variation in Central Bank obligations  | -                    | -                    |
| Decrease in other financial liabilities  | (1,422)              | (10,914)             |
| Net change in subordinated bonds   | 37,316               | (5,789)              |
| Capital increase   | -                    | (5,7.55)             |
| Dividends paid   | (43,591)             | (37,813)             |
| NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES                      | 41,631               | (20,105)             |
| · ,  |                      |                      |
| TOTAL POSITIVE (NEGATIVE) NET CASH FLOWS                                       | 300,063              | (134,796)            |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR                                 | 413,057              | 547,856              |
| EFFECT OF NON-CONTROLLING INTERESTS  | 6                    | (3)                  |
| CASH AND CASH EQUIVALENTS AT END OF YEAR                                       | 713,126              | 413,057              |



#### VALORES SECURITY S.A. CORREDORES DE BOLSA

#### **TYPE OF COMPANY**

Corporation, subsidiary of Banco Security.

#### **TAXPAYER ID NUMBER**

96.515.580-5

#### **SECURITIES REGISTRY**

Valores Security is registered under number 0111 in the Securities Registry.

#### **CORPORATE PURPOSE**

To undertake various businesses, including trading equities (stockbroking), fixed income, foreign currency, portfolio management and financial advisory services.

#### **GENERAL BACKGROUND**

This subsidiary was incorporated by public instrument on April 10, 1987. In accordance with current laws and regulations on the securities market and corporations, the company is registered in the Santiago Commerce Registry under number 3,630 for the year 1987.

#### **IMPORTANT INFORMATION**

The subsidiary was also registered in the SVS Registry of Securities Brokers and Agents under No. 0111 on June 2, 1987. On October 16, 1997, at an extraordinary shareholders' meeting, the shareholders agreed to change the company's name to "Valores Security S.A. Corredores de Bolsa". On August 27, 2004, at an extraordinary shareholders' meeting, the shareholders approved the merger between the company and Dresdner Lateinamerika S.A. Corredores de Bolsa. Then, in Ordinary Ruling 10098 dated October 27, 2004, the Chilean Securities and Insurance Supervisor approved the merger by absorption of Dresdner Lateinamerika S.A. Corredores de Bolsa and Valores Security S.A. Corredores de Bolsa, whereby the latter would absorb all assets and liabilities of Dresdner Lateinamerika S.A. Corredores de Bolsa, and be the legal successor of its rights and obligations as of October 1, 2004.

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$36,394.

#### **PERCENTAGE OF TOTAL GROUP ASSETS**

The total assets of Valores Security S.A. Corredores de Bolsa represent 3.57% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Valores Security provides a variety of services to the subsidiaries and associates of Grupo Security S.A., as well as to the parent company. For Banco Security, it provides advisory services, fixed-income and currency trading services and forwards. For Administradora General de Fondos S.A. and Asesorías Security, it also provides services to buy and sell financial instruments, stocks and dollars, as well as other advisory services and forward contracts. For the Group's insurance area, Valores Security performs transactions related to insurance policies for Penta-Security Seguros Generales S.A. and Seguros Vida Security Previsión S.A., and insurance brokerage for Corredora de Seguros Security. For Travel Security S.A., it assists with ticket purchases and for Global Security it provides credit check processing services. It also provides data processing and phone services as well as auditing and accounting services for Inversiones Invest Security Ltda. It provides financial services for Inversiones Seguros Security Ltda. These services may possibly be offered to customers of the group's subsidiaries and associates in the future.

#### **BOARD OF DIRECTORS**

#### **CHAIRMAN:**

Enrique Menchaca O. Chilean National ID: 6.944.388-5

#### **DIRECTORS:**

Fernando Salinas P. Chilean National ID: 8.864.773-4 Maximum Hitoshi Kamada L. Chilean National ID: 21.259.467-9

#### **CHIEF EXECUTIVE OFFICER:**

Piero Nasi T. Chilean National ID: 13.190.931-4



### **SUMMARIZED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Assets                                      |              |               |
| Current assets                              | 197,349.1    | 127,158.9     |
| Non-current assets                          | 3,607.2      | 1,939.1       |
| TOTAL ASSETS                                | 200,956.3    | 129,098.0     |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 162,320.8    | 85,211.7      |
| Non-current liabilities                     | 1,282.9      | 0.0           |
| Equity attributable to owners of the parent | 37,352.6     | 43,886.3      |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL LIABILITIES AND EQUITY                | 200,956.3    | 129,098.0     |

| STATEMENT OF INCOME                                | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                       | 18,286.5     | 19,661.1      |
| Non-operating loss                                 | (24,542.4)   | (17,312.7)    |
| PROFIT (LOSS) BEFORE TAX                           | (6,255.9)    | 2,348.4       |
| Income tax benefit (expense)                       | 421.4        | (225.4)       |
| PROFIT (LOSS) FOR THE YEAR                         | (5,834.5)    | 2,123.0       |
| Profit (loss) attributable to owners of the parent | 421.4        | (225.4)       |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS   | 0.0          | 0.0           |

| CASH FLOWS   | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Net cash flows from operating activities             | 32,500.6     | (8,601.1)     |
| Net cash flows from investing activities             | 20,497.7     | (115.5)       |
| Net cash flows from financing activities             | (881.1)      | (538.1)       |
| NET INCREASE (DECREASE) IN CASH                      | 52,117.2     | (9,254.6)     |
| Effect of exchange rate changes on cash              | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 52,117.2     | (9,254.6)     |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 36,393.6     | 36,393.6      |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | (3,098.7)    | (2,399.4)     |
| Retained earnings                           | 4,057.7      | 9,892.2       |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 37,352.6     | 43,886.3      |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL EQUITY                                | 37,352.6     | 43,886.3      |



#### ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

#### **TYPE OF COMPANY**

Corporation, subsidiary of Banco Security.

#### **SECURITIES REGISTRY**

Administradora General de Fondos Security S.A. is registered under number 0112 in the Securities Registry.

#### **TAXPAYER ID NUMBER**

96.639.280-0

#### **CORPORATE PURPOSE**

General fund administrator (asset management).

#### **GENERAL BACKGROUND**

The company was incorporated by public instrument on May 26, 1992, and licensed to operate on June 2, 1992, by the Securities and Insurance Supervisor in Exempt Ruling 0112. The Company is regulated by the Securities and Insurance Supervisor and the provisions of DL 1,328 and its regulations. In ruling 288 dated September 17, 2003, the Securities and Insurance Supervisor approved amendments to the bylaws of Sociedad Administradora de Fondos Mutuos Security S.A., agreed upon in an extraordinary shareholders' meeting held on July 4, 2003. These amendments to the bylaws included changing the type of company to a general fund administrator in accordance with Section XX VII of Law No. 18,045. The funds managed by the company are subject to the special legal regulations contained in Decree Law No. 1,328 and its corresponding regulations, which are monitored by the Securities and Insurance Supervisor.

#### **SUBSCRIBED AND PAID-IN CAPITAL**

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$3,354.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Administradora General de Fondos Security S.A. represent 6.34% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Administradora General de Fondos Security S.A. provides investment services for purchasing fund units to all subsidiaries and associates of Grupo Security S.A., as well as to the parent company. These services may possibly be offered to customers of the group's subsidiaries and associates in the future.

#### **BOARD OF DIRECTORS**

#### **CHAIRMAN:**

Francisco Silva. S. Chilean National ID: 4.103.061-5

#### **DIRECTORS:**

Gonzalo Baraona B. Chilean National ID: 7.054.341-9
Renato Peñafiel M. Chilean National ID: 6.350.390-8
Bonifacio Bilbao H. Chilean National ID: 9.218.210-K
Eduardo Olivares V. Chilean National ID: 9.017.530-0

#### CHIEF EXECUTIVE OFFICER:

Juan Pablo Lira T. Chilean National ID: 7.367.430-1



### **SUMMARIZED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 57,834.6     | 52,737.4      |
| Non-current assets                          | 12,603.4     | 11,384.6      |
| TOTAL ASSETS                                | 70,438.0     | 64,122.0      |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 4,173.9      | 2,849.3       |
| Non-current liabilities                     | 0.0          | 0.0           |
| Equity attributable to owners of the parent | 66,264.1     | 61,272.7      |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL LIABILITIES AND EQUITY                | 70,438.0     | 64,122.0      |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 17,821.6     | 18,579.1      |
| Non-operating loss                               | (11,560.0)   | (10,357.3)    |
| PROFIT BEFORE TAX                                | 6,261.6      | 8,221.8       |
| Income tax benefit (expense)                     | (1,051.7)    | (1,659.0)     |
| PROFIT FOR THE YEAR                              | 5,209.9      | 6,562.8       |
| Profit attributable to owners of the parent      | 5,209.9      | 6,562.8       |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 0.0          | 0.0           |

| CASH FLOWS   | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Net cash flows from operating activities             | (8,622.2)    | (1,177.8)     |
| Net cash flows from investing activities             | 59,198.2     | 11,917.4      |
| Net cash flows from financing activities             | (13,484.1)   | (11,788.7)    |
| NET INCREASE (DECREASE) IN CASH                      | 37,091.9     | (1,049.1)     |
| Effect of exchange rate changes on cash              | 291.2        | 232.9         |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 37,383.1     | (816.2)       |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 3,353.6      | 3,353.6       |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | 489.6        | 708.2         |
| Retained earnings                           | 62,420.9     | 57,210.9      |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 66,264.1     | 61,272.7      |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL EQUITY                                | 66,264.1     | 61,272.7      |



#### **FACTORING SECURITY S.A.**

#### **TYPE OF COMPANY**

Privately held corporation.

#### **TAXPAYER ID NUMBER**

96.655.860-1

#### **SECURITIES REGISTRY**

Factoring Security S.A. is registered under number 1003 in the Securities Registry.

#### **CORPORATE PURPOSE**

The company's corporate purpose includes buying, selling and investing in all kinds of intangible property such as stock, promissory shares, bonds, promissory notes, savings plans, units or rights in all kinds of companies, whether civil, commercial or mining in nature, bodies corporate or associations, and in all kinds of securities; engaging in "factoring" operations, including acquiring, from any company or individual, accounts receivable backed by invoices, letters of exchange, promissory notes or other documents, with or without recourse and with or without advance on the documents; granting financing secured by the referenced documents and managing accounts receivable; providing management, market study, research, customer rating and general advisory services; managing investments and receiving profits or income; and all other supplementary activities.

#### **GENERAL BACKGROUND**

The company was formed on November 26, 1992, before notary public Enrique Morgan Torres. A summary of this public instrument was published in the Official Gazette on December

12, 1992, and registered in the Santiago Commerce Registry. Through public instrument dated October 20, 1997, its name was changed to Factoring Security S.A.

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$15,218.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Factoring Security S.A. represent 5.03% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

These services may possibly be offered to customers of the group's subsidiaries and associates in the future.

#### **BOARD OF DIRECTORS**

#### **CHAIRMAN OF THE BOARD**

Francisco Silva S. Chilean National ID: 4.103.061-5

#### **DIRECTORS:**

Renato Peñafiel M. Chilean National ID: 6.350.390-8
Ramón Eluchans O. Chilean National ID: 6.464.460-2
Mario Weiffenbach O. Chilean National ID: 4.868.153-0
Gonzalo Pavez A. Chilean National ID: 9.417.024-9

#### **CHIEF EXECUTIVE OFFICER**

Ignacio Prado R. Chilean National ID: 7.106.815-3



### **SUMMARIZED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 399,055.0    | 350,879.8     |
| Non-current assets                          | 4,918.3      | 3,761.0       |
| TOTAL ASSETS                                | 403,973.3    | 354,640.8     |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 268,330.9    | 267,200.2     |
| Non-current liabilities                     | 83,045.1     | 41,263.0      |
| Equity attributable to owners of the parent | 52,597.2     | 46,177.6      |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL LIABILITIES AND EQUITY                | 403,973.3    | 354,640.8     |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 25,823.8     | 22,410.8      |
| Non-operating loss                               | (13,358.4)   | (11,682.7)    |
| PROFIT BEFORE TAX                                | 12,465.4     | 10,728.1      |
| Income tax expense                               | (3,294.5)    | (2,573.0)     |
| PROFIT FOR THE YEAR                              | 9,170.9      | 8,155.1       |
| Profit attributable to owners of the parent      | 9,170.9      | 8,155.1       |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 0.0          | 0.0           |

| CASH FLOWS                                | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Net cash flows from operating activities  | (41,395.2)   | (46,746.3)    |
| Net cash flows from investing activities  | (259.3)      | 2,486.4       |
| Net cash flows from financing activities  | 39,676.7     | 43,812.5      |
| NET DECREASE IN CASH                      | (1,977.8)    | (447.4)       |
| Effect of exchange rate changes on cash   | 0.0          | 0.0           |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,977.8)    | (447.4)       |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 15,217.7     | 15,217.7      |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | (2,751.3)    | (1,635.2)     |
| Retained earnings                           | 40,130.8     | 32,595.1      |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 52,597.2     | 46,177.6      |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL EQUITY                                | 52,597.2     | 46,177.6      |



#### **ASESORIAS SECURITY S.A. AND SUBSIDIARIES**

#### **TYPE OF COMPANY**

Privately held corporation.

#### **TAXPAYER ID NUMBER**

96.803.620-3

#### **SECURITIES REGISTRY**

Asesorías Security S.A. is not registered in the Securities Registry.

#### **CORPORATE PURPOSE**

The company's corporate purpose includes providing financial, economic, business, accounting, legal, debt restructuring and corporate advisory services, conducting studies of all types related to the aforementioned advisory services; making capital and other investments in all kinds of property, tangible or intangible; for these purposes, the company may acquire, conserve, sell, dispose of and negotiate in any way and at any title all kinds of stock, bonds, debentures, securities and receive their earnings and income, make investments in order to form, hold an interest in or represent all kinds of domestic or foreign companies or enterprises engaged in a similar line of business and that are of interest to the company.

#### **GENERAL BACKGROUND**

The company was formed as a privately held corporation by public instrument dated August 30, 1996. During 2002, the businesses of Merchant Security S.A. and its subsidiaries Securitizadora Security GMACRFC S.A. and Asesorías Security were restructured. Asesorías Security took over all international asset management advisory services and the decision was made to discontinue the financial advisory services provided by Merchant Security, which involved closing the business segment and complying with all obligations and mandates in force at that time. This process was completed in late 2002. Merchant Security S.A. also acquired

all of the shares of its subsidiary Asesorías Security not owned at that time, coming to own 100% of the share capital of that subsidiary and resulting in a merger by absorption. Its name was then changed from Merchant Security S.A. to Asesorías Security S.A. In November 2005, Asesorías Security S.A. sold its interest in Securitizadora Security GMACRFC S.A., to Grupo Security S.A.

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$1,031.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Asesorías Security S.A. and subsidiaries represent 0.00% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Asesorías Security provides international asset management advisory services to Grupo Security, Administradora General de Fondos and Vida Security. It also became the placement agent for mutual fund units managed by Administradora General de Fondos Security and a distributor for the products offered by Valores Security. These services may possibly be offered to customers of the group's subsidiaries and associates in the future.

#### **BOARD OF DIRECTORS**

#### CHAIRMAN:

Francisco Silva S. Chilean National ID: 4.103.061-5

#### **DIRECTORS:**

Renato Peñafiel M. Chilean National ID: 6.350.390-8 Ramón Eluchans O. Chilean National ID: 6.464.460-2



### **SUMMARIZED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 232.6        | 173.9         |
| Non-current assets                          | 159.1        | 87.5          |
| TOTAL ASSETS                                | 391.7        | 261.4         |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 365.3        | 60.3          |
| Non-current liabilities                     | 2.3          | 0.8           |
| Equity attributable to owners of the parent | 24.0         | 200.3         |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL LIABILITIES AND EQUITY                | 391.7        | 261.4         |

| STATEMENT OF INCOME                                     | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Gross profit  | 212.2        | 40.3          |
| Non-operating loss                                      | (409.1)      | (38.3)        |
| PROFIT (LOSS) BEFORE TAX                                | (196.9)      | 2.0           |
| Income tax benefit (expense)                            | 20.7         | (9.5)         |
| LOSS FOR THE YEAR                                       | (176.2)      | (7.5)         |
| Profit (loss) attributable to owners of the parent      | 0.0          | 0.0           |
| PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 0.0          | 0.0           |

| CASH FLOWS   | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Net cash flows from operating activities             | (583.1)      | (381.4)       |
| Net cash flows from investing activities             | (10.8)       | (1.4)         |
| Net cash flows from financing activities             | 591.3        | 405.2         |
| NET INCREASE (DECREASE) IN CASH                      | (2.7)        | 22.4          |
| Effect of exchange rate changes on cash              | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (2.7)        | 22.4          |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 1,030.7      | 1,030.7       |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | 0.0          | 0.0           |
| Accumulated losses                          | (1,006.7)    | (830.5)       |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 24.0         | 200.3         |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL EQUITY                                | 24.0         | 200.3         |



#### **SECURITIZADORA SECURITY S.A.**

#### **TYPE OF COMPANY**

Privately held corporation.

#### **TAXPAYER ID NUMBER**

96.847.360-3

#### **SECURITIES REGISTRY**

Securitizadora Security S.A. is registered under number 640 in the Securities Registry.

#### **CORPORATE PURPOSE**

The company's exclusive corporate purpose is to acquire the loans referred to in article 135 of Law No. 18,045 of the year 1981 and other supplementary regulations, and issue short- and long-term debt securities.

#### **GENERAL BACKGROUND**

The company was formed as a privately held corporation by public instrument dated October 21, 1997, signed before notary public Álvaro Bianchi Rosas. The company was licensed to operate by the Securities and Insurance Supervisor in exempt ruling 369 dated December 12, 1997, which also approved its bylaws. The certificate issued by this agency containing a summary of the corporate bylaws was recorded in the Commerce Registry of the Santiago Real Estate Registrar in 1997 on page 31,310, number 25,367 and published in the Official Gazette on December 23, 1997. In November 2005, Securitizadora Security S.A. was acquired by and became a direct subsidiary of Grupo Security S.A. At an extraordinary shareholders' meeting held on November 29, 2005, the shareholders agreed to change the company's name to Securitizadora Security GMAC-RFC S.A. In August 2008, Grupo Security S.A. acquired 2,065 shares of Securitizadora Security GMAC¬RFC from GMAC-RFC Chile Inversiones Limitada. As a result, Grupo Security owns 99.98% of the company with the remaining 0.02% held by Asesorías Security S.A. At an extraordinary shareholders' meeting held on September 22, 2008, the shareholders agreed to change the company's name to "Securitizadora Security S.A." and processed the respective instrument on September 25, 2008, before the notary public Guillermo Le-Fort Campo. In an ordinary board meeting held on December 29, 2009, the Board accepted the resignation of the director Ramón Eluchans Olivares, which was reported to the Securities and Insurance Supervisor in a essential event filing. In an extraordinary board meeting held on December 30, 2009, the Board unanimously approved a General Transitory Policy for Ordinary Customary Transactions with Related Parties, which are within its line of business and are intended to contribute to the corporate interest and comply with arm's length principles regarding price, terms and conditions, in accordance with letter b), paragraph 2 of article 147 of the Corporations Law (modified by No. 20,382 of October 2009), reported in a essential event filing to the Securities and Insurance Supervisor on January 4, 2010. At an annual general shareholders' meeting held on April 30, 2010, the shareholders agreed to appoint new external auditors, Deloitte Auditores y Consultores Limitada, for the year 2010, and also appointed a new director, Andrés Tagle Domínguez. The company's legal address and main office (headquarters) are located in the city of Santiago at Av. Apoquindo N°3.150 Floor 7, and its web page is www.securitizadorasecurity.cl.

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$3,468.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Securitizedora Security S.A. represent 0.53% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

The company's services may possibly be offered to customers of the group's subsidiaries and associates in the future.

#### **BOARD OF DIRECTORS**

#### CHAIRMAN OF THE BOARD

Francisco Silva S. Chilean National ID: 4.103.061-5

#### **DIRECTORS:**

Christian Sinclair M. Chilean National ID: 6.379.747-2
Renato Peñafiel M. Chilean National ID: 6.350.390-8
Alberto Apel O. Chilean National ID: 9.580.963-4
Andrés Tagle D. Chilean National ID: 5.895.255-9

#### **CHIEF EXECUTIVE OFFICER**

Jorge Meyer. Chilean National ID: 11.862.170-0



### **SUMMARIZED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 34,538.8     | 25,208.3      |
| Non-current assets                          | 157.3        | 73.4          |
| TOTAL ASSETS                                | 34,696.1     | 25,281.7      |
| LIABILITIES  Current liabilities            | 28,718.9     | 20,812.6      |
| Non-current liabilities                     | 392.1        | 0.0           |
| Equity attributable to owners of the parent | 5,585.1      | 4,469.1       |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL LIABILITIES AND EQUITY                | 34,696.1     | 25,281.7      |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 3,164.7      | 3,070.8       |
| Non-operating loss                               | (1,539.1)    | (387.2)       |
| PROFIT BEFORE TAX                                | 1,625.6      | 2,683.6       |
| Income tax expense                               | (393.3)      | (679.7)       |
| PROFIT FOR THE YEAR                              | 1,232.3      | 2,003.9       |
| Profit attributable to owners of the parent      | 1,232.3      | 2,003.8       |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 0.0          | 0.0           |

| CASH FLOWS                                | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Net cash flows from operating activities  | 19,999.0     | 5,894.7       |
| Net cash flows from investing activities  | (20,128.4)   | (17,166.9)    |
| Net cash flows from financing activities  | 3,829.9      | 11,911.0      |
| NET INCREASE IN CASH                      | 3,700.5      | 638.8         |
| Effect of exchange rate changes on cash   | 0.0          | 0.0           |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 3,700.5      | 638.8         |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 3,468.2      | 3,468.2       |
| Share premium                               | 25.6         | 25.6          |
| Other reserves                              | 44.4         | 6.3           |
| Retained earnings                           | 2,046.9      | 969.0         |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 5,585.1      | 4,469.1       |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL EQUITY                                | 5,585.1      | 4,469.1       |



# INVERSIONES PREVISIÓN SECURITY LTDA. AND SUBSIDIARIES

#### **TYPE OF COMPANY**

Limited liability company.

#### **TAXPAYER ID NUMBER**

78.769.870-0

#### **SECURITIES REGISTRY**

Inversiones Previsión Security Ltda. is not registered in the Securities Registry.

#### **CORPORATE PURPOSE**

The company's corporate purpose includes managing all kinds of businesses on its own or on behalf of third parties, providing corporate management services, acquiring and maintaining all kinds of tangible or intangible assets, real estate or personal property, securities, commercial paper or loan instruments; temporarily assigning the use or enjoyment of any of these assets under any title: disposing of these assets or their natural or civil profits under any title, whether accrued, pending or received at the time of disposal, and making use of the civil and natural profits of the assets acquired by the company.

#### **GENERAL BACKGROUND**

The company was formed by public instrument on November 28, 1995, signed before notary public Raúl Undurraga Laso. It was registered in the Santiago Commerce Registry on page

29,562, number 23,698 and a summary was published in the Official Gazette on December 5, 1995. Its name was changed to Inversiones Seguros Security and its capital was increased as recorded in public instrument dated December 29, 1998, a summary of which was published in the Official Gazette on January 4, 1999. On November 10, 2017, the company's name was changed to "Inversiones Previsión Security Ltda".

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$192.957.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Inversiones Previsión Security Limitada and subsidiaries represent 19.18% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

This is a holding company and, therefore, all business relationships are carried out through its subsidiaries.

#### **AGENTS:**

Renato Peñafiel M. Chilean National ID: 6.350.390-8 Francisco Silva S. Chilean National ID: 4.103.061-5



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 2,541,924.3  | 2,401,502.7   |
| Non-current assets                          | 326,308.1    | 297,523.2     |
| TOTAL ASSETS                                | 2,868,232.3  | 2,699,025.9   |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 2,599,240.5  | 2,437,276.4   |
| Non-current liabilities                     | 62,925.3     | 61,793.6      |
| Equity attributable to owners of the parent | 200,483.2    | 195,020.6     |
| Non-controlling interests                   | 5,583.3      | 4,935.4       |
| TOTAL LIABILITIES AND EQUITY                | 2,868,232.3  | 2,699,026.0   |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 71,782.6     | 71,718.8      |
| Non-operating loss                               | (50,129.8)   | (42,864.9)    |
| PROFIT BEFORE TAX                                | 21,652.8     | 28,853.9      |
| Income tax expense                               | (3,431.3)    | (764.7)       |
| PROFIT FOR THE YEAR                              | 18,221.5     | 28,089.2      |
| Profit attributable to owners of the parent      | 17,471.5     | 27,372.7      |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 750.0        | 716.5         |

| CASH FLOWS   | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Net cash flows from operating activities             | 9,995.2      | (40,174.2)    |
| Net cash flows from investing activities             | (4,667.0)    | 29,818.5      |
| Net cash flows from financing activities             | 11,104.8     | 10,177.4      |
| NET INCREASE (DECREASE) IN CASH                      | 16,433.0     | (178.3)       |
| Effect of exchange rate changes on cash              | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 16,433.0     | (178.3)       |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 192,956.8    | 175,956.8     |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | (67,837.7)   | (59,797.1)    |
| Retained earnings                           | 75,364.0     | 78,860.8      |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 200,483.2    | 195,020.6     |
| Non-controlling interests                   | 5,583.3      | 4,935.4       |
| TOTAL EQUITY                                | 206,066.5    | 199,956.0     |



## SEGUROS VIDA SECURITY PREVISIÓN S.A.

#### **TYPE OF COMPANY**

Publicly traded corporation.

#### **TAXPAYER ID NUMBER**

99.301.000-6

#### **SECURITIES REGISTRY**

Seguros Vida Security Previsión S.A. is registered under number 22 in the Securities Registry.

#### **CORPORATE PURPOSE**

Life insurance.

#### **GENERAL BACKGROUND**

The company was incorporated by public instrument on August 24, 1981, signed before notary public Eduardo Avello Arellano, and licensed to operate on September 29, 1981, in ruling 561-S. It was registered in the Santiago Commerce Registry on page 18,847, number 10,385 on October 31, 1981, and published in the Official Gazette on October 10, 1981. On January 16, 1998, amendments to the bylaws were registered to change the company's name to "Seguros Previsión Vida S.A.", and a summary of the instrument was published in the Official Gazette on January 20, 1998. It is registered in the Securities Registry under number 022 and is subject to the oversight of the Securities and Insurance Supervisor. On March 11, 2002, at an extraordinary general shareholders' meeting, the shareholders agreed to change the company's name to Seguros Vida Security Previsión S.A. as of May 2002.

#### **SUBSCRIBED AND PAID-IN CAPITAL**

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$172,411.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Seguros Vida Security Previsión S.A. represent 19.12% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Vida Security provides life insurance policies for the employees of Banco Security, Factoring Security, Asesorías Security, Inmobiliaria Security, Administradora de Fondos Mutuos, Grupo Security, Valores Security, Securitizadora Security GMAC¬RFC, Global Security and Inversiones Invest Security. Vida Security also sells travel assistance insurance to corporate and individual customers of Travel Security. These services may possibly be offered to customers of the group's subsidiaries and associates in the future.

#### **BOARD OF DIRECTORS**

#### **CHAIRMAN OF THE BOARD**

Francisco Silva S. Chilean National ID: 4.103.061-5

#### VICE CHAIRMAN OF THE BOARD

Renato Peñafiel M. Chilean National ID: 6.350.390-8

#### **DIRECTORS:**

Juan Cristóbal Pavez R. Chilean National ID: 9.901.478-4
Ramón Juanicotena Sanzberro Chilean National ID: 5.201.352-6
Andrés Tagle D. Chilean National ID: 5.895.255-9
Álvaro Vial G. Chilean National ID: 5.759.348-2
Gonzalo Andrés Pavez A. Chilean National ID: 9.417.024-9

#### **CHIEF EXECUTIVE OFFICER**

Alejandro Alzérreca L. Chilean National ID: 7.050.344-1



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 2,530,814.9  | 2,386,718.4   |
| Non-current assets                          | 258,527.1    | 229,670.0     |
| TOTAL ASSETS                                | 2,789,342.1  | 2,616,388.4   |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 2,574,622.9  | 2,439,648.4   |
| Non-current liabilities                     | 9,274.5      | 2,928.2       |
| Equity attributable to owners of the parent | 201,593.7    | 170,537.8     |
| Non-controlling interests                   | 3,850.9      | 3,274.0       |
| TOTAL LIABILITIES AND EQUITY                | 2,789,342.1  | 2,616,388.4   |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 65,731.7     | 65,677.7      |
| Non-operating loss                               | (41,491.4)   | (34,595.2)    |
| PROFIT BEFORE TAX                                | 24,240.4     | 31,082.5      |
| Income tax expense                               | (3,517.3)    | (505.6)       |
| PROFIT FOR THE YEAR                              | 20,723.1     | 30,576.9      |
| Profit attributable to owners of the parent      | 20,146.1     | 30,158.9      |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 576.9        | 418.0         |

| CASH FLOWS   | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Net cash flows from operating activities             | 1,896.5      | (42,410.7)    |
| Net cash flows from investing activities             | (4,626.7)    | 29,893.9      |
| Net cash flows from financing activities             | 16,008.6     | 11,611.1      |
| NET INCREASE (DECREASE) IN CASH                      | 13,278.4     | (905.7)       |
| Effect of exchange rate changes on cash              | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 13,278.4     | (905.7)       |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 172,410.7    | 137,402.6     |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | (38,720.8)   | (23,850.0)    |
| Retained earnings                           | 67,903.8     | 56,985.2      |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 201,593.7    | 170,537.8     |
| Non-controlling interests                   | 3,850.9      | 3,274.0       |
| TOTAL EQUITY                                | 205,444.6    | 173,811.8     |



### HIPOTECARIA CRUZ DEL SUR PRINCIPAL S.A.

#### **TYPE OF COMPANY**

Privately held corporation.

#### **TAXPAYER ID NUMBER**

96.538.310-2

#### **CORPORATE PURPOSE**

Mortgage loan managing agent

#### **GENERAL BACKGROUND**

The company was formed by public instrument dated August 9, 1988, granted before the Santiago notary public Jaime Morandé Orrego. A summary of the articles of incorporation were registered on page 18,818, number 10,020 of the Commerce Registry of the Santiago Real Estate Registrar for the year 1988 and was published in the Official Gazette on August 17, 1988.

#### PAID-IN CAPITAL AND EQUITY

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$4,935.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Hipotecaria Cruz del Sur Principal S.A. represent 0.38% of the total consolidated assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Hipotecaria Cruz del Sur Principal S.A. provides services as a

mortgage loan managing agent to Cruz del Sur Vida. These services may possibly be offered to customers of the group's subsidiaries and associates in the future.

#### **BOARD OF DIRECTORS**

#### **CHAIRMAN:**

Alejandro Alzérreca Luna Chilean National ID: 7.050.377-1

#### **DIRECTORS:**

Rodrigo Guzmán Leyton Chilean National ID: 9.423.413-1
M. Loreto Herrera Martínez Chilean National ID: 9.979.883-1
Ignacio Rodríguez Edwards Chilean National ID: 10.116.083-1

M. Eugenia Norambuena Bucher Chilean National ID: 12.585.293-9

#### **ALTERNATE DIRECTORS:**

José Miguel Arteaga Infante Chilean National ID 8.864.815-3
M. Macarena Lagos Jimenez Chilean National ID: 15.565.151-2
Pablo Cruzat Arteaga Chilean National ID: 13.067.212-4
Horacio Morandé Contardo Chilean National ID: 13.241.237-5
Andrés Valenzuela Ugarte Chilean National ID: 9.601.417-1

#### LAWYER:

Renato De La Cerda Chilean National ID: 5.492.890-4

#### **CHIEF EXECUTIVE OFFICER:**

Ricardo Hederra González Chilean National ID: 10.695.464-K



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 11,253.0     | 6,097.8       |
| Non-current assets                          | 75,013.6     | 51,410.1      |
| TOTAL ASSETS                                | 86,266.6     | 57,507.8      |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 77,846.5     | 50,492.1      |
| Non-current liabilities                     | 561.0        | 334.2         |
| Equity attributable to owners of the parent | 7,859.1      | 6,681.6       |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL LIABILITIES AND EQUITY                | 86,266.6     | 57,507.8      |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 1,416.0      | 1,137.7       |
| Non-operating loss                               | 241.2        | 72.0          |
| PROFIT BEFORE TAX                                | 1,657.2      | 1,209.8       |
| Income tax expense                               | (479.8)      | (356.8)       |
| PROFIT FOR THE YEAR                              | 1,177.4      | 853.0         |
| Profit attributable to owners of the parent      | 1,177.4      | 853.0         |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 0.0          | 0.0           |

| CASH FLOWS   | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Net cash flows from operating activities             | 357.3        | (2,089.8)     |
| Net cash flows from investing activities             | (43.6)       | 4.3           |
| Net cash flows from financing activities             | (81.2)       | 1,748.1       |
| NET INCREASE (DECREASE) IN CASH                      | 232.5        | (337.4)       |
| Effect of exchange rate changes on cash              | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 232.5        | (337.4)       |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 4,935.4      | 4,935.4       |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | 6.9          | 6.9           |
| Retained earnings                           | 2,916.8      | 1,739.4       |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 7,859.1      | 6,681.6       |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL EQUITY                                | 7,859.1      | 6,681.6       |



#### SERVICIOS SECURITY S.A. AND SUBSIDIARIES

#### **TYPE OF COMPANY**

Privately held corporation.

#### **TAXPAYER ID NUMBER**

96.849.320-5

#### **SECURITIES REGISTRY**

Servicios Security is not registered in the Securities Registry.

#### **CORPORATE PURPOSE**

Investing in all kinds of businesses, enterprises or activities, whether in real estate or personal property, tangible or intangible; and providing financial, economic and commercial consulting and advisory services.

#### **GENERAL BACKGROUND**

Servicios Security S.A. was formed as recorded in public instrument dated January 17, 2000, signed before notary public Álvaro Bianchi Rosas, by which management was delegated to a seven-member Board of Directors elected by shareholders. In April 2006, Servicios Security S.A. took over its subsidiary Agencia Security S.A., and was the legal successor of its rights and obligations. The merger took effect on April 28, 2006. In the 81st board meeting held in December 2006, the Board approved the spin-off of Servicios Security S.A. by which the new company Nueva Servicios S.A. was formed. In the same meeting, they agreed to increase capital by CH\$1,200,000,123 for which they issued 19,047,621 shares payable over three years.

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$777.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Servicios Security S.A. and subsidiaries represent 0.32% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

This is a holding company and, therefore, all business relationships within the group are carried out through its subsidiaries.

#### **BOARD OF DIRECTORS**

#### **CHAIRMAN OF THE BOARD**

Francisco Silva S. Chilean National ID: 4.103.061-5

#### **DIRECTORS:**

Renato Peñafiel M. Chilean National ID: 6.350.390-8
Claudio Berndt C. Chilean National ID: 4.775.620-0
Andrés Tagle D. Chilean National ID: 5.895.255-9
Horacio Pavez A. Chilean National ID: 9.737.844-4
Cristián Solís de Ovando Chilean National ID: 7.483.251-2
Alejandro Mandiola P. Chilean National ID: 8.684.673-K

#### **CHIEF EXECUTIVE OFFICER**

Alejandro Mandiola P. Chilean National ID: 8.684.673-K



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 4,487.9      | 3,132.7       |
| Non-current assets                          | 3,070.2      | 1,785.7       |
| TOTAL ASSETS                                | 7,558.1      | 4,918.4       |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 3,056.9      | 2,342.8       |
| Non-current liabilities                     | 1,108.4      | 0.0           |
| Equity attributable to owners of the parent | 3,392.7      | 2,575.6       |
| Non-controlling interests                   | 0.1          | 0.0           |
| TOTAL LIABILITIES AND EQUITY                | 7,558.1      | 4,918.4       |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 5,789.4      | 5,529.0       |
| Non-operating loss                               | (4,806.5)    | (4,710.9)     |
| PROFIT BEFORE TAX                                | 982.8        | 818.1         |
| Income tax expense                               | (163.7)      | (178.8)       |
| PROFIT FOR THE YEAR                              | 819.2        | 639.3         |
| Profit attributable to owners of the parent      | 819.2        | 639.3         |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 0.0          | 0.0           |

| CASH FLOWS                                | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Net cash flows from operating activities  | 1,017.1      | 796.3         |
| Net cash flows from investing activities  | 46.1         | (162.6)       |
| Net cash flows from financing activities  | 0.0          | 0.0           |
| NET INCREASE IN CASH                      | 1,063.1      | 633.7         |
| Effect of exchange rate changes on cash   | (0.0)        | 0.1           |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,063.1      | 633.8         |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 776.7        | 776.7         |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | 0.0          | 0.0           |
| Retained earnings                           | 2,616.0      | 1,798.8       |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 3,392.7      | 2,575.5       |
| Non-controlling interests                   | 0.1          | 0.0           |
| TOTAL EQUITY                                | 3,392.7      | 2,575.6       |



### **CORREDORES DE SEGUROS SECURITY LTDA.**

#### **TYPE OF COMPANY**

Limited liability company.

#### **TAXPAYER ID NUMBER**

77.371.990-K

#### **SECURITIES REGISTRY**

Corredores de Seguros Security Ltda. is not registered in the Securities Registry.

#### **CORPORATE PURPOSE**

Insurance Broker.

#### **GENERAL BACKGROUND**

Corredores de Seguros Security Limitada was formed as recorded in public instrument dated December 3, 1999, signed before notary public Enrique Morgan Torres, by which management, judicial and out-of-court representation and the use of its corporate name was granted to its partner Servicios Security S.A.

#### PAID-IN CAPITAL AND EQUITY

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$1,257.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Corredores de Seguros Security Limitada represent 0.24% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Corredora de Seguros Security provides insurance brokerage services to Grupo Security, Banco Security, Administradora General de Fondos, Valores Security, Factoring Security, Inmobiliaria Security, Asesorías Security, Securitizadora Security GMAC-RFC, Inversiones Seguros Security, Servicios Security, Invest Security, Travel and Global Security. It also brokers general insurance policies with Penta Security, and life and health policies with Vida Security. The company has also brokered insurance policies to customers of Banco Security. These services may possibly be offered to customers of the group's subsidiaries and associates in the future.

#### **AGENTS:**

Francisco Silva S. Chilean National ID: 4.103.061-5 Renato Peñafiel M. Chilean National ID: 6.350.390-8

#### **LEGAL REPRESENTATIVE:**

Alejandro Mandiola P. Chilean National ID: 8.684.673-K



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| ASSETS                                     |              |               |
| Current assets                             | 5,793.6      | 3,400.1       |
| Property, plant and equipment              | 371.5        | 389.8         |
| Other assets                               | 404.7        | 340.8         |
| TOTAL ASSETS                               | 6,569.8      | 4,130.7       |
| LIABILITIES                                |              |               |
| Current liabilities                        | 4,083.8      | 2,261.2       |
| Long-term liabilities                      | 0.0          | 0.0           |
| Total equity                               | 2,486.0      | 1,869.5       |
| TOTAL LIABILITIES AND EQUITY               | 6,569.8      | 4,130.7       |

| STATEMENT OF INCOME  | 2019 (MCH\$) | 2018<br>MCH\$ |
|----------------------|--------------|---------------|
| Net operating income | 1,013.7      | 5,677.2       |
| Non-operating loss   | (205.1)      | (4,998.3)     |
| PROFIT BEFORE TAX    | 808.6        | 678.9         |
| Income tax expense   | (192.1)      | (175.0)       |
| PROFIT FOR THE YEAR  | 616.5        | 503.9         |

| CASH FLOWS                                | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Net cash flows from operating activities  | 1,062.5      | 790.7         |
| Net cash flows from investing activities  | (6.4)        | (162.6)       |
| Net cash flows from financing activities  | 0.0          | 0.0           |
| NET INCREASE IN CASH                      | 1,056.1      | 628.1         |
| Price-level restatement                   | 0.0          | 0.0           |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,056.1      | 628.1         |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 1,256.9      | 1,256.9       |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | (1,083.7)    | (1,082.8)     |
| Retained earnings                           | 2,312.8      | 1,695.4       |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 2,486.0      | 1,869.5       |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL EQUITY                                | 2,486.0      | 1,869.5       |



### **EUROP ASSISTANCE CHILE S.A.**

#### **TYPE OF COMPANY**

Privately held corporation.

#### **TAXPAYER ID NUMBER**

99.573.400-1

#### **SECURITIES REGISTRY**

Europ Assistance S.A. is not registered in the Securities Registry.

#### **CORPORATE PURPOSE**

Providing assistance services.

#### **GENERAL BACKGROUND**

Europ Assistance S.A. was formed as a privately held corporation on August 13, 2004, as recorded in a public instrument signed before the second notary public of Santiago. The company's corporate purpose includes providing for itself or on behalf of third parties, directly or indirectly, all kinds of medical, dental, plumbing and repair assistance services, etc., to all kinds of individuals or legal entities, whether travel, vehicle or residential assistance, etc., or any other related service.

#### **SUBSCRIBED AND PAID-IN CAPITAL**

As of December 31, 2019, subscribed and paid-in capital totaled MCH\$728.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Europ Assistance S.A. represent 0.10% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Europ Assistance S.A. provides services to Seguros Vida Security Previsión S.A., Banco Security, Corredores de Seguros Security, Travel Security and Inversiones Invest Security. These services may possibly be offered to customers of the group's subsidiaries and associates in the future.

#### **BOARD OF DIRECTORS**

#### **CHAIRMAN OF THE BOARD**

Francisco Silva S. Chilean National ID: 4.103.061-5

#### **DIRECTORS:**

Renato Peñafiel M. Chilean National ID: 6.350.390-8

Juan Carlos G. Foreign Alejandro Caballero Foreign

Ricardo Bahamondes L. Chilean National ID: 9.910.788-K

#### **CHIEF EXECUTIVE OFFICER**

Ricardo Bahamondes L. Chilean National ID: 9.910.788-K



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 5,302.3      | 4,288.6       |
| Non-current assets                          | 795.1        | 460.5         |
| TOTAL ASSETS                                | 6,097.4      | 4,749.1       |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 3,834.3      | 2,597.9       |
| Non-current liabilities                     | 113.1        | 0.0           |
| Equity attributable to owners of the parent | 2,150.0      | 2,151.1       |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL LIABILITIES AND EQUITY                | 6,097.4      | 4,749.1       |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 2,583.3      | 2,066.1       |
| Non-operating loss                               | (1,801.2)    | (1,437.8)     |
| Profit before tax                                | 782.1        | 628.3         |
| Income tax expense                               | (248.5)      | (169.5)       |
| PROFIT FOR THE YEAR                              | 533.6        | 458.8         |
| Profit attributable to owners of the parent      | 533.6        | 458.8         |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 0.0          | 0.0           |

| CASH FLOWS   | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Net cash flows from operating activities             | 1,152.6      | 405.4         |
| Net cash flows from investing activities             | (1,003.8)    | (879.1)       |
| Net cash flows from financing activities             | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH                      | 148.8        | (473.7)       |
| Effect of exchange rate changes on cash              | (1.1)        | (2.4)         |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 147.8        | (476.2)       |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 728.2        | 728.2         |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | 15.4         | 12.5          |
| Retained earnings                           | 1,406.4      | 1,410.5       |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 2,150.0      | 2,151.1       |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL EQUITY                                | 2,150.0      | 2,151.1       |



### ADMINISTRADORA DE SERVICIOS Y BENEFICIOS SECURITY LIMITADA

#### **TYPE OF COMPANY**

Limited liability company.

#### **TAXPAYER ID NUMBER**

77.431.040-1

#### **SECURITIES REGISTRY**

Not registered.

#### **CORPORATE PURPOSE**

Providing services.

#### **GENERAL BACKGROUND**

The company was formed on March 29, 2000, signed before notary public Antonieta Mendoza Escala. It was registered in the Santiago Commerce Registry on May 3, 2000, on page 10,755,

No. 8,644. On May 15, 2008, amendments to the bylaws were registered to change the company's name to "Administradora de Servicios y Beneficios Security Limitada".

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$5.

#### **PERCENTAGE OF TOTAL GROUP ASSETS**

The total assets of Administradoras de Servicios y Beneficios Ltda. represent 0.06% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Administradora de Servicios y Beneficios Security Limitada provides administrative services to Vida Security.



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 2,132.5      | 2,713.6       |
| Non-current assets                          | 67.4         | 41.5          |
| TOTAL ASSETS                                | 2,200.0      | 2,755.1       |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 1,595.2      | 1,516.7       |
| Non-current liabilities                     | 0.0          | 0.0           |
| Equity attributable to owners of the parent | 604.7        | 1,238.4       |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL LIABILITIES AND EQUITY                | 2,200.0      | 2,755.1       |

| STATEMENT OF INCOME                            | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                   | 527.2        | 512.0         |
| Non-operating loss                             | (584.9)      | (607.1)       |
| LOSS BEFORE TAX                                | (57.7)       | (95.1)        |
| Income tax expense                             | 24.0         | 35.0          |
| LOSS FOR THE YEAR                              | (33.7)       | (60.1)        |
| Loss attributable to owners of the parent      | (33.7)       | (60.1)        |
| LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 0.0          | 0.0           |

| CASH FLOWS   | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Net cash flows from operating activities             | (721.1)      | 692.2         |
| Net cash flows from investing activities             | (3.6)        | 0.0           |
| Net cash flows from financing activities             | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH                      | (724.7)      | 692.2         |
| Effect of exchange rate changes on cash              | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (724.7)      | 692.2         |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 5.0          | 5.0           |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | 0.0          | 0.0           |
| Retained earnings                           | 599.7        | 1,233.4       |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 604.7        | 1,238.4       |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL EQUITY                                | 604.7        | 1,238.4       |



### INMOBILIARIA SECURITY S.A. AND SUBSIDIARIES

#### **TYPE OF COMPANY**

Privately held corporation.

#### **TAXPAYER ID NUMBER**

96.786.270-3

#### **SECURITIES REGISTRY**

Inmobiliaria Security is not registered in the Securities Registry.

#### **CORPORATE PURPOSE**

Real estate advisory and investment services, property brokerage and management of private investment funds.

#### **GENERAL BACKGROUND**

The company was formed as a privately held corporation originally named Inversiones y Rentas SH S.A., in order to make capital and other investments in all kinds of real estate or personal property, in accordance with the public instrument dated December 14, 1995, granted before notary public Enrique Morgan Torres. The company's corporate purpose was broadened at the first extraordinary shareholders' meeting held on April 19, 1996, and summarized in public instrument dated July 4, 1996, to make all kinds of investments and provide real estate advisory and property brokerage services. The company's name was changed from Inversiones y Rentas SH S.A. to Inmobiliaria Security S.A. on October 14, 1997, as detailed in the public instrument signed before notary public Enrique Morgan Torres. The company's corporate purpose was modified to include management of private investment funds at the fourth extraordinary shareholders' meeting held on January 22, 2004, and summarized in a public instrument dated January 27, 2004, in accordance with Law No. 18,815. At an extraordinary shareholders' meeting on November 4, 2011, the shareholders approved a capital increase of ten billion Chilean pesos to be paid within three years, of which eight billion, five hundred million Chilean pesos were subscribed and paid. This decision was summarized in a public instrument signed before notary public Andrés Rubio Flores on the same date.

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$11,012.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Inmobiliaria Security S.A. and subsidiaries represent 2.33% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Inmobiliaria Security has provided real estate advisory services to Banco Security and Seguros Vida Security Previsión S.A. These services may possibly be offered to customers of the group's subsidiaries and associates in the future.

#### **BOARD OF DIRECTORS**

#### CHAIRMAN OF THE BOARD

Francisco Silva S. Chilean National ID: 4.103.061-5

#### **DIRECTORS:**

Gustavo Pavez R. Chilean National ID: 4.609.215-5
Renato Peñafiel M. Chilean National ID: 6.350.390-8
Alejandro Alzérreca L. Chilean National ID: 7.050.344-1
Jaime Correa H. Chilean National ID: 5.892.161-0

#### **CHIEF EXECUTIVE OFFICER**

Jaime Correa H. Chilean National ID: 5.892.161-0



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 142,722.9    | 102,962.5     |
| Non-current assets                          | 5,793.9      | 3,922.2       |
| TOTAL ASSETS                                | 148,516.8    | 106,884.7     |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 117,398.3    | 74,777.3      |
| Non-current liabilities                     | 6,762.2      | 5,480.3       |
| Equity attributable to owners of the parent | 24,391.8     | 26,605.8      |
| Non-controlling interests                   | (35.5)       | 21.4          |
| TOTAL LIABILITIES AND EQUITY                | 148,516.8    | 106,884.7     |

| STATEMENT OF INCOME                            | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                   | 1,205.2      | 3,757.9       |
| Non-operating loss                             | (4,085.2)    | (4,102.6)     |
| LOSS BEFORE TAX                                | (2,879.9)    | (344.7)       |
| Income tax expense                             | 609.6        | 61.4          |
| LOSS FOR THE YEAR                              | (2,270.4)    | (283.3)       |
| Loss attributable to owners of the parent      | (2,214.0)    | (232.3)       |
| LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | (56.4)       | (51.0)        |

| CASH FLOWS                                | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Net cash flows from operating activities  | (29,935.5)   | (201.6)       |
| Net cash flows from investing activities  | (13.4)       | (11.3)        |
| Net cash flows from financing activities  | 30,695.0     | 502.9         |
| NET INCREASE IN CASH                      | 746.1        | 289.9         |
| Effect of exchange rate changes on cash   | 0.0          | 0.0           |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 746.1        | 289.9         |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 11,012.1     | 11,012.1      |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | 0.0          | 0.0           |
| Retained earnings                           | 13,379.7     | 9,868.2       |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 24,391.8     | 20,880.3      |
| Non-controlling interests                   | (35.5)       | 101.7         |
| TOTAL EQUITY                                | 24,356.3     | 20,981.9      |



### **CAPITAL S.A. AND SUBSIDIARIES**

#### **TYPE OF COMPANY**

Privately held corporation.

#### **TAXPAYER ID NUMBER**

96.905.260-1

#### **SECURITIES REGISTRY**

Capital S.A. is not registered in the Securities Registry.

#### **CORPORATE PURPOSE**

The corporate purpose consists mainly of making all kinds of investments in tangible and intangible property, making use of, disposing of, receiving and investment profits from, acquiring and disposing of under any title, and making use of in any way real estate property; managing all kinds of real estate and tangible or intangible property on its own or on behalf of third parties; carrying out other business and ancillary financial intermediation activities; providing all kinds of advisory, consulting, financial, management, economic, marketing, accounting and administrative services. In this context, the company's economic purpose consists essentially of providing support services to companies within Grupo Security, as well as recording its share of profits from investments in other companies.

#### **GENERAL BACKGROUND**

The company was formed on December 26, 2014, as a privately held corporation named Capital S.A. signed before Maria Loreto Zaldivar Grass, the acting notary for Patricio Zaldivar Mackenna.

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH\$33,867.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Capital S.A. and subsidiaries represent 2.96% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Capital S.A. provides advisory services in the areas of accounting, business risk and control, economics, marketing and corporate culture, data processing and telephone services for all group subsidiaries and the parent company.

#### **BOARD OF DIRECTORS:**

Renato Peñafiel M. Chilean National ID: 6.350.390-8
Francisco Silva S. Chilean National ID: 4.103.061-5
Ramón Eluchans O. Chilean National ID: 6.464.460-2



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 55,521.4     | 59,957.3      |
| Non-current assets                          | 18,688.3     | 19,066.2      |
| TOTAL ASSETS                                | 74,209.6     | 79,023.5      |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 34,138.6     | 42,758.9      |
| Non-current liabilities                     | 6,851.5      | 5,923.0       |
| Equity attributable to owners of the parent | 30,947.8     | 27,645.3      |
| Non-controlling interests                   | 2,271.8      | 2,696.3       |
| TOTAL LIABILITIES AND EQUITY                | 74,209.6     | 79,023.5      |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 48,299.0     | 44,452.6      |
| Non-operating loss                               | (43,492.2)   | (38,029.0)    |
| PROFIT BEFORE TAX                                | 4,806.8      | 6,423.6       |
| Income tax expense                               | (270.8)      | (2,120.8)     |
| PROFIT FOR THE YEAR                              | 4,536.0      | 4,302.8       |
| Profit attributable to owners of the parent      | 3,850.2      | 3,508.2       |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 685.8        | 794.6         |

| CASH FLOWS   | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Net cash flows from operating activities             | (594.0)      | (9,893.5)     |
| Net cash flows from investing activities             | (2,953.7)    | (1,349.3)     |
| Net cash flows from financing activities             | (4,739.2)    | 13,244.2      |
| NET INCREASE (DECREASE) IN CASH                      | (8,286.9)    | 2,001.4       |
| Effect of exchange rate changes on cash              | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (8,286.9)    | 2,001.4       |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 33,866.7     | 33,866.7      |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | (2,448.9)    | (1,900.6)     |
| Accumulated losses                          | (470.1)      | (4,320.8)     |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 30,947.7     | 27,645.3      |
| Non-controlling interests                   | 2,271.8      | 2,696.3       |
| TOTAL EQUITY                                | 33,219.5     | 30,341.6      |



### TRAVEL SECURITY S.A. AND SUBSIDIARIES

#### **TYPE OF COMPANY**

Privately held corporation.

#### **TAXPAYER ID NUMBER**

85.633.900-9

#### **SECURITIES REGISTRY**

Travel Security Ltda. is not registered in the Securities Registry.

#### **CORPORATE PURPOSE**

Travel agency. Providing all kinds of tourism services and other services agreed-upon by the company's shareholders, whether or not related to tourism, including investing of corporate funds.

#### **GENERAL BACKGROUND**

The company was formed as a limited liability company by public instrument dated July 3, 1987, signed before notary public Víctor Manuel Correa Valenzuela. In 1989, its corporate purpose was broadened to include the sale of passenger air transport services and it obtained accreditation as an IATA agent. On September 16, 1993, the company is transformed from a limited liability company to a corporation and its capital is increased. In early 1995 the air cargo division is sold. In April 1997, new shareholders acquire interests in the company and its management is professionalized. In September 1999, Grupo Security purchases an interest through Inversiones Seguros Security Ltda., and comes to control 75% of the company's shares. Its name is changed to Travel Security S.A. In October 2000, Inversiones Seguros Security Ltda. sells its shares to Inversiones Invest Security Ltda. The merger of Travel Security and Turismo Tajamar S.A. is approved in December 2006 and completed on January 22, 2007. In January 2011, Inversiones Invest Security Ltda. acquires all of the shares held by SMYTSA, Servicios Marítimos y Transporte Limitada and comes to control 85% of the company's shares.

As of December 31, 2014, the company's capital totals MCH\$5,262 and is distributed as follows:

Inversiones Invest Security Ltda.: 83%
 Carmen Mackenna y Cía. Ltda.: 10%
 Inversiones y Asesorías Ana María Limitada: 7%

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$5,262.

#### **PERCENTAGE OF TOTAL GROUP ASSETS**

The total assets of Travel Security S.A. and subsidiaries represent 0.79% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Travel Security provides travel arrangement services to all subsidiaries and associates of Grupo Security S.A., as well as to the parent company. These services may possibly be offered to customers of the group's subsidiaries and associates in the future.

#### **BOARD OF DIRECTORS**

#### **CHAIRMAN:**

Guillermo Correa S. Chilean National ID: 7.741.851-2

#### **DIRECTORS:**

Adolfo Tocornal R. Chilean National ID: 6.879.186-3
Naoshi Matsumoto C. Chilean National ID: 9.496.299-9
Renato Peñafiel M. Chilean National ID: 6.350.390-8
Francisco Silva S. Chilean National ID: 4.103.061-5

#### **CHIEF EXECUTIVE OFFICER:**

Eduardo Correa S. Chilean National ID: 8.628.777-3



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 31,704.3     | 30,530.1      |
| Non-current assets                          | 10,464.3     | 11,033.3      |
| TOTAL ASSETS                                | 42,168.6     | 41,563.4      |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 25,137.6     | 24,011.9      |
| Non-current liabilities                     | 6,524.5      | 5,516.6       |
| Equity attributable to owners of the parent | 9,921.7      | 11,252.2      |
| Non-controlling interests                   | 584.7        | 782.7         |
| TOTAL LIABILITIES AND EQUITY                | 42,168.6     | 41,563.4      |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 20,471.7     | 19,601.9      |
| Non-operating loss                               | (14,853.4)   | (14,186.3)    |
| PROFIT BEFORE TAX                                | 5,618.3      | 5,415.6       |
| Income tax expense                               | (1,596.3)    | (1,507.8)     |
| PROFIT FOR THE YEAR                              | 4,022.0      | 3,907.8       |
| Profit attributable to owners of the parent      | 4,019.7      | 3,751.8       |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 2.3          | 156.0         |

| CASH FLOWS                                | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Net cash flows from operating activities  | 3,654.3      | 3,026.2       |
| Net cash flows from investing activities  | (1,296.9)    | 1,164.3       |
| Net cash flows from financing activities  | (2,201.7)    | (4,166.7)     |
| NET INCREASE IN CASH                      | 155.7        | 23.8          |
| Effect of exchange rate changes on cash   | 0.0          | 250.4         |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 155.7        | 274.2         |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 5,262.0      | 5,262.0       |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | 354.9        | 1,005.1       |
| Retained earnings                           | 4,304.8      | 4,985.1       |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 9,921.7      | 11,252.2      |
| Non-controlling interests                   | 584.7        | 782.7         |
| TOTAL EQUITY                                | 10,506.5     | 12,034.9      |



### REPRESENTACIONES SECURITY LTDA.

#### **TYPE OF COMPANY**

Limited liability company.

#### **TAXPAYER ID NUMBER**

77.405.350-3

#### **SECURITIES REGISTRY**

Repse Ltda. is not registered in the Securities Registry.

#### **CORPORATE PURPOSE**

Agency and organizer of trips and tourism assistance activities. Providing all kinds of tourism operator services and other services agreed-upon by the company's shareholders, whether or not related to tourism.

#### **GENERAL BACKGROUND**

The company was formed as a limited liability company by public instrument dated January 18, 2000, signed before notary public Iván Torrealba Acevedo.

As of December 31, 2014, the company's capital totals MCH\$1 and is distributed as follows:

Travel Security Ltda.: 99%Inversiones previsión Security Ltda.: 1%

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$1.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Repse Ltda. represent 0.09% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Repse Ltda. provides ground operations services to Travel Security and its subsidiaries and associates of Grupo Security S.A.

#### **BOARD OF DIRECTORS**

#### **LEGAL REPRESENTATIVE:**

Eduardo Correa S. Chilean National ID: 8.628.777-3

Guillermo Correa S. Chilean National ID: 7.741.851-2



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 1,639.3      | 1,752.9       |
| Non-current assets                          | 17.7         | 19.7          |
| TOTAL ASSETS                                | 1,657.1      | 1,772.5       |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 472.6        | 762.7         |
| Non-current liabilities                     | 0.0          | 0.0           |
| Equity attributable to owners of the parent | 1,184.5      | 1,009.9       |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL LIABILITIES AND EQUITY                | 1,657.1      | 1,772.5       |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 1,227.4      | 1,324.5       |
| Non-operating loss                               | (994.2)      | (1,036.5)     |
| PROFIT BEFORE TAX                                | 233.3        | 287.9         |
| Income tax expense                               | (58.6)       | (74.1)        |
| PROFIT FOR THE YEAR                              | 174.6        | 213.8         |
| Profit attributable to owners of the parent      | 174.6        | 213.8         |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 0.0          | 0.0           |

| CASH FLOWS   | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Net cash flows from operating activities             | (1,744.4)    | (2,108.3)     |
| Net cash flows from investing activities             | 1,746.3      | 2,094.3       |
| Net cash flows from financing activities             | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH                      | 1.9          | (14.0)        |
| Effect of exchange rate changes on cash              | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1.9          | (14.0)        |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 1.0          | 1.0           |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | 0.4          | 0.4           |
| Retained earnings                           | 1,183.1      | 1,008.5       |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 1,184.5      | 1,009.9       |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL EQUITY                                | 1,184.5      | 1,009.9       |



## **VIAJES SECURITY S.A. AND SUBSIDIARIES**

#### **TYPE OF COMPANY**

Corporation.

#### **TAXPAYER ID NUMBER**

20548601372

#### **SECURITIES REGISTRY**

Viajes Security S.A. is not registered in the Securities Registry.

#### **CORPORATE PURPOSE**

Its main activity is to make all types of investments in shares in Peru as well as providing services in general.

#### **GENERAL BACKGROUND**

The company is a subsidiary of Travel Security S.A., formed in Chile, which owns 99.99% of its issued capital. The company was formed on June 12, 2012, in Lima, Peru.

As of December 31, 2017, the company's capital totals S/5,320 million (around MUS\$ 1,637) and is distributed as follows:

Travel Security S.A.: 99.99%Grupo Security: 0.01%

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$987.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Viajes Security S.A. and subsidiaries represent 0.19% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Viajes Security S.A., through its subsidiary Travex S.A., provides travel organization services to Representaciones Security (REPSE) and its parent company. These services may possibly be offered to customers of the group's subsidiaries and associates in the future.

#### **BOARD OF DIRECTORS**

#### **CHAIRMAN:**

Francisco Silva S. Chilean National ID: 4.103.061-5

#### **DIRECTORS:**

Renato Peñafiel M. Chilean National ID: 6.350.390-8
Guillermo Correa S. Chilean National ID: 7.741.851-2
Eduardo Correa S. Chilean National ID: 8.628.777-3

#### CHIEF EXECUTIVE OFFICER:

Alejandro Barra L. Chilean National ID: 8.540.923-9



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 5,425.2      | 6,362.9       |
| Non-current assets                          | 4,676.8      | 4,925.1       |
| TOTAL ASSETS                                | 10,101.9     | 11,288.1      |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 5,896.3      | 5,898.3       |
| Non-current liabilities                     | 1,240.9      | 1,568.6       |
| Equity attributable to owners of the parent | 2,391.9      | 3,048.6       |
| Non-controlling interests                   | 572.9        | 772.6         |
| TOTAL LIABILITIES AND EQUITY                | 10,101.9     | 11,288.1      |

| STATEMENT OF INCOME                                | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                       | 2,974.5      | 3,554.8       |
| Non-operating loss                                 | (2,822.6)    | (2,670.1)     |
| PROFIT BEFORE TAX                                  | 151.9        | 884.6         |
| Income tax expense                                 | (156.5)      | (306.7)       |
| PROFIT (LOSS) FOR THE YEAR                         | (4.7)        | 577.9         |
| Profit (loss) attributable to owners of the parent | (5.3)        | 424.1         |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS   | 0.6          | 153.8         |

| CASH FLOWS   | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Net cash flows from operating activities             | (102.0)      | 56.1          |
| Net cash flows from investing activities             | 0.0          | 0.0           |
| Net cash flows from financing activities             | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH                      | (102.0)      | 56.1          |
| Effect of exchange rate changes on cash              | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (102.0)      | 56.1          |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 986.8        | 986.8         |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | (423.5)      | 210.2         |
| Retained earnings                           | 1,828.6      | 1,851.6       |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 2,391.9      | 3,048.6       |
| Non-controlling interests                   | 572.9        | 772.6         |
| TOTAL EQUITY                                | 2,964.8      | 3,821.2       |



#### **TRAVEX**

#### **TYPE OF COMPANY**

Privately held corporation

#### **CORPORATE PURPOSE**

Travel agency providing individual and group ground and air tourism services, organizing tours and/or excursions, arranging lodging and in general any activity related to tourism.

#### **GENERAL BACKGROUND**

The company was formed as a corporation on September 23, 2002, in Lima, Peru. Its current legal address is Av. Santa Cruz 873 – 875 Floors 6 - 7, Miraflores, Lima 18. On July 10, 2012, Grupo Security (Chile) acquires a 75% interest in the company through its subsidiary Viajes Security S.A.C. de Perú, which is consolidated by Travel Security S.A., the second largest travel agency in Chile.

As of December 31, 2014, the company's capital totals MCH \$2,085 and is distributed as follows:

Viajes Security S.A.C.de Perú 75%
Pedro Pazos Pastor 25%

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$463.

#### **PERCENTAGE OF TOTAL GROUP ASSETS**

The total assets of Travex Security and subsidiary represent 0.14% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Travex provides travel arrangement services mainly to corporate clients and companies. The company initially plans to offer its services to customers of Travel Security and later to customers of the group's subsidiaries and associates.

#### **BOARD OF DIRECTORS**

#### **CHAIRMAN:**

Francisco Silva Chilean National ID: 4.103.061-5

#### **DIRECTORS:**

Renato Peñafiel Chilean National ID: 6.350.390-8
Guillermo Correa Chilean National ID: 7.741.851-2
Eduardo Correa Chilean National ID: 8.628.777-3

Pedro Pazos Foreign

#### **CHIEF EXECUTIVE OFFICER:**

Pedro Pazos Foreign



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 5,919.7      | 6,704.4       |
| Non-current assets                          | 3,495.3      | 3,743.6       |
| TOTAL ASSETS                                | 9,415.0      | 10,448.1      |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 5,882.6      | 5,893.6       |
| Non-current liabilities                     | 1,240.9      | 1,568.6       |
| Equity attributable to owners of the parent | 2,291.5      | 2,985.9       |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL LIABILITIES AND EQUITY                | 9,415.0      | 10,448.1      |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 2,974.5      | 3,549.7       |
| Non-operating loss                               | (2,815.5)    | (2,627.9)     |
| PROFIT BEFORE TAX                                | 158.9        | 921.8         |
| Income tax expense                               | (156.5)      | (306.7)       |
| PROFIT FOR THE YEAR                              | 2.4          | 615.1         |
| Profit attributable to owners of the parent      | 1.8          | 461.3         |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 0.6          | 153.8         |

| CASH FLOWS   | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Net cash flows from operating activities             | (101.4)      | 56.1          |
| Net cash flows from investing activities             | 0.0          | 0.0           |
| Net cash flows from financing activities             | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH                      | (101.4)      | 56.1          |
| Effect of exchange rate changes on cash              | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (101.4)      | 56.1          |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 463.1        | 416.6         |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | 782.9        | 864.9         |
| Retained earnings                           | 1,045.5      | 1,704.4       |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 2,291.5      | 2,985.9       |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL EQUITY                                | 2,291.5      | 2,985.9       |



# INMOBILIARIA CASANUESTRA S.A. (FORMERLY INMOBILIARIA SUCASA S.A.)

#### **TYPE OF COMPANY**

Privately held corporation.

#### **TAXPAYER ID NUMBER**

76.459.878-4

#### **REPORTING ENTITIES REGISTRY**

Inmobiliaria Casanuestra S.A. (formerly Inmobiliaria Sucasa S.A.) is a privately held corporation formed by public instrument on April 2, 2015. This company was registered in the SVS Special Reporting Entities Registry under No. 939 on July 9, 2015.

#### **CORPORATE PURPOSE**

The company's corporate purpose is to acquire and build houses in order to lease them with purchase options and engage in all transactions permitted for real estate companies under Law No. 19,281 and its amendments.

#### **GENERAL BACKGROUND**

This recently formed company is designed to help thousands of families throughout Chile be able to purchase their own home. As mentioned, the company was formed on April 2, 2015, and to date has carried out start-up activities and its capital has been invested in the assets necessary to carry out its corporate purpose.

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH \$4,651.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Securitizadora Security S.A. represent 0.39% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

The company's services may possibly be offered to customers of the group's subsidiaries and associates in the future.

#### **BOARD OF DIRECTORS**

#### **CHAIRMAN OF THE BOARD**

Francisco Silva S. Chilean National ID: 4.103.061-5

#### **DIRECTORS:**

Christian Sinclair M. Chilean National ID: 6.379.747-2
Renato Peñafiel M. Chilean National ID: 6.350.390-8
Alberto Apel O. Chilean National ID: 9.580.963-4
Andrés Tagle D. Chilean National ID: 5.895.255-9

#### **CHIEF EXECUTIVE OFFICER**

Jorge Meyer. Chilean National ID: 11.862.170-0



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| ASSETS                                     |              |               |
| Current assets                             | 4,545.6      | 4,928.8       |
| Non-current assets                         | 483.2        | 227.9         |
| TOTAL ASSETS                               | 5,028.8      | 5,156.7       |
| LIABILITIES                                |              |               |
| Current liabilities                        | 858.9        | 3,922.8       |
| Non-current liabilities                    | 70.9         | 0.0           |
| Total equity                               | 4,099.0      | 1,233.9       |
| TOTAL LIABILITIES AND EQUITY               | 5,028.8      | 5,156.7       |

| STATEMENT OF INCOME                                | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                       | 1,478.9      | 1,929.3       |
| Non-operating loss                                 | (1,682.4)    | (1,714.1)     |
| PROFIT (LOSS) BEFORE TAX                           | (203.5)      | 215.2         |
| Income tax benefit (expense)                       | 67.5         | (52.6)        |
| PROFIT (LOSS) FOR THE YEAR                         | (136.0)      | 162.6         |
| Profit (loss) attributable to owners of the parent | (136.0)      | 162.6         |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS   | 0.0          | 0.0           |

| CASH FLOWS   | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Net cash flows from operating activities             | 16.6         | 2,201.7       |
| Net cash flows from investing activities             | (118.2)      | (8.6)         |
| Net cash flows from financing activities             | 258.5        | (2,276.3)     |
| NET INCREASE (DECREASE) IN CASH                      | 156.9        | (83.2)        |
| Effect of exchange rate changes on cash              | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 156.9        | (83.2)        |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 4,651.2      | 1,651.3       |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | 0.0          | (1.0)         |
| Accumulated losses                          | (552.2)      | (416.4)       |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 4,099.0      | 1,233.9       |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL EQUITY                                | 4,099.0      | 1,233.9       |



### MANDATOS SECURITY LTDA.

#### **TYPE OF COMPANY**

Limited liability company.

#### **TAXPAYER ID NUMBER**

77.512.350-8

#### **SECURITIES REGISTRY**

Mandatos Security Ltda. is not registered in the Securities Registry.

#### **CORPORATE PURPOSE**

Carrying out civil mandates related to obtaining background information on third parties.

#### **GENERAL BACKGROUND**

Mandatos Security Limitada was formed as recorded in public instrument dated October 5, 2000, signed before notary public Enrique Morgan Torres, by which management and the use of its corporate name was granted to its partner Inversiones Invest Security Ltda. On September 1, 2004, before notary public Linda Scarlett Boschi Jiménez, under notary archive number 4711/2004, the company Global Security Mandatos Limitada was modified and split into Mandatos Security Ltda. and Gestión y Servicios Security Ltda., respectively.

#### **SUBSCRIBED AND PAID-IN CAPITAL**

As of December 31, 2019, subscribed and paid-in capital totaled MCH\$617.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Mandatos Security Limitada represent 0.04% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Mandatos Security provides processing services to perform background checks for financial products for Banco Security and Factoring Security.

#### **BOARD AND MANAGEMENT**

#### **AGENTS:**

Renato Peñafiel M. Chilean National ID: 6.350.390-8 Ramón Eluchans O. Chilean National ID: 6.464.460-2



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| ASSETS                                     |              |               |
| Current assets                             | 972.3        | 692.0         |
| Non-current assets                         | 157.2        | 221.0         |
| TOTAL ASSETS                               | 1,129.5      | 913.0         |
| LIABILITIES                                |              |               |
| Current liabilities                        | 722.4        | 654.1         |
| Non-current liabilities                    | 0.0          | 0.0           |
| Total equity                               | 407.1        | 258.9         |
| TOTAL LIABILITIES AND EQUITY               | 1,129.5      | 913.0         |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 3,426.8      | 401.8         |
| Non-operating loss                               | (3,185.6)    | (29.9)        |
| PROFIT BEFORE TAX                                | 241.2        | 371.9         |
| Income tax benefit (expense)                     | (93.0)       | 131.9         |
| PROFIT FOR THE YEAR                              | 148.2        | 503.8         |
| Profit attributable to owners of the parent      | 148.2        | 503.8         |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 0.0          | 0.0           |

| CASH FLOWS                                | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Net cash flows from operating activities  | 331.4        | 345.7         |
| Net cash flows from investing activities  | 0.0          | 0.0           |
| Net cash flows from financing activities  | (37.3)       | (13.4)        |
| NET INCREASE IN CASH                      | 294.1        | 332.3         |
| Effect of exchange rate changes on cash   | 0.0          | 0.0           |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 294.1        | 332.3         |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 617.2        | 617.2         |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | 6.9          | 6.9           |
| Accumulated losses                          | (217.0)      | (365.2)       |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 407.1        | 258.9         |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL EQUITY                                | 407.1        | 258.9         |



## GLOBAL SECURITY GESTIÓN Y SERVICIOS LTDA.

#### **TYPE OF COMPANY**

Limited liability company.

#### **TAXPAYER ID NUMBER**

76.181.170-3

#### **SECURITIES REGISTRY**

Global Security Gestión y Servicios Ltda. is not registered in the Securities Registry.

#### **CORPORATE PURPOSE**

Carrying out civil mandates related to obtaining third-party background information and administratively processing requests for preevaluations of background information, which enables principals to enter into acts and contracts directly with third parties without subsequent involvement from the company; and in general enter into all acts and businesses that are directly or indirectly related to the corporate purpose or as agreed by the partners.

#### **GENERAL BACKGROUND**

Global Security Mandatos Limitada was formed as recorded in public instrument dated October 5, 2000, signed before notary public Enrique Morgan Torres, by which management and the use of its corporate name was granted to its partner Inversiones Invest Security Ltda. On September 1, 2004, before notary public Linda Scarlett Boschi Jiménez, under notary archive number

4711/2004, the company Global Security Mandatos Limitada was modified and split into Mandatos Security Ltda. and Gestión y Servicios Security Ltda., respectively.

#### PAID-IN CAPITAL AND EQUITY

As of December 31, 2019, subscribed and paid-in capital totaled MCH\$83.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Global Security Gestión y Servicios Limitada and subsidiary represent 0.00% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Gestión y Servicios Security provides advisory, marketing and sales services for financial products to Valores Security, Administradora General de Fondos Security and Vida Security. These services may possibly be offered to customers of the group's subsidiaries and associates in the future.

#### **BOARD AND MANAGEMENT**

#### **MANAGEMENT REPRESENTATIVES:**

Francisco Silva S. Chilean National ID: 4.103.061-5
Renato Peñafiel M. Chilean National ID: 6.350.390-8
Ramón Eluchans O. Chilean National ID: 6.464.460-2



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| ASSETS                                     |              |               |
| Current assets                             | 596.0        | 411.5         |
| Non-current assets                         | 1,143.0      | 291.1         |
| TOTAL ASSETS                               | 1,739.0      | 702.6         |
| LIABILITIES                                |              |               |
| Current liabilities                        | 1,325.4      | 784.6         |
| Non-current liabilities                    | 701.0        | 22.5          |
| Total equity                               | (287.4)      | (104.5)       |
| TOTAL LIABILITIES AND EQUITY               | 1,739.0      | 702.6         |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 5,273.6      | 4,937.8       |
| Non-operating loss                               | (5,487.4)    | (5,091.2)     |
| LOSS BEFORE TAX                                  | (213.7)      | (153.4)       |
| Income tax benefit                               | 30.8         | 15.7          |
| LOSS FOR THE YEAR                                | (182.9)      | (137.7)       |
| Loss attributable to owners of the parent        | (182.9)      | (137.7)       |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 0.0          | 0.0           |

| CASH FLOWS   | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Net cash flows from operating activities             | (5,377.6)    | (4,566.4)     |
| Net cash flows from investing activities             | (76.1)       | (67.6)        |
| Net cash flows from financing activities             | 5,389.8      | 4,880.4       |
| NET INCREASE (DECREASE) IN CASH                      | (63.9)       | 246.4         |
| Effect of exchange rate changes on cash              | 0.0          | 0.0           |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (63.9)       | 246.4         |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 83.0         | 83.0          |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | 0.0          | 0.0           |
| Accumulated losses                          | (370.4)      | (187.5)       |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | (287.4)      | (104.5)       |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL EQUITY                                | (287.4)      | (104.5)       |



## **SECURITY INTERNACIONAL SPA**

#### **TYPE OF COMPANY**

Simplified corporation

#### **TAXPAYER ID NUMBER**

76.452.179-K

#### **SECURITIES REGISTRY**

Security International SpA is not registered in the Securities Registry.

#### **CORPORATE PURPOSE**

The company's corporate purpose includes mainly managing for rental purposes all types of assets, whether tangible or intangible, real estate or personal property, on its own or on behalf of third parties, both in Chile and abroad; making permanent or rental investments in all types of companies, whether by forming them or purchasing an interest in already formed companies, and even managing them, in both Chile and abroad; providing corporate management services; disposing of at any title the indicated assets or their natural proceeds or revenue from those assets, whether accrued, pending or having been received at the time of disposal, and exploiting the natural proceeds or revenue from assets acquired by the company.

#### **GENERAL BACKGROUND**

The company was incorporated on November 21, 2016, as a simplified corporation named Security Internacional SPA signed before notary public Patricio Zaldívar Mackenna.

#### **SUBSCRIBED BUT UNPAID CAPITAL**

As of December 31, 2019, subscribed and paid-in capital totaled MCH\$27,603.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Security Internacional SPA represent 3.45% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Security Internacional SPA does not have any business relationships with subsidiaries, associates or the parent company Grupo Security S.A.

#### **AGENTS:**

Renato Peñafiel M. Chilean National ID: 6.350.390-8 Francisco Silva S. Chilean National ID: 4.103.061-5



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 244,039.6    | 170,788.6     |
| Non-current assets                          | 115,424.1    | 80,376.2      |
| TOTAL ASSETS                                | 359,463.7    | 251,164.7     |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 316,489.5    | 207,966.7     |
| Non-current liabilities                     | 490.3        | 803.3         |
| Equity attributable to owners of the parent | 36,014.9     | 29,598.3      |
| Non-controlling interests                   | 6,469.0      | 12,796.5      |
| TOTAL LIABILITIES AND EQUITY                | 359,463.7    | 251,164.7     |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 15,772.4     | 6,188.8       |
| Non-operating loss                               | (15,167.1)   | (4,037.1)     |
| PROFIT BEFORE TAX                                | 605.3        | 2,151.7       |
| Income tax expense                               | (20.0)       | 0.0           |
| PROFIT FOR THE YEAR                              | 585.3        | 2,151.7       |
| Profit attributable to owners of the parent      | 87.8         | 1,004.9       |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 497.5        | 1,146.9       |

| CASH FLOWS                                | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Net cash flows from operating activities  | 21,012.0     | (18,019.7)    |
| Net cash flows from investing activities  | (11,125.1)   | (30,269.0)    |
| Net cash flows from financing activities  | 3,885.6      | 50,708.1      |
| NET INCREASE IN CASH                      | 13,772.5     | 2,419.5       |
| Effect of exchange rate changes on cash   | 170.7        | (237.4)       |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 13,943.2     | 2,182.1       |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 27,603.1     | 27,603.1      |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | (2,103.8)    | (8,432.7)     |
| Retained earnings                           | 10,515.6     | 10,427.9      |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 36,014.9     | 29,598.3      |
| Non-controlling interests                   | 6,469.0      | 12,796.5      |
| TOTAL EQUITY                                | 42,483.9     | 42,394.7      |



## **INVERSIONES SECURITY PERÚ S. A.C.**

#### **TYPE OF COMPANY**

Privately held corporation.

#### **CORPORATE PURPOSE**

The company's corporate purpose is to make capital investments in other companies that have been formed or will be formed in the future, either in Peru or abroad, receiving in exchange for those investments a share of the capital, in the form of shares or interests, as appropriate. It also acquires shares or interests issued by existing companies, incorporated in Peru or abroad, either directly or through a stock exchange.

#### **GENERAL BACKGROUND**

The company was formed as a corporation on May 11, 2015, in Lima, Peru. Its current legal address is Av. Santa Cruz 875, Miraflores, Lima.

As of December 31, 2018, the company's capital totals MCH\$17,589 and is distributed as follows:

Seguros Vida Security Previsión S.A. 99.999%
Inversiones Previsión Security Ltda. 00.001%

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled MCH\$23,098.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Inversiones Security Perú represent 2.83% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Inversiones Security Perú does not have any business relationships with subsidiaries, associates or the parent company.

#### **AGENTS:**

Francisco Silva S. Chilean National ID: 4.103.061-5
Renato Peñafiel Chilean National ID: 6.350.390-8
Carlos Andrés Tagle Domínguez Chilean National ID: 5.895.255-9
Alejandro Alzérreca Luna Chilean National ID: 7.050.344-1
Alfredo Jochamowitz Stafford Foreign

#### **CHIEF EXECUTIVE OFFICER:**

Pedro Pazos Foreign



## **SUMMARIZED FINANCIAL STATEMENTS**

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 243,922.3    | 170,329.7     |
| Non-current assets                          | 115,424.0    | 80,376.2      |
| TOTAL ASSETS                                | 359,346.3    | 250,705.8     |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 320,347.1    | 211,311.3     |
| Non-current liabilities                     | 490.3        | 803.3         |
| Equity attributable to owners of the parent | 29,583.9     | 25,361.7      |
| Non-controlling interests                   | 8,925.0      | 13,229.5      |
| TOTAL LIABILITIES AND EQUITY                | 359,346.3    | 250,705.8     |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 15,634.8     | 6,188.8       |
| Non-operating loss                               | (14,935.4)   | (4,037.1)     |
| PROFIT BEFORE TAX                                | 699.4        | 2,151.7       |
| Income tax expense                               | 0.0          | 0.0           |
| PROFIT FOR THE YEAR                              | 699.4        | 2,151.7       |
| Profit attributable to owners of the parent      | 264.9        | 1,004.9       |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 434.5        | 1,146.9       |

| CASH FLOWS                                | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Net cash flows from operating activities  | 21,365.0     | 12,815.3      |
| Net cash flows from investing activities  | (11,125.0)   | (31,830.1)    |
| Net cash flows from financing activities  | 3,885.5      | 20,738.6      |
| NET INCREASE IN CASH                      | 14,125.5     | 1,723.8       |
| Effect of exchange rate changes on cash   | 159.3        | 0.6           |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 14,284.8     | 1,724.4       |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 23,098.0     | 23,098.0      |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | 5,474.6      | 1,328.3       |
| Retained earnings                           | 1,011.3      | 935.4         |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 29,583.9     | 25,361.7      |
| Non-controlling interests                   | 8,925.1      | 13,229.5      |
| TOTAL EQUITY                                | 38,509.0     | 38,591.2      |



#### **PROTECTA**

#### **TYPE OF COMPANY**

Corporation

#### **CORPORATE PURPOSE**

The company is engaged in contracting and managing life and personal accident insurance and annuities, as well as making financial and real estate investments and other related activities within the scope of Law No. 26,702 – The General Law on the Financial System, the Insurance System and the SBS in accordance with provisions issued by the SBS. The company operates in the city of Lima and other provinces in Peru.

In June 2012, according to Resolution No. 3915-2012 issued by the SBS, the company was licensed to function as an insurance company that operates with insurance contracts for life and general risks as well as to engage in reinsurance transactions. As of the date of the financial statements, the company has only engaged in life insurance transactions.

#### **GENERAL BACKGROUND**

Protecta S.A. Compañía de Seguros, is a Peruvian corporation that is a subsidiary of Inversiones Security Perú S.A.C., which holds a 61% interest in its share capital. The company was formed on September 14, 2007, and began operating on December 12, 2007.

The company's legal domicile is Avenida Domingo Orué N°165, Floor 8, Surquillo, Lima, Peru.

#### SUBSCRIBED AND PAID-IN CAPITAL

As of December 31, 2019, subscribed and paid-in capital totaled Ch \$28,947.

#### PERCENTAGE OF TOTAL GROUP ASSETS

The total assets of Protecta represent 2.47% of the total individual assets of Grupo Security.

# BUSINESS RELATIONSHIPS WITH SUBSIDIARIES, ASSOCIATES AND THE PARENT

Protecta sells life and accident insurance through distribution channels and insurance brokers and annuities through its own sales force.

#### **BOARD OF DIRECTORS**

#### **CHAIRMAN:**

Alfredo Jochamowitz S. Foreign

#### **DIRECTORS:**

Marino Costa B. Foreign
Miguel Pinasco Limas Foreign
José Luis Manuel Pantoja E. Foreign

Francisco Javier Urzua Edwards Chilean National ID: 13.882.991-K
Alejandro Alzérreca L. Chilean National ID: 7.050.344-1
Renato Peñafiel M. Chilean National ID: 6.350.390-8
Carlos Tagle D. Chilean National ID: 5.895.255-9
Francisco Silva S. Chilean National ID: 4.103.061-5

#### **CHIEF EXECUTIVE OFFICER:**

Mario Ventura Verme. Foreign



# **SUMMARIZED FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

| CLASSIFIED STATEMENT OF FINANCIAL POSITION  | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| ASSETS                                      |              |               |
| Current assets                              | 243,317.4    | 170,019.6     |
| Non-current assets                          | 115,722.4    | 81,111.2      |
| TOTAL ASSETS                                | 359,039.8    | 251,130.8     |
| LIABILITIES                                 |              |               |
| Current liabilities                         | 316,228.6    | 216,679.3     |
| Non-current liabilities                     | 474.8        | 271.7         |
| Equity attributable to owners of the parent | 42,336.4     | 34,179.7      |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL LIABILITIES AND EQUITY                | 359,039.8    | 251,130.8     |

| STATEMENT OF INCOME                              | 2019 (MCH\$) | 2018<br>MCH\$ |
|--|--------------|---------------|
| Gross profit                                     | 15,633.6     | 6,002.0       |
| Non-operating loss                               | (14,519.7)   | (3,509.0)     |
| PROFIT BEFORE TAX                                | 1,113.9      | 2,493.0       |
| Income tax expense                               | 0.0          | 0.0           |
| PROFIT FOR THE YEAR                              | 1,113.9      | 2,493.0       |
| Profit attributable to owners of the parent      | 1,113.9      | 2,493.0       |
| PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 0.0          | 0.0           |

| CASH FLOWS                                | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Net cash flows from operating activities  | 21,340.0     | 13,134.9      |
| Net cash flows from investing activities  | (11,100.1)   | (31,830.1)    |
| Net cash flows from financing activities  | 3,860.6      | 20,916.1      |
| NET INCREASE IN CASH                      | 14,100.5     | 2,221.0       |
| Effect of exchange rate changes on cash   | 159.3        | 0.6           |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 14,259.8     | 2,221.5       |

| STATEMENT OF CHANGES IN EQUITY              | 2019 (MCH\$) | 2018<br>MCH\$ |
|---|--------------|---------------|
| Issued capital                              | 28,947.2     | 28,902.0      |
| Share premium                               | 0.0          | 0.0           |
| Other reserves                              | 18,293.3     | 11,098.7      |
| Accumulated losses                          | (4,904.1)    | (5,820.9)     |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 42,336.4     | 34,179.7      |
| Non-controlling interests                   | 0.0          | 0.0           |
| TOTAL EQUITY                                | 42,336.4     | 34,179.7      |



# STATEMENT OF RESPONSIBILITY

# **ANNUAL REPORT 2019**

The undersigned, in their roles as Directors and Chief Executive Officer of Grupo Security, domiciled at Av. 3150, Floor 15, Las Condes, Santiago, Chile, declare under oath that the information contained in this annual report is a faithful representation of the truth and, therefore, we assume the corresponding legal liability.

FRANCISCO SILVA SILVA

CHILEAN NATIONAL ID: 4.103.061-5

**CHAIRMAN** 

HERNÁN DE LAS HERAS MARÍN

CHILEAN NATIONAL ID: 6.381.765-1

DIRECTOR

JUAN CRISTÓBAL PAVEZ RECART CHILEAN NATIONAL ID: 9.901.478-4 DIRECTOR **BRUNO PHILIPPI IRARRÁZABÅL** CHILEAN NATIONAL ID: 4,818. 243-7

DIRECTOR



**JORGE MARÍN CORREA**CHILEAN NATIONAL ID: 7.639.707-4
DIRECTOR

NAOSHI MATSUMOTO TAKAHASHI CHILEAN NATIONAL ID: 3:805.153-9 DIRECTOR HORACIO PAVEZ GARCÍA
CHILEAN NATIONAL ID: 3.899.021-7
DIRECTOR

ANA SAÍNZ DE VICUÑA
CHILEAN NATIONAL ID: 48.128.454-6

DIRECTOR

MARIO WEIFFENBACH OYARZUN CHILEAN NATIONAL ID: 4.868.153-0 DIRECTOR

RENATO PEÑAFIEL MUÑOZ

CHILEAN NATIONAL ID: 6.350.390-8

CHIEF EXECUTIVE OFFICER



# **ADDRESSES**

# **BANCO SECURITY AND SUBSIDIARIES**

#### MAIN TELEPHONE NUMBER:

(56-2) 2584 4000

#### **SECURITY CUSTOMER SERVICE:**

(56-2) 2584 4060

#### **SECURITY PHONE:**

(600) 2584 4040

Monday to Sunday, 24 hours a day

WEB: www.security.cl

E-MAIL: banco@security.cl

#### **BANKING EMERGENCIES:**

800 200 717

#### TO CALL FROM CELLULAR PHONES:

(56-2) 2462 2117

Monday to Sunday, 24 hours a day

#### TO REPORT A LOST OR STOLEN MASTERCARD

#### IN CHILE:

Call Banking Emergencies line: 800 200 717 To call from cellular phones: (56-2) 2462 2117

Transbank Phone: (56-2) 2782 1386

FROM OUTSIDE CHILE:

US and Canada: 1 800 307 7309 Other countries: 1 636 722 7111

# REPRESENTATION OFFICE IN HONG KONG

Suite 2407 - 9 Queen's Road, Central Hong Kong Phone: (852) 2155 3027

# **BRANCHES IN CHILE**

## **HEADQUARTERS (EL GOLF)**

Apoquindo 3150 - Las Condes

Business hours: 9:00 a.m. - 14:00 p.m.

Phone: (56-2) 2584 4000

#### **AGUSTINAS BRANCH**

Agustinas 621 – Santiago

Business hours: 9:00 a.m. - 14:00 p.m.

Phone: (56-2) 2584 4321

#### **CHICUREO BRANCH**

Camino Chicureo Km 1.7 – Colina

Business hours: 8:00 AM a.m. - 14:00 p.m.

Phone: (56-2) 2581 5003

#### CIUDAD EMPRESARIAL BRANCH

Av. del Parque 4023 - Huechuraba

Business hours: 9:00 a.m. – 14:00 p.m.

Phone: (56-2) 2584 5354

#### **EL CORTIJO BRANCH**

Av. Américo Vespucio 2760 C – Conchalí Business hours: 9:00 a.m. – 14:00 p.m.

Phone: (56-2) 2581 4831



#### **ESTORIL BRANCH**

Av. Estoril 50 – Las Condes

Business hours: 8:00 AM a.m. - 14:00 p.m.

Phone: (56-2) 2584 7694

#### LA DEHESA BRANCH

Av. La Dehesa 1744

Lo Barnechea

Business hours: 8:00 AM a.m. - 14:00 p.m.

Phone: (56-2) 2584 4673

#### LA REINA BRANCH

Av. Carlos Ossandón 1231 – La Reina

Time: 8:00 AM a.m. - 14:00 p.m.

Phone: (56-2) 2584 3252

## LOS COBRES BRANCH

Av. Vitacura 6577 – Vitacura

Business hours: 9:00 a.m. - 14:00 p.m.

Phone: (56-2) 2581 5516

## LOS TRAPENSES BRANCH

José Alcalde Délano 10.398,

local 3 - Lo Barnechea

Time: 8:00 AM a.m. - 14:00 p.m.

Phone: (56-2) 2581 5568

### PROVIDENCIA BRANCH

Av. Nueva Providencia 2289 – Providencia

Business hours: 9:00 a.m. - 14:00 p.m.

Phone: (56-2) 2584 4688

#### SANTA MARÍA DE MANQUEHUE BRANCH

Santa María 6904 local 15 – Vitacura

Business hours: 8:00 AM a.m. - 14:00 p.m.

Phone: (56-2) 2581 3234

#### VITACURA BRANCH

Av. Vitacura 3706 – Vitacura

Business hours: 9:00 a.m. - 14:00 p.m.

Phone: (56-2) 2584 4735

## PRESIDENTE RIESCO BRANCH

Presidente Riesco 5335,

Local 101 – Las Condes

Business hours: 8:00 AM a.m. - 14:00 p.m.

Phone: (56-2) 2584 5072

#### **ANTOFAGASTA BRANCH**

Av. San Martín 2511 - Antofagasta

Business hours: 9:00 a.m. - 14:00 p.m.

Phone: (55) 253 6500

# COPIAPÓ BRANCH

Atacama 686 – Copiapó

Business hours: 8:00 AM a.m. - 14:00 p.m.

Phone: (52) 235 7210

#### VIÑA DEL MAR BRANCH

Av. Libertad 1097 – Viña del Mar

Business hours: 8:00 AM a.m. - 14:00 p.m.

Phone: Retail Banking: (32) 251 5100

Phone: Commercial Banking: (32) 251 5128



#### LA SERENA BRANCH

Calle Huanhualí 85, local 6 – La Serena Business hours: 8:00 AM a.m. – 14:00 p.m.

Phone: (51) 247 7400

#### **RANCAGUA BRANCH**

Carretera Eduardo Frei Montalva 340, local 6 – Rancagua

Business hours: 8:00 AM a.m. – 14:00 p.m.

Phone: (72) 274 6600

#### **TALCA BRANCH**

Av. Circunvalación Oriente 1055,

Local B-2 - Talca

Time: 8:00 AM a.m. - 14:00 p.m.

Phone: (71) 234 4600

#### CONCEPCIÓN BRANCH

Av. Bernardo O'Higgins 428 – Concepción Business hours: 9:00 a.m. – 14:00 p.m. Phone: Retail Banking: (41) 290 8003

Phone: Commercial Banking: (41) 290 8096

#### **TEMUCO BRANCH**

Manuel Bulnes 701 - Temuco

Business hours: 9:00 a.m. – 14:00 p.m. Phone: Retail Banking: (45) 294 8423

Phone: Commercial Banking: (45) 294 8421

#### **PUERTO MONTT BRANCH**

Guillermo Gallardo 132 – Puerto Montt Business hours: 9:00 a.m. – 14:00 p.m. Phone: Retail Banking: (65) 256 8300 Phone: Commercial Banking: (65) 256 8313

#### **CONSOLIDATED SUBSIDIARIES**

#### VALORES SECURITY S.A., CORREDORES DE BOLSA

Apoquindo 3150 Floor 7 – Las Condes

Phone: (56-2) 2584 4601

Web: www.inversionessecurity.cl e-mail: sacinversiones@security.cl

#### ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

Apoquindo 3150 Floor 7 – Las Condes

Phone: (56-2) 2584 4700

Web: www.inversionessecurity.cl e-mail: sacinversiones@security.cl

## **FACTORING SECURITY S.A.**

#### **SANTIAGO HEADQUARTERS**

Apoquindo 3150, Floors 9 y 12, Las Condes Phone: (56-2) 2584 36 00 - 2584 36 63

#### **AUGUSTO LEGUÍA BRANCH**

Augusto Leguía Norte 100, of. 901, Floor 9 - Las Condes

Telephone: (56-2) 2584 38 56

#### **ANTOFAGASTA**

Arturo Prat 461, of. 1408, Floor 14 - Antofagasta Telephone: (56-55)2 53 65 16

#### LA SERENA

Av. El Santo 1360

Telephone: (56-51)2 47 00 30



#### COPIAPÓ

Atacama 686,

Floor 2 - Copiapó

Telephone: (56-52) 2 35 00 13

#### **VIÑA DEL MAR**

1 Oriente 1063, Of. 403

Telephone: (56-32) 2 76 60 80

#### **RANCAGUA**

Campos 423, Of. 406

Telephone: (56-72)2 74 09 90

# **TALCA**

1 North 801, Of. 508

Telephone: (56-71)2 34 00 21

#### CONCEPCIÓN

O'Higgins 420, of. 21, Floor 2

Telephone: (56-41) 2 90 80 50

#### LOS ÁNGELES

Lautaro 325, Of. 503, Floor 5

Telephone: (56-43) 2 45 00 97

#### **TEMUCO**

Antonio Varas 838,

Floor 2 - Temuco

Telephone: (56-45) 2 94 12 28

#### **VALDIVIA**

Independencia 521, Of. 305, Floor 3

Edificio Libertad

Phone: (56-63) 2 36 02 90

#### **OSORNO**

Manuel Antonio Matta 549, Of. 905

Telephone: (56-64) 2 45 0012

#### **PUERTO MONTT**

Benavente 405, Of. 601

Telephone: (56-65) 2 56 00 20

# SEGUROS VIDA SECURITY PREVISIÓN S.A.

# **HEADQUARTERS**

Av. Apoquindo 3150, Floor 8

Telephone: (56-2) 2 584 2400

#### LAS CONDES BRANCH

Av. Apoquindo 3131

Telephone: (56-2)2 584 2400

#### LAS CONDES BRANCH

Augusto Leguia 70

Floor 2, 8 Sur, Floor 14 y 15

#### **SANTIAGO BRANCH**

#### (COMMERCIAL OFFICE)

Badajoz N°45, Floors 3 y 4

Telephone: (56-2)2 584 2400

# DOWNTOWN SANTIAGO BRANCH (COMMERCIAL OFFICE)

Huérfanos 835, Oficinas 2001 – 2002

Telephone: (56-2)2 584 2400



# ARICA BRANCH

#### (REPRESENTATIVE OFFICE)

Arturo Prat 390, Oficina 104, Floor 10, Edificio Empresarial Telephone: (56-58)22 33 322

#### **IQUIQUE BRANCH**

San Martin 255, Oficina 121, Edificio Empresarial Telephone: (56-57)23 60 010

#### **ANTOFAGASTA BRANCH**

Almirante Juan José Latorre 2280 Telephone: (56-55)25 36 600

### COPIAPÓ BRANCH

Atacama 686, Floor 2 Telephone: (56-52)23 50 010

#### LA SERENA BRANCH

Av. El Santo 1616 Telephone: (56-51)24 70 011

#### VIÑA DEL MAR BRANCH

Av. Libertad 877

Telephone: (56-32)27 66 070

# RANCAGUA BRANCH

José Manuel Astorga 596 Telephone: (56-72)27 40 993

#### **CURICÓ BRANCH**

#### (REPRESENTATIVE OFFICE)

Merced 255, Oficina 203, Edificio La Merced Phone (56-75) 25 44 142

#### **TALCA BRANCH**

4 Oriente 1309

Telephone: (56-71)23 40 010

# CHILLÁN BRANCH (REPRESENTATIVE OFFICE)

18 de Septiembre 661, Local D y E - Chillán Telephone: (56-42)22 12 152

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# **COMPANY IDENTIFICATION**

## **GRUPO SECURITY**

Publicly traded corporation.

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Grupo Security is a holding company that offers a broad range of financial services in Chile and abroad.