



# Grupo Security Financial Results June 2020

August 31st, 5:30 p.m.

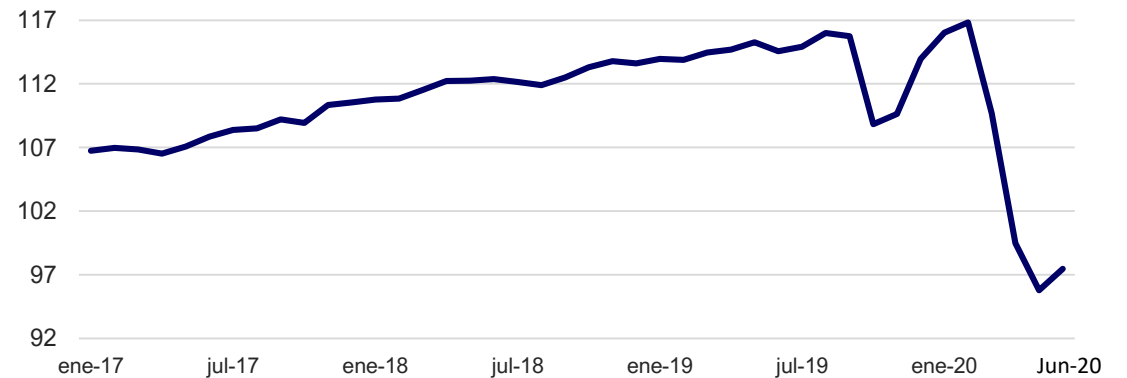
GRUPO | security

# Macroeconomic Recap 2020 - Summary and Outlook

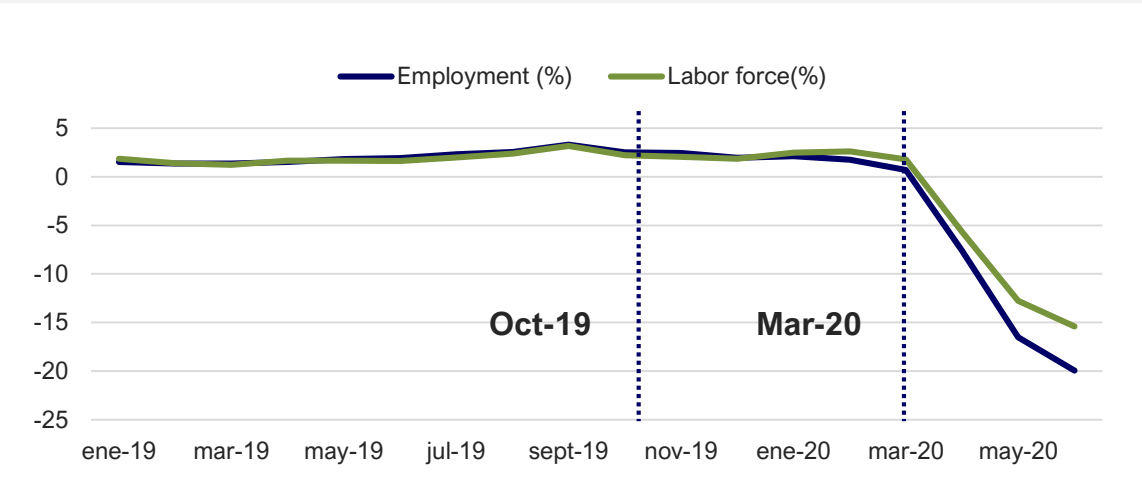


- \* GDP fell 14.1% YoY during 2Q20, reflecting effects of economic standstill.
- \* In the prior quarter, seasonally adjusted GDP was down 13%.
- \* June saw the first signs of recovery, with the Monthly Economic Activity Indicator (Imacec) rebounding with respect to May.
- \* We are predicting monthly improvements for the second half of the year.
- \* 2020: we forecast GDP will contract 5%.

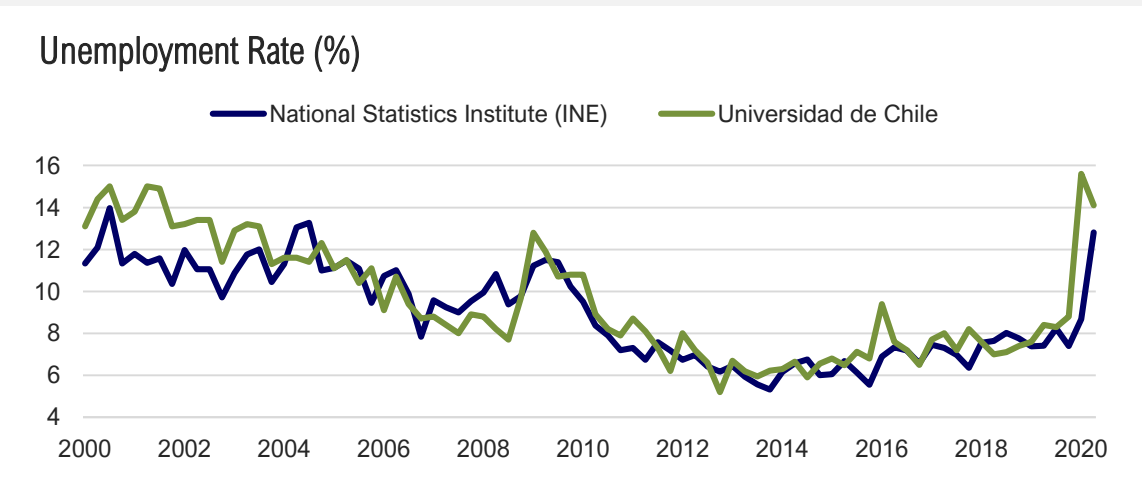
Non-mining Imacec (seasonally adjusted)



# Macroeconomic Recap 2020 - Summary and Outlook



- \* Deteriorated job market. Employment down 20.6% YoY in June (1 million 837 thousand jobs).
- \* Labor force shrunk 15.6% YoY.
- \* Unemployment rate climbed to 13.1%.
- \* By sector, the hardest hit were Trade, Construction, Restaurants and Hotels.
- \* Close to 700 thousand jobs have been suspended under the Employment Protection Act.

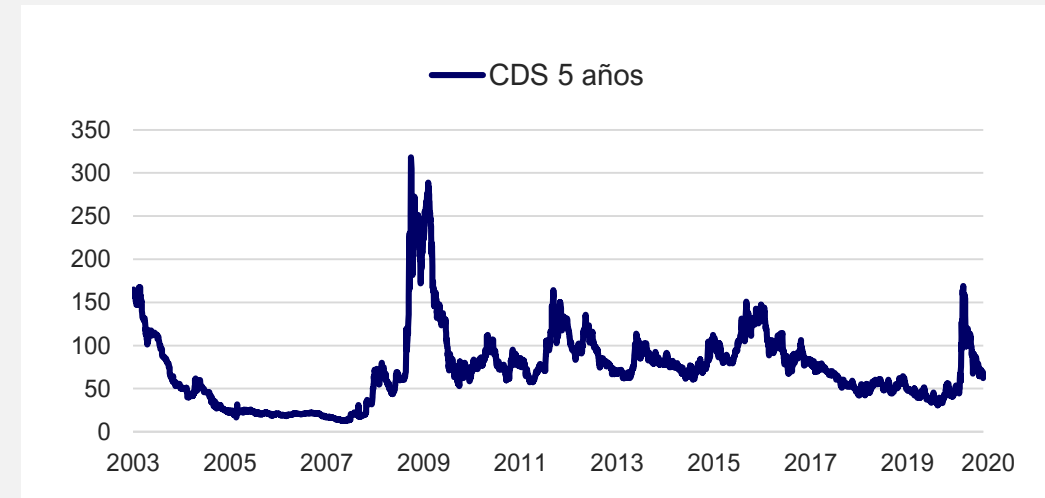
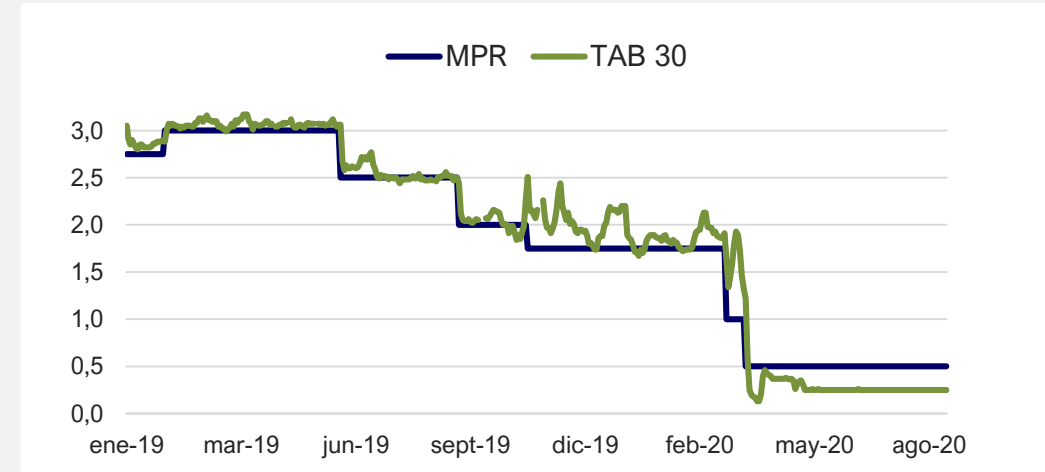




# Macroeconomic Recap 2020 - Summary and Outlook



- \* Swift response from economic authorities.
- \* MPR cut to 0.5% (technical minimum).
- \* Unconventional measures to ease liquidity in the financial system.
- \* Short-term interest rates: down in line with MPR.
- \* Long-term interest rates: Hovering around 2.5%, in response to unconventional measures, but with upward pressure in the mid-term due to fiscal deterioration.
- \* Local market risk premiums: peak in March. Part of that increase has been reversed by greater global risk appetite.
- \* However, we do not anticipate seeing pre-October levels again due to changes in fiscal pressure, indebtedness and the economy's growth dynamic.





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

## Corporate Expenses

- \* Group and support area expenses
  - \* Greater employee termination expenses
- \* Indexation and finance costs:
  - \* Higher inflation during the period
- \* Positive tax effects in 2Q20

## Lending

Profit **MCH 32,367**  
(-20.8% YoY)

- \* **Commercial Banking:** Reduced results due to higher provision expenses
- \* **Retail Banking:** Reduced results due to lower revenue and greater risk
- \* **Treasury:** Improved results due to higher operating income
- \* **Factoring:** Improved results due to better spread

## Asset Management

Profit **MCH \$2,035**  
(-32.3% YoY)

- \* **Valores and AGF Security:** Lower profit due to drop in returns from proprietary trading. Operating income in line with prior year.

## Insurance

Loss **-MCH \$1,584**  
(MCH\$11,677 June 2019)

- \* **Vida Security:** Reduced results due to lower investment income. Business lines on target with projections

## Other Services

Loss **-MCH \$2,084**  
(MCH\$500 June 2019)

- \* **Travel Security:** Reduced results due to public health crisis.
- \* **Inmobiliaria Security:** in process of transferring ownership on properties in order to recognize sales in profit/loss

## International Business

Loss **-MCH \$1,086**  
(MCH\$520 June 2019)

- \* **Protecta Security:** Weaker results due to fewer reserves released for claims incurred but not reported.

# Lending Area - Banco Security (Standalone)



**Profit:**  
MCH \$26,807  
-26.4% YoY

**Loans:**  
BCH\$ 6,225  
+13.3% YoY

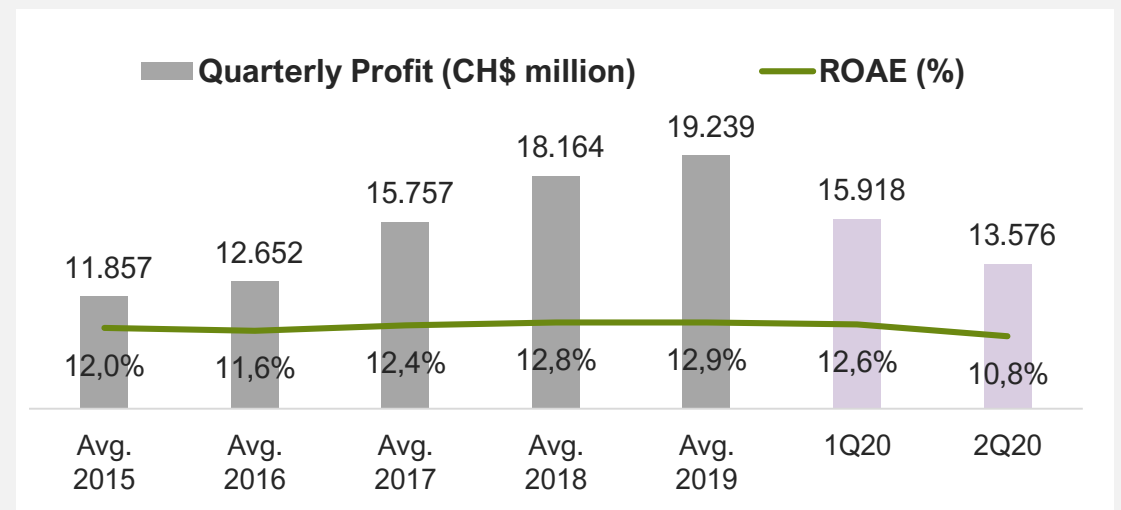
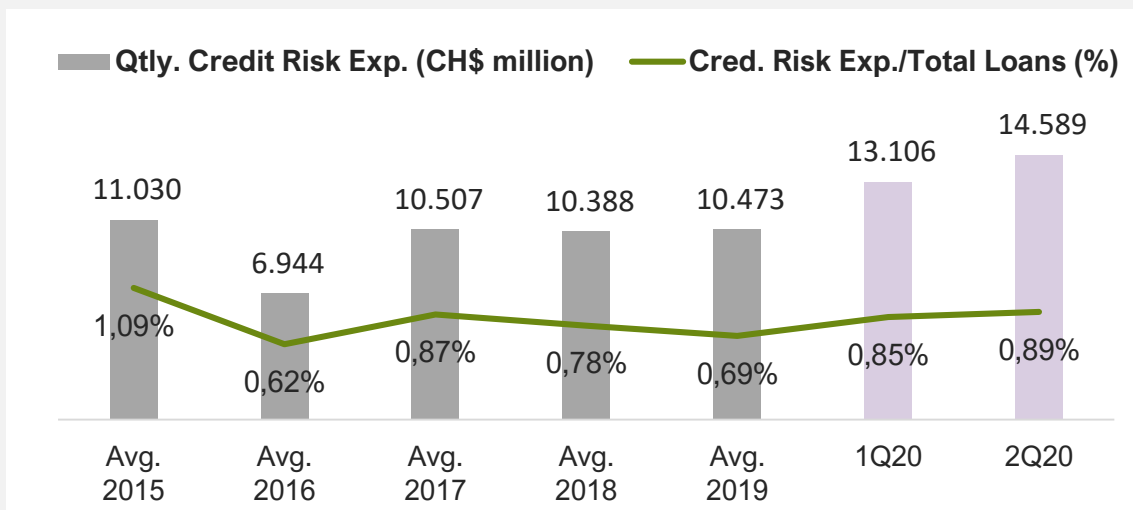
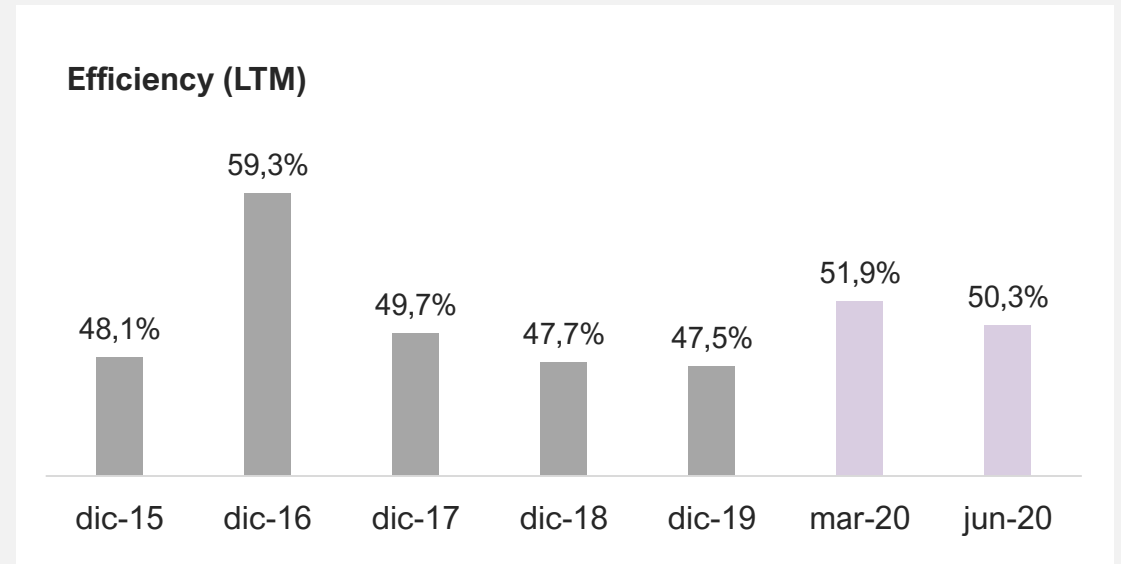
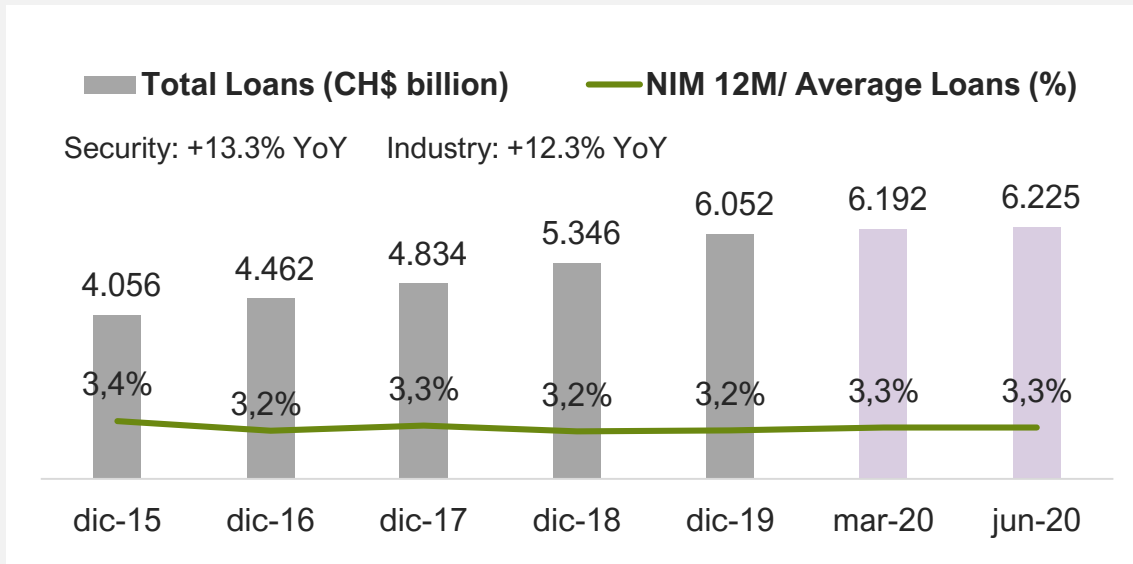
**Coverage:**  
89.6%  
-228 bps YoY

**NPL:**  
1.87%  
+18 bps YoY

MCH\$	Banco Security Segment Note			Commercial Banking			Retail Banking			Treasury		
	Jun-19	Jun-20	Var YoY %	Jun-19	Jun-20	Var YoY %	Jun-19	Jun-20	Var YoY %	Jun-19	Jun-20	Var YoY %
Net Interest Margin	45,996	49,571	7.8%	33,337	31,398	-5.8%	11,554	18,005	55.8%			
Net fees	10,188	10,407	2.1%	10,670	8,140	-23.7%	(149)	(103)	-30.6%			
Financial and FX transactions & other income	4,507	4,022	-10.8%	712	1,896	166.1%	5,635	3,273	-41.9%			
Loan losses and foreclosed assets	(3,110)	(15,308)	392.2%	(11,712)	(14,546)	24.2%	35	(67)	-			
<b>Total operating income</b>	<b>57,581</b>	<b>48,692</b>	<b>-15.4%</b>	<b>33,007</b>	<b>26,888</b>	<b>-18.5%</b>	<b>17,075</b>	<b>21,108</b>	<b>23.6%</b>			
Operating expenses	(19,085)	(21,468)	12.5%	(28,883)	(27,579)	-4.5%	(6,557)	(7,511)	14.6%			
Net operating income	38,496	27,224	-29.3%	4,124	(691)	-116.8%	10,518	13,597	29.3%			
<b>Profit attributable to equity holders</b>	<b>29,375</b>	<b>21,703</b>	<b>-26.1%</b>	<b>3,147</b>	<b>(551)</b>	<b>-117.5%</b>	<b>8,026</b>	<b>10,839</b>	<b>35.0%</b>			
Total loans (MCH\$)	4,330,707	5,026,821	16.1%	1,160,890	1,198,533	3.2%						
Provisions/ loans	1.43%	1.55%	11.6 p	1.97%	2.18%	21.1 p						
Non performing loans	1.83%	1.93%	9.9 p	1.12%	1.58%	45.9 p						
NPL Coverage	78.2%	80.2%	202.1 p	175.7%	138.1%	-3767.7 p						

Banco Security's main business areas. The column "other" must also be considered to reach the final result since it includes items that are not allocated to these areas.

# Lending Area - Banco Security Indicators (Consolidated)



<sup>1</sup>Excluding the industry's foreign subsidiaries



# Lending Area - Factoring Security

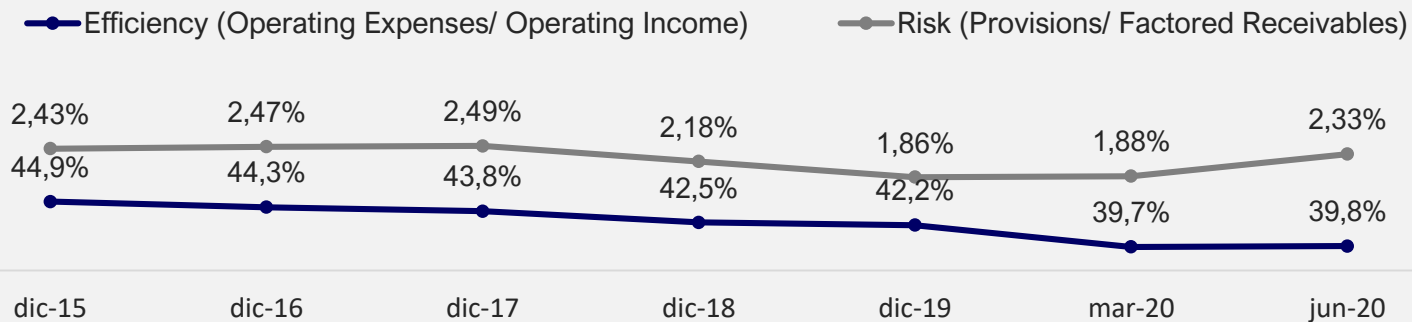
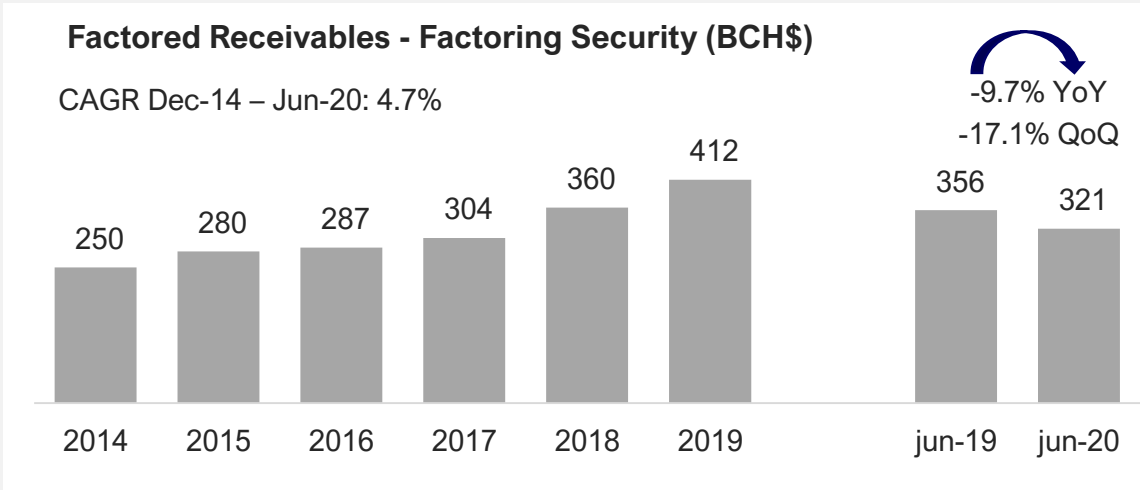
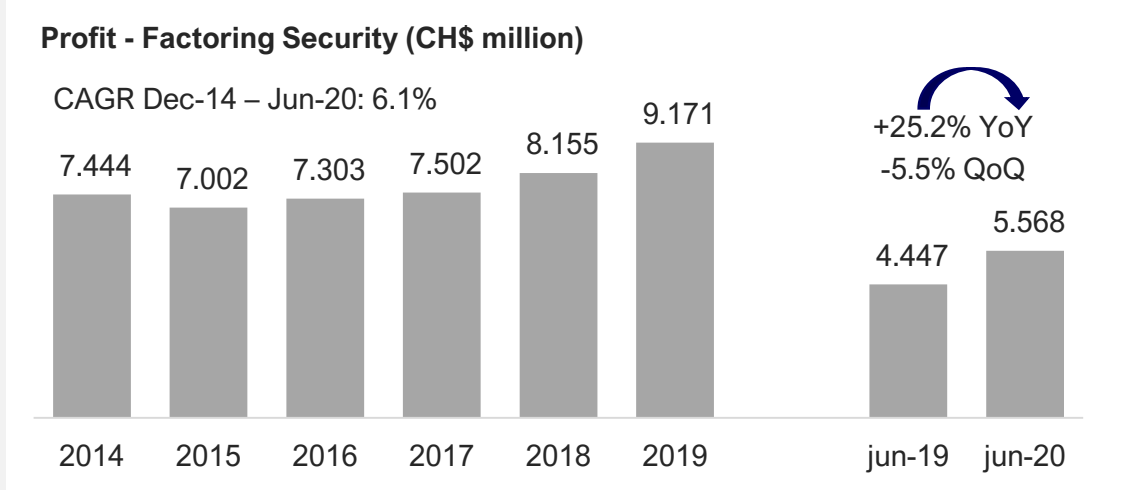


**Profit:**  
MCH \$5,568  
+25.2% YoY, -5.5% QoQ

**Loans:**  
MCH\$ 321,201  
-9.7% YoY, -17.1% QoQ

**Efficiency Ratio:**  
39.9%  
-241 bps YoY

**Risk:**  
2.33%  
+29 bps YoY



# Insurance Area - Vida Security



## Loss of -MCH\$1,992 for 1H20, versus MCH\$11,428 for 1H19

- Explained by investment income due to falling markets. It is important to mention that the insurance businesses are operating in line with projections for this year.

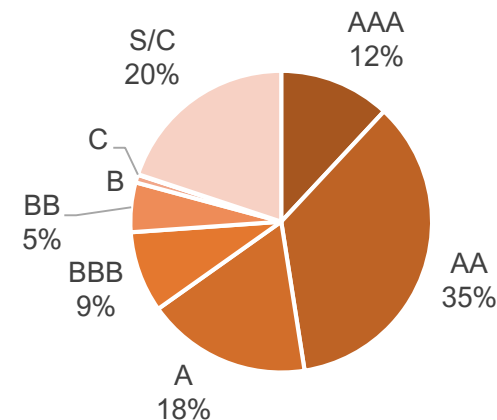
In MCH\$	Individual		Family Protection		Group Insurance		Annuities		DSI		Total	
	6M20	6M19	6M20	6M19	6M20	6M19	6M20	6M19	6M20	6M19	6M20	6M19
Gross written premiums	66,729	53,168	3,436	3,345	34,991	37,430	8,373	38,090	160	472	113,690	132,506
<b>Net premiums written</b>	<b>65,688</b>	<b>52,255</b>	<b>3,412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

# Insurance Area - Vida Security – Investment Income



- \* Lower investment income (-MCH\$22,810 for 1H20, vs MCH\$76,121 for 1H19), due to falling markets.
- \* Returns on equity instruments related to performance of the following benchmarks:
  - \* In dollars: S&P 500: -4.0% YTD; +20.0% QoQ
  - \* In CLP: IPSA: -15.2% YTD; +13.5% QoQ

Investment Portfolio by Risk Rating<sup>1</sup>



Investment Income In CH\$ million	Portfolio				Gain (Loss)			ROI	
	Jun-19	Jun-20	Δ YoY	%/Total	Jun-19	Jun-20	Δ YoY	Jun-19	Jun-20
Fixed Income	1,770,717	1,782,089	0.6%	67.8%	39,534	39,656	0.3%	4.5%	4.5%
Equities and indexes	493,912	578,988	17.2%	22.0%	30,142	-19,432	-164.5%	12.2%	-6.7%
Real estate	240,123	243,440	1.4%	9.3%	6,545	5,963	-8.9%	5.5%	4.9%
Other investments	31,837	22,701	-28.7%	0.9%	-100	-3,376	-	-0.6%	-29.7%
<b>Investments Income</b>	<b>2,536,589</b>	<b>2,627,217</b>	<b>3.6%</b>	<b>100.0%</b>	<b>76,121</b>	<b>22,810</b>	<b>-70.0%</b>	<b>6.0%</b>	<b>1.7%</b>
CUI Portfolio	528,211	552,722	4.6%	21.0%	24,529	-842	-103.4%	9.3%	-0.3%
Proprietary Portfolio	2,008,378	2,074,495	3.3%	79.0%	51,591	23,652	-54.2%	5.1%	2.3%

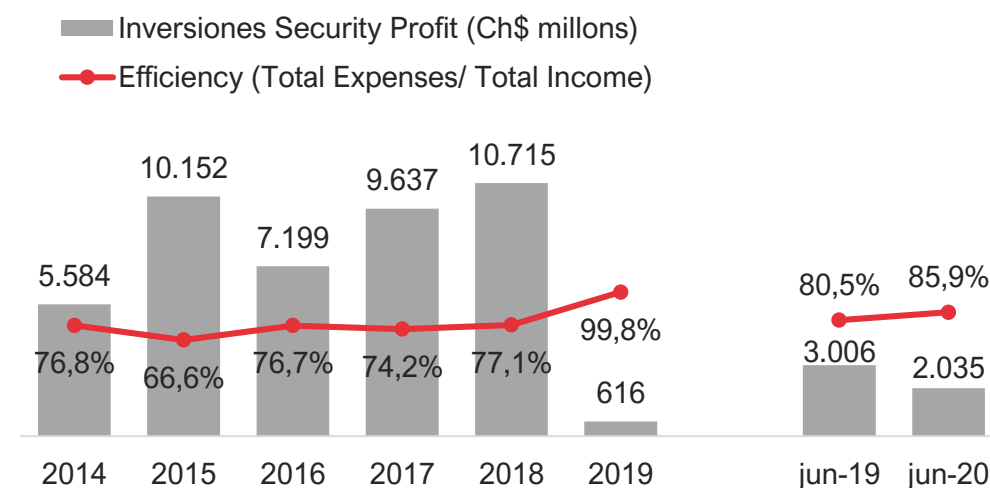
<sup>1</sup>Information as of Dec-19, CUI and Non-CUI Portfolios. Of unrated portfolio, 80% are mortgage bonds and leases. Source: FS Vida Security - Note 6

# Asset Management Area - Inversiones Security



<i>In MCH\$</i>	1Q20	2Q20	% Chg QoQ	6M19	6M20	% Chg
Operating income	9,623	8,978	-6.7%	18,591	18,601	0.1%
Funds income	6,417	5,672	-11.6%	12,038	12,089	0.4%
Transactional income	3,206	3,305	3.1%	6,552	6,512	-0.6%
Total expenses	-9,233	-7,975	-13.6%	-17,603	-17,208	-2.2%
Gross operating income	390	1,003	157.2%	988	1,393	41.0%
Non-operating income	625	811	29.8%	3,280	1,437	-56.2%
Income tax expense	-160	-85	-46.5%	-586	-245	-58.2%
<b>Profit - AGF &amp; Valores</b>	<b>855</b>	<b>1,729</b>	<b>102.1%</b>	<b>3,682</b>	<b>2,585</b>	<b>-29.8%</b>
Securitization & CasaNuestra	-385	-164	-	-676	-549	-
<b>Profit - Asset management</b>	<b>471</b>	<b>1,565</b>	<b>232.5%</b>	<b>3,006</b>	<b>2,035</b>	<b>-32.3%</b>

Inversiones Security - Area Profit (MCH\$)



# Asset Management Area - Inversiones Security

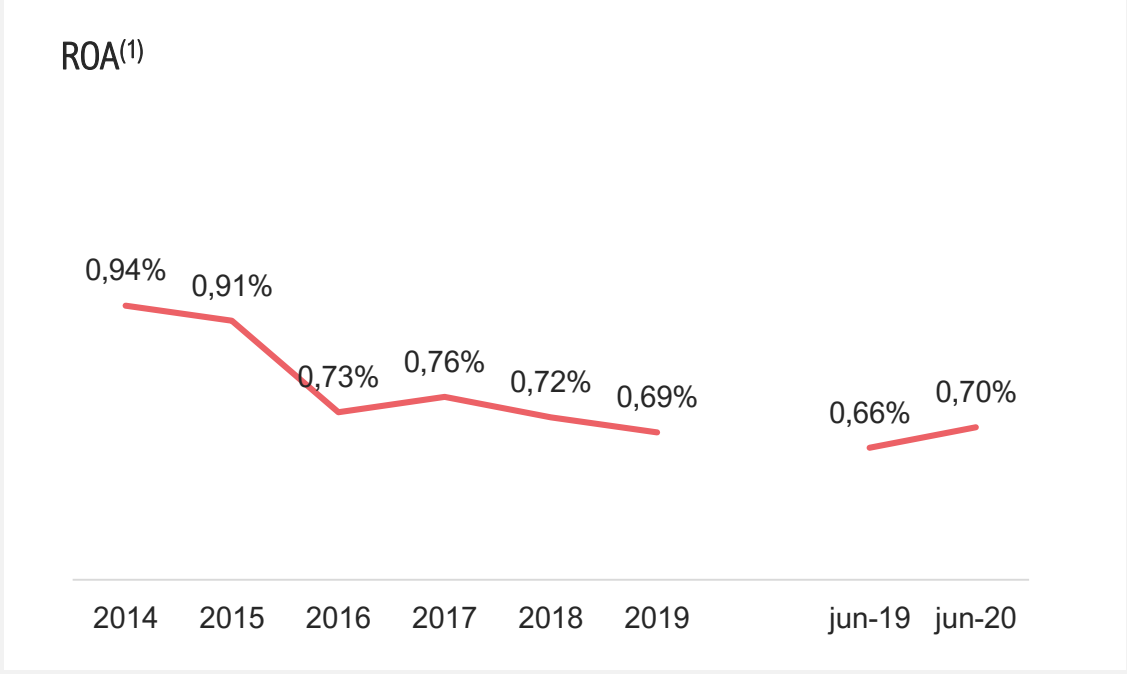
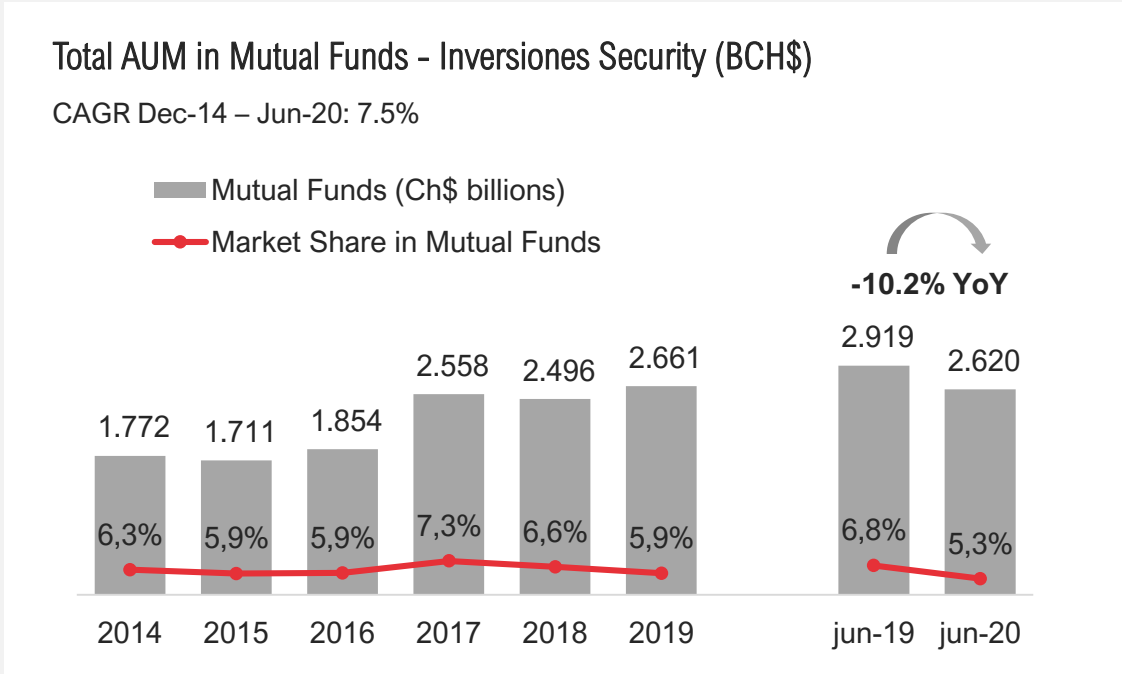


**AUM<sup>1</sup>**  
**BCH\$ 4,149**  
**-17.9% YoY**

**Operating Income**  
**MCH\$ 18,601 millones**  
**+0.1% YoY**

**6th Place**  
**5.3% market share**  
**Ranking MF**

1.- Includes AUM in: Mutual Funds, Investment Funds, Domestic and International Custody.



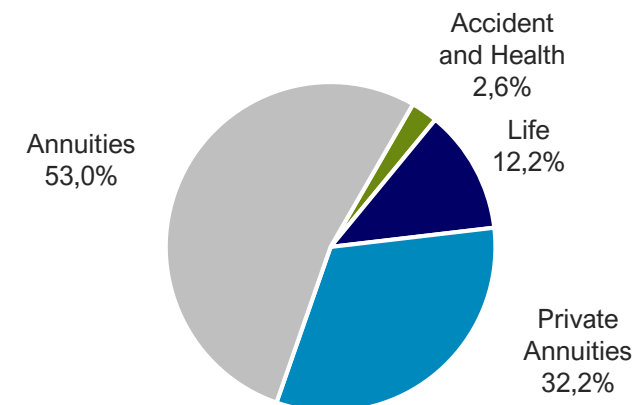
Notes: (1) ROA: Income over AUM (MF + IF).

# International Business Area - Protecta



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

Protecta – Direct Written Premiums by Product Line



**Protecta: Profit June 2020 MS./ 4.7 (MUS\$ 1.3), versus profit as of June 2019 of MS./ 8.9 (MUS\$ 2.7)**

- \* 25.1% market share in annuities as of June 2020
- \* Net premiums of MS./ 188.5 (+0.8% YoY), due to greater sales of annuities and private annuities
- \* Variation in technical reserves of MS./ 169.0 in as of June 2020 (+1.8% YoY), because of greater sales of annuities.
- \* Investment income of MS./ 57.7 for 1H20 (+0.2% YoY)

# Other Services Area - Travel and Inmobiliaria Security



INMOBILIARIA security



TRAVEL security

## Travel Security

- \* Loss of -MCH \$2,861 for 1H20 (-90.0% YoY and -94.1% QoQ), explained by impact of public health crisis on travel and tourism industry.
- \* Streamlining structure and shifting to digital sales model resulted in 32% of workforce being laid off.
- \* Implementing a fully integrated commercial and operations model in Chile and Peru

## Travel Perú

- \* Loss -MCH\$133 (vs MCH\$115 for 1Q19)
- \* Sales: MUS\$ 12 (-30.0% YoY, -17.9% QoQ)

## Inmobiliaria Security

- \* Loss -MCH\$ 514 for 1H20
- \* More deeds transferred on projects (18 deeds transferred in 1H20, 5 in 1H19)
- \* Real estate assets under management of MCH \$128,438 (+27.8% YoY)
- \* Projects under development:
  - \* 7 projects under development
  - \* 151 units available for sale

# Trends for Grupo Security - Indicators



\* Distributable profit for 1H20 MCH\$ 1,328 (-59.5% YoY)

	2014	2015	2016	2017	2018	2019	Jun-20	26-Aug-20*
Grupo Security Consolidated Profit (MCH\$)	61,010	65,022	74,522	74,708	80,548	81,156	55,665	
Closing Number of Shares (million)	3,234	3,258	3,258	3,683	3,695	3,695	3,695	4,017
Closing price	216	191	226	280	291	196	143	155
Closing Market Cap (MCH\$)	698,197	621,370	736,358	1,031,503	1,075,023	722,816	527,055	622,147
EPS (CH \$)	18.9	20.0	22.9	21.7	21.8	22.0	15.1	
PE (times)	11.4 x	9.6 x	9.9 x	12.9 x	13.3 x	8.9 x	9.5 x	11.2 x
Market Book Value (times)	1.34 x	1.13 x	1.26 x	1.46 x	1.48 x	0.94 x	0.69 x	0.79 x
Dividend Yield	5.2%	5.7%	5.1%	3.8%	4.5%	6.4%		
Leverage	36.1%	34.9%	34.5%	29.3%	34.5%	35.1%	34.5%	
ROAA	0.84%	0.80%	0.83%	0.78%	0.79%	0.72%	0.28%	
Equity	522,718	551,653	585,628	704,910	728,495	769,754	762,895	
Business Areas Profit (MCH\$)	97,563	92,201	102,133	91,485	117,162	109,888	29,649	
ROAE	12.3%	12.1%	13.1%	11.6%	11.2%	10.8%	4.6%	
Payout Ratio (Dividends/ Profit)	54.5%	57.6%	55.5%	57.3%	54.8%	43.9%		

\*Total equity and profit as of Jun-20



# Capital Increase



- \* The preferential option period (POP) took place between July 20th and August 19th.
- \* 415 million shares (11.23% increase)
- \* Roadshow August 3rd-7th
- \* Subscription 77.64% during preferential option period: 322,220,568 of new shares
- \* Amount raised in first round: \$51,555,290,880
  
- \* Remaining options: 92,779,432
- \* Options prorated per share: 0.287937646
- \* Amount to subscribe over 18 months: CH\$14,844,709,120
  
- \* Free float: from 26.75% to 27.74%



# Grupo Security Financial Results June 2020

August 31st, 5:30 p.m.



# Contingency

Operational continuity, safeguarding liquidity, cybersecurity and service quality



## Safeguarding Liquidity

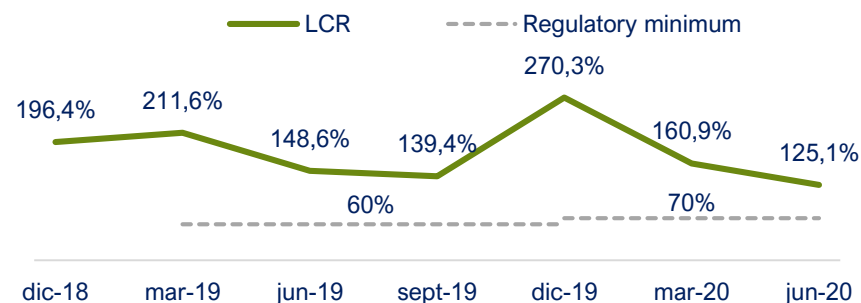
### Banco Security

- \* Use of funding lines from Chilean Central Bank: MCH \$656,000
- \* Credit Facility Conditional on Increased Lending (FCIC)
  - o Liquidity Credit Line (LCL): MCH \$106,000
  - o FCIC with pledge: MCH \$550,000

### Vida Security

- \* AST: sufficiency of UF 730,593 as of June 2020
- \* Investment surplus: MCH \$39,126 as of June 2020

## Banco Security - LCR



## Safeguarding cybersecurity

- \* Ongoing analysis of hardware and software weaknesses
  - o Ethical hacking exercises & review of source code
- \* 24/7 security and cybersecurity service
- \* Ethical phishing exercises conducted regularly

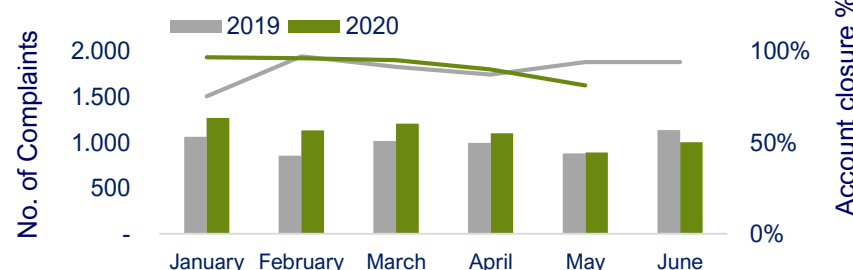
## High Percentage Working from Home Since Onset of Crisis

Month	Percentage
March	95%
April	90%
May	91%
June	92%

## Safeguarding service quality

- \* Unit dedicated to commercial banking customers with difficulties: improved models to anticipate impairment and estimate impacts of loan losses. Enhancements to loan restructuring department
- \* 58% of products can be accessed using online platforms

## Service Quality: Complaints Filed and Percent Resolved (%)



- \* **Covid-19 Line of Credit with state-backed guarantees of up to 85%**
- \* For companies with annual sales under UF 1,000,000
- \* Objective: provide liquidity to cover working capital needs  
Cannot be used to pay off other loans
- \* COVID FOGAPE loan
  - \* Working capital loans equivalent to 3 months of sales
  - \* Guarantee coverage: 60-85% of loan
  - \* Participating banks: defer payments on or extend maturity of preexisting debt for at least 6 months
  - \* 6-month grace period, payable in 24-48 monthly installments
  - \* Interest rate: MPR + 3% (real rate: 0%)
  - \* Eligibility criteria
    - \* Not be undergoing liquidation
    - \* Less than 30 days past due
- \* 396 loans granted for BCH \$47,896

Institution	Allocated (ThUF)	Used (ThUF)	Utilization Rate
Santander	51,823	49,125	95%
BCI	49,300	47,439	96%
Banco de Chile	47,000	45,077	96%
BancoEstado	38,100	35,793	94%
Itaú-Corpbanca	20,476	18,820	92%
Scotiabank	15,873	14,920	94%
Bice	1,628	1,258	77%
Security	1,646	1,227	75%
International	1,671	1,061	64%
Consorcio	817	577	71%
Coopeuch	64	48	76%
<b>Total</b>	<b>228,397</b>	<b>215,344</b>	<b>94%</b>

Size	Total Loan Applications	
	Number	Amount (ThUF)
Micro and small enterprises <sup>1</sup>	337,646	159,729
Medium enterprises <sup>2</sup>	27,109	116,395
Large companies I <sup>3</sup>	10,041	147,475
Large companies II <sup>4</sup>	1,169	40,687
<b>Total</b>	<b>375,695</b>	<b>464,286</b>

Figures as of August 21, 2020

Source: CMF

Notes: (1) Micro and small enterprises: annual sales < UF 25,000 (2) Medium enterprises: net annual sales UF 25,000 UF - UF 100,000. (3) Large companies I: net annual sales UF 100,000 - UF 600,000.

(4) Large companies II: net annual sales UF 600,000 - UF 1,000,000.

## Consumer

5,912 customers  
11.1% of consumer loan customers

MCH \$104,519  
20.5% of consumer loans

## Mortgage

2,210 customers  
30.0% of mortgage loan customers

MCH \$253,371  
35.8% of mortgage loans

## Commercial Group Portfolio

335 customers  
4.6% of commercial group portfolio customers

MCH \$17,570  
7.3% of commercial group portfolio loans

## Commercial Individual Portfolio

236 customers

MCH \$149,065

## Total Loans

MCH \$524,525 in renegotiated loans  
MCH \$6,225,354 in total loans

**8.4% of total portfolio**



# Grupo Security Financial Results June 2020

August 31st, 5:30 p.m.

