Grupo Security Earnings Report

Grupo Security Reports Profit of CH$21,158 Million for First Quarter 2019.

- Banco Security posted profit of CH$18,686 million for the first quarter of 2019 (-10.6% YoY). Although loans grew 8.9% YoY (CH$5,362,225 million), hikes in the MPR in the last two quarters negatively impacted the net interest margin.
- Banco Security's market share reached 3.2% as of March 2019. Commercial loans expanded +10.2% YoY, with market share in its target segment of medium and large companies of 6.4%[1].
- Banco Security's consolidated efficiency ratio was 51.5% as of March 2019, versus 48.1% as of March 2018. Its ratio of provisions to loans was 1.62% as of March 2019, compared to 1.57% as of March 2018. ROAE was 12.6% for the first quarter of 2019, down from 14.2% last year.
- Factoring Security reported profit of CH$2,186 million, +7.9% YoY, with factored receivables of CH$351,743 million as of March 2019 (+18.9% YoY).
- Vida Security reported profit of CH$5,197 million (-18.9% YoY), because of a reduced contribution market in individual insurance, annuities and disability and survivor insurance, partially offset by a larger margin in group insurance.
- Vida Security reported a 31.4% drop in gross written premiums as compared to 1Q18 (CH$66,397 million for 1Q19), because of the expiration of its disability and survivor insurance policies, partially offset by a rise in gross written premiums for individual insurance (CH$25,657 million for 1Q19, +18.5% YoY) and annuities (CH$20,386 million for 1Q19, +104.1% YoY).
- Inversiones Security reported profit of CH$1,452 million (-2.5% YoY), due to reduced operating income at Valores Security and AGF Security, and reduced profit at Securitizadora and Inmobiliaria CasaNuestra.
- Inmobiliaria Security posted a loss of -CH$395 million for 1Q19, (-CH$268 million YoY) due to ownership being transferred on fewer units. Travel Security reported profit of CH$896 million (+43.3% YoY), because of the CH$65 YoY rise in the average CH$/US$ exchange rate.
- Starting in 2018, we incorporated the International Business segment into the segment reporting note in the financial statements. This segment includes Protecta Security and Travex Security. Profit attributable to equity holders of the parent was CH$606 million for 1Q19.
- Security reported profit of S./ 1.1 million for the quarter ended March 2019, up from S./ 0.3 million last year, due to reduced claims and a drop in acquisition costs for annuities.
- As a result of these factors, Grupo Security reported profit of CH$21,158 million (-10.2% YoY and -6.9% QoQ) for 1Q19. This figure for the last twelve months was CH$78,139 million.

Santiago, Chile – May 30, 2019. Grupo Security S.A., (BCS: SECURITY; BBG: SECUR).

Renato Peñafiel, Grupo Security's CEO, commented, "Grupo Security reported profit of CH$21,158 million for the first quarter of 2019, less than the first quarter of 2018. From a 12-month perspective, the Bank's commercial performance (loans +8.9% YoY) and its efficiency ratio (48.6%) are in line with our business plans. The Group's LTM profit as of March 2019 was CH$78,139 million. During the first quarter of the year, both Vida Security and Protecta Security in Peru experienced a rise in annuity sales of +101.4% YoY and +25.4% YoY, respectively, giving the latter market share of 20% in annuities. Our projections for the rest of 2019 call for continued returns for our shareholders, through sustained growth of our businesses in Chile and Peru, with conservative risk management and the seal of excellence that has characterized Grupo Security since its formation."

[1] This includes companies with annual sales over CH $800 million, only in the regions of Chile where Banco Security has offices. Source: Chilean Internal Revenue Service (SII).

Grupo Security Indicators *In MCH$*	Mar-19	Dec-18	Mar-18	% Chg QoQ	% Chg YoY
Banco - Total Loans	5,362,225	5,346,071	4,923,754	0.3%	8.9%
Industry - Total Loans[1]	166,009,169	163,068,919	149,047,145	1.8%	11.4%
Inversiones - AUM Mutual Funds	2,681,921	2,496,079	2,797,621	7.4%	-4.1%
Industry - AUM Mutual Funds	39,215,179	37,637,881	36,945,172	4.2%	6.1%
Vida - Investment Portfolio	2,492,411	2,479,478	2,420,029	0.5%	3.0%
Industry (life insurance) - Investment Portfolio	42,122,110	41,296,487	39,111,551	2.0%	7.7%
Factoring - Factored Receivables	351,743	360,251	295,883	-2.4%	18.9%
Operations					
Employees (number)	3,919	3,939	3,784	-0.5%	3.6%

[1]Excludes loans and advances to banks and foreign subsidiaries of localbanks.

Grupo Security Indicators Statment of Income	1Q19	4Q18	1Q18	% Chg QoQ	% Chg YoY
Banco - Net Interest Margin	41,009	42,486	40,461	-3.5%	1.4%
Banco - Net Fees	16,857	17,256	17,362	-2.3%	-2.9%
Banco - Operating Expenses	-33,418	-32,372	-32,155	3.2%	3.9%
Banco - Net Provision Expenses	-5,275	-13,981	-6,449	-62.3%	-18.2%
Vida - Direct Premium	66,397	67,828	96,792	-2.1%	-31.4%
Vida - Claims Paid	-23,904	-11,979	-35,902	99.5%	-33.4%
Vida - Pensions Paid	-44,001	-51,495	-43,533	-14.6%	1.1%
Vida - Investment Income	40,319	23,851	23,505	69.0%	71.5%
Factoring - Revenue	8,481	7,881	7,316	7.6%	15.9%

Ratios	Mar-19	Dec-18	Mar-18	% Chg QoQ	% Chg YoY
Grupo - Share Price (Ch$)	276.5	290.9	305.0	-5.0%	-9.3%
Grupo - Number of Shares (millions)	3,695	3,695	3,695	0.0%	0.0%
Grupo - ROE	10.7%	11.2%	12.4%	-53 p	-167 p
Banco (Consolidated) - ROAE	12.6%	12.8%	14.2%	-22 p	-154 p
Factoring - ROE	19.2%	21.4%	20.9%	-220 p	-170 p
Vida - ROAE	17.7%	18.5%	7.6%	-77 p	1009 p
Travel - ROE	30.3%	49.9%	19.1%	-1960 p	1120 p
Grupo - Leverage	34.5%	34.5%	35.8%	7 p	-122 p
Banco - Efficiency	51.5%	47.7%	48.1%	381 p	344 p
Factoring - Efficiency	44.4%	42.3%	44.2%	214 p	27 p
Banco - Non-Performing Loans	1.74%	1.50%	1.75%	24 p	-1 p
Banco - Risk Index	1.62%	1.69%	1.57%	-7 p	5 p
Factoring - Risk Index	2.3%	2.2%	2.9%	8 p	-64 p
Banco - BIS Tier I Ratio	7.7%	7.8%	7.9%	-5 p	-13 p
Banco - BIS Tier II Ratio	12.8%	13.2%	13.7%	-41 p	-93 p

ROAE: profit 12M over average equity

On April 29, 2018, Grupo Security shareholders approved a dividend payment of CH$ 7.45 per share charged to profit for the year 2018. This dividend and the interim dividend distributed in October 2018 total CH$11.95 per share, equivalent to CH$44,155 million, or 55% of profit for the year 2018.

At this meeting, shareholders also approved the annual report, balance sheet and financial statements for the year 2018, and elected a new Board of Directors for Grupo Security, which is now comprised of Francisco Silva, Jorge Marin, Horacio Pavez, Mario Weiffenbach, Juan Cristóbal Pavez, Naoshi Matsumoto, Ana Sainz de Vicuña, Bruno Philippi and Hernán De Las Heras (independent director). The shareholders also agreed to appoint EY as the Company's external auditors for the year 2019.

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GRUPO SECURITY EARNINGS REPORT FOR 1Q19

Grupo Security posted profit of CH$21,158 million for the first quarter of 2019 (-10.2% YoY and -6.9% QoQ). EBIDTA for the same period totaled CH$40,276 million, +11.3% YoY and +6.4% QoQ.

The Group posted an ROAE as of March 2019 of 10.7%, -167 b.p. YoY and -53 b.p. QoQ. Profit from the Group's business areas for 1Q19 was CH$26,723 million, -9.2% YoY.

EARNINGS CONTRIBUTION BY BUSINESS AREA

Earnings from Related Companies (MCH$)	1Q19	4Q18	1Q18	% Chg QoQ	% Chg YoY
Lending Area					
Banco Security (standalone)	16,951	13,204	18,965	28.4%	-10.6%
Factoring Security	2,186	2,136	2,025	2.3%	7.9%
Asset Management Area					
Valores Security	506	250	489	102.7%	3.4%
AGF Security	1,228	1,961	1,437	-37.4%	-14.6%
Insurance Area					
Vida Security	5,197	18,739	6,406	-72.3%	-18.9%
Servicios Security	136	188	42	-27.6%	225.8%
Other Services					
Inmobiliaria Security	(395)	1,005	(268)	-	-
Travel Security	896	990	625	-9.5%	43.3%
International Business					
Protecta Security	1,143	4,425	293	-74.2%	289.6%
Travex Security	575	822	605	-30.1%	-5.0%
Grupo Security Profit	**21,158**	**22,725**	**23,568**	**-6.9%**	**-10.2%**

(1) Subsidiary earnings correspond to 100% of their profits and differ from those used to prepare the segment note, which includes consolidation adjustments to account for Grupo Security's percent ownership in each of its respective subsidiaries.

REVIEW OF OPERATIONS BY BUSINESS AREA

LENDING BUSINESS AREA (68.1% of assets; 71.6% of profit from business areas as of March 2019)

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

BANCO SECURITY

For 1Q19, Banco Security reported consolidated profit attributable to equity holders of the parent of CH$18,686 million, -10.6% YoY. Banco Security's stand-alone profit (excluding asset management subsidiaries AGF Security and Valores Security Corredores de Bolsa) was CH$16,945 million, -10.6% YoY.

Banco Security's ROAE (profit LTM over average equity) was 10.9%, -327 b.p. YoY.

Banco Security - Operating Segments

Banco Security Segment Note YoY	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
In Ch$ Million	Mar-19	Mar-18	Mar-19	Mar-18	Mar-19	Mar-18	Mar-19	Mar-18	Mar-19	Mar-18	Mar-19	Mar-18	Mar-19	Mar-18
Net interest margin	22,437	20,009	16,742	16,040	2,007	5,054	34	-509	41,220	40,594	-211	-133	41,009	40,461
∆% 3M19	12.1%		4.4%		-60.3%		-106.7%		1.5%		58.6%		1.4%	
Net Fees	4,852	5,067	4,965	5,242	-66	-90	338	-111	10,089	10,107	6,768	7,255	16,857	17,362
∆% 3M19	-4.2%		-5.3%		-27.3%		-404.1%		-0.2%		-6.7%		-2.9%	
Net FX transactions and other income	2,364	2,038	385	628	4,677	5,761	-1,774	-3,264	5,652	5,163	1,784	2,087	7,436	7,250
∆% 3M19	16.0%		-38.7%		-18.8%		-45.7%		9.5%		-14.5%		2.6%	
Loan losses and foreclosed assets	-610	-887	-5,992	-5,629	14	30	84	327	-6,504	-6,159	0	0	-6,504	-6,159
∆% 3M19	-31.2%		6.4%		-		-74.4%		5.6%		-		5.6%	
Total operating income, net of credit risk prov.	29,042	26,227	16,100	16,280	6,632	10,755	-1,318	-3,557	50,457	49,705	8,341	9,209	58,798	58,914
∆% 3M19	10.7%		-1.1%		-38.3%		-62.9%		1.5%		-9.4%		-0.2%	
Operating expenses	-9,774	-9,614	-14,482	-13,388	-3,563	-3,358	612	1,089	-27,207	-25,271	-6,211	-6,884	-33,418	-32,155
∆% 3M19	1.7%		8.2%		6.1%		-43.8%		7.7%		-9.8%		3.9%	
Net operating income	19,269	16,613	1,618	2,893	3,070	7,396	-706	-2,468	23,250	24,434	2,130	2,325	25,380	26,759
∆% 3M19	16.0%		-44.1%		-58.5%		-71.4%		-4.8%		-8.4%		-5.2%	
Income tax expense	-5,224	-3,721	-439	-648	-832	-1,657	190	552	-6,305	-5,474	-390	-393	-6,695	-5,867
∆% 3M19	40.4%		-32.3%		-49.8%		-65.6%		15.2%		-0.8%		14.1%	
Profit attributable to equity holders of the bank	14,045	12,892	1,179	2,245	2,237	5,740	-517	-1,915	16,945	18,961	1,741	1,931	18,686	20,892
∆% 3M19	8.9%		-47.5%		-61.0%		-73.0%		-10.6%		-9.8%		-10.6%	

Banco Security Segment Note QoQ	Commercial Banking		Retail Banking		Treasury		Other		Total Bank		Subsidiaries		Total Consolidated	
In Ch$ Million	1Q-19	4Q-18	1Q-19	4Q-18	1Q-19	4Q-18	1Q-19	4Q-18	1Q-19	4Q-18	1Q-19	4Q-18	1Q-19	4Q-18
Net interest margin	22,437	22,430	16,742	16,489	2,007	4,038	34	-331	41,220	42,626	-211	-140	41,009	42,486
∆% 1Q19	0.0%		1.5%		-50.3%		-110.3%		-3.3%		50.7%		-3.5%	
Net Fees	4,852	4,346	4,965	5,559	-66	-81	338	-223	10,089	9,600	6,768	7,656	16,857	17,256
∆% 1Q19	11.7%		-10.7%		-		-		5.1%		-11.6%		-2.3%	
Net FX transactions and other income	2,364	2,980	385	409	4,677	4,778	-1,774	-2,729	5,652	5,437	1,784	1,837	7,436	7,274
∆% 1Q19	-20.7%		-5.8%		-2.1%		-35.0%		4.0%		-2.9%		2.2%	
Loan losses and foreclosed assets	-610	-9,945	-5,992	-4,721	14	-76	84	-117	-6,504	-14,859	0	0	-6,504	-14,859
∆% 1Q19	-93.9%		26.9%		-		-		-56.2%		-		-56.2%	
Total operating income, net of credit risk prov.	29,042	19,812	16,100	17,734	6,632	8,659	-1,318	-3,401	50,457	42,803	8,341	9,353	58,798	52,157
∆% 1Q19	46.6%		-9.2%		-23.4%		-61.2%		17.9%		-10.8%		12.7%	
Operating expenses	-9,774	-9,401	-14,482	-14,784	-3,563	-3,068	612	1,522	-27,207	-25,731	-6,211	-6,641	-33,418	-32,372
∆% 1Q19	4.0%		-2.0%		16.1%		-59.8%		5.7%		-6.5%		3.2%	
Net operating income	19,269	10,410	1,618	2,951	3,070	5,591	-706	-1,879	23,250	17,072	2,130	2,712	25,380	19,785
∆% 1Q19	85.1%		-		-45.1%		-62.4%		36.2%		-21.5%		28.3%	
Income tax expense	-5,224	-2,368	-439	-663	-832	-1,261	190	422	-6,305	-3,871	-390	-499	-6,695	-4,370
∆% 1Q19	120.6%		-33.9%		-34.0%		-55.0%		62.9%		-21.8%		53.2%	
Profit attributable to equity holders of the bank	14,045	8,042	1,179	2,287	2,237	4,331	-517	-1,458	16,945	13,202	1,741	2,213	18,686	15,415
∆% 1Q19	74.6%		-48.4%		-48.3%		-64.6%		28.4%		-21.3%		21.2%	

Commercial Banking

Banco Security's Commercial Banking Division targets companies with annual sales above US$ 1.2 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.

Commercial Loans by Economic Sector *In Ch$ Millions*	Mar-19	% Total
Construction and real estate	911,021	21.5%
Financial services and insurance	845,816	20.0%
corporate services	631,769	14.9%
Wholesale and retail trade	498,634	11.8%
Manufacturing	357,502	8.4%
Transportation	260,279	6.1%
Social services	240,625	5.7%
Utilities	180,439	4.3%
Agriculture and livestock	131,598	3.1%
Fishing	84,609	2.0%
Mining	58,847	1.4%
Telecom	25,453	0.6%
Forestry	6,571	0.2%
Total commercial loans	**4,233,163**	**100%**

As of March 2019, commercial loans had expanded +10.2% YoY and +0.1% YTD, totaling CH$4,233 billion. Industry wide, commercial loans grew +10.2% YoY and 1.1% YTD. Including foreign subsidiaries, the industry's commercial loans grew +11.5% YoY and +0.9% YTD. The Bank boasts market share of 6.4%[1] in its target segment of medium and large companies as of March 2019. The commercial banking division had 9,098 customers as of March 2019 (+5.2% YoY).

[1]This includes companies with annual sales over CH $800 million, only in the regions of Chile where Banco Security has offices. Source: Chilean Internal Revenue Service (SII).

The commercial banking division posted profit of CH$14,045 million for 1Q19 (+CH$1,153 million and +8.9% YoY). This is explained by a larger net interest margin of CH$22,437 million for 1Q19 (+CH$2,427 million or +12.1% YoY), due to increased commercial loans (+10.2% YoY). It also had greater net FX transactions and other income of CH$2,364 million (+CH$326 million and +16.0% YoY). In addition, the division reported lower provision expenses of CH$610 million (-31.2% YoY), due to a well-performing portfolio during the period. These effects were partially offset by reduced net fees of CH$4,852 million (-4.2% YoY) and greater operating expenses of CH$9,774 million (+1.7% YoY).

In quarterly terms, the commercial banking division's profit was up +74.6% QoQ (+CH$6,003 million) explained by a drop in provision expenses (-93.9% QoQ). The fourth quarter of 2018 represents a high basis of comparison for provision expenses due to impairment of some customers from the electric power segment. The division recognized an increase in net fees of CH$506 million (+11.7% QoQ), explained by increased commercial activity. The net interest margin was similar to the prior quarter (+CH$6 million QoQ), in line with loan growth (+0.1% QoQ). These effects were partly offset by a decrease in net FX transactions and other income (-20.7% QoQ), due to reduced income from distributing structured products, partially offset by strong results from distributing structure products. In addition, the division reported increased operating expenses of CH$9,774 million (+4.0% 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 loan growth of 14% since March 2014.

As of March 2019, the Bank had total retail loans (consumer + mortgage) of CH$1,127 billion (+4.3% YoY and +1.7% YTD), driven primarily by consumer loans (+13.1% YoY and +3.5% YTD), and partially offset by mortgage loans (-2.1% YoY and +0.2% YTD). For the industry, retail loans increased +13.1% YoY, driven by consumer loans (+21.7% YoY) and, to a lesser extent, mortgage loans (+9.1% YoY). It is important to mention that BCI and Banco Falabella incorporated the Presto card (Walmart) and CMR card portfolios, respectively, in December 2018. For the quarter, industry retail loans grew +1.6%, with increases in both mortgage (+1.7%) and consumer (+1.3%) loans. Including foreign subsidiaries, the industry's retail loans grew +13.7% YoY and +1.5% YTD. The Bank boasts market share of 5.1%[2] in its target segment of high-income individuals as of March 2019. The retail banking division had 70,030 customers as of March 2019 (-0.9% YoY).

The retail banking division reported profit of CH$1,179 million for 1Q19 (-47.5% YoY), explained by increased operating expenses of CH$14,482 million (+8.2% YoY), due to increased commercial activity and higher expenses on technological projects. Furthermore, provision expenses rose to CH$5,992 million (+6.4% YoY), due to impairment of a few entrepreneur banking customers and a decrease in the recovery of written-off loans during the period. It also recognized lower net fees of CH$4,965 million (-5.3% YoY), due to a drop in sales of loan-related insurance and reduced FX transactions and other income, which totaled CH$385 million (-38.7% YoY), because of reduced commercial activity. These effects were not fully offset by a greater net interest margin, which reached CH$16,742 million (+CH$703 million, +4.4% YoY), due to increased loans (+4.3% YoY).

[2] This division includes individuals between 24 and 65 years of age in the middle and high-income segments (UF 60 in Santiago or UF 50 elsewhere in Chile) with a risk/return profile similar to Banco Security's customers, only for regions where Banco Security has offices. Source: Superintendency of Banks and Financial Institutions (SBIF).

Compared with the immediately preceding quarter, the retail banking division's profit for 1Q19 was down -48.4% due to increased provision expenses (+26.9% QoQ), explained by impairment of a few entrepreneur banking customers and a decrease in written-off loans recovered during the period, together with a low basis of comparison in 4Q18 for retail provision expenses thanks to a well-performing portfolio that quarter. In addition, the division also reported a drop in net fees (-10.7% QoQ), due to reduced commercial activity and lower net FX transactions and other income (-5.8% QoQ). These effects were not fully offset by reduced operating expenses (-2.0% QoQ), and a higher net interest margin (+CH$253 million, +1.5% QoQ), in line with retail loan growth (+1.7% YTD).

Treasury

For 1Q19, the treasury division reported profit of CH$2,237 million, (-61.0% YoY), due to a reduced net interest margin of CH$2,007 million (-60.3% YoY). This was in turn explained by the hikes in the MPR during the last two quarters (from 2.5% as of Oct-18 to 3.0% as of Jan-19), which drove the net interest margin downwards as price adjustments for liabilities are faster than for assets. In addition, net FX transactions and other income reached CH$4,677 million (-18.8% YoY) because of decreased income from fixed-income trading and brokering. Bear in mind that 1Q18 represents a high basis of comparison for brokerage income. Operating expenses rose +6.1% YoY to CH$3,563 million, because of increased expenses on technological projects.

In comparison to 4Q18, the treasury division reported a 48.3% fall in profit, mainly due to a reduced net interest margin (50.3% QoQ). This is explained by the hikes in the MPR during the last two quarters (from 2.5% as of Oct-18 to 3.0% as of Jan-19), which drove the net interest margin downwards as price adjustments for liabilities are faster than for assets. The line item net FX transactions and other income was similar to 4Q18 (-2.1%), with a drop in income from distributing structured products, partially offset by increased brokerage income. It is worth noting that 4Q18 was a high basis of comparison for structured product distributions due to increased commercial activity towards the end of the year. Operating expenses rose +16.1% YoY, because of increased expenses on technological projects.

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. As of March 2019, ALM represented 66.2% 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 8.5% of treasury income. The remaining 25.3% 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

In Ch$ Millon	1Q19	4Q18	1Q18	% Chg QoQ	% Chg YoY
Net interest margin	41,009	42,486	40,461	-3.5%	1.4%
Net Fees	16,857	17,256	17,362	-2.3%	-2.9%
Net financial Operating Income	5,892	9,025	3,654	-34.7%	61.2%
Net foreign exchange transactions	-94	-1,224	4,159	-	-
Recovery of charged-off loans	757	1,599	1,481	-52.7%	-48.9%
Other net operating income	409	-1,405	-273	-	-
Gross operating income	**64,830**	**67,737**	**66,844**	**-4.3%**	**-3.0%**
Credit risk provisions	-6,032	-15,580	-7,930	-61.3%	-23.9%
Administrative expenses	-33,418	-32,372	-32,155	3.2%	3.9%
Net operating income	**25,380**	**19,785**	**26,759**	**28.3%**	**-5.2%**
Income attributable to investments in other companies	0	0	0	-	-
Profit before tax	**25,380**	**19,785**	**26,759**	**28.3%**	**-5.2%**
Income tax expense	-6,695	-4,370	-5,867	53.2%	14.1%
Profit for the period	**18,685**	**15,415**	**20,892**	**21.2%**	**-10.6%**

The net interest margin for 1Q19 was CH$41,009 million (+1.4% YoY), due to greater total loans (+8.9% YoY), partly offset by a rise in the MPR during the last two quarters (from 2.5% as of Oct-18 to 3.0% as of Jan-19), driving the net interest margin downwards as price adjustments for liabilities are faster than for assets. Interest and indexation income reached CH$80,355 million (-8.0% YoY), due to lower inflation as compared to last year, partially offset by a larger volume of total loans. Interest and indexation expense totaled CH$39,346 million for 1Q19 (-16.1% YoY), due to lower inflation, partially offset by 6.8% YoY growth in the Bank's total liabilities.

Net Interest Margin *In Ch$ Million*	1Q19	4Q18	1Q18	% Chg QoQ	% Chg YoY
Interest and indexation income	80,355	99,040	87,308	-18.9%	-8.0%
Interest and indexation expenses	-39,346	-56,554	-46,847	-30.4%	-16.0%
Net interest margin	41,009	42,486	40,461	-3.5%	1.4%
Interest margin net of provisions	34,977	26,906	32,531	30.0%	7.5%
Net interest margin / total loans	3.06%	3.18%	3.29%	-12 p	-23 p
Net interest margin net of provisions / Total loans	2.61%	2.01%	2.64%	60 p	-3 p

Net fees totaled CH$16,857 million for 1Q19 (-2.9% YoY), because of reduced commercial activity in the commercial and retail banking divisions.

Finance income, which is the sum of net financial operating income (loss) and the net gain from FX transactions, totaled CH$5,798 million (-25.8% YoY), due to reduced fixed-income trading and brokerage income from the Bank’s treasury division. Bear in mind that 1Q18 represents a high basis of comparison for brokerage income.

As of March 2019, recovery of written-off loans totaled CH$757 million (-48.9% YoY). Loan loss provision expenses for 1Q19 totaled CH$6,032 million (-23.9% YoY), due to a strong performance from the commercial banking division's portfolio during the period.

Operating expenses totaled CH$33,418 million (+3.9% YoY), due to higher administrative expenses because of increased commercial activity at the Bank and greater depreciation and amortization expenses.

Other operating income amounted to CH$409 million, up from the loss of -CH$273 million recorded last year.

For 1Q19, the income tax expense was CH$6,695 million (+14.1% YoY), explained by a higher effective rate due to a smaller price-level restatement of tax-basis equity in line with lower inflation as compared to last year.

Banco Security reported consolidated profit of CH$18,685 million for 1Q19, reflecting an increase of 21.2% over 4Q18. The net interest margin for 1Q19 was CH$41,046 million (-3.4% QoQ), due to a rise in the MPR during the last two quarters (from 2.5% as of Oct-18 to 3.0% as of Jan-19), which drove the net interest margin downwards as price adjustments for liabilities are faster than for assets. Net fees for 1Q19 reached CH$16,857 million (-2.3% QoQ), due to reduced commercial activity in the retail banking division and the asset management subsidiaries, which was only partially offset by greater activity in the commercial banking division. Finance income (net financial operating income (loss) + net gain from FX transactions) totaled CH$5,798 million (-25.7% QoQ), explained by reduced income from distributing structured products, offset in part by greater brokerage income. It is worth noting that 4Q18 was a high basis of comparison for structured product distributions due to increased commercial activity towards the end of the year. Loan loss provisions for 1Q19 totaled CH$6,032 million, (-61.3% QoQ), due to a strong performance from the commercial banking division's portfolio during the period, which was not fully offset by increased provision expenses in the retail banking division because of impairment of a few entrepreneur banking customers. The fourth quarter of 2018 represents a high basis of comparison for provision expenses due to impairment of some customers from the electric power segment in the commercial banking division. The division reported operating expenses of CH$33,418 million (+3.2% QoQ).

Banco Security - Operating Expenses and Efficiency

In Ch$ Millions	1Q19	4Q18	1Q18	% Chg QoQ	% Chg YoY
Personnel	-14,561	-15,416	-14,597	-5.5%	-0.2%
Administrative expenses	-17,198	-15,763	-16,336	9.1%	5.3%
Depreciation and amortization	-1,659	-1,193	-1,222	39.1%	35.8%
Total operating expenses	**-33,418**	**-32,372**	**-32,155**	**3.2%**	**3.9%**
Operating expenses / Gross operating income	**51.5%**	**47.8%**	**48.1%**	**376 p**	**344 p**

Banco Security's efficiency ratio, measured as support expenses + other operating expenses over total operating income, totaled 51.5% as of March 2019 (+344 b.p. YoY). This ratio compares to 47.5% for the banking system and 49.0% for peer banks[3] as of December 2018.

The Bank reported operating expenses of CH$33,418 million (+3.9% YoY) for 1Q19. For 1Q19, personnel expenses amounted to CH$14,561 million, -0.2% YoY, while administrative expenses totaled CH$17,198 million, +5.3% YoY, due to increased commercial activity. Depreciation and amortization expense reached CH$1,659 million, +35.8% YoY, explained by the effects of applying IFRS 16, which incorporates depreciation and amortization for lease contracts.

Operating expenses in 1Q19 increased 3.2% QoQ to CH$33,418 million in comparison to 4Q18. For 1Q19, personnel expenses amounted to CH$14,561 million, -5.5% QoQ, because of the seasonal effects of 4Q18. Administrative expenses reached CH$17,198 million (+9.1% QoQ), because of contributions paid to regulators. Depreciation and amortization expense reached CH$1,659 million, +39.1% QoQ, explained by the effects of applying IFRS 16, which incorporates depreciation and amortization for lease contracts. This brings the efficiency ratio to 51.5% for 1Q19, above the figure of 47.8% in 4Q18.

Banco Security Loan Portfolio

Total loans reached CH$5,362,225 million as of March 2019, +8.9% YoY and 0.3% YTD. For the industry, loans increased +11.4% YoY and 1.8% YTD. Including foreign subsidiaries, this figure increased +12.7% YoY and 1.4% YTD. As of March 2019, commercial loans grew +10.2% YoY and 0.1% YTD, to CH$4,233,163 million (78.9% of Banco Security's total loan portfolio), while retail loans (consumer + mortgage) reached CH$1,126,723 million, +4.3% YoY and 1.7% YTD. The 20 largest borrowers represent 10.6% of the Bank's total loan portfolio.

[3] Peer banks: Average for BICE, Consorcio and Security

Total Loans *In Ch$ Millions*		Mar-19	Dec-18	Mar-18	%Chg QoQ	YoY
Consumer	Loans	513,729	496,523	454,135	3.5%	13.1%
Mortgage	Loans	612,994	611,583	626,453	0.2%	-2.1%
Mortgage + Consumer	Loans	1,126,723	1,108,106	1,080,588	1.7%	4.3%
Mortgage + Consumer	No. Customers	70,030	70,726	70,646	-1.0%	-0.9%
Commercial	Loans	4,233,163	4,227,198	3,842,604	0.1%	10.2%
Commercial	No. Customers	9,098	9,040	8,646	0.6%	5.2%
Total Loans		**5,362,225**	**5,346,071**	**4,923,754**	**0.3%**	**8.9%**
Market Share		**3.2%**	**3.3%**	**3.3%**	**-5 p**	**-7 p**

Interest and indexation income *In Ch$ Millions*	1Q19	4Q18	1Q18	%Chg QoQ	YoY
Consumer	14,408	14,006	13,052	2.9%	10.4%
Mortgage	5,121	9,750	9,327	-47.5%	-45.1%
Mortgage + Consumer	19,529	23,756	22,379	-17.8%	-12.7%
Commercial	52,599	66,843	57,227	-21.3%	-8.1%

Asset Quality

Given Banco Security's exposure to corporate and high-income customers, its risk ratios are among the lowest in the industry.

In Ch$ Million	Mar-19	Dec-18	Mar-18	% Chg QoQ	YTD	YoY
Total Loans	**5,362,225**	**5,346,071**	**4,923,754**	**0.3%**	**0.3%**	**8.9%**
Nonperforming loans - consumer	6,526	6,256	6,013	4.3%	4.3%	8.5%
Nonperforming loans - mortgage	6,660	5,910	5,919	12.7%	12.7%	12.5%
Nonperforming loans - commercial	80,305	67,963	74,278	18.2%	18.2%	8.1%
Total nonperforming loans	**93,491**	**80,129**	**86,210**	**16.7%**	**16.7%**	**8.4%**
Non-performing loans - consumer	1.27%	1.26%	1.32%	1 p	1 p	-5 p
Non-performing loans - mortgage	1.09%	0.97%	0.94%	12 p	12 p	14 p
Non-performing loans - commercial	1.90%	1.61%	1.93%	29 p	29 p	-4 p
Total nonperforming loans	**1.74%**	**1.50%**	**1.75%**	**24 p**	**24 p**	**-1 p**
Gross provisions	96,247	127,529	87,261	-24.5%	-24.5%	10.3%
Write-offs	(9,345)	(37,377)	(10,112)	-75.0%	-75.0%	-7.6%
Credit risk provisions	**86,902**	**90,152**	**77,149**	**-3.6%**	**-3.6%**	**12.6%**
Provisions - consumer (% total)	21,096	20,264	18,535	4.1%	4.1%	13.8%
Provisions - mortgage (% total)	1,159	1,075	1,270	7.8%	7.8%	-8.7%
Provisions - commercial (% total)	64,647	68,813	57,344	-6.1%	-6.1%	12.7%
Credit risk provisions	**86,902**	**90,152**	**77,149**	**-3.6%**	**-3.6%**	**12.6%**
Coverage - consumer	323.3%	323.9%	308.2%	-65 p	-65 p	1501 p
Coverage - mortgage	17.4%	18.2%	21.5%	-79 p	-79 p	-405 p
Coverage - commercial	80.5%	101.3%	77.2%	-2075 p	-2075 p	330 p
Coverage - total nonperforming loans[1]	**93.0%**	**112.5%**	**89.5%**	**-1956 p**	**-1956 p**	**346 p**
Provisions / loans	1.62%	1.69%	1.57%	-7 p	-7 p	5 p
Provision expenses[2] / loans	0.39%	0.78%	0.52%	-38 p	-38 p	-13 p

[1] Stock of credit risk provisions/ Stock of nonperforming loans
[2] Credit risk provisions net of recovery of charged-off loans

As of March 2019, Banco Security's risk index reached 1.62%, +5 b.p. YoY and -7 b.p. QoQ. The 90-day nonperforming loans portfolio reached 1.74%, -1 b.p. YoY and +24 b.p. QoQ. The resulting NPL coverage ratio was 93.0%. During 1Q18, several customers were added to the nonperforming loan portfolio that had large guarantees and, therefore, required smaller provisions.

The ratio of provisions net of recovery to total loans for 1Q19 was 0.39% (-13 b.p. YoY and -38 b.p. YoY) due to a strong performance from the commercial banking division's portfolio during the quarter. The fourth quarter of 2018 represents a high basis of comparison for provision expenses due to impairment of some customers from the electric power segment.

	Credit Risk (%)								
	Provisions / Loans					Over 90 Day Nonperforming Loans			
	Mortgage	Consumer	Total	Commercial	Total	Mortgage	Consumer	Commercial	Total
Banco Security	0.19	4.11	1.98	1.53	1.62	1.09	1.27	1.90	1.74
Medium Banks*	0.20	3.20	1.20	1.56	1.49	0.58	0.83	0.95	0.89
Banking system	0.75	6.57	2.72	2.28	2.45	2.35	2.15	1.72	1.94

*Average for BICE, Security, Consorcio

Banco Security - Funding Sources

Funding Sources							% Chg	
In MCH$	Mar-19		Dec-18		Mar-18		QoQ	YoY
Demand deposits	700,160	10.1%	654,815	9.4%	619,866	9.6%	6.9%	13.0%
Time deposits	2,802,883	40.6%	2,965,403	42.8%	2,944,289	45.5%	-5.5%	-4.8%
Total deposits	3,503,043	50.7%	3,620,218	52.2%	3,564,155	55.0%	-3.2%	-1.7%
Bonds	2,215,796	32.1%	2,205,499	31.8%	1,852,245	28.6%	0.5%	19.6%
Interbank loans	238,362	3.5%	223,071	3.2%	185,584	2.9%	6.9%	28.4%
Other liabilities*	378,778	5.5%	308,677	4.5%	330,581	5.1%	22.7%	14.6%
Total Liabilities	**6,335,979**	**92%**	**6,357,465**	**92%**	**5,932,565**	**92%**	**-0.3%**	**6.8%**
Equity	572,116	8.3%	577,647	8.3%	543,058	8.4%	-1.0%	5.4%
Liabilities + Equity	**6,908,095**	**100%**	**6,935,112**	**100%**	**6,475,623**	**100%**	**-0.4%**	**6.7%**

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

o Demand and Time Deposits

As of March 2019, deposits totaled CH$3,503,043 million, -1.7% YoY and -3.2% YTD. For the industry, loans fluctuated +4.3% YoY and 2.1% YTD. Including foreign subsidiaries, this figure varied +6.5% YoY and 2.1% YTD. Banco Security's time deposits consisted of 34.8% retail deposits and 65.2% institutional deposits. The 15 largest depositors[4] represent 25.1% of the Bank's total deposits. The loan to deposit ratio was 153% as of March 2019, compared to 136% as of March 2018.

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[5], striving to diversify funding sources while applying strict limits to asset/liability mismatches, maintaining liquid assets and lengthening liabilities to increase funding terms. It is important to note that the Bank's exposure from asset and liability mismatches is among the industry's lowest. As of March 2019, the ratio of long-term interest rate risk to regulatory capital was 3.4%[6]. As of March 31, 2019, liquid assets[7] represented 46% of demand and other time deposits.

[4] Excludes stock brokerage companies.

[5] 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).

[6] This measures the exposure to changes in interest rates as a percentage of equity. Exposure to long-term interest rates is calculated as the sum of the differences by time band and currency of cash flows from banking books assets and liabilities, including amortization and interest, adjusted by a sensitivity factor as per table 2 of appendix 1 of Chapter III.B.2.2 of the Chilean Central Bank's compendium of financial standards.

[7] Includes cash and cash deposits, transactions pending settlement and the portfolio of financial instruments.

- ### Debt Issued

Series	SBIF Registration Number	SBIF Registration Date	Currency	Amount	Annual Interest Rate	Duration (Years)	Maturity
H1	3/2007	25-Jan-07	UF	3,000,000	3.00	23	1-Dec-29
M1	1/2009	19-May-09	UF	3,000,000	3.00	10.5	1-Jul-19
N1	1/2009	19-May-09	UF	3,000,000	3.00	105	1-Jul-19
R1	10/2011	6-Oct-11	UF	3,000,000	3.00	10	1-Jun-21
K2	1/2012	14-Mar-12	UF	4,000,000	3.25	10	1-Nov-21
K3	1/2013	26-Feb-13	UF	4,000,000	3.50	10	1-Nov-22
K4	10/2013	6-Nov-13	UF	5,000,000	3.60	10	1-Oct-23
B3	14/2014	9-Oct-14	UF	5,000,000	2.50	5	1-Jun-19
K5	14/2014	9-Oct-14	UF	5,000,000	2.75	10	1-Jun-24
B4	05/2015	1-Apr-15	UF	5,000,000	2.25	5	1-Jun-20
K6	05/2015	1-Apr-15	UF	5,000,000	2.75	10	1-Mar-25
K7	05/2015	1-Apr-15	UF	5,000,000	2.75	10	1-Sep-25
Z1	10/2015	1-Sep-15	CLP	75,000,000,000	5.25	5	1-Jul-20
B5	11/2016	3-Oct-16	UF	5,000,000	2.40	5	1-Aug-21
K8	12/2016	3-Oct-16	UF	5,000,000	2.80	10	1-Oct-26
Z2	13/2016	3-Oct-16	CLP	75,000,000,000	5.30	5.5	1-Feb-22
B6	6/2017	11-Jul-17	UF	5,000,000	2.25	5.5	1-Oct-22
X1	2/2018	2-Feb-18	USD	50,000,000	3.50	5	15-Jan-23
Z3	8/2018	9-May-18	CLP	75,000,000,000	4.80	5.5	1-Jun-23
K9	8/2018	9-May-18	UF	5,000,000	2.75	10.5	1-Jul-28
B7	8/2018	9-May-18	UF	4,000,000	2.20	5.5	1-Aug-23

Banco Security - Capitalization

As of March 2019, Banco Security's equity attributable to equity holders of the parent totaled CH$572,057 million (+5.4% YoY and -1.0% YTD). For some years now, Banco Security has been preparing for the implementation of Basel III. In line with this objective, on December 21, 2017, Banco Security completed a capital increase of CH$50,000 million, issuing 17,523,256 new shares at a value of approximately CH$2,853 per share.

In Ch$ Millions	Mar-19	Dec-18	Mar-18	% Chg QoQ	% Chg YoY
Capital	302,047	302,047	302,047	0.0%	0.0%
Reserves and valuation accounts	29,084	25,897	28,868	12.3%	0.7%
Retained earnings	240,927	249,643	212,086	-3.5%	13.6%
Equity attributable to equity holders of bank	**572,057**	**577,588**	**543,000**	**-1.0%**	**5.4%**
Tier I (core capital)	572,057	577,588	543,000	-1.0%	5.4%
Regulatory capital	768,615	774,770	741,820	-0.8%	3.6%
Minimum required capital	480,243	468,961	432,163	2.4%	11.1%
Risk-weighted assets	6,003,031	5,862,013	5,402,043	2.4%	11.1%
BIS ratio	12.80%	13.22%	13.73%	-41 p	-93 p
Core capital / total assets	7.75%	7.79%	7.88%	-5 p	-13 p

The Bank's capital adequacy ratio as of March 2019, calculated as regulatory capital over risk-weighted assets, reached 12.80% (with a regulatory minimum of 8%), -93 b.p. YoY and -41 b.p. YTD. The ratio of core capital to total assets reached 7.75%, -13 b.p. YoY and -5 b.p. YTD. Both ratios fell from one year to the next as a result of growth in assets, driven by greater total loans (+8.9% YoY and +0.3% YTD).

FACTORING SECURITY

For 1Q19, Factoring Security reported profit of CH$2,186 million (+7.9% YoY), due to greater operating income of CH$8,481 million, (+CH$1,166 million, +15.9% YoY), because of a larger volume of factored receivables (CH$351,743 million as of March 2019, +18.9% YoY and -2.4% YTD), partially offset by a smaller spread. This was not fully offset by increased operating expenses, which reached CH$2,235 million (+25.8% YoY), due to higher banking costs because of a larger volume of factored receivables, nor by increased operating expenses of CH$3,078 million, +10.2% YoY), because of increased commercial activity.

For 1Q19, Factoring Security reported profit of CH$2,186 million (+2.3% QoQ), due to greater operating income of CH$7,929 million, (+CH$601 million, +7.6% QoQ), explained by a larger average volume of factored receivables during the quarter, partially offset by a smaller spread. In addition, operating expenses reached CH$2,235 million (-15.2% QoQ) due to lower banking costs in line with lower QoQ inflation. These effects were not fully offset by higher operating expenses of CH$3,078 million (+3.6% QoQ), because of increased commercial activity.

The efficiency ratio reached 44.4% as of March 2019, +27 b.p. YoY and +365 b.p. QoQ. The risk ratio, measured as provisions over total loans, was 2.25% as of March 2019 (64 b.p. YoY and +8 b.p. QoQ).

In Ch$ Million	1Q19	4Q18	1Q18	% Chg YTD ó QoQ	% Chg YoY
Factored receivables	351,743	360,251	295,883	-2.4%	18.9%
Provisions	7,929	7,844	8,576	1.1%	-7.5%
Gross operating income	8,481	7,881	7,316	7.6%	15.9%
Operating expenses	-2,235	-2,636	-1,777	-15.2%	25.8%
Support expenses	-3,078	-2,972	-2,793	3.6%	10.2%
Profit for the period	**2,186**	**2,136**	**2,025**	**2.3%**	**7.9%**
Efficiency ratio	44.4%	40.8%	44.2%	365 p	27 p
Risk ratio	2.25%	2.18%	2.90%	8 p	-64 p

INSURANCE BUSINESS AREA (24.9% of assets; 19.7% of profit from business areas as of March 2019)

The insurance business area reported profit of CH$5,271 million. This area includes the insurance company Vida Security and Servicios Security, the holding that groups the insurance brokerage (Corredora de Seguros Security) and assistance business (Europ Assistance).

VIDA SECURITY

For 1Q19 Vida Security reported profit attributable to the equity holders of the parent of CH$5,197 million (-18.9% YoY).

Gross written premiums totaled CH$66,397 million (-31.4% YoY). This reduction with respect to last year can be explained by the expiration of contract No. 5 for disability and survivor insurance (DSI). The company was not awarded new fractions under contract No. 6[8]. This was partially offset by greater annuity sales and greater premiums from individual and group insurance.

For 1Q19, the subsidiary recorded a larger variation in technical reserves (-CH$16,156 million versus -CH$430 million for 1Q18), particularly in individual insurance, due to improved returns from equity investments in the CUI and APV portfolios and increased gross written premiums, partly offset by increased claims paid (surrenders and transfers from CUI and APV accounts). Claims and pensions paid totaled CH$67,905 million (-14.5% YoY), due to the expiration of DSI contract No. 5, offset in part by increased pensions paid due to greater annuity sales. Finally, underwriting expenses totaled CH$4,150 million (+10.7% YoY), reflecting increased commercial activity in the individual product line.

This all explains the contribution margin as of March 2019 (-CH$22,730 million versus -CH$6,490 million for 1Q18).

[8] See page 17, section "Disability and Survivor Insurance" for more details on this product line.

This was partly offset by greater investment income of CH$40,319 million (+71.5% YoY), attributable to better returns on equity investments, mainly in the CUI and APV investment portfolios, as markets performed well during the period. Improved returns on the CUI and APV investment portfolio are counterbalanced by greater variations in technical reserves. The subsidiary reported administrative expenses of CH$10,299 million (+7.8% YoY), reflecting increased commercial activity. Finally, exchange differences totaled -CH$1,081 million (CH$708 million in 1Q19), while the gain on indexed assets and liabilities was +CH$21 million in 1Q19, up from a loss of -CH$931 million in 1Q18, because the Bank had more indexed liabilities than indexed assets and inflation was lower than last year.

In MCH$	1Q19	4Q18	1Q18	% Chg. QoQ	% Chg. YoY
Gross written premiums	66,397	67,828	96,792	-2.1%	-31.4%
Net premiums written	**65,566**	**66,116**	**77,368**	**-0.8%**	**-15.3%**
Variation in technical reserves	-16,156	6,799	-430	-	-
Claims paid	-23,904	-11,979	-35,902	99.5%	-33.4%
Pensions paid	-44,001	-51,495	-43,533	-14.6%	1.1%
Underwriting expenses	-4,150	-4,745	-3,749	-12.5%	10.7%
Medical expenses	-11	-23	-8	-51.5%	45.7%
Insurance impairment	-73	-47	-236	55.3%	-69.0%
Contribution Margin	**-22,730**	**4,626**	**-6,490**	**-**	**-**
Administrative expenses	-10,299	-8,677	-9,557	18.7%	7.8%
Investment income	40,319	23,851	23,505	69.0%	71.5%
Exchange differences	-1,081	-1,514	708	-28.6%	-
Gain (loss) on indexed assets and liabilities	21	-794	-931	-	-
Profit for the period	5,197	18,739	6,406	-72.3%	-18.9%
Administrative ratios					
(1) (Claims paid + pension paid)/ Net written premiums	103.6%	96.0%	102.7%	756 p	90 p
(2) Administrative expenses/ Net written premiums	15.7%	13.1%	12.4%	258 p	335 p
(3) Underwriting expenses/ Net written premiums	6.3%	7.2%	4.8%	-85 p	148 p
Combined Ratio (1) + (2) + (3)	125.6%	116.3%	119.9%	930 p	574 p
(4) Profit / Net written premiums	7.9%	28.3%	8.3%	-2042 p	-35 p

For 1Q19, Vida Security posted profit of CH$5,197 million (-72.3% QoQ). Gross written premiums totaled CH$66,397 million (-2.1% QoQ), explained by decreased gross written premiums in individual and group policies, which were only partially offset by increased gross written premiums in annuities. There was a smaller variation in technical reserves in 1Q19 (-CH$16,156 million versus +CH$6,799 million in 4Q18) because of greater investment income from the CUI and APV portfolios, partially offset by increased claims paid (surrenders and transfers from CUI and APV accounts) and reduced gross written premiums for CUI and APV policies. In addition, in the first quarter this subsidiary reported a rise in claims and pensions paid (+7.0% QoQ), explained by an increase in pensions paid because of greater annuity sales. Underwriting expenses totaled -CH$4,150 million for 1Q19 (-12.5% QoQ). Investment income reached CH$40,319 million (+69.0% QoQ), attributable to better returns on equity investments, mainly in the CUI and APV investment portfolios, as markets performed well during the period. Improved returns on the CUI and APV investment portfolio are counterbalanced by greater variations in technical reserves. Finally, exchange differences totaled -CH$1,081 million for 1Q19, up from- CH$1,514 in 4Q18, while the gain on indexed assets and liabilities was +CH$21 million for 1Q19, up from a loss of -CH$794 million for 4Q18, because the Bank had more indexed liabilities than indexed assets and inflation was lower than 4Q18.

Results by Product Line

- ### Individual Insurance (38.6% of gross written premiums as of March 2019)

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 gross written premiums to an individual investment account that invests in mutual funds or portfolios managed by the company. Based on figure 601 in the financial statements of Vida Security, it includes product lines 101-112 and 425 and excludes line 107.

The contribution margin totaled -CH$11,652 million for 1Q19, down from CH$3,275 million in 1Q18. Gross written premiums reached CH$25,657 million as of March 2019 (+18.5% YoY) due to greater gross written premiums from insurance with savings components. The variation in technical reserves was -CH$15,652 million, down from CH$2,137 million in 1Q18, due to improved returns from equity investments in the CUI and APV portfolios and increased gross written premiums, partly offset by increased claims paid (surrenders and transfers from CUI and APV accounts). Claims paid totaled -CH$18,079 million (+5.0% YoY), explained by increased surrenders and transfers from CUI and APV policies. Underwriting expenses totaled -CH$2,460 million in 1Q19 (+7.6% YoY), explained by increased commercial activity.

As of March 2019, CUI and APV policies represent 87.1% of total individual insurance premiums.

Individual Insurance In MCH $	1Q19	4Q18	1Q18	% Chg. QoQ	% Chg. YoY
Gross written premiums	25,657	28,807	21,654	-10.9%	18.5%
Net premiums written	**25,276**	**28,507**	**21,098**	**-11.3%**	**19.8%**
Variation in technical reserves	-15,652	5,096	2,137	-	-
Claims paid	-18,079	-17,703	-17,213	2.1%	5.0%
Pensions paid	-728	-630	-455	15.5%	60.0%
Underwriting expenses	-2,460	-3,053	-2,285	-19.4%	7.6%
Medical expenses	-8	-18	-7	-53.1%	18.8%
Insurance impairment	0	0	0	-	-
Contribution Margin	**-11,652**	**12,198**	**3,275**	-195.5%	-455.8%
Claims rate (1)	74.4%	64.3%	83.7%	1010 p	-934 p
Underwriting expense rate (2)	9.7%	10.7%	10.8%	-98 p	-110 p

(1) Claims paid/ Net written premiums

(2) Underwriting expense/ Net written premiums

In 1Q19, the contribution margin from individual insurance was a loss of -CH$11,652 million, down from CH$12,198 million for 4Q18. Gross written premiums fell 10.9% QoQ to CH$25,657 million due to reduced gross written premiums from CUI and APV policies. The variation in technical reserves for 1Q19 was -CH$15,652 million, down from CH$5,096 million in 4Q18, due to improved returns from equity investments in the CUI and APV portfolios, partly offset by decreased gross written premiums and greater claims paid (surrenders and transfers from CUI and APV accounts). This product line reported claims paid of CH$18,079 million for 1Q19 (+2.1% QoQ), explained by greater surrenders and transfers from CUI and APV funds. Underwriting expenses totaled -CH$2,460 million for 1Q19, -19.4% QoQ.

- **Family Protection** (2.6% of gross written premiums as of March 2019)

Family protection insurance covers the insured party's family group in the event of death or disability, depending on the terms of the policy. Based on figure 601 in the Vida Security financial statements, it includes product line 107.

Family Protecction In MCH$	1Q19	4Q18	1Q18	% Chg. QoQ	 YoY
Gross written premiums	1,702	1,826	1,682	-6.8%	1.2%
Net premiums written	**1,702**	**1,826**	**1,681**	**-6.8%**	**1.3%**
Variation in technical reserves	-29	-31	-5	-	-
Claims paid	-400	-569	-413	-29.6%	-3.2%
Pensions paid	0	0	0	-	-
Underwriting expenses	-593	-680	-482	-12.8%	23.0%
Medical expenses	0	0	0	-	-
Insurance impairment	0	0	0	-	-
Contribution Margin	**680**	**547**	**780**	24.5%	-12.8%
Claims rate (1)	23.5%	31.1%	24.6%	-764 p	-109 p
Underwriting expense rate (2)	34.8%	37.2%	28.7%	-242 p	615 p

(1) Claims paid/ Net written premiums

(2) Underwriting expense/ Net written premiums

The contribution margin was CH$680 million in 1Q19 (-12.8% YoY and +24.5% QoQ). Gross written premiums totaled CH$1,702 million for 1Q19 (+1.2% YoY and -6.8% QoQ). Claims paid reached -CH$400 million in 1Q19 (-3.2% YoY and -29.6% QoQ). Underwriting expenses totaled -CH$593 million for 1Q19 (+23.0% YoY and -12.8% QoQ).

- **Group Insurance** (27.7% of gross written premiums as of March 2019)

Group Insurance In MCH$	1Q19	4Q18	1Q18	% Chg. QoQ	 YoY
Gross written premiums	18,387	19,627	16,752	-6.3%	9.8%
Net premiums written	**18,073**	**19,021**	**16,309**	**-5.0%**	**10.8%**
Variation in technical reserves	-474	71	-344	-	-
Claims paid	-10,279	-9,401	-10,007	9.3%	2.7%
Pensions paid	0	0	0	-	-
Underwriting expenses	-945	-895	-878	5.6%	7.6%
Medical expenses	-3	-3	-1	-2.3%	280.1%
Insurance impairment	-78	-42	-236	-	-
Contribution Margin	**6,295**	**8,750**	**4,843**	-28.1%	30.0%
Claims rate (1)	56.9%	49.4%	61.4%	744 p	-449 p
Underwriting expense rate (2)	5.2%	4.7%	5.4%	53 p	-15 p

(1) Claims paid/ Net written premiums

(2) Underwriting expense/ Net written premiums

Group insurance is contracted by a company for its employees and may include life, health or credit life coverage, depending on the terms of the policy. Based on figure 601 in the financial statements of Vida Security, it includes product lines 202-213 and 302-313.

The contribution margin for 1Q19 totaled CH$6,295 million (+30.0% YoY), thanks to greater gross written premiums (CH$18,387 million in 1Q19, +9.8% YoY), mainly from health policies and credit life coverage for consumer loans, which was partly offset by greater claims paid (-CH$10,279 million for 1Q19, +2.7% YoY) on health policies and credit life coverage for consumer loans. Underwriting expenses totaled -CH$945 million, +7.6% YoY.

For 1Q19, the contribution margin reached CH$6,295 million (-28.1% QoQ), because of decreased gross written premiums of CH$18,387 million (-6.3% QoQ) from credit life coverage for consumer loans, and increased claims paid (-CH$10,279 million for 1Q19, +9.3% QoQ) from personal accident, health and disability policies.

- **Annuities** (30.7% of gross written premiums as of March 2019)

Workers that choose an annuity upon retirement turn over their retirement funds to an insurance company and receive in exchange a fixed, inflation-indexed monthly payment for the rest of their life and survivor pensions for their legal beneficiaries. Based on figure 601 in the financial statements of Vida Security, it includes product lines 421, 422 and 423[9].

When an annuity is sold, a reserve must be recognized in the company's liabilities, equivalent to the present value of the obligations to the retiree, which is recorded within the line item pensions paid. This results in an accounting loss in the income statement.

Annuities In MCH$	1Q19	4Q18	1Q18	% Chg. QoQ	 YoY
Gross written premiums	20,386	17,022	9,990	19.8%	104.1%
Net premiums written	**20,386**	**17,022**	**9,990**	**19.8%**	**104.1%**
Variation in technical reserves	0	0	0	-	-
Claims paid	0	0	0	-	-
Pensions paid	-37,465	-33,433	-25,616	12.1%	46.3%
Underwriting expenses	-153	-118	-104	30.2%	47.0%
Medical expenses	0	-2	0	-	-
Insurance impairment	0	0	0	-	-
Contribution Margin	**-17,232**	**-16,530**	**-15,731**	**4.2%**	**9.5%**
Underwriting expense rate (1)	0.8%	0.7%	1.0%	6 p	-29 p

(1) Claims paid/ Net written premiums

The contribution margin for annuities was -CH$17,232 million in 1Q19 (+9.5% YoY and +4.2% QoQ). Gross written premiums reached CH$20,386 million for 1Q19 (+104.1% YoY and +19.8% QoQ). Pensions paid reached -CH$37,465 million in 1Q19 (+46.3% YoY and +12.1% QoQ).

- **Disability and Survivor Insurance (DSI)** (0.4% of gross written premiums as of March 2019)

DSI In MCH$	1Q19	4Q18	1Q18	% Chg. QoQ	 YoY
Gross written premiums	264	546	46,715	-51.6%	-99.4%
Net premiums written	**129**	**-259**	**28,291**	-	-99.5%
Variation in technical reserves	0	1,663	-2,218	-	-
Claims paid	4,854	15,694	-8,268	-69.1%	-
Pensions paid	-5,808	-17,432	-17,463	-66.7%	-66.7%
Underwriting expenses	0	0	0	-	-
Medical expenses	0	0	0	-	-
Insurance impairment	5	-5	0	-	-
Contribution Margin	**-821**	**-339**	**342**	-	-

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[10]. 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 variation in technical reserves corresponds to reserve adjustments required after applying regulatory tests.

[9]This also includes line 424 from the SVS, which corresponds to the old Disability and Survivor's system defined in Circular 528 (C-528). As March 2019, this line contributes to Vida Security only CH $475 million in pensions paid.

[10] http://www.spensiones.cl/portal/orientacion/580/w3-article-3024.html

In the fifth DSI bidding process organized by the AFPs, valid from July 2016 to June 2018, Vida Security was awarded two fractions for men and two for women. The sixth tender for SIS insurance for the next 24-month period (July 1, 2018 to June 30, 2020) was concluded on April 26, 2018, and Vida Security was not awarded any segments.

The contribution margin for DSI totaled -CH$ 821 million in 1Q19 (versus CH$342 million in 1Q18). For 1Q19, net premiums written totaled CH$129 million (-99.5% YoY), claims and pensions paid reached -CH$954 million (-96.3% YoY), and the variation in technical reserves was CH$0 million (CH$2,218 million in 1Q18), all attributable to the expiration of contract No. 5.

The contribution margin for DSI totaled -CH$821 million for 1Q19 (versus -CH$ 339 million for 4Q18). For 1Q19, net premiums written totaled CH$129 million (-CH$259 million in 4Q18), claims and pensions paid reached -CH$954 million (-45.1% QoQ), and the variation in technical reserves was CH$0 million (CH$1,663 million for 4Q18).

Administrative Expenses - Vida Security

In MCH$	1Q19	4Q18	1Q18	% Chg QoQ	% Chg YoY
Payroll	-3,643	-3,852	-3,382	-5.4%	7.7%
Distribution Channel expenses	-1,074	-518	-1,277	107.5%	-15.9%
Other	-5,581	-4,307	-4,898	29.6%	13.9%
Total administrative expenses	-10,299	-8,677	-9,557	**18.7%**	**7.8%**

For 1Q19, Vida Security reported administrative expenses of CH$10,299 million (+7.8% YoY) because of an increase in other administrative expenses, which totaled CH$5,581 million (+13.9% YoY), and a rise in payroll expenses, which reached CH$3,643 million (+7.7% YoY), due to increased commercial activity. Distribution channel expenses totaled CH$1,074 million (-15.9% YoY).

For 1Q19, Vida Security reported administrative expenses of CH$10,299 million (+18.7% QoQ), explained by an increase in other administrative expenses, which totaled CH$5,581 million for 1Q19 (+29.6% QoQ) and increased distribution channel expenses of CH$1,074 million (+107.5% QoQ), partially offset by reduced personnel expenses, which totaled CH$3,643 million (-5.4% QoQ).

Investment Income - Vida Security

Investment income reached CH$40,319 million (+71.5% YoY), attributable to better returns on equity investments mainly in the CUI and APV investment portfolios, as markets performed well during the period. Improved returns on the CUI and APV investment portfolio are counterbalanced by greater variations in technical reserves.

The investment portfolio for CUI and APV policies totaled CH$517,003 million as of March 2019, +6.4% YoY.

Investment Stock Ch$ Million	mar-19	dic-18	mar-18	% Chg QoQ	% Chg YTD	% Chg YoY	Stock % mar-19
Fixed Income	1,745,859	1,766,645	1,674,851	-1.2%	4.2%	4.2%	70.0%
Equities and indexes	494,355	458,426	467,606	7.8%	5.7%	5.7%	19.8%
Real estate	228,534	229,938	229,729	-0.6%	-0.5%	-0.5%	9.2%
Other investments	23,663	24,469	47,844	-3.3%	-50.5%	-50.5%	0.9%
Investment Stock	**2,492,411**	**2,479,478**	**2,420,029**	**0.5%**	**3.0%**	**3.0%**	

Investment Income In Ch$ Million	1Q19	4Q18	1Q18	% Chg QoQ	% Chg YoY
Fixed Income	19,126	18,250	20,023	4.8%	-4.5%
Equities and indexes	17,649	-10,644	-835	-	-
Real estate	3,328	3,328	3,132	0.0%	6.3%
Other investments	216	12,916	1,185	-98.3%	-81.8%
Investments Income	**40,319**	**23,851**	**23,505**	**69.0%**	**71.5%**

Exchange Differences and Gain (Loss) from Indexed Assets and Liabilities

Exchange differences totaled -CH$1,081 million in 1Q19 (CH$708 million in 1Q18 and CH$1,514 million for 4Q18). The subsidiary posted a gain from indexed assets and liabilities of +CH$21 million in 1Q19 (-CH$931 million in 1Q18) and a loss of -CH$794 million for 4Q18, because the Bank had more indexed liabilities than indexed assets and inflation was higher than last year.

ASSET MANAGEMENT BUSINESS AREA (2.6% of assets; 5.4% of profit from business areas as of March 2019)

The asset management business area includes Administradora General de Fondos Security and Valores Security Corredores de Bolsa. It also includes Securitizadora Security, which manages securitized assets and their respective special purpose vehicles (SPVs). This business area complements the product range offered by the rest of the Group's companies, providing services tailored to the needs of each customer segment. The products and services offered by this business area include mutual funds, investment funds and voluntary pension savings (APV), foreign currency and forwards, stocks, portfolio management and international investments.

In Ch$ Million	3M19	2018	3M18	% Chg QoQ	% Chg YoY
Assets under management (AUM)	4,717,507	4,383,489	4,839,158	7.6%	-2.5%
Mutual funds under management	2,681,921	2,496,079	2,797,621	7.4%	-4.1%
Market share - mutual funds	6.8%	6.6%	7.6%	21 p	-73 p

In Ch$ Million	1Q19	4Q18	1Q18	% Chg QoQ	% Chg YoY
Value of shares traded	612,451	505,313	753,921	21.2%	-18.8%
Market share - equities brokerage	4.1%	3.7%	5.1%	35 p	-106 p
Operating income	9,398	10,102	10,473	-7.0%	-10.3%
Non-operating income	1,331	1,439	963	-7.6%	38.1%
Total expenses	-8,619	-8,883	-9,184	-3.0%	-6.2%
Efficiency ratio	80.3%	77.0%	80.3%	337 p	3 p
Fund management	1,228	1,961	1,437	-37.4%	-14.6%
Equity, currency and fixed income brokerage, portfolio mgt and Int´l business (*)	450	209	398	115.7%	13.0%
Securitization	-224	2,110	74	-	-
Profit - Asset Management	**1,453**	**4,280**	**1,909**	**-66.0%**	**-23.9%**

'(*) Includes results from support areas (Asesorías y Global Security)

The subsidiary's AUM as of March 2019 totaled CH$4,717,507 million, -2.5% YoY and +7.6% YTD. Mutual funds under management totaled CH$2,681,921 million, -4.1% YoY and +7.4% YTD, with a market share of 6.8%. The area reported total value of shares traded of CH$612,451 million, with market share of 4.1%.

For 1Q19, the asset management area reported profit of CH$1,453 million (-23.9% YoY), attributable to lower operating income of CH$9,398 million (-10.3% YoY), reflecting decreased transactional revenue at Valores Security and a lower average volume of mutual funds during the period. Securitizadora Security and Inmobiliaria CasaNuestra also reported weaker results. These effects were only partially offset by a drop in total expenses, which reached CH$8,619 million (-6.2% YoY), because of reduced commercial activity and greater non-operating income of CH$1,331 million (+CH$367 million, +38.1% YoY), explained by improved returns from Valores Security's fixed-income proprietary trading portfolio.

The asset management area had profit of CH$1,453 million for 1Q19 (-66.0% QoQ), due to weaker results from Securitizadora and Inmobiliaria CasaNuestra (-CH$224 million in 1Q19, -CH$2,334 million QoQ). The fourth quarter of 2018 represents a high basis of comparison because of the placement of preferential securitized bonds and their respective mezzanine series. The area also reported lower operating income of CH$9,398 million (-7.0% QoQ), due to less revenue from distributing foreign funds with alternative investment strategies. In addition, it reported decreased non-operating income of CH$1,331 million (-7.6% QoQ). These effects were only partially offset by an increase in transactional income at Valores Security and a drop in total expenses, which reached CH$8,619 million (-3.0% QoQ).

OTHER SERVICES BUSINESS AREA (1.3% of assets; 1.0% of profit from business areas as of March 2019)

This business area includes the operations of Travel Security and Inmobiliaria Security, which offer non-financial products and services that complement Grupo Security's offering and are directed towards the same target markets.

INMOBILIARIA SECURITY

Inmobiliaria Security posted 1Q19 profit of -CH$395 million, (-CH$127 million YoY and -CH$1,400 million QoQ) due to ownership being transferred on fewer units. Ownership was transferred on 3 units in 1Q19, versus 7 units in 1Q18. In quarterly terms, ownership was transferred on 8 units in 4Q18. Inmobiliaria Security signed apartment purchase promise agreements totaling UF 187,000 in 1Q19 (+36.2% YoY) and UF 282,000 in 4Q18 (-33.6% QoQ). It is important to note that there is a lag between a sale and revenue recognition. Under IFRS, revenue is recognized once legal title to the property has been transferred.

Real estate assets under management totaled CH$85,203 million, +14.7% YoY and +0.0% QoQ, due to capitalization of projects under development.

In Ch$ Million	1Q19	4Q18	1Q18	% Chg YTD ó QoQ	% Chg YoY
Real estate assets under management	85,203	85,202	74,290	0.0%	14.7%
Total income	204	1,439	114	-85.8%	78.6%
Total expenses	-570	-527	-366	8.2%	-
Profit before tax	-366	912	-252	-	-
Profit for the period	**-395**	**1,005**	**-268**	**-**	**-**

TRAVEL AGENCY: TRAVEL SECURITY

Travel Security reported profit of CH$896 million for 1Q19, +43.3% YoY, explained by the CH$65 YoY drop in the average/US$ exchange rate and decreased operating expenses due to heightened efficiency.

Travel Security reported profit of CH$896 million for 1Q19, -9.5% QoQ, explained by the CH$11 QoQ drop in the average CH$/US$ exchange rate, partially offset by reduced operating expenses due to heightened efficiency.

	1Q19	4Q18	1Q18	% Chg QoQ	% Chg YoY
Total sales - Travel (MUSD)	64	68	65	-5.9%	-1.7%
Net operating income (MCH$)	1,354	1,386	942	-2.3%	43.8%
Profit for the period - Travel (MCH$)	**896**	**990**	**625**	**-9.5%**	**43.3%**

INTERNATIONAL BUSINESS AREA (3.1% of assets; 2.3% of profit from business areas as of March 2019)

The international business area reported profit attributable to the equity holders of CH$606 million. This area consolidates 61% of Protecta Security as of November 2018. Protecta Security is a Peruvian life insurance company focused on annuities that was acquired in September 2015, and marks Grupo Security's entrance into the Peruvian financial market. This area also consolidates 75% of Travex Security, the group's travel agency in Peru.

Protecta Security

Protecta Security reported profit of S./ 1.1 million for the quarter ended March 2019, up from S./ 0.3 million for 1Q18, due to reduced claims and a drop in acquisition costs for annuities.

Protecta Security reported annuity sales of S./ 48.4 million as of March 2019 (+21.2% YoY). For the same period, the Peruvian life insurance industry had total sales of S./ 242.5 million (+25.4% YoY). In early 2016, Peruvian legislators approved a law that allows individuals paying into the pension system to withdraw up to 95.5% of their savings when they retire. In this context, Protecta Security's market share in annuities has risen from 5.3% as of Sep-15 to 20.0% as of Mar-19. Investment income totaled S./ 21.1 million, (+0.3% YoY) and administrative expenses reached S./ 8.1 million (+10.0% YoY).

In March 2018 a capital increase of S./ 25 million was approved and carried out by Protecta Security. Then a second capital increase for Protecta Security of S./ 45 million was approved and completed during the last quarter of 2018, in order to strengthen its capital base and support its growth plans.

Travex Security

Travex Security, Travel Security's Peruvian travel agency subsidiary, recorded sales of US $17 million (-5.6% YoY and +7.0% QoQ) and profit of CH$115 million for 1Q19 (+2.4% YoY and -30.1% QoQ).

RISK RATINGS

	Grupo Security	Banco Security	Vida Security	Factoring Security	Inv. Previsión Security
FitchRatings (local)	A+	AA-	AA-	A+	A+
ICR (local)	AA-	AA	AA	AA-	A+
Standard & Poors (international)		BBB/A-2			

BONDS ISSUED BY GRUPO SECURITY

Series	Registration Number	Registration Date	Currency	Amount	Annual Interest Rate	Duration (Years)	Maturity
F	620	9/15/2009	UF	51,468	4.50	23	9/15/2032
K	763	6/30/2013	UF	3,000,000	4.00	25	6/30/2038
L3	795	10/9/2014	UF	3,000,000	3.40	21	11/15/2035
M	842	10/25/2016	UF	1,189,000	4.20	25	10/15/1941
N1	885	1/31/2018	UF	1,500,000	2.85	25	12/10/2042
Total			**UF**	**8,740,468**			

For more information on debt issued by subsidiaries of Grupo Security, please see the financial liability notes in the financial statements.

Returns and Dividends

On October 3, 2018, Grupo Security's board approved a dividend of CH$4.5 per share. This consists of an additional dividend of CH$2.6 per share charged to profit for 2017 and an interim dividend of CH$1.9 per share charged to profit for the current year.

On April 29, 2019, Grupo Security shareholders approved a dividend payment of CH$7.45 per share charged to profit for the year 2018. This dividend and the interim dividend distributed in October 2018 total CH$11.95 per share, equivalent to CH$44,155 million, or 55% of profit for the year 2018.

Grupo Security's dividend yield, calculated as dividends per share, divided by the average share price when each dividend was distributed for the corresponding year, amounted to 4.4% in 2018. For 1Q19, Grupo Security's stock reported a return of -4.5%, underperforming the S&P/CLX IPSA (-3.0%).

1Q19 EARNINGS CONFERENCE CALL

Grupo Security's first quarter earnings report will be explained in a conference call led by the Company's Investor Relations team on Thursday, June 6, 2019. A transcript of the call will be available on our website. For more information, please contact the Investor Relations Team at relacioninversionistas@security.cl.

GRUPO SECURITY

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

Safe Harbor

This report contains results of the different business units, which are not guarantees of future results and are subject to significant risks and uncertainty. They may be affected by a number of unforeseen factors such as changes in global economic conditions, changes in market conditions, regulatory changes, actions by competitors and operational and financial risks inherent to the financial services business.

APPENDICES

1. Financial Statements and Indicators – Assets

Assets In Ch$ Millions	**December, 31 2018**	**March, 31 2019**
Current assets		
Cash and cash equivalents	472,890	489,880
Other financial assets, current	3,412,740	3,288,483
Other non-financial assets, current	50,224	34,386
Trade and other receivables, current	5,833,242	5,852,458
Accounts receivable from related parties, current	48,248	52,186
Inventories	86,581	95,339
Current tax assets	39,257	43,149
Total current assets other than assets or disposal groups classified as held for sale or held for distribution to owners	**9,943,182**	**9,855,881**
Non-current assets or disposal groups classified as held for sale or held for distribution to owners	1,234	3,301
Total non-current assets classified as held for sale or held for distribution to owners	**1,234**	**3,301**
Total current assets	**9,944,416**	**9,859,182**
Non-current assets		
Other non-financial assets, non-current	119,878	169,708
Equity-accounted investments	3,875	2,764
Intangible assets other than goodwill	37,811	38,451
Goodwill	119,067	119,067
Property, plant and equipment	51,733	51,356
Investment property	214,170	230,982
Deferred tax assets	51,738	47,648
Total non-current assets	**598,272**	**659,976**
Total assets	**10,542,688**	**10,519,158**

2. Financial Statements and Indicators - Liabilities and Equity

Liabilities and Equity In Ch$ Millions	December, 31 2018	March, 31 2019
Other financial liabilities, current	6,217,422	6,008,732
Trade and other payables	2,597,213	2,615,863
Accounts payable to related parties, current	995	2,037
Other short-term provisions	124,325	125,327
Current tax liabilities	22,810	28,975
Employee benefit provisions, current	9,258	7,586
Other non-financial liabilities, current	146,415	193,419
Total current liabilities	**9,118,439**	**8,981,939**
Non-current liabilities		
Other financial liabilities, non-current	578,311	586,497
Accounts payable, non-current	92,877	172,405
Accounts payable to related parties, non-current	3,323	3,323
Deferred tax liabilities	697	492
Total non-current liabilities	**675,208**	**762,716**
Total liabilities	**9,793,647**	**9,744,655**
Equity		
Issued Capital	431,784	431,676
Retained earnings	353,948	358,570
Shaere premium	611	719
Other reserves	(57,847)	(43,497)
Equity attribuable to equity holders of parent	**728,495**	**747,468**
Non-controling interests	20,545	27,035
Total equity	**749,040**	**774,503**
Total liabilities and equity	**10,542,688**	**10,519,158**

3. Financial Statements and Indicators - Consolidated Statement of Income

Consolidated statement of income (MCh$)	March, 31 2018	March, 31 2019
Revenue	267,157	262,200
Cost of sales	(181,567)	(165,741)
Gross profit	**85,590**	**96,459**
Ganancias que surgen de la baja en cuentas de activos financieros medidos al costo amortizado	0	0
Pérdidas que surgen de la baja en cuentas de activos financieros medidos al costo amortizado	0	0
Other income	992	782
Distribution costs	0	0
Administrative expenses	-54,970	-57,325
Other expenses	(1,298)	(2,905)
Other gains	395	650
Finance income	4	4
Finance costs	(3,176)	(3,589)
Share of profit (loss) of associates and joint ventures, equity-accounted	109	-404
Exchange differences	4,325	-164
Gain (loss) on indexed assets and liabilities	-1,955	66
Gains arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	809	442
Profit before tax	**30,824**	**34,017**
Income tax benefit (expense)	(7,593)	(9,239)
Profit (loss) from continuing operations	**23,231**	**24,777**
Profit (loss) from discontinued operations	0	0
Profit (loss) for the period	**23,231**	**24,777**
Profit (loss) attributable to		
Profit (loss) attributable to equity holders of the parent	23,568	21,158
Profit (loss) attributable to non-controlling interests	-337	3,620
Profit (loss) for the period	**23,231**	**24,777**
Depreciation and amortization	2,201	2,735
Ebitda	**36,201**	**40,341**

4. Segment Note - Grupo Security YoY

Segment Note - Grupo Security	**Lending and Treasury**		**Asset Management**		**Insurance**		**International Business**		**Other Services**		**Consolidation Adjustments, Support Areas and Group Expenses**		**Total Grupo Security**	
In MCH$	**Mar-18**	**Mar-19**	**Mar-18**	**Mar-19**	**Mar-18**	**Mar-19**	**Mar-18**	**Mar-19**	**Mar-18**	**Mar-19**	**Mar-18**	**Mar-19**	**Mar-18**	**Mar-19**
Revenue	107,520	105,682	13,963	13,504	138,823	109,672	-	33,472	8,993	8,335	-2,142	5,627	267,157	262,200
Cost of sales	-56,334	-47,972	-3,502	-3,313	-117,266	-90,176	-	-20,045	-4,205	-4,136	-261	-315	-181,567	-165,741
Gross profit	51,186	57,710	10,461	10,191	21,557	19,495	-	13,427	4,788	4,199	-2,403	5,313	85,590	96,459
Other income	3	2	622	326	37	46	-	35	150	83	180	329	992	782
Administrative expenses	-28,065	-30,286	-8,621	-8,040	-14,428	-12,549	-	-8,901	-4,073	-3,294	216	-8,157	-54,970	-57,325
Other expenses	-831	-1,695	-299	-566	-85	-61	-	-468	-81	-6	-2	-103	-1,298	-2,905
Other gains (losses)	0	0	47	27	43	119	-	213	117	-50	188	357	395	650
Finance income	0	0	0	0	4	4	-	0	0	0	0	0	4	4
Finance costs	0	0	-92	-133	-7	-9	-	-72	-396	-320	-2,681	-3,091	-3,176	-3,589
Share of profit (loss) of associates and joint ventures, equity-accounted	1	0	0	0	110	-31	-	-368	-1	-1	-1	-5	109	-404
Exchange differences	4,212	291	-15	-286	42	-384	-	143	137	71	-51	0	4,325	-164
Gain (loss) from indexed assets and liabilities	0	0	16	6	-620	21	-	0	-25	-3	-1,326	43	-1,955	66
Gains (losses) arising from the difference between the prior carrying amount and the fair value of financial assets reclassified at fair value	590	172	219	269	0	0	-	0	0	0	0	0	809	442
Profit (loss) before tax	27,095	26,195	2,339	1,794	6,651	6,652	-	4,010	618	680	-5,879	-5,314	30,824	34,017
Income tax benefit (expense)	-6,104	-7,059	-429	-340	-824	-1,295	-	-54	-233	-235	-2	-256	-7,593	-9,239
Profit (loss) from continuing operations	20,991	19,136	1,910	1,453	5,827	5,357	-	3,956	384	445	-5,881	-5,570	23,231	24,777
Profit (loss) attributable to														
Profit (loss) attributable to equity holders of the parent	20,985	19,132	1,909	1,453	6,302	5,271	-	606	251	261	-5,881	-5,570	23,568	21,158
Profit (loss) attributable to non-controlling interest	5	4	1	0	-474	86	-	3,349	133	184	-2	0	-337	3,620
Profit (loss) for the period	20,991	19,136	1,910	1,453	5,827	5,357	-	3,956	384	445	-5,881	-5,570	23,231	24,777

5. Grupo Security Consolidated Statement of Cash Flows

Statement of Cash Flows	Mar-18	Mar-19
For the periods ended June 30, 2018 and 2017	**MM$**	**MM$**
Net cash flows provided by (used in) operating activities	(1,254)	44,572
Net cash flows used in investing activities	(17,225)	(441)
Net cash flows used in financing activities	(16,947)	(27,186)
Increase (decrease) in cash and cash equivalents before effect of exchange rate changes	**(35,427)**	**16,945**
Effect of changes in exchange rates on cash and cash equivalents	(16)	45
Net increase (decrease) in cash and cash equivalents	**(35,443)**	**16,990**
Cash and cash equivalents at beginning of period	**599,767**	**472,890**
Cash and cash equivalents at end of period	**564,325**	**489,880**

6. Quarterly Statement of Income

Quarterly Earnings		3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Revenue	M Ch$	289,948	297,596	267,157	288,363	248,661	219,957	262,200
Cost of sales	M Ch$	(209,449)	(213,764)	(181,567)	(207,311)	(161,998)	(122,228)	(165,741)
Gross profit	M Ch$	80,499	83,832	85,590	81,052	86,663	97,729	96,459
Administratie expenses	M Ch$	(53,096)	(51,225)	(54,970)	(61,607)	(50,600)	(49,784)	(57,325)
Operating income	M Ch$	29,934	33,469	30,708	19,784	37,058	45,384	37,661
Finance costs	M Ch$	(3,474)	(2,989)	(3,176)	(3,145)	(4,245)	(4,271)	(3,589)
Profit before tax	M Ch$	24,158	27,385	30,824	17,288	28,244	31,536	34,017
Profit attributable to equity holders of parent	M Ch$	17,704	21,047	23,568	13,528	20,728	22,725	21,158
EBITDA[1]	M Ch$	29,922	32,512	36,201	22,783	34,956	37,849	40,341

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

8. Financial and Business Indicators

Activity levels		31-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19
Cash (Grupo Security Standalone)	$ millions	30,719	102,046	61,088	40,538	13,126	55,052
Total Assets	$ millions	9,841,301	9,931,584	10,156,853	10,158,868	10,542,688	10,519,158
Total Liabilities	$ millions	9,118,775	9,201,314	9,433,211	9,427,080	9,793,647	9,744,655
Total Equity	$ millions	722,526	730,270	723,642	731,787	749,040	774,503

Leverage Ratios		31-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19
Individual leverage ratio [1]	Times	0.293	0.358	0.346	0.355	0.345	0.345
Consolidated financial expenses[2]	Times	8.60	10.71	8.61	8.23	8.27	10.48

Profabilty		31-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19
Revenue	$ millions	1,177,768	267,157	555,520	804,181	1,024,138	262,200
Profit attributable to equity holders of the company	$ millions	74,708	23,568	37,095	57,823	80,548	21,158
EBITDA	$ millions	121,856	36,201	58,984	93,940	131,788	40,341
Return of equity [3]	%	11.58%	12.38%	11.61%	11.11%	11.24%	10.71%
Return on assets[4]	%	0.78%	0.84%	0.77%	0.80%	0.79%	0.76%
Earnings per share[5]	$	21.75	22.86	20.77	21.38	21.82	21.15
Number of shares	$ millions	3,683	3,695	3,695	3,695	3,695	3,695

1. Individual leverage ratio: Defined as the quotient between the sum of Grupo Security's individually considered leverage and total consolidated equity, defined in Note 38 to Grupo Security's Consolidated Financial Statement.
2. Financial expense coverage: Defined as the sum of profit before tax and finance costs divided by finance costs.
3. Return on equity: Defined as the quotient between profit attributable to controlled properties LTM and average equity attributable to controlled properties.
4. Return on assets: Defined as the quotient between profit attributable to controlled companies LTM and total average assets.
5. Earnings per share: Defined as the quotient between profit attributable to controlled companies LTM and the weighted average number of shares LTM.

Grupo Security's total consolidated assets were CH$10,520,238 million as of March 2019, -0.2% YTD. Of that total, 55.6% are trade and other receivables, primarily the Bank's loan portfolio. As of March 2019, this item reached CH$5,852,456 million, +0.3% YTD, driven by 0.3% YTD growth in loans as explained on pages 8 and 9.

Furthermore, 31.3% of total assets are other current financial assets. This line item primarily includes the investment portfolio for the insurance subsidiary's technical reserves and the Bank's portfolio of financial instruments. As of March 2019, other current financial assets totaled CH$3,288,483 million (-3.6% YTD) due to a 14.8% YTD decrease in the Bank's current financial assets, which fell to CH$869,504 million. This effect was not offset by the 1.1% YTD increase in the investment portfolio for the insurance subsidiary's technical reserves, which totaled CH$2,418,103 million as of March 2019, in keeping with business growth and portfolio returns.

As of March 2019, total consolidated liabilities reached CH$9,745,735 million, -0.5% YTD. Of those, 61.7% are other current financial liabilities, which include the Bank's time deposits and current accounts, as well as debt issued by the Bank or the Group. As of March 2019, other current financial liabilities totaled CH$6,008,904 million, -3.4% YTD, because of a decrease in savings accounts and time deposits at the Bank, as explained on pages 8 and 9.

Of total liabilities, 26.8% were trade and other payables, which are primarily the technical reserves of Vida Security and Protecta Security. As of March 2019, trade payables reached CH$2,614,611 million, +0.7% YTD, due to the 2.5% YoY increase in life insurance technical reserves, which totaled CH$2,527,433 million, because of increased reserves at Vida Security, mainly due to improved returns on equity investments in the CUI and APV portfolio and greater annuity sales during the period, as explained on pages 13, 14, 16 and 17 of this report. There were also greater reserves at Protecta Security, in line with greater sales of annuities and private annuities, as discussed on page 20 of this report.

Grupo Security's total equity amounted to CH$ 774,503 million as of March 2019, +3.4% YTD, because of profit for the period allocated to retained earnings.

The individual leverage ratio is defined in note 38 of Grupo Security's financial statements. Under the bondholder protection covenant, the individual leverage ratio may not exceed 0.4 measured on its quarterly standalone statement of financial position. Leverage is defined as the ratio of standalone financial liabilities, as presented in the FECU disclosures, and total equity. As of March 2019, this ratio reached 0.35, +7 b.p. YTD.

Consolidated financial expense coverage is the sum of profit before tax and finance costs, divided by finance costs. The majority of finance costs for this indicator are interest and indexation expenses for Grupo Security bonds. As of March 2019, consolidated financial expense coverage was 10.5, -2.1% YoY, reflecting a 13.0% YoY increase in finance costs, which was partially offset by a rise of 10.4% YoY in profit before tax.

As of March 2019, revenue was CH$262,200 million, -1.9% YoY. Of this, 25.3% corresponds to gross written premiums from Vida Security, which fell 31.4% due to the expiration of contract No. 5 for Disability and Survivor Insurance (DSI), partially offset by increased annuity sales and larger gross written premiums for individual and group insurance, as explained on pages 12 to 18 of this report. In addition, 27.5% of revenue was from interest and indexation on Bank loans, which grew 8.9% YoY, as explained on pages 8 and 9. On the other hand, 13.8% of consolidated revenue corresponds to other income from interest earned mainly on Vida Security's investment portfolio, which had higher returns on equity investments in the CUI and APV portfolio because of strong market performances during the period, as mentioned on pages 18 and 19 of this report.

For 1Q19, profit attributable to the equity holders of the parent was CH$21,158 million, -10.2% YoY, while EBIDTA was CH$40,276 million, +11.3 YoY. As of March 2019, return on equity was 10.7% (-167 b.p. YoY) and return on assets was 0.76% (-8 b.p. YoY) with earnings per share of CH$21.1 (-7.5% YoY). These results can be explained by the results of Grupo Security and its subsidiaries, which are presented in detail throughout this report.

Market Information

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

Grupo Security is the parent company of a conglomerate of diversified companies engaged in the main sectors of the Chilean financial industry. Its subsidiaries Banco Security and Factoring Security provide lending services to companies and individuals. The subsidiary Seguros de Vida Security Previsión, Corredora de Seguros Security and Europ Assistance operate respectively in the life insurance and life annuity, insurance brokerage and travel assistance industries. Valores Security Corredora de Bolsa, Administradora General de Fondos Security and Securitizadora Security, complement the Group's offering of financial services by developing and distributing specialized financial products and personalized investment and asset management services. Starting in 4Q18, the international business area, which consists of the Peruvian subsidiaries Protecta Security and Travex Security, is reported separately.

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

BANKING INDUSTRY

As of March 2019, the Chilean banking industry was made up of 18 financial institutions, including 1 state-owned bank (Banco Estado), 13 domestic banks and 4 branches of foreign banks. As of that date, industry loans totaled CH$181,055,555 million (CH$166,009,169 million excluding foreign subsidiaries). Equity totaled CH$21,009,318 million while profit for the first quarter of 2019 was CH$600,779 million, with return on average equity of 12.0%. The industry reported an efficiency ratio of 47.5%, measured as operating expenses over gross operating profit, and 2.1%, measured as operating expenses over total assets. The banking system posted a risk ratio of 2.45%, measured as loan loss provisions to total loans, and 1.94%, measured as 90-day nonperforming loans to total loans. As March 2019, Banco Security had total loans of CH$5,362,225 million, positioning it 8th in total loans with 3.0% 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 March 2019, the mutual fund industry reported average assets under management of CH$39,215,179 million and 2,635,117 investors. Administradora General de Fondos Security boasted average assets under management of CH$2,681,921 million as of March 2019, giving it a market share of 6.8% and a fifth place industry ranking among the 20 fund managers operating in the market.

STOCK BROKERAGE INDUSTRY

During the first quarter of 2019, market activity measured as value of shares traded increased 2.4% in comparison to 1Q18, reaching CH$15,074 billion. Value of shares traded for Valores Security Corredores de Bolsa for the same period totaled CH$ 612 billion with market share of 4.1%. Market share is calculated based on transactions on Santiago Exchange and the Chilean Electronic Stock Exchange.

LIFE INSURANCE INDUSTRY

As of March 2019, there were 37 life insurance companies in Chile. Total gross written premiums for the industry were CH$1,568,295 million for the period. The life insurance industry posted profit of CH$98,217 million for the period ended March 2019. As of March 2019, Vida Security had market share of 4.2% based on gross written premiums.

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

Grupo Security participates in the insurance and services businesses through its investments in related companies, mainly Europ Assistance and in private investment funds through Inmobiliaria Security. As of December 2018, investments accounted for using the equity method in the Consolidated Statements of Financial Position represent approximately 0.04% 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 2018, equivalent to 1.13% of total assets.

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

Risk Factors

DEPENDENCE ON SUBSIDIARY RESULTS

Grupo Security is the ultimate parent company of a conglomerate of companies and receives its income from subsidiary profits. As of March 2019, Banco Security had distributed CH$ 43,591 million in dividends (60% of profit for the year 2018).

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

OTHER RISK FACTORS

Risks Associated with General Economic Performance

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

Competition in All Group Business Areas

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

Regulatory Changes

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

RISKS ASSOCIATED WITH THE FINANCIAL BUSINESS

Credit Risk

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

Market Risk

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

Risks Associated with International Financial Market Volatility

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

Interest Rate Risk

As of March 31, 2019, the company has loans at reasonable rates based on current market conditions.

Foreign Exchange Risk

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

Commodity Risk

As of March 31, 2019, Grupo Security does not have any significant assets or liabilities in commodities.

RISKS ASSOCIATED WITH THE INSURANCE BUSINESS

Local Financial Risks

Decreases in medium- and long-term interest rates could affect the performance of life annuity-backing assets and guaranteed-return investment accounts when investments with shorter maturities must be made, creating a medium-term operating deficit.

Mortality and Morbidity Rates

Increases in morbidity rates could cause the number of catastrophic claims to rise in the medium-term and the number of medical reimbursement claims to increase in the short term. If companies do not adjust to the new structure of the mortality curves, the decrease in adult mortality rates could negatively affect the income expected from the annuities area.

Industry Structure

The large number industry players can lead to company closures and mergers. Consequently, the current industry structure may vary, triggering adjustments to the structure of sales and operating margins.

Re-insurance Industry

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

Grupo Security Corporate Structure