



# Investor Meetings - Credicorp

June 2019

## I. ILC at a Glance

## II. ILC: Value Proposition

- a. Growth Opportunities
  - i. Proven expertise in realizing value
  - ii. Strong fundamentals per business
- b. Solid financial structure and strict corporate governance practices

## III. Closing Remarks

## IV. Appendix



## I. ILC at a Glance



## Mission:

We aim to **improve** the **quality** of **life** of our **clients**, by offering them efficient and accessible **services**, mainly in the **financial** and **health** sectors.

We favor **value creation**, **efficiency** and **sustainability**, guided by the values of our Controlling Shareholder, the Chilean Chamber of Construction (CChC).

Sectors where ILC  
participates

Financial & Health

ROE-Net Inc.  
LTM March 2019

13.5%  
CLP\$102.5 b.

Dividend Yield  
LTM March 2019

4.9%  
at closing price (March 2018)

Local Risk Rating

AA+

AuM as of March 2019<sup>(1)</sup>

US\$73.4 b.  
AFP Habitat Chile, AFP Habitat Peru,  
Confuturo and Corpseguros

Consolidated Employees

~13,000  
Chile and Peru

(1) FX: CLP\$650/US\$ PEN\$3.32/US\$

Source: ILC, CMF Bolsa de Comercio de Santiago, Superintendencia de Pensiones Chile, Superintendencia de Banca, Seguros y AFP Peru, Asociación de Aseguradores de Chile



## II. ILC: Value Proposition



1.

Proven expertise in realizing value

2.

Business with strong fundamentals

3.

Solid financial structure and strict corporate governance practices

# FOCUS ON FINANCIAL AND HEALTH SECTORS



## Corporate Structure 2012 (Pre-IPO)

### FINANCIAL SECTOR:

- **Pension Funds:** AFP Habitat  
(since 1980, 67% stake)
- **Disability & Survivorship Insurance:** Vida Cámara  
(since 2009, 100% stake)



### HEALTH SECTOR:

- **Healthcare Network:** Red Salud  
(since 2008, 90% stake)
- **Mandatory Health Insurance:** Isapre Consalud  
(since 1984, 100% stake)



### EDUCATION SECTOR:

- **School Network:** Desarrollos Educativos  
(since 1997, 100% stake)



Divested in 2016

### IT SECTOR:

- **IT platform:** iConstruye  
(since 2001, 33% stake)



Divested in 2016

## Current Corporate Structure

### FINANCIAL SECTOR:

- **Pension Funds:** AFP Habitat  
(since 1980, associated with Prudential in 2016, 40% stake)



- **Life Insurance:** Confuturo  
(since 2013, 100% stake)

Acquired in 2013

- **Banking:** Banco Internacional  
(since 2015, 67% stake)

Acquired in 2015

### HEALTH SECTOR:

- **Healthcare Network:** Red Salud  
(since 2008, 100% stake)
- **Mandatory Health Insurance:** Isapre Consalud  
(since 1984, 100% stake)

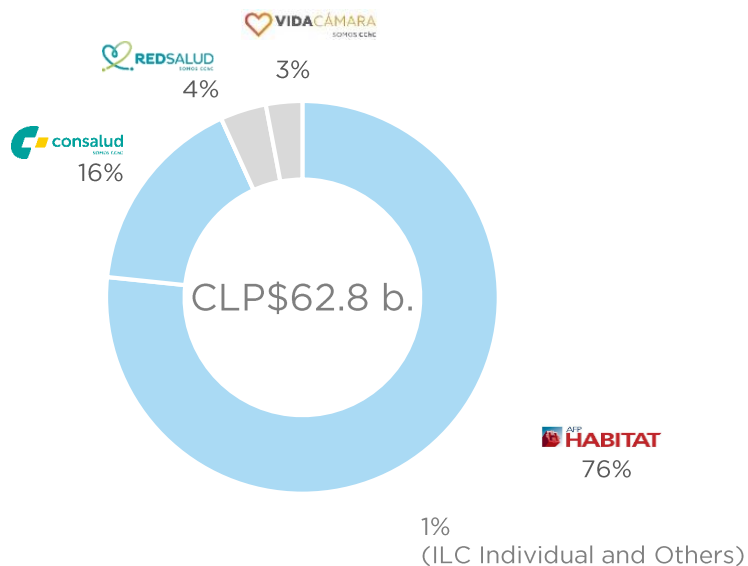


- **Supplementary Health Insurance:** Vida Cámara  
(since 2011, 100% stake)

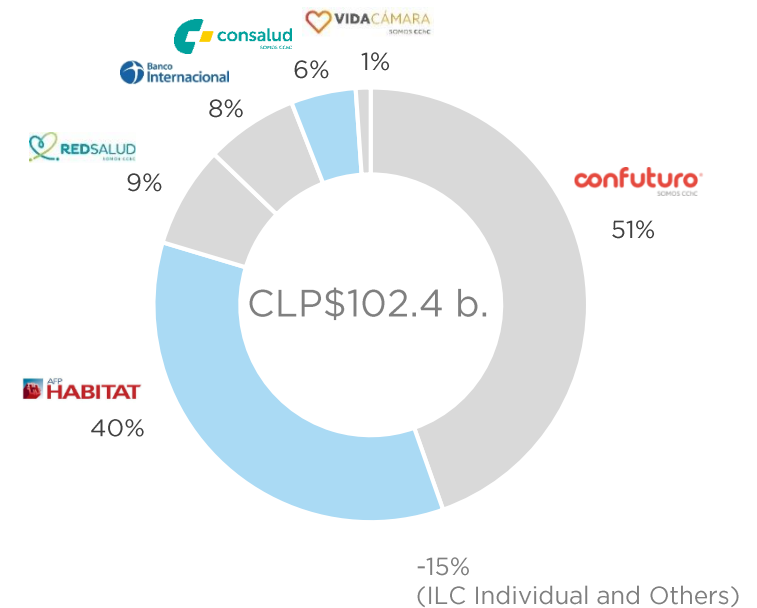
# DIVERSIFICATION OF RESULTS



ILC: Ordinary Net Result 2012 (IPO)



ILC: Ordinary Net Result March 2019 (LTM)

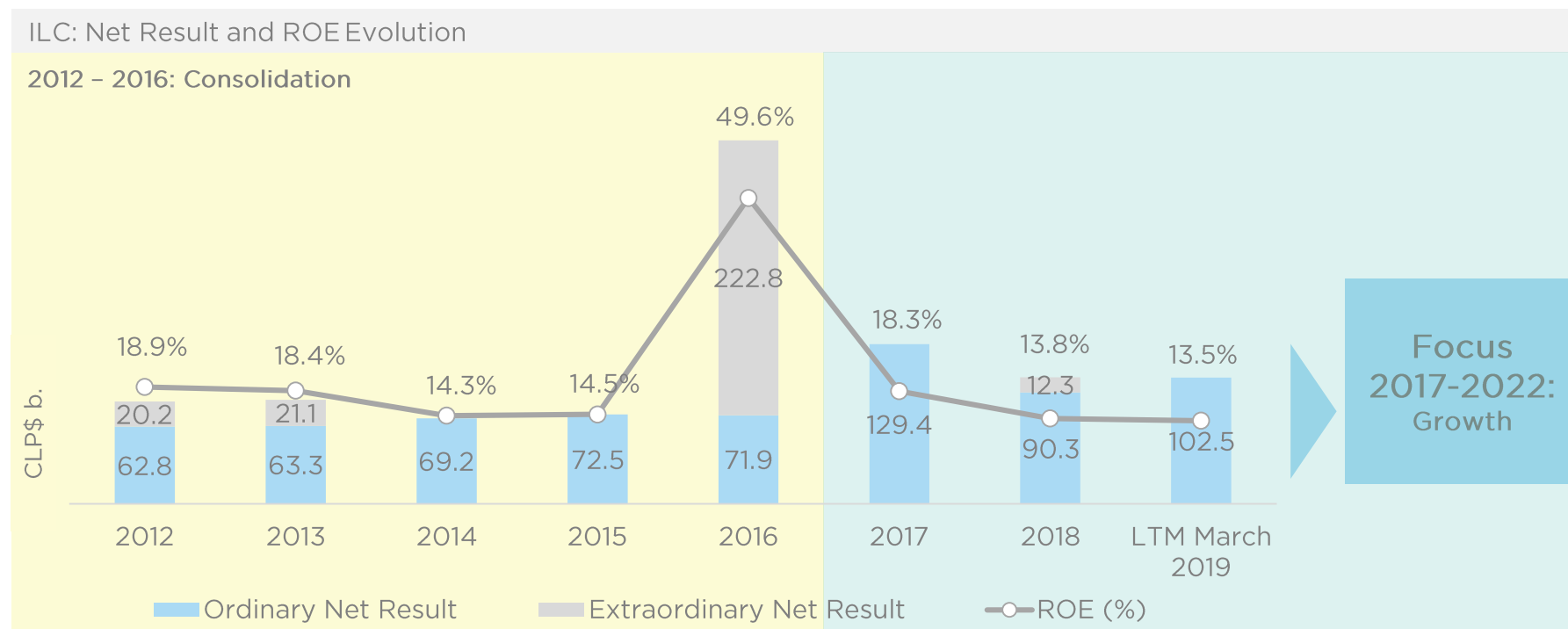


AFP Habitat and Isapre Consalud reduced their impact on results from 92% in 2012 to 46% in March 2019 (LTM)

# CONSISTENT RETURN GENERATION



Net Result CAGR (2012 – 1Q19 LTM)	3.4%	Dividend Yield <sup>(1)</sup> (2012 – 1Q19 LTM)	7.7% annual (average)
Ordinary Net Result CAGR (2012 – 1Q19 LTM)	8.1%	CAPEX (2012 – 1Q19 LTM)	US\$520 m.



(1) Dividend yield at IPO's price  
Source: ILC



1.

Proven expertise in realizing value

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Business with strong fundamentals

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Solid financial structure and strict corporate governance practices

# VALUE GENERATING BLOCKS



Annuities

**confuturo**  
SOMOS CCBC

Pensions

AEP  
**HABITAT**  
Seguridad y Confianza

Bank

**Banco  
Internacional**

Health

**REDSALUD**  
CORPORACIÓN PERÚ

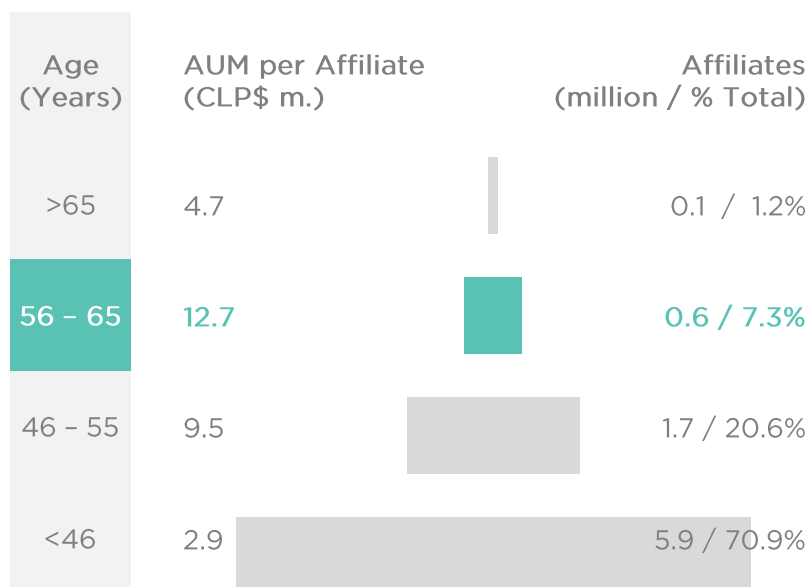
**consalud**  
SOMOS CCBC

**VIDACÁMARA**  
SOMOS CCBC

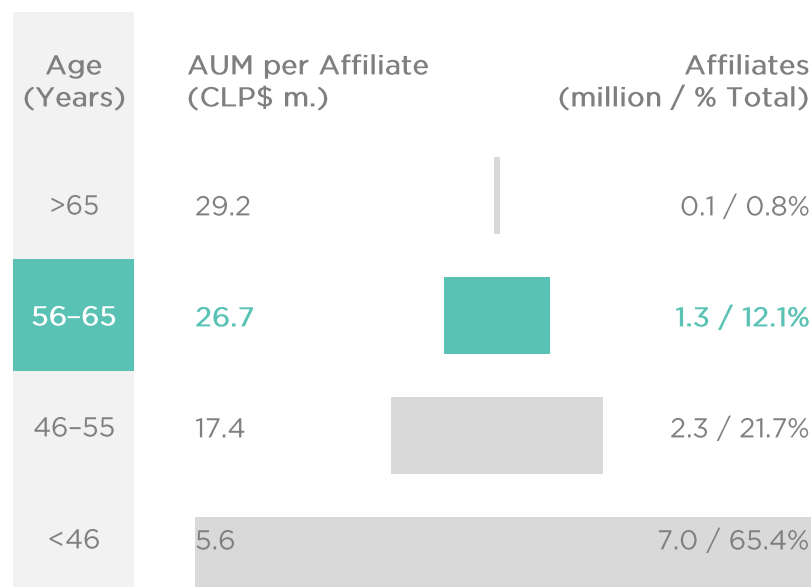
# LIFE INSURANCE INDUSTRY: DEMOGRAPHIC AND ECONOMIC POTENTIAL

## Chilean Pension Industry: Affiliates by Age and AUM

Affiliates (Dec. 2008): 8.4 m.



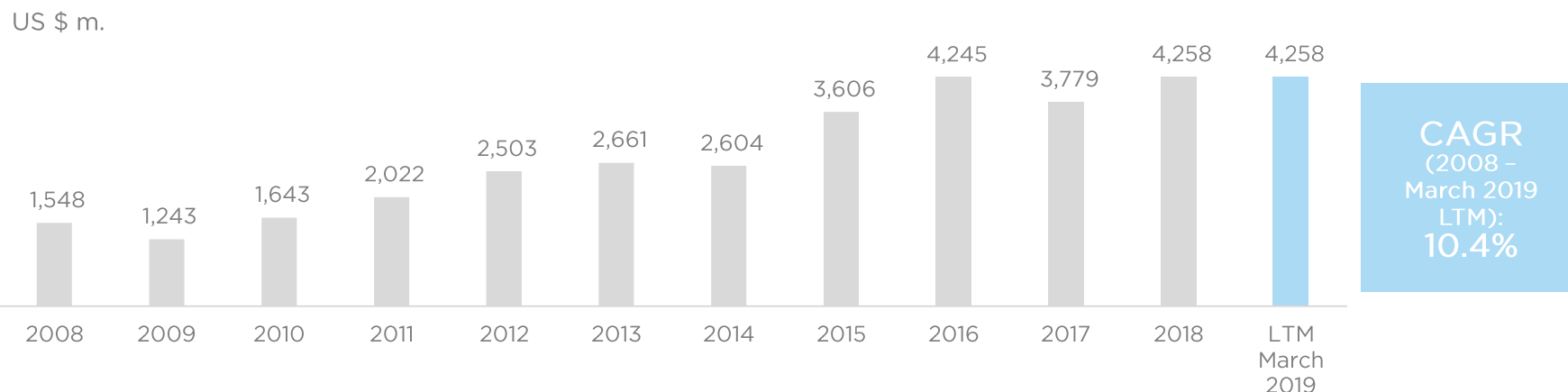
Affiliates (Dec. 2018): 10.7 m.



Segment 56 - 65 years: last decade growth  
2.1x affiliates y 2.1x AUM per affiliate

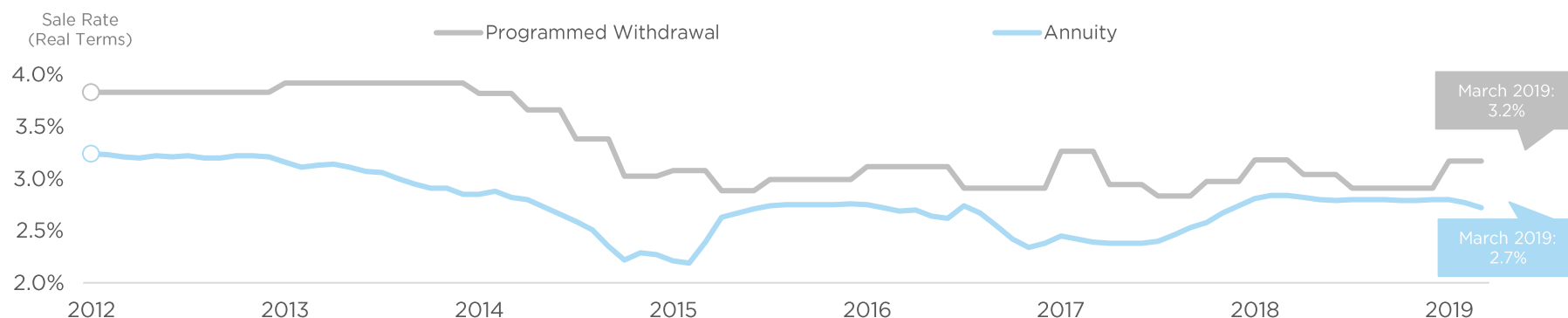
# LIFE INSURANCE INDUSTRY: DEMOGRAPHIC AND ECONOMIC POTENTIAL

## Chilean Annuity Industry: Direct Premiums



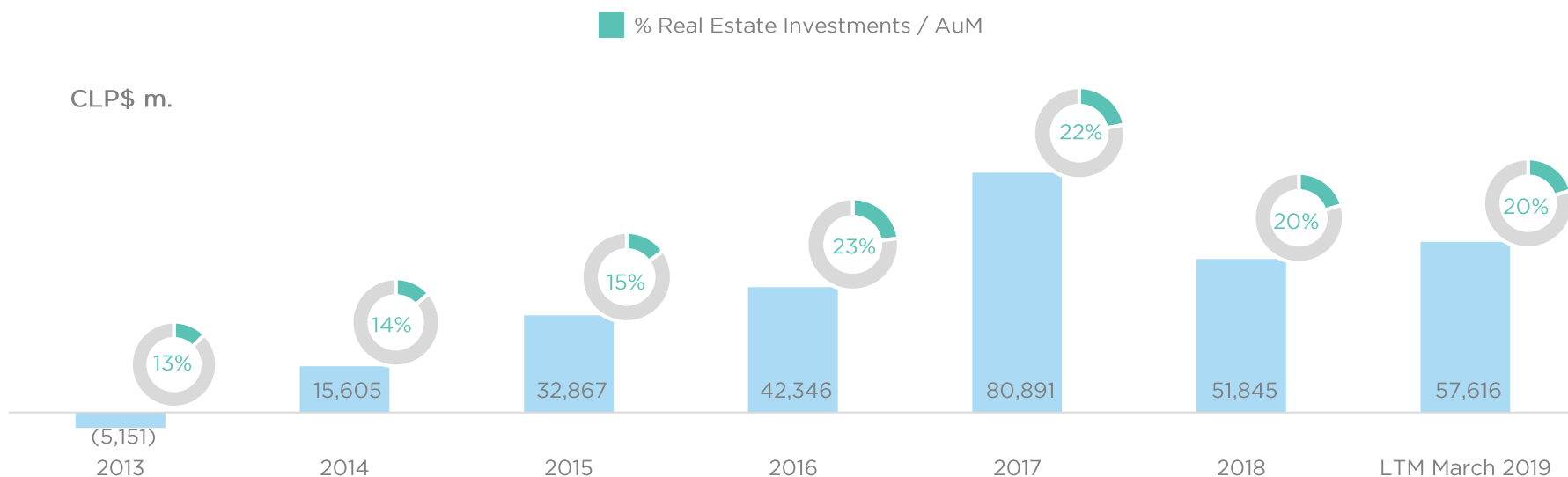
Confuturo (March 2019): **#4** Direct Premiums (US\$451 m.) **#2** AUM (US\$9.7 b.)

## Annuity and Programmed Withdrawal Sales Rate

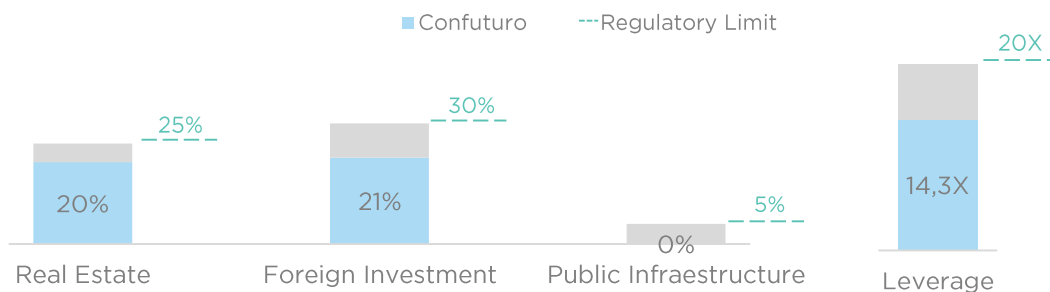


# INVESTMENT PORTFOLIO LONG-TERM ORIENTED

## Confuturo Net Income



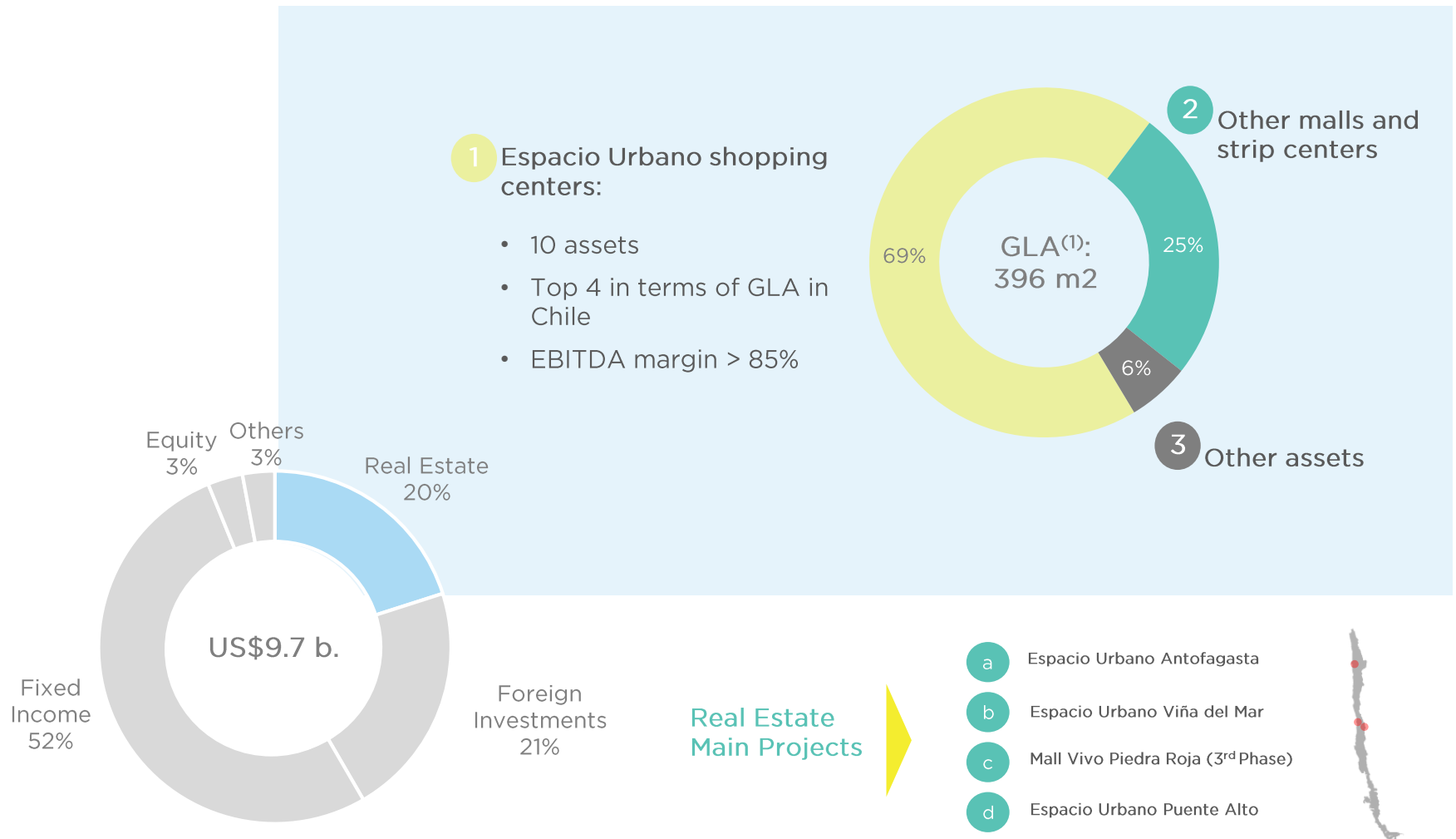
## Regulatory Limits



Increasing exposure to  
longer duration, higher  
return, and less volatile  
assets

# INVESTMENT STRATEGY: PORTFOLIO BREAKDOWN

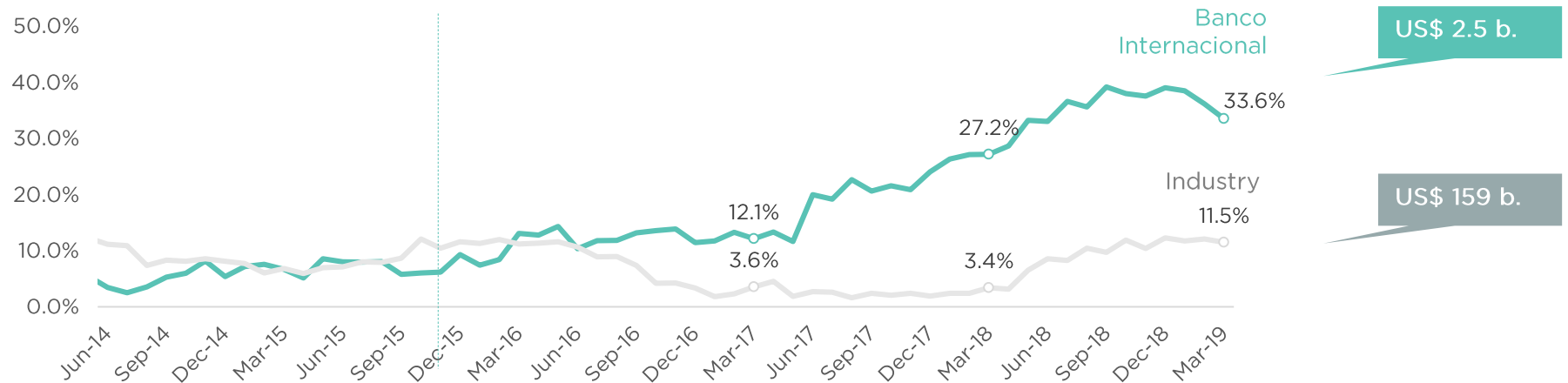
## Investment Portfolio Breakdown (March 2019)



(1) GLA: Gross Leasable Area  
Source: Confuturo

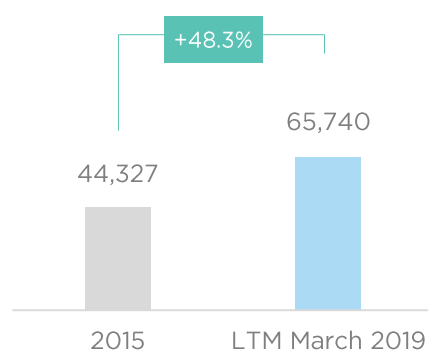
# A GROWTH STORY

## Commercial Loans Growth (last 12 months)

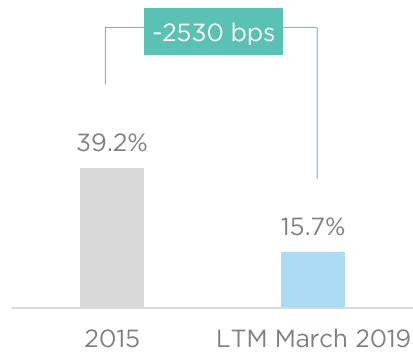


### Gross Operating Result

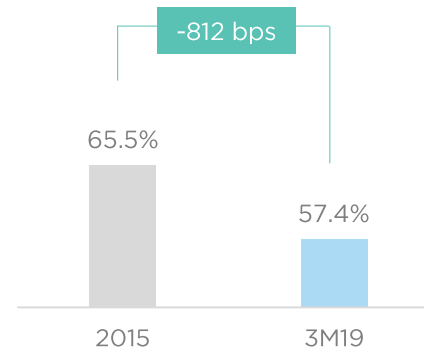
CLP\$ m.



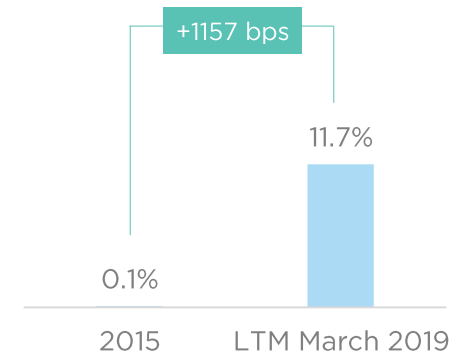
### Risk Expenses / GOR (%)



### Efficiency



### ROE



# 2018-2022: STRATEGIC PLAN

	2018		2022
Commercial Loans	US\$ 2.4 b.	▶	2.0x
Risk Expenses (% GOR)	17%	▶	15%
Efficiency (% GOR)	54%	▶	<45%
Solvency	11.8%	▶	~12%

## To support growth and improve solvency

➤ 70% retention of earnings

### ➤ Capital Increase Plan

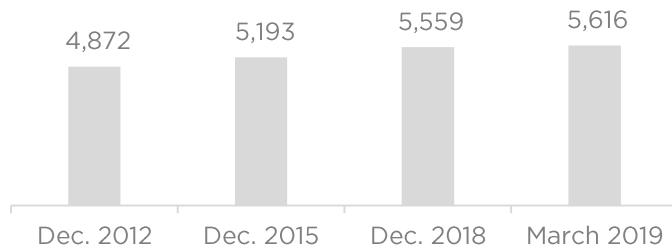
- Approved in January 2018
- Total: \$60,000 m.
- Execution Schedule:
  - \$10,000 m. (March 2018)
  - \$25,000 m. (November 2018)
  - \$25,000 m. (2019)

# AFP HABITAT: FACING A NEW SCENARIO IN CHILE

## Total Contributors

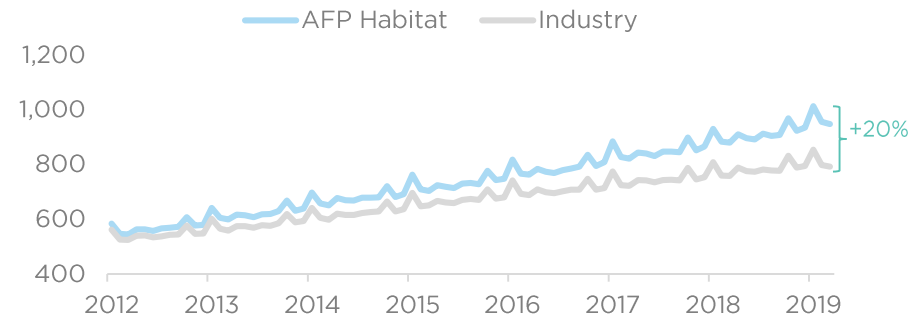
Th.

CAGR(2012 - 1Q19): 2.3%

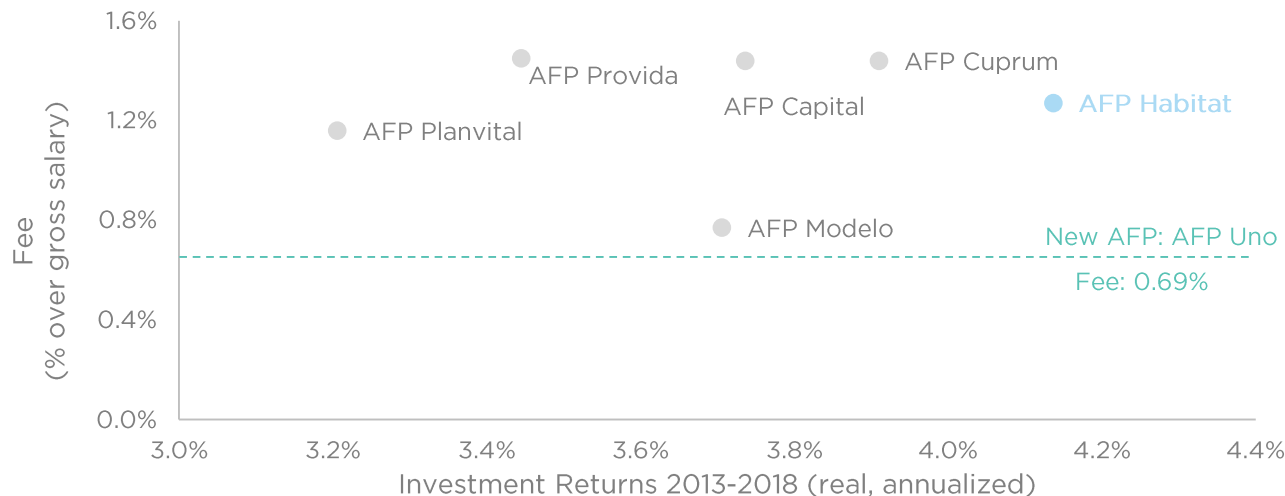


## Average Taxable Income

CLP th.



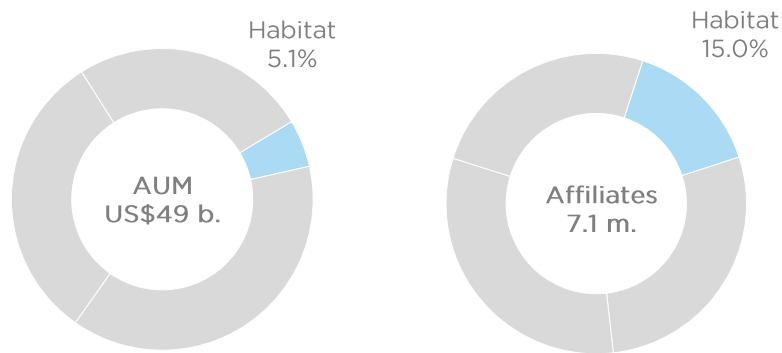
AFP Habitat (March 2019): **#1** AUM (Market Share: 28.1%) **#2** Contributors (Market Share: 19.5%)



- Planvital raised its commission in August 2018 by 75 bps
- New contributors enter to AFP Modelo (but are free to move)
- New AFP: AFP Uno will receive new contributors since October 2019

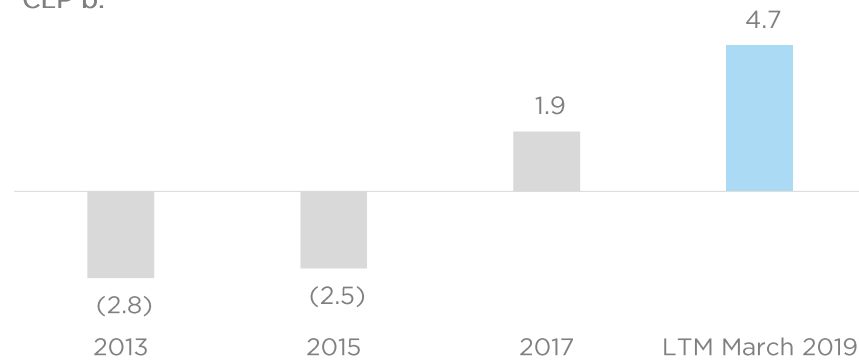
# PERU: GROWTH POTENTIAL

## Market Share: AUM and Affiliates (March 2019)



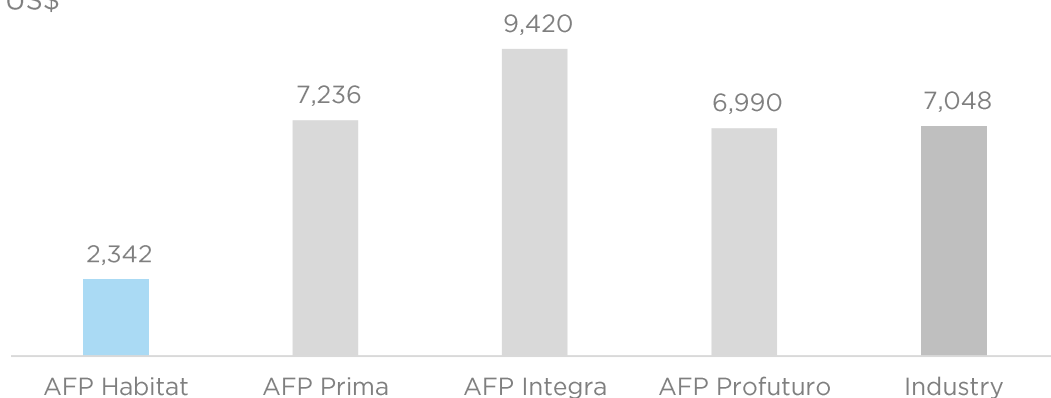
## Net Result before Encaje

CLP b.



## AUM per Affiliate (March 2019)

US\$



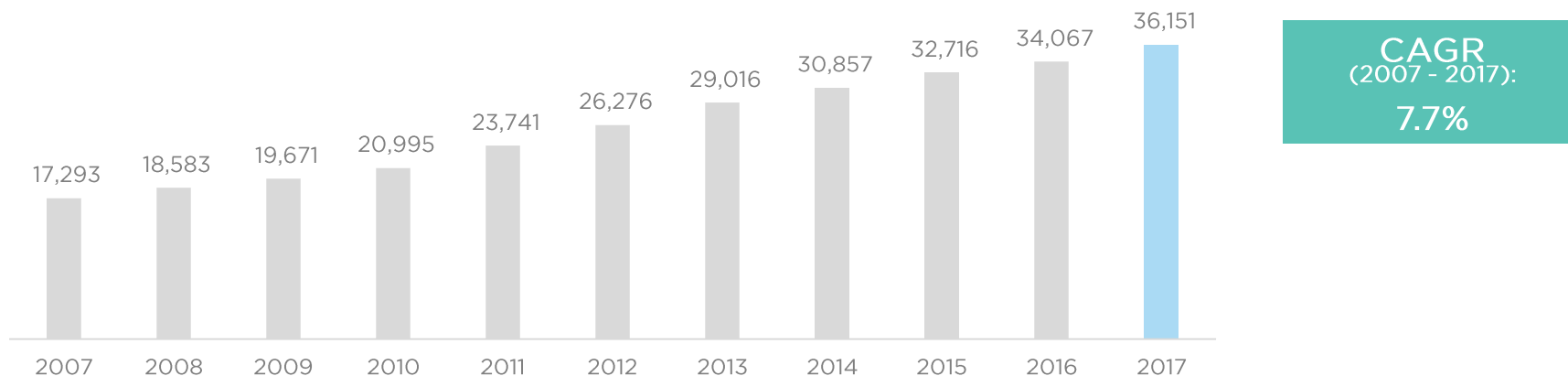
### Favorable Scenario driven by:

- Demography
- Low labor formality
- AUM per Affiliate / Mixed fee

# CHILEAN HEALTHCARE INDUSTRY: DEMOGRAPHIC AND ECONOMIC POTENTIAL

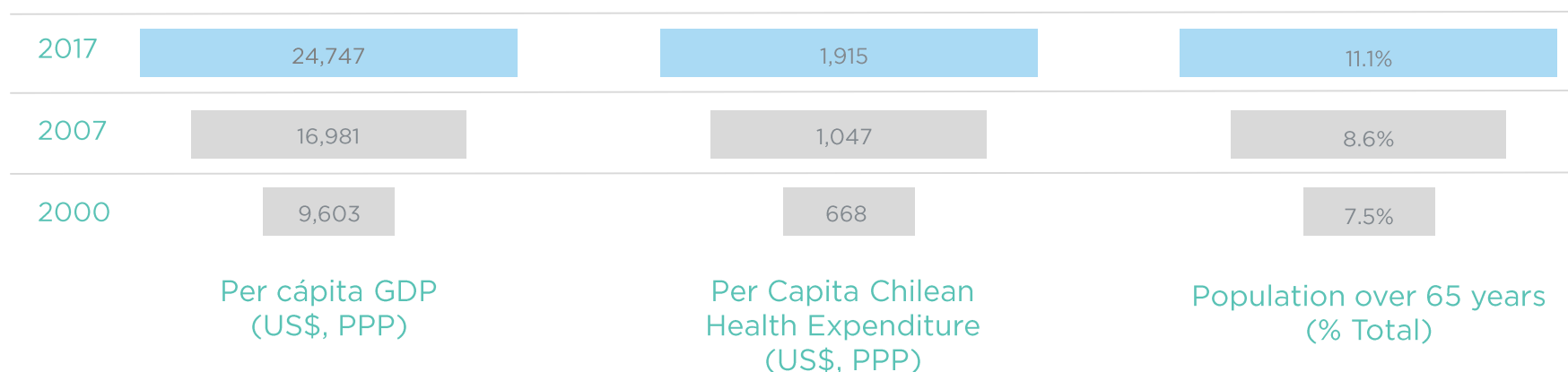
## Chilean Health Expenditure (US\$ m., PPP)

US\$ m.




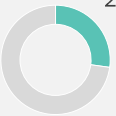
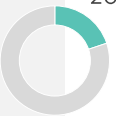

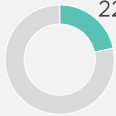
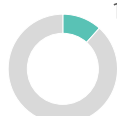


## Ageing Population and Economic Development increased Demand for Health in Chile

Years



# ILC HEALTH SECTOR COMPANIES

	Healthcare Provider			Health Insurance	
Industry					
Market Share	Outpatient	Inpatient		Mandatory	Supplementary
	 27%	 20%	 14%	 22%	 12%
Infrastructure	Consultations	Surgeries	Bed days	Contributors	Premiums
	Centers	33	Hospitals	9	
	Boxes	515	Beds / Boxes	1,006 / 438	
	Dental chairs	376	Operating rooms	72	
(CLP\$ m.)	EBITDA: 12,470		EBITDA: 32,054	Net Result: 6,295	Gross Margin: 7,918

# 2015-2021: REACH OPERATIONAL EXCELLENCE

## Red Salud Strategic Plan

I. Network Excellence

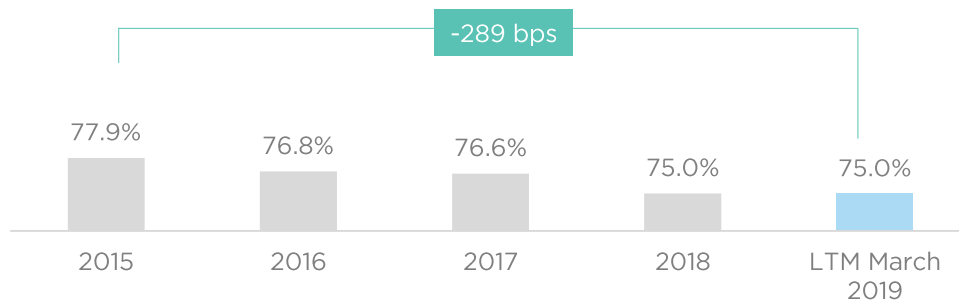
II. Operational Excellence

III. Commercial Dynamism

IV. Infrastructure and Technology

V. Culture & Employees

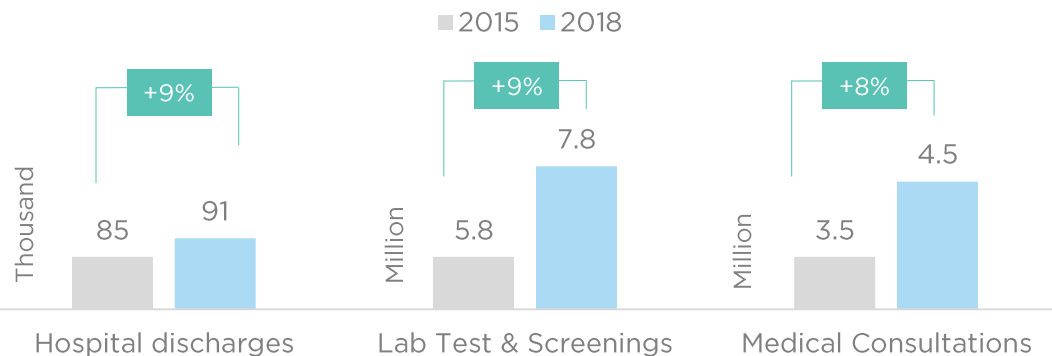
### Cost of Sales / Revenues Red Salud



### Network Consolidation

	Before	2019
Brands	10	1
Awareness	0%	15%
Agendas	10	1
Website Visits	~10,000	~600,000
Contact Numbers	19	1

### Activity Indicators Red Salud

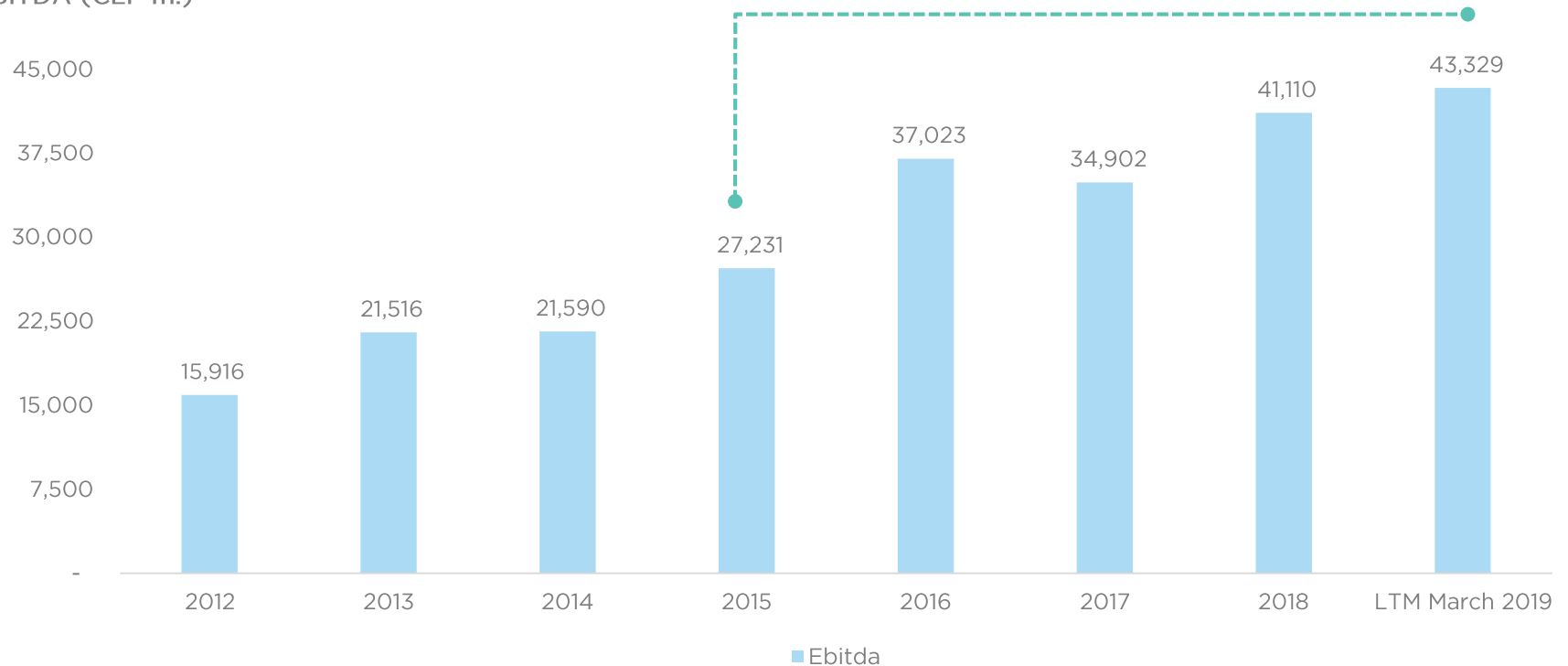


# RED SALUD: 59% EBITDA GROWTH WITH 9% OF ADDITIONAL NET FINANCIAL DEBT

## EBITDA evolution and Net Financial Debt Red Salud

NFD <sup>(1)</sup> 2015	CLP 183 m.	Δ+ 8.7%
NFD <sup>(1)</sup> 1Q19	CLP 199 m.	

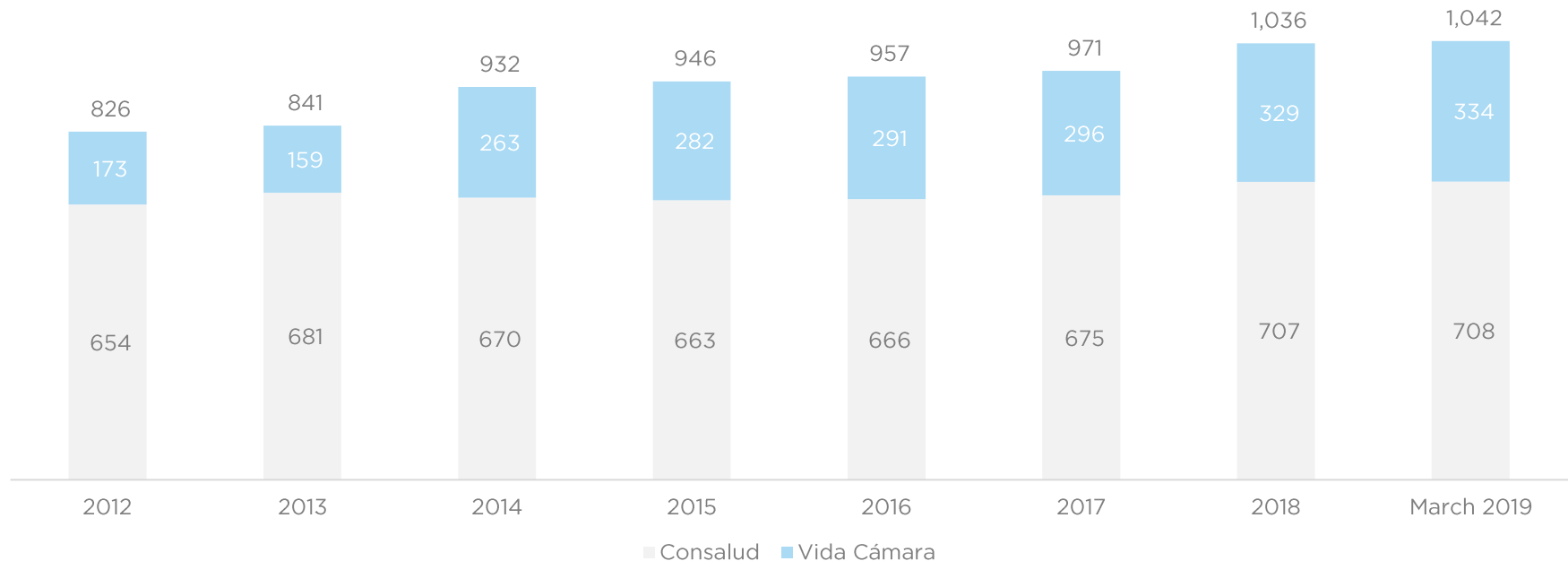
### EBITDA (CLP m.)



# CONSALUD AND VIDA CAMARA: RELEVANT PLAYERS IN THE HEALTH INSURANCE INDUSTRY

## Beneficiaries Consalud & Vida Cámara

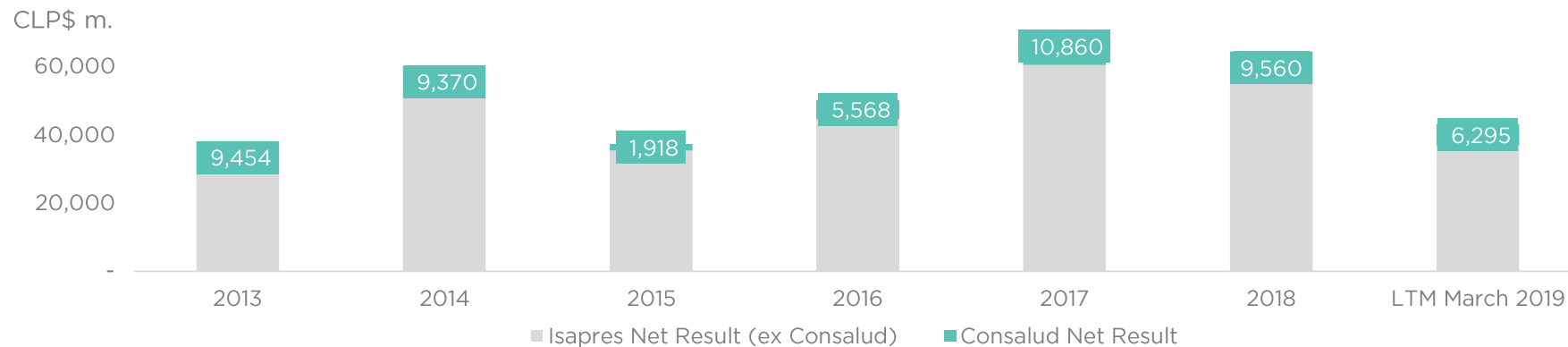
Beneficiaries  
(thousand)



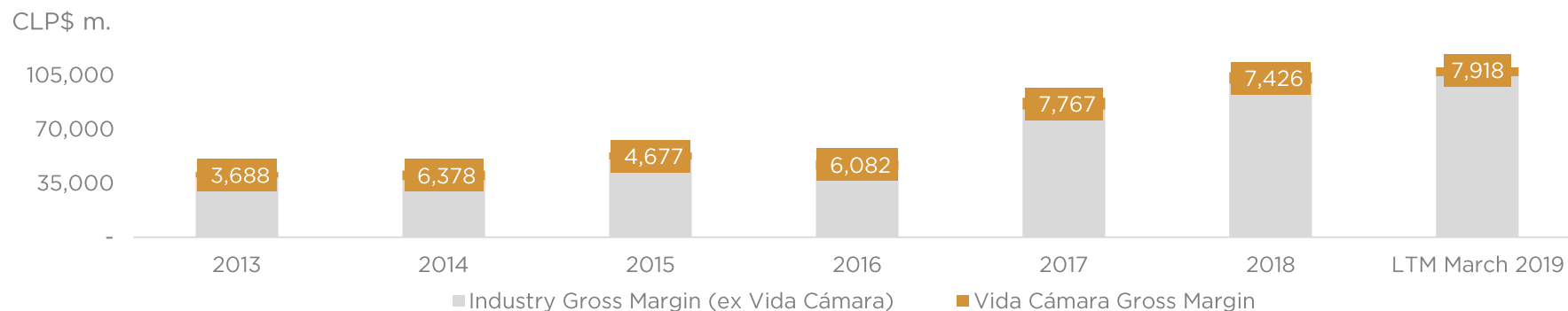
Beneficiaries (March 2019) : Consalud: **#2** (Market Share: 21.3%), Vida Cámara: **#3** (Market Share: 8.9%)

# HEALTH INSURANCE INDUSTRY RESULTS

## Isapre Industry & Consalud: Net Result<sup>(1)</sup> Evolution



## Supplementary Health Insurances & Vida Cámara: Gross Margin<sup>(2)</sup> Evolution



(1) Corresponds to net result (SIS) reported by Superintendencia de Salud

(2) Gross Margin: Direct Premium – Reclaim cost

Source: CMF, AACH, Superintendencia de Salud



1.

Proven expertise in realizing value

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# FINANCIAL STRUCTURE



ILC's Net Debt  
CLP\$187,067 m.<sup>(1)</sup>

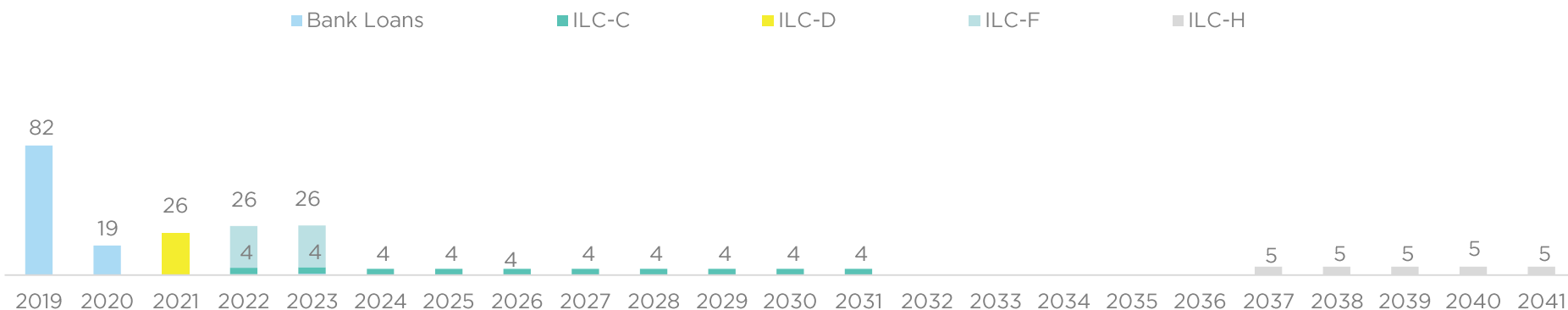
Cons. NFD / Equity  
0.65x<sup>(1)</sup>

ILC's cash  
CLP\$62,165 m.<sup>(1)</sup>

Debt: 60% Bonds  
40% Banks<sup>(1)</sup>

ILC Rating Risk  
AA+ (Local)

## Amortization Schedule ILC (March 2019, CLP\$ b.)



## ILC's Dividend Policy

Distribute between 40% to 70% of:

- (+) ILC Net Income
- (-) Return on Legal Reserves AFP Habitat (@ 40.3%)
- (-) Net Purchases Legal Reserves AFP Habitat (@ 40.3%)

## ILC's Distributable Net Income

## Dividend Policy by Subsidiary

	Dividend Policy (%)	Ownership (%)
Habitat	90% <sup>(1)</sup>	40.3%
Red Salud	100%	99.9%
Consalud	30% <sup>(2)</sup>	99.9%
Vida Cámara Chile	30%	99.9%
Inversiones Confuturo	30%	99.9%
Banco Internacional	30%	67.2%

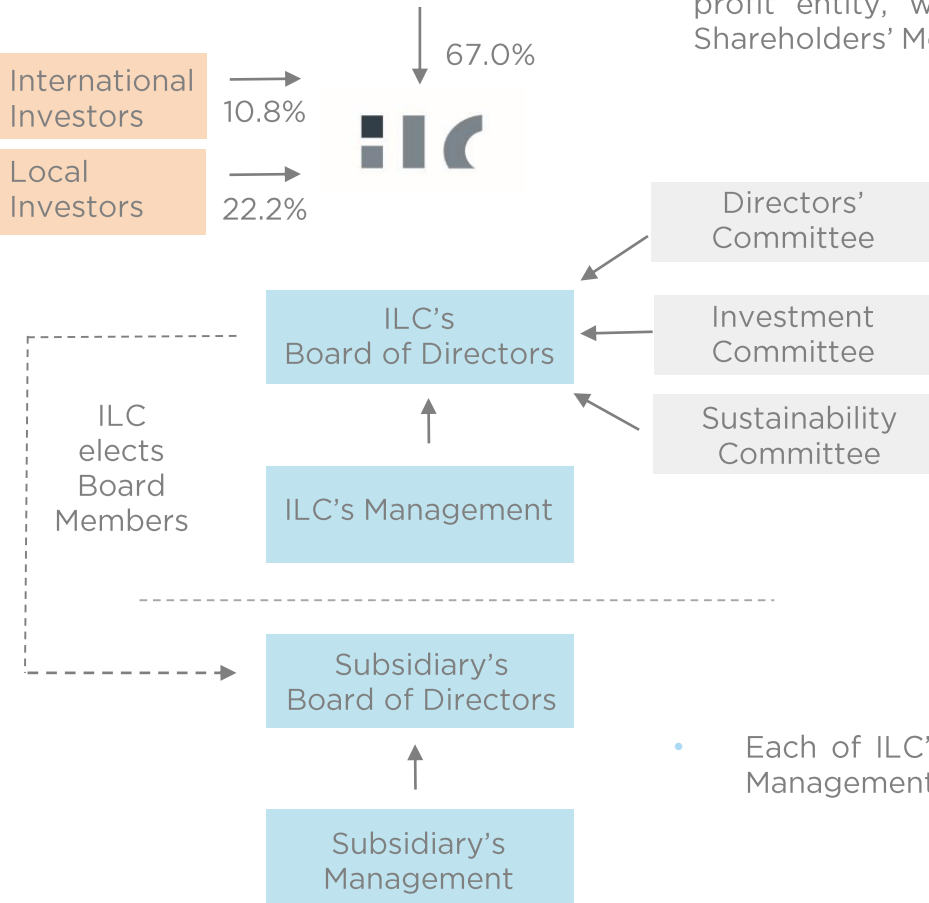
(1) According to its distributable net result

(2) If Consalud exceeds its regulatory limits, dividend policy could increase up to 100%

# STRICT CORPORATE GOVERNANCE STANDARDS



- The Company is controlled by the Chilean Chamber of Construction, a non-profit entity, which elects annually five of seven directors of ILC at the Shareholders' Meeting



- ILC has a Committee of Directors, responsible for reviewing financial information and auditor's reports, related parties transactions, remuneration systems, internal auditing procedures, among others
- ILC has also an Investment Committee responsible for reviewing financial decisions undertaken by ILC and a Sustainability Committee responsible for define Corporate Sustainability Strategy, in addition to establishing sustainability metrics.

- Each of ILC's subsidiaries has an independent Board of Directors and Management

- Other initiatives to enhance ILC's Corporate Governance: Corporate Governance Manual, Ethic Code, Crime Prevention Model, Ethic Hotline, Comptroller, Management Control Department, Investor Relations among others

## Sustainability Performance Measures

- a Stakeholders Diagnosis**  
ILC and its subsidiaries implement the **ESG Compass tool** to anticipate risks and improve sustainable performance in Environment, Social and Corporate Governance matters
- b Sustainability Index**  
ILC is part of the **Dow Jones Sustainability Chile and Pacific Alliance indices** since 2018
- c Internal & External Analysis Materiality Matrix ILC and Subsidiaries**  
With the advisory of external consultants, a new matrix was build, reflecting the main challenges in environmental, social and economic variables



MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

## ILC's 2019 main Actions

- a Sustainability Area:**  
In May 2019 a **new Sustainability Committee** was established (with directors and executives). In addition, a **Sustainability Officer** was named, depending directly from the CEO
- b Sustainability Strategy:**  
One of the responsibilities of the new Sustainability Committee **is to establish a Corporate Sustainability Strategy**, based on the different diagnosis tools

More information in  
our 2018 Sustainability  
Report<sup>(1)</sup>

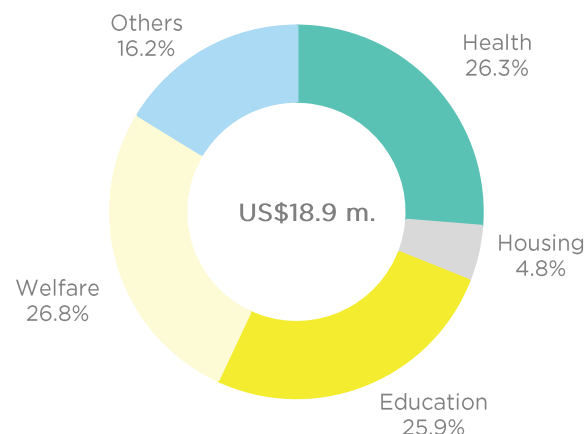


# OUR CONTROLLING SHAREHOLDER: CChC

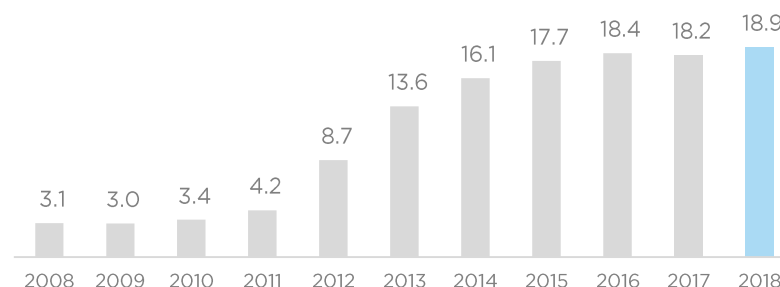


- The CChC is a **private trade association** founded in 1951
- Made up of 2,800 members in Chile
- Main objective: **promote the development of the construction industry** as a fundamental tool for national progress
- The CChC is our **founder** and **largest shareholder**. This entity owns **ILC** and **CChC Social**, a network focused on social actions mainly in the areas of education, training, health, housing, sports, culture and social welfare
- The CChC **receives 67% of the dividends generated by ILC**. A significant portion is invested by CChC Social in projects that benefit construction workers and their families

CChC Social Investment Breakdown by Area 2018



CChC Investment in Social Projects (US\$ m.)



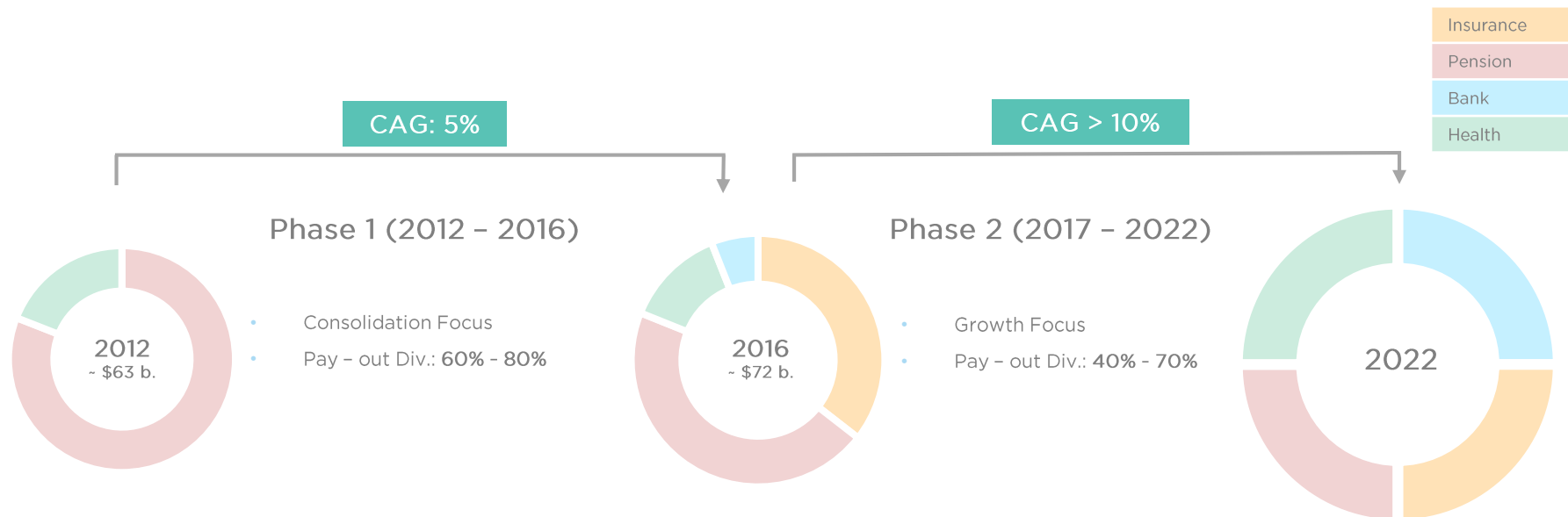


## IV. Closing Remarks

# ILC: NEW PHASE



## ILC Net Income Composition



Fundamentals

Consistency

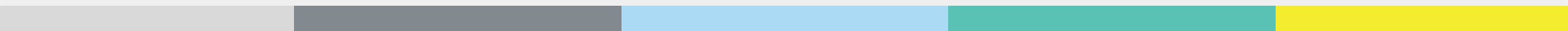
Capital  
Deployment

Acquisitions and  
successful  
transformations

Adaptability to  
regulatory changes



## IV. Appendix



# SUMMARIZED FINANCIAL STATEMENTS AND SUBSIDIARIES FIGURES



## Balance Sheet

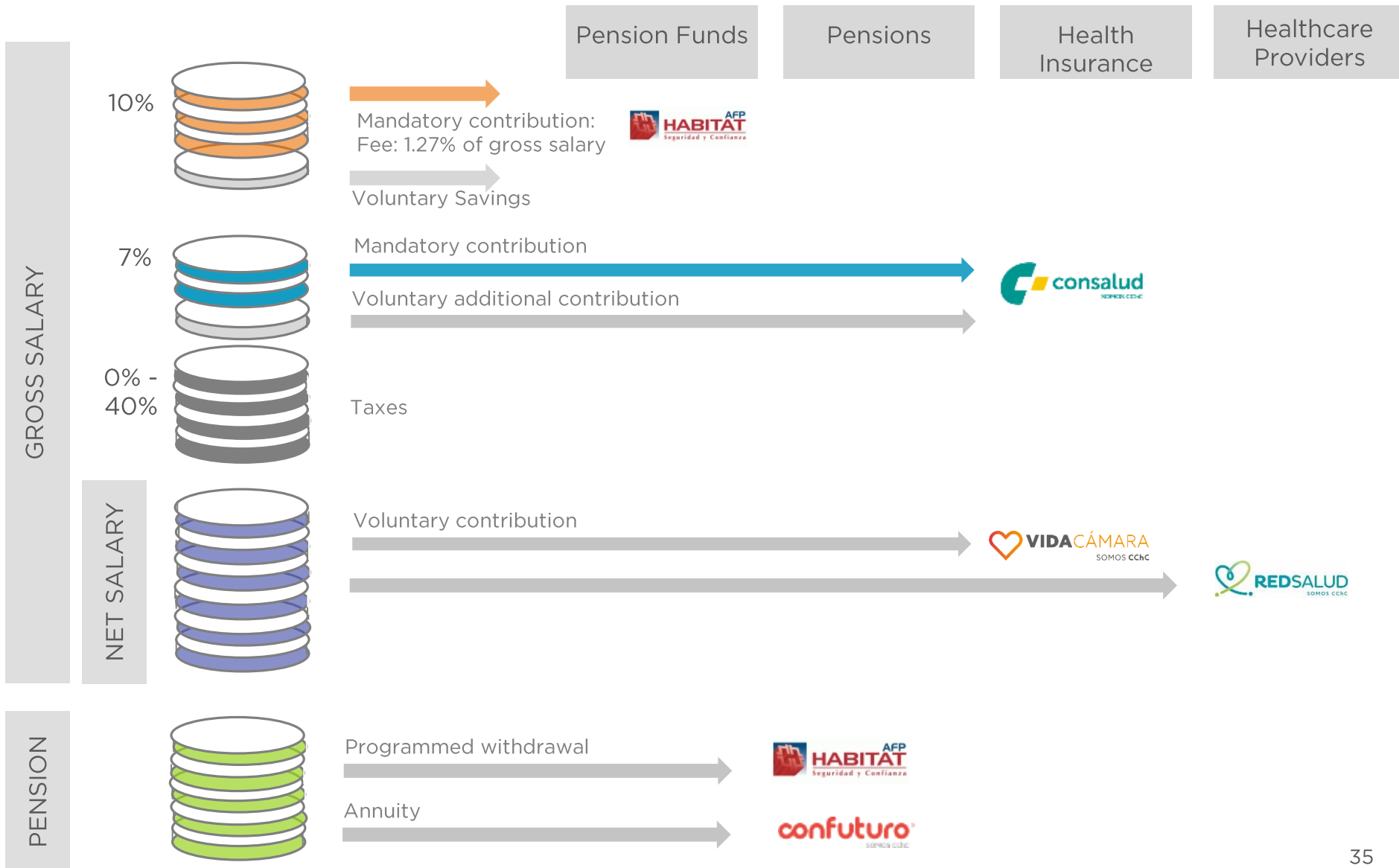
CLP\$ m.	March 2019	December 2018
<b>NON INSURANCE ACTIVITY ASSETS</b>	<b>1,057,014</b>	<b>1,006,149</b>
Total Current Assets	279,702	274,562
Total Non Current Assets	777,312	731,587
<b>TOTAL INSURANCE ACTIVITY ASSETS</b>	<b>6,603,380</b>	<b>6,560,305</b>
<b>TOTAL BANKING ACTIVITY ASSETS</b>	<b>2,648,755</b>	<b>2,399,211</b>
<b>TOTAL ASSETS</b>	<b>10,309,149</b>	<b>9,965,665</b>
<b>NON-INSURANCE ACTIVITY LIABILITIES</b>	<b>831,330</b>	<b>784,706</b>
Total Current Liabilities	377,100	339,784
Total Non Current Liabilities	454,230	444,923
<b>INSURANCE ACTIVITY LIABILITIES</b>	<b>6,133,897</b>	<b>6,101,068</b>
<b>BANKING ACTIVITY LIABILITIES</b>	<b>2,480,313</b>	<b>2,238,715</b>
<b>TOTAL LIABILITIES</b>	<b>9,445,540</b>	<b>9,124,489</b>
Equity Attributable to Owners of the Parent Company	767,223	747,114
Non-Controlling Interests	96,387	94,061
<b>TOTAL EQUITY</b>	<b>863,609</b>	<b>841,175</b>
<b>TOTAL LIABILITIES + EQUITY</b>	<b>10,309,149</b>	<b>9,965,665</b>

## Income Statement

CLP\$ m.	3M19	3M18
<b>NON-INSURANCE ACTIVITY</b>		
Operating result	5,261	8,964
Non-operating result	10,561	19,995
<b>Non-Insurance activity profit</b>	<b>14,702</b>	<b>21,516</b>
<b>INSURANCE ACTIVITY</b>		
Operating result	24,517	16,556
Non-operating result	(1,334)	(1,310)
<b>Insurance activity profit</b>	<b>19,122</b>	<b>12,472</b>
<b>BANKING ACTIVITY</b>		
Operating result	5,185	4,990
Non-operating result	15	11
<b>Banking activity profit</b>	<b>4,149</b>	<b>4,021</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>		
Profit attributable to owners of the parent company	35,502	35,657
Profit attributable to non-controlling interest	2,471	2,352

Individual Results (LTM March 2019, CLP\$ b.)	AFP Habitat	Confuturo	Corpseguros	Banco Internacional	Red Salud	Consalud	Vida Cámara Chile
Industry	Pension Funds	Life Insurance	Life Insurance	Bank	Healthcare Provider	Mandatory health insurance	Voluntary health insurance
Revenues	201.8	561.4	133.2	66.1	396.9	503.9	54.6
EBITDA / EBITDAE	N.A.	N.A.	N.A.	N.A.	43.3	N.A.	N.A.
Net Income	112.0	38.4	19.3	15.1	8.9	5.7	1.4
Assets	529.6	4,129.9	2,350.4	2,629.2	445.0	151.1	47.7
Liabilities	117.2	3,882.0	2,158.8	2,482.1	307.5	123.9	23.6
Equity	412.4	248.0	191.6	147.0	126.6	27.1	24.0
Net Financial Debt	(56.4)	(49.8)	15.5	19.7	222.2	(15.1)	(1.9)
<b>% ownership ILC</b>	<b>40.3%</b>	<b>99.9%</b>	<b>99.9%</b>	<b>67.2%</b>	<b>99.9%</b>	<b>99.9%</b>	<b>99.9%</b>

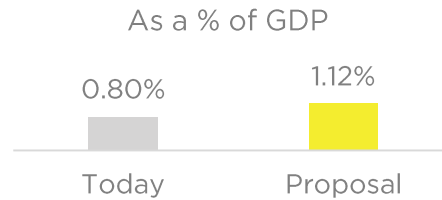
# SUMMARIZED FINANCIAL STATEMENTS AND SUBSIDIARIES FIGURES



# PENSION REFORM PROJECT (OCTOBER 2018)

## Main Proposals:

I. Government Contribution to Solidary Pillar



Focused in:

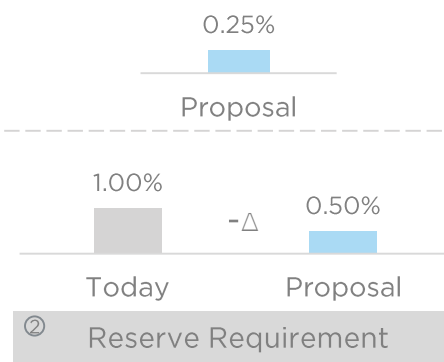
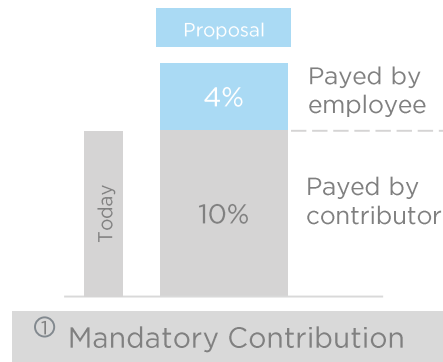
- Vulnerable groups
- Middle class
- Women

II. Retirement Postpone Incentives

Mechanism:

- Withdraw a portion of marginal savings
- Contribution from the Government

III. Pension Fund Industry Main Changes

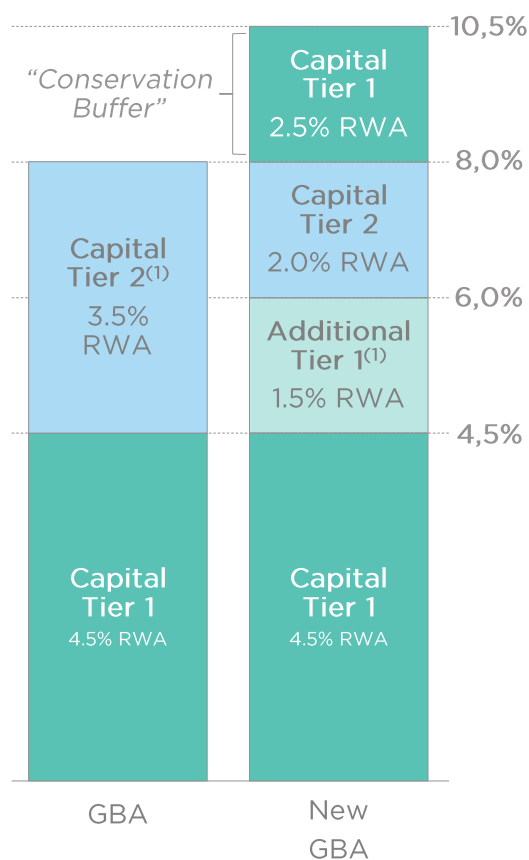


- Regulated and Supervised by Superintendence of Pension
- Bidding process increase from 2 to 3 years
- Group commissions and effective permanence

③ Bidding Process

# NEW GENERAL BANKING REFORM (GBA)

- The Chilean Banking system is based on the General Banking Act 1997
- The Financial Market Commission (CMF) and the Central Bank of Chile are the main regulators of the banking sector



	$T_0$	$T_1$	$T_2$	$T_3$	$T_4$	$T_5$
CET1	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
CET1+AT1				5.0%	5.5%	6.0%
CET1+AT1+T2	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Conservation Buffer			0.63%	1.25%	1.88%	2.5%
Solvency Rate	8.0%	8.0%	8.6%	9.3%	9.9%	10.5%

- Common Equity (Tier 1) increased from 4.5% to 7.0% of Risk Weighted Assets (RWA)
- Capital Tier 2 decreased from 3.5% to 2.0% of Risk Weighted Assets (RWA)
- Subordinated Debt accounted as Capital Tier 2, which should be less than 50% of Common Equity

(1) Can be composed by preferred shares or by perpetual debt instruments  
Source: SBIF, Banco Internacional

# MANDATORY HEALTH INSURANCE REFORM PROJECT (APRIL 2019)

New Affiliate Plan  
(Contributors entering the private system)

24 months

Universal Health Plan  
(Contributors Currently in the private system)

- Annual Pricing
- Close Healthcare Network
- 40% co-payment, without cap

- Comprises a fix list of pathologies defined by a Health Technical Committee<sup>(1)</sup>
- 20% co-payment, a cap of 40% of annual income
- Open or close healthcare network

Health Technical Committee<sup>(1)</sup>

Main responsibilities:

- Defines a list of pathologies covered by Universal Health Plans
- Approves Health Plan prices
- Set Solidary Contributions and risk compensations

## New Contribution

- + Base Fee
- + GES
- + Medical Leave Coverage
- + Solidary Contribution
- Solidary Compensation

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Total Contribution

## Also:

- **No discriminations in terms of sex**
- **Solidary Contribution:** New for people over 18
- **Solidary Compensation:** New for compensating higher risk groups

(1) Composed by six members: four designed by the President, one by the Ministry of Finance and one by the Ministry of Health  
Source: Health Insurance Project Reform, Superintendencia de Salud

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