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ANNUAL REPORT
17

BANCO security

CONTENT

BANCO security

01

OUR BANK

OUR FOCUS IN RECENT YEARS HAS BEEN ON GROWTH, PROFITABILITY AND

revenue diversification

BANCO security



FINANCIAL SUMMARY

MCH$ 63,026

PROFIT FOR THE YEAR • 2017

MCH$ 4,834,290

LOANS • 2017

1,252

NUMBER OF EMPLOYEES • 2017

CONSOLIDATED FINANCIAL SUMMARY BANCO SECURITY AND SUBSIDIARIES

(FIGURES IN MILLIONS OF CHILEAN PESOS OF EACH YEAR)

PROFIT FOR THE YEAR	2007 [3]	2008 [3]
Total Operating Income (Gross Margin)	85,234	77,397
Management Expenses	45,255	50,191
Net Operating Income (Net Margin)	39,979	27,206
Profit for the Year	27,250	14,332

YEAR-END BALANCES	2007 [3]	2008 [3]
Loans [1]	1,735,299	2,084,693
Financial Investments	600,702	796,434
Interest-Earning Assets	2,336,001	2,881,127
PP&E and Investments in Other Companies	25,720	28,837
Total Assets	2,615,515	3,238,938
Current Accounts and Other Demand Deposits	184,270	221,397
Savings Accounts and Time Deposits	1,466,375	1,720,452
Foreign Liabilities	160,623	292,091
Provisions for At-Risk Assets	18,969	22,730
Capital and Reserves [2]	140,083	170,459
Equity	167,400	184,865

RATIOS	2007 [3]	2008 [3]
Return on Equity	16.3%	7.8%
Return on Total Assets	1.0%	0.4%
Interest-Earning Assets / Total Assets	89.3%	89.0%
Basel Index	10.84	11.48



PROFIT FOR THE YEAR	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Operating Income (Gross Margin)	78,515	99,085	107,953	131,693	128,583	169,925	163,694	238,753	253,946
Management Expenses	50,885	60,343	67,283	89,848	89,354	105,383	106,622	154,523	131,065
Net Operating Income (Net Margin)	27,630	38,742	40,670	41,845	39,229	64,542	57,072	84,230	122,881
Profit for the Year	23,039	33,710	35,020	35,229	32,801	55,908	47,429	50,606	63,026

YEAR-END BALANCES	2009	2010	2011	2012	2013	2014	2015	2016	2017
Loans (1)	2,189,085	1,988,633	2,614,571	3,021,457	3,340,912	3,656,920	4,056,096	4,462,332	4,834,290
Financial Investments	946,676	729,465	791,479	706,586	579,000	716,401	749,103	977,681	905,731
Interest-Earning Assets	3,135,761	2,718,098	3,406,050	3,728,044	3,919,912	4,373,321	4,805,199	5,440,013	5,740,021
PP&E and Investments in Other Companies	23,112	23,316	24,215	25,131	25,646	25,683	28,649	29,211	26,178
Total Assets	3,452,372	3,123,518	3,911,365	4,179,893	4,395,535	5,010,707	5,584,680	6,090,850	6,441,383
Current Accounts and Other Demand Deposits	255,777	285,464	353,615	395,301	425,450	512,242	583,856	570,018	673,475
Savings Accounts and Time Deposits	1,651,418	1,696,711	2,038,762	2,306,100	2,298,991	2,541,909	2,717,668	3,051,820	2,927,755
Foreign Liabilities	132,120	155,982	289,277	232,399	193,206	146,429	228,156	158,757	188,346
Provisions for At-Risk Assets	31,218	37,904	35,858	41,815	46,087	59,044	74,300	80,651	80,508
Capital and Reserves (2)	174,750	172,737	232,443	248,364	275,562	323,143	360,912	411,131	489,997
Equity	197,854	206,447	267,463	283,593	308,362	379,051	408,340	461,737	553,023

RATIOS	2009	2010	2011	2012	2013	2014	2015	2016	2017
Return on Equity	11.6%	16.3%	13.1%	12.4%	10.6%	14.7%	11.6%	11.0%	11.4%
Return on Total Assets	0.7%	1.1%	0.9%	0.8%	0.7%	1.1%	0.8%	0.8%	1.0%
Interest-Earning Assets / Total Assets	90.8%	87.0%	87.1%	89.2%	89.2%	87.3%	86.0%	89.3%	89.1%
Basel Index	12.56	12.45	12.03	11.92	12.19	12.47	12.10	13.22	14.02

SOURCE: BANCO SECURITY

NOTES:

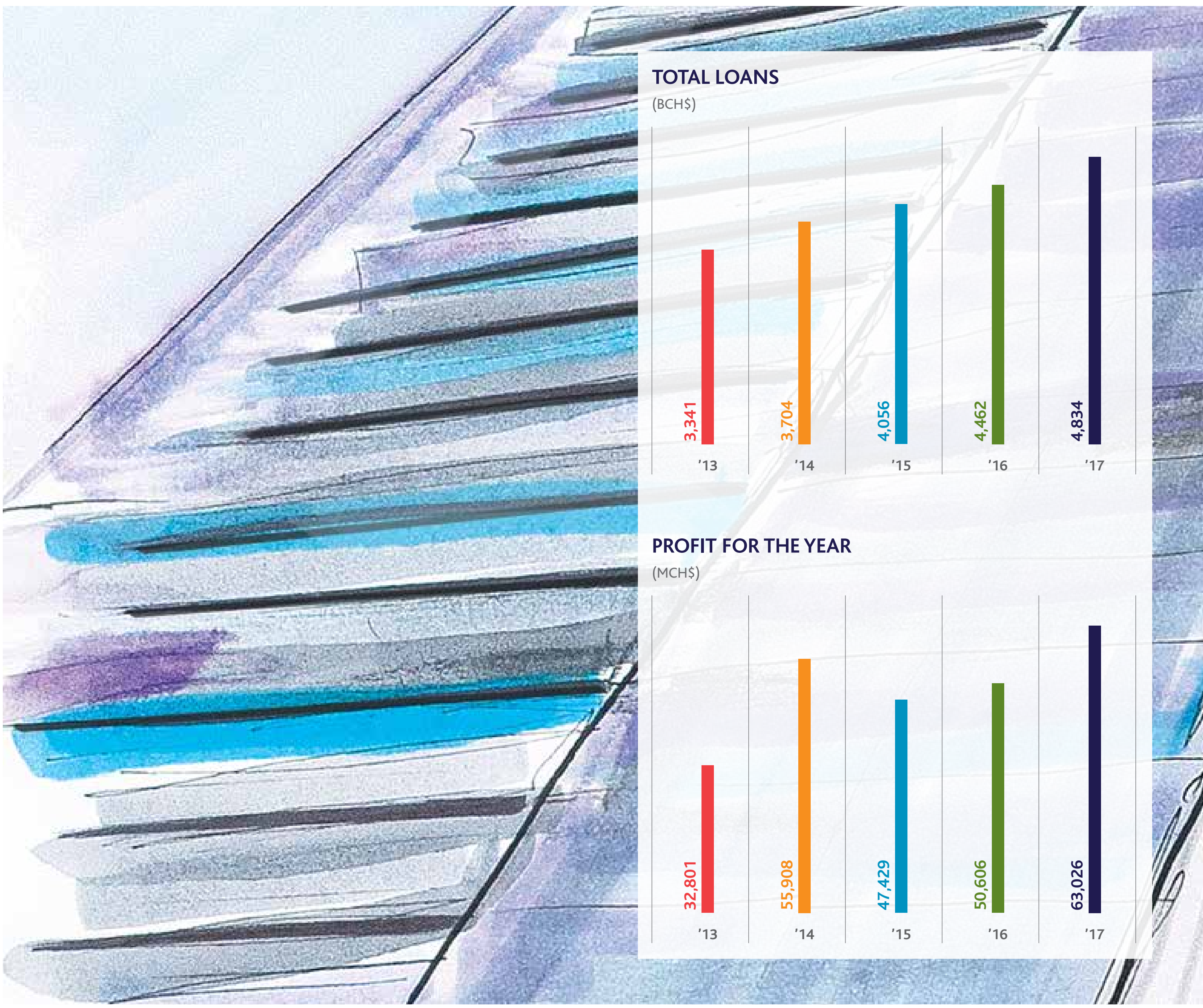
(1) INCLUDES LOANS AND ADVANCES TO BANKS. CONTINGENCY LOANS ARE NOT INCLUDED FROM 2007. ACCORDING TO THE NEW RULES THEY DO NOT FORM PART OF LOANS.

(2) INCLUDES OTHER EQUITY ACCOUNTS.

(3) FROM JANUARY 2008 THE BALANCE SHEET INFORMATION AND INCOME STATEMENTS WERE ADAPTED TO THE IFRS FORMAT DEFINED BY THE SBIF IN THE COMPENDIUM OF ACCOUNTING STANDARDS ISSUED UNDER CIRCULAR NO. 3,410. THEREFORE, FIGURES FROM 2007 ONWARDS ARE NOT COMPARABLE WITH PRIOR YEAR FINANCIAL INFORMATION. THE FIGURES REPORTED FOR 2007 AND 2008 INCORPORATE SUBSEQUENT ADJUSTMENTS TO ALIGN THEM WITH CHANGES IN STANDARDS, AND MAKE THEM MORE COMPARABLE. SINCE JANUARY 2009 ADJUSTMENTS FOR INFLATION HAVE BEEN ELIMINATED.

FINANCIAL SUMMARY

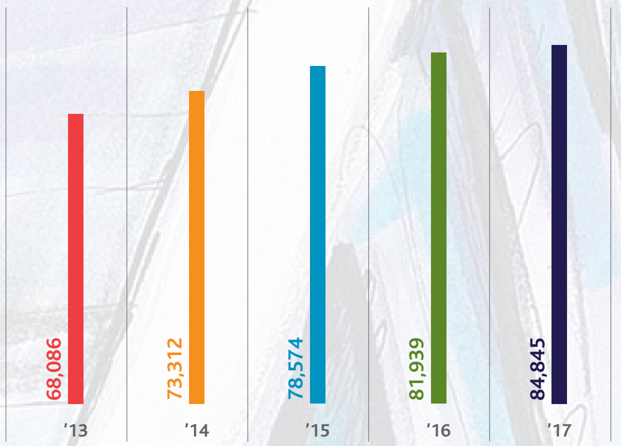
CONSOLIDATED FINANCIAL SUMMARY BANCO SECURITY AND SUBSIDIARIES



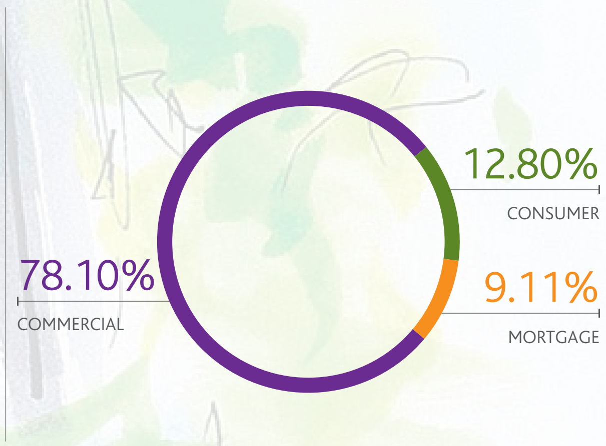
84,845
CURRENT ACCOUNTS • 2017

11.4%
ROE • 2017

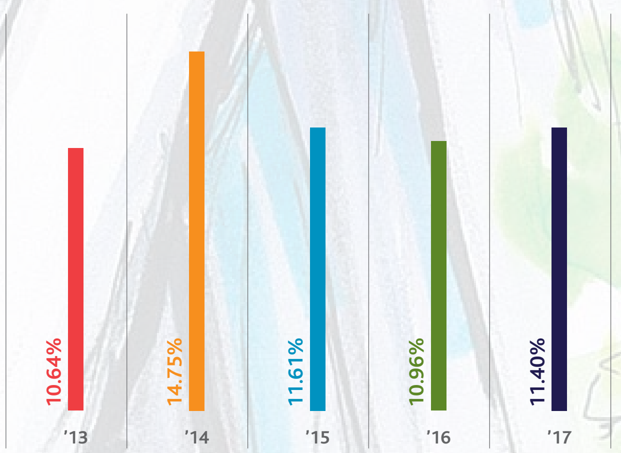
CURRENT ACCOUNTS
NUMBER



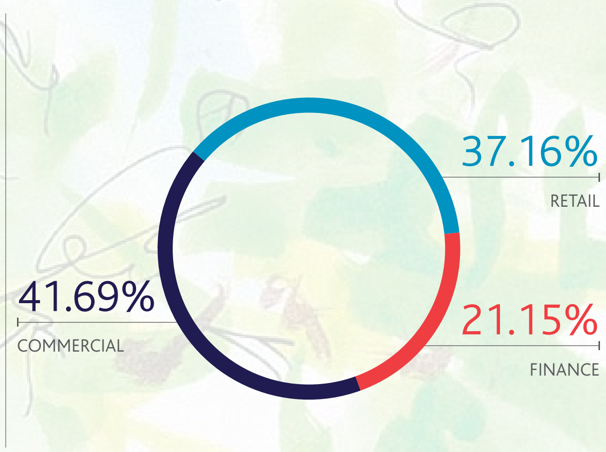
LOAN PORTFOLIO



ROE
%



REVENUE DISTRIBUTION



SOURCE: BANCO SECURITY

LETTER FROM THE CHAIRMAN

24.5%

ANNUAL GROWTH IN
CONSOLIDATED PROFIT · 2017

DEAR SHAREHOLDERS:

It is my pleasure to present Bank Security's annual report for 2017.

Despite last year's uncertainty due to local elections, the market seemed more optimistic about the domestic economy towards the end of the year and some indicators even reflected this emerging trend. This shift led to improved macroeconomic expectations for 2018, especially as political uncertainty dissipated.

As the country begins an investment-inclined cycle, the economy is starting to leave behind the stagnation that prevailed during the last four years and is once again showing positive signs in activity levels. Recovered confidence is already evident in the market and opinion polls, and official estimates indicate that the country could grow between 2.5% and 3.5% in 2018. This represents a significant recovery from GDP growth of 1.6% last year and the 1.9% average during the last presidential administration. Although this figure still falls below Chile's growth levels in excess of 5% between 2010 and 2012, it is a sure sign that we can expect an upturn over the next few years, which is reinforced by the increased growth seen around the world.

The goal of enabling our country's economy to take flight and resume sustained growth presents a tremendous challenge. Beyond expectations, we trust that the new authorities will implement all measures needed to create conditions for social and economic progress, which will help improve the welfare of all Chileans. The political and economic decisions made in the next few years will be key for our country to recover growth levels from decades past, once again positioning us on the threshold of becoming a developed country.

Despite the ups and downs our nation faced, Banco Security had a successful year in terms of growth and earnings in 2017.

During the period, the Bank's loans expanded 8.3%, almost doubling the industry's variation of 4.6%, driven mainly by commercial and consumer loans, with growth of 7.7% and 14.5%, respectively, while the industry reported 1.8% and 7.1% for these segments (excluding foreign subsidiaries). Given this improvement, the Bank attained market share in loans of 3.09%, or 3.34% excluding loans of foreign subsidiaries of local banks.

The Bank posted profit for the year of CH$63,026 million, up 24.5% over 2016, which is above the industry's 13.8%. ROE was 11.4%, just below the system average of 12.0%, while the Bank outperformed the industry in return on average equity with 12.4% versus the industry's 12.1%. The pace of the Bank's revenue growth is commendable: 14.5% in 2017 and 13.2% on average for the last five years, which compares favorably to the average for banks operating in Chile of 7.0% and 8.1%, respectively.

The Bank's standalone profit was CH$53,902 million, up 27.0% from the prior year. The Bank's subsidiaries, Administradora General de Fondos Security and Valores Security, Corredores de Bolsa, increased their combined share of the Bank's profit by 11.6%. The brokerage subsidiary duplicated its earnings (from CH$1,233 million in 2016 to CH$2,458 million in 2017)

BBB/A-2

BANK'S RISK RATING · 2017

14.02%

BASEL INDEX · 2017

thanks to a strong equities market, while the fund management subsidiary reported profit similar to the prior year (-3.9%).

In order to sustain its above-industry growth rates and strengthen the Bank's capital base to meet regulatory requirements incorporated by the bill to amend the General Banking Law, we increased capital by CH$50,000 million in December. I would like to thank our shareholders for their unconditional support and trust during the capital increase process. This demonstrates their commitment to our business strategy, which is centered around meeting our customers' comprehensive needs, delivering value to our shareholders and always being concerned for people.

Given the key role that people play within Grupo Security, we celebrate being recognized once again as one of the best companies to work for in Chile, placing seventh in the Great Place to Work ranking. Our performance has consistently improved over the seventeen years we have participated in this ranking, thanks to our ongoing efforts to create a caring and engaging environment for our employees that enables them to perform their duties and promotes career development and growth.

Since our beginnings, we have fostered a pleasant and safe work place and have been market pioneers in flexibility and family-work balance, a constant goal for our management and a core value of the Security culture. We attribute much of our success to the fact that Grupo Security puts people at the center of our strategic objectives. After all, an employee that is content at work, feels appreciated and has the peace-of-mind that his or her family is protected will convey warmth, closeness, commitment and courtesy to our customers, a hallmark that is highly appreciated by those that prefer our services.

Another relevant event during the year was S&P's upgrading of Banco Security's risk rating to BBB/A-2. This is especially noteworthy given the downgrading of the country's sovereign rating, which also impacted several financial institutions. Another important achievement was the shift from "Stable" to "Positive" in the Bank's outlook from Fitch Ratings.

Our operations in Hong Kong, through the Bank's representative office, enabled us to strengthen bonds and commercial relationships with that market in order to plan and conclude business deals to further our project in China.

These elements lay the foundation for a new period and allow us to look optimistically toward the future. The challenge lies in not resting on our laurels but continuing to work as we have throughout our history, strengthening our business model in order to maintain above-industry growth rates, contribute more value to our shareholders, achieve greater customer satisfaction and offer more and better opportunities to each of our associates. We trust that Chile will finally leave behind this period of low growth and will resume its leadership position in Latin America.

FRANCISCO SILVA S.

Chairman, Grupo Security

OUR HISTORY

1981
In August 1981, Banco Urquijo de Chile was created, as a subsidiary of Spain's Banco Urquijo.

1987
In 1987, Security Pacific Corporation, a subsidiary of Security Pacific National Bank in Los Angeles, California, acquired 100% of the shares of Banco Urquijo of Chile, renaming the Bank Banco Security Pacific.

Security Pacific National Bank created a securities agency and stock brokerage firm in the same year. It is currently a Bank subsidiary called Valores Security, Corredores de Bolsa.

1990
Leasing Security was created in 1990 as a subsidiary of Banco Security to provide lease finance.

1991
Security Pacific Overseas Corporation sold their 60% shareholding in Banco Security to Grupo Security in June 1991, changing the Bank's name to Banco Security.

1992
The asset management subsidiary, Administradora de Fondos Mutuos Security, was created as a subsidiary of Banco Security in 1992.

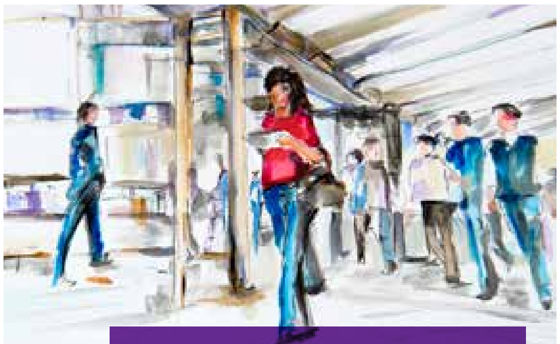
1994
Bank of America, the successor of Security Pacific National Bank, sold the remaining 40% shareholding in Banco Security to Grupo Security in 1994.

2001
The subsidiary Leasing Security was incorporated into Banco Security as a business unit in April 2001.

2003
The subsidiary Administradora de Fondos Mutuos Security S.A. extended its business scope and changed its name to Administradora General de Fondos Security S.A. in September 2003.

2004
In June 2004, Grupo Security acquired a 99.67% stake in Dresdner Bank Lateinamerika, Chile, and on October 1, 2004, it merged with Banco Security.

Also in June 2004, the Bank exceeded 1 billion pesos in loans.



2006

The Retail Banking project led to the launch of four new branches in 2006: Plaza Constitución, Alcántara and Estoril in the Metropolitan Region and Viña del Mar in the 5th Region.

2007

Two new branches were opened this year: Chicureo and Los Cobres in the Metropolitan Region.

2008

The branch network continued to expand and branches were opened at Santa Maria and Los Trapenses in 2008.

2011

A new plan to grow and expand the branch network began, with the opening of three new branches: Presidente Riesco in Santiago, and La Serena and Rancagua outside of Santiago.

2012

Three new branches were inaugurated: La Reina, Moneda and Talca. Retail Banking reached 50,000 current accounts, and Commercial Banking exceeded CH$2 billion in loans.

2013

A new branch was opened in Copiapó in December 2013, and Retail Banking exceeded CH$ 1 billion in loans.

2014

Our first Representative Office abroad was opened in Hong Kong in June 2014, making us the only Chilean bank with an office in that city.

AGF Security merged with Administradora General de Fondos Cruz del Sur in December 2014, to command a strong market position in this industry.

2015

Valores Security merged with the Cruz del Sur brokerage subsidiary in March 2015, and in July an agreement was reached with Banco Penta to acquire their asset management and stock brokerage subsidiaries.

2016

The respective mergers of Penta Administradora General de Fondos S.A with Administradora General de Fondos Security S.A., and Penta Corredores de Bolsa S.A. with Valores Security S.A. Corredores de Bolsa were completed in February.

RECOGNITION RECEIVED

GREAT PLACE TO WORK

Once again, we took on the challenge of measuring our workplace climate in order to identify opportunities for improvement and promote a work environment that balances work and family. And, once again, Banco Security, along with several other companies from Grupo Security, was included in the Great Place To Work ranking of the best companies to work for in Chile, moving up one position from last year to 7th place.

This recognition is not by chance, but rather the result of a strategy and organizational culture that values the comprehensive development of people. This new honor fills us with pride and motivates us to continue fostering the values of the Security Culture.

7th PLACE

IN THE GREAT PLACE TO WORK RANKING

RECOGNITION FOR CUSTOMER SERVICE EXPERIENCE

The eighth version of the Praxis Xperience Index Customer Service Experience Indicator honored Banco Security as the bank with the best customer service experience in Chile.

This measurement is based on customer sensations, opinions and emotions towards a product or service that evaluates three components: functional, operational and emotional. These components are used to determine whether a service is effective, easy and satisfactory.

The award is based on surveys of 35 thousand Chileans between July 2016 and June 2017.

1st PLACE

BANCO SECURITY THE BANK WITH THE BEST CUSTOMER SERVICE EXPERIENCE IN CHILE



SALMON AWARDS 2017

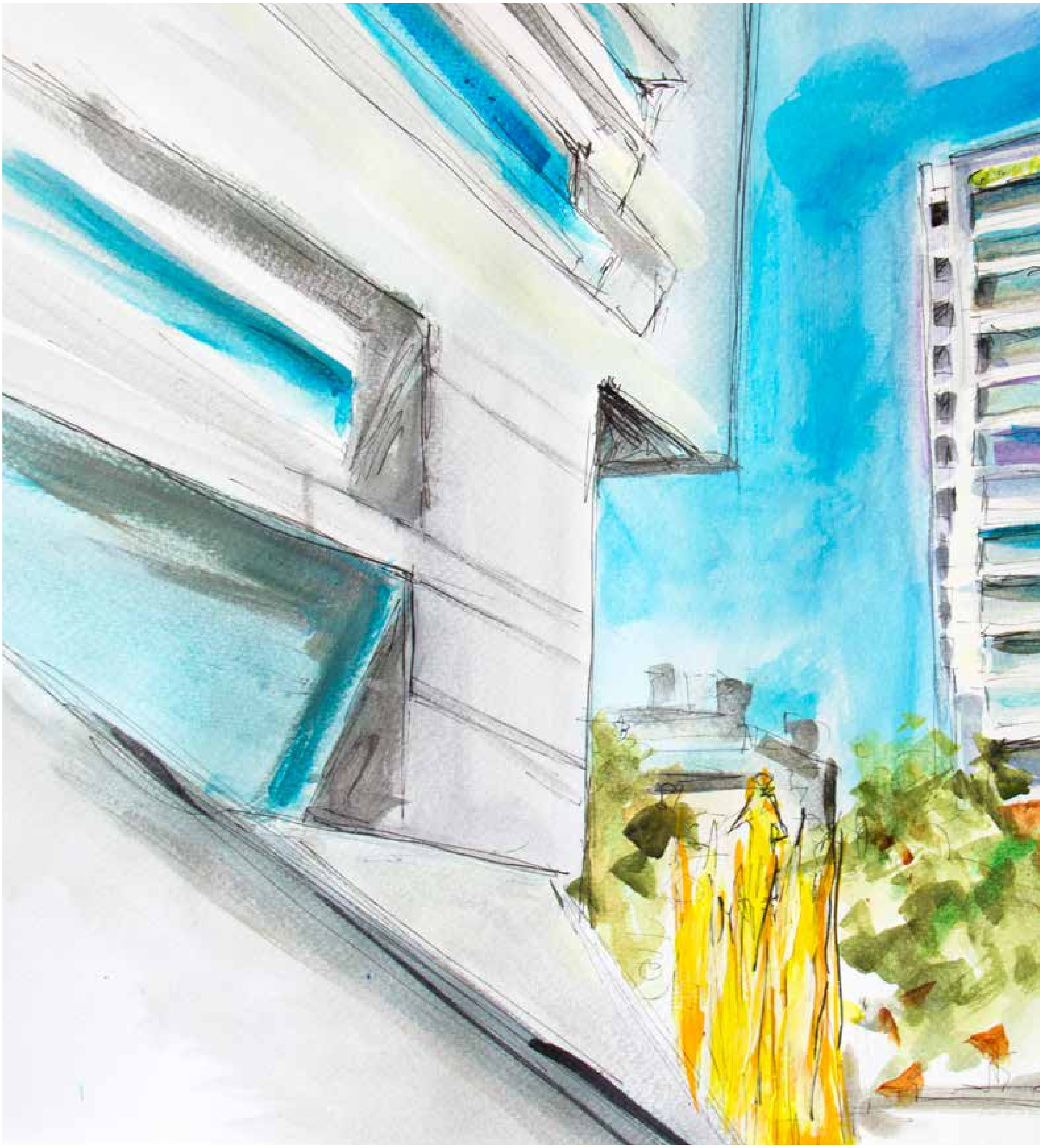
In 2017, Administradora General de Fondos Security was recognized with two Salmon Awards and two Salmon APV Awards, given by Diario Financiero and LVA Índices.

In April, the fund "Security Index Fund US" obtained first place in the US Equities category, while the fund "Security Deuda Corporativa Latinoamericana" earned first place in the International Debt, Emerging Markets (<365 days) category.

Two funds managed by AGF Security received Salmon APV awards in November. The fund "Security Index Fund US" obtained second place in the US Equities category, while the fund "Security Equilibrio Estratégico" earned second place in the Moderate Balanced Fund category.

4 FUNDS

HONORED WITH AWARDS



02

CORPORATE GOVERNANCE

THE BANK STRIVES CONTINUOUSLY TO BUILD LOYALTY

among our customers

BANCO security

BOARD AND MANAGEMENT

BOARD AND MANAGEMENT

BOARD OF DIRECTORS

- CHAIRMAN
  Francisco Silva S.

- DIRECTORS
  Hernán Felipe Errázuriz C.
  Jorge Marín C.
  Gustavo Pavez R.
  Renato Peñafiel M.
  Horacio Pavez G.
  Ramón Eluchans O.

- ALTERNATE DIRECTOR
  Mario Weiffenbach O.

SENIOR MANAGEMENT

- CHIEF EXECUTIVE OFFICER
  Bonifacio Bilbao H.

- GENERAL COUNSEL
  Enrique Menchaca O.

- CHIEF ECONOMIST
  Felipe Jaque S.

- PLANNING AND CONTROL DIVISION MANAGER
  Manuel Widow L.

- CORPORATE CULTURE MANAGER
  Karin Becker S.

- CONTROLLER
  Alfonso Verdugo R.

- COMPLIANCE MANAGER
  Mauricio Parra L.

SUPPORT AREAS

- RISK DIVISION MANAGER
  José Miguel Bulnes Z.

- COMMERCIAL RISK MANAGER
  Alejandro Vivanco F.

- RETAIL RISK MANAGER
  Roberto Guajardo J.

- LOAN RESTRUCTURING MANAGER
  René Melo B.

- RETAIL COLLECTIONS MANAGER
  Fernando Contreras F.

- LOAN ORIGINATION AND POLICY MANAGER
  Jorge Herrera P.

- FINANCIAL RISK MANAGER
  Antonio Alonso M.

- OPERATIONS AND IT MANAGER
  Gonzalo Ferrer A.

- IT AND PROCESS MANAGER
  Raúl Levi S.

- CENTRAL AND BRANCH OPERATIONAL PROCESSES MANAGER
  Jorge Oñate G.

BUSINESS AREAS

COMMERCIAL DIVISION

- COMMERCIAL BANKING DIVISION MANAGER
  Christian Sinclair M.

- BUSINESS DEVELOPMENT AND PRODUCT MANAGER
  Sergio Cavagnaro R.

LARGE COMPANIES AND REAL ESTATE

- LARGE COMPANIES AND REAL ESTATE MANAGER
  Alejandro Arteaga I.

- LARGE COMPANIES MANAGER
  Alberto Apel O.

- LARGE COMPANIES MANAGER
  Felipe Oliva L.

→ REAL ESTATE AND CONSTRUCTION MANAGER
Ricardo Hederra G.

COMPANIES BANKING AND REGIONAL BRANCHES

→ COMPANIES BANKING AND REGIONAL BRANCH AFFAIRS MANAGER
Hernán Buzzoni G.

→ COMPANIES BANKING MANAGER
Francisco Cardemil K.

STRUCTURED FINANCING

→ STRUCTURED FINANCING MANAGER
José Antonio Delgado A.

→ BUSINESS MANAGER
Fabián Videla O.

→ BUSINESS MANAGER
José M. Costas F.

→ BUSINESS MANAGER
Sebastián Laso R.

→ INTERNATIONAL BUSINESS MANAGER
Ewald Doerner C.

SPECIALIZED PRODUCTS AND SERVICES

→ SPECIALIZED PRODUCTS AND BUSINESS MANAGER
Andrés Fabregat F.

REPRESENTATIVE OFFICE IN HONG KONG

→ CHIEF REPRESENTATIVE OFFICER IN HONG KONG
Juan Lago H.

RETAIL BANKING DIVISION

→ RETAIL BANKING DIVISION MANAGER
Hitoshi Kamada

→ BUSINESS DEVELOPMENT AND PRODUCT MANAGER
Ramón Bustamante F.

→ BRANCH AFFAIRS AND REMOTE BANKING MANAGER
Rodrigo Reyes M.

→ PRIVATE BANKING MANAGER
José Ignacio Alonso B.

→ ENTREPRENEUR BANKING MANAGER
Annelore Bittner A.

→ EASTERN AREA MANAGER
Virginia Díaz M.

→ NORTH CENTRAL AREA MANAGER
Rodrigo Matzner B.

→ SOUTH CENTRAL AREA MANAGER
Tatiana Dinamarca G.

→ REMOTE BANKING MANAGER
Samuel Ovalle N.

→ LIABILITY AND INSURANCE PRODUCT MANAGER
María Soledad Ruiz S.

→ ASSET PRODUCT MANAGER
Nicolás Moreno D.

FINANCE DIVISION AND FINANCIAL BANKING

→ FINANCE DIVISION AND FINANCIAL BANKING MANAGER
Nicolás Ugarte B.

TRADE DESK

→ ASSET & LIABILITY AND LIQUIDITY MANAGER
Sergio Bonilla S.

→ INVESTMENT AND TRADING MANAGER
Ricardo Turner O.

→ DISTRIBUTION AND FINANCIAL BANKING MANAGER
Ricardo Santa Cruz R-T

→ MARKET MAKING AND FINANCIAL BANKING MANAGER
Francisco Forster S.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

A. SHAREHOLDERS' MEETINGS → B. BOARD OF DIRECTORS → C. COMMITTEES →

- C.1 BOARD CREDIT COMMITTEE
- C.2 EXECUTIVE CREDIT COMMITTEE
- C.3 FINANCE COMMITTEE
- C.4 ASSET AND LIABILITY COMMITTEE (ALCO)
- C.5 AUDIT COMMITTEE
- C.6 OTHER COMMITTEES



A. SHAREHOLDERS' MEETINGS

Shareholders' meetings are the highest level of corporate governance regulated by the Corporations Law. Their main functions are to elect the Board of Directors; appoint external auditors and risk rating agencies; approve the annual report, financial statements, profit distributions and capital increases and set fees for the Board of Directors and the Directors' Committee.

B. BOARD OF DIRECTORS

This is the main level of corporate governance. The Board plays a key role in the organization, which includes managing the Company; establishing, approving and overseeing implementation of institutional values and strategic guidelines; and establishing internal control mechanisms and policies to ensure compliance with internal and external regulations to guide the Company's actions.

The Board of Directors of Banco Security is composed of seven directors and one alternate. All directors are elected every three years. The last election took place on March 22, 2016, when shareholders re-elected all current directors for a new term. According to the law and our by-laws, ordinary Board meetings must be held at least once a month. Extraordinary meetings may be called by the Chairman of the Board or at the request of one or more directors. Sixteen (16) ordinary Board meetings are scheduled for 2018, notwithstanding any extraordinary meetings that may be called.

The Board is regularly briefed on the Bank's operations, progress and compliance with strategic plans, financial results, compliance with policies and procedures, the results of audits and the status of customer complaints, among other matters. Board members also sit on several committees, which enables them to be involved, know the Bank's operations in detail and guarantee compliance with established policies.

C.1

BOARD CREDIT COMMITTEE

This committee analyzes, evaluates and approves or rejects the most important loan applications, submitted directly by sales areas. This committee examines all Commercial Banking lines of credit greater than approximately UF 30,000 and UF 40,000, depending on guarantees, and Retail Banking lines of credit greater than approximately UF 25,000 and UF 27,000.

The members of this committee are:

- FRANCISCO SILVA S.
  Chairman
- RAMÓN ELUCHANS O.
  Director
- MARIO WEIFFENBACH O.
  Alternate Director
- BONIFACIO BILBAO H.
  Chief Executive Officer
- JOSÉ MIGUEL BULNES Z.
  Risk Division Manager

C.2

EXECUTIVE CREDIT COMMITTEE

This committee complements the functions of the former, and analyzes, evaluates and approves or rejects smaller loan applications, which are also submitted directly by sales areas.

The members of this committee are:

- JOSÉ MIGUEL BULNES Z.
  Risk Division Manager

The remaining members depend on the area to which the customer belongs, as detailed below:

COMMERCIAL BANKING

- CHRISTIAN SINCLAIR M.
  Commercial Banking Division Manager
- HERNÁN BUZZONI G.
  Companies Banking and Branch Affairs Manager
- ALEJANDRO ARTEAGA I.
  Large Companies Manager
- ALEJANDRO VIVANCO F.
  Commercial Risk Manager

RETAIL BANKING

- HITOSHI KAMADA
  Retail Banking Division Manager
- JORGE HERRERA P.
  Loan Origination and Policy Manager

Additionally, managers, deputy managers, agents or executives who present credit requests on behalf of their customers may attend.



C.3
FINANCE COMMITTEE

The objective of this committee is to jointly evaluate the financial instrument positions and market risks taken by Banco Security and its subsidiaries, defining strategies and ensuring that these are fulfilled.

Its main functions include reporting on the status of each business unit in relation to profits and margins compared to budget, aligning strategies and escalating investment or disinvestment decisions.

The Financial Committee is also charged with proposing policies and methodologies for managing financial assets to the Board and ensuring compliance with market risk limits set by the Board and regulators.

The members of this committee are:

- **FRANCISCO SILVA S.**
  Chairman
- **RENATO PEÑAFIEL M.**
  Director
- **RAMÓN ELUCHANS O.**
  Director
- **FELIPE JAQUE S.**
  Chief Economist
- **BONIFACIO BILBAO H.**
  Chief Executive Officer
- **NICOLÁS UGARTE B.**
  Finance Division and Financial Banking Manager
- **RICARDO TURNER O.**
  Investment and Trading Manager
- **MANUEL WIDOW L.**
  Planning and Control Division Manager
- **ANTONIO ALONSO M.**
  Financial Risk Manager
- **ANDRÉS PEREZ L.**
  Chief Financial Officer, Valores Security
- **CÉSAR GUZMÁN B.**
  Macroeconomic Manager

C.4
ASSET AND LIABILITY COMMITTEE (ALCO)

This committee is responsible for managing and controlling:
(1) structural matching by maturity and currency within the balance sheet
(2) liquidity and
(3) the Bank's net interest margin.

The standing members of this committee are:

- **FRANCISCO SILVA S.**
  Chairman
- **RENATO PEÑAFIEL M.**
  Director
- **RAMÓN ELUCHANS O.**
  Director
- **BONIFACIO BILBAO H.**
  Chief Executive Officer
- **NICOLÁS UGARTE B.**
  Finance Division and Financial Banking Manager
- **MANUEL WIDOW L.**
  Planning and Control Division Manager
- **ANTONIO ALONSO M.**
  Financial Risk Manager
- **SERGIO BONILLA S.**
  Asset & Liability and Liquidity Manager
- **CHRISTIAN SINCLAIR M.**
  Commercial Banking Division Manager
- **HITOSHI KAMADA**
  Retail Banking Division Manager



C.5

AUDIT COMMITTEE

This committee's main objectives are to ensure that the internal controls of the Bank and its subsidiaries are applied, operated and maintained; to monitor that standards and procedures governing their practice are complied with; to support the internal audit function and its independence from management; and to coordinate external and internal audit functions, liaising between them and the Boards of the Bank and its subsidiaries.

The standing members of this committee are:

- **HERNÁN FELIPE ERRÁZURIZ C.**
  Director and Chairman
- **JORGE MARÍN C.**
  Director
- **HORACIO PAVEZ G.**
  Director

Permanent participants:

- **BONIFACIO BILBAO H.**
  Chief Executive Officer
- **ALFONSO VERDUGO R.**
  Controller
- **ENRIQUE MENCHACA O.**
  General Counsel

Additionally special participants may be invited to review particular issues.

The committee's roles and responsibilities include:

a) Proposing a short-list of external auditors to the Directors' Committee, or in its absence to the Board.

b) Establishing a business relationship with the external audit firm selected, and clarifying the audit terms and scope before work begins. Any discrepancy or difference in interpretation with respect to the audit terms should be resolved as soon as possible.

c) Proposing a short-list of risk rating agencies to the Directors' Committee, or in its absence to the Board.

d) Understanding and analyzing the results of audits and internal reviews.

e) Coordinating the work of internal auditors with the external auditors' reviews.

f) Analyzing the interim financial statements and the annual accounts and reporting to the Board.

g) Analyzing the external auditors' reports, and the content, procedures and scope of their reviews. Also, these auditors should be granted access to the committee meeting minutes to provide them with the details of situations that might be relevant for audit purposes.

h) Analyzing external risk rating reports and the procedures they applied.

i) Assessing the effectiveness and reliability of internal control systems and procedures. Therefore, the committee should be familiar with the risk management methods and systems used by the Bank and its subsidiaries.

j) Analyzing the adequacy, reliability and effectiveness of information systems, and their value to decision making.

k) Ensuring that corporate policies adhere to the laws, regulations, and internal standards that the organization must abide by.

l) Understanding and resolving conflicts of interest and investigating fraud and suspicious behavior.

m) Analyzing instructions and presentations from regulators and analyzing inspection visit reports.

n) Understanding, analyzing and verifying compliance with the annual internal audit program.

o) Requesting a report every six months from the Chief Compliance Officer to understand the structure, planning, results and management of that area.

p) Informing the Board of any changes in accounting policy and their effects.

q) Evaluating the controller of the Banks and subsidiaries on an annual basis and reporting the results of this evaluation to the Chairman.

r) Escalating to the Board any important or material matters that the committee believes should be resolved by the Board.

s) Understanding the court cases and any other legal contingencies that may affect the Bank.

t) Understanding, analyzing and resolving any other issues that one or more members may submit.

The committee met nine times during 2017 (eight scheduled plus one additional meeting), where it carried out the following tasks:

a) Received reports on internal audits of the Bank and its subsidiaries, and other associated revisions.

b) Analyzed the results of semi-annual internal audits on regulatory reports generated internally and filed with the SBIF.

c) Reviewed operations of Board Support Committees.

d) Coordinated the work of the Controller with reviews by the external auditors.

e) Received a letter from the SBIF reporting on the results of the 2017 visit.

f) Analyzed the financial statements for 2016, with the assistance of the external audit partner.

g) Analyzed the external auditor's letters regarding internal controls and adequacy of provisions.

h) Analyzed the reports, contents, procedures and scope of the external auditor's reviews, and the action plans to resolve the issues identified.

i) Prepared a Board proposal on external auditors and risk rating agencies.

j) Analyzed the reports and procedures issued by the external risk rating agencies.

k) Analyzed the interim financial statements.

l) Reviewed the changes in standards that affect the Bank and its subsidiaries, and discussed the implications. Likewise for management letters copied to the Controller.

m) Reviewed the court cases and other legal contingencies affecting the Bank.

n) Monitored the annual audit plan for the Bank and its subsidiaries. In December 2017 the Audit Committee reviewed the proposed audit plan for 2018, which was submitted to the Board.

o) Reviewed the internal audit reports.

p) Analyzed progress on the action plan for the Bank and its subsidiaries arising from internal regulatory audit reports, specifically the very high and high priority plans linked to high risks.

q) Reviewed and monitored operational risk losses.

r) Reviewed and analyzed the Management and Solvency Self-Assessment for 2017 RAN Chap. 1-13, at an additional committee meeting.

s) Reviewed claims by reporting source and product/service..

t) Reviewed relevant incidents and measures taken by management.

u) Heard a presentation on the organization, operation and risks within the Accounting, Compliance and Operational Risk, Finance, Planning and Operations, Risk, Commercial Banking, Retail Banking and Operations and IT divisions.

v) Reviewed the action plan reprogramming and risk acceptance approved by the Operational Risk Committee.

w) Regularly monitored commitments related to SBIF Letters following annual inspection visits.



C.6
OTHER COMMITTEES · OBJECTIVES

STRATEGY	Define strategic guidelines, risk appetite and capital management.
COMMERCIAL/RETAIL SALES MANAGEMENT	Review compliance with budget, deviations and mitigations, and progress on sales initiatives.
OPERATIONAL RISK	Analyze comprehensive management of operational risks. Disseminate and monitor operational risk policies.
PREVENTION, ANALYSIS AND RESOLUTION OF ASSET LAUNDERING	Publish, implement and monitor policies that prevent asset laundering. Analyze cases involving asset laundering.
RISK	Review and monitor all matters related to effective credit risk management.
INVESTMENTS IN PP&E AND TECHNOLOGY	Review and approve the annual investment budget. Review and approve individual projects and monitor progress.
WATCH	Review higher-risk loans, monitor their status and take action.

RECLASSIFICATION	Review the details of customers likely to be reclassified based on the latest available information, discuss and decide on reclassification in each case.
MODELS	Review and monitor existing models used for credit risk management. Submit new models for approval and monitor progress.
LOAN RESTRUCTURING	Analyze the management of the Loan Restructuring Area relating to recoveries, uncollectables, revenue, Credit Committee submissions, among others. Identify cases that should be submitted to the Reclassification Committee.
PHYSICAL SECURITY	Report and analyze the comprehensive management of physical security at the Bank, adopt measures that are relevant, and disseminate and monitor security policies, regulations and procedures.
NEW PRODUCTS	Present new products, including an evaluation of their impacts and estimated revenue and expenses, for approval and implementation.
REGULATORY	Know, understand and analyze the scope and impact of different processes and risks involved in implementing new regulations and supervise proper implementation.

03

STRATEGY AND PERFORMANCE

WE CONSISTENTLY AIM TO IDENTIFY OUR CUSTOMERS' NEEDS, FULFILL THEIR REQUESTS AND PROVIDE the best service

BANCO security

BUSINESS STRATEGY

The strategy employed by Banco Security and its subsidiaries is aligned with the guidelines issued by Grupo Security, which aims to position itself as a comprehensive provider of financial services across its various business areas: lending, asset management, insurance and services.

The Bank's mission is to meet the financial needs of large and medium-sized companies and high-income individuals, by delivering exceptional service in order to build long-term relationships. To accomplish this, the Bank has an exceptional team of professional relationship managers who provide a broad range of products and services, supported by the latest technology in all areas and the backing of Grupo Security, to ensure that our customers are fully satisfied.

In an increasingly competitive and regulated market, Banco Security is strengthening its position as a niche bank, exploring and developing new specializations, which will reinforce its differentiating feature of service excellence, and improve its flexibility and agility to respond to the particular needs of each customer.

The pillars of our business strategy are:

SERVICE EXCELLENCE	This is the Bank's distinguishing feature, which is recognized and appreciated by customers and the market, and reflects the Bank's constant concern to ensure that it complies with the service quality standards that characterize the Security brand.
FOCUS ON TARGET SEGMENT	Banco Security has been able to grow while maintaining its focus on its target segments in commercial and retail banking. This has been fundamentally important, to avoid compromising service quality.
PRODUCTS AND SERVICES	The Bank is concerned with keeping our products and services up to date with respect to other banks. We differentiate ourselves by our ability to adapt our products and services to the specific requirements of each customer, and by the comprehensive package that we offer together with other companies within Grupo Security.
CUSTOMER LOYALTY	The sales team continually encourages customers to expand the range of products and services they use at the Bank and at other companies within Grupo Security, building on the premium quality services provided by the Bank.
EFFICIENCY	One of the Bank's strategic objectives is to maintain the flexibility inherent in a small bank, while always aiming to achieve the efficiency of larger banks.
PEOPLE	Concern for people and their families is a core element of the Bank's strategy. Service excellence is based on courtesy towards and a close relationship with customers. One key to accomplishing this is having employees committed to and immersed in the Security culture.



The entire bank, and particularly the sales areas, has defined specific strategic objectives and the most appropriate structure to implement them, while ensuring that these are aligned with the Bank's mission and overall strategy.

01 COMMERCIAL BANKING	02 RETAIL BANKING	03 TRADE DESK	04 ASSET MANAGEMENT
LARGE COMPANIES AND REAL ESTATE	PRIVATE BANKING AND PREMIER BANKING	DISTRIBUTION SERVICES	ADMINISTRADORA GENERAL DE FONDOS SECURITY (AGF)
STRUCTURED FINANCING AND FINANCIAL ADVISORY	PREFERENTIAL BANKING	TRADING SERVICES	VALORES SECURITY S.A. CORREDORES DE BOLSA
COMPANIES BANKING AND REGIONAL BRANCHES	ENTREPRENEUR BANKING	ASSET MANAGEMENT SERVICES	
FINANCIAL BANKING		ASSET & LIABILITY AND LIQUIDITY SERVICES	

COMMERCIAL BANKING

"We want to be the Bank for business in Chile and the Bank our customers prefer"

The Bank has developed several customer service models to address the profiles of our customers in our target commercial banking segment, with an emphasis on the value proposition that each sub-segment considers most important. These models are:

LARGE COMPANIES AND REAL ESTATE

This model targets companies that are looking for a bank that acts as an advisor and understands their business as well as they do, and consequentially understands their financial requirements and the best way to meet them. This customer service model divides customers into the following three sub-segments by size plus the real estate area:

- **REAL ESTATE AREA:**
  This area has extensive experience in the market providing custom financing to real estate projects.

STRUCTURED FINANCING AND FINANCIAL ADVISORY

This area has highly trained professionals and provides advice and financing for project finance, restructuring liabilities, syndicated loans, and corporate acquisitions, among other transactions.

COMPANIES BANKING AND REGIONAL BRANCHES

This model targets companies looking for the best overall service for their financial requirements. This service is improved by dividing customers into two sub-segments by size and an additional sub-segment serving regional customers.

FINANCIAL BANKING

This model targets corporate and institutional customers, who require highly sophisticated products and services. They are very demanding in terms of speed and cost, but are not willing to sacrifice service quality. These three aspects need to be combined seamlessly, so this area was incorporated into the Finance Division and its executives work closely with our Trade Desk.

These are complimented by areas providing specialized products such as:

FOREIGN TRADE AND INTERNATIONAL SERVICES

Banco Security has made this a strategic area in the value proposition for our customers, and for this reason our proximity to customers and the effectiveness of our processes and products, particularly the electronic platform E-Comex, are strengths that are widely recognized in the market. These services were strengthened when Banco Security opened a representative office in Hong Kong in June 2014, making us the only Chilean bank with a presence in this important global financial center and a trade bridge with China.

LEASING

This area is fundamental within the value-added services provided to the Bank's business customers, because it provides financing for companies to enable them to continue growing and improve their competitiveness, either through asset or real estate leases or lease-back.

The portfolio of products and services offered by the Bank to business customers includes a complete range of credit products in local and foreign currencies, financial advice, structured finance, mortgage financing, leasing, current accounts in local and foreign currencies, foreign trade, purchase and sale of foreign currencies, payment options, payment services, derivatives (exchange rate hedges, inflation hedges, swaps), deposits, investments and others.

RETAIL BANKING

"We want to provide our customers with preferential, personalized and transparent service because we believe that where there's a will, there's a way."

Three models of customer service have been identified to address the profiles of our customers in our target commercial banking segment, with an emphasis on the value proposition that each sub-segment considers most important:

PRIVATE BANKING AND PREMIER BANKING

This area targets high-income and high net-worth customers, who require personalized, specialized investment care, extensive advice from their relationship manager executive and a unique range of products and services tailored to their requirements.

PREFERENTIAL BANKING

This area targets customers looking for traditional financial products and services to support their projects at different stages in their lives. They expect timely financial solutions and first-class personalized attention.

ENTREPRENEUR BANKING

This area targets entrepreneurs that need both retail and commercial banking services, with annual revenues under UF 35,000. For this segment, the Bank has designed a flexible offering of financial products and services with ongoing advising from a network of specialized executives.

Always focused on providing our customers comprehensive service, the Bank offers a range of products and services for these segments, which includes current accounts in local and foreign currencies, a wide variety of credit products, mortgage financing, purchase and sale of foreign currencies, payment options (credit and debit cards), payment services, insurance, investment instruments and others.

Banco Security has developed a series of remote customer service channels to provide its customers quick and easy access to their products and services without going to a branch.



TRADE DESK

The Trade Desk has always been considered an essential complement of our traditional banking business. This area focuses on institutional customers, and provides them with a wide range of financial products along with advice whenever needed, and manages their investment portfolios. In addition, this area is responsible for managing matching and liquidity at the Bank, according to guidelines from the ALCO. Therefore, the area is composed of:

DISTRIBUTION SERVICES

All the financial products managed by the Trade Desk are offered to customers, such as: trading foreign currency, time deposits, foreign exchange and inflation hedges, swaps and other financial derivatives, and combinations of these products structured according to each customer's specific requirements.

TRADING SERVICES

Management of a portfolio of short-term investments.

ASSET MANAGEMENT SERVICES

Management of a portfolio of medium and long-term investments.

ASSET & LIABILITY AND LIQUIDITY SERVICES

This area is in charge of managing interest rate risk and currency and liquidity gaps generated by structural mismatches in the balance sheet, following guidelines provided by the ALCO.

ASSET MANAGEMENT

Inversiones Security is responsible for managing and distributing first-rate financial products and services and providing high-quality, personalized asset management and brokerage advisory services for individuals, companies and institutional investors. It looks to build long-term relationships with its customers, providing service and advising based on the values of trust, transparency, accuracy and excellence, in line with their savings and investment needs.

Administradora General de Fondos Security (AGF Security), with over 25 years' experience and a prestigious market reputation, serves diverse customer segments, including mid-sized investors, high-net-worth individuals, companies and institutional investors in need of specialized, professional asset management services.

Valores Security S.A. Corredores de Bolsa works to understand its customers' needs and proactively assist them in selecting from among the different investment alternatives available in the market. It accomplishes this through its international business platform and a team of highly trained professionals, which make global investing straightforward and transparent. Valores Security is a major player in domestic debt trading for the institutional market.



BANCO SECURITY AND ITS ENVIRONMENT

ECONOMIC AND FINANCIAL CONTEXT

The year 2017 can be defined as one of moderate optimism. It was a promising period, driven by continued cyclical recovery around the world that first began in 2016. This improvement continued in 2017 with global growth somewhat more robust but, more importantly, seen across the board throughout the world.

We saw lower-then-expected deceleration in China and a considerable upturn in the eurozone, while the United States reported growth rates on par with its potential. These gains demonstrate that the backbone of the global economy—responsible for 45% of global GDP—is healthy, which is good news for the emerging world, the most favored segment in 2017.

The main factor behind these conditions was a weakening US dollar, which began in 2016 and intensified in 2017, albeit with some volatility. Finally, it closed the year 10% below developed currencies (measured by the DXY index) and 5.4% below a basket of emerging currencies (EMCI index).

The depreciation of the dollar helped raw material prices recover. Copper surged 27% during the year, while the WTI oil price climbed 18%.

However, this favorable context, especially for risk taking in financial assets, occurred amidst heightened political volatility, beginning with Donald Trump's inauguration as U.S. president on January 20th. Although markets were initially cautious and volatile when he took office, global equities markets performed well with returns rising 22%.

The second major force behind the cyclical recovery of the economy was support from the main central banks, largely the Federal Reserve and the European Central Bank. These institutions chose to carefully and gradually remove support, slowly shifting away from more restrictive policy as the economy recovered and paving the way for favorable external financial conditions.

GLOBAL GROWTH

In this setting, global GDB expanded 3.6% in 2017, marking the first year since 2014 that the world economy had grown with respect to the prior year. Developed countries in aggregate grew 2.3%, surpassing expectations of around 1.7% in late 2016, while emerging economies also performed better than expected with growth of 4.6% versus the predicted 4.3%.

DEVELOPED NATIONS

The United States improved from 1.6% in 2016 to 2.3% in 2017, driven by strong private consumption (up 2.5%), as well as a sharp recovery in industrial investment (non-residential), with a year-on-year variation of 4.7%, backed by stabilizing industrial production, recovering energy prices and accelerating global growth. Analyst expectations were largely conditional upon what the new Trump administration would do. Although the new reforms promised by the president were not passed during the year as quickly as the market expected, his administration managed to pass the tax reform in December. Effects of this new legislation will be seen in 2018.

Against several predictions, the eurozone showed solid recovery with GDP growth of 2.3%. Although economic fundamentals suggested that the region would accelerate growth above the

1.7% seen in 2016, the year was marked by a series of political events that emerged as risks that required close monitoring. Despite these events, Austria, Holland, France and Germany ultimately supported candidates in favor of regional integration. As a result, in these countries economic recovery was reflected in asset prices, confidence indexes rose to 10-year highs and local stock markets boasted some of the world's best performances in 2017.

EMERGING NATIONS

Events in China in 2017 were on par with expectations. In fact, the economic surprises were positive, particularly greater GDP growth, an upturn in demand for raw materials over prior years and a strong stock market performance, also seen in the rest of the emerging countries. The economy achieved GDP growth of 6.9%, surpassing the proposed target of 6.5% and last year's figure of 6.7%, which had not occurred since 2010. This was largely due to measures taken by authorities and their success in managing expectations. Their main instruments included greater monetary and fiscal stimulus, which stabilized growth projections, as well as measures to solve the country's main problem: debt. In practical terms, the government has stopped injecting liquidity into the economy, which in turn has translated into a rise in its stock of debt.

Latin America also performed well, improving from GDP contraction of -1% in 2016, to a rise of 1.1% in 2017. This occurred largely thanks to Brazil's recovery (-3.6% in 2016 versus 1% in 2017), albeit not as quickly as expected because of the major political crisis that erupted from accusations against its current president, Michel Temer.

EQUITY AND DEBT MARKETS

A weaker dollar for most of the year led investors to take more risks and, consequently, global stock markets rose 22% in dollars (measured by the MSCI index). Emerging countries reported an increase of 34% and developed economies a rise of 20%.

Worth highlighting among emerging nations are China with 51% and India with 37%. Latin America markets climbed 21% driven by Argentina (72%), Chile (40%) and Brazil (21%). In the second group, U.S. equity markets grew 20%, while their eurozone and Japanese counterparts expanded 22%.

This heightened risk appetite was also seen in fixed-income markets. The highest risk U.S. bonds (high yield) grew nearly 7.6% while the safest (high grade) rose 6.4%. Sovereign bonds from emerging countries (EMBI) expanded 9.3%, while corporate bonds (CEMBI) climbed 8%.

GROWTH OF MSCI INDEX

GLOBAL MARKET 22%

DEVELOPED ECONOMIES 20%

EMERGING ECONOMIES 34%



CHILE: DOMESTIC CONTEXT

This year was a period of prolonged domestic weakness for Chile. Market expectations hinting at moderate recovery (close to 2.5%) early in the year were pushed backed month after month, following evidence that the mining sector was contracting and added pressure from the Escondida strike that began in February and lasted 44 days. However, as the months passed, the rest of the sectors also showed signs of weakness (mining GDP grew barely 1.3% in the first half of the year). The reasons behind this meager performance were decelerated investment, produced in part by a mature mining investment cycle and exacerbated by heightened uncertainty from numerous reforms proposed by authorities, and moderate consumption. However, economic performance improved considerably during the second half of 2017, thanks to very favorable external conditions (weak global dollar, high commodities prices, low interest rates) and improved consumer and business confidence indexes.

SPENDING

Private consumption rose 2.6% in 2017 and drove internal demand upwards by 2.8% during the year. Investment, in turn, contracted 2.3%. There was also evidence of accumulating inventory, contributing almost one percentage point to growth.

GROWTH BY INDUSTRY

Broken down by industry, the greatest growth was seen in fishing (20%), wholesale and retail trade (4%) and telecom (3.7%). In contrast, the construction sector showed the greatest contraction with respect to the prior year (-4%). The labor market withstood economic deceleration better, despite expectations early in the year anticipating sharper deterioration, a moderation in job creation and a rise in the unemployment rate. In fact, employment expanded 2%, which explains how the unemployment rate remained stable at 6.7% on average. Momentum came in part from self-employment (5%), while salaried positions expanded only 1% thanks to public-sector hirings.

FOREIGN TRADE

Exports totaled US$68.3 billion, an increase from US$60.6 billion in 2016. Practically half of these exports were copper shipments (US$34 billion). Export volumes increased slightly by 0.7%, with contrasting performances from copper (-4.9%) versus the rest of the products (5.2%). Imports, in turn, totaled US$ 61.4 billion, driven by the 25% rise in fuel imports (including oil), followed by consumer goods (18%) and capital assets (3.4%). Total import volumes rose 5.6%. With that, the year-end balance of trade was US$6.9 billion.

After the slightly negative GDP balance in 2016 of 2.7%, the fiscal result ended 2017 with a deficit of 2.5% of GDP, as a result of economic slowdown, which reduced tax revenue despite the rise in copper prices.

PRICE INDEXES

In terms of prices, as in recent years, inflation mirrored the exchange rate. Therefore, the end of the global cycle of appreciation for the US dollar led the rest of the currencies to appreciate, including the Chilean peso. This, in turn, quickly tempered annual inflation to 2.3%, versus market expectations in late 2016 predicting 3% for 2017. The tradable component reported a rise of 1.7% for the year, while the non-tradable segment increased 3%. The underlying indicators CPIX (standard



CPI excluding fuel, fresh fruits and vegetables), CPIX-1 (CPIX excluding other volatile prices), and IPCSAE (CPI excluding food and energy) posted growth of 1.9%.

REFERENCE INTEREST RATES

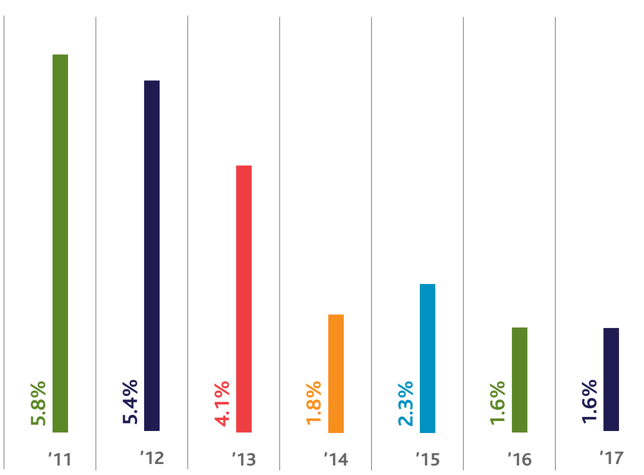
In this context of prolonged economic weakness, the Chilean Central Bank began the year by increasing monetary stimulus with 25-basis point cuts in January, March, April and May, leaving the reference interest rate at 2.5% until year end.

EXCHANGE RATES

During 2017 the Chilean peso exchange rate—with some ups and downs—followed the downward trend exhibited by the US dollar at the global level. In early 2017 the Chilean peso exchange rate was around CH$670 to USD, and it finished the year around CH$615, thus appreciating 8%.

GDP GROWTH IN CHILE

%



SOURCE: SECURITY RESEARCH DEPARTMENT - CHILEAN CENTRAL BANK

GDP GROWTH · GLOBAL

2017 3.60%

2016 3.00%

GDP GROWTH · UNITED STATES

2017 2.30%

2016 1.60%

GDP GROWTH · EUROZONE

2017 2.30%

2016 1.70%

GDP GROWTH · LATIN AMERICA

2017 1.10%

2016 -0.10%



MAIN ECONOMIC INDICATORS

	2010	2011	2012	2013	2014	2015	2016	2017 (p)
GDP (MUS$)	219	252	267	278	261	243	247	273
GDP per Capita (US$)	12,784	14,624	15,349	15,855	14,735	13,576	13,704	14,982
GDP (% change)	5.8	6.1	5.3	4.0	1.9	2.3	1.6	1.6
Domestic Spending (% change)	13.6	9.4	7.2	3.6	-0.4	2.0	1.1	2.8
Private Consumption	10.7	8.2	6.1	4.6	2.7	2.0	2.4	2.5
Fixed Capital Investment	13.1	16.1	11.3	3.3	-4.8	-0.8	-0.8	-2.3
Exports (% change, in real terms)	2.3	5.5	0.4	3.3	0.3	-1.8	-0.1	0.7
Imports (% change, in real terms)	25.7	15.2	5.2	2.0	-6.6	-2.7	-3.4	-4.9
Global Growth PPP (%)	5.4	4.1	3.4	3.3	3.5	3.2	3.0	3.6
Terms of Trade (2013 = 100)	108.5	107.8	103.0	100.0	97.6	93.5	95.3	107.7
Copper Price (average US$ /pound, in cents)	342	400	361	332	311	250	221	280
WTI Oil Price (average US$/per barrel)	79	95	94	98	93	49	43	51
Federal Funds Rate (Y/E, %)	0.3	0.3	0.3	0.3	0.3	0.4	0.8	1.5
180-day LIBOR Rate (Y/E, %)	0.5	0.8	0.5	0.3	0.3	0.8	1.3	1.8
10-year U.S. Treasury Bonds (Y/E, %)	3.3	1.9	1.8	2.9	2.2	2.2	2.5	2.4
Euro (Y/E, US$)	1.34	1.30	1.32	1.37	1.21	1.09	1.05	1.18
Yen (Y/E, ¥/US$)	81.1	76.9	86.8	105.3	119.8	121.7	116.0	112.9
Balance of Trade (MUS$)	15.9	10.8	2.6	2.0	6.5	3.5	5.3	6.9
Exports (MUS$)	71.1	81.4	78.1	76.8	75.1	62.2	60.6	68.3
Imports (MUS$)	55.2	70.7	75.5	74.8	68.6	58.7	55.3	61.4
Current Account (MUS$)	3.0	-4.3	-10.7	-11.5	-4.5	-4.7	-3.6	-4.6
Current Account (% of GDP)	1.4	-1.7	-4.0	-4.1	-1.7	-1.9	-1.4	-1.7
Central Government Balance (% of GDP)	-0.4	1.3	0.6	-0.6	-1.6	-2.2	-2.7	-2.8
CPI Dec-Dec (%)	3.0	4.4	1.5	3.0	4.6	4.4	2.7	2.3
Underlying CPI (CPIXfn) Dec-Dec (%)	2.5	3.3	1.3	2.4	5.1	4.7	2.9	1.9
Inflationary Trend (CPIX1fn) Dec-Dec (%)	0.0	2.5	1.8	2.5	4.6	4.7	2.5	1.9
Chilean Central Bank International Inflation (% average)	6.0	9.9	-0.2	0.4	-1.1	-9.8	-2.6	3.9
Monetary Policy Rate, TPM (Y/E, %, in CH$)	3.3	5.3	5.0	4.5	3.0	3.5	3.5	2.5
BCP-10 365d Bonds (Y/E, % in CH$)	6.1	5.3	5.6	5.2	4.4	4.7	4.4	4.7
BCU-10 365d Bonds (Y/E, % in UF)	2.9	2.7	2.6	2.2	1.5	1.6	1.5	1.9
Official Exchange Rate (Y/E CH$/US$)	468	521	479	524	607	707	667	615
Official Exchange Rate (average CH$/US$)	510	484	486	495	570	654	677	649
Job Growth (%)	7.4	5.0	1.9	2.1	1.5	1.6	1.1	2.0
Labor Force Growth (%)	4.2	3.8	1.1	1.6	2.0	1.4	1.4	2.2
Unemployment Rate (average %)	8.1	7.1	6.4	5.9	6.4	6.2	6.5	6.7
Salary Growth in Real Terms (average %)	2.2	2.6	3.4	3.9	2.2	1.8	1.5	3.1
External Debt (% of GDP)	14.3	13.8	15.2	13.4	13.9	18.1	22.0	23.0
Total Net External Debt (MUS$)	29.6	31.7	43.9	39.2	38.4	43.1	46.6	51.3
Total Net External Debt (% of GDP)	13.6	12.6	16.4	14.1	14.7	17.8	18.9	18.8
Net International Reserves (MUS$)	27.9	42.0	41.6	41.1	40.4	38.6	40.5	39.0

SOURCE: SECURITY RESEARCH DEPARTMENT

THE BANKING INDUSTRY

4.27%

TOTAL LOAN GROWTH
CHILEAN BANKING INDUSTRY

LOANS

The banking industry had total consolidated loans of MCH$157,919,200 as of December 31, 2017, reflecting YoY growth of 4.29%, below 5.54% recorded in 2016. This reduced growth was mainly influenced by a smaller increase in commercial loans (1.94% in 2017 vs 3.37% in 2016), related in part to the weak economy, the fallen exchange rate and uncertainty from Chile's 2017 elections, especially during the last few months of the year, among other factors. Retail loans were driven upward by consumer and mortgage loans, which grew 6.01% and 9.72%, respectively.

Excluding foreign branches and subsidiaries, loans totaled MCH$146,250,331 as of December 31, 2017, reflecting annual growth of 4.27% vs 5.72% in 2016. This reduced growth was also due to a drop in commercial loans of 1.8% YoY, while consumer and mortgage loans grew 7.15% and 10.08%, respectively.

LOAN GROWTH BANKING INDUSTRY

	2016	2017
COMMERCIAL	3.37%	1.94%
CONSUMER	6.14%	6.01%
MORTGAGE	9.44%	9.72%

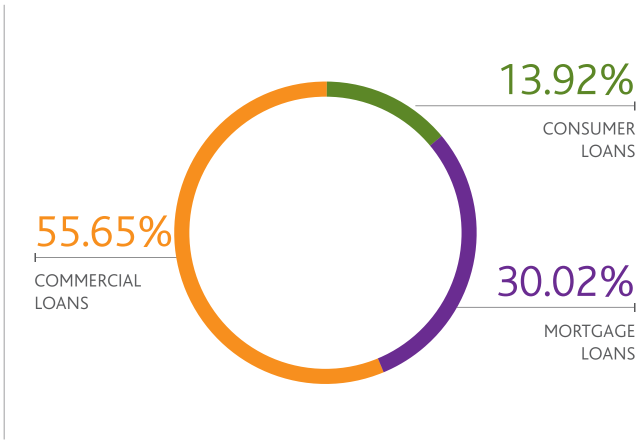
LOAN GROWTH BANKING INDUSTRY

EXCLUDING FOREIGN SUBSIDIARIES AND BRANCHES

	2016	2017
COMMERCIAL	2.96%	1.80%
CONSUMER	6.72%	7.15%
MORTGAGE	9.56%	10.08%

LOAN PORTFOLIO

EXCLUDES FOREIGN SUBSIDIARIES AND BRANCHES

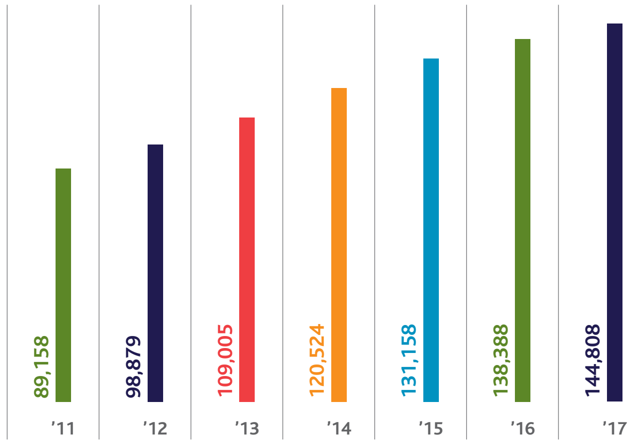


SOURCE: SBIF

LOAN GROWTH

BCH$

EXCLUDES FOREIGN SUBSIDIARIES AND BRANCHES AND LOANS AND ADVANCES TO BANKS



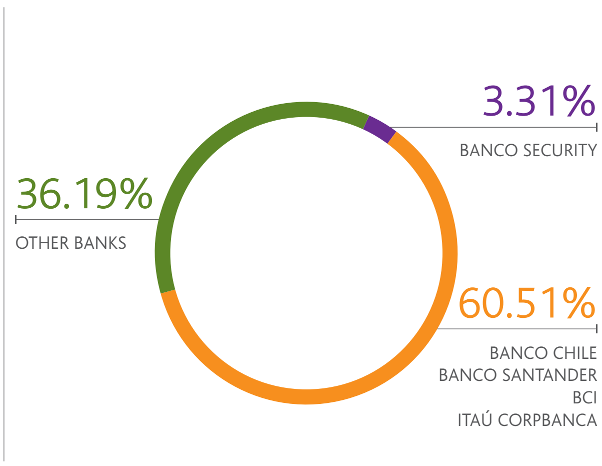
SOURCE: SBIF



Regarding market concentration, the four largest banks in the industry (Santander, Banco de Chile, BCI and Itau CorpBanca) represent 60.51% of total industry loans excluding foreign subsidiaries and branches, down from 61.85% in 2016.

MARKET SHARE 2017

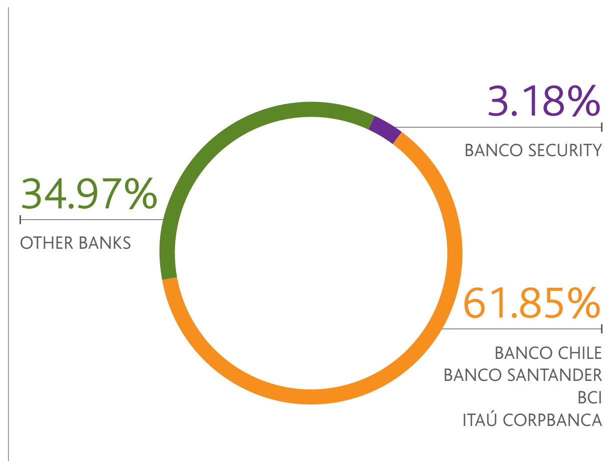
EXCLUDES FOREIGN SUBSIDIARIES AND BRANCHES



SOURCE: SBIF

MARKET SHARE 2016

EXCLUDES FOREIGN SUBSIDIARIES AND BRANCHES



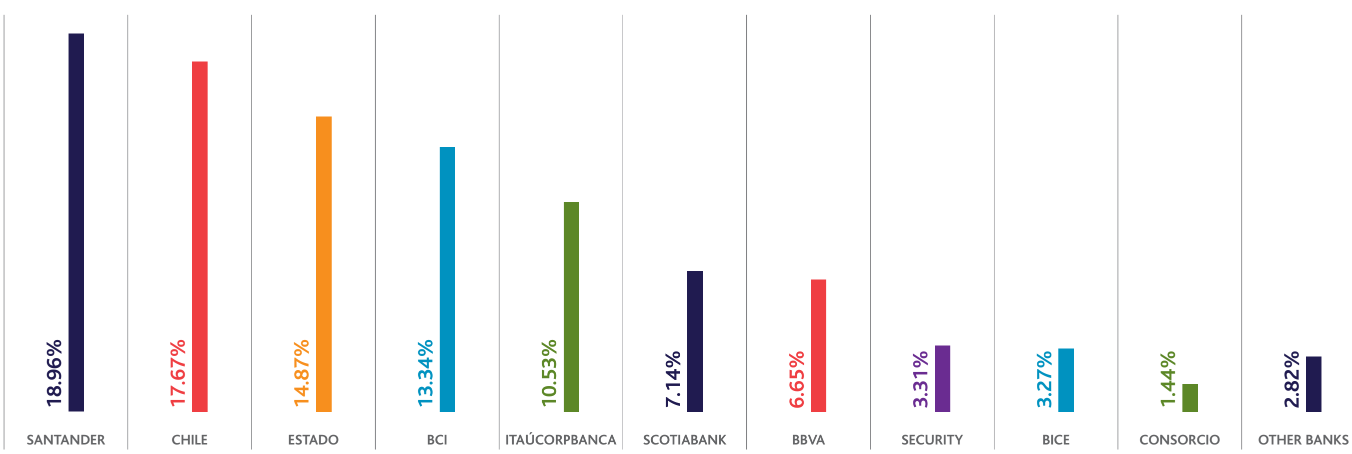
SOURCE: SBIF

It is important to mention that BBVA Chile was acquired by Scotiabank in 2017, moving this bank into the group of large banks that in aggregate account for three-fourths of total system loans.

Banco Security had market share of 3.31% as of December 2017 (excluding foreign subsidiaries and branches), up from 3.18% in 2016.

MARKET SHARE - DECEMBER 2017

EXCLUDES FOREIGN SUBSIDIARIES AND BRANCHES



SOURCE: SBIF



RESULTS

The banking industry posted profit for the year 2017 of MCH$2,236,888, reflecting an increase of 13.84% over 2016.

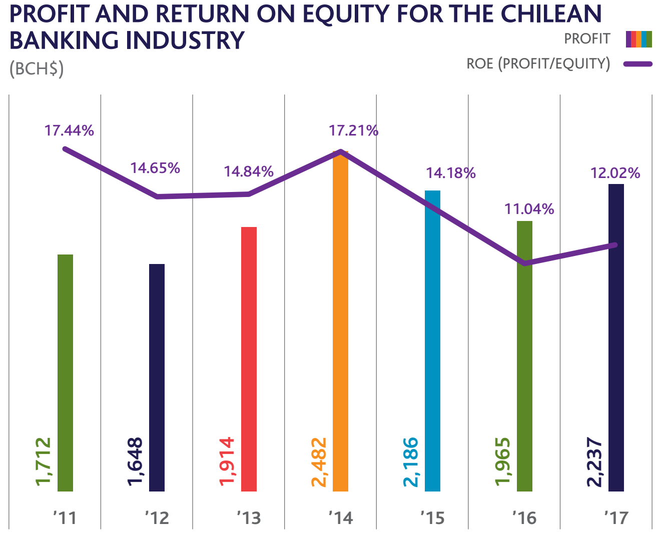
These improved annual earnings are explained mainly by rises of 6.75% in the net interest margin, 9.3% in net fees and commissions and 313.36% in income from investments in other companies. This surge in growth was mainly offset by a drop in net financial operating income of 6.36% and increases of 5.24% and 28.65%, respectively, in support expenses and taxes.

Total equity grew by 4.51% during the year, reaching BCH$18,606, with ROE at 12.02%, down from 11.04% in 2016. Meanwhile, return on total assets was 1.01% (0.93% for the previous year).

The following graph illustrates profit for the year and return on equity for the industry.

PROFIT AND RETURN ON EQUITY FOR THE CHILEAN BANKING INDUSTRY

(BCH$)



SOURCE: SBIF

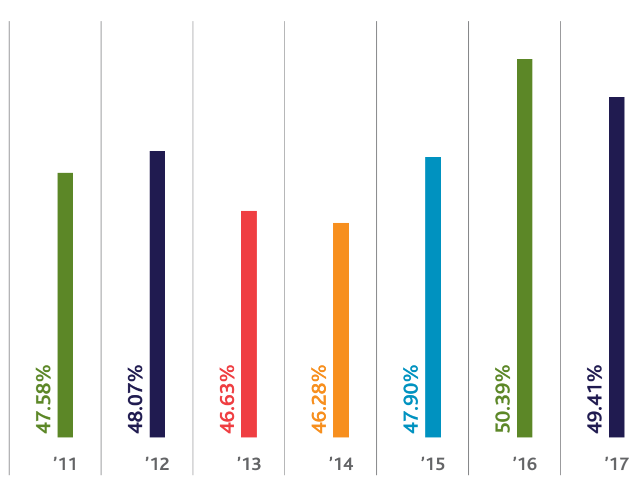
SUPPORT EXPENSES

Support expenses for 2017 increased by 5.24% over 2016 to MCH$4,721,337, explained mainly by increases in depreciation and amortization expenses (8.19%), administrative expenses (7.92%), and, to a lesser extent, payroll and personnel expenses (2.82%).

Given these results, the efficiency ratio (measured as support expenses divided by total operating income) reached 49.41%, less than the 2016 figure of 50.39%. This improvement is explained by a larger rise in total operating income (6.99%), which offset the 5.24% increase in expenses over 2016.

EFFICIENCY RATIO

%



SOURCE: SBIF

EFFICIENCY RATIO FOR THE CHILEAN BANKING INDUSTRY

	DEC-12	DEC-13	DEC-14	DEC-15	DEC-16	DEC-17
LARGE BANKS						
Santander-Chile	39.04%	38.83%	36.28%	40.49%	39.88%	39.07%
Banco de Chile	44.15%	41.10%	41.77%	42.66%	44.59%	43.82%
BCI	46.08%	43.95%	43.84%	46.92%	50.11%	50.67%
Itaú Corpbanca	52.20%	48.37%	49.37%	48.36%	67.98%	65.22%
MEDIUM BANKS						
Scotiabank Chile	52.06%	49.55%	49.66%	54.87%	50.48%	47.18%
Bice	51.10%	49.42%	46.55%	51.52%	48.69%	49.00%
Security	54.69%	53.26%	48.95%	48.07%	59.38%	49.72%
BBVA	53.62%	53.80%	55.18%	49.58%	55.89%	50.40%
BANKING SYSTEM	**48.07%**	**46.63%**	**46.28%**	**47.90%**	**50.39%**	**49.41%**

SOURCE: SBIF

In 2017, Banco Santander retained its ranking as the most efficient bank (39.1%), an improvement of 8 basis points over 2016 (39.88%), followed by Banco de Chile, which also posted an improvement to 43.8% vs 44.6% in 2016, while BCI's ratio weakened from 50.1% in 2016 to 50.7% in 2017. Among the medium-sized banks, Scotiabank stood out with 47.2%, followed by BICE with 49.0%. Banco Security, meanwhile, improved its efficiency ratio by 16.3% over 2016, from 59.38% in 2016 to 49.72% in 2017.

RISK

The risk ratio for the financial sector (provisions / total loans) as of December 31, 2017, fell slightly below the prior year figure to 2.49% vs 2.50% in 2016. This indicator can be broken down into the commercial loan ratio, which fell from 2.42% to 2.41%, the mortgage loan ratio, which dropped from 0.94% to 0.86% and the consumer loan ratio, which rose from 6.19% to 6.39%.

The ratio of nonperforming loans to total loans increased from 1.85% in 2016 to 1.93% as of year-end 2017, explained mainly by the commercial and consumer portfolios, whose ratios increased from 1.46% to 1.7% and 2.0% to 2.14%, respectively, while the mortgage portfolio's ratio fell from 2.71% to 2.36%.

The ratio of impaired portfolio to total loans climbed from 5.10% in 2016 to 5.21% as of year-end 2017, thanks to increases in the commercial and consumer portfolios.

RISK RATIOS

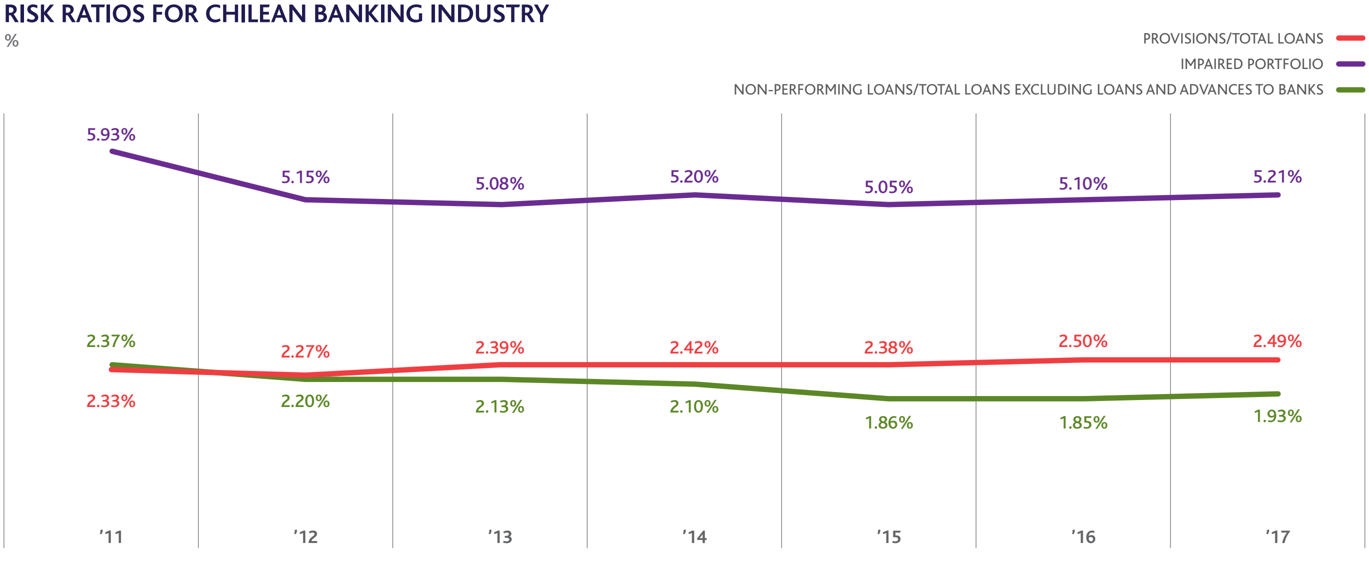
	DEC-13	DEC-14	DEC-15	DEC-16	DEC-17
Loan Loss Provisions / Total Loans	2.39%	2.42%	2.38%	2.50%	2.49%
Nonperforming Loans / Total Loans Excluding Loans and Advances to Banks	2.13%	2.10%	1.86%	1.85%	1.93%
Commercial LLP / Commercial Loans	2.20%	2.36%	2.38%	2.42%	2.41%
Retail LLP / Retail Loans	2.78%	2.59%	2.44%	2.67%	2.65%
Mortgage LLP / Mortgage Loans	0.75%	0.70%	0.70%	0.94%	0.86%
Consumer LLP / Consumer Loans	6.31%	6.11%	5.84%	6.19%	6.39%
Impaired Portfolio	5.08%	5.20%	5.05%	5.10%	5.21%

SOURCE: SBIF

NONPERFORMING LOANS ARE A STRESSED MEASUREMENT OF THE FORMER PAST-DUE PORTFOLIO INDICATOR. INCLUDES THE TOTAL AMOUNT OF THE NONPERFORMING LOAN (> 90 DAYS PAST DUE) EVEN WHEN ONLY ONE OR SOME LOAN INSTALLMENTS (PRINCIPAL AND/OR INTEREST) ARE DELINQUENT. IT ALSO FORMS PART OF THE IMPAIRED PORTFOLIO AND IS PUBLISHED FROM JANUARY 2009 ONWARDS.

RISK RATIOS FOR CHILEAN BANKING INDUSTRY

%



SOURCE: SBIF

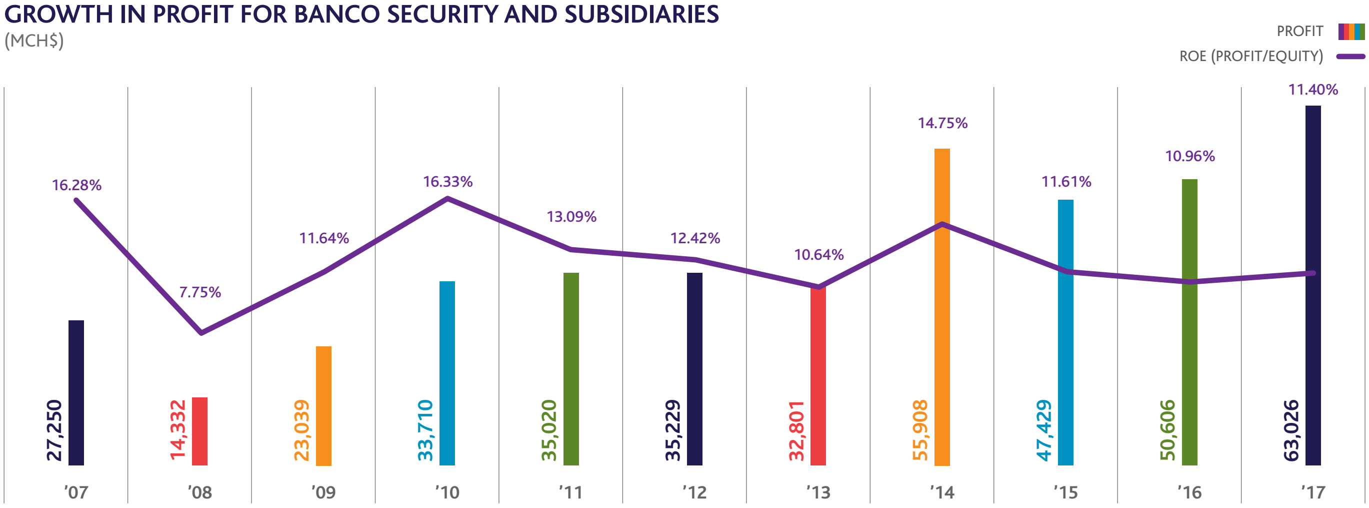
BANCO SECURITY RESULTS

RESULTS

Banco Security posted consolidated profit of MCH$63,026 for the year ended December 2017, giving a YoY variation of 24.5%. Banco Security's stand-alone profit (excluding the Bank's asset management subsidiaries AGF Security and Valores Security Corredores de Bolsa) reached MCH$53,902 for 2017, up 27.0% with respect to 2016.

Banco Security's ROAE (profit LTM over average equity) was 12.4%, +79 b.p. from 2016.

GROWTH IN PROFIT FOR BANCO SECURITY AND SUBSIDIARIES
(MCH$)



SOURCE: SBIF

OPERATING SEGMENTS

To properly manage its business, the Bank has structured its business model into four areas or segments, through which it provides a complete offering of financial products and services to individuals and companies. These segments are: Commercial Banking, Retail Banking, Treasury and Subsidiaries.

RESULTS BY SEGMENT

	NET INTEREST MARGIN	NET FEES AND COMMISSIONS	NET FOREIGN EXCHANGE AND OTHER INCOME	LOSSES FROM RISK AND ASSETS RECEIVED IN LIEU OF PAYMENT	TOTAL OPERATING INCOME, NET OF PROVISIONS	OPERATING EXPENSES	NET OPERATING INCOME	PROFIT
Commercial banking	78,529	15,424	10,288	-18,001	86,241	-37,061	49,180	38,144
Retail banking	62,636	23,158	2,266	-23,804	64,255	-55,528	8,727	6,769
Treasury	18,891	-472	21,464	-12	39,872	-12,208	27,664	21,456
Other	-4,894	-1,340	-14,654	-96	-20,983	4,884	-16,099	-12,467
Total bank	155,162	36,770	19,365	-41,912	169,385	-99,913	69,472	53,902
Subsidiaries	-475	28,065	7,471	0	35,061	-23,678	11,383	9,120
TOTAL CONSOLIDATED	**154,687**	**64,835**	**26,836**	**-41,912**	**204,446**	**-123,591**	**80,855**	**63,022**

SOURCE: BANCO SECURITY
NOTE: MORE INFORMATION AVAILABLE IN CHAPTER ON BANK'S RESULTS.



COMMERCIAL BANKING

Banco Security's commercial banking division targets companies with annual sales above US$ 1.6 million. While Banco Security's core business targets large companies, efforts have been made in recent years to strengthen the medium-sized company segment by tailoring services to its needs. This strategy is designed to diversify our customer base and improve returns in each segment.

As of December 2017, commercial loans had expanded 7.7% with respect to 2016, to BCH$3,775. The Bank boasts market share of 6.1% in its target segment of medium and large companies as of December 2017. The commercial banking division had 9,018 customers as of December 2017 (+5.5% in 2016).

The division posted profit of MCH$38,144 for the year ended December 2017, reflecting a negative YoY deviation of 6.8%. This figure is explained by increased provision expenses, totaling MCH$18,001 for 2017 compared to MCH$7,708 in 2016. It is important to point out that 2016 represents a low basis of comparison in risk mainly because of reversals of provisions established in the second half of 2015. Therefore, this increased expense does not reflect greater portfolio risk. In effect, the ratio of provision expenses to loans was 0.87% as of December 2017.

This effect was not fully offset by the greater net interest margin, which reached MCH$78,529 as of December 2017, an increase of MCH$7,301 over December 2016 (+10.2% YoY), reflecting increased commercial loans (+7.7% YoY), with an average spread above the previous year. It also had lower support expenses, which dropped to MCH$37,061 for 2017 (-5.8% YoY), due mainly to decreased depreciation and amortization expenses as many intangible assets reached the end of their useful lives in 2016.

RETAIL BANKING

Banco Security's retail banking division targets high-income individuals. In recent years, the retail division has focused on expanding consumer products while conservatively managing risk, resulting in average annual growth of 17% since 2011.

As of December 2017, the Bank had total retail loans (consumer + mortgage) of BCH$1,059, reflecting a variation of +10.8% YoY, driven primarily by consumer loans (+14.5% over 2016). For the industry, retail loans increased +9.1%, driven by mortgage loans (+10.1% over 2016) and, to a lesser extent, consumer loans (+7.1%). Including foreign subsidiaries, the industry's retail loans grew +8.5% over 2016. The Bank boasts market share of 5.2% in its target segment of high-income individuals as of December 2017. The retail banking division had 89,378 customers as of December 2017 (+6.5% over 2016).

The retail banking division posted profit of MCH$6,769 for 2017, up MCH$4,030 from 2016. This is explained mainly by a greater net interest margin of MCH$62,636, up MCH$5,007 or +8.7% over 2016, because of greater loans. It also reported greater net fees and commissions of MCH$23,158, up MCH$2,886 from 2016 (+14.2% over 2016), because of increased commissions from credit card and supplementary loan insurance products. Support expenses fell to MCH$55,528, down MCH $1,618 or -2.8% over 2016, due mainly to decreased depreciation and amortization expenses as many intangible assets reached the end of their useful lives in 2016.

This was partially compensated by higher provision expenses, which reached MCH$23,804 (+24.1% over 2016), reflecting portfolio growth and maturation, lower recovery rates for written-off loans because of stricter regulations and more conservative provisioning policies for consumer products. It is worth mentioning that the nonperforming consumer loan portfolio totaled 1.24% as of December 2017, below the 1.30% posted in December 2016.

TREASURY

The treasury division reported 2017 profit of MCH$21,456 (+13.2% over 2016), explained by a greater net interest margin of MCH$18,891 in 2017 (+31.3% over 2016). The MPR cut in



the first half of the year (from 3.5% early in the year to 2.5% in June 2017) drove the net interest margin upwards as price adjustments for liabilities are faster than for assets.

The effect was not fully offset by lower financial income (net financial operating income (loss) + gain from FX transactions + other income), which amounted to MCH$21,464 in 2017. The figure fell -12.4% with respect to 2016 due to last year's high basis of comparison and despite a strong performance by foreign currency instruments.

It also recorded lower support expenses of MCH$12,208 for 2017 (-19.4% over 2016), due to decreased depreciation and amortization expenses as many intangible assets reached the end of their useful lives in 2016.

The treasury division consists of trading, investment, distribution and asset and liability management (ALM) operations. The ALM desk manages financial investments used to stabilize the net interest margin, manage interest rate risk in the balance sheet, manage liquidity and efficiently fund the bank's loan portfolio. For 2017, ALM represented 55.7% 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 22.3% of treasury income. The remaining 22.0% of treasury income comes from the distribution desk, which brokers specialized products for commercial banking customers (currency, forwards and structured products).

SUBSIDIARIES

The subsidiaries consolidated by Banco Security (Valores Security S.A. Corredores de Bolsa (99.88%) and AGF Security S.A. (99.99%)), contributed profit of MCH$9,124 to the Bank's results in 2017, an increase of 11.6% over their contribution in 2016.

AGF Security reported profit of MCH$6,666 and market share of 7.3%, which compares favorably with 5.9% as of year-end 2016, positioning the subsidiary fifth in the market.

IN MCH$	2017	2016	CHANGE
Profit Administradora General de Fondos Security	6,666	6,939	-3.9%
Mutual funds under management	2,558,301	1,854,062	38.0%
Market share - mutual funds	7.3%	5.9%	135 p

SOURCE: BANCO SECURITY

Valores Security achieved a market share of 6.1% by value of shares traded, ranking sixth on Santiago Exchange and the Electronic Stock Exchange, and reported profit of MCH$2,458 for the year 2017.

IN MCH$	2017	2016	CHANGE
Profit Valores Security Corredores de Bolsa	2,458	1,233	99.3%
Value of shares traded	3,139,690	2,235,026	40.5%
Market share - stocks	6.1%	5.7%	39 p

SOURCE: BANCO SECURITY

CONSOLIDATED STATEMENT OF INCOME

IN MCH$	2017	2016	CHANGE
Net interest margin	154,343	135,924	13.6%
Net fees and commissions	56,981	53,403	6.7%
Net financial operating income	34,226	38,383	-10.8%
Net foreign exchange transactions	-4,073	1,456	-
Recovery of written-off loans	2,553	3,978	-35.8%
Other net operating income (loss)	4,557	-16,000	-
TOTAL OPERATING INCOME	**248,587**	**217,144**	**14.5%**
Credit risk provisions	-44,579	-31,755	40.4%
Administrative expenses	-123,591	-128,935	-4.1%
NET OPERATING INCOME	**80,417**	**56,454**	**42.4%**
Income attributable to investments in other companies	464	319	45.5%
PROFIT BEFORE TAX	**80,881**	**56,773**	**42.5%**
Income tax expense	-17,855	-6,167	189.5%
PROFIT FOR THE YEAR	**63,026**	**50,606**	**24.5%**

SOURCE: BANCO SECURITY

The net interest margin for 2017 was MCH$154,343 (+13.6% over 2016), due to reduced interest and indexation expenses of MCH$176,696 in 2017 (-8.8% over 2016), despite 4.9% growth in the Bank's total liabilities due to the MPR cut (from 3.5% to 2.5%) in early 2017, which lowered the cost of liabilities. Similarly, interest and indexation income reached MCH$331,039 for the year ended December 2017 (+0.4% over 2016), because of higher interest income from a larger total loan volume (+8.3% over 2016), offset by reduced indexation income due to lower inflation.

Net fees and commissions totaled MCH$56,981 for the year ended December 2017, +6.7% over 2016, because of greater fees from insurance and credit cards in the retail banking division as well as increased fund management and brokerage income from subsidiaries. Financial income, which is the sum of net financial operating income (loss) and the net gain from FX operations, totaled MCH$30,153 (-24.3% over 2016) due to a lower gain on the valuation of the fixed-income trading portfolio because of hikes in the UF and nominal interest rates, in addition to decreased returns from proprietary trading by the Bank's subsidiaries.

In 2017 recovery of written-off loans was down 35.8% over 2016 to MCH$2,553, reflecting a new treatment due to regulatory changes. For the year ended December 2017, other operating income amounted to MCH$4,557. The increase over the previous year's loss of MCH$16,000 is explained by impairment recorded in 2016 to reflect obsolete technology systems and its impact on the basis of comparison.

Credit risk provisions amounted to MCH$44,579 (+40.4% over 2016) for the year 2017, attributable to the low basis of comparison for the commercial portfolio's provision expenses that reflected conservative provisioning policies for consumer products and the one-time



MCH$1,969 effect of an adjustment to the provisioning model for consumer loans implemented in January 2017.

Income tax expense totaled MCH$17,855, up +MCH$11,688 from 2016, due to the larger profit before tax and a higher tax rate (24% v/s 25.5%). In addition, in 2016 the Bank recorded a positive effect in the effective tax rate due to a larger deferred tax asset position because several lease agreements were postponed from 2016 to 2017, along with a higher tax rate (24% vs 25.5%).

SUPPORT EXPENSES AND EFFICIENCY

IN MCH$	2017	2016	CHANGE
Payroll and personnel expenses	-52,309	-54,724	-4.4%
Administrative expenses	-65,661	-59,010	11.3%
Depreciation and amortization	-5,621	-15,201	-63.0%
TOTAL SUPPORT EXPENSES	**-123,591**	**-128,935**	**-4.1%**
EFFICIENCY RATIO	**49.7%**	**59.3%**	**-957 p**

SOURCE: BANCO SECURITY

Banco Security's efficiency ratio, measured as support expenses + other operating expenses over total operating income, totaled 49.7% as of December 2017 (-957 b.p. from 2016). This ratio compares to 49.4% for the banking system and 47.7% for peer banks as of December 2017.

The Bank reported support expenses of MCH$123,591 (-4.1% over 2016) for 2017. Payroll and personnel expenses totaled MCH$52,309 in 2017 (-4.4% over 2016), due in part to reduced hiring expenses and termination benefits, partially offset by higher expenses at the asset management subsidiaries because of increased commercial activity. Administrative expenses amounted to MCH$65,661, +11.3% over 2016, due to outsourcing of operational services and increased commercial activity. Depreciation and amortization expense reached MCH$4,390, -41.8% over 2016, as several intangible assets reached the end of their useful lives in 2016.

LOANS

Total loans reached MCH$4,834,290 as of December 2017, +8.3% YoY. Commercial loans grew 7.7%, to MCH$3,775,419 (78.1% of the Bank's total loan portfolio), while retail loans (consumer + mortgage) reached MCH$1,058,871 as of December 2017, +10.8% YoY. The 20 largest borrowers represent 10.2% of the Bank's total loan portfolio.

LOAN GROWTH IN 2017

BANCO SECURITY

8.34%

BANKING INDUSTRY

4.29%

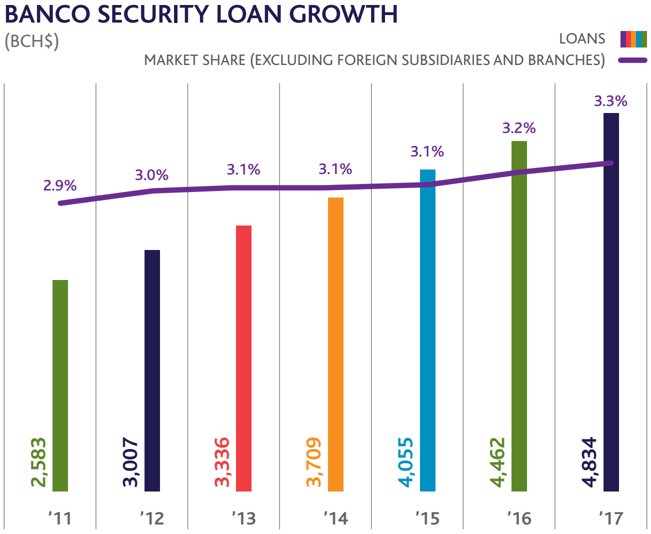
LOAN GROWTH FOR BANCO SECURITY BY SEGMENT

COMMERCIAL	7.7%
CONSUMER	14.5%
MORTGAGE	8.3%

The composition of the Bank's loan portfolio is similar to 2016.

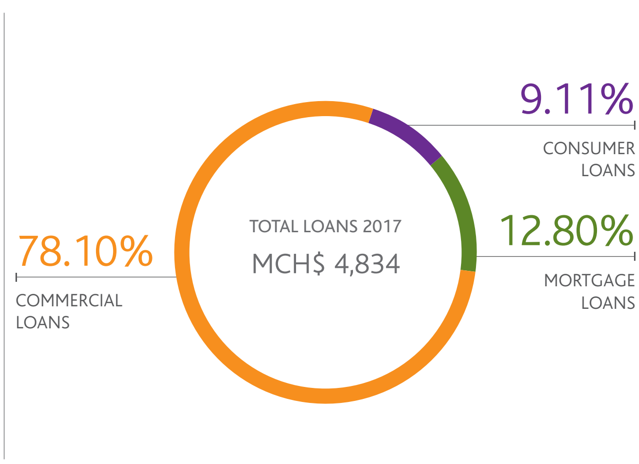
BANCO SECURITY LOAN GROWTH

(BCH$)



SOURCE: SBIF

LOAN PORTFOLIO 2017



SOURCE: SBIF

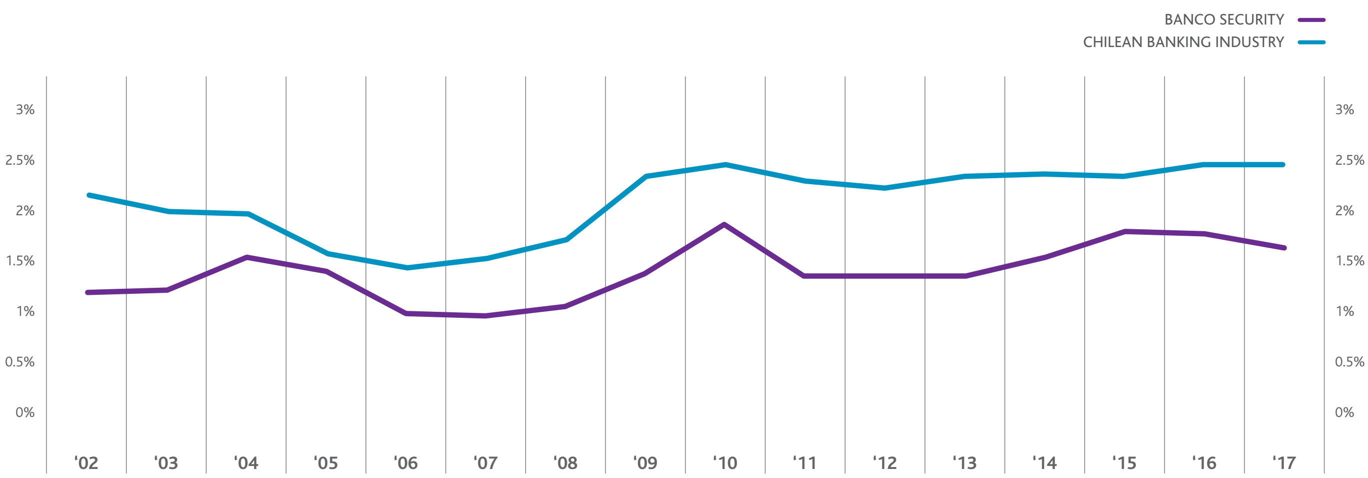
ASSET QUALITY

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

As of December 2017, Banco Security's risk index reached 1.67%, below the 1.81% posted as of December 2016. The nonperforming loan portfolio reached 1.38%, also reflecting an improvement over the 1.43% as of December 2016.

RISK RATIO: BANCO SECURITY VS. CHILEAN BANKING INDUSTRY

PROVISIONS/LOANS



SOURCE: SBIF.

The ratio of provisions net of recovery to average loans was 0.87%, up +25 b.p. from 2016, explained by the low basis of comparison for commercial portfolio provision expense in 2016, reflecting more conservative provisioning policies for consumer products as well as the one-time effect of MCH$1,969 from an adjustment to the consumer provisioning model in 1Q17. Write-offs in 2017 totaled MCH$41,626, above the MCH$25,280 posted last year, due to customers impaired before 2016, which is reflected in the improved risk ratios mentioned in the preceding paragraph.

CREDIT RISK

	CREDIT RISK (%)								
	PROVISIONS / LOANS					NONPERFORMING LOANS			
	MORTGAGE LOANS	CONSUMER LOANS	TOTAL	COMMERCIAL LOANS	TOTAL	MORTGAGE LOANS	CONSUMER LOANS	COMMERCIAL LOANS	TOTAL
Banco Security	0.20	3.97	1.77	1.64	1.67	1.01	1.24	1.46	1.38
Peer banks*	0.45	4.25	1.68	1.70	1.75	1.26	1.44	1.05	1.18
Banking system	0.86	6.39	2.65	2.41	2.49	2.36	2.14	1.70	1.93

SOURCE:
*** AVERAGE FOR BBVA, SCOTIABANK, BICE, CONSORCIO AND SECURITY**



FUNDING SOURCES

IN MCH$	2017		2016		CHANGE
Demand deposits	673,475	10.5%	570,018	9.4%	18.1%
Time deposits	2,927,755	45.5%	3,051,820	50.2%	-4.1%
Total deposits	3,601,230	55.9%	3,621,838	59.6%	-0.6%
Bonds	1,786,574	27.7%	1,571,273	25.9%	13.7%
Borrowings from financial institutions	188,346	2.9%	158,757	2.6%	18.6%
Other liabilities*	312,210	4.8%	262,099	4.3%	19.1%
TOTAL LIABILITIES	**5,888,360**	**91%**	**5,613,967**	**92%**	**4.9%**
Total equity	553,023	8.6%	461,737	7.6%	19.8%
LIABILITIES + EQUITY	**6,441,383**	**100%**	**6,075,704**	**100%**	**6.0%**

SOURCE:
* INCLUDES THE FOLLOWING ACCOUNTS: TRANSACTIONS PENDING SETTLEMENT, REPO AGREEMENTS, FINANCIAL DERIVATIVE INSTRUMENTS, OTHER FINANCIAL OBLIGATIONS, CURRENT TAXES, DEFERRED TAXES, PROVISIONS AND OTHER LIABILITIES.

DEMAND AND TIME DEPOSITS

As of December 2017, deposits totaled MCH$3,601,230, down -0.6% YTD. For the industry, loans fluctuated +3.8% YoY with respect to 2016. Including foreign subsidiaries, this figure varied +2.9% YoY. Banco Security's time deposits consisted of 31.2% retail deposits and 68.8% institutional deposits. The 15 largest depositors represent 28% of the Bank's total deposits. The loan to deposit ratio was 134% as of December 2017, compared to 123% as of December 2016.

Banco Security has a strategy to diversify funding sources using sales incentives to increase its retail deposit base. Banco Security strictly controls and monitors liquidity risk, 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 December 2017, the ratio of long-term interest rate risk to regulatory capital was 2.26%. As of December 31, 2017, liquid assets represented 46% of demand and other time deposits.

CAPITALIZATION

As of December 2017, Banco Security's equity attributable to its owners totaled MCH$552,967. 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 MCH$50,000, issuing 17,523,256 new shares at a value of approximately CH$2,853 per share.

The Bank's capital adequacy ratio as of December 2017, calculated as regulatory capital over risk-weighted assets, reached 14.02% (with a regulatory minimum of 8%), +80 b.p. over 2016. The ratio of core capital to total assets reached 8.1%, +99 b.p. over 2016. Both ratios improved due to the Bank's recent capital increase of MCH$50,000 and its increased retained earnings.

04

GENERAL INFORMATION

THE BANK WAS ONCE AGAIN RECOGNIZED AS ONE OF THE BEST PLACES TO WORK IN CHILE, IMPROVING ITS STANDING TO 7TH PLACE IN THE

Great Place to Work ranking

BANCO security

GENERAL INFORMATION

COMPANY IDENTIFICATION

LEGAL NAME
BANCO SECURITY

TYPE OF COMPANY
Banking corporation.

SECURITIES REGISTRATION
Banco Security is not registered in the Securities Registry.

CORPORATE PURPOSE
To engage in the business, contracts, transactions and operations permitted for a commercial bank in accordance with current legislation.

TAXPAYER ID NUMBER
97.053.000-2

LEGAL ADDRESS
Av. Apoquindo 3100, Las Condes, Santiago, Chile

TELEPHONE
(56-2) 2584 4000

FAX
(56-2) 2584 4001

E-MAIL
banco@security.cl

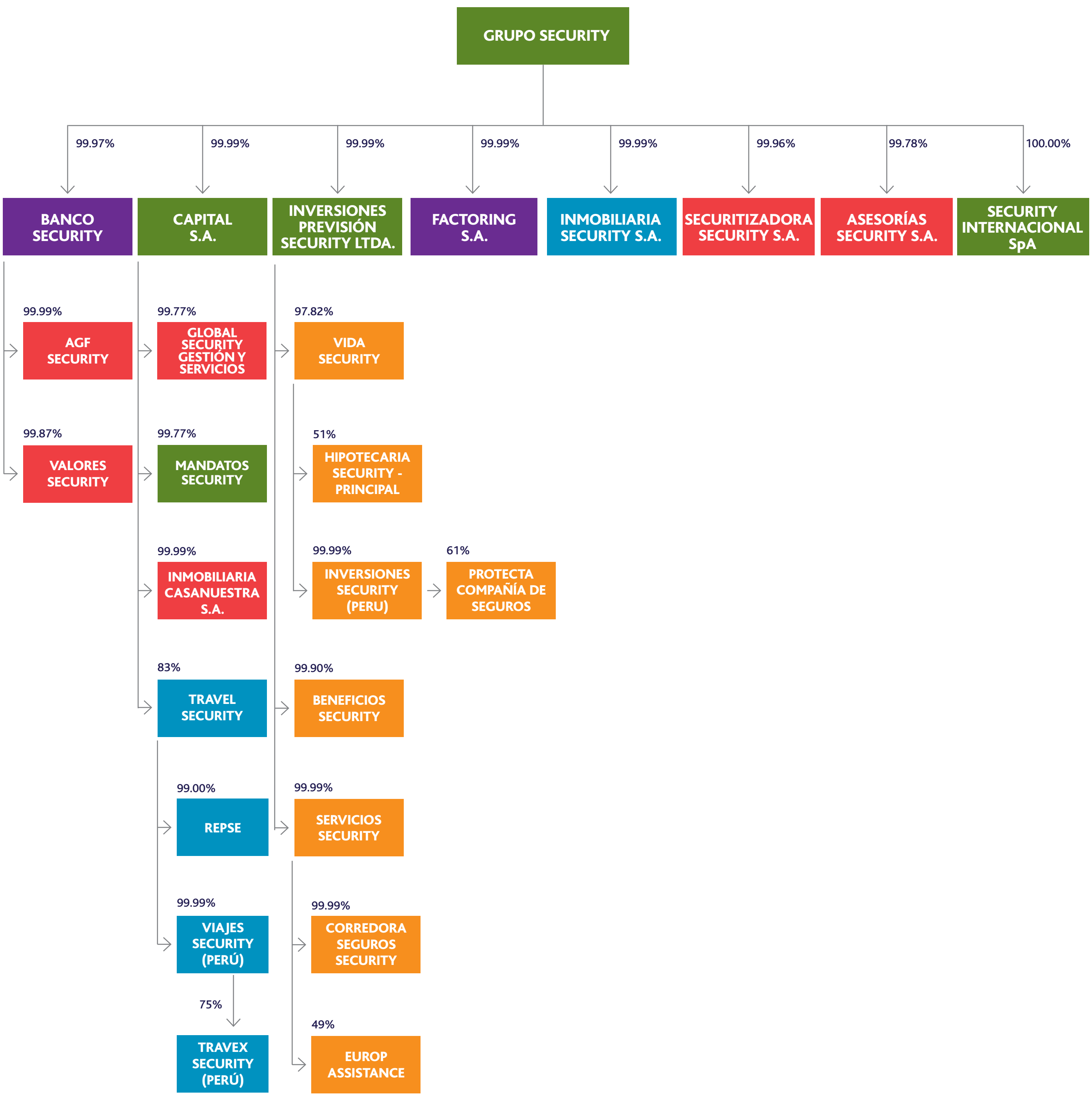
WEB
www.security.cl

ARTICLES OF INCORPORATION
The company was formed by public instrument on August 26, 1981, signed before notary public Enrique Morgan Torres. The respective extract of the articles of incorporation was published in the Official Gazette on September 23, 1981.

OWNERSHIP AND ORGANIZATIONAL STRUCTURE

Banco Security is controlled by Grupo Security, which owned 99.974811% of its shares, as of December 31, 2017.





PERSONNEL AND COMPENSATION

As of December 31, 2017, Banco Security and its subsidiaries had a total of 1,252 employees, up 1.8% from December 2016, of which 56.3% were women. Total compensation paid by the Bank to its executives during the year was MCH$7,200.7, and termination benefits totaled MCH$7.8.

The following table details employee distribution by company:

COMPANY	EXECUTIVES	PROFESSIONALS	EMPLOYEES	OVERALL TOTAL
Administradora General de Fondos Security S.A.	3	34	17	54
Valores Security Corredora de Bolsa S.A.	13	59	17	89
Banco Security	46	727	336	1,109
TOTAL	**62**	**820**	**370**	**1,252**

The Bank and its subsidiaries have a significant incentive program, as do all companies within Grupo Security. The program is based on achieving targets for return on capital and reserves, and meeting annual budgets. Each company directly incurs the expenses associated with its incentive plan.

MANAGEMENT POLICIES

The Bank's Board approves diverse policies and procedures that contain the general corporate governance principles for Banco Security.

In terms of dividend policies, Banco Security defines the amount to be distributed on a yearly basis, based on the capital required to support growth, aimed at keeping the solvency index at levels desired by the Board and senior management.

The following table details the dividends paid by the Bank to its shareholders from 2000, and their corresponding percentage of profit:

DATE	COMPANY PAYING DIVIDEND	AMOUNT (MCH$)	% OF PROFIT FOR PRIOR YEAR
February-2000	Banco Security	4,254.4	50.0%
February-2001	Banco Security	7,344.0	76.2%
February-2002	Banco Security	8,749.7	90.0%
February-2003	Banco Security	9,061.7	90.0%
February-2004	Banco Security	13,326.1	100.0%
February-2005	Banco Security	11,219.1	80.0%
March-2006	Banco Security	20,014.3	100.0%
March-2007	Banco Security	20,498.0	100.0%
March-2008	Banco Security	13,625.0	50.0%
March-2009	Banco Security	7,720.0	53.5%
March-2010	Banco Security	23,040.2	100.0%
March-2011	Banco Security	20,223.5	60.0%
March-2012	Banco Security	21,009.8	60.0%
April-2013	Banco Security	35,227.0	100.0%
March-2014	Banco Security	9,839.3	30.0%
March-2015	Banco Security	16,770.7	30.0%
March-2016	Banco Security	14,227.2	30.0%
March-2017	Banco Security	20,241.6	40.0%



Some of the Bank's management policies are summarized in the following table:

CREDIT RISK POLICIES

The Bank's Credit Risk Policy is divided into three levels:

1. POLICY COMPENDIUM, which defines the Bank's credit risk management policies in seven chapters, separated by credit process and including risk management topics applicable to all processes such as Body of Policies, Corporate Governance and Credit Risk Committees, Companies Loan Origination, Retail Loan Origination, Administration, Classifying Credit Risk and Provisions, Controlling and Monitoring Credit Risk, Loan Restructuring and Country Risk.

2. MARGIN CONTROL POLICIES, which provide guidelines for the Bank and its subsidiaries regarding maximum margin control, as established in articles 84 and 85 of the General Banking Law.

3. CREDIT OPERATIONS RISK POLICIES, which are related to financial derivatives.

FINANCIAL RISK POLICIES

The Bank has three Financial Risk Policies:

1. BANK LIQUIDITY POLICY: This policy identifies the different liquidity risks faced by the Bank and its subsidiaries, the strategies used for liquidity management such as asset-liability matching, investment strategies, funding and creditor diversification. It also establishes different methodologies, assumptions and limits for managing this risk, from both an internal and regulatory perspective, instituting early warning indicators that help identify and prevent emerging risk.

2. VALUATION POLICY: This policy details the roles and responsibilities of the different areas within the Bank and its subsidiaries that participate in the daily process of valuing financial instruments (proprietary) at market price (execution/controls). It defines methodologies, criteria and sources for determining prices, as well as treatments of different adjustments established in international accounting standards.

3. MARKET RISK POLICY: This policy defines the different sources of risk faced by the Bank and its subsidiaries, due to its proprietary positions in financial investments and asset-liability maturity mismatches in the banking book. It also details the methodologies and control limits for the different risk factors in order to keep exposure in line with Board-defined risk appetite.

OPERATIONAL RISK POLICY

This policy defines a framework for operational risk management at Banco Security and its subsidiaries. This includes establishing principles for identifying, assessing, controlling and mitigating such risk in order to reduce losses from operational risk, thus complying with corporate objectives and providing a suitable level of exposure to operational risk. The Board of Directors and senior management serve an important role in approving and supervising compliance with this policy. The lines of action in risk management are: products/processes, suppliers, business continuity and information security.

ANTI-MONEY LAUNDERING AND TERRORISM FINANCING POLICY

This policy establishes the general guidelines for mitigating reputational and legal risk stemming from the use of its products and services to commit the crimes of money laundering and terrorism financing. It complies with local regulations and international standards on the matter. The policy is based on the "Know Your Customer" principle and is part of a comprehensive prevention system that includes, among other aspects, drafting policies and procedures, appointing a compliance officer, training personnel, defining risk criteria, ongoing monitoring and audit functions.

CAPITAL MANAGEMENT POLICY

This policy is one of the Bank's many internal management tools designed to guarantee optimal use of capital and regulatory capital. This means maintaining sufficient basic and regulatory capital levels to absorb unexpected losses, while maximizing shareholder returns and guaranteeing legal/regulatory compliance with current Chilean laws. This policy is updated every year by the Planning Division and approved by the Bank's Board.

PP&E AND TECHNOLOGY INVESTMENT POLICY

This policy defines the process for evaluating projects and establishes an authorization hierarchy based on the amount of the investment (Management Committee or Board). Investments are aligned with our business strategy and in recent years have been focused mainly on physical and technological infrastructure. Initiatives have been designed to strengthen our ability to provide our customers with comprehensive, first-class service, and to use resources more efficiently.

SUPPLIER AND SERVICE MANAGEMENT POLICY

As providers of financial services, Banco Security and its subsidiaries may choose to outsource part or all of certain business processes and/or projects in search of improved efficiency and customer service levels. In this context, this policy establishes the obligation for all units within the Bank and its subsidiaries to continuously evaluate financial and risk aspects of outsourcing to prevent potentially adverse situations from arising in operational, strategic, reputation, compliance and other areas. This analysis must be authorized by the appropriate levels within the organization, documenting all internal procedures and agreements with service providers.



RISK RATING

Banco Security's liabilities carried the following local risk ratings at the end of 2017:

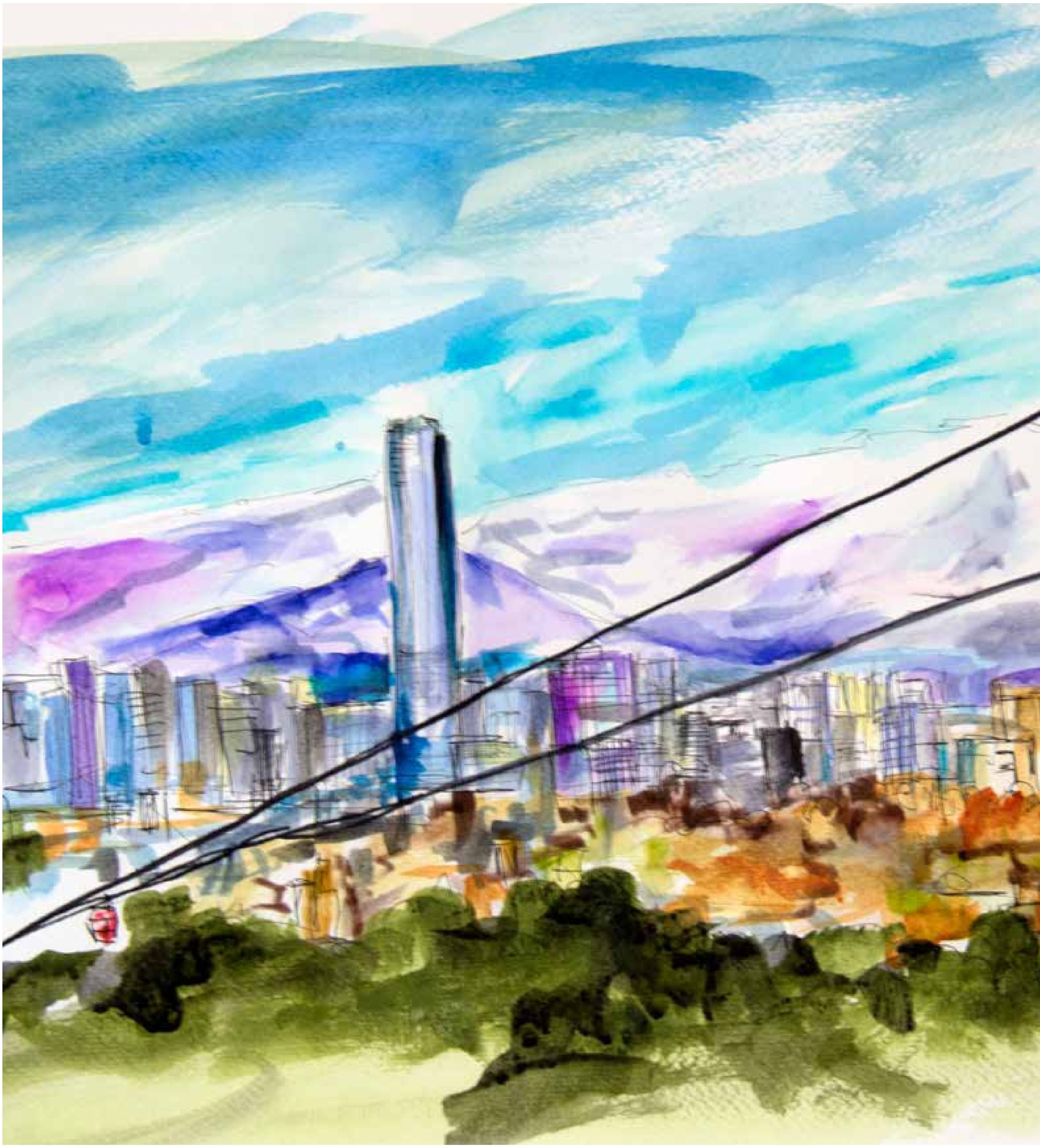
	DEMAND AND OTHER DEPOSITS REPRESENTATIVE OF BORROWINGS		LETTERS OF CREDIT	BANK BONDS	SUBORDINATED BONDS	OUTLOOK
	SHORT-TERM	LONG-TERM				
ICR	Level 1 +	AA	AA	AA	AA -	Stable
Fitch Ratings	Level 1 +	AA -	AA -	AA -	A	Positive

In March 2017, Fitch Ratings upgraded its outlook for the Bank from Stable to Positive given the Bank's progress on its business strategy observed in 2016 and an improvement in its core capital indicators, accompanied by a stable financial performance and sound asset quality.

In addition, the Bank carried the following international risk rating provided by Standard & Poor's. As of December 31, 2017, our risk rating was as follows:

	GLOBAL SCALE
Standard & Poor's	BBB/Negative/A-2

In August 2017, S&P raised the Bank's long-term rating from BBB- to BBB and its short-term rating from A-3 to A-2, as a result of its strengthened capital base with high quality assets and ongoing efforts to diversify revenue.



05

SUBSIDIARIES

VALORES SECURITY ATTAINED MARKET SHARE OF

6.1%
in 2017

BANCO security



ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

BOARD OF DIRECTORS

CHAIRMAN
Francisco Silva S.

DIRECTORS
Bonifacio Bilbao H.
Gonzalo Baraona B.
Carlos Budge C.
Renato Peñafiel M.

MANAGEMENT

CHIEF EXECUTIVE OFFICER
Juan Pablo Lira T.

CHIEF INVESTMENT OFFICER
Pablo Jaque S.

TYPE OF COMPANY
Corporation, subsidiary of Banco Security.

SECURITIES REGISTRATION
The company is registered under number 0112.

CORPORATE PURPOSE
General fund administrator (asset management).

ARTICLES OF INCORPORATION
The company was formed by public instrument on May 26, 1992, and was licensed to operate by the Securities and Insurance Supervisor (SVS) in Ruling No. 0112 dated June 2, 1992.

The funds managed by the company are subject to the special legal regulations contained in Decree Law No. 1,328 and its corresponding regulations, which are monitored by the SVS.

The mutual fund industry recorded annual growth of 12.4% in 2017, measured in terms of average assets under management. Worth highlighting are growth in equity funds and balanced funds of 58.6% and 59.8%, respectively. Debt funds expanded merely 5.2%.

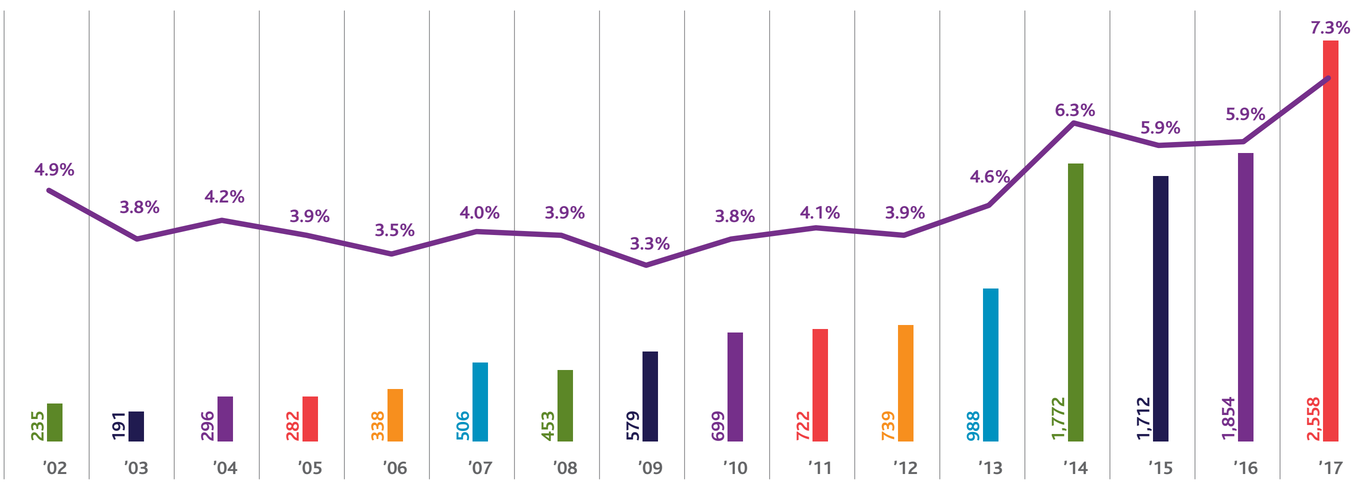
As of December 2017, AGF Security had MCH$2,558,301 in assets under management, reflecting annual growth of 38.0%.

The subsidiary reported profit of MCH$6,666 for the year 2017, down 3.9% from year-end 2016, due mainly to increased administrative and sales expenses.

AGF SECURITY ASSETS UNDER MANAGEMENT AND MARKET SHARE

(MCH$)

ASSETS UNDER MANAGEMENT SECURITY
MARKET SHARE



NOTE: FIGURES DO NOT INCLUDE INVESTMENT FUNDS.

VALORES SECURITY S.A. CORREDORES DE BOLSA

BOARD OF DIRECTORS

CHAIRMAN
Enrique Menchaca O.

DIRECTORS
Hitoshi Kamada
Fernando Salinas P.
Nicolás Ugarte B.

MANAGEMENT

CHIEF EXECUTIVE OFFICER
Rodrigo Fuenzalida B.

CHIEF OPERATING OFFICER
Juan Adell S.

CHIEF FINANCIAL OFFICER
Andrés Perez L.

TYPE OF COMPANY
Corporation, subsidiary of Banco Security.

SECURITIES REGISTRATION
The company is registered under number 0111.

CORPORATE PURPOSE
To engage in various businesses, including trading equities (stock brokerage), fixed income instruments and foreign currency; portfolio management and financial advisory services.

ARTICLES OF INCORPORATION

The company was formed by public instrument on April 10, 1987, signed before notary public Enrique Morgan Torres.

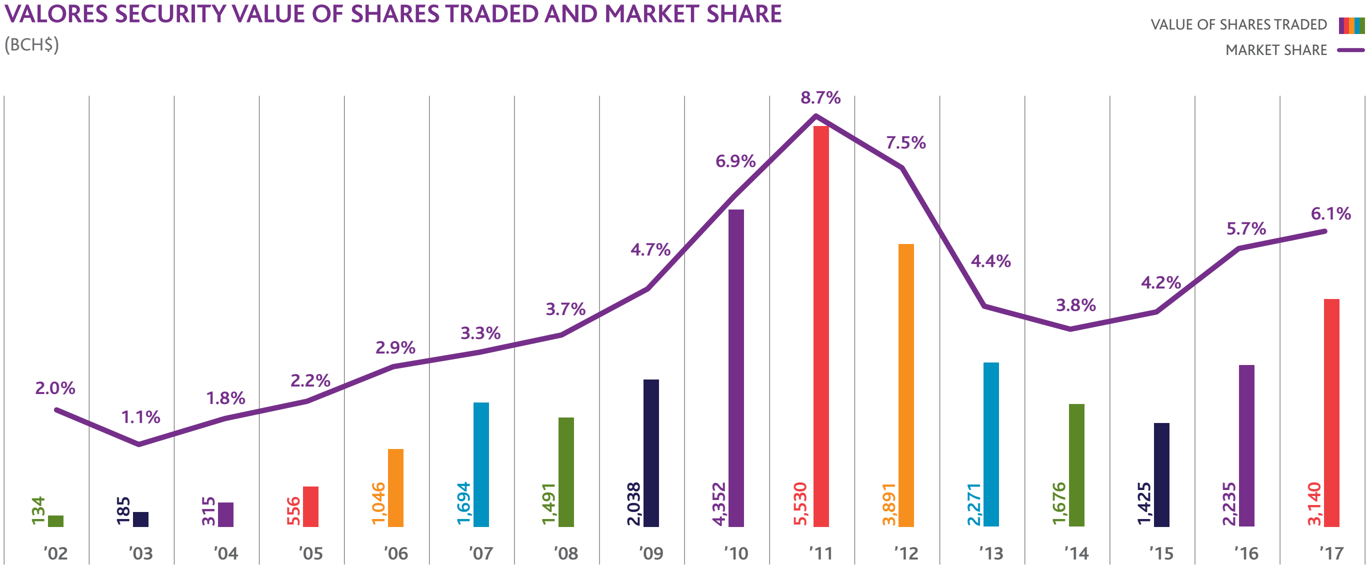
Favorable international financial conditions faced by emerging economies in 2017 translated into a very strong performance from risky assets (equities and bonds). The MSCI Emerging Index climbed 34%, driven by strong performances from Emerging Asia (40%) and Latin America (21%), all measured in US dollars. The indicator that groups sovereign bonds of developing economies (EMBI) rose 9.3%, while the corporate bond index (CEMBI) increased 8% in the same period. Chile was no exception. Its main stock market index (IPSA) reported returns of 34% in Chilean pesos, or 46% in US dollars given the appreciation of the exchange rate. Chilean sovereign bonds reported returns of 9.6%, while corporate bonds grew 7.8% during the year, both in dollars.

Under this context, the value of shares traded on Santiago Exchange and the Electronic Stock Exchange in 2017 increased by 31.6% compared to 2016. Valores Security reported value of shares traded of MCH$3,139,690. This performance earned it sixth place on the ranking of brokers and a market share of 6.1%.

In terms of results, in 2017 Valores Security reported profit of MCH$2,458 million, doubling its earnings from 2016.

VALORES SECURITY VALUE OF SHARES TRADED AND MARKET SHARE

(BCH$)



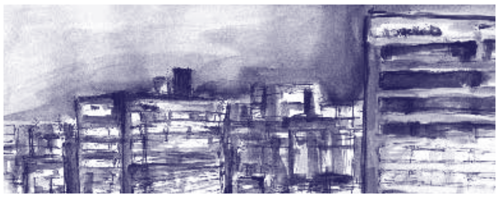
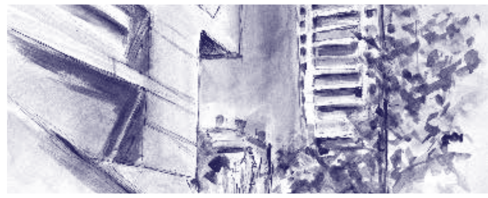
06

FINANCIAL STATEMENTS

AS OF DECEMBER 2017,
THE BANK HAD TOTAL EQUITY OF

MCH$
553,213

BANCO security


INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Banco Security

We have audited the accompanying consolidated financial statements of Banco Security and subsidiaries ("the Bank"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

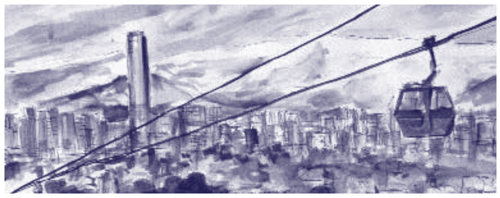
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Accounting Standards and Instructions issued by the Superintendency of Banks and Financial Institutions. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Deloitte.

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Security and subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in accordance with Accounting Standards and Instructions issued by the Superintendency of Banks and Financial Institutions.

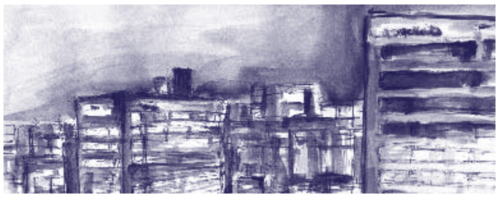
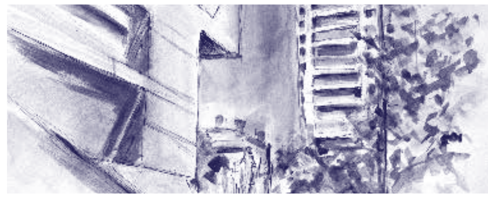
OTHER MATTER

The accompanying consolidated financial statements have been translated into English for the convenience of readers outside Chile.

Deloitte

February 20, 2018

Santiago, Chile

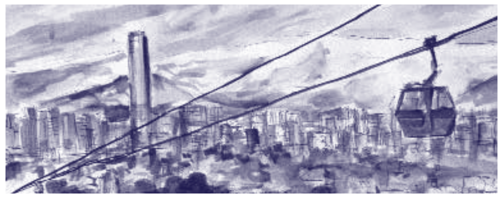




CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2017 AND 2016
FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$

	NOTE	DECEMBER 31, 2017 MCH$	DECEMBER 31, 2016 MCH$
ASSETS:			
Cash and due from banks	6	497,423	441,177
Transactions pending settlement	6	76,271	32,185
Financial instruments held for trading	7	94,439	267,099
Receivables from repurchase agreements and securities borrowing	8	-	-
Financial derivative instruments	9	132,750	99,887
Loans and advances to banks	10	-	238
Loans to customers	11	4,753,782	4,381,443
Investments available for sale	12	678,542	610,695
Investments held to maturity		-	-
Investments in other companies	13	2,094	4,152
Intangible assets	14	47,589	53,285
Property, plant and equipment	15	24,084	25,059
Current tax assets	16	1,417	1,086
Deferred tax assets	16	20,694	20,846
Other assets	17	112,298	138,552
TOTAL ASSETS		6,441,383	6,075,704
LIABILITIES:			
Current accounts and other demand deposits	18	673,475	570,018
Transactions pending settlement	6	25,838	5,985
Payables from buyback agreements and securities lending	8	14,147	27,008
Savings accounts and time deposits	18	2,927,755	3,051,820
Financial derivative instruments	9	101,554	83,006
Borrowings from financial institutions	19	188,346	158,757
Debt issued	20	1,786,574	1,571,273
Other financial liabilities	20	22,967	20,139
Current tax liabilities	16	2,403	208
Deferred tax liabilities	16	-	-
Provisions	21	36,745	31,636
Other liabilities	22	108,556	94,117
TOTAL LIABILITIES		5,888,360	5,613,967
EQUITY:			
Attributable to owners of the Bank:			
Capital		302,047	252,047
Reserves	24	26,246	24,710
Valuation accounts	24	3,958	3,268
Retained earnings			
Retained earnings from prior periods		176,601	146,239
Profit for the year		63,022	50,604
Less: Minimum dividend provision		(18,907)	(15,181)
		552,967	461,687
Non-controlling interests		**56**	**50**
TOTAL EQUITY		553,023	461,737
TOTAL LIABILITIES AND EQUITY		6,441,383	6,075,704

The accompanying notes are an integral part of these consolidated financial statements.

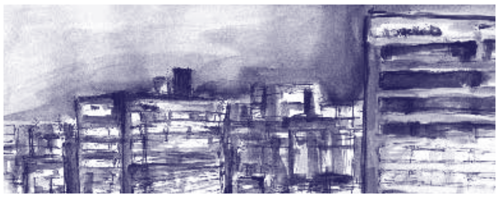
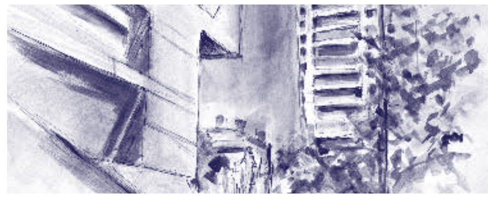




CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$

	NOTE	DECEMBER 31, 2017 MCH$	DECEMBER 31, 2016 MCH$
Interest and indexation income	25	331,383	329,711
Interest and indexation expenses	25	(176,696)	(193,787)
Net interest and indexation income		**154,687**	**135,924**
Fee and commission income	26	77,563	63,940
Fee and commission expenses	26	(12,728)	(10,537)
Net fee and commission income		**64,835**	**53,403**
Net financial operating income	27	34,226	38,383
Net foreign exchange transactions	28	(4,073)	1,456
Other operating income	34	4,271	9,587
Total operating income		**253,946**	**238,753**
Credit risk provisions	29	(42,026)	(27,777)
OPERATING INCOME, NET OF CREDIT RISK PROVISIONS		**211,920**	**210,976**
Payroll and personnel expenses	30	(52,309)	(54,724)
Administrative expenses	31	(65,661)	(59,010)
Depreciation and amortization	32	(5,621)	(15,201)
Impairment	33	(3,876)	(21,100)
Other operating expenses	34	(3,598)	(4,488)
TOTAL OPERATING EXPENSES		**(131,065)**	**(154,523)**
NET OPERATING INCOME		**80,855**	**56,453**
Income attributable to investments in other companies	13	26	320
Profit before tax		**80,881**	**56,773**
Income tax expense	16	(17,855)	(6,167)
Profit from continuing operations		**63,026**	**50,606**
Profit from discontinued operations		**-**	**-**
CONSOLIDATED PROFIT FOR THE YEAR		**63,026**	**50,606**
Attributable to:			
Owners of the Bank		63,022	50,604
Non-controlling interests		4	2
Earnings per share attributable to owners of the Bank:			
		Ch$	Ch$
Basic earnings per share	24	**297**	**241**
Diluted earnings per share	24	**297**	**241**

The accompanying notes are an integral part of these consolidated financial statements.

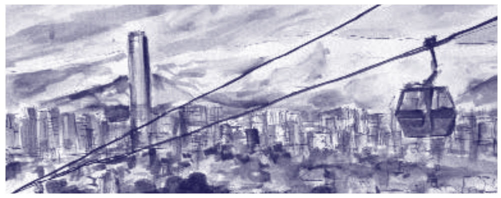




CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$

	DECEMBER 31, 2017 MCH$	DECEMBER 31, 2016 MCH$
CONSOLIDATED PROFIT FOR THE YEAR:	**63,026**	**50,606**
OTHER COMPREHENSIVE INCOME:		
Valuation of investments available for sale	1,813	9,442
Valuation of accounting hedges	(691)	-
Other comprehensive income	-	-
Other comprehensive income before tax	1,122	9,442
Income taxes related to other comprehensive income	(432)	(2,188)
Total other comprehensive income	690	7,254
CONSOLIDATED OTHER COMPREHENSIVE INCOME FOR THE YEAR	**63,716**	**57,860**
Attributable to:		
Owners of the Bank	63,712	57,858
Non-controlling interests	4	2
Comprehensive earnings per share attributable to owners of the Bank:	CH$	CH$
Basic earnings per share	**300**	**275**
Diluted earnings per share	**300**	**275**

The accompanying notes are an integral part of these consolidated financial statements.

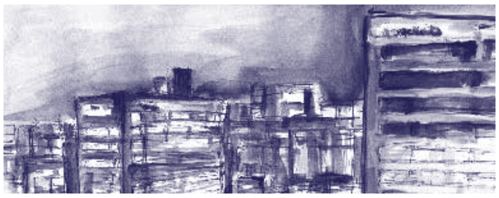
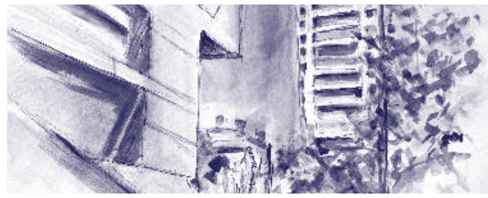
  

STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$

	ATTRIBUTABLE TO OWNERS OF THE BANK								
				RETAINED EARNINGS					
	PAID-IN CAPITAL MCH$	RESERVES MCH$	VALUATION ACCOUNTS MCH$	PRIOR YEARS MCH$	PROFIT FOR THE YEAR MCH$	MINIMUM DIVIDEND PROVISION MCH$	TOTAL MCH$	NON-CONTROLLING INTERESTS MCH$	TOTAL MCH$
Balances as of December 31, 2015	242,047	23,950	(3,986)	113,042	47,424	(14,227)	408,250	90	408,340
Reclassification of profit for the year	-	-	-	47,424	(47,424)	-	-	-	-
Dividends paid	-	-	-	(14,227)	-	-	(14,227)	-	(14,227)
Minimum dividend provision	-	-	-	-	-	14,227	14,227	-	14,227
Other equity movements	-	760	-	-	-	-	760	(42)	718
Capital increase	10,000	-	-	-	-	-	10,000	-	10,000
Investments available for sale	-	-	7,254	-	-	-	7,254	-	7,254
Profit for the year	-	-	-	-	50,604	-	50,604	2	50,606
Minimum dividend provision	-	-	-	-	-	(15,181)	(15,181)	-	(15,181)
Balances as of December 31, 2016	252,047	24,710	3,268	146,239	50,604	(15,181)	461,687	50	461,737
Reclassification of profit for the year	-	-	-	50,604	(50,604)	-	-	-	-
Dividends paid	-	-	-	(20,242)	-	-	(20,242)	-	(20,242)
Minimum dividend provision	-	-	-	-	-	15,181	15,181	-	15,181
Other equity movements	-	1,536	-	-	-	-	1,536	2	1,538
Capital increase	50,000	-	-	-	-	-	50,000	-	50,000
Investments available for sale	-	-	1,194	-	-	-	1,194	-	1,194
Accounting hedges	-	-	(504)	-	-	-	(504)	-	(504)
Profit for the year	-	-	-	-	63,022	-	63,022	4	63,026
Minimum dividend provision	-	-	-	-	-	(18,907)	(18,907)	-	(18,907)
Balances as of December 31, 2017	302,047	26,246	3,958	176,601	63,022	(18,907)	552,967	56	553,023

The accompanying notes are an integral part of these consolidated financial statements.

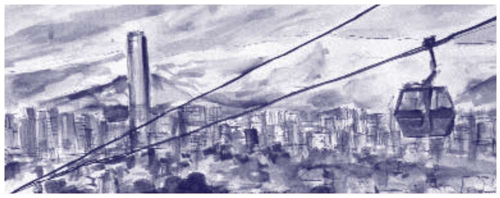




CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$

	NOTE	DECEMBER 31, 2017 MCH$	DECEMBER 31, 2016 MCH$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Consolidated profit before tax		**80,881**	**56,773**
Charges (credits) to profit that do not represent cash flows:			
Credit risk provisions	29	42,026	27,777
Depreciation and amortization	32	5,621	15,201
Impairment	33	3,876	21,100
Other provisions	34	1,502	640
Operational write-offs	34	89	2,627
Changes in deferred tax assets and liabilities		(152)	(5,559)
Valuation of investments in trading book		1,458	(1,892)
Valuation of trading derivatives		(14,315)	(16,528)
Income attributable to investments in other companies	13	(120)	(320)
Gain on sales of assets received in lieu of payment		(30)	(177)
Net fee and commission income	26	(56,981)	(53,403)
Net interest and indexation income	25	(154,687)	(135,924)
Other credits that do not represent cash flows		(262)	(1,977)
Changes in operating assets and liabilities:			
Decrease in loans and advances to banks		238	474
Increase in loans to customers		(379,891)	(365,644)
(Increase) decrease in investments		105,376	(267,400)
Decrease in leased assets		14,935	16,953
Sale of assets received in lieu of payment		317	132
Increase (decrease) in current accounts and other demand deposits		103,439	(13,838)
Decrease in sales with repurchase agreements and securities lending		(12,861)	(7,484)
Increase (decrease) in savings accounts and time deposits		(114,976)	318,010
Net change in letters of credit		(5,073)	(3,350)
Net change in senior bonds		221,877	163,576
Increase in other assets and liabilities		(30,413)	(18,487)
Recovered taxes		24	4,183
Interest and indexation received		341,955	287,145
Interest and indexation paid		(184,235)	(156,147)
Fees and commissions received		69,709	63,940
Fees and commissions paid		(12,728)	(10,537)
Net cash flows provided by (used in) operating activities		**26,599**	**(80,136)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	15	(985)	(1,461)
Intangible assets acquired	14	(1,608)	(8,719)
Net cash flows used in investing activities		**(2,593)**	**(10,180)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in domestic interbank loans		110	(510)
Increase (decrease) in foreign interbank loans		29,703	(69,026)
Variation in Central Bank obligations		-	-
Increase (decrease) in other financial liabilities		3,774	(2,184)
Net change in subordinated bonds		(6,868)	44,491
Capital increase		50,000	10,000
Dividends paid	24	(20,242)	(14,227)
Net cash flows provided by (used in) financing activities		**56,477**	**(31,456)**
TOTAL POSITIVE (NEGATIVE) NET CASH FLOWS		**80,483**	**(121,772)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6	467,377	589,151
EFFECT OF NON-CONTROLLING INTERESTS		(4)	(2)
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**547,856**	**467,377**

The accompanying notes are an integral part of these consolidated financial statements.


NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$

1. BUSINESS DESCRIPTION

Banco Security (hereinafter the "Bank") is a corporation regulated by the Superintendency of Banks and Financial Institutions (hereinafter the "SBIF"). The Bank is headquartered at Apoquindo 3,100, Las Condes, Santiago.

The Bank's main target markets include medium-sized and large companies and individuals in the high-income segment. It also offers international banking and treasury services. In addition, through its subsidiaries Valores S.A. Corredores de Bolsa and Administradora General de Fondos Security S.A., the Bank offers its customers securities brokerage, asset management and retirement advisory services, as well as voluntary pension savings products.

Grupo Security is the controller of Banco Security, as demonstrated in the following tables:

AS OF DECEMBER 31, 2017

SHAREHOLDERS	NO. OF SHARES	% OWNERSHIP INTEREST
Grupo Security	228,419,192	99.97
Minority interests	57,552	0.03
Total	228,476,744	100.00

AS OF DECEMBER 31, 2016

SHAREHOLDERS	NO. OF SHARES	% OWNERSHIP INTEREST
Grupo Security	210,895,936	99.97
Minority interests	57,552	0.03
Total	210,953,488	100.00

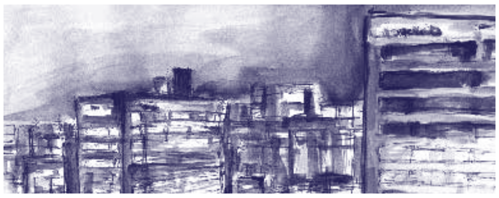
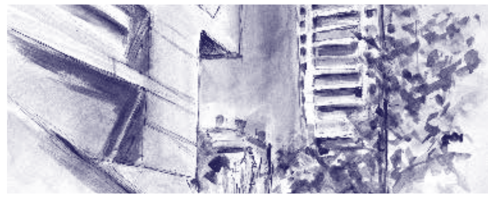
2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with SBIF regulations contained in the Compendium of Accounting Standards and specific instructions issued by that entity. In all matters not addressed in the compendium, the Bank applies the technical standards issued by the Chilean Institute of Accountants, which are consistent with International Financial Reporting Standards (IFRS). Should any discrepancies arise between these accounting principles and the accounting criteria issued by the SBIF (Compendium of Accounting Standards), the latter shall take precedence.

A) ASSET AND LIABILITY VALUATION CRITERIA

The following valuation criteria are used for assets and liabilities recorded in these financial statements:


- **VALUATION AT AMORTIZED COST**
  Amortized cost is the amount at which an asset or liability is measured at initial recognition, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

  In the case of financial assets, amortized cost includes corrections for any impairment that may have occurred.

- **FAIR VALUE MEASUREMENT**
  Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

  When an instrument's market is not active, the Bank determines fair value using techniques to approximate a fair price, such as interest rate curves based on market transactions or comparison with similar instruments.

- **VALUATION AT ACQUISITION COST**
  Acquisition cost is defined as the cost of the transaction to acquire the asset, less any impairment losses that may exist.

  The consolidated financial statements have been prepared using amortized cost criteria except for:

- Derivative financial instruments measured at fair value.
- Financial instruments held for trading measured at fair value.
- Financial assets available for sale measured at fair value.
- Some real estate within property, plant and equipment for which senior management has decided to use its appraised value as the deemed cost for first-time adoption in conformity with the SBIF Compendium of Accounting Standards.

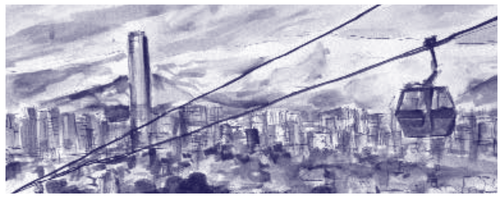
B) FUNCTIONAL CURRENCY

In accordance with IAS 21, the items included in the financial statements of the Bank and its subsidiaries are valued using the currency of the primary economic environment in which it operates (functional currency). The functional currency of the Bank and its subsidiaries is the Chilean peso. All figures are rounded to millions of Chilean pesos. All balances and transactions in currencies other than the Chilean peso are considered foreign currency.

C) USE OF ESTIMATES AND JUDGMENT

In preparing the financial statements in accordance with the SBIF Compendium of Accounting Standards, the Bank requires management to make some estimates, judgments and assumptions that impact the reported statements. Actual results in subsequent periods may differ from the estimates used.

- These relevant estimates and assumptions are reviewed regularly by the Bank's senior management in order to quantify the effects on asset, liability and profit or loss accounts.


- Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future period that is affected.

The most significant areas of estimates of uncertainties and judgments in applying accounting criteria or policies are:

- Valuation of financial instruments and derivatives
- Credit risk provisions
- Impairment losses on loans to customers and other assets
- The useful life of material and intangible assets
- Contingencies and commitments

D) CONSOLIDATION CRITERIA

- **SUBSIDIARIES**

  Subsidiaries are entities controlled by the Bank. Control exists when the Bank has power over the financial and operating policies of an entity for the purpose of profiting from its activities. The financial statements of subsidiaries are included in the consolidated financial statements as of the date on which control begins.

  The Bank's financial statements have been consolidated with those of its subsidiaries. All significant balances between the Bank and its subsidiaries or among subsidiaries, as well as income and expenses arising from transactions with subsidiaries, have been eliminated upon consolidation.

- **INVESTMENTS IN ASSOCIATES**

  Associates are entities over which the Bank has the ability to exercise significant influence, but not control. Usually, this ability manifests itself through an ownership interest of 20% or more of the entity's voting rights and it is accounted for using the equity method, with profit or loss being recognized on an accrual basis.

- **INVESTMENTS IN OTHER COMPANIES**

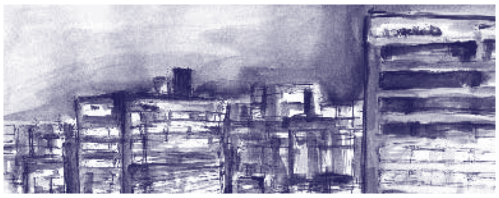
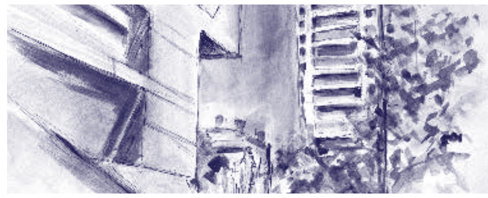
  Investments in other companies are entities in which the Bank does not have significant influence. They are presented at acquisition value. Revenue is recognized in profit or loss as received.

  Third-party interests in the Bank's equity are presented separately in the statement of financial position as "non-controlling interest" and are presented in the statement of income after profit or loss attributable to the equity holders of the Bank.

  Non-controlling interest represents the equity of a subsidiary that is not directly or indirectly attributable to the controller.

  The following table details the Bank's ownership interest in its consolidated subsidiaries.

	OWNERSHIP INTEREST 2017 %	OWNERSHIP INTEREST 2016 %
Valores Security S.A. Corredores de Bolsa	99.88	99.88
Administradora General de Fondos Security S.A.	99.99	99.99


E) OPERATING SEGMENTS

The Bank's operating segments are components that engage in business activities from which they may earn revenue and incur expenses. Each segment's operating results are reviewed regularly by the Bank's highest decision-making authority for operating decisions, to decide about resource allocation for the segment and evaluate its performance; separate financial reporting is available.

Note 5 to the consolidated financial statements details the Bank's main operating segments: Commercial Banking, Retail Banking, Treasury, Subsidiaries and Other.

F) INTEREST AND INDEXATION INCOME AND EXPENSES

Interest and indexation income and expenses are presented on an accrual basis until year end, using the effective interest method, which is a discount rate that exactly matches the estimated cash flows to be received or paid over the expected life of the transaction.

However, for impaired loans, accrual is suspended as defined by the SBIF in Chapter B-2 of the Compendium of Accounting Standards, using the following criteria:

LOANS SUBJECT TO SUSPENSION:	SUSPENDED:
INDIVIDUAL EVALUATION: Loans classified in C5 and C6	For simply being in the impaired portfolio.
INDIVIDUAL EVALUATION: Loans classified in C3 and C4	For having been in the impaired portfolio for three months.
GROUP EVALUATION: Loans with less than 80% collateral	When the loan or one of its installments is six months past due.

G) FEE AND COMMISSION INCOME AND EXPENSES

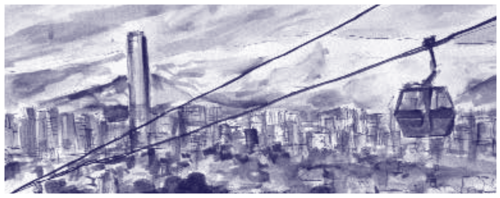
Fee and commission income and expenses that are part of the effective interest rate of a financial asset or liability are recognized in profit or loss over the life of the transactions from which they arise.

Fee and commission income and expenses generated by providing a given service are recognized in profit or loss as the services are provided. Those involving financial assets and liabilities are recognized when collected.

H) TRANSLATION OF FOREIGN CURRENCY TO FUNCTIONAL CURRENCY

The Bank's functional currency is the Chilean peso. Transactions in foreign currency carried out by the Bank are translated to Chilean pesos at the exchange rate in force on the transaction date. As of December 31, 2017 and 2016, monetary items in foreign currency are translated using the year-end exchange rates of CH$615.40 and CH$669.80 per US$ 1, respectively, which does not differ significantly from the exchange rates applied by the subsidiaries regulated by the Superintendency of Securities and Insurance of CH$614.75 and CH$669.47 as of December 31, 2017 and 2016.

The net foreign exchange loss and gain of MCH$ (4,073) and MCH$ 1,456 for the years ended December 31, 2017 and 2016, respectively, shown in the consolidated statement of income, include both the result of foreign exchange transactions and the effects of exchange rate variations on foreign-currency-denominated assets and liabilities of the Bank and its subsidiaries.


I) CONVERSION

Assets and liabilities expressed in unidades de fomento (UF, an inflation-linked unit of account used in Chile) are presented using the rates in effect as of December 31, 2017 and 2016, of CH$ 26,798.14 and CH$ 26,347.98, respectively.

J) FINANCIAL INVESTMENTS

Financial investments are classified and valued as follows:

J.1) FINANCIAL INSTRUMENTS HELD FOR TRADING:

Financial instruments held for trading are securities, which are either acquired for generating a profit from short-term fluctuations in price or dealer’s margin, or securities included in a portfolio in which there is a pattern of short-term profit-making.

Financial instruments held for trading are recorded at fair value based on year-end market prices. Gains or losses from fair value adjustments, as well as gains or losses from trading activities and accrued interest and indexation, are included in "financial instruments held for trading" within "net financial operating income" in the statement of income, as specified in detail in Note 27 to the consolidated financial statements.

All purchases or sales of financial instruments held for trading that must be delivered within a period of time established by regulations or market conventions are recognized on the trading date, which is the date on which the purchase or sale of the asset is agreed upon. Any other purchase or sale is treated as a derivative (forward) until settlement occurs.

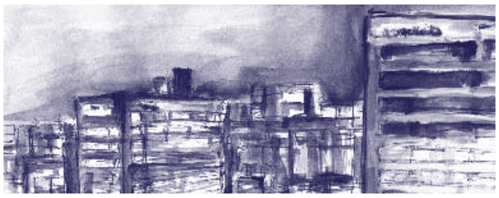
J.2) INVESTMENT SECURITIES:

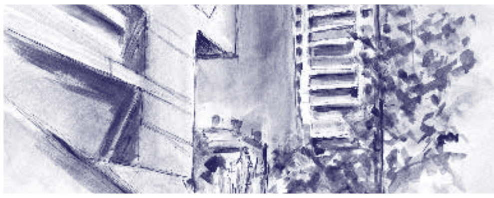
Investment securities are classified into two categories: Held to maturity and available for sale. Investments held to maturity are those instruments that the Bank has the ability and intent to hold to maturity. All other investment securities are considered available for sale. As of the date of issuance of these financial statements, the Bank does not have any investments held to maturity.

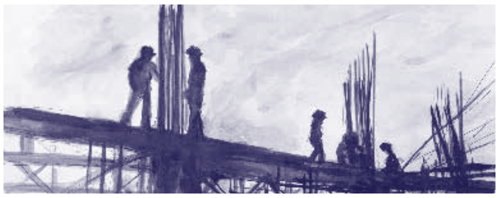
Investment securities are initially measured at cost, including transaction costs.

Investments available for sale are subsequently recorded at fair value based on market prices or valuations obtained from models. Unrealized gains or losses arising from changes in their fair value are recognized with a charge or credit to equity accounts. When these investments are disposed of or impaired, the amount of the fair value adjustments accumulated in equity is transferred to profit or loss and reported in "sale of investments available for sale" in "net financial operating income" in the statement of income, as specified in detail in Note 27 to the consolidated financial statements.

Investments held to maturity are recorded at cost plus accrued interest and indexation, less any impairment provisions made when the amount recorded is greater than the estimated recoverable amount. As of December 31, 2017 and 2016, the Bank did not have any investments held to maturity.







Interest and indexation on held-to-maturity and available-for-sale instruments are included in "interest and indexation income", as specified in detail in Note 25 to the consolidated financial statements.

Investment securities used as accounting hedges are adjusted under hedge accounting rules.

All purchases or sales of investment securities that must be delivered within a period of time established by regulations or market conventions are recognized on the trading date, which is the date on which the purchase or sale of the asset is agreed upon. Any other purchase or sale is treated as a derivative (forward) until settlement occurs.

K) FINANCIAL DERIVATIVE INSTRUMENTS

Derivative instruments, which include foreign currency and UF forwards, interest rate futures, currency and interest rate swaps and options, and other financial derivative instruments, are recorded initially in the statement of financial position at cost (including transaction costs) and subsequently measured at fair value. Fair value is obtained from market quotes, discounted cash flow models and option valuation models, as appropriate. Derivative instruments are reported as an asset when their fair value is positive and as a liability when negative, under "financial derivative instruments".

Certain embedded derivatives in other financial instruments are treated as separate derivatives when their risk and characteristics are not closely related to those of the main contract and the latter is not recorded at fair value with its unrealized gains and losses included in profit or loss.

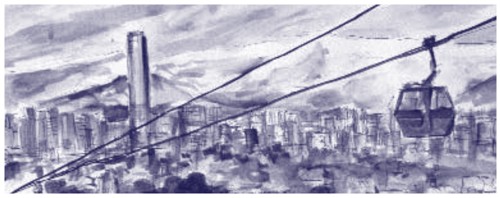
At inception, a derivative contract must be designated by the Bank as a derivative instrument for trading or hedging purposes.

Changes in fair value of derivative instruments held for trading purposes are included under "trading derivatives" in "net financial operating income (loss)", in the consolidated statement of income.

If a derivative instrument is classified as a hedging instrument, it can be: (1) a hedge of the fair value of existing assets or liabilities or firm commitments, or (2) a hedge of cash flows related to existing assets or liabilities or forecasted transactions. A hedge relationship for hedge accounting purposes must meet with all of the following requirements: (a) at its inception, the hedge relationship has been formally documented; (b) it is expected that the hedge will be highly effective; (c) the effectiveness of the hedge can be measured reasonably; and (d) the hedge is highly effective with respect to the hedged risk, continuously throughout the entire hedge relationship.

Certain derivative transactions that do not qualify for hedge accounting are treated and reported as derivatives for trading purposes, even though they provide an effective hedge for managing risk positions.

When a derivative instrument hedges the risk of changes in the fair value of an existing asset or liability, the asset or liability is recorded at its fair value with respect to the specific hedged risk. Gains or losses from fair value adjustments, of both the hedged item and the derivative instrument, are recognized in profit or loss for the year.


Should the hedged item in a fair value hedge be a firm commitment, changes in the fair value of the commitment with respect to the hedged risk are recorded as an asset or liability against profit for the year. Gains or losses from fair value adjustments of the derivative instrument are recognized in profit or loss. When an asset or liability is acquired as a result of the commitment, the initial recognition of the asset or liability acquired is adjusted to incorporate the accumulated effect of the valuation at fair value of the firm commitment, which was previously recorded in the statement of financial position.

When a derivative hedges the risk of changes in the cash flows of existing assets or liabilities or forecasted transactions, the effective portion of changes in the fair value related to the hedged risk is recorded in equity.

Any ineffective portion is directly recorded in profit or loss. The accumulated amounts recorded in equity are transferred to profit or loss when the hedged item affects profit or loss.

When an interest rate fair value hedge is performed on a portfolio basis and the hedged item is an amount instead of individualized assets or liabilities, gains or losses from fair value adjustments, for both the hedged portfolio and the derivative instrument, are recorded in profit or loss for the year, but the fair value adjustment of the hedged portfolio is reported in "financial derivative instruments", either in assets or liabilities, according to the position of the hedged portfolio at that moment in time.

When a cash flow hedge is used to hedge exposure to changes in cash flows that are attributed to a particular risk related to an asset or liability involved in a transaction that is predicted to be highly likely, the effective portion of changes in the fair value with respect to the hedged risk is recognized in equity, while the ineffective portion is recognized in profit or loss for the year.

L) OPERATIONS WITH REPURCHASE AGREEMENTS AND SECURITIES BORROWING/LENDING

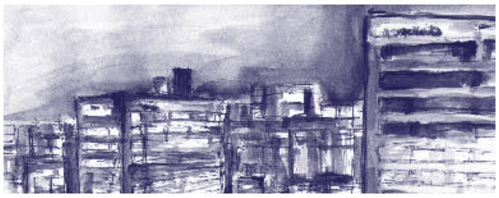
The Bank engages in repurchase and resale agreements for funding purposes. The Bank's investments that are sold with a repurchase obligation and that serve as a guarantee for the loan are included within "financial instruments held for trading" and the obligation is recorded within liabilities under "payables from repurchase agreements and securities lending". When financial instruments are purchased with a resale obligation, they are included within assets under "receivables from repurchase agreements and securities borrowing".

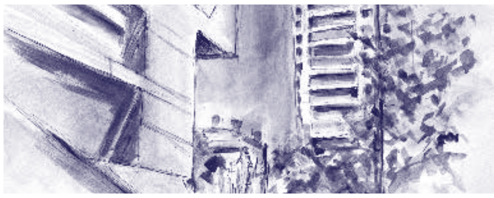
Repurchase and resale agreements are valued at amortized cost based on the transaction's IRR.

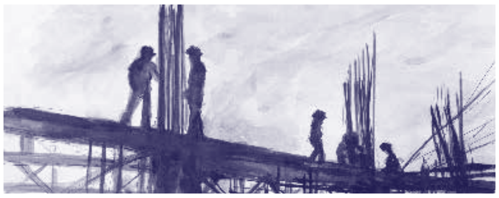
M) DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

The Bank derecognizes a financial asset only when the contractual rights to the cash flows of the financial asset have expired or when the contractual rights to receive the cash flows of the financial asset are transferred during a transaction in which all risks and rewards are transferred.

The Bank derecognizes a financial liability only when the obligation specified in the corresponding contract has been extinguished (i.e. paid or settled).







N) IMPAIRMENT

N.1) FINANCIAL ASSETS:

As of each reporting date, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets may be impaired. A financial asset is impaired and a loss will arise if objective evidence of impairment exists.

Financial assets carried at amortized cost show evidence of impairment when the present value of the estimated future cash flows, discounted at the asset's original effective interest rate, is less than the asset's carrying amount.

An impairment loss for available-for-sale financial assets is calculated using its fair value.

Financial assets that are individually significant are assessed individually to determine whether objective evidence of impairment exists. Financial assets that are not individually significant and have characteristics similar to other assets are assessed as a group.

All impairment losses are recognized in profit or loss. An impairment loss can only be reversed if it can be related objectively to an event occurring after the impairment loss was recognized.

N.2) NON-FINANCIAL ASSETS:

As of each reporting date, the Bank reviews the carrying amount of its non-financial assets to determine if objective evidence of impairment exists. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is reversed if there has been a change in the estimations used to determine the recoverable amount.

O) ASSETS RECEIVED IN LIEU OF PAYMENT

Assets received in lieu of payment are classified within "other assets" at the lesser of their foreclosure cost and their fair value less regulatory write-offs required and are presented net of provisions.

The SBIF requires regulatory write-offs if the asset is not sold within one year of foreclosure.

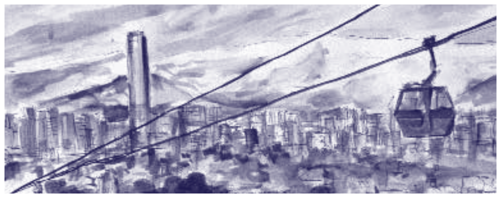
P) LEASE AGREEMENTS

Lease receivables, included in "loans to customers", are periodic payments from lease agreements that meet certain requirements to qualify as finance leases and they are presented at nominal value net of unaccrued interest at year-end.

Q) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost minus accumulated depreciation and impairment losses.

Depreciation is recognized in the statement of income on a straight-line basis over the useful life of the respective asset.


For certain real estate properties, the Bank recorded their fair values, based on independent appraisals, as their costs upon first-time adoption of IFRS.

The estimated useful lives of property, plant and equipment are as follows:

ASSET	USEFUL LIFE
Buildings	60 years
Plant and equipment	5 years
Supplies and accessories	2 years

R) INTANGIBLE ASSETS

R.1) SOFTWARE:

Expenses for in-house developed software are recognized as an asset when the Bank is able to demonstrate its intent and ability to complete development and use it within the organization to generate future economic benefits and can reliably measure the costs of completing development.

Capitalized costs of in-house developed software include all costs directly attributable to developing the software and they are amortized over their useful lives.

Computer software purchased by the Bank is recorded at cost less accumulated amortization and impairment losses.

Any subsequent expenses in software assets are capitalized only when they increase the future economic benefit for the specific asset. All other expenses are recorded in profit or loss as incurred.

Useful life has been determined based on the period of time over which economic benefits are expected. The amortization period and method are reviewed annually, and any change is treated as a change in an estimate.

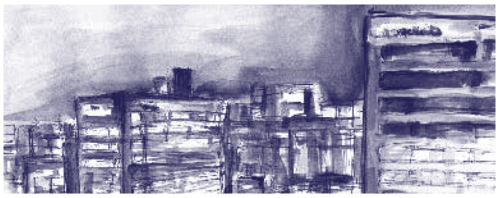
R.2) GOODWILL:

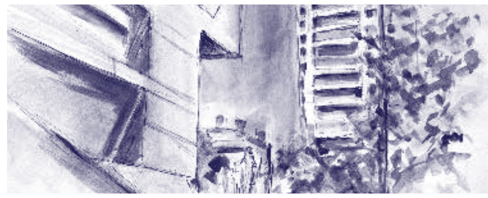
Goodwill generated upon consolidation represents the difference between the acquisition cost and Banco Security's share of the fair value of identifiable assets and liabilities of a subsidiary or jointly controlled entity as of the acquisition date.

Any goodwill generated is valued at acquisition cost and is tested as of each reporting date for any impairment that reduces its recoverable amount to below its carrying amount. If appropriate, this difference is recorded in the consolidated statement of income under "administrative expenses", in accordance with IFRS 3. Goodwill recorded as of December 31, 2017, is detailed in Notes 2.ac) and 14.b) of the consolidated financial statements.

S) PROVISIONS FOR ASSETS AT RISK

Provisions required to cover risk of loan losses have been recorded in accordance with standards and specific instructions from the SBIF. Effective loans are presented net of such provisions, while contingent loan provisions are presented in liabilities (Note 21).





The Bank uses models or methods based on individual and group analyses of debtors to establish provisions for loan losses. These models and methods are in accordance with SBIF standards and instructions.

T) LOANS TO CUSTOMERS, PROVISIONS AND WRITE-OFFS

Loans to customers, both originally granted by the Bank and acquired, are non-derivative financial assets with fixed or defined charges that are not quoted on an active market and that the Bank has no intention of selling immediately or in the short term. They are valued initially at fair value plus incremental transaction costs and subsequently measured at amortized cost using the effective interest method.

IMPAIRED PORTFOLIO:

The impaired portfolio includes loans for which concrete evidence exists that the borrowers will not meet some of their obligations in the agreed upon payment terms, regardless of the possibility of recovering amounts owed from collateral, through court collections or by negotiating different terms.

Within this context, the Bank will keep these loans in the impaired portfolio until the payment capacity or behavior has returned to normal. However, the Bank may continue to write off any individual loans.

T.1) PROVISIONS ON LOANS ASSESSED INDIVIDUALLY

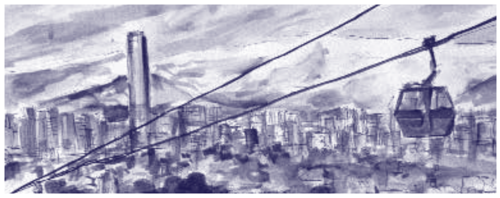
An individual debtor assessment is used when the Bank needs to understand and analyze a customer, whether an individual or legal entity, in detail because of its size, complexity or exposure level. It requires a risk rating for each debtor.

For provisioning purposes, the Bank categorizes debtors and their loans and contingent loans into the appropriate category after assigning them to either the normal, substandard or default portfolio, which are defined as follows:

- NORMAL AND SUBSTANDARD PORTFOLIO

PORTFOLIO TYPE	DEBTOR CATEGORY	PROBABILITY OF DEFAULT (%)	LOSS GIVEN DEFAULT (%)	EXPECTED LOSS (%)
Normal Portfolio	A1	0.04	90.00	0.03600
	A2	0.10	82.50	0.08250
	A3	0.25	87.50	0.21875
	A4	2.00	87.50	1.75000
	A5	4.75	90.00	4.27500
	A6	10.00	90.00	9.00000
Substandard Portfolio	B1	15.00	92.50	13.87500
	B2	22.00	92.50	20.35000
	B3	33.00	97.50	32.17500
	B4	45.00	97.50	43.87500

Nevertheless, the Bank must maintain a minimum provision of 0.50% on loans and contingent loans in the normal portfolio.


- DEFAULT PORTFOLIO

PORTFOLIO TYPE	SCALE OF RISK	RANGE OF EXPECTED LOSS	PROVISION (%)
Default Portfolio	C1	Up to 3%	2
	C2	More than 3% up to 20%	10
	C3	More than 20% up to 30%	25
	C4	More than 30% up to 50%	40
	C5	More than 50% up to 80%	65
	C6	More than 80%	90

T.2) PROVISIONS ON LOANS ASSESSED IN A GROUP

Group assessments are used to analyze a large number of transactions with small individual amounts. For these purposes, the Bank uses models based on the characteristics of debtors and their loans, as well as models based on the behavior of a group of loans. In group assessments, provisions for the consumer portfolio will always be recorded according to expected loss based on the models used by the Bank. Provisions are made for the commercial and mortgage portfolios using incurred loss methodologies.

T.3) ADDITIONAL LOAN PROVISIONS

According to SBIF instructions, the Bank may establish additional provisions on its individually assessed loan portfolio based on the expected impairment of that portfolio. This provision is calculated based on the Bank's past experience and potential adverse macroeconomic scenarios or circumstances that may affect a particular sector, industry, debtor group or project.

As of December 31, 2017 and 2016, the Bank had not recorded any additional provisions.

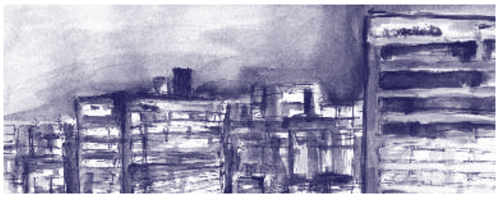
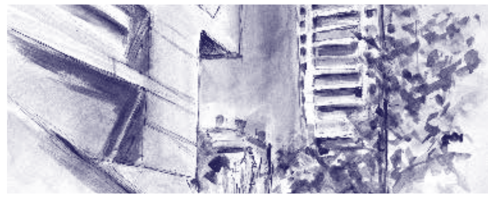
T.4) WRITE-OFFS

Loans are written off when recovery efforts have been exhausted in accordance with timetables issued by the SBIF, as follows:

TYPE OF LOAN	TERM
Consumer loans with or without collateral	6 months
Other operations without collateral	24 months
Commercial loans with collateral	36 months
Residential mortgage loans	48 months
Consumer leases	6 months
Other non-real estate leases	12 months
Real estate leases (commercial and residential)	36 months

RECOVERY OF WRITTEN-OFF LOANS:

Subsequent repayments on written-off loans are recorded directly in profit or loss under "recovery of written-off loans" in "credit risk provisions".


As of December 31, 2017 and 2016, recoveries of written-off loans totaled MCH$ 2,554 and MCH$ 3,981, respectively, and are presented in provisions recorded during the year under "credit risk provisions" in the consolidated statement of income, as detailed in Note 29 to the financial statements.

U) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of balances of cash, bank deposits, net transactions pending settlement and operations with repurchase agreements, as stipulated in the SBIF Compendium of Accounting Standards. These items are subject to insignificant risk of changes in their fair value.

The Bank prepares its cash flow statement using the indirect method. This method begins with profit for the year and incorporates non-monetary transactions, such as income and expenses that gave rise to cash flows, all grouped according to the following concepts:

- CASH FLOWS
  These are inflows and outflows of highly-liquid, short-term investments with insignificant risk, grouped under cash and cash equivalents.

- OPERATING ACTIVITIES
  These are transactions related to the Bank's normal operations and its main source of revenue.

- INVESTING ACTIVITIES
  These cash flows represent disbursements that have been made that will produce income and cash flows over the long term.

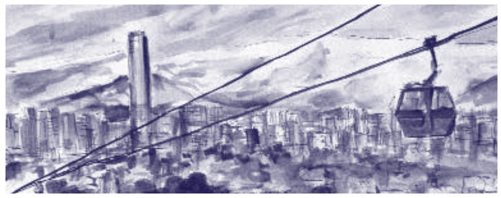
- FINANCING ACTIVITIES
  These cash flows represent the activities and cash needs to cover commitments to those contributing funding or capital to the entity.

V) TIME DEPOSITS, DEBT ISSUED

Deposits used as funding by the Bank, whatever the instrument or term, are valued at amortized cost. Other debt instruments issued are valued as of the placement date, including transaction costs, and subsequently valued at amortized cost using the effective interest method.

W) CURRENT AND DEFERRED INCOME TAXES

The Bank determines its income tax expense in accordance with the Income Tax Law and for this purpose establishes a provision against profit or loss. Deferred taxes are recognized for the temporary differences between the book and tax basis of assets and liabilities. The effect is recorded in the statement of income when the differences come from equity.


X) EMPLOYEE BENEFITS

X.1) EMPLOYEE VACATION

The annual cost of employee vacations is recorded on an accrual basis.

X.2) SHORT-TERM BENEFITS

The Bank has a yearly bonus plan for its employees that may be given based on their performance and ability to meet targets. They are provisioned based on the estimated amount to be distributed.

X.3) SEVERANCE INDEMNITIES

The Bank has not agreed to any severance indemnities that will be payable no matter the reason for terminating the employment and, as a result, has not made any such provisions. Any such expenses are recorded in profit or loss as incurred.

Y) MINIMUM DIVIDENDS

As of December 31, 2017 and 2016, the Bank recorded a liability (provision) for minimum or mandatory dividends. This provision is based on article 79 of the Corporations Law and is also reflected in the Bank's dividend policy. This policy stipulates that at least 30% of profit for the year shall be distributed unless the shareholders representing all issued shares unanimously agree otherwise.

Z) EARNINGS PER SHARE

The Bank records basic earnings per share of its common shares, which is calculated by dividing the profit attributable to common shareholders by the weighted average number of outstanding common shares during the respective year.

Diluted earnings per share are calculated by dividing the profit attributable to the Bank by the average weighted number of outstanding shares adjusted for stock options, warrants and convertible debt. Since the Bank does not have this type of option, basic earnings per share are the same as diluted earnings per share.

AA) LEASES

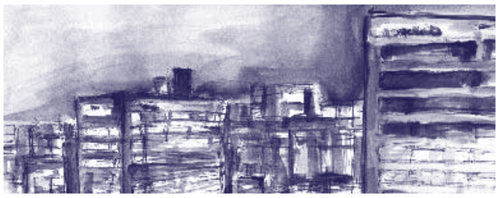
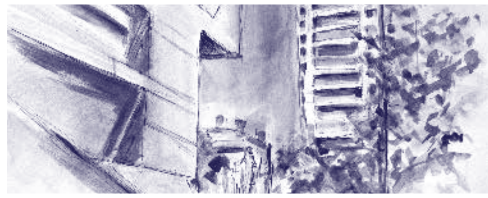
The Bank has lease agreements classified as operating leases for which an expense is recognized as of the date of payment.

When the Bank assumes substantially all risks and rewards of ownership, they are classified as finance leases.

AB) PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognized only if, as a result of a past event, the Bank has a legal or constructive obligation that can be estimated, or an outflow of economic benefits to settle the obligation is likely and the amount of these resources can be reliably measured.

A contingent asset or liability is any right or obligation arisen from past events whose existence will be confirmed only if one or more uncertain future events, not under the Bank's control, occur.


AC) BUSINESS COMBINATIONS

Banco Security has purchased interests in companies that qualify as a business combination and, therefore, must apply standards for business combinations.

On February 15, 2016, Banco Security acquired a total of 24,478,816 shares of Penta Corredores de Bolsa S.A., equivalent to 99.999992% of its share capital for a total of MCH$34,208 and 999,998 shares of Penta Administradora General de Fondos S.A., equivalent to 99.99980% of its share capital, for a total of MCH$1,828. On the same date, Valores Security S.A. Corredores de Bolsa acquired a total of 2 shares of Penta Corredores de Bolsa S.A., equivalent to 0.000008% of its share capital and Administradora General de Fondos Security S.A. purchased 2 shares of Penta Administradora General de Fondos S.A., equivalent to 0.0002% of its share capital.

On the same date, Valores Security S.A. Corredores de Bolsa and Administradora General de Fondos Security S.A. carried out capital increases, and Banco Security subscribed and paid these increases by contributing its respective shares of Penta Corredores de Bolsa S.A. and Penta Administradora General de Fondos S.A.

At this point, the subsidiaries of Banco Security, Valores Security S.A. Corredores de Bolsa and Administradora General de Fondos Security S.A., possessed 100% of the shares of Penta Corredores de Bolsa S.A. and Penta Administradora General de Fondos S.A., respectively, and, therefore, these companies merged.

	MCH$
Amount paid for shares of Empresas Penta	36,036
Fair value of purchased assets	31,674
Goodwill calculated	4,362

The PPA valuation was completed on February 13, 2017, within the term stipulated in IFRS 3, and the fair values of the identified assets and liabilities were recorded as the final values. As of December 31, 2017, the Company's accounting reflects the final values of these items (See Note 14b).

2.2 NEW ACCOUNTING PRONOUNCEMENTS

B.1) GUIDANCE ISSUED BY THE SUPERINTENDENCY OF BANKS AND FINANCIAL INSTITUTIONS

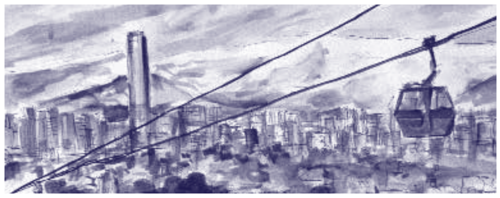
RULING NO. 3,621

On March 15, 2017, the Superintendency of Banks and Financial Institutions issued this ruling related to chapters B1 and C3 of the Compendium of Accounting Standards. It supplements instructions for calculating and accounting for provisions on loans guaranteed by the School Infrastructure Guarantee Fund stipulated in Law 20,845.

RULING NO. 3,615

On December 12, 2016, in order to enhance the transparency of financial information provided by banks, the SBIF published a ruling requiring a review of interim financial reporting to be performed on financial statements as of June 30 and a review opinion to be issued by the entity's external auditors in accordance with Chilean Generally Accepted Auditing Standards (NAGA No. 63, Section AU 930; or the international equivalent; SAS No. 122, Section AU-C 930). This report and the respective review opinion from the external auditors must be submitted no later than August 15, 2017.

The Bank's management has implemented the aforementioned guidance in its financial statements as of December 31, 2017.


B.2) INTERNATIONAL ACCOUNTING STANDARDS BOARD

B.2.1) THE FOLLOWING NEW AMENDMENTS TO IFRS HAVE BEEN ADOPTED IN THESE FINANCIAL STATEMENTS:

AMENDMENT TO IFRS	MANDATORY EFFECTIVE DATE
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	Annual periods beginning on or after January 1, 2017
Disclosure Initiative (Amendments to IAS 7)	Annual periods beginning on or after January 1, 2017
Annual Improvements Cycle 2014-2016 (amendments to IFRS 12)	Annual periods beginning on or after January 1, 2017

RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALIZED LOSSES (AMENDMENTS TO IAS 12)

On January 19, 2016, the IASB published final amendments to IAS 12 Income Taxes.

The amendments clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is allowed.

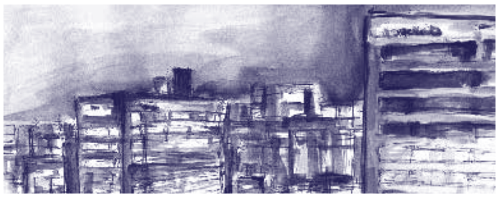
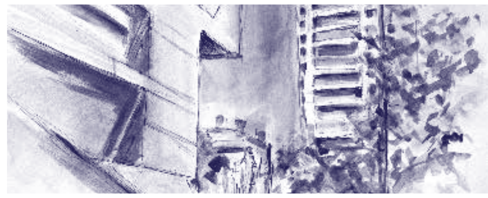
These amendments have had no impact on the accounting policies for the year.

DISCLOSURE INITIATIVE (AMENDMENTS TO IAS 7)

The amendments are part of the IASB's disclosure initiative project and introduce additional requirements intended to address investors' concerns that financial statements currently do not provide an understanding of an entity's cash flows; particularly regarding the management of financing activities. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Although no specific format is required to comply with the new requirements, the amendments include illustrative examples to show how an entity can fulfill the objective of these amendments.

The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is allowed.

Management believes that these amendments have had no impact on the accounting policies for the year.


ANNUAL IMPROVEMENTS CYCLE 2014-2016 (AMENDMENTS TO IFRS 12)

On December 8, 2016, the IASB issued Annual Improvements Cycle 2014-2016. The pronouncement contains amendments to three IFRS as a result of the IASB's annual improvements project. The amendments to IFRS 12 are effective for annual periods beginning on or after January 1, 2017.

The amendments to IFRS 12 clarify the standard's scope, establishing that an entity does not need to provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified as held for sale (or included in a disposal group held for sale), held for distribution or discontinued operations in accordance with IFRS 5.

The amendments to IFRS 12 apply retrospectively.

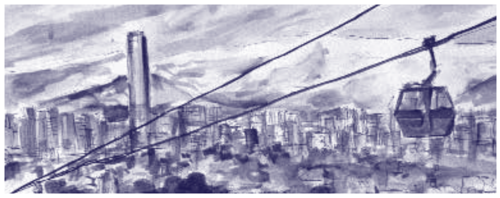
These amendments have had no impact on the accounting policies for the year.

B.2.2) THE FOLLOWING NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS HAVE BEEN ISSUED BUT APPLICATION IS NOT YET MANDATORY:

NEW IFRS	MANDATORY EFFECTIVE DATE
IFRS 9 Financial Instruments	Annual periods beginning on or after January 1, 2018.
IFRS 15 Revenue from Contracts with Customers	Annual periods beginning on or after January 1, 2018.
IFRS 16 Leases	Annual periods beginning on or after January 1, 2019.
IFRS 17 Insurance Contracts	Annual periods beginning on or after January 1, 2021.
AMENDMENT TO IFRS	**MANDATORY EFFECTIVE DATE**
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Effective date deferred indefinitely.
Clarifications to IFRS 15 Revenue from Contracts with Customers	Annual periods beginning on or after January 1, 2018.
Classification and Measurement of Share-Based Payment Transactions (amendments to IFRS 2)	Annual periods beginning on or after January 1, 2018.
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (amendments to IFRS 4)	Overlay approach when applying IFRS 9 for the first time. Temporary exemption to delay application for annual periods beginning on or after January 1, 2018, and only available for three years after that date.
Transfers of Investment Property (amendments to IAS 40)	Annual periods beginning on or after January 1, 2018.
Annual Improvements Cycle 2014-2016 (amendments to IFRS 1 and IAS 28)	Annual periods beginning on or after January 1, 2018.
Prepayment Features with Negative Compensation (amendments to IFRS 9)	Annual periods beginning on or after January 1, 2019.
Long-term Interests in Associates and Joint Ventures (amendments to IAS 28)	Annual periods beginning on or after January 1, 2019.
Annual Improvements Cycle 2015-2017 (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	Annual periods beginning on or after January 1, 2019.
NEW INTERPRETATIONS	**MANDATORY EFFECTIVE DATE**
IFRIC 22 Foreign Currency Transactions and Advance Considerations	Annual periods beginning on or after January 1, 2018.
IFRIC 23 Uncertainty over Income Tax Treatments	Annual periods beginning on or after January 1, 2019.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for classifying and measuring financial liabilities and for de-recognition,


and in November 2013 to include new requirements for general hedge accounting. Another version of IFRS 9 was issued in July 2014, mainly to include a) impairment requirements for financial assets and b) limited amendments to classification and measurement requirements by introducing a "fair value through other comprehensive income" measurement category for certain uncomplicated debt instruments.

The key requirements of IFRS 9 are:

CLASSIFICATION AND MEASUREMENT:

All financial assets within the scope of IFRS 9 must be subsequently measured at amortized cost or fair value. Specifically, debt instruments that are held within a business model, the objective of which is to collect contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at amortized cost as of the close of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value as of the close of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity instrument (that is not held for trading nor is a contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, where income from dividends will generally be recorded in profit or loss.

Regarding the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that any change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless recognizing such changes in other comprehensive income would create or enlarge a measurement mismatch. Changes in fair value attributable to the credit risk of a financial liability are not subsequently classified in profit or loss. Under IAS 39, the total amount of the change in fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

IMPAIRMENT:

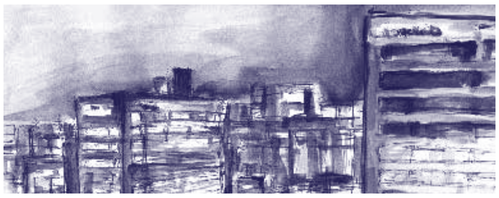
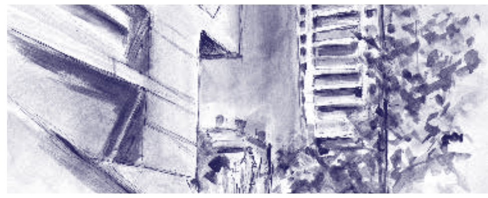
Regarding impairment of financial assets, IFRS 9 requires the use of a model of expected credit losses versus the model of incurred credit losses under IAS 39. The model of expected credit losses requires an entity to account for expected credit losses and changes in these expected credit losses as of each reporting date to reflect changes in credit risk since initial recognition. In other words, a credit event does not have to occur in order for credit losses to be recognized.

HEDGE ACCOUNTING:

The new general requirements for hedge accounting maintain intact the three types of hedge accounting mechanisms currently available in IAS 39. IFRS 9 introduces greater flexibility to the types of transactions eligible for hedge accounting. Specifically, it broadens the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, effectiveness testing has been reviewed and replaced by the 'economic relationship' principle. A retrospective evaluation of the effectiveness of a hedge is no longer required. It also introduced improved disclosure requirements for an entity's risk management activities.

IFRS 9 is effective for all annual periods beginning on or after January 1, 2018. Early adoption is allowed.

Management evaluated the impacts of adopting IFRS 9 at Administradora General de Fondos Security S.A. and Valores Security S.A. Corredores de Bolsa and determined that it generates no impacts. Furthermore, the Bank cannot adopt this standard as expressly mandated by the SBIF in Chapter A-2, No. 12 of its Compendium of Accounting Standards.


IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

On May 28, 2014, the IASB published IFRS 15 Revenue from Contracts with Customers. IFRS 15 establishes a sole comprehensive model for entities to use to account for revenue from contracts with customers. When adoption of IFRS 15 becomes effective, it will replace the current revenue recognition guidance in IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The core principle of IFRS 15 is that an entity must recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a five-step approach for recognizing revenue:

- STEP 1: Identify the contract with a customer;
- STEP 2: Identify the performance obligations in the contract;
- STEP 3: Determine the transaction price;
- STEP 4: Allocate the transaction price to the performance obligations in the contract;
- STEP 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) it satisfies a performance obligation (i.e. when 'control' of the goods or services underlying the particular performance obligation is passed to the customer).

More prescriptive guidance has been added in IFRS 15 for treatment specific scenarios. More extensive disclosures are also required.

In April 2016, the IASB published Clarifications to IFRS 15 related to the identification of performance obligations, principal versus agent considerations and application guidance for licensing.

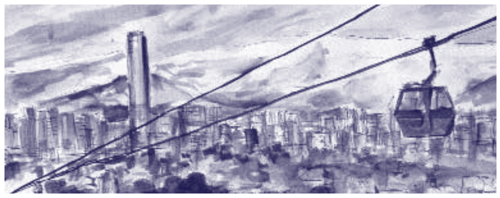
IFRS 15, including the clarifications issued in April 2016, is effective for annual periods beginning on or after January 1, 2018. Early adoption is allowed. Entities can choose to apply IFRS 15 retrospectively or to use a modified transition approach, which consists of applying IFRS 15 retrospectively only to contracts that were complete as of the date of initial application.

For that reason, the Bank analyzed the possible impacts, which would only affect the accounting treatment of credit card loyalty programs that earn points.

Based on the analysis performed and due to changes in the standard, which are for "points" (customer loyalty), the cost of recognizing a liability for contractual obligations with customers would be between MCH$3,900 and MCH$5,700, adjusted against equity.

IFRS 16 LEASES

On January 13, 2016, the IASB published IFRS 16 Leases. IFRS 16 sets out a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. When adoption of IFRS 16 becomes mandatory, it will replace the current guidelines for leases, including IAS 17 Leases and related interpretations.


IFRS 16 makes a distinction between leases and service contracts on the basis of whether an identified asset is controlled by a customer. The distinction between operating lease (off-balance-sheet) and finance lease is removed for lessees and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized by lessees for all leases, except for short-term leases and leases of low-value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid as of that date. Subsequently, the lease liability is adjusted to account for interest and lease payments as well as modifications to the lease, among others. In addition, the classification of cash flows will also be affected since under IAS 17 operating lease payments are presented as operating cash flows, while under the model in IFRS 16, lease payments will be divided between principal payments and interest, which will be presented as financing and operating cash flows, respectively.

In contrast with accounting for lessees, the accounting requirements for lessors in IAS 17 remain virtually intact in IFRS 16, which continues to require lessors to classify leases as either operating or financial leases.

In addition, IFRS 16 requires more extensive disclosures.

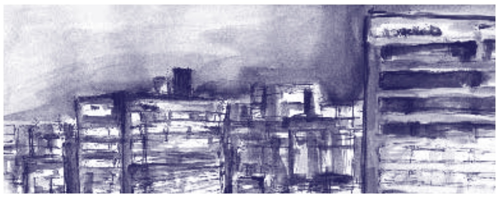
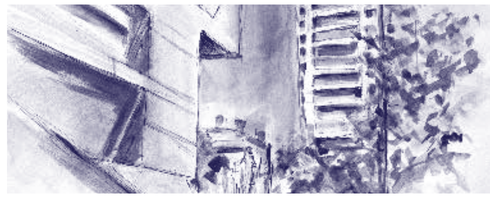
IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is allowed for entities that apply IFRS 15 on or before the initial application date of IFRS 16. Entities can apply IFRS 16 using either a full retrospective approach or a modified retrospective approach. If the latter is chosen, an entity is not obliged to restate comparatives and the cumulative effect of initially applying IFRS 16 must be presented as an adjustment to the initial balance of retained earnings (or other component of equity, when appropriate).

The Bank has decided to apply the modified retrospective approach, which, based on preliminary analyses, will mean an increase of between MCH$8,900 and MCH$9,800 in assets and the related greater liability.

IFRS 17 INSURANCE CONTRACTS

On May 18, 2017, the IASB published IFRS 17 Insurance Contracts. The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents rights and obligations arising from insurance contracts it issues.

IFRS 17 establishes a General Model, which is modified for insurance contracts with discretionary participation features, described as the “Variable Fee Approach”. The General Model is simplified if certain criteria are met by measuring the liability for the remaining coverage using the “Premium Allocation Approach”.


The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and will explicitly measure the cost of that uncertainty; they take into account market interest rates and the impact of options and guarantees of policyholders.

Profit from sales of insurance policies is deferred in a separate liability component on day 1 and aggregated in groups of insurance contracts; it is later systematically allocated to profit or loss over the period during which the insurer provides coverage, adjusted for changes in the assumptions related to the future coverage.

IFRS 17 is effective for annual periods beginning on or after January 1, 2021, with earlier adoption allowed. It should be applied retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Management considers that future application of IFRS will not have a significant impact on the consolidated financial statements since no insurance contracts are issued.

SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE (AMENDMENTS TO IAS 10 AND IAS 28)

On September 11, 2014, the IASB published Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The amendments address the conflict between the requirements of IAS 28 Investments in Associates and Joint Ventures and IFRS 10 Consolidated Financial Statements and clarify the accounting for the sale or contribution of assets by an investor to its associate or joint venture, as follows:

- They require full recognition in the investor's financial statements of gains and losses arising from the sale or contribution of assets that constitute a business (based on the definition in IFRS 3 Business Combinations),

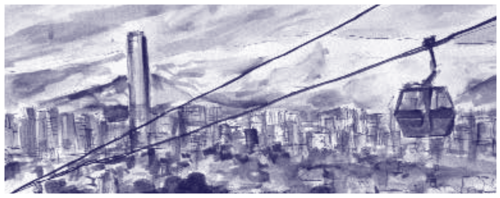
- They require the partial recognition of gains and losses when the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

On December 17, 2015, the IASB published the final amendments to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments defer the effective date until the research project on equity accounting has concluded.

Management has not had the opportunity to evaluate the potential impact of adopting these amendments.

CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS (AMENDMENTS TO IFRS 2)

On June 20, 2016, the IASB published final amendments to IFRS 2 Share-Based Payment that clarifies the classification and measurement of share-based payment transactions. The amendments address several requests that the IASB and the IFRS Interpretations Committee received and that the IASB decided to deal with in one, combined, narrow-scope project.


The amendments are effective for annual periods beginning on or after January 1, 2018. Early adoption is allowed. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

The Bank's management has not had the opportunity to analyze the potential impact of adopting these amendments.

APPLYING IFRS 9 FINANCIAL INSTRUMENTS WITH IFRS 4 INSURANCE CONTRACTS (AMENDMENTS TO IFRS 4)

On September 12, 2016, the IASB published Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts. The amendments are intended to address concerns about the different effective dates of IFRS 9 and the new insurance contracts standard.

As it has become obvious that the effective date of IFRS 17 can no longer be aligned with the effective date of IFRS 9 Financial Instruments, there have been calls for the IASB to delay application of IFRS 9 for insurance activities and align the effective date of IFRS 9 for those activities with the effective date of the new insurance contracts standard.

The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4: An option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach, and an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

An entity applies the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. Application of the overlay approach requires disclosure of sufficient information to enable users of financial statements to understand how the amount reclassified in the reporting period is calculated and the effect of that reclassification on the financial statements.

An entity applies the deferral approach for annual periods beginning on or after January 1, 2018. Application of the deferral approach needs to be disclosed together with information that enables users of financial statements to understand how the insurer qualified for the temporary exemption and to compare insurers applying the temporary exemption with entities applying IFRS 9. The deferral can only be made use of for the three years following January 1, 2018.

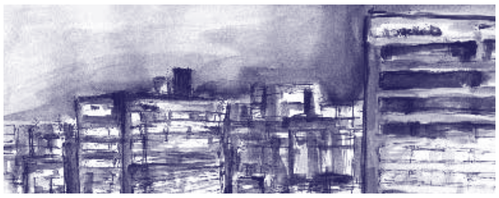
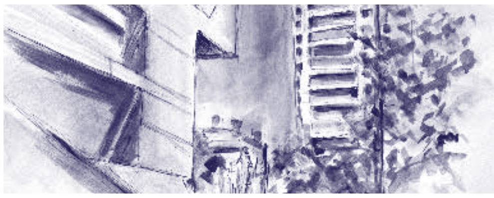
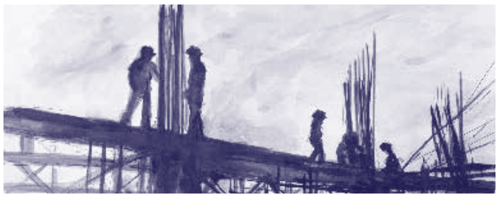
The Bank's management believes that adopting these amendments will have no effect on the Bank's consolidated financial statements.

TRANSFERS OF INVESTMENT PROPERTY (AMENDMENTS TO IAS 40)

On December 8, 2016, the IASB issued Transfers of Investment Property (Amendments to IAS 40) to clarify transfers of property to, or from, investment property.

The amendments to IAS 40 Investment Property are:

- Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

- The list of evidence in paragraph 57(a) – (d) was designated as a non-exhaustive list of examples instead of the previous exhaustive list.

The amendments are effective for annual periods beginning on or after January 1, 2018. Early adoption is allowed.

The Bank's management believes that adopting these amendments will have no effect on the Bank's consolidated financial statements.

ANNUAL IMPROVEMENTS CYCLE 2014 - 2016

On December 8, 2016, the IASB issued Annual Improvements Cycle 2014-2016. The annual cycles include amendments to IFRS 1 and IAS 28, for which application is not yet mandatory. The annual improvements also include amendments to IFRS 12, which is mandatory for the Company in the current year. See Note Z.a) for details on application.

The amendments to IAS 28 clarify that the option for a venture capital organization or other qualifying entity of measuring investments in associates and joint ventures at fair value through profit and loss is available on an investment-by-investment basis for each associate or joint venture and the choice must be made upon initial recognition of the associate or joint venture. An entity which is not itself an investment entity, but has an interest in a joint venture or associate that is an investment entity, has the option of keeping the fair value measurement applied by its associate. The amendments make a similar clarification that this election is available for each associate and joint venture that is an investment entity. The amendments apply retrospectively and early adoption is allowed.

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018.

Management has not had the opportunity to evaluate the potential impact of adopting these amendments.

PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION (AMENDMENTS TO IFRS 9)

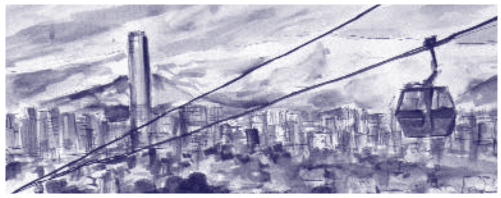
On October 12, 2017, the IASB published Prepayment Features with Negative Compensation (amendments to IFRS 9) to address certain topics related to the classification of certain specific prepayable financial assets under IFRS 9, amending the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The amendments to IFRS 1 are effective for annual periods beginning on or after January 1, 2019. Early application is allowed so entities can apply the amendments together with IFRS 9 if they wish so.

The Bank's management believes that adopting these amendments will have no effect on the Bank's consolidated financial statements.

LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES (AMENDMENTS TO IAS 28)

On October 12, 2017, the IASB published Long-term Interests in Associates and Joint Ventures (amendments to IAS 28) to clarify that an


entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Bank's management believes that adopting these amendments will have no effect on the Bank's consolidated financial statements.

ANNUAL IMPROVEMENTS CYCLE 2015 - 2017

On December 12, 2017, the IASB issued Annual Improvements Cycle 2015-2017. The annual improvements include amendments to the following standards:

- IFRS 3 and IFRS 11 – Amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it must remeasure previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure previously held interests in that business.
- IAS 12 – The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- IAS 23 – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 are effective for annual periods beginning on or after January 1, 2019.

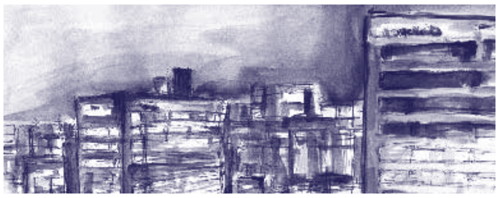
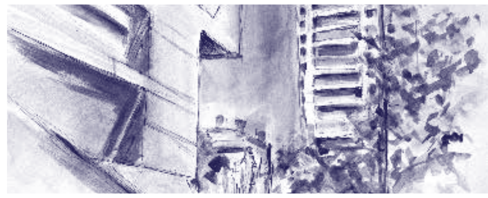
The Bank's management believes that adopting these amendments will have no effect on the Bank's consolidated financial statements.

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

On June 7, 2017, the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments. The interpretation establishes how to determine a tax position when there is uncertainty over income tax treatments.

IFRIC 23 requires an entity to:

- Determine whether uncertain tax positions should be evaluated independently or together;
- Evaluate whether the taxation authority will accept an uncertain tax treatment that an entity used or plans to use in its income tax filing:
    - If accepted, the entity must determine its book-basis tax position consistently with the tax treatment it used or plans to use in its income tax filing.
    - If not accepted, the entity must reflect the effect of the uncertainty in the determination of its book-basis tax position.


IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Entities may apply IFRIC 23 using a full retrospective approach, or a modified retrospective approach without restating comparatives.

The Bank’s management believes that adopting these new standards will have no effect on the Bank's consolidated financial statements.

3. ACCOUNTING CHANGES

On January 8, 2018, the SBIF issued Management Letter 21 to complement instructions on current and deferred taxes in accordance with IAS 12, indicating that assets and liabilities resulting from these taxes must be presented net in the consolidated financial statements. As a result, Banco Security made the following reclassifications:

	BALANCES REPORTED AS OF 12-31-2016	RECLASSIFICATION	RESTATED BALANCES AS OF 12-31-2016
Deferred tax assets	35,992	(15,146)	20,846
Deferred tax liabilities	15,146	(15,146)	-

During the period from January 1 to December 31, 2017, there were no changes in accounting policy that affect their comparison with the same period in the prior year.

4. MATERIAL EVENTS

BANCO SECURITY

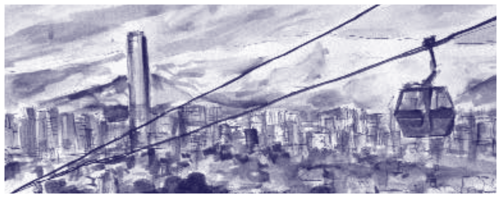
On December 28, 2017, the Bank increased capital by MCH$50,000. All shares (100%) issued by Grupo Security at this time were acquired.

On February 15, 2016, the purchase of the Penta companies was completed after obtaining authorization from the Superintendency of Banks and Financial Institutions. The Company purchased 99.999992% of Penta Corredores de Bolsa S.A. for MCH$34,208 and 99.99980% of Penta Administradora General de Fondos S.A. for MCH$1,828. After the transaction, these companies were contributed to their respective subsidiaries, Administradora General de Fondos Security S.A. and Valores Security S.A. Corredores de Bolsa, as part of the capital increase of both companies, thus resulting in the merger of each respective company.

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

During the period from January 1 to December 31, 2017, there were no changes in accounting policy that affect their comparison with the same period in the prior year.

During the period from January 1 to December 31, 2017, Administradora General de Fondos Security S.A. has not filed any material events that must be reported.


On December 30, 2016, in accordance with articles 9 and 10-2 of Law No. 18,045 on the Securities Market, and article 18 of Law No. 20,712, the following is communicated regarding completion of the liquidation of the Security Emergente Protegido Investment Fund.

On December 28, 2016, at an extraordinary meeting of the unitholders of the Security Capital Preferente Investment Fund, the following agreements were reached: A mandatory capital reduction was approved for a total of CH$440,000,000, payable in cash to all unitholders, prorated based on the fund units they hold, in one or more successive payments no later than January 27, 2017; one component of the fund manager's proposal to amend the internal regulations was rejected. This proposed amendment would have established the possibility for the capital reductions to be made in up to two annual payments of up to 50% of the Fund's subscribed and paid-in units. In its place, the unitholders agreed to amend section J of the Fund's internal regulations, establishing a policy for the fund to make mandatory capital reductions on a monthly basis for up to 50% of the Fund's initially subscribed and paid-in units, under the terms indicated; they also approved the amended text of the Fund's internal regulations, which must be deposited by the Fund manager within 15 business days after the date of the meeting.

On December 19, 2016, in accordance with articles 9 and 10-2 of Law No. 18,045 on the Securities Market, and article 18 of Law No. 20,712, the Company communicated the dissolution of the Security Emergente Protegido Investment Fund and that the fund manager has been appointed to carry out the process of liquidating the fund.

On December 2, 2016, at an extraordinary meeting of the unitholders of the Security Pagaré Automotrices I Investment Fund, the following agreements were adopted: Unitholders were briefed on the asset liquidation process, expense payments and capital distributions; the unitholders will be refunded the value of their units for a final amount of CH$32,402,413, which will be distributed based on each investor's interest in the Fund; the Fund's final account at the end of its liquidation was approved; the Fund's liquidation was completed on December 28, 2016, and unitholders will be refunded the balance of their investment in the Fund; a fund manager was designated to inform the SVS and the Chilean Internal Revenue Service of the fund's close of business once the funds have been distributed.

On November 21, 2016, in accordance with articles 9 and 10-2 of Law No. 18,045 on the Securities Market, and article 18 of Law No. 20,712, the Company communicated the dissolution of the Security Pagaré Automotrices I Investment Fund and that the fund manager has been appointed to carry out the process of liquidating the fund.

On October 27, 2016, in accordance with articles 9 and 10-2 of Law No. 18,045 on the Securities Market, and article 18 of Law No. 20,712, the Company communicated the payment of interim dividends by the Security Oaktree Opportunities – Debt II Investment Fund for a total of USD$1,163,899.97 with a charge to net profit for 2016.

On September 9, 2016, as part of the process of liquidating the Security Pagarés Automotrices I Investment Fund, the entire auto lending portfolio held by the Fund was transferred to Tanner Servicios Financieros S.A., as agreed by public instrument dated July 29, 2016, granted before Santiago notary Carmen Sosa Muñoz.

On March 2, 2016, the Company reported that in a meeting of the Board of Directors of Administradora General de Fondos Security S.A. on February 29, 2016, the Board agreed to call an annual shareholders' meeting for March 18, 2016, at 9 a.m. in the Company's offices located at Av. Apoquindo 3150, floor 7, Las Condes, Santiago. The following matters were to be addressed at the annual shareholders' meeting:

- Approval of the annual report and financial statements for the year-ended December 31, 2015, including the report of independent auditors for that year;
- Profit distribution and dividend payments;
- Board fees for 2016;
- Board expenses in 2015;
- Appointment of the Company's independent external auditors;
- Information on related party transactions in conformity with the Corporations Law.
- Designation of the newspaper for legal publications;
- In general, all other matters that should be addressed at an annual shareholders' meeting according to law.

At the aforementioned Board meeting, the Board agreed to propose to shareholders at the annual meeting a dividend of CH$124,992.1064 per share charged to profit for the year 2015.

On February 15, 2016, the Company completed the merger and take over by Administradora General de Fondos Security S.A. of Penta Administradora General de Fondos S.A., as follows:

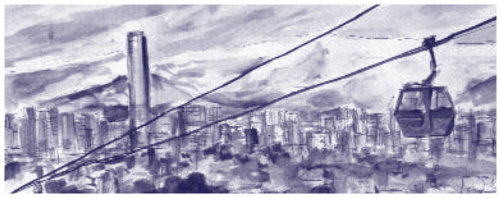
A) Banco Security purchased and acquired 999,998 . - shares of Penta Administradora General de Fondos S.A. from Banco Penta, equivalent to a 99.99980% interest in that company for CH$1,828,330,276;

B) Administradora General de Fondos Security, in turn, purchased and acquired 2 shares of Penta Administradora General de Fondos S.A. from Messrs. Carlos Alberto Délano Abbott and Carlos Eugenio Lavín García Huidobro, equivalent to the remaining 0.0002% interest in that company, for CH$3,656. As a result, Banco Security and Administradora General de Fondos Security S.A. together purchased and acquired 100% of the shares of Penta Administradora General de Fondo S.A. for CH$1,828,333,932, equivalent to equity of CH$1,305,542,551, which is backed by highly-liquid instruments valued at market value and negative goodwill of CH$522,791,381.

C) Immediately after completing the aforementioned acquisitions and in the same act, Banco Security proceeded to contribute to Administradora General de Fondos Security S.A. all 999,998 shares of Penta Administradora General de Fondos S.A. as payment towards the capital increase of Administradora General de Fondos Security S.A. that was agreed at the extraordinary shareholders' meeting on January 5, 2016, and approved via SVS Exempt Resolution No. 251 dated February 5, 2016; and

D) Both the contribution and the valuation of the contributed shares, as stipulated above, were duly and unanimously approved by all issued shares of Administradora General de Fondos Security S.A. at the extraordinary shareholders' meeting.

Pursuant to the above, and having obtained the relevant authorization from the Superintendency of Securities and Insurance on February 15, 2016, in accordance with article 107 of Law No. 18,046, and with Administradora General de Fondos Security S.A. having expressly waived the term indicated in article 103, number 2 of Law No. 18,046, on that same date the Company proceeded to register 100% of the shares of Penta Administradora General de Fondos S.A. in the shareholders register of Administradora General de Fondos Security S.A. and, therefore, Penta Administradora General de Fondos S.A. was automatically and legally dissolved under the terms of article 103 of Law 18,046, and Administradora General de Fondos Security S.A. became the legal successor to the dissolved company for all intents and purposes, assuming all of its rights and obligations and acquiring all of its assets and liabilities.


On January 15, 2016, in accordance with articles 9 and 10-2 of Law 18,045 and General Standard No. 30, the Company reported as an essential event that, in an ordinary Board meeting on the same date, Mr. Felipe Larraín Melo resigned as director and Mr. Gonzalo Baraona Bezanilla was appointed to replace him.

On January 5, 2016, at an extraordinary shareholders' meeting called by the shareholders as established in article 60 of Law 18,046 on Corporations, the following was unanimously agreed:

A) To update and amend the Company's statutory capital without issuing new shares, in order to capitalize and recognize the price-level restatement of paid-in capital as of December 31, 2010, all based on the Company's statement of financial position as of that date, which was approved at the annual shareholders' meeting on April 5, 2011. As a result, the Company's capital as of that date totals CH$1,525,292,745, divided into 10,000 registered, common, no-par-value shares, all fully subscribed and paid in.

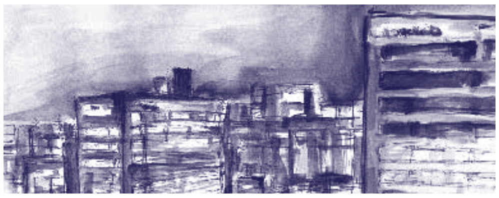
B) To increase the Company's capital as of that date from CH$1,525,292,745 divided into 10,000 registered, single-series, common, no-par-value shares to CH$3,825,292,745, divided into 10,560 registered, single-series, common, no-par-value shares, by issuing 560 new registered, common, no-par-value shares of the same existing series through a rights issue, which shall be issued, subscribed and paid in a period of three years from that date, either in cash or in kind.

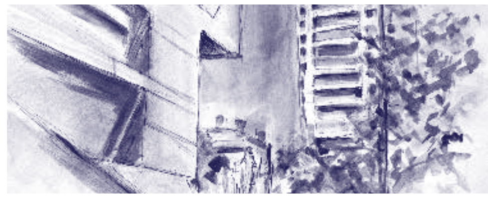
C) In order to execute, implement and comply with the agreements reached at the extraordinary shareholders' meeting, the shareholders agreed to specifically authorize the Board to carry out each and every one of the formalities, procedures and acts necessary to formalize the capital increase and other agreements adopted at the meeting. The Board was specifically authorized to adopt agreements, once the amended bylaws had been approved by the SVS, in order to: (i) Proceed with the issuance and placement of 560 new registered, single-series, common, no-par-value shares through a rights issue, all charged to the agreed-upon capital increase; (ii) Comply with the legal preferential subscription right for the Company's shares; (iii) Offer the Company's shareholders or, in the event of total or partial waiver of these preferential subscription rights, offer third parties, the new shares at a price of CH$4,107,142.857142860 per share, which may be paid in cash or in kind; and (iv) Adopt all agreements required or deemed necessary to carry out and complete the capital increase under the terms proposed above and proceed with the issuance, placement, subscription and payment of the shares issued as part of the capital increase agreed by the shareholders.

D) At the meeting, the shareholders agreed to grant the following powers and authority:

- To authorize the CEO, Mr. Juan Pablo Lira Tocornal, and the director Carlos Budge Carvallo, to act individually and indistinctly to request SVS approval of the amended bylaws as agreed at the shareholders' meeting and to agree upon, subscribe, implement and execute, on behalf of the Company and the shareholders, all amendments, rectifications or supplements that may be relevant or necessary in response to any comment or observation made by the SVS, and make all public or private instruments containing the respective amendments; and
- To authorize the bearer of the certificate issued by the SVS with the respective abstract to request any publications, registrations, subregistrations and annotations necessary.

Pursuant to these agreements, to substitute permanent article five and the third transitory article in the corporate bylaws.





VALORES SECURITY S.A. CORREDORES DE BOLSA

At an ordinary meeting held on July 14, 2017, the Board agreed to appoint Enrique Menchaca Olivares as Chairman of the Board.

At an ordinary meeting held on June 20, 2017, the Board received a letter of resignation from Chairman Ramón Eluchans Olivares, which took effect immediately. Another director has not yet been appointed to replace him.

On March 16, 2016, Valores Security S.A. Corredores de Bolsa renewed a professional liability insurance policy for UF 204,091 through Compañía de Seguros Continental to guarantee correct professional performance, in accordance with law 20,712 on managing third-party funds and individual portfolios. This policy is in effect from June 30, 2016 to June 30, 2017.

At the fourteenth extraordinary shareholders' meeting on March 15, 2016, the shareholders agreed to pay a dividend of CH$54,708.515017 per share, payable the following day, to the shareholders in the respective shareholder registry when the meeting was called to order.

At the twenty-ninth annual shareholders' meeting on March 15, 2016, the shareholders agreed to pay a dividend of CH$3,699.221364 per share, payable the following day, to the shareholders registered in the respective Shareholder Registry when the meeting was called to order.

On February 15, 2016, the Company completed the merger and take over by Valores Security of Penta Corredores de Bolsa S.A., as follows:

A) Banco Security purchased and acquired 24,478,816 shares of Penta Corredores de Bolsa S.A. from Banco Penta, equivalent to a 99.999992% interest in that company for CH$34,208,152,255.

B) Valores Security S.A. Corredores de Bolsa purchased and acquired 2 shares of Penta Corredores de Bolsa S.A. from Messrs. Carlos Alberto Délano Abbott and Carlos Eugenio Lavín García-Huidobro, equivalent to the remaining 0.000008 % interest in that company, for CH$2,794.

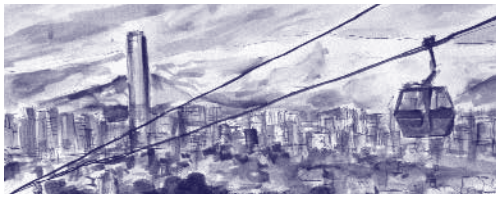
C) As a result, Banco Security and Valores Security S.A. Corredores de Bolsa together purchased and acquired 100% of the shares of Penta Corredores de Bolsa S.A. for CH$34,208,155,049 equivalent to equity of CH$29,503,032,616, which was backed by highly-liquid instruments valued at market value and negative goodwill of CH$4,705,122,433.

Immediately following the aforementioned acquisitions and on February 15, 2016, an extraordinary meeting of the Company's shareholders was held, at which time the shareholders unanimously agreed, among other matters, to:

A) Increase the Company's capital to CH$36,393,566,514 divided into a total of 505,750 registered, common, single-series, no-par-value shares by issuing 116,940 new shares through a rights issue;

B) Approve the subscription of all new shares by Banco Security and the payment in kind for those shares and those issued as part of the capital increase that was agreed at the extraordinary shareholders' meeting on January 20, 2016, by contributing all 24,478,816 shares of Penta Corredores de Bolsa S.A. held by Banco Security;

C) Value the shares contributed at CH$34,208,152,255, in accordance with article 15 of Law No. 18,046; and


Pursuant to these agreements, to substitute permanent article five and the transitory article in the corporate bylaws.

Pursuant to the above and having expressly waived the term indicated in article 103, number 2 of Law No. 18,046, on that same date Valores Security S.A. Corredores de Bolsa proceeded to register 100% of the shares of Penta Corredores de Bolsa S.A. in the shareholders register of Valores Security S.A., and, therefore, Penta Corredores de Bolsa S.A. was automatically and legally dissolved under the terms of article 103 of Law 18,046, and Valores Security S.A. became its legal successor for all intents and purposes, assuming all of its rights and obligations and acquiring all of its assets and liabilities.

At the twelfth annual shareholders' meeting held on January 20, 2016, the shareholders agreed, among other matters, to increase the Company's capital from THCH$2,185,414 divided into 258,942 fully subscribed and paid-in, registered, single-series, common, no-par-value shares to THCH$20,185,414 divided into 388,810 registered, single-series, common, no-par-value shares by issuing 128,868 new shares through a rights issue, which shall be issued, subscribed and paid in within a period of three years from January 20, 2016, either in cash or in kind.

5. OPERATING SEGMENTS

The Bank's senior management makes decisions based on the following segments or business areas, defined as follows:

COMMERCIAL BANKING:
Commercial portfolio of customers within the target segment of medium and large companies with sales in excess of CH$1.5 billion. The main products and services offered to this segment include commercial loans in local currency, foreign currency, leases, foreign trade, current accounts and asset management services.

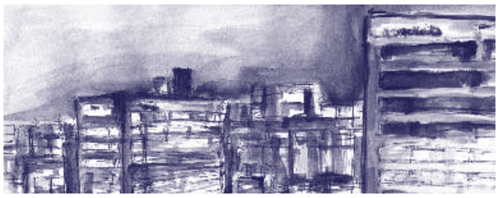
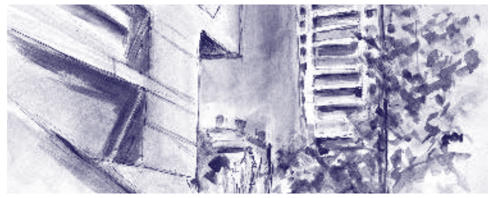
RETAIL BANKING:
portfolio of customers within the target segment of high-income individuals (socioeconomic category ABC1). The main products and services offered to this segment are current accounts, lines of credit, consumer and mortgage loans and asset management services, among others.

TREASURY:
the business of distributing currency and financial products to customers, brokering financial instruments and managing the Bank's own positions, balance sheet, mismatches and liquidity. The main products and services offered to customers include currency trading, exchange rate and inflation insurance and other derivative products.

SUBSIDIARIES:
the business of managing funds, brokering equities and managing the Bank's own positions. These activities are carried out through the Bank's subsidiaries Administradora General de Fondos Security S.A. and Valores Security S.A. Corredora de Bolsa.

OTHER:
These are non-recurring and other income and expenses that cannot be allocated to any of the above segments.

The following table illustrates assets, liabilities and profit/loss by segment as of December 31, 2017 and 2016.


Most of the revenue from the Bank's segments comes from interest. Operational decision making, segment performance and decisions regarding allocation of resources are based on net interest income. As a result, segment revenue takes interest margins into consideration.

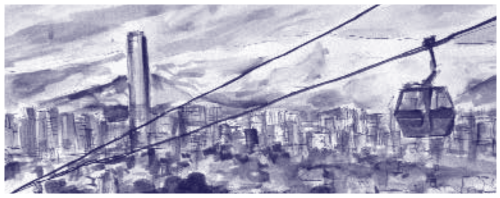
A) ASSETS AND LIABILITIES BY OPERATING SEGMENT

	COMMERCIAL BANKING		RETAIL BANKING		TREASURY		OTHER		TOTAL BANK		SUBSIDIARIES		TOTAL CONSOLIDATED	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
ASSETS:														
Gross loans	3,270,092	3,076,647	1,564,193	1,385,421	5	26	-	-	4,834,290	4,462,094	-	-	4,834,290	4,462,094
Credit risk provisions	(49,539)	(56,285)	(30,969)	(24,366)	-	-	-	-	(80,508)	(80,651)	-	-	(80,508)	(80,651)
Net loans	3,220,553	3,020,362	1,533,224	1,361,055	5	26	-	-	4,753,782	4,381,443	-	-	4,753,782	4,381,443
Financial transactions	-	-	-	-	699,206	813,298	-	-	699,206	813,298	73,775	64,496	772,981	877,794
Other assets	-	-	-	-	122,933	97,635	678,122	599,289	801,055	696,924	113,565	119,543	914,620	816,467
Total assets	3,220,553	3,020,362	1,533,224	1,361,055	822,144	910,959	678,122	599,289	6,254,043	5,891,665	187,340	184,039	6,441,383	6,075,704
LIABILITIES:														
Liabilities	2,929,343	2,778,281	1,421,417	1,273,802	769,109	860,078	678,066	599,239	5,797,935	5,511,400	90,425	102,567	5,888,360	5,613,967
Equity	291,210	242,081	111,807	87,253	53,035	50,881	-	-	456,052	380,215	96,915	81,472	552,967	461,687
Non-controlling interests		-	-	-	-	-	56	50	56	50	-	-	56	50
Total liabilities	3,220,553	3,020,362	1,533,224	1,361,055	822,144	910,959	678,122	599,289	6,254,043	5,891,665	187,340	184,039	6,441,383	6,075,704

B) RESULTS BY OPERATING SEGMENT

	COMMERCIAL BANKING		RETAIL BANKING		TREASURY		OTHER		TOTAL BANK		SUBSIDIARIES		TOTAL CONSOLIDATED	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
OPERATING INCOME:														
Net interest margin [1]	78,529	71,228	62,636	57,629	18,891	14,392	(4,894)	(5,766)	155,162	137,483	(475)	(1,559)	154,687	135,924
Net commissions	15,424	16,623	23,158	20,272	(472)	(523)	(1,340)	(1,207)	36,770	35,165	28,065	18,238	64,835	53,403
Net foreign exchange and other income [2]	10,288	9,470	2,266	1,792	21,464	24,513	(14,653)	(25,211)	19,365	10,564	7,471	12,989	26,836	23,553
Losses from risk and assets received in lieu of payment [3]	(18,001)	(7,708)	(23,804)	(19,181)	(12)	64	(95)	(667)	(41,912)	(27,492)	-	-	(41,912)	(27,492)
Total operating income, net of provisions	86,240	89,613	64,256	60,512	39,871	38,446	(20,982)	(32,851)	169,385	155,720	35,061	29,668	204,446	185,388
Operating expenses [4]	(37,061)	(39,337)	(55,528)	(57,146)	(12,208)	(15,153)	4,884	2,807	(99,913)	(108,829)	(23,678)	(20,106)	(123,591)	(128,935)
Net operating income	49,179	50,276	8,728	3,366	27,663	23,293	(16,098)	(30,044)	69,472	46,891	11,383	9,562	80,855	56,453
Income attributable to investments in other companies	-	-	-	-	-	-	26	18	26	18	-	302	26	320
Profit before tax	49,179	50,276	8,728	3,366	27,663	23,293	(16,072)	(30,026)	69,498	46,909	11,383	9,864	80,881	56,773
Income taxes	(11,036)	(9,369)	(1,958)	(627)	(6,208)	(4,341)	3,606	9,858	(15,596)	(4,479)	(2,259)	(1,688)	(17,855)	(6,167)
Consolidated profit for the year	38,143	40,907	6,770	2,739	21,455	18,952	(12,466)	(20,168)	53,902	42,430	9,124	8,176	63,026	50,606
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4)	(2)	(4)	(2)
Profit attributable to owners of the Bank	38,143	40,907	6,770	2,739	21,455	18,952	(12,466)	(20,168)	53,902	42,430	9,120	8,174	63,022	50,604

(1) Corresponds to net interest and indexation income.
(2) Includes net financial operating income, net foreign exchange transactions, other income and expenses and other contingency provisions.
(3) Includes credit risk provisions, net income from assets received in lieu of payment, impairment of investment securities and intangible assets and net country risk, special and additional provisions.
(4) Corresponds to payroll and personnel expenses, administrative expenses, depreciation and amortization.


6. CASH AND CASH EQUIVALENTS

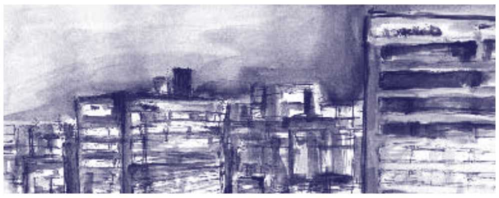
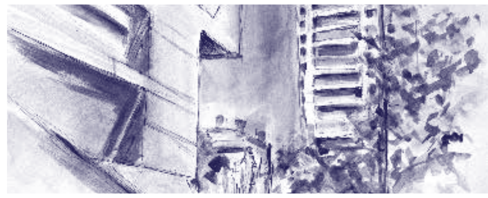
Details of cash and cash equivalents are as follows:

	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
CASH AND DUE FROM BANKS:		
Cash	11,904	9,054
Deposits in the Chilean Central Bank	326,350	253,388
Deposits in domestic banks	13,645	15,388
Foreign deposits	145,524	163,347
Subtotal - cash and due from banks	497,423	441,177
Transactions pending settlement, net	50,433	26,200
Repurchase agreements	-	-
Total cash and cash equivalents	547,856	467,377

Funds in cash and deposits in the Chilean Central Bank are in response to monthly average matching regulations that the Bank must meet.

Transactions pending settlement consist of transactions awaiting settlement to increase or decrease funds in the Chilean Central Bank or foreign banks, normally within 12 to 24 business hours, and are as follows:

	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
ASSETS:		
Outstanding notes from other banks	19,355	22,260
Funds receivable	56,916	9,925
Subtotal - assets	76,271	32,185
LIABILITIES:		
Funds payable	(25,838)	(5,985)
Subtotal - liabilities	(25,838)	(5,985)
Transactions pending settlement, net	50,433	26,200


7. FINANCIAL INSTRUMENTS HELD FOR TRADING

As of December 31, 2017 and 2016, the Bank and its subsidiaries record the following balances in financial instruments held for trading:

	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
CHILEAN GOVERNMENT AND CENTRAL BANK INSTRUMENTS:										
Chilean Central Bank instruments	1,817	9,522	3,367	34,914	7,934	24,155	-	1,567	13,118	70,158
Chilean Treasury instruments	62	5,154	1,915	13,024	8,733	12,475	1,370	28,472	12,080	59,125
Other government instruments	62	-	14	863	89	57	4,066	-	4,231	920
Subtotal	1,941	14,676	5,296	48,801	16,756	36,687	5,436	30,039	29,429	130,203
OTHER FINANCIAL INSTRUMENTS:										
Notes for deposits in domestic banks	13,984	85,807	2,834	11,519	-	-	-	-	16,818	97,326
Mortgage bonds in domestic banks	13	79	168	199	78	127	2,725	1,990	2,984	2,395
Bonds from domestic banks	7,477	11,753	16,249	3,740	7,073	12,898	4	2,553	30,803	30,944
Other instruments issued in Chile	7,835	2,009	-	3,245	-	-	-	-	7,835	5,254
Mutual funds	6,570	977	-	-	-	-	-	-	6,570	977
Subtotal	35,879	100,625	19,251	18,703	7,151	13,025	2,729	4,543	65,010	136,896
Total financial instruments held for trading	37,820	115,301	24,547	67,504	23,907	49,712	8,165	34,582	94,439	267,099

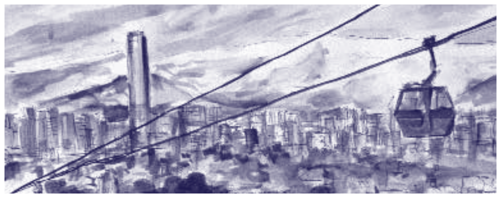
As of December 31, 2017 and 2016, the Bank has issued its own mortgage bonds for MCH$1,378 and MCH$1,580, respectively, which are offset by the mortgage bonds issued by the Bank in Liabilities.

8. OPERATIONS WITH REPURCHASE AGREEMENTS AND SECURITIES BORROWING/LENDING

A) RIGHTS WITH PROMISE OF SALE

The Bank purchases financial instruments under agreements to sell them at a future date. As of December 31, 2017 and 2016, rights with resell commitments, classified by type of debtor and maturity, are as follows:

	FROM ONE DAY TO THREE MONTHS		FROM THREE MONTHS TO ONE YEAR		MORE THAN ONE YEAR		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
Domestic banks	-	-	-	-	-	-	-	-
Other entities	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

B) OBLIGATIONS UNDER REPURCHASE AGREEMENTS

The Bank sells financial instruments under agreements to repurchase them at a future date plus preset interest. As of December 31, 2017 and 2016, obligations with repurchase commitments, classified by type of debtor and maturity, are as follows:

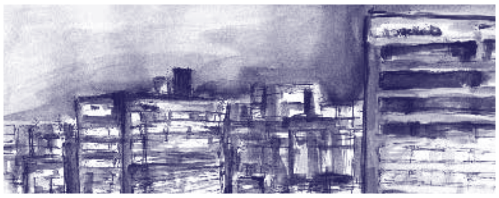
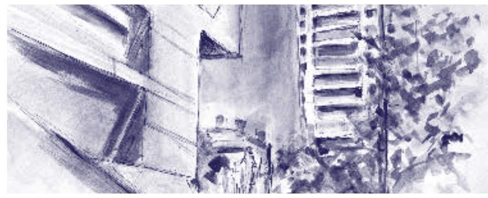
	FROM ONE DAY TO THREE MONTHS		FROM THREE MONTHS TO ONE YEAR		MORE THAN ONE YEAR		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
Domestic banks:								
Chilean Central Bank	2,488	-	-	-	-	-	2,488	-
Other banks		-	-	-			-	-
Other entities	11,659	25,776	-	1,232	-	-	11,659	27,008
Total	14,147	25,776	-	1,232	-	-	14,147	27,008

The instruments that guarantee the obligation for these repurchase agreements are included in the portfolio of financial instruments held for trading in Note 7.

9. DERIVATIVE INSTRUMENTS AND ACCOUNTING HEDGES

A) The following table summarizes the Bank's currency trading, futures trading and other transactions with derivative instruments as of each year end:

	CASH FLOW (CF) OR FAIR VALUE (FV) HEDGE	NOTIONAL AMOUNT OF CONTRACT MATURING IN						FAIR VALUE			
		LESS THAN THREE MONTHS		FROM THREE MONTHS TO ONE YEAR		MORE THAN ONE YEAR		ASSETS		LIABILITIES	
		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
		2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
TRADING DERIVATIVES:											
Currency forwards		261,953	48,274	282,083	96,108	26,307	27,136	69,772	28,103	(56,560)	(30,579)
Interest rate swaps		474,568	234,721	813,321	1,106,246	1,882,011	2,350,711	28,271	32,794	(23,028)	(28,560)
Currency swaps		74,024	8,468	341,657	68,379	982,454	379,735	34,137	38,990	(21,023)	(23,269)
Interest rate put options		-	-	-	-	-	-	-	-	(6)	(9)
Total assets (liabilities) for trading derivatives		810,545	291,463	1,437,061	1,270,733	2,890,772	2,757,582	132,180	99,887	(100,617)	(82,417)
HEDGE ACCOUNTING DERIVATIVES:											
Currency forwards		-	-	-	-	-	-	-	-	-	-
Interest rate swaps	(CF)	-	-	-	-	-	18,938	-	-	-	(589)
Currency swaps	(CF)	72,350	-	-	-	149,220	-	570	-	(937)	-
Total assets (liabilities) for hedge accounting derivatives		72,350	-	-	-	149,220	18,938	570	-	(937)	(589)
Total assets (liabilities) for derivative instruments		882,895	291,463	1,437,061	1,270,733	3,039,990	2,776,520	132,750	99,887	(101,554)	(83,006)


B) HEDGE ACCOUNTING

As of December 31, 2017, the Bank has a cash flow hedge, which reduced comprehensive income by MCH$691.

As of December 31, 2016, the Bank has an accounting hedge with a negative fair value of MCH$546 recorded in interest and indexation expense along with gain of MCH$25. The account interest and indexation income also includes an accounting hedge with a negative fair value of MCH$244 and a gain of MCH$587, as a result of an adjustment to the hedged asset.

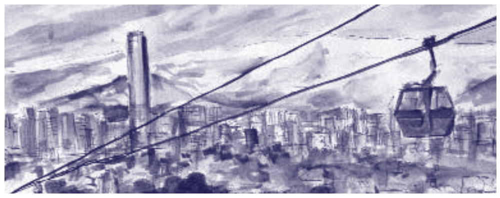
10. LOANS AND ADVANCES TO BANKS

A) Credit risk for loans and advances to banks as of December 31, 2017 and 2016, is evaluated individually for each transaction. This account is as follows:

	ASSETS BEFORE PROVISIONS						PROVISIONS RECORDED							
	NORMAL AND SUBSTANDARD PORTFOLIO		DEFAULT PORTFOLIO		TOTAL		NORMAL AND SUBSTANDARD PORTFOLIO		DEFAULT PORTFOLIO		TOTAL		NET ASSETS	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
Domestic banks	-	238	-	-	-	238	-	-	-	-	-	-	-	238
Foreign banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total loans and advances to banks	-	238	-	-	-	238	-	-	-	-	-	-	-	238

B) Provisions for balances of loans and advances to banks are detailed as follows:

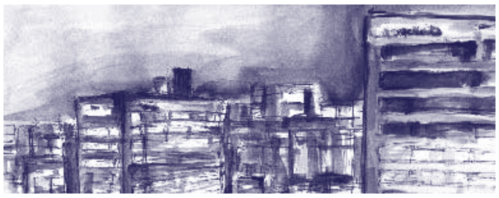
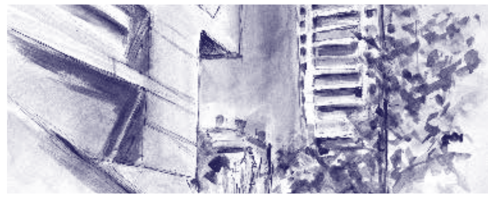
MOVEMENT:	MCH$
BALANCE AS OF JANUARY 1, 2016	-
Write-offs of impaired portfolio	-
Provisions recorded	(2)
Provisions released	2
Balance as of December 31, 2016	-
BALANCE AS OF JANUARY 1, 2017	-
Write-offs of impaired portfolio	-
Provisions recorded (Note 29)	(1)
Provisions released (Note 29)	1
Balance as of December 31, 2017	-


11. LOANS TO CUSTOMERS

A) Loans to Customers

	ASSETS BEFORE PROVISIONS						PROVISIONS RECORDED							
	NORMAL AND SUBSTANDARD PORTFOLIO		DEFAULT PORTFOLIO		TOTAL		INDIVIDUAL PROVISIONS		GROUP PROVISIONS		TOTAL		NET ASSETS	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
COMMERCIAL LOANS:														
Commercial loans	3,091,646	2,830,725	127,785	127,276	3,219,431	2,958,001	46,526	50,840	4,555	3,790	51,081	54,630	3,168,350	2,903,371
Foreign trade loans	176,988	182,396	2,486	6,101	179,474	188,497	3,020	5,800	15	7	3,035	5,807	176,439	182,690
Current account overdrafts	52,174	38,240	3,193	2,312	55,367	40,552	3,090	2,363	120	170	3,210	2,533	52,157	38,019
Factored receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Student loans	5,281	5,151	35	30	5,316	5,181	-	-	129	141	129	141	5,187	5,040
Lease transactions	294,013	291,473	14,489	15,433	308,502	306,906	3,060	1,960	69	54	3,129	2,014	305,373	304,892
Other loans and receivables	5,972	6,030	1,357	927	7,329	6,957	1,150	765	19	127	1,169	892	6,160	6,065
Subtotal	3,626,074	3,354,015	149,345	152,079	3,775,419	3,506,094	56,846	61,728	4,907	4,289	61,753	66,017	3,713,666	3,440,077
MORTGAGE LOANS:														
Loans funded with mortgage bonds	3,578	4,743	310	151	3,888	4,894	-	-	4	4	4	4	3,884	4,890
Loans funded with own resources	154,210	112,292	1,200	1,036	155,410	113,328	-	-	189	129	189	129	155,221	113,199
Other mortgage loans	453,530	447,407	5,799	5,425	459,329	452,832	-	-	1,072	1,247	1,072	1,247	458,257	451,585
Lease transactions	3	5	-	-	3	5	-	-	-	-	-	-	3	5
Other loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	611,321	564,447	7,309	6,612	618,630	571,059	-	-	1,265	1,380	1,265	1,380	617,365	569,679
CONSUMER LOANS:														
Consumer installment loans	235,773	219,293	8,295	5,525	244,068	224,818	-	-	9,679	7,566	9,679	7,566	234,389	217,252
Current account overdrafts	74,648	66,671	2,488	2,202	77,136	68,873	-	-	4,088	3,133	4,088	3,133	73,048	65,740
Credit card debtors	117,214	89,240	1,807	1,419	119,021	90,659	-	-	3,722	2,555	3,722	2,555	115,299	88,104
Consumer lease transactions	6	-	10	-	16	-	-	-	1	-	1	-	15	-
Other loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	427,641	375,204	12,600	9,146	440,241	384,350	-	-	17,490	13,254	17,490	13,254	422,751	371,096
TOTAL	4,665,036	4,293,666	169,254	167,837	4,834,290	4,461,503	56,846	61,728	23,662	18,923	80,508	80,651	4,753,782	4,380,852
ACCOUNTING HEDGES:														
Commercial loans													-	591
Subtotal													-	591
Total loans to customers													4,753,782	4,381,443

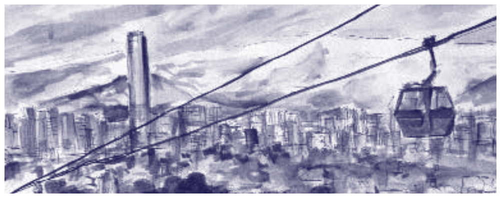

B) PROVISION MOVEMENTS

Movements in provisions in 2017 and 2016 are as follows:

	INDIVIDUAL PROVISIONS MCH$	GROUP PROVISIONS MCH$	TOTAL MCH$
BALANCE AS OF JANUARY 1, 2016	59,479	14,821	74,300
Write-offs of impaired portfolio:			
Commercial loans	(11,187)	-	(11,187)
Mortgage loans	-	(226)	(226)
Consumer loans	-	(14,709)	(14,709)
Total write-offs	(11,187)	(14,935)	(26,122)
Provisions recorded	55,716	45,013	100,729
Provisions released	(42,280)	(25,976)	(68,256)
Balance as of December 31, 2016	61,728	18,923	80,651
BALANCE AS OF JANUARY 1, 2017	61,728	18,923	80,651
Write-offs of impaired portfolio:			
Commercial loans	(23,973)	-	(23,973)
Mortgage loans	-	(480)	(480)
Consumer loans	-	(17,743)	(17,743)
Total write-offs	(23,973)	(18,223)	(42,196)
Provisions recorded (Note 29)	72,645	53,332	125,977
Provisions released (Note 29)	(53,554)	(30,370)	(83,924)
Balance as of December 31, 2017	56,846	23,662	80,508

In addition to these provisions for loan losses, the Bank also establishes country risk provisions to hedge foreign operations, as well as additional provisions agreed upon by the Board of Directors, detailed in Note 21.a) of the consolidated financial statements.

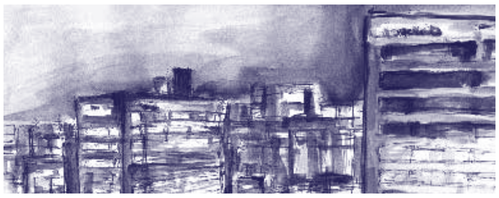
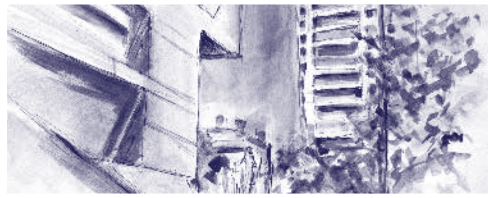
As of December 31, 2017 and 2016, loans to customers present no impairment.


C) GROSS LOANS BY INDUSTRY

The following table details loans by industry, expressed as an amount and as a percentage of total loans before provisions:

	DOMESTIC LOANS DECEMBER 31,		FOREIGN LOANS DECEMBER 31,		TOTAL DECEMBER 31,			
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 %	2016 %
COMMERCIAL LOANS:								
Manufacturing	162,490	151,436	1,231	5,528	163,721	156,964	3.39	3.52
Mining	26,500	46,375	-	-	26,500	46,375	0.55	1.04
Utilities	165,051	164,550	-	-	165,051	164,550	3.41	3.69
Agriculture and livestock	139,820	124,217	-	-	139,820	124,217	2.89	2.78
Forestry	15,439	17,402	-	-	15,439	17,402	0.32	0.39
Fishing	63,023	73,852	-	-	63,023	73,852	1.30	1.66
Transportation	188,954	163,979	-	-	188,954	163,979	3.91	3.68
Telecom	27,081	45,639	-	-	27,081	45,639	0.56	1.02
Construction	272,504	277,002	-	-	272,504	277,002	5.64	6.21
Wholesale and retail trade	1,170,891	1,031,987	5	210	1,170,896	1,032,197	24.22	23.14
Financial services and insurance	876,536	788,560	924	-	877,460	788,560	18.15	17.67
Real estate	9,414	7,446	-	-	9,414	7,446	0.19	0.17
Corporate services	74,125	60,462	-	-	74,125	60,462	1.53	1.36
Social services	447,441	405,232	-	-	447,441	405,232	9.26	9.08
Other	133,990	142,217	-	-	133,990	142,217	2.77	3.19
Subtotal	3,773,259	3,500,356	2,160	5,738	3,775,419	3,506,094	78.10	78.59
Mortgage loans	618,630	571,059	-	-	618,630	571,059	12.80	12.80
Consumer loans	440,241	384,350	-	-	440,241	384,350	9.10	8.61
Total	4,832,130	4,455,765	2,160	5,738	4,834,290	4,461,503	100.00	100.00


12. INVESTMENT SECURITIES

As of December 31, 2017 and 2016, the Bank and its subsidiaries record the following balances within investment securities using the fair value method:

INVESTMENTS AVAILABLE FOR SALE

	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
Chilean Government and Central Bank instruments										
Chilean Central Bank instruments	358,801	281,379	23,928	12,506		-		-	382,729	293,885
Chilean Treasury instruments		-	-	-		-		-	-	-
Subtotal	358,801	281,379	23,928	12,506	-	-	-	-	382,729	293,885
Other financial instruments										
Notes for deposits in domestic banks	9,249	14,027	5,139	4,209	-	-	-	-	14,388	18,236
Mortgage bonds in domestic banks	44	38	220	405	2,409	1,501	15,547	18,632	18,220	20,576
Bonds from domestic companies	22,611	33,032	64,154	25,710	36,879	35,200	13,844	25,365	137,488	119,307
Other instruments issued in Chile	-	-	-	-	-	-	3,062	-	3,062	-
Other instruments issued abroad	-	2,807	4,518	18,790	64,437	83,497	53,700	53,597	122,655	158,691
Subtotal	31,904	49,904	74,031	49,114	103,725	120,198	86,153	97,594	295,813	316,810
Total investments available for sale	390,705	331,283	97,959	61,620	103,725	120,198	86,153	97,594	678,542	610,695

Operations with repurchase agreements with customers and the Chilean Central Bank in the portfolio of investments available for sale as of December 31, 2017 and 2016, amount to MCH$2,494 and MCH$1,005, respectively.

As of December 31, 2017 and 2016, the portfolio of investments available for sale includes unrealized gains of MCH$4,462 and MCH$3,268, respectively, which are presented in equity net of deferred taxes (Note 24).

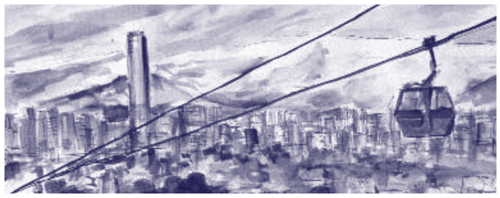
As of December 31, 2017 and 2016, the Bank does not have any investments held to maturity.

13. INVESTMENTS IN OTHER COMPANIES

Investments in other companies correspond to shares and rights in banking support companies valued at cost. Details of the value of each investment and the income received (dividends or profit distributions) are as follows:

	OWNERSHIP INTEREST		INVESTMENT VALUE						INCOME AS OF DECEMBER 31,	
			BALANCE AS OF JANUARY 1,		BUY/SALE		BALANCE AS OF DECEMBER 31,			
	2017 %	2016 %	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
Imer Otc Sa	6.89	6.89	864	864	-	-	864	864	-	-
Santiago Exchange	-	2.08	-	1,887	-	108	-	1,995	-	292
Electronic Stock Exchange	-	2.44	-	61	-	-	-	61	-	-
Combanc S.A.	5.49	3.96	171	131	-	40	171	171	-	12
Depósitos Central de Valores S.A.	3.60	3.60	58	58	-	-	58	58	-	5
Other investments in other companies	-	-	47	47	954	956	1,001	1,003	26	11
Total investments in other companies			1,140	3,048	954	1,104	2,094	4,152	26	320

The Bank has not recorded any impairment related to these assets.


14. INTANGIBLE ASSETS

As of December 31, 2017 and 2016, intangible assets are as follows:

	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
Software or computer programs	34,550	40,246
Goodwill	13,039	13,039
Total intangible assets	47,589	53,285

The details for the above items are as follows:

A) SOFTWARE OF COMPUTER PROGRAMS

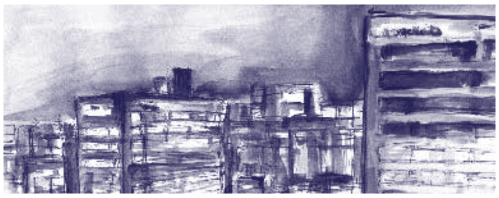
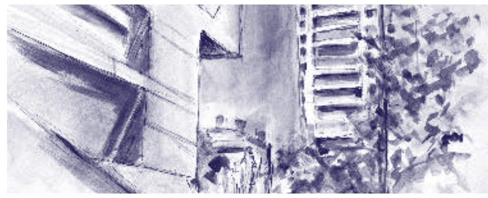
A.1) The intangible assets of the Bank and its subsidiaries as of December 31, 2017 and 2016, are in-house developed programs that are either in production or under development:

	USEFUL LIFE (YEARS)		REMAINING LIFE (YEARS)		GROSS ASSETS		ACCUMULATED AMORTIZATION		NET ASSETS	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
TYPE OF INTANGIBLE ASSET:	2017	2016	2017	2016	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
Acquired	-	-	-	-	-	-	-	-	-	-
Developed in-house	8.00	14.00	8.00	6.15	62,339	64,607	(27,789)	(24,361)	34,550	40,246
Total					62,339	64,607	(27,789)	(24,361)	34,550	40,246

A.2) The intangible assets of the Bank and its subsidiaries as of December 31, 2017 and 2016, are in-house developed programs that are either in production or under development:

	MOVEMENTS IN INTANGIBLE ASSETS			
	INTANGIBLE ASSETS			
	ACQUIRED MCH$	DEVELOPED IN-HOUSE MCH$	ACCUMULATED AMORTIZATION MCH$	TOTAL MCH$
BALANCE AS OF JANUARY 1, 2016:	-	76,988	(17,804)	59,184
Additions	-	8,719	-	8,719
Transfer to intangible assets in operation	-	-	-	-
Derecognition	-	-	-	-
Amortization for the year	-	-	(13,198)	(13,198)
Impairment for the year	-	(21,100)	6,641	(14,459)
Balance as of December 31, 2016	-	64,607	(24,361)	40,246
BALANCE AS OF JANUARY 1, 2017:	-	64,607	(24,361)	40,246
Additions	-	1,608	-	1,608
Transfer to intangible assets in operation	-	-	-	-
Derecognition	-	-	-	-
Amortization for the year	-	-	(3,428)	(3,428)
Impairment for the year	-	(3,876)	-	(3,876)
Balance as of December 31, 2017	-	62,339	(27,789)	34,550

As of December 31, 2017 and 2016, the Bank recorded charges of MCH$3,876 and MCH$21,100, respectively, for impairment of intangible assets (Note 32).


B) GOODWILL

B.1) Goodwill as of December 31, 2017 and 2016, is as follows:

	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
Goodwill	13,039	13,039
Total	13,039	13,039

B.2) Movements in goodwill in the year ended December 31, 2017, are as follows:

	MOVEMENTS IN GOODWILL 12.31.2017 MCH$				
	NET OPENING BALANCE	ADDITIONS	IMPAIRMENT LOSSES RECOGNIZED IN EQUITY	IMPAIRMENT LOSSES RECOGNIZED IN PROFIT (LOSS)	NET CLOSING BALANCE
Goodwill Administradora General de Fondos Security S.A.	9,209	-	-	-	9,209
Goodwill Valores Security S.A. Corredores de Bolsa	3,830	-	-	-	3,830
Total	13,039	-	-	-	13,039

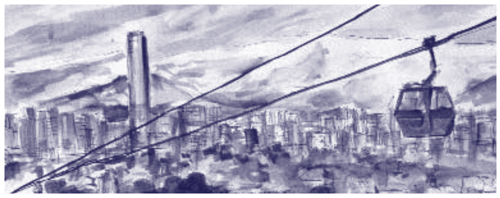
As explained in Note 4 to the consolidated financial statements, on February 15, 2016, Banco Security acquired Penta Corredores de Bolsa S.A. and Penta Administradora General de Fondos S.A., giving rise to goodwill of MCH$3,830 and MCH$532, respectively, as detailed in Note 2 ac) of the consolidated financial statements.

The PPA valuation was completed on February 15, 2017, within the term stipulated in IFRS 3, and the fair values of the identified assets and liabilities were recorded as the final values. As of December 31, 2017, the final values are presented.

15. PROPERTY, PLANT AND EQUIPMENT

A) PROPERTY, PLANT AND EQUIPMENT

	MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT									
	BUILDINGS AND LAND			EQUIPMENT			OTHER PROPERTY, PLANT AND EQUIPMENT			
	GROSS ASSETS	ACCUMULATED DEPRECIATION	ACCUMULATED IMPAIRMENT	GROSS ASSETS	ACCUMULATED DEPRECIATION	ACCUMULATED IMPAIRMENT	GROSS ASSETS	ACCUMULATED DEPRECIATION	ACCUMULATED IMPAIRMENT	NET ASSETS
	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$
BALANCE AS OF JANUARY 1, 2016:	19,636	(2,853)	-	7,507	(6,286)	-	15,052	(7,455)	-	25,601
Additions	213	-	-	342	-	-	906	-	-	1,461
Disposals / write-offs	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	(348)	-	-	(443)	-	-	(1,212)	-	(2,003)
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2016	19,849	(3,201)	-	7,849	(6,729)	-	15,958	(8,667)	-	25,059
BALANCE AS OF JANUARY 1, 2017:	19,849	(3,201)	-	7,849	(6,729)	-	15,958	(8,667)	-	25,059
Additions	643	-	-	242	-	-	100	-	-	985
Disposals / write-offs	-	-	-	-	-	-	(27)	-	-	(27)
Depreciation for the year	-	(310)		-	(433)	-	-	(1,190)	-	(1,933)
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2017	20,492	(3,511)	-	8,091	(7,162)	-	16,031	(9,857)	-	24,084


B) FUTURE OPERATING LEASE PAYMENTS

Minimum future payments as of December 31, 2017 and 2016, which must be disbursed for operating lease agreements and cannot be unilaterally rescinded without compensating the other party, are as follows:

	FUTURE LEASE CASH FLOWS							
	LESS THAN ONE YEAR		FROM ONE TO FIVE YEARS		MORE THAN FIVE YEARS		TOTAL	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
Operating lease agreements	1,963	291	5,219	10,246	9,817	10,227	16,999	20,764

C) LEASE EXPENSES

Expenses for operating leases for the agreements described in letter b) for 2017 and 2016 are as follows:

	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
Operating lease expenses	3,033	3,158

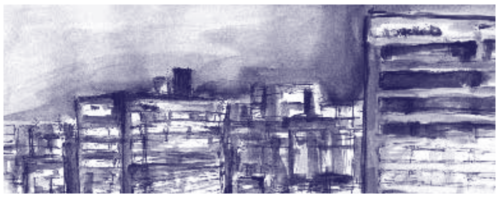
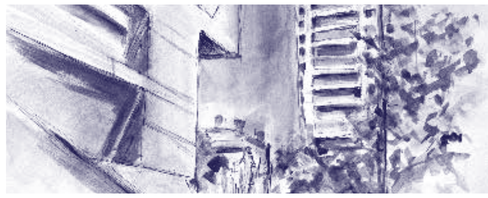
As of December 31, 2017 and 2016, the Bank does not have any finance leases.

16. CURRENT AND DEFERRED TAXES

A) CURRENT TAXES

Current tax assets and liabilities as of December 31, 2017 and 2016, are as follows:

	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
Current income taxes	(17,532)	(14,178)
Tax on disallowed expenses (35%)	-	-
Less:		
Monthly provisional tax payments	14,920	13,796
Credits for training expenses	141	114
Other	68	60
Total	(2,403)	(208)
Recoverable taxes for the year	(2,403)	(208)
Income taxes payable	-	-
Current tax liability	(2,403)	(208)
Recoverable taxes for the year	342	-
Recoverable taxes from prior years	1,075	1,086
Current tax asset	1,417	1,086


B) INCOME TAX EXPENSE

The Bank's tax expense recorded for the years ended December 31, 2017 and 2016, is as follows:

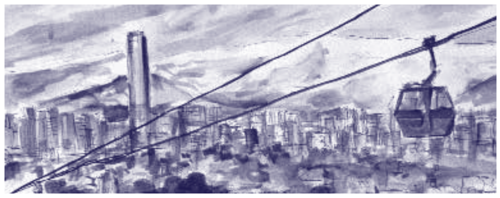
	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
INCOME TAX EXPENSE:		
Current year taxes	17,532	14,178
Single tax for the year	189	49
Tax expense adjustment (prior period)	904	151
Subtotal	18,625	14,378
CREDIT (CHARGE) FOR DEFERRED TAXES:		
Origin and reversal of temporary differences	(770)	(6,128)
Effect of change in tax rate	-	(2,083)
Net charge to profit for income taxes	17,855	6,167

C) DEFERRED TAXES

The table below details deferred taxes arising from the following temporary differences:

C.1) EFFECT OF DEFERRED TAXES ON EQUITY:

	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
Investments available for sale	(1,650)	(1,031)
Tax goodwill	1,437	1,671
Cash flow hedge	187	-
Other	(597)	(341)
Total	(623)	299


C.2) EFFECT OF DEFERRED TAXES:

	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
DEFERRED TAX ASSETS:		
Global portfolio provisions	20,305	19,460
Goodwill portfolio provisions	20	458
Vacation and other provisions	799	937
Fair value investments	236	285
Contingency provisions	45	3
Global provisions on recovered assets	3	28
Projects and development	7,817	7,238
Suspended interest	607	963
Other	6,716	5,290
Total deferred tax assets through profit and loss	36,548	34,662
Effect on equity (debtor balance)	841	1,330
Total deferred tax assets	37,389	35,992
DEFERRED TAX LIABILITIES:		
Assets for leasing		
Lease agreements	1,248	662
Depreciation of property, plant and equipment	(6,008)	(6,201)
Effective rate	(180)	(184)
Deferred revenue and expenses	-	-
Projects and development	(8,736)	(7,346)
Other	(1,555)	(1,046)
Total deferred tax liabilities through profit and loss	(15,231)	(14,115)
Effect on equity (creditor balance)	(1,464)	(1,031)
Total deferred tax liabilities	(16,695)	(15,146)
Total asset through profit and loss	21,317	20,547

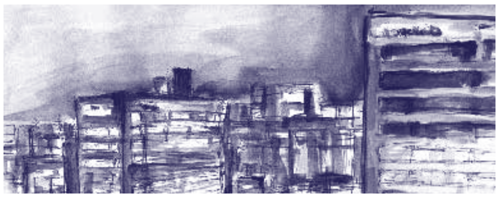
C.3) TOTAL DEFERRED TAXES:

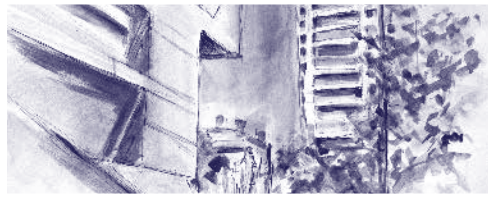
	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
Effect of deferred taxes on equity	(623)	299
Effect of deferred taxes on profit (loss)	21,317	20,547
Total asset, net	20,694	20,846

C.4) RECONCILIATION OF TAX RATES:

The following table reconciles the income tax rate to the effective rate applied to determine the Bank's income tax expense as of December 31, 2017 and 2016.

	AS OF DECEMBER 31, 2017		AS OF DECEMBER 31, 2016	
	TAX RATE	AMOUNT MCH$	TAX RATE	AMOUNT MCH$
Profit before tax	25.5%	20,625	24.0%	13,626
Permanent differences	-6.3%	(5,067)	-9.8%	(5,576)
Additions or deductions				
Single tax (disallowed expenses)	0.3%	213	0.1%	49
Prior period adjustments	1.1%	905	0.3%	151
Effect of change in tax rate	1.5%	1,179	-3.7%	(2,083)
Other	0.0%	-	0.0%	-
Effective rate and income tax expense	22.1%	17,855	10.9%	6,167





Deferred taxes arising from temporary differences and other events that generate differences between the carrying amount for financial reporting purposes and tax bases of assets and liabilities are recorded in accordance with IAS 12 Income Taxes.

D) JOINT GUIDANCE: SBIF RULING NO. 3,478 AND CHILEAN INTERNAL REVENUE SERVICE RULING NO. 47

The tax treatment of provisions, write-offs, renegotiations and remissions of loans granted by the Bank (excluding subsidiaries) as of December 31, 2017 and 2016, is as follows:

D.1) LOANS TO CUSTOMERS AS OF DECEMBER 31:

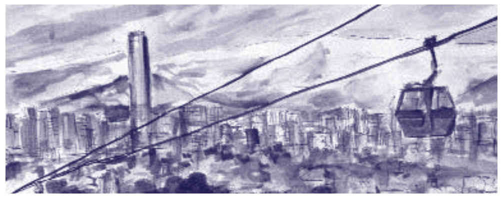
	ASSETS AT CARRYING AMOUNT		ASSETS AT TAX VALUE					
			TOTAL		SECURED PAST-DUE PORTFOLIO		UNSECURED PAST-DUE PORTFOLIO	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
Commercial loans	3,466,917	3,199,789	3,469,269	3,203,532	7,508	9,006	8,081	7,741
Consumer loans	440,225	384,350	440,225	384,350	115	59	2,242	1,896
Residential mortgage loans	618,627	571,055	618,627	571,055	439	449	53	8
Loans and advances to banks	-	238	-	238	-	-	-	-
Total	4,525,769	4,155,432	4,528,121	4,159,175	8,062	9,514	10,376	9,645

D.2) PROVISIONS FOR PAST-DUE PORTFOLIO:

	BALANCE AS OF JANUARY 1,		WRITE-OFFS AGAINST PROVISIONS		PROVISIONS RECORDED		PROVISIONS RELEASED		BALANCE AS OF DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
Commercial loans	7,741	8,846	(10,180)	(7,507)	7,847	6,402	-	-	5,408	7,741
Consumer loans	1,896	1,182	(9,995)	(6,379)	6,725	7,093	-	-	(1,374)	1,896
Residential mortgage loans	8	-	(89)	-	45	8	-	-	(36)	8
Loans and advances to banks	-	-	-	-	-	-	-	-	-	-
Total	9,645	10,028	(20,264)	(13,886)	14,617	13,503	-	-	3,998	9,645

D.3) WRITE-OFFS, CANCELLATIONS AND RECOVERIES:

DIRECT WRITE-OFFS AND RECOVERIES	AS OF DECEMBER 31,		APPLICATION OF ART. 31 NO. 4 SECTIONS ONE AND THREE	AS OF DECEMBER 31,	
	2017 MCH$	2016 MCH$		2017 MCH$	2016 MCH$
Direct write-offs Art. 31, No. 4, section two	22,036	11,718		-	-
Cancellations that resulted in releasing provisions	-	-		-	-
Recovery or renegotiation of written-off loans	1,353	3,737		-	-


17. OTHER ASSETS

A) As of December 31, 2017 and 2016, other assets are detailed as follows:

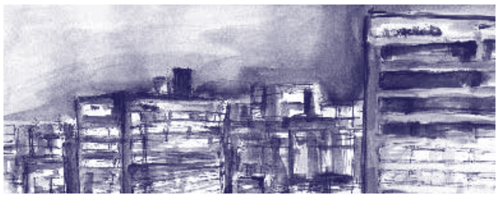
	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
LEASED ASSETS:	4,397	19,332
Assets received or awarded in lieu of payment:		
Assets received in lieu of payment	2,633	95
Assets awarded in court-ordered public auction	162	1,232
Provisions for assets received in lieu of payment	(2)	(220)
Subtotal - Assets received or awarded in lieu of payment	2,793	1,107
OTHER ASSETS:		
Cash deposits as collateral	4,537	11,257
VAT tax credit	1,336	2,383
Prepaid expenses	1,357	1,162
Recovered leased assets for sale	1,337	675
Brokerage receivables	64,755	70,960
Treasury receivables	22,711	18,954
Other	9,075	12,722
Subtotal - Other assets	105,108	118,113
Total other assets	112,298	138,552

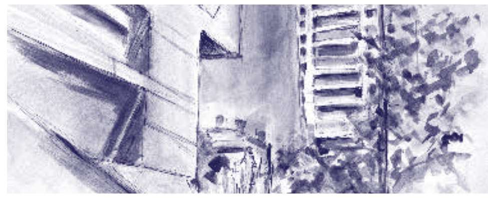
Leased assets include assets available for finance leases.

The Bank does not have any property, plant and equipment available for sale that should be presented in this account.

B) The following table details movements in provisions for assets received in lieu of payment during the years ended December 31, 2017 and 2016, recorded in accordance with SBIF standards:

MOVEMENT:		MCH$
Balance as of January 1, 2016		(145)
Recorded:	Provision	(295)
	Impairment	-
Released:	Provision	220
	Impairment	-
Balance as of December 31, 2016		(220)
Balance as of January 1, 2017		(220)
Recorded:	Provision	(103)
	Impairment	-
Released:	Provision	321
	Impairment	-
Balance as of December 31, 2017		(2)





18. DEPOSITS

Obligations for deposits held by the Bank are classified as demand or time deposits; details are as follows.

A) CURRENT ACCOUNTS AND OTHER DEMAND DEPOSITS

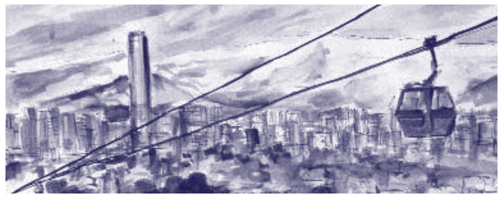
As of December 31, 2017 and 2016, current accounts and other demand deposits are as follows:

	AS OF DECEMBER 31, 2017 MCH$	DECEMBER 31, 2016 MCH$
CURRENT ACCOUNTS:		
Current accounts of domestic banks	-	5,534
Current accounts of other legal entities	366,478	310,160
Current accounts of individuals	154,214	152,293
Subtotal	520,692	467,987
OTHER DEMAND DEPOSITS AND ACCOUNTS:		
Cashier's checks	55,272	35,736
Demand deposits	2,195	2,180
Subtotal	57,467	37,916
OTHER DEMAND BALANCES PAYABLE:		
Deposits for court allocations	-	84
Performance bonds payable on demand	7,817	7,355
Collections made but not yet received	9,318	8,316
Export returns to settle	42	53
Pending payment orders	2,847	3,216
Payments on behalf of loans to be settled	2,366	4,816
Frozen assets (art 156 of General Banking Law)	1,400	999
Expired time deposits	4,335	2,354
Other demand balances	67,191	36,922
Subtotal	95,316	64,115
Total	673,475	570,018

B) SAVINGS ACCOUNTS AND TIME DEPOSITS

Savings accounts and time deposits as of December 31, 2017 and 2016, are classified by maturity; details are as follows:

	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
TIME DEPOSITS:										
Domestic banks	144,391	204,115	-	5,006	-	-	-	-	144,391	209,121
Other legal entities	2,471,694	2,592,533	165,877	97,502	-	-	-	-	2,637,571	2,690,035
Individuals	145,579	152,426	214	46	-	192	-	-	145,793	152,664
Subtotal	2,761,664	2,949,074	166,091	102,554	-	192	-	-	2,927,755	3,051,820


19. BORROWINGS FROM FINANCIAL INSTITUTIONS

As of December 31, 2017 and 2016, interbank loans are as follows:

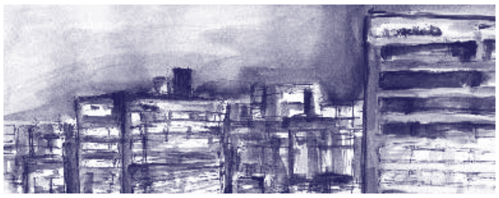
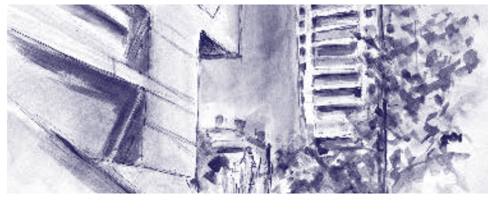
	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
DOMESTIC BANKS:										
Current account overdrafts	115	5	-	-	-	-	-	-	115	5
Long-term borrowings	-	-	-	-	-	-	-	-	-	-
Subtotal	115	5	-	-	-	-	-	-	115	5
FOREIGN BANKS:										
Financing for Chilean exports	80,180	100,656	12,377	-	-	-	-	-	92,557	100,656
Financing for Chilean imports	46,365	10,728	21,600	16,779	-	-	-	-	67,965	27,507
Obligations for transactions between third-party countries	-	-	15,385	16,745	12,324	13,413	-	-	27,709	30,158
Loans and other obligations	-	431	-	-	-	-	-	-	-	431
Subtotal	126,545	111,815	49,362	33,524	12,324	13,413	-	-	188,231	158,752
Chilean Central Bank	-	-	-	-	-	-	-	-	-	-
Total	126,660	111,820	49,362	33,524	12,324	13,413	-	-	188,346	158,757

20. DEBT INSTRUMENTS ISSUED AND OTHER FINANCIAL LIABILITIES

Debt instruments issued and other financial liabilities as of December 31, 2017 and 2016, are detailed by maturity in the following table:

A) DEBT INSTRUMENTS ISSUED

	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
LETTERS OF CREDIT:										
Letters of credit for residential purposes	145	244	215	494	1,260	576	1,258	2,371	2,878	3,685
Letters of credit for general purposes	173	417	358	844	456	2,888	14,044	16,787	15,031	20,936
Subtotal	318	661	573	1,338	1,716	3,464	15,302	19,158	17,909	24,621
BONDS:										
Senior bonds	81,603	106,638	425,000	296,651	552,546	415,247	472,115	482,996	1,531,264	1,301,532
Subordinated bonds	9,831	11,979	14,742	16,877	21,120	22,388	191,708	193,876	237,401	245,120
Subtotal	91,434	118,617	439,742	313,528	573,666	437,635	663,823	676,872	1,768,665	1,546,652
Total	91,752	119,278	440,315	314,866	575,382	441,099	679,125	696,030	1,786,574	1,571,273


B) OTHER FINANCIAL LIABILITIES

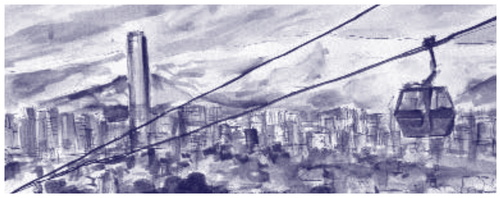
	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
PUBLIC-SECTOR OBLIGATIONS:										
CORFO financing	126	402	4,950	2,538	2,562	6,888	10,058	3,828	17,696	13,656
Subtotal	126	402	4,950	2,538	2,562	6,888	10,058	3,828	17,696	13,656
OTHER CHILEAN OBLIGATIONS:										
Payables to credit card operators	5,271	6,483	-	-	-	-	-	-	5,271	6,483
Obligations in favor of Chilean exporters	-	-	-	-	-	-	-	-	-	-
Subtotal	5,271	6,483	-	-	-	-	-	-	5,271	6,483
Total	5,397	6,885	4,950	2,538	2,562	6,888	10,058	3,828	22,967	20,139

21. PROVISIONS

A) As of December 31, 2017 and 2016, the Bank and its subsidiaries recorded the following provisions:

	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
PROVISIONS FOR PAYROLL AND EMPLOYEE BENEFITS:		
Provision for other employee benefits	274	149
Vacation provisions	2,879	2,634
Subtotal - Provisions for payroll and employee benefits	3,153	2,783
MINIMUM DIVIDEND PROVISION:	18,907	15,181
CONTINGENT CREDIT RISK PROVISIONS:		
Guarantees and pledges	73	74
Issued foreign letters of credit	28	25
Performance and bid bonds	4,351	2,263
Unrestricted lines of credit	3,404	3,226
Subtotal - Contingent loan risk	7,856	5,588
CONTINGENCY PROVISIONS:		
Country risk provisions	215	93
Minimum provision adjustment	259	-
Other contingency provisions	6,355	7,991
Subtotal - Contingency provisions	6,829	8,084
Total other provisions	36,745	31,636

In the opinion of the Bank's management, the provisions recorded cover all potential losses that may arise from not recovering assets, based on the information examined by the Bank and its subsidiaries.


B) In 2017 and 2016, provision movements are detailed as follows:

	PAYROLL AND EMPLOYEE BENEFITS MCH$	MINIMUM DIVIDENDS MCH$	CONTINGENT LOAN RISK MCH$	CONTINGENCIES MCH$	TOTAL MCH$
BALANCE AS OF JANUARY 1, 2016:	2,660	14,227	6,303	4,110	27,300
Provisions recorded	906	13,059	8,867	9,796	32,628
Provisions released	(783)	(12,105)	(9,582)	(5,822)	(28,292)
Balance as of December 31, 2016	2,783	15,181	5,588	8,084	31,636
BALANCE AS OF JANUARY 1, 2017:	2,783	15,181	5,588	8,084	31,636
Provisions recorded	1,000	17,158	11,903	4,992	35,053
Provisions released	(630)	(13,432)	(9,635)	(6,247)	(29,944)
Balance as of December 31, 2017	3,153	18,907	7,856	6,829	36,745

22. OTHER LIABILITIES

Other liabilities as of December 31, 2017 and 2016, are as follows:

	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
Accounts and notes payable	45,652	45,952
Dividends payable	26	31
Unearned revenue	703	511
Short sales	1	4
Payables to customers for brokerage services	32,191	33,343
Payables to brokers for brokerage services	10,899	10,862
Funds retained current account guarantee	12,247	1,759
Other liabilities	6,837	1,655
Total	108,556	94,117

23. CONTINGENCIES AND COMMITMENTS

A) LAWSUITS AND LEGAL PROCEEDINGS

LEGAL CONTINGENCIES WITHIN THE ORDINARY COURSE OF BUSINESS

As of the date of issuance of these consolidated financial statements, some legal actions have been filed against the Bank and its subsidiaries involving its normal operations. Management and its legal counsel do not believe that the Bank and its subsidiaries are exposed to any potential significant losses not disclosed in these financial statements.

B) CONTINGENT LOANS

The following note contains the amounts for which the Bank is contractually obliged to provide loans and the amount of credit risk provisions recorded:

	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
Performance and bid bonds	224,979	215,371
Immediately available credit lines	824,139	835,941
Letters of credit	14,960	13,251
Guarantees and pledges	4,892	5,347
Provisions recorded	(7,856)	(5,588)
Total	1,061,114	1,064,322

C) LIABILITIES

The Bank and its subsidiaries are liable for the following as a result of their normal course of business:

	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
Securities and bonds provided as guarantee	5,373,637	4,483,875
Instruments in custody	1,805,392	1,569,110
Loans approved but not disbursed	483,620	476,501
Signed lease agreements	13,765	43,498
Notes in collections	76,853	51,237
Total	7,753,267	6,624,221

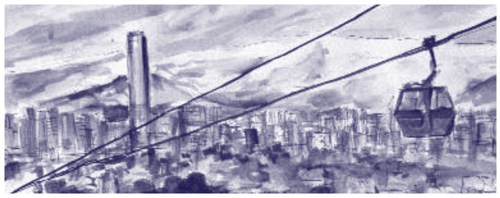
D) GUARANTEES FURNISHED

As of December 31, 2017 and 2016, the Bank does not have any assets furnished as guarantee.

As of December 31, 2017, Valores Security S.A. Corredora de Bolsa, in compliance with articles 30 and 31 of Law No. 18,045 (Securities Market Law), has established a guarantee of UF 20,000 maturing April 22, 2018, through MAPFRE Garantías y Crédito S.A., designating Santiago Exchange as the depositary and custody institution.

With respect to the ruling issued by Santiago Exchange requiring all brokers to have comprehensive insurance coverage beginning February 1, 1998, Valores Security S.A. Corredora de Bolsa has a comprehensive banking insurance policy with Compañía de Seguros Generales Penta Security, for UF 300,000, maturing July 31, 2018, which provides all of the coverage required by that ruling.

In order to guarantee forward transactions, Valores Security S.A. Corredores de Bolsa has deposited stocks in custody of Santiago Stock totaling MCH$24,140 and MCH$24,850 as of December 31, 2017 and 2016, respectively.


In order to guarantee transactions in the settlement clearing system, Valores Security S.A. Corredores de Bolsa has deposited financial instruments as guarantees with CCLV Countraparte Central totaling MCH$2,777 and MCH$2,956 as of December 31, 2017 and 2016, respectively.

In compliance with SVS Ruling 1898, Valores Security S.A. Corredores de Bolsa has contracted an insurance policy for UF10,000 expiring on January 7, 2018, through Compañía de Seguros de Crédito Continental S.A., in favor of holders of voluntary retirement savings plans.

In compliance with General Standard 363 of April 30, 2014, which refer to a guarantee for correct professional performance in accordance with law 20,712 on managing third-party funds and individual portfolios, Valores Security S.A. Corredores de Bolsa has taken out insurance for UF 204,091 through Compañía de Seguros Continental, expiring on March 31, 2018.

24. EQUITY

A) The Bank’s authorized capital is comprised of 232,523,256 single-series shares, of which 228,476,744 are fully subscribed and paid.

Movements of issued and paid in shares are as follows:

	COMMON SHARES		PREFERENTIAL SHARES	
	2017	2016	2017	2016
Opening balance	210,953,488	205,994,926	-	-
Payment of subscribed shares	17,523,256	4,958,562	-	-
Balance	228,476,744	210,953,488	-	-

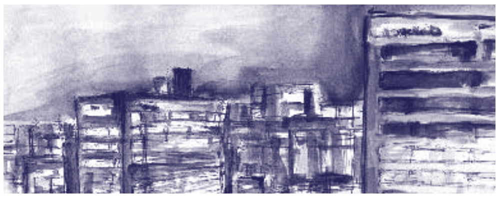
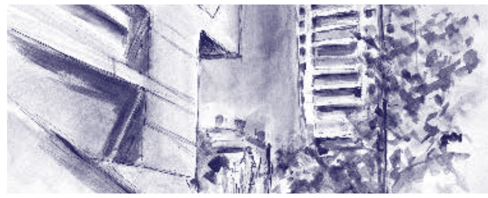
As of the end of this reporting period, the Bank's shareholders are as follows:

	2017		2016	
SHAREHOLDERS	NO. OF SHARES	OWNERSHIP INTEREST (%)	NO. OF SHARES	OWNERSHIP INTEREST (%)
Grupo Security	228,419,192	99.97	210,895,936	99.97
Other	57,552	0.03	57,552	0.03
Total	228,476,744	100.00	210,953,488	100.00

B) As of December 31, 2017 and 2016, earnings per share is detailed as follows:

ATTRIBUTABLE TO OWNERS OF THE BANK:

	DECEMBER	
	2017	2016
Profit for the year	MCH$ 63,022	MCH$ 50,604
Average outstanding shares	212,413,759	210,127,061
EARNINGS PER SHARE:		
Basic	CH$ 297	CH$ 241
Diluted	CH$ 297	CH$ 241


C) Reserve accounts within the statement of changes in equity are as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2017 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2016 MCH$
Opening balance	24,710	23,950
Other equity movements (*)	1,536	760
Closing balance	26,246	24,710
(*) Opening balance of other equity movements		
Movement subsidiary Administradora General de Fondos Security S.A.	(195)	(156)
Movement subsidiary Valores Security S.A. Corredora de Bolsa	1,731	916
Total	1,536	760

D) Valuation accounts within the statement of changes in equity are as follows:

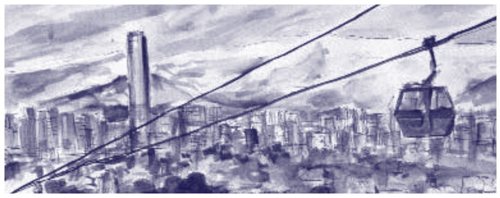
	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
INSTRUMENTS AVAILABLE FOR SALE:		
Valuation	6,112	4,299
Deferred taxes	(1,650)	(1,031)
Subtotal	4,462	3,268
ACCOUNTING HEDGES:		
Valuation	(691)	-
Deferred taxes	187	-
Subtotal	(504)	-
Total	3,958	3,268

E) For the years ended December 31, 2017 and 2016, the following dividend was declared and paid:

DESCRIPTION	DISTRIBUTABLE PROFIT MCH$	DIVIDENDS MCH$	RESERVES MCH$	DIVIDEND PER SHARE CH$
2016 Fiscal Year Shareholders' meeting No. 35	50,604	20,242	30,362	95.95
2015 Fiscal Year Shareholders' meeting No. 34	47,424	14,227	33,197	67.44

As of December 31, 2017 and 2016, the Bank recorded a provision for minimum dividends in accordance with Law No. 18,046 on Corporations and chapter B4 of the SBIF Compendium of Accounting Standards, amounting to MCH$18,907 and MCH$ 15,181, respectively.

F) BASIC AND REGULATORY CAPITAL: In accordance with the General Banking Law, a financial institution must have a minimum basic capital of no less than 3% of total assets and a regulatory capital of not less than 8% of its risk-weighted assets. As of December 31, 2017, Banco Security has a basic capital of 8.10% (7.10% in December 2016) and 14.02% (13.22% in December 2016), respectively.

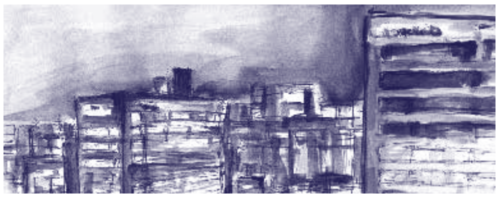

25. INTEREST AND INDEXATION

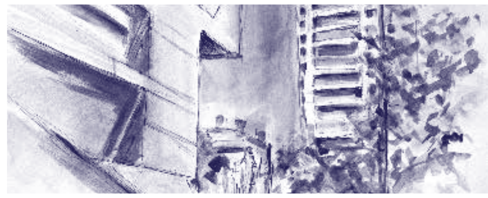
Interest and indexation accrued and received for the years ended December 31, 2017 and 2016, are as follows:

	INTEREST		INDEXATION		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
REPURCHASE AGREEMENTS:	83	63	-	-	83	63
Loans and advances to banks	1,049	1,010	-	-	1,049	1,010
COMMERCIAL LOANS:						
Commercial loans	160,469	151,866	20,053	27,839	180,522	179,705
Foreign trade loans	7,365	6,617	288	22	7,653	6,639
Current account loans	7,745	7,058	-	-	7,745	7,058
Student loans	290	305	83	138	373	443
Commercial lease agreements	18,232	17,227	3,493	5,966	21,725	23,193
Prepayment commissions on commercial loans	-	-	2,333	1,540	2,333	1,540
Total income from commercial loans	194,101	183,073	26,250	35,505	220,351	218,578
MORTGAGE LOANS:						
Loans funded with mortgage bonds	189	232	74	151	263	383
Commissions on loans funded with mortgage bonds	32	40	-	-	32	40
Loans funded with own resources	4,285	3,775	2,170	2,819	6,455	6,594
Other mortgage loans	16,696	17,360	7,638	12,575	24,334	29,935
Total income from mortgage loans	21,202	21,407	9,882	15,545	31,084	36,952
CONSUMER LOANS:						
Consumer installment loans	20,907	22,142	-	-	20,907	22,142
Current account loans	17,630	12,399	-	-	17,630	12,399
Credit card loans	11,599	9,832	-	-	11,599	9,832
Consumer leases	1	-	-	-	1	-
Prepayment commissions on consumer loans	-	-	2	5	2	5
Total income from consumer loans	50,137	44,373	2	5	50,139	44,378
INVESTMENT SECURITIES:						
Investments available for sale	22,138	21,583	1,613	1,949	23,751	23,532
Total income from investment securities	22,138	21,583	1,613	1,949	23,751	23,532
Other interest or indexation income:	4,835	4,644	93	211	4,928	4,855
Gain (loss) from accounting hedges (*)	(2)	343	-	-	(2)	343
Total interest and indexation income	293,543	276,496	37,840	53,215	331,383	329,711

Suspended interest and indexation on loans included in the impaired portfolio totaled MCH$(1,096) and MCH$471, as of December 31, 2017 and 2016, respectively.

(*) Gain (loss) on accounting hedges explained in Note 9 to the financial statements.





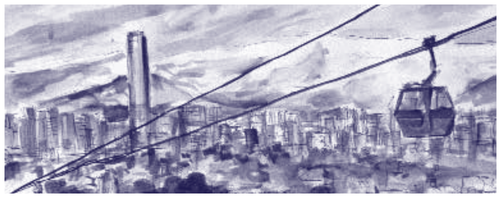
For the years ended December 31, 2017 and 2016, interest and indexation expenses are as follows:

	INTEREST		INDEXATION		OTHER		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
DEPOSITS:								
Demand deposits	(74)	(396)	(68)	(145)	-	-	(142)	(541)
Time deposits	(82,859)	(90,960)	(6,337)	(8,496)	-	-	(89,196)	(99,456)
Total expenses for deposits	(82,933)	(91,356)	(6,405)	(8,641)	-	-	(89,338)	(99,997)
Repurchase agreements	(823)	(1,226)	-	-	-	-	(823)	(1,226)
Borrowings from financial institutions	(3,061)	(1,742)	-	-	-	-	(3,061)	(1,742)
DEBT INSTRUMENTS ISSUED:								
Interest on letters of credit	(889)	(1,048)	(371)	(721)	-	-	(1,260)	(1,769)
Interest on senior bonds	(45,341)	(40,153)	(22,102)	(32,101)	-	-	(67,443)	(72,254)
Interest on subordinated bonds	(9,712)	(9,357)	(4,045)	(6,004)	-	-	(13,757)	(15,361)
Total expenses for debt issued	(55,942)	(50,558)	(26,518)	(38,826)	-	-	(82,460)	(89,384)
Other interest or indexation expenses	(369)	(505)	(195)	(412)	-	-	(564)	(917)
Loss from accounting hedges	(450)	(521)	-	-	-	-	(450)	(521)
Total interest and indexation expenses	(143,578)	(145,908)	(33,118)	(47,879)	-	-	(176,696)	(193,787)

26. FEES AND COMMISSIONS

Fee and commission income and expenses for the years ended December 31, 2017 and 2016, which are presented in the consolidated statement of income, consist of the following items:

	FOR THE YEAR ENDED DECEMBER 31, 2017 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2016 MCH$
FEE AND COMMISSION INCOME:		
Lines of credit and overdrafts	1,957	2,008
Guarantees and letters of credit	5,110	4,935
Card services	8,601	7,378
Account maintenance	3,254	3,025
Collections and payments	14,053	13,109
Securities brokerage and management	14,653	4,812
Mutual funds and other investments	23,015	20,389
Other fees and commissions earned	6,920	8,284
Total fee and commission income	77,563	63,940
FEE AND COMMISSION EXPENSES:		
Securities transactions fees and commissions	(2,686)	(1,111)
Sales service fees and commissions	(7,456)	(6,706)
Other fees and commissions	(2,586)	(2,720)
Total fee and commission expenses	(12,728)	(10,537)
Total net fee and commission income	64,835	53,403


27. NET FINANCIAL OPERATING INCOME

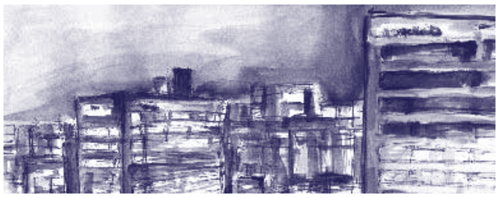
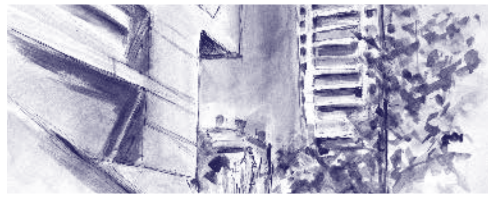
Net financial operating income for the years ended December 31, 2017 and 2016, is as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2017 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2016 MCH$
FINANCIAL INSTRUMENTS HELD FOR TRADING:		
Interest and indexation	3,961	7,535
Fair value adjustment	(1,458)	1,892
Gain on sale	5,241	3,887
Loss on sale	(1,387)	(892)
Gain on mutual fund investments	1,975	2,563
Subtotal	8,332	14,985
TRADING DERIVATIVES:		
Gain on derivative instruments	356,470	297,438
Loss on derivative instruments	(334,368)	(279,507)
Subtotal	22,102	17,931
SALE OF INVESTMENTS AVAILABLE FOR SALE:		
Fair value adjustments transferred to profit (loss)	(128)	859
Gain on sale	4,059	2,647
Loss on sale	(590)	(299)
Subtotal	3,341	3,207
Sale of loan portfolio	1,030	451
NET GAIN (LOSS) FROM OTHER TRANSACTIONS:		
Purchases of letters of credit issued by the Bank	(2)	(2)
Other income	3,536	4,484
Other expenses	(4,113)	(2,673)
Subtotal	(579)	1,809
Total net financial operating income	34,226	38,383

28. NET FOREIGN EXCHANGE TRANSACTIONS

For the years ended December 31, 2017 and 2016, net foreign exchange transactions for the Bank and its subsidiaries are as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2017 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2016 MCH$
NET FOREIGN EXCHANGE TRANSACTIONS:		
Net gain (loss) on currency positions	(4,523)	1,219
Other currency gains	40	231
Subtotal	(4,483)	1,450
NET GAIN FOR EXCHANGE RATE ADJUSTMENTS:		
Indexation of loans to customers	-	6
Indexation of other liabilities	410	-
Subtotal	410	6
Total	(4,073)	1,456

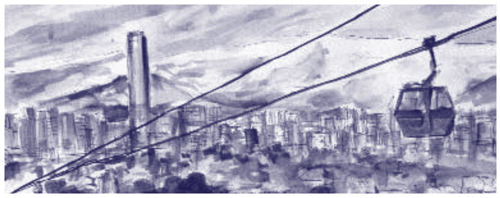




29. CREDIT RISK PROVISIONS

Movements in credit risk provisions for the years ended December 31, 2017 and 2016, are as follows:

	LOANS AND ADVANCES TO BANKS		LOANS TO CUSTOMERS						CONTINGENT LOANS		TOTAL	
			COMMERCIAL LOANS		MORTGAGE LOANS		CONSUMER LOANS					
	DECEMBER		DECEMBER		DECEMBER		DECEMBER		DECEMBER		DECEMBER	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
PROVISIONS RECORDED:												
Individual provisions	(1)	(2)	(72,645)	(55,716)	-	-	-	-	(7,180)	(4,428)	(79,826)	(60,146)
Group provisions	-	-	(4,621)	(4,775)	(2,741)	(3,252)	(45,970)	(36,986)	(4,723)	(4,439)	(58,055)	(49,452)
Minimum provision adjustment	-	-	(239)	-	-	-	-	-	(20)		(259)	-
Total provisions recorded	(1)	(2)	(77,505)	(60,491)	(2,741)	(3,252)	(45,970)	(36,986)	(11,923)	(8,867)	(138,140)	(109,598)
PROVISIONS RELEASED:												
Individual provisions	1	2	53,554	42,280	-	-	-	-	5,164	4,705	58,719	46,987
Group provisions	-	-	4,002	3,535	2,377	2,619	23,991	19,822	4,471	4,877	34,841	30,853
Minimum provision adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Total provisions released	1	2	57,556	45,815	2,377	2,619	23,991	19,822	9,635	9,582	93,560	77,840
Recovery of written-off assets	-	-	790	1,816	3	-	1,761	2,165	-	-	2,554	3,981
Provisions, net	-	-	(19,159)	(12,860)	(361)	(633)	(20,218)	(14,999)	(2,288)	715	(42,026)	(27,777)

In management's opinion, the credit risk provisions recorded for the years ended December 31, 2017 and 2016, cover the potential losses that may arise from not recovering these assets.


30. PAYROLL AND PERSONNEL EXPENSES

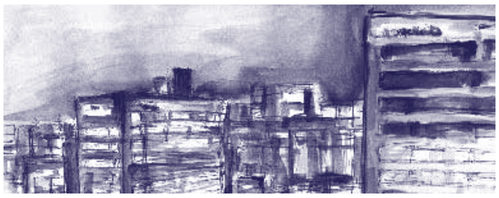
Payroll and personnel expenses consist of expenses accrued during the year for remunerations and compensation of employees and other expenses derived from the employee-employer relationship.

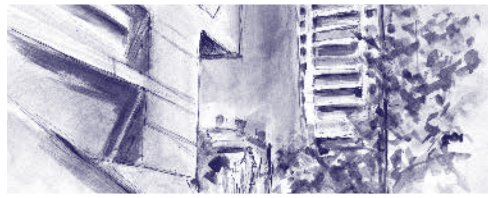
A) Expenses for these items for the years ended December 31, 2017 and 2016, are detailed as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2017 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2016 MCH$
Payroll	(35,819)	(30,864)
Bonuses	(9,940)	(15,720)
Severance indemnities	(1,259)	(2,852)
Training expenses	(537)	(480)
Other benefits	(4,754)	(4,808)
Total	(52,309)	(54,724)

B) Other personnel expenses recorded during the years ended December 31, 2017 and 2016, are as follows:

	NO. OF EMPLOYEES RECEIVING BENEFIT		REASON FOR BENEFIT	TOTAL	
	2017	2016		2017 MCH$	2016 MCH$
BONUSES:					
Productivity bonus	998	1,094	Voluntary	5,697	11,586
Legal bonuses and employer contributions	1,401	1,428	Contractual	2,716	2,566
Other bonuses	1,151	1,262	Contractual	1,527	1,568
Total bonuses				9,940	15,720
OTHER BENEFITS:					
Health insurance	1,353	1,396	Contractual	1,264	1,261
Life insurance	320	332	Contractual	142	106
Meal allowance	1,387	1,420	Contractual	1,549	1,544
Annual events	-	636	Voluntary	-	83
Childcare	128	152	Birth of child	278	288
Other benefits	1,390	1,420	Voluntary	1,521	1,526
Total other benefits				4,754	4,808

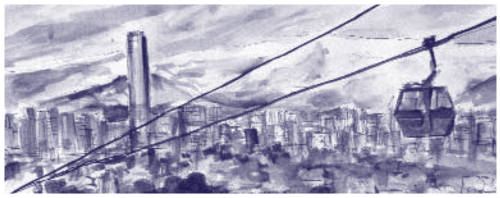




31. ADMINISTRATIVE EXPENSES

For the years ended December 31, 2017 and 2016, details are as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2017 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2016 MCH$
GENERAL ADMINISTRATIVE EXPENSES:		
Maintenance and repair of property, plant and equipment	(4,174)	(3,919)
Office leases	(3,062)	(2,975)
Equipment leases	(768)	(837)
Insurance premiums	(255)	(426)
Office supplies	(417)	(464)
IT and communications expenses	(5,210)	(1,794)
Lighting, heating and other utilities	(494)	(2,925)
Security services and armored transport	(141)	(179)
Travel and entertainment expenses	(609)	(557)
Court and notary expenses	(1,017)	(988)
Fees for technical reports	(11,236)	(13,891)
Fees for financial statement audit	(225)	(350)
Securities rating fees	(91)	(43)
Other regulatory fines	(63)	(241)
Banking expenses	(370)	(363)
Advisory expenses	(4,498)	(5,014)
Building fees	(848)	(1,027)
Postage and mail	(149)	(170)
Other general administrative expenses	(9,523)	(10,616)
Subtotal	(43,150)	(46,779)
OUTSOURCED SERVICES:		
Data processing	(10,579)	(848)
Other	(1,985)	(1,951)
Subtotal	(12,564)	(2,799)
Board of directors' fees	(961)	(1,123)
Advertising	(6,219)	(5,836)
TAXES, PROPERTY TAXES AND CONTRIBUTIONS:		
Property taxes	(194)	(181)
Municipal business permits	(784)	(690)
Other taxes	(82)	(49)
Contribution to SBIF	(1,707)	(1,553)
Subtotal	(2,767)	(2,473)
Total	(65,661)	(59,010)


32. DEPRECIATION AND AMORTIZATION

A) DEPRECIATION AND AMORTIZATION

Depreciation and amortization by type of asset charged to profit or loss for the years ended December 31, 2017 and 2016, are as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2017 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2016 MCH$
Depreciation of property, plant and equipment	(1,933)	(2,003)
Amortization and impairment of intangible assets	(3,688)	(13,198)
Total depreciation, amortization and impairment	(5,621)	(15,201)

33. IMPAIRMENT

• INVESTMENTS AVAILABLE FOR SALE

The Bank and its subsidiaries regularly test for objective evidence of impairment of their financial investments not carried at fair value through profit and loss.

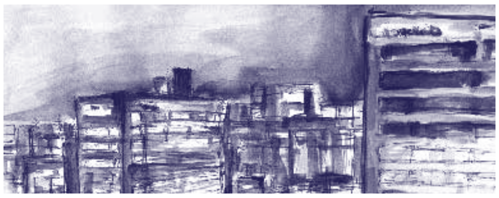
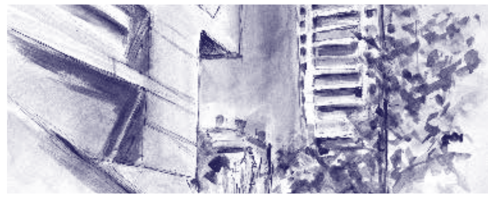
Assets are impaired if there is objective evidence that shows that a loss event has occurred after the initial recognition of the asset and the loss event has an impact on the estimated future cash flows of the financial asset.

Objective evidence includes financial difficulty of the counterparty, breach of contractual clauses, granting of concessions or advantages that would not have been granted if the counterparty had not shown evidence of impairment, a measurable reduction in the asset's estimated future cash flows and, in the case of financial investments, the disappearance of an active or liquid market.

For the year ended December 31, 2017, the Bank reversed MCH$128 in impairment (a loss of MCH$859 was recorded in 2016) on investments available for sale in the Caja de Compensación la Araucana portfolio.

• INTANGIBLE ASSETS

Impairment testing indicated some intangible assets with expected losses. As a result, the Bank's management recorded impairment of MCH$3,876 and MCH$21,100 for the years ended December 31, 2017 and 2016, respectively, as mentioned in Note 14 to the consolidated financial statements.


34. OTHER OPERATING INCOME AND EXPENSES

A) OTHER OPERATING INCOME

Details of other operating income recorded in the consolidated statement of income are as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2017 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2016 MCH$
Income from assets received in lieu of payment	62	21
Release of provisions for contingencies	110	345
Gain on sale of property, plant and equipment	998	666
Rental payments received	149	181
Recovery of charged-off assets received in lieu of payment	414	84
Recovery of expenses	479	1,933
Other income	2,059	6,357
Total other operating income	4,271	9,587

B) OTHER OPERATING EXPENSES

Details of other operating expenses recorded in the consolidated statement of income are as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2017 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2016 MCH$
Provisions for assets received in lieu of payment (*)	-	(75)
Write-offs of assets received in lieu of payment (*)	(1,181)	(220)
Maintenance expenses for assets received in lieu of payment (*)	(89)	(97)
Contingency provisions (*)	(232)	(248)
Operational write-offs	(1,596)	(2,627)
Other expenses	(500)	(1,221)
Total other operating expenses	(3,598)	(4,488)

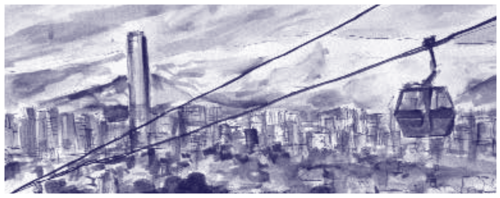
(*) In the consolidated statement of cash flows, the concept other provisions consists of provisions and expenses for assets received in lieu of payment and contingency provisions.

35. RELATED PARTY TRANSACTIONS

Related parties are defined as persons or entities having an interest either directly or through third parties in the ownership of the Bank and its subsidiaries that exceeds 1% of shares or 5% of publicly-traded shares, as well as persons without an ownership interest that have authority and responsibility in planning, management and control of the Bank's activities and those of its subsidiaries. Companies in which one of the Bank's related parties, related either through ownership or management, has a share greater than or equal to 5% or in which they exercise the role of director, CEO or its equivalent, are also considered to be related companies.

Article 89 of the Corporations Law, which also applies to banks, provides that any transaction with a related party must take place under arm's length conditions similar to those prevailing in the market.

Moreover, Article 84 of the General Banking Law establishes limits on loans granted to related parties and prohibits the granting of loans to the Bank's directors, managers and general representatives.


A) RELATED PARTY LOANS

The following table details loans and accounts receivable, contingent loans and assets related to trading and investment securities, corresponding to related entities.

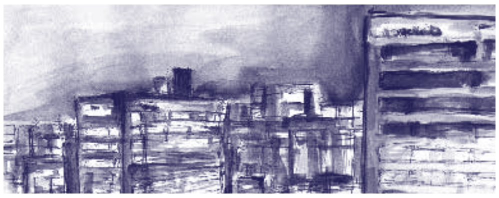
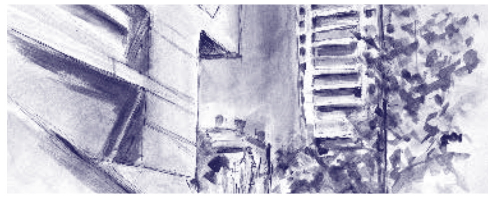
	PRODUCERS OF GOODS AND SERVICES		INVESTMENT COMPANIES		INDIVIDUALS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
LOANS AND RECEIVABLES:								
Commercial loans	46,425	25,225	62	71	3,326	1,986	49,813	27,282
Mortgage loans	-	-	-	-	9,507	7,277	9,507	7,277
Consumer loans	-	-	-	-	2,134	1,763	2,134	1,763
Gross loans and receivables	46,425	25,225	62	71	14,968	11,026	61,454	36,322
Credit risk provisions	(131)	(196)	-	-	(92)	(65)	(223)	(261)
Net loans and receivables	46,294	25,029	62	71	14,876	10,961	61,231	36,061
CONTINGENT LOANS:								
Total contingent loans	20,756	6,971	59	64	3,485	3,049	24,300	10,084
Contingent loan provisions	(33)	(19)	-	-	(7)	(7)	(40)	(26)
Net contingent loans	20,723	6,952	59	64	3,478	3,042	24,260	10,058
INVESTMENTS:								
Held for trading	-	-	-	-	-	-	-	-
Available for sale	-	-	-	-	-	-	-	-
Total investments	-	-	-	-	-	-	-	-
	67,017	31,981	121	135	18,354	14,003	85,491	46,119

B) OTHER ASSETS AND LIABILITIES WITH RELATED PARTIES

	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
ASSETS:		
Financial derivative instruments	10,596	25,163
Total other assets with related parties	10,596	25,163
LIABILITIES:		
Financial derivative instruments	12,228	27,526
Demand deposits	32,687	23,858
Savings accounts and time deposits	322,978	405,334
Total other liabilities with related parties	367,893	456,718

C) GAIN (LOSS) ON TRANSACTIONS WITH RELATED PARTIES

	GAIN (LOSS)	
	FOR THE YEAR ENDED DECEMBER 31,	
	2017 MCH$	2016 MCH$
Net interest and indexation income	(462)	287
Net fee and commission income	3,385	1,301
Net foreign exchange transactions	302	682
Operating support expenses	(32,403)	(32,305)
Operating support income	18,534	13,830
Other income and expenses	(5,240)	153
Total loss from related party transactions	(15,884)	(16,052)


D) RELATED PARTY CONTRACTS

These include any contract entered into each year that does not involve habitual transactions within the Bank's line of business with general customers and is for more than UF 3,000.

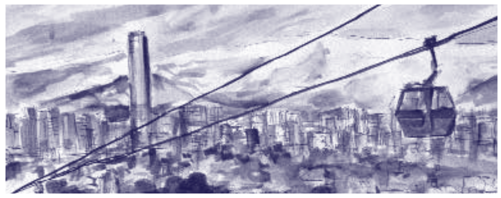
These contracts are as follows:

LEGAL NAME	DESCRIPTION	CREDITS TO PROFIT		CHARGES TO PROFIT	
		DECEMBER 31,		DECEMBER 31,	
		2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
Capital S.A. (Formerly Inversiones Invest Security Ltda.)	Service contract	-	-	11,015	13,472
Travel Security S.A.	Office lease and air tickets	801	675	3,222	2,593
Seguros Vida Security Previsión S.A.	Insurance	11,007	7,221	2,507	2,224
Global Security Gestión y Servicios Ltda.	Service contract	-	-	7,277	6,710
Mandatos Security Ltda.	Service contract	-	-	3,557	3,159
Asesorías Security S.A.	Advisory services	-	-	456	343
Redbanc S.A.	Service contract	-	-	480	408
Cía. de Seguros Generales Penta Security S.A.	Service contract	-	230	-	278
Transbank S.A.	Service contract	6,523	5,444	3,717	2,923
ENEL S.A. (formerly Chilectra S.A.)	Sale of electric power	-	-	172	195
Factoring Security Ltda.	Advisory services and leases	100	260	-	-
Bice Inversiones Corredores de Bolsa S.A.	Service contract	103	-	-	-
		18,534	13,830	32,403	32,305

E) PAYMENTS TO BOARD OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

In 2017 and 2016, the following payments were made to members of the Board and key management personnel and charged to profit or loss.

	DIRECTORS		CEOS		DIVISION MANAGERS		AREA MANAGERS	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
Short-term compensation	745	640	990	919	1,387	1,317	2,840	2,752
Severance indemnities	-	-	-	-	-	-	-	527
No. of executives	7	7	3	3	7	7	17	21


36. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

A) FAIR VALUE ASSETS AND LIABILITIES

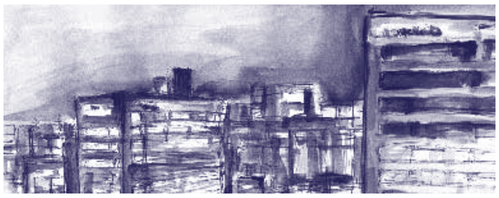
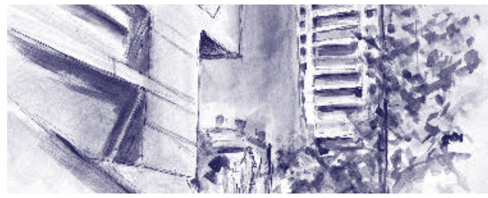
The following table summarizes the fair values of the Bank's main financial assets and liabilities, including those not recorded at fair value in the statement of financial position. The values shown in this note do not attempt to estimate the value of the Bank's income-generating assets, nor forecast their future behavior. As of December 31, 2017 and 2016, the estimated fair values of the Bank's financial instruments are as follows:

	CARRYING AMOUNT		ESTIMATED FAIR VALUE	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
ASSETS:				
Cash and due from banks	497,423	441,177	497,423	441,177
Transactions pending settlement	76,271	32,185	76,271	32,185
Financial instruments held for trading	94,439	267,099	94,439	267,099
Receivables from repurchase agreements and securities borrowing	-	-	-	-
Financial derivative instruments	132,750	99,887	132,750	99,887
Loans and advances to banks	-	238	-	237
Loans to customers	4,753,782	4,381,443	4,773,796	4,617,570
Investments available for sale	678,542	610,695	678,542	610,695
Investments held to maturity	-	-	-	-
LIABILITIES:				
Current accounts and other demand deposits	673,475	570,018	673,475	570,018
Transactions pending settlement	25,838	5,985	25,838	5,985
Payables from buyback agreements and securities lending	14,147	27,008	14,143	27,012
Savings accounts and time deposits	2,927,755	3,051,820	2,925,989	3,056,486
Financial derivative instruments	101,554	83,006	101,554	83,006
Borrowings from financial institutions	188,346	158,757	184,433	161,325
Debt instruments issued	1,786,574	1,571,273	1,862,070	1,649,670
Other financial liabilities	22,967	20,139	23,378	21,532

The fair value of assets not recorded at that value in the statement of financial position is derived from estimated cash flows the Bank expects to receive, discounted using the relevant market interest rate for each type of transaction.

The fair value of liabilities without market quotes is based on discounted cash flows using the interest rate for similar maturity terms.

Therefore, the largest differences between the carrying amount and the fair value occur in more long-term assets (commercial loans) and liabilities (debt issued) and, inversely, short-term items present a smaller or no difference between these values (e.g. transactions pending settlement and cash).


B. FAIR VALUE DETERMINATION

The Bank uses the following criteria to calculate and classify the market value of financial instruments.

- **LEVEL 1:**
  Observable prices in active markets for the specific type of instrument or transaction to be measured.

- **LEVEL 2:**
  Valuation techniques based on observable factors. This category includes instruments valued using: Quoted prices for similar instruments, either in active or less active markets. Other valuation techniques, when all significant inputs are directly or indirectly observable based on market data.

- **LEVEL 3:**
  Valuation techniques that use significant unobservable factors. This category includes all instruments where the valuation technique includes factors that are not based on observable data and the unobservable factors can have a significant effect on the valuation of the instrument. This category contains instruments that are valued based on quoted prices for similar instruments that require adjustments or significant unobservable assumptions to reflect the differences between them.

The valuation techniques employed are based on estimates of market factors using mathematical and statistical models widely used in financial literature, which are backtested.

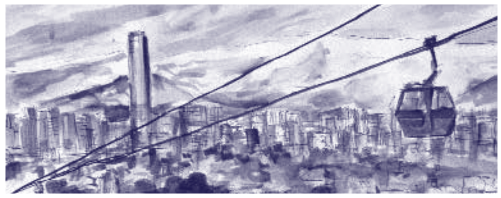
All these techniques are based on policies reviewed by the relevant committees and Boards at least once a year, or more frequently if necessary.

Level 3 includes price estimates for swaps with a yield curve based on the TAB rate (Chilean pesos and Unidad de Fomento), since a yield curve is not observable in the market as a result of its illiquidity.

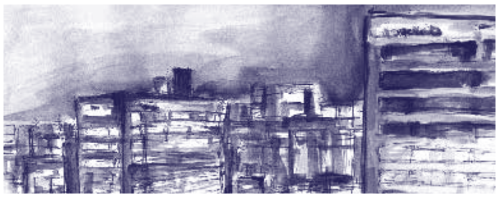
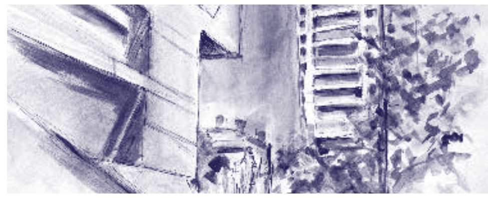
The same level includes options embedded in variable-rate mortgage loans that have a ceiling rate. Although they are part of a loan agreement that is accounted for on an accrual basis, the value of the option is estimated and recorded separately from the host contract in the trading book as per regulatory requirements, despite the fact that it is not a standalone financial instrument for which market prices exist.

As of December 31, 2017, the Bank has applied valuation techniques to determine the fair value of the financial instruments "BLAPO-F" and "BLAPO-G". For the La Polar bonds, that valuation (prepared by RiskAmerica) considers the rate from the date the debt was renegotiated, which gives a price close to zero given their maturity. If traded (complying with the minimum trade restriction of UF 500), the transaction price is included as the official price.

The following table details the classification of financial instruments by level within the fair value hierarchy as of December 31, 2017 and 2016, respectively.


	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
FINANCIAL ASSETS:								
FINANCIAL INSTRUMENTS HELD FOR TRADING:								
CHILEAN GOVERNMENT AND CENTRAL BANK INSTRUMENTS:								
Chilean Central Bank instruments	5,915	42,670	7,203	27,488	-	-	13,118	70,158
Chilean Treasury instruments	11,235	41,609	845	17,516	-	-	12,080	59,125
Other government instruments	-	-	4,231	920	-	-	4,231	920
Subtotal	17,150	84,279	12,279	45,924	-	-	29,429	130,203
OTHER FINANCIAL INSTRUMENTS:								
Notes for deposits in domestic banks	-	2,648	16,818	94,678	-	-	16,818	97,326
Mortgage bonds in domestic banks	-	-	2,984	2,395	-	-	2,984	2,395
Bonds from domestic banks	7,292	10,507	23,511	20,437	-	-	30,803	30,944
Other instruments issued in Chile	202	1,435	7,633	3,819	-	-	7,835	5,254
Mutual funds	5,952	977	618	-	-	-	6,570	977
Subtotal	13,447	15,567	51,564	121,329	-	-	65,010	136,896
Total	30,596	99,846	63,843	167,253	-	-	94,439	267,099
TRADING DERIVATIVES:								
Currency forwards	6,669	14,095	63,103	14,008	-	-	69,772	28,103
Interest rate swaps	-	-	27,369	31,742	902	1,052	28,271	32,794
Currency swaps	-	-	27,678	31,102	6,459	7,888	34,137	38,990
Total assets for trading derivatives	6,669	14,095	118,150	76,852	7,361	8,940	132,180	99,887
HEDGE ACCOUNTING DERIVATIVES:								
Currency swaps	-	-	570	-	-	-	570	-
Total assets for hedge accounting derivatives	-	-	570	-	-	-	570	-
Total assets for financial derivatives	6,669	14,095	118,720	76,852	7,361	8,940	132,750	99,887
INVESTMENTS AVAILABLE FOR SALE:								
CHILEAN GOVERNMENT AND CENTRAL BANK INSTRUMENTS:								
Chilean Central Bank instruments	121,544	199,800	261,185	94,085	-	-	382,729	293,885
Chilean Treasury instruments	-	-	-	-	-	-	-	-
Subtotal	121,544	199,800	261,185	94,085	-	-	382,729	293,885
OTHER FINANCIAL INSTRUMENTS:								
Notes for deposits in domestic banks	-	2,327	14,388	15,909	-	-	14,388	18,236
Mortgage bonds in domestic banks	-	94	18,220	20,482	-	-	18,220	20,576
Bonds from domestic companies	38,133	11,117	99,355	108,190	-	-	137,488	119,307
Other instruments issued in Chile	-	-	3,062	-	-	-	3,062	-
Foreign government and central bank instruments	-	-	-	-	-	-	-	-
Other instruments issued abroad	122,618	158,691	37	-	-	-	122,655	158,691
Subtotal	160,751	172,229	135,061	144,581	-	-	295,813	316,810
Total	282,295	372,029	396,247	238,666	-	-	678,542	610,695
TOTAL FAIR VALUE ASSETS	319,560	485,970	578,810	482,771	7,361	8,940	905,731	977,681
FINANCIAL LIABILITIES:								
TRADING DERIVATIVES:								
Currency forwards	(5,494)	(15,309)	(51,066)	(15,270)	-	-	(56,560)	(30,579)
Interest rate swaps	-	-	(22,225)	(27,504)	(803)	(1,056)	(23,028)	(28,560)
Currency swaps	-	-	(21,023)	(23,269)	-	-	(21,023)	(23,269)
Interest rate put options	-	-	-	-	(6)	(9)	(6)	(9)
Total liabilities for trading derivatives	(5,494)	(15,309)	(94,314)	(66,043)	(809)	(1,065)	(100,617)	(82,417)
HEDGE ACCOUNTING DERIVATIVES:								
Interest rate swaps	-	-	(937)	(589)	-	-	(937)	(589)
Total liabilities for hedge accounting derivatives	-	-	(937)	(589)	-	-	(937)	(589)
Total liabilities for financial derivatives	(5,494)	(15,309)	(95,251)	(66,632)	(809)	(1,065)	(101,554)	(83,006)
TOTAL FAIR VALUE LIABILITIES	(5,494)	(15,309)	(95,251)	(66,632)	(809)	(1,065)	(101,554)	(83,006)


37. RISK MANAGEMENT

I. RISK MANAGEMENT OBJECTIVES
II. RISK MANAGEMENT STRUCTURE
III. CREDIT RISK
IV. FINANCIAL RISK
V. OPERATIONAL RISK
VI. RISK COMMITTEES
VII. CAPITAL REGULATORY REQUIREMENTS

I. RISK MANAGEMENT OBJECTIVES

Banco Security considers risk management to be a critical component in guaranteeing business continuity, achieving necessary solvency and ensuring sustainable results. Risk management is intended to minimize losses from risk and optimize the risk-return ratio and growth (risk appetite) defined by senior management.

In order to achieve this, the Bank has made a considerable effort to optimize risk management. Therefore, risk management is separated into three specific divisions by type of risk: Credit Risk, Financial Risk and Operational Risk.

Through this structure, the Bank can properly and timely identify, measure, value and monitor all kinds of risk that Banco Security may face.

II. RISK MANAGEMENT STRUCTURE

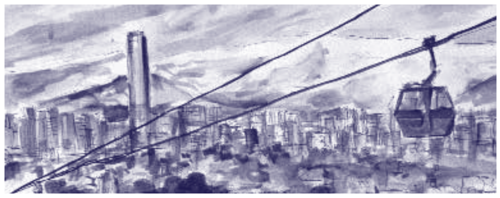
Risk management is carried out through three divisions that report to the Chief Executive Officer: The Risk Division (credit risk); the Planning and Control Division (financial risk) and the Compliance Division (operational risk), all of which operate independently from other business areas and serve as a counterbalance on the Bank's various committees.

The Risk Division is divided into three areas:

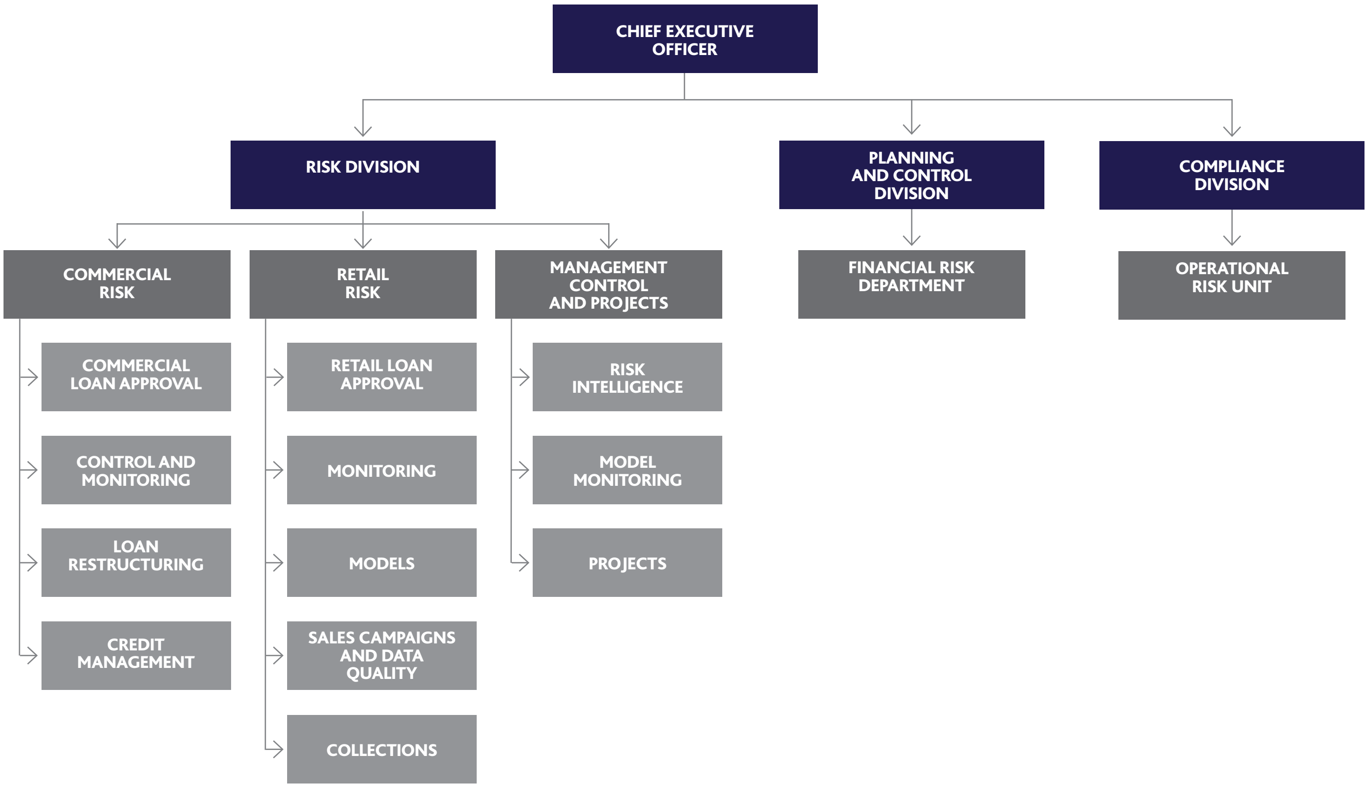
- Commercial Risk,
- Retail Risk, and
- Management Control and Projects.

The Financial Risk Department now reports to the Planning and Control Division. Financial risk was transferred to this division, which is also in charge of financial control and capital management, to take advantage of synergies that can be generated.

Finally, the Operational Risk Unit is part of the Compliance Division. This structure helps create complete independence from possible sources of operational risk.



The Bank's risk division is structured as follows:



Another important component of this structure is the Office of the Controller, which is responsible for regularly and independently evaluating whether the defined risk policies enable effective management and meet regulatory requirements. It is also responsible for conducting audits to verify compliance. The conclusions of these audits are analyzed by the Audit Committee and included in a written report submitted to the Bank's CEO and the area managers involved in the review. The reports provide conclusions from the evaluation and a work plan for resolving the observations made.

AREA DESCRIPTIONS:

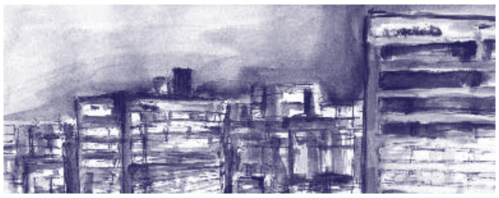
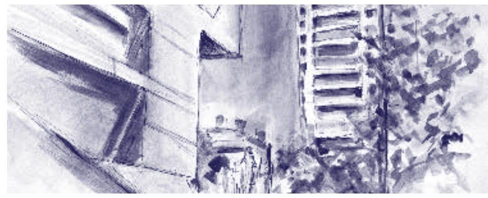
1) CREDIT RISK:

COMMERCIAL RISK:

This department is in charge of risk for entire credit process for customers in the Commercial Banking and Finance divisions. In this role, the department is responsible for defining the policies and procedures for this process and ensuring compliance, all in line with defined risk appetite. It is also responsible for monitoring operations, ensuring risk is correctly classified and maximizing recovery through the collections area. To accomplish this, the department is structured as follows:

A. COMMERCIAL LOAN APPROVAL:

Area in charge of analyzing risk during customer assessment for the large companies, medium companies and finance segments. It is also responsible for standardizing and analyzing financial statements for the entire portfolio, as well as evaluating and controlling the Bank's exposure in foreign markets.


This area also participates on different decision-making committees for the Commercial Banking Division, such as the Circulating Folder Committee and the Managers Committee; and acts as secretary for the Board Credit Committee. It manages all record keeping and procedures related to loan decision making for Commercial Banking.

Within the area is the Real Estate Analysis Area, which is responsible for analyzing this portfolio and generating warning reports used by the monitoring area to control real estate customers.

B. CREDIT MANAGEMENT:

The Credit Management Area is responsible for credit management, particularly changes in portfolio classification and the provisioning process (at month end). It also oversees credit management tasks such as supervising appraisers.

C. CONTROL AND MONITORING:

This area is responsible for three functions:

- Early detection, which helps the Bank more efficiently recover amounts owed by customers.
- Consolidating customer and loan information, which provides data for the ongoing reclassification process to ensure that customer classifications faithfully reflect potential losses.
- It is also responsible for controlling compliance with credit risk policies, and managing the pre-court collections process for Commercial Banking.

It also controls and monitors progress on real estate projects using reports prepared by the Real Estate Analysis Area.

D. LOAN RESTRUCTURING:

This department is responsible for the collections process and for efficiently recovering amounts owed by customers with payment problems. It also manages collections once a loan enters the past-due portfolio, including court and out-of-court collections (defined as sale of the written-off portfolio once all collections alternatives have been exhausted).

In addition, this department manages assets received in lieu of payment for the entire division.

RETAIL RISK:

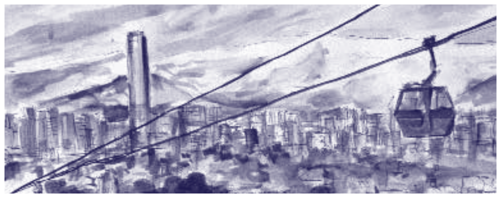
This department is in charge of risk for entire credit process with customers in the Retail Banking Divisions. In this role, the department is responsible for defining the policies and procedures for this process and ensuring compliance, all in line with defined risk appetite. It is also responsible for monitoring operations, ensuring risk is correctly classified and maximizing recovery through the collections area. To accomplish this, the department is structured as follows:

A. RETAIL LOAN APPROVAL:

Department in charge of risk for loan approval process (initiation, assessment and decision) with customers in the Retail Banking Division. In this role, it is responsible for defining the policies and procedures for this process and ensuring compliance, all in line with the defined risk appetite.

B. SALES CAMPAIGNS AND DATA QUALITY:

Area in charge of generating sales campaigns and monitoring outcomes.
It is also responsible for the process of validating and maintaining data for the entire Risk Division, as well as validating regulatory reports for which the Risk Division is responsible.


C. MODELS:

Area in charge of generating and maintaining models in accordance with the Bank's requirements and guidelines from the Model Monitoring Area.

D. MONITORING:

This area is responsible for the following functions:

Early detection, which helps the Bank more efficiently recover amounts owed by customers.

Consolidating customer and loan information, which provides data for the ongoing reclassification process to ensure that customer classifications faithfully reflect potential losses.

E. COLLECTIONS:

This department is responsible for the collections process and for efficiently recovering amounts owed by customers with payment problems. It also manages pre-court, court and out-of-court collections (defined as sale of the written-off portfolio once all collections alternatives have been exhausted).

MANAGEMENT CONTROL AND PROJECTS:

This area is in charge of three functions: Risk intelligence, model monitoring and global credit risk management processes.

It is responsible for the following central processes:

- Interpreting and implementing regulatory modifications.
- Updating, coordinating and communicating credit risk policies and their related procedures.
- Managing the Risk Committee.

It also provides internal support such as:

- Managing projects for the division and others related to credit risk management.
- Conducting training.
- Controlling internal targets.
- Managing the division's budget and planning.

A. RISK INTELLIGENCE AREA:

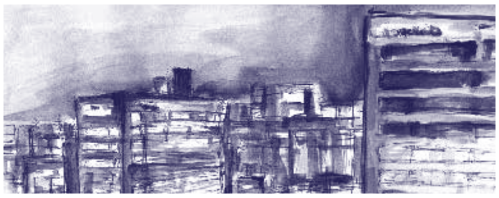
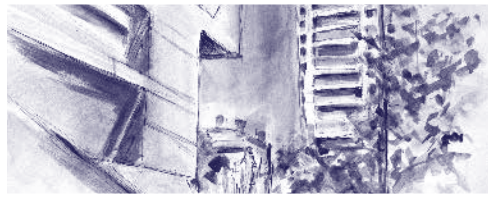
This area is in charge of continuously monitoring risk indicators, generating risk management and analysis reports and monitoring limits and concentration in order to more efficiently manage risk in accordance with the Bank's defined risk appetite.

It is also responsible for monitoring new market trends in credit risk management in search of new tools and processes to attain its objectives.

B. MODEL MONITORING AREA:

This area is in charge of continuously monitoring all of the Bank's models and making recommendations regarding any deviations detected.

It must also monitor the adequacy of provisions on the Bank's portfolios.


2) FINANCIAL RISK:

FINANCIAL RISK DEPARTMENT

Department in charge of ensuring financial risk is effectively managed, which is staffed by nine employees. Further information on its functions is available in section IV.

3) OPERATIONAL RISK:

OPERATIONAL RISK UNIT

Unit in charge of ensuring operational risk, business continuity and information security are effectively managed, which is staffed by nine employees. Further information on its functions is available in section V.

III. CREDIT RISK

A. CREDIT RISK MANAGEMENT OBJECTIVES

The Risk Division is responsible for managing credit risk through the Credit Risk Area. The objective of this area is to complete the six-stage loan approval process: Target market; analysis and assessment; decision; management; monitoring and control; and collections.

The above must be carried out in accordance with the risk tolerance (appetite) defined by senior management.

B. CREDIT RISK STRUCTURE

The Credit Risk Area has numerous departments that participate throughout the entire loan approval process, supporting the Bank's sales areas at all times and acting as an independent counterweight during the loan decision-making process.

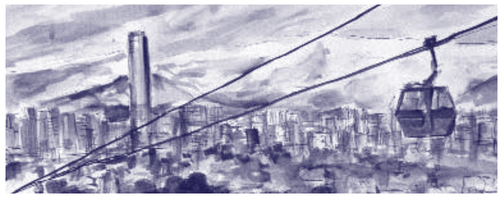
This area is made up of:

- Commercial Risk.
- Retail Risk.
- Management Control and Projects.

C. CREDIT RISK PROCESS:

The following chart details the six stages of the loan approval process and the departments that participate in each stage.

LOAN APPROVAL PROCESS	COMMERCIAL BANKING	RETAIL BANKING
Target Market	Commercial Risk Management	Retail Risk Management
Credit Analysis and Assessment		
Loan Decision		
Credit Management		
Credit Monitoring and Control		
Collections		


C.1 CREDIT RISK STAGES

1. TARGET MARKET:
Although the Bank's senior management is responsible for defining the target market, this decision is based on a proposal prepared jointly by the sales and risk areas after having analyzed the opportunities available in the market and the risks of the different segments. This proposal is contained in the Bank's Credit Risk Policy Manual.

2. CREDIT ANALYSIS AND ASSESSMENT:
The tools used to analyze and assess a customer depend on the customer's market. For example, a scoring system is used in retail banking (individuals and companies), while a case-by-case analysis prepared by a credit risk expert is utilized in commercial banking.

3. LOAN DECISION:
The credit risk area acts as a counterweight in the loan decision process in all committees on which it sits. It also defines the approval limits for commercial areas and may intervene if risk standards are surpassed at any time.

There are mainly two types of committees, separated by the way they operate: circulating folder or meeting. In the first case, which involves smaller amounts, a folder is passed from one level to the next until it reaches the required level. In the second case, for larger amounts, a meeting is held where an account executive presents the loan to members of the committee for their approval. Meeting committees are also divided by amount.

Of these loan committees, the most important is the Board Credit Committee, which includes two directors, two advisors to the Board, the Bank's CEO, the Risk Division Manager and the Commercial Loan Approval Manager. This committee analyzes the most important loans, assessing close to 70% of loans in terms of amount and 5% in terms of number of customers.

4. CREDIT MANAGEMENT:
This area works to ensure proper customer classification, which begins with executives, followed by reclassifications made mainly by the Monitoring and Control Department, committees and the Loan Restructuring Department, and ends with the Reclassification Committee. The latter body executes and carries out the classification and provisioning process in order to ensure the Bank is operating correctly and to reflect the reality of its portfolio.

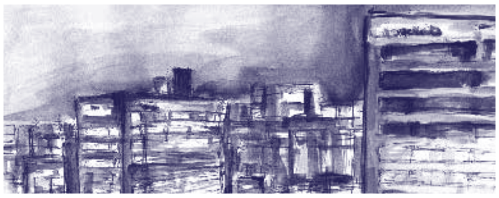
It also works with sales areas to keep the number of expired and/or overdrawn lines of credit within expected parameters, and it maintains strict control of appraisals of assets provided to guarantee loans.

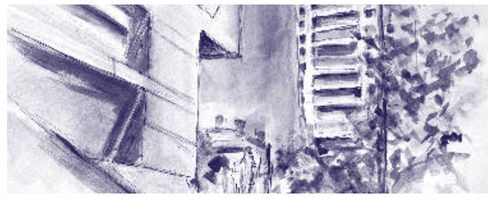
5. MONITORING AND CONTROL:
This stage aims to maintain an overall vision of how the above-mentioned loan processes are functioning. Its involvement includes reviewing and auditing current credit policies, monitoring the performance of the analysis areas and committees, and properly managing credit.

It relies on various sources of information to fulfill its duties, including reports provided by the Credit Risk Intelligence Area and information on portfolio behavior. It uses this information to strictly monitor and control the Bank's portfolio and, as a result, it is the area that proposes most of the potential customer reclassifications.

This function is separated into two areas that serve the Commercial and Retail Banking divisions.

6. COLLECTIONS:
In this stage, the specialized Collections (Retail Risk) and Loan Restructuring (Commercial Risk) departments perform a variety of activities to collect on loans, including out-of-court and court collections.





D. RISK RATING AND PROVISIONS:

Risk rating and assessments for provisioning purposes depend on customer and product type. Customers can be rated individually or as a group, as detailed below:

INDIVIDUAL RATING		GROUP RATING	
CUSTOMER TYPE	METHODOLOGY	CUSTOMER TYPE	METHODOLOGY
Companies (includes individuals with business accounts)	Commercial matrix and business rules	Individuals with commercial loans	Guidelines
Real estate	Manual	Small businesses	Guidelines/Matrix
OTHER: · Banks · Restructuring of retail and commercial loans · Non-profit · Special group leasing	Manual	Investment Companies	Guidelines/Matrix
		Residential mortgage loans	Model
		Consumer loans	Internal model

D.1 RATING INDIVIDUAL CUSTOMERS:

This group includes all customers (individuals or legal entities) that the Bank needs to understand and analyze in detail because of their size, complexity or exposure level.

As a result, Banco Security individually rates all entities with annual sales over MCH$1,000 and debt over MCH$200, as well as real estate projects, institutional companies, non-profit organizations and bankrupt entities, among others.

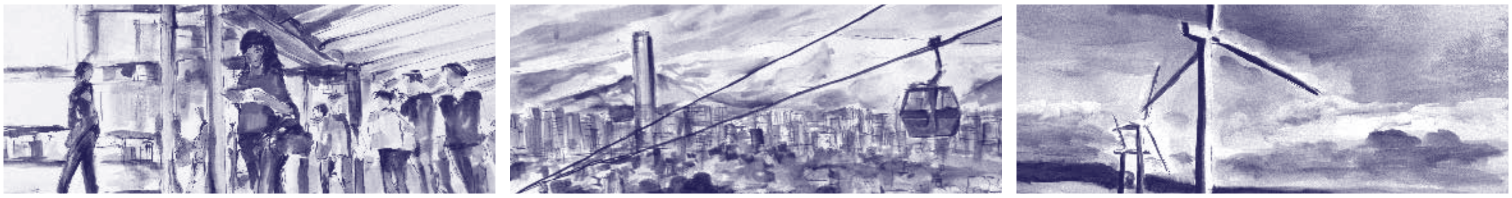
D.2 RATING GROUP LOANS:

Group assessments are used for customers that tend to behave similarly. Thus, they are assessed using methodologies and models to analyze operations related to the same product, based on customer type, as indicated below:

1. COMMERCIAL PRODUCTS:
   a. Individuals
   b. Restructuring of retail loans
   c. Small businesses
   d. Investment companies

2. CONSUMER PRODUCTS:
   a. Individuals

3. MORTGAGE PRODUCTS:
   a. Individuals

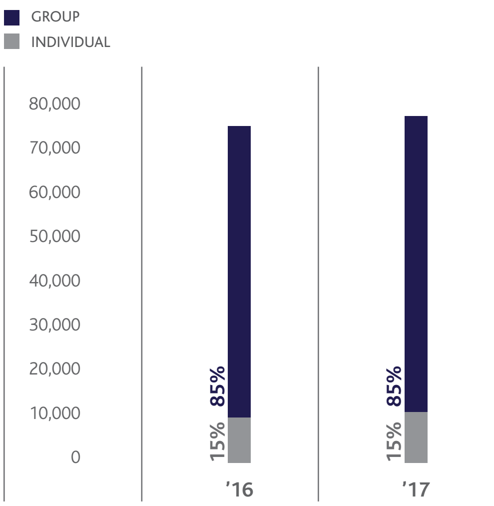


D.3 DISTRIBUTION OF LOAN PORTFOLIO:

The Bank's portfolio is distributed as follows, based on the type of risk assessment used (i.e. group or individual):

ASSESSMENT BY CUSTOMER TYPE

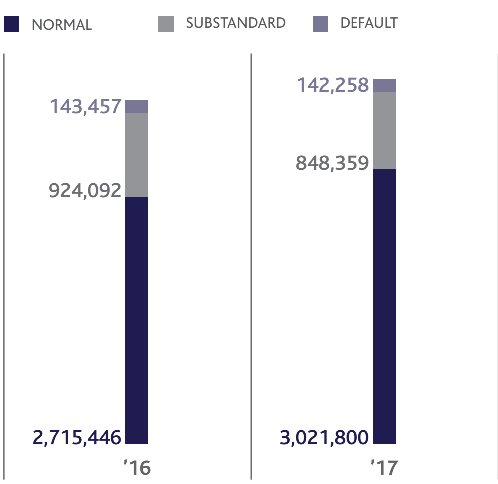
NUMBER OF CUSTOMERS



Individually assessed loans are distributed by category (normal, substandard and default) using the following criteria:

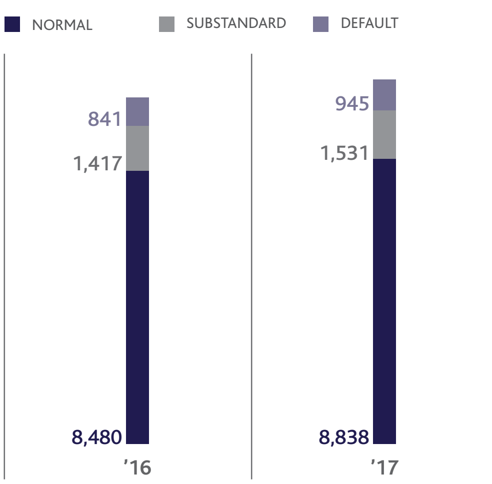
DISTRIBUTION OF INDIVIDUALLY ASSESSED LOANS

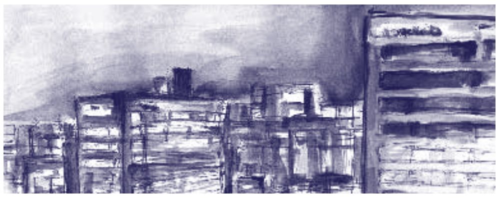
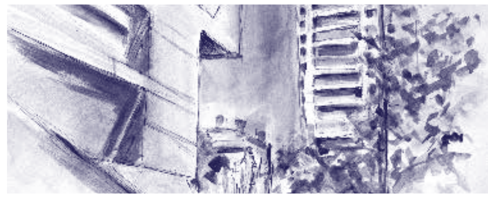
AMOUNT OF LOANS - MCH$



DISTRIBUTION OF INDIVIDUALLY ASSESSED LOANS

NUMBER OF CUSTOMERS - DEC 2016-2017




IV. FINANCIAL RISK

A. FINANCIAL RISK MANAGEMENT OBJECTIVES

For the organization, financial activities are defined as all transactions that are closed by the Bank and its subsidiaries Valores Security and Administradora General de Fondos, either on their own account or on behalf of third parties.
In general, financial transactions include operations involving foreign currency, loans, financing instruments, fixed-income instruments, derivatives and stocks.

The strategic objectives of financial activities include:

- Strengthening and expanding the Bank's position, consolidating and developing long-term relationships with customers and different market players, and providing a full range of investment banking products.

- Improving and ensuring the stability of long-term returns and effectively managing the different potential risks.

Financial activities are limited to previously-approved strategic product areas and will only be carried out within the overall risk guidelines defined by the Bank's Board of Directors.

In managing the portfolio of financial investments, the organization will actively manage positions based on an ongoing analysis of economic and financial conditions. Therefore, positions in financial instruments will be in line with the consensus for the macroeconomic outlook. However, short-term trading positions can also be taken to capitalize on a one-time misalignment of a market variable.

In order to achieve the objectives established in the Bank's investment strategies, a broad range of currencies and products can be traded, always in accordance with current applicable regulations.

The Bank is primarily engaged in trading non-derivative fixed-income financial instruments, interbank funding, transactions with repo agreements, foreign currency spot sales and purchases, currency and interest rate derivatives (forwards and swaps), stocks and simultaneous operations.

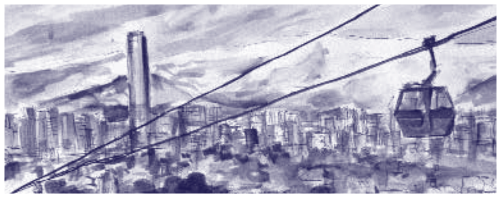
Treasury products can be geared towards different objectives, such as profiting from short or medium-term variations in market factors, making returns by generating spreads with respect to the financing rate of positions, leveraging maturity mismatches and slopes of interest rate structures or exchange rate differentials, engaging in economic and/or accounting hedges and distributing treasury products through the Bank's sales network.

Derivatives are particularly used to hedge risks, to arbitrate some market or to take certain proprietary positions.

Hedge management using derivatives can use economic or accounting hedges, depending on the defined strategy.

Strategies with derivatives with accounting hedges can be used to hedge cash flows or the fair value of any item in the statement of financial position or expected transaction that generates risk or volatility in profit or loss, in compliance with international accounting standards. These strategies must meet all requirements included in current regulations and their effectiveness is reviewed at least monthly for each hedge.

Risk management and control take place through policies, procedures, methodologies and limits, which create value for shareholders and the market in general, guaranteeing adequate solvency levels.


These internal limits, defined by portfolio type, maturity mismatches, currency and instrument type based on the Bank's risk appetite, allow the Bank to control risk levels and diversify investment portfolios.

The Bank's policies also allow it to require guarantees under certain circumstances, mainly for derivative transactions, in order to mitigate credit risk.

B. FINANCIAL RISK STRUCTURE

The Board of Directors is responsible for approving risk management policies, limits and structures for the Bank and its subsidiaries. To accomplish this, it has set up several committees to monitor compliance with defined policies and limits. These committees are made up of directors and executives and provide the Board with regular reports on risk exposure.

The following committees currently analyze matters related to financial risk:

- Finance Committee: Controls and manages financial investments from a short and medium-term trading perspective and the risks associated with these portfolios.

- Asset and Liability Committee: Controls and manages the risk of mismatches in assets and liabilities in order to stabilize and protect and control the Bank's financial margin and economic value. It also monitors liquidity gaps, diversification of funding sources, highly-liquid assets and risk-adjusted capital limits (solvency).

The objective of the Bank's financial risk management policies is to identify and analyze the risks faced by the Group, set concentration limits and put ongoing controls in place to monitor compliance.

The committees regularly revise these policies in order to incorporate changes in market conditions and the Bank's activities. Once revised, the changes are submitted to the Board for its approval.

The Financial Risk Department, which reports to the Planning and Control Division, is charged with monitoring and controlling risks and is independent from the business areas that take and manage the risks.

This department is specifically responsible for:

- Centralizing efforts to control and measure the different risks affecting the Bank and its subsidiaries by applying uniform policies and controls.

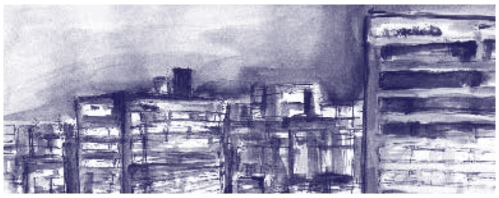
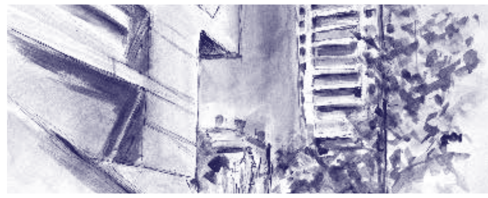
- Ensuring that risk managers, senior management and the board of directors are kept informed of key matters regarding market and liquidity risk.

- Assuring that recommendations from regulators and internal auditors are followed and appropriately implemented.

- Reporting and monitoring market risk and liquidity and limit compliance on a daily basis for the Bank and its subsidiaries.

- Developing and reviewing the effectiveness of methods and procedures for measuring risk.

Risk is measured and controlled on a daily basis using risk reports used by senior management to make decisions. These reports include VaR measurements and rate sensitivity for both the investment portfolio and the banking book as a whole, risk exposure by portfolio, instrument, risk factors and concentration and compliance with internal limits.


C. FINANCIAL RISK PROCESS

Risk measurements are based on automated systems used to monitor and control the risk to which the Bank and its subsidiaries are exposed on a daily basis, thus allowing for proper decision-making.
The Treasury is in charge of taking positions and risks within the limits defined by senior management. It is responsible for managing financial risks arising from positions in investment books, from structural asset/liability mismatches and from managing liquidity gaps and also for adequately funding operations.

The Internal Audit Department regularly assesses risk processes. The general risk structure is continuously being evaluated by the SBIF, the Bank's independent auditors, and other external entities.

D. DEFINITION OF FINANCIAL RISKS

A) MARKET RISK

Market risk represents the potential loss that can result from changes in market prices over a certain period of time as a result of movements in interest rates, foreign currencies, indexation indices and stock prices. These losses affect the value of financial instruments held for trading and available for sale, both for the Bank and its subsidiaries.

MARKET RISK METHODOLOGY

Market risk is measured using the Value at Risk (VaR) methodology, which allows the different risks and types of operations to be standardized, modeling the collective relationship of these factors in a single risk measurement.

VaR provides an estimate of the maximum potential loss from treasury positions of financial assets or liabilities in the event of an adverse, yet normal, scenario.

The methodology used to calculate VaR is a parametric technique that assumes that the price returns on investments follow a normal distribution using a threshold of 95% confidence, a maintenance horizon of 1 day and a historical data sample of 250 days adjusted using statistical techniques to assign greater weight to more recent developments, in order to quickly capture increases in market volatilities.

The assumptions on which the model is based have some limitations, including:

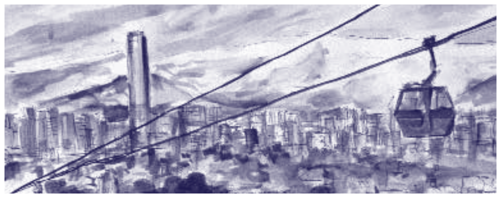
- A maintenance period of one day assumes that the positions can be covered or disposed of within that period. However, investment portfolios held for trading are comprised of highly-liquid instruments.

- A confidence level of 95% does not reflect the losses that could occur in the remaining 5% of the distribution.

- Value at risk is calculated with positions at the end of the day and does not reflect the exposure that could arise during the trading day.

- The use of historical information to determine possible ranges of future outcomes may not cover all possible scenarios, especially exceptional circumstances.

- Market price returns of financial instruments can present abnormal probability distributions.


The limitations of the assumptions used by the VaR model are minimized using nominal limits for investment concentration and sensitivity to specific risk factors.

The reliability of the VaR methodology used is verified using backtesting, which is contrasted with the actual results obtained to determine whether they are consistent with the methodological assumptions within the given confidence levels. Ongoing monitoring of these tests allows the Bank to confirm the validity of the assumptions and hypothesis used in the model.

Control of financial risk is complemented with specific simulation exercises and stress testing to analyze different financial crises that have occurred in the past and the effect they may have on current investment portfolios.

These risks are monitored on a daily basis. Risk levels incurred and compliance with limits established for each unit are reported to risk managers and senior management.

Banco Security and its subsidiaries measure and limit Value at Risk in their investment portfolios (trading and available for sale) by risk factor, interest rates, currencies, instrument type and portfolio type.

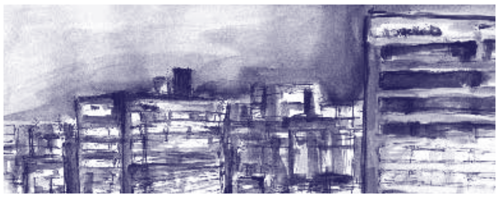
Details of the market risks of the different investment portfolios by type of risk are as follows:

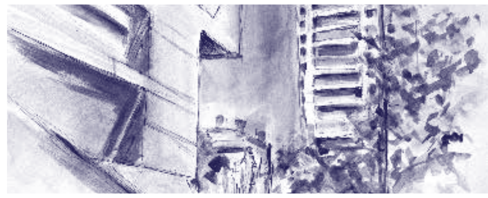
	VAR BY TYPE OF RISK	
	DECEMBER 31, 2017 MCH$	DECEMBER 31, 2016 MCH$
TRADING:		
Fixed Income	103	308
Derivatives (excl. options)	410	141
Embedded options	1	1
FX	26	49
Shares	58	21
Diversification effect	(342)	(216)
Total portfolio	255	305
AVAILABLE FOR SALE:		
Rate	232	556
Total portfolio	232	556
Total diversification	(368)	(360)
Total VaR	462	716

B) STRUCTURAL INTEREST RATE RISK

This risk stems mainly from commercial activity (commercial loans v/s deposits), caused by the effects of variations in interest rates and/or the slopes of interest rate curves to which assets and liabilities are indexed. When these show temporary repricing or maturity gaps, they can impact the stability of results (financial margin) and solvency levels (economic value of equity).

To do this, the Bank establishes internal limits using sensitivity techniques for interest rate structures. The Bank also uses stress testing to evaluate the sensitivity of interest rates, currency repricing, changes in stock prices, changes in underlying assets for options and changes in commissions that may be sensitive to interest rates. This stress testing enables the Bank to measure and control the impact of sudden movements in the different risk factors that affect its solvency ratio, the financial margin and the economic value of equity.





Compliance with limits established by the Bank, in accordance with the definitions established by the Chilean Central Bank in Chapter III.B.2.1 of the Compendium of Financial Standards and by the Superintendency of Banks and Financial Institutions in Chapter 12-21 of the Updated Standards, is also monitored on a daily basis. The Bank also files a weekly report with the SBIF on the risk positions of the investment portfolio within the trading book and limit compliance. It also files a monthly report with the SBIF on the consolidated positions at risk (including subsidiaries) for the trading book and individually for the banking book, which includes sensitivity to market risk in the available-for-sale portfolio and the commercial book.

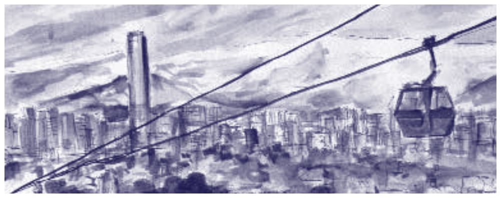
In accordance with the methodology defined in Chapter III.B.2.2 of the Compendium of Financial Standards of the Chilean Central Bank, market risk is as follows:

	MARKET RISK TRADING BOOK	
	DECEMBER 31, 2017 MCH$	DECEMBER 31, 2016 MCH$
MARKET RISK:		
Interest rate risk	9,227	12,019
Currency risk	1,163	1,603
Options risk	7	11
Total risk	10,397	13,633
Consolidated risk-weighted assets	5,360,108	5,018,966
Regulatory capital (RC)	751,267	663,763
Basel limit	8.00%	8.00%
Basel with market risk	13.69%	12.70%
Basel I	14.02%	13.23%

	MARKET RISK BANKING BOOK	
	DECEMBER 31, 2017 MCH$	DECEMBER 31, 2016 MCH$
SHORT-TERM:		
Interest rate risk (short-term)	5,671	11,435
UF mismatch	1,313	4,694
Sensitive commissions	166	61
Total risk	7,150	16,190
Limit 35% margin (Board)	50,735	51,500
Surplus (Board)	43,585	35,310
LONG-TERM:		
Interest rate risk	16,975	49,180
Limit 25% RC (Board)	187,864	165,138
Surplus (Board)	170,890	115,958

C) LIQUIDITY RISK

Liquidity risk represents the possibility of not fulfilling obligations when they mature as a result of the inability to liquidate assets or obtain funds, or not being able to dispose of them easily or offset exposure without significantly reducing prices due to insufficient market depth (market liquidity).


The following concepts are involved with liquidity risk.

- Maturity risk: The risk arising from having cash inflows and outflows with different maturity dates.
- Collection risk: The risk of being unable to collect any cash inflow as a result of stoppage of payment, default or delay.
- Funding risk: The risk of being unable to raise market funds, either in the form of debt or capital, or only being able to do so by substantially raising the cost of funds, thus affecting the financial margin.
- Concentration risk: the risk from concentrating funding or revenue sources in a few counterparties that may bring about an abrupt change in the matching structure.
- Market liquidity risk: This risk is linked to certain products or markets and arises from not being able to close or sell a particular position at the last quoted market price (or a similar price) due to low liquidity.

LIQUIDITY RISK METHODOLOGY

The methodologies used to control liquidity are the liquidity gap, which considers probable behavior scenarios for assets and liabilities, stress testing, liability concentration limits and early warning indicators.

The liquidity gap provides information regarding contractual cash inflows and outflows (i.e. those that will occur at a given future time according to asset and liability contracts). For items without contractual maturities, simulations are created based on statistical studies to infer maturity behavior.

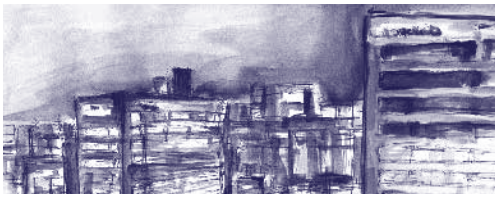
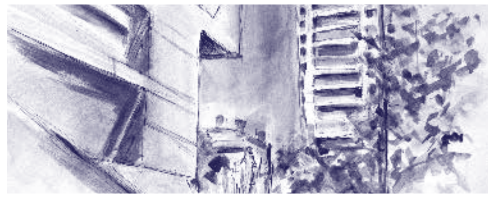
Based on these scenarios, assumptions for normal operating conditions are established. These omit items (mainly assets) that create a set of conservative liquidity management conditions from daily management. They are limited through minimum mismatching margins per control segment defined on a weekly and monthly basis over a horizon of one year.

This is supplemented by special procedures to face a liquidity crisis and early warning indicators that can identify any potential risk.

A series of ratios and funding concentration limits by creditor and maturity are also controlled. This enables the Bank to keep its funding sources organized and diversified.

The Bank uses the contractual maturity methodology to comply with the regulatory liquidity limits established in Chapter III.B.2.1 of the Chilean Central Bank's Compendium of Financial Standards and Chapter 12-20 of the SBIF's Updated Compilation of Standards.

Mismatches and compliance with consolidated regulatory limits by the Bank and its subsidiaries are reported to the SBIF every three days.

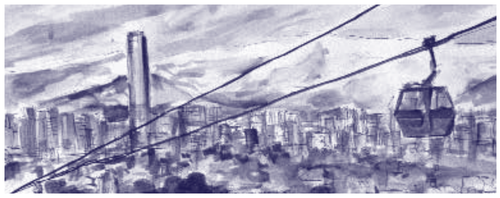




Details of regulatory liquidity gaps as of December 31, 2017 and 2016, in all currencies presented in MCH$, are as follows.

	< 1 MONTH		1 - 3 MONTHS		3 MONTHS - 1 YEAR		1 - 3 YEARS		3 - 6 YEARS		> 6 YEARS		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Available funds	575,762	470,748	-	-	-	-	-	-	-	-	-	-	575,762	470,748
Financial investments	719,336	873,081	40,236	24	10,257	1,491	623	4,991	568	-	764	-	771,784	879,587
Loans to other domestic banks	-	-	-	238	-	-	-	-	-	-	-	-	-	238
Commercial and consumer loans	292,130	371,567	493,942	420,753	1,206,076	1,143,185	834,367	892,705	761,863	726,125	1,024,251	755,029	4,612,629	4,309,364
Lines of credit and overdrafts	317,120	213,315	619,568	409,447	603,689	569,301	-	-	-	-	-	-	1,540,377	1,192,063
Residential mortgage loans	4,695	4,360	8,491	7,892	38,679	35,767	250,773	94,462	228,982	136,887	307,843	515,854	839,463	795,222
Other assets	104,682	102,192	-	2	-	-	-	-	-	-	-	-	104,682	102,194
Derivatives	155,253	103,593	97,832	50,809	94,799	93,081	93,638	72,616	85,501	109,237	114,948	36,211	641,971	465,547
	2,168,978	2,138,856	1,260,069	889,165	1,953,500	1,842,825	1,179,401	1,064,774	1,076,914	972,249	1,447,806	1,307,094	9,086,668	8,214,963
Current accounts and other demand deposits	671,042	575,597	-	-	-	-	-	-	-	-	-	-	671,042	575,597
Domestic interbank loans	8,145	5	-	-	-	-	-	-	-	-	-	-	8,145	5
Savings accounts and time deposits	555,904	638,197	837,844	1,134,088	1,393,502	1,209,718	53,997	111,851	54,068	208	66,999	-	2,962,314	3,094,062
External funding	2,262	22,315	41,784	34,480	84,846	56,459	19,929	35,069	19,955	14,126	24,727	-	193,503	162,449
Letters of credit	587	804	191	319	1,910	2,921	5,974	6,635	5,982	8,110	7,413	11,374	22,057	30,163
Bonds	90,681	9,956	9,323	7,108	65,376	170,256	589,581	411,076	590,348	512,699	731,535	750,269	2,076,844	1,861,364
Lines of credit and overdrafts	319,782	216,316	621,782	416,171	607,866	567,067	-	-	-	-	-	-	1,549,430	1,199,554
Other liabilities	169,705	144,661	12,144	4,239	5,846	5,122	5,416	7,080	5,424	3,853	6,721	1,535	205,256	166,490
Derivative instruments	144,565	106,974	94,882	52,813	95,932	94,475	89,824	65,901	89,940	99,446	111,450	27,953	626,593	447,562
	1,962,673	1,714,825	1,617,950	1,649,218	2,255,278	2,106,018	764,721	637,612	765,717	638,442	948,845	791,131	8,315,184	7,537,246
Net cash flow	206,305	424,031	(357,881)	(760,053)	(301,778)	(263,193)	414,680	427,162	311,197	333,807	498,961	515,963	771,484	677,717
Accumulated net cash flow	206,305	424,031	(151,576)	(336,022)	(453,354)	(599,215)	(38,674)	(172,053)	272,523	161,754	771,484	677,717	1,542,968	1,355,434
Regulatory limit	(553,157)	(461,686)	(1,106,313)	(923,372)										
Limit exceeded by	(759,462)	(885,717)	(954,737)	(587,350)										

Regulatory liquidity gap as of December 31, 2017 and 2016, in foreign currency presented in MCH$.

	< 1 MONTH		1 - 3 MONTHS		3 MONTHS - 1 YEAR		1 - 3 YEARS		3 - 6 YEARS		> 6 YEARS		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Available funds	236,876	211,395	-	-	-	-	-	-	-	-	-	-	236,876	211,395
Financial investments	125,227	164,570	-	-	-	-	-	-	-	-	-	-	125,227	164,570
Commercial and consumer loans	51,322	54,761	75,409	77,268	129,504	125,380	91,019	96,416	83,110	78,472	111,733	127,903	542,097	560,200
Lines of credit and overdrafts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1,381	15,878	-	-	-	-	-	-	-	-	-	-	1,381	15,878
Derivatives	48,060	60,989	7,079	25,794	39,238	57,442	57,912	37,167	52,880	54,250	71,092	22,590	276,261	258,232
	462,866	507,593	82,488	103,062	168,742	182,822	148,931	133,583	135,990	132,722	182,825	150,493	1,181,842	1,210,275
Current accounts and other demand deposits	133,932	103,828	-	-	-	-	-	-	-	-	-	-	133,932	103,828
Domestic interbank loans	6,563	-	-	-	-	-	-	-	-	-	-	-	6,563	-
Savings accounts and time deposits	125,143	124,906	158,007	228,433	67,279	52,662	-	7	-	-	-	-	350,429	406,008
External funding	2,262	22,315	41,784	34,480	84,846	56,459	19,929	35,069	19,955	14,126	24,727	-	193,503	162,449
Other liabilities	25,613	18,598	-	-	-	-	-	-	-	-	-	-	25,613	18,598
Derivative instruments	90,179	93,809	70,165	36,643	24,722	36,302	31,910	25,112	31,952	44,119	39,594	20,176	288,522	256,161
	383,692	363,456	269,956	299,556	176,847	145,423	51,839	60,188	51,907	58,245	64,321	20,176	998,562	947,044
Net cash flow	79,174	144,137	(187,468)	(196,494)	(8,105)	37,399	97,092	73,395	84,083	74,477	118,504	130,317	183,280	263,231
Accumulated net cash flow	79,174	144,137	(108,294)	(52,357)	(116,399)	(14,958)	(19,307)	58,437	64,776	132,914	183,280	263,231	83,230	526,462
Regulatory limit	79,174	144,137												
Limit exceeded by														


To supplement these gap analyses, several ratios are monitored to control the amount of liquid assets that back net cash outflows over a 30-day horizon under stress scenarios, as well as ratios that allow the Bank to ensure an adequate relationship between stable or long-term funding and long-term funding needs.

HEDGE ACCOUNTING

The Bank hedges assets or liabilities in the statement of financial position using derivatives in order to minimize the effects on profit or loss of possible movements in their market value or estimated cash flows.

At the inception of the hedge relationship, the Bank formally documents the relationship between hedging instruments and the hedged item, as well as the hedge's strategies and objectives and the methodologies for testing its effectiveness.

The effectiveness of the hedge relationship is tested using prospective and retrospective evaluations. The hedge is deemed highly effective if the results of the tests are between 80% and 125%.

As of December 31, 2016, the Bank has five accounting hedges under the same strategy of hedging the volatility of the fair value of commercial loans as a result of variations in the base interest rate in UF. What is hedged is an interest rate swap for which the liability is a fixed rate in UF and the asset is a daily variable rate in UF (TRA).

HEDGES	
Hedge type	Fair value
Hedged object	Assets at fixed rate in UF
Derivative	Interest rate swaps in UF
Purpose	Reduce fair value risk
Maturity	6/25/2028
Retrospective effectiveness	100.0%

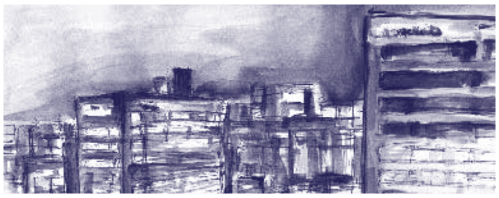
EMBEDDED DERIVATIVES

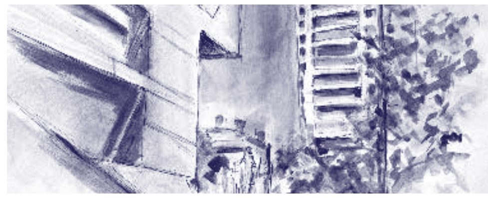
These derivatives can be embedded in another contractual agreement (or host contract) and, therefore, are accounted for at market price separately from the host contract when it is not recorded at fair value since the characteristics and economic risks of the embedded derivative are not related to the characteristics and economic risks of the host contract.

Currently, the Bank carries at fair value through profit and loss embedded derivatives arising from variable rate mortgage loans that incorporate a fixed rate after a certain amount of time or a rate ceiling used by customers to obtain an option in their favor. These will generate negative effects for the Bank when market rates are above the rate ceiling on these loans. This effect is determined on a daily basis using sophisticated methodologies to evaluate options, and the change in fair value is treated as profit or loss for the year (increases in the theoretical value of that derivative are a loss for the Bank).

Relevant data on these embedded derivatives are as follows:

	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
Balance MUF mortgage portfolio	90	115
Rate ceiling (average)	6.8%	6.9%
Option value MCH$	5	9





V. OPERATIONAL RISK

A. DEFINITION

The Bank and its subsidiaries define operational risk as the risk of losses resulting from inadequate or faulty processes, staff and internal systems, or due to external incidents. This definition includes legal risks but excludes strategic and reputation risks.

Furthermore, loss (write-off) is defined as negative financial effects on the physical, financial or intangible assets of the Bank and its subsidiaries caused by events related to an operational risk. If this event does not generate negative financial effects, it will not be considered "an incident".

B. MAIN OBJECTIVES AND PRINCIPLES

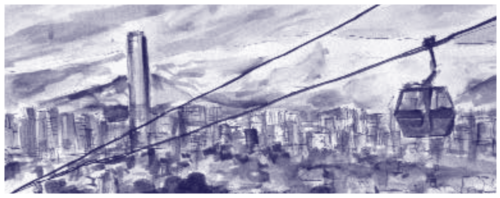
The objective of operational risk management is to define a framework for managing operational risk in Banco Security and its subsidiaries. This includes establishing principles for identifying, assessing, controlling and mitigating such risk in order to reduce losses from operational risk, thus complying with corporate objectives and providing a suitable level of exposure to operational risk.

The following principles govern the operational risk management efforts of Banco Security and its subsidiaries:

- Operational risk is defined as a category apart from traditional banking risks and requires proactive management to identify, assess, control and mitigate such risk.
- A clear definition of operational risk must exist and it must be classified based on the guidelines established in the Basel capital agreements.
- The Board of Directors and senior management serve an important role in approving and supervising compliance with the operational risk management policy and strategy.
- Specific definitions must exist for operational loss and tolerance levels set by the Bank and its subsidiaries.
- An individual with an independent, specific position should be in charge of the operational risk function.
- Consistency with current regulations and best practices in its regard.

C. OPERATIONAL RISK MANAGEMENT STRATEGY

The operational risk management strategy, carried out by the Operational Risk Unit, must be consistent with the volume and complexity of the activities of the Bank and its subsidiaries. To accomplish this, it defines lines of action for operational risk management in the following areas: Products or processes, suppliers, business continuity and information security. These lines are implemented throughout the Bank and its subsidiaries.

The strategy must set a tolerance level for operational risk assumed by the Bank and its subsidiaries that enables it to manage mitigation efforts and monitor risks with exposure greater than or equal to this set tolerance. The strategy must be implemented throughout the entire Bank and its subsidiaries, which means that all levels of personnel must understand and accept their responsibilities regarding the management of this risk.

At a minimum, the strategy should address the following areas: Yearly planning, operational risk models and methodologies and a tool for consolidating all operational risks for the Bank and its subsidiaries.

D. OPERATIONAL RISK STRUCTURE

The Operational Risk Control Unit reports directly to the Bank's Compliance Manager.

In accordance with the operational risk policy approved by the Board of Directors, risk management is carried out by the individuals responsible for processes and those who execute them, who are the main risk managers; by the operational risk area, which is in charge of managing and monitoring operational risk; by the Board of Directors and the Operational Risk Committee, which is responsible for ensuring that the Bank's operational risk management framework is in line with defined objectives and best practices, and that the necessary conditions exist (trained personnel, organizational structure, budget) to implement this framework.

E. OPERATIONAL RISK MANAGEMENT

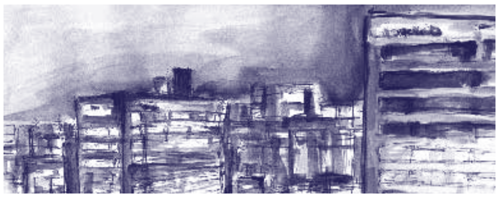
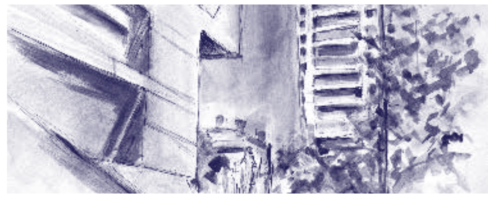
In order to properly manage risk and comply with the objectives defined by the Bank in its Operational Risk Policy, a series of activities have been developed and are described below:

The Operational Risk Management Framework is based on three basic pillars:

- CULTURE:
  Raising awareness of the importance of operational risk management across the entire organization at all levels.

- QUALITATIVE MANAGEMENT:
  Managing by detecting present and potential risks in order to manage them effectively (i.e. avoiding, transferring, mitigating or accepting these risks). Qualitative management is based on the following activities:

  - Database of losses and incidents
  - Identification and self-assessment of operational risks
  - Key risk indicators
  - Critical supplier reviews
  - Project reviews
  - Process reviews
  - Reviews of procedures and operating manuals
  - Others


- QUANTITATIVE MANAGEMENT:
  Managing by creating awareness in the organization of the level and nature of operational loss events. This enables the Bank to allocate funds through provisions for expected losses and to efficiently allocate capital for unexpected losses. Quantitative management is based on the following activities:

  - Gathering and managing data.
  - Integrating qualitative and quantitative management.

F. OPERATIONAL RISK MANAGEMENT FRAMEWORK

The Operational Risk Management Framework is applied in following stages:

- ESTABLISHING THE CONTEXT:
  Setting the strategic, organizational and risk management context within which the process will take place. The Bank must stipulate the criteria for assessing risks and define the analysis structure.

- IDENTIFYING RISKS:
  Associating risks with the numerous processes and/or procedures executed as part of the various activities carried out by the Bank.

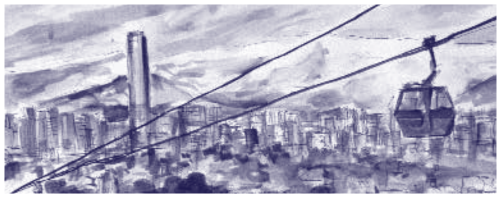
- ANALYZING RISKS:
  Specifically analyzing each of the risks detected based on the context set to determine whether that risk has an associated control or requires an action or mitigation plan. This situation will be established in accordance with the Bank's priorities.

- ASSESSING RISKS:
  Assessing each of the risks based on the probability of occurrence and the level of impact.

- MITIGATING RISKS:
  Once risks have been detected and assessed, an analysis will be performed. To accomplish this, the Bank will define an action plan, assign an individual in charge of executing it and set a date for its resolution.

- MONITORING AND REVIEWING:
  Monitoring, reviewing and updating the risk survey and resolution commitments from the person in charge.

- COMMUNICATING AND CONSULTING:
  Communicating and consulting with internal and external stakeholders, as appropriate, in each stage of the risk management process, considering the process as a whole.


VI. RISK COMMITTEES

In order to correctly manage risks, Banco Security has set up several risk committees, as described briefly below:

A. CREDIT RISK COMMITTEES

There are three credit risk committees: The Board Credit Committee, the Executive Credit Committee and the Circulating Folder Credit Committee. The Bank's retail banking and commercial banking credit risk policies clearly specify the criteria used to identify which committee should analyze each transaction. The sales areas have almost no lending authority on their own and must almost always obtain approval from the credit risk areas or the respective committees in order to approve loans.

COMPOSITION OF CREDIT RISK COMMITTEE:

The members of this committee are:
- Three directors
- One advisor to the Board
- Chief Executive Officer
- Risk Division Manager
- Commercial Loan Approval Manager

The Circulating Folder Credit Committee consists of various sales managers and the deputy manager from the appropriate division (Retail or Commercial Banking).

MATTERS ADDRESSED:
These committees are responsible for approving or rejecting the loan applications submitted to the appropriate committee based on the loan amount and conditions.

PERIODICITY:
The Board Credit Risk Committee meets every Tuesday and Thursday (except the second Thursday of each month) while the Executive Credit Risk Committee meets every Wednesday. The Circulating Folder Credit Risk Committee operates mainly on Monday and Thursday mornings.

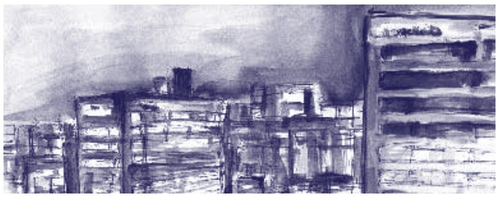
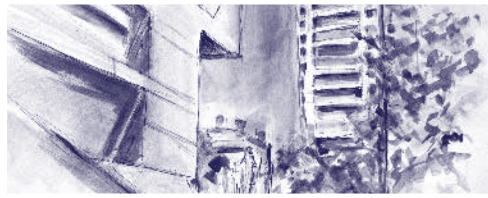
BOARD INVOLVEMENT:
The Board is highly involved in the credit risk process through the Board Credit Risk Committee. Two directors and the Chairman of the Board sit on this committee, which is the Bank's main credit risk body and is responsible for approving the most important transactions.

B. CREDIT RISK RECLASSIFICATION COMMITTEE

This committee's objective is to review customer risk classifications in light of new developments that may downgrade or upgrade their risk rating provided by the rating system.

This committee meets monthly and is comprised of:

- Chief Executive Officer
- Risk Division Manager
- Commercial Division Manager (depending on the case being assessed)
- Retail Division Manager (depending on the case being assessed)
- Risk Management Manager
- Commercial Division Agents (depending on the case being assessed)
- Head of Credit Risk Control and Monitoring


C. WATCH COMMITTEE

This committee is responsible for monitoring and controlling operations and customers by reviewing information on potential future problems (asymptomatic), non-evident variables and evident variables. It also monitors any previously given instructions.

There are three types of committees:

- The BOARD WATCH COMMITTEE for customers with overall BS credit line over MCH$500 (Approx. UF 20,000). Meets quarterly.
- The MONITORING or MANAGER WATCH COMMITTEE for customers with overall BS credit line under MCH$500 (Approx. UF 20,000). Meets every two months.
- The RETAIL WATCH COMMITTEE for retail customers with overall BS credit line over MCH$20 (Aprox. UF800). Meets monthly.

D. MODELING COMMITTEE

This committee meets each month to review and monitor all models used for credit risk management. It is also charged with approving new models and monitoring progress. It also reviews the different credit risk methodologies that the Bank uses or is considering using.

E. RISK COMMITTEE

This committee's objective is to thoroughly review all the risks faced by the Bank and those that may impact it in the future. Based on this review, it generates guidelines and approves action plans in order to meet the objectives outlined in the budget based on the defined risk appetite.

This committee also reviews credit risk policies and processes and lending authority and any proposed amendments. In addition, it analyzes the matters and resolutions discussed by the remaining credit risk committees. Lastly, this committee is in charge of presenting topics, committee resolutions and policies to the Board for its approval.

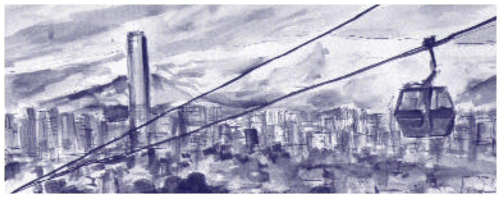
This committee meets monthly and its members are:

- One director
- Chief Executive Officer
- Division managers (Commercial, Risk, Finance, Operations and Planning)
- Credit Risk Management Manager
- Financial Risk Manager
- Operational Risk Deputy Manager
- Risk and Project Management Control Deputy Manager

F. FINANCIAL RISK COMMITTEES

This committee's objective is to evaluate positions and risks taken by the Bank and its subsidiaries, defining strategies to be adopted and validating compliance.

Its main duties include reporting on each unit's performance regarding profits and margins versus budget, aligning strategies and escalating investment and divestiture decisions.


The Financial Risk Committee is also charged with proposing policies and methodologies for managing financial assets to the Board and ensuring compliance with market and liquidity risk limits set by the Board and regulators.

This committee is comprised of:

- Committee Chairman:
  - Bank's Chief Executive Officer
  - Bank's Chairman
  - Group's Chief Executive Officer

- Planning and Management Manager
- Group's Chief Economist
- Risk Division Manager
- Financial Risk Manager
- Finance and Corporate Division Manager
- Trading and Investment Manager
- Chief Executive Officer, Valores Security
- Investment Manager, Valores Security
- Investment Manager, AGF

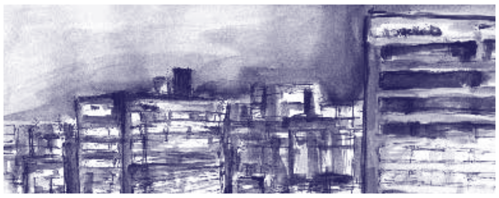
G. OPERATIONAL RISK COMMITTEES

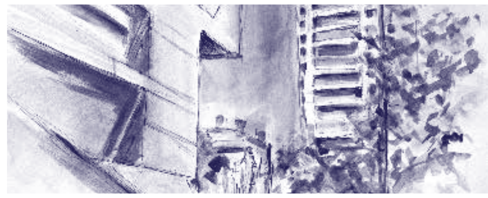
COMPOSITION OF OPERATIONAL RISK COMMITTEE

The members of this committee are:

- One Director
- Chief Executive Officer (Committee Chairman)
- Compliance Manager (Vice-Chairman)
- Operational Risk Deputy Manager (Secretary)
- Operations and IT Division Manager
- One representative from the Legal Division (Chief Counsel)
- Information Security and BCP Officer
- Controller
- Compliance and Control Deputy Manager – FM
- Head of Operational Risk

The Controller for Grupo Security must attend committee meetings but does not have any responsibility for risk management. His or her purpose is to ensure that any potential corrective measures in response to observations on audited areas are properly implemented.





MATTERS ADDRESSED
The committee is also in charge of disseminating the operational risk policy, evaluating identified risks and defining action plans based the Bank's risk profile.

PERIODICITY
The Operational Risk Committee meets periodically, ideally quarterly or as otherwise needed.

BOARD INVOLVEMENT
The Board is informed about the implementation of the Operational Risk Policy, as well as the detection of incidents, potential risks and measurements of operational risks (i.e. severity and frequency of loss).

H. ASSET AND LIABILITY COMMITTEE

This committee is responsible for managing and controlling (1) structural maturity and currency mismatches in the statement of financial position, (2) liquidity and (3) the Bank's financial margin and stability, as well as for (4) defining and controlling capital management policies.

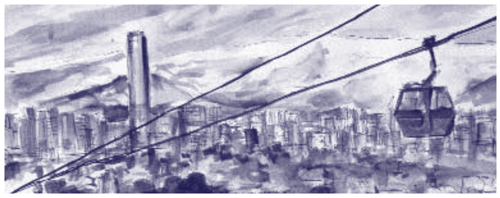
The standing members of this committee are:

- Two directors
- Chief Executive Officer
- Finance and Corporate Division Manager
- Risk Division Manager
- Financial Risk Manager
- Planning and Management Manager
- Trading Desk and Investment Manager
- Distribution Desk Manager
- Asset and Liability Management Desk Manager
- Corporate Banking Division Manager
- Retail Banking Division Manager
- Foreign Trade and International Services Manager

VII. CAPITAL REGULATORY REQUIREMENTS

In accordance with the General Banking Law, the Bank must maintain a minimum ratio of Regulatory Capital to Consolidated Risk-Weighted Assets of 8%, net of required provisions, and a minimum ratio of Basic Capital to Total Consolidated Assets of 3%, net of required provisions. To accomplish this, Regulatory Capital is determined based on Capital and Reserves and Basic Capital with the following adjustments: a) Adding subordinate bonds limited to 50% of Basic Capital and b) subtracting the asset balance of goodwill or premiums paid and unconsolidated investments in companies.

Assets are weighted using risk categories, which are assigned a risk percentage based on the capital needed to back up each asset. There are 5 risk categories (0%, 10%, 20%, 60% and 100%). For example, cash, due from banks and financial instruments issued by the Chilean


Central Bank have 0% risk, which means that, in accordance with current standards, no capital is required to back up assets. Property, plant and equipment have 100% risk, which means that a minimum capital equivalent to 8% of the value of these assets is needed.

All derivative instruments traded off-market are taken into account to determine risk assets using conversion factors over notional values, thus calculating the value of the credit risk exposure (or "credit equivalent"). For weighting purposes, "credit equivalent" also considers off-balance sheet contingent loans.

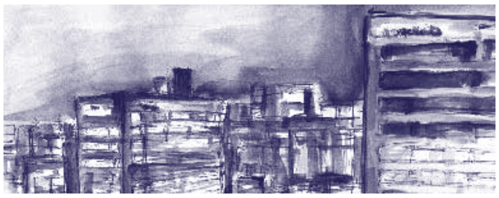
Levels of Basic and Regulatory Capital as of December 31, 2017 and 2016, are as follows:

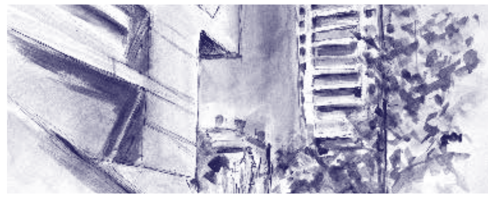
	CONSOLIDATED ASSETS		RISK-WEIGHTED ASSETS	
	2017 MCH$	2016 MCH$	2017 MCH$	2016 MCH$
BALANCE SHEET ASSETS (NET OF PROVISIONS):				
Cash and due from banks	497,423	441,177	-	-
Transactions pending settlement	76,271	32,185	50,064	9,566
Financial instruments held for trading	94,439	267,099	26,727	41,812
Receivables from repurchase agreements and securities borrowing	-	-	-	-
Financial derivative instruments	120,775	105,111	91,888	78,332
Loans and advances to banks	-	238	-	48
Loans to customers	4,753,782	4,381,443	4,506,816	4,153,569
Investments available for sale	678,542	610,695	269,726	285,760
Investments held to maturity	-	-	-	-
Investments in other companies	2,094	4,152	2,094	4,152
Intangible assets	47,589	53,285	34,550	40,247
Property, plant and equipment	24,084	25,059	24,084	25,059
Current tax assets	1,417	1,086	142	109
Deferred tax assets	20,694	20,846	2,069	2,085
Other assets	112,298	138,552	111,368	136,618
OFF-BALANCE-SHEET ASSETS:				
Contingent loans	400,966	402,681	240,580	241,609
Total risk-weighted assets	6,830,374	6,483,609	5,360,108	5,018,966

	AMOUNT	AMOUNT	RATIO	RATIO
	2017 MCH$	2016 MCH$	2017 %	2016 %
Core capital	552,967	461,687	8.10%	7.12%
Regulatory capital	751,267	663,763	14.02%	13.23%

Regulatory capital is calculated as follows:

	AS OF DECEMBER 31, 2017 MCH$	AS OF DECEMBER 31, 2016 MCH$
CORE CAPITAL:	552,967	461,687
Subordinated bonds	211,283	215,065
Tax guarantees	-	-
Equity attributable to non-controlling interest	56	50
Goodwill subsidiaries	(13,039)	(13,039)
Regulatory capital	751,267	663,763





38. SUBSEQUENT EVENTS

Between January 1, 2018, and the date of issuance of these consolidated financial statements, there have been no subsequent events that significantly affect the presentation and/or results of the financial statements.

39. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors in an ordinary meeting on January 18, 2018.

OMAR K. ABUSADA G.	**BONIFACIO BILBAO H.**
Deputy Accounting Manager	Chief Executive Officer