

## Grupo Security Earnings Report

### Grupo Security Reports Fourth Quarter 2016 Profit of CH\$ 74,522 Million, Up 14.6% YoY

- On January 5, 2017, Grupo Security completed the exchange of 95.1% of the F series bond, equivalent to UF 1,189,000, for the M series bond, thus extending the duration of the Group's total debt from 11.3 to 13.1.
- In an extraordinary meeting on October 14, 2016, the Board of Directors of Grupo Security agreed to pay a total dividend of CH\$ 4.25 per share.
- On October 3, 2016, Banco Security launched a new technology system to replace its obsolete core software. This new technology platform will help support the Bank's future growth, enhance its reporting capabilities and provide flexibility for creating new products.
- At an ordinary shareholders' meeting on April 28, 2016, shareholders approved a dividend payment of CH\$ 7.25 per share charged to profit for the year 2015.
- On February 15, 2016, Banco Security successfully concluded the acquisition and merger of Banco Penta's asset management business with its subsidiaries AGF Security and Valores Security Corredores de Bolsa.
- On January 14, 2016, the Group completed the sale of its minority interest in Penta-Security. This sale resulted in a net extraordinary after-tax gain for Grupo Security of CH\$ 14,937 million.

**Santiago, Chile – March 30, 2016. Grupo Security S.A., (SSE: Security),** (“Grupo Security”), 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, today announced financial results for the fourth quarter of 2016.

Renato Peñafiel, Grupo Security's CEO, commented, “Security reported profit of CH\$ 74,522 million for the year ended December 2016, up 14.6% from 2015.” Despite difficult economic conditions, with reduced growth and tighter returns, our businesses performed well. These results leave Grupo Security with improved financial indicators and market share, which was accomplished despite the difficult environment. We believe that we are in a good position to leverage opportunities and challenges in 2017, focusing on those segments where we have competitive advantages and improving our competitiveness while appropriately managing risk.”

Grupo Security Indicators In MCH\$	4Q16	3Q16	4Q15	% Chg		2016	2015	% Chg
				QoQ	YoY			
Banco - Total Loans	4,462,332	4,298,132	4,056,096	3.8%	10.0%	4,462,332	4,056,096	10.0%
Industry - Total Loans <sup>1</sup>	140,258,239	137,778,712	132,665,321	1.8%	5.7%	140,258,239	132,665,321	5.7%
Inversiones - AUM Mutual Funds	1,854,062	1,929,972	1,711,059	-3.9%	8.4%	1,854,062	1,711,059	8.4%
Industry - AUM Mutual Funds	31,194,215	32,263,748	29,118,760	-3.3%	7.1%	31,194,215	29,118,760	7.1%
Vida - Investment Portfolio	2,278,932	2,223,716	2,166,482	2.5%	5.2%	2,278,932	2,166,482	5.2%
Industry (life insurance) - Investment Portfolio	35,269,102	34,567,014	32,098,942	2.0%	9.9%	35,269,102	32,098,942	9.9%
Factoring - Factored Receivables	286,846	251,308	279,644	14.1%	2.6%	286,846	279,644	2.6%
<b>Profitability</b>								
Banco - Net Interest Margin	34,598	35,078	33,209	-1.4%	4.2%	135,924	133,403	1.9%
Banco - Net Fees	13,597	14,717	12,901	-7.6%	5.4%	53,403	48,334	10.5%
Banco - Operating Expenses	-41,273	-30,301	-26,055	36.2%	58.4%	-128,935	-97,842	31.8%
Banco - Net Provision Expenses	-7,874	-8,686	-13,844	-9.3%	-43.1%	-27,777	-44,118	-37.0%
Vida - Direct Premium	112,109	105,512	60,754	6.3%	84.5%	348,517	242,144	43.9%
Vida - Claims Paid	-35,927	-51,233	-20,777	-29.9%	72.9%	-132,286	-76,306	73.4%
Vida - Pensions Paid	-38,960	-34,342	-26,117	13.4%	49.2%	-135,125	-127,359	6.1%
Vida - Investment Income	25,144	39,116	30,967	-35.7%	-18.8%	111,218	100,265	10.9%
Factoring - Revenue	6,347	6,347	5,858	0.0%	8.3%	25,412	23,187	9.6%
<b>Customer and Employee Metrics</b>								
Total Customers (number)	226,943	226,202	219,701	0.3%	3.3%	226,943	219,701	3.3%
Employees (number)	3,767	3,872	3,901	-2.7%	-3.4%	3,767	3,901	-3.4%

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

Ratios	dic-16	dic-15	% Chg
Grupo - Share Price (Ch\$)	225.99	190.70	18.5%
Grupo - Number of Shares (millions)	3,258	3,258	0.0%
Grupo - ROE	13.1%	12.1%	100 p
Banco (Consolidated) - ROAE	11.6%	12.0%	-41 p
Factoring - ROE	23.2%	23.7%	-50 p
Vida - ROAE	13.3%	15.4%	-214 p
Travel - ROE	43.5%	51.6%	-810 p
Grupo - Leverage	34.5%	34.9%	-41 p
Banco - Efficiency	59.4%	48.1%	1130 p
Factoring - Efficiency	44.3%	44.7%	-42 p
Banco - Non-Performing Loans	1.43%	1.54%	-11 p
Banco - Risk Index	1.81%	1.88%	-8 p
Factoring - Risk Index	2.5%	2.4%	4 p
Banco - BIS Tier I Ratio	7.4%	6.8%	58 p
Banco - BIS Tier II Ratio	13.2%	12.1%	112 p

ROAE: profit 12M over average equity

On January 5, 2017, Grupo Security completed the exchange of 95.1% of the F series bond, equivalent to UF 1,189,000, for the M series bond, thus improving the amortization schedule and extending the duration of the Group's total debt from 11.3 to 13.1.

In a board meeting on October 14, 2016, the Board of Directors of Grupo Security agreed to pay a total dividend of CH\$ 4.25 per share. This will be distributed as an interim dividend of CH\$ 2.0 per share and an additional dividend of CH\$ 2.25 per share.

On April 28, 2016, Grupo Security shareholders approved a dividend payment of CH\$ 7.25 per share charged to profit for the year 2015. This dividend and the interim dividend distributed in October 2015 total CH\$ 11.25 per share, equivalent to CH\$ 36,657 million, or 56% of profit for the year 2015.

On February 15, 2016, the acquisitions of Penta Administradora General de Fondos S.A. and Penta Corredores de Bolsa S.A. were successfully concluded. These companies were immediately merged with Banco Security's respective asset management subsidiaries, AGF Security and Valores Security. The deal involved almost CH\$ 800 billion in assets, positioning Inversiones Security among industry leaders in the third-party asset management business. A price of CH\$ 36,036 million was agreed upon for the two companies. This figure can be broken down into CH\$ 30,809 million in equity for both companies—backed by highly-liquid instruments at market value—and CH\$ 5,228 million in negative goodwill.

On January 14, 2016, the takeover bid extended to all shareholders of Compañía de Seguros Generales Penta Security was declared a success, thus concluding the sale of Grupo Security's minority holding for CH\$ 31,652 million as part of the sale of this company to Liberty International Holdings. This deal resulted in a net after-tax gain for Grupo Security of CH\$ 14,937 million, which was reflected in the results for the first quarter of 2016.

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## GRUPO SECURITY EARNINGS REPORT FOR 4Q16

Grupo Security posted profit of CH\$ 74,522 million for the year ended December 2016 (+14.6% YoY) and CH\$ 15,149 million for the fourth quarter of 2016 (+8.5% QoQ). EBITDA totaled CH\$ 120,814 million for the year 2016 (+17.6% YoY) and CH\$ 26,094 million for 4Q16 (-5.6% QoQ).

The Group posted an ROAE as of December 2016 of 13.1%, +100 b.p. YoY. Profit from the Group's business areas amounted to CH\$ 102,133 million for 12M16, +10.8% YoY. For 4Q16, it reported quarterly profit of CH\$ 24,086 million (+17.2% QoQ).

### EARNINGS CONTRIBUTION BY BUSINESS AREA

Earnings from Related Companies								
	4Q16	3Q16	4Q15	% Chg		2016	2015	% Chg
				QoQ	YoY			
<b>Lending Area</b>								
Banco Security (Individual)	8,505	8,468	2,052	0.4%	314.4%	42,430	36,968	14.8%
Factoring Security	1,873	1,850	1,746	1.3%	7.3%	7,303	7,002	4.3%
<b>Asset Management Area</b>								
Valores Security	502	584	(243)	-	142.1%	1,233	1,871	-34.1%
AGF Security	1,756	1,910	2,010	-8.0%	-12.6%	6,939	8,584	-19.2%
Asesorias Security	(176)	(250)	(3)	-	-	(603)	88	-
<b>Insurance Area</b>								
Vida Security	6,659	7,406	10,767	-10.1%	-38.2%	21,911	27,659	-20.8%
Penta Security	-	-	45	-	-	18,979	632	-
Servicios Security	417	251	191	66.6%	118.0%	1,123	680	65.1%
<b>Other Services</b>								
Inmobiliaria Security	3,793	(512)	4,242	-	-10.6%	3,800	6,868	-44.7%
Travel Security	1,123	1,046	808	7.3%	38.9%	4,220	4,002	5.4%
Travex Security	57	93	231	-38.0%	-75.1%	273	825	-66.9%
<b>Grupo Security Profit</b>	<b>15,149</b>	<b>13,957</b>	<b>13,769</b>	<b>8.5%</b>	<b>10.0%</b>	<b>74,522</b>	<b>65,022</b>	<b>14.6%</b>

- (1) Subsidiary earnings correspond to 100% of their profits and differ from the results reported in the segment note, which includes consolidation adjustments to account for Grupo Security's percent ownership in each of its respective subsidiaries.
- (2) For Penta-Security, a minority interest of 29.55% is considered. The figure shown here is the before-tax gain on the sale of its minority interest in Penta-Security. After taxes, the extraordinary gain totaled CH\$ 14,937 million.

## REVIEW OF OPERATIONS BY BUSINESS AREA

### LENDING BUSINESS AREA (68.4% of assets; 48.7% of profit from business areas as of December 2016)

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

#### BANCO SECURITY

Banco Security reported consolidated profit of CH\$ 50,604 million for the year 2016, reflecting an increase of CH\$ 3,180 million or +6.7% YoY. Banco Security's stand-alone profit (excluding asset management subsidiaries AGF Security and Valores Security Corredores de Bolsa) reached CH\$ 42,430 million for 12M16, +CH\$ 5,462 million or +14.8% YoY.

Banco Security's ROAE (profit LTM over average equity) was 11.63%, -41 b.p. YoY.

### Banco Security - Operating Segments

Banco Security Segment Note	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
	dic-16	dic-15	dic-16	dic-15	dic-16	dic-15	dic-16	dic-15	dic-16	dic-15	dic-16	dic-15	dic-16	dic-15
<i>In Ch\$ Million</i>														
<b>Net interest margin</b>	73,693	64,980	57,926	51,273	8,048	21,297	-2,184	-2,191	137,483	135,359	-1,559	-1,956	135,924	133,403
Δ% 12M15	13.4%		13.0%		-62.2%		-0.3%		1.6%		-20.3%		1.9%	
<b>Net Fees</b>	16,623	15,292	20,360	15,843	-523	-719	-1,295	1,528	35,165	31,944	18,238	16,390	53,403	48,334
Δ% 12M15	8.7%		28.5%		-		-		10.1%		11.3%		10.5%	
<b>Net FX transactions and other income</b>	9,470	9,977	1,792	879	25,686	9,308	-26,384	-11,967	10,564	8,197	12,989	10,766	23,553	18,963
Δ% 12M15	-5.1%		103.8%		175.9%		120.5%		28.9%		20.6%		24.2%	
<b>Loan losses and foreclosed assets</b>	-7,708	-33,321	-19,181	-14,316	64	-30	-667	1,481	-27,492	-46,186	0	400	-27,492	-45,786
Δ% 12M15	-76.9%		34.0%		-		-145.1%		-40.5%		-		-40.0%	
<b>Total operating income, net of credit risk provisions</b>	92,078	56,928	60,897	53,679	33,275	29,856	-30,530	-11,149	155,720	129,314	29,668	25,600	185,388	154,914
Δ% 12M15	61.7%		13.4%		11.5%		173.8%		20.4%		15.9%		19.7%	
<b>Operating expenses</b>	-39,033	-31,651	-57,285	-45,502	-15,318	-10,926	2,807	3,487	-108,829	-84,592	-20,106	-13,250	-128,935	-97,842
Δ% 12M15	23.3%		25.9%		40.2%		-		28.7%		51.7%		31.8%	
<b>Net operating income</b>	53,045	25,277	3,612	8,177	17,957	18,930	-27,723	-7,662	46,891	44,722	9,562	12,350	56,453	57,072
Δ% 12M15	109.9%		-55.8%		-5.1%		261.8%		4.8%		-22.6%		-1.1%	
<b>Profit attributable to equity holders of the bank</b>	43,160	20,539	2,939	6,644	14,611	15,382	-18,280	-5,597	42,430	36,968	8,174	10,456	50,604	47,424
Δ% 12M15	110.1%		-55.8%		-5.0%		226.6%		14.8%		-21.8%		6.7%	

Banco Security Segment Note	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
	4Q-16	3Q-16	4Q-16	3Q-16	4Q-16	3Q-16	4Q-16	3Q-16	4Q-16	3Q-16	4Q-16	3Q-16	4Q-16	3Q-16
<i>In Ch\$ Million</i>														
<b>Net interest margin</b>	19,437	18,639	14,881	14,674	965	2,627	-388	-494	34,896	35,445	-298	-367	34,598	35,078
Δ% 12M15	4.3%		1.4%		-63.2%		-21.4%		-1.5%		-18.8%		-1.4%	
<b>Net Fees</b>	4,241	4,774	4,882	5,140	-119	-90	-364	-163	8,639	9,660	4,958	5,057	13,597	14,717
Δ% 12M15	-11.2%		-5.0%		-		-		-10.6%		-2.0%		-7.6%	
<b>Net FX transactions and other income</b>	2,355	2,240	576	427	7,548	6,277	-5,514	-9,086	4,965	-143	3,998	2,922	8,963	2,779
Δ% 12M15	5.1%		35.0%		20.3%		-		-		36.8%		222.5%	
<b>Loan losses and foreclosed assets</b>	-2,558	-3,413	-4,835	-5,473	-3	101	-408	211	-7,805	-8,573	0	0	-7,805	-8,573
Δ% 12M15	-25.0%		-11.7%		-		-		-9.0%		-		-9.0%	
<b>Total operating income, net of credit risk provisions</b>	23,475	22,240	15,504	14,767	8,391	8,914	-6,675	-9,532	40,695	36,389	8,658	7,612	49,353	44,001
Δ% 12M15	5.6%		5.0%		-5.9%		-30.0%		11.8%		13.7%		12.2%	
<b>Operating expenses</b>	-12,779	-9,522	-18,083	-14,546	-5,291	-3,753	823	2,152	-35,330	-25,669	-5,943	-4,632	-41,273	-30,301
Δ% 12M15	34.2%		24.3%		41.0%		-		37.6%		28.3%		36.2%	
<b>Net operating income</b>	10,696	12,718	-2,580	221	3,101	5,161	-5,851	-7,380	5,365	10,720	2,715	2,980	8,080	13,700
Δ% 12M15	-15.9%		-		-39.9%		-20.7%		-50.0%		-8.9%		-41.0%	
<b>Profit attributable to equity holders of the bank</b>	8,572	10,112	-2,118	125	2,478	4,125	-430	-5,893	8,502	8,469	2,260	2,494	10,766	10,959
Δ% 12M15	-15.2%		-		-39.9%		-92.7%		0.4%		-9.4%		-1.8%	

### Commercial Banking

Banco Security's commercial banking division targets companies with sales above USD1.2 million. While Banco Security's core business targets large companies, efforts have been made in recent years to strengthen the medium-sized company segment by tailoring services to its needs. This strategy is designed to diversify our customer base and improve returns in each segment.

As of December 2016, commercial loans expanded 11.8% YoY and 4.6% QoQ, totaling CH\$ 3,507 billion. For the industry, commercial loans increased +3.0% YoY and +0.8% QoQ. Including foreign subsidiaries, this figure increased +3.4% YoY and +0.8% QoQ. The Bank boasts market share of 6.2%<sup>1</sup> in its target segment of medium and large companies as of December 2016. The commercial banking division had 8,551 customers as of year-end 2016 (-1.1% YoY).

Commercial Loans by Economic Sector	Loans Dec-16	% Total
<i>In Ch\$ Millions</i>		
Construction and real estate	798,801	22.8%
Financial services and insurance	586,427	16.7%
Wholesale and retail trade	424,342	12.1%
Real estate investors and corporate services	454,846	13.0%
Manufacturing	325,010	9.3%
Social services	219,649	6.3%
Transportation	238,712	6.8%
Utilities	184,408	5.3%
Agriculture and livestock	97,801	2.8%
Fishing	90,558	2.6%
Telecom	46,164	1.3%
Mining	34,098	1.0%
Forestry	5,867	0.2%
<b>Total commercial loans</b>	<b>3,506,685</b>	<b>100%</b>

The commercial banking division posted profit of CH\$ 43,160 million for 12M16 (+110.1% YoY). This is explained by reduced provision

<sup>1</sup> Only includes regions of Chile where Banco Security has offices.

expenses, which totaled CH\$ 7,708 million for 2016 (-76.9% YoY). As we have mentioned in earnings reports since September 2015, provision expenses were higher in 2015 due to stricter risk policies and certain individual customers affecting the portfolio.

In addition, it reported a larger net interest margin of CH\$ 73,693 million for 2016, +8,713 million YoY (+13.4% YoY). This growth is explained by an increase in commercial loans (+11.8% YoY), with an average spread similar to the prior year.

These effects were not fully offset by increased administrative expenses for 12M16, which totaled CH\$ 39,033 million (+23.3% YoY). This rise is due to increased commercial activity and greater depreciation and amortization expenses after reducing the useful lives of intangible assets. The subsidiary also recorded an increase in indirect expenses to implement technology projects, which were distributed across all the Bank's business segments (excluding the asset management subsidiaries).

For 4Q16, it reported quarterly profit of CH\$ 8,572 million (-15.2% QoQ). This is explained primarily by increased administrative expenses, which amounted to CH\$ 12,779 million (+34.2% QoQ), because of productivity bonuses, greater depreciation and amortization expenses after reducing the useful lives of intangible assets and an increase in indirect expenses to implement technology projects. Net fees totaled CH\$ 4,241 million (-11.2% QoQ). These effects were partially offset by a larger net interest margin of CH\$ 19,437 million (+4.3% QoQ), an increase in commercial loans (+4.6% QoQ) and reduced provision expenses, which amounted to CH\$ 2,558 million for 4Q16 (-25.0% QoQ).

## **Retail Banking**

Banco Security's retail banking division targets high-income individuals. In recent years, the retail division has focused on expanding consumer products while conservatively managing risk, resulting in average annual growth of 18% since 2011.

As of December 2016, the Bank had total retail loans (consumer + mortgage) of CH\$ 955 billion, +4.6% YoY and +1.1% QoQ. For the industry, retail loans increased +8.6% YoY and +2.9% QoQ, driven by mortgage loans (+9.6% YoY and +2.4% QoQ). Including foreign subsidiaries, the industry's retail loans grew +8.3% YoY and +2.8% QoQ. The Bank boasts market share of 5.5% in its target segment of high-income individuals as of December 2016. The retail banking division had 83,887 customers as of year-end 2016 (+1.0% YoY).

The retail banking division posted profit of CH\$ 2,939 million for 12M16 (-55.8% YoY). This is explained mainly by increased operating expenses, which totaled CH\$ 57,285 million (+25.9% YoY), because of increased commercial activity and greater depreciation and amortization after reducing the useful lives of intangible assets. The subsidiary also recorded an increase in indirect expenses to implement technology projects, which were distributed across all the Bank's business segments (excluding the asset management subsidiaries).

In addition, provision expenses rose to CH\$ 19,181 million for 2016 (+34.0% YoY) due to more conservative provisioning policies for consumer products and a one-time increase in provisions of CH\$ 1,021 million recognized in January 2016 to meet new mortgage regulations.

These effects were partially offset by increased net fees, which totaled CH\$ 20,360 million, +CH\$ 4,517 million or +28.5% YoY, because of sales of supplementary loan insurance products and greater fees from bank cards, which were partially offset by reduced fees from current accounts. The division reported a net interest margin of CH\$ 57,926 million, +CH\$ 6,654 million or +13.0% YoY, mainly due to increased loans with a lower average spread over 2015.

For 4Q16, the division reported a loss of CH\$ 2,118 million. This is explained primarily by increased administrative expenses, which amounted to CH\$ 18,083 million (+24.3% QoQ), because of productivity bonuses, greater depreciation and amortization expenses after reducing the useful lives of intangible assets and an increase in indirect expenses to implement technology projects. Net fees totaled CH\$ 4,882 million for 4Q16 (-5.0% QoQ) because of a high basis of comparison (during the prior quarter). These effects were partially offset by a

larger net interest margin of CH\$ 14,881 million (+1.4% QoQ), increased loans and reduced loan losses, which amounted to CH\$ 4,835 million (-11.7% QoQ).

## Treasury

For 12M16, the treasury division reported a profit of CH\$ 14,611 million (-5.0% YoY). This is explained by a reduced net interest margin of CH\$ 8,048 million for 2016 (-62.2% YoY), with a high basis of comparison in 2015 due to reduced funding costs. The rise in the MPR during the last few months of 2015 (from 3% to 3.5%) increased the cost of liabilities for 2016, reducing the net interest margin as a result of a faster price adjustment for liabilities than for assets.

Operating expenses totaled CH\$ 15,318 million (+40.2% YoY) in 2016, because of greater depreciation and amortization after reducing the useful lives of intangible assets. The subsidiary also recorded an increase in indirect expenses to implement technology projects, which were distributed across all the Bank's business segments (excluding the asset management subsidiaries).

These effects were partially offset by an increase in net FX transactions and other income (net financial operating income + gain (loss) from FX transactions + other income), which amounted to CH\$ 25,686 million (+CH\$ 16,378 million or +175.9% YoY), due to strong performances from foreign currency derivatives, domestic corporate bonds and the available-for-sale portfolio.

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 2016, ALM represented 49.8% of treasury income. The investment and trading desks manage the Bank's own portfolio of primarily Chilean Central Bank notes and corporate bonds and represent 26.9% of treasury income. The remaining 23.3% 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

	4Q16	3Q16	4Q15	% Chg		2016	2015	% Chg
				QoQ	YoY			
Net interest margin	34,598	35,078	33,209	-1.4%	4.2%	135,924	133,403	1.9%
Net Fees	13,597	14,717	12,901	-7.6%	5.4%	53,403	48,334	10.5%
Net financial Operating Income	3,786	10,376	-4,685	-	-	38,383	-4,676	-
Net foreign exchange transactions	7,538	-1,383	4,933	-	-	1,456	21,355	-
Recovery of charged-off loans	609	840	1,928	-27.5%	-68.4%	3,978	4,492	-11.4%
Other net operating income	-2,291	-6,100	-2,591	-62.4%	-11.6%	-16,000	616	-
<b>Gross operating income</b>	<b>57,837</b>	<b>53,528</b>	<b>45,695</b>	<b>8.0%</b>	<b>26.6%</b>	<b>217,144</b>	<b>203,524</b>	<b>6.7%</b>
Credit risk provisions	-8,483	-9,526	-15,772	-10.9%	-46.2%	-31,755	-48,610	-34.7%
Administrative expenses	-41,273	-30,301	-26,055	36.2%	58.4%	-128,935	-97,842	31.8%
<b>Net operating income</b>	<b>8,081</b>	<b>13,701</b>	<b>3,868</b>	<b>-41.0%</b>	<b>108.9%</b>	<b>56,454</b>	<b>57,072</b>	<b>-1.1%</b>
Income attributable to investments in other companies	41	80	19	-48.8%	-	319	260	22.7%
<b>Profit before tax</b>	<b>8,122</b>	<b>13,781</b>	<b>3,887</b>	<b>-41.1%</b>	<b>109.0%</b>	<b>56,773</b>	<b>57,332</b>	<b>-1.0%</b>
Income tax expense	2,644	-2,819	-61	-193.8%	-	-6,167	-9,903	-37.7%
<b>Profit for the period</b>	<b>10,766</b>	<b>10,962</b>	<b>3,826</b>	<b>-1.8%</b>	<b>-4.9%</b>	<b>50,606</b>	<b>47,429</b>	<b>6.7%</b>

The Bank reported a net interest margin of CH\$ 135,924 million for 2016 (+1.9% YoY), due to increased interest income (CH\$ 329,711 million, +4.1% YoY) for 12M16, mainly because of the rise in total loans (+10.0% YoY). Interest and adjustment expenses totaled CH\$ 193,787 million for 2016, +5.7% YoY, because of the rise in the MPR in late 2015 (from 3% to 3.5%), which impacted borrowing rates, and more debt issued by the Bank (+16.8% YoY), which totaled CH\$ 1,571,273 million as of December 2016.

Net Interest Margin In Ch\$ Million	4Q16	3Q16	4Q15	% Chg		2016	2015	% Chg
				QoQ	YoY			
Interest and indexation income	81,889	82,704	84,591	-1.0%	-3.2%	329,711	316,810	4.1%
Interest and indexation expenses	-47,291	-47,626	-51,583	-0.7%	-8.3%	-193,787	-183,407	5.7%
Net interest margin	34,598	35,078	33,008	-1.4%	4.8%	135,924	133,403	1.9%
Interest margin net of provisions	26,115	25,552	24,114	2.2%	8.3%	104,169	84,793	22.9%
Net interest margin / total loans	3.10%	3.26%	3.26%	-16 p	-15 p	3.05%	3.29%	-24 p
Net interest margin net of provisions / Total loans	2.34%	2.38%	2.38%	-4 p	-4 p	2.33%	2.09%	24 p

Net fees totaled CH\$ 53,403 million for 12M16, +10.5% YoY, because of increased sales of supplementary loan insurance products by the retail banking division and increased brokerage income from the asset management subsidiaries. Financial income, which is the sum of net financial operating income and the net gain from FX transactions, totaled CH\$ 39,839 million, +138.9% YoY, due to strong performances from foreign currency instruments, domestic corporate bonds and the available-for-sale portfolio.

The Bank recorded a one-time impairment loss of -CH\$ 21,117 million in other net operating income for obsolete technology systems.

Credit risk provision expenses for the year 2016 totaled CH\$ 31,755 million (-34.7% YoY), due to a well-performing portfolio and a higher basis of comparison in 2015.

Operating expenses for 2016 totaled CH\$ 128,935 million (+31.8% YoY), due to greater one-time expenses by some subsidiaries to merge the asset management business acquired from Banco Penta, changes in the Bank's criteria for capitalizing and depreciating software and an increase in other expenses needed to support commercial growth.

In 2016, the Bank recorded an income tax expense of CH\$ 6,167 million (-37.7% YoY), mainly due to the effect of increased deferred tax assets because several lease agreements were postponed from 2016 to 2017, along with a higher tax rate (24% in 2015 vs 25.5% in 2016).

For 4Q16, Banco Security reported quarterly profit of CH\$ 10,766 million (-1.8% QoQ). The net interest margin totaled CH\$ 34,598 million (-1.4% QoQ) due to greater loans (+3.8% QoQ). Net fees for 4Q16 totaled CH\$ 13,597 million (-7.6% QoQ) with reduced fees across all business segments. Financial income, which is the sum of net financial operating income and the net gain from FX transactions, totaled CH\$ 11,324 million, +CH\$ 2,331 million (+25.9% QoQ), due mainly to a strong performance from the treasury division and the proprietary trading position of the asset management subsidiaries.

In 4Q16, the Bank recorded one-time impairment losses on intangible assets of -CH\$ 3,773 million, recorded in other net operating income. Operating expenses for 4Q16 totaled CH\$ 41,273 million (+36.2% QoQ), because of expenses to implement technology projects.

In 4Q16, the Bank recorded an income tax benefit of CH\$ 2,644 million, mainly due to the effect of increased deferred tax assets because of lease agreements postponed from 2016 to 2017, along with a higher tax rate (24% in 2015 vs 25.5% in 2016).

### **Banco Security - Operating Expenses and Efficiency**

In Ch\$ Millions	4Q16	3Q16	4Q15	% Chg		2016	2015	% Chg
				QoQ	YoY			
Personnel	-17,223	-11,382	-12,090	51.3%	42.5%	-54,724	-41,358	32.3%
Administrative expenses	-16,395	-15,532	-12,188	5.6%	34.5%	-59,010	-49,691	18.8%
Depreciation and amortization	-7,655	-3,387	-1,777	126.0%	330.8%	-15,201	-6,793	123.8%
Total operating expenses	-41,273	-30,301	-26,055	36.2%	58.4%	-128,935	-97,842	31.8%
Operating expenses / Gross operating income	71.4%	56.6%	57.0%	1475 p	1434 p	59.4%	48.1%	1130 p

The Bank reported administrative expenses of CH\$ 128,935 million (+31.8% YoY) for 2016. Personnel expenses for 12M16 totaled CH\$



54,724 million, +32.3% YoY, due to greater commercial activity at Banco Security and increased expenses by its subsidiaries for the merger with Banco Penta's asset management business. Administrative expenses amounted to CH\$ 59,010 million, +18.8% YoY, due to expenses to implement technology projects and increased commercial activity. Depreciation and amortization expense totaled CH\$ 15,201 million, +123.8% YoY, due to changes in the Bank's software capitalization and depreciation criteria.

Operating expenses for 4Q16 totaled CH\$ 41,273 million (+36.2% QoQ), because of productivity bonuses, expenses to implement technology projects and increased depreciation and amortization.

Banco Security's efficiency ratio, measured as operating expenses over gross operating profit, totaled 59.4% for 2016, +1130 b.p. YoY. Excluding the effect of the CH\$ 21,117 million impairment loss recorded by the Bank on its intangible assets, the efficiency ratio would have been 49.7% in 2016. This ratio compares to 59.4% for the banking system and 48.8% for peer banks<sup>2</sup> as of December 2016.

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

Total loans reached CH\$ 4,462,332 million as of December 2016, +10.0% YoY and +3.8% QoQ. For the industry, loans increased 5.7% YoY and 1.8% QoQ. Including foreign subsidiaries, this figure increased 5.5% YoY and 1.8% QoQ.

Commercial loans grew 11.8% YoY and 4.6% QoQ, to CH\$ 3,506,685 million (78.6% of Banco Security's total loan portfolio), while retail loans (consumer + mortgage) reached CH\$ 955,409 million as of December 2016, +4.6% YoY and +1.1% QoQ. The 20 largest borrowers represent 10.0% of the Bank's total loan portfolio.

<b>Total Loans</b> <i>In Ch\$ Millions</i>		<b>dec-16</b>	<b>sep-16</b>	<b>dec-15</b>	<b>% Chg</b>		<b>dec-16</b>	<b>dec-15</b>	<b>% Chg</b>
					<b>QoQ</b>	<b>YoY</b>			
<b>Consumer</b>	Loans	384,350	374,563	358,671	2.6%	7.2%	384,350	358,671	7.2%
	Interest and indexation income	8,178	12,231	11,558	-33.1%	-29.2%	44,373	44,803	-1.0%
<b>Mortgage</b>	Loans	571,059	570,337	554,771	0.1%	2.9%	571,059	554,771	2.9%
	Interest and indexation income	8,063	9,115	11,274	-11.5%	-28.5%	36,952	42,157	-12.3%
<b>Mortgage + Consumer</b>	Loans	955,409	944,900	913,442	1.1%	4.6%	955,409	913,442	4.6%
	Interest and indexation income	16,241	21,346	22,832	-23.9%	-28.9%	81,325	86,960	-6.5%
	No. Customers	83,020	80,481	75,808	3.2%	9.5%	83,887	83,020	1.0%
<b>Commercial</b>	Loans	3,506,685	3,352,953	3,137,309	4.6%	11.8%	3,506,685	3,137,309	11.8%
	Interest and indexation income	57,547	53,578	53,339	7.4%	7.9%	217,038	203,131	6.8%
	No. Customers	8,649	8,669	8,181	-0.2%	5.7%	8,551	8,649	-1.1%
<b>Total Loans</b>		<b>4,462,332</b>	<b>4,298,132</b>	<b>4,056,096</b>	<b>3.8%</b>	<b>10.0%</b>	<b>4,462,332</b>	<b>4,056,096</b>	<b>10.0%</b>
<b>Market Share</b>		<b>3.2%</b>	<b>3.1%</b>	<b>3.1%</b>	<b>6.19 p</b>	<b>12.41 p</b>	<b>3.2%</b>	<b>3.1%</b>	<b>12.41 p</b>

### **Asset Quality**

During the second half of 2015, Banco Security changed its credit risk provisioning policies for its commercial portfolio. These changes toughened risk policies in light of weak economic expectations, which could negatively impact credit conditions in some sectors in the near future. The new measures include improvements to control mechanisms and information flows throughout the entire risk assessment process, along with a stricter default matrix. As a result, during 2H15 changes were made to some customer classifications, which meant recognizing greater credit risk provisions. This has prepared Banco Security for further economic deceleration, increased unemployment and other external shocks. These changes also result in a higher basis of comparison for risk expenses in 2015 as compared to 2016.

These increased provisions improved coverage levels, which rose from 91.7% in June 2015 to 119.1% in December 2015 and finally reached 126.3% in December 2016.

<sup>2</sup> Comparably-sized banks: Average for BBVA, Scotiabank, BICE, Consorcio and Security



	dec-16	sep-16	dec-15	% Chg	
				QoQ	YoY
<b>Total Loans</b>	<b>4,462,332</b>	<b>4,298,132</b>	<b>4,056,096</b>	<b>3.8%</b>	<b>10.0%</b>
Nonperforming loans - consumer	5,004	4,252	3,680	17.7%	36.0%
Nonperforming loans - mortgage	5,158	4,839	8,575	6.6%	-39.8%
Nonperforming loans - commercial	53,700	52,571	50,121	2.1%	7.1%
<b>Total nonperforming loans</b>	<b>63,862</b>	<b>61,662</b>	<b>62,376</b>	<b>3.6%</b>	<b>2.4%</b>
Non-performing loans - consumer	1.30%	1.14%	1.03%	17 p	28 p
Non-performing loans - mortgage	0.90%	0.85%	1.55%	5 p	-64 p
Non-performing loans - commercial	1.53%	1.57%	1.60%	-4 p	-7 p
<b>Total nonperforming loans</b>	<b>1.43%</b>	<b>1.43%</b>	<b>1.54%</b>	<b>0 p</b>	<b>-11 p</b>
Gross provisions	106,252	98,105	105,160	8.3%	1.0%
Write-offs	(25,601)	(18,730)	(30,860)	36.7%	-17.0%
<b>Credit risk provisions</b>	<b>80,651</b>	<b>79,375</b>	<b>74,300</b>	<b>1.6%</b>	<b>8.5%</b>
Provisions - consumer (% total)	13,254	12,986	10,799	2.1%	22.7%
Provisions - mortgage (% total)	1,380	1,415	977	-2.5%	41.2%
Provisions - commercial (% total)	66,017	64,974	62,524	1.6%	5.6%
<b>Credit risk provisions</b>	<b>80,651</b>	<b>79,375</b>	<b>74,300</b>	<b>1.6%</b>	<b>8.5%</b>
Coverage - consumer	264.9%	305.4%	293.4%	-4054 p	-2855 p
Coverage - mortgage	26.8%	29.2%	11.4%	-249 p	1536 p
Coverage - commercial	122.9%	123.6%	124.7%	-66 p	-181 p
<b>Coverage - total nonperforming loans</b>	<b>126.3%</b>	<b>128.7%</b>	<b>119.1%</b>	<b>-244 p</b>	<b>717 p</b>
Provisions / loans	1.81%	1.85%	1.83%	-4 p	-2 p
Provision expenses / loans	0.62%	0.62%	1.09%	1 p	-47 p

As of December 2016, Banco Security's risk index reached 1.81%, -8 b.p. YoY and -4 b.p. QoQ. Provision expenses net of recovered charged-off loans, measured on an annualized basis over average loans, decreased 47 b.p. YoY and increased 1 b.p. QoQ, to 0.62%.

	Credit Risk (%)								
	Provisions / Loans					Over 90 Day Nonperforming Loans			
	Mortgage	Consumer	Total	Commercial	Total	Mortgage	Consumer	Commercial	Total
Banco Security	0.24	3.45	1.53	1.88	1.81	0.90	1.30	1.53	1.43
Medium Banks*	0.51	3.88	1.63	1.79	1.74	1.34	1.41	0.94	1.12
Banking system	0.94	6.19	2.67	2.42	2.50	2.71	2.00	1.46	1.85

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

## Banco Security - Funding Sources

Funding Sources <i>In MCHS</i>	dec-16		sep-16		dec-15		% Chg	
							QoQ	YoY
Demand deposits	570,018	9.4%	528,364	9.2%	583,856	10.5%	7.9%	-2.4%
Time deposits	3,051,820	50.1%	2,790,295	48.3%	2,717,668	48.7%	9.4%	12.3%
Total deposits	3,621,838	59.5%	3,318,659	57.5%	3,301,524	59.1%	9.1%	9.7%
Bonds	1,571,273	25.8%	1,547,878	26.8%	1,344,873	24.1%	1.5%	16.8%
Interbank loans	158,757	2.6%	157,773	2.7%	228,156	4.1%	0.6%	-30.4%
Other liabilities*	277,245	4.6%	290,881	5.0%	302,313	5.4%	-4.7%	-8.3%
<b>Total Liabilities</b>	<b>5,629,113</b>	<b>92%</b>	<b>5,315,191</b>	<b>92%</b>	<b>5,176,866</b>	<b>93%</b>	<b>5.9%</b>	<b>8.7%</b>
Equity	461,737	7.6%	457,782	7.9%	408,340	7.3%	0.9%	13.1%
<b>Liabilities + Equity</b>	<b>6,090,850</b>	<b>100%</b>	<b>5,772,973</b>	<b>100%</b>	<b>5,585,206</b>	<b>100%</b>	<b>5.5%</b>	<b>9.1%</b>

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

### ○ Demand and Time Deposits

As of December 2016, deposits totaled CH\$ 3,621,838 million, +9.7% YoY and +9.1% QoQ. For the industry, loans increased 3.4% YoY and 3.6% QoQ. Including foreign subsidiaries, this figure increased +3.3% YoY and +4.1% QoQ. Banco Security's time deposits consisted of 25.3% retail deposits and 74.7% institutional deposits. The 15 largest depositors<sup>3</sup> represent 37% of the Bank's total deposits. The loan to deposit

<sup>3</sup> Excludes stock brokerage companies.

ratio was 123% as of December 2016, compared to 123% as of December 2015 and 130% as of September 2016.

Banco Security has a strategy to diversify funding sources using sales incentives to increase its retail deposit base. Banco Security strictly controls and monitors liquidity risk<sup>4</sup>, striving to diversify funding sources while applying strict limits to asset/liability mismatches, maintaining liquid assets and lengthening liabilities to increase funding terms. As of December 31, 2016, liquid assets<sup>5</sup> represented 48% of demand and other time deposits.

## ○ Debt Issued

Series	SBIF Registration Number	SBIF Registration Date	Currency	Amount	Placement Period	Annual Interest Rate	Duration (Years)	Maturity
S1	3/1997	01-mar-97	UF	800,000	01-sep-98	5.50	20	01-mar-17
S2	3/1997	01-mar-97	UF	200,000	01-sep-98	5.50	20	01-mar-17
H1	3/2007	25-ene-07	UF	3,000,000	25-ene-10	3.00	23	01-dic-29
K1	1/2008	04-ene-08	UF	3,000,000	04-ene-11	3.00	10	01-ene-18
M1	1/2009	19-may-09	UF	3,000,000	19-may-12	3.00	10.5	01-jul-19
N1	1/2009	19-may-09	UF	3,000,000	19-may-12	3.00	105	01-jul-19
R1	10/2011	06-oct-11	UF	3,000,000	06-oct-14	3.00	10	01-jun-21
K2	1/2012	14-mar-12	UF	4,000,000	14-mar-15	3.25	10	01-nov-21
B2	1/2013	26-feb-13	UF	4,000,000	26-feb-16	3.25	5	01-nov-17
K3	1/2013	26-feb-13	UF	4,000,000	26-feb-16	3.50	10	01-nov-22
K4	10/2013	06-nov-13	UF	5,000,000	06-nov-16	3.60	10	01-oct-23
B3	14/2014	09-oct-14	UF	5,000,000	01-jun-17	2.50	5	01-jun-19
K5	14/2014	09-oct-14	UF	5,000,000	01-jun-17	2.75	10	01-jun-24
B4	05/2015	01-abr-15	UF	5,000,000	04-dic-18	2.25	5	01-jun-20
K6	05/2015	01-abr-15	UF	5,000,000	04-dic-18	2.75	10	01-mar-25
K7	05/2015	01-abr-15	UF	5,000,000	04-dic-18	2.75	10	01-sep-25
Z1	10/2015	01-sep-15	CLP	75,000,000,000	01-jul-20	5.25	5	01-jul-20

## Banco Security - Capitalization

As of December 2016, equity attributable to the owners of Banco Security totaled CH\$ 461,687 million. For some years now, Banco Security has been preparing for the implementation of Basel III. In line with this objective, in 2016 shareholders voted to retain 70% of earnings. In addition, the Bank completed a capital increase of CH\$ 10,000 million. The combined effect is equivalent to capitalizing 91% of profit for the year 2015.

<i>In Ch\$ Millions</i>	dec-16	sep-16	dec-15	% Chg QoQ	% Chg YoY
Capital	252,047	252,047	242,047	0.0%	4.1%
Reserves and valuation accounts	27,978	31,515	19,964	-11.2%	40.1%
Retained earnings	181,662	174,126	146,239	4.3%	24.2%
<b>Equity attributable to equity holders of bank</b>	<b>461,687</b>	<b>457,688</b>	<b>408,250</b>	<b>0.9%</b>	<b>13.1%</b>
Tier I (core capital)	461,687	457,688	408,250	0.9%	13.1%
Regulatory capital	663,808	661,213	569,287	0.4%	16.6%
Minimum required capital	401,638	388,576	376,380	3.4%	6.7%
Risk-weighted assets	5,020,477	4,857,205	4,704,745	3.4%	6.7%
BIS ratio	13.22%	13.61%	12.10%	-39 p	112 p
Core capital / total assets	7.10%	7.39%	6.63%	-28 p	48 p

The Bank's capital adequacy ratio as of December 2016, calculated as regulatory capital over risk-weighted assets, reached 13.22% (with a regulatory minimum of 8%), +112 b.p. YoY and -39 b.p. QoQ. This is explained by the factors mentioned above as well as the placement of

<sup>4</sup> Liquidity risk represents the possibility of not fulfilling obligations when they mature as a result of the inability to liquidate assets or funds, or not being able to dispose of them easily or offset exposure without significantly reducing prices due to insufficient market depth (Grupo Security Annual Report, note 35).

<sup>5</sup> Includes cash and cash deposits, transactions pending settlement and the portfolio of financial instruments.

UF 1.74 million in J3 series subordinated bonds and, to a lesser extent, to recovering values of foreign and domestic debt instruments, which had been impaired in previous quarters. The ratio of core capital to total assets reached 7.10% (with a required minimum of 3%), -28 b.p. YoY and +48 b.p. QoQ.

## **FACTORING SECURITY**

For 2016, Factoring Security reported profit of CH\$ 7,303 million +CH\$ 301 million YoY (+4.3% YoY). This is explained by increased income from a rise in factored receivables with a smaller YoY spread, mainly because of growth in larger, less risky customers. As of December 2016, factored receivables totaled CH\$ 286,846 million, +2.6% YoY and +14.1% QoQ. Operating expenses totaled CH\$ 9,546 million (+7.1% YoY) in 2016, because of increased banking costs due to a rise in average loans for the year. Operating expenses for 2016 totaled CH\$ 11,067 million (+7.0%), because of increased commercial activity and a rise in new customers. The subsidiary posted an efficiency ratio for 2016 of 44.3% (-42 b.p. YoY), marking an improvement despite a sluggish economy.

For 4Q16, the subsidiary reported quarterly profit of CH\$ 1,873 million, +CH\$ 24 million or +1.3% QoQ, due to increased income from greater factored receivables and contained costs.

The risk ratio, measured as provisions over total factored receivables, was 2.5% as of December 2016, +4 b.p. YoY and -59 b.p. QoQ, mainly thanks to growth in larger, less risky customers.

In Ch\$ Millions	4Q16	3Q16	4Q15	% Chg		2016	2015	% Chg
				QoQ	YoY			
Factored receivables	286,846	251,308	279,644	14.1%	2.6%	286,846	279,644	2.6%
Provisions	7,091	7,705	6,802	-8.0%	4.2%	7,091	6,802	4.2%
Traditional factoring income	6,347	6,347	5,858	0.0%	8.3%	25,412	23,187	9.6%
Fees and advisory services	437	409	410	6.9%	6.6%	1,717	1,605	7.0%
Gross operating income	7,554	7,282	6,700	3.7%	12.7%	29,130	26,219	11.1%
Operating expenses	-2,476	-2,368	-2,296	4.6%	7.8%	-9,546	-8,911	7.1%
Support expenses	-2,864	-2,809	-2,604	1.9%	10.0%	-11,067	-10,345	7.0%
<b>Profit for the period</b>	<b>1,873</b>	<b>1,850</b>	<b>1,746</b>	<b>1.3%</b>	<b>7.3%</b>	<b>7,303</b>	<b>7,002</b>	<b>4.3%</b>
Efficiency ratio	43.3%	44.2%	46.2%	-91 p	-294 p	44.3%	44.7%	-42 p
Risk ratio	2.5%	3.1%	2.4%	-59 p	4 p	2.5%	2.4%	4 p

## **INSURANCE BUSINESS AREA (28.0% of assets; 37.1% of profit from business areas as of December 2016)**

The insurance business area reported profit of CH\$ 37,906 million for 2016. This area includes the life insurance subsidiary Vida Security, which consolidates 61% of Protecta beginning in September 2015, and Servicios Security, the holding that groups the insurance brokerage (Corredora de Seguros Security) and assistance business (Europ Assistance).

## **VIDA SECURITY**

For 2016, Vida Security reported profit of CH\$ 21,911 million (-20.8% YoY).

Total direct premiums reached CH\$ 348,517 million, +CH\$ 106,372 million or +43.9% YoY, driven by the start of coverage of Contract 5 of Disability and Survivor Insurance (SIS), awarded during the first half of 2016, and sales of individual insurance policies. Claims paid totaled CH\$ 132,286 million, +73.4% YoY, due to increased surrenders and transfers from CUI and APV funds and the new SIS contract. The subsidiary posted a total variation in technical reserves of CH\$ 78,933 million for 12M16 (+25.3% YoY), in line with increased sales of CUI and APV policies and increased investment income from this portfolio. These variations led to a drop in the contribution margin, which amounted to -CH\$ 50,322 million (+14.9%). In addition, the subsidiary reported administrative expenses of CH\$ 33,319 million (+8.8% YoY).

The subsidiary posted investment income of CH\$ 111,218 million, +CH\$ 10,953 million or +10.9% YoY, due to the strong performance from the CUI and APV investment portfolio, thanks to favorable interest rates during the year and a recovery in equities, partially offset by a high basis of comparison in 2015 as a result of an extraordinary gain on the sale of a building during the last quarter of that year.

It is important to note that improved investment income from individual insurance with savings components requires increased technical reserves, which partially offsets the positive effect of the net gain.

In MCHS	4Q16	3Q16	4Q15	% Chg.		2016	2015	% Chg.
				QoQ	YoY			
Direct Premium	112,109	105,512	60,754	6.3%	84.5%	348,517	242,144	43.9%
Retained premium	96,553	88,653	59,927	8.9%	61.1%	314,087	238,897	31.5%
Variation in technical reserves	-26,719	-18,646	-24,248	43.3%	10.2%	-78,933	-62,993	25.3%
Claims paid	-35,927	-51,233	-20,777	-29.9%	72.9%	-132,286	-76,306	73.4%
Pensions paid	-38,960	-34,342	-26,117	13.4%	49.2%	-135,125	-127,359	6.1%
Underwriting expenses	-4,823	-4,290	-4,559	12.4%	5.8%	-17,672	-16,894	4.6%
Medical expenses	-13	-16	-41	-	-	-65	-107	-
Insurance impairment		-161	519	-	-	-328	965	-
<b>Contribution Margin</b>	<b>-9,958</b>	<b>-20,035</b>	<b>-15,296</b>	<b>-50.3%</b>	<b>-34.9%</b>	<b>-50,322</b>	<b>-43,798</b>	<b>14.9%</b>
Administrative expenses	-8,312	-8,794	-7,289	-5.5%	14.0%	-33,319	-30,625	8.8%
Investment income	25,144	39,116	30,967	-35.7%	-18.8%	111,218	100,265	10.9%
Exchange differences	-562	9,807	544	-	-	-2,699	7,533	-
Gain (loss) on indexed assets and liabilities	385	-10,192	-1,236	-	-	-1,983	-7,688	-
<b>Profit for the period</b>	<b>6,659</b>	<b>7,406</b>	<b>10,767</b>	<b>-10.1%</b>	<b>-38.2%</b>	<b>21,911</b>	<b>27,659</b>	<b>-20.8%</b>
<b>Administrative ratios</b>								
(1) (Claims paid + pension paid) / Direct premium	66.8%	81.1%	77.2%	-1431 p	-1039 p	76.7%	84.1%	-738 p
(2) Administrative expenses / Direct premium	7.4%	8.3%	12.0%	-92 p	-458 p	9.6%	12.6%	-309 p
(3) Underwriting expenses / Direct premium	4.3%	4.1%	7.5%	24 p	-320 p	5.1%	7.0%	-191 p
Combined Ratio (1) + (2) + (3)	78.5%	93.5%	96.7%	-1499 p	-1817 p	91.4%	103.7%	-1237 p
(4) Profit / direct premium	6.9%	8.4%	18.0%	-146 p	-1107 p	7.0%	11.6%	-460 p

For 4Q16, it reported quarterly profit of CH\$ 6,659 million (-10.1% QoQ). Total direct premiums reached CH\$ 112,109 million, +CH\$ 6,579 million QoQ (+6.3% QoQ), due to increased sales of individual CUI and APV insurance. Claims paid totaled CH\$ 35,927 million (-29.9% QoQ), explained by a drop in SIS claims paid. The subsidiary posted a total variation in technical reserves of CH\$ 26,719 million for 12M16 (+43.3% YoY), in line with increased sales of individual CUI and APV policies, a rise in sales of group policies and additional regulatory reserves for SIS policies.

The subsidiary posted investment income of CH\$ 25,144 million (-35.7% QoQ) due to the effect of rising global interest rates on the CUI and APV investment portfolio during the last quarter of the year, and decreased returns from equities.

## Results by Product Line

### ○ Individual Insurance

Individual insurance policies are contracted by individuals to cover certain risks (life, health, credit life, etc.). Depending on the terms of the policy, policyholders may be able to allocate part of the direct premium to savings in mutual funds or portfolios managed by the company. Based on figure 601 in the financial statements of Vida Security, it includes product lines 101-114, 150 and 425 and excludes line 107. As of December 2016, direct premiums from family protection insurance represented 41.0% of Vida Security's total direct premiums.

The contribution margin totaled -CH\$ 4,628 million for 12M16 (+64.4% YoY). For 2016, direct premiums totaled CH\$ 143,007 million, +CH\$ 29,094 or +25.5% YoY, due to increased sales of CUI and APV policies, which totaled CH\$ 134,225 million (+26.6% YoY), representing 93.9% of all individual policies. Claims paid totaled CH\$ 57,582 million (+38.6% YoY), explained by increased surrenders and transfers from CUI and APV funds. For 2016, the subsidiary posted a total variation in technical reserves of CH\$ 75,602 million (+22.4% YoY), in line with increased sales of CUI and APV policies and increased investment income from this portfolio.

<b>Individual Insurance</b>	<b>4Q16</b>	<b>3Q16</b>	<b>4Q15</b>	<b>% Chg.</b>		<b>2016</b>	<b>2015</b>	<b>%Chg.</b>
In MCH \$				QoQ	YoY			
Direct Premium	43,218	33,574	32,897	28.7%	31.4%	143,007	113,913	25.5%
<b>Retained premium</b>	<b>42,938</b>	<b>32,975</b>	<b>33,024</b>	<b>30.2%</b>	<b>30.0%</b>	<b>141,162</b>	<b>112,903</b>	<b>25.0%</b>
Variation in technical reserves	-23,612	-20,147	-22,409	17.2%	5.4%	-75,602	-61,774	22.4%
Claims paid	-14,635	-17,199	-10,712	-14.9%	36.6%	-57,582	-41,553	38.6%
Pensions paid	-460	-449	-375	2.4%	22.6%	-2,155	-2,356	-8.5%
Underwriting expenses	-2,652	-2,494	-2,795	6.3%	-5.1%	-10,395	-9,962	4.4%
Medical expenses	-11	-14	-32	-	-	-56	-91	-
Insurance impairment	0	0	0	-	-	0	17	-
<b>Contribution Margin</b>	<b>1,567</b>	<b>-7,329</b>	<b>-3,299</b>	-	-	<b>-4,628</b>	<b>-2,816</b>	<b>64.4%</b>
Claims rate	34.9%	52.6%	33.7%	-1764 p	122 p	41.8%	38.5%	323 p
Underwriting expense rate	6.1%	7.4%	8.5%	-129 p	-236 p	7.3%	8.7%	-148 p

(1) Claims paid/ Direct premium

(2) Underwriting expense/ Direct premium

During 4Q16, the contribution margin reached CH\$ 1,567 million, +CH\$ 8,896 million from 3Q16. The total variation in technical reserves was CH\$ 23,612 million for 4Q16 (+17.2% QoQ), attributable to increased premiums and reduced surrenders and transfers from CUI and APV funds, which was only partially offset by smaller returns on the CUI and APV investment portfolios. Claims paid totaled CH\$ 14,635 million (-14.9% QoQ), explained by decreased surrenders and transfers from CUI and APV funds.

## ○ Family Protection

<b>Family Protection</b>	<b>4Q16</b>	<b>3Q16</b>	<b>4Q15</b>	<b>% Chg.</b>		<b>2016</b>	<b>2015</b>	<b>%Chg.</b>
In MCHS				QoQ	YoY			
Direct Premium	1,601	1,691	1,657	-5.3%	-3.4%	6,676	6,512	2.5%
<b>Retained premium</b>	<b>1,601</b>	<b>1,691</b>	<b>1,657</b>	<b>-5.3%</b>	<b>-3.4%</b>	<b>6,676</b>	<b>6,512</b>	<b>2.5%</b>
Variation in technical reserves	2	-25	3	-	-	-23	51	-
Claims paid	-385	-417	-372	-7.8%	3.4%	-1,612	-1,594	1.1%
Pensions paid	0	0	0	-	-	0	0	-
Underwriting expenses	-608	-570	-573	6.8%	6.3%	-2,239	-2,075	7.9%
Medical expenses	0	0	-6	-	-	0	-8	-
Insurance impairment	0	0	0	-	-	0	0	-
<b>Contribution Margin</b>	<b>610</b>	<b>679</b>	<b>710</b>	<b>-10.2%</b>	<b>-14.1%</b>	<b>2,802</b>	<b>2,887</b>	<b>-3.0%</b>
Claims rate (1)	24.0%	24.7%	22.5%	-64 p	1585 p	24.2%	24.5%	-33 p
Underwriting expense rate (2)	38.0%	33.7%	34.6%	432 p	3457 p	33.5%	31.9%	168 p

(1) Claims paid/ Direct premium

(2) Underwriting expense/ Direct premium

Family protection insurance covers the insured party's family group in the event of death or disability, depending on the terms of the policy. Based on figure 601 in the financial statements of Vida Security, it includes product lines 107, 207 and 307. As of December 2016, direct premiums from family protection insurance represented 1.9% of Vida Security's total direct premiums.

As of December 2016, the contribution margin for these policies totaled CH\$ 2,802 million (-3.0% YoY), with direct premiums of CH\$ 6,676 million, +CH\$ 164 million or +2.5% YoY, and underwriting expenses of CH\$ 2,239 million (+7.9% YoY).

The contribution margin for 4Q16 reached CH\$ 610 million (-10.2% QoQ), with direct premiums of CH\$ 1,601 million (-5.3% QoQ).

## ○ Group Insurance

Group Insurance		4Q16	3Q16	4Q15	% Bhg.		2016	2015	%Chg.
In MCH\$					QoQ	YoY			
Direct Premium		17,342	18,015	17,034	-3.7%	1.8%	69,744	61,799	12.9%
<b>Retained premium</b>		<b>17,674</b>	<b>17,099</b>	<b>16,084</b>	<b>3.4%</b>	<b>9.9%</b>	<b>68,113</b>	<b>59,568</b>	<b>14.3%</b>
Variation in technical reserves		-970	1,220	-2,039	-179.5%	-52.4%	-1,963	-1,398	40.4%
Claims paid		-10,416	-12,233	-11,649	-14.9%	-10.6%	-45,389	-43,005	5.5%
Pensions paid		0	0	0	-	-	0	0	-
Underwriting expenses		-1,426	-1,064	-1,088	34.0%	31.1%	-4,447	-4,136	7.5%
Medical expenses		-2	-1	-3	-	-	-9	-8	-
Insurance impairment		-67	-161	519	-58.4%	-112.9%	-328	948	-134.6%
<b>Contribution Margin</b>		<b>4,793</b>	<b>4,859</b>	<b>1,823</b>	<b>-1.4%</b>	<b>162.9%</b>	<b>15,977</b>	<b>11,969</b>	<b>33.5%</b>
Claims rate (1)		60.1%	67.9%	68.4%	-784 p	-833 p	65.1%	69.6%	-451 p
Underwriting expense rate (2)		8.2%	5.9%	6.4%	232 p	184 p	6.4%	6.7%	-32 p

(1) Claims paid/ Direct premium

(2) Underwriting expense/ Direct premium

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 201-214, 250, 301-314 and 350 and excludes lines 207 and 307. As of December 2016, direct premiums from group insurance represented 20.0% of Vida Security's total direct premiums.

The contribution margin for 12M16 totaled CH\$ 15,977 million, +CH\$ 4,007 million or +33.5% YoY, thanks to growth in direct premiums, which totaled CH\$ 69,744 million (+12.9% YoY), driven by increased sales of health policies and limited growth in claims paid, which totaled CH\$ 45,389 million for 2016 (+5.5% YoY). As a result, the subsidiary posted a claims rate of 65.1% in 2016, which is below the 69.6% recorded in 2015. This drop was only partially offset by a greater variation in technical reserves of -CH\$ 1,963 million as of December 2016 (+40.4% YoY).

In 4Q16, a contribution margin of CH\$ 4,793 million was recorded (-1.4% QoQ). Direct premiums from group insurance reached CH\$ 17,342 million (-3.7% QoQ). Claims paid totaled CH\$ 10,416 million for 4Q16 (-14.9% QoQ). The total variation in technical reserves for 4Q16 was -CH\$ 970 million, which is below the CH\$ 1,220 million in reserves released in 3Q16.

## ○ Annuities

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>6</sup>. As of December 2016, direct premiums from annuities represented 14.2% of Vida Security's total direct premiums.

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. This generates an accounting loss in the income statement known as the reserve adjustment, which in annuities is recorded within the line item pensions paid.

<sup>6</sup> This also includes line 424 from the SVS, which corresponds to the old Disability and Survivor's system defined in Circular 548 (C-548). As of December 2016, this product line accounts for only CH\$ 1,186 million in pensions paid by Vida Security.

Annuities In MCH\$	4Q16	3Q16	4Q15	% Chg.		2016	2015	%Chg.
				QoQ	YoY			
Direct Premium	9,956	12,892	9,097	-22.8%	9.4%	49,643	59,506	-16.6%
<b>Retained premium</b>	<b>9,956</b>	<b>12,892</b>	<b>9,097</b>	<b>-22.8%</b>	<b>9.4%</b>	<b>49,643</b>	<b>59,506</b>	<b>-16.6%</b>
Variation in technical reserves	0	0	0	-	-	0	0	-
Claims paid	0	0	0	-	-	0	0	-
Pensions paid	-25,170	-28,431	-24,094	-11.5%	4.5%	-109,439	-117,581	-6.9%
Underwriting expenses	-136	-161	-103	-15.6%	32.3%	-590	-722	-18.3%
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	0	0	0	-	-	0	0	-
<b>Contribution Margin</b>	<b>-15,350</b>	<b>-15,700</b>	<b>-15,100</b>	<b>-2.2%</b>	<b>1.7%</b>	<b>-60,387</b>	<b>-58,798</b>	<b>2.7%</b>
Underwriting expense rate (1)	1.4%	1.3%	1.1%	12 p	24 p	1.2%	1.2%	-2 p

(1) Claims paid/ Direct premium

For 2016, the contribution margin for annuities reached -CH\$ 60,387 million (+2.7 YoY). For the same period, total direct premiums reached CH\$ 49,643 million (-16.6% YoY). This is equivalent to UF 2.26 million in sales of annuities. It is important to note that there was a high basis of comparison in 2015 when sales of the company's annuities were boosted by a change in regulations<sup>7</sup> that reduced the accounting loss that had to be recognized upon sale. Pensions paid totaled CH\$ 109,439 million for the year 2016 (-6.9% YoY) as a result of decreased annuity sales.

For 4Q16, the contribution margin totaled CH\$ 15,350 million (-2.2% QoQ). Total direct premiums reached CH\$ 9,956 million for the period (-22.8% QoQ) while pensions paid totaled CH\$ 25,170 million (-11.5% QoQ).

#### o Disability and Survivor Insurance (SIS)

SIS In MCH\$	4Q16	3Q16	4Q15	% Chg.		2016	2015	%Chg.
				QoQ	YoY			
Direct Premium	39,993	39,341	69	1.7%	-	79,446	414	-
<b>Retained premium</b>	<b>24,384</b>	<b>23,997</b>	<b>65</b>	<b>1.6%</b>	-	<b>48,493</b>	<b>407</b>	-
Variation in technical reserves	-2,140	306	197	-	-	-1,345	128	-
Claims paid	-10,491	-21,384	1,956	-50.9%	-	-27,702	9,846	-
Pensions paid	-13,330	-5,463	-1,648	144.0%	-	-23,531	-7,422	-
Underwriting expenses	0	0	0	-	-	0	0	-
Medical expenses	0	0	0	-	-	0	0	-
Insurance impairment	0	0	0	-	-	0	0	-
<b>Contribution Margin</b>	<b>-1,577</b>	<b>-2,543</b>	<b>569</b>	<b>-38.0%</b>	-	<b>-4,085</b>	<b>2,959</b>	-
Underwriting expense rate (1)	59.6%	68.2%	-	-868 p	-	64.5%	-	-

(1) Underwriting expense/ Direct premium

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>8</sup>. It provides protection to the insured and his or her family group in the event of disability or death of the insured party. Based on figure 601 in the financial statements of Vida Security, it includes product line 420.

This table of pensions paid includes disability and survivor payments to insured retirees. Claims paid includes a reserve for the present value of the obligation with the insured parties. The total variation in technical reserves corresponds to an adjustment to reserves as a result of regulatory testing.

<sup>7</sup> More information is available at <http://www.svs.cl/portal/prensa/604/w3-article-20029.html>

<sup>8</sup> <http://www.spensiones.cl/portal/orientacion/580/w3-article-3024.html>



In the fifth SIS bidding process organized by the AFPs, Vida Security was awarded two fractions for men and two for women for the period from July 2016 to June 2018. As of December 2016, direct premiums from SIS insurance represented 22.8% of Vida Security's total direct premiums.

During 2016, the SIS product line reported a contribution margin of -CH\$ 4,085 million with CH\$ 79,446 million in total direct premiums, CH\$ 27,702 million in claims paid and CH\$ 23,531 million in pensions paid.

### Administrative Expenses - Vida Security

<i>In MCH\$</i>	4Q16	3Q16	4Q15	% Bhg		2016	2015	%Chg.
				QoQ	YoY			
Payroll	-3,234	-2,989	-2,965	8.2%	9.1%	-12,059	-11,151	8.1%
Distribution Channel expenses	-1,301	-1,676	-770	-22.4%	68.9%	-5,372	-7,227	-25.7%
Other	-3,777	-4,128	-3,554	-8.5%	6.2%	-15,888	-12,247	29.7%
<b>Total administrative expenses</b>	<b>-8,312</b>	<b>-8,794</b>	<b>-7,289</b>	<b>-5.5%</b>	<b>14.0%</b>	<b>-33,319</b>	<b>-30,625</b>	<b>8.8%</b>

For 12M16, Vida Security reported administrative expenses of CH\$ 33,319 million (+8.8% YoY). For the period, distribution channel expenses totaled CH\$ 5,372 million (-25.7% YoY), thanks to synergies harnessed from the Cruz del Sur merger in 2015. Other administrative expenses totaled CH\$ 15,888 million (+29.7% YoY), in part related to collections expenses.

In 4Q16, administrative expenses totaled CH\$ 8,312 million (-5.5% QoQ) because of other administrative expenses of CH\$ 3,777 million (-8.5% QoQ) related in part to collection expenses. Distribution channel expenses totaled CH\$ 1,301 million (-22.4% QoQ).

### Investment Income - Vida Security

The subsidiary posted investment income of CH\$ 111,218 million for 12M16, +CH\$ 10,954 million or +10.9% YoY, due to the strong performance of the CUI and APV investment portfolio, which has grown 17.7% YoY to CH\$ 408,494 million, thanks to increased sales. It is important to note that improved investment income from individual insurance with savings components requires increased technical reserves, which partially offsets the positive effect of the net gain.

Investment income from equities and indexes totaled CH\$ 13,234 million for the year 2016, +CH\$ 5,503 million or +71.2% YoY, where weak conditions in developed markets during 2H15 left a low basis of comparison for that period.

The subsidiary recorded a loss on "other investments" of -CH\$ 111 million during 2016, which is below the CH\$ 19,318 million for 2015, mainly because of poorly performing foreign currency derivatives and a high basis of comparison in 2015 from an extraordinary gain on the sale of a building.

For 4Q16, investment income totaled CH\$ 25,144 million, +CH\$ -13,972 million or -35.7% QoQ. Investment income from fixed income instruments totaled CH\$ 18,422 million (-26.4% QoQ), due to rising market rates during 4Q16. Investment income from equities and indexes totaled CH\$ 2,062 million for the fourth quarter of 2016 (-74.5% QoQ). The subsidiary recorded a gain on "other investments" of CH\$ 1,237 million for 4Q16 (-46.7% QoQ).

<i>In MCH\$</i>	dec-16	sep-16	dec-15	% Chg		% del stock 3Q16
				QoQ	YoY	
Fixed income	1,687,248	1,601,117	1,565,965	5.4%	7.7%	74.0%
Equities and indexes	319,647	350,646	333,945	-8.8%	-4.3%	14.0%
Real estate	232,103	232,824	231,444	-0.3%	0.3%	10.2%
Other investments	39,934	39,129	35,128	2.1%	13.7%	1.8%
<b>Investment portfolio</b>	<b>2,278,932</b>	<b>2,223,716</b>	<b>2,166,482</b>	<b>2.5%</b>	<b>5.2%</b>	

<i>In MCH\$</i>	4Q16	3Q16	4Q15	% Chg		2016	2015	% Chg.
				QoQ	YoY			
Fixed income	18,422	25,029	8,208	-26.4%	5.3%	84,204	60,537	39.1%
Equities and indexes	2,062	8,101	7,991	-74.5%	-	13,234	7,731	71.2%
Real estate	3,422	3,666	2,916	-6.6%	19.1%	13,892	12,680	9.6%
Other investments	1,237	2,320	11,853	-46.7%	6.5%	-111	19,318	-118.1%
<b>Investment Income</b>	<b>25,144</b>	<b>39,116</b>	<b>30,967</b>	<b>-35.7%</b>	<b>127.9%</b>	<b>111,218</b>	<b>100,265</b>	<b>10.9%</b>

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

During 2016, exchange differences totaled -CH\$ 2,699 million as a result of the drop of CH\$ 42.90 in the exchange rate during the year. For 2016 the company posted a loss from indexed units of -CH\$ 1,983 million, due to a larger number of indexed liabilities than indexed assets.

### ASSET MANAGEMENT BUSINESS AREA (2.2% of assets; 7.0% of profit from business areas as of December 2016)

The asset management business area includes Administradora General de Fondos Security; Valores Security Corredores de Bolsa and Asesorías Security. 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 of its segments. 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.

<i>In Ch\$ Millions</i>	4Q14	3Q16	4Q15	% Chg		2016	2015	% Chg
				QoQ	YoY			
Assets under management (AUM)	3,644,513	3,723,572	2,859,612	-2.1%	27.4%	3,644,513	2,859,612	27.4%
Mutual funds under management	1,854,062	1,929,972	1,711,059	-3.9%	8.4%	1,854,062	1,711,059	8.4%
<i>Market share - mutual funds</i>	5.9%	6.0%	5.9%	-4 p	7 p	5.9%	5.9%	7 p
Value of shares traded	805,663	642,162	387,985	25.5%	107.7%	2,235,026	1,435,131	55.7%
<i>Market share - equities brokerage</i>	7.2%	5.5%	4.8%	176 p	242 p	5.7%	4.2%	145 p
Operating income	9,171	9,484	8,012	-3.3%	14.5%	36,043	32,072	12.4%
Non-operating income	1,258	1,068	683	17.8%	84.3%	4,715	5,698	-17.2%
Total expenses	-7,851	-7,683	-6,500	2.2%	20.8%	-31,251	-25,166	24.2%
Efficiency ratio	75.3%	72.8%	74.8%	3.4%	0.7%	76.7%	66.6%	15.1%
Fund management	1,754	1,910	2,005	-8.2%	-12.5%	6,937	8,579	-19.1%
Equity, currency and fixed income brokerage	500	584	-248	-14.5%	-	1,232	1,865	-34.0%
Advisory, portfolio mgt and Int'l business	-179	-236	-1	-	-	-591	90	-
Securitization	-45	-97	-114	-	-	-378	-382	-1.1%
<b>Profit - Asset Management</b>	<b>2,029</b>	<b>2,161</b>	<b>1,642</b>	<b>-6.1%</b>	<b>23.6%</b>	<b>7,199</b>	<b>10,152</b>	<b>-29.1%</b>

The subsidiary's AUM as of December 2016 totaled CH\$ 3,644,513 million, +27.4% YoY and -2.1% QoQ. The YoY rise is due mainly to the merger with Penta. Mutual funds under management totaled CH\$ 1,854,062 million, +8.4% YoY and -3.9% QoQ, with a market share of 5.9%. The area reported total value of shares traded of CH\$ 2,235,026 million for 2016, with market share of 5.7%.

For 2016, the asset management area reported profit of CH\$ 7,199 million (-29.1% YoY). This is explained by reduced non-operating income, which fell CH\$ 4,715 million (-17.2% YoY) due to the absence of the extraordinary sale of a share of Santiago Exchange of CH\$ 2,200 million to Bovespa in May 2015, which was partially offset by an improved result on its own position in fixed income instruments. Also, during 2016 operating income totaled CH\$ 36,043 million, +CH\$ 3,968 million or +12.4% YoY. A drop in average fees limited growth in operating

income despite increased activity across all businesses lines (equities, fixed income, portfolio management, foreign exchange, etc.). Expenses totaled CH\$ 31,251 million (+24.2% YoY), due to greater one-time expenses by some subsidiaries to merge the asset management business acquired from Banco Penta and other expenses stemming from increased commercial activity.

For 4Q16, the subsidiary reported quarterly profit of CH\$ 2,029 million (-6.1% QoQ). Operating income for 4Q16 totaled CH\$ 9,171 million (-3.3% QoQ) due to increased income from currency trading, which was offset by decreased income from mutual funds and fund distribution. Non-operating income totaled CH\$ 1,258 million (+17.8% QoQ) due to improved returns from proprietary trading. Expenses for 4Q16 totaled CH\$ 7,851 million (+2.2% QoQ), because of expenses related to commercial activity.

## **OTHER SERVICES BUSINESS AREA** (1.4% of assets; 7.1% of profit from business areas in 2016)

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.

### **REAL ESTATE: INMOBILIARIA SECURITY**

Inmobiliaria Security posted profit of CH\$ 3,800 million for 2016 (-44.7% YoY) and CH\$ 3,793 million for 4Q16, which is well above the -CH\$ 512 million in 3Q16. This is explained mainly by the lag between a sale and revenue recognition. Under IFRS, revenue is recognized once legal title to the property has been transferred. Ownership was transferred on 85 units in 2016 versus 220 units in 2015. In quarterly terms, ownership was transferred on 56 units, which is less than the 3 units in 3Q16. Inmobiliaria Security signed purchase promise agreements for apartments totaling UF 1.3 million in 2016 (+UF 199 thousand or +19.0% YoY) and UF 470 thousand in 4Q16 (-2.0% QoQ).

Real estate assets under management totaled CH\$ 72,004 million, +30.8% YoY and +4.4% QoQ. The increase is due mainly to the purchase of new lots and capitalization of projects under development.

<i>In Ch\$ Millions</i>	4Q16	3Q16	4Q15	% Chg		2016	2015	% Chg
				QoQ	YoY			
Real estate assets under management	72,004	68,943	55,055	4.4%	30.8%	72,004	55,055	30.8%
Total income	3,827	-1	4,704	-	-18.6%	5,119	8,378	-38.9%
Total expenses	-130	-529	-504	-75.4%	-74.2%	-1,542	-1,586	-2.7%
Profit before tax	3,697	-530	4,200	-	-	3,576	6,793	-47.4%
<b>Profit for the period</b>	<b>3,793</b>	<b>-512</b>	<b>4,242</b>	<b>-</b>	<b>-10.6%</b>	<b>3,800</b>	<b>6,868</b>	<b>-44.7%</b>

### **CORPORATE TRAVEL AGENCY: TRAVEL SECURITY**

Travel Security posted profit of CH\$ 4,220 million for the year 2016, +CH\$ 218 million and +5.4% YoY. During 2016, income was driven by improved negotiations with airlines and other suppliers, and increased passenger traffic. The subsidiary also improved its efficiency indicators thanks to efforts to optimize its sales channel mix. These effects were partially offset by falling sales, which totaled US\$ 245 million for 2016 (-4.4% YoY), impacted by a sluggish economy. For 4Q16, it reported quarterly profit of CH\$ 1,123 million, +CH\$ 77 million or +7.3% QoQ. The subsidiary reported total sales of US\$ 64 million (-0.6% QoQ),

Travex Security, Travel Security's Peruvian travel agency subsidiary, recorded profit of CH\$ 273 million for 2016 (-66.9% YoY) and CH\$ 57 million for 4Q16 (-38.0% QoQ).

	4Q16	3Q16	4Q15	% Chg		2016	2015	% Chg
				QoQ	YoY			
Total sales - Travel (MUSD)	64	64	61	-0.6%	1.2%	245	257	-4.4%
Total sales - Travex (MUSD)	14	15	13	-6.1%	-6.3%	56	64	-12.8%
Net operating income (MCH\$)	1,598	1,340	1,180	19.2%	-4.4%	5,840	5,271	10.8%
<b>Profit for the period - Travel (MCH\$)</b>	<b>1,123</b>	<b>1,046</b>	<b>808</b>	<b>7.3%</b>	<b>-10.1%</b>	<b>4,220</b>	<b>4,002</b>	<b>5.4%</b>

## RISK RATINGS

	Grupo Security	Banco Security	Vida Security	Factoring Security
FitchRatings (local)	A+	AA-	AA-	A+
ICR (local)	AA-	AA	AA	AA-
Standard & Poor's (international)		BBB-/A-3		

## BONDS ISSUED BY GRUPO SECURITY

Series	Registration Number	Registration Date	Currency	Amount	Annual Interest Rate	Duration (Years)	Maturity
F	620	15-09-09	UF	1,250,000	4.50	23	15-09-32
K	763	30-06-13	UF	3,000,000	4.00	25	30-06-38
L 3	795	09-10-14	UF	3,000,000	3.80	21	15-11-35

## RETURNS AND DIVIDENDS

In a board meeting on October 14, 2016, the Board of Directors of Grupo Security agreed to pay a total dividend of CH\$ 4.25 per share. This will be distributed as an interim dividend of CH\$ 2.0 per share and an additional dividend of CH\$ 2.25 per share.

On April 28, 2016, Grupo Security shareholders approved a dividend payment of CH\$ 7.25 per share charged to profit for the year 2015. This dividend and the interim dividend distributed in October 2015 total CH\$ 11.25 per share, equivalent to CH\$ 36,657 million, or 56% of profit for the year 2015. At this meeting, shareholders also approved the annual report, balance sheet and financial statements for the year 2015.

Shareholders also elected a new Board of Directors for Grupo Security, which is now comprised of Hernán De Las Heras, Jorge Marín, Naoshi Matsumoto, Horacio Pavez, Juan Cristóbal Pavez, Bruno Philippi, Ana Sainz de Vicuña, Francisco Silva and Mario Weiffenbach.

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 5.87% in 2015. For the year 2016, Grupo Security's stock reported a return of +25.2%, outperforming the IPSA (+12.8%) and the banking sector index (+20.7%).

## 4Q16 EARNINGS CONFERENCE CALL

Grupo Security's fourth quarter earnings report will be explained in a conference call led by Mr. Renato Peñafiel, the company's CEO, on April 4, 2016. A transcript of the call will be available on our website. For more information, please contact the Investor Relations Team at [relacioninversionistas@security.cl](mailto:relacioninversionistas@security.cl).

## GRUPO SECURITY

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

## Safe Harbor

This report contains forward-looking statements based on the intentions, beliefs and expectations of the management of Grupo Security S.A. regarding the future functioning of the different business units. These forward-looking statements are not guarantees of future results and are subject to significant risks and uncertainty. Actual results may differ from those contained in forward-looking statements as a result of a number of unforeseen factors such as changes in global economic conditions, changes in market conditions, regulatory changes, actions by competitors and operational and financial risks inherent to the financial services business.

## APPENDICES

### 1. Financial Statements and Indicators - Assets

Assets In Ch\$ Millions	December 31, 2015	December 31, 2016
<b>Current assets</b>		
Cash and cash equivalents	626,758	510,335
Other financial assets, current	2,777,556	3,110,270
Other non-financial assets, current	16,093	20,375
Trade and other receivables, current	4,450,945	4,969,605
Accounts receivable from related parties, current	44,443	29,783
Inventories	55,037	71,986
Current tax assets	26,486	27,416
<b>Total current assets other than assets or disposal groups classified as held for sale or held for distribution to owners</b>	<b>7,997,319</b>	<b>8,739,770</b>
Non-current assets or disposal groups classified as held for sale or held for distribution to owners	2,510	2,456
<b>Total non-current assets classified as held for sale or held for distribution to owners</b>	<b>2,510</b>	<b>2,456</b>
<b>Total current assets</b>	<b>7,999,828</b>	<b>8,742,226</b>
<b>Non-current assets</b>		
Other non-financial assets, non-current	77,132	74,736
Equity-accounted investments	13,123	795
Intangible assets other than goodwill	72,063	43,624
Goodwill	114,705	119,067
Property, plant and equipment	68,218	74,846
Investment property	139,386	144,615
Deferred tax assets	123,995	128,036
<b>Total non-current assets</b>	<b>608,622</b>	<b>585,719</b>
<b>Total assets</b>	<b>8,608,450</b>	<b>9,327,945</b>

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

Liabilities and Equity In Ch\$ Millions	December 31, 2015	December 31, 2016
Other financial liabilities, current	5,127,607	5,423,193
Trade and other payables	2,125,778	2,322,866
Cuentas por Pagar a Entidades Relacionadas, Corriente	0	2,587
Other short-term provisions	102,321	115,158
Current tax liabilities	23,677	26,897
Employee benefit provisions, current	7,423	8,297
Other non-financial liabilities, current	134,345	136,495
<b>Total current liabilities</b>	<b>7,521,151</b>	<b>8,035,493</b>
<b>Non-current liabilities</b>		
Other financial liabilities, non-current	383,637	518,402
Accounts payable, non-current	60,204	97,426
Accounts payable to related parties, non-current	903	1,299
Deferred tax liabilities	71,278	69,610
<b>Total non-current liabilities</b>	<b>516,021</b>	<b>686,737</b>
<b>Total liabilities</b>	<b>8,037,173</b>	<b>8,722,229</b>
<b>Equity</b>		
Issued Capital	302,406	302,406
Retained earnings	247,363	278,548
Share premium	33,210	33,210
Other reserves	(31,326)	(28,536)
<b>Equity attributable to equity holders of parent</b>	<b>551,653</b>	<b>585,628</b>
Non-controlling interests	19,624	20,087
<b>Total equity</b>	<b>571,277</b>	<b>605,715</b>
<b>Total liabilities and equity</b>	<b>8,608,450</b>	<b>9,327,945</b>



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

Consolidated statement of income (MCh\$)	Dec-15	Dec-16
Revenue	848,633	1,026,690
Cost of sales	(585,492)	(700,949)
<b>Gross profit</b>	<b>263,141</b>	<b>325,741</b>
Other income	2,142	2,777
Distribution costs	0	0
Administrative expenses	-179,333	-219,682
Other expenses	(15,337)	(27,594)
Other gains	10,005	3,014
Finance income	-	-
Finance costs	(13,139)	(13,473)
Share of profit (loss) of associates and joint ventures, equity-accounted	692	18,835
Exchange differences	24,443	-9,110
Gain (loss) on indexed assets and liabilities	-13,811	5,695
Gains arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	1,136	2,750
<b>Profit before tax</b>	<b>79,940</b>	<b>88,952</b>
Income tax benefit (expense)	(13,338)	(13,866)
<b>Profit (loss) from continuing operations</b>	<b>66,602</b>	<b>75,086</b>
Profit (loss) from discontinued operations	0	0
<b>Profit (loss) for the period</b>	<b>66,602</b>	<b>75,086</b>
<b>Profit (loss) attributable to</b>		
Profit (loss) attributable to equity holders of the parent	65,022	74,522
Profit (loss) attributable to non-controlling interests	1,580	563
<b>Profit (loss) for the period</b>	<b>66,602</b>	<b>75,086</b>
Depreciation and amortization	9,664	18,389
<b>Ebitda</b>	<b>102,743</b>	<b>120,814</b>

## 4. Segment Note - Grupo Security YoY

Segment Note - Grupo Security In MCh\$	Lending and Treasury		Asset Management		Insurance		Other Services		Consolidation Adjustments, Support Areas and Group		Total Grupo Security	
	Dec-15	Dec16	Dec-15	Dec16	Dec-15	Dec16	Dec-15	Dec16	Dec-15	Dec16	Dec-15	Dec16
	Revenue	371,064	430,225	46,105	50,459	372,668	504,576	66,295	49,634	-7,500	-8,204	848,633
Cost of sales	-238,395	-234,586	-12,056	-11,844	-299,003	-430,722	-34,761	-23,033	-1,277	-763	-585,492	-700,949
Gross profit	132,669	195,639	34,049	38,615	73,665	73,854	31,535	26,601	-8,777	-8,967	263,141	325,741
Other income	37	27	285	472	937	894	612	840	272	544	2,142	2,777
Administrative expenses	-94,942	-119,899	-21,457	-29,618	-44,166	-49,012	-16,521	-16,854	-2,247	-4,300	-179,333	-219,682
Other expenses	-7,541	-24,544	-1,235	-1,083	-222	-242	-5,261	-382	-1,079	-1,342	-15,337	-27,594
Other gains (losses)	0	0	377	409	2,938	479	5,773	792	917	1,334	10,005	3,014
Finance income	0	0	0	0	9	0	0	0	-9	0	0	0
Finance costs	0	0	-11	-45	-412	-422	-1,501	-1,169	-11,215	-11,837	-13,139	-13,473
Share of profit (loss) of associates and joint ventures, equity-accounted	2	-1	25	19	734	18,610	-8	-61	-60	268	692	18,835
Exchange differences	21,216	2,084	410	-497	2,664	-11,019	631	637	-478	-315	24,443	-9,110
Gain (loss) from indexed assets and liabilities	38	30	17	12	-7,181	10,444	4	39	-6,689	-4,830	-13,811	5,695
Gains (losses) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	1,457	2,329	-321	422	0	0	0	0	0	0	1,136	2,750
<b>Profit (loss) before tax</b>	52,936	55,664	12,139	8,706	28,967	43,586	15,263	10,442	-29,365	-29,446	79,940	88,952
Income tax benefit (expense)	-8,965	-5,930	-1,952	-1,485	-507	-6,271	-3,549	-2,321	1,636	2,141	-13,338	-13,866
Profit (loss) from continuing operations	43,971	49,734	10,187	7,220	28,460	37,314	11,714	8,122	-27,730	-27,305	66,602	75,086
<b>Profit (loss) attributable to</b>												
Profit (loss) attributable to equity holders of the parent	43,968	49,726	10,152	7,199	27,898	37,906	10,183	7,302	-27,730	-27,305	65,022	74,522
Profit (loss) attributable to non-controlling interest	3	9	35	22	562	-592	1,530	819	-550	305	1,580	563
Profit (loss) for the period	43,971	49,734	10,187	7,220	28,460	37,314	11,714	8,122	-27,730	-27,305	66,602	75,086

## 5. Segment Note - Grupo Security QoQ

Segment Note - Grupo Security In MCh\$	Lending and Treasury		Asset Management		Insurance		Other Services		Consolidation Adjustments, Support Areas and Group Expenses		Total Grupo Security	
	3Q-16	4Q-16	3Q-16	4Q-16	3Q-16	4Q-16	3Q-16	4Q-16	3Q-16	4Q-16	3Q-16	4Q-16
Revenue	109,777	100,668	12,692	12,711	156,495	149,002	6,474	25,269	-1,261	-2,225	284,177	285,425
Cost of sales	-59,470	-58,668	-2,886	-2,135	-133,222	-130,903	-1,811	-14,488	-188	-242	-197,577	-206,437
Gross profit	50,307	42,000	9,806	10,576	23,273	18,099	4,663	10,780	-1,449	-2,467	86,599	78,989
Other income	2	4	95	170	136	282	206	263	185	148	625	867
Administrative expenses	-28,478	-38,193	-7,157	-8,233	-13,282	-10,700	-4,179	-4,716	-1,004	-2,936	-54,100	-64,778
Other expenses	-7,707	-5,182	-209	-212	-61	-63	-216	-57	0	-1,342	-8,193	-6,856
Other gains (losses)	0	0	99	121	33	159	390	93	493	427	1,014	800
Finance income	0	0	0	0	0	0	0	0	0	0	0	0
Finance costs	0	0	-1	-42	-89	-113	-255	-352	-3,369	-2,922	-3,714	-3,430
Share of profit (loss) of associates and joint ventures, equity-accounted	0	-1	17	2	35	-498	-3	-51	-6	62	42	-486
Exchange differences	-1,309	7,574	-47	16	-1,818	482	269	341	-75	-55	-2,981	8,358
Gain (loss) from indexed assets and liabilities	8	8	3	2	1,522	140	-74	-71	-1,147	-834	312	-755
Gains (losses) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	104	1,441	23	115	0	0	0	0	0	0	128	1,556
<b>Profit (loss) before tax</b>	12,927	7,651	2,627	2,516	9,748	7,788	801	6,230	-6,371	-9,921	19,732	14,264
Income tax benefit (expense)	-2,609	2,728	-461	-482	-2,417	-1,100	-232	-1,302	-62	952	-5,781	796
Profit (loss) from continuing operations	10,317	10,379	2,166	2,034	7,331	6,688	569	4,928	-6,433	-8,969	13,950	15,060
<b>Profit (loss) attributable to</b>	0	0	0	0	0	0	0	0	0	0	0	0
Profit (loss) attributable to equity holders of the parent	10,317	10,370	2,161	2,029	7,714	6,962	356	4,724	-6,433	-8,969	13,957	15,149
Profit (loss) attributable to non-controlling interest	0	9	5	5	-383	-274	212	204	158	-33	-7	-89
<b>Profit (loss) for the period</b>	10,317	10,379	2,166	2,034	7,331	6,688	569	4,928	-6,433	-8,969	13,950	15,060

## 6. Grupo Security Consolidated Statement of Cash Flows

Statement of Cash Flows (MCh\$)	dec-15	dec-16
<b>For the periods ended december, 2015 and 2016</b>		
Net cash flows provided by (used in) operating activities	229,143	(81,111)
Net cash flows used in investing activities	(68,013)	25,972
Net cash flows used in financing activities	74,221	(61,161)
<b>Increase (decrease) in cash and cash equivalents before effect of exchange rate changes</b>	<b>235,351</b>	<b>(116,301)</b>
Effect of changes in exchange rates on cash and cash equivalents	688	(122)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>236,039</b>	<b>(116,422)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>390,718</b>	<b>626,758</b>
<b>Cash and cash equivalents at end of period</b>	<b>626,758</b>	<b>510,335</b>

## 7. Quarterly Statement of Income

Quarterly Earnings		4Q16	3Q16	2Q16	1Q16	4Q15	3Q16
Revenue	M Ch\$	285,425	284,177	232,791	224,297	235,131	203,979
Cost of sales	M Ch\$	(206,437)	(197,577)	(153,970)	(142,964)	(166,457)	(156,995)
Gross profit	M Ch\$	78,989	86,599	78,821	81,332	68,674	46,985
Administrative expenses	M Ch\$	(64,778)	(54,100)	(51,468)	(49,336)	(49,215)	(42,522)
Operating income	M Ch\$	9,021	25,945	17,523	31,766	16,491	3,345
Finance costs	M Ch\$	(3,430)	(3,714)	(3,114)	(3,215)	(3,388)	(2,994)
Profit before tax	M Ch\$	14,264	19,732	15,955	39,001	12,263	9,598
Profit attributable to equity holders of parent	M Ch\$	15,149	13,957	14,527	30,889	13,769	6,728
EBITDA <sup>1</sup>	M Ch\$	26,094	27,637	22,035	45,048	18,206	15,490

<sup>1</sup> EBITDA: Defined as the sum of profit before tax, finance costs and depreciation

## 8. Financial and Business Indicators

Financial Ratios	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
Financial expense coverage (times)	7.94 x	7.08 x	13.13 x	9.68 x	8.44 x	7.60 x
Debt / Equity (1)	0.36	0.35	0.35	0.34	0.34	0.34
Number of shares (millions)	3,258	3,258	3,258	3,258	3,258	3,258
Earnings per share	18.93	19.96	23.81	20.23	22.45	22.87
Return on equity (2)	11.6%	12.1%	14.0%	11.8%	12.9%	13.1%

(1) Unconsolidated debt ratio: defined as the ratio of unconsolidated debt of Grupo Security to the equity, according to Note 38 to Financial Statements of Grupo Security.

(2) Ratio of earnings attributable to owners of the controller to the equity attributable to owners of the controller, annualized.

\*The financial expense coverage, debt / equity ratio, earnings per share and return on equity have been modified with respect to previous periods due to the application of IFRS in Vida Security and the consequent modifications made.

## 9. Financial Indicators

Liquidity Ratios		dec-16	sep-16	jun-16	mar-16	dec-15
Liquidity Ratios (Total current assets / Total current liabilities)	Times	1.09	1.09	1.08	1.09	1.06
Acid ratio (Cash and cash equivalents / Total current liabilities)	Times	0.06	0.07	0.07	0.07	0.08
Activity levels		dec-16	sep-16	jun-16	mar-16	dec-15
Total Assets	\$ millions	9,327,945	8,893,445	8,616,435	8,578,056	8,608,450
Inventory rotation		N/A	N/A	N/A	N/A	N/A
Inventory permanence		N/A	N/A	N/A	N/A	N/A
Leverage Ratios		dec-16	sep-16	jun-16	mar-16	dec-15
Individual leverage ratio 1	Times	0.34	0.34	0.34	0.35	0.35
Current liabilities/Total liabilities	Times	0.92	0.92	0.92	0.92	0.94
Non-current liabilities/ total liabilities	Times	0.08	0.08	0.08	0.08	0.06
Consolidated financial expenses 8	Times	7.60	8.44	9.68	13.13	7.08
Results		dec-16	sep-16	jun-16	mar-16	dec-15
Revenue	\$ millions	1,026,690	741,265	457,088	224,297	848,633
Cost of sales	\$ millions	(700,949)	(494,512)	(296,935)	(142,964)	(585,492)
Gross profit	\$ millions	325,741	246,752	160,153	81,332	263,141
Administrative expenses	\$ millions	(219,682)	(154,904)	(100,804)	(49,336)	(179,333)
Net operating income	\$ millions	84,255	75,234	49,289	31,766	80,617
Finance costs	\$ millions	(13,473)	(10,043)	(6,329)	(3,215)	(13,139)
Profit before tax	\$ millions	88,952	74,687	54,956	39,001	79,940
Profit attributable to equity holders of the company	\$ millions	74,522	59,373	45,416	30,889	65,022
EBTIDA 6	\$ millions	120,814	94,720	67,083	45,048	102,743
Profitability		dec-16	sep-16	jun-16	mar-16	dec-15
Return of equity 2	%	13.11%	12.90%	11.76%	13.95%	12.10%
Return on assets 3	%	0.83%	0.85%	0.80%	0.95%	0.80%
Return on operating assets 4 y 7	%	1.01%	1.15%	0.90%	1.19%	1.07%
Earnings per share 5	\$	22.87	22.45	20.23	23.81	19.96

1. Individual leverage ratio: Defined as the quotient between the sum of Grupo Security's individually considered indebtedness and total consolidated equity, defined in Note 37 to Grupo Security Consolidated Financial Statement.
2. Return on equity: Defined as the quotient between profit attributable to controlled properties LTM and average equity attributable to controlled properties.
3. Return on assets: Defined as the quotient between profit attributable to controlled companies LTM and total average assets.
4. Operating assets: Defined as total average current assets.
5. Earnings per share: Defined as the quotient between profit attributable to controlled companies LTM and the number of shares
6. EBITDA: Defined as the sum of profit before tax, finance costs and depreciation.
7. Return on operating assets: Defined as the quotient between net operating income LTM and average operating assets.
8. Financial expense coverage: Defined as the the sum of profit before tax and finance costs divided by finance costs.
9. Sum of dividend per share, divided by the share price when each dividend was distributed over the last twelve months.

## Financial and Business Indicators

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Consolidated financial expense coverage, defined as the sum of profit before tax and finance costs divided by finance costs, rose from 7.08 as of December 2015 to 7.6 as of December 2016. This occurred because finance costs remained stable while profit before tax improved.

LTM earnings per share increased from CH\$ 19.96 as of December 2015 to CH\$ 22.87 as of December 2016, because profit for the year improved while the number of shares remained constant.

Return on equity totaled 13.1% for 2016 compared to 12.1% for 2015, thanks to increased profit.

Return on assets, defined as profit attributable to controlled companies LTM divided by total average assets, increased from 0.80% as of December 2015 to 0.83% as of December 2016 due to growth in profit for the year.

Return on operating assets, defined as operating income LTM divided by average total current assets, amounted to 1.01% as of year-end 2016, down from 1.07% in 2015, because the increase in average current assets was greater than the increase in operating income for the year.

The liquidity ratio, defined as total current assets divided by total current liabilities, was 1.09 as of December 16, up from 1.06 as of December 2015, because the increase in total current assets was greater than the increase in total current liabilities.

The acid ratio, defined as cash and cash equivalents divided by total current liabilities, fell from 0.08 as of year-end 2015 to 0.06 as of year-end 2016, because the increase in current liabilities was greater than the increase in cash and cash equivalents.

The stand-alone leverage ratio was 34.45%, down from 34.86% in 2015, because the increase in the Group's total equity was greater than the increase in current liabilities calculated as defined in Note 37 of the Group's consolidated financial statements.

The ratio of current liabilities to total liabilities decreased from 0.94 as of December 2015 to 0.92 as of December 2016, because the increase in total liabilities was greater than the increase in current liabilities. The ratio of non-current liabilities to total liabilities grew from 0.06 to 0.08 during the year, because the increase in non-current liabilities was greater than the increase in total liabilities.

## Market Information

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

Grupo Security is the parent company of a conglomerate of diversified companies engaged in the main sectors of the Chilean financial industry. Its subsidiaries Banco Security and Factoring Security provide lending services to companies and individuals. The subsidiaries Compañía de 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, 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.

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

### **BANKING INDUSTRY**

As of December 2016, the Chilean banking industry was made up of 23 financial institutions, including 1 state-owned bank (Banco Estado), 17 domestic banks and 5 branches of foreign banks. As of that date, industry loans totaled CH\$ 151,426,794 million (CH\$ 140,258,239 excluding foreign subsidiaries). Equity totaled CH\$ 17,802,959 million while profit for the year 2016 was CH\$ 1,964,924 million, with return on average equity of 11.04%. The industry reported an efficiency ratio of 50.39%, measured as operating expenses over gross operating profit, and 2.12%, measured as operating expenses over total assets. The banking system posted a risk ratio of 2.50%, measured as loan loss provisions to total loans, and 1.85%, measured as 90-day nonperforming loans to total loans. As of December 2016, Banco Security had total loans of CH\$ 4,462,332 million, positioning it 8th in total loans with 2.9% of the Chilean market (3.2% 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 2016, the mutual fund industry reported average assets under management of CH\$ 31,194 billion and 2,118,637 investors. Administradora General de Fondos Security boasted average assets under management of CH\$ 1,854,062 million as of December 2016, giving it a market share of 5.9% and a sixth place industry ranking among the 19 fund managers operating in the market.

### **STOCK BROKERAGE INDUSTRY**

During 2016, market activity measured as value of shares traded fell 13.7% in comparison to 2015, reaching CH\$ 35,586 billion. Value of shares traded by Valores Security Corredores de Bolsa for the same period totaled CH\$ 1,948 billion with market share of 5.5%. Market share is calculated based on transactions on the Santiago Stock Exchange and the Chilean Electronic Stock Exchange.

### **LIFE INSURANCE INDUSTRY**

As of December 2016, there were 36 life insurance companies in Chile. Total direct premiums for the industry were CH\$ 5,845 billion for the year 2016. The life insurance industry posted profit of CH\$ 421,413 million for the year 2016. As of December 2016, Vida Security had market share of 6.0% based on direct premiums.

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

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Grupo Security participates in the insurance and services businesses through its investments in related companies, mainly Europ Assistance and in private investment funds through Inmobiliaria Security. As of December 2016, investments accounted for using the equity method in the Consolidated Statements of Financial Position represent approximately 0.01% of total assets.

Goodwill, which represents the difference between the acquisition cost and the fair value of assets and liabilities, totaled CH\$ 119,067 million as of December 2016, equivalent to 1.28% of total assets.

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



## **Risk Factors**

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### **DEPENDENCE ON SUBSIDIARY 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 depend considerably on the performance of its subsidiaries.

As of December 2016, Banco Security had distributed CH\$ 14,223 million in dividends to Grupo Security. During the same period, the Bank completed a capital increase of CH\$ 10,000 million. Factoring Security distributed CH\$ 4,901 million in dividends (70% of profit for the year 2015) to Grupo Security. As of year-end 2016, Inversiones Seguros Security distributed dividends of CH\$ 32,683 million to Grupo Security. Vida Security distributed dividends of CH\$ 29,058 million to its parent company, of which CH\$ 19,117 million were charged to profit for the year 2015 and CH\$ 9,941 million were an interim dividend charged to profit for the year 2016 that was paid in December 2016. Servicios Security distributed CH\$ 466 million in dividends to Grupo Security. Seguros Generales Penta Security did not distribute any dividends to its parent company in 2016. The acquisition and take over of Compañía de Seguros Generales Penta Security S.A. by Liberty International Chile S.A. and LMG Chile SpA was completed on January 14, 2016. Inversiones Seguros received CH\$ 31,652 million from this transaction. Inmobiliaria Security distributed CH\$ 4,800 million in dividends to Grupo Security. Lastly, it is important to point out that Grupo Security controls its main subsidiaries with an ownership interest of more than 90% in each subsidiary, which gives it flexibility in setting their dividend policies based on its requirements. This is especially true because of the vast diversification of the Company's income sources, with subsidiaries in various sectors of the financial industry.

### **OTHER RISK FACTORS**

#### **Risks Associated with General Economic Performance**

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

#### **Competition in All Group Business Areas**

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

#### **Regulatory Changes**

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

### **RISKS ASSOCIATED WITH THE FINANCIAL BUSINESS**

#### **Credit Risk**

Credit risk is dependent on monetary policy, which ultimately determines a customers' payment capacity. In early 2008, a general deterioration was seen in the system's loan portfolio, which was reflected in higher risk and delinquency ratios. In the third quarter of 2011, trends in risk ratios began to shift, with

an improvement in risk levels. Within this framework, Banco Security has consistently posted risk levels below industry averages.

### **Market Risk**

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

### **Risks Associated with International Financial Market Volatility**

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

### **Interest Rate Risk**

As of December 31, 2016, 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, 2016, 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 life 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

