



# Financial Results Grupo Security December 2014

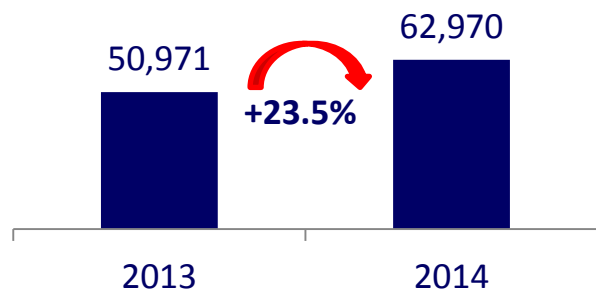
Wednesday March 18, 2015  
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## Significant Events During the Period

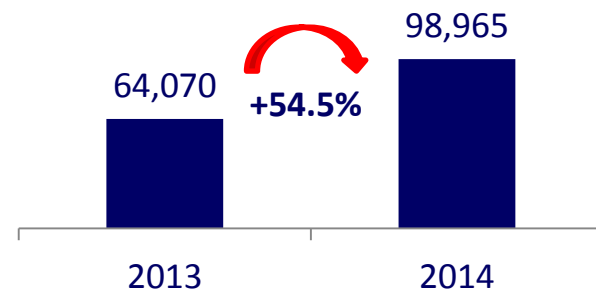
- » **AGFs merge:** In October 2014 Banco Security received authorization from the Superintendency of Banks and Financial Institutions for its subsidiary AGF Security to acquire all the shares in Cruz del Sur AGF. On December 19, 2014, the companies Cruz del Sur AGF and AGF Security merged. Furthermore, in December 2014, Invest Security was merged with Capital S.A.
- » **Life Insurance companies merge:** On March 31, 2014, the companies Vida Security and Seguros de Vida Cruz del Sur merged. The financial statements of Vida Security as of this date included the financial results of Seguros de Vida Cruz del Sur in its equity. Consequently, profit for Vida Security for 2014 only included profit for Cruz del Sur for April to December.
- » **Bond Issue:** On December 18, 2014, Grupo Security successfully placed the L3 Bond (ticker BSECU-L3) for a total of UF 3,000,000 with a 30-year term, which cannot be converted into shares. The interest rate was UF+3.80% per annum. The funds will be used to prepay the bonds (series B2, C2, D and E) and to finance the investment plan for Grupo Security S. A. After this placement, the average interest rate on Grupo Security borrowings fell to 4.02% from 4.25% and increased the duration from 10.18 to 13.49 years.
- » **Grupo Security Dividends:** On October 2, 2014, Grupo Security's board agreed to pay a total dividend of Ch\$3.50 per share, which comprised an interim dividend of Ch\$1.50 per share from 2014 profits, and an additional dividend of Ch\$2.00 per share from earnings retained in previous years.

# Financial Results - Grupo Security<sup>1</sup>

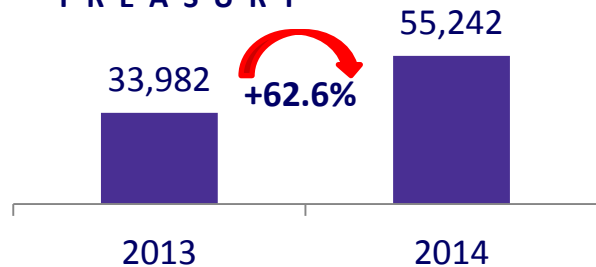
## GRUPO SECURITY



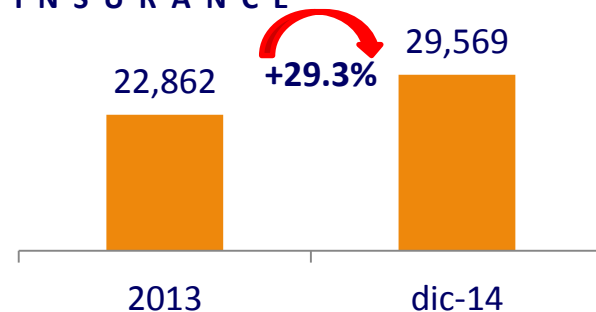
## BUSINESS AREAS



## LENDING AND TREASURY



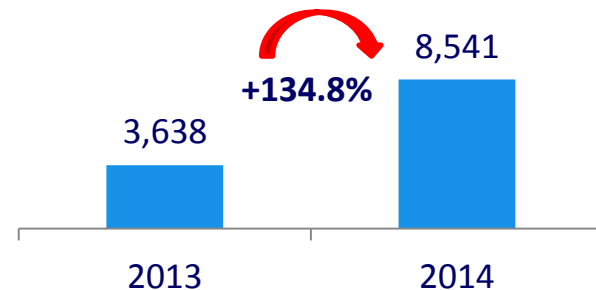
## INSURANCE



## ASSET MANAGEMENT



## OTHER SERVICES



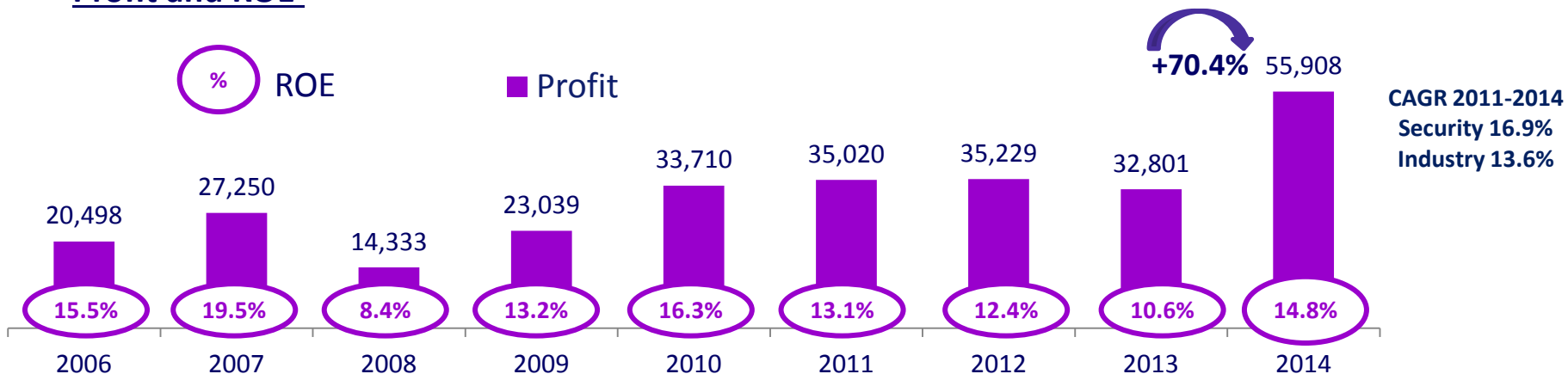
<sup>1</sup> These are the profits and (losses) for the business areas, according to Note 32 to the Consolidated Financial Statements for Grupo Security.

(Ch\$ million)	2013	2014	% Change
<b>Bank &amp; Subsidiaries (2)</b>	<b>32,800</b>	<b>55,908</b>	<b>70%</b>
Banco Security	27,456	49,322	80%
Factoring Security	6,527	7,444	14%
<b>Lending &amp; Treasury Area</b>			
Valores Security	875	2,171	148%
Cruz del Sur Corredora de Bolsa*	(523)	(745)	42%
AGF Security	4,470	4,414	-1%
Asesorias Security	(303)	4	
Securizadora Security	(159)	(245)	
<b>Asset Management Area</b>			
Vida Security (3)	19,286	26,793	39%
Penta Security (4)	2,506	3,942	57%
Servicios security (5)	1,690	690	-59%
<b>Insurance Area</b>			
Inmobiliaria Security	549	4,008	630%
Travel Security (6)	3,022	3,671	21%
Travex Security (7)	363	487	34%
<b>Services Area</b>			
<b>Consolidated Profit for Business Areas - Grupo Security</b>	<b>64,070</b>	<b>98,965</b>	<b>54%</b>
<b>Consolidated Profit - Grupo Security</b>	<b>50,971</b>	<b>62,970</b>	<b>24%</b>

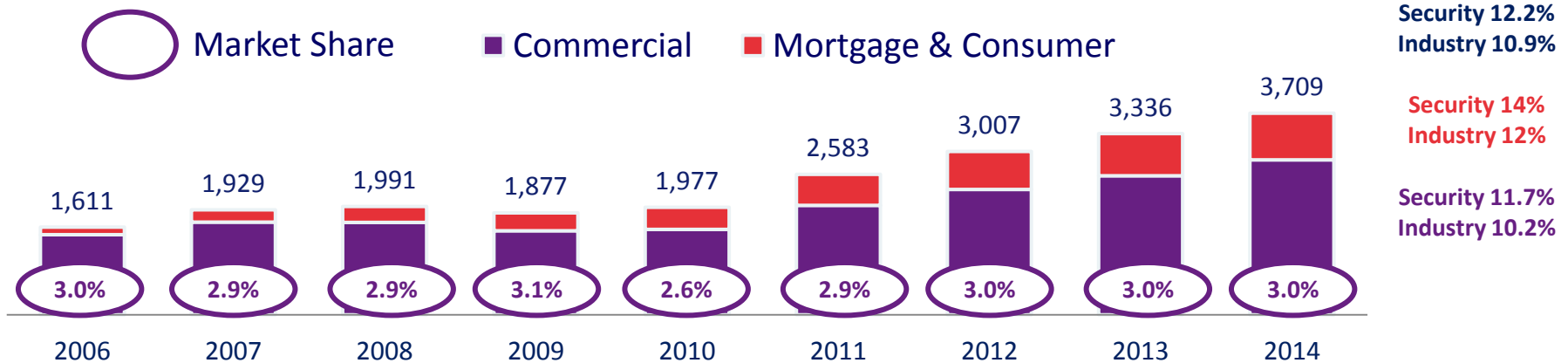
(1) These are the full profits at each subsidiary, so they differ from the profits reported in the Segment Note, which includes consolidation adjustments to reflect the Group participation in each company. (2) The profit attributable to Banco Security shareholders includes the profit at its subsidiaries Valores Security & AGF Security. (3) Vida Security adopted IFRS from January 2012. (4) Grupo Security controls 29.55% of Penta Security (5) Includes the consolidated results for its subsidiaries Corredora Security & Europ Assistance. Grupo Security sold its stake of 49.9999% in the reinsurance brokerage Cooper Gay Chile S.A., on April 5, 2013, through its subsidiary Services Security S.A. (6) Grupo Security controls 85% of Travel Security. (7) Travel Security controls 75% of Travex Security through Viajes Security. \*Profits are included from when the companies were acquired, for the period June - December 2013.

# Banco Security

## Profit and ROE<sup>1</sup>



## Loans and Market Share<sup>2</sup>



<sup>1</sup> Consolidated profit for the year. ROE is the consolidated profit for the period over total equity.

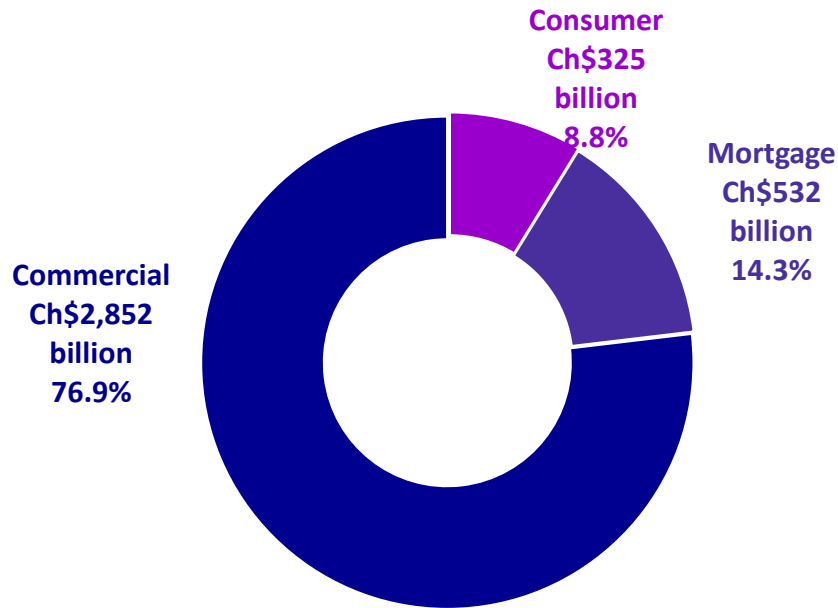
<sup>2</sup> Loans do not include balances owed by banks.

# Banco Security

» Profit as of December 2014: Ch\$55,902 million, +70.4% yoy

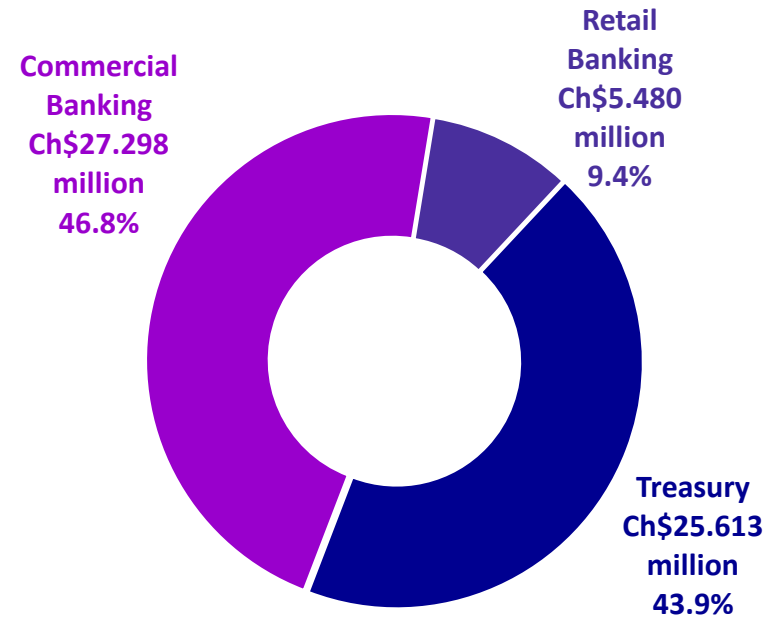
## Loans Banco Security Dec-2014<sup>1</sup>

Total: Ch\$3,709 billion



## Profit by Area Banco Security Dec-2014

Total: Ch\$58,391 million



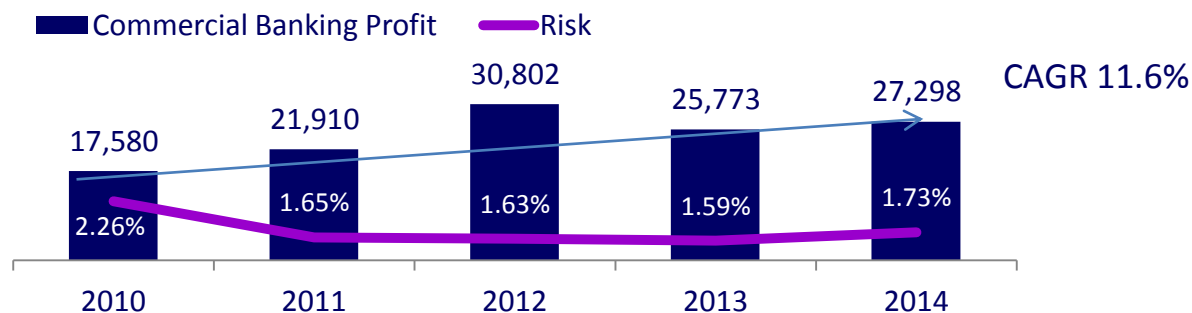
<sup>1</sup> Loans do not include balances owed by banks.

# Banco Security - Commercial Banking

## Profit as of December 2014

- » Loans - Commercial Banking: Ch\$2,851,607 million, +11.5%
- » Profit 2014: Ch\$27,298 million, +5.9% yoy
  - » Higher interest margin, +7.6%, Ch\$58,496 million
  - » Higher operating expenses, +13.6%, Ch\$31,189 million
  - » Higher net commissions, +7.5%, Ch\$14,912 million
  - » Lower provision expense, -3.5%, Ch\$17,982 million

BANCO security

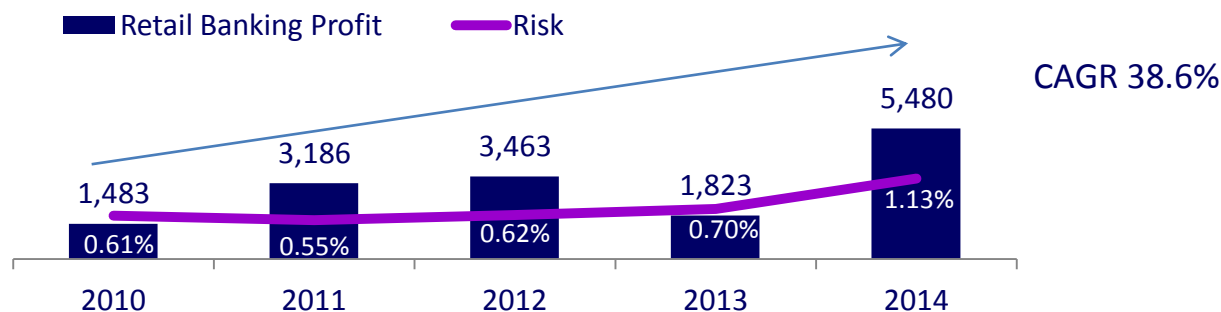


# Banco Security - Retail Banking

## Profit as of December 2014

- » Consumer & mortgage loans: Ch\$857,192 million, 23.1% of loan portfolio
- » 2014 profit Ch\$5,480 million
  - » Lower provision expense, due to the absence of the one-time effect in Q1 2013 of a change in policy for calculating loan portfolio provisions.
  - » Higher interest margin, +17.6%, Ch\$44,399 million

BANCO security





# Banco Security - Treasury

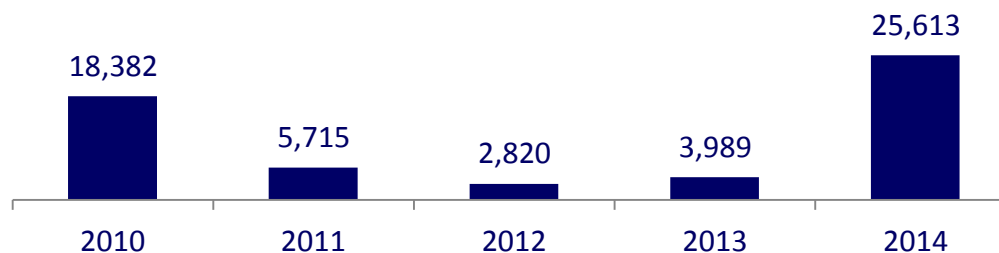
## Profit as of December 2014

- » Profit 2014: Ch\$25,613 million
- » **Trading:** The CPI and Monetary Policy Rate had a favorable impact on the UF and nominal curves respectively during 2014, which generated valuation and brokerage profits on fixed income instruments.
- » **Investments:** Improved spread on the corporate bond portfolio and profits on inflation forwards, in accordance with strategy.
- » **Balances:** Good refinancing interest margins when deposits fell as the Monetary Policy Rate reduced during 2014, coupled with an attractive internal financing in USD and a good indexing margin due to high inflation for the period.
- » **Distribution:** Results were better than in 2013, due to an increase in structured and currency transactions, due to increased volatility in exchange rates and movements in the UF curves.

BANCO security



## TREASURY PROFIT



# Banco Security vs Banking Industry (1/2)

<b>December 2014</b>	<b>Banco Security</b>	<b>Industry</b>	<b>Market Share</b>
Total Loans (Ch\$ billion) <sup>1</sup>	3,716	122,491	3.0%
Commercial Loans (Ch\$ billion) <sup>1</sup>	2,852	72,966	3.9%
<i>% of total loans</i>	<i>76.7%</i>	<i>59.6%</i>	-
Retail Loans (Ch\$ billion) <sup>1</sup>	857	47,661	1.8%
<i>% of total loans</i>	<i>23.1%</i>	<i>38.9%</i>	-
Total Assets (Ch\$ billion)	5,046	180,881	2.8%
Operating Income (Ch\$ billion)	190	8,641	2.2%
Provisions Expense (Ch\$ billion)	33	1,963	1.7%
Operating Expenses (Ch\$ billion)	93	3,918	2.4%
Consolidated Profit (Ch\$ billion) <sup>1</sup>	56	2,366	2.4%
Total Provisions (Ch\$ billion)	59	3,084	1.9%
Equity (Ch\$ billion)	379	14,415	2.6%

<sup>1</sup>Excludes banking operations in Colombia. Total loans include balances owed by banks.

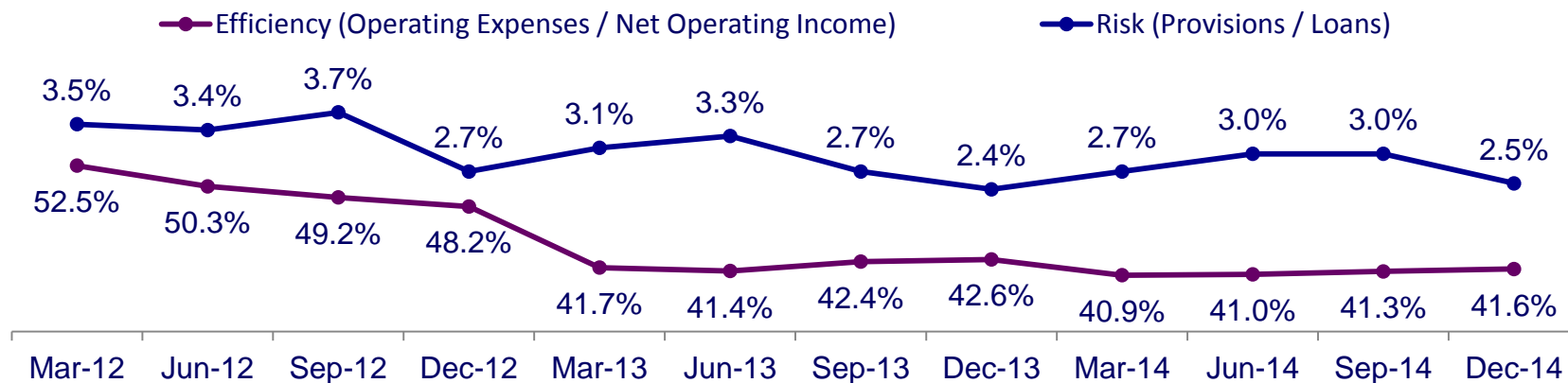
## Banco Security vs Banking Industry (2/2)

<b>December 2014</b>	<b>Banco Security</b>	<b>Industry</b>
Gross Op. Income / Total Assets	3.78%	4.78%
Efficiency Index	48.95%	46.28%
Risk Index (Provisions/Loans)	1.59%	2.45%
Commercial Risk Index	1.73%	2.36%
Retail Risk Index	1.13%	2.59%
ROE (Profit LTM / Average Equity)	16.27%	18.17%
ROA (Profit LTM / Average Assets)	1.18%	1.46%
Net Interest Margin / Loans	3.18%	4.77%
Tier 1 Basel Index <sup>2</sup>	8.71%	7.00%
Tier 2 Basel Index <sup>2</sup>	12.56%	13.19%

<sup>2</sup>System Data for November 2014; Security data for December 2014

# Factoring Security

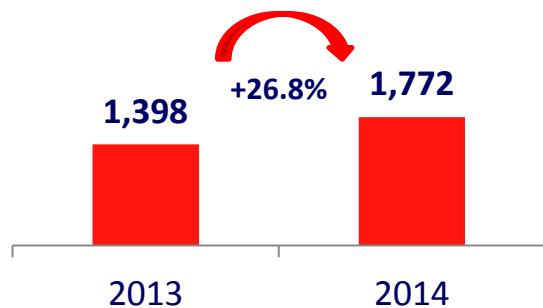
- » 2014 Profit Ch\$7,444 million, +14.1% yoy
- » Factored receivables Ch\$249,708 million, 9.1% yoy
- » Average receivables during 2014 Ch\$215,569 million, +10.20% vs 2013
- » Spread similar to 2013, at around 0.8% per month
- » Efficiency (Operating Expenses / Net Operating Income) 41.6%



# Inversiones Security

- » 2014 Profit for AGF Security Ch\$4,414 million, -1.2%
  - » Assets Under Management: Ch\$1,772 billion
  - » Market Share 6.3%, fourth place in ranking of local Fund Managers
- » 2014 Profit for Valores Security: Ch\$2,171 million up from Ch\$877 million in 2013
- » 2014 Loss for CDS Brokerage: Ch\$745 million
- » CDS Brokerage & Valores AGF pro forma combined:
  - » Traded volume (equities) during 2014: Ch\$1,805 billion
  - » Market share 4.1%, seventh place in ranking of stock brokers

AUM  
(Ch\$ billion)

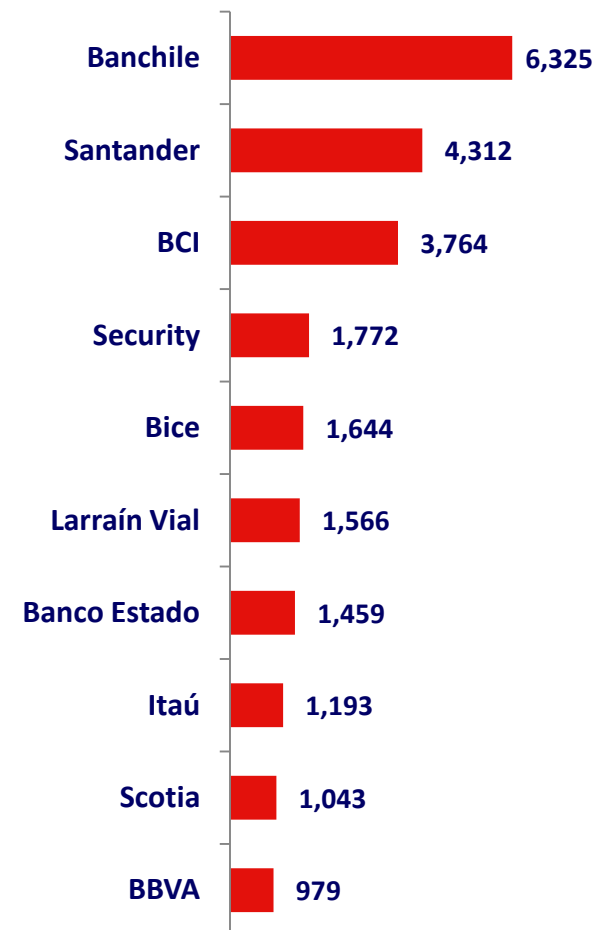


Traded Volume (Equities)  
(Ch\$ billion)



## AUM for the 10 largest AGFs

Total: Ch\$24,057 billion



## Synergies - Inversiones Security

- By November 11, 2014, Ch\$3,680 million in annual savings had been secured, surpassing the entire forecast savings under the positive scenario.

INVERSIONES Security + CDS Expenditure		Scenario	
		Conservative	Positive
<b>Total Proforma Expenditure, Dec 2012</b>	<b>Ch\$ million</b>	<b>20,202</b>	
% Cost Savings CDS+SEC Dec 2012		9.2%	13.5%
Total Committed Savings (in scheme)	Ch\$ million	1,868	2,723
<b>Total Achieved Savings as of November 11, 2014</b>	<b>Ch\$ million</b>	<b>3,680</b>	
% of Total Committed Savings		197.0%	135.1%
		Conservative	Positive
<b>Present Value of Total Committed Savings</b>	<b>US\$ million</b>	<b>36</b>	<b>52</b>
<b>Present Value of Total Achieved Savings</b>	<b>US\$ million</b>	<b>65 (197% - 135%)</b>	

Savings measured over 12 months.

Exchange rate used for valuation as of December 31, 2012 was 475.02 CLP/USD.

Discount rate of 11% in US dollars.

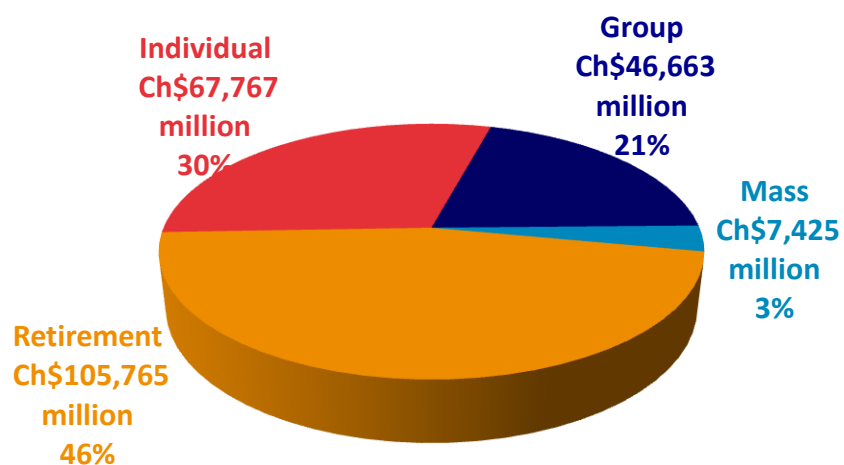
# Vida Security

Income Statement - Vida Security (Ch\$ million)	Dec-13	Dec-14
Direct premiums	195,379	227,620
Net retained premiums	191,238	222,052
Operating expenses	-203,160	-262,766
Administrative expenses	-19,129	-26,108
Investment income	51,981	98,928
Actuarial gain	20,928	32,106
Other income (expenses)	931	-2,658
Income taxes	-2,573	-2,654
Profit	19,286	26,793

- » The 2014 Income Statement for Vida Security only includes the results for Cruz del Sur for April - December, because the results for the first quarter were consolidated into Equity on March 31, 2014.
- » If the Q1 results for Cruz del Sur Seguros de Vida were added, and the accounting effect of the merger removed, the result for Vida Security would have been Ch\$21,705 million.

## Direct Premiums - Vida Security

Total: Ch\$227,620 million

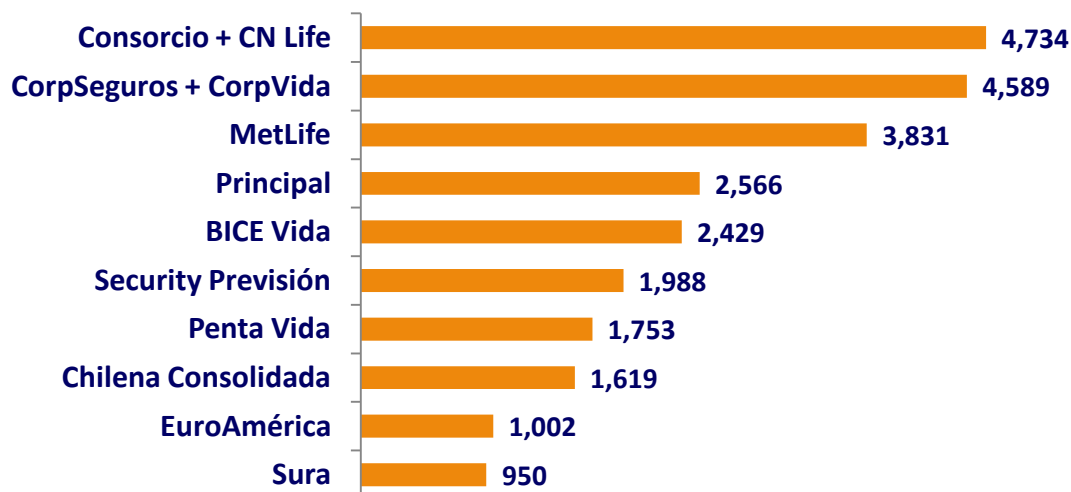


# Balance, Portfolio, Investments and Ranking - Vida Security

Financial Position - Vida Security (Ch\$ million)	Dec-13	Dec-14
<b>TOTAL ASSETS</b>	<b>978,863</b>	<b>2,042,607</b>
TOTAL FINANCIAL INVESTMENTS	777,473	1,743,358
TOTAL REAL ESTATE INVESTMENTS	133,087	244,890
TOTAL INSURANCE ACCOUNTS	30,439	27,412
OTHER ASSETS	37,863	26,947
<b>TOTAL LIABILITIES</b>	<b>978,863</b>	<b>2,042,607</b>
TOTAL INSURANCE ACCOUNTS	864,556	1,842,172
OTHER LIABILITIES	42,565	40,684
<b>TOTAL EQUITY</b>	<b>71,742</b>	<b>159,750</b>

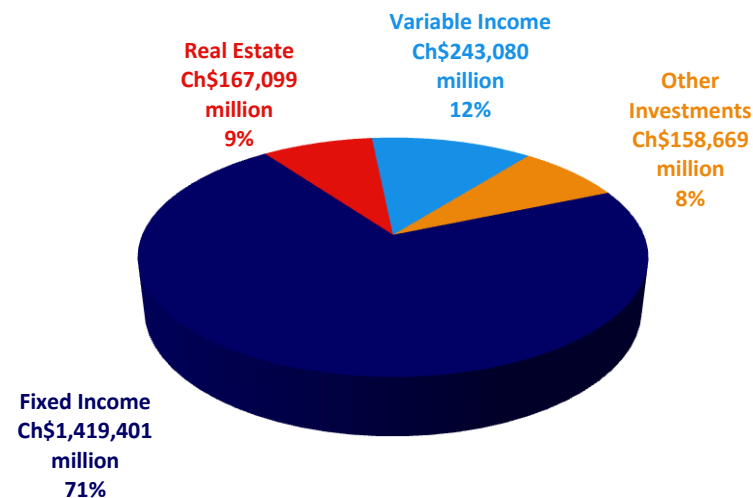
## Investments for the 10 largest life insurance companies

Total: Ch\$25,461 billion



## Investment Portfolio - Vida Security

Total: Ch\$1,988,248 million





## Synergies - Vida Security

- By November 6, 2014, the life insurance companies had secured Ch\$5,014 million in annual savings, surpassing the lower end of the estimated synergies range.

VIDA Security + CDS Vida Expenditure		Scenario	
		Conservative	Positive
<b>Total Proforma Expenditure, Dec 2012</b>	<b>Ch\$ million</b>	<b>32,285</b>	
% Cost Savings CDS+SEC Dec 2012		11.0%	14.8%
Total Committed Savings (in scheme)	Ch\$ million	3,555	4,794
<b>Total Achieved Savings as of November 06, 2014</b>	<b>Ch\$ million</b>	<b>5,014</b>	
% of Total Committed Savings		141.1%	104.6%
		<b>Conservative</b>	<b>Positive</b>
<b>Present Value of Total Committed Savings</b>	<b>US\$ million</b>	<b>68</b>	<b>92</b>
<b>Present Value of Total Achieved Savings</b>	<b>US\$ million</b>	<b>88 (141% - 105%)</b>	

Savings measured over 12 months.

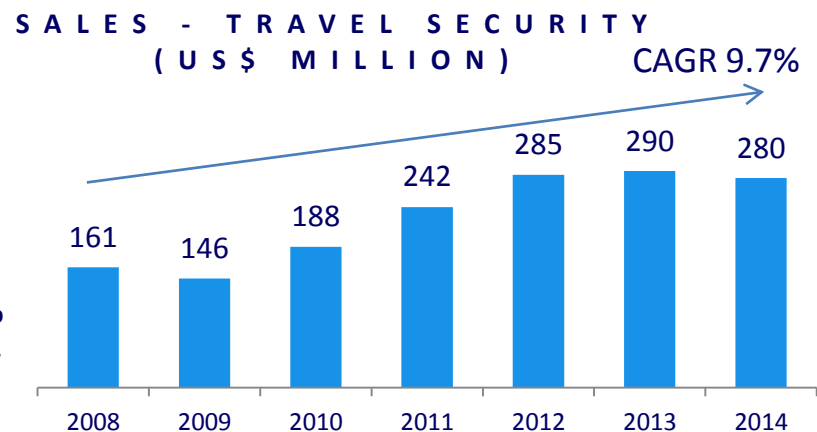
Exchange rate used for valuation as of December 31, 2012 was 475.02 CLP/USD.

Discount rate of 11% in US dollars.

# Other Services

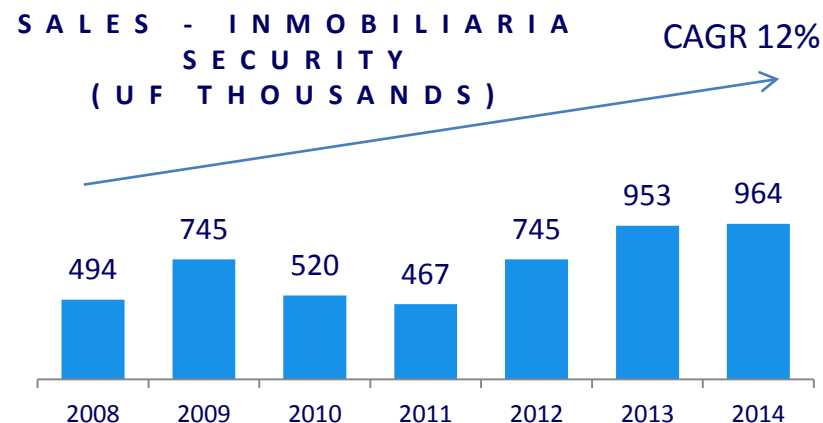
## Travel Security

- » 2014 Profit Ch\$3,671 million, +21.5% yoy
  - » 2014 Sales Ch\$280 million, -5.4% yoy, favorable effect of exchange rate.
  - » Better conditions with airlines, due to lower activity
- » Travex Security had sales of US\$69 million, +8.5% yoy, and profits of US\$854 thousand, +16.5% yoy



## Inmobiliaria Security

- » Profit Ch\$4,088 million
- » Sales of apartments UF 963,601
- » Real estate assets under management UF1,935,510

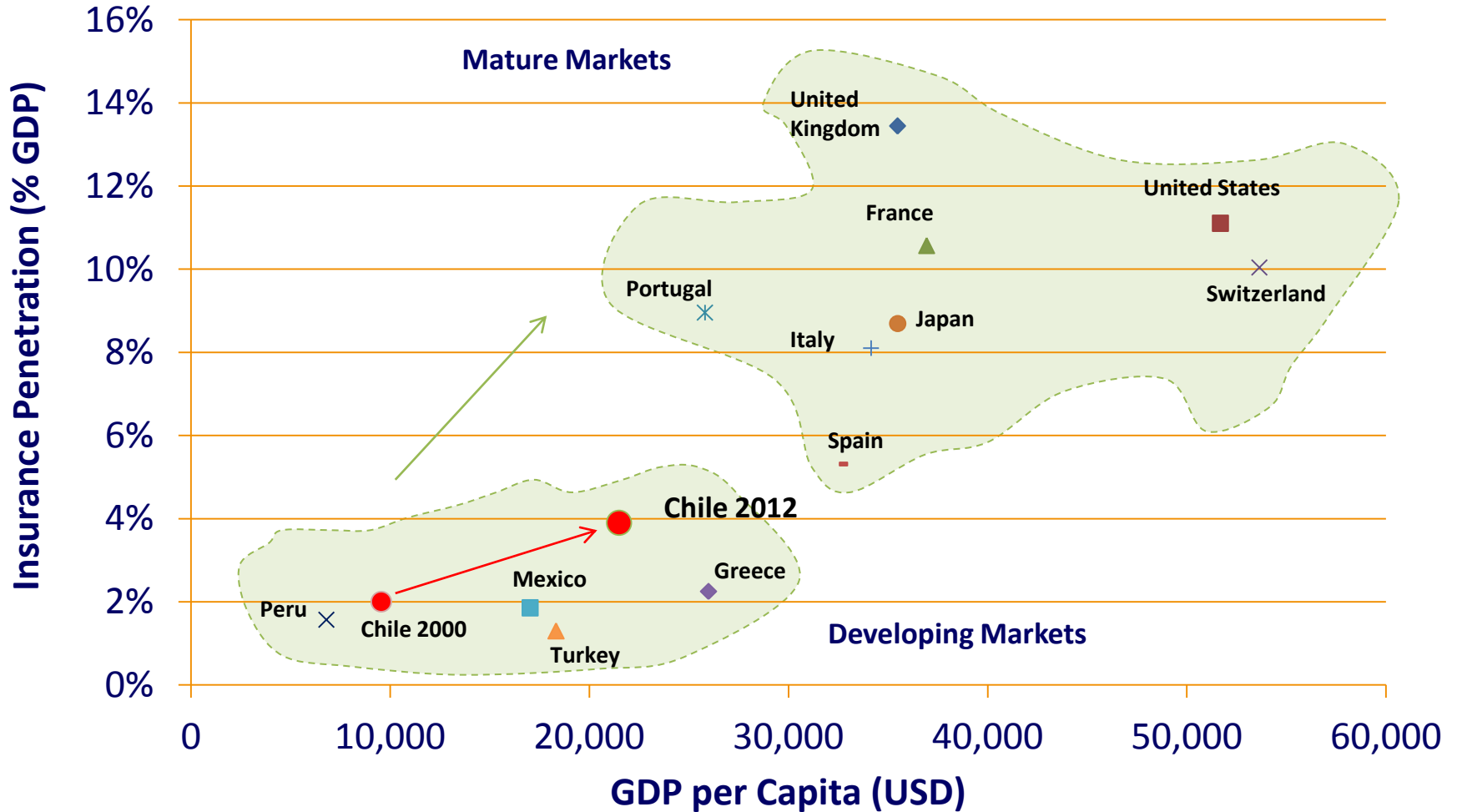




# Investment in Peru

# International Insurance Penetration Rate

December 2012



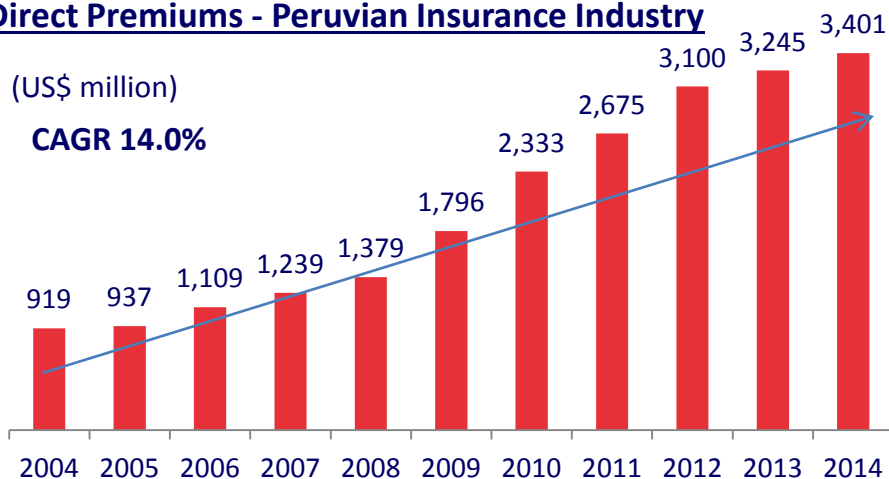
» The penetration rate in Chile still falls below levels in developed countries.

# Trends in Direct Premiums & Investment Portfolio

## Direct Premiums - Peruvian Insurance Industry

(US\$ million)

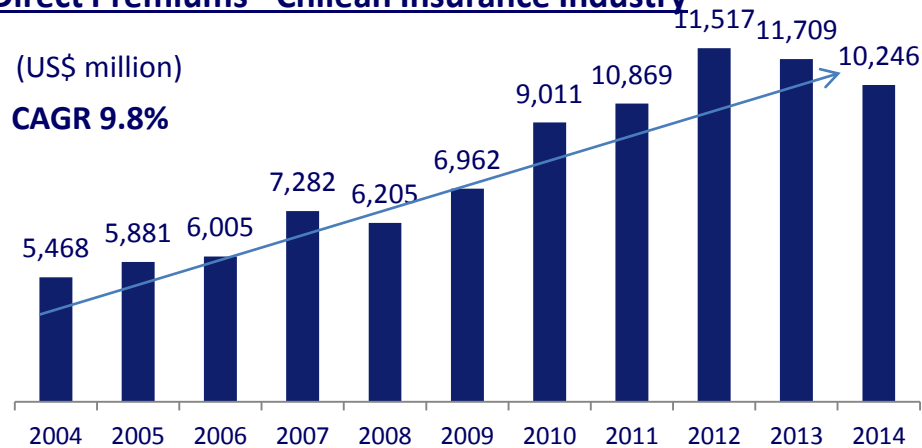
**CAGR 14.0%**



## Direct Premiums - Chilean Insurance Industry

(US\$ million)

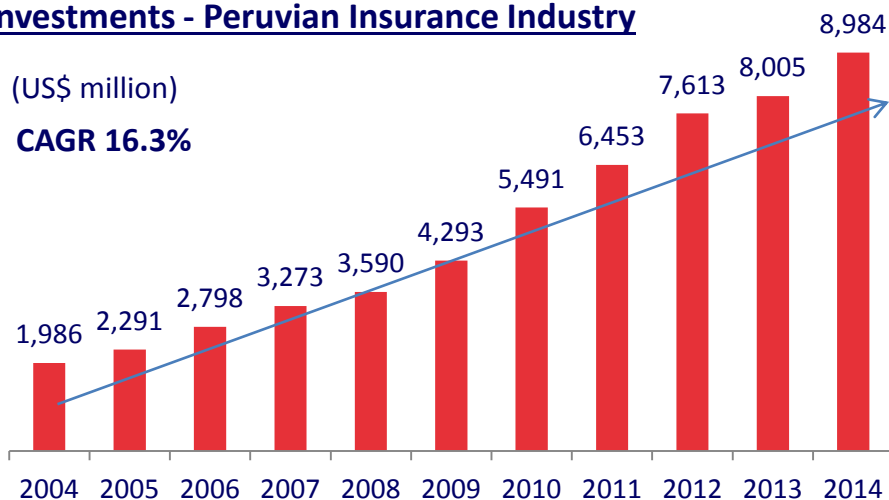
**CAGR 9.8%**



## Investments - Peruvian Insurance Industry

(US\$ million)

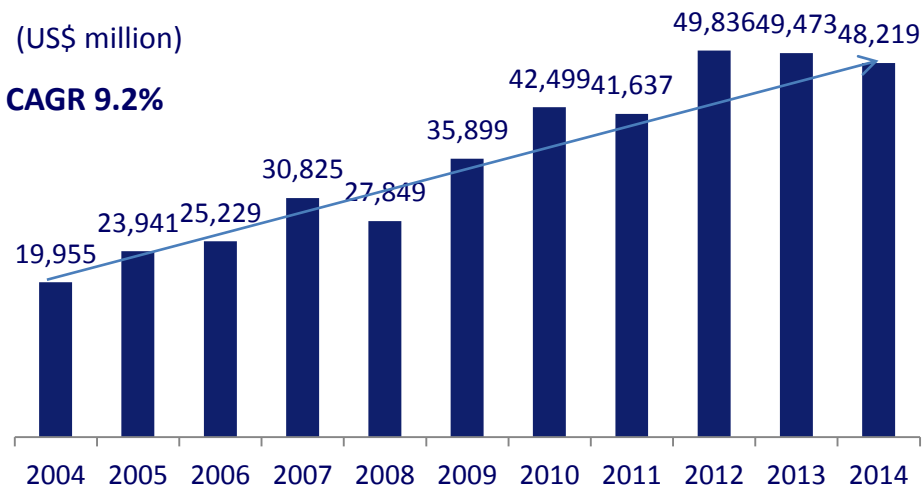
**CAGR 16.3%**



## Investments - Chilean Insurance Industry

(US\$ million)

**CAGR 9.2%**





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Wednesday March 18, 2015  
4:30pm



# Appendices

# Effect of Tax Reforms on Grupo Security

- » Corporate income tax increased from 20% to 21% in 2014. This resulted in an additional income tax provision of Ch\$806 million, which was reflected in the financial results of each subsidiary.
- » The tax reform also increased corporate income tax rates for subsequent years. This affected deferred tax provisions on the net difference of assets and liabilities based on these rates: 21% in 2014, 22.5% in 2015, 24% in 2016, 25.5% in 2017 and 27% in 2018, according to the expected dates that these assets and liabilities will be collected or settled.
- » The net effect was a credit to Grupo Security S.A. equity of Ch\$3,845 million.
- » Banco Security: The SBIF did not issue specific guidance on this issue. Therefore, the net effect was a credit to the bank's financial results of Ch\$757 million. On December 31, 2014, the effect of the tax reform required the detailed opening of the loans and leasing portfolios to be recalculated, which resulted in an additional credit to the financial results of Ch\$1,996 million.





# Subsequent Events

- » On February 27, 2015, the Securities and Insurance Supervisor ("SVS") required Grupo Security S. A. to correct its consolidated financial statements as of September 30, 2014, to recognize the differences in deferred tax assets and liabilities caused by the increase in corporate income tax rates to be credited direct to equity at its subsidiary Banco Security.
- » Accordingly, at an extraordinary meeting on March 5, 2015, the Grupo Security S.A. board agreed to amend the consolidated financial statements as of September 30, 2014, without requiring any accounting adjustments at its subsidiaries.