BANK

COMPANIES

PERSONS

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FOREIGN

TRADE

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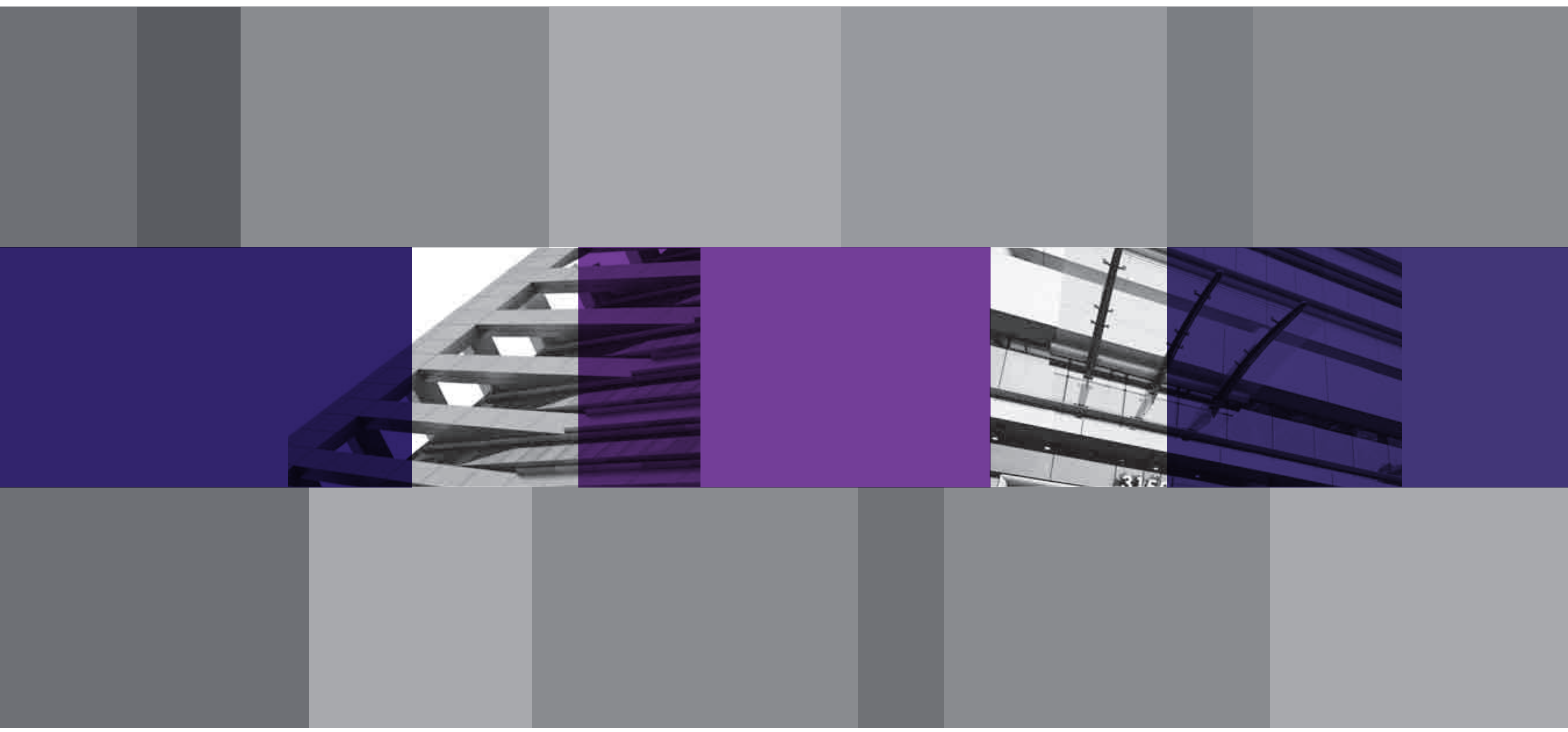

COMPANIES

PERSONS

INVESTMENTS

FOREIGN TRADE

CHAPTER 01

SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS BANCO SECURITY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL SUMMARY BANCO SECURITY AND SUBSIDIARIES

Figures in millions of pesos of December 2009

RESULTS FOR THE YEAR	2003	2004 (3)	2005	2006	2007 (4)	2008 (4)	2009 (4)
Gross Operating Result (Gross Margin)	58.501	74.162	71.654	74.354	83.303	76.515	78.515
Administrative Expenses	29.372	40.858	35.673	41.264	44.230	49.337	50.885
Net Operating Result (Net Margin)	29.129	33.304	35.981	33.090	39.073	27.178	27.630
Net Income	16.516	16.956	23.359	23.431	26.634	24.338	23.039
Net Income without adjustment (5)	16.516	16.956	23.359	23.431	26.634	14.007	23.039
BALANCES AT CLOSE OF YEAR	**2003**	**2004 (3)**	**2005**	**2006**	**2007 (4)**	**2008 (4)**	**2009 (4)**
Loans (1)	1.191.230	1.435.777	1.580.631	1.841.361	1.675.796	2.058.811	2.157.850
Financial Investments	212.786	370.660	453.561	362.863	587.093	776.292	946.676
Productive Assets	1.404.016	1.806.437	2.034.193	2.204.224	2.262.889	2.835.103	3.104.526
Premises & Equipment and Investment in Subsidiaries	18.813	26.077	26.892	26.800	25.137	24.966	23.171
Total Assets	1.536.071	2.022.461	2.338.035	2.439.565	2.556.260	3.212.173	3.452.372
Net Sight Deposits	71.468	100.276	121.764	123.710	180.095	221.397	255.777
Time Deposits & Borrowings	877.249	1.187.229	1.246.059	1.383.493	1.433.154	1.720.452	1.651.418
Foreign Liabilities	114.816	169.184	224.218	128.729	156.984	292.091	132.120
Allowances for Risky Assets	14.823	22.441	22.773	18.789	20.189	22.730	31.218
Capital & Reserves (2)	99.898	149.935	152.024	151.511	149.094	170.459	174.749
Net Equity	116.413	166.891	175.383	174.943	163.607	173.734	197.854

INDICATORS	2003	2004 (3)	2005	2006	2007 (4)	2008 (4)	2009 (4)
Productive Assets/Total Assets	91,4%	89,3%	87,0%	90,4%	88,5%	88,3%	90,0%
Net Income/Capital & Reserves	16,5%	11,3%	15,4%	15,5%	19,4%	16,3%	13,2%
Administrative Expenses/Gross Margin	50,2%	55,1%	49,8%	55,5%	53,1%	64,5%	64,8%
Administrative Expenses/Productive Assets	2,1%	2,3%	1,8%	1,9%	2,0%	1,7%	1,6%
Basel Ratio	11,17	12,26	12,26	11,59	10,84	11,48	12,56

NOTES:

(1) Includes interbank lending. Contingent assets are not included since 2007 as they do not form part of loans under the new standards.

(2) Includes other equity accounts

(3) On October 1, 2004, Banco Security was merged with Dresdner Bank L.A., Chile

(4) Effective January 2008, the information contained in the statements of financial situation and income were adapted to the IFRS format defined by the SBIF in its regulations published in its Circular 3,410, so the figures from 2007 are not comparable with the financial information for previous years. The figures for 2007 and 2008 incorporate adjustments in accordance with the later regulatory changes in order to make them more comparable. Monetary correction has been eliminated from January 2009.

(5) Accounting profit without adjustments for regulatory changes.

CHAPTER 02

CHAIRMAN'S LETTER TO SHAREHOLDERS

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CHAPTER 02

CHAIRMAN'S LETTER TO SHAREHOLDERS

TO OUR SHAREHOLDERS

I am pleased to present to you the Annual Report of Banco Security for the year 2009.

Instability in the global and national markets following the financial crisis unleashed in mid 2008 forced the Chilean financial system to face a complex scenario. However, the capital strength and adequate risk management that has characterized Chilean banking enabled it to satisfactorily come through this period.

At the industry level, total bank loans in 2009 reached Ch$70,553,247 million, representing real growth of 0.7% compared to the end of the previous year, mainly due to the growth of Banco Estado of 18.8% in real terms. The total result of the financial institutions amounted to Ch$1,225.2 billion.

In this context, which was marked by an incipient local and global recovery in the economy in the second half of the year, Banco Security directed its greatest efforts to the control and management of risks and to strengthening the generation of recurring revenue in its money desk, through a greater offer of products to customers.

In this way, Banco Security and its subsidiaries, Valores Security Corredores de Bolsa and Administradora General de Fondos Security, produced a net income of Ch$23,040 million in 2009 which represents a rise of 64% over the previous year. This is basically explained by larger commercial revenue, the good performance of the financial businesses and a rigorous monitoring of risk and costs.

These favorable results demonstrate that our Bank is advancing firmly toward the future, confident in belonging to a solid financial group like Grupo Security. Notable in this context was the capital increase of Ch$40,000 million of Grupo Security in June in which the Spanish family Sainz de Vicuña Bemberg became a shareholder through the subscription of 127.5 million shares, representing a holding of 5%.

As occurred in previous years, these solid operating results were supported by various awards granted to our team and our brand, which enabled us to continue improving our solid positioning and corporate image of excellence. For the ninth consecutive year, Banco Security was praised, together with other Group companies, as being one of the "10 Best Companies to Work in Chile", according to a survey made by The Great Place to Work Institute. This is a concrete recognition of the constant efforts for reconciling work and the family, and for promoting an agreeable working environment, with highly-motivated staff, committed to the maximum to the achievement of the company's objectives.

All these achievements make us feel very proud. This is why I especially wish to recognize every member of Banco Security who, from their jobs have contributed significantly in achieving the objectives and targets set. The support and trust of our shareholders was also fundamental in making 2009 successful and a period in which we learned valuable lessons.

Our view now is directed to the future; a future that we believe will be different as crisis solutions like that lived at the global level modify the vision and framework of the financial markets. The present challenge is to continue growing, but having as a horizon the adding of value for our customers, always giving priority to the provision of a service of excellence and to increasing the equity position of our institution.

We have all the skills, experience, human team and backing of a prestigious brand, valued in the market for continuing to develop and reaching new targets. We have to work together in 2010 to confront the new challenges with all the energy and commitment that have distinguished us in the past and with the ambition of continuing to be the best.

Francisco Silva S.
Chairman

CHAPTER 03

BOARD AND MANAGEMENT

BANCO | security

CHAPTER 03

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.
	Mario Weiffenbach O.

The ordinary board meeting of the Company held on August 24, 2009 agreed to accept the resignation of Gonzalo Ruiz U. as a director of Banco Security and appointed Horacio Pavez G. as his replacement.

We thank Gonzalo Ruiz U. for his outstanding participation and active professional and human record of achievement, and who has been a great strategic contribution to the growth of Banco Security and its subsidiaries during these 22 years.

GENERAL MANAGEMENT

• Chief Executive Officer (CEO)	Ramón Eluchans O.
• Legal Counsel	Enrique Menchaca O.
• Chief Economist	Aldo Lema N.
• Corporate Culture Manager	Karin Becker S.
• Planning and Performance Manager	Manuel Widow L.
• Controller	Alfonso Verdugo R.

SUPPORT AREAS

• Risk Division Manager	José Miguel Bulnes Z.
• Credit Administration and Normalization Manager	Alejandro Vivanco F.
• Corporate Risk Analysis Manager	René Melo B.
• Financial Risk Manager	Antonio Alonso M.
• Marketing and Products Manager	Sebastián Covarrubias F.
• Products Manager	Juan Carlos Ruiz V.
• Operations and Technology Division Manager	Carlos Brito C.

COMMERCIAL AREAS

CORPORATE DIVISION

• Corporate Banking Division Manager	Christian Sinclair M.

LARGE COMPANIES AREA

• Large Companies Manager	Humberto Grattini F.
• Large Companies Assistant Manager	Felipe Oliva L.
• Large Companies Assistant Manager	Alberto Apel O.

BUSINESSES AND BRANCHES AREA

• Businesses and Branches Manager	Alejandro Arteaga I.
• Businesses Platform Manager	José Luis Correa L.
• Businesses Platform Manager	Jorge Contreras W.
• Businesses Assistant Manager	Hernán Besa D.
• Businesses Executive	Francisco Cardemil K.
• Businesses Executive	Carlos López V.
• Businesses Executive	José Antonio Delgado A.
• Businesses Executive	Ricardo Hederra G.
• Businesses Executive	Jorge Verdugo G.
• Businesses Executive	Hernán Buzzoni G.
• Businesses Executive	Alberto Leighton P.
• Antofagasta Branch Agent	Rolando Trombert J.
• Concepción Branch Agent	María Paz Ruiz-Tagle V.
• Temuco Branch Agent	Harald Zach P.
• Puerto Montt Branch Assistant Manager	Cristián Gazabatt O.
• Viña del Mar Branch Agent	Hugo Figueroa V.

SPECIALIZED BANKING AREA

• Specialized Banking Manager	Alfonso Piriz S.
• Real Estate Area Assistant Manager	Francisco Domeyko C.
• Multinational Companies Assistant Manager	Erik Möller R.
• Multinational Companies Agent	Germán Steffens S.
• Specialized Banking Agent	Alberto Aspillaga F.
• Leasing Area Agent	Aldo Massardo G.

FOREIGN TRADE AND INTERNATIONAL SERVICES AREA

• Foreign Trade and International Services Manager	Miguel Ángel Delpin A.
• International Business Agent	Miguel García R.

RETAIL DIVISION

• Retail Banking Division Manager	Gonzalo Baraona B.

PREFERENTIAL BANKING AREA

• Mortgage Banking and Branches Manager	Felipe González A.
• Branches Manager	Rodrigo de Pablo M.
• Branches Assistant Manager	Rodrigo Reyes M.
• Agustinas Platform Assistant Manager	Patricio Gutiérrez P.
• El Golf Platform Assistant Manager	José Pablo Jiménez U.
• Apoquindo Platform Assistant Manager	Margarita Jarpa del S.
• Augusto Leguía Platform Agent	Virginia Díaz M.
• Plaza Constitución Branch Agent	José Ignacio Alonso B.
• Providencia Branch Agent	Carlos Benedetti D.
• Alcántara Branch Agent	Rodrigo Matzner B.
• Vitacura Branch Agent	María Constanza Undurraga V.
• Estoril and Los Trapenses Branch Agent	María Soledad Ruiz S.
• Los Cobres Branch Agent	Nicolás Moreno D.
• Santa María Branch Agent	Viviana Muñoz L.
• La Dehesa Branch Agent	María Francisca Pulido L.
• North Zone Branches Agent	Raúl Figueroa D.
• Viña del Mar Branch Agent	Loreto Escandón S.

PRIVATE BANKING AREA

• Private Banking Assistant Manager	Constanza Pulgar G.

FINANCE DIVISION

• Finance and Corporate Division Manager	Nicolás Ugarte B.

MONEY DESK

• Distribution Manager	Sergio Bonilla B.
• Trading and Investments Manager	Cristian Pinto M.
• Balance Sheet Desk Manager	Ricardo Turner O.

CORPORATE BANKING AREA

• Corporate Banking Manager	Adolfo Tocornal R-T.

MANAGEMENT COMMITTEES

DIRECTORS' CREDIT COMMITTEE

The purpose of this committee is to analyze, evaluate and approve or reject the largest credit applications submitted directly by the commercial areas. This committee considers all credit facilities of approximately UF 20,000 and above (depending on the level of collateral). Its credit powers are unlimited other than those limits established by current regulations and the policies established by the board.

The permanent members of this committee are:

• Francisco Silva S.	Chairman
• Mario Weiffenbach O.	Director
• Ignacio Ruiz Tagle V.	Adviser to the Board
• Ramón Eluchans O.	Chief Executive Officer
• José Miguel Bulnes Z.	Risk Division Manager

MANAGEMENT CREDIT COMMITTEE

This committee complements the functions of the above, whose purpose is to analyze, evaluate and approve or reject smaller credit applications. As in the previous case, the commercial areas are those that submit applications to this committee.

The permanent member of this committee is:

• José Miguel Bulnes Z.	Risk Division Manager

Depending on the banking area to which the customer belongs, the other members are:

BUSINESSES BANKING:

• Christian Sinclair M.	Businesses Banking Division Manager
• René Melo B.	Companies Risk Analysis Manager

RETAIL BANKING:

• Gonzalo Baraona B.	Retail Banking Division Manager
• Jorge Herrera P.	Retail Risk Analysis Assistant Manager

In addition, this committee also includes the managers, assistant managers, agents and/or executives submitting the credit facility applications on behalf of their customers.

FINANCE COMMITTEE

The objective of this committee is to jointly evaluate the positions and risks taken by Banco Security and its subsidiaries, defining the strategies to be followed and checking the degree of their compliance.

Its principal functions include the reporting of the situation of each unit in relation to profits and margins against budget, the alignment of strategies and scaling in investment-divestment decisions.

The Finance Committee's responsibilities also include proposing to the board the policies and methodologies related to the management of financial activities and checking compliance with the market risk and liquidity limits set by the board and supervisory bodies.

The members of this committee are:

• Francisco Silva S.	Chairman
• Renato Peñafiel M.	Director
• Aldo Lema N.	Chief Economist
• Ramón Eluchans O.	Chief Executive Officer
• José Miguel Bulnes Z.	Risk Division Manager
• Nicolás Ugarte B.	Finance and Corporate Division Manager
• Manuel Widow L.	Planning and Performance Manager
• Cristian Pinto M.	Trading and Investments Manager
• Antonio Alonso M.	Financial Risk Control Manager
• Andrés Pérez L.	Finance Manager, Valores Security
• Cristian Ureta P.	Investment Manager, Adm. General de Fondos

ASSETS AND LIABILITIES COMMITTEE (COAP)

This committee is responsible for the administration and control of (1) structural matches of balance sheet maturities and currencies, (2) liquidity, and (3) the Bank's financial margin, checking the stability of the latter, as well as (4) the definition and control of capital management policies.

The permanent members of this committee are:

• Francisco Silva S.	Chairman
• Renato Peñafiel M.	Director
• Ramón Eluchans O.	Chief Executive Officer
• Nicolás Ugarte B.	Finance and Corporate Division Manager
• José Miguel Bulnes Z.	Risk Division Manager
• Antonio Alonso M.	Financial Risk Control Manager
• Manuel Widow L.	Planning and Performance Manager
• Cristian Pinto M.	Trading and Investments Manager
• Sergio Bonilla B.	Distribution Manager
• Ricardo Turner O.	Balance Sheet Desk Manager
• Christian Sinclair M.	Corporate Banking Division Manager
• Gonzalo Baraona B.	Retail Banking Division Manager
• Miguel Ángel Delpin A.	Foreign Trade and International Services Manager

AUDIT COMMITTEE

Its purpose is to ensure the efficiency of the internal control systems and compliance with regulations, thus reinforcing a supervision system based on self-regulation.

The permanent members of this committee are:

• Hernán Felipe Errázuriz C.	Director
• Jorge Marín C.	Director
• Ramón Eluchans O.	Chief Executive Officer
• Enrique Menchaca O.	Legal Counsel
• Alfonso Verdugo R.	Controller

Special guests also take part in the revision of certain matters.

The functions and responsibilities of the Committee are:

a) To propose to the Directors' Committee or in its absence the Board a list for the election of external auditors.
b) To propose to the Directors' Committee or in its absence the Board a list for the election of credit-rating agencies.
c) To be informed of and analyze the results of internal audits and revisions.
d) To coordinate the tasks of internal control and the revisions by the external auditors.
e) To analyze the interim and the final financial statements for the year in order to report to the Board
f) To analyze the revision reports of the external auditors, and their content, procedures and scope.
g) To analyze the reports, content and revision procedures of the external credit-rating agencies.
h) To be informed of the effectiveness and reliability of the company's internal control systems and procedures.
i) To analyze the functioning of the information systems, their adequacy, reliability and application in decision taking.
j) To be informed of compliance with institutional policies related to due observance of the laws, regulations and internal rules that the company should follow.
k) To be informed of and resolve conflicts of interest and investigate acts of suspicious conduct and frauds.
l) To analyze reports of inspection visits and the instructions and presentations of the SBIF.
m) To be informed of, analyze and check compliance with the annual program to be carried out by the internal audit area.
n) To report to the Board on accounting changes that occur and their effects.

The Committee met on 6 occasions during 2009 and dealt with the following matters:

a) Analysis of the annual and semi-annual financial statements. These meetings were also attended by the Bank's Accountant and the partner responsible from the external auditing firm.

b) The principal comments of the external auditors in its internal controls report were examined.

c) The Controller's annual work plan was approved, its compliance controlled and note was taken of the conclusions and principal comments arising from the internal audits made in the different units of the Bank and its subsidiaries.

d) It was informed of regulatory changes, frauds, lawsuits and legal contingencies affecting the institution.

e) The results and comments of revisions made by the SBIF were analyzed.

f) It took note of the degree of progress achieved by the different units of the Bank and its subsidiaries in the implementation of the comments arising from the audits made.

g) The external audit and credit rating firms for the year were proposed to the Board of the Bank.

OTHER COMMITTEES

COMMITTEE	OBJECTIVES
Commercial Management	' Revision of budgetary compliance and progress with commercial projects.
Leasing Management	Information and revision of results, projects and Leasing Area matters.
Operations and Technology	• Information and revision of general matters. • Planning and follow-up of operational matters. • Analysis, evaluation and planning of the Bank's technological projects.
Prevention, Analysis and Resolution of Asset Laundering	• Publication, application and follow-up of asset-laundering policies • Analysis of cases.
Operational Risk	• Information and analysis of integral management of operational risks. • Diffusion and follow-up of operational risk policies.

1981

Banco Urquijo de Chile is formed in August, a subsidiary of Banco Urquijo, Spain.

1987

Security Pacific Corporation, a subsidiary of Security Pacific National Bank of Los Angeles, California, acquires 100% of the share capital of Banco Urquijo de Chile, which changes its name to Banco Security Pacific. Security Pacific National Bank creates a securities and stock broking agency which is currently a subsidiary of the Bank, now called Valores Security, Corredores de Bolsa.

1990

Leasing Security is formed as a subsidiary of the Bank, to carry on the business of leasing.

2001

In April, the subsidiary Leasing Security is incorporated into Banco Security as a business unit.

2003

In September, the subsidiary Administradora de Fondos Mutuos Security S.A. broadens its objects and changes its name to Administradora General de Fondos Security S.A.

2004

In June, Grupo Security acquires 99.67% of Dresdner Bank Lateinamerika, Chile, and merges this with Banco Security on October 1, 2004. Also, in June, the Bank exceeds a billion pesos in loans.

CHAPTER 04

HISTORICAL SUMMARY

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1991

In June, Security Pacific Overseas Corporation sells 60% of the Bank to the present controlling shareholders of Grupo Security, then changing its name to Banco Security.

1992

Administradora de Fondos Mutuos Security (a mutual funds management company) is formed as a subsidiary of Banco Security.

1994

Bank of America, the successor of Security Pacific National Bank, sells to Grupo Security the remaining 40% of Banco Security.

2006

4 new branches are opened as part of the Bank's Retail Banking project: Plaza Constitución, Alcántara and Estoril In the Metropolitan Region and Viña del Mar in the 5th Region.

2007

2 new branches are opened: Chicureo and Los Cobres in the Metropolitan Region.

2008

Continuing with the expansion of the branch network, the Santa María and Los Trapenses branches are opened.

CHAPTER 05

BUSINESS STRATEGY

BANCO | security

CHAPTER 05

BUSINESS STRATEGY

BUSINESS STRATEGY

The Bank's mission is to meet the financial needs of large and medium-sized companies and of high-income individuals, providing them with a service of excellence that enables it to maintain and cultivate long-term relationships with them. For this, the Bank has executives of an excellent professional level, with a complete range of products and services, first-class technology support in all its channels and the whole support of Grupo Security for providing full satisfaction to its customers.

The pillars of the business strategy are the following:

• EXCELLENCE OF SERVICE • constant concern to ensure compliance with the quality of service standards that characterize it and improve those aspects where there is an opportunity to do so.

• FOCUS ON OBJECTIVE SEGMENT • Banco Security has been able to grow while maintaining its objective segment, both in companies and individuals. This has been fundamental for not affecting service standards.

• BROAD RANGE OF PRODUCTS AND SERVICES • the Bank has always been concerned to maintain its range of products and services up to date with respect to other banks, differentiating itself by its capacity to adapt each one of them to the specific requirements of the customer and by the integral solution it offers in conjunction with the other companies of Grupo Security.

• CUSTOMER LOYALTY • based on the high quality of service offered by the Bank, a central objective of the commercial effort is to persuade customers to broaden the variety of products and services that they use in the Bank and other Grupo Security companies.

• EFFICIENT USE OF RESOURCES • a strategic objective of the Bank is to have the flexibility of a small bank and the efficiency of a large bank, for which new sources of efficiency are constantly being sought.

In line with its mission and global strategy, all areas of the Bank and especially the commercial areas have defined their own specific strategic objectives and the most suitable structure for their correct implementation.

CORPORATE BANKING

"We want to be the bank to with which the country's companies aspire to work, and that is preferred by our customers"

In order to best adapt to the different customer profiles belonging to the objective segment of corporate banking, the following three models of attention have been defined, emphasizing the value proposal aspects considered to be most important in each of them:

• SPECIALIZED BANKING • serves companies seeking an adviser who understands their business and financial needs as well as they do and the best ways to resolve them.

• GLOBAL BANKING• assists companies seeking the best service in the global solution of their financial needs. In order to provide the best attention, two segments have been defined: Large Companies, and Mid-Sized Companies and Branches.

• TRANSACTION BANKING • serves corporate and institutional customers that require highly-sophisticated products and services and that are very demanding in terms of speed and costs, but which are not willing to sacrifice the quality of service. In order to best balance these three aspects, this area was incorporated into the finance division and its executives work closely with the money desk.

The products and services offered by the Bank to its corporate customers include a complete range of local and foreign currency credit products, mortgage finance, leasing, checking accounts in local and foreign currency, foreign trade, currency trading, payment means, payment services, derivative instruments (exchange hedges, inflation hedges, swaps), deposits and investments and others.

CHAPTER 05

BUSINESS STRATEGY

RETAIL BANKING

"We want to give a preferential and personalized attention to customers who are just an identity number in other banks"

Retail Banking's target segment is the ABC1 income segment of the population. In order to achieve a greater specialization and efficiency in attending the various customer profiles, different banking areas and sub-segments have been defined:

- PRIVATE BANKING • aimed at the highest-income customers who are more demanding and require more specialized advice from their account executive.

- PREFERENTIAL BANKING• serves customers who require traditional financial services and products and demand a first-class personalized attention. Given the differences in customer profiles and needs, common characteristics have been identified in order to define sub-segments in this area that permit giving a better attention to each of them, like the Women Segment and Young Professionals Segment.

The products and services offered to these segments include checking accounts in local and foreign currency, a wide range of credit products, mortgage finance, foreign exchange, means of payment (Redbanc card, credit card), payment services, deposits and investments and others.

FOREIGN TRADE

Banco Security has positioned itself as a specialist in foreign trade services and international business for companies, achieving in recent years significant increases in funds flows and in the volumes of transactions processed, and consolidating itself as leader in remote services via internet with its "e-Comex" system.

The Bank has a broad range of first-class correspondent banks throughout the world which enable it to offer a complete range of international services and ensure a service of excellence.

As Chile is one of the most open countries in the world in its trade and investment flows, this area is considered strategic to the integral solution of the financial needs of customers. This is why the objectives and processes of this line of business are fully aligned with the rest of the Bank's business areas, placing great emphasis on excellence in the service.

MONEY DESK

Always considered as a fundamental complement to the traditional banking business, this area serves directly, a large proportion of the Bank's institutional customers, offers a complete range of financial products to all customers, together with advice when required, and manages the Bank's own investment portfolio. This area is also responsible for managing the Bank's mismatches and liquidity according to the guidelines set by the Assets and Liabilities Committee.

In order to achieve a greater degree of specialization in each of its responsibilities, the area was restructured in 2009 into four Desks:

- DISTRIBUTION DESK • offers the Bank's customers all the financial products managed by the Money Desk, like foreign exchange, time deposits, exchange and inflation hedges, swaps and other financial derivatives.

- TRADING DESK • manages the Bank's own short-term investment portfolio.

- INVESTMENTS DESK • manages the Bank's own medium and long-term investment portfolio.

- BALANCE SHEET DESK • responsible for managing the structural balance sheet mismatches in both currencies and maturities, and the liquidity position, following the guidelines set by the Assets and Liabilities Committee.

INVESTMENTS

Lastly, through the subsidiaries Valores Security S.A. Corredores de Bolsa and Administradora General Fondos Security S.A., the Bank makes available to all customers the best products and services for asset management by providing integral advice of excellence oriented to individuals and companies. The principal products offered include local share and bond trading, local and international mutual funds, pensions advice, voluntary pension saving, etc.

CHAPTER 06

BANCO SECURITY AND ITS ENVIRONMENT

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ECONOMIC PANORAMA

BANKING INDUSTRY

RESULTS OF BANCO SECURITY

CHAPTER 06

BANCO SECURITY AND ITS ENVIRONMENT

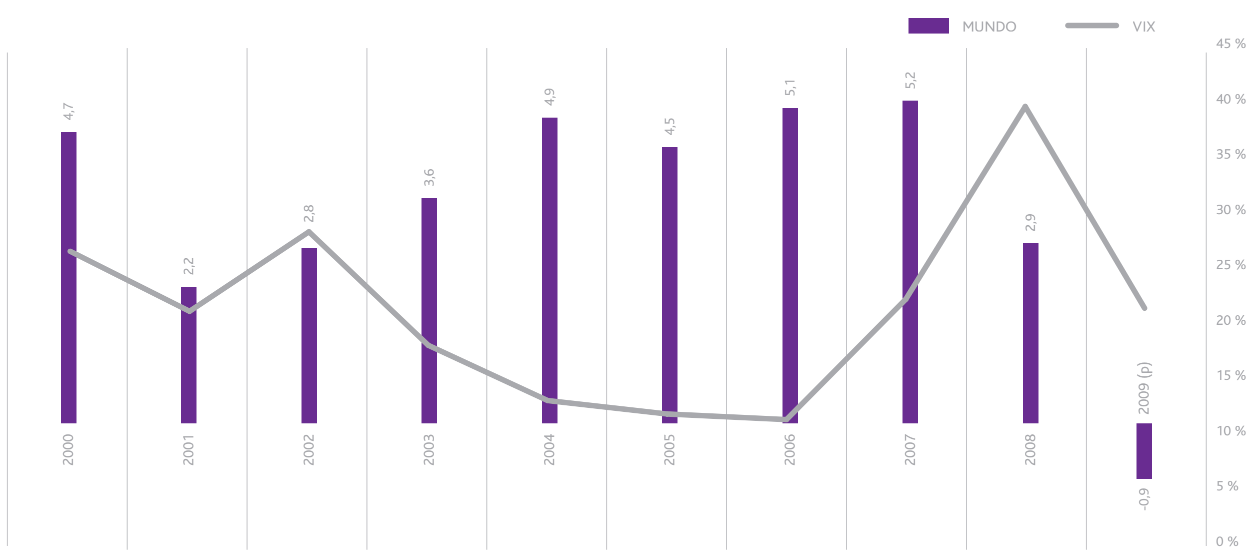
ECONOMIC PANORAMA

EXTERNAL ENVIRONMENT: STABILITY AND RECOVERY

The economic scenario faced by Chile in 2009 evolved favorably as the months passed. The year began with the negative effects of the global economic crisis in full force: high stock market volatility, depressed raw material prices, world recession, tight financial conditions and much uncertainty.

However, the implementation of unprecedented measures by the principal monetary and fiscal authorities, oriented to re-establishing the correct functioning of the financial system and retrieving the way to sustainable growth, improved economic prospects which drove the prices of commodities (including copper) and the stock markets, thus reducing risk premiums.

Global growth (%) and volatility index implicit in the S&P500 (points)



Already by the second quarter the world as a whole began to come out of the recession, following the sharp falls of the previous half year.

Although by the end of 2009 the global economy had accumulated three consecutive quarters of expansion, this was insufficient to avoid ending the year with a recession of around 0.9%.

CHILE: RECESSION AND REACTIVATION

At the local level and according to preliminary figures, GBP contracted by around 1.7% in 2009, the first fall in activity in ten years, as a consequence of the strong impact of the global financial crisis which hit the expectations of consumers and companies, mainly in the first part of the year, in a context of more restrictive financial conditions and reduced global demand. In any event, the Chilean economy began to show signs of an incipient recovery by the middle of the year, which was consolidated in the fourth quarter with an inter-annual growth of close to 2%.

chile: GDP growth (%)

Domestic demand for its part showed a contraction of about 7% during 2009, mainly affected by the fall in incomes and the more restrictive financial conditions, in a scenario of a sharp deterioration in the labor market and in expectations, both of consumers and of businesses.

The detail of domestic spending shows that private consumption continued to fall, beginning in late 2008, until the second quarter of last year. Since then, this variable has started to rise in line with the recovery in expectations, due to the improvement in the external scenario and lower interest rates. According to preliminary figures, private consumption in 2009 as a whole grew by 0.5% compared to the previous year.

Fixed capital investment showed annualized declines in the four quarters of last year, with the worst figure in the second quarter (of almost 20%). Since then, the declines have been attenuating and the margin has begun to appear again. Investment declined by about 15% overall during 2009.

The deteriorated external scenario caused an annual fall of 4.5% in volumes exported and of 20% in value (US$ 53,024 million). Imports closed the year falling by 15.4% in volume and 31% in value (totaling US$ 39,708 million), in line with the weakness in domestic demand. With this, the trade balance ended the year with a surplus of US$ 13,316 million and the current account with a positive balance of around US$ 3,500 million, the equivalent of 2.2% of GDP.

The fiscal situation in 2009 contrasted significantly with previous years as the central government closed the year with a negative balance (close to 4% of GDP) for the first time since 2003, as a consequence of the increased public spending on economic reactivation plans. The fiscal rule was therefore modified transitorily, passing from a structural surplus of 0.5% of GDP to a deficit of 0.4%, according to the latest estimates of the Ministry of Finance.

In terms of prices, the CPI showed negative monthly variations throughout much of 2009, triggered by the fall in the value of imported products, reduced demand pressures, a decline in unit labor costs and reduced margins. The 12-month inflation rate moved from inter-annual variations of close to 6% at the start of the year to -1.4% in December, a figure that contrasts with the rise of 7.1% in 2008 and well below the target range of the Central Bank.

Regarding the underlying indicators, the CPIX (which excludes fuels, fruit and fresh vegetables) ended the year at -1.8%, while the CPIXv1 (which also excludes regulated tariffs and other volatile prices) ended at -1.1%.

In this context of reduced inflationary pressures, given the economic deceleration, which increased spare capacity to levels not seen since the 1980s, and tight credit and some liquidity problems in the financial system, the Central Bank severely cut the interest rate from 8.25% at the start of the year to 0.5% by July, a level that remained unchanged during the rest of the year. Despite this fast reduction in the rate, the Central Bank believed that the economy would require an additional stimulus and so adopted unheard-of complementary measures for increasing the monetary stimulus.

Regarding the exchange rate, in line with the global weakness of the dollar, the prospects and positive evolution of the world economy, expansive financial conditions and the recovery of raw materials, with the consequent improvement in the terms of trade, the peso continued to appreciate during 2009, following the heavy depreciation seen in the second half of the year before (due to the deterioration in the external environment and reduced terms of trade). The peso-dollar exchange rate moved from Ch$ 641 at the start of 2009 to Ch$ 507 by the end of the year, an appreciation of close to 21%.

CHILE: ECONOMIC INDICATORS

	2005	2006	2007	2008	2009 (p)
GDP (US$ millions)	118,25	146,77	163,88	169,46	160,82
GDP per capita (US$)	7.269,20	8.931,41	9.873,34	10.108,77	9.499,50
GDP (Var %)	5,60	4,60	4,70	3,20	-1,70
Domestic spending (Var %)	10,39	6,78	7,77	7,42	-6,98
Private consumption	7,40	7,10	6,90	4,30	0,50
Fixed capital investment	23,87	2,35	12,01	19,48	-14,80
Exports (Var real %)	4,30	5,10	7,60	3,10	-4,50
Imports (Var real %)	17,20	10,60	14,90	12,90	-15,40
Global growth PPP (%)	4,45	5,10	5,15	2,93	-0,92
Terms of trade (2003=100)	131,21	163,40	165,80	140,93	141,91
Copper price (avrge, Cent. US$/pound)	166,87	304,91	322,90	315,51	233,60
WTI oil price (US$ p/b, avrge.)	56,44	66,04	72,29	99,58	61,69
Federal funds rate (y/e,%)	4,25	5,25	4,25	0,13	0,13
Libor 180d (y/e, %)	4,70	5,37	4,60	1,80	0,43
US 10-year Treasury bonds (y/e, %)	4,39	4,70	4,02	2,21	3,84
Euro (y/e, US$)	1,18	1,32	1,46	1,40	1,43
Yen (y/e,¥/US$)	117,75	119,07	111,71	90,64	93,00
Trade balance (US$ millions)	10,77	22,78	23,64	8,85	13,32
Exports (US$ millions)	41,27	58,68	67,67	66,46	53,02
Imports (US$ millions)	30,49	35,90	44,03	57,61	39,71
Current account (US$ millions)	1,45	7,15	7,19	-3,44	3,53
Current account (% of GDP)	1,23	4,87	4,39	-2,03	2,20
Total savings (domestic + external), % del PIB	22,20	20,06	20,63	24,66	16,21
Gross National Saving	23,40	24,93	25,09	22,22	18,39
Central government	5,78	8,92	9,95	6,82	-1,30
Private sector	17,62	16,01	15,14	15,40	19,69
External savings (current account deficit)	-1,20	-4,87	-4,46	2,44	-2,18
Balance central government (% of GDP)	4,51	7,69	8,82	5,29	-3,70
CPI Dec-Dec (%)	3,66	2,57	7,82	7,09	-1,38
Underlying CPI (IPCX) Dec-Dec (%)	3,03	2,64	6,48	8,62	-1,83
Inflationary trend (IPCX1) Dec-Dec (%)	2,63	2,12	6,27	7,76	-1,06
BCCh relevant external inflation (avrge, %)	7,50	5,25	8,55	12,15	-6,07
Monetary policy rate, TPM (y/e,%, in Ch$)	4,50	5,25	6,00	8,25	0,50
BCU-10 base 365d (y/e, % in UF)	3,15	2,73	2,96	3,34	3,32
BCP-10 base 365d (y/e, % in Ch$)	6,35	5,66	6,36	6,17	6,40
"Observado" Exchange rate (avrge. Ch$/US$)	559,77	530,30	522,47	522,46	559,61
"Observado" Exchange rate (y/e, Ch$/US$)	514,21	534,43	495,82	629,11	506,43
Employment growth (%)	3,77	1,65	2,82	2,99	-0,66
Growth in workforce (%)	2,89	0,06	2,08	3,73	1,34
Unemployment rate (avrge.%)	9,20	7,80	7,10	7,80	9,60
Variation real wages (avrge. %)	1,92	2,02	2,93	-0,24	4,90
External debt (US$ millions)	46,21	49,23	55,82	67,15	66,62
Net total foreign debt (US$ millions)	32,66	15,16	-0,70	33,43	18,43
Net total foreign debt (% GDP)	27,62	10,33	-0,43	19,72	11,46
Net total foreign debt (% Export Bs.)	67,49	22,79	-0,91	43,29	29,91
Net international reserves (US$ millions)	16,96	19,43	16,91	23,16	25,37

CHAPTER 06

BANCO SECURITY AND ITS ENVIRONMENT

BANKING INDUSTRY

Analyzing the evolution and results for the year of both the banking industry and Banco Security, it is important to bear in mind that, in accordance with the regulations of the Superintendency of Banks and Financial Institutions (SBIF), the last stage was completed in 2009 of the adoption of international accounting principles (IFRS, International Financial Reporting Standards) by banks operating in Chile. This process began in June 2006 with the incorporation of the new valuation criteria for investments and ended at the close of 2009 with the disclosure of the new notes to the financial statements. The accounting information of banks operating in Chile is therefore consistent with international practices, contributing to a better disclosure and understanding of this information.

The international financial and economic crisis that began in the second half of 2008 significantly affected the liquidity of the market and levels of activity during 2009, which evidently also had important repercussions on the local financial market. There was nil growth in loans and an increase in risk, with the consequent impact on results and profitability. However, it is important point out the satisfactory regulation, the correct management of risk and the high level of solvency that has characterized Chilean banks, together with timely measures adopted by the Central Bank to control the liquidity problems, enabling banks to face the most critical periods of the crisis without requiring extraordinary measures by the state, as occurred in other countries.

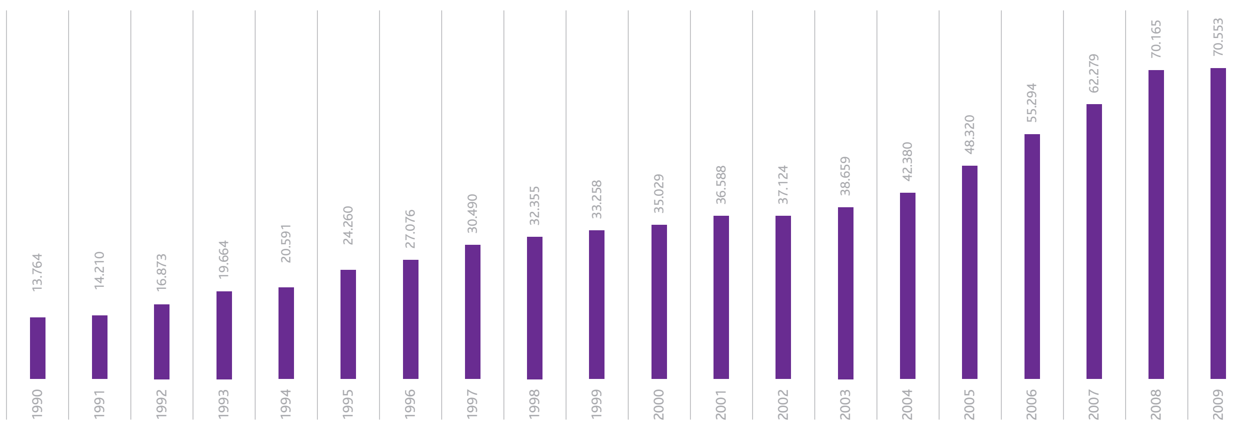
LOANS

The effects of the crisis on the levels of activity in the Chilean banking industry began to be felt in late 2008, starting a persistent fall in the volume of loans, a tendency that continued until the end of June 2009, when they reached Ch$ 67,735,235 million (including interbank lending). During the second half of the year, there was a recovery in volume to reach total loans in December of Ch$70,553,247 million, a very similar level to the end of the previous year in real terms.

At the end of 2009, the system's total loans comprised commercial loans of 60.5%, housing loans of 24.8%, consumer loans of 12.3% and due by banks of 2.3%. Analyzing the behavior of the different groups of loans during 2009, it is seen that housing loans rose by 9.8% in real terms and consumer loans by 3.8%, while commercial loans declined by 3.5% in real terms.

total loans of the system

BILLIONS OF PESOS OF DEC-2009



SOURCE: SBIF

NOTE: HISTORIC LOANS INCLUDE CONTINGENT LOANS WHICH THE NEW REGULATIONS ARE REPORTED OFF BALANCE SHEET FROM JANUARY 2008.

market shares / december 2 0 0 9

PERCENTAGES

SOURCE: SBIF

CHAPTER 06

BANCO SECURITY AND ITS ENVIRONMENT

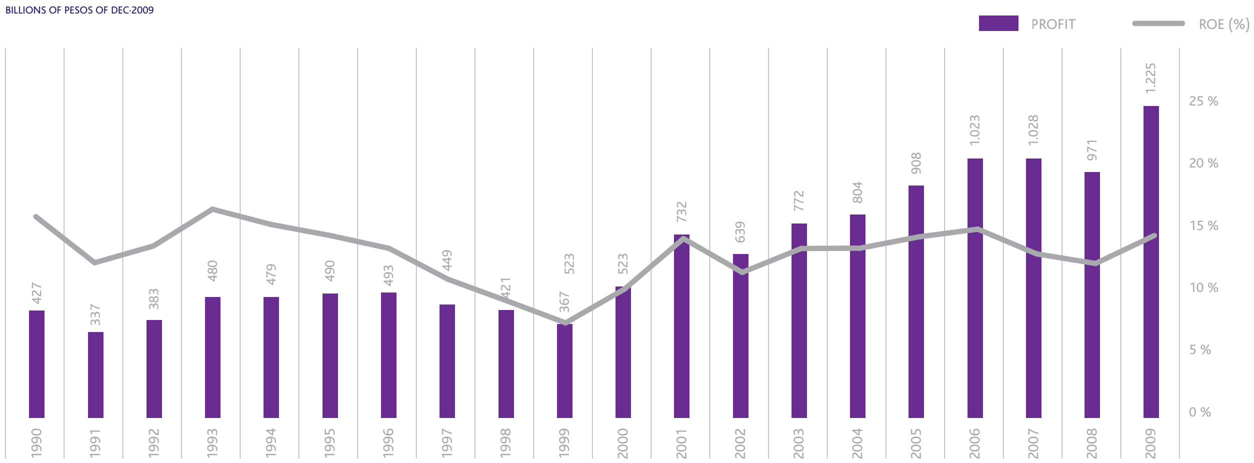
RESULTS

According to information provided by the SBIF, the net income of the banking system amounted to Ch$1,225,187 million (approximately US$ 2,415 million) at December 2009. The distributable profits therefore increased by 26.2% in real terms over 2008. However, making the comparison on a pro forma basis excluding the loss for monetary correction in 2008 (the new accounting standards eliminated this from 2009), the result obtained equates to a fall of 9.4% in real terms compared to the previous year. The annualized return on capital and reserves was therefore 18.0% (15.2% in 2008), and the return on total assets rose to 1.2%.

The following graph shows the evolution of profits and annualized returns on capital and reserves.

profits and profitability financial system

BILLIONS OF PESOS OF DEC-2009



SOURCE: SBIF

Operating support costs have risen strongly in recent years, largely explained by the growth in commercial and support platforms required to support the growth in retail banking and the strengthening of the internal control areas. Despite this, the level of efficiency attained by banks (measured as support costs over gross margin) has moved from 56.2% in December 2001 to 49.9%

in December 2008 and 44.6% in December 2009. This favorable evolution, making the Chilean financial system one of the most efficient in the world, is largely explained by the economies of scale achieved by the largest banks.

efficiency ratio
PERCENTAGES

SOURCE: SBIF

RISK

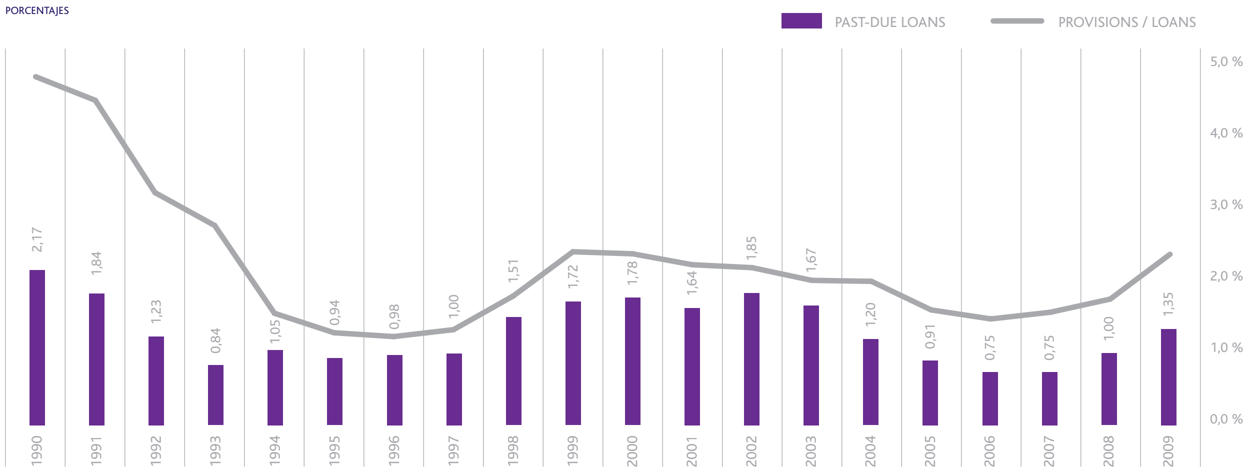
Risk control and management was a central theme in bank management during 2009 as it showed a rising trend during the period. Allowances for total loans amounted to 2.39% whereas the level at December 2008 was 1.76%.

On the other hand, the past-due portfolio (90 days or more) ratio rose until June when it reached 3.08%, to then start a slow normalization process that led the ratio to 2.94% in December, based on individual information. The concept of past-due portfolio of 90 days or more is a stressed measure of the old overdue loan ratio as it considers the complete acceleration of the overdue credit and does not incorporate in its calculation the collateral that covers the corresponding operations.

The allowances of the financial system show a real increase (in UF terms) of 28.8% between January and December 2009, while loans maintained their level during the same period. Analyzing the evolution of the allowances made by type of loan, it can be seen that this indicator has begun to stabilize in consumer and housing loans, to 6.3% and 1.1% respectively at December 2009, while commercial loans maintained their rising trend, reaching a peak in December of 2.2%.

risk ratios of the financial system

PORCENTAJES



SOURCE: SBIF

RESULTS OF BANCO SECURITY

The local banking industry has shown increasing competition, making Banco Security face new and varied challenges. Most efforts have been focused on strengthening its position in the medium-sized business segments and retail banking, and in the cross-selling with other Group companies which has been developed in recent years, using the Security brand in seeking to increase the number of customers within the objective segment and continuing to advance in the diversification of the sources of revenue.

In 2009 an important part of the commercial efforts were directed to controlling and managing customer credit risks, given the strong impact of the international economic crisis on demand and levels of activity, which affected some industrial sectors more than others. Special mention should be made of the salmon industry which, not so much due to the economic crisis but to the devastating effects of the ISA virus, lived through a deep restructuring and bank negotiations process during 2009.

A complete restructuring plan was developed in the finance area, seeking a greater specialization and developing the distribution businesses to customers of the commercial area (foreign exchange, swaps, inflation hedges, etc.). The management was divided into four lines of business: distribution, trading, investments and balance sheet, and the introduction was begun of the new structure and redesigned controls, strengthening administrative support and re-directing the focus toward the generation of more stable revenues, in the last quarter of the year.

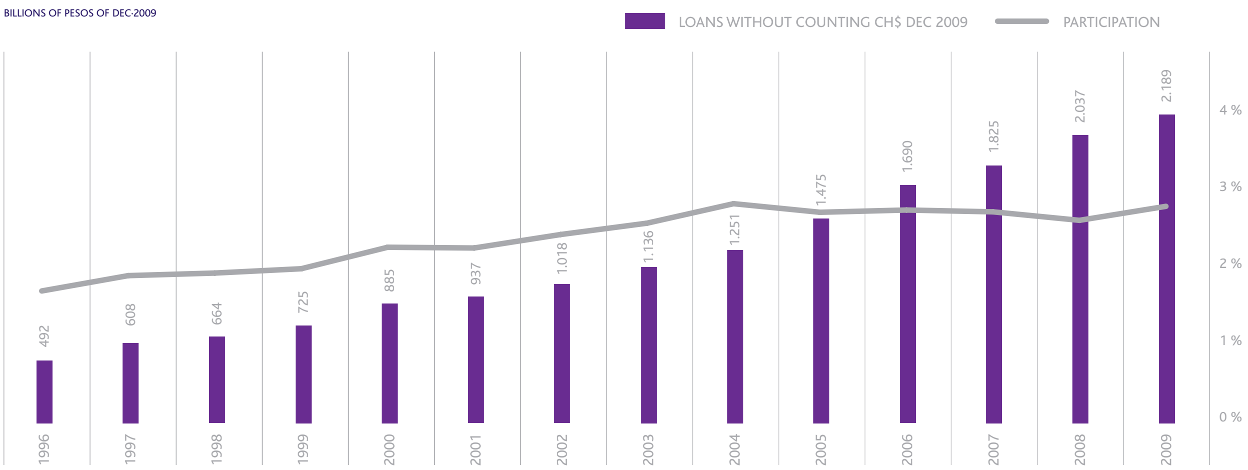
LOANS

The total loans of Banco Security as of December 2009 amounted to Ch$2,357.7 billion (including interbank lending), a real 12-month increase of 7.4%, which compares positively with growth of 0.7% in the financial system. Its market share of loans was 3.1% at December 2009, in 9th place.

Analyzing the evolution of the loans of Banco Security in greater detail, there was a significant drop in foreign trade finance (-46.8%). The growth in total loans was mostly based on the increase in loans to people (15.9%), which thus reached 17.7% of total loans. Notable was the growth in housing loans (17.4%) and installment consumer loans (11.7%).

evolution of loans banco security

BILLIONS OF PESOS OF DEC-2009

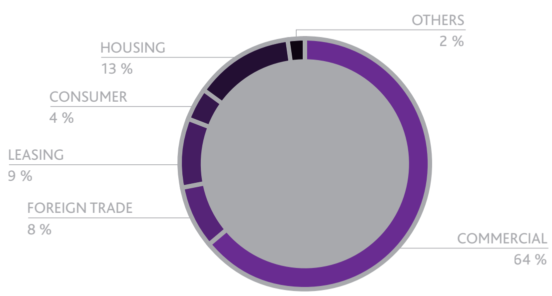


SOURCE: SBIF

NOTE: CONTINGENT LOANS HAVE BEEN DEDUCTED FROM HISTORIC LOANS AS THESE ARE REPORTED OFF THE BALANCE SHEET FROM JANUARY 2008, IN ACCORDANCE WITH THE NEW STANDARDS

The composition of the loans of Banco Security, excluding interbank lending, is consistent with its strategic orientation as commercial loans represent 64% of the total and are mainly concentrated on companies. As of December 31, 2009 the distribution of loans, excluding interbank, was as follows:

loan composition 2009



THOUSANDS OF PESOS OF DEC-2009

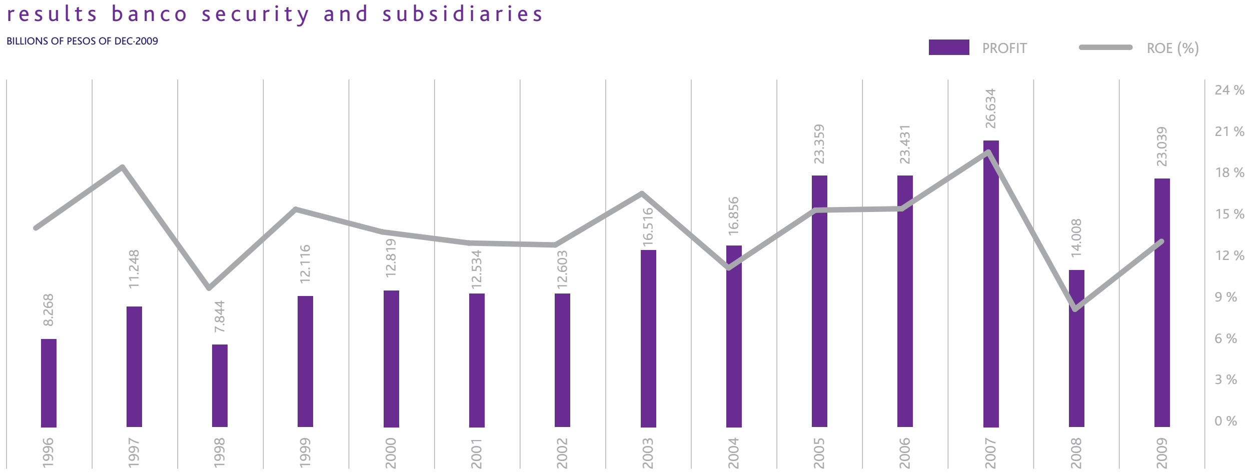
RESULTS

Despite the complex economic situation experienced in 2009, it is important to note that the results of Banco Security were satisfactory, reflecting the strength and maturity achieved by the Bank in these years. The consolidated net income of Banco Security and its subsidiaries was Ch$23,039 million in 2009, which represents a return on capital and reserves of 13.2%.

The strengthening of corporate and retail banking and the restructuring of the finance area initially generated higher costs but the gains in efficiency, added to the management and assignment of costs, has translated into improvements in the efficiency ratio, from 62.05% at December 2008 to 51.98% at December 2009.

results banco security and subsidiaries

BILLIONS OF PESOS OF DEC-2009



SOURCE: SBIF

SUBSIDIARIES

The subsidiaries that consolidate with Banco Security are Valores Security S.A. Corredores de Bolsa (99.76%) and Administradora General Fondos Security S.A. (99.90%).

The results show that the subsidiaries of Banco Security at the end of December 2009, represented 8.36% of the consolidated income for the year, thus reverting to a large degree the fall in these results in 2008 resulting from the fall in income from own financial investments (Valores) and the impact suffered by the mutual funds industry when the international economic crisis broke in September 2008, which caused an important drop in the funds managed.

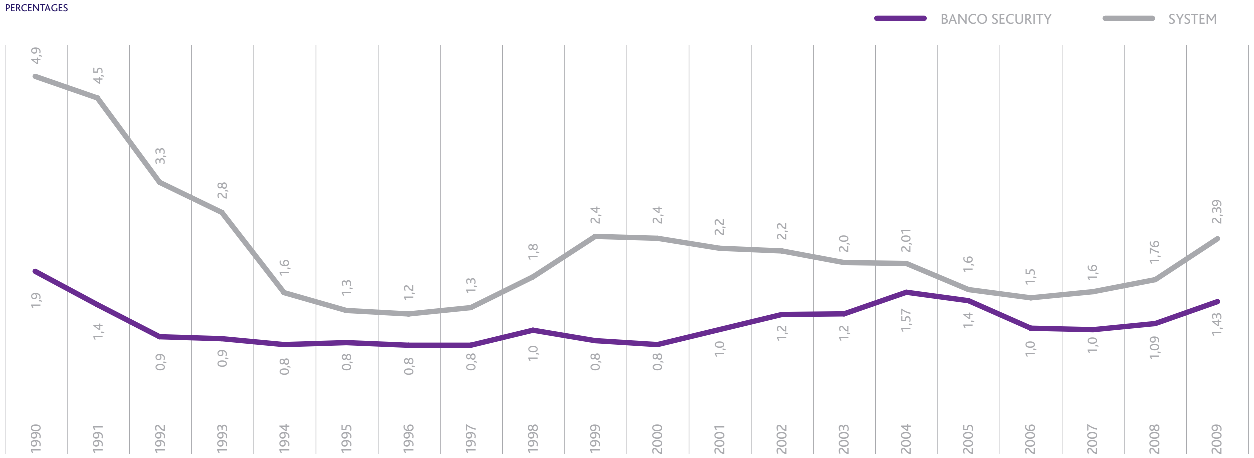
RISK

Banco Security has maintained the quality of its loan portfolio with a suitable risk administration policy, which partly offset its reduced margins resulting from a market orientation to lower-spread niches. However, as a result of the economic environment, the deterioration of some more sensitive sectors covered by the Bank in accordance with its strategy and the situation faced by the salmon industry, there was a large increase in the requirement for allowances, the charge for this concept being 4.7% higher than in 2008.

The past-due loan to total loans ratio was 1.28% at December 2009, and the allowances to loans ratio was 1.43%. Both compare favorably with the industry averages of 2.94% and 2.39% respectively. The Bank therefore maintained its position as one of the lowest-risk banks in the industry. The loan portfolio past due 90 days or more is a stressed measure compared to the old past-due ratio as it considers the complete acceleration of the overdue credit and does not include in its calculation the collateral covering the corresponding operations.

risk allowances / loans

PERCENTAGES



SOURCE: SBIF

In order to strengthen the equity base of the Bank, the shareholders at the end of 2008 approved a capital increase of Ch$40,000 million, of which Ch$ 20,000 million was paid up in November that year, with the balance payable within three years. This reflects the commitment and support of the shareholders, which has enabled the Bank to face the international financial crisis and sustain the future growth of its assets with high levels of solvency (its Basel ratio at December 2009 was 12.6%).

RECOGNITIONS RECEIVED

• GPTW Prize

As has been habitual since the best places to work were surveyed in Chile, Banco Security, together with 4 companies of the Security group, were distinguished by Great Place to Work Institute as among the 10 "Best Companies to Work in Chile," according the latest annual survey.

In addition, Grupo Security obtained 9th place among the Best Companies to Work in Latin America. Credibility, respect, impartiality, pride and comradeship were the aspects considered in the survey whose fifth version evaluated companies in Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela.

• Salmón Prizes 2009

The Diario Financiero together with the Chilean Mutual Funds Association held the tenth version of the award of the Salmón Prizes 2009.

Three Security mutual funds were recognized, for those obtaining the best annual returns in the different categories.

The winners were:

- Security Check Series I, first place
- Security Gold Series I, second place
- Security Plus Series C, third place

• Women Leaders 2009

Karin Becker, Corporate Culture Manager, was distinguished by El Mercurio as one of the 100 Women Leaders 2009. This is the eighth version of the ranking, with more than 16 thousand people nominating a thousand candidates and a jury choosing 100 women from the whole of Chile who are outstanding as business women, professionals, executives, and those in the social and public world.

• Banco Security: 1st place in the ranking of companies with good working environments

Banco Security was distinguished as the company with the best working environment, according to the supplement "The most respected companies 2009" of La Segunda newspaper. Banco Security moved from fifth place in 2008 to first in 2009.

• Banco Security's Foreign Trade area received the best evaluation in Global Customer Satisfaction.

The Foreign Trade area of Banco Security obtained 1st place in global customer satisfaction in the Servitest annual survey of customer satisfaction made by an independent company from among the customers of various banks that offer foreign-currency business operations.

CHAPTER 07

GENERAL INFORMATION

BANCO | security

IDENTIFICATION OF THE COMPANY

OWNERSHIP AND ORGANIZATIONAL STRUCTURE

PERSONNEL AND REMUNERATION

MANAGEMENT POLICIES

CREDIT RATING

CHAPTER 07

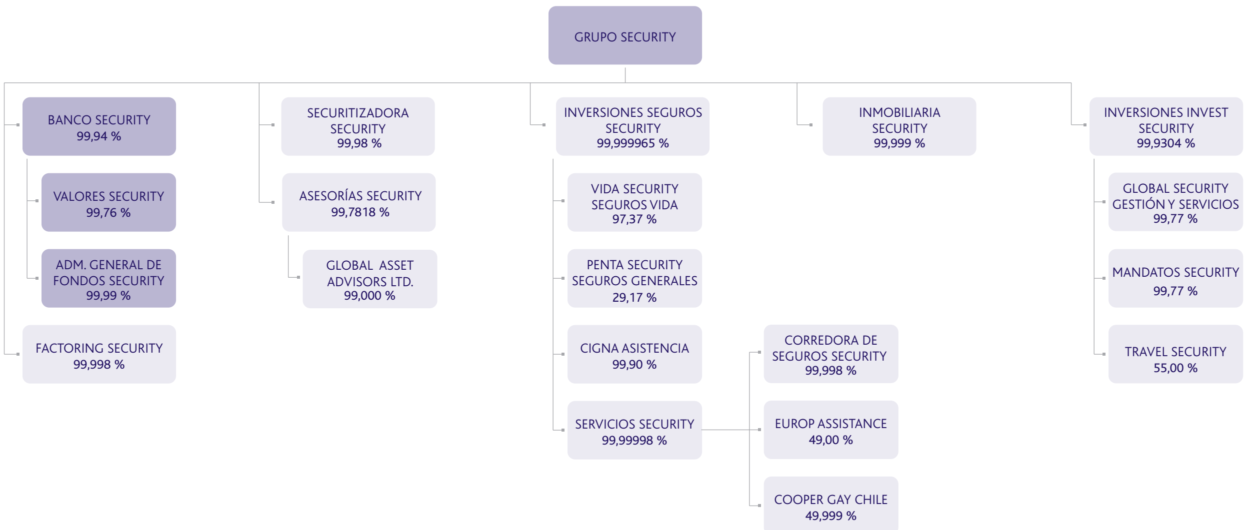
GENERAL INFORMATION

IDENTIFICATION OF THE COMPANY

NAME	BANCO SECURITY
KIND OF COMPANY	Banking corporation
SECURITIES REGISTER NUMBER	Banco Security is not registered in the Securities Register
OBJECTS	Perform all acts, contracts, operations & activities appropriate to a commercial bank in accordance with current legislation.
Tax No.	97.053.000-2
ADDRESS	Av. Apoquindo 3150, 15th floor, Las Condes, Santiago, Chile
TELEPHONE	(56-2) 584 4000
FAX	(56-2) 584 4001
MAIL	banco@security.cl
WEB www.security.cl	
CONSTITUTION DOCUMENTS	The corporation was constituted under public deed dated August 26, 1981 signed before the notary Enrique Morgan Torres. The abstract of the constitution deed was published in the Official Gazette on September 23, 1981.

OWNERSHIP AND ORGANIZATIONAL STRUCTURE

Banco Security is controlled by Grupo Security, which held 99.9478% of its shares as of December 31, 2009.



PERSONNEL AND REMUNERATION

As of December 31, 2009, Banco Security and its subsidiaries employed a total of 800 staff, 0.6% fewer than the previous year. 58.5% of the total staff are women. The total remuneration paid by the bank to its executives during the year was Ch$5,613.6 million, while severance payments made to executives amounted to Ch$378.6 million.

As for the rest of the Grupo Security companies, the Bank and its subsidiaries have an important incentives plan, based on compliance with return on capital and reserves targets and with the budget for the year. Each company incurs directly the costs related to this plan.

The following table shows the distribution of personnel by company:

STAFF BY COMPANY

	CLASSIFICATION			
	Executive	Professional	Staff	Overall total
ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A	5	11	18	34
VALORES SECURITY S.A.	5	20	21	46
BANCO SECURITY	60	388	272	720
TOTAL	70	419	311	800

ADMINISTRATION POLICIES

INVESTMENT POLICY

Banco Security currently does not have a defined fixed asset investment policy (although it does for its financial investments).

However, according to the business strategy, its investments have been focused mainly on physical and technological infrastructure for continuing to strengthen the commitment to provide an integral service of excellence to the market, and to improve efficiency and productivity in the use of resources.

FINANCING POLICY

Banco Security has defined a series of policies related to financing that set the general guidelines for the management of mismatches of maturities and currencies, liquidity and concentration by creditor, all tending to control the risks inherent in the banking business, over and above the regulatory requirements.

CHAPTER 07

GENERAL INFORMATION

DIVIDEND POLICY

Banco Security has no dividend policy at present. The definition of the amount for distribution year by year is a function of the capital requirements for supporting growth, in order to maintain the solvency ratio at the levels required by the board and senior management.

The following shows the dividends paid by the Bank to its shareholders since 2000 and the percentages these represented of the corresponding net income:

DIVIDENDS PAID BY BANCO SECURITY 2000-2009
in historic Ch$ millions of each period

DATE	AMOUNT (HISTORICAL CH$ MILLIONS)	% NET INCOME OF PREVIOUS YEAR
febrary/2000	4.254,4	50,0%
febrary/2001	7.344,0	76,2%
febrary/2002	8.749,7	90,0%
febrary/2003	9.061,7	90,0%
febrary/2004	13.326,1	100,0%
febrary/2005	11.219,1	80,0%
march/2006	20.014,3	100,0%
march/2007	20.498,0	100,0%
march/2008	13.625,0	50,0%
march/2009	7.720,0	53,5%

CREDIT RATINGS

The obligations of Banco Security at the end of 2009 have the following local credit ratings:

	TIME DEPOSITS AND OTHER TITLES REPRESENTATIVES OF MORTGAGE		FUNDING BONDS	BANK BONDS	SUBORDINATED BONDS	PROSPECTS
	SHORT TERM	LONG TERM				
Feller-Rate	Level 1 +	AA -	AA -	AA -	A +	Stable
Fitch Ratings	N 1 +	AA -	AA -	AA -	A +	Stable

The Bank also has a public international credit rating by Standard & Poor´s, as follows as at December 31, 2009:

	GLOBAL SCALE LOCAL CURRENCY	GLOBAL SCALE FOREIGN CURRENCY
Standard & Poor´s	BBB-/Stable/A-3	BBB-/Stable/A-3

CHAPTER 08

SUBSIDIARIES

BANCO | security

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

VALORES SECURITY S.A., CORREDORES DE BOLSA

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

BOARD OF DIRECTORS	
Chairman:	Francisco Silva S.
Directors:	Carlos Budge C.
	Felipe Larraín M.
	Renato Peñafiel M.
MANAGEMENT	
President:	Juan Pablo Lira T.
Investment Manager:	Cristián Ureta P.
TYPE OF CORPORATION	Corporation, subsidiary of Banco Security
SECURITIES REGISTER REGISTRATION	It is registered in the Securities Register under No.0112
OBJECTS	General funds management.
CONSTITUTION DOCUMENTS	The company was constituted by public deed dated May 26, 1992, and the Superintendency of Securities and Insurance approved its existence on June 2, 1992, by its Resolution 0112. The funds managed by the company are subject to the special regulations set out in Decree Law 1,328 and its regulations, and to the regulatory authority of the Superintendency of Securities and Insurance.
PAID CAPITAL AND EQUITY	The capital and reserves at December 2009 amounted to Ch$7,680 million, and its equity to Ch$10,297 million.

Administradora General de Fondos Security was created as a subsidiary of Banco Security in May 1992. Since then, it has grown consistently with the incorporation of new funds. It broadened its business in September 2003 and changed its name from Administradora de Fondos Mutuos Security S.A. to Administradora General de Fondos Security S.A..

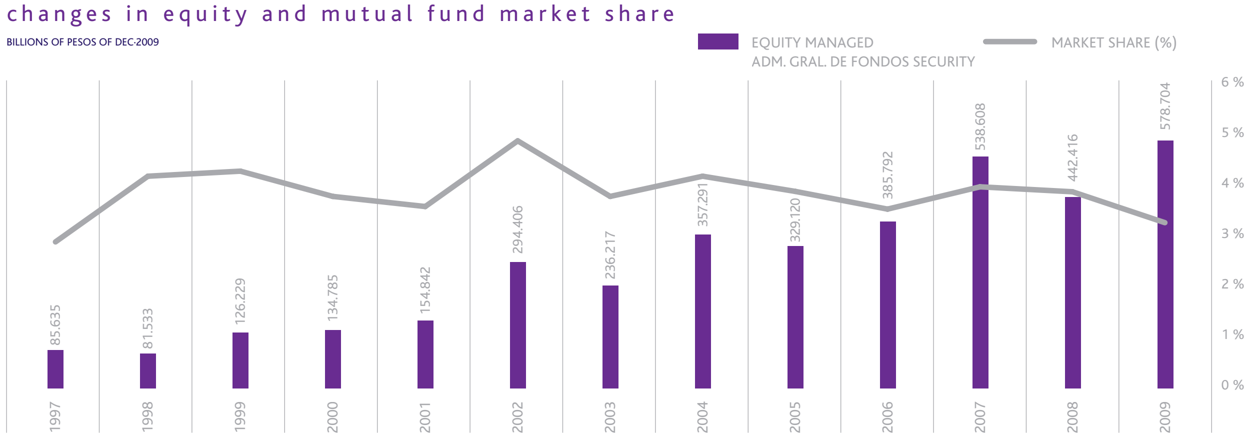
Following a complex 2008 in which financial activity was affected by international instability, the local mutual funds industry managed to end 2009 with a solid recovery. The total funds managed were Ch$17,641 billion, implying a nominal growth of 51.7% over December 2008. The number of participants in the system reached 1,339,691, the equivalent of an increase of 18.5% compared to the end of 2008.

Administradora General de Fondos Security S.A. ended 2009 with average funds managed of Ch$578,705 million, distributed among 20 mutual funds and an investment fund. The volume managed saw a nominal growth of 27.8% in relation to December 2008, while the number of participants reached 32,925, a rise of 16.6% since the end of 2008.

The company had a market share of 3.28% at the end of 2009, among the 9 leading managers in the mutual funds industry.

changes in equity and mutual fund market share

BILLIONS OF PESOS OF DEC-2009



SOURCE: GRUPO SECURITY AND AAFM

One of the most outstanding events of 2009 was the strong expansion in terms of assets managed of the funds oriented to qualified investors. Administradora General de Fondos Security (AGF) obtained a market share of 37.26% in this kind of instrument, partly thanks to the launch of two new funds: the Chile Long-Short and the Fixed Income BRL mutual funds. Notable was the fact that the latter fund, which invests in the Brazilian debt market, managed for the first time to attract local institutional investors in funds other than money market mutual funds.

The contribution of AGF to the industry was recognized by different entities during 2009. The Diario Financiero and the Chilean Mutual Fund Managers Association awarded Administradora General de Fondos Security three Salmón prizes which are granted to those funds with the best annual returns in category, making it one of the most distinguished local fund-management companies.

Other awards came from LVA Índices, an institution that rewarded the excellence of the AGF with recognitions for 10 series of its fund quotas, making it one of the most prize-winning managers in the industry.

The AGF ended 2009 with a 7% growth in net income to a total of Ch$2,616 million and placed among the nine industry leaders.

As of December 31, 2009 the funds and participants in each fund were the following:

FUNDS	MANAGED DECEMBER 2009	PARTICIPANTS AT DECEMBER 2009
Short-term fixed-income	207.586	8.969
Medium & long-term fixed Income	78.150	6.370
Mixed investment funds	32.373	3.208
Capitalization funds	48.101	4.323
Free investment funds	92.516	7.903
Structured mutual funds	13.971	771
Qualified mutual funds	76.863	628
Money market funds	29.144	753
Total Funds Ch$ millions	578.705	32.925

CHAPTER 08

S U B S I D I A R I E S

VALORES SECURITY S.A. CORREDORES DE BOLSA

BOARD OF DIRECTORS	
Chairman:	Ramón Eluchans O.
Directors:	Nicolás Ugarte B.
	Javier Gómez C.
	Enrique Menchaca O.
	Naoshi Matsumoto C.
MANAGEMENT	
President:	Rodrigo Fuenzalida B.
Operations manager:	Juan Adell S.
Finance manager:	Andrés Pérez L.
TYPE OF CORPORATION	Corporation, subsidiary of Banco Security
SECURITIES REGISTER REGISTRATION	It is registered in the Securities Register under No.0111
OBJECTS	Develop activities in various business areas like: Equities (share trading), Fixed Income, Foreign Currency, Portfolio Management and Financial Advisory.
CONSTITUTION DOCUMENTS	The company was constituted by public deed dated August 26, 1981 before the Santiago notary Enrique Morgan Torres.
PAID CAPITAL AND EQUITY	The capital and reserves at December 2009 amounted to Ch$26,555 million, and its equity to Ch$26,558 million.

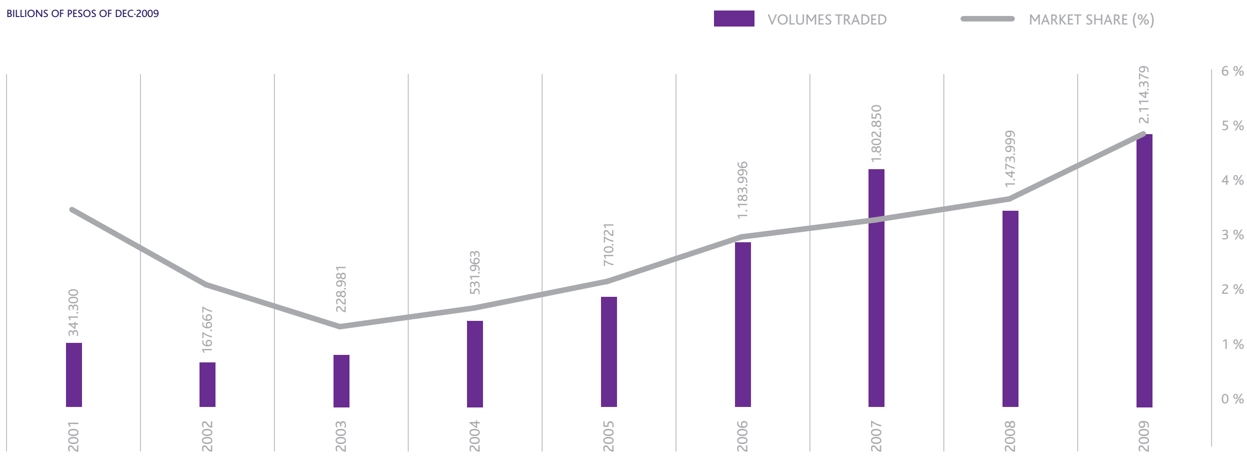
Valores Security S.A., Corredores de Bolsa was created in 1987 by Security Pacific National Bank to act as a stock-broker, becoming a subsidiary of Banco Security in 1991. Over time, and basically motivated by the high volatility that has characterized the stock market in Chile, the company has sought new business opportunities to diversify its revenue channels. Valores Security now runs its business through three business areas: fixed income, equities and currencies. The first is mainly the management of own positions in fixed income and derivative instruments on the local market and the trading of financial instruments. Equities refer basically the company's original business of share trading. Foreign currencies involves the purchase and sale of foreign currencies and trading in dollar forward contracts.

The market showed signs of recovery in 2009 following the sharp fall in stock market activity in 2008. The IPSA (selective stock price index) closed the year with an annual return of 50.71% and a 7.3% in trading volumes. In line with this tendency, Valores Security

saw a rise of 40.5% in stock volumes traded in 2009 and was placed 6th in the rankings of the Santiago Stock Exchange and Chilean Electronic Exchange. The market share of Valores Security in share trading rose from 3.75% in 2008 to 4.94% in 2009, implying growth of 32%.The company also produced a net income of Ch$23.5 million.

volumes traded and market share

BILLIONS OF PESOS OF DEC-2009



SOURCE: GRUPO SECURITY

Among the most important achievements of 2009 was the solid growth in the funds managed by the Portfolio Management area. These rose by 108.16% during last year, sustained by a strong expansion in the number of customers which increased by 65.69% between December 2008 and December 2009.

With the idea of being closer to customers and giving them integral advice on their investments, a series of breakfast meetings were arranged during the year in Santiago and the regions. Some of the most senior executives presented their economic forecasts directly to customers in cities like Antofagasta, Viña del Mar, Concepción and Temuco. But definitely the main event held, jointly with Inversiones Security, was the traditional Economic Seminar, on August 6, 2009, at which the MIT economist and researcher Ricardo Caballero was leading speaker for the second consecutive year. In his presentation, he forecast the beginning of economic recovery at both the international and local levels.

CHAPTER 09

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS OF BANCO SECURITY AND SUBSIDIARIES

SUMMARIZED FINANCIAL STATEMENTS OF SUBSIDIARIES

BANCO | security

MCh$ = Millions of Chilean pesos

US$ = United States Dollars

U.F. = Unidad de Fomento (an inflation-indexed, Chilean peso denominated monetary unit set daily in advance on the basis of the previous month's inflation rate)

CHAPTER 09

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CHAPTER

09

CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Directors of
Banco Security and Subsidiaries:

ERNST & YOUNG
Quality In Everything We Do

1. We have audited the accompanying consolidated statements of financial position of Banco Security and Subsidiaries (the "Bank") as of December 31, 2009 and 2008, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended. These financial statements (which include their related notes) are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

2. We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Bank's management as well as evaluating the overall consolidated financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

3. 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, 2009 and 2008, and the results of its operations, comprehensive income, changes in equity and cash flows for the years then ended, in conformity with accounting rules established by the Superintendency of Banks and Financial Institutions.

4. As explained in Note 3 to the consolidated financial statements, on November 9, 2007, the Superintendency of Banks and Financial Institutions issued the new "Compendium of Accounting Standards" which contains accounting and reporting standards for banks. These new standards were effective as of January 1, 2009, with 2008 figures restated for comparative purposes.

Juan Francisco Martínez A.
ERNST & YOUNG LTDA.
Santiago, January 27, 2010

CONSOLIDATED BALANCE SHEETS

As of December 31, 2009 and 2008

(Translation of financial statements originally issued in Spanish)

	NOTES	2009 MCH$	2008 MCH$
ASSETS			
Cash and due from banks	6	64.852	80.612
Transactions in the course of collection	6	116.161	129.909
Trading securities	7	396.043	356.864
Securities purchased under resale agreement	8	20.807	24.153
Derivative instruments	9	66.280	53.052
Loans and advance to banks	10	312.431	93.467
Loans to customers, net	11	1.845.419	1.965.344
Available for sale instruments	12	484.353	366.376
Held to maturity instruments	12	-	-
Investments in other companies	13	680	543
Intangibles assets	14	16.124	12.721
Property, plant and equipment, net	15	22.491	24.423
Current tax assets	16	3.021	7.444
Deferred tax assets	16	36.185	29.647
Other assets	17	67.525	67.618
TOTAL ASSETS		3.452.372	3.212.173
LIABILITIES AND EQUITY			
Current accounts and demand deposits	18	255.777	221.397
Transactions in the course of payment	6	74.738	64.862
Securities sold under repurchase agreement	8	401.975	90.130
Deposits and other time deposits	18	1.651.418	1.720.452
Derivative instruments	9	80.165	52.843
Obligations with banks and other financial institutions	19	132.120	292.091
Debt issued	20	515.822	470.092
Other financial obligations	20	51.371	47.668
Current tax liabilities	16	7.233	-
Deferred tax liabilities	16	34.126	32.044
Provisions	21	10.911	9.753
Other liabilities	22	38.862	37.107
TOTAL LIABILITIES		3.254.518	3.038.439
EQUITY			
Attributable to Equity Holders of the Parent			
Capital	24	138.207	138.196
Reserves	24	22.224	22.224
Other accounts	24	(3.349)	(12.255)
Retained earnings:			
Earnings retained from previous years	24	24.579	8.461
Retained earnings for the year		23.040	24.346
Allowance for minimum dividends	24	(6.912)	(7.304)
		197.789	173.668
Minority Interest		65	66
TOTAL EQUITY		197.854	173.734
TOTAL LIABILITIES AND EQUITY		3.452.372	3.212.173

The accompanying notes numbers 1 to 39 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

As of December 31, 2009 and 2008

(Translation of financial statements originally issued in Spanish- See Note 1 a)

	NOTES	2009 MCH$	2009 MCH$
Interest revenue	25	117.959	238.770
Interest expense	25	(66.267)	(201.985)
Net interest and indexation income		51.692	36.785
Fees and commission income	26	25.247	22.752
Fees and commissions expense	26	(3.649)	(3.176)
Net fees and commissions income		21.598	19.576
Net income from trading and brokerage activities	27	1.926	39.455
Foreign exchange transactions, net	28	14.133	(13.135)
Other operating income	33	3.985	5.313
Operating revenues		93.334	87.994
Allowance for loan losses	29	(14.819)	(11.479)
NET OPERATING INCOME		78.515	76.515
Personnel expenses	30	(20.507)	(20.495)
Administrative expenses	31	(24.433)	(23.840)
Depreciation and amortization	32	(2.435)	(2.576)
Impairments	32	-	-
Other operating expenses	33	(3.510)	(2.426)
OPERATING EXPENSES		(50.885)	(49.337)
NET OPERATING INCOME		27.630	27.178
INCOME ATTRIBUTABLE TO AFFILIATES	13	205	175
Income before income taxes		27.835	27.353
Income tax expense	16	(4.796)	(3.015)
Income from ongoing operations		23.039	24.338
Income from discontinued operations		-	-
CONSOLIDATED NET INCOME FOR THE YEAR		23.039	24.338
Attributable to:			
Equity holders of the parent		23.040	24.346
Minority interest		(1)	(8)
Net income per share attributable to			
Equity holders of the parent:		$	$
Basic net income	24	152	176
Diluted net income	24	152	176

The accompanying notes numbers 1 to 39 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

As of December 31, 2009 and 2008

(Translation of financial statements originally issued in Spanish)

	2009 MCH$	2008 MCH$
CONSOLIDATED NET INCOME	23.039	24.338
OTHER COMPREHENSIVE INCOME		
Net unrealized losses on available-for-sale instruments	11.868	(15.277)
Net losses on hedge accounting	(1.138)	-
Other comprehensive income	-	-
Comprehensive income (loss) before income taxes	10.730	(15.277)
Income tax related to other comprehensive income	(1.824)	2.597
Total other comprehensive income (loss)	8.906	(12.680)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	31.945	11.658
Attributable to		
Equity holders of the parent	31.946	11.666
Minority interest	(1)	(8)
Comprehensive net earnings per share attributable to equity holders of the parent	$	$
Basic earnings per share	210	84
Diluted earnings per share	210	84

The accompanying notes numbers 1 to 39 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As of December 31, 2009 and 2008

(Translation of financial statements originally issued in Spanish)

	ATTRIBUTABLE TO EQUITY HOLDERS							MINORITY INTEREST MCH$	TOTAL MCH$
				UTILITIES RETENDERS					
	PAID-IN CAPITAL MCH$	RESERVES MCH$	RECOVERY ACCOUNT MCH$	PRIOR YEARS MCH$	NET INCOME FOR THE YEAR MCH$	PROVISION FOR MINIMUM DIVIDENDS MCH$	TOTAL		
Balances as of December 31, 2007	108.565	20.295	425	10.797	27.250	-	167.332	69	167.401
Reclassification prior year profit	-	-	-	27.250	(27.250)	-	-	-	-
Adjustments IFRS transition date	-	-	-	(4.390)	-	(8.175)	(12.565)	-	(12.565)
Balance as of January 01, 2008	108.565	20.295	425	33.657	-	(8.175)	154.767	69	154.836
Dividends paid	-	-	-	(13.624)	-	-	(13.624)	-	(13.624)
Allowance for minimum dividends 2007	-	-	-	-	-	8.175	8.175	-	8.175
Capital increase	19.988	-	-	-	-	-	19.988	-	19.988
Restatement of capital	9.643	1.929	-	2.173	-	-	13.745	5	13.750
Available for sale instruments	-	-	(12.680)	-	-	-	(12.680)	-	(12.680)
Net income for the year	-	-	-	-	14.340	-	14.340	(8)	14.332
Allowance for minimum dividends	-	-	-	-	-	(4.302)	(4.302)	-	(4.302)
First application of IFRS adjustments	-	-	-	(13.745)	10.006	(3.002)	(6.741)	-	(6.741)
Balances as of December 31, 2008	138.196	22.224	(12.255)	8.461	24.346	(7.304)	173.668	66	173.734
Reclassification prior year profit	-	-	-	24.346	(24.346)	-	-	-	-
Dividends paid	-	-	-	(7.716)	-	-	(7.716)	-	(7.716)
Allowance for minimum dividends 2008	-	-	-	-	-	7.304	7.304	-	7.304
Other movements in equity	-	-	-	(512)	-	-	(512)	-	(512)
Capital increase	11	-	-	-	-	-	11	-	11
Instruments available for sale	-	-	9.850	-	-	-	9.850	-	9.850
Accounting hedges	-	-	(944)	-	-	-	(944)	-	(944)
Net income for the year	-	-	-	-	23.040	-	23.040	(1)	23.039
Allowance for minimum dividends	-	-	-	-	-	(6.912)	(6.912)	-	(6.912)
Balances as of December 31, 2009	138.207	22.224	(3.349)	24.579	23.040	(6.912)	197.789	65	197.854

The accompanying notes numbers 1 to 39 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

As of December 31, 2009 and 2008

(Translation of financial statements originally issued in Spanish)

	NOTES	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
OPERATIONS ACTIVITIES FLOW CONSOLIDATED			
Consolidated Cash Flows provided by Operating Activities before Income Tax		27.835	27.353
Charges (credits) to income that do not represent cash flows			
Credit risk allowances	29	14.819	11.479
Depreciation and amortization	32	2.435	2.576
Other accrued expenses		2.768	884
Changes in deferred tax assets and liabilities		(1.818)	3.057
Valuation of negotiation book investments		2.816	(1.282)
Valuation of derivative contracts to finance negotiations		11.682	6.935
Income from investments in companies	13	(205)	(175)
Income from sale of goods received as payment		(321)	(62)
Commission and fees net revenues	26	(21.598)	(19.576)
Interest and readjustments net revenues	25	(51.692)	(36.785)
Other charges (credits) to income that do not represent cash flows		(16.083)	3.856
Changes in operating assets that affect cash flows: Increase (Decrease)			
Increase indebted by banks		(219.075)	(3.673)
Net increase in clients' accounts receivable		68.447	(313.264)
Increase investments		(145.296)	(216.250)
(Reduction) of other assets and liabilities		172	(14.719)
Sale of goods received as payment		2.172	1.406
Changes in operating liabilities that affect cash flows: Increase (Decrease)			
Increased sight deposits and other obligations		34.445	40.608
Increased sales contracts with securities and loan agreement		311.891	39.263
(Reduction) Increased deposits and other terms deposits		(31.315)	255.853
Letter of credit net variation		(9.305)	(23.265)
Bonds net variation		64.502	118.265
(Reduction) of other assets and liabilities		(11.343)	(32.067)
Cash flows provided by operating activities			
Recovered taxes		3.281	1.210
Received interest and readjustments		181.685	188.631
Paid interests and readjustments		(124.203)	(157.291)
Received commissions		25.247	22.752
Paid commissions		(3.649)	(3.176)
Total net cash flows provided by operating activities		118.294	(97.457)
CASH FLOWS USED IN INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment		(608)	(1.847)
Acquisition of intangible assets		(4.564)	(7.714)
Total net cash flows used in investment activities		(5.172)	(9.561)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Decrease in obligations with domestic banks		(563)	(2.351)
Increase (Decrease) in obligations with foreign banks		(156.818)	138.738
Junior bonds net variation		139	13.807
Increase in other financial obligations		9.094	12.316
Capital increase	24	11	19.988
Dividends paid		(7.716)	(14.676)
Total net cash flows provided by (used in) financing activities		(155.853)	167.822
TOTAL NET POSITIVE (NEGATIVE) CASH FLOWS FOR THE YEAR		(42.732)	60.804
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		169.812	109.000
EFFECT OF MINORITY INTEREST		1	8
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	127.082	169.812

The accompanying notes numbers 1 to 39 form an integral part of these consolidated financial statements

NOTES OF THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2009 and 2008

(Translation of financial statements originally issued in Spanish)

1. CORPORATE INFORMATION

Banco Security ("the Bank") is a stock corporation regulated by the Superintendency of Banks and Financial Institutions ("SBIF") whose main office is located at Apoquindo 3150, Las Condes, Santiago.

The Bank is mainly focused on satisfying the financial needs of medium and large companies and high-income individuals. In addition it offers international banking services and treasury services. Finally through its subsidiaries Valores S.A. Corredores de Bolsa and Administradora General de Fondos Security S.A. it offers its customers securities brokerage and funds administration, and advisories on pension plans and voluntary pension savings.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with the standards set forth by the SBIF as stipulated in the Compendium of Accounting Standards, and for anything not covered in the indicated compendium, the technical standards issued by the Chilean Association of Accountants have been applied, which coincide with International Financial Reporting Standards (IFRS) agreed upon by International Accounting Standards Board (IASB).

For the convenience of the reader, these financial statements have been translated from Spanish to English.

The consolidated financial statements for the year ended December 31, 2009, represent the first financial statements prepared in accordance with the new accounting standards, and constitute the first year of adoption. The transition date for the application of these new standards is January 1, 2008. The new standards generated changes in accounting policies and aspects such as:

- Changes in accounting policies and valuation criteria.

- New criteria for determining credit risk provisions and effective rate accrual.

- Incorporation of a new financial statement called statement of changes in equity.

- Significant increases in the information provided in the notes to the financial statements.

In Note 3 Accounting Changes – first-time adoption of IFRS, in accordance with specific instructions from the Superintendency of Banks and Financial Institutions and the Compendium of Accounting Standards issued by the SBIF, there is a reconciliation of the balances in the balance sheet at the beginning and end of the year ended as of December 31, 2008 and the corresponding income statements generated in that year.

The notes to the financial statements contain additional information to that presented in the balance sheet, statement of comprehensive income, changes in net equity and the statement of cash flows. They provide narrative descriptions or breakdowns of those statements in a clear, relevant, reliable and comparable manner.

a) Exemptions and exceptions under IFRS applied by the Bank

- **Credit provisions, assets received in lieu of payment, contingent loans, suspension of accrual and others.** The indicated provisions have been applied prospectively as of January 1, 2008.
- The provisions mentioned in the previous paragraph and the suspension of income recognition constitute one of the exceptions in the full application of IFRS and this exception arises from the prudential criteria of the Superintendency of Banks and Financial Institutions applied to measure the effect of impairment on loans and not on the computation of the present value of remaining cash flows.

- **Election of the fair value option.** As stated in the Compendium of Standards of issued by the Superintendency of Banks and Financial Institutions, banks cannot designate assets or liabilities to be valued at fair value instead of at amortized cost.

- **Classification of instruments for trading and investment.** Only three categories are determined for instruments acquired for trading and investment, and a standard treatment is applied to those classified in each of them, taking the following into consideration:
  - Instruments available for sale cannot be adjusted to fair value against income.
  - For the purpose of presentation in the Balance Sheet, investments in mutual funds will be included together with trading securities, adjusted at fair value.
  - Instruments with a derivative component that should be separated, but is impossible to valuate it separately, will be included in the category of trading securities, in order to treat them as applicable to that portfolio.
  - In the extraordinary case that a capital instrument included in the trading securities portfolio stops being traded and it is not possible to obtain a reliable estimate of its fair value, it will be included in the category of instruments available for sale.

- **Recognition in the Balance sheet according to trading date** Financial instrument purchase/sales transactions, including foreign currency will be recognized in the Balance Sheet on the trading date, i.e. on the date of assuming the reciprocal obligations that must fulfilled within the period established by regulations or conventions of the market in which the Bank operates.

- **Embedded derivatives.** The indexation of transactions in Chilean currency authorized for banks by the Central Bank of Chile will not be treated as embedded derivatives, i.e. adjustments based on the variation of the CPI (UF, IVP or UTM) or in the variation of the exchange rate of a foreign currency.

- **Hedge Accounting.** Financial instruments recorded at fair value whose adjustment to that value must be taken to income cannot be the object of hedge accounting, unless they are embedded derivatives that must not be separated from the host contract.

  The options issued by the bank can only be designated as hedging instruments to compensate for purchased options incorporated in a host contract and which should not be separated.

- **Property, plant and equipment.** All property, plant and equipment will be valued at cost, less accumulated depreciation and impairment.

  For the convenience of the reader, these financial statements have been translated from Spanish to English.

b) Valuation Criteria for assets and liabilities. The valuation criteria for assets and liabilities recorded in the accompanying financial statements are as follows:

- **Valuation at amortized cost** Amortized cost is understood to be the initial value of an asset or liability at plus or minus costs or incremental income, by the part imputed systematically to the income statement accounts calculated using the effective rate method, of the difference between the initial value and the reimbursement value upon maturity.

  In the case of financial assets the amortized cost includes corrections to its value due to the impairment experienced.

- **Measurement of Fair value.** Fair value measurement is made up of the amount for which an asset can be exchanged or a liability can be paid by a duly informed purchaser and buyer in an arm's length transaction.

  When the market value of an instrument does not represent an active market, the Bank will determine the fair value using approximation techniques at a fair price such as interest curves on the basis of market transactions or homologation with instruments of similar characteristics.

- **Valuation at acquisition cost.** Acquisition cost is understood to be the transaction cost less any impairment losses experienced.

The accompanying consolidated financial statements have been prepared on the basis of amortized cost except for:

- Derivative financial instruments, measured at fair value.
- Available for sale assets measured at fair value, when this is lower than their book value less cost of sales.
- Trading instruments measured at fair value.
- Investment securities held for sale measured at fair value.
- Certain property, plant and equipment items that Senior Management has decided to appraise and leave that value as a cost attributed first-time adoption, in conformity with what is established in the Compendium of Accounting Standards issued by the SBIF.

c) Functional currency. The items included in the financial statements of each of the entities of the Bank and its Subsidiaries are valued using the currency of the main economic environment in which the entity operates, denominated the functional currency. The functional currency of the Bank and its Subsidiaries is the Chilean peso, which is presented rounded to the nearest million. Consequently all balances and transactions in currencies other than the Chilean peso are considered foreign currency.

d) Significant accounting judgments and estimates. In the preparation of the financial statements in accordance with the Compendium of Accounting Standards issued by the SBIF the Bank requires that management make certain estimates, judgments and assumptions that affect the reported statements. It is possible that real outcomes in the following periods might differ from the estimates made.

- Estimations and relevant assumptions are reviewed regularly by the Bank's senior management in order to quantify their effects on the balance sheet, the statement of income accounts and on uncertainties.
- Reviews of accounting estimates are recognized in the period in which they are generated and in future affected periods.

The most significant areas for estimation of uncertainties and judgment in the application of accounting criteria or policies are:

- Valuation of financial instruments and derivatives
- Loss from the impairment of loans and from customers and other assets
- Useful lives of material and intangible assets
- Contingencies and commitments

e) Basis of consolidation. The Bank's financial statements have been consolidated with those of its subsidiaries. Subsidiaries are companies controlled by the Bank. Control exists when the Bank has the power to direct a company's financial policies and operations in order to obtain benefits from its activities. The financial statements of the subsidiaries are incorporated in the consolidated financial statements from the date on which control began.

In the consolidation processes all significant balances between the Bank and its subsidiaries and among subsidiaries have been eliminated, as have income and expenses arising from transactions with subsidiaries.

Third party participation in the Bank's equity is presented as a separate item of the Balance Sheet as "minority interest" and income is shown after income attributable to shareholders of the Bank's equity.

Minority interest represents the shareholders' equity of a subsidiary not directly or indirectly attributable to the controller.

The percentage of participation in consolidated subsidiaries is detailed as follows:

	PARTICIPATION 2009 %	PARTICIPATION 2008 %
Valores Security S.A. Corredores de Bolsa	99,76	99,76
Administradora General de Fondos Security S.A.	99,90	99,90

f) Operating segments. The Bank's operating segments are components that engage in business activities from which operating income is generated and expenses are incurred, whose operating income is reviewed regularly by the Bank's maximum decision making authority to determine on the resources that must be allocated to the segment and evaluate its performance, and there is differentiated financial information available.

As detailed in Note 5, the main segments of the Bank are: Corporate Banking, Personal Banking, Financial Business and Investment Business.

g) Interest and readjustment income and expenses. Loans, investments and obligations are presented with their accrued interest and readjustments as of year-end, however in the case of delinquent loans a prudential criterion that involves suspending interest accrual and readjustments in income statement accounts has been followed, which will be recognized in the accounting when they are received. Interest income and expenses are recognized using the effective rate method which uses the discount rate that exactly equals estimated receivable or payable cash flows throughout the expected life of the financial instrument.

h) Fee and commission income and expenses. Fee and commission income and expenses that form part of the effective rate of a financial asset or liability are recognized in income during the lives of the transactions that give rise to them.

Fee and commission income and expenses generated from providing a specific service are recognized in income when the services are rendered. Those connected to financial assets and liabilities are recognized when they are collected.

i) Foreign currency translation. The functional currency is the Chilean peso. Transactions in foreign currency performed by the Bank were converted to Chilean pesos at the functional currency rate of exchange ruling at the date of the transaction. As of December 31, 2009 and 2008 monetary items in foreign currency were converted using the functional currency rates of exchange ruling as of the balance sheet date, which were Ch$507.25 and Ch$641.25 per US$ 1 respectively, and non-monetary items that are measured at historical costs are converted using the functional currency rate of exchange ruling at the date of the transaction.

Foreign exchange rate net income of MCh$ 14,133 and loss of MCh$ 13,135 for 2009 and 2008 respectively, presented in the consolidated statement of income, includes both income obtained from exchange transactions and recognition of the effects of foreign currency translation on the assets and liabilities in foreign currency held by the Bank and its subsidiaries.

j) Unidades de Fomento. Assets and liabilities expressed in Unidades de Fomento are shown at the current exchange rate as of 2009 and 2008 year-end of Ch$ 20,942.88 and Ch$ 21,452.57, respectively.

k) Financial investments. Classification and valuation of financial investments are detailed as follows:

k.1) Trading securities: trading securities are securities acquired for which the Bank has the intention of generating profits from short-term price fluctuations or through brokerage margins that are included in a portfolio created for such purposes.

Trading securities are valued at fair value according to the market price ruling as at the balance sheet closing date. Net income or loss arising from mark-to-market, as well as income from trading activities, accrued interest and readjustments, is included in the "Financial instruments held for trading" line under "Net income from financial operations" in the statement of income, detailed in Note 27.

All purchases and sales of trading securities that must be delivered within the period established by market regulations or conventions are recognized on the trading date, which is the date on which the purchase or sale of the assets is committed. Any other purchase or sale is treated as a derivative (forward) until it is liquidated.

k.2) Investment securities: investment securities are classified into two categories: held to maturity and available for sale. Investments held to maturity include only those securities for which the Bank has the ability and intention of maintaining them to maturity. The remaining investments are classified as available for sale securities.

At their inception, investment securities are recorded at cost, including transaction costs.

Available for sale securities are subsequently measured at fair value according to market prices or valuation models. Unrealized net income or losses originated by fair value adjustments are recorded in other comprehensive income within equity. When

these investments are disposed of or impaired the amount of the accumulated fair value adjustments is transferred to income and is reported under the concept of "Sale of instruments available for sale" under "Net income from trading activities" of the statements of income, which is detailed in Note 27.

Investments held to maturity are recorded at cost plus accrued interest and adjustments, less impairment accrual recorded when the book value is higher than its estimated return. As of December 31, 2009 and 2008, the Bank does not maintain any investment held to maturity in its portfolio.

Interest and revaluations of investments held to maturity and available for sale investments are included under "interest and revaluation income", detailed in Note 25.

Investment instruments designated as hedges are accounted for under the appropriate derivative accounting rules.

All purchases and sales of investment securities, to be delivered within the deadline stipulated by market regulations and conventions, are recognized on the commitment date, which is the date when the commitment is made to purchase or sell the asset. Other purchases or sales are treated as forwards until they are liquidated.

l) Derivative instruments. Financial derivative contracts, which include foreign currency and UF forwards, interest rate forwards, currency and interest rate swaps, currency and interest rate options and other financial derivative instruments, are recorded in the balance sheet at cost (including transaction costs) and subsequently measured at their fair value. The fair value is obtained from market quotes, discounted cash flow models and option valuation models, where applicable. Derivative contracts are reported as assets when their fair value is positive and as a liability when negative under "Derivative contracts".

Certain derivatives embedded 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 it is not recorded at fair value with unrealized gains and losses included in income.

When a derivative contract is signed, it must be designated by the Bank as a derivative instrument for trading or hedge accounting purposes.

Any changes in the fair value of derivative contracts maintained for trading purposes are included in the "Trading Derivatives" line under "Net Income from Financial Transactions" in the statement of income.

Should a derivative instrument be classified as a hedge, 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 expected transactions. For hedge accounting purposes, a hedge relationship must comply with all of the following conditions: (a) the hedge must be formally documented at its initiation; (b) the hedge is expected to be highly effective; (c) the effectiveness of the hedge can be reasonably measured; and (d) the hedge is highly effective during its lifetime in relation to the risk being hedged.

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

When a derivative hedges exposure to changes in the fair value of an existing asset or liability, the latter is recorded at fair value with respect to the specific hedged risk, gains or losses from fair value measurement, and both the hedged item and the derivative instrument are recognized in income.

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 assets or liabilities and recognized in income. Gains or losses from fair value measurement of the hedging derivative are recorded in income. When an asset or liability is acquired as the result of a commitment, initial recognition of the asset or liability acquired is adjusted to incorporate the accumulated effect of fair value valuation of the firm's commitment recorded in the balance sheet.

When a derivative hedges exposure to changes in the cash flows of existing assets or liabilities, or expected transactions, the effective portion of changes in fair value with regard to the hedged risk is recorded in shareholders' equity.

Any ineffective portion is recognized directly in the period's income. The amounts recorded directly in shareholders' equity are recorded in income in the same year in which the offsetting changes in hedged assets or liabilities affect income.

When an interest rate fair value hedge is entered into for a portfolio, and the hedged item is an amount of currency instead of individualized assets or liabilities, income from the fair value measurement of both the hedged portfolio and the hedge derivative are recognized in income for the year, but the fair value measurement of the hedged portfolio is shown in the balance sheet under "Financial Derivative Contracts" in assets or liabilities, according to the position of the hedged portfolio at a specific moment in time.

When a cash flows hedge is entered into to cover the exposure to variation in cash flows attributed to a particular risk related to assets or liabilities associated with a highly probable foreseen transaction, income from the effective portion of changes in fair value with respect to the hedged risk will be recognized in shareholders' equity, whereas the ineffective part of the instrument is recognized as income for the year.

m) Securities borrowed and reverse repurchase /repurchase agreements. The Bank performs transactions with repurchase and

reverse repurchase agreements as a form of financing. In this respect the Bank's investments that are sold subject to a repurchase obligation and which serve as guarantee for borrowings are reclassified as "Trading securities", presenting the obligation under "Repurchase agreements and securities borrowed" in liabilities. When financial instruments are purchased with a resale obligation they are included in "Repurchase agreements and securities borrowed" in assets.

Repurchase and reverse repurchase agreements are valued at amortized cost according to the IRR of the transaction.

n) Write-off of financial assets and liabilities. The Bank writes-off a financial asset in its balance sheet only when the contractual rights over the assets' cash flows have been extinguished or the rights to receive contractual cash flows for the financial asset are transferred, in a transaction in which all the risks and benefits are transferred.

The Bank eliminates a financial liability from its balance sheet only when the obligation of the respective contract is extinguished (paid or cancelled).

o) Impairment

o.1) Financial assets: At the end of each period, the Bank evaluates whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired and a loss will be produced if there is objective evidence of the impairment.

Financial assets carried at amortized cost show impairment when the amount between the book value and the current value of estimated cash flows, discounted at the original effective rate of the asset, indicates that cash flows are lower than the book value.

Impairment of financial assets available for sale is determined in reference to their fair value.

Financial assets that are individually significant are evaluated individually to determine whether there is objective evidence of impairment of the asset. Assets that are not individually significant and have similar characteristics are evaluated in a group.

All impairment losses are recognized in income. Reversal of an impairment loss only occurs if it can be objectively related to an event that occurred after the loss was recognized.

o.2) Non-financial assets: The book value of the Bank's non-financial assets is reviewed at each financial statement presentation period to determine whether there is objective evidence of impairment. If such indications exist, the recoverable amount of the asset is estimated. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of the asset.

p) Assets received in lieu of payment. Assets received in lieu of payment are classified under "Other Assets", and recorded at their adjudication cost or fair value less required regulatory write-offs, whichever is lower, and are presented net of the provision.

Regulatory write-offs are required by the Superintendency of Banks and Financial Institutions if the asset is not sold in a period of one year from its receipt.

q) Lease contracts. Accounts receivable from lease contracts, included under "Loans and Accounts Receivable from Customers", correspond to periodic lease installments on contracts that fulfill the requirements to be qualified as financial leases and are presented at their nominal value net of unaccrued interest as of each year-end.

r) Property, plant and equipment. Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Depreciation is recognized in the statement of income using the straight-line method over the estimated useful lives of the related assets.

In the case of certain real estate the Bank chose the fair value option for first-time application based on independent appraisals.

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

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

s) Intangible assets. Expenses incurred in information programs developed internally are recognized as an asset when the Bank is capable of demonstrating its intention to complete the development and use it internally to generate future economic benefits and can reliably measure the costs to complete the development. Capitalized costs of information programs developed internally include all those attributable to development of the program and are amortized over their useful lives.

Information programs acquired by the Bank are valued at cost less accumulated amortization and impairment losses.

Subsequent expenses incurred in information programs are only capitalized when the future economic benefits integrated in the specific asset to which they are related increase. All other expenses are recognized in income as they are incurred.

Amortization is recognized in income using the straight-line method based on the estimated useful lives of the information programs from the date on which they are available for use. The estimated useful life of information programs is 5 years.

t) Allowance for risk of asset loss. The allowances required to cover risk of asset loss (Note 21), have been established in accordance with the standards of the SBIF. Assets are presented net of such allowances, whereas allowances for contingent loan losses are presented in liabilities.

The Bank uses models or methods based on the individual and group analysis of receivables to establish provisions for loan losses. Those models and methods are in accordance with the standards and instructions of the SBIF.

u) Loans and accounts receivable from clients, allowances and write-offs. Loans and accounts receivable from originated and acquired clients are non-derivative financial assets with fixed or determinable payments that are not traded in an active market and that the Bank has no intention of selling immediately or in the short-term. These loans are measured initially at fair value plus incremental transaction costs and subsequently are measured at their amortized cost using the effective rate method.

Impaired portfolios: Loans incorporate the concept of impaired loans that include receivables for which there is concrete evidence that they will not fulfill their obligations under the agreed-upon payment, without the possibility of recovering the owed amount by recurring to guarantees, through exercising judicial collection actions or agreeing to different conditions.

In the framework of the previous paragraph, the Bank will maintain loans in impaired portfolios until the payment capacity or behavior normalizes, notwithstanding proceeding to the write-off of the individually considered loans.

u.1) Allowance for individual evaluation. In order to determine allowances over receivables rated as A1, A2, A3 and B, the Bank uses the allowance percentages approved by the Board of Directors. For receivables with impaired ratings of C1, C2, C3, C4, D1 and D2 in accordance with regulations, provisions are determined in accordance with the following table:

CATEGORY	RANGE OF ESTIMATED LOSS	PROVISION
C1	Up to 3%	2%
C2	More than 3% up to 19 %	10%
C3	More than 19% up to 29%	25%
C4	More than 29% up to 49%	40%
D1	More than 49% up to 79 %	65%
D2	Over 79 %	90%

The individual analysis of receivables is applied to customers, individuals or companies, whose size, complexity or level of risk exposure make it necessary that they be fully known and requires the assignation of a risk rating for each debtor.

u.2) Allowance for group evaluations. The group evaluation is used to analyze a great number of operations whose individual amounts are low. For that purpose, the Bank uses models based on the attributes of the debtors and their loans, and models based on the behavior of a group of loans. In group evaluations, allowances are always established in accordance with the expected loss through the models that are used.

u.3) Additional allowances. In accordance with the standards set forth by the SBIF, the Bank has established additional allowances on its individually evaluated loan portfolio, considering the expected impairment of that portfolio. The calculation of this allowance is made on the basis of the Bank's historical experience, and in consideration of eventual adverse macroeconomic perspectives or circumstances that could affect a sector, industry, group of debtors or projects.

As of December 31, 2009 the Bank had additional allowances of MCh$ 500. As of December 31, 2008 it had not established any additional allowances.

u.4) Charge-offs. Loans are written-off when collection efforts have been exhausted, in periods not exceeding those required by the SBIF, which are as follows:

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

Loan loss recoveries: recovery of loans that were previously written-off are recognized directly as income in the Statement of Income, under "Provisions for Risky Assets ".

As of December 31, 2009 and 2008, recovery of written-off loans amounted to MCh$ 1,318 and MCh $ 910 respectively.

v) Cash and cash equivalents. For the purposes of statements of cash flow, cash and cash equivalents include cash, bank balances, net transactions with settlement in progress net of repurchase agreements, in accordance with the Compendium of Accounting Standards of the SBIF, subject to insignificant risk of changes in fair value.

The Bank prepares its cash flows using the indirect method in which it incorporates non-monetary transactions to income with the income and expenses that originated the cash flows, all grouped into the following concepts:

Cash flows, which correspond to inflows and outflows of cash and cash equivalents.
Operating activities, which are the normal activities carried out by the Bank.
Investment activities, these cash flows represent the measure in which disbursements have been incurred that will produce future income and cash flows.
Financing activities, these cash flows reflect the cash needed to cover commitments with those contributing capital or financing to the entity.

w) Time deposits and debt instruments issued. Deposits that fall into the category of bank fundraising, whatever the instrument or term, are valued at amortized cost. Other debt instruments issued are valued as of the placement date at their fair value less transaction costs and are subsequently valued at amortized cost using the effective rate method.

x) Current and deferred income taxes. Income tax expenses are determined in accordance with Income Tax Law in Chile, therefore an allowance is established against income. In turn, deferred taxes are recognized for temporary differences between the book and tax values of assets and liabilities, recognizing the effect in income except when differences arise from shareholders' equity.

y) Employee benefits

y.1) Vacation accrual. The annual cost of employee vacations is recognized on an accrual basis.

y.2) Short-term benefits. The Bank provides an annual remunerations incentive plan for its employees given for compliance with objectives and performance, which eventually are provided, and is provisioned on the bases of the estimated amount to be distributed.

y.3) Staff severance indemnities. The Bank has not agreed upon the payment of staff severance indemnities to its employees; therefore it does not establish a provision for this concept. The expense is recorded in income as it is incurred.

z) Minimum dividends. In accordance with the Compendium of Accounting Standards of the SBIF, banks must reflect in their financial statements an allowance equivalent to the minimum legal dividend, i.e. 30% of net income, with a counterpart in shareholders' equity.

aa) Earnings per share. The Bank shows basic net income of its ordinary shares, which are calculated by dividing the income attributable to ordinary shareholders by the weighted average of outstanding common shares during the year.

Diluted net income corresponds to the net income attributed to the Bank divided by the mean weighted number of outstanding shares adjusted by share options, warrants or convertible debt. Since the bank does not have these types of options, the basic net income per share is equal to diluted net income per share.

ab) Leases. Lease agreements that the Bank does not recognize in its balance sheet and the total payments charged to income, correspond to agreements that the Bank qualifies as operating leases.

When the Bank substantially assumes all the risks and benefits of ownership, the lease is classified as a financial lease.

ac) Commitments and contingencies. A provision is only recorded if this is the result of a past event, the Bank has a legal or implicit obligation that can be estimated or it is probable that it will be necessary for an outflow of economic benefits to pay the obligation and the amount of these resources can be reliably measured.

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

ad) Investments in associates. Associated companies are those over which the Bank has a capacity to exercise significant influence, although not control. Generally this capacity is manifested in a participation that is equal to or more than 20% of voting rights, and is valued using the equity method, recognizing income on an accrual basis.

ae) Investments in companies. Investments in companies are those in which the Bank does not have significant influence and are presented at acquisition value. Income is recognized on a received basis.

3. CHANGE IN ACCOUNTING POLICIES – FIRST-TIME ADOPTION OF THE COMPENDIUM OF ACCOUNTING STANDARDS OF THE SBIF

BASIS OF TRANSITION

The Superintendency of Banks and Financial Institutions set forth new accounting and reporting standards for the financial industry through the "Compendium of Accounting Standards".

In accordance with legal provisions, the mentioned Compendium of Accounting Standards established that as of January 1, 2009, banks must begin the application of the new accounting criteria established by the SBIF, and in those matters not addressed by the Compendium, they should apply IFRS.

The transition date was January 1, 2008. Banco Security and Subsidiaries prepared its opening balance sheet under these standards as of that date. Consequently the date of adoption of the new standards is January 1, 2009.

In accordance with the standards of the Compendium and IFRS 1, in the preparation of the financial statements, all obligatory exceptions and certain optional exemptions have been applied in the retroactive application of IFRS.

MAIN CHANGES IN ACCOUNTING CRITERIA

a) Accrual of interest at an effective rate. As of January 1, 2008 and only for loans of accounts receivable from customers granted as of the mentioned date, the Bank accrues interest on its loans at the effective rate of interest of the loan. For this all direct and incremental costs incurred in the origination of the loans have been considered.

b) Impaired portfolio. As of 2009, the concept of Impaired Portfolio was incorporated, and includes loans receivable for which there is concrete evidence that some of the obligations under the agreed-upon payment conditions will not be fulfilled, without the possibility of recovering what is owed through guarantees, through the exercising of judicial collection actions or by agreeing upon different conditions.

In the framework of the previous paragraph, the Bank will maintain loans in impaired portfolio until the payment capacity or behavior normalizes, notwithstanding proceeding to the write-off of the individually considered loans

c) Suspension of income recognition on an accrual basis. Until December 31, 2008, recognition of income from interest and readjustment considered the suspension of accrual as per the following criteria:

i) As of the date in which a loan, unpaid portion or installment was 90 days overdue and while all delinquent amounts are not paid or renegotiated.
ii) Suspension of accrual of loans that are classified in categories D1 and D2, as of the classification date and have not since been reclassified in a risk category lower than C4.

For the purpose of preparing the financial statements as of December 31, 2008 as a basis of comparison for 2009, these financial statements consider chapters B1 and B2 of the Compendium of Accounting Standards issued by the SBIF, as a basis for calculating portfolio provisions.

The Bank suspends recognition of interest and readjustment in income statement accounts when the debtor does not pay its obligation on the stipulated date, i.e. as of the first overdue day.

For loans that have been classified for one year in category C4, accrual is suspended as of the date on which the year is past and as long as it is not reclassified to a lower risk category.

In addition, as of 2009, income is no longer recognized on an accrual basis in the Statement of Income for loans included in the impaired portfolio that are in the situation indicated below:

LOANS SUBJECT TO SUSPENSION:	SUSPENDED:
Individual evaluation: Debtors classified in categories D1 and D2	By the mere fact of being in the impaired portfolio
Individual evaluation: Debtors classified in categories C3 and C4	For having been in the impaired portfolio for three months
Group evaluation: Loans with real guarantees of less than 80%	When the loan or one of its installments has been overdue for 6 months

Notwithstanding, in the case of loans subject to individual evaluation, recognition of income can be maintained through accrual of interest on the loans that are being paid normally and which correspond to obligations whose cash flows are independent, as can be the case of project financing

d) Loan write-offs Until December 31, 2008, the period required by the Superintendency of Banks and Financial Institutions to write-off overdue or delinquent installments of loans and accounts receivable was computed as of the date of entry in the overdue portfolio. The overdue portfolio included loans or loan installments that were overdue in the payment of principal or interest for 90 days or more.

As of January 1, 2009, overdue delinquent or current installments on loans and accounts receivable are written off. The term must be calculated from the beginning of the delinquency, i.e. when the time of delinquency for an installment or portion of the loan of an operation reaches the term for write-off stated in letter y) of Note 2.

e) Property, plant and equipment. Until 2008 property, plant and equipment was presented at price-level restated cost less accumulated depreciation. As of this year, property, plant and equipment items are valued according to their historic cost which corresponds to the acquisition value plus revaluations applied until December 31, 2007. In the case of certain real estate, and in accordance with what is established in the Compendium of Standards issued by the SBIF, the Bank opted to use fair value of assets based on independent appraisals as the attributed cost.

f) Intangible assets. Until 2008, computer software intangible assets were presented valued at price-level restated cost net of accumulated amortizations. As of January 1, 2009 intangible assets were valued at their historical cost less accumulated amortization with the revaluation applied until December 31, 2007.

g) Investments in companies. Investments in companies in which the Bank has no significant influence, with a participation of less than 20%, have been recorded at their historical cost, considering the book value of these investments as of December 31, 2007 as their attributed cost, recognizing dividends on a received basis.

h) Other assets. As of the application of the Compendium of Accounting Standards of the SBIF and of IFRS, certain expenses susceptible to being deferred stopped being applicable and have been adjusted to shareholders' equity as a first-time application of the new accounting standards.

i) Price-level restatement. Until December 31, 2008, Paid-in Capital, Retained Earnings, Property, Plant and Equipment and other non-monetary balances were presented restated by the variation in the Consumer Price Index (CPI).

As of January 1, 2009, the criterion of price-level restating non-monetary assets and liabilities was eliminated because the current economy is not a hyperinflationary economy in accordance with International Accounting Standard No. 29 (IAS 29). Price-level restatement applied until December 31, 2007, date of the transition to the new standards, was not the object of reversals in accordance with what was established by the SBIF in its Compendium of Accounting Standards. The amounts of price-level restatement applied to paid-in capital and reserves in 2008 were not reverted in accordance with the rules applied for legal purposes until the previous year.

j) Deferred taxes. Deferred tax complementary accounts were taken off the balance sheet since in accordance with the application of IFRS they should not form part of the financial statements.

The effects of deferred taxes corresponding to the differences between the financial and tax values of assets and liabilities generated by adjustments for first-time application of the new accounting standards have been recorded.

k) Reclassification. The 2008 financial statements include certain reclassifications to allow comparability with the 2009 financial statements.

RECONCILIATION OF PREVIOUS CHILEAN ACCOUNTING PRINCIPLES AND THE NEW ACCOUNTING STANDARDS

The reconciliations presented below show the quantification of the effect of the transition to the new accounting standards for Banco Security and Subsidiaries. The reconciliation demonstrates the impact of the transition with the following details:

a) Summary of consolidated net shareholders' equity as of December 31, 2008.

b) Reconciliation of consolidated net income as of December 31, 2008.

c) Consolidated Balance Sheet as of January 1, 2008.

d) Consolidated Balance Sheet as of December 31, 2008.

e) Consolidated Statement of Income as of December 31, 2008.

f) Consolidated Statement of Cash Flows as of December 31, 2008.

a) Reconciliation of Equity as of December 31, 2008

	JANUARY 1, 2008 MCH$	DECEMBER 31, 2008 MCH$	REF. ADJUSTMENT
Total equity as per Chilean accounting principles	167.401	184.865	
Adjustments:			
Credits and accounts receivable from clients	(2.798)	(3.129)	i
Investments in other companies	(60)	(143)	xii
Intangibles	(2.428)	(2.906)	iv
Property, plant and equipment	232	(2.206)	ii
Deferred taxes	664	179	iii
Other assets	-	(45)	ix
Contingent operations allowances	-	121	i
Minimum dividend allowances	(8.175)	(3.002)	x
Total adjustments to equity	(12.565)	(11.131)	
Total equity as per Compendium of Accounting Standards of the Superintendency of Banks and Financial Institutions	154.836	173.734	

b) Reconciliation of consolidated net income as of December 31, 2008

	DECEMBER 31, 2008 MCH$	REF. ADJUSTMENT
Profit for the year pursuant to Chilean accounting principles	14.340	
Adjustments:		
Cash rate	965	vii
Intangible assets	116	iv
Credit risk provisions	(1.169)	vi
Fixed asset valuation	(188)	ii
Monetary correction	10.509	ix
Income tax	(486)	iii
Investments in other companies	11	xii
Others	248	xiii
Total adjustments to the result	10.006	
Total profit for the year pursuant to the Compendium of Accounting Standards of the SBIF	24.346	

c) Consolidated Balance Sheet as of January 1, 2008. The effect of the application of the new Compendium of Accounting Standards issued by the SBIF on the financial statements as of January 1, 2008 is detailed as follows:

	PRIOR PCGA MCH$	ADJUSTMENTS TO TRANSACTION MCH$	ADJUSTED BALANCE MCH$	REF ADJUSTMENT
Assets				
Cash and due from banks	46.176		46.176	
Transaction in the course of collection	128.223		128.223	
Trading securities	369.609		369.609	
Securities purchased under resale agreement	8.570		8.570	
Derivative instruments	59.630		59.630	
Loans and advance to banks	89.820		89.820	
Loans to costumers, net	1.624.822	(2.798)	1.622.024	i)
Available for sale instruments	171.462		171.462	
Held to maturity instruments	-		-	
Investments in other companies	589	(60)	529	xii)
Intangible assets	8.273	(2.428)	5.845	iv)
Plant, property and equipment, net	24.109	232	24.341	ii)
Current tax assets	4.572		4.572	
Deferred tax assets	22.903	1.310	24.213	iii)
Other assets	56.757	-	56.757	
Total assets	2.615.515	(3.744)	2.611.771	
Liabilities				
Current accounts and other demand deposits	184.270		184.270	
Transactions in the course of payment	82.878		82.878	
Securities sold under agreements to repurchase	78.758		78.758	
Deposits and other time deposits	1.466.375		1.466.375	
Derivative instruments	42.740		42.740	
Obligations with financial institutions	160.623		160.623	
Debt issued	331.153		331.153	
Other financial obligations	31.377		31.377	
Current tax liabilities	2.956		2.956	
Deferred tax liabilities	23.086	646	23.732	iii)
Provisions	5.791	8.175	13.966	x)
Other liabilities	38.107		38.107	
Total liabilities	2.448.114	8.821	2.456.935	
Equity Attributable to equity holders of the parent:				
Capital	108.565		108.565	
Reserves	20.295		20.295	
Other comprehensive income	425		425	
Retained earnings:				
Retained earnings from previous periods	38.047	(4.390)	33.657	
Income for the year	-	-	-	
Allowance for minimum dividends	-	(8.175)	(8.175)	x)
	167.332	(12.565)	154.767	
Minority interest	69		69	
Total Equity	167.401	(12.565)	154.836	
Total Liabilities and Equity	2.615.515	(3.744)	2.611.771	

d) Consolidated Balance Sheet as of December 31, 2008. The effect of the application of the new Compendium of Accounting Standards issued by the SBIF on the financial statements as of December 31, 2008 is detailed as follows:

	PRIOR PCGA MCH$	ADJUSTMENTS TO THE TRANSACTION MCH$	ADJUSTED BALANCE MCH$	REF ADJUSTMENT
Assets				
Cash and due from banks	80.612		80.612	
Transaction in the course of collection	129.909		129.909	
Trading securities	356.864		356.864	
Securities purchased under resale agreement	24.153		24.153	
Derivative instruments	53.052		53.052	
Loans and advance to banks	93.467		93.467	
Loans to costumers, net	1.968.473	(3.129)	1.965.344	i)
Available for sale instruments	366.376		366.376	
Held to maturity instruments	-		-	
Investments in other companies	686	(143)	543	xii)
Intangible assets	15.627	(2.906)	12.721	iv)
Plant, property and equipment, net	26.629	(2.206)	24.423	ii)
Current tax assets	7.444		7.444	
Deferred tax assets	27.393	2.254	29.647	iii)
Other assets	67.663	(45)	67.618	
Total assets	3.218.348	(6.175)	3.212.173	
Liabilities				
Current accounts and other demand deposits	221.397		221.397	
Transactions in the course of payment	64.862		64.862	
Securities sold under agreements to repurchase	90.130		90.130	
Deposits and other time deposits	1.720.452		1.720.452	
Derivative instruments	52.843		52.843	
Obligations with financial institutions	292.091		292.091	
Debt issued	470.092		470.092	
Other financial obligations	47.668		47.668	
Current tax liabilities	-		-	
Deferred tax liabilities	29.969	2.075	32.044	iii)
Provisions	6.872	2.881	9.753	vi) y x)
Other liabilities	37.107		37.107	
Total liabilities	3.033.483	4.956	3.038.439	
Equity				
Attributable to equity holders of the parent:	138.196		138.196	
Capital	22.224		22.224	
Reserves	(12.255)		(12.255)	
Other comprehensive income				
Retained earnings:	26.596	(18.135)	8.461	
Retained earnings form previous periods	14.340	10.006	24.346	
Income for the year	(4.302)	(3.002)	(7.304)	x)
Allowance for minimum dividends	184.799	(11.131)	173.668	
	66		66	
Minority interest	184.865	(11.131)	173.734	
Total Equity	3.218.348	(6.175)	3.212.173	

e) Statement of Income as of December 31, 2008

	PRIOR PCGA MCH$	ADJUSTMENTS TO THE TRANSACTION MCH$	ADJUSTED BALANCE MCH$	REF. ADJUSTMENT
Interest revenue	238.599	171	238.770	v)
Interest expense	(201.985)		(201.985)	
Net interest and indexation income	36.614	171	36.785	
Fees and commission income	22.752		22.752	
Fees and commissions expense	(3.176)		(3.176)	
Net fees and commissions income	19.576	-	19.576	
Net income from trading and brokerage activities	39.455		39.455	
Foreign exchange transactions, net	(13.135)		(13.135)	
Other operating income	5.197	116	5.313	
Operating revenues	87.707	287	87.994	
Allowance for loan losses	(10.310)	(1.169)	(11.479)	vi)
NET OPERATING INCOME	77.397	(882)	76.515	
Personnel expenses	(21.537)	1.042	(20.495)	vii)
Administrative expenses	(23.840)		(23.840)	
Depreciation and amortization	(2.388)	(188)	(2.576)	viii)
Impairments	-		-	
Other operating expenses	(2.426)	-	(2.426)	
OPERATING EXPENSES	(50.191)	854	(49.337)	
NET OPERATING INCOME	27.206	(28)	27.178	
Income attributable to affiliates	164	11	175	xii
Net loss from price-level restatement	(10.509)	10.509	-	ix)
Income before income tax	16.861	10.492	27.353	
Income tax expense	(2.529)	(486)	(3.015)	iii)
Income from ongoing operations	14.332	10.006	24.338	
Income from discontinued operations	-			
CONSOLIDATED NET INCOME FOR THE YEAR	14.332	10.006	24.338	
Attributable to:				
Equity holders of the parent	14.340	10.006	24.346	
Minority interest	(8)	-	(8)	
Net income per share attributable to				
Equity holders of the parent:				
Basic net income	104		176	
Diluted net income	104		176	

f) Statement of Cash Flows as of December 31, 2008. The effect of the application of the new Compendium of Accounting Standards issued by the SBIF on the Statement of Cash Flows as of December 31, 2008 is detailed as follows:

	PRIOR PCGA MCH$	ADJUSTMENTS TO TRANSACTION MCH$	ADJUSTED CASH FLOW STATEMENT MCH$	REF ADJUSTED
CONSOLIDATED NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES				
Consolidated Profit from cash flows provided by operating activities before Income Tax	16.861	10.492	27.353	
Charges (credits) to income that do not represent cash flows				
Credit risk allowances	10.310	1.169	11.479	vi)
Depreciation and amortization	2.388	188	2.576	viii)
Other allowances	884		884	
Changes in deferred tax assets and liabilities	10.509	(10.509)	-	ix)
Valuation of negotiation book investments	3.057		3.057	
Valuation of derivate contracts to financial negotiation	(1.282)		(1.282)	
Profits from investment in companies	6.935		6.935	
Profits from sale of goods received as payment	(164)	(11)	(175)	xii
Commission and fees net revenues	(62)		(62)	
Interest and readjustments net revenues	(19.576)		(19.576)	
Other charges (credits) that do not represent cash flows	(36.785)		(36.785)	
Credit risk allowances	14.570	(10.714)	3.856	xi)
Changes in operating assets that affect cash flows: Increase (Decrease)				
Increase indebted by banks	(3.673)		(3.673)	
Net increase in clients' accounts receivable	(313.264)		(313.264)	
Increase in investments	(216.250)		(216.250)	
Increase in leased assets	(14.719)		(14.719)	
Sale of goods received as payment	1.406		1.406	
Changes in liabilities that affect cash flows: Increase (Decrease)				
Increase in sight deposits and other obligations	40.608		40.608	
Increase in sales contracts with securities and loan agreements	39.263		39.263	
Increase in deposits and other term deposits	255.853		255.853	
Letters of credit net variation	(23.265)		(23.265)	
Bonds net variation	118.265		118.265	
Decrease in other assets and liabilities	(32.067)		(32.067)	
Cash flows provided by (used in) operating activities				
Recovered taxes	1.210		1.210	
Received interest and readjustments	188.631		188.631	
Paid interest and readjustments	(157.291)		(157.291)	
Received commissions	22.752		22.752	
Paid commissions	(3.176)		(3.176)	
Total net cash flows used in operating activities	(88.072)	(9.385)	(97.457)	
CASH FLOWS USED IN INVESTMENT ACTIVITIES				
Purchase of property, plant and equipment	(1.847)		(1.847)	
Acquisition of intangible assets	(7.714)		(7.714)	
Total net cash flows used in investment activities	(9.561)	-	(9.561)	
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES				
Decrease in obligations with domestic banks	(2.351)		(2.351)	
Increase in obligations with foreign banks	138.738		138.738	
Junior bonds net change	13.807		13.807	
Increase in other financial obligations	12.316		12.316	
Capital increases	19.988		19.988	
Dividends paid	(14.676)		(14.676)	
Total net cash flows provided by financing activities	167.822	-	167.822	
NET POSITIVE (NEGATIVE) CASH FLOWS FOR THE YEAR	70.189	(9.385)	60.804	
Effect of inflation on cash and cash equivalents	(9.385)	9.385	-	
Increase in cash and cash equivalents during the year	60.804	-	60.804	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	109.000		109.000	
MINORITY INTEREST	8		8	
CASH AND CASH EQUIVALENTS AT END OF YEAR	169.812	-	169.812	

DESCRIPTION OF MAIN ADJUSTMENTS

i) Impaired portfolio. In order for balance sheets to be comparative, as of January 1, 2008, standards currently in force were applied, which implies that in case of evidence of a debtor's non-compliance with an obligation, they include suspension of recognition of income on an accrual basis. Write-offs, when they must be made, refer to the operation even if there might be a part of it that is not overdue.

ii) Property, plant and equipment. In accordance with the Compendium of Accounting Standards, some assets have been valued according to their fair value, in accordance with independent appraisals for the purpose of first-time application. In turn, other assets have been written off since in conformity with the new standards their capitalization is not applicable.

For December 2008 an estimate was made of the effect on the financial statements of the treatment of certain expenses in the facilities of leased branches which had been capitalized.

iii) Deferred taxes. The deferred tax adjustment corresponds to the constitution of this type of tax on temporary differences determined due to the application of the new accounting standards and due to elimination of complementary accounts and their amortization.

iv) Intangible assets. Capitalized assets that were taken to deferred income were adjusted over time against shareholders' equity, since according to the new accounting standards they should not be capitalized. Likewise, amortization of these capitalized expenses for 2008 has been reversed.

v) Interest and readjustment income. Corresponds to amortization of incremental expenses capitalized at the effective rate of loans for the period from January to December 2008.

vi) Credit risk allowances. This adjustment corresponds to the application of the new credit risk standards to the portfolio current as of January 30, 2009 in that part corresponding to the 2008 period.

vii) Effective rate. This adjustment corresponds to the capitalization of certain direct and incremental expenses under the concept of effective rate.

viii) Depreciation and amortization. The adjusted amount is the combination of the effect of depreciation due to the elimination of price-level restatement from the system and of the write-off of leased branches which under the old standard were capitalized.

ix) Price-level restatement. The effect of price-level restatement has been eliminated in property, plant and equipment and other

non-monetary balances, but in the case of shareholders' equity the criteria stated in Chapter E of the Compendium of Accounting Standards de la Superintendency of Banks and Financial Institutions, on distribution within capital accounts has been maintained.

x) Minimum dividends. As of 2008 a provision must be established for minimum dividends, situation that until December 31, 2007 was reflected as of the date on which the Ordinary Shareholders' Meeting agreed on the distribution of net income.

xi) Miscellaneous. The adjustment to other charges and credits that do not correspond to cash flows include: recognition of net income from "Effective Rate", reclassification of "Price-level Restatement of Capital" (as stated in letter (i); the effect of adjustments on the "Financial Tax"; and the adjustment of the "Effect of Inflation on Cash and Cash Equivalents" after elimination of price-level restatement.

xii) Investments in companies. Corresponds to adjustment due to valuation of the cost of investments in associates, for which the book value as of December 31, 2007 was considered the attributed cost. Likewise, includes the elimination of price-level restatement for 2009.

xiii) Others. Income statement items originated by price-level restatement were reclassified as readjustments depending on the nature of the operation.

4. RELEVANT EVENTS

Banco Security

During the year ended December 31, 2009 there were no relevant events to be reported.

On November 28, 2008 the Bank performed a capital increase of MCh$19,988, equivalent to 16,056,415 shares.

Administradora General de Fondos Security S.A.

On February 16, 2009 this company presented before the Superintendency of Securities and Insurance an essential event in accordance with what is provided in articles 9, 10, paragraph 2 of Law No. 18,045 of the Securities Market, informing the effects of the valuation of the Fondo Mutuo Security Check and Fondo Mutuo Security Plus units according to the following:

"Given the evident existence of differences considered relevant for instrument components of the aforementioned funds portfolios, between the purchase IRR valuation rate and the rate provided by the valuation model mentioned in Title I, number 1, section 1.2.1, letter a), of the mentioned circular, management made the decision to value the instrument components of the portfolio of the mentioned mutual funds in accordance with the provisions set forth in the second paragraph of number 1.1 of title I of circular No. 1,579 of 2002, for February 13, 2009."

On April 24, 2008 at the Extraordinary Board of Directors Meeting, the Directors accepted the resignation of Mr. Alfredo Reyes Valderrama, from the position of General Manager of Administradora General de Fondos Security SA., effective as of April 30, 2008. Mr. Juan Pablo Lira Tocornal assumed the position as of that date.

On July 23, 2008 through Exempt Resolution No. 142 the merger of Fondo Mutuo Security Premium and Fondo Mutuo Security First was approved, leaving the Fondo Mutuo Security Premium without effect. The merger became effective on August 14, 2008.

On September 30, 2008, this company presented before the Superintendency of Securities and Insurance, an Essential Event in accordance with articles 9, 10, paragraph 2 and 234, paragraph 2 of Law No. 18,045 on the Securities Market, N 12 B, of D.L. No. 1,328 of 1976.

The above refers to the fact that, given the situation experienced by domestic and international markets and the effect of that situation on the prices and/or rates of the securities components of the funds investment portfolios defined as Type I by circular 1579 of 2002, denominated "Fondo Mutuo Security Check", "Fondo Mutuo Security Plus" and "Fondo Mutuo Security Dólar Money Market", which valuate those instruments at Purchase IRR, in accordance with the provisions contained in the second paragraph of number 1.1 of title I of Circular No. 1,579 of 2002, the Bank opted for modifying the valuation criteria as of that date.

In accordance with the aforementioned, this company made the decision to value the instrument components of the mentioned Mutual Funds portfolios, in accordance with the provisions set forth in the second paragraph of number 1.1 Title I of Circular No. 1,579 of 2002, for September 29, 2008.

Valores S.A. Corredores de Bolsa
On December 29, 2009 Mr. Francisco Javier Gómez Cobo resigned as director of Valores Security S.A..

At the Extraordinary Board of Directors Meeting held on November 4, 2009 the directors accepted the resignation of the General Manager, Mr. Cristian Pinto Marinovic, since he will take a position at the parent company and in his place, Mr. Rodrigo Fuanzalida Besa was appointed General Manager.

During the year ended December 31, 2008 there were no relevant events that must be reported.

5. SEGMENT INFORMATION

The Bank's senior management comes to its decisions through the following segments or business areas, the definitions of which are specified below:

Corporate Banking: customer portfolio belonging to the medium and large companies target segment, with sales in excess of Ch$1,500 million. The main products and services offered for this segment are commercial loans in local currency, foreign currency, lease operations and foreign commerce, in addition to checking accounts and investments.

Individual Banking: customer portfolio belonging to the target segment of high-income individuals (ABC1 socio-economic stratus). The main products and services offered for this segment are checking accounts, lines of credit, consumer loans and mortgage loans, in addition to investments, among others.

Financial Business: corresponds to the business of distribution of foreign currency and financial products to customers, financial instrument brokerage, administration of own positions and management of the Bank's balance sheet, matching and liquidity. The main products and services offered to customers are purchase and sale of foreign currency, exchange and inflation insurance and other derivative products.

Investment Business: corresponds to the funds administration business, shares brokerage and administration of own positions, developed through the following subsidiaries of the Bank: Administradora General de Fondos Security S.A. and Valores Security S.A. Corredora de Bolsa.

Others: Corresponds to non-recurrent income and costs and others that cannot be assigned to any of the segments described above.

Most of the income from the operating activities of the Bank's segments comes from interest. Operating decision making, segment performance and decisions regarding resources that should be allocated to it are made according to net interest income; therefore income from the segments is presented taking their margins into consideration.

The following is a detailed summary of the allocation of the assets, liabilities and income as of December 31, 2009 and 2008, in accordance with the different segments:

a) Assets and liabilities by business segment

	CORPORATE BANKING		INDIVIDUAL BANKING		FINANCIAL BUSINESS		INVESTMENT BUSINESS		OTHERS		TOTAL	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Assets												
Gross placements	1.367.195	1.529.822	506.679	464.066	309.328	86.967	-	-	5.883	4.348	2.189.085	2.085.203
Placement provisions	(28.741)	(24.448)	(2.494)	(1.944)	-	-	-	-	-	-	(31.235)	(26.392)
Net placements	1.338.454	1.505.374	504.185	462.122	309.328	86.967	-	-	5.883	4.348	2.157.850	2.058.811
Financial operations	-	-	-	-	818.393	677.388	82.810	70.005	-	-	901.203	747.393
Derivatives	-	-	-	-	61.967	41.452	4.313	11.600	-	-	66.280	53.052
Others	-	-	-	-	-	-	-	-	327.039	352.917	327.039	352.917
Total assets	1.338.454	1.505.374	504.185	462.122	1.189.688	805.807	87.123	81.605	332.922	357.265	3.452.372	3.212.173
Liabilities												
Liabilities	1.210.697	1.384.093	467.867	433.820	1.085.305	742.694	78.064	68.127	332.485	356.928	3.174.418	2.985.662
Derivatives	-	-	-	-	75.274	42.183	4.891	10.660	-	-	80.165	52.843
Equity	127.757	121.281	36.318	28.302	29.109	20.930	4.168	2.818	437	337	197.789	173.668
Total liabilities	1.338.454	1.505.374	504.185	462.122	1.189.688	805.807	87.123	81.605	332.922	357.265	3.452.372	3.212.173

b) Income by business segment

	CORPORATE BANKING		INDIVIDUAL BANKING		FINANCIAL BUSINESS		INVESTMENT BUSINESS		OTHERS		TOTAL	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Direct operational margin												
Financial margin	42.296	35.163	16.919	16.370	1.013	2.064	(589)	(10.563)	(7.947)	(6.249)	51.692	36.785
Net commissions	5.495	5.143	6.231	5.367	(319)	(195)	7.730	7.518	2.461	1.743	21.598	19.576
Exchange and others	3.829	3.804	974	334	7.367	(292)	1.929	9.128	6.150	18.843	20.249	31.817
Credit risk	(14.424)	(8.139)	(5.684)	(3.227)	-	-	-	-	5.289	(113)	(14.819)	(11.479)
Total operational margin	37.196	35.971	18.440	18.844	8.061	1.577	9.070	6.083	5.953	14.224	78.720	76.699
Direct expenses												
Personnel	(5.046)	(4.564)	(5.168)	(4.921)	(894)	(1.102)	(2.087)	(2.384)	-	-	(13.195)	(12.971)
Administration	(1.073)	(1.079)	(3.161)	(3.969)	(403)	(331)	(3.504)	(3.958)	-	-	(8.141)	(9.337)
Other direct expenses	(492)	(154)	(294)	(280)	(76)	(77)	(115)	(500)	-	-	(977)	(1.011)
Total direct expenses	(6.611)	(5.797)	(8.623)	(9.170)	(1.373)	(1.510)	(5.706)	(6.842)	-	-	(22.313)	(23.319)
Direct margin	30.585	30.174	9.817	9.674	6.688	67	3.364	(759)	5.953	14.224	56.407	53.380
Indirect and supporting expenses												
Indirect expenses	(4.967)	(5.340)	(6.046)	(5.966)	(1.477)	(489)	-	-	(9.614)	(8.832)	(22.104)	(20.627)
Support expenses	-	-	-	-	-	-	-	-	(2.957)	(2.966)	(2.957)	(2.966)
Other indirect expenses	-	-	-	-	-	-	(553)	-	(2.957)	(2.426)	(3.510)	(2.426)
Total indirect and support expenses	(4.967)	(5.340)	(6.046)	(5.966)	(1.477)	(489)	(553)	-	(15.528)	(14.224)	(28.571)	(26.019)
Total contribution margin	25.618	24.834	3.771	3.708	5.211	(422)	2.811	(759)	(9.575)	-	27.836	27.361
Taxes											(4.796)	(3.015)
Net result											23.040	24.346

6. CASH AND CASH EQUIVALENTS

Balances included under cash and cash equivalents are detailed as follows:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Cash and deposits in Banks		
Cash	11.126	17.104
Deposits in Central Bank of Chile	20.169	8.315
Deposits in local banks	740	1.181
Deposits in overseas banks	32.817	54.012
Partial total – Cash and deposits in banks	64.852	80.612
Operations with net ongoing liquidations	41.423	65.047
High liquidity financial securities	-	-
Buy-back contracts	20.807	24.153
Total cash and cash equivalents	127.082	169.812

The level of funds in cash and in the Central Bank of Chile is in accordance with regulations regarding legal reserves that the Bank must maintain as an average in monthly periods.

Operations with settlement in progress correspond to transactions where the only thing pending is the settlement that will increase or decrease the funds in the Central Bank of Chile or in foreign banks, normally within 12 or 24 business hours, which is detailed as follows:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Assets		
Documents in the care of other Banks (exchange)	20.350	22.281
Funds receivable	95.811	107.628
Partial total - assets	116.161	129.909
Liabilities		
Funds deliverable	(74.738)	(64.862)
Partial total - liabilities	(74.738)	(64.862)
Net operations with ongoing liquidation	41.423	65.047

7. TRADE SECURITIES

As of December 31, 2009 and 2008, the Bank and its subsidiaries have the following balances included under the concept of trade securities:

	UP TO ONE YEAR		OVER ONE YEAR UP TO 3 YEARS		OVER THREE YEARS UP TO 6 YEARS		OVER 6 YEARS		TOTAL	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
State and Central Bank instruments										
Instruments of the Central Bank of Chile	16.936	22.131	4.260	46.660	6.078	68.755	2.776	12.849	30.050	150.395
Instruments of the Treasury General of the Republic	-	-	-	-	1.590	-	3.267	35.414	4.857	35.414
Other State instruments	100	391	87	1.206	-	838	8	163	195	2.598
Partial total	17.036	22.522	4.347	47.866	7.668	69.593	6.051	48.426	35.102	188.407
Other financial instruments										
Deposit promissory notes in local banks	218.766	114.060	9.731	9.525	1.538	599	-	-	230.035	124.184
Mortgage bills in local banks	13.699	525	637	1.015	417	1.737	2.007	38.257	16.760	41.534
Other instruments issued locally	2.395	479	-	208	-	47	107	478	2.502	1.212
Mutual funds	111.644	1.527	-	-	-	-	-	-	111.644	1.527
Partial total	346.504	116.591	10.368	10.748	1.955	2.383	2.114	38.736	360.941	168.457
Total negotiation instruments	363.540	139.113	14.715	58.614	9.623	71.976	8.165	87.162	396.043	356.864

The portfolio of trading investments includes instruments sold with repurchase agreements to customers and the Central Bank, for a total amount of MCh$168,823 and MCh$ 89,812 as of December 31, 2009 and 2008, respectively.

The Bank has bills of its own issuance as of December 31, 2009 and 2008 in the amount of MCh$ 4,550 and MCh$ 6,810 respectively, which are shown reducing bills issued by the Bank in liabilities.

8. OPERATIONS WITH REPURCHASE AGREEMENTS AND SECURITIES LOANS

a) Repurchase agreements and securities loans assets

The Bank purchases financial instruments with a commitment to sell them at a future date.

As of December 31, 2009 and 2008 resale agreements are as follows:

Sales commitment rights classified by type of instrument and maturity of the agreement:

Type of instrument

	FROM 1 DAY AND LESS THAN 3 MONTHS		OVER THREE MONTHS AND LESS THAN ONE YEAR		OVER ONE YEAR		TOTAL	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
State and Central Bank instruments								
Central Bank instruments	2.329	31	890	-	-	-	3.219	31
Treasury bonds or promissory notes	-	4.002	-	-	-	-	-	4.002
Other instruments issued locally								
Other local bank instruments	14.565	20.120	-	-	-	-	14.565	20.120
Bonds and negotiable company instruments	3.023	-	-	-	-	-	3.023	-
Total purchase agreement with the right to sell	19.917	24.153	890	-	-	-	20.807	24.153

Sales commitment rights classified by type of debtor and agreement maturity:

Type of debtor:

	FROM 1 DAY AND LESS THAN 3 MONTHS		OVER THREE MONTHS AND LESS THAN ONE YEAR		OVER ONE YEAR		TOTAL	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Local banks	-	-	-	-	-	-	-	-
Other entities	19.917	24.153	890	-	-	-	20.807	24.153
Total	19.917	24.153	890	-	-	-	20.807	24.153

b) Repurchase and securities loan agreement liabilities

The Bank sells financial instruments agreeing to purchase them at a future date plus preset interest. As of December 31, 2009 and 2008 repurchase agreements are as follows

Obligations under purchase commitments classified by type of instrument and agreement maturity:

Type of instrument:

	FROM 1 DAY AND LESS THAN 3 MONTHS		OVER THREE MONTHS AND LESS THAN ONE YEAR		OVER ONE YEAR		TOTAL	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
State and Central Bank instruments								
Central Bank instruments	130.493	56.409	-	-	-	-	130.493	56.409
Bonds or promissory notes of the Treasury	-	4.034	-	-	-	-	-	4.034
Other State instruments	-	2.588	-	-	-	-	-	2.588
Other instruments issued locally								
Instruments of other local banks	93.892	26.320	175.550	-	-	-	269.442	26.320
Bonds and negotiable instruments of companies	2.040	161	-	-	-	-	2.040	161
Other instruments issued locally	-	618	-	-	-	-	-	618
Instruments issued overseas								
State and Central Banks instruments	-	-	-	-	-	-	-	-
Other instruments issued overseas	-	-	-	-	-	-	-	-
Investments in mutual funds								
Funds managed by related companies	-	-	-	-	-	-	-	-
Funds managed by third parties	-	-	-	-	-	-	-	-
Total sales agreements with purchase obligation	226.425	90.130	175.550	-	-	-	401.975	90.130

Obligations under purchase commitments classified by type of debtor and maturity of the agreement:

Type of creditor

	FROM 1 DAY AND LESS THAN 3 MONTHS		OVER THREE MONTHS AND LESS THAN ONE YEAR		OVER ONE YEAR		TOTAL	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Local banks								
Central Bank	40.440	12.622	175.550	-	-	-	215.990	12.622
Other banks	8.293	-	-	-	-	-	8.293	-
Other entities	177.692	77.508	-	-	-	-	177.692	77.508
Total	226.425	90.130	175.550	-	-	-	401.975	90.130

9. FINANCIAL DERIVATIVE AGREEMENTS AND ACCOUNTING HEDGES

a) Foreign currency purchase/sales transactions and future arbitration and other transactions with derivative products maintained as of each year-end are summarized as follows:

	FLOW HEDGE (F) OR REASONABLE VALUE (RV	NOTIONAL AMOUNT OF THE CONTRACT WITH DUE DATE						REASONABLE VALUE			
		FROM 1 DAY AND LESS THAN 3 MONTHS		OVER THREE MONTHS AND LESS THAN ONE YEAR		OVER ONE YEAR		ASSETS		LIABILITIES	
		2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Derivatives kept for negotiation purposes											
Currency Forward	(VR)	1.640.970	1.989.784	1.597.169	981.242	63.146	69.218	46.794	35.696	(50.287)	(37.354)
Interest rate swap	(VR)	112.515	72.892	369.781	578.287	932.349	801.349	19.486	8.797	(27.209)	(10.424)
Currency Swap	(VR)	-	161.192	-	496.842	-	425.142	-	8.496	-	(4.717)
Rate put options	(VR)	-	-	-	-	-	-	-	63	(257)	(348)
Derivatives kept for negotiation purposes total assets / (liabilities)		1.753.485	2.223.868	1.966.950	2.056.371	995.495	1.295.709	66.280	53.052	(77.753)	(52.843)
Derivatives kept for accounting cover											
Interest rate swap	(F)	-	-	-	-	79.583	-	-	-	(2.412)	-
Derivatives kept for negotiation purposes total assets / (liabilities)		-	-	-	-	79.583	-	-	-	(2.412)	-
Financial derivatives total assets / (liabilities)		1.753.485	2.223.868	1.966.950	2.056.371	1.075.078	1.295.709	66.280	53.052	(80.165)	(52.843)

b) Hedge accounting

As of January 2009 the Bank entered into a cash flow hedge. At inception of the hedge the Bank formally documented the relationship between the hedge instruments and the hedged items.

The Bank defined a hedge strategy through which it stabilizes the variability of the interest paid on a group of time deposits by means of swaps that allow it to receive a variable rate and pay a fixed rate, therefore the effects of accrual (losses) on short-term deposits are compensated with net income generated by the variable part of the derivative.

The fair value recognized in shareholders' equity as of December 31, 2009 of the hedge instrument is MCh$944 (net of deferred taxes) as lower equity value.

During 2009 there has been no ineffectiveness of the aforementioned hedge.

10. DUE FROM BANKS

a) Transactions due from banks as of December 31, 2009 and 2008, show normal behavior (normal portfolio) and credit risk is evaluated on an individual basis. The detail of this heading is as follows:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Local Banks		
Deposits in Central Bank not available	306.000	83.000
Inter-bankloans	1.174	827
Domestic bank loans provision	(2)	-
Partial total	307.172	83.827
Foreign Banks		
Loans with foreign Banks	5.115	9.664
Other outstanding debts with foreign Banks	158	-
Foreign banks loans provision	(14)	(24)
Partial total	5.259	9.640
Total	312.431	93.467

b) The movement of provisions on balances owed by banks is as follows:

MOVEMENT	MCH$
Balance as of January 1, 2008	(39)
Impaired portfolio write-off	-
Constituted Provisions (Note 29)	(5)
Freed Provisions (Note 29)	20
Balance as of December 31, 2008	(24)
Balance as of January 1, 2009	(24)
Impaired portfolio write-off	-
Constituted Provisions (Note 29)	(46)
Freed Provisions (Note 29)	54
Balance as of December 31, 2009	(16)

11. LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS

a) Loans and accounts receivable from customers

	ASSETS BEFORE PROVISIONS						CONSTITUTED PROVISIONS						NET ASSETS	
	REGULAR PORTFOLIO		IMPAIRED PORTFOLIO		TOTAL		INDIVIDUAL PROVISIONS		GROUP PROVISIONS		TOTAL			
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Commercial placements														
Commercial credits	1.152.951	1.214.169	78.160	40.561	1.231.111	1.254.730	16.056	13.091	3.163	2.498	19.219	15.589	1211892	1.239.141
Foreign trade credits	115.866	269.052	33.812	15.603	149.678	284.655	8.268	6.965	4	10	8.272	6.975	141406	277.680
Debtors in current accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Factoring operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasing operations	157.847	151.029	5.346	6.531	163.193	157.560	909	1.151	51	124	960	1.275	162.233	156.285
Other credits and accounts receivable	10	-	354	757	364	757	272	585	-	-	272	585	92	172
Partial total	1.426.674	1.634.250	117.672	63.452	1.544.346	1.697.702	25.505	21.792	3.218	2.632	28.723	24.424	1.515.623	1.673.278
Placements for housing														
Loans with letters of credit	22.026	27.823	1.641	1.846	23.667	29.669	-	-	29	25	29	25	23.638	29.644
Endorsable mortgage loans	50.641	59.944	5.464	4.970	56.105	64.914	-	-	118	53	118	53	55.987	64.861
Other mortgage loans	155.292	112.430	11.505	8.300	166.797	120.730	-	-	278	209	278	209	166.519	120.521
Leasing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other credits and accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Partial total	227.959	200.197	18.610	15.116	246.569	215.313	-	-	425	287	425	287	246.144	215.026
Consumption Placements														
Consumer credit payable by installments	43.845	38.587	8.737	7.083	52.582	45.670	-	-	1.609	1.191	1.609	1.191	50.973	44.479
Debtors in current accounts	16.028	16.873	3.369	3.297	19.397	20.170	-	-	276	293	276	293	19.151	19.877
Credit card debtors	12.116	11.352	1.628	1.505	13.744	12.857	-	-	186	173	186	173	13.558	12.684
Other credits and accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Partial total	71.989	66.812	13.734	11.885	85.723	78.697	-	-	2.071	1.657	2.071	1.657	83.652	77.040
TOTAL	1.726.622	1.901.259	150.016	90.453	1.876.638	1.991.712	25.505	21.792	5.714	4.576	31.219	26.368	1.845.419	1.965.344

b) Movement of provisions

The movement of provisions during 2009 and 2008 is detailed as follows:

	INDIVIDUAL PROVISIONS MCH$	GROUP PROVISIONS MCH$	TOTAL MCH$
Balance as of January 1, 2008. Impaired portfolio write-off	**18.425**	**3.441**	**21.866**
Commercial placements	(4.821)	-	(4.821)
Housing placements	-	(91)	(91)
Consumption placements	-	(2.267)	(2.267)
Total write-off	(4.821)	(2.358)	(7.179)
Constituted provisions (Note 29)	18.802	6.006	24.808
Freed provisions (Note 29)	(10.614)	(2.513)	(13.127)
Balance as of December 31, 2008	21.792	4.576	26.368
Balance as of January 1, 2009. Impaired portfolio write-off	21.792	4.576	26.368
Commercial placements	(7.106)	-	(7.106)
Housing placements	-	(113)	(113)
Consumption placements	-	(4.031)	(4.031)
Total write-off	(7.106)	(4.144)	(11.250)
Constituted provisions (Note 29)	16.635	10.042	26.677
Freed provisions (Note 29)	(5.816)	(4.760)	(10.576)
Balance as of December 31, 2009	25.505	5.714	31.219

In addition to these credit risk provisions, country risk provisions have been established to cover operations abroad and additional provisions agreed upon by the Board of Directors, which are presented in liabilities under Provisions (Note 21).

As of December 31, 2009 and 2008 Loans and Accounts Receivable from Customers show no impairment.

c) Gross loans grouped by type of economic activity of the debtors

The following table shows the main concentrations of loans to customers by economic activity, expressed in amounts and as a percentage of the total before provisions:

	LOCAL LOANS		FOREIGN LOANS		TOTAL		2009 %	2008 %
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$		
Commercial placements								
Manufacturing	146.204	143.505	-	-	146.204	143.505	8%	7%
Mining	5.964	23.490	-	-	5.964	23.490	0%	1%
Electricity, gas and water	4.877	11.278	-	-	4.877	11.278	0%	1%
Agriculture and cattle raising	27.123	24.230	-	74	27.123	24.304	1%	1%
Forestry	10.268	12.152	-	2.215	10.268	14.367	1%	1%
Fishing	29.618	40.128	-	-	29.618	40.128	2%	2%
Transport	28.423	31.233	-	-	28.423	31.233	2%	2%
Telecommunications	22.864	10.578	-	642	22.864	11.220	1%	1%
Construction	55.646	66.208	-	-	55.646	66.208	3%	3%
Trade	141.007	182.910	1.534	4.256	142.541	187.166	8%	9%
Financial services and insurance	65.633	80.031	-	1.221	65.633	81.252	3%	4%
Realty	237.461	265.110			237.461	265.110	13%	13%
Services to companies	580.661	598.802	8.814	15.381	589.475	614.183	31%	31%
Community services	141.749	132.592	-	-	141.749	132.592	8%	7%
Others	35.982	50.550	518	1.116	36.500	51.666	2%	3%
Partial total	1.533.480	1.672.797	10.866	24.905	1.544.346	1.697.702		
Housing placements	246.569	215.313	-	-	246.569	215.313	13%	11%
Consumption placements	85.723	78.697	-	-	85.723	78.697	5%	4%
Total	1.865.772	1.966.807	10.866	24.905	1.876.638	1.991.712		

12. INVESTMENT INSTRUMENTS

As of December 31, 2009 and 2008 The Bank and its subsidiaries maintain the following balances, valued at fair value, included under the concept of investments:

Investments available for sale

	UP TO ONE YEAR		OVER ONE YEAR UP TO 3 YEARS		OVER THREE YEARS UP TO 6 YEARS		OVER 6 YEARS		TOTAL	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
State and Central Bank instruments										
Central Bank of Chile instruments	-	-	137.851	-	12.227	-	-	-	150.078	-
Treasury General of the Republic instruments	-	-	-	-	22.475	-	7.830	-	30.305	-
Other State instruments	-	-	-	-	-	-	-	-	-	-
Partial total	-	-	137.851	-	34.702	-	7.830	-	180.383	-
Other financial instruments										
Deposit promissory notes in local Banks	203.163	229.597	14.036	10.674	-	-	-	-	217.199	240.271
Mortgage letter in local banks	1	-	566	-	1.625	212	28.217	30.670	30.409	30.882
Local companies bonds	3.063	853	512	-	1.119	9.929	12.445	22.004	17.139	32.786
Other instruments issued locally	-	-	-	2.318	-	9.935	-	21.738	-	33.991
Other instruments issued overseas	1.110	3.325	995	4.738	14.985	5.153	22.133	15.230	39.223	28.446
Partial total	207.337	233.775	16.109	17.730	17.729	25.229	62.795	89.642	303.970	366.376
Total investments available for sale	207.337	233.775	153.960	17.730	52.431	25.229	70.625	89.642	484.353	366.376

Sales transactions with repurchase agreements with customers and the Central Bank, in the portfolio of investment securities available for sale as of December 31, 2009, amount to MCh$ 217,245 and as of December 31, 2008 do not include this type of transaction.

As of December 31, 2009 and 2008 the portfolio of instruments available for sale includes a net unrealized loss of MCh$ 2,405 and MCh$12,255, respectively, as a valuation adjustment in shareholders' equity.

In management's opinion, investments in securities available for sale as of December 31, 2009 and 2008 showed no evidence of impairment.

As of December 31, 2009 and 2008, the Bank does not have investments held to maturity.

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13. INVESTMENTS IN COMPANIES

Investments in companies corresponds to shares and rights in companies that support the line of business, valued at cost, whose investment values and income received per share (dividends and distribution of net income) are as follows:

	SHARE		INVESTMENT VALUE						RESULT AS OF DECEMBER 31,	
			BALANCE AS OF JANUARY 1,		PURCHASE /SALE		BALANCE AS OF DECEMBER 31,			
	2009 %	2008 %	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Santiago Stock Exchange	2,08	2,08	305	305	-	-	305	305	89	80
Electronic Stock Exchange	2,44	2,44	61	61	-	-	61	61		
Combanc S.A.	4,72	1,20	34	34	100		134	34		-
Depósito Central de Valores S.A. (Central Securities Deposit)	3,60	3,60	58	59			58	59		-
Other investments in companies			85	70	37	14	122	84	116	95
Total investments in companies			543	529	137	14	680	543	205	175

The Bank has not recorded impairment associated to the value of these assets.

During April 2009 the Bank acquired 340 shares of Sociedad Operadora de la Cámara de Compensación de Alto Valor S.A. (Combanc) at a cost of MCh$100.

14. INTANGIBLES

a) The intangibles that the Bank and its subsidiaries maintain current as of December 31, 2009 and 2008 correspond to internal developments which are in production or at the development stage:

	USEFUL LIFE		REMAINING AMORTIZATION YEARS		GROSS BALANCE		ACCUMULATED AMORTIZATION		NET BALANCE	
	2009	2008	2009	2008	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Type of intangible asset										
Acquired	-	-	-	-	-	-	-	-	-	-
Internally generated	3,27	3,87	1,75	2,83	19.918	15.354	(3.794)	(2.633)	16.124	12.721
Total					19.918	15.354	(3.794)	(2.633)	16.124	12.721

b) The movement of intangibles during the years ended as of December 31, 2009 and 2008 is detailed as follows:

	INTANGIBLE MOVEMENT				
	INTANGIBLE ASSETS		ACCUMULATED AMORTIZATION MCH$	ACCUMULATED IMPAIRMENT MCH$	TOTAL MM$
	ACQUIRED MCH$	INTERNALLY GENERATED MCH$			
Balance as of January 1, 2008	-	7.640	(1.789)	-	5.851
Incorporations	-	7.714	-	-	7.714
Transfer to intangible assets in use	-	-	-	-	-
Amortization for the year	-	-	(844)	-	(844)
Impairment for the year	-	-	-	-	-
Balance as of December 31, 2008	-	15.354	(2.633)	-	12.721
Balance as of January 1, 2009	-	15.354	(2.633)	-	12.721
Incorporations	-	4.564	-	-	4.564
Transfer to intangible assets in use	-	-	-	-	-
Amortization for the year	-	-	(1.161)	-	(1.161)
Impairment ofothe year	-	-	-	-	-
Balance as of December 31, 2009	-	19.918	(3.794)	-	16.124

During 2009 and 2008, the Bank's management did not identify circumstances that could cause possible impairment of the assets included in this heading..

15. PROPERTY, PLANT AND EQUIPMENT

a) Property, plant and equipment

	FIXED ASSETS MOVEMENT									
	BUILDINGS AND LANDS			EQUIPMENTS			OTHER FIXED ASSETS			
	GROSS ASSETS MCH$	ACCUMULATED DEPRECIATION MCH$	ACCUMULATED IMPAIRMENT MCH$	GROSS ASSETS MCH$	ACCUMULATED DEPRECIATION MCH$	ACCUMULATED IMPAIRMENT MCH$	GROSS ASSETS MCH$	ACCUMULATED DEPRECIATION MCH$	ACCUMULATED IMPAIRMENT MCH$	NET ASSETS MCH$
Balance as of January 1, 2008	19.750	(967)	-	4.941	(4.126)	-	7.254	(2.544)	-	24.308
Additions	-	-	-	237	-	-	1.610	-	-	1.847
Disposals	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	(109)	-	-	(381)	-	-	(1.242)	-	(1.732)
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2008	19.750	(1.076)	-	5.178	(4.507)	-	8.864	(3.786)	-	24.423
Balance as of January 1, 2009	19.750	(1.076)	-	5.178	(4.507)	-	8.864	(3.786)	-	24.423
Additions	-	-	-	140	-	-	468	-	-	608
Disposals	-	-	-	(240)	-	-	(1.026)	-	-	(1.266)
Depreciation for the year	-	(242)	-	-	(289)	-	-	(743)	-	(1.274)
Impairment for the period	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2009	19.750	(1.318)	-	5.078	(4.796)	-	8.306	(4.529)	-	22.491

b) Future operating lease payments

Minimum future payments that must be disbursed for operating lease agreements that cannot be rescinded unilaterally without being obligated to pay indemnities, as of December 31, 2009 and 2008 are detailed as follows:

	FUTURE LEASE FLOWS							
	LESS THAN 1 YEAR		FROM 1 TO 5 YEARS		OVER 5 YEARS		TOTAL	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Operating lease agreements	1.062	1.088	2.362	2.081	1.523	-	4.947	3.169

c) Lease expenses

Operating lease expenses for the agreements described in Note b) above for 2009 and 2008 are detailed as follows:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Operating lease expenses	1.027	917

As of December 31, 2009 and 2008 the Bank does not have financial lease agreements.

16. CURRENT AND DEFERRED INCOME TAXES

a) Current income taxes

As of 2009 and 2008 year-end the Bank has established a First Category Income Tax provision, which is determined on the basis of current tax regulations and has been reflected in liabilities in the amount of Ch$7,233 million as of December 31, 2009. During 2008 no provisions were established. Current income taxes are detailed as follows:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Income tax with a rate of 17%	9.746	1.013
Tax on non- deductible expenses with a rate of 35%	1	42
Less:		
Monthly provisional payments	(1.686)	(3.163)
Accumulated loss pursuant to article 31, paragraph 3	(808)	(1.350)
Training expense credits	(9)	(119)
Other	(11)	(597)
Total	7.233	(4.174)
Recoverable taxes	-	4.174 (*)
Income tax payable	7.233	-

(*) As of December 31, 2009 the Bank has current income taxes (assets) in the amount of Ch$3,021 million corresponding to income tax refunds and recoverable substitutive taxes. As of December 31, 2008, in addition to the Ch$4,174 million presented in the previous table, Current taxes (assets) include income tax refunds, substitutive taxes and other recoverable taxes for a total of Ch$3,270 million.

b) Tax income

The tax expense during the years ended as of December 31, 2009 and 2008 is detailed as follows:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Income tax expense		
Current tax	9.746	1.013
Prior year tax	-	-
Partial total	9.746	1.013
Deferred tax credit (charge)		
Temporary differences due to origin and reversal	(4.950)	2.002
Partial total	(4.950)	2.002
Income tax net credit (charge) to results	4.796	3.015

c) Deferred taxes

Deferred taxes arising from the following differences are as follows:

c.1) Effect of deferred taxes on shareholders' equity

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Investments available for sale	(2.017)	2.597
Covers	193	-
Others	-	-
Total	(1.824)	2.597

c.2) Effect of deferred tax on income

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Deferred tax assets		
Global portfolio provision	3.465	425
Lower portfolio value provision	-	58
Greater swap value provision	213	193
Global provision on recovered assets	28	7
Lease agreements provision	157	216
Forward contracts	1.576	-
Lease tax assets	28.946	25.928
Investments in companies	-	3
Effective rate	-	166
Suspended interest	189	16
Others	1.611	2.635
Total deferred tax assets	36.185	29.647
Deferred tax liabilities		
Assets for leasing	(4.174)	-
Lease agreements	(27.593)	(26.785)
Depreciation of property, plant and equipment	(1.521)	(2.574)
Lower forward value provision	-	(211)
Others	(838)	(2.474)
Total deferred tax liabilities	(34.126)	(32.044)
Total net assets (liabilities)	2.059	(2.397)

c.3) Reconciliation of the tax rate

The reconciliation of the income tax rate to the effective rate in the determination of expenses as of December 31, 2009 and 2008 is as follows:

	AS OF DECEMBER 31, 2009		AS OF DECEMBER 31, 2008	
	BALANCES MCH$	INCOME TAX MCH$	BALANCES MCH$	INCOME TAX MCH$
Profit for the year	23.039		24.338	
Income tax	5.049		3.015	
Permanent differences	(205)		(175)	
Adjusted interest revenues	27.883	4.740	27.178	4.620
Tax aggregates	32.529		57.582	
Tax deductions	(3.082)		(78.800)	
Taxable base	29.447	5.006	(21.218)	(3.607)
Regular tax		9.746		1.013
Deferred tax reversal		(4.950)		2.002
Tax charge to result		4.796		3.015
Determined rate		17%		11%

17. OTHER ASSETS

a) As of December 31, 2009 and 2008, other assets are detailed as follows:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Assets for lease	26.642	26.814
as Assets received in lieu of payment or allotted		
as Assets received in lieu of payment	806	1.982
Assets received as provisional payments	(42)	(280)
Partial total – assets received in lieu of payment or allotted	764	1.702
Other assets		
Value Added Tax (VAT) credit	2.963	4.174
Expenses paid in advance	1.347	1.080
Intermediary debtors	24.617	20.222
Operations receivable with Treasury	7.266	9.323
Others	3.926	4.303
Partial total – Other assets	40.119	39.102
Total other assets	67.525	67.618

Lease assets comprise assets available for delivery in a financial lease.

The Bank has no property, plant and equipment for sale that must be presented under this heading.

b) The movement of provisions for assets received in lieu of payment during the years ended as of December 31, 2009 and 2008 established in conformity with the regulations of the SBIF was as follows:

MOVEMENT	MCH$
Balance as of January 1, 2008	(335)
Constitution:	
Provision	(125)
Impairment	-
Liberation:	
Provision	180
Impairment	-
Balance as of December 31, 2008	(280)
Balance as of January 1, 2009	(280)
Constitution:	
Provision	(115)
Impairment	-
Liberation:	
Provision	353
Impairment	-
Balance as of December 31, 2009	(42)

18. DEPOSITS AND OTHER OBLIGATIONS

Deposit obligations maintained by the Bank are classified into demand or time deposits, detailed as follows

a) Deposits and other sight obligations

As of December 31, 2009 and 2008 deposits and other sight obligations are detailed as follows:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Current Accounts		
Domestic bank current accounts	-	6
Foreign bank current accounts	-	-
Current accounts of other legal persons	136.518	134.144
Current accounts of natural persons	56.774	42.612
Partial total	193.292	176.762
Other deposits and call accounts		
Sight drafts	12.317	6.967
Deposit call accounts	2.244	1.766
Partial total	14.561	8.733
Other sight obligations		
Judicial deposits	66	33
Guarantee bonds payable at sight	234	352
Revenues and collections to be paid	1.767	2.579
Payments to be made on account of sale of financial instruments	-	-
Export returns to be liquidated	217	675
Outstanding payment orders	6.213	11.911
Letters of credit extraordinary amortizations	-	-
Payments to credits- to- be- liquidated accounts	320	62
Inactive balances of article 156 LGB	577	816
Overdue term deposits	1.718	1.373
Coupons of overdue bonds and letters of credit	83	498
Other sight obligations	36.729	17.603
Partial total	47.924	35.902
Total	255.777	221.397

b) Deposits and other time deposits

As of December 31, 2009 and 2008 time deposits, classified according to their maturity are detailed as follows:

	UP TO ONE YEAR		OVER 1 YEAR AND UP TO 3 YEARS		OVER 3 YEARS AND UP TO 6 YEARS		OVER 6 YEARS		BALANCE AS OF	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Term deposits										
Local banks	33.317	4.967	-	-	-	-	-	-	33.317	4.967
Banks overseas	-	-	-	-	-	-	-	-	-	-
Other legal persons	1.446.717	1.463.541	126.719	169.523	12.303	27.322	-	-	1.585.739	1.660.386
Natural persons	30.245	53.788	1	2	-	32	-	-	30.246	53.822
Partial total	1.510.279	1.522.296	126.720	169.525	12.303	27.354	-	-	1.649.302	1.719.175
Other term creditors balances										
Performance bonds payable on a 30 day notice	2.114	1.275	-	-	-	-	-	-	2.114	1.275
Others	2	2	-	-	-	-	-	-	2	2
Partial total	2.116	1.277	-	-	-	-	-	-	2.116	1.277
Total	1.512.394	1.523.573	126.720	169.525	12.303	27.354	-	-	1.651.418	1.720.452

19. OBLIGATIONS WITH BANKS

As of financial statement closing as of December 31, 2009 and 2008, obligations with banks were as follows:

	UP TO ONE YEAR		OVER 1 YEAR AND UP TO 3 YEARS		OVER 3 YEARS AND UP TO 6 YEARS		OVER 6 YEARS		BALANCE AS OF	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Domestic banks										
Interbank loans	4.264	5.152	-	-	-	-	-	-	4.264	5.152
Checking account overdrafts	1.313	1.007	-	-	-	-	-	-	1.313	1.007
Partial total	5.577	6.159	-	-	-	-	-	-	5.577	6.159
Foreign banks										
Financing for Chilean exports	64.783	124.230	-	19.237	-	-	-	-	64.783	143.467
Financing for Chilean imports	42.384	100.581	-	-	-	-	-	-	42.384	100.581
Operations among third countries obligations	158	16.234	15.260	-	-	25.650	-	-	15.417	41.884
Loans and other obligations	3.959	-	-	-	-	-	-	-	3.959	-
Partial total	111.284	241.045	15.260	19.237	-	25.650	-	-	126.543	285.932
Central Bank of Chile	-	-	-	-	-	-	-	-	-	-
Total	116.861	247.204	15.260	19.237	-	25.650	-	-	132.120	292.091

20. DEBT INSTRUMENTS ISSUED AND OTHER OBLIGATIONS

As of December 31, 2009 and 2008 debt instruments issued and other obligations are detailed as follows:

a) Debt instruments issued

	UP TO ONE YEAR		OVER 1 YEAR AND UP TO 3 YEARS		OVER 3 YEARS AND UP TO 6 YEARS		OVER 6 YEARS		AS OF DECEMBER 31, 2008	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Letters of credit										
Letters of credit for housing	362	297	146	157	1.812	1.202	19.186	22.527	21.506	24.183
Letters of credit for general purposes	548	557	2.414	2.086	6.792	5.017	47.538	60.500	57.292	68.160
Partial total	910	854	2.560	2.243	8.604	6.219	66.724	83.027	78.798	92.343
Bonds :										
Bonds	89.412	2.016	74.515	85.810	61.332	64.358	112.212	125.351	337.471	277.535
Junior bonds	1.004	1.285	4.160	5.327	12.012	3.554	82.378	90.048	99.553	100.214
Partial total	90.416	3.301	78.675	91.137	73.344	67.912	194.590	215.399	437.024	377.749
Total	91.326	4.155	81.235	93.380	81.948	74.131	261.314	298.426	515.822	470.092

b) Other financial obligations

	UP TO ONE YEAR		OVER 1 YEAR AND UP TO 3 YEARS		OVER 3 YEARS AND UP TO 6 YEARS		OVER 6 YEARS		AS OF DECEMBER 31, 2008	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Obligations with state agencies										
Financing from CORFO	736	418	8.202	7.182	15.909	13.999	25.211	24.786	50.058	46.385
Partial total	736	418	8.202	7.182	15.909	13.999	25.211	24.786	50.058	46.385
Other local obligations										
Indebted to credit card operators	1.313	1.283	-	-	-	-	-	-	1.313	1.283
Partial total	1.313	1.283	-	-	-	-	-	-	1.313	1.283
Total	2.049	1.701	8.202	7.182	15.909	13.999	25.211	24.786	51.371	47.668

21. PROVISIONS

a) As of December 31, 2009 and 2008 the Bank and its subsidiaries established the following provisions:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Vacation accruals	1.071	1.077
Minimum dividend allowance	6.912	7.304
Standby credit risk allowance		
Endorsements and Guarantee bonds	54	112
Issued documentary letters of credit	133	39
Performance bonds	580	572
Partial total – standby credit risks	767	723
Contingency provisions		
Country risk provisions	137	247
Additional placement provisions	500	-
Personnel benefit allowances	85	-
Other contingency provisions	1.439	402
Partial total - contingency provisions	2.161	649
Total other provisions	10.911	9.753

In the opinion of the Bank's management, the provisions established cover all possible losses that might arise from non-recovery of assets, based on the information examined by the institution and its subsidiaries..

b) The movement of provisions established during 2009 and 2008 is as follows:

	PERSONNEL VARIATIONS MCH$	MINIMUM DIVIDENDS MCH$	CREDIT RISKS MCH$	OTHER CONTINGENCIES MCH$	TOTAL MCH$
Balance as of January 1, 2008	1.015	8.175	-	4.285	13.475
Constituted provisions	354	7.304	1.874	51	9.583
Freed provisions	(292)	(8.175)	(1.151)	(3.687)	(13.305)
Balance as of December 31, 2008	1.077	7.304	723	649	9.753
Balance as of January 1, 2009	1.077	7.304	723	649	9.753
Constituted provisions	413	6.912	941	2.111	10.377
Freed provisions	(419)	(7.304)	(897)	(599)	(9.219)
Balance as of December 31, 2009	1.071	6.912	767	2.161	10.911

22. OTHER LIABILITIES

As of December 31, 2009 and 2008 other liabilities are detailed as follows:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Bills and documents payable	6.458	11.049
Dividends agreed to be paid	41	42
Revenues earned in advance	752	346
Short sale revenues	1.326	6.475
Client intermediary creditors	9.331	10.527
Broker intermediary creditors	6.349	2.311
Other liabilities	14.605	6.357
Total	38.862	37.107

23. CONTINGENCIES AND COMMITMENTS

a) Lawsuits and legal procedures

Judicial contingencies common to the industry

As of the date of issuance of these consolidated financial statements, there are judicial actions filed against the Bank and its subsidiaries associated to its line of business. In the opinion of management and based on what has been informed by its legal counsel, it is not probable that the Bank and its subsidiaries might incur significant losses not contemplated in these financial statements. As of December 31, 2009 and 2008, the Bank and its subsidiaries have no provisions for this concept, in accordance with the provisions policy approved by the Board of Directors.

Contingencies due to significant lawsuits in the courts

As of December 31, 2009 and 2008, there are no significant lawsuits in court that could significantly affect these consolidated financial statements.

b) Contingent loans

The following table shows the contractual amounts of the transactions that obligate the Bank to grant loans and the amount of the allowances established for the assumed credit risk:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Endorsements and Guarantee bonds	17.571	31.005
Documentary letters of credit	16.486	18.771
Performance bonds	108.958	126.721
Amounts available per credit card user	106.290	100.279
Provisions (Note 21)	(767)	(723)
Total	248.538	276.053

c) Responsibilities

The Bank and its subsidiaries have the following responsibilities derived from the normal course of their business:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Instruments in custody	416.366	402.621
Collectable documents	2.584	11.584
Securities and letters of guarantee	514.315	252.201
Undisbursed approved loans	151.750	135.392
Executed lease agreements	80.740	69.471
Total	1.165.755	871.269

d) Guarantees granted

As of December 31, 2009 and 2008, the Bank does not hold assets in guarantee. Its subsidiary, Valores Security S.A. Corredores de Bolsa as of that date had deposited shares in the Bolsa de Comercio de Santiago for time transactions in the amounts of MCh$ 9,058 and MCh$ 3,792, respectively.

In accordance with Article 226 of Law 18,045, the General Funds Administrator has an insurance policy for the stock brokers and full banking insurance in accordance with the requirements of the Stock Exchange.

24. SHAREHOLDERS' EQUITY

a) The capital authorized by the Bank is composed of 167,894,208 single series shares of which 151,819,041 have been effectively subscribed and paid for.

The movement of shares issued is detailed as follows:

	ORDINARY SHARES		PREFERRED SHARES	
	2009	2008	2009	2008
Beginning balance	151.809.665	135.753.250	-	-
Payment of subscribed shares	9.376	16.056.415	-	-
Balance	151.819.041	151.809.665	-	-

As of December 31, 2009 and 2008, the distribution of the Bank's property is as follows:

SHAREHOLDERS	2009		2008	
	NO. OF SHARES	PARTICIPATION %	NO. OF SHARES	PARTICIPATION %
Security Group	151.739.816	99,95	151.730.440	99,95
Others	79.225	0,05	79.225	0,05
Total	151.819.041	100,00	151.809.665	100,00

b) As of December 31, 2009 and 2008 earnings per share are as follows:

Attributable equity holders of the Parent

	2009		2008	
Income	MCh$	23.040	MCh$	24.346
Average shares outstanding		151.817.478		138.429.319
Earnings per share:				
Basic	$	152	$	176
Diluted	$	152	$	176

c) The Statement of Changes in Equity includes valuation accounts which are detailed as follows:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Investments available for sale		
Valuation	(2.897)	(14.765)
Deferred tax	492	2.510
Partial total	(2.405)	(12.255)
Accounting hedges		
Valuation	(1.138)	-
Deferred tax	194	-
Partial total	(944)	-
Total	(3.349)	(12.255)

d) As of December 31, 2009 and 2008 the Bank established an allowance for payment of minimum dividends contemplated in the Company's Law No. 18,046 and in accordance with chapter B4 of the Compendium of Accounting Standards of the Superintendency of Banks and Financial Institutions, in the amount of MCh$ 6,912 and MCh$7,304, respectively.

At Ordinary Shareholders' Meeting No. 27 held on March 10, 2009 the shareholders' agreed to allocate MCh$7,720 to the payment of a dividend of Ch$50.85 per share with a charge to 2008 income.

At Ordinary Shareholders' Meeting No. 26 held on March 4, 2008 the shareholders agreed to distribute 50% of 2007 net income, i.e. MCh$13,624, equivalent to Ch$100. 37 per share with a charge to 2007 net income.

25. INTEREST AND READJUSTMENTS

Accrued interest and readjustment received as of December 31, 2009 and 2008 are detailed as follows:

a) Income from interest and readjustments

	INTERESTS		READJUSTMENTS		TOTAL	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Buy-back contracts	1.080	2.318	-	-	1.080	2.318
Loans performed to banks	1.408	3.692	-	-	1.408	3.692
Commercial placements:						
Commercial credits	73.091	83.048	(10.481)	39.163	62.610	122.211
Foreign trade credits	11.664	14.365	(561)	2.203	11.103	16.568
Current account credits	11.230	11.759	-	-	11.230	11.759
Factoring	-	67	-	-	-	67
Lease agreements	11.192	9.088	(3.234)	11.859	7.958	20.947
Total commercial placement revenues	107.177	118.327	(14.276)	53.225	92.901	171.552
Placements for housing						
Letter of credit loans	1.120	1.277	(687)	2.713	433	3.990
Letter of credit loan commissions	101	108	-	-	101	108
Endorsable mortgages	1.893	2.060	(1.406)	6.869	487	8.929
Other housing loans	5.643	4.241	(2.283)	9.062	3.360	13.303
Total placement for housing revenues	8.757	7.686	(4.376)	18.644	4.381	26.330
Consumption placements						
Consumer credit payable by installments	6.785	6.167	(61)	203	6.724	6.370
Credit card credit	2.779	2.584	-	-	2.779	2.584
Total consumption placement revenues	9.564	8.751	(61)	203	9.503	8.954
Investment instruments						
Investments available for sale	13.031	9.437	(4.828)	15.089	8.203	24.526
Adjustments to investments available for sale	-	-	-	-	-	-
Total investment instrument revenues	13.031	9.437	(4.828)	15.089	8.203	24.526
Other interest or readjustment revenues	483	1.144	-	254	483	1.398
Total interest and readjustment revenues	141.500	151.355	(23.541)	87.415	117.959	238.770

The amount of suspended interest and readjustments on loans included in the impaired portfolio totaled MCh$ 50 and MCh$ 93, as of December 31, 2009 and 2008, respectively.

b) Interest and readjustment expenses

As of December 31, 2009 and 2008 interest and readjustments are detailed as follows:

	INTERESTS		READJUSTMENTS		OTHERS		TOTAL	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Deposits								
Sight deposits	(179)	(220)	-	-	-	-	(179)	(220)
Term deposits	(62.575)	(80.511)	12.366	(44.920)	-	-	(50.209)	(125.431)
Total deposit and training expenses	(62.754)	(80.731)	12.366	(44.920)	-	-	(50.388)	(125.651)
Buy-back contracts	(2.692)	(8.791)	-	-	-	-	(2.692)	(8.791)
Obligations with banks	(4.369)	(9.314)	-	-	-	-	(4.369)	(9.314)
Issued debt instruments								
Letters of credit interest	(3.344)	(4.072)	2.108	(8.774)	-	-	(1.236)	(12.846)
Bonds interest	(11.373)	(7.005)	5.675	(19.652)	-	-	(5.698)	(26.657)
Junior bonds interest	(5.863)	(5.136)	3.979	(8.059)	-	-	(1.884)	(13.195)
Issued debt instruments total expenses	(20.580)	(16.213)	11.762	(36.485)	-	-	(8.818)	(52.698)
Other interest or readjustment expenses	(1.904)	(2.808)	1.253	(2.723)	-	-	(651)	(5.531)
Result of accounting hedges	-	-	-	-	651	-	651	-
Total interest and readjustment expenses	(92.299)	(117.857)	25.381	(84.128)	651	-	(66.267)	(201.985)

26. FEES AND COMMISSIONS

As of December 31, 2009 and 2008 income and expenses shown in the consolidated Statements of Income refer to the following items:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Fees and commission revenues		
Credit line and overdraft	1.556	1.877
Endorsements and letters of credit	3.651	2.916
Card services	2.584	2.729
Account administration	730	358
Collection, revenues and payments	1.552	1.360
Securities intermediation and managing	1.832	1.599
Investments in mutual funds and others	14	94
Insurance commercialization compensation	2.458	1.149
Fund administration	7.497	7.790
Financial advisory services	1.046	473
Other fees and commissions earned	2.327	2.407
Total fees and commission revenues	25.247	22.752
Fees and commission expenses		
Securities operation commission	(479)	(437)
Sales services commissions	(2.635)	(2.445)
Other commissions	(535)	(294)
Total commission expenses	(3.649)	(3.176)
Total fees and commission expenses	21.598	19.576

27. INCOME FROM FINANCIAL OPERATIONS

As of December 31, 2009 and 2008 net income from financial transactions are detailed as follows:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Financial instruments for negotiation purposes		
Interests and readjustments	5.891	30.956
Adjustments at reasonable value	(2.816)	1.141
Sales profit	25.812	12.617
Sales loss	(9.696)	(19.160)
Mutual fund investment profits	2.310	2.026
Partial total	21.501	27.580
Negotiation derivatives		
Derivative contract profit	212.824	252.590
Derivative contract loss	(236.477)	(241.147)
Partial total	(23.653)	11.443
Sale of instruments available for sale		
Sales profit	4.970	1.358
Sales loss	(1.960)	(369)
Partial total	3.010	989
Other operations net result		
Purchase of self-issued letters of credit	(32)	(7)
Other revenues	3.081	2.913
Other expenses	(1.981)	(3.463)
Partial total	1.068	(557)
Total financial operations net profit	1.926	39.455

28. NET INCOME FROM FOREIGN CURRENCY EXCHANGE

As of December 31, 2009 and 2008 net income from foreign currency exchange obtained by the Bank and its subsidiaries was as follows:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Foreign currency exchange net result		
Result of net exchange – exchange position	17.111	(16.965)
Other exchange results	(1.174)	953
Partial total	15.937	(16.012)
Exchange rate readjustment net results		
Instruments for negotiation readjustment	(78)	74
Loans to clients readjustment	(6.244)	5.860
Investment instruments readjustment	-	126
Other liabilities readjustment	4.518	(3.183)
Partial total	(1.804)	2.877
Total	14.133	(13.135)

29. CREDIT RISK ALLOWANCES

The movement recorded during 2009 and 2008 in income from credit risk allowances is as follows:

	DUE FROM BANKS		CLIENTS CREDITS AND ACCOUNTS RECEIVABLE						STANDBY CREDITS		TOTAL	
			COMMERCIAL PLACEMENTS		HOUSING PLACEMENTS		CONSUMPTION PLACEMENTS					
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Constitution of allowances												
Individual allowances	(46)	(5)	(16.635)	(18.802)	-	-	-	-	(917)	(1.839)	(17.598)	(20.646)
Group allowances	-	-	(2.895)	(1.809)	(799)	(625)	(6.348)	(3.572)	(24)	(34)	(10.066)	(6.040)
Contitution of allowance revenues	(46)	(5)	(19.530)	(20.611)	(799)	(625)	(6.348)	(3.572)	(941)	(1.873)	(27.664)	(26.686)
Liberation of allowances												
Individual allowances	54	20	5.816	10.614	-	-	-	-	868	1.132	6.738	11.766
Group allowances	-	-	2.319	1.525	656	477	1.785	510	29	19	4.789	2.531
Liberation of allowance revenues	54	20	8.135	12.139	656	477	1.785	510	897	1.151	11.527	14.297
Recovery of written-off assets	-	-	279	485	28	-	1.011	425	-	-	1.318	910
Net result	8	15	(11.116)	(7.987)	(115)	(148)	(3.552)	(2.636)	(44)	(723)	(14.819)	(11.479)

In management's opinion, credit risk provisions established as of December 31, 2009 and 2008, cover possible losses that might occur due to non-recovery of these assets.

30. EMPLOYEE REMUNERATIONS AND EXPENSES

Remunerations included in employee expenses correspond to expenses accrued in the period for employee remuneration and compensation and other expenses derived from the relationship between the Bank and subsidiaries as employer and their employees.

a) Expenses for 2009 and 2008 for these concepts are detailed as follows:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Personnel remuneration	14.024	15.553
Bonuses or rewards	3.744	2.337
Severance pay	716	422
Training expenses	107	157
Other personnel expenses	1.916	2.026
Total	20.507	20.495

b) Other employee expenses recognized during the years ended December 31, 2009 and 2008 are detailed as follows:

	NUMBER OF EMPLOYEES WITH BENEFIT		ORIGIN OF BENEFIT	TOTAL	
	2009	2008		2009 MCH$	2008 MCH$
Bonuses or rewards					
Productivity bonus	809	806	Volunteer	2.428	1.165
Legal reward	809	806	Contractual	867	886
Other rewards	809	806	Contractual	449	286
Total bonuses and rewards				3.744	2.337
Other benefits					
Health insurance	809	806	Contractual	597	575
Life insurance	230	244	Contractual	37	24
Contractual placing	809	806	Contractual	730	711
Benefits granted through equalization funds				81	107
Annual events	809	806	Volunteer	90	127
Pre-school assistant teacher and day care nursery			For birth	48	41
Seniority award			For exage	28	16
Other benefits				305	425
Total other benefits				1.916	2.026

31. ADMINISTRATIVE EXPENSES

As of December 31, 2009 and 2008, administrative expenses are detailed as follows:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
General administrative expenses		
Maintenance and repairs of property, plant and equipment	(2.142)	(1.674)
Office lease	(1.027)	(917)
Equipment lease	(234)	(325)
Insurance premiums	(371)	(360)
Office supplies	(504)	(648)
IT and communication expenses	(3.609)	(2.279)
Lighting, heating and other services	(504)	(522)
Securities surveying and transport services	(149)	(167)
Entertainment allowance and travel expenses of personnel	(282)	(316)
Judicial and notary expenses	(325)	(426)
Technical reports fees	(4.009)	(5.016)
Audit of financial statements fees	(157)	(191)
Title classification fees	(51)	(35)
Fines applied by other agencies	(37)	(29)
Bank expenses	(292)	(245)
Advisory service expenses	(1.900)	(1.478)
Placement agent advisory services	-	(263)
Remodeling expenses	-	(71)
Regular expenses	(319)	(269)
Postage and mail	(249)	(263)
Other general administrative expenses	(3.692)	(2.287)
Partial total	(19.853)	(17.781)
Sub-contracted services		
Data processing	(341)	(254)
Others	(1.244)	(2.343)
Partial total	(1.585)	(2.597)
Board remuneration	(500)	(750)
Publicity and advertising	(908)	(1.304)
Taxes, levies and duties		
Real estate tax	(203)	(212)
Patents	(510)	(457)
Other taxes	(1)	(13)
Contribution to the SBIF	(873)	(726)
Partial total	(1.587)	(1.408)
Total	(24.433)	(23.840)

32. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

As of December 31, 2009 and 2008 the effect of depreciation, amortization and impairment with a charge to income by type of assets is detailed as follows:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Depreciation of property, plant and equipment	(1.274)	(1.732)
Amortization of intangible assets	(1.161)	(844)
Impairment		
Investment instruments	-	-
Plant, property and equipment	-	-
Intangible assets	-	-
Total depreciation, amortization and impairment	(2.435)	(2.576)

33. OTHER OPERATING INCOME AND EXPENSES

a) Other operating income

The operating income amount shown in the Consolidated Statement of Income includes the following concepts:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Assets received in lieu of payment	443	446
Liberation of contingency provisions	439	1.000
Gain from sale of property, plant and equipment	320	415
Lease fees received	253	269
Recovery of written-off assets received in lieu of payment	566	77
Expense recovery	528	772
Other	1.436	2.334
Total other operating income	3.985	5.313

b) Other operating expenses

The amount of other operating expenses shown in the Consolidated Statement of Income includes the following concepts:

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Assets received as payment provisions and expenses	(1.519)	(818)
Contingency provisions	(1.249)	(66)
External IT project expenses	-	(852)
Operational write-offs	(512)	(19)
Other write-offs	(230)	(671)
Total operating expenses	(3.510)	(2.426)

34. RELATED PARTY DISCLOSURES

Related parties are considered to be individuals or corporations with direct or third-party participation in the ownership of the Bank and its subsidiaries, when that participation exceeds 1% of shares or 5% if the Bank's shares are traded in the stock market, and individuals without ownership participation who have authority and responsibility in the planning, management and control of the activities of the entity or its subsidiaries. Companies in which the Bank's related parties have a participation that reaches or exceeds 5% or when they have a position as director, general manager or other equivalent position, are also considered related parties.

Article 89 of the Law for Open Corporations, which is also applicable to banks, establishes that any related party transactions must be carried out under equal conditions similar to those normally prevailing in the market.

On the other hand, Article 84 of the General Banking Law establishes limits for loans that can be granted to related parties and prohibitions to grant loans to directors, managers, or general representatives of the bank.

a) Loans granted to related parties

Loans and accounts receivable, contingent loans and assets corresponding to trading instruments and investments with related entities are detailed as follows:

	PRODUCTIVE COMPANIES		INVESTMENT COMPANIES		NATURAL PERSONS		TOTAL	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Credit and accounts receivable								
Commercial placements	28.014	32.388	3.731	7.506	499	511	32.244	40.405
Housing placements	-	-	-	-	1.315	881	1.315	881
Consumption placements	-	-	-	-	32	167	32	167
Gross credits and accounts receivable	28.014	32.388	3.731	7.506	1.846	1.559	33.591	41.453
Placement provisions	(87)	(129)	(10)	(19)	(8)	(14)	(105)	(162)
Net credits and accounts receivable	27.927	32.259	3.721	7.487	1.838	1.545	33.486	41.291
Standby credits								
Total standby credits	2.813	4.149	1.149	192	-	-	3.962	4.341
Standby credit allowance	(8)	(12)	(6)	(1)	-	-	(14)	(13)
Net standby credits	2.805	4.137	1.143	191	-	-	3.948	4.328
Investments								
For negotiation purposes	-	-	-	-	-	-	-	-
Available for sale	-	9	-	-	-	-	-	9
Total investments	-	9	-	-	-	-	-	9
Total credits with related parties	30.732	36.405	4.864	7.678	1.838	1.545	37.434	45.628

b) Others related party assets and liabilities

	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Assets		
Financial derivative contracts	240	2.364
Total other assets with related parties	240	2.364
Liabilities		
Financial derivative contracts	197	1.423
Sight deposits	2.645	3.844
Term deposits and other funds	1.608	10.730
Total other liabilities with related parties	4.450	15.997

c) Related party operating loss

	USEFULNESS (LOSS) NET RESULT	
	AS OF DECEMBER 31, 2009 MCH$	AS OF DECEMBER 31, 2008 MCH$
Interest and readjustment income and expenses (net)	1.182	1.563
Commission and service income and expenses (net)	264	259
Change in results (net)	141	298
Operational support expenses	(4.695)	(5.672)
Other income and expenses	37	23
Total related party operating loss	(3.071)	(3.529)

d) Contracts with related parties

Contracts entered into during each year not corresponding to normal transaction in the Bank's line of business carried out with customers in general, when the amounts of those contracts exceed U.F. 3,000.

These contracts are detailed as follows:

LEGAL NAME OF COMPANY	DESCRIPTION	CREDITS TO RESULTS		CHARGES TO RESULTS	
		2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Inversiones Invest Security Ltda.	Service provision agreement	330	90	5.343	2.994
Travel Security S.A.	Office lease	-	161	179	164
Seguros Vida Security Previsión S.A.	Insurance	1.431	1.438	152	199
Mandatos Security Ltda.	Service provision agreement	-	-	1.320	1.968
Virtual Security S.A. (*)	Service provision agreement	-	-	-	1.952
Inmobiliaria Security S.A.	Service provision agreement	-	271	524	431
Asesorías Security S.A.	Advisory services	-	-	515	723
Redbanc S.A.	Service provision agreement	-	-	209	184
Transbank S.A.	Service provision agreement	1.758	-	518	733
Chilectra S.A.	Electricity sale	-	-	138	155
Cía. De Seguros Penta Security	Insurance	968	-	-	-
Sociedad Administradora General S.A. y Cía. CPA	Service provision agreement	69	-	-	-

(*) In 2009 Virtual Security S.A. merged with Investments Invest Security Ltda.

e) Payments to the Board of Directors and key management employees

During 2008 the following concepts related to stipends to members of the Board of Directors and key management employees have been paid with a charge to income, detailed as follows.

	DIRECTORS		GENERAL MANAGERS		DIVISION MANAGERS		ZONE MANAGERS	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Short term remunerations	318	457	349	796	1.104	1.374	2.878	3.030
Long term benefits		-		-		11	4	14
Severance pay indemnities		-		7		-	360	28
Number of executives	7	7	3	3	8	8	37	27

35. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

a. Assets and liabilities at fair value

The fair values of the main financial assets and liabilities, including those which in the Balance Sheet are not presented at fair value are summarized below. Values shown in this Note are not intended to be estimations of the value of the Bank's income-generating assets or a projection of future activities. The estimated fair value of financial instruments is as follows:

	SEE BOOK		ESTIMATED REASONABLE VALUE	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Assets				
Cash and deposits in banks	64.852	80.612	64.852	80.612
Operations with ongoing liquidation	116.161	129.909	116.161	129.909
Instruments for negotiation purposes	396.043	356.864	396.043	356.864
Buy-back contracts and securities loans	20.807	24.153	20.809	24.153
Financial derivative contracts	66.280	53.052	66.280	53.052
Due from banks	312.431	93.467	322.176	116.166
Client credits and accounts receivable	1.845.419	1.965.344	1.884.098	2.012.978
Investment instruments available for sale	484.353	366.376	484.353	366.376
Investment instruments held to maturity	-	-	-	-
Liabilities				
Sight deposits and other obligations	255.777	221.397	255.777	221.397
Operations with ongoing liquidation	74.738	64.862	74.738	64.862
Buy-back contracts and securities loans	401.975	90.130	401.720	88.856
Term deposits	1.651.418	1.720.452	1.653.998	1.717.611
Financial derivative contracts	80.165	52.843	80.165	52.843
Obligations with banks	132.120	292.091	131.749	288.117
Issued debt instruments	515.822	470.092	505.834	446.680
Other financial obligations	51.371	47.668	52.761	51.643

The fair values of assets that in the Balance Sheet are not recorded at that value, are estimates of expected cash flows, discounted at the relevant market rate for each type of transaction.

The fair values of liabilities that are not market-traded is based on the discounted cash flows, using the interest rate for similar maturity terms.

b. Determination of fair value

The bank uses the following criteria to determine and classify the market value of financial instruments:

Level 1: Prices observable in active markets for this type of instrument or specific transaction to be valued.

Level 2: Valuation techniques on the basis of observable factors. This category includes instruments valued using quoted prices for similar instruments, whether in markets considered active or not very active and other valuation techniques where all significant entries are directly or indirectly observable on the basis of 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 non-observable factors can have a significant effect on the valuation of the instrument. This category includes instruments that are valued on the basis of quoted prices for similar instruments where unobservable significant adjustments or assumptions are required to reflect the differences between them.

The following detail shows the classification of financial instruments by fair value levels:

	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
FINANCIAL ASSETS								
Instruments for negotiation								
State and Central Bank instruments								
Central Bank of Chile instruments	3.944	112.627	26.106	37.768	-	-	30.050	150.395
Instruments of the Treasury General of the Republic	4.857	35.414	-	-	-	-	4.857	35.414
Other State instruments	-	53	195	2.545	-	-	195	2.598
Partial total	8.801	148.094	26.301	40.313	-	-	35.102	188.407
Other Financial Instruments								
Promissory note deposits in domestic banks	19.700	4.552	210.335	119.632	-	-	230.035	124.184
Mortgage letters in domestic banks	15	3.286	16.745	38.248	-	-	16.760	41.534
Other instruments issued locally	73	512	2.429	700	-	-	2.502	1.212
Mutual funds	111.644	1.527	-	-	-	-	111.644	1.527
Partial total	131.432	9.877	229.509	158.580	-	-	360.941	168.457
Total	140.233	157.971	255.810	198.893	-	-	396.043	356.864
Derivatives kept for negotiation purposes								
Currency Forward	-	-	46.794	35.696	-	-	46.794	35.696
Interest rate Swap	-	-	19.486	8.797	-	-	19.486	8.797
Currency Swap	-	-	-	8.496	-	-	-	8.496
Rate put options	-	-	-	-	-	63	-	63
Total derivatives kept for negotiation assets	-	-	66.280	52.989	-	63	66.280	53.052
Investments available for sale								
State and Central Bank instruments								
Central Bank of Chile instruments	126.284	-	23.794	-	-	-	150.078	-
Instruments of the Treasury General of the Republic	30.305	-	-	-	-	-	30.305	-
Other State instruments	-	-	-	-	-	-	-	-
Partial total	156.589	-	23.794	-	-	-	180.383	-

The picture continues in the following page.

Other financial instruments								
Promissory notes deposits in local banks	12.658	16.959	204.541	223.312	-	-	217.199	240.271
Mortgage letters in local banks	89	2.261	30.320	28.621	-	-	30.409	30.882
Local companies bonds	4.782	12.060	12.357	20.726	-	-	17.139	32.786
Other instruments issued locally	-	-	-	33.991	-	-	-	33.991
Other instruments issued abroad	19.612	-	19.611	28.446	-	-	39.223	28.446
Partial total	37.141	31.280	266.829	335.096	-	-	303.970	366.376
Total	193.730	31.280	290.623	335.096	-	-	484.353	366.376
TOTAL ASSETS AT FAIR VALUE	333.963	189.251	612.713	586.978	-	63	946.676	776.292
FINANCIAL LIABILITIES								
Derivatives kept for accounting hedges								
Currency Forward	-	-	50.287	37.354	-	-	50.287	37.354
Interest rate Swap	-	-	27.209	10.424	-	-	27.209	10.424
Currency Swap	-	-	-	4.717	-	-	-	4.717
Rate put options	-	-	257	-	-	348	257	348
Total derivatives kept for negotiation liabilities	-	-	77.753	52.495	-	348	77.753	52.843
Derivatives kept for accounting hedges								
Interest rate Swap	-	-	-	-	2.412	-	2.412	-
Total derivatives kept for negotiation liabilities	-	-	-	-	2.412	-	2.412	-
Total financial derivatives liabilities	-	-	77.753	52.495	2.412	348	80.165	52.843
TOTAL LIABILITIES AT FAIR VALUE	-	-	77.753	52.495	2.412	348	80.165	52.843

36. RISK MANAGEMENT

I. RISK MANAGEMENT OBJECTIVE
II. RISK MANAGEMENT STRUCTURE
III. CREDIT RISK
IV. FINANCIAL RISK
V. OPERATING RISK
VI. RISK COMMITTEES

I. RISK MANAGEMENT OBJECTIVE

Banco Security considers that risk management is of vital importance to guaranteeing continuity of the business and to achieving necessary solvency and sustainable income.

In order to achieve the above, the Bank has made significant efforts to generate a Risk Division that is responsible for the correct identification, measurement, valuation and follow-up of all types of risks to which Banco Security might be exposed to, and that in turn is capable of generating processes and tools necessary to allow certain progress toward IFRS standards and Basel II.

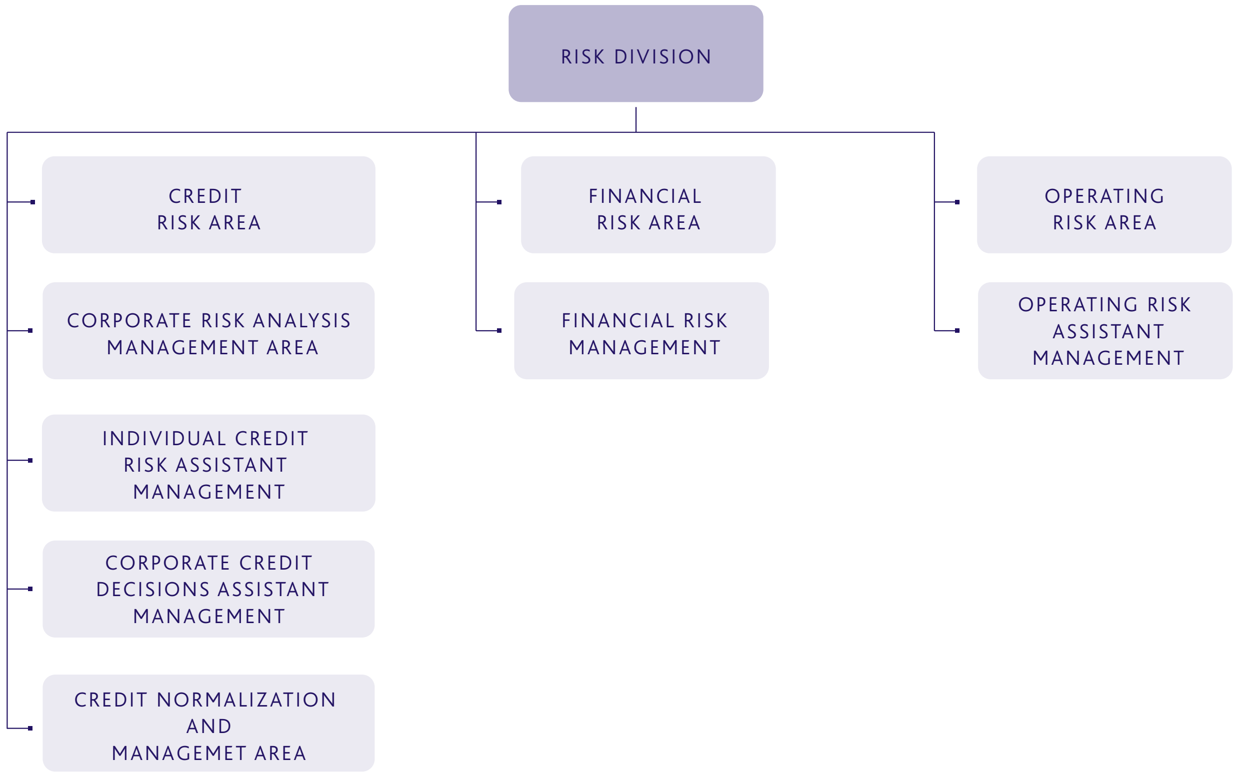
II. RISK MANAGEMENT STRUCTURE

Banco Security's Risk Division has an ideal structure to achieve compliance with the aforementioned objectives, distributed in three areas which are: Credit Risk, Financial or Market Risk and Operating Risk.

It should be noted that the risk division depends directly on the Bank's general management, operating independently from the commercial areas and acting as a counterpart for them in the different existing committees.

The areas under the supervision of the Credit Risk Areas are: Corporate Risk Analysis Management, Individual Credit Risk Assistant Management, Corporate Credit Decisions Assistant Management, Credit Management and Normalization Management, Financial Risk with its respective management and the Operating Risk Unit with its respective assistant management

The organizational chart shows the Bank's risk division.



Likewise, there is a Risk Controlling unit, whose work is to periodically and independently evaluate whether the defined risk policies allow adequate management and cover the regulatory requirements, as well as verify, through audit tests, the degree of compliance with them. The conclusions of the audit work are included in the Audit Committee's agenda and a written report is issued, addressed to the Bank's General Manager and the Managers of the areas involved in the review, with the conclusions of the evaluation and a work plan to solve the issues observed.

III. CREDIT RISK

A. Credit Risk Management Objective

Credit Risk Management corresponds to the Risk Division through its Credit Risk Area, whose main tasks are identification, analysis,

measurement, follow-up, integration and valuation of the different operations of Credit Risk, in a differentiated manner for the different customer segments.

B. Credit Risk Structure

Through its different management and assistant management department the Credit Risk Area participates in the entire credit process, supporting the Bank's commercial area at all times and acting as an independent counterpart in the credit decision.

This area is composed of:

- Corporate Credit Risk Analysis
- Corporate Credit Decisions
- Individual Credit Risk
- Credit Normalization and Administration

C. Credit Risk Process

The credit risk process has 6 stages as can be observed in the following table. The table details Credit Risk participation.

CREDIT PROCESS	CORPORATE	PERSONAL
Target Market	Corporate Credit Risk Analysis Management	Individual Credit Risk Assistant Management
Analysis and Evaluation of Loan		
Credit Decision	Corporate Credit Decisions Assistant Management	
Credit Management	Credit Normalization and Administration Management Area	
Operation collections		
Control		

C.1 Credit Risk Stages

1. Target market

Although the definition of the Bank's target market is the responsibility of Banco Security's senior management, it is based on a proposal that originates jointly from the commercial and risk areas, who after analyzing the opportunities provided by the market and the risks associated to the different segments, include them in the Bank's Credit Risk Policy Manual.

2. Credit Analysis and Evaluation

The analysis and evaluation tools used depend on the market to which the customer in question belongs, thus for example in the case of retail banking (individuals and companies) a customer scoring system is used which in the short-term will be modified by a product scoring system, whereas in the case of corporate banking there is a case-by-case analysis performed by an analyst expert in Credit Risk.

3. Credit Risk

The Credit Risk Area acts as a counterpart in the credit decision in all the committees in which it participates, as it does in the definition of the attributions of the amount of the commercial areas, being able to act over the latter if the risk standards are exceeded in a particular instance.

There are mainly two types of committees and they are separated by their operating manner (file circulation or meeting). In the first case, which operates for smaller amounts, the file circulates through the different levels of attributions going from one to another until it arrives at the required level; in the second case, for greater amounts, a meeting is held in which the commercial executive presents the loan transactions to the members of the committee for their approval. Likewise the meeting credit committees are divided depending on the amount.

Within these credit committees the most important one is the Board of Directors Credit Committee which has the participation of two directors, the President of the Security Group, the Bank's General Manager and Risk Division Manager and the most important loans are analyzed, evaluating close to 80% of the operations and 20% of customers.

4. Credit Management

Basically at this stage where Credit Management Chiefs take action, they ensure correct processing of the classification of our customers by the commercial executives and that closing of provisions each month occurs without errors and represents the reality of the Bank's portfolio.

In addition in this part of the process work is performed with the commercial areas in order to maintain the number of operations with exceptions and overdue amounts as low as possible. On the other hand there is also strict control of appraisal of assets provided in guarantee to the Bank.

5. Credit Collections

Corresponds to the stage at which the Normalization specialized area carries out problem loan collections work, acting in prejudicial collections and in judicial collections.

6. Control

At this stage of the process, in which the Credit Risk Controlling unit participates, the Bank seeks to maintain a global vision of

how the aforementioned stages of the credit process are operating. Its participation consists of reviewing and auditing current credit policies, performance analysis and committees areas, as well as correct credit management.

C.2 Description by Area:

Individual Credit Risk Assistant Management

The Individual Credit Risk Assistant Management participates in the first three stages of the credit process in the personal banking segment. Within its main tasks are active participation in the definition of the target market as well as in commercial campaigns, definition of the Credit Risk policies of that segment, design, maintenance and calibration of the different scoring models, participation in the different levels of approval of operations and definition of attributions to the commercial areas, among others.

Corporate Credit Analysis Management

This area, which is the largest of the Risk Division, is in charge of participating in the first two stages of the process, strongly focusing on the second, which corresponds to analyzing and evaluating customers. Its main function is the preparation of different types of financial analyses of customers depending on their size, complexity and amount, adapting to the needs of the commercial area in respect to depth and speed of response and maintaining the Bank's competitiveness in respect to the competition. Together with the above, it is also the area responsible for sector reports, analysis of optimum portfolio and country risk study.

Corporate Credit Decision Assistant Management

Its duties involve participation in the credit decisions made by the different committees in which it participates, and preparing the Credit Risk policies and levels of attributions of the commercial area. In addition to the above, it is the area responsible for the Credit Risk models focused on companies, the management of all the Credit Risk division projects, including those of a regulatory nature, the definition of all the rest of the policies that imply some level of Credit Risk, participation in the development of new products, and the administration of the division's goal compliance, among many others.

Credit Normalization and Administration Management:

This management area, which participates in the last three stages of the credit , is responsible for the Credit Risk Management unit , whose main duty is the process of provisions in general. It is also responsible for the risk control area and of reviewing correct compliance with policies and procedures, and the evolution and follow-up of the portfolio from a risk management point of view, giving the necessary warning signs. In addition to the above, management is concerned with recovery of loans with problems for which it has suitable employees as well as for supporting the attorneys and collection companies necessary for the correct performance of their work.

D. Portfolio Classification

Although the classification of the Bank's portfolio is part of the credit process, due to its magnitude it merits being addressed in a point separately from the above.

The manner of classifying the portfolio will depend on the type of customer and the type of product, applied depending on the individual classification or group classification as per the following detail:

<table>
<tr><th colspan="2">INDIVIDUAL CLASSIFICATION</th><th colspan="2">GROUP CLASSIFICATION</th></tr>
<tr><td>Type of customer</td><td>Methodology</td><td>Type of customer</td><td>Methodology</td></tr>
<tr><td>Corporate (includes individuals with a line of business)</td><td>Parent company</td><td>Commercial loan individuals</td><td>Guide</td></tr>
<tr><td>Real estate companies</td><td>Real Estate matrix</td><td>Small companies (debt < 3,000 UF)</td><td>Guide/Matrix</td></tr>
<tr><td rowspan="3">Others
-Banks
-Normalization individuals and companies
-Non-profit
-Special lease group</td><td rowspan="3">Manual</td><td>Investment Company</td><td>Guide/Matrix</td></tr>
<tr><td>Residential mortgage loan</td><td>Model</td></tr>
<tr><td>Consumer loans</td><td>Default</td></tr>
</table>

D.1 Classification of Commercial Loans:

This group encompasses all those that are not mortgage or consumption, i.e. Companies, Real Estate, Banks, Small Companies, Investment Companies and Individuals (commercial loans), for which the Bank assigns a risk category level to each debtor and consequently to the debtor's commercial loans.

When a risk category is assigned the following factors are considered as a minimum: sector or industry in which the debtor operates, debtor's ownership structure, financial situation, payment capacity, guarantees available and the debtor's historical behavior with the Bank and the financial system.

On the basis of the above, the Bank assigns one of the following categories when dealing with normal risk portfolio:

A1	Companies with private risk rating equal to or greater than "AA-". Mainly includes the best companies recognized in the market (Cencosud, CMPC, Empresas Copec, Banco de Chile, etc.) It should be noted that companies that are subsidiaries of companies rated "AA-" can also opt for this category, but the subsidiary must have a sound financial situation. This is not the case for international companies who, although they have a good external rating, their subsidiary in Chile has poor figures, in which case it could opt to be classified in the normal part of the portfolio, but never in A1. Finally, it is important to emphasize that the analysis of subsidiary companies is on a case by case basis.
A2	Companies with excellent performance, only differentiated from A1 because they do not have a private rating, but for all effects they have: Sales levels in excess of MCh$ 1,500 (condition that is necessary but not sufficient), good results, good liquidity and indebtedness indicators, irreproachable payment behavior, etc. Ultimately, it shows a solid financial position.
A3	Companies that, although they have a good financial position, have certain financial weaknesses such as a drop in sales, lower operating income from one period to another, liquidity problems, high indebtedness, among other things (one must keep in mind that the company only shows certain weaknesses and does not significantly place the company's financial position at risk). There can be no more than two relevant weaknesses at the same time, (very accentuated). On the other hand, the best rating that a starting project or company can opt for is A3. For this, it is necessary that there be a capital contribution coherent with the risk and that its future cash flows indicate good profitability. Should the two previous points not be clearly present, it must be owned by owners with proven trajectory and solvency. It should be noted that for companies with sales of less than MCh$ 1,500 the maximum rating for which they can opt is A3. For companies covered with Stand-By greater or equal to 100% of the debt, the maximum rating they are eligible for is "A3", as long as there are no morality or recurrent non-compliance problems.
B	Corresponds to companies with a weak financial position (although with positive equity), but which have no payment problems or foreseeable possibility of non-compliance in the future.

In the case of the Bank's impaired portfolio, it assigns ratings of C1, C2, C3, C4, D1 and D2 (established by the SBIF) depending on the guarantee/debt ratio for the customer, based on the following table:

RATING	% ALLOWANCE	RANGE OF LOSSES (%)		RANGE OF GUARANTEE COVERAGE (%)	
C1	2,0	-	≤ 3,0	≥ 97,0	-
C2	10,0	> 3,0	≤ 19,0	≥ 81,0	< 97,0
C3	25,0	> 19,0	≤ 29,0	≥ 71,0	< 81,0
C4	40,0	> 29,0	≤ 49,0	≥ 51,0	< 71,0
D1	65,0	> 49,0	≤ 79,0	≥ 21,0	< 51,0
D2	90,0	> 79,0	≤ 100,0	≥0,0	< 21,0

D.2 Consumer and Mortgage Loan Rating

Provisions for consumer loans are directly related to the days of delinquency, while mortgage loan provisions are directly related to the number of their unpaid dividends, as per the following detail.

Consumer Loans

DELINQUENCY	% ALLOWANCE	INSTALLMENTS
- Installments up to date.	0,0	0
- At least one installment up to 30 days overdue	1,0	1
- At least one installment overdue from 31 to 60 days.	20,0	2
- At least one installment overdue from 61 to 120 days.	60,0	3 - 4
- At least one installment overdue more than 120 days	90,0	5 - 6

Mortgage Loans

NO. OF OVERDUE INSTALLMENTS	ALLOWANCE %
1	1,0
2	2,0
3	3,0
4	4,0
5	5,0
6	6,0
7	7,0
8	8,0
9	9,0
10	10,0
11	11,0
12	12,0
13	13,0
14	14,0
15	15,0
16	16,0
17	17,0
18 or more	18,0

D.3 Impaired Portfolio

Individual evaluation

Individual analysis of debtors is applied for customers, individuals or companies, which due to their size, complexity or exposure level make it necessary to have full knowledge of them. Likewise requires the assignment of a risk rating for each debtor.

A customer is considered in the impaired portfolio if the following criterion is fulfilled:

Has unpaid accounts for more than 90 days in excess of 5% of their total debt, or else is marked as impaired.

Notwithstanding, for particular cases in which the matrix cannot gather a specific situation, can be evaluated individually as "Impaired" considering that it has an expected loss in excess of 2%.

Group evaluation

The group evaluation is used to analyze a high number of transactions whose individual amounts are low. For this purpose, the Bank uses models based on the attributes of the debtors and their loans, and models based on the behavior of a group of loans. In group evaluations, allowances will always be established in accordance with the expected loss determined by the models used.

A customer evaluated in a group will be considered impaired based on the type of product operating, considering the following points:

- For customers that have transactions involving mortgage or consumer products (including credit cards and overdraft lines), it will be considered "Impaired" when it has a delinquency equal to or greater than 90 days.
- Commercial transactions will be classified as "Impaired" when they present one of the following characteristics:
- Equal or higher than C1 rating after applying the matrix according to its classification (Individual, Investment Company, Small Company).
- Has unpaid balances greater than 90 days (equivalent to a level higher than 5 in the group seriousness matrix).

Notwithstanding, in certain cases there can be an individual valuation of "Impaired", considering that it shows an expected loss higher than 2%.

D.4 Credit Concentration

One of the tools limiting the risks associated with loans is their diversification by different factors. That is how one seeks to have an adequate distribution of the portfolio by type of customer, type of loan, economic activity, etc., avoiding excessive concentration in any of them as indicated in Note 11 c).

In order to achieve the above, the Credit Risk area periodically issues an optimum portfolio report that proposes how the Bank's loans should be distributed based on the risk of the Bank's current portfolio, financial system risk, contribution to the GDP by the different sectors and other key indicators, together with the estimate of optimum risk levels that should be maintained. In this manner the Bank obtains a guide that indicates in which sectors it should grow, in which to maintain itself and in which to try to decrease loans, which is sent to the commercial area to be used as a key tool in the Bank's growth (Note 11 c) on credit concentration by economic activity).

D.5 Guarantees

Banco Security has a policy of generally operating with guarantees to safeguard loans and as a risk mitigation measure. The guarantees that the Bank has are distributed in accordance with the following table where they are shown grouped by type and description:

DESCRIPTION OF TYPE OF GUARANTEE	NUMBER		AMOUNT	
	N°	%	MCH$	%
Mortgage	5828	84,7%	1.161.806	77,8%
Pledge	365	5,3%	52.719	3,5%
Warrant	21	0,3%	3.413	0,2%
Others	668	9,7%	274.980	18,4%
	6882	100,0%	1.492.918	100,0%

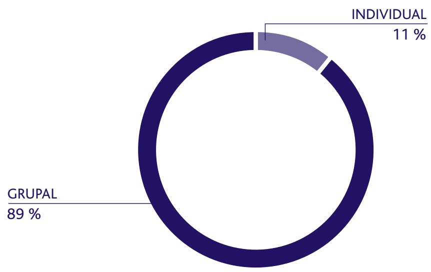
Guarantees by type are detailed as follows:

DESCRIPTION BY TYPE OF GUARANTEE	QUANTITY		AMOUNT	
	Nº	%	MCH$	%
Public offer shares	304	4,4%	211.395	14,2%
Aircraft	1	0,0%	233	0,0%
Automobile (inventory)	14	0,2%	531	0,0%
Automobile (non-inventory)	36	0,5%	152	0,0%
Rural real estate	464	6,7%	105.191	7,0%
Warehouses	8	0,1%	737	0,0%
Buses (inventory)	2	0,0%	435	0,0%
Buses (non-inventory)	24	0,3%	250	0,0%
Trucks or pickup trucks (inventory)	11	0,2%	158	0,0%
Trucks or pickup trucks (non-inventory)	55	0,8%	396	0,0%
Standby letters of credit	43	0,6%	39.046	2,6%
Houses	2.057	29,9%	275.877	18,5%
Industrial buildings	92	1,3%	49.253	3,3%
Apartments	2.066	30,0%	154.292	10,3%
Domestic time deposits	221	3,2%	14.764	1,0%
Specific destination buildings (clinics, schools, etc.)	28	0,4%	80.347	5,4%
Minor vessels	2	0,0%	304	0,0%
Crafts or marine vessels	7	0,1%	17.511	1,2%
Parking	4	0,1%	153	0,0%
Installations	28	0,4%	15.096	1,0%
Commercial stores	127	1,8%	41.776	2,8%
Machinery and/or equipment (inventory)	79	1,1%	11.014	0,7%
Machinery and/or equipment (non-inventory)	76	1,1%	19.361	1,3%
Raw materials or intermediate consumption assets	4	0,1%	688	0,0%
Offices	263	3,8%	49.540	3,3%
Other shares and rights in companies	100	1,5%	9.774	0,7%
Other real assets pledged or under warrant	10	0,1%	2.047	0,1%
Other end consumer assets (inventory)	5	0,1%	1.935	0,1%
Other vehicles (inventory)	6	0,1%	95	0,0%
Other vehicles (non-inventory)	13	0,2%	77	0,0%
Plantation	21	0,3%	3.593	0,2%
Commercial or industrial projects under construction	11	0,2%	19.633	1,3%
Residential projects under construction	281	4,1%	261.409	17,5%
Urban sites and land	419	6,1%	105.854	7,1%
	6.882	100,0%	1.492.918	100,0%

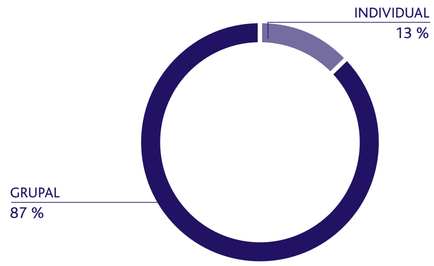
D.6 Distribution of loan portfolio

The portfolio of Banco Security according to the type of risk evaluation (group or individual) is distributed in the following manner:

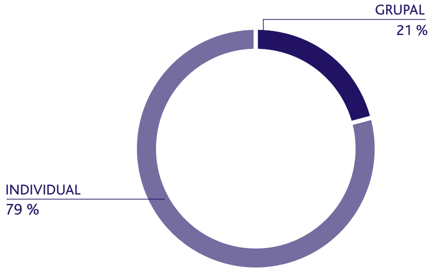
Per evaluation type – Dec 2009
(number of clients)



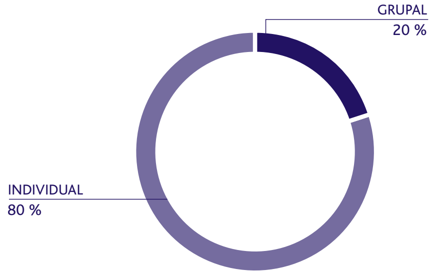
Per evaluation type – Dec 2008
(number of clients)



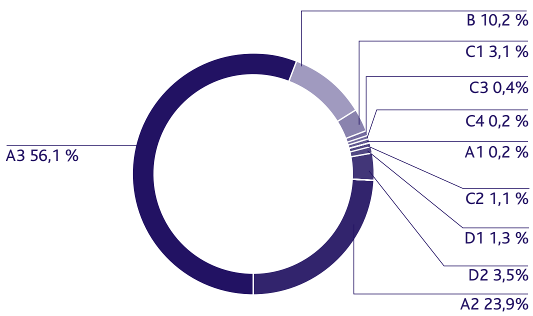
Evaluation type – Dec 2009
(in amount of placements)



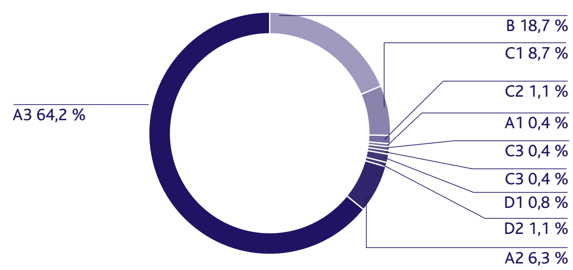
Evaluation type – Dec 2008
(in amount of placements)



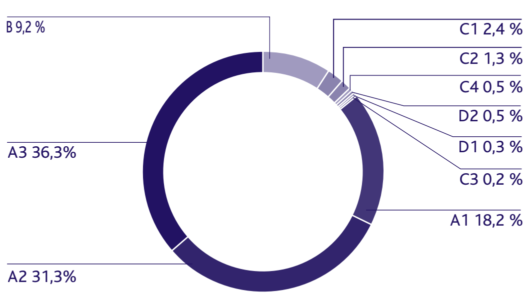
Distribution of individual classification – Dec 2009 (number of clients)



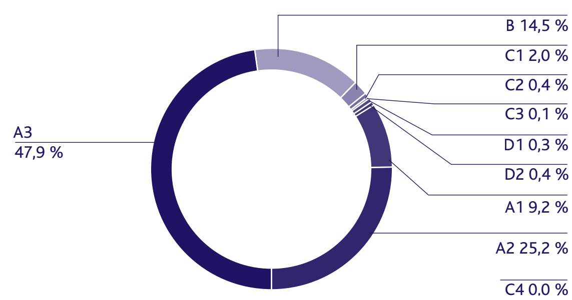
Distribution of individual classification – Dec 2008 (number of clients)



Distribution of individual classification – Dec 2009 (per amount of placements)



Distribution of individual classification – Dec 2008 (per amount of placements)



IV. FINANCIAL RISK

A. Financial Risk Objectives

For the organization, financial activities are defined as all transactions that are closed on its own account or on account of others in the Bank's own name or in the name of its subsidiaries, Valores Security and Administradora General de Fondos .

In general terms, financial transactions include transactions with securities, foreign currency, loans, financial instruments, derivatives and shares.

The strategic objectives in terms of financial activities are:

- To strengthen and expand the Bank's position, consolidating and developing long-term relationships, providing a full range of investment banking products.
- To improve and ensure the stability of profitability in the long-term and reduce the cost of refinancing and liquidity.

Financial activities are limited to the areas of previously approved strategic products and will only be carried out within the global risk alignments defined by the organizations' Board of Directors.

In the handling of the portfolio of financial investments the organization will be an active administrator of the position, due to the constant economic-financial analysis of the environment, from a fundamental point of view. Therefore, the financial instrument positions will be in accordance with the consensual analysis of a macroeconomic vision, however the Bank can also take short-term trading positions in order to take advantage of certain specific misalignment of a market variable.

In order to achieve the objectives established by its investment strategy, a large range of foreign currencies and products can always be traded, in accordance with the corresponding current regulations.

The main actively traded financial instruments are non-derivative fixed income, interbank financing, purchase and sales agreements, spot purchase and sale of foreign currency, foreign currency and interest rate derivative instruments (forwards y swaps), shares and simultaneous instruments.

In general, treasury products can be oriented towards different objectives, such as obtaining net income from variations in market factors in the short and medium term, obtaining profitability through the generation of spreads through financing, taking advantage of mismatched deadlines and market rate curve slopes or currency rate differentials, performing economic and/or accounting hedge transactions for cash flows and for fair value and distribution of Treasury products to the commercial network.

In particular operations with derivatives are used in order to "hedge" or match risks, to arbitrate a market or to take its own positions.

Hedge management through derivative instruments can be established through an economic hedge or an accounting hedge, depending on the defined strategy.

When it is an accounting strategy, strategies can be used to hedge cash flows or the fair value of a certain instrument, complying

with international accounting regulations. These hedge strategies must comply with all the requisites stated in current regulations, and their effectiveness for each of the hedges is monitored at least monthly.

Risk management and control is articulated in practice, through policies, procedures, methodology and limits with which shareholder value is created and by the market in general, guaranteeing an adequate level of solvency.

These limits allow the Bank to maintain controlled levels of risk and diversified investment portfolios. Thist is why the internal limits that the entity has defined are related to types of portfolios, term mismatches, currencies and type of financial instruments.

In addition, the Bank's policies establish certain conditions mainly for the purpose of requesting guarantees for derivative transactions, in order to mitigate risks or exposures to counterparties.

B. Financial Risk Structure

The Board of Directors is responsible for approving the policies, limits and risk management structure of the Bank and its Subsidiaries. For this various committees have been created which monitor compliance with the defined policies and limits. These committees are formed by Executive Directors and regularly report to the Board of Directors regarding risk exposures.

The Committees that are currently related to Financial Risk are:

- Finance Committee: controls and manages financial investments with a focus on short and medium-term trading and the risks associated to those portfolios.
- Assets and Liabilities Committee: controls and manages risk of mismatch of the mass of assets and liabilities, in order to stabilize the financial margin of the Bank and to maintain the entity's economic value risk in limited ranges. This committee also controls liquidity mismatches, compliance with limits and planning of the Bank's capital necessary to cover the risks assumed.

The financial risk management policies are established for the purpose of identifying and analyzing the risks faced, to set concentration limits and establish ongoing controls for their compliance.

These policies are regularly reviewed by the Committees in order to incorporate changes in market conditions and the Bank's own activities. Once these changes have been reviewed they are subsequently proposed to the Board of Directors for approval.

In order to guarantee adequate follow up and control of risks, there is a Financial Risk Management Area, independent of the business units that are the risk takers.

The action and responsibility unit of this Management Area is defined as:

- Control and measure the different risks that affect the Bank and its subsidiaries in a centralized manner, applying homogenous policies and controls.
- Ensure that key issues related to market and liquidity risks are brought to the attention of the Risk Managers, of Senior Management and of the Directors.
- Ensure that the recommendations of the regulating authorities and internal auditors are appropriately followed.
- Daily monitoring and reporting on market and liquidity risk and compliance with each of the limits.
- Development and review of the soundness of risk measurement methods and procedure.

Risk measurement and control is performed daily through risk reports that allow upper management to make decisions. These reports consider overall VaR and sensitivity measurement of the investment portfolio and the Banking book, exposure to the risk involving portfolios, instruments, risk factors and concentrations and the corresponding compliance with internal limits. In addition, these reports include information on results and liquidity, contrasting exposures with internal and regulatory limits.

C. Financial Risk Process.

Risk measurements are based on systems whose automation allows for daily follow-up and control of the risks that the Bank and its subsidiaries are exposed to, allowing timely decision making.

The Treasury and/or commercial areas are in charge of taking positions and risks within the definition of limits established by Senior Management.

The treasury area is in charge of managing financial risks produced by taking the Bank's own positions in the investment books, structural mismatch in the balance sheets, management of liquidity matches and adequate financing of active operations.

The Internal Audit department periodically evaluates risk processes. Likewise, the general risk structure is the object of ongoing evaluation by the Superintendency of Banks and Financial Institutions and External Auditors, among others.

D. Definition of Financial Risks

D.1 Market Risk

The market risk represents the potential that losses might be generated as a result of changes in market prices over a certain period of time, due to movements in interest rates, the value of foreign currency, and the indexation and prices of shares. These losses affect the value of the financial instruments maintained in the Trading and Available for Sale portfolios belonging both to the Bank and to its subsidiaries.

Market Risk Methodology

Market risks are measured by applying the Value at Risk (VaR) methodology, which homogenizes the different risks inherent indifferent types of transactions, modeling the joint relationship of these factors in a single risk measurement.

The VaR provides an estimation of the maximum potential loss of the positions in treasury financial assets or liabilities in case of an adverse but normal scenario.

Banco Security and its subsidiaries measure and limit the Value at Risk of their investment portfolios (trading and available for sale) by risk factors, interest rates, temporary bands, types of instruments and types of portfolios separated by institution and correlated amongst each other.

The methodology used to calculate the VaR is a parametric technique that assumes that the distribution of the return on prices of the investments follows a normal distribution, using a threshold of 95% reliance, a 1-day maintenance horizon, with a show of data of 250 days of history adjusted through statistics techniques that give more importance to the most recent observations in order to quickly capture increasing market volatility.

The assumptions on which the model is based have certain limitations, such as the following:

- A 1-day maintenance period that assumes that it is possible to hedge or dispose of positions within this period. However the investment portfolios held for trading are composed of highly liquid instruments.
- A 95% level of reliance does not reflect the losses that might occur in the remaining 5% of the distribution.
- The Value at Risk is calculated with the positions at the end of the day and does not reflect the exposures that might occur during the trading day.
- The use of historical information to determine possible ranges of future income might not cover all the possible scenarios, especially those of an exceptional nature.
- The behavior of market price returns on financial instruments might present abnormal probabilities of distribution.

The limitations of the assumptions used in the VaR model are minimized through the use limits of the nominal nature of concentration of investments and sensitivity.

The reliability of the VaR methodology used is verified through backtesting, comparing whether the results obtained are consistent with the methodological assumptions within the determined levels of reliance. Ongoing monitoring of these tests allows for verification of the assumptions and hypotheses used in the model, concluding in accordance with the results provided by these tests, that the models operate correctly in accordance with their definitions and that they are a useful tool to manage and limit risk exposures.

Control of financial risk is complemented with specific simulation exercises, for which limits are also established by portfolio and unit, and with extreme market situations (stress testing), where different financial crises that have occurred in the past are analyzed as is the effect that they might have on the current investment portfolios.

Market risks are followed up daily. The risk levels incurred and compliance with the limits established for each unit are reported to risk managers and senior management.

The following table shows the market risks of the different investment portfolios by type of risk::

	VAR PER RISK TYPE	
	DECEMBER 31 MCH$ 2008	DECEMBER 31 MCH$ 2009
Negotiation		
Rate	650	1.127
FX	7	11
Options	36	28
Shares of stock	1	-
Diversification effect	(45)	(38)
Total portfolio	650	1.127
Available for sale		
Rate	990	827
Total portfolio	990	827
Total diversification	(158)	(387)
Total VaR	1.482	1.567

D.2 Interest Type Structural Risk

This risk is related to market risk, although its measurement and effect is different, since although the risk factors are mainly market rates, this derives mainly from commercial activity (commercial loans v/s deposits) caused by the effects of the variations of the types of interest and/or levels of the slope of the standard curves to which assets and liabilities are referenced, which when they have temporary lapses in re-pricing or maturity can impact income stability (financial margin) and levels of solvency (equity economic value).

For this, the Bank establishes internal limits through the use of interest rate structure sensitivity techniques.

Stress scenarios are also analyzed where the interest rates, currency re-pricings, changes in the price of shares, changes in underlying assets of options and changes in commission that might be sensitive to interest rates are sensitized. These stress tests allow the Bank to measure and control the impact of sudden movement of the different risk factors in the Bank's solvency index, ordinary margin and economic equity value.

In addition, there is daily monitoring of compliance with the limits established by Banco Security in accordance with the definitions established by the Central Bank in Chapter III.B.2. of the Compendium of Financial Standards.

In addition, the Bank biannually reports to the Superintendency of Banks and Financial Institutions (SBIF) regarding the risk positions of the investment portfolios of the trading book and compliance with the limits. It also reports monthly to the SBIF regarding consolidated risk positions with the subsidiaries for the trading book and individually for the banking book, which includes sensitization of the market risk for the available for sale portfolio and the commercial book.

Market risk according to the methodology defined in Chapter III.B.2. of the Compendium of Financial Standards of the Central Bank is the following:

Negotiation book

	AS OF DECEMBER 31, 2008 MCH$	AS OF DECEMBER 31, 2009 MCH$
Rate risk	MCh$	5.873
Currency risk	724	4125
Opinion risk	356	232
Total risk	8.092	10.230
Credit risk weighted assets	2.414.984	2.338.767
Effective equity	277.198	293.773
Basel Limit	8,00%	8,00%
Basel w/Market risk	11,02%	11,91%
Basel I	11,48%	12,56%

Short term banking book

SHORT TERM	AS OF DECEMBER 31, 2008 MCH$	AS OF DECEMBER, 31 2009 MCH$
Risk CP rate	4.522	10.470
UF mismatch	2.585	5.658
Sensitive commissions	93	39
Total risk	7.200	16.167
Limit 35% Margin	24.521	20.995
Ease / (excess)	17.321	4.828

Long term banking book

LONG TERM	AS OF DECEMBER 2008 MCH$	AS OF DECEMBER 2009 MCH$
Rate risk	24.901	33.009
Limit 25% PE (Board)	69.300	73.443
Ease / (excess)	44.399	40.434

D.3 Liquidity Risk

Liquidity risk represents the possibility of non-compliance with obligations when they reach maturity, due to incapacity to liquidate assets or obtain funds or the possibility that exposures cannot be easily disposed of or compensated for without significantly reducing market prices due to inadequate market depth.

The following concepts intervene in liquidity risk:

- Term Risk: risk produced due to different expiry dates of incoming and outgoing flows.
- Uncollectability Risk: risk produced by the incapacity to to collect cash income due to cessation of payment, default or delay in collection.
- Financing Risk: risk produced by the incapacity to raise market funds, whether in the form of debt or capital or being able to do it through a substantial increase in the cost of the funds affecting the financial market.
- Concentration Risk: risk that implies concentrating sources of financing and sources of income in few counterparties, which implies a sudden change in the matching structure.
- Market Liquidity Risk: this risk is associated to certain products or markets and refers to the risk of not being capable of closing

or selling a particular position at the last quoted market price (or at a price close to it) because market liquidity is inadequate or there are market disturbances.

Liquidity Risk Methodology

The methodologies used to control liquidity consist of the liquidity gap, considering scenarios of probable behavior of the mass of assets and liabilities, stress scenarios, liabilities concentration limits and early warning indicators.

The liquidity gap provides information referring to contractual incoming and outgoing cash, i.e. that which according to assets and liabilities contracts will be produced in a certain future time. For items without contractual expiry, simulations are established on the basis of statistical studies that allow the Bank to infer their maturity behavior.

On the basis of these scenarios, scenarios are established under normal operating conditions omitting within daily management, items composed mainly of assets that make a set of conservative conditions for liquidity management, which are limited through minimum mismatch margins by control tranches, which have been defined weekly or monthly for a horizon up to one year.

The limits are established on the basis of a percentage of the Bank's capital, according to different scenarios defined on the basis of the estimation of the greatest or smallest liquidity presented by the market in accordance with the previously defined leading parameters and indicators.

On the other hand, different liquidity crisis scenarios are simulated by establishing cash deficit hedge ratios through off-balance sheet financing.

This is complemented with special procedures to confront a liquidity crisis and early warning indicators that allow the Bank to identify any potential risks.

Likewise, a series of ratios and financing concentration limits are established by creditor and by term, which allows the Bank to maintain orderly and diversified sources of financing.

The Bank uses the contractual expiry methodology for compliance with regulatory liquidity limits established by the Central Bank of Chile in Chapter III.B.2 of the Compendium of Financial Standards.

The regulatory mismatch and compliance with limits is sent weekly to the SBIF with the information referring to the Bank and monthly consolidated information that includes itself and its subsidiaries. Regulatory Liquidity Mismatch is detailed as follows:

Regulatory Liquidity Mismatch as of 12.31.09 in MCh$ (total). Banco Security

	< 1 MONTH	FROM 1 TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 TO 3 YEARS	FROM 3 TO 6 YEARS	> 6 YEARS	TOTAL
Available funds	84.344	-	-	-	-	-	84.344
Negotiation investments	95.802	65.154	64.670	-	-	-	225.626
Investments available for sale	27.203	39.569	159.601	52.948	60.743	79.471	419.536
Loans to other domestic banks	307.634	-	-	-	-	-	307.634
Commercial credits and loans	168.387	244.873	476.218	353.904	245.399	259.652	1.748.432
Credit lines and overdraft	-	361	5.759	-	-	-	6.120
House mortgages	2.175	4.192	19.166	50.701	71.232	261.268	408.732
Other liabilities	238.308	-	-	-	-	-	238.308
Derivative contracts	36.197	38.856	70.237	7.038	238	-	152.564
	960.048	393.004	795.650	464.591	377.611	600.391	3.591.296
Sight obligations	259.765	-	-	-	-	-	259.765
Other domestic banks financing	3.757	508	-	-	-	-	4.265
Term deposits and other funding	664.125	448.929	751.395	134.376	13.668	-	2.012.492
External financing	37.428	45.932	33.491	11.349	-	-	128.200
Letters of credit	1.573	1.132	8.055	20.016	25.559	42.919	99.254
Bonds	3.206	1.952	101.684	105.760	103.827	236.853	553.281
Credit lines and overdrafts	215	-	-	-	-	-	215
Other obligations	115.670	989	9.957	20.266	23.063	9.198	179.143
Derivative contracts	35.767	40.373	76.299	12.103	1.226	-	165.768
	1.121.506	539.815	980.881	303.870	167.343	288.970	3.402.383
Net flow	(161.457)	(146.810)	(185.231)	160.721	210.268	311.421	188.912
Accumulated net flow	(161.457)	(308.267)	(493.498)	(332.777)	(122.509)	188.912	
Regulatory limit	(197.789)	(395.578)					
Roominess / Excess	36.332	87.311					

Regulatory Liquidity Mismatch as of 12.31.09 in MCh$ (Foreign Currency). Banco Security

	< 1 MONTH	FROM 1 TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 TO 3 YEARS	FROM 3 TO 6 YEARS	> 6 YEARS	TOTAL
Available funds	49.613	-	-	-	-	-	49.613
Negotiation investments	3.349	-	-	-	-	-	3.349
Investments available for sale	197	2.119	2.634	6.111	19.958	26.863	57.883
Commercial credits and loans	42.049	56.286	69.927	14.740	6.522	2.911	192.435
Credit lines and overdrafts	-	-	-	-	-	-	-
Other liabilities	65.770	-	-	-	-	-	65.770
Derivative contracts	6.531	384	22.266	526	-	-	29.707
	167.509	58.789	94.827	21.378	26.480	29.774	398.758
Sight obligations	61.964	-	-	-	-	-	61.964
Other domestic banks financing	3.757	508	-	-	-	-	4.265
Term deposits and other funding	100.937	55.830	6.017	-	-	-	162.784
External financing	37.428	45.932	33.491	11.349	-	-	128.200
Other obligations	34.327	-	-	-	-	-	34.327
Derivative contracts	19.730	21.724	17.180	1.072	-	-	59.706
	258.143	123.995	56.687	12.421	-	-	451.246
Net flow	(90.634)	(65.206)	38.140	8.957	26.480	29.774	(52.488)
Accumulated net flow	(90.634)	(155.840)	(117.700)	(108.742)	(82.262)	(52.488)	
Regulatory limit	(197.789)						
Roominess / Excess	107.155						

Regulatory Liquidity Mismatch as of 12.31.08 in MCh$ (total). Banco Security

	< 1 MONTH	FROM 1 TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 TO 3 YEARS	FROM 3 TO 6 YEARS	> 6 YEARS	TOTAL
Available funds	102.294	-	-	-	-	-	102.294
Negotiation investments	304.513	57	-	-	-	-	304.570
Investments available for sale	79.558	55.329	118.006	27.201	56.201	108.100	444.394
Loans to other domestic banks	87.795	27	-	-	-	-	87.822
Commercial credits and loans	330.133	331.697	453.463	201.918	378.198	250.275	1.945.684
Credit lines and overdraft	3.610	1.364		-	-	-	4.974
House mortgages	1.971	3.810	17.215	22.185	86.384	228.886	360.451
Other liabilities	143.399	-	-	-	-	-	143.399
Derivative contracts	68.205	29.464	28.481	6.023	3.387	-	135.560
	1.121.478	421.750	617.164	257.327	524.169	587.261	3.529.149
Available funds	233.863	-	-	-	-	-	233.863
Negotiation investments	5.152	-	-	-	-	-	5.152
Term deposits and other funding	530.825	405.071	662.940	151.694	63.359	-	1.813.890
Loans to other local banks	19.805	50.098	188.381	14.067	14.410	-	286.761
Commercial credits and loans	1.706	1.256	8.860	11.695	40.973	53.441	117.931
Credit lines and overdrafts	2.190	1.999	17.127	107.116	140.022	225.926	494.381
House mortgages			5.876		-	-	5.876
Other liabilities	94.476	1.094	8.315	9.354	28.866	12.213	154.318
Derivative contracts	65.957	30.685	27.286	7.226	6.444	-	137.599
	953.977	490.203	918.786	301.153	294.073	291.580	3.249.771
Net flow	167.501	(68.453)	(301.622)	(43.826)	230.096	295.681	279.377
Accumulated net flow	167.501	99.048	(202.574)	(246.400)	(16.304)	279.377	
Regulatory limit	(184.798)	(369.598)					
Roominess / Excess	352.299	468.646					

Regulatory Liquidity Mismatch as of 12.31.08 in MCh$ (Foreign Currency). Banco Security

	< 1 MONTH	FROM 1 TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 TO 3 YEARS	FROM 3 TO 6 YEARS	> 6 YEARS	TOTAL
Available funds	70.496	-	-	-	-	-	70.496
Negotiation investments	8	-	-	-	-	-	8
Investments available for sale	428	1.397	5.515	6.991	38.251	44.234	96.816
Commercial credits and loans	125.086	116.118	71.351	11.710	22.525	-	346.789
Credit lines and overdraft	51	-	-	-	-	-	51
Other liabilities	78.931	-	-	-	-	-	78.931
Derivative contracts	57.012	17.711	6.802	2.227	-	-	83.752
	332.013	135.225	83.667	20.929	60.776	44.234	676.843
Sight obligations	65.685	-	-	-	-	-	65.685
Other domestic banks financing	5.152	-	-	-	-	-	5.152
Term deposits and other funding	152.101	59.064	974	-	-	-	212.140
External financing	19.805	50.098	188.381	14.067	14.410	-	286.761
Other obligations	37.762	-	-	-	-	-	37.762
Derivative contracts	54.441	20.824	11.124	2.147	-	-	88.536
	334.948	129.986	200.479	16.214	14.410	-	696.036
Net flow	(2.935)	5.239	(116.812)	4.715	46.366	44.234	(19.193)
Accumulated net flow	(2.935)	2.303	(114.509)	(109.794)	(63.427)	(19.193)	
Regulatory limit	(184.798)						
Ease /	181.863						

D.4 Hedge Accounting

In January 2009 the Bank performed a cash flows accounting hedge. At the initiationof the hedge the Bank formally documented the relationship between the hedge instruments and hedged items, describing the objectives and strategy for that coverage and how the risk will be measured, defining the methodologies related to effectiveness testing.

The Bank prospectively and retrospectively evaluates the effectiveness of the hedge, to verify that it is highly effective, considering that it is highly effective if results are between 80% and 125%.

The Bank defined a hedge strategy through which it manages to stabilize the variability of the repreciation of the interest paid in a group of time deposits, through derivatives (swaps) that allow it to receive a variable rate and pay a fixed rate so that the effects of the accrual (losses) for short-term deposits are offset with net income generated by the variable part of the derivative.

Short-term deposits, which are a source of permanent financing, are considered to be foreseen highly probable transactions that affect income to the extent that accrual of interest is accounted for daily in the income statement accounts.

The effective portion of changes in the fair value of the derivative is recognized directly in shareholders' equity. This amount maintained in equity will be recognized in income in the same period in which the cash flows of the hedged element affect income. Any non-effective portion of changes in the fair value of the derivative is recorded in income.

If the Bank does not have deposits for the amount hedged, the hedge accounting will be discontinued prospectively.

The Fair Value recognized in income as of 12/31/2009 for the hedge instrument is MCh$ 1,138, as the lower shareholders' equity.

D.5 Embedded Derivatives

These derivatives can be embedded in another contractual agreement (or main contract) therefore they are accounted for at market price separately from the main contract, when the latter is not carried at fair value, since the economic risk and characteristics of the embedded derivative are not related to the characteristics and economic risk of the main contract.

The Bank currently records at fair value with an effect on income any embedded derivatives originated by mortgage loans at variable rate but which incorporate a fixed rate after a certain time with a maximum or ceiling rate, with which the customers obtain an option in their favor, which will generate negative effects for the Bank when the market rates exceed the ceiling rate of those loans. This effect is determined daily through sophisticated options evaluation methodology, and the variation in fair value is treated as income for the period.

This means that the increase in the theoretical value of that derivative is a loss for the Bank.

Mortgage loans with embedded derivatives were granted during 2004 and 2005. From that date no new types of loans with those characteristics have been granted.

The most relevant information from these embedded derivatives is detailed as follows:

	AS OF DECEMBER, 31 2009	AS OF DECEMBER, 31 2008
Mortgage portfolio MUF balance	848	1.083
Top rate (average)	7,22%	7,24%
Residual term	10,7	11,6
Option value MCh$	243	305

V. OPERATING RISK

A. Operating Risk Objectives:

For Banco Security, Operating Risk is defined as the risk of a direct or indirect loss due to errors in processes, employees, internal systems or derived from external events, including legal risk. In other words, the concept assumes the risk that is present throughout the organization, treating it as a manageable risk.

The objectives set forth for operating risk management are:

- Decrease Operating Risk losses
- Promote an Operating Risk culture
- Efficient and effective Operating Risk management
- Alignment with the requirements of the Superintendency of Banks and Financial Institutions and Basel II.

B. Operating Risk Structure

The Operating Risk Control area is dependent on the Bank Risk Division, reporting directly to the Division Manager.

The Operating Risk Control area is formed by 3 individuals; the Operating Risk Chief, a risk analyst and a risk assistant

It should be noted that according to the Operating Risk policy approved by the Board, risk management is supported by: those responsible for and executors of the processes, who are the primary risk makers; the operating risk area, in charge of managing and monitoring operating risk; the Board of Directors and Operating Risk Committee who are responsible for ensuring that the Bank has a framework for managing operating risk in accordance with defined objectives and good practices, and in addition must ensure that necessary conditions exist (trained employees, organizational structure, budget) to allow for the implementation of that framework.

C. Operating Risk Processes

For adequate risk management and on the basis of compliance with the objectives defined by the Bank framed in the Operating Risk Policy, a series of activities have been developed, which are described below:

Training Training process for the organization's employees conducted through personal seminars and e-learning. the purpose of which is for the entire organization to become familiar with and understand what an Operating Risk is and to have the knowledge and methodology to mitigate it.

Events Management: Mitigation of risks that do not lead to the implementation of a project or the need for resources. Their solution is only the creation of a control or the modification of a process.

Database: Systematic record of the events that involve operating risks.

KRIs: Quantitative measures that provide knowledge of certain and potential risks allowing the Bank to identify increased exposure beyond acceptable values. Its objective is to provide immediate and early information regarding possible operating risks in different areas of the Bank.

Self Assessment Survey: survey involving the main managers of the Bank in order to detect operating risk processes and events.

Suppliers: Compliance with what is established by the regulating organization in Standard 20-7 issued by the SBIF.

Risk Survey: Process focused on identification, analysis, evaluation, mitigation plank responsible parties, follow up and reporting on the risks identified in the different areas, especially processes and procedures

Risk Mapping: Activity that is subsequent to the risk survey where these are ordered in a structured manner according to macro processes and processes defined by the Bank. This allows subsequent individual evaluation, identification of the most important and priority risks by process.

VI. RISK COMMITTEES

In order to correctly manage risks Banco Security has different risk committees which are briefly detailed below:

A. Credit Risk Committees

There are 3 Credit Risk Committees. As mentioned above, these are the Board of Directors Credit Committee, the Managers Credit Committee and the File Circulation Credit Committee. The conditions that each operation must meet to determine to which committee it must be presented are clearly specified in the Personal Banking and Corporate Banking Credit Risk Policies of the Bank. It should be noted at this point that the commercial area on its own has almost no attributions; it must always have the approval of the Credit Risk Unit or from the corresponding committee to be able to approve operations.

Composition of the Credit Risk Committee

The Board of Directors Credit Risk Committee is composed of two Bank Directors, its President, General Manager and the Risk Division Manager. In turn the Managers Credit Risk Committee is composed of the Manager of the Commercial Division, the Manager of the Risk Division and the respective Credit Decision Assistant Manager (individuals or corporations). Lastly, the file circulation credit committee is composed of the different commercial managers and the corresponding credit decision assistant manager (individuals or corporations).

Topics to be covered

These Committees are in charge of approving or rejecting the credit transactions presented, depending on the amount and conditions of the loan in the appropriate committee. Additionally the Board of Directors Credit Committee is the one that approves Credit Risk Policies, their attributions and different modifications.

Periodicity:

The Board of Directors Risk Committee meets every Tuesday and Thursday (except for the second Thursday of each month). The Managers Credit Risk Committee meets every Wednesday. The File Circulation Credit Risk Committee operates mainly on Monday and Friday mornings.

Interaction with the Board of Directors

Because the main Credit Risk Committee, where the most important transactions are analyzed, is the Board of Directors Credit Risk Committee, the interaction with the board is total, since as stated before this committee includes the participation of two Directors and the President of the Bank's Board of Directors.

B. Financial Risk Committees

The objective of this committee is to jointly evaluate the positions and risks taken by Banco Security and its subsidiaries, defining the strategy to be adopted and validating the level of compliance with it.

Within the main functions of this committee is reporting on the situation of each unit in relation to net income and margins in comparison to the budget, the alignment of strategies and the escalation of investment or divestment decisions.

Additionally, the attributions of the Finance Committee include proposing to the Board the policies and methodology associated to management of financial activities and ensure compliance with market risk and liquidity limits set by the Board and the Supervising Organizations.

This Committee is composed of:

- Committee Presidency:
  - Bank General Manager
  - Bank President
  - Group General Manager
- Planning and Management Manager
- Grupo Security Chief Economist
- Risk Division Manager
- Financial Risk Manager
- Finance and Corporate Division Manager
- Trading and Investments Manager
- Valores Security General Manager
- Valores Security Investments Manager
- Inversiones AGF Manager

C. Operating Risk Committees

Composition of the Operating Risk Committee

The Operating Risk Committee is composed of the General Manager or member of the Board of Banco Security and Subsidiaries, Operations and Technology Manager, A Risk Control Manager, a Representative of the Legal Unit, Security Mutual Funds and Securities Operations Manager and the Information Security Officer.

The Controllership Manager of the Security Group must attend that Committee, however he does not have any responsibility whatsoever in risk management, but must observe that the eventual corrective measures taken are in line with the observations made in the audited areas.

Topics to be covered

In addition the Committee is in charge of disseminating the operating risk policy, evaluating the risks detected and defining action plans in accordance with the Bank's risk profile.

Periodicity

The Operating Risks Committee will meet periodically, ideally bimonthly or as necessary.

Interaction with the Board of Directors

The Board of Directors is informed regarding the implementation of the Operating Risk Policy. as well as detection of incidents, potential risks and measures associated to operating risks in respect to their severity and frequency of loss.

D. Assets and Liabilities Committee

This Committee is responsible for the administration and control of (1) structural matching of terms and currencies in the balance sheet. (2) liquidity and (3) the financial margin of the Bank, ensuring its stability as well as (4) the definition and control of capital management policies.

The permanent members of this committee are:

- President: Francisco Silva S.
- Director: Renato Peñafiel M.
- General Manager: Ramón Eluchans O.
- Finance and Corporate Division Manager: Nicolás Ugarte B.
- Risk Division Manager: José Miguel Bulnes Z.
- Financial Risk Control Manager: Antonio Alonso M.
- Planning and Administration Manager: Manuel Widow L.
- Trading and Investments Desk Manager: Cristian Pinto M.
- Distribution Desk Manager: Sergio Bonilla B.
- Balance Sheet Desk Manager: Ricardo Turner O.
- Corporate Banking Division Manager: Christian Sinclair M.

- Personal Banking Division Manager: Gonzalo Baraona B.
- Comex and International Services Business Manager: Miguel Angel Delpin A.

VII. CAPITAL REQUIREMENTS

In accordance with the General Banking Law, the Bank must maintain a minimum ratio of Effective Shareholders' Equity to Risk-Weighted Consolidated Assets of 8%, net of provisions required, and a minimum ratio of Basic Capital to Total Consolidated Assets of 3%, net of provisions required. For that purpose, effective shareholders' equity is determined on the basis of Capital and Reserves or Basic Capital with the following adjustments: a) subordinate bonds are added with a maximum of 50% of Basic Capital and. b) the balance of assets corresponding to goodwill or surcharges paid and investments in companies that do not participate in the consolidation are deducted.

Assets are weighted on the basis of risk categories, to which a percentage of risk is assigned based on the capital amount necessary to support each of those assets. Five risk categories are applied (0%. 10%. 20%. 60% and 100%). For example, Cash, deposits in other banks and financial instruments issued by the Central Bank of Chile have 0% risk, which means that, according to current regulations, no capital is required to guarantee these assets. Property, plant and equipment have 100% risk, which means that the Bank must have minimum capital equivalent to 8% of the amount of those assets.

All derivative instruments that are not stock-exchange traded are considered in the determination of risk assets with a conversion factor over notional value, thus obtaining the amount of the exposure to Credit Risk (or "loan equivalent"). Off-balance sheet contingent loans are also taken into consideration as "loan equivalents" for their calculation.

The levels of Basic Capital and Effective Shareholders' Equity as of December 31, 2009 and 2008 are detailed as follows:

	CONSOLIDATED ASSETS		RISK WEIGHTED ASSETS	
	2009 MCH$	2008 MCH$	2009 MCH$	2008 MCH$
Balance sheet assets (net of provisions)				
Cash and deposits in banks	64.852	80.612	-	-
Operations with ongoing liquidation	116.161	129.909	44.463	50.535
Instruments for negotiation purposes	396.043	356.864	158.347	44.609
Buy-back contracts and securities loans	20.807	24.153	19.876	24.128
Financial derivative contracts	125.642	74.843	45.207	34.844
Due from banks	312.431	93.467	5.507	9.828
Client credits and accounts receivable	1.845.419	1.965.344	1.746.877	1.879.250
Investment instruments available for sale	484.353	366.376	122.064	149.452
Investment instruments held to maturity	-	-	-	-
Investments in companies	680	543	680	543
Intangible assets	16.124	12.721	16.124	12.721
Fixed assets	22.491	24.423	22.491	24.423
Current taxes	3.021	7.444	1.204	1.430
Deferred taxes	36.185	29.647	3.337	4.993
Other assets	67.525	67.618	67.263	66.896
Out of balance sheet assets				
Standby credits	142.248	175.775	85.349	105.127
Total risk-weighted assets	3.653.982	3.409.739	2.338.789	2.408.779

	MOUNT 2009 MCH$	MOUNT 2008 MCH$	RATIO 2009 %	RATIO 2008 %
Basic Capital	197.789	173.668	5,41	5,09
Effective Equity	293.773	266.067	12,56	11,05

Effective equity was determined in the following manner:

	AS OF DECEMBER 31. 2009 MCH$	AS OF DECEMBER 31. 2008 MCH$
Basic Capital	197.789	173.668
Junior bonds	94.039	92.399
Additional provisions	500	-
State guarantees	1.380	-
Equity attributable to minority interests	65	-
Effective equity	293.773	266.067

37. NEW ACCOUNTING PRONOUNCEMENTS

Provisions for contingent loans and new risk ratings for individually evaluated debtors.

Beginning January 1, 2010, the Bank began establishing provisions for credit risks from contingent loans—related to freely available lines of credit, other loan commitments and other contingent loans—and applying new credit risk ratings to already existing provisions as established in chapter B-3 of the SBIF's Compendium of Accounting Standards. On December 29, 2009, regulators issued Circular N° 3,489 instructing companies to directly record the effect accumulated as of December 31, 2009 as a decrease in equity. The effect accumulated as of year-end 2009 amounted to Ch$1,318 million, which was charged to equity as of January 1, 2010. In accordance with this circular, this amount must be adjusted in July 2010 once the final figures for fully applying the new standards are available.

In addition, the aforementioned circular instructed companies to begin to apply the new risk categories and their new provision percentages for determining the credit risk of individually evaluated debtors, in conformity with Chapter B-1 of the Compendium of Accounting Standards, in July 2010. Adjustments arising from the application of these new standards will be recognized directly against net income. For the first half of 2010, the Bank will continue to apply the transitory standards contained in Chapter E of the Compendium.

38. SUBSEQUENT EVENTS

From January 1, 2010 to the date of issuance of these financial statements, there have been no subsequent events that might significantly affect them.

39. FINANCIAL STATEMENTS APPROVAL

The financial statements have been approved by the Board of Directors at an extraordinary meeting held on January 27, 2010, and their publication has been authorized for February 16. 2010.

* * * * * *

HORACIO SILVA C.
General Accounting Assistant Manager

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RAMON ELUCHANS O.
General Manager

MCh$ = Millions of Chilean pesos

US$ = United States Dollars

U.F. = Unidad de Fomento (an inflation-indexed, Chilean peso denominated monetary unit set daily in advance on the basis of the previous month's inflation rate)

CHARTER 09

FINANCIAL STATEMENTS

SUMMARIZED FINANCIAL STATEMENTS OF SUBSIDIARIES

VALORES SECURITY S.A. CORREDORES DE BOLSA

December 31, 2009 and 2008.

CONSOLIDATED BALANCE SHEET	2009 MCH$	2008 MCH$
ASSETS		
Current	585.282,3	1.687.448,6
Premises & equipment	162,0	240,6
Other Assets	536,9	510,5
Total Assets	585.981,2	1.688.199,7
LIABILITIES		
Current	559.420,9	1.661.662,8
Capital & reserves	26.536,9	30.080,3
Net income for the year	23,4	(3.543,6)
Total Liabilities & Shareholders' Equity	585.981,2	1.688.199,5
STATEMENT OF INCOME		
Operating income	(796,5)	(1.826,1)
Non-operating income	690,5	(2.272,6)
Income before taxes	(106,0)	(4.098,7)
Income tax	129,4	555,1
Net income for the year	23,4	(3.543,6)

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

December 31, 2009 and 2008.

CONSOLIDATED BALANCE SHEET	2009 MCH$	2008 MCH$
ASSETS		
Current	11.533,7	8.579,5
Premises & equipment	49,0	58,4
Total Assets	11.582,7	8.637,9
LIABILITIES		
Current	1.286,1	953,7
Capital & reserves	1.488,1	1.488,1
Retained earnings	6.192,1	3.806,9
Net income for the year	2.616,4	2.389,2
Total Liabilities & Shareholders' Equity	11.582,7	8.637,9
STATEMENT OF INCOME		
Operating income	2.686,3	2.786,8
Non-operating income	431,7	80,7
Income before taxes	3.118,0	2.867,5
Income tax	(501,6)	(478,3)
Net income for the year	2.616,4	2.389,2

ADDRESSES BANCO SECURITY AND SUBSIDIARIES

Central Switchboard: (56-2) 584 4000
Security Customer Attention Service: (56-2) 5844060
Web: www.security.cl
e-mail: banco@security.cl

Head Office (El Golf)
Apoquindo 3100, Las Condes
Opening hours: 9.00 a.m. to 2 p.m.
Phone: (56-2) 584 4438
Fax: (56-2) 584 4058

Agustinas Branch
Agustinas 621, Santiago
Opening hours: 9.00 a.m. to 2 p.m.
Phone: (56-2) 584 4311
Fax: (56-2) 584 4012

Alcántara Branch
Av. Alcántara 44, Las Condes
Opening hours: 9.00 a.m. to 2 p.m.
Phone: (56-2) 584 4438
Fax: (56-2) 584 2265

Chicureo Branch
Camino Chicureo Km 1.7, Colina
Opening hours: 8.00 a.m. to 2 p.m.
Phone: (56-2) 581 5005
Fax: (56-2) 581 5008

Ciudad Empresarial Branch
Av. del Parque 4023 Local 110 and 111, Huechuraba
Opening hours: 9.00 a.m. to 2 p.m.
Phone: (56-2) 584 4683
Fax: (56-2) 584 4871

El Cortijo Branch
Av. Américo Vespucio 2760 C, Conchalí
Opening hours: 9.00 a.m. to 2 p.m.
Phone: (56-2) 581 5534
Fax: (56-2) 584 4840

Estoril Branch
Av. Estoril 50, Las Condes
Opening hours: 8.00 a.m. to 2 p.m.
Phone: (56-2) 584 2292
Fax: (56-2) 584 2200

La Dehesa Branch
Av. La Dehesa 1744, Lo Barnechea
Opening hours: 8.00 a.m. to 2 p.m.
Phone: (56-2) 584 4465
Fax: (56-2) 584 4676

Los Cobres Branch
Av. Vitacura 6577, Vitacura
Opening hours: 9.00 a.m. to 2 p.m.
Phone: (56-2) 581 5519
Fax: (56-2) 581 5523

Los Trapenses Branch
Camino Los Trapenses 3023 Local 1, Lo Barnechea
Opening hours: 8.00 a.m. to 2 p.m.
Phone: 581 5572 - 581 5570
Fax: 581 5573

Plaza Constitución Branch
Agustinas 1235, Santiago
Opening hours: 9.00 a.m. to 2 p.m.
Phone: (56-2) 584 4832
Fax: (56-2) 584 4161

Providencia Branch
Av. 11 de Septiembre 2289, Providencia
Opening hours: 9.00 a.m. to 2 p.m.
Phone: (56-2) 584 4688
Fax: (56-2) 584 4699

Quilicura Branch
Av. Presidente E. Frei M. 9950 Of. 4, Quilicura
Opening hours: 9.00 a.m. to 2 p.m.
Phone: (56-2) 581 4691
Fax: (56-2) 538 6652

Santa Elena Branch
Santa Elena 2400, San Joaquín
Opening hours: 9.00 a.m. to 2 p.m.
Phone: (56-2) 584 4762
Fax: (56-2) 555 4750

Santa María de Manquehue Branch
Santa María 6904 local 15, Vitacura
Opening hours: 8.00 a.m. to 2 p.m.
Phone: 581 5555 Fax: 581 5550

Vitacura Branch
Av. Vitacura 3706, Vitacura
Opening hours: 9.00 a.m. to 2 p.m.
Phone: (56-2) 584 4735
Fax: (56-2) 584 4627

Antofagasta Branch
Av. San Martín 2511, Antofagasta
Opening hours: 9.00 a.m. to 2 p.m.
Phone: (56-55) 536 500

Viña del Mar Branch
Av. Libertad 1097, Viña del Mar
Opening hours: 8.00 a.m. to 2 p.m.
Phone: (56-32) 251 5100
Fax: (56-32) 251 5120

Concepción Branch
Av. Bernardo O'Higgins 428, Concepción
Opening hours: 9.00 a.m. to 2 p.m.
Phone: (56-41) 290 8000
Fax: (56-41) 290 8021

Temuco Branch
Manuel Bulnes 701, Temuco
Opening hours: 9.00 a.m. to 2 p.m.
Phone: (56-45) 948 400
Fax: (56-45) 948 416

Puerto Montt Branch
Guillermo Gallardo 132, Puerto Montt
Opening hours: 9.00 a.m. to 2 p.m.
Phone: (56-65) 568 300
Fax: (56-65) 568 311

SUBSIDIARY COMPANIES

Valores Security S.A., Corredores de Bolsa
Apoquindo 3150, 7th floor, Las Condes
Phone: (56-2) 584 4601
Fax: (56-2) 584 4015
Web: www.security.cl
e-mail: valores@security.cl

Administradora General de Fondos Security S.A.
Apoquindo 3150, 7th floor, Las Condes
Phone: (56-2) 584 4700
Fax: (56-2) 584 4015
Web: www.security.cl
e-mail: fmutuos@security

I N D E X

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