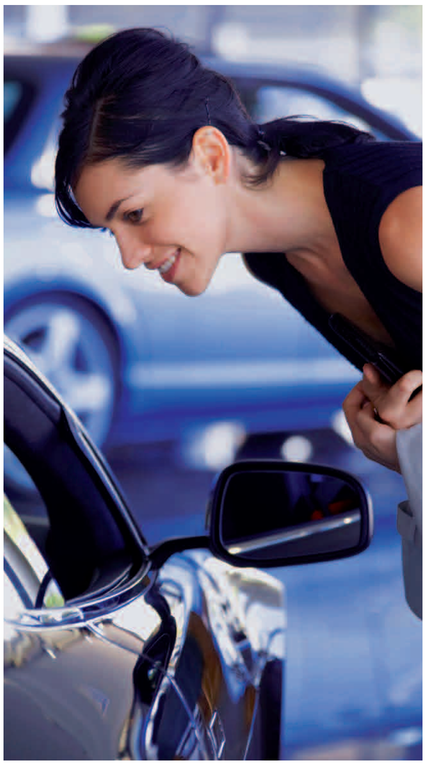


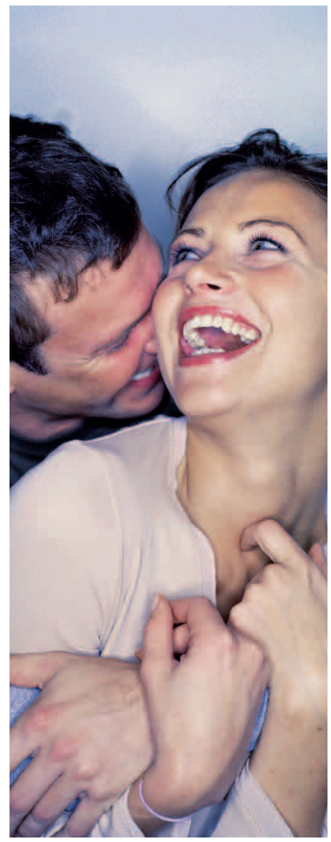
ANNUAL REPORT

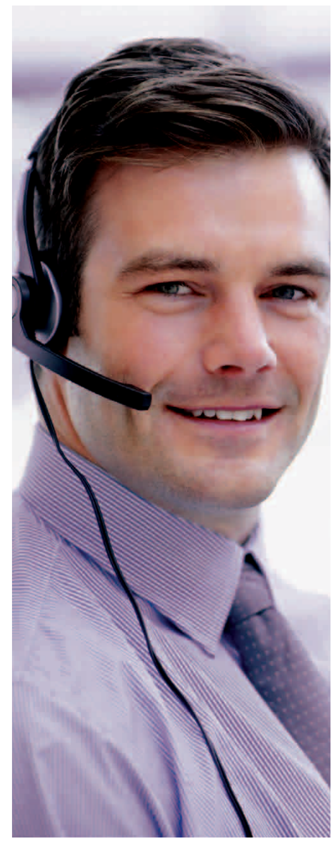
BANCO
SECURITY

2011

BANCO | security

BANCO | security



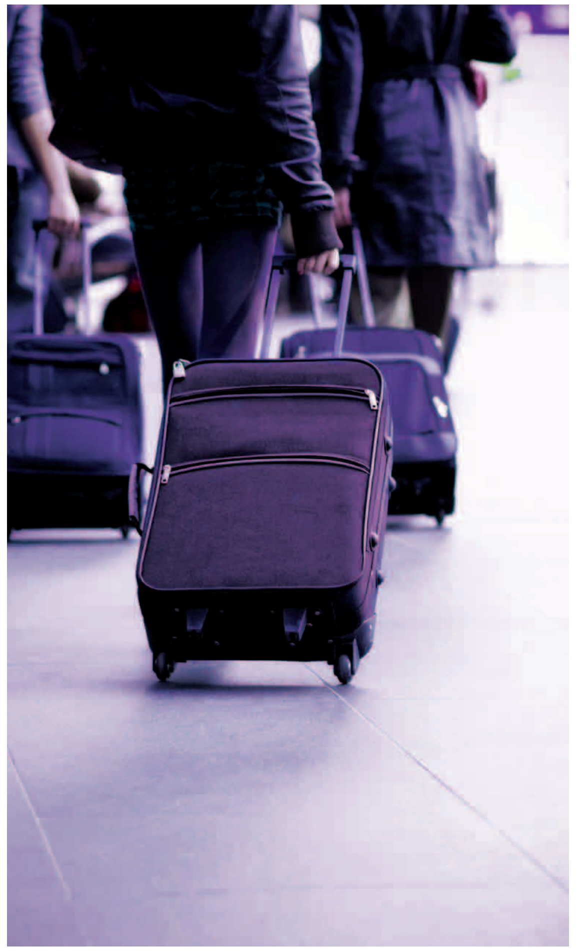




CONTENTS

BANCO
SECURITY

2011



OUR BANK

CHAPTER 01

BANCO | security

CONSOLIDATED FINANCIAL SUMMARY BANCO SECURITY AND SUBSIDIARIES

Figures in millions of Chilean pesos

EARNINGS FOR THE YEAR	2004 (3)	2005	2006	2007 (4)	2008 (4)	2009	2010	2011
Gross Operating Result (Gross Margin)	61,336	61,395	65,047	85,234	77,397	78,515	99,085	107,953
Operating Expenses	33,792	30,566	36,099	45,255	50,191	50,885	60,343	67,283
Net Operating Result (Net Margin)	27,544	30,830	28,948	39,979	27,206	27,630	38,742	40,670
Earnings	14,024	20,014	20,498	27,268	24,338	23,039	33,710	35,020

YEAR-END BALANCES	2004 (3)	2005	2006	2007 (4)	2008 (4)	2009	2010	2011
Loans (1)	1,187,467	1,354,331	1,610,864	1,735,299	2,084,693	2,189,085	1,988,633	2,614,571
Financial Investments	306,556	388,625	317,441	600,702	796,434	946,676	729,465	791,479
Productive Assets	1,494,023	1,742,956	1,928,305	2,315,344	2,858,374	3,104,526	2,680,162	3,370,159
Fixed Assets & investments in Subsidiaries	21,567	23,042	23,445	25,720	28,837	23,112	23,316	24,215
Total Assets	1,672,687	2,003,297	2,134,186	2,615,515	3,238,938	3,452,372	3,123,518	3,911,365
Net Sight Deposits	82,933	104,331	108,224	184,270	221,397	255,777	285,464	353,615
Time Deposits & Borrowings	981,904	1,067,659	1,210,311	1,466,375	1,720,452	1,651,418	1,696,711	2,038,762
Foreign Borrowings	139,925	192,116	112,615	160,623	292,091	132,120	155,982	289,277
Provisions for Doubtful Accounts	18,560	19,512	16,437	18,969	22,730	31,218	37,904	35,858
Capital & Reserves (2)	124,004	130,259	132,546	140,083	170,459	174,750	172,737	232,443
Equity	138,028	150,273	153,044	167,400	184,865	197,854	206,447	267,463

FINANCIAL SUMMERY

INDEX	2004 (3)	2005	2006	2007 (4)	2008 (4)	2009	2010	2011
Earnings / Equity	10.2%	13.3%	13.4%	16.3%	13.2%	11.6%	16.3%	13.1%
Earnings / Total Assets	0.8%	1.0%	1.0%	1.0%	0.8%	0.7%	1.1%	0.9%
Productive Assets / Total Assets	89.3%	87.0%	90.4%	88.5%	88.3%	89.9%	85.8%	86.2%
Basel Ratio	12,26	12,26	11,59	10,84	11,48	12,56	12,45	12,03

NOTES :

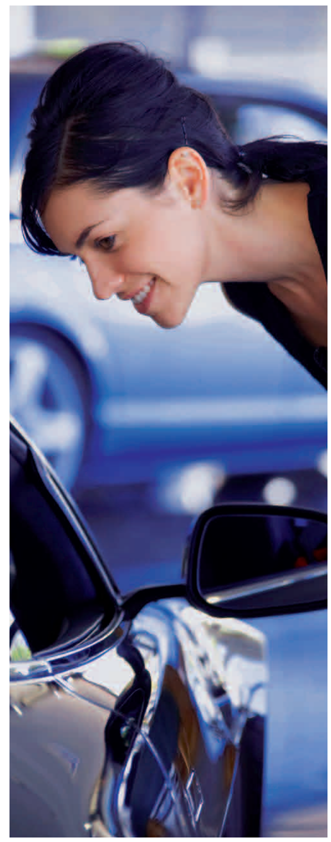
(1) Includes Interbank Loans. As from 2007, contingent liabilities are excluded as, in accordance with the new regulations, they do not form part of loans.

(2) Includes Other Equity Accounts.

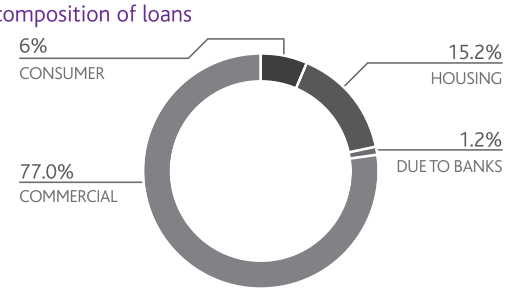
(3) On October 1, 2004, Banco Security and Dresdner Bank L.A., Chile, were merged.

(4) As from January 2008, the statements of financial position and results were prepared under the IFRS format, as defined by the Superintendency of Banks in its Compendium of Accounting Principles in its Compendium of Accounting Standards published in its Circular 3,410. The figures from 2007 onward are not therefore comparable with the financial information for the previous years. The figures for 2007 and 2008 include adjustments in line with later regulatory changes to make them more comparable. Monetary correction is discontinued from January 2009.

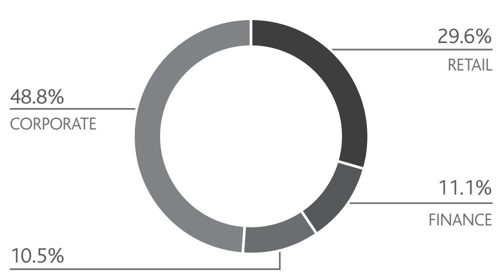
BANCO | security



composition of loans



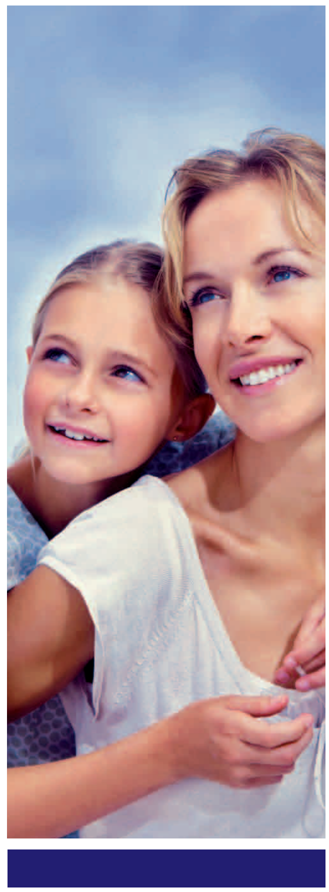
composition of revenues



PRINCIPAL FINANCIAL INDICATORS

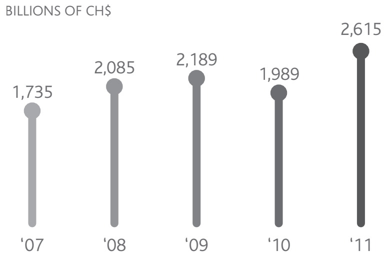
BANCO SECURITY

2011



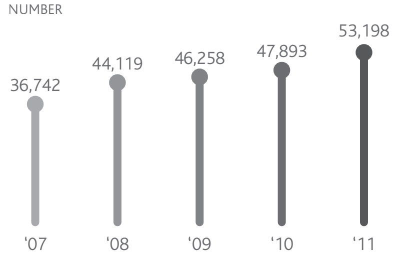
loans

BILLIONS OF CH$



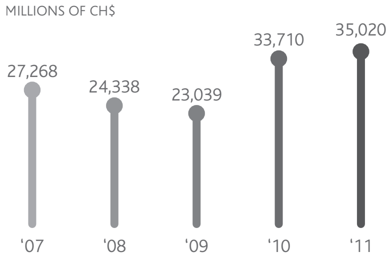
number of checking accounts

NUMBER



results

MILLIONS OF CH$



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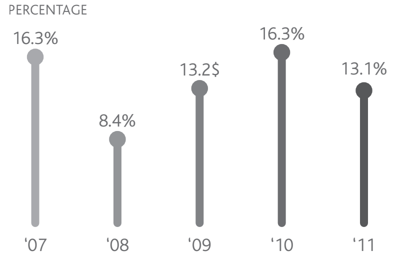
PERCENTAGE



DEAR SHAREHOLDERS,

I am pleased to present you with the Annual Report of Banco Security for the year 2011.

The year was marked by various events: on the one hand, we celebrated with happiness and pride the 20 years of Grupo Security, but on the other, we were affected by the European sovereign debt crisis which caused instability in the international financial markets and negatively influenced performance in the domestic financial market, in which we do our business.

In the middle of this vortex, our country was also witness to a series of political and economic events that led society to question some aspects of business activities, placing corporate governance in the center of the controversy about the close relationship between its role of compliance with regulations and coherence with business strategy, with the daily lives of customers, staff and shareholders.

However, we believe that this is an opportunity to strengthen the corporate governance structures, reinforce the values that have characterized our Bank and improve relations with our customers.

Despite these international financial instabilities, the local banking industry was highly dynamic, with growth of 18.1% in total loans compared to the year before. and total earnings of financial institutions amounting to Ch$1,711,637 million.

In this context, Banco Security and its subsidiaries Valores Security Corredores de Bolsa and Administradora General de Fondos Security, produced a good performance. The Bank's loans grew by 31.5%, much higher than the industry's average growth. Consolidated earnings amounted to Ch$35,020 million, which compares favorably with Ch$33,710 million reported for 2010, but the most important aspect of the result was its composition as strong growth was produced in the contribution of the commercial business areas and there was a reduction in revenues from the finance business, very much in line with the strategic guidelines of Grupo Security. The return on equity therefore reached 13.1%, with a Basle ratio of 12.03% and a risk ratio of 1.39%. The positive results of the commercial areas are directly related to the new business plans which place a greater emphasis on deposits, assets and the profitability to the Bank of its customers, giving priority to recurring revenues over those of a more volatile nature. They also reflect the great work we have done over

CHAIRMAN'S LETTER

our 20 years of history to develop our attributes, offering a service of excellence and a comprehensive solution to the requirements of our corporate and retail customers.

Continuing with the year's achievements, something that has already become a tradition, for the eleventh consecutive year Banco Security, together with other companies of Grupo Security, was distinguished by the Great Place to Work Institute as among the "15 Best Companies to Work for in Chile", out of a total of 195 companies. This recognition tests yet again our commitment and constant efforts to reconcile work, family and a good working environment.

I would like to take this opportunity to thank the shareholders again for depositing their trust in us and for believing in all the projects we have undertaken during all these years, which has been shown once more with a capital increase in mid 2011. With their support, I dare to say that we have exceeded the expectations we had when creating Grupo Security. On the other hand, this successful performance would not have been possible without the work and dedication of each one of our staff, and I therefore wish to thank everyone of them.

We feel ready to face the challenge of the aggressive growth plans for 2012 and thereafter, without overlooking the values that characterize our way of working and that of all the people making up Banco Security. We have set ourselves to deepen our commitment with our customers every day, the transparency of all our commercial relations and links with the community, without ever forgetting reconciliation between work and family.

Our commitment is to continue working hard to reach our targets and to create value for our shareholders. With the effort and loyalty that characterizes our working team, we are confident we will achieve this, as we have done during these 20 years.

FRANCISCO SILVA S.
Chairman
Banco Security

BANCO | security

1981

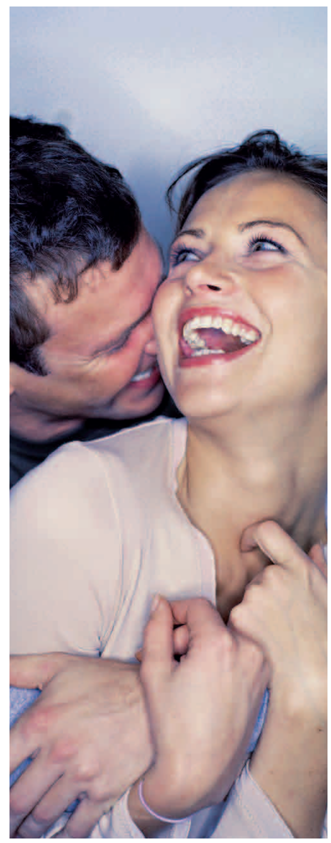
BANCO URQUIJO DE CHILE IS FORMED IN AUGUST 1981, A SUBSIDIARY OF BANCO URQUIJO, SPAIN.

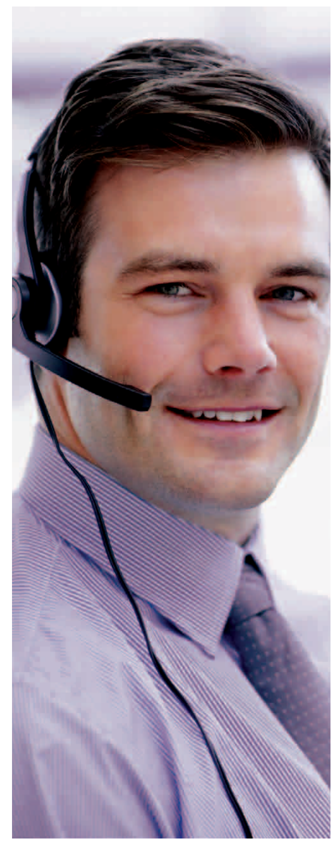
1987

SECURITY PACIFIC CORPORATION, A SUBSIDIARY OF SECURITY PACIFIC NATIONAL BANK, LOS ANGELES, CALIFORNIA, BUYS 100% OF THE SHARES OF BANCO URQUIJO DE CHILE, WHICH TAKES THE NAME OF BANCO SECURITY PACIFIC. SECURITY PACIFIC NATIONAL BANK CREATES A STOCKBROKING FIRM WHICH IS NOW THE BANK'S SUBSIDIARY VALORES SECURITY CORREDORES DE BOLSA.

1990

LEASING SECURITY IS FORMED DURING 1990 AS A SUBSIDIARY OF THE BANK, IN ORDER TO PROVIDE FINANCING THROUGH LEASING.





2001

IN APRIL 2001, THE SUBSIDIARY LEASING SECURITY IS ABSORBED INTO BANCO SECURITY AS A BUSINESS UNIT.

2003

IN SEPTEMBER 2003 THE SUBSIDIARY ADMINISTRADORA DE FONDOS MUTUOS SECURITY S.A. EXPANDS ITS OBJECTS AND CHANGES ITS NAME TO ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

2004

IN JUNE 2004, GRUPO SECURITY ACQUIRES 99.67% OF DRESDNER BANK LATEINAMERIKA, CHILE AND, ON OCTOBER 1, MERGES THIS WITH BANCO SECURITY.

ALSO IN JUNE, THE BANK PASSES A BILLION PESOS IN LOANS.

HISTORICAL SUMMARY

BANCO SECURITY

2011

1991

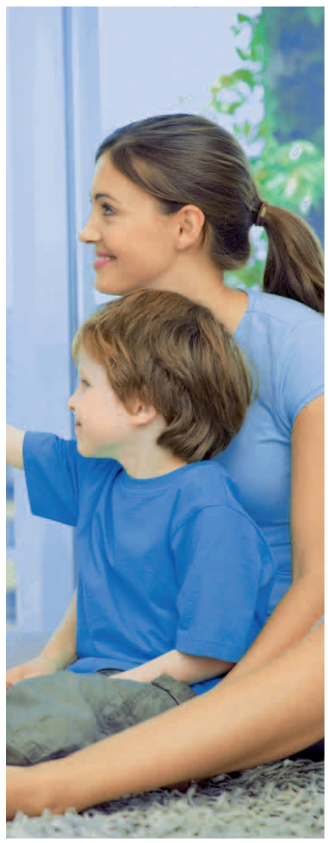
IN JUNE 1991, SECURITY PACIFIC OVERSEAS CORPORATION SELLS 60% OF THE BANK TO THE PRESENT CONTROLLING SHAREHOLDERS OF GRUPO SECURITY, AND CHANGES ITS NAME TO BANCO SECURITY.

1992

ADMINISTRADORA DE FONDOS MUTUOS SECURITY S.A. IS FORMED AS A SUBSIDIARY OF BANCO SECURITY.

1994

BANK OF AMERICA, THE SUCCESSOR OF SECURITY PACIFIC NATIONAL BANK, SELLS THE REMAINING 40% OF BANCO SECURITY TO GRUPO SECURITY.



2006/08

4 NEW BRANCHES ARE OPENED AS PART OF THE DEVELOPMENT OF THE RETAIL BANKING PROJECT: PLAZA CONSTITUCIÓN, ALCÁNTARA AND ESTORIL IN THE METROPOLITAN REGION AND IN VIÑA DEL MAR IN THE 5TH REGION.

2 NEW BRANCHES ARE OPENED IN 2007: CHICUREO AND LOS COBRES, IN THE METROPOLITAN REGION.

IN 2008, BRANCHES ARE OPENED AT SANTA MARÍA AND LOS TRAPENSES.

2009

BY SEPTEMBER 2009 RETAIL BANKING HAS MORE THAN 40,000 CHECKING ACCOUNTS..

2011

A NEW BRANCH NETWORK GROWTH AND EXPANSION PLAN WAS LAUNCHED, WITH THE OPENING OF 3 NEW BRANCES: PRESIDENTE RIESCO, IN THE METROPOLITAN REGION, LA SERENA AND RANCAGUA IN THE REGIONS.

GPTW AWARD

For the eleventh consecutive year, Banco Security, together with other companies of Grupo Security, was recognized as one of the "Best Companies to Work for in Chile", by winning 15th place in the ranking prepared annually by the Great Place to Work Institute jointly with Capital magazine.

As in the previous year, six Group companies were winners: Banco, Corredora, Factoring, Inversiones, Travel and Vida Security. All obtained high scores in the five dimensions measured in the survey (credibility, impartiality, respect, pride and comradeship).

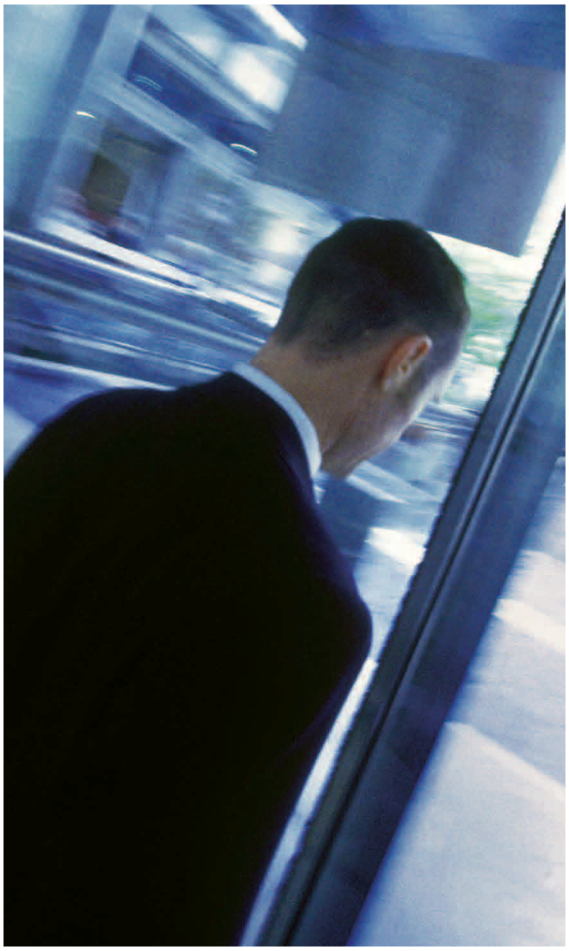
RECOGNITIONS RECEIVED

Banco Security has been recognized as the best banking institution in terms of quality of service, obtaining first place in the global satisfaction of retail banking customers, according to a survey made by Ipsos PuntoVista 2011.

The aspects most valued by our customers were personalized attention and knowledge of customers, the agile and fast service offered by executives, and the friendliness and sincerity shown with those who prefer us.

QUALITY OF SERVICE

BANCO | security


CORPORATE GOVERNANCE

CHAPTER

02

BANCO | security

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.

GENERAL MANAGEMENT

• Chief Executive	Ramón Eluchans O.
• Legal Counsel	Enrique Menchaca O.
• Chief Economist Officer	Dalibor Eterovic M.
• Manager, Planning and Performance	Manuel Widow L.
• Manager, Corporate Culture	Karin Becker S.
• Controller	Alfonso Verdugo R.

SUPPORT AREAS

• Manager, Risk Division	José Miguel Bulnes Z.
• Manager, Credit Administration	Alejandro Vivanco F.
• Manager, Debt Restructuring	René Melo B.
• Manager, Corporate Credit Appraisal	Matías Astoreca U.
• Manager, Retail Credit Appraisal	Jorge Herrera P.
• Manager, Financial Risk	Antonio Alonso M.
• Manager, Operations and Technology Division	Juan Carlos Montjoy S.
•Manager, Technological Development	Magally Góngora N de G.
• Manager, Technological Architecture and Platform	Facundo Curti V.
• Manager, Central Process Operations and Branches	David Díaz B.
• Manager, Financial Operations	Raúl Levi S.
• Manager, Administration and General Services	Javier Briones O.

BOARD AND MANAGEMENT

COMMERCIAL AREAS

CORPORATE DIVISION	
• Manager, Corporate Banking Division	Christian Sinclair M.
• Manager, Commercial Products and Development	Sergio Cavagnaro R.
• Manager, Marketing and Products	Francisco Domeyko C.
• Assistant Manager, Leasing	Aldo Massardo G.
LARGE CORPORATIONS AND REAL ESTATE COMPANIES	
• Manager, Large Corporations and Real Estate Companies	Alejandro Arteaga I.
• Manager, Large Corporations	José Luis Correa L.
• Assistant Manager, Large Corporations	Felipe Oliva L.
• Assistant Manager, Large Corporations	Alberto Apel O.
• Assistant Manager, Real Estate Companies	Ricardo Hederra G.
COMPANIES AND REGIONAL BRANCHES	
• Manager, Companies and Regional Branches	Jorge Contreras W.
• Assistant Manager, Companies	Francisco Cardemil K.
• Assistant Manager, Companies	Carlos López V.
• Assistant Manager, Companies	José Antonio Delgado A.
• Assistant Manager, Companies	Alberto Leighton P.
• Assistant Manager, Regional Branches	Hernán Buzzoni G.
• Branch Agent, Puerto Montt	Rodrigo Tornero J.
• Branch Agent, Antofagasta	Rolando Trombert J.
• Branch Agent, Concepción	María Paz Ruiz-Tagle V.
• Branch Agent, Temuco	Harald Zach P.
• Branch Agent, Viña del Mar	Hugo Figueroa V.
FOREIGN TRADE AND INTERNATIONAL SERVICES	
• Manager, Foreign Trade Business and International Services	Miguel Ángel Delpin A.
• Assistant Manager, International Business	Miguel García R.
RETAIL DIVISION	
• Manager, Retail Banking Division	Gonzalo Baraona B.
• Manager, Marketing and Products	Felipe González A.
• Manager, Commercial Development	Ramón Bustamante F.

BRANCHES

• Branches Manager	Rodrigo Reyes M.
• Assistant Manager, East Zone	Virginia Díaz M.
• Assistant Manager, Metropolitan Zone	Rodrigo Matzner B.
• Assistant Manager, Head Office Zone	Marcela Brunetto S.
• Assistant Manager, New Branches	María Soledad Ruiz S.
• Assistant Manager, Private Banking and Regional Branches	José Ignacio Alonso B.
• Branch Agent La Dehesa	María Francisca Pulido L.
• Branch Agent Estoril	Viviana Muñoz L.
• Branch Agent Vitacura	Paulina Collao A.
• Branch Agent Agustinas	Cristian Leay R.
• Branch Agent Santa Lucia	Sharon Wells M.
• Branch Agent Providencia	Soledad Toro V.
• Branch Agent Alcántara	Leslie Perry K.
• Branch Agent Plaza Constitución	Evelyn Goehler A.
• Branch Agent El Golf	Vivianne Zamora O.
• Branch Agent La Reina	Annelore Bittner A.
• Branch Agent Presidente Riesco	Carolina Saka S.
• Branches Agent Andes	María Constanza Undurraga V.
• Branches Agent North	Mónica Escobar R.
• Platform Agent El Regidor	Rossana Yunusic B.
• Platform Agent Reyes Lavalle	Raúl Figueroa D.
• Platform Agent Apoquindo	Constanza Ortúzar R.
• Platform Agent Las Condes	María Soledad González D.
• Platform Agent Augusto Leguía	Paula Castaño C.
• Grupo Banking Agent	Ximena Leiton A.
• Private Banking Agent	Esteban Mozo B.
• Private Banking Agent El Golf	Loreto Velasco D.
• Branch Agent Viña del Mar	Loreto Escandón S.
• Branch Agent Antofagasta	Stephanie Mackay R.
• Branch Agent Concepción	Tatiana Dinamarca G.
• Branch Agent Temuco	Veruschka Montes W.
• Branch Agent Puerto Montt	Lorna Wiederhold R.
• Branch Agent La Serena	Mariela López E.
• Branch Agent Rancagua	Carolina Jerez L.

BOARD AND MANAGEMENT

FINANCE AND CORPORATE DIVISION

• Manager, Finance and Corporate Division	Nicolás Ugarte B.

MONEY DESK

• Manager, Trading	Cristian Pinto M.
• Manager, Balance Sheet and Investments	Sergio Bonilla B.
• Manager, Investments	Ricardo Turner O.
• Manager, Distribution	Ricardo Santa Cruz R-T

CORPORATE BANKING

• Manager, Corporate Banking	Adolfo Tocornal R-T.

LEVELS OF CORPORATE GOVERNANCE

SHAREHOLDER MEETINGS

The highest corporate level, according to the Corporations Law, and its principal functions are: to elect the board of directors and approve the annual report; appoint the external auditors and credit-rating agencies; Approve the financial statements and distribution of earnings; approve increases in capital and the remuneration of the members of the board and directors' committee.

BOARD OF DIRECTORS

The company's principal level of governance which plays a key role in the actions of the organization as it manages the company, defines and approves institutional values and strategic guidelines, supervises their implementation, and establishes internal control mechanisms for ensuring compliance with internal and external regulations through policies that guide the company's actions.

The board of Banco Security consists of seven directors.

All the directors are elected every three years. The last election was on March 11, 2010 when the shareholder meeting ratified the permanence for a new period of all its members. According to the law and the bylaws, ordinary board meetings should be held at least once a month. Extraordinary meetings may be called by the chairman of the board himself or at the request of one or more titular directors.

The board is informed regularly about progress and compliance with the comprehensive risk management policy, compliance of audits, the state of customer complaints, etc.

BOARD CREDIT COMMITTEE

The object of this committee is to analyze, evaluate and approve or reject the most important credit applications submitted directly by the commercial areas. This committee analyzes all credit facilities of approximately UF 20,000 upwards (depending on the level of collateral) and has no limit to its credit discretionary powers other than those established under current regulations and policies set by the board itself.

LEVELS OF CORPORATE GOVERNANCE

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.	Manager, Risk Division

MANAGEMENT CREDIT COMMITTEE

This committee complements the functions of the above, and its object is to analyze, evaluate and approve or reject the most important credit applications of lower amounts submitted to it, as in the previous case, by the commercial areas.

The permanent members of this committee are:

• José Miguel Bulnes Z.	Manager, Risk Division

According to the banking division to which the customers analyzed belong, the members are:

CORPORATE BANKING:

• Christian Sinclair M.	Manager, Corporate Banking Division
• Matías Astoreca U.	Manager Corporate Risk Appraisal

RETAIL BANKING:

• Gonzalo Baraona B.	Manager, Retail Banking Division
• Jorge Herrera P.	Manager, Retail Credit Appraisal

The managers, assistant managers, agents and/or executives submitting their customer credit applications also attend the meetings.

FINANCE COMMITTEE

The object of this committee is the joint evaluation of the positions and risks taken by Banco Security and its subsidiaries, defining the strategies to be adopted and checking the degree of compliance.

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

The Finance Committee's powers also include proposing policies and methods to the board relating to the management of financial activities and checking compliance with market and liquidity risk limits set by the board and regulatory organisms.

The members of this committee are:

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

ASSETS AND LIABILITIES COMMITTEE

This committee is responsible for the management and control of (1) structural matches of maturities and currencies in the balance sheet, (2) liquidity and (3) the Bank's financial margin, checking the stability of the latter, plus (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.	Manager, Finance and Corporate Division
• José Miguel Bulnes Z.	Manager, Risk Division
• Antonio Alonso M.	Manager, Financial Risk
• Manuel Widow L.	Manager, Planning and Performance
• Cristian Pinto M.	Trading Manager

LEVELS OF CORPORATE GOVERNANCE

• Sergio Bonilla B.	Manager, Balance Sheet and Investments
• Ricardo Turner O.	Manager, Investments
• Christian Sinclair M.	Manager, Corporate Banking Division
• Gonzalo Baraona B.	Manager, Retail Banking Division
• Miguel Ángel Delpin A.	Manager, Foreign Trade Business and International Services

AUDIT COMMITTEE

This committee's object is to ensure the efficiency of the internal control systems and compliance with its regulations, thus supporting a system of supervision 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 attend for the revision of certain matters.

The committee's functions and responsibilities are:

a) To propose to the directors' committee, or to the board, a list for the election of external auditors.
b) To propose to the directors' committee, or to the board, a list for the election of credit-rating agencies.
c) To know and analyze the results of internal audits and revisions.
d) To coordinate the tasks of the internal controller with the revisions of the external auditors.
e) To analyze the interim and annual financial statements and report to the board.
f) To analyze the revision reports of the external auditors, their content, procedures and scope.
g) To analyze the reports, content and revision procedures of the external credit-rating agencies.
h) To know the effectiveness and reliability of the company's internal control systems and procedures.
i) To analyze the functioning of the information systems, their sufficiency, reliability and application in decision-taking.
j) To learn about compliance with the institutional policies relating to the due observance of the laws, regulations and internal regulations that the company has to meet.
k) To know and resolve on conflicts of interest and investigate acts of suspicious and fraudulent conduct.
l) To analyze the inspection-visit reports and the instructions and presentations made by the Superintendency of Banks and Financial Institutions (SBIF).

m) To know, analyze and check compliance with the annual program for the internal audit.
n) To advise the board about accounting changes that occur and their effects.

During 2011, the committee met on 8 occasions and covered the following matters:

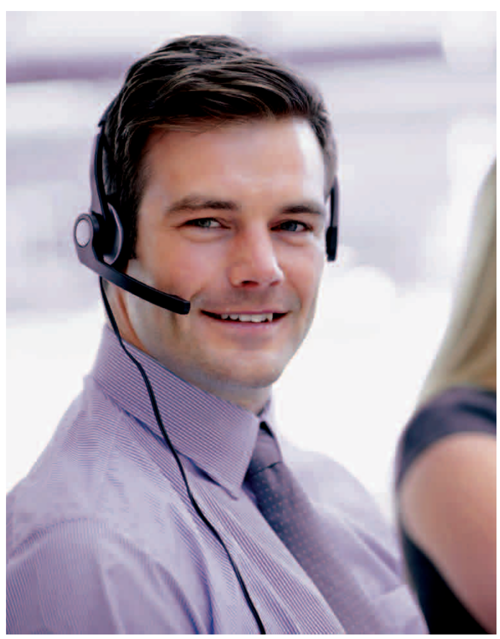
1. It proposed to the board the external auditors and credit-rating agencies.
2. Analysis of the audit results and internal revisions made during the year to know the effectiveness and reliability of the internal control systems and procedures of the Bank and its subsidiaries, and the degree of compliance with the institutional policies relating to the due observance of current laws, regulations and internal rules.
3. Analysis of the financial statements at the year end and of the conclusions of the revision made by the external auditors.
4. Analysis of the reports, their content, procedures and scope, of the revisions of the external auditors, as well as the committed action plans for their solution.
5. Be informed of the regulatory changes affecting the Bank and its subsidiaries and analysis of the implications for the institution.
6. Be aware of new relevant lawsuits against the Bank and other legal contingencies
7. Follow-up of compliance with the annual audit plan 2011 for the Bank and its subsidiaries.
8. Analysis and approval of the controller's annual work plan for 2011.
9. Analysis of progress and follow-up of the action plans defined by the Bank to resolve observations arising from the audit.
10. Revision of the statutes of the Audit Committee.
11. Be informed of the organization and performance in the areas of quality and transparency of information, operations and compliance.

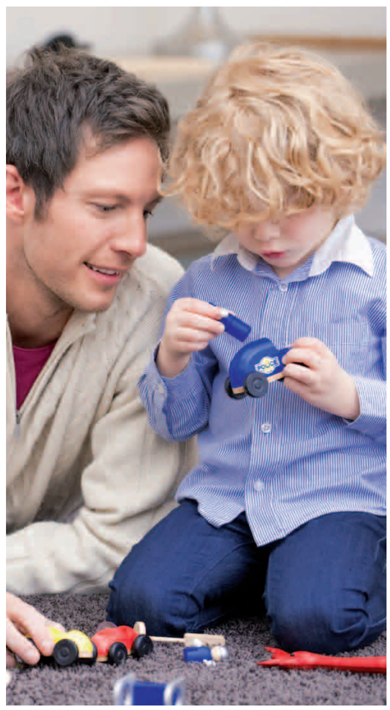
LEVELS OF CORPORATE GOVERNANCE

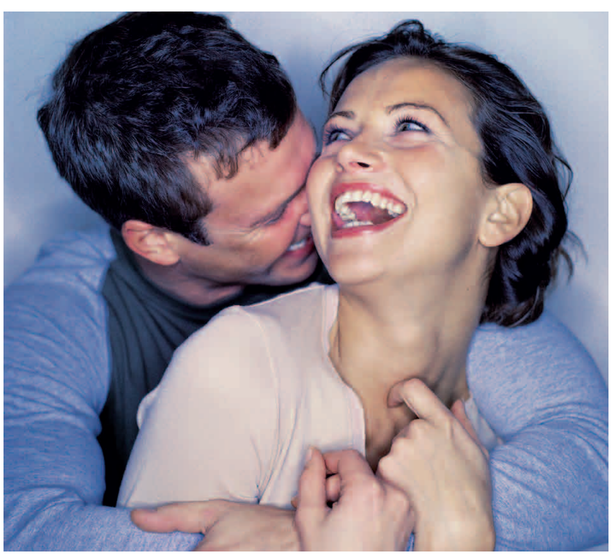
OTHER COMMITTEES

COMITEE	OBJETIVES
Corporate/Retail Commercial Performance	• Revision of compliance with budgets and progress of commercial projects.
Operations and Technology	• Information and revision of the Bank's 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 prevention policies. • Analysis of cases.
Operational Risk	• Information and analysis of the integral management of operational risks. • Publication, application and follow-up of operational-risk policies.
Investments in fixed and technological assets committee	• Revision and approval of investment budget. • Revision and approval of individual investment projects. • Revision of the progress of projects.









STRATEGY AND PERFORMANCE

CHAPTER

03

BUSINESS STRATEGY

The Bank's mission is to meet the financial needs of large and medium-sized companies and of high-income individuals, providing a service of excellence that permits maintaining and cultivating long-term relations with them. The Bank therefore has commercial executives of an excellent professional level, a complete range of products and services, first-class technological support in all its channels and the full support of Grupo Security to fully satisfy its customers.

The pillars of the business strategy are the following:

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

• FOCUS ON OBJECTIVE SEGMENT: Banco Security has been able to grow while maintaining its strategic segment, both with companies and individuals. This has been fundamental in not affecting the quality of service.

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

• CUSTOMER LOYALTY: on the basis of the high quality of service that the Bank offers, a central objective of its commercial efforts is to persuade customers to expand the variety of products and services they use in the Bank and other Grupo Security companies.

• EFFICIENCY IN THE USE OF RESOURCES: a strategic objective of the Bank is to have the flexibility common to a small bank and the efficiency of a large bank. It is therefore constantly seeking new sources of efficiency.

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

BUSINESS STRATEGY

CORPORATE BANKING

"We want to be the Bank of the country's businesses and that preferred by our customers"

Three attention models have been defined to best adapt to the different customer profiles belonging to the objective corporate segment, emphasizing aspects of the value proposal that each considers most relevant:

• LARGE COMPANIES AND REAL-ESTATE COMPANIES: attends companies that seek in the Bank an adviser that understands its business as well as they, and therefore their financial needs and the best way to resolve them. This attention model divides its customers into four: Large Companies, Medium-Sized Companies, Small Companies and Real-Estate Companies.

• COMPANY BANKING AND REGIONAL BRANCHES: attends businesses that seek the best service in the global solution of their financial requirements. This model is split into 3 areas in order to give the best attention: Medium Businesses, Small Businesses and Regional Businesses.

• CORPORATE BANKING: attends corporate and institutional customers that require highly-sophisticated products and services, are very demanding in terms of speed and costs, and are not prepared to sacrifice the quality of the service. This area has incorporated the Bank's finance division in order to bring together these three things, and its executives work closely with the Money Desk.

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

RETAIL BANKING

"We want to provide a preferential, personalized and transparent service to our customers which enables us to differentiate ourselves from the competition"

The objective segment of the Retail Division is the ABC1 social-economic group. Different areas and sub-segments have been defined for providing greater specialization and quality of service:

• PRIVATE BANKING AND PREMIER BANKING: oriented to high-net-worth individuals, offering them tailor-made products and services that require complete attention in matters of investment and specialized advice from their account executive.

• PREFERENTIAL BANKING: oriented to customers requiring traditional financial products and services and who demand a first-class personalized service. Because of differences in the profile and needs of these customers, sub-segments have been defined to provide a better attention to each of them.

The Bank, always focused on full attention of the customer, offers a broad variety of products and services to these segments, which include checking accounts in local and foreign currency, a wide range of credit products, mortgage finance, currency trading, means of payment (charge and credit cards), payment services, insurance, investment instruments, etc.

Banco Security's customers have access to a latest-generation technological platform that permits fast and easy access to products and services through its different electronic channels.

FOREIGN TRADE AND INTERNATIONAL SERVICES

Foreign trade and international services is a strategic area in the development of Banco Security's business model. The Bank therefore has a team of specialists in both traditional foreign trade and in structured business such as international guarantees or financing abroad, which has positioned it in the market as a bank of excellence and an international benchmark for doing business with Chile and its companies.

As Chile has one of the most open economies in the world, Banco Security has placed special emphasis on developing this business area in order to accompany its customers in their business with the rest of the world. Banco Security has also become one of the pioneers in Chilean banking in the direct financing of companies abroad.

The market has responded positively to Banco Security's business proposal, positioning itself again as the best foreign-trade service in the country, according to surveys conducted by reputable specialist firms.

MONEY DESK

Always considered as a fundamental complement to the traditional banking business, this area attends a large part of the institutional customers directly and is concerned to offer a complete range of financial products to all customers, together with advice whenever required, and manages the Bank's own investment portfolio. This area is also responsible for the Bank's exposures and liquidity, following the guidelines set by the Assets and Liabilities Committee. The area therefore consists of:

BUSINESS STRATEGY

• DISTRIBUTION DESK: offers Bank customers all the financial products handled by the Money Desk, like currency trading, time deposits, exchange and inflation hedges, swaps and other financial derivatives, plus the combination of these products in structures according to the specific needs of the customer.

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

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

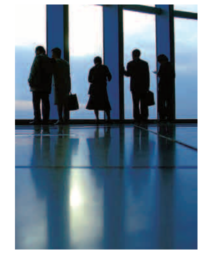
• BALANCE SHEET DESK: responsible for managing the structural exposures of currencies and maturities in the balance sheet, and liquidity, following the guidelines set by the Assets and Liabilities Committee.

INVESTMENTS

The priority objective of Inversiones Security is to provide every customer with comprehensive asset management advice. It therefore has professional teams of excellence distributed through a combination of companies in order to achieve the best management of each investment portfolio, whether of private individuals or corporate entities.

The area provides different services, in third-part asset management through Administradora General de Fondos Security S.A. and securities trading and stock broking through Valores Security Corredores de Bolsa, both Bank subsidiaries. The executives and clients of Inversiones Security have the constant and solid support of the Research Department, an area that shares the same principles of excellence as Inversiones Security in the management of assets and of the Bank in each of its products.

In order to strengthen the commitment of comprehensive advice for its clients, Inversiones Security organizes a series of investment seminars annually that enable it to offer in a friendly and close way its prospects for the economy and the domestic and international financial markets.

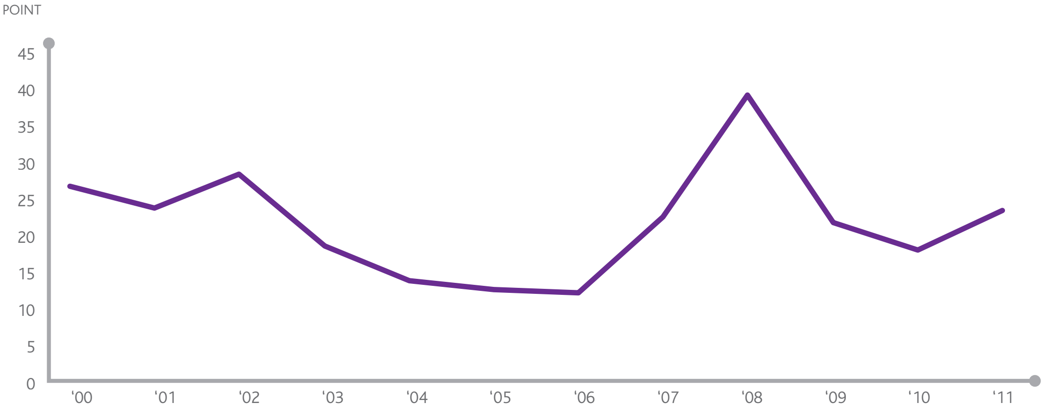


ECONOMIC AND FINANCIAL CONTEXT

EXTERNAL SCENARIO: A YEAR MARKED BY VOLATILITY

2011 was a year marked by volatility and uncertainty. The eyes of the world were on the progress of the European economies and the risks of its possible monetary disintegration. An example of this was the return to prominence of the VIX index which was over its historic averages, although without reaching the level recorded in 2008.

implicit volatility index on the S&P 500



It was a negative year for the prices of risky assets but, above all, for European bonds and global stocks which fell by 10%, led by the emerging countries (22%). Not only were the fiscal and financial crises of the PIIGS (Portugal, Ireland, Italy, Greece and Spain) aggravated, but the vicious circle of high interest rates, credit restriction and the consequent loss of business activity also contaminated the central countries of greatest relative importance in the world.

The actions taken by the authorities of the most affected zones became of greater importance which, summarizing 2011, it can be said were focused on demand policies and much less on reforms to stimulate greater potential growth, and only made a major effect in the last months of the year.

However, despite this high uncertainty, there were factors of weight that managed to leave the balance inclined toward the side of the optimists. The dynamism of China and the resilience of the USA enabled 2011 to end without repeating the global recession and with growth, according to preliminary figures, at around the

BANCO SECURITY AND ITS ENVIRONMENT

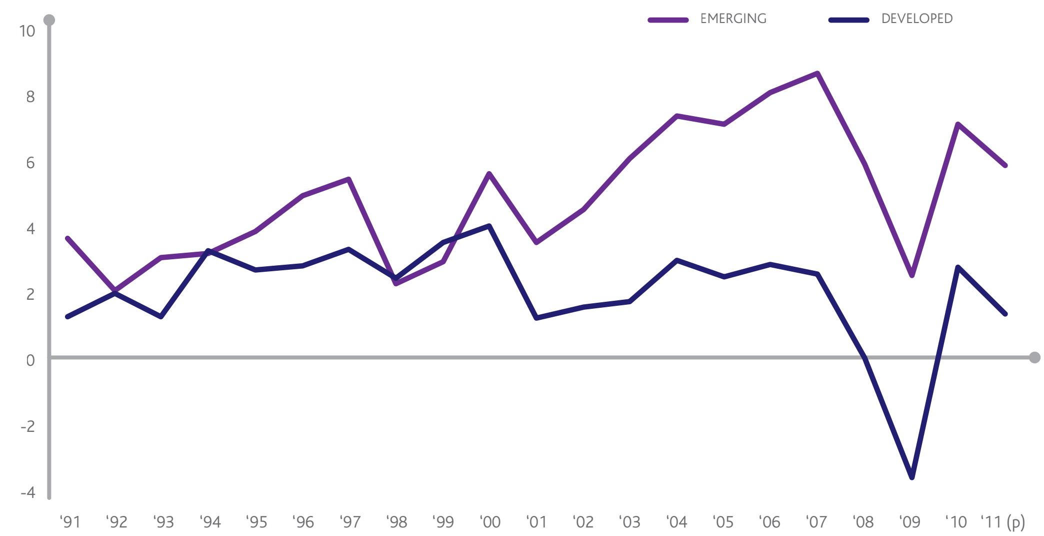
ECONOMIC SCENARIO

historic average of about 3.7%. The world economy lost speed but was far from the forced landing implicit in the most pessimistic views circulating in the market.

Chile finally had to face an external market environment marked by the tension generated by the high volatility and reduced dynamism, above all in the last months of the year.

developed and emerging economies`GDP growth emerging

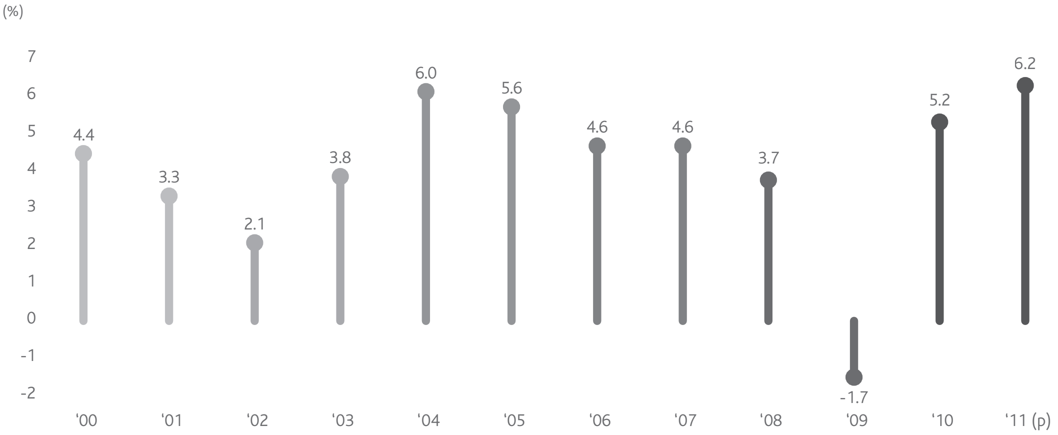
(%)



CHILE WAS NO EXCEPTION

At the local level, activity showed a contrasting behavior between the first and second halves of the year. As of June, the accumulated GDP showed growth of 8.5%, due to the external impulse with strong global growth, raw material prices far above their historic averages (gains in terms of trade) and exceptionally low global interest rates; this driven by the lagged effects of the expansive monetary policy. However, as the uncertainty and volatility began affecting markets, domestic activity moderated sharply. According to preliminary figures, the growth in product was slightly below 4% in the last quarter of 2011, consistent with a rise of 0.5% t/t based on seasonally-adjusted figures (2% annualized). GDP thus ended with an expansion of close to 6.2% for the year.

GDP growth in Chile growth Chile



Splitting economic activity by sector, the greatest contribution to the product growth was financial, followed by commerce and industry. The most dynamic areas were fishing, communications, agribusiness and commerce. The mining sector was negative, being the only one showing a contraction (of close to 2%). This performance will have a direct impact on GDP due to the change in compilation of reference 2008, which includes a greater weighting of this sector in comparison with the compilation of reference 2003.

Domestic demand showed a change of 9.5% during 2011, reflecting the monetary stimulus of 2010. Splitting this variable showed that both private spending and investment remained strong during 2011, with increases of around 9% and 15% respectively. However, it should be noted that in the last months of the year, domestic demand began losing force and even showed a contraction in the last quarter of the year, with respect to the third, on a seasonally-adjusted basis.

With respect to foreign trade, exports increased by 13.5% in 2011 to total US$ 80,586 million. Notable was the dynamism of the industrial sector which showed an expansion of close to 20%. However, exports in the last month fell by 17% which, although partly explained by the high comparison base of December 2010, also reflected the impact of reduced global dynamism on local activity.

Imports, despite suffering no falls and closing the year with growth of 26.8% to US$ 69,970 million, showed an adjustment in the last months, seasonally adjusted, reflecting that private spending had also moderated. In all, the trade balance ended the year with a positive balance of US$ 10.614 million, and the current account concluded with a negative balance of around US$ 3,000 million, equivalent to 1.3% of GDP.

The fiscal situation, following a slight negative balance of 0.4% in 2010, closed the year with a positive balance of between 1.5% and 2% of GDP, as a result of the higher copper price (US$ 4 vs US$2.59 in the budget).

BANCO SECURITY AND ITS ENVIRONMENT

ECONOMIC SCENARIO

Regarding prices, the CPI closed the year with a annualized rise of 4.4%, above the target-range ceiling. A large part of these rises came from volatile factors. In the case of the underlying indicators, the variation in CIPX (which excludes fuels, fresh fruit and vegetables) closed at 3.3%, while the CPIX1 (which also excludes regulated public-utility tariffs and other volatile prices) rose by 2.5%.

In this context, in which domestic demand was highly dynamic, spare capacity began to close more rapidly than expected and the rolling 12-month CPI was progressively increasing during the year, the Central Bank continued the process of monetary normalization begun in mid 2010, taking the interest rate from 3.25% to 5.25% in June. However, as the world continued to deteriorate, thus reducing the external stimulus, the bank stopped raising rates and even ended the year with an expansive slant due to prospects of a prolongation and deepening of the loss of dynamism in activity and domestic spending.

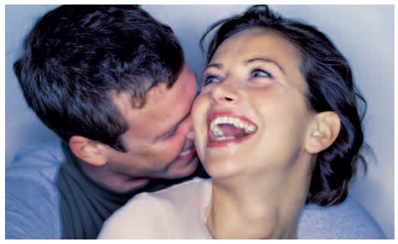
The Chilean peso maintained its appreciating trend during the first half of 2011, in line with the evolution of the dollar globally and the improvement in the terms of trade, deriving from the rise in raw material prices. Overall, given the increase in global uncertainty, market volatility and the global appreciation of the dollar, the exchange rate declined in the last months of 2011 to end at Ch$ 521, equivalent to a rise of 11% over the year before (Ch$ 468).

PRINCIPAL ECONOMIC INDICATORS

	2007	2008	2009	2010	2011 (P)
GDP (US$ millions)	164.3	170.7	161.2	203.4	233.3
GDP per Capita (US$)	9,900	10,185	9,523	11,901	13,518
GDP (Var %)	4.6	3.7	-1.7	5.2	6.2
Domestic spending (Var %)	7.6	7.7	-5.9	16.4	9.5
Private spending	7.0	4.5	0.9	10.4	9.0
Fixed capital investment	11.2	19.4	-15.9	18.8	15.7
Exports (real var %)	7.6	3.2	-6.4	1.9	6.3
Imports (real var %)	14.5	12.6	-14.6	29.5	13.4
Global growth PPP (%)	5.4	2.9	-0.5	5.0	3.7
Terms of trade (2003=100)	165.9	138.6	145.0	179.5	175.0
Copper price (avrge, US$ cents/pound)	323	316	234	342	400
WTI oil price (US$ p/b, prom)	72	100	62	79	95
Federal funds interest rate(y/e,%)	4.3	0.1	0.1	0.1	0.1
Libor 180d (y/e, %)	4.6	1.8	0.4	0.5	0.8
US 10-year Treasury bonds (y/e, %)	4.0	2.2	3.8	3.3	2.0
Euro (y/e, US$)	1.5	1.4	1.4	1.3	1.3
Yen (y/e,¥/US$)	111.7	90.6	93.0	81.1	76.9

	2007	2008	2009	2010	2011 (P)
Trade balance (US$ millions)	23.9	8.5	14.1	15.9	10.6
Exports (US$ millions)	68.0	66.3	54.0	71.0	80.6
Imports (US$ millions)	44.0	57.7	39.9	55.2	70.0
Current account (US$ millions)	7.5	-3.3	2.6	3.8	-3.0
Current account (% of GDP)	4.5	-1.9	1.6	1.9	-1.3
Total savings (national + external), % of GDP	20.5	25.2	18.9	22.4	24.1
Gross domestic saving	25.1	22.9	20.5	24.3	22.8
Central government	9.9	6.8	-2.5	1.5	3.3
Private sector	15.1	16.1	23.0	22.8	19.5
External saving (current account deficit)	-4.6	2.4	-1.6	-1.8	1.3
Central government balance (% of GDP)	8.8	5.3	-4.5	-0.4	2.0
CPI Dec-Dec (%)	7.8	7.1	-1.4	3.0	4.4
Underlying CPI (CPIX) Dec-Dec (%)	6.5	8.6	-1.8	2.5	3.3
Inflationary trend (CPIX1) Dec-Dec (%)	6.3	7.8	-1.1	0.1	2.5
Relevant external inflation BCCh (avrge, %)	8.5	12.2	-7.2	5.7	10.0
Monetary policy rate TPM (y/e,%, en $)	6.0	8.3	0.5	3.3	5.3
BCU-10 base 365d (y/e, % en UF)	3.0	3.3	3.3	2.9	2.7
BCP-10 base 365d (y/e, % en $)	6.4	6.2	6.4	6.1	5.3
Exchange rate (avrge, $/US$)	522	522	560	510	484
Exchange rate (y/e, $/US$)	496	629	506	468	521
Employment growth (%)	2.8	3.0	0.1	7.4	5.0
Growth in workforce (%)	2.1	3.7	1.9	4.2	4.0
Unemployment rate (avrge %)	8.6	9.3	10.8	8.1	7.3
Change in real wages (avrge %)	2.9	-0.2	3.8	2.2	2.6
External debt (US$ millions)	55.7	64.3	74.0	78.2	87.9
Net total foreign debt (US$ millions)	-0.7	29.8	19.0	10.0	13.0
Net total foreign debt (% GDP)	-0.4	17.5	11.8	4.9	5.6
Net total foreign debt (% exports)	-0.9	38.7	30.3	12.3	14.0
Net international reserves (US$ millions)	16.9	23.2	25.4	27.9	42.0

y/e: END OF YEAR



BANCO SECURITY AND ITS ENVIRONMENT

BANKING INDUSTRY

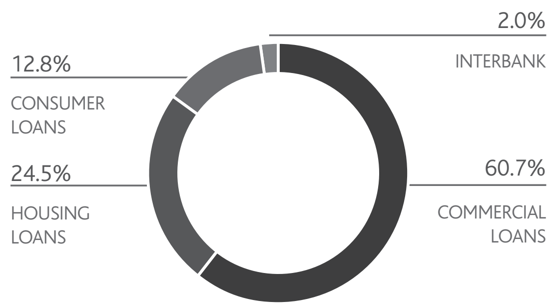
BANKING INDUSTRY

LOANS

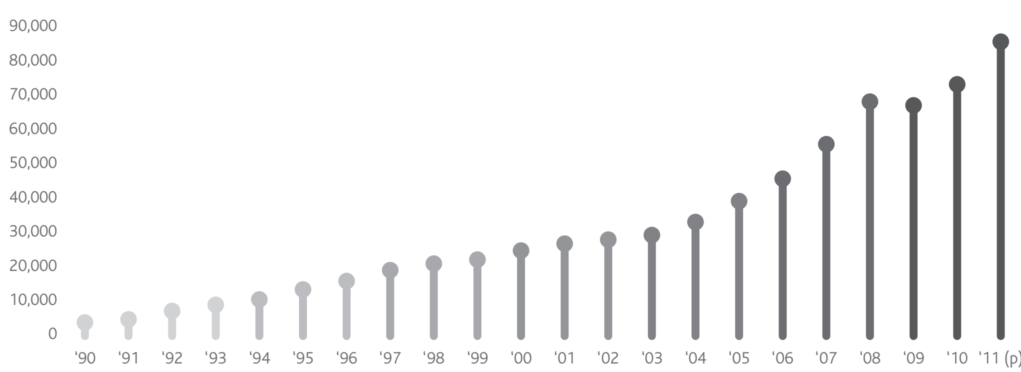
Total loans as of December 2011 amount to Ch$ 89,712,254 million (including borrowings from banks), which represents growth of 18.1% over the end of 2010. This is explained by growth in commercial loans (19.4%), housing loans (12.3%) and consumer loans (18.0%), while borrowings from banks rose by 72.3%.

The composition of total banking-system loans is: commercial loans 60.7%, housing loans 24.5%, consumer loans 12.8% and interbank 2.0%.

composition of loans

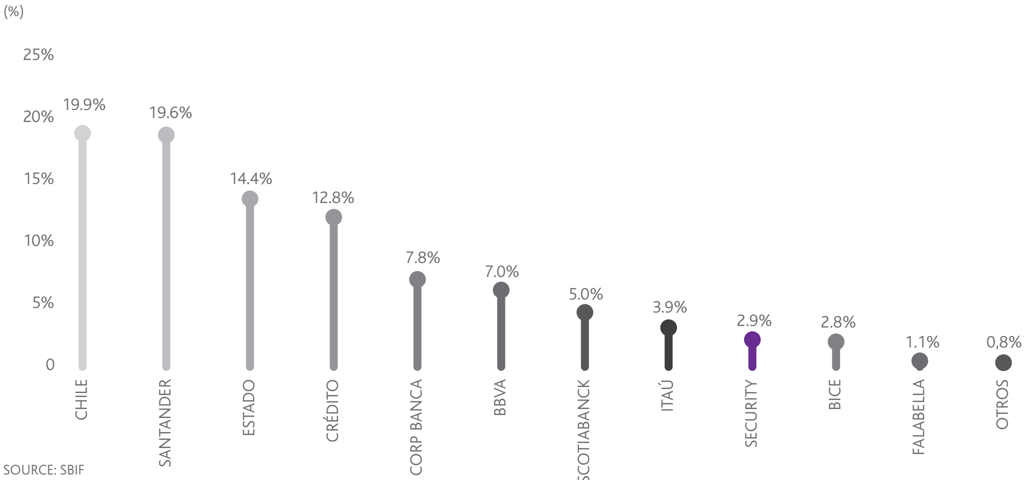


total system loans change system
BILLIONS OF CH$



SOURCE: SBIF
NOTE: CONTINGENT LIABILITIES HAVE BEEN DEDUCTED FROM HISTORIC LOANS AS THESE HAVE NOT BEEN INCLUDED IN THE STATEMENT OF FINANCIAL POSITION SINCE JANUARY 2008 UNDER THE NEW STANDARDS.

market share (december 2011)



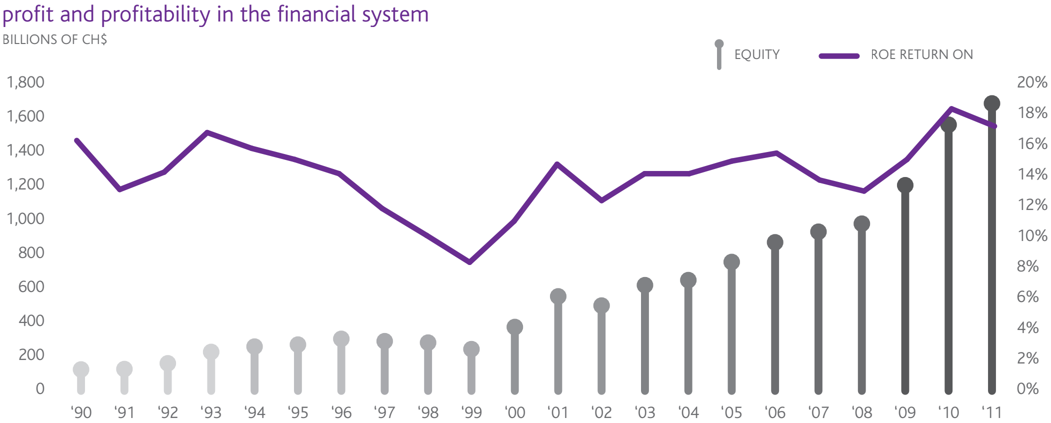
SOURCE: SBIF

RESULTS

In terms of results, the banking system produced post-tax earnings of Ch$1,711,637 million (approximately US$ 3,296 million) in 2011, an increase of 8.1% over 2010. The annualized return on equity was 17.4% (18.1% in 2010) and return on assets 1.4%.

The following graph shows the trend in earnings and returns on equity.

profit and profitability in the financial system



SOURCE: SBIF

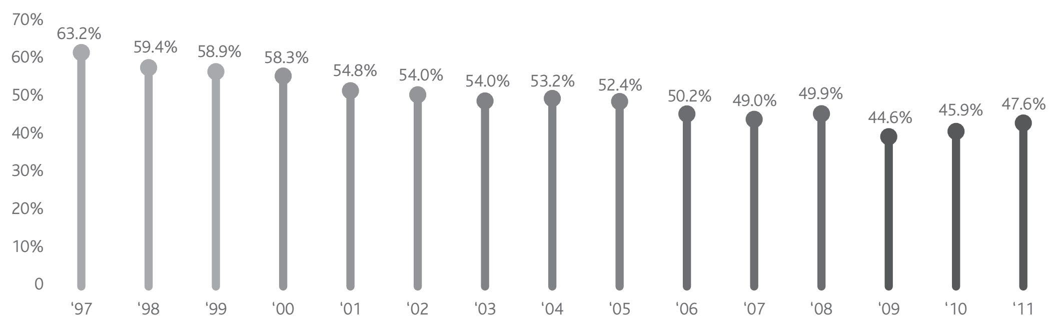
BANCO SECURITY AND ITS ENVIRONMENT

BANKING INDUSTRY

OPERATING EXPENSES

Operating expenses (measured as support costs over gross margin) have remained below 50% over the last five years, being 47.6% at the end of December 2011 (44.6% at December 2009 and 45.9% at December 2010), with an increase ín support costs of 10.9% over 2010.

efficiency ratio
(%)



SOURCE: SBIF

RISK

Provisions of the banking system were 2.33% of loans at December 2011. Provisions for commercial loans were 2.14%, housing loans 0.94% and consumer loans 6.08%.

Loans past-due more than 90 days were 2.37%, down from 2.70% the year before, thus reflecting a higher loan quality.

RISK OF CREDIT RATIO	DIC-08	DIC-09	DIC-10	MAR-11	JUN-11	SEP-11	DIC-11
Prov. for loans / Total loans	1.76%	2.39%	2.49%	2.55%	2.46%	2.47%	2.33%
Prov. for loans / Total loans excl. interbank.	1.80%	2.44%	2.53%	2.59%	2.50%	2.52%	2.36%
Past-due loan portfolio over 90 days / Loans excl. interbank.	0.99%	2.96%	2.70%	2.60%	2.52%	2.46%	2.37%
Prov. for commercial loans / Commercial loans	1.46%	2.19%	2.32%	2.46%	2.32%	2.36%	2.14%
Prov. for personal loans / Personal loans	2.39%	2.82%	2.84%	2.78%	2.78%	2.76%	2.71%
Prov. for housing loans / Housing loans	0.68%	1.10%	1.05%	0.99%	1.02%	1.00%	0.94%
Prov. for consumer loans / Consumer loans	5.65%	6.30%	6.43%	6.32%	6.24%	6.19%	6.08%

RESULTS OF BANCO SECURITY

The strategy of Banco Security follows the guidelines of its parent, Grupo Security, whose objective is to position itself as a comprehensive supplier of financial services through a coordinated management of the different business areas. The Bank has maintained high standards of service quality as a differentiating attribute in order to establish long-term relations with its customers. It has a wide range of products and services which provide it with cross-selling and personalized selling between customers of the different Group companies.

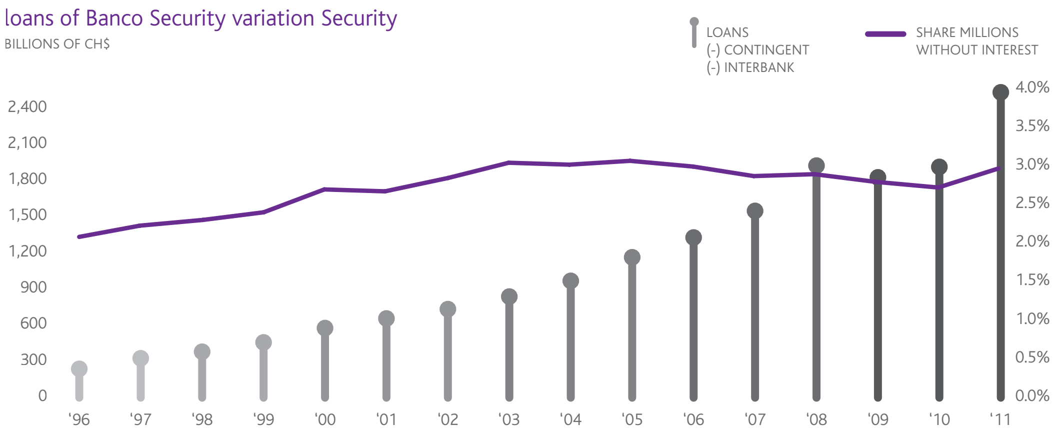
Banco Security is the principal asset of Grupo Security, a financial conglomerate that is involved in various business areas, offering customers a service of excellence and a comprehensive solution for their financing, investments, insurance travel and real-estate project requirements.

LOANS

Banco Security is placed 9th among the banks operating in the country, with a market share of 2.9%. The Bank achieved strong growth in its loans during 2011 (more than 30% over 2010), which totaled Ch$2,583 billion as of December 31, 2011 (excluding interbank transactions). Of the total loans, 78% were commercial and 22% to persons (consumption and housing).

loans of Banco Security variation Security

BILLIONS OF CH$



SOURCE: SBIF

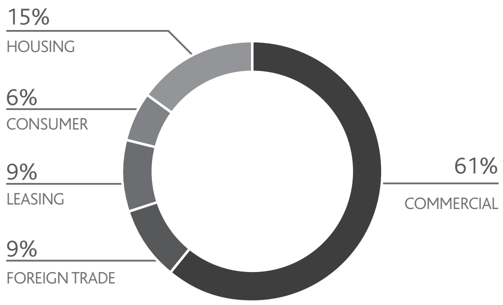
NOTE: CONTINGENT LIABILITIES HAVE BEEN DEDUCTED FROM HISTORIC LOANS AS THESE ARE OFF THE STATEMENT OF FINANCIAL POSITION FROM JANUARY 2008 IN ACCORDANCE WITH THE NEW STANDARDS.

BANCO SECURITY AND ITS ENVIRONMENT

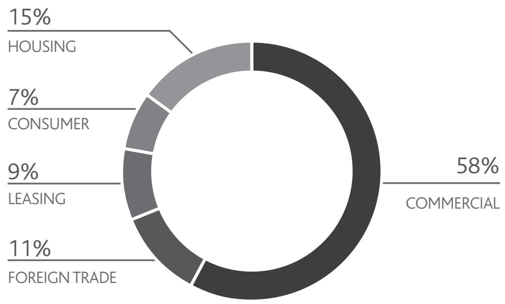
RESULTS OF BANCO SECURITY

The following is the distribution of loans as of December 31, 2011 and 2010, excluding interbank:

loan composition 2010



loan composition 2011



FUENTE: SBIF

RESULTS

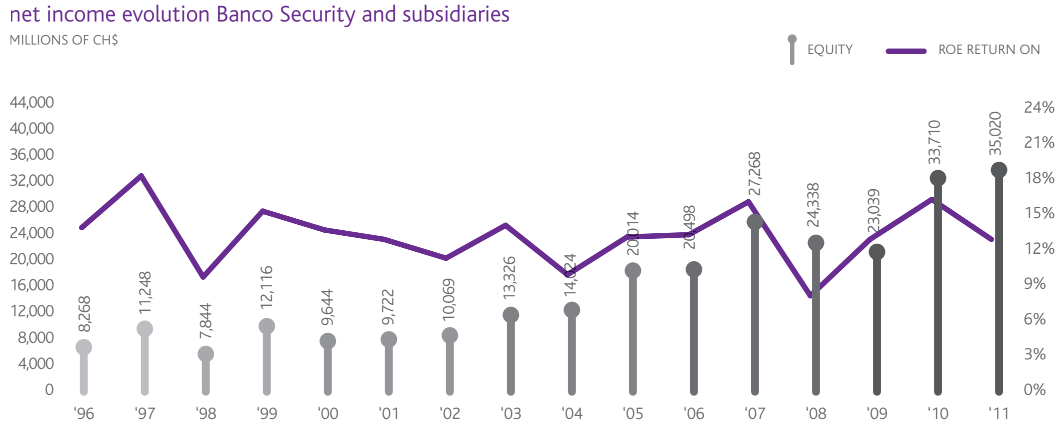
The earnings of the Bank and its subsidiaries in 2011 were Ch$35,020 million, which represents growth of 3.9% over the previous year and a return on equity of 13.1%. The return was affected by the capital increase of Ch$ 47 billion carried out in August. This increase will permit the continued development of the growth plan, as well as finance the Bank's development program for the medium term and set the bases for future expansion.

The most important factor of the results for 2011 was their composition. In line with the strategic guidelines of Grupo Security and the business plans followed in recent years, the commercial business areas almost doubled their contribution to the Bank's overall result, while the contribution of the financial business reduced significantly.

In the light of the results obtained, the Bank has continued with its process of revision and restructuring in order to strengthen its commercial business, giving priority to the generation of more stable revenues and the profitability of the portfolio. On the other hand, its technological plan and its cost control policy will contribute to improving its efficiency ratios. The changes made in the different commercial areas and in the risks area, like advances in controls, systems and technologies, leave the Bank in a better competitive position, which permits it to improve its relative position for facing future plans and challenges.

net income evolution Banco Security and subsidiaries

MILLIONS OF CH$



SORCE: SBIF

SUBSIDIARIES

The subsidiaries that are consolidated with Banco Security are Valores Security S.A. Corredores de Bolsa (99.76%) and Administradora General Fondos Security S.A. (99.90%). Shares traded by Valores Security in 2011 rose by 27%, being placed 4th in ranking of volumes traded by stockbrokers (Santiago Stock Exchange and Chilean Electronic Exchange), while its market share in share trading continued to show strong progress, following the trend of recent years. At the end of 2011, its share was 8.7%, which compares favorably with 6.9% in 2010 and 4.7% in 2009. In terms of results, the earnings of Valores Security were Ch$1,601 million. Administradora General de Fondos Security ended 2011 successfully, with average assets managed of Ch$721,705 million, distributed between 25 mutual funds and one investment fund. Managed assets grew by 3.3% over 2010, while the total number of mutual-fund participants reached 35,743, 0.6% below the close of 2010. Earnings for the year were Ch$4,529 million, 20.4% more than the year before.

RISK

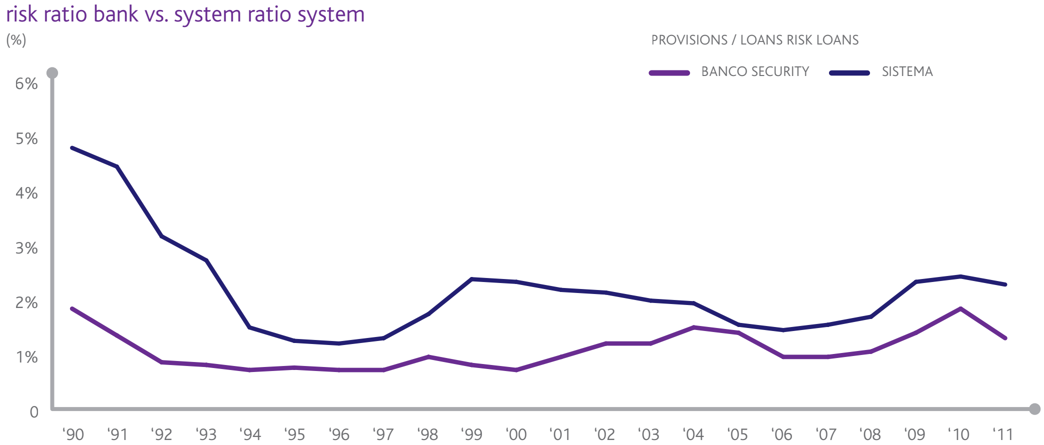
Banco Security has been known for maintaining the good asset quality of its portfolio and strong risk coverage, reflecting a prudent credit-risk management. This has resulted in its credit-risk indicators comparing favorably with its peers.

BANCO SECURITY AND ITS ENVIRONMENT

RESULTS OF BANCO SECURITY

Provisions in 2010 rose to a peak of 1.91% following the absorption of large losses reflecting the insolvencies of companies with systemic debt, including an important retail company, a car distributor, and the salmon sector which suffered from a virus crisis. However, this situation was reversed during 2011 and by the end of the year the provisions were 1.37%, a percentage below the system average (2.33%). The ratio of past-due loans to total loans was 1.32% at December 2011 (2.37% for the industry).

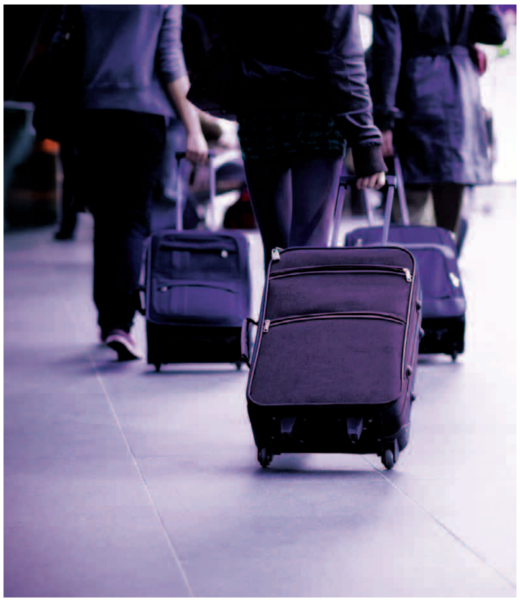
risk ratio bank vs. system ratio system

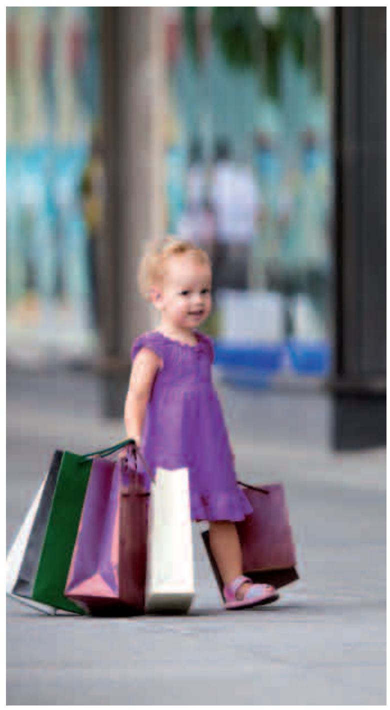


SOURCE: SBIF

CAPITALIZATION

The Bank's policy is to maintain an effective equity/risk-weighted assets ratio of over 10.0%. The capital contribution of Ch$47,000 million made in August and the capitalization of earnings reflect the constant commitment and support of its owner group, which has enabled it to increase its capital base and sustain the growth in its assets. At October 2011, its Basle ratio was 12.44%, a little lower than the average for the system which, on that same date, was 13.79% (source: SBIF).





GENERAL INFORMATION

CHAPTER 04

BANCO | security

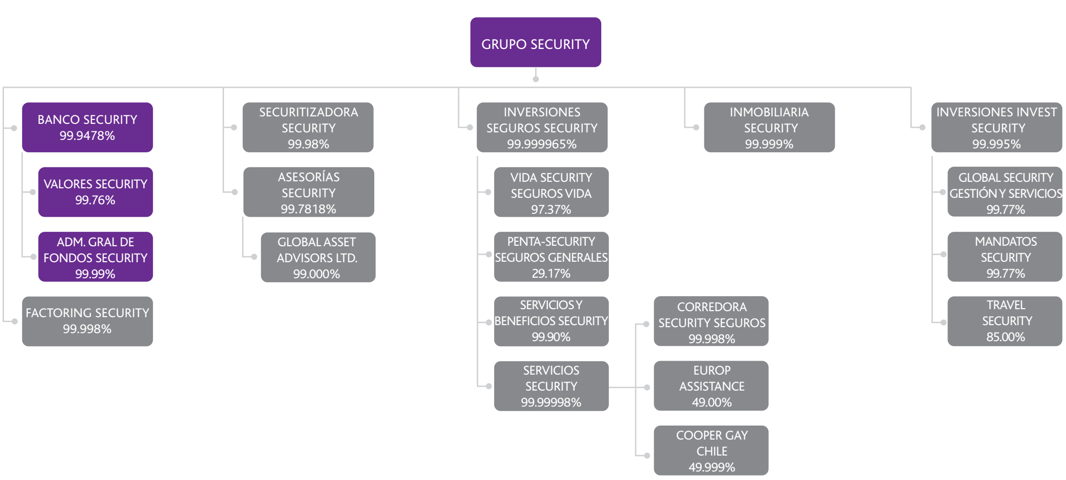
GENERAL INFORMATION

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 N°.	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, 2011.



GENERAL INFORMATION

STAFF AND REMUNERATION

As of December 31, 2011, Banco Security and its subsidiaries employed a total of 954 staff, 16.9% more than the previous year; 56.9% of the total staff are women. The total remuneration paid by the Bank to its executives during the year was Ch$ 6,505.7 million, while severance payments made to executives amounted to Ch$ 119.2 million.

The following table shows the distribution of staff by company:

	CLASSIFICATION			
	EXECUTIVE	PROFESSIONAL	STAFF	TOTAL
ADM GRAL DE FONDOS SECURITY S.A.	7	12	20	39
VALORES SECURITY COR. BOLSA	5	24	27	56
BANCO SECURITY	71	473	315	859
OVERALL TOTAL	83	509	362	954

Like all the companies forming part of Grupo Security, the Bank and its subsidiaries have an important incentives plan which is based on compliance with return on equity targets and with the budget set for the year. Every company directly incurs the corresponding costs.

MANAGEMENT POLICIES

FIXED ASSET AND TECHNOLOGY INVESTMENT POLICY

Banco Security has a fixed-asset investment policy that defines the project evaluation process and, establishes different levels of approval according to the amount of the investment.

• Investments from UF 3,000 to UF 10,000 are approved by a management committee.
• Investments from UF10,000 to UF 30,000 are approved by an executive committee including the chief executive.
• Investments over UF 30,000 are approved by the board.

According to the business strategy, investments have been focused mainly on physical infrastructure and technology in order to continue to reinforce the commitment to offer the market a comprehensive service of excellence, and to improve efficiency and productivity in the use of resources.

FINANCING POLICY

Banco Security has defined a series of policies related to financing, which establish the general guidelines for the management of maturities and currencies, liquidity and creditor concentration. The objective of all these is to mitigate the risks inherent in the banking business, over and above those required by current regulations.

DIVIDEND POLICY

Banco Security has no established dividend policy. The definition of the amount distributable each year depends on the capital needs to support growth, in order to maintain the solvency ratio desired by the board and senior management.

The following table shows the dividends paid by the Bank to its shareholders since 2000, and the percentage that these represented of the corresponding earnings:

DATE	AMOUNT (CH$ MILLION HISTORIC)	% EARNINGS OF PREVIOUS YEAR
February-2000	4,254.4	50.0%
February-2001	7,344.0	76.2%
February-2002	8,749.7	90.0%
February-2003	9,061.7	90.0%
February-2004	13,326.1	100.0%
February-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%
March-2010	23,040.2	100.0%
March-2011	20,223.5	60.0%

GENERAL INFORMATION

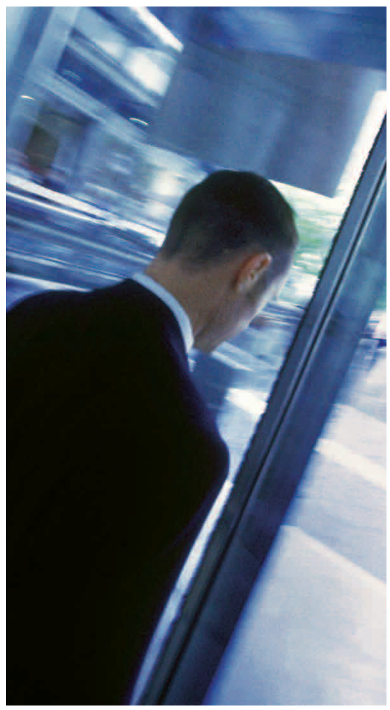
CREDIT RATING

The obligations of Banco Security at the end of 2011 had the following domestic credit ratings:

	TIME DEPOSITS & OTHERS SECURITIES REPRESENTING MORTAGE		FUNDING NOTES	BANK BONDS	SUBORDINATED BONDS	PERPECTIVES
	SHORT TERM	LONG TERM				
Feller-Rate	Nivel 1 +	AA -	AA -	AA -	A +	stables
Fitch Ratings	Nivel 1 +	AA -	AA -	AA -	A	stables

The Bank also has a public international credit rating by Standard & Poor´s which, at the end of 2011, was the following:

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



SUBSIDIARIES

CHAPTER

05

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

BOARD OF DIRECTORS		
	Chairman:	Francisco Silva S.
	Directors:	Bonifacio Bilbao H.
		Carlos Budge C.
		Felipe Larraín M.
		Renato Peñafiel M.
MANAGEMENT		
	General Manager:	Juan Pablo Lira T.
	Investment Manager:	Cristián Ureta P.
TYPE OF COMPANY		Corporation, subsidiary of Banco Security
SECURITIES REGISTER REGISTRATION		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 special regulations set out in Decree Law 1,328 and its regulations, and to the regulatory authority of the Superintendency of Securities and Insurance.

The Chilean mutual funds business ended 2011 with managed assets of Ch$17,364,315 million, representing a decline of 3.14% compared to the year before. Administradora General de Fondos Security S.A. (AGF Security) successfully ended the year with managed assets of Ch$721,705 million, distributed among 25 mutual funds and an investment fund. These managed assets represented a 3.3% increase over December 2010, while the number of mutual-fund participants reached 35,743, 0.6% fewer than in December 2010.

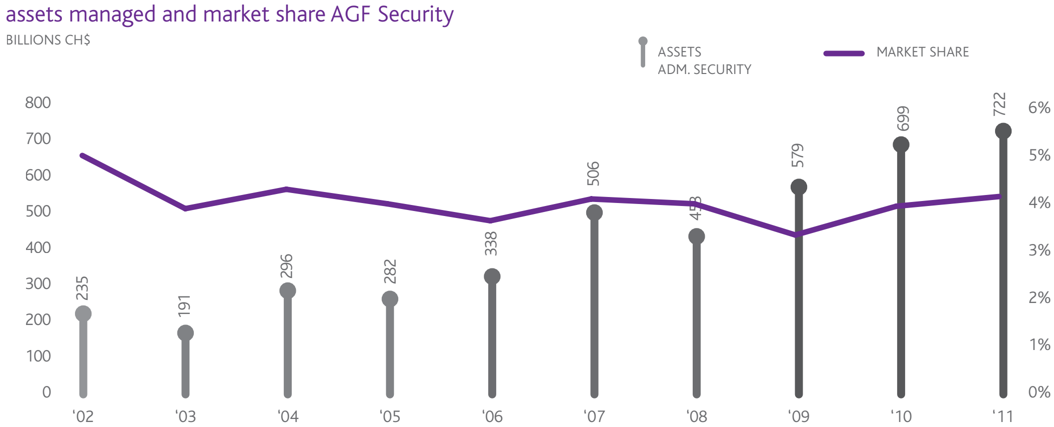
SUBSIDIARIES

The year 2011 included the launch of the Security Small Cap LatAm, Security Deuda Local, Security Inflation-Linked Debt and Security Index Fund Chile mutual funds.

The contribution of the AGF to the mutual-funds industry was recognized by different entities during 2011. The Diario Financiero and the Association of Mutual Fund Managers presented Administradora General de Fondos Security with three Salmón Prizes, granted to those funds with the best annual returns in each category. The prize-winning funds were Chile 105 Garantizado, Latinoamericano y Dólar Bond. In addition, in the fourth edition of the FundPro Platinum Performance Awards, the Security Equity Fund was distinguished in the category of Emerging Stocks Funds. Despite the uncertain scenario of 2011, AGF Security ended the year with 20.4% growth in its earnings to a total of Ch$4,529 million and an increase in market share from 3.86% in 2010 to 4.06% in 2011.

assets managed and market share AGF Security

BILLIONS CH$



SOURCE: CHILEAN ASSOCIATION OF MUTUAL FUNDS MANAGERS.

VALORES SECURITY S.A. CORREDORES DE BOLSA

BOARD OF DIRECTORS

Chairman:	Ramón Eluchans O.
Directors:	Gonzalo Baraona B.
	Enrique Menchaca O.
	Fernando Salinas P.
	Nicolás Ugarte B.

MANAGEMENT

General Manager:	Rodrigo Fuenzalida B.
Operations Manager:	Juan Adell S.
Finance Manager:	Andrés Perez L.

TYPE OF CORPORATION

Corporation, subsidiary of Banco Security

SECURITIES REGISTER REGISTRATION

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 April 10, 1987 before the Santiago notary Enrique Morgan Torres.

In a year when the Chilean stock market was mainly affected by external factors, centered on the financial and debt crisis affecting various countries in the European Economic Community (particularly Greece, Portugal, Italy and Spain), fears of recession in the Euro Zone, the deceleration of growth in the Asian economies (particularly China), and the deterioration in some commodity prices, like copper (principally in the last quarter of the year), IPSA, the principal Chilean share-price index, closed the year with a fall of 15.2%.

In this scenario of volatility and uncertainty, the Chilean stock market retained its trading volumes on the local stock exchanges.

SUBSIDIARIES

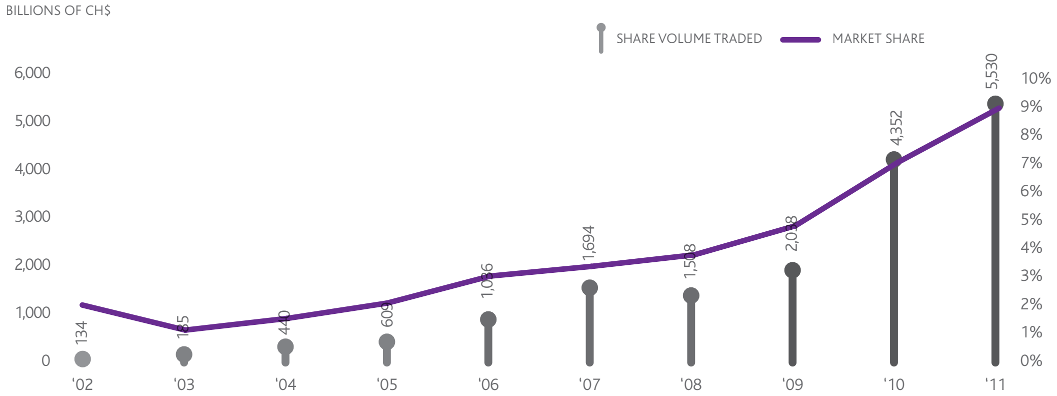
At the close of the year, Valores Security showed a notable advance of 27% in the volume of shares traded, being placed 4th in the stockbrokers ranking by volume (Santiago Stock Exchange and Chilean Electronic Exchange).

Valores Security's market share in share trading once again showed strong growth, following the trend of recent years. In 2009 the share of Valores Security was 4.7%, in 2010 6.9% and, at the close of 2011, 8.7%. In terms of results, Valores Security generated earnings of Ch$1,601million.

Apart from its successful business growth in broking, with both institutional and private clients, notable in 2011 was the consistent growth in the portfolio management area in terms of revenues. This rose by 18% during the year, due to an expansion in the number of clients and in assets managed.

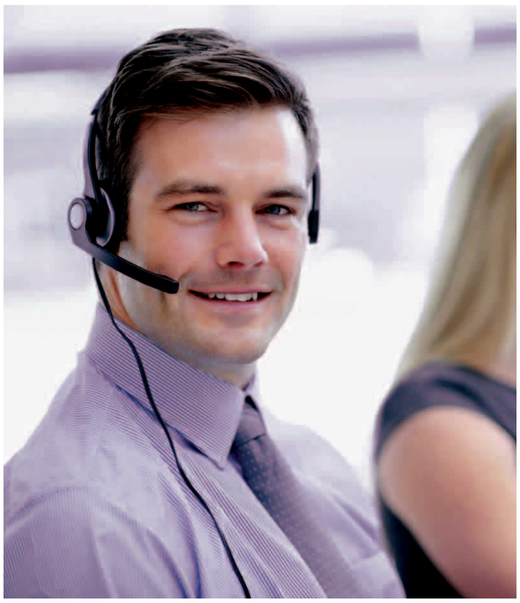
shares traded and market share valores Security

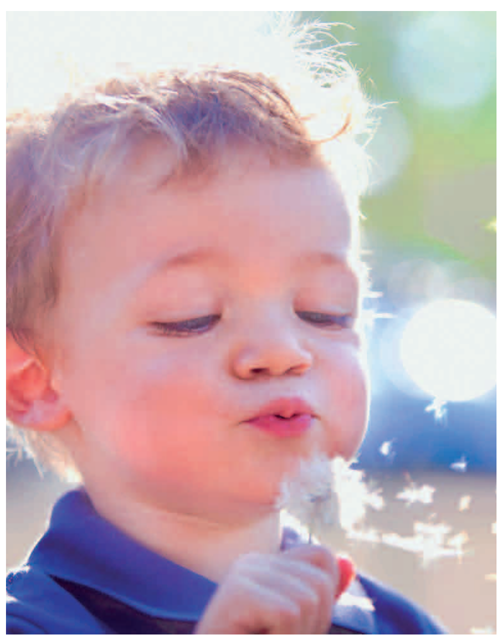
BILLIONS OF CH$

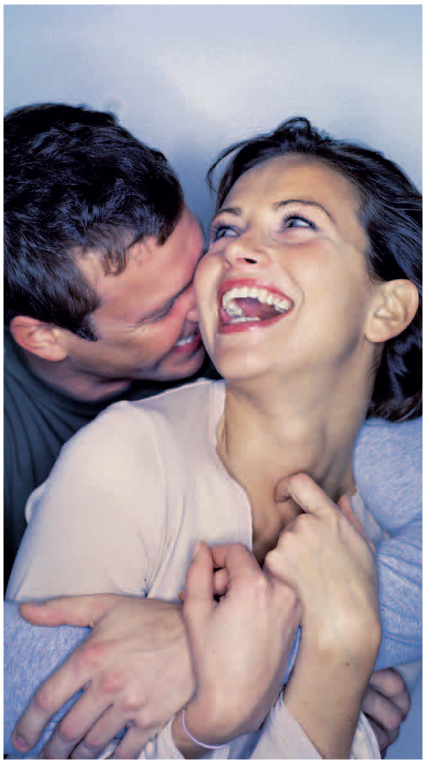


SOURCE: SANTIAGO STOCK EXCHANGE AND CHILEAN ELECTRONIC EXCHANGE

Administradora General de Fondos Security was created as a subsidiary of Banco Security in May 1992. It has since then grown consistently, incorporating the management of new funds. In September 2003 it expanded its objects and changed its name from Administradora de Fondos Mutuos Security S.A. to Administradora General de Fondos Security S.A.







FINANCIAL STATEMENTS

CHAPTER

06

BANCO | security

CONSOLIDATED FINANCIAL STATEMENTS BANCO SECURITY AND SUBSIDIARIES

INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte
Auditores y Consultores Limitada
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Floors 6, 7, 8, 9, 13 y 18
Providencia, Santiago
Chile
Phone: (56-2) 729 7000
Fax: (56-2) 374 9177
e-mail: deloittechile@deloitte.com
www.deloitte.cl

To the Shareholders and Board of Directors of
Banco Security

We have audited the accompanying consolidated statements of financial position of Banco Security and its Subsidiaries as of December 31, 2011 y 2010, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended. These consolidated financial statements (including the related notes) are the responsibility of the management of Banco Security and its Subsidiaries. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Banco Security and its Subsidiaries at December 31, 2011 y 2010, and the results of their operations, comprehensive income, changes in equity, and their cash flows for the years then ended, in conformity with accounting standards and specific instructions issued by the Superintendency of Banks and Financial Institutions.

As discussed in Note 3 to the consolidated financial statements, in 2011 the Bank adopted the new provisions contained in Chapters B-1, B-2, B-3 and C-1 of the Compendium of Accounting Standards of the Superintendency of Banks and Financial Institutions. At December 31, 2010, the Bank opted for early recognition of the provisions of chapter B1 of the above compendium. The early recognition of this change was charged to income for 2010.

Deloitte.
January 18, 2012

Juan Carlos Cabrol Bagnara
Partner

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the years ended December 31, 2011 and 2010
(In millions of Chilean pesos - MCh$)

	NOTES	12.31.2011 MCH$	12.31.2010 MCH$
ASSETS:			
Cash and deposits in banks	6	262,517	114,409
Unsettled transactions	6	106,195	131,111
Trading investments	7	404,366	389,522
Investments under resale agreements	8	2,018	-
Financial derivative contracts	9	53,613	61,936
Interbank loans, net	10	31,651	11,325
Loans and accounts receivable from customers, net	11	2,547,029	1,938,972
Available for sale investments	12	333,500	278,007
Held to maturity investments		-	-
Investments in other companies	13	620	621
Intangible assets, net	14	29,522	21,755
Property, plant and equipment, net	15	23,595	22,695
Current tax asset	16	2,744	650
Deferred tax asset	16	36,445	36,131
Other assets	17	77,550	115,984
TOTAL ASSETS		3,911,365	3,123,118
LIABILITIES			
Deposits and other on demand obligations	18	353,615	285,464
Unsettled transactions	6	71,368	109,251
Repurchase agreements	8	121,075	40,588
Time deposits and other time liabilities	18	2,038,762	1,696,711
Financial derivative contracts	9	55,282	60,267
Interbank borrowings	19	289,277	155,982
Issued debt instruments	20	585,098	425,579
Other financial obligations	20	37,267	38,358
Current tax liability	16	-	-
Deferred taxes liability	16	35,121	34,663
Provisions	21	17,638	15,888
Other liabilities	22	39,399	53,920
TOTAL LIABILITIES		3,643,902	2,916,671
EQUITY			
Attributable to Bank owners			
Capital		185,207	138,207
Reserves		22,224	22,224
Valuation adjustments		(1,493)	(1,108)
Retained earnings:			
Retained earnings from prior years		36,941	23,459
Net income for the year		35,016	33,706
Less: Provision for minimum dividends		(10,505)	(10,112)
		267,390	206,376
Non-controlling interest		73	71
TOTAL EQUITY		267,463	206,447
TOTAL LIABILITIES AND EQUITY		3,911,365	3,123,118

CONSOLIDATED FINANCIAL STATEMENTS BANCO SECURITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2011 and 2010
(In millions of Chilean pesos, MCh$ - except earnings per share balance)

	NOTES	12.31.2011 MCH$	12.31.2010 MCH$
Interest income	25	199,652	134,718
Interest expense	25	(139,302)	(78,358)
Net interest income (expense)		60,350	56,360
Commission income	26	32,555	29,531
Commission expense	26	(5,031)	(4,808)
Net income (expense) from commissions		27,524	24,723
Income from financial operations, net	27	29,786	28,410
Foreign exchange gain (loss), net	28	(5,976)	4,241
Other operating income	34	4,940	3,009
Total operating income		116,624	116,743
Provision for loan losses	29	(8,671)	(18,333)
NET OPERATING PROFIT		107,953	98,410
Personnel salaries and expenses	30	(26,097)	(25,590)
Administrative expenses	31	(31,704)	(27,732)
Depreciation and amortization	32	(3,068)	(2,702)
Impairment	33	(1,977)	-
Other operating expenses	34	(4,437)	(3,644)
TOTAL OPERATING EXPENSES		(67,283)	(59,668)
NET OPERATING INCOME		40,670	38,742
Income from investments in other companies	13	178	154
Income before tax		40,848	38,896
Income tax expense	16	(5,828)	(5,186)
Income from continuing operations		35,020	33,710
Income from discontinued operations, net of tax		-	-
CONSOLIDATED NET INCOME FOR THE YEAR		35,020	33,710
Attributable to:			
Bank owners		35,016	33,706
Non-controlling interest		4	4
Earnings per share of Bank owners:			
		$	$
Basic earnings	24	218	222
Diluted earnings	24	218	222

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2011 and 2010
(In millions of Chilean pesos - MCh$)

	12.31.2011 MCH$	12.31.2010 MCH$
CONSOLIDATED NET INCOME FOR THE YEAR	35,020	33,710
OTHER COMPREHENSIVE INCOME (EXPENSES)		
Available for sale investments	(1,570)	2,810
Cash flow hedges	1,046	(110)
Other comprehensive income (expenses)	-	-
Other comprehensive income before income tax	(524)	2,700
Tax or other comprehensive income	139	(459)
Total other comprehensive income	(385)	2,241
CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR	34,635	35,951
Attributable to:		
Bank owners	34,631	35,947
Non-controlling interest	4	4
Comprehensive earnings per share of the Bank owners	$	$
Basic earnings	216	237
Diluted earnings	216	237

CONSOLIDATED FINANCIAL STATEMENTS BANCO SECURITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2011 and 2010
(In millions of Chilean pesos - MCh$)

	ATTRIBUTABLE TO BANK OWNERS							NON-CONTROLLING INTEREST	TOTAL
				RETAINED EARNINGS					
	PAID-IN CAPITAL MCH$	RESERVES MCH$	VALUATION ADJUSTMENTS MCH$	PRIOR YEARS MCH$	INCOME (LOSS) FOR THE YEAR MCH$	MANDATORY DIVIDEND PROVISION MCH$	TOTAL MCH$	MCH$	MCH$
Balances at December 31, 2009	138,207	22,224	(3,349)	24,579	23,040	(6,912)	197,789	65	197,854
Reclassification of prior year net income	-	-	-	23,040	(23,040)	-	-	-	-
Dividends paid	-	-	-	(23,040)	-	-	(23,040)	-	(23,040)
Provision for minimum dividends	-	-	-	-	-	6,912	6,912	-	6,912
Other changes in equity	-	-	-	(1,120)	-	-	(1,120)	2	(1,118)
Available for sale investments	-	-	2,332	-	-	-	2,332	-	2,332
Cash flow hedges	-	-	(91)	-	-	-	(91)	-	(91)
Net income for the year	-	-	-	-	33,706	-	33,706	4	33,710
Provision for minimum dividends 2010	-	-	-	-	-	(10,112)	(10,112)	-	(10,112)
Balances at December 31, 2010	138,207	22,224	(1,108)	23,459	33,706	(10,112)	206,376	71	206,447
Reclassification of prior year net income	-	-	-	33,706	(33,706)	-	-	-	-
Dividends paid	-	-	-	(20,224)	-	-	(20,224)	-	(20,224)
Provision for minimum dividends	-	-	-	-	-	10,112	10,112	-	10,112
Other changes in equity	-	-	-	-	-	-	-	(2)	(2)
Capital increase	47,000	-	-	-	-	-	47,000	-	47,000
Available for sale investments	-	-	(1,252)	-	-	-	(1,252)	-	(1,252)
Cash flow hedges	-	-	867	-	-	-	867	-	867
Net income for the year	-	-	-	-	35,016	-	35,016	4	35,020
Provision for minimum dividends 2011	-	-	-	-	-	(10,505)	(10,505)	-	(10,505)
Balances at December 31, 2011	185,207	22,224	(1,493)	36,941	35,016	(10,505)	267,390	73	267,463

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended December 31, 2011 and 2010
(In millions of Chilean pesos - MCh$)

	NOTES	12.31.2011 MCH$	12.31.2010 MCH$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Consolidated income before income tax		40,848	38,896
Debits (credits) to income that do not represent cash flows			
Provision for loan losses	29	8,671	18,333
Depreciation and amortization	32	3,068	2,702
Other provisions	34	1,770	2,361
Changes in deferred tax assets and liabilities		144	591
Valuation investments trading portfolio		(303)	(565)
Valuation financial derivative trading contracts		3,691	(13,806)
Income from investment in other companies	13	(178)	(154)
Income from sale of assets received in lieu of payment		(695)	(243)
Net income from commissions	26	(27,524)	(24,723)
Net interest income	25	(60,350)	(56,360)
Other charges and credits that do not represent cash flows		8,699	(24,920)
Changes in operating assets and liabilities:			
(Increase) decrease in interbank loans		(20,312)	301,113
Net (increase) decrease in loans and accounts receivable from customers		(572,580)	(102,083)
(Increase) decrease in investments		(66,272)	214,206
(Increase) decrease in leased assets		10,343	2,491
Sale of assets awarded in lieu of payment		3,870	761
Increase (decrease) in deposits and other on demand obligations		68,153	29,623
Increase (decrease) in repurchase and resale agreements		80,441	(361,387)
Increase (decrease) in deposits and other time deposits		321,813	47,090
Net change in letters of credit		(11,024)	(11,928)
Net change in current bonds		154,522	(68,474)
(Increase) decrease in other assets and liabilities		(14,940)	(35,920)
Refunded tax		52	17
Interest and other adjustments received		160,088	138,239
Interest and other adjustments paid		(99,707)	(89,729)
Commissions received		32,555	29,531
Commissions paid		(5,031)	(4,808)
Net cash flows provided by (used in) operating activities		19,812	30,854
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,121)	(2,187)
Acquisition of intangible assets	15	(10,285)	(7,022)
Sale of property, plant and equipment		(12,406)	(9,209)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in obligations with national banks		6,514	(3,498)
Increase (decrease) in obligations with foreign banks		126,169	27,199
Increase (decrease) in other financial obligations		(2,359)	(14,771)
Net change in subordinated bonds		(1,409)	1,656
Capital increase	24	47,000	-
Dividends paid	24	(20,224)	(23,040)
Net cash flows provided by (used in) financing activities		155,691	(12,454)
TOTAL NET CASH FLOWS PROVIDED BY (USED IN) THE PERIOD		163,097	9,191
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6	136,269	127,082
NON-CONTROLLING INTEREST		(4)	(4)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	299,362	136,269

CONSOLIDATED FINANCIAL STATEMENTS BANCO SECURITY AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Chilean pesos - MCh$)

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 fund administration services, and advisory services 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. For anything not covered in the aforementioned compendium, the Bank applies the technical standards issued by the Chilean Association of Accountants, which coincide with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

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 credit risk provisions and the suspension of income recognition constitute one of the exceptions in the full application of IFRS. This exception arises from the prudential criteria of the SBIF applied to measure the effect of impairment on loans as opposed to the computation of the present value of remaining cash flows.

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

- **Classification of instruments for trading and investment** - The Bank classified its financial instruments acquired for trading and investing in three categories and applies a uniform accounting treatment for each one of those categories considering the following:
  - Available for sale instruments cannot be adjusted to fair value against income.
  - For the purpose of presentation in the Consolidated Statement of Financial Position, investments in mutual funds will be included together with trading securities, adjusted to their fair value.
  - Instruments with a derivative component that should be separated, but are unable to be valuated 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 an equity instrument included in the trading investments portfolio stops being traded and the Bank cannot obtain a reliable estimate of its fair value, it will be included in the category of available for sale investments.

On November 12, 2009, the IASB issued IFRS 9, *Financial Instruments*. This Standard introduces new requirements for classifying and measuring financial assets and will be enforced for annual periods starting on or after January 1, 2013. Early application is allowed. IFRS 9 specifies how an entity should classify and measure its financial assets. It requires that all financial assets should be classified completely based on the entity's business model for managing its financial assets and the characteristics of the financial assets' contractual cash flows. Financial assets are measured at amortized cost or fair value. Only financial assets measured at amortized cost will be tested for impairment.

On December 16, 2011, the IASB issued the mandatory date of application of IFRS 9 and transition disclosures, deferring the effective date for both the 2009 and 2010 versions to annual periods starting on or after January 1, 2015. Prior to the amendments, application of IFRS 9 was mandatory for annual periods starting on or after 2013. The amendments change the transition requirements from IAS 39, *Financial Instruments: Recognition and Measurement* to IFRS 9. In addition, the amendments also amend IFRS 7, *Financial Instruments: Disclosures*, adding certain requirements for the reporting period which includes the date of application of IFRS 9.

As stipulated by the Superintendency of Banks and Financial Institutions, the Bank's Management will not to early elect application of this standard. Instead, the Bank will adopt this standard for the period starting January 1, 2015. Management has not yet considered the potential impact of adopting this standard.

- **Recognition in the Consolidated Statement of Financial Position according to trading date** - Financial instrument purchase/sale transactions, including foreign currency, will be recognized in the Statement of Financial Position on the trading date, i.e. on the date the Bank and the respective counterparty assume reciprocal obligations that must be fulfilled within the period established by regulations or conventions of the market in which the Bank operates.

- **Embedded derivatives** - The Bank will not treat Chilean currency indexation arrangements (e.g. those operating arrangements based on foreign currency fluctuation or fluctuation of Chilean inflation indexes such as the IPC, UF, IVP, or UTM) approved by the Chilean Central Bank as embedded derivates.

- **Hedge accounting** - Financial instruments recorded at fair value through profit loss, 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 into 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.

b) Valuation criteria for assets and liabilities

The valuation criteria for assets and liabilities recorded in the accompanying consolidated financial statements are as follows:

- **Valuation at amortized cost** - Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount minus any reduction for impairment or uncollectability.

For financial assets, the amortized cost also includes adjustments to their value caused by impairment.

- **Measurement at fair value** - Fair value is measured as 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 of an instrument does not represent an active market, the Bank will determine the fair value using valuation techniques commonly used by the international financial community considering the specific factures of the instrument being valued, such as interest curves on the basis of market transactions or instruments of similar characteristics.

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

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

  - Derivative financial instruments, measured at fair value.
  - Available-for-sale instruments measured at fair value, when this is lower than their carrying value less costs to sell.
  - Trading instruments measured at fair value
  - Investment instruments held for sale measured at fair value.
  - Certain property, plant and equipment items that Senior Management has decided to appraise and assign that value as deemed cost for first-time adoption of IFRS, in conformity with the provisions of the Compendium of Accounting Standards issued by the SBIF.

c) Functional currency

The items included in the financial statements 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 consolidated 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 financial statements. It is possible that actual results in future periods might differ from the estimates made. The Bank notes that:

- Estimates and relevant assumptions are reviewed regularly by the Bank's senior management in order to quantify their effects on the consolidated statement of financial position and statement of income account; and
- Adjustments of accounting estimates are recognized in the period in which they are identified and in future periods affected.

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

- Valuation of financial instruments and derivatives
- Impairment loss from loans and customer accounts receivable and other assets
- The useful lives of property, plant and equipment 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 into the consolidated financial statements from the date on which control began.

In the consolidation process, 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.

- **Investments in associates**
  Associated companies are those over which the Bank has the ability to exercise significant influence, but not control. The ability is generally evidenced by an interest of 20% or more of the voting rights of outstanding stock. Interest in associate companies is valued using the equity method, where by the investor recognizes its share of the net assets of the investee and the investor's share in the profit and loss of the investee on an accrual basis.

- **Investments in other companies**
  Investments in other companies are those in which the Bank does not have any significant influence and are presented at acquisition cost. Income is recognized as earned.

- **Special purpose entities**
  As specified in the IAS 27, *Consolidated and Separate Financial Statements* and SIC 12, *Consolidation Special Purpose Entities*, the Bank assesses whether to consolidate a Special Purpose Entity, if the following conditions are met:

  – The entity was created to achieve a specific objective defined by the entity presenting the financial statements.
  – The relationship between the consolidating entity and the Special Purpose Entity shows that the latter is controlled by the former.
  – The activities of the Special Purpose Entity have been performed essentially on behalf of the entity presenting the consolidated financial statements

  In the evaluation specified in the preceding paragraph, the Bank has not identified any Special Purpose Entities that need to be consolidated.

  Third party interest in the Bank's equity is presented as a separate item of the Consolidated Statement of Financial Position as "non-controlling interest", and in the Consolidated Statement of Income it is shown after" income attributable to the Bank owners."

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

  The Bank's interest in consolidated subsidiaries is as follows:

	OWNERSHIP INTEREST 2011 %	OWNERSHIP INTEREST 2010 %
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 chief decision-making authority to determine the resources that must be allocated to the segment and evaluate its performance, and that has separate financial information available.

Note 5 presents the Bank's main segments: Corporate Banking, Personal Banking, Financial Business, Investment Business and Other.

g) Interest income and expenses

Interest and adjustment income and expenses are presented accrued through year-end, using the effective interest method, which factors the discount rate that precisely matches the estimated future cash flows receivable or payable during the expected useful life of the financial instrument.

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

LOANS SUBJECT TO SUSPENSION:	SUSPENDED:
Individual assessment: Loans classified in categories C5 and C6	For being in an impaired portfolio
Individual assessment: Loans classified in categories C3 and C4	For having completed three months in an impaired portfolio
Group assessment: Loans with guarantees of under 80%	When repayment of the loan or one of its installments has been in arrears for six months

h) Commission income and expenses

Commission income and expenses that affect the effective interest rate of a financial asset or liability are recognized in income throughout the period of the transactions that gave rise to them.

Commission income and expenses generated from providing a specific service are recognized in income when the services are rendered. Those linked to financial assets or liabilities are recognized when collected.

i) Foreign currency translation to functional currency

The functional currency is the Chilean peso. Transactions in foreign currency performed by the Bank were converted to Chilean pesos at the exchange rate at the date of the transaction. At December 31, 2011 and 2010, monetary items in foreign currency were converted using the year-end functional currency exchange rates of Ch$519.55 and Ch$467.95 per US$ 1 respectively, which does not differ significantly from the exchange rate applied by the subsidiaries audited by the Superintendency of Securities and Insurance, which was Ch$519.20 at December 31, 2011 and Ch$468.01 at December 31, 2010.

Net foreign exchange income of MCh$(5,976) and MCh$ 4,241 for 2011 and 2010 respectively, presented in the Consolidated Statement of Income, includes both income obtained from foreign 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) Translation of UF to functional currency

Assets and liabilities denominated in UFs (unidades de fomento - inflation index-linked units of accounts) are stated at the 2011 and 2010 year-end values of Ch$22,294.03 and Ch $21,455.55 respectively.

k) Financial Investments

Financial investments are classified and valued as follows:

k.1) Trading investments: Trading investments are securities acquired with a view to generate earnings from short-term price fluctuations or through brokerage margins, or which are included in a portfolio dedicated to short-term profits.

Trading investments are valued at their fair value in accordance with market prices at year-end. Net income or loss arising from mark-to-market adjustments, as well as income from trading activities, accrued interest and adjustments, is included in the "Financial instruments held for trading" line under "Income from financial operations, net" in the Consolidated Statement of Income, as show in Note 27.

All purchases and sales of trading securities that should be delivered within the period established by market regulations or agreements are recognized at the trading date, which is the date on which the commitment is made to purchase or sell the asset. Any other purchase or sale is treated as a derivative (forward) until the payment is made.

k.2) Investment securities: Investment securities are classified into two categories: Held to maturity investments and available for sale investments. The held to maturity investment category only includes those instruments for which the Bank has the intent and ability to hold to maturity. All other investment securities are categorized as available for sale.

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

Available for sale securities are subsequently valued at fair value according to market prices or valuations obtained using models. Unrealized gains or losses resulting from changes in their fair value are recognized by crediting or charging equity accounts. When these investments are disposed of or impaired, the amount of the accumulated fair value adjustment is transferred to income and is reported under "Sale of available for sale instruments" under "Income from financial operations, net" in the Statement of Income, which is detailed in Note 27.

Held-to-maturity investments are recorded at cost plus accrued interest and adjustments, less provisions for impairment, set up when the carrying value is higher than the estimated recovery amount. At December 31, 2011 and 2010, the Bank does not have any held-to-maturity investments in its portfolio.

Interest and adjustments related to held-to-maturity investments and investments available for sale investments are included under "Total interest income," as specified in Note 25 to the Financial Statements.

Investment securities designated as accounting hedges are measured as stipulated for hedge accounting.

All purchases and sales of investment securities, to be delivered within the deadline stipulated by market regulations and conventions, are recognized on the trading date, which is the date on which the commitment is made to purchase or sell the asset. Other purchases or sales are treated as derivatives (forward) until payment is made.

l) Financial derivative contracts

Financial derivative contracts, including foreign currency and UF forwards, interest rate futures, currency swaps, interest rate and currency options, and other financial derivatives, are initially recognized in the consolidated statements of financial position at cost (including transaction costs) and subsequently valued at fair value. The fair value is obtained from market quotes, discounted cash flow models and option valuation models, as appropriate. Derivative contracts are reported as assets when their fair value is positive, and as liabilities when this is negative, under "Financial derivative contracts."

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risk and economic characteristics are not closely related to those of the host contract, and the host contract is not recorded at its fair value through profit and loss.

When signing a derivative contract, the Bank should designate such contract as a derivative instrument for trading or hedging purposes.

Any changes in the fair value of financial derivative contracts held for trading are included in the Consolidated Statement of Income under "Trading Derivatives" in "Income from financial operations, net." See Note 27.

If the derivative is designated as a hedging instrument, this may be: (1) a fair value hedge of assets or liabilities or firm commitments, or (2) a cash flow hedge related to existing assets or liabilities or expected transactions. A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met: (a) the hedge must be formally documented at inception; (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.

Transactions with derivatives that do not qualify for hedge accounting are recognized and presented as trading derivatives, even if they provide an effective economic hedge for managing risk positions.

When a derivative instrument hedges the risk exposure to changes in the fair value of a recognized asset or liability, the asset or liability is recorded at its fair value with respect to the specific risk hedged. Gains or losses from measuring the fair value of the item hedged and the hedge derivative instrument are recognized in income for the year.

If the hedged item in a fair value hedge is a firm commitment, the changes in the fair value of the firm commitment with respect to the hedged risk are recognized as assets or liabilities with the corresponding gain or loss recognized in income. The gains or losses from measuring the fair value of the hedge instrument are also recorded in income. When an asset or liability is acquired or assumed as a result of the firm commitment, the initial carrying amount of the acquired asset or assumed liability is adjusted to include the cumulative change in the fair value of the firm commitment attributable to the hedged risk that was recognized in the Statement of Financial Position.

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

Any ineffective portion is immediately recognized in income. The accumulated gains or losses recognized in equity are reclassified to income in the same period or periods in which the assets or liabilities affect the income statement.

When an interest rate fair value hedge is entered into for a portfolio, and the hedged item is an amount of currency instead of individual assets or liabilities, the fluctuation in fair value of both the hedged portfolio and the hedge are recognized in income for the year, but the fair value measurement of the hedged portfolio is shown in the Statement of Financial Position 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 flow hedge is entered into to mitigate the exposure to fluctuations in cash flows attributed to a particular risk related to assets or liabilities associated with a highly probable forecasted transaction, income from the effective portion of changes in fair value related to the hedged risk will be recognized in equity, whereas the ineffective part of the instrument is recognized as income for the period.

m) Repurchase and resale (reserve 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 investments", presenting the obligation under "Repurchase agreements" in liabilities. When financial instruments are purchased with a resale obligation they are included in "Investments under resale agreements" in assets.

Repurchase and reverse repurchase agreements are valued at amortized cost according to the Internal Rate of Return ("IRR") of the transaction.

n) Derecognition of financial assets and liabilities

The Bank derecognizes a financial asset in its consolidated statement of financial position only when the contractual rights over the asset's 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 consolidated statement of financial position 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 recorded, if there is objective evidence of the impairment

Financial assets carried at amortized cost are impaired when the current value of estimated cash flows, discounted at the original effective interest rate of the asset, is lower than the financial asset's carrying value.

Impairment of available for sale financial assets 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. Assets that are not individually significant and have similar characteristics are evaluated as a group.

All impairment losses are recognized in profit and loss. The reversal of an impairment loss occurs only if it can be objectively related to an event occurring after the initial impairment loss was recognized.

o.2) Non-financial assets: The carrying value of the Bank's non-financial assets is reviewed at the end of each financial statement presentation period to determine whether there is objective evidence of impairment. If any such indication exists, the Bank estimates the recoverable amount of the asset. An impairment loss is reversed, if a change has occurred 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 acquisition cost or fair value less required regulatory write-offs, whichever is lower, and are presented net of any provision.

Regulatory write-offs are required by the SBIF if the asset is not sold in a period of one year after it was received.

q) Lease contracts

Accounts receivable from lease contracts, included under "Loans and Accounts Receivable from Customers," correspond to periodic lease contract installments that meet the requirements to be qualified as finance leases and are presented at their nominal value net of unaccrued interest at 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 pieces of real estate, the Bank chose the fair value option for first-time application of IFRS based on independent appraisals.

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

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

s) Intangible Assets

Expenses for computer programs developed internally are recognized as assets when the Bank can show its intent and ability to complete their development and use them internally to generate future economic benefits, and the cost of completing their development can be measured reliably. Capitalized costs of computer programs developed internally include all those attributable directly to development of the program, and they are amortized over their useful lives.

Computer programs acquired by the Bank are valued at cost less accumulated amortization and impairment losses. Subsequent expenses incurred on computer 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 computer programs from the date on which they are available for use. The estimated useful life of computer programs is 5 years.

t) Provisions for risky assets

The Bank has established all of the provisions required to cover the risk of loss on assets (Note 21) in accordance with the standards issued by the SBIF. Assets are presented net of such provisions, while provisions for contingent loans are presented in liabilities.

The Bank uses models or methods based on individual and group analyses 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, provisions and write-offs

Loans and accounts receivable from existing 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 interest method.

Impaired portfolio: Loans incorporate the concept of impairment when there is concrete evidence that customers will not fulfill their obligations under the agreed-upon payment terms, without the possibility of recovering the amount owed by redeeming to guarantees, through exercising court collection actions, or renegotiating terms.

In light of the above, the Bank will maintain loans in the impaired loan portfolio until the payment capacity or behavior has been normalized; otherwise, it will write off the loans involved.

u.1) Provisions for loan losses for individual evaluation
The individual analysis of debtors is applied to those clients, whether individuals or legal entities, whose size, complexity or level of exposure requires individual analysis. It also requires assigning a risk rating to each debtor.

When recording provisions, the Bank classifies its debtors and their contingent loans and credits into the respective categories, after having assigned them to one of the following portfolio statuses: Normal, Substandard and Delinquent, which are defined as follows:

- Normal and substandard portfolios

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

Without prejudice to the above, the bank must maintain a minimum provision percentage of 0.50% for contingent loans and credits in the Normal Portfolio, which at December 31, 2011 was Ch$ 564, (Note 21).

- Delinquent Portfolio

TYPE OF PORTFOLIO	RISK SCALE	RANGE OF EXPECTED LOSS	PROVISION (%)
Delinquent portfolio	C1	More than 0 up to 3 %	2
	C2	More than 3% up to 20%	10
	C3	More than 20% up to 30%	25
	C4	More than 30 % up to 50%	40
	C5	More than 50% up to 80%	65
	C6	More than 80%	90

u.2) Provisions for loan losses for group evaluation
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 assessments, the provisions are always set up based on the expected loss determined by the models used.

u.3) Additional provisions on loans
In accordance with the standards set forth by the SBIF, the Bank has established additional provisions 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 past experience, and in consideration of possible adverse macroeconomic perspectives or circumstances that could affect a sector, industry, group of debtors or projects.

At December 31, 2011 the Bank does not hold any additional provisions. At 2010, it held MCh$ 400.

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 collateral	6 months
Other operations without collateral	24 months
Commercial loans with collateral	36 months
Mortgage loans	48 months
Consumer leases	6 months
Other non-real estate lease operations	12 months
Real estate lease (commercial and residential)	36 months

Recovery of loans previously written off: Recovery of loans that were previously written-off are recognized directly as income in the Consolidated Statement of Income, under "Provisions for loan losses."

At December 31, 2011 and 2010, recoveries of written-off loans were MCh$ 2,184 and MCh$ 1,552, respectively, and are presented in the item "Provisions for loan losses" in the Consolidated Statement of Income. See Note 29 for additional information.

v) Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, and unsettled transactions net of resale (reserve repurchase) agreements, in accordance with the Compendium of Accounting Standards of the SBIF, subject to insignificant risk of changes in their fair value.

The Bank prepares its cash flows using the indirect method, in which it adjusts for non-cash items as well as income and expenses that originated the cash flows, categorized as follows:

- **Cash flows**, which correspond to inflows and outflows of highly liquid short-term investments with low risk, grouped under cash and cash equivalents.

- **Operating activities**, the principal revenue-producing activities of the Bank and other activities that are not investing or financing activities.

- **Investing activities**, the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

- **Financing activities**, activities that result in changes in the size and composition of the contributed equity and borrowings of 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 at the issuance date at their fair value less transaction costs and are subsequently valued at amortized cost using the effective interest method.

x) Income tax and deferred taxes

Income tax expenses are determined in accordance with the Income Tax Law in Chile for which the Bank establishes a provision against income. In turn, deferred taxes are recognized for temporary differences between the carrying and tax values of assets and liabilities, recognizing the effect on income except when the differences arise from equity.

y) Employee benefits

y.1) Staff Vacations

The annual cost of employee vacations and benefits is recognized on an accrual basis.

y.2) Current benefits

The Bank has an annual incentive plan for its employees related to the accomplishment of objectives and performance. The Bank records a provision for these benefits based on the estimated amount to be disbursed.

y.3) Severance provision

The Bank has not agreed to payment of severance indemnities to its employees under all circumstances. Therefore, the Bank does not record any provision for this concept. The expense is recorded in income as it is incurred.

z) Minimum dividends

At December 31, 2011 and 2010, the Bank recognized a liability (provision) for minimum or mandatory dividends. This provision is made based on the provisions of article 79 of the Law on Corporations and in line with the Bank's dividend policy, which stipulates that at least 30% of the net income for the year will be distributed, unless otherwise agreed unanimously by the respective Shareholders' Meeting.

aa) Earnings per share

The Bank discloses basic earnings per share, which is calculated by dividing the net income attributable to Bank owners by the weighted average of common shares outstanding during the year.

Diluted earnings per share corresponds to the net income attributable to Bank owners 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 earnings per share is equal to diluted earnings per share.

ab) Leases

Lease agreements that the Bank does not recognize in its Consolidated Statement of Financial Position and for which the total payments received are charged to income correspond to agreements that the Bank classifies as operating leases.

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

ac) Provisions and contingent liabilities

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

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

3. ACCOUNTING CHANGES

On August 12, 2010, Circular 3.503, which included certain amendments to provisions and the impaired portfolio included in Chapters B-1, B-2, B-3 and C1, was issued. These amendments are applicable force as of January 1, 2011, except for the provisions on additional provisions within No. 9 of Chapter B-1, which started to be applied in 2010. In addition, and as a supplement to the above Circular, management letter No. 9 dated December 21, 2010 was issued. It specified that adjustments resulting from the application of the amendments applicable as of January 1 2011 could be made in the first three months of 2011. However, there was nothing to prevent the entities performing this recognition early, in whole or in part, by making greater provisions, transitorily as additional ones, charged to income for 2010. At December 31, 2010, the Bank opted for early recognition of the above changes, which generated an effect of MCh$400 on income for the year.

The reclassifications of the stocks of additional provisions to individual effective provisions and contingent risk provisions, as required by the amendments to Chapters B-1 and B-3 of the Compendium of Accounting Standards, are as follows:

STATEMENT OF FINANCIAL SITUATION	BALANCE DECEMBER 31, 2010 MCH$	RECLASSIFICATION MCH$	RECLASSIFIED BALANCE DECEMBER 31, 2010 MCH$
Assets			
Total loans	1,977,276	-	1,977,276
Provisions for commercial loans	(35,429)	(400)	(35,829)
Provisions for housing loans	(493)	-	(493)
Provisions for consumer loans	(1,982)	-	(1,982)
Total provisions	(37,904)	(400)	(38,304)
Credits and receivables from clients	1,939,372	(400)	1,938,972
Liabilities			
Provisions for employee benefits and remunerations	(1,234)	-	(1,234)
Provisions for minimum dividends	(10,112)	-	(10,112)
Provisions for contingent credit risks	(974)	(1,593)	(2,567)
Provisions for contingencies (additional)	(3,968)	1,993	(1,975)
Provisions	(16,288)	400	(15,888)

STATEMENT OF COMPREHENSIVE INCOME	BALANCE DECEMBER 31, 2010 MCH$	RECLASSIFICATION MCH$	RECLASSIFIED BALANCE DECEMBER 31, 2010 MCH$
Provisions for credits and receivables	(19,003)	(400)	(19,403)
Provisions for contingent credits	(207)	(275)	(482)
Additional provisions	-	-	-
Adjustment to minimum provision normal portfolio	-	-	-
Recovery of written-off credits	1,552	-	1,552
Provisions for credit risk	(17,658)	(675)	(18,333)
Income from assets received in lieu of payment	247	-	247
Release of provisions for contingencies	611	-	611
Other income	2,151	-	2,151
Other operating income	3,009	-	3,009
Provisions and expenses for assets received in lieu of payment	(2,091)	-	(2,091)
Provisions for contingencies	(945)	675	(270)
Other expenses	(1,283)	-	(1,283)
Other operating expenses	(4,319)	675	(3,644)
Net result of other operating income and expenses	(18,968)	-	(18,968)

4. SIGNIFICANT EVENTS

Banco Security

The Ordinary Shareholders' Meeting held on March 11, 2010 elected unanimously the following directors of Banco Security: Hernán Felipe Errázuriz Correa, Jorge Marín Correa, Gustavo Pavez Rodríguez, Horacio Pavez García, Renato Peñafiel Muñoz, Francisco Silva Silva and Mario Weiffenbach Oyarzún.

Administradora General de Fondos Security S.A.

On April 7, 2011 the Ordinary Shareholders' Meeting was held, wherein that approved the Annual Report, Balance Sheet, Profit and Loss Statements and Report by the External Auditors for the year ended December 31, 2010, were approved.

The Shareholders' Meeting also agreed to allocate all of the profit of Ch$3,762,044,741 for the year ended December 31, 2010 to the Future Dividends Fund and keep Deloitte as the Company's external auditors for 2011.

On December 21, 2011, given the obvious existence of an increase in short-term interest rates, adjustments were made related to differences considered relevant for the instruments making up the portfolios of the "Mutual Fund Security Check" and "Mutual Fund Security Plus", which, according to the provisions of Circular 1,579 and the Market value, are valued at Purchase TIR. According to the procedures stipulated in Circulars 1,990 and 1,579, the instruments making up the portfolios of the above funds were adjusted.

The above resulted in a reduction in the unit value of these funds, as follows:

TYPE 1 MUTUAL FUNDS	UNIT VALUE 20/12/2011	NOMINAL DAILY RETURN
Security Check Series A	3,628.9088	-0.1040
Security Check Series B	1,066.5983	-0.1040
Security Check Series I	4,063.3303	-0.1040
Security Plus Series A	1,340.5968	-0.1032
Security Plus Series C	2,026.3810	-0.1032

On December 28, 2011, given the obvious existence of a decrease in short-term interest rates, adjustments were made related to differences considered relevant for the instruments making up the portfolios of the "Mutual Fund Security Check" and "Mutual Fund Security Plus", which, according to the provisions of Circular 1,579 and the Market value, are valued at Purchase TIR. According to the procedures stipulated in Circular 1,990 and 1,579, the instruments making up the portfolios of the above funds were adjusted. The above resulted in an increase in the unit value of these funds, as follows:

TYPE 1 MUTUAL FUNDS	UNIT VALUE 20/12/2011	NOMINAL DAILY RETURN
Security Check Series A	3,636.1619	0.1135
Security Check Series B	1,068.9960	0.1171
Security Check Series I	4,073.1151	0.1194
Security Plus Series A	1,343.5416	0.1210
Security Plus Series C	2,031.6625	0.1233

On July 29, 2010, this company submitted an essential event to the Superintendency of Securities and Insurance according to articles 9, 10, paragraph 2, 234, and paragraph 2, of Securities Market Law 18,045, No. 12 B, of Statutory Decree 1,328 of 1976.

Given the changes in the interest rate implemented by Chile's Central Bank and their effect on the prices and/or rates of the mutual fund investment portfolios securities defined as Type I by Circular N°1,578 of 2002, managed by this company, and known as "Fondo Mutuo Security Check" and "Fondo Mutuo Security Plus", which value such instruments at the Purchase IRR, according to the provisions of paragraph one of number 1.1 of Section I of Circular N°1,579 of 2002.

Given the differences between the purchase IRR valuation rate and the rate provided by the valuation model referred to in Section I, number 1, section 1.2.1, letter a) of the aforementioned circular, which affects securities making up the above mentioned fund portfolios, management decided to value those securities included in the according to the provisions issued in paragraph 2 of number 1.1 of Section I of Circular N°1,579 of 2002, for July 28, 2010.

On April 28, 2010, the Ordinary Shareholders' Meeting elected Bonifacio Bilbao Hormaeche as director to fill the position left vacant by the resignation of Gonzalo Ruiz Undurraga.

Valores S.A. Corredores de Bolsa

During the year from January 1 to December 31, 2011 there were no relevant reportable events.

On April 23, 2010, Naoshi Matsumoto Courdurier submitted his resignation to the position of Director of Valores Security S.A.

The Shareholders' Meeting of April 28, 2010 elected Messrs. Ramón Eluchans Olivares, Enrique Menchaca Olivares, Nicolás Ugarte Bustamante, Gonzalo Barahona Bezanilla and Fernando Salinas Pinto as Directors.

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5. BUSINESS SEGMENTS

The Bank's senior management processes its decisions through the following segments or business areas, as 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 to this segment are commercial loans in local currency, foreign currency, lease operations and foreign trade, in addition to checking accounts and investments.

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

Investment Business: this corresponds to the fund management business, share brokerage and administration of internal positions, developed through the following subsidiaries of the Bank: Administradora General de Fondos Security S.A. and Valores Security S.A. Corredora de Bolsa.

Other: This segment corresponds to non-recurrent revenue and expenses and other items that cannot be assigned to any of the segments described above.

The following is a detailed summary of the allocation of the assets, liabilities and income as of December 31, 2011 and 2010, among the different segments.

Most of the income from the ordinary 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.

a) Assets and liabilities by business segment

	CORPORATE BANKING		PERSONAL BANKING		FINANCIAL BUSINESS		OTHERS		BANK TOTAL		INVESTMENT BUSINESS		TOTAL CONSOLIDATED	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Assets														
Gross loans	1,852,440	1,400,277	761,315	585,766	814	2,538	2	52	2,614,571	1,988,633	-	-	2,614,571	1,988,633
Loan provision	(35,498)	(32,076)	(360)	(5,830)	(33)	(30)	-	-	(35,891)	(37,936)	-	-	(35,891)	(37,936)
Net loans	1,816,942	1,368,201	760,955	579,936	781	2,508	2	52	2,578,680	1,950,697	-	-	2,578,680	1,950,697
Financial operations	-	-	-	-	653,675	602,127	-	-	653,675	602,127	86,209	65,402	739,884	667,529
Other assets	-	-	-	-	52,648	59,882	492,232	369,694	544,880	429,576	47,921	75,716	592,801	505,292
Total assets	1,816,942	1,368,201	760,955	579,936	707,104	664,517	492,234	369,746	3,777,235	2,982,400	134,130	141,118	3,911,365	3,123,518
Liabilities and equity														
Liabilities	1,674,074	1,262,830	716,412	547,257	672,686	642,234	492,161	369,677	3,555,333	2,821,998	88,569	95,073	3,643,902	2,917,071
Equity	142,868	105,371	44,543	32,679	34,418	22,283	0	(2)	221,829	160,331	45,561	46,045	267,390	206,376
Non-controlling interest	-	-	-	-	-	-	73	71	73	71	-	-	73	71
Total liabilities and equity	1,816,942	1,368,201	760,955	579,936	707,104	664,517	492,234	369,746	3,777,235	2,982,400	134,130	141,118	3,911,365	3,123,518

b) Income by business segment

	CORPORATE BANKING		PERSONAL BANKING		FINANCIAL BUSINESS		OTHERS		BANK TOTAL		INVESTMENT BUSINESS		TOTAL CONSOLIDATED	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Direct Operating Margin														
Financial margin (1)	42,066	36,960	26,751	18,975	(5,087)	1,537	-	-	63,730	57,472	(3,380)	(1,112)	60,350	56,360
Net commissions	9,964	8,799	8,633	6,692	(530)	(411)	(688)	(519)	17,379	14,561	10,145	10,162	27,524	24,723
Changes and others (2)	6,843	5,009	338	364	18,998	22,752	(1,938)	635	24,241	28,760	8,594	4,271	32,835	33,031
Provision for loan losses (3)	(11,706)	(13,471)	(4,988)	(5,716)	(1,306)	-	(1,170)	(161)	(19,170)	(19,348)	-	-	(19,170)	(19,348)
Total operating income, net	47,167	37,297	30,734	20,315	12,075	23,878	(3,796)	(45)	86,180	81,445	15,359	13,321	101,539	94,766
Support expenses (4)	(21,630)	(19,875)	(27,021)	(23,145)	(5,414)	(5,819)	1,081	-	(52,984)	(48,839)	(7,885)	(7,185)	(60,869)	(56,024)
Operating income (loss)	25,537	17,422	3,713	(2,830)	6,661	18,059	(2,715)	(45)	33,196	32,606	7,474	6,136	40,670	38,742
Income from investments in other companies	-	-	-	-	-	-	12	19	12	19	166	135	178	154
Income before income tax	25,537	17,422	3,713	(2,830)	6,661	18,059	(2,703)	(26)	33,208	32,625	7,640	6,271	40,848	38,896
Taxes	(3,627)	(2,254)	(527)	366	(946)	(2,337)	383	4	(4,717)	(4,221)	(1,111)	(965)	(5,828)	(5,186)
Consolidated income (loss) for the period	21,910	15,168	3,186	(2,464)	5,715	15,722	(2,320)	(22)	28,491	28,404	6,529	5,306	35,020	33,710
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	4	4	4	4
Income attributable to bank owners	21,910	15,168	3,186	(2,464)	5,715	15,722	(2,320)	(22)	28,491	28,404	6,525	5,302	35,016	33,706

(1) Corresponds to net income for interest and adjustments.

(2) Includes net profit from financial operations and changes, other income and expenses and other provisions for contingencies.

(3) Includes provisions for credit risk, net income for goods received in lieu of payment, impairment of investment instruments and intangibles, and net provisions for country risk, specific and additional.

(4) Corresponds to remunerations and expenses of personnel, administrative expenses, depreciation and amortization.

6. CASH AND CASH EQUIVALENTS

Details of balances included under cash and cash equivalents are as follows:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Cash and depostis in banks		
Cash	10,077	9,891
Deposits in Chile's Central Bank	142,422	60,134
Deposits in national banks	1,394	2,002
Deposits abroad	108,624	42,382
Subtotal - cash and deposits in banks	262,517	114,409
Unsettled transactions, net	34,827	21,860
Resale agreements	2,018	-
Total cash and cash equivalents	299,362	136,269

The level of cash funds and funds in Chile's Central Bank responds to cash reserve requirements that the Bank must meet on average, on a monthly basis.

Operations with ongoing settlements correspond to transactions in which only the settlement remains. Settlement of these transactions will increase or decrease the funds in Chile's Central Bank or in foreign banks, normally within 12 or 24 working hours. Details of unsettled transactions are presented below:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Assets		
Documents in other banks (exchange)	18,224	23,213
Funds receivable	87,971	107,898
Subtotal - assets	106,195	131,111
Liabilities		
Funds payable	(71,368)	(109,251)
Subtotal - liabilities	(71,368)	(109,251)
Unsettled transactions, net	34,827	21,860

7. TRADING INVESTMENTS

As of December 31, 2011 and 2010, the Bank and its subsidiaries have the following balances included under the concept of trading investments:

	UP TO ONE YEAR		MORE THAN 1 AND UP TO 3		MORE THAN 3 YEARS AND UP TO 6 YEARS		MORE THAN 6 YEARS		TOTAL	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Instruments of the State and Chile's Central Bank										
Instruments of Chile's Central Bank	5,366	1,536	24,624	119,081	18,996	13,903	3,165	4,984	52,151	139,504
Chilean Treasury instruments	-	-	37,729	-	42,816	22,477	162	12,989	80,707	35,466
Other government instruments	-	508	-	33	-	-	-	14	-	555
Subtotal	5,366	2,044	62,353	119,114	61,812	36,380	3,327	17,987	132,858	175,525
Other Financial Instruments										
Deposit promissory notes in local banks	202,600	112,355	4,747	37,895	-	-	-	-	207,347	150,250
Mortgage notes in local banks	-	-	-	1	2	1	1,439	422	1,441	424
Bonds in local banks	547	435	2,479	-	6,623	1,228	996	318	10,645	1,981
Other locally issued instruments	4,791	680	-	-	-	198	-	-	4,791	878
Mutual funds	47,284	60,464	-		-	-	-	-	47,284	60,464
Subtotal	255,222	173,934	7,226	37,896	6,625	1,427	2,435	740	271,508	213,997
Total trading instruments	260,588	175,978	69,579	157,010	68,437	37,807	5,762	18,727	404,366	389,522

The Bank has letters of credit issued on its behalf at December 31, 2011 and 2010 for MCh$2,796 and MCh$2,996, respectively, which are shown net of letters of credit issued by the Bank in liabilities

8. OPERATIONS WITH REPURCHASE AND RESALE AGREEMENTS

a) Resale (reverse repurchase agreements)

The Bank purchases financial instruments with a commitment to sell them at a future date. At December 31, 2011 and 2010, the reverse repurchase agreement assets, classified by type of debtor and maturity of the agreement, are as follows:

	FROM 1 DAY TO LESS THAN 3 MONTHS		MORE THAN 3 MONTHS, LESS THAN 1 YEAR		MORE THAN 1 YEAR		TOTAL	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Local banks	-	-	-	-	-	-	-	-
Other entities	2,018	-	-	-	-	-	2,018	-
Total	2,018	-	-	-	-	-	2,018	-

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b) Repurchase agreement liabilities

The Bank sells financial instruments agreeing to purchase them at a future date plus interest. At December 31, 2011 and 2010, the repurchase agreement liabilities, classified by type of debtor and maturity of the agreements, are as follows:

	FROM 1 DAY TO LESS THAN 3 MONTHS		MORE THAN 3 MONTHS, LESS THAN 1 YEAR		MORE THAN 1 YEAR		TOTAL	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Local banks:								
Central bank	49,822	-	-	-	-	-	49,822	-
Other banks	707	-	-	-	-	-	707	-
Other entities	70,546	40,588	-	-	-	-	70,546	40,588
Total	121,075	40,588	-	-	-	-	121,075	40,588

The instruments guaranteeing the liability of these repurchase agreements are included in the Trading investments portfolio in Note 7.

9. FINANCIAL DERIVATIVE CONTRACTS AND HEDGE ACCOUNTING

a) Transactions for the purchase and sale of foreign currency futures and other derivative products at year-end are summarized below:

	CASH FLOW (CF) OR FAIR VALUE (FV) HEDGE	NOTIONAL AMOUNT OF CONTRACT MATURING IN						FAIR VALUE			
		LESS THAN 3 MONTHS		FROM 3 MONTHS TO 1 YEAR		MORE THAN 1 YEAR		ASSETS		LIABILITIES	
		2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Derivatives held for trading											
Currency forwards	(VR)	1,575,383	394,349	1,889,031	(367,055)	827,627	(36,864)	38,909	49,395	(40,830)	(40,134)
Interest rate swaps	(VR)	1,668,085	95,038	2,780,204	309,296	6,697,628	1,103,797	11,053	11,289	(12,867)	(17,808)
Currency swaps	(VR)	5,161	5,160	59,794	62,022	24,635	63,226	3,066	1,252	(678)	(1,582)
Interest rate put options	(VR)	-	-	-	-	-	-	-	-	(10)	(78)
								-		-	
Total derivative assets/(Liabilities) held for trading		3,248,629	494,547	4,729,029	4,263	7,549,890	1,130,159	53,028	61,936	(54,385)	(59,602)
Derivatives held for hedge accounting											
Currency forwards	(F)	-	-	-	-		-	-	-	-	-
Interest rate swaps	(F)	-	-	12,363	-	25,000	12,363	-	-	(897)	(665)
Currency swaps	(F)	-	-	-	-	12,362	-	585	-	-	-
Total derivative assets/(Liabilities) held for hedging		-	-	12,363	-	37,362	12,363	585	-	(897)	(665)
Total financial derivative assets/ (liabilities)		3,248,629	494,547	4,741,392	4,263	7,587,252	1,142,522	53,613	61,936	(55,282)	(60,267)

b) Hedge Accounting:

The fair value adjustment recognized in equity at December 31, 2011 and 2010 of the hedge instruments is a reduction in equity value of MCh$168 and MCh$1,035 (net of deferred taxes), respectively.

On September 10, 2010, through Management Letter 69,858, the Superintendency of Banks and Financial Institutions instructed the Bank to interrupt its accounting treatment of the cash flow hedge from January 2009, geared towards hedging the interest rate risk in renewing the deposit portfolio. At December 31, 2011 and 2010 there is a balance of MCh$262 and MCh$1,098 to be amortized as goodwill, net of deferred tax, respectively.

In October 2010, the Bank performed a cash flow hedge of a liability item using a cross currency swap. The fair value of the hedge instrument recognized in equity at December 31, 2011 and 2010 is an increase inequity value of MCh$63 and MCh$1,035, net of deferred tax.

In April, 2011, a cash flow hedge was taken out for an expected event, which generated a negative goodwill of MCh$7, net of deferred tax at December 31, 2011.

10. INTERBANK LOANS

a) Transactions owed by banks at December 31, 2011 and 2010 show normal behavior (normal portfolio), and credit risk is evaluated on an individual basis. Details are as follows:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Local banks:		
Inter-bank loans	37	1,628
Provisions for loans from local banks	-	-
Subtotal	37	1,628
Foreign banks:		
Loans to foreign banks	31,647	9,427
Other credits with foreign banks	-	302
Provisions for credits with foreign banks	(33)	(32)
Subtotal	31,614	9,697
Total	31,651	11,325

b) The movement of provisions for interbank loans is as follows:

MOVEMENT:	MCH$
Balance at January 1, 2010	(16)
Impaired portfolio write-offs	-
Provisions established (Note 29)	(43)
Provisions released (Note 29)	27
Balance at December 31, 2010	(32)
Balance at January 1, 2011	(32)
Impaired portfolio write-offs	-
Provisions established (Note 29)	(27)
Provisions released (Note 29)	26
Balance at December 31, 2011	(33)

11. LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS

a) Loans and accounts receivable from customers

	ASSETS BEFORE PROVISIONS						PROVISIONS SET UP						NET ASSETS	
	NORMAL PORTFOLIO		IMPAIRED PORTFOLIO		TOTAL		INDIVIDUAL PROVISIONS		GROUP PROVISIONS		TOTAL			
	2011 MM$	2010 MM$	2011 MM$	2010 MM$	2011 MM$	2010 MM$	2011 MM$	2010 MM$	2011 MM$	2010 MM$	2011 MM$	2010 MM$	2011 MM$	2010 MM$
Commercial loans:														
Commercial loans	1,434,099	1,098,023	41,429	75,938	1,475,528	1,173,961	20,296	21,881	2,774	2,621	23,070	24,502	1,452,458	1,149,459
Foreign trade loans	264,243	155,132	14,464	28,379	278,707	183,511	7,177	8,287	6	7	7,183	8,294	271,524	175,217
Checking account debtors	26,971	24,998	1,211	2,757	28,182	27,755	1,161	1,158	146	89	1,307	1,247	26,875	26,508
Factoring operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease operations	224,913	175,529	3,083	6,577	227,996	182,106	558	1,368	71	60	629	1,428	227,367	180,678
Other credits and accounts receivable	2,192	1,604	647	459	2,839	2,063	546	350	19	8	565	358	2,274	1,705
Subtotal	1,952,418	1,455,286	60,834	114,110	2,013,252	1,569,396	29,738	33,044	3,016	2,785	32,754	35,829	1,980,498	1,533,567
Mortgage loans:														
Loans with letters of credit	14,239	16,429	697	1,664	14,936	18,093	-	-	57	43	57	43	14,879	18,050
Endorsable mortgage loans	43,965	46,655	1,450	5,830	45,415	52,485	-	-	130	122	130	122	45,285	52,363
Other mortgage loans	334,505	214,643	3,370	15,220	337,875	229,863	-	-	260	328	260	328	337,615	229,535
Lease operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other credits and accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	392,709	277,727	5,517	22,714	398,226	300,441	-	-	447	493	447	493	397,779	299,948
Consumer loans:														
Consumer credits in installments	106,142	59,578	4,344	8,250	110,486	67,828	-	-	1,673	1,334	1,673	1,334	108,813	66,494
Check account debtors	29,355	16,954	923	3,828	30,278	20,782	-	-	504	346	504	346	29,774	20,436
Credit card debtors	29,520	16,824	311	2,005	29,831	18,829	-	-	480	302	480	302	29,351	18,527
Other credits and accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	165,017	93,356	5,578	14,083	170,595	107,439	-	-	2,657	1,982	2,657	1,982	167,938	105,457
							-							
TOTAL	2,510,144	1,826,369	71,929	150,907	2,582,073	1,977,276	29,738	33,044	6,120	5,260	35,858	38,304	2,546,216	1,938,972
Accounting hedges														
Commercial loans													813	-
Subtotal													813	-
TOTAL CREDITS AND RECEIVABLES FROM CLIENTS													2,547,029	1,938,972

b) Movement of provisions for loan losses

Changes in provisions in 2011 and 2010 are as follows:

	INDIVIDUAL PROVISIONS MCH$	GROUP PROVISIONS MCH$	TOTAL MCH$
Balance at January 1, 2010	**25,505**	**5,714**	**31,219**
Impaired portfolio write-offs:			
Commercial loans	(8,662)	-	(8,662)
Mortgage loans	-	(123)	(123)
Consumer loans	-	(3,517)	(3,517)
Total write-offs	(8,662)	(3,640)	(12,302)
Provisions established (Note 29)	32,867	12,252	45,119
Provisions released (Note 29)	(16,666)	(9,066)	(25,732)
Balance at December 31, 2010	33,044	5,260	38,304
Balance at January 1, 2011	**33,044**	**5,260**	**38,304**
Impaired portfolio write-offs:			
Commercial loans	(8,365)	-	(8,365)
Mortgage loans	-	(36)	(36)
Consumer loans	-	(3,536)	(3,536)
Total write-offs	(8,365)	(3,572)	(11,937)
Provisions established (Note 29)	40,632	14,377	55,009
Provisions released (Note 29)	(35,573)	(9,945)	(45,518)
Balance at December 31, 2011	29,738	6,120	35,858

In addition to these loan loss 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, 2011 and 2010, Loans and Accounts Receivable from Customers show no impairment.

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

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

	DOMESTIC LOANS		FOREIGN LOANS		TOTAL			
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 %	2010 %
Commercial loans								
Manufacturing	157,768	136,132	5,105	2,847	162,873	138,979	6.31	7.03
Mining	29,412	17,041	6,437	-	35,849	17,041	1.39	0.86
Electricity, gas and water	11,306	9,988	-	-	11,306	9,988	0.44	0.51
Agriculture and livestock	68,676	50,802	988	2,333	69,664	53,135	2.70	2.69
Forestry	23,635	12,453	-	-	23,635	12,453	0.92	0.63
Fishery	43,955	34,828	-	-	43,955	34,828	1.70	1.76
Transportation	39,229	36,556	-	-	39,229	36,556	1.52	1.85
Telecommunications	26,424	22,185	-	-	26,424	22,185	1.02	1.12
Construction	173,577	138,834	-	-	173,577	138,834	6.72	7.02
Commerce	446,258	374,120	9,971	7,668	456,229	381,788	17.67	19.31
Financial and insurance services	483,777	343,388	4,680	1,912	488,457	345,300	18.92	17.46
Real estate	115,144	78,000	-	-	115,144	78,000	4.46	3.95
Company services	101,293	83,273	-	-	101,293	83,273	3.92	4.21
Community services	226,856	182,045	-	-	226,856	182,045	8.79	9.21
Others	38,761	34,861	-	130	38,761	34,991	1.50	1.77
Subtotal	1,986,071	1,554,506	27,181	14,890	2,013,252	1,569,396		
Mortgage loans	398,226	300,441	-	-	398,226	300,441	15.42	15.19
Consumer loans	170,595	107,439	-	-	170,595	107,439	6.60	5.43
Total	2,554,892	1,962,386	27,181	14,890	2,582,073	1,977,276		

12. INVESTMENT INSTRUMENTS

As of December 31, 2011 and 2010, the Bank and its subsidiaries have the following balances, valued at fair value, included under available for sale investments:

Available for sale investments

	UP TO 1 YEAR		MORE THAN 1 YEAR AND UP TO 3 YEARS		MORE THAN 3 YEARS AND UP TO 6 YEARS		MORE THAN 6 YEARS		TOTAL	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Instruments of the State and Chile's Central Bank										
Instruments of Chile's Central Bank	11,044	-	27,910	11	23,389	-	-	-	62,343	11
Chilean Treasury instruments		-		-		-	-	-	-	-
Subtotal	11,044	-	27,910	11	23,389	-	-	-	62,343	11
Other Financial Instruments										
Promissory notes of deposits in local banks	133,324	157,657	4,298	4,630	-	-	-	-	137,622	162,287
Mortgage notes in local banks	14	16	333	376	1,649	1,610	34,573	35,763	36,569	37,765
Domestic corporate bonds	1,196	3,044	15,827	16,714	19,554	20,748	9,109	6,833	45,686	47,339
Other instruments issued abroad	808	947	3,268	1,768	12,948	7,313	34,256	20,577	51,280	30,605
Subtotal	135,342	161,664	23,726	23,488	34,151	29,671	77,938	63,173	271,157	277,996
Total available for sale investments	146,386	161,664	51,636	23,499	57,540	29,671	77,938	63,173	333,500	278,007

The operations with repurchase agreements with clients and the Chilean Central Bank, involving the portfolio of available for sale investment instruments at December 31, 2011, amount to MCh$47,437. At December 31, 2010, the Bank did not have a balance related to such operations.

At December 31, 2011, the portfolio of available for sale instruments includes an unrealized loss of MCh$3,302, of which MCh$1,325, net of deferred taxes, is presented in equity (Note 24) and MCh$1,977 is presented as impairment in the statement of income (Note 33).

At December 31, 2010, the unrealized loss was MCh$73, recorded as a valuation adjustment in equity, and no evidence of impairment in value existed.

At December 31, 2011 and 2010, the Bank does not have any held-to-maturity investments.

13. INVESTMENTS IN OTHER COMPANIES

Investments in companies correspond to shares and rights in companies that support the Bank's line of business. They are valued at cost. Their investment values and income received (dividends and distribution of net income) are as follows:

	INTEREST		AMOUNT OF INVESTMENT						INCOME AT DECEMBER 31	
			BALANCE AT JANUARY 1		PURCHASE (SALE)		BALANCE AT DECEMBER 31			
	2011 %	2010 %	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Santiago Stock Exchange	2.08	2.08	305	305	-	-	305	305	82	71
Electronic Stock Exchange	2.44	2.44	61	61	-	-	61	61	-	-
Combanc S.A.	4.72	4.72	134	134	-	-	134	134	-	9
Depósito Central de Valores S.A.	3.60	3.60	58	58	-	-	58	58	2	11
Other investments in companies			63	63	(1)	-	62	63	94	63
Total investments in other companies			621	621	(1)	-	620	621	178	154

The Bank has not recorded any impairment associated with these investments.

14. INTANGIBLE ASSETS

a) The intangibles that the Bank and its subsidiaries maintain current as of December 31, 2011 and 2010 correspond to internal developments which are in the production or development stage:

	USEFUL LIFE (YEAR)		REMAINING YEARS AS OF AMORTIZATION		GROSS BALANCE		ACCUMULATED AMORTIZATION		NET BALANCE	
	2011	2010	2011	2010	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Type of intangible:	-	-	-	-	-	-	-	-	-	-
Generated internally	3.92	3.90	1.60	1.40	36,554	26,940	(7,032)	(5,185)	29,522	21,755
Total					36,554	26,940	(7,032)	(5,185)	29,522	21,755

b) The movement of intangible assets during the period from January 1 to December 31, 2011 and 2010 is as follows:

	MOVEMENT OF INTANGIBLE ASSETS			
	INTANGIBLES			
	ACQUIRED MCH$	GENERATED INTERNALLY MCH$	ACCUMULATED AMORTIZATION MCH$	TOTAL MCH$
Balance at January 1, 2010	-	19,918	(3,794)	16,124
Additions	-	7,022	-	7,022
Transfer to operating intangibles	-	-	-	-
Amortization for the period	-	-	(1,391)	(1,391)
Impairment for the period	-	-	-	-
Balance at December 31, 2010	-	26,940	(5,185)	21,755
Balance at January 1, 2011	-	26,940	(5,185)	21,755
Additions	-	10,285	-	10,285
Transfer to operating intangibles	-	-	-	-
Amortization for the period	-	-	(1,847)	(1,847)
Impairment for the period	-	(671)	-	(671)
Balance at December 31, 2011	-	36,554	(7,032)	29,522

In 2011, the Bank's management charged MCh$671 to income for impairment. In 2010, no impairment of intangibles was noted (Note 33).

15. PROPERTY, PLANT AND EQUIPMENT

a) Property, Plant and Equipment

	MOVEMENT OF PROPERTY, PLANT AND EQUIMENT									
	BUILDINGS AND LAND			EQUIPMENT			OTHER PROPERTY, PLANT AND EQUIPMENT			NET ASSETS
	GROSS ASSETS	ACCUMULATED DEPRECIATION	ACCUMULATED IMPAIRMENT	GROSS ASSETS	ACCUMULATED DEPRECIATION	ACCUMULATED IMPAIRMENT	GROSS ASSETS	ACCUMULATED DEPRECIATION	ACCUMULATED IMPAIRMENT	
	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$
Balance at January 1, 2010	19,750	(1,318)	-	5,078	(4,796)	-	8,306	(4,529)	-	22,491
Additions	468	-	-	1,694	-	-	25	-	-	2,187
Retirements write-offs	(751)	-	-	-	-	-	-	-	-	(751)
Depreciation for the year	-	(251)	-	-	(300)	-	-	(681)	-	(1,232)
Impairment for the period	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2010	19,467	(1,569)	-	6,772	(5,096)	-	8,331	(5,210)	-	22,695
Balance at January 1, 2011	19,467	(1,569)	-	6,772	(5,096)	-	8,331	(5,210)	-	22,695
Additions	1,099	-	-	940	-	-	82	-	-	2,121
Retirements write-offs	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	(175)	-	-	(427)	-	-	(619)	-	(1,221)
Impairment for the period	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2010	20,566	(1,744)	-	7,712	(5,523)	-	8,413	(5,829)	-	23,595

b) Future operating lease payments

Future minimum lease payments that must be disbursed for operating lease agreements that cannot be terminated unilaterally without incurring penalties, as of December 31, 2011 and 2010, are as follows:

	FUTURE LEASE CASH OUTFLOWS							
	LESS THAN 1 YEAR		FROM 1 TO 5 YEARS		MORE THAN 5 YEARS		TOTAL	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Operating lease contracts	111	1,103	4,681	2,908	2,291	273	7,083	4,284

c) Lease expenses

Operating lease expenses for the agreements described in Note b) above for 2011 and 2010 are as follows

	AT DECEMBER 31 2011 MCH$	AT DECEMBER 31 2010 MCH$
Operating lease expenses	1,657	1,356

As of December 31, 2011 and 2010, the Bank does not have any finance lease agreements.

16. CURRENT AND DEFERRED TAXES

a) Current taxes

Details of deferred tax assets and liabilities at December 31, 2011 and 2010 are as follows:

	AT DECEMBER 31 2011 MCH$	AT DECEMBER 31 2010 MCH$
Income tax at 20% statutory tax rate	(5,281)	(5,305)
Tax on disallowed expenses - 35%	(13)	(17)
Less:		
Monthly estimated tax payments	6,884	5,559
Training expense credits	148	138
Other	28	3
Total	1,766	378
Refundable tax	1,766	378
Income tax payable	-	-
Current tax liability	-	-
Refundable income tax provision	1,766	378
Other tax credits	978	272
Current tax asset	2,744	650

b) Income tax expense

Income tax expense during the years ended December 31, 2011 and 2010 is as follows:

	AT DECEMBER 31 2011 MCH$	AT DECEMBER 31 2010 MCH$
Income tax expense:		
Current year tax	4,660	5,305
Single tax for the year	13	17
Adjustment to tax expense, prior years	(151)	(367)
Subtotal	4,522	4,955
Deferred tax credit (charge)		
Origin and reversal of temporary differences	1,306	231
Net charge to income from income tax	5,828	5,186

On July, 29, 2010, Law 20,455, "Amendments to various laws to obtain resources aimed at financing the reconstruction of the country," was enacted and published in the Official Gazette on July 31, 2010. Among other things, this law stipulates a temporary increase in the income tax rate for business years 2011 and 2012 (to 20% and 18.5%, respectively), returning to 17% in 2013.

As a result of these temporary changes in the income tax rate and their effects on deferred tax assets and liabilities, which will be reversed in future years, with regard to those calculated at the current rate of 17% for the 2010 business year, income tax expense recognized by the Bank has decreased by MCh$504 and MCh$314 at December 31, 2011 and 2010, respectively.

c) **Deferred taxes**

The deferred taxes resulting from temporary differences are presented below:

c.1) Effect of Deferred Taxes on Equity (Valuation Accounts):

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Available for sale investments	333	15
Hedges	33	212
Total	366	227

c.2) Effect of deferred taxes:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Deferred tax assets:		
Global provision portfolio	4,659	5,102
Provision - lower value of portfolio	128	100
Provision - greater value of swaps	4	77
Global provision recovered assets	15	194
Forward contracts	669	901
Leased tax assets	28,765	28,044
Suspended interest	201	220
Other	1,638	1,266
Total deferred tax assets	36,079	35,904
Effect on equity	366	227
Total deferred tax assets	36,445	36,131
Deferred tax liabilities:		
Lease assets	(1,955)	(3,975)
Lease contracts	(30,347)	(27,913)
Depreciation property, plant and equipment	(1,047)	(1,077)
Effective interest rate	(395)	(320)
Other	(1,377)	(1,378)
Total deferred tax liabilities	(35,121)	(34,663)
Total assets (liabilities)	958	1,241

c.3) Total Deferred Taxes:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Effect of Deferred Taxes on Equity	366	227
Effect of Deferred Taxes on Income	958	1,241
Total Assets (Liabilities), net	1,324	1,468

c.4) Reconciliation of income tax rate:

The reconciliation of the income tax rate and the rate actually used in calculating the tax expense at December 31, 2011 and 2010 is specified below:

	AT DECEMBER 31, 2011		AT DECEMBER 31, 2010	
	INTEREST RATE	AMOUNT MCH$	INTEREST RATE	AMOUNT MCH$
Income before tax	20.0%	9,393	17.0%	7,504
Permanent differences	-6.4%	(2,996)	-4.2%	(1,839)
Additions or deductions				
Single tax (disallowed expenses)	0.0%	13	0.0%	17
Amortization of deferred tax supplementary accounts	0.0%	-	0.0%	-
Non-deductible expenses (financial and non-tax expense)	0.0%	-	0.0%	-
Prior year adjustments	-0.4%	(170)	-0.7%	(313)
Effect of change in tax rates	-1.1%	(504)	-0.7%	(314)
Other	0.2%	92	0.3%	131
Effective income tax rate and expense	12.4%	5,828	11.7%	5,186

d) Joint Regulation of the Superintendency of Banks and Financial Institutions - Circular 3478 - and the Internal Revenue Service - Circular 47.

Details at December 31, 2011 and 2010 of the tax treatment of provisions, write-offs, renegotiations and remission of loans granted by the Bank are specified below:

d.1) Loans and accounts receivable from customers at December 31:

	ASSETS AT FINANCIAL STATEMENT VALUE		ASSETS AT TAX VALUE					
			TOTAL		PAST-DUE PORTFOLIO WITH COLLATERAL		PAST-DUE PORTFOLIO WITHOUT COLLATERAL	
	2011 MM$	2010 MM$	2011 MM$	2010 MM$	2011 MM$	2010 MM$	2011 MM$	2010 MM$
Commercial loans	1,784,443	1,387,290	1,786,392	1,390,896	5,027	6,661	12,076	8,913
Consumer loans	170,595	107,439	170,595	107,439	41	27	516	371
Mortgage loans	398,226	300,441	398,226	300,441	248	322	1	-
Interbank loans	31,684	11,357	31,684	11,357	-	-	-	-
Total	2,384,948	1,806,527	2,386,897	1,810,133	5,316	7,010	12,593	9,284

d.2) Provisions for past-due portfolio:

	BALANCE AT JANUARY 1		WRITE-DOWN AGAINST PROVISION		PROVISIONS ESTABLISHED		PROVISIONS RELEASED		BALANCE AT DECEMBER 31	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Commercial loans	8,913	10,935	(5,618)	(7,201)	8,781	5,179	-	-	12,076	8,913
Consumer loans	371	336	(1,441)	-	1,586	35	-	-	516	371
Mortgage loans	-	7	-	-	1	-	-	(7)	1	-
Interbank loans	-	-	-	-	-	-	-	-	-	-
Total	9,284	11,278	(7,059)	(7,201)	10,368	5,214	-	(7)	12,593	9,284

d.3) Write-offs, loan forgiveness, and recoveries:

DIRECT PUNISHMENTS AND RECOVERIES	AT DECEMBER 31		APPLICATION OF ARTICLE 31 NUMBER 4, PARAGRAPHS 1 AND 3	AT DECEMBER 31	
	2011 MCH$	2010 MCH$		2011 MM$	2010 MM$
Direct write-offs Article 31 Number 4, paragraph two	4,879	4,377	Write-offs according to paragraph one	-	-
Loan forgiveness releasing provisions	-	-	Loan forgiveness according to paragraph two	-	-
Recovery or renegotiation of written-off loans	1,036	718		-	-

17. OTHER ASSETS

a) Details of other assets at December 31, 2011 and 2010 are as follows:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Assets for leasing	13,808	24,151
Assets received in lieu of payment or awarded		
Assets received in lieu of payment	794	4,152
Assets awarded in court-ordered auctions	1,294	618
Provision for assets received in lieu of payment	(90)	(1,140)
Subtotal - Assets received in lieu of payment or awarded	1,998	3,630
Other assets		
VAT credit	4,480	3,559
Prepaid expenses	502	1,254
Brokerage debtors	33,645	55,579
Treasury operations receivable	15,029	20,022
Other	8,088	7,789
Subtotal - Other assets	61,744	88,203
Total other assets	77,550	115,984

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

The Bank has no property, plant and equipment held 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 December 31, 2011 and 2010 established in conformity with the regulations of the SBIF are as follows:

MOVEMENT:		MCH$
Balance at January 1, 2010		(42)
Establishment	Provision	(1,098)
	Impairment	-
Release:	Provision	-
	Impairment	-
Balance at December 31, 2010		(1,140)
Balance at January 1, 2011		(1,140)
Establishment	Provision	(90)
	Impairment	-
Release:	Provision	1,140
	Impairment	-
Balance at December 31, 2011		(90)

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 on demand obligations

At December 31, 2011 and 2010, details of deposits and other on demand obligations are as follows:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Checking Accounts:		
Local banks checking accounts	26	5
Checking accounts with other legal entities	180,907	174,273
Individuals checking accounts	77,721	65,270
Subtotal	258,654	239,548
Other deposits and on-demand accounts:		
Money orders	18,728	14,347
Other on demand deposit accounts	2,630	2,484
Subtotal	21,358	16,831
Other on demand obligations:		
Deposits for court-ordered consignments	159	76
Performance on-demand bonds payable	330	201
Collections made payable	3,416	3,228
Export proceeds to be settled	33	847
Pending payment orders	1,919	2,360
Payments to the account of credits to be paid	1,080	204
Inactive balances article 156 LGB	756	643
Expired time deposits	690	941
Past-due bond coupons and letters of credit	212	286
Other on demand obligations	65,008	20,299
Subtotal	73,603	29,085
Total	353,615	285,464

b) Time deposits and other time liabilities

At December 31, 2011 and 2010, details of time deposits, classified according to their maturity, are as follows

	UP TO 1 YEAR		MORE THAN 1 YEAR AND UP TO 3 YEARS		MORE THAN 3 YEARS AND UP TO 6 YEARS		MORE THAN 6 YEARS		BALANCE AT	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Time deposits										
Domestic banks	82,695	24,964	5,004	-	-	-	-	-	87,699	24,964
Foreign banks	-	-	-	-	-	-	-	-	-	-
Other legal entities	1,849,870	1,573,667	42,738	67,705	4,204	-	-	-	1,896,812	1,641,372
Individuals	51,121	27,771	73	176	-	-	-	-	51,194	27,947
Subtotal	1,983,686	1,626,402	47,815	67,881	4,204	-	-	-	2,035,705	1,694,283
Other time deposit balances										
Performance bonds payable with 30 days advanced notice	2,045	2,427	930	-	75	-	4	-	3,054	2,427
Others	3	1	-	-	-	-	-	-	3	1
Subtotal	2,048	2,428	930	-	75	-	4	-	3,057	2,428
Total	1,985,734	1,628,830	48,745	67,881	4,279	-	4	-	2,038,762	1,696,711

19. INTERBANK BORROWINGS

At December 31, 2011 and 2010, interbank borrowings were as follows:

	UP TO 1 YEAR		MORE THAN 1 YEAR AND UP TO 3 YEARS		MORE THAN 3 YEARS AND UP TO 6 YEARS		MORE THAN 6 YEARS		BALANCE AT	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Domestic banks:										
Interbank loans	5,917	936	-	-	-	-	-	-	5,917	936
Checking account overdrafts	2,683	1,140	-	-	-	-	-	-	2,683	1,140
Subtotal	8,600	2,076	-	-	-	-	-	-	8,600	2,076
Foreign banks:										
Financing for Chilean exports	162,141	7,151	-	-	-	-	-	-	162,141	7,151
Financing for Chilean imports	84,868	119,139	-	-	-	-	-	-	84,868	119,139
Obligations from transactions between other countries	25,288	7,342	-	16,426	-	-	-	-	25,288	23,768
Loans and other obligations	8,380	3,848	-	-	-	-	-	-	8,380	3,848
Subtotal	280,677	137,480	-	16,426	-	-	-	-	280,677	153,906
Chile's Central Bank:		-		-		-		-	-	-
Total	289,277	139,556	-	16,426	-	-	-	-	289,277	155,982

20. DEBT INSTRUMENTS ISSUED AND OTHER OBLIGATIONS

The composition and maturity of issued debt instruments and other financial obligations at December 31, 2011 and 2010 are as follows:

a) Issued debt instruments

	UP TO 1 YEAR		MORE THAN 1 YEAR AND UP TO 3 YEARS		MORE THAN 3 YEARS AND UP TO 6 YEARS		MORE THAN 6 YEARS		BALANCE AT DECEMBER 31,	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Letters of credit:										
Mortgage letters of credit	1,599	2,182	3,070	3,878	3,839	4,946	4,536	5,743	13,044	16,749
General purpose letters of credit	4,241	5,566	7,789	9,637	9,974	12,232	18,857	21,480	40,861	48,915
Subtotal	5,840	7,748	10,859	13,515	13,813	17,178	23,393	27,223	53,905	65,664
Bonds:										
Senior bonds	83,328	2,166	102,193	64,367	50,210	89,795	192,782	102,659	428,513	258,987
Subordinated bonds	2,802	1,158	7,064	-	25,015	-	67,799	99,770	102,680	100,928
	86,130	3,324	109,257	64,367	75,225	89,795	260,581	202,429	531,193	359,915
Total	91,970	11,072	120,116	77,882	89,038	106,973	283,974	229,652	585,098	425,579

b) Other financial obligations

	UP TO 1 YEAR		MORE THAN 1 YEAR AND UP TO 3 YEARS		MORE THAN 3 YEARS AND UP TO 6 YEARS		MORE THAN 6 YEARS		BALANCE AT DECEMBER 31,	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Public sector obligations										
CORFO financing	1,245	346	7,981	6,921	8,167	9,226	17,031	20,046	34,424	36,539
Subtotal	1,245	346	7,981	6,921	8,167	9,226	17,031	20,046	34,424	36,539
Other local obligations:										
Owed to credit card operators	2,843	1,819	-	-	-	-	-	-	2,843	1,819
Subtotal	2,843	1,819	-	-	-	-	-	-	2,843	1,819
Total	4,088	2,165	7,981	6,921	8,167	9,226	17,031	20,046	37,267	38,358

21. PROVISIONS

a) At December 31, 2011 and 2010, the Bank and its subsidiaries set up the following provisions:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Vacation provisions	1,338	1,234
Provision for minimum dividends	10,505	10,112
Provisions for contingent credit risks		
Sureties and collateral	128	89
Confirmed foreign letters of credit confirmed	-	1
Documented letters of credit issued	24	235
Performance bonds	375	649
Freely available lines of credit	2,628	1,593
Subtotal - Contingent credit risks	3,155	2,567
Provisions for contingencies		
Provisions for country risk	44	56
Minimum provision adjustment	564	-
Provisions for employee benefits	178	199
Other provisions for contingencies	1,854	1,720
Subtotal - Provisions for contingencies	2,640	1,975
Total Other Provisions	17,638	15,888

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

b) The movement of the provisions constituted during the exercise 2011 and 2010 is the following one:

	EMPLOYEE VACATIONS MCH$	MINIMUM DIVIDENDS MCH$	CONTINGENT CREDIT RISKS MCH$	OTHER CONTINGENCIES MCH$	TOTAL MCH$
Balance at January 1, 2010	1,071	6,912	767	2,161	10,911
Provisions established	424	9,281	1,972	1,963	13,640
Provisions released	(261)	(6,081)	(172)	(2,149)	(8,663)
Balance at December 31, 2010	1,234	10,112	2,567	1,975	15,888
Balance at January 1, 2011	1,234	10,112	2,567	1,975	15,888
Provisions established	569	8,844	745	1,492	11,650
Provisions released	(465)	(8,451)	(157)	(827)	(9,900)
Balance at December 31, 2011	1,338	10,505	3,155	2,640	17,638

22. OTHER LIABILITIES

Details of other liabilities at December 31, 2011 and 2010 are as follows:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Accounts and notes payable	6,180	11,121
Dividends payable	42	34
Unearned income	826	429
Obligations related to short sales	3,994	162
Client brokerage creditors	16,641	32,282
Stockbroker creditors	3,182	4,848
Other liabilities	8,534	5,044
Total	39,399	53,920

23. CONTINGENCIES AND COMMITMENTS

a) Litigation and legal proceedings

Normal legal contingencies of the industry

At the issuance date of these consolidated financial statements, there are various legal actions brought against the Bank and its subsidiaries involving typical operations of its line of business. In the opinion of Management, and based on information provided by legal counsel, the Bank and its subsidiaries do not expect to incur any significant losses not already considered in these financial statements.

Contingencies involving lawsuits in the courts of law

At December 31, 2011 and 2010, according to the policy in force for contingencies involving court proceedings, the Bank set up a provision of US$174,943 for a sentence after appeal for indemnification.

b) Contingent loans

The table below shows the contractual amounts of transactions forcing the Bank to grant loans and the amount of the provisions set up for the credit risk assumed:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Performance bonds	165,313	128,567
Amounts available for credit card users	366,900	305,211
Documented letters of credit	61,105	53,043
Sureties and bonds	19,770	22,623
Provisions (Note 21)	(3,155)	(2,567)
Total	609,933	506,877

c) Responsibilities

The Bank and its subsidiaries maintain the following liabilities arising from the normal course of business:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Securities and letters in guarantee	1,928,068	1,675,209
Instruments in custody	1,174,563	197,593
Credits approved but not disbursed	277,121	185,441
Signed lease contracts	27,981	56,091
Notes under collection	1,865	1,795
Total	3,409,598	2,116,129

d) Guarantees furnished

At December 31, 2011 and 2010, the Bank does not hold any assets in guarantee.

At December 31, 2011 and 2010, Valores Security S.A. Corredores de Bolsa (one of the Bank's subsidiaries), held a guarantee through Compañía de Seguros de Crédito Continental S.A. for UF 20,000 (inflation index-linked units of account) maturing on April 22, 2012 and 2010, respectively, in accordance with articles 30 and 31 of Law 18,045 (Securities Market Low). The Santiago Stock Exchange was designated as the trustee and custodian of such guarantee.

In light of the Circular issued by the Santiago Stock Exchange stating that all brokers should have comprehensive insurance as of February 1, 1998, at December 31, 2011 and 2010, Valores Security S.A. Corredores de Bolsa held a full bank insurance contract with Liberty Compañía de Seguros Generales S.A. for UF 300,000, maturing on July 1, 2012 y June 30, 2011, respectively, and which considered all of the coverage specified in the aforementioned Circular.

To guarantee time transactions through December 31, 2011 and 2010, Valores Security S.A. Corredores de Bolsa held shares for MCh$12,780 and MCh$14,820, respectively, deposited in custody with the Santiago Stock Exchange.

To guarantee voluntary retirement savings operations, at December 31, 2011 and 2010, Valores Security S.A. Corredores de Bolsa held a performance bond for UF 10,000 with Banco Security, maturing on January 9, 2012 and January 10, 2010, respectively.

To guarantee fulfillment of the Settlement Compensation System's operations, at December 31, 2011 and 2010, Valores Security S.A. Corredores de Bolsa held financial instruments in guarantee for MCh$917 and MCh$758, respectively, in CCLV Central Counterpart.

At December 31, 2011, Valores Security S.A. Corredores de Bolsa held instruments to guarantee short selling operations on its own account for MCh$6,938. There were no guarantees furnished for this concept at December 31, 2010 in the Santiago Stock Exchange.

24. EQUITY

a) The Bank's authorized share capital consists of 185,000,000 single series shares, of which 177,810,792 have been effectively subscribed and paid.

The Extraordinary Shareholders' Meeting 21 was held on July 6 of this year, in which shareholders agreed to declare null and void the unsubscribed part (16,075,167 shares) of the capital increase agreed to in Extraordinary Shareholders Meeting 19 and to carry out a capital increase by issuing 33,180,959 shares, resulting in capital stock consisting of 185,000,000 shares.

Share movement is as follows:

	ORDINARY SHARES		PREFERRED SHARES	
	2011	2010	2011	2010
Opening balance	151,819,041	151,819,041	-	-
Payment of subscribed shares	25,991,751	-	-	-
Balance	177,810,792	151,819,041	-	-

At year-end, the Bank's ownership was distributed as follows:

SHAREHOLDERS	2011		2010	
	NO. OF SHARES	% OWNERSHIP INTEREST	NO. OF SHARES	% OWNERSHIP INTEREST
Grupo Security	177,739,382	99.96	151,747,576	99.95
Other	71,410	0.04	71,465	0.05
Total	177,810,792	100.00	151,819,041	100.00

b) At December 31, 2011 and 2010, earnings per share are as follow:

Attributable to the Bank owners

	DECEMBER 2011	DECEMBER 2010
Net income for the year	MCh$ 35.016	MCh$ 33.706
Average outstanding shares	160.481.943	151.819.041
Earnings per share:		
Basic	$ 218	$ 222
Diluted	$ 218	$ 222

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

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Available for sale investments :		
Valuation	(1,658)	(88)
Deferred tax	333	15
Subtotal	(1,325)	(73)
Cash flow hedges:		
Valuation	(201)	(1,247)
Deferred tax	33	212
Subtotal	(168)	(1,035)
Total	(1,493)	(1,108)

d) The following dividends were declared and paid in the years ended December 31, 2011 and 2010:

DESCRIPTION	EARNINGS TO BE DISTRIBUTED MCH$	DIVIDENDS MCH$	RESERVES MCH$	DIVIDENDS PER SHARE $
2009 Business year Shareholders' Meeting 28	23,040	23,040	-	151.76
2010 Business year Shareholders' Meeting 29	33,706	20,224	13,482	133.21

As of December 31, 2011 and 2010, the Bank established a provision of MCh$10,505 and MCh$10,112, respectively, for payment of minimum dividends as required by in Law 18,046 (Corporate Law) and in accordance with Chapter B4 of the Compendium of Accounting Standards of the SBIF.

e) Basic capital and effective equity: According to the General Banking Law, a financial institution's minimum basic capital may not be less than 3% of its total assets, while the effective equity may not be less than 8% of its risk-weighted assets. At December 31, 2011, these parameters for Banco Security were 6.26% (6.08% in 2010) and 12.03% (12.45% in 2010), respectively. For further details on the Effective Equity and Risk Weighted Assets, see Note 37 on Risk Management, item number VII, "Capital Requirements".

25. INTEREST INCOME AND EXPENSE

Interest accrued and earned at December 31, 2011 and 2010 is as follows:

a) Interest income

	INTEREST		ADJUSTMENTS		TOTAL ADJ. INTEREST INCOME	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Reverse Repurchase agreements	563	276	-	-	563	276
Interbanks loans	881	731	-	-	881	731
Commercial loans:						
Commercial loans:	78,509	55,785	17,805	10,275	96,314	66,060
Foreign trade loans	6,063	5,554	-	-	6,063	5,554
Checking account loans	12,586	9,773	-	-	12,586	9,773
Lease contracts	12,425	10,945	7,517	3,779	19,942	14,724
Total income from commercial loans	109,583	82,057	25,322	14,054	134,905	96,111
Mortgage loans:						
Loans with letters of credit	722	889	623	484	1,345	1,373
Commissions on loans with letters of credit	77	87	-	-	77	87
Loans with endorsable mortgage mutual funds	2,180	2,519	1,891	1,376	4,071	3,895
Other mortgage loans	10,620	8,032	10,304	4,837	20,924	12,869
Total income from mortgage loans	13,599	11,527	12,818	6,697	26,417	18,224
Consumer loans:						
Consumer credits in installments	10,049	6,507	164	85	10,213	6,592
Credit cards	3,699	2,559	-	-	3,699	2,559
Total income from consumer loans	13,748	9,066	164	85	13,912	9,151
Investment instruments:						
Available for sale investments	12,064	7,369	6,854	1,926	18,918	9,295
Total income from available for sale investments	12,064	7,369	6,854	1,926	18,918	9,295
Other interest or adjustment income	3,145	894	99	36	3,244	930
Result from hedge accounting	812	-	-	-	812	-
Total interest and adjustment income	154,395	111,920	45,257	22,798	199,652	134,718

Interest and adjustments suspended for loans included in the impaired portfolio totaled MCh$768 and MCh$154 at December 31, 2011 and 2010, respectively.

b) Interest expense

Details of interest expense at December 31, 2011 and 2010 are as follows:

	INTEREST		ADJUSTMENTS		OTHER		TOTAL ADJ. INTEREST EXPENSE	
	2011 MM$	2010 MM$	2011 MM$	2010 MM$	2011 MM$	2010 MM$	2011 MM$	2010 MM$
Deposits								
On demand deposits	(171)	(171)	(35)	(36)	-	-	(206)	(207)
Time deposits	(77,038)	(33,415)	(13,755)	(7,674)	-	-	(90,793)	(41,089)
Total expenses for deposits	(77,209)	(33,586)	(13,790)	(7,710)	-	-	(90,999)	(41,296)
Repurchase agreements	(4,735)	(1,183)	-	-	-	-	(4,735)	(1,183)
Obligations with banks	(2,502)	(1,300)	-	-	-	-	(2,502)	(1,300)
Debt instruments issued								
Interest from letters of credit	(2,376)	(2,869)	(2,191)	(1,681)	-	-	(4,567)	(4,550)
Interest from senior bonds	(11,845)	(10,359)	(12,878)	(7,179)	-	-	(24,723)	(17,538)
Interest from subordinated bonds	(5,151)	(5,099)	(3,841)	(2,419)	-	-	(8,992)	(7,518)
Total expenses for debt instruments issued	(19,372)	(18,327)	(18,910)	(11,279)	-	-	(38,282)	(29,606)
Other interest or adjustment expenses	(1,280)	(2,005)	(1,272)	(896)	-	-	(2,552)	(2,901)
Gain (loss) from accounting hedges	-	-	-	-	(232)	(2,072)	(232)	(2,072)
Total interest expense	(105,098)	(56,401)	(33,972)	(19,885)	(232)	(2,072)	(139,302)	(78,358)

26. COMMISSIONS

Commission income and expenses at December 31, 2011 and 2010 shown in the Statements of Income are as follows:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Commission income		
Lines of credit and overdrafts	1.419	1.313
Sureties and letters of credit	3.747	3.457
Card services	3.651	3.164
Account management	964	852
Collections and payments	5.652	2.018
Brokerage and security management	2.663	3.163
Investments in mutual funds and others	11.108	63
Fees for selling insurance	-	2.007
Fund managements	-	10.516
Financial advisory services	212	119
Other commissions earned	3.139	2.859
Total commission income	32.555	29.531
Commission expenses		
Commissions on security transactions	(319)	(538)
Sales commissions	(3.542)	(3.215)
Other commissions	(1.170)	(1.055)
Total commission expenses	(5.031)	(4.808)
Total commission income, net	27.524	24.723

27. INCOME FROM FINANCIAL OPERATIONS

Net profits from financial operations at December 31, 2011 and 2010 are as follows:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Financial instruments held for trading		
Interest and other adjustments	19,881	14,069
Fair value adjustments	303	565
Gain on sale	7,495	7,661
Loss on sale	(5,708)	(4,971)
Profit from investment in mutual funds	3,007	788
Subtotal	24,978	18,112
Trading derivatives		
Gain on derivative contracts	183,520	213,865
Loss on derivative contracts	(173,867)	(212,003)
Subtotal	9,653	1,862
Sale of available for sale investments		
Gain on sale	2,179	8,457
Loss on sale	(1,005)	(1,605)
Subtotal	1,174	6,852
Sale of credit portfolio	(7,705)	-
Net income (loss) from other operations		
Purchase of own issue letters of credit	(5)	(31)
Net result of ineffective hedges	(295)	
Other income	5,967	4,021
Other expense	(3,981)	(2,406)
Subtotal	1,686	1,584
Total income from financial operations, net	29.786	28.410

28. NET INCOME FROM FOREIGN EXCHANGE

At December 31, 2011 and 2010, net income from foreign currency exchange earned by the Bank and its subsidiaries was as follows:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Net income from foreign currency exchange:		
Net exchange gain (loss) - exchange position	(14,746)	(4,331)
Other exchange gain (loss)	6,415	10,734
Subtotal	(8,331)	6,403
Net gain (loss) from exchange rate adjustments		
Adjustments of trading instruments	-	-
Adjustments of credits to clients	2,522	(2,773)
Adjustments of other liabilities	(167)	611
Subtotal	2,355	(2,162)
Total	(5,976)	4,241

29. PROVISION FOR LOAN LOSSES

The activity in 2011 and 2010 for provision for loan losses recorded in the Consolidated Income Statement of is as follows:

			LOANS AND ACCOUNTS RECEIVABLE FROM CLIENTS									
	INTERBANK LOANS		COMMERCIAL LOANS		MORTGAGE LOANS		CONSUMER LOANS		CONTINGENT LOANS		TOTAL	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Provisions established:												
Individual provisions	(27)	(43)	(40,632)	(32,867)	-	-	-	-	(2,355)	(1,258)	(43,014)	(34,168)
Group provisions	-	-	(2,679)	(2,090)	(861)	(979)	(10,837)	(9,183)	(1,577)	(551)	(15,954)	(12,803)
Minimum provisions adjustment	(16)	-	(873)	-	-	-	-	-	(216)	-	(1,105)	-
			-		-							
Total provisions established	(43)	(43)	(44,184)	(34,957)	(861)	(979)	(10,837)	(9,183)	(4,148)	(1,809)	(60,073)	46,971)
Release of provisions												
Individual provisions	26	27	35,573	16,666	-	-	-	-	1,882	1,049	37,481	17,742
Group provisions	-	-	2,448	2,525	871	788	6,626	5,753	1,254	278	11,199	9,344
Minimum provisions adjustment	7	-	433		-	-	-	-	101	-	541	-
									-			
Total provisions released	33	27	38,454	19,191	871	788	6,626	5,753	3,237	1,327	49,221	27,086
Recovery of loans written-off	-	-	846	421	-	-	1,335	1,131	-	-	2,181	1,552
Net income (loss)	(10)	(16)	(4,884)	(15,345)	10	(191)	(2,876)	(2,299)	(911)	(482)	(8,671)	(18,333)

In management's opinion, loan loss provisions established as of December 31, 2011 and 2010 cover any possible losses that might occur due to non-recovery of the respective assets.

30. PERSONNEL SALARIES AND EXPENSES

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

a) Details of expenses in 2011 and 2010 for these concepts are as follows:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Employee salaries	17,403	15,447
Bonuses	5,530	5,185
Severance indemnities	352	2,413
Training expenses	237	210
Other benefits	2,575	2,335
Total	26,097	25,590

b) Details of other employee expenses recognized during the years ended December 31, 2011 and 2010 are as follows:

	NO. OF EMPLOYEES WITH BENEFIT		ORIGIN OF BENEFIT	TOTAL	
	2011	2010		2011 MCH$	2010 MCH$
Bonuses					
Production bonus	804	790	Voluntary	3,962	3,625
Legal bonus and employer contributions	1026	915	Contractual	1,267	1,123
Other bonuses	996	802	Contractual	301	437
Total bonuses				5,530	5,185
Other benefits					
Health insurance	1019	916	Contractual	688	642
Life insurance	427	310	Contractual	27	26
Contract-stipulated lunch allowance	1026	916	Contractual	961	791
Benefit through compensation societies	-	38		-	198
Annual events	970	811	Voluntary	171	136
Nursery assistance and daycare	74	81	By birth	-	88
Length of service bonus	11	27	Length of service	28	38
Other benefits	978	895		700	416
Total other benefits				2,575	2,335

31. ADMINISTRATIVE EXPENSES

Details of this item at December 31, 2011 and 2010 are as follows:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
General administrative expenses		
Maintenance and repair of property, plant and equipment	(2,878)	(2,559)
Office leases	(1,280)	(1,014)
Equipment leases	(377)	(342)
Insurance premiums	(329)	(326)
Office materials	(439)	(439)
Computer and communications expenses	(1,296)	(1,073)
Lighting, heating and other services	(424)	(420)
Guard and security transportation services	(139)	(144)
Hospitality and employee travel expenses	(508)	(302)
Legal and notary expenses	(445)	(498)
Fees for technical reports	(9,043)	(7,822)
Fees for audit of financial statements	(193)	(224)
Fees for classification of stock certificates	(41)	(31)
Fines imposed by other agencies	(18)	(26)
Banking expenses	(300)	(289)
Advisory service expenses	(2,549)	(2,242)
Ordinary expenses	(757)	(584)
Mail and postage	(226)	(231)
Other administrative overheads	(4,063)	(3,960)
Subtotal	(25,305)	(22,526)
Subcontracted services:		
Data processing	(444)	(385)
Other	(1,753)	(1,400)
Subtotal	(2,197)	(1,785)
Board of Directors fees	(671)	(638)
Publicity and advertising	(1,712)	(1,125)
Taxes, duties and contributions		
Real estate taxes	(395)	(252)
Licenses	(533)	(493)
Other taxes	(20)	(6)
Contribution to the SBIF	(871)	(907)
Subtotal	(1,819)	(1,658)
Total	(31,704)	(27,732)

32. DEPRECIATION AND AMORTIZATION

a) Depreciation and amortization

As of December 31, 2011 and 2010, the effect of amortization and depreciation expense by type of asset is as follows:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Depreciation of property, plant and equipment	(1,221)	(1,232)
Amortization of intangibles	(1,847)	(1,470)
Deterioration:		
Investment Instruments	-	-
Fixed Asset	-	-
Intangible	-	-
Total depreciations and amortizations	(3,068)	(2,702)

33. IMPAIRMENT

- **Available for sale Investments**

The Bank and its Subsidiaries regularly evaluate the possible existence of objective evidence that the assets not carried at fair value through profit and loss have been impaired.

Assets are impaired, if there is objective evidence showing that an event causing a loss has an impact on the asset's estimated future cash flows and which occurs after initial recognition.

The objective evidence includes financial difficulties of the counterpart, non-performance of contract clauses, granting of concessions or advantages that would not have been granted if the counterpart did not show evidence of impairment, measurable decrease in the asset's estimated future cash flows and, for financial investments, the disappearance of active or liquid markets.

Impairment losses of MCh$1,306 in Available for Sale Investments are recognized in income at December 31, 2011. At December 31, 2010, these investments did not evidence any impairment.

At year-end, the bank has not made any adjustments for the impairment of the assets owed by Tiendas La Polar, which include financial investments in bonds classified in the Available for Sale portfolio.

This issuer has shown impairment in its ability to generate future cash flows, given the uncertainty generated by the fact that it has unilaterally renegotiated its credit portfolio, without having recognized the provisions for uncollectible accounts in a timely manner. This issue will affect the company's business plan and its target market.

Currently, the company has an arrangement with creditors to avoid bankruptcy and is looking for a capital contribution to maintain its viability.

- **Intangibles**

During the above evaluation, some intangibles presented an expected loss, resulting in impairment of MCh$671 determined by management, as specified in Note 14.

34. OTHER OPERATING INCOME AND EXPENSES

a) Other operating income

Details of operating income in the Consolidated Statement of Income are as follows:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Income from assets received in lieu of payment	91	247
Release of provisions for contingencies	37	611
Income from sale of property, plant and equipment	436	228
Rent received	232	244
Recovery of assets received in lieu payment written-off	840	248
Recovery of expenses	2.297	571
Other income	1.007	860
Total other operating income	4,940	3,009

b) Other operating expenses

Details of operating expenses in the Consolidated Statement of Income are as follows

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Provisions and expenses for assets received in lieu of payment	(1,624)	(2,091)
Provisions for contingencies	(146)	(270)
Operating write-offs	(2,375)	(875)
Other expenses	(292)	(408)
Total other operating expenses	(4,437)	(3,644)

35. RELATED PARTY TRANSACTIONS

Related parties are considered to be individuals or corporations with direct or third-party interest in the ownership of the Bank and its subsidiaries, when that interest exceeds 1% of the Bank's shares or 5% if the Bank's shares are traded in the stock market. They also include individuals that, despite not having any ownership interest, have authority and responsibility in the planning, management and control of the activities of the Bank or its subsidiaries. Companies in which the Bank's related parties have an interest of 5% or more, or in which they hold a position as director, general manager or other equivalent position, are also considered related parties.

Article 89 of the Corporate Law, which is also applicable to banks, stipulates that any related party transactions must be carried out under conditions of equality, similar to those normally prevailing in the market.

Furthermore, Article 84 of the General Banking Law stipulates limits for loans that can be granted to related parties and the prohibition 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 the assets involved in instruments held for trading and available for sale investments involving related parties are shown below:

	PRODUCTION COMPANIES		INVESTMENT COMPANIES		INDIVIDUALS		TOTAL	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Loans and accounts receivable:								
Commercial loans	29,776	40,647	89	88	1,108	846	30,973	41,581
Mortgage loans	-	-	-	-	3,455	2,544	3,455	2,544
Consumer loans	-	-	-	-	519	92	519	92
Loans and accounts receivable, gross	29,776	40,647	89	88	5,082	3,482	34,947	44,217
Provisions for loans	(31)	(231)	-	-	(13)	(12)	(44)	(243)
Loans and accounts receivable, net	29,745	40,416	89	88	5,069	3,470	34,903	43,974
Contingent loans:								
Total contingent loans	99,707	3,923	40	-	1,101	-	100,848	3,923
Provisions for contingent loans	(45)	(25)		-	(8)	-	(53)	(25)
Contingent loans, net	99,662	3,898	40	-	1,093	-	100,795	3,898
Investments								
Trading	-	-	-	-	-	-	-	-
Available for sale	-	-	-	-	-	-	-	-
Total investments	-	-	-	-	-	-	-	-
Total loans with related parties	129,407	44,314	129	88	6,162	3,470	135,698	47,872

b) Other assets and liabilities with related parties

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
ASSETS		
Financial derivative contracts	794	1,102
Total other assets with related parties	794	1,102
LIABILITIES		
Financial derivative contracts	103	538
On demand deposits	9,634	5,996
Deposits and other time deposits	9,006	30,628
Total other liabilities with related parties	18,743	37,162

c) Earnings from related party transactions

	NET PROFIT (LOSS)	
	2011 MCH$	2010 MCH$
Interest income and expenses (net)	1,341	1,277
Commission and service income and expenses (net)	1,735	250
Exchange income (net)	293	258
Operational support expenses	(18,877)	(13,955)
Other income and expenses	97	27
Total operating income (expense) from related parties	(15,411)	(12,143)

d) Related party contracts

Contracts with related parties are those entered into during each year with related partiers not corresponding to ordinary transactions in the Bank's line of business carried out with customers in general, whose contract amounts exceed UF 3,000 (Inflation index-linked units of account).

Details of these contracts are as follows:

FIRM NAME	DESCRIPTION	CREDITED TO INCOME		CHARGED TO INCOME	
		2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Inversiones Invest Security Ltda.	Service agreement	126	234	8,585	7,655
Travel Security S.A.	Office lease	140	136	360	165
Seguros Vida Security Previsión S.A.	Insurance	2,154	1,709	377	389
Global Security Gestión y Servicios Ltda.	Service agreement	-	-	3,835	-
Securitizadora Security S.A.	Advisories	-	-	109	-
Mandatos Security Ltda.	Service agreement	-	-	2,465	1,790
Inmobiliaria Security S.A.	Service agreement	-	-	426	404
Asesorías Security S.A.	Advisories	-	-	809	512
Redbanc S.A.	Service agreement	-	-	218	208
Transbank S.A.	Service agreement	2,571	2,102	1,027	920
Chilectra S.A.	Sale of electricity	-	-	173	182
Cía. De Seguros Penta Security	Insurance	472	651	-	-
Sociedad Administradora General S.A. y Cía. CPA	Service agreement	-	-	-	-
Factoring Security Ltda.	Advisories and leases	75	-	-	-

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

In 2011 and 2010, the Bank has paid the following directors' fees and expenses to the members of the Board and key management staff:

	DIRECTORS		GENERAL MANAGERS		DIVISION MANAGERS		AREA MANAGERS	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Compensation, short term	475	398	756	657	1,364	1,255	3,344	3,086
Benefits, long-term	-	-	-	-	-	-	-	20
End-of-contract indemnities	-	-	-	-	-	315	27	831
No. of executives	7	7	3	3	7	8	32	33

36. 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 whose fair value is not presented in the Consolidated Statement of Financial Position, are summarized below. The values shown in this note do not intend to estimate the value of the Bank's income generating assets nor anticipate its future activities. The estimated fair value of the financial instruments at December 31, 2011 and 2010 is as follows

	CARRYING VALUE		ESTIMATED FAIR VALUE	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Assets				
Cash and deposits in banks	262,517	114,409	262,517	114,409
Unsettled transactions	106,195	131,111	106,195	131,111
Trading investments	404,366	389,522	404,366	389,522
Investments under resale agreements	2,018	-	2,017	-
Financial derivative contracts	53,613	61,936	53,613	61,936
Interbank loans	31,651	11,325	31,226	11,576
Loans and accounts receivable from customers, net	2,547,029	1,939,372	2,601,250	2,034,710
Available for sale investments	333,500	278,007	333,500	278,007
Held to maturity investments	-	-	-	-
Liabilities				
Deposits and other on demand obligations	353,615	285,464	353,615	285,464
Unsettled transactions	71,368	109,251	71,368	109,251
Repurchase agreements	121,075	40,588	122,175	40,584
Time deposits and other time liabilities	2,038,762	1,696,711	2,041,019	1,700,535
Financial derivative contracts	55,282	60,267	55,282	60,267
Interbank borrowings	289,277	155,982	285,989	151,779
Issued debt instruments	585,098	425,579	547,727	426,527
Other financial obligations	37,267	38,358	37,834	38,014

The fair value of assets that are not recorded in the Consolidated Statement of Financial Position at that value are estimates of expected cash flows, discounted at the relevant market interest rate for each type of transaction.

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

b) Determining Fair Value

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

Level 1: Prices observable in active markets for identical instruments or specific transactions that the entity can access at the measurement date.

Level 2: Valuation techniques based on 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 using significant non-observable 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 non-observable significant adjustments or assumptions are required to reflect the differences between them.

The details below show the classification of financial instruments by fair value levels at December 31, 2011 and 2010, respectively:

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	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
FINANCIAL ASSETS								
Trading instruments								
Instruments of the State and Chile's Central Bank								
Instruments of Chile's Central Bank	5,186	96,475	46,965	43,029	-	-	52,151	139,504
Chilean Treasury instruments	39,241	12,607	41,466	22,859	-	-	80,707	35,466
Other government instruments	-	-	-	555	-	-	-	555
Subtotal	44,427	109,082	88,431	66,443	-	-	132,858	175,525
Other financial instruments								
Promissory notes of deposit in local banks	42,746	7,253	164,601	142,997	-	-	207,347	150,250
Mortgage notes in local banks	-	-	1,441	424	-	-	1,441	424
Local bank bonds	6,890	435	3,755	1,546	-	-	10,645	1,981
Other locally issued instruments	4,764	862	27	16	-	-	4,791	878
Mutual funds	47,284	60,464	-	-	-	-	47,284	60,464
Subtotal	101,684	69,014	169,824	144,983	-	-	271,508	213,997
Total	146,111	178,096	258,255	211,426	-	-	404,366	389,522
Derivatives held for trading								
Currency forward	-	-	38,909	49,395	-	-	38,909	49,395
Interest rate swap	-	-	11,053	11,289	-	-	11,053	11,289
Currency swap	-	-	3,066	1,252	-	-	3,066	1,252
Total derivative assets held for trading	-	-	53,028	61,936	-	-	53,028	61,936
Derivatives held for accounting hedge:								
Currency swap	-	-	585	-	-	-	585	-
Total assets from derivatives held for hedge	-	-	585	-	-	-	585	-
Total financial derivative assets	-	-	53,613	61,936	-	-	53,613	61,936
Available for sale investments:								
Instruments of the State and Chile's Central Bank								
Instruments of Chile's Central Bank	2,577	11	59,766	-	-	-	62,343	11
Chilean Treasury instruments	-	-	-	-	-	-	-	-
Subtotal	2,577	11	59,766	-	-	-	62,343	11
Other financial instruments								
Promissory notes of deposits in local banks	37,129	28,609	100,493	133,678	-	-	137,622	162,287
Mortgage notes in local banks	96	-	36,473	37,765	-	-	36,569	37,765
Local company bonds	14,129	16,325	31,557	31,014	-	-	45,686	47,339
Other instruments issued abroad	51,280	30,605	-	-	-	-	51,280	30,605
Subtotal	102,634	75,539	168,523	202,457	-	-	271,157	277,996
Total	105,211	75,550	228,289	202,457	-	-	333,500	278,007
TOTAL ASSETS AT FAIR VALUE	251,322	253,646	540,157	475,819	-	-	791,479	729,465
FINANCIAL LIABILITIES								
Derivatives held for trading								
Currency forward	-	-	(40,830)	(40,134)	-	-	(40,830)	(40,134)
Interest rate swap	-	-	(12,867)	(17,808)	-	-	(12,867)	(17,808)
Currency swap	-	-	(678)	(1,582)	-	-	(678)	(1,582)
Interest rate put options	-	-	-	-	(10)	(78)	(10)	(78)
Total derivative liabilities held for trading	-	-	(54,375)	(59,524)	(10)	(78)	(54,385)	(59,602)
Derivatives held for hedge accounting								
Interest rate swap	-	-	(897)	(665)	-	-	(897)	(665)
Total derivative liabilities held for trading	-	-	(897)	(665)	-	-	(897)	(665)
Total financial derivative liabilities	-	-	(55,272)	(60,189)	(10)	(78)	(55,282)	(60,267)
TOTAL LIABILITIES AT FAIR VALUE	-	-	(55,272)	(60,189)	(10)	(78)	(55,282)	(60,267)

37. 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

The Bank considers that risk management is of vital importance to guarantee the continuity of the business, by achieving the necessary solvency and sustainable income.

In order to achieve the above, the Bank has made significant efforts to create 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, resulting in a division which is able to generate the processes and tools needed to progress securely towards IFRS standards and the pillars of Basel II.

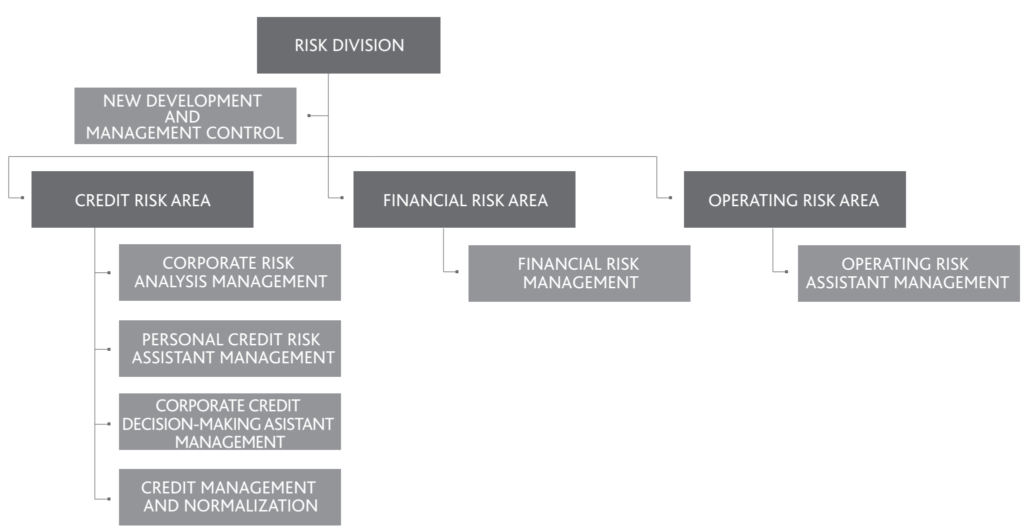
II. RISK MANAGEMENT STRUCTURE

The Bank's Risk Division has an ideal structure to fulfill the above objectives, separated into three areas: Credit Risk, Financial or Market Risk and Operating Risk.

It should be noted that the Risk Division answers directly to the Bank's general management, operating independently from the commercial areas and acting as a check and balance for them in the various existing committees.

Three areas report to The Risk Division: 1) The Credit Risk area, composed of Corporate Risk Analysis Management, Personal Credit Risk Assistant Management, Corporate Credit Decision-Making Assistant Management, and Credit Management and Normalization; 2) Financial Risk, with its respective management; and 3) The Operating Risk Area, with its respective assistant management.

The organizational chart below shows the Bank's Risk Division.



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Likewise, there is a Controllership area, whose work is to regularly 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. The report is 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 workplan to solve the issues noted.

III. CREDIT RISK

A. Credit Risk Management Objective:

The Risk Division is responsible for the Bank's credit risk management through its Credit Risk Area, whose main tasks are the identification, analysis, measurement, follow-up, integration and valuation of the different operations involving credit risk, in a differentiated manner for the different customer segments.

B. Credit Risk Structure:

Through its various management and assistant management departments, 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 credit decision-making.

This area is made up of:

- Corporate Credit Risk Analysis
- Corporate Credit Decision-Making
- Personal Credit Risk Management
- Credit Management and Normalization

C. Credit Risk Process:

The credit risk process has 6 stages as detailled in the following table, which describes credit risk participation.

CREDIT PROCESS	CORPORATE	INDIVIDUALS (PERSONAL)
Target Market	Corporate Credit Risk Analysis Management	Individual Credit Risk Assistant Management
Credit Analysis and Assessment		
Credit Decision-Making		
Credit Management	Corporate Credit Decision-making Assistant Management	
Collections		
Control	Credit Management and Normalization	

C.1 Credit Risk Stages:

1. Target Market:

Although the definition of the Bank's target market is the responsibility of the Banks' senior management, it is based on a proposal that originates jointly from the commercial and risk areas. After analyzing the opportunities provided by the market and the risks associated with the various different segments, senior management includes this information in the Bank's Credit Risk Policy Manual.

2. Credit Analysis and Assessment:

The analysis and assessment tools used depend on the market in which the customer in question belongs. 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 for corporate banking a case-by-case analysis is performed by an expert credit risk analyst.

3. Credit Decision-Making:
The Credit Risk Area acts as a check and balance in credit decision-making in all of the committees in which it participates. It also defines the delegated powers granted to the commercial areas, acting above the commercial areas if the risk standards are exceeded in a particular instance.

There are mainly two types of committees separated by their operating manner: 1) File circulation and 2) Meeting. In the first case, which operates for smaller amounts, the file circulates through the different levels of authority 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 involves the participation of two directors, the President of the Security Group, the Bank's General Manager and the Risk Division Manager, wherein the most important loans are analyzed, evaluating close to 80% of operations and 20% of customers.

4. Credit Management:
Essentially, this is the stage where executive Credit Management participates. They ensure the correct processing of the classification of customers by commercial executives and that the closing of provisions each month occurs without errors and represents the actual state of the Bank's portfolio.

In addition, in this part of the process work is performed with the commercial areas maintain the number of operations with exceptions and overdue amounts as low as possible. Furthermore, strict control is exercised over appraisals of assets given to the Bank as collateral.

5. Collection:
This is the stage at which the specialist normalization area performs problem loan collections, acting in pre-court collections and court collections.

6. Control:
At this stage of the process, in which the Credit Risk Control area participates, the Bank seeks to maintain a global vision of how the aforementioned stages of the credit process are operating. Its participation encompasses reviewing and auditing current credit policies to performing the analysis and committee areas, as well as correcting 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 individual banking segment. Its main responsibilities include 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 delegated authority for the commercial areas, among others..

Corporate Credit Analysis Management:
This area, which is the largest in the Risk Division, is in charge of participating in the first two stages of the process, strongly focusing on the second, which corresponds to analysis and evaluation of 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 market competitiveness. Together with the above, it is also the area responsible for sector reports, analysis of optimum portfolio and country risk studies.

Normalization Management:
The management takes the recovery of the credits as a function in difficulties for what it possesses the suitable personnel as well as the support of the attorneys and companies of collection necessary for the correct development of his labor.

Corporate Credit Decision-Making Assistant Management:
The duties of this division involve participation in the credit decisions of the various committees for which it is a member and preparing the credit risk policies and levels of delegated authority of the commercial area. In addition to the above, it is responsible for the credit risk models focused on companies, management of all the credit risk division projects, including those of a regulatory nature, defining the remaining policies with some level of credit risk, participation in the development of new products, and administration of fulfillment of the goals of the division, among many other responsibilities.

Credit Management and Normalization
This management area, which participates in the last three stages of the credit process, answers to the area responsible for credit risk management, whose main duty is the processing of loan provisions in general. It also answers to the risk control area with the function of reviewing correct compliance with policies and procedures, and the evolution and follow-up of the portfolio from a risk point of view, giving the necessary warnings. In addition to the above, this area is concerned with recovery of loans with problems for which it has suitable staff, as well as also the support of attorneys and collection companies necessary for proper performance of its work.

D. Portfolio Classification

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

The manner of classifying the portfolio depends on the type of customer and product. It also depends on the individual classification or group classification as per the following:

INDIVIDUAL CLASSIFICATION		GROUP CLASSIFICATION	
TYPE OF CLIENT	METHODOLOGY	TYPE OF CLIENT	METHODOLOGY
Companies (includes individuals with a business)	Parent Company	Individuals, commercial loans	Guideline
Real estate companies	Parent real estate companies	Small companies (Debt < UF 3,000)	Guideline/Matrix
- Other - Banks - Normalization for individuals and companies - Non-profit organizations - Special lease group	Manual	Investment Company	Guideline/Matrix
		Housing mortgage	Model
		Consumer Loan	Past-due

D.1 Individual Classification:
This group includes all of the clients (individuals and legal entities), whose size, complexity or level of exposure to the entity needs to be known and analyzed in detail.

By definition of Banco Security the above includes all entities with annual sales of more than MCh$1,000, as well as projects, property developers, institutional companies, non-profit organizations and bankrupt companies, or others.

When assigning a risk category, at least the following factors are considered: Sector or industry in which the debtor operates, its ownership structure, its financial situation, its payment capacity, its guarantees and its past behavior with the Bank and with the financial system.

D.2 Group Classification:
Group evaluations involve clients whose characteristics suggest that they tend to behave homogeneously. Under this context, the evaluation is performed using models that analyze the operations associated with a same product, depending on the type of client, as set forth below:

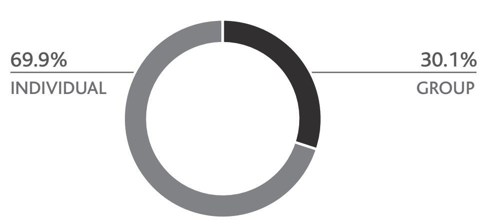
1. Commercial Product:
   a. Individuals
   b. Standardization Individuals
   c. Small Companies
   d. Investment Companies

2. Consumer Product:
   a. Individuals
   b. Standardization Individuals

3. Mortgage Product:
   a. Individuals
   b. Standardization Individuals

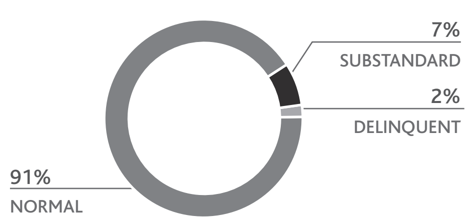
D. 3 Distribution of loan portfolio:
Banco Security's portfolio according to the type of risk assessment, whether group or individual, is distributed as follows:

evaluation by type of client
DECEMBER 2010

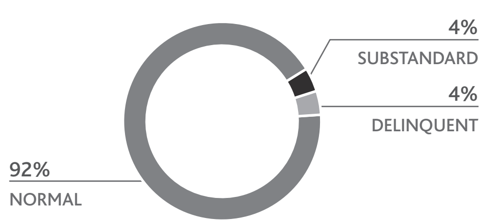


Once the loans have been individually classified, they are distributed as follows into normal, substandard or delinquent.

distribution of individual classification
LOANS- DECEMBER 2011



distribution of individual classification
NUMBER OF CLIENTS, DECEMBER 2011



IV. FINANCIAL RISK

A. Financial Risk Objectives:

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

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

The strategic objectives in terms of financial activities are:

- Strengthen and expand the Bank's position, consolidating and developing long-term relationships, providing a full range of investment banking products.

- 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 are only be carried out within the global risk guidelines defined by the organization's Board of Directors.

In the handling of the portfolio of financial investments, the organization is an active administrator of positions, due to the constant economic-financial analysis of the environment, from a fundamental point of view. Therefore, the financial instrument positions are 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 a 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 be traded, always in accordance with the respective regulations in force.

Mainly non-derivative fixed income financial instruments, interbank financing, purchase and sales agreements, spot purchases and sales of foreign currency, foreign currency and interest rate derivative instruments (futures and swaps), shares and simultaneous trades are traded actively.

In general, treasury products can be geared towards different objectives, such as obtaining profits from variations in market factors in the short and medium term, obtaining profitability through the generation of financing rate spreads, 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 fair value and distribution of treasury products to the commercial network.

In particular, operations with derivatives are used 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.

As an accounting strategy, the Bank utilizes the hedging of cash flows or the fair value of a certain item in the statement of financial position or an expected transaction that might generate risk or volatility in the entity's earnings, thereby complying with international accounting regulations. These hedge strategies must comply with all of the requirements stated in current regulations, and the hedge's effectiveness must be monitored at least monthly.

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

Those limits allow the Bank to maintain controlled levels of risk and diversified investment portfolios. As such, 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 requesting guarantees for derivative transactions in order to mitigate risks or exposures to counterparts.

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. To that end, 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 currently related to Financial Risk are:

- Finance Committee: It controls and manages financial investments with a vision for short and medium-term trading and the risks associated with those portfolios.
- Assets and Liabilities Committee: It controls and manages the risk of mismatches of assets and liabilities, in order to stabilize the financial margin of the Bank and keep the entity's economic value risk within limits. This committee also controls liquidity mismatches, compliance with limits and planning of the Bank's capital needed to cover the risks assumed.

The financial risk management policies are stipulated with a view to identify and analyze the risks faced, setting concentration limits and establishing 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 their approval. In order to guarantee adequate follow-up and control of risks, there is a Financial Risk Management Area, independent of the business areas that are the risk takers.

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

- 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, Senior Management and Directors.
- Ensure that the recommendations of the regulatory authorities and internal auditors are appropriately followed.
- Daily monitoring and reporting on market and liquidity risk and compliance with each of the limits.
- Develop and review the soundness of the risk measurement methods and procedure.

Risk measurement and control is performed daily through risk reports that allow top management to make decisions. These reports consider overall VaR (Value at Risk) and sensitivity measurement of the investment portfolio and the Banking book, exposure to the risk involving portfolios, instruments, risk factors and concentrations and the respective compliance with internal limits. In addition, it includes 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 defined limits established by Senior Management.

The treasury area is in charge of managing financial risks produced due to taking the Bank's own positions in the investment books, structural mismatches in the Statement of Financial Position, management of liquidity matches and adequate financing of active operations.

The Internal Audit department regularly assesses the risk processes. Likewise, the general risk structure is subject to ongoing evaluation by the SBIF, external auditors and other people outside Management.

D. Definition of Financial Risks:

a) Market risk:

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

Market Risk Methodology

Market risks are measured applying the VaR methodology, which homogenizes the risks of different types of transactions, modeling the joint relationship of these factors into a single risk measurement.

The VaR provides an estimate of the maximum potential loss of the positions in treasury financial assets or liabilities, when faced with an adverse but normal scenario.

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 normal distribution, using a threshold of 95% reliance, a 1-day maintenance horizon, with a past data sample of 250 days adjusted through statistical techniques that give more importance to the most recent observations, in order to quickly capture increasing market volatility.

- 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 of 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 of limits of a nominal nature of the 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 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 for managing and limiting risk exposures.

Control of financial risk is supplemented 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 well as 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.

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, currencies, temporary bands, types of instruments and types of portfolios separated by institution and correlated among each other.

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

	VAR BY TYPE OF RISK	
	DECEMBER 31, 2011 MCH$	DECEMBER 31, 2010 MCH$
Trading:		
Fixed income	629	417
Derivatives (without options)	150	238
Embedded options	5	18
FX	10	12
Shares	20	7
Diversification effect	(128)	(272)
Total portfolio	686	420
Available for sale:		
Rate	309	276
Total portfolio	309	276
Total diversification	(222)	(368)
VaR total	901	600

b) Interest Type Structural Risk:

This risk derives mainly from commercial activity (commercial loans vs. deposits), caused by the effects of the variations in the types of interest and/or levels of the gradient of the standard curves to which assets and liabilities are referenced, which when they have temporary lapses in reprising or maturity, can impact income stability (financial margin) and levels of solvency (equity economic value).

To that end, the Bank establishes internal limits through the use of interest rate structure sensitivity techniques.

Stress scenarios are also analyzed where the interest rates, currency reprising, changes in prices of shares, changes in underlying assets of options and changes in commissions that might be sensitive to interest rates are sensitive. These stress tests allow the Bank to measure and control the impact of sudden movements of the different risk factors on the Bank's solvency index, ordinary margin and economic equity value.

Furthermore, 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 reports to the SBIF biannually regarding the risk positions of the investment portfolios of the trading book and compliance with the limits. It also reports to the SBIF monthly regarding consolidated risk positions for the subsidiaries in the trading book and individually for the banking book, which includes sensitivity of market risk of the available for sale portfolio and the commercial book.

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

	MARKET RISK TRADING BOOK	
	DECEMBER 31, 2011 MCH$	DECEMBER 31, 2010 MCH$
Market Risk		
Rate Risk	10,444	6,009
Currency Risk	1,210	691
Options Risk	32	66
Total Risk	11,686	6,766
Consolidated Risk Weighted Assets	3,073,896	2,434,020
Effective Equity (PE)	369,686	303,033
Basel Limit	8.00%	8.00%
Basel with Market Risk	11.48%	12.03%
Basel I	12.03%	12.45%

	MARKET RISK BANKING BOOK	
	DECEMBER 31, 2011 MCH$	DECEMBER 31, 2010 MCH$
Short Term		
CP Rate Risk	14,537	12,377
UF Mismatch	6,940	6,846
Sensitive commissions	45	41
Total Risk	21,522	19,264
Limit 35% Margin (Board of Directors)	30,502	26,519
Surplus/(excess) (Board of Directors)	8,980	7,255
Long Term		
Rate Risk	60,267	42,296
Limit 25% PE (Board of Directors)	92,421	75,758
Surplus/(excess) (Board of Directors)	32,154	33,462

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

The following concepts are involved in liquidity risk:

- Term Risk: risk produced by having different expiration dates for incoming and outgoing flows.
- Uncollectability Risk: risk produced by not being able to collect cash income, due to cessation of payment, default or delay in collection.
- Financing Risk: risk produced by being unable 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 margin.
- Concentration Risk: risk that implies concentrating sources of financing and sources of income in a few counterparts which imply a sudden change in the matching structure.
- Market liquidity risk: this risk is associated with certain products or markets and refers to the risk of not being able to close or sell a particular position at the last quoted market price (or at a price close to it) because market liquidity is inadequate.

Liquidity Risk Methodology

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

The liquidity gap provides information related to contractual incoming and outgoing cash (i.e. that which according to asset and liability contracts will be produced in a certain future period of time). For items without contractual expiration, simulations are established on the basis of statistical studies that allow the Bank to predict its maturity behavior.

Based on these scenarios, assumptions of normal operating conditions are established, omitting from daily activities items composed 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 up to a period of one year.

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

Furthermore, different liquidity crisis scenarios are simulated 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 risk.

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 Chile's Central Bank in Chapter III.B.2 of the Compendium of Financial Standards.

The regulatory mismatch and compliance with limits is sent on a weekly basis to the SBIF with information related to the Bank, and is sent on a monthly basis for consolidated information with its subsidiaries.

CONSOLIDATED FINANCIAL STATEMENTS BANCO SECURITY AND SUBSIDIARIES

	< 1 MONTH		FROM 1 TO 3 MONTH		FROM 3 MONTHS TO 1 YEAR		FROM 1 TO 3 YEARS		FROM 3 TO 6 YEARS		> 6 YEARS		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Available funds	279,902	136,569	-	-	-	-	-	-	-	-	-	-	279,902	136,569
Financial investments	593,581	529,878	1,244	66	-	-	-	-	-	-	-	-	594,825	529,944
Interbank loans to local banks	827	12,595	-	345	-	-	-	-	-	-	-	-	827	12,940
Commercial and consumer loans	308,638	208,174	331,378	250,469	536,647	426,276	520,267	360,817	383,914	289,042	364,878	270,664	2,445,722	1,805,442
Lines of credit and overdrafts	72,361	70,614	144,512	145,401	648,244	680,107	-	-	-	-	-	-	865,117	896,122
Mortgage loans	3,100	2,587	6,134	5,048	28,317	23,073	75,838	60,965	107,998	86,507	432,210	321,011	653,597	499,191
Other liabilities	123,352	187,639	-	-	-	-	-	-	-	-	-	-	123,352	187,639
Derivative contracts	56,745	33,413	44,414	39,048	95,186	75,258	20,396	28,557	29,028	12,269	31,481	8,873	277,250	197,418
	1,438,506	1,181,469	527,682	440,377	1,308,394	1,204,714	616,501	450,339	520,940	387,818	828,569	600,548	5,240,592	4,265,265
On demand obligations	357,270	291,753	-	-	-	-	-	-	-	-	-	-	357,270	291,753
Interbank borrowings	520	936	5,388	-	-	-	-	-	-	-	-	-	5,908	936
Deposits and time deposits	673,806	559,659	699,272	568,151	696,701	520,326	50,192	72,137	5,413	-	-	-	2,125,384	1,720,273
Foreign financing	46,873	29,311	57,421	58,220	165,185	50,228	3,144	16,601	(25)	(27)	-	-	272,598	154,333
Letters of credit	1,230	1,423	775	1,039	5,905	7,037	14,311	17,318	17,395	21,451	27,813	33,870	67,429	82,138
Bonds	7,133	2,082	2,570	2,473	94,055	17,577	137,543	106,667	106,485	114,629	306,419	218,700	654,205	462,128
Credit facilities and overdrafts	69,776	70,283	137,549	143,811	636,218	670,790	-	-	-	-	-	-	843,543	884,884
Other obligations	106,907	129,226	2,872	868	12,487	6,190	16,902	17,859	10,637	11,487	5,917	8,296	155,722	173,926
Derivative contracts	56,134	33,664	44,008	37,138	98,893	72,952	17,222	31,389	28,542	11,844	30,955	8,672	275,754	195,659
	1,319,649	1,118,337	949,855	811,700	1,709,444	1,345,100	239,314	261,971	168,447	159,384	371,104	269,538	4,757,813	3,966,030
Net cash flow	118,856	63,132	(422,173)	(371,323)	(401,050)	(140,386)	377,187	188,368	352,493	228,434	457,465	331,009	482,779	299,235
Accumulated net cash flow	118,856	63,132	(303,316)	(308,190)	(704,367)	(448,576)	(327,179)	(260,209)	25,314	(31,775)	482,779	299,235		
Regulatory Ceiling		(206,375)		(412,751)										
Surplus / (Excess)		269,506		104,561										

Regulatory Liquidity Mismatch at December 31, 2011 and 2010 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	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Available funds	136,579	65,555	-	-	-	-	-	-	-	-	-	-	136,579	65,555
Financial investments	56,831	42,322	-	-	-	-	-	-	-	-	-	-	56,831	42,322
Commercial and consumer loans	104,146	52,034	115,187	59,164	97,294	80,471	54,759	16,912	(3,825)	7,337	5,985	3,196	373,546	219,114
Credit facilities and overdrafts	3	2	-	-	-	-	-	-	-	-	-	-	3	2
Other liabilities	47,002	61,714	-	-	-	-	-	-	-	-	-	-	47,002	61,714
Derivative contracts	25,074	3,050	15,569	4,251	22,250	24,114	2,835	19,713	3,164	9,543	351	5,653	69,243	66,324
	369,635	224,677	130,756	63,415	119,544	104,585	57,594	36,625	(661)	16,880	6,336	8,849	683,204	455,031
On demand obligations	47,555	54,326	-	-	-	-	-	-	-	-	-	-	47,555	54,326
Interbank borrowings	520	936	5,388	-	-	-	-	-	-	-	-	-	5,908	936
Deposits and time deposits	139,058	110,220	57,362	94,830	44,126	3,835	4,016	-	5,413	-	-	-	249,975	208,885
Foreign financing	46,873	29,311	57,421	58,220	165,185	50,228	3,144	16,601	(25)	(27)	-	-	272,598	154,333
Other obligations	39,265	44,179	-	-	-	-	-	-	-	-	-	-	39,265	44,179
Derivative contracts	22,658	14,948	18,172	23,426	19,272	24,720	3,829	9,870	2,618	9,528	184	5,650	66,733	88,142
	295,929	253,920	138,343	176,476	228,583	78,783	10,989	26,471	8,006	9,501	184	5,650	682,034	550,801
Net cash flow	73,706	(29,243)	(7,587)	(113,062)	(109,039)	25,803	46,605	10,155	(8,667)	7,379	6,152	3,198	1,170	(95,770)
Accumulated net cash flow	73,706	(29,243)	66,119	(142,305)	(42,920)	(116,502)	3,684	(106,347)	(4,982)	(98,968)	1,170	(95,770)	2,339	
Regulatory Ceiling	(257,611)	(206,375)												
Surplus / (Excess)	(331,317)	177,132												

Hedge Accounting

The Bank uses derivatives to hedge balance sheet assets and liabilities, with the goal minimizing the effects on profit and loss of any possible changes in their valuation and in their estimated cash flows.

When the hedge is set up initially, the relationship between the hedge instruments and the items hedged is formally documented, describing the objectives and strategies of the hedges and defining the methodologies for testing the effectiveness of the hedges.

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

At December 31, 2011 the following accounting hedges are in place:

HEDGE 1	
Type of Hedge	Cash flows
Hedged Item	Variable rate liability in USD
Derivative	Interest rate swaps in USD
Purpose	Reduce exchange rate risk
Expiration date	10/29/2012
Retrospective effectiveness	100,0%

HEDGE 2	
Type of Hedge	Fair value
Hedged Item	Fixed rate asset in CLP
Derivative	Interest rate swaps in CLP
Purpose	Reduce fair value risk
Expiration date	04/15/2014
Retrospective effectiveness	106,6%

HEDGE 3	
Type of Hedge	Fair value
Hedged Item	Fixed rate liability in CLP
Derivative	Interest rate swaps in CLP
Purpose	Reduce fair value risk
Expiration date	09/20/2012
Retrospective effectiveness	99,9%

Embedded Derivatives

These derivatives may 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.

Currently the Bank records embedded derivatives arising from variable rate mortgages at fair value through profit loss, as those mortgages incorporate a fix rate after a certain period of time, with a maximum interest rate ceiling. Customers, therefore, benefit from this feature, and the Bank is negatively affected, when market rates rise above the loan's interest rate ceiling. This effect is determined daily through sophisticated option evaluation models, and the fluctuation in fair value is treated as income for the period (increases in the theoretical value of that derivative are a loss for the Bank).

Mortgage loans with embedded derivatives were granted during 2004 and 2005. Since then, no new types of loans with those characteristics have been granted.

The relevant data for these embedded derivatives are:

	AT DECEMBER 31, 2011 MCH$	AT DECEMBER 31, 2010 MCH$
Balance MUF mortgage portfolio	492	658
Rate Ceiling (Average)	7.22%	7.22%
Residual term (years)	10.6	10.9
Option value MCh$	10	78

V. OPERATING RISK

A. Definition

Banco Security and Subsidiaries define operating risk as all losses caused by errors, faults, weaknesses or lack of adequacy in the processes, controls and projects, whether such losses are caused by technological, personnel, organizational or external factors. This definition includes legal risk and excludes strategic and reputational risk.

In addition, to supplement the above definition, the negative financial effects on the Banco Security and Subsidiaries' physical, financial or intangible assets caused by events associated with the occurrence of an operating risk, are defined as a loss (write-off). If this loss does not generate any negative financial effects, it will be considered to be an incident

B. Operating Risk Objectives:

The objectives set forth for managing operating risks are:

- Reduce Operating Risk losses
- Promote an Operating Risk culture
- Efficient, effective Operating Risk Management
- Alignment with the requirements of the SBIF and Basel II.

C. Operating Risk Strategy

The Operating Risk strategy forms part of the Security Strategic Plan, and stipulates the daily, constant need to control and mitigate risk.

The purpose of risk management is to contribute to preventing or reducing the probability that current and future events may hinder the achievement of the objectives set forth in the Strategic Plan.

D. Operating Risk Structure

The Operating Risk Control Office answers to the Bank's Risk Division, reporting directly to the Division's Manager.

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

E. Operating Risk Management

For adequate risk management and based on the objectives set by the Bank within the framework of the Operating Risk Policy, a series of activities described below are carried out:

The Operating Risk Management Framework is based on three fundamental pillars:

- **Culture:** Develop awareness of the importance of operating risk management in the organization, across the entire entity and incorporated at every level.
- **Qualitative Management:** Management whereby both current and potential risks are detected in order to manage them adequately. In other words, prevent, transfer, mitigate or accept risks. Qualitative management is supported by the following activities:

- Based on losses and incidents
- Self-reporting
- Key risk indicators (KRI)
- Review of critical suppliers
- Review of projects
- Review of processes

• **Quantitative Management:** Management whereby awareness is created in the organization about the level and nature of the operating loss events. This enables funds to be assigned via provisions for expected losses, and capital to be efficiently allocated for unexpected losses. Quantitative management is supported by the following activities:

  - Capturing and managing data.
  - Calculating capital using a model defined by the regulator and, when conditions so allow, advanced models.
  - Integrating Qualitative and Quantitative Management.

F. Operating Risk Management Framework

The Operating Risk Management Framework is based on applying the following stages:

• **Set the Context:** Set the strategic, organizational and risk management context where the rest of the process will take place. The criteria against which the risks will be assessed should be established and the analysis structure defined.

• **Identify the Risk:** Associating the risks with the various processes and/or procedures performed in the various activities carried out by the Bank.

• **Analyze the Risks:** A particular analysis of each of the risks detected based on the context set. Determining whether the risk has an associated control or needs a plan of action or mitigation. This situation will be established according to the Bank's priorities.

• **Assess the Risks:** Assess each of the risks based on a probability of occurrence and level of impact, based on falling into categories with 4 thresholds, including be very high, high, medium or low.

• **Mitigate the risks:** Once the risks have been detected and assessed, they are analyzed. To that end, a plan of action, individual responsible for execution it and a date of completion are assigned.

• **Monitor and review:** Monitoring, review and continuous updating of the risk survey and solutions planned by the individuals responsible.

• **Communicate and consult:** Communicate and consult with internal and external interested parties, as applicable, in each stage of the risk management process, considering the process as a whole.

VI. RISK COMMITTEES
In order to correctly manage risks, Banco Security has various different risk committees as described briefly 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 in which committee it must be presented are clearly specified in the Bank's Personal Banking and Corporate Banking Credit Risk Policies. It should be noted that the commercial area has almost no powers in this regard; it must always have the approval of the Credit Risk Area or of the respective committee to be able to approve the respective operations.

Composition of the Credit Risk Committee:
The Board of Directors Credit Risk Committee is comprised of two Bank Directors, its President, the General Manager and the Risk Division Manager. Further, 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-Making Assistant Manager (individuals or companies). And finally, the File Circulation Credit Committee is composed of the various commercial managers and the respective credit decision-making assistant manager (individuals or companies).

Areas of responsibility:
These Committees are in charge of approving or rejecting the credit transactions presented, depending on the amount and conditions of the loan in the respective committee. Additionally, the Board of Directors Credit Committee approves the Credit Risk Policies, their delegated powers and any amendments to them.

Timing:
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 meets generally on Monday and Thursday mornings.

Interaction with the Board of Directors:
The Bank's President and two Board of Directors members participate in the Credit Risk Committee. As a result, the Board of Directors is informed at all times of the Credit Risk Committee's actions. Additionally, note that the Credit Risk Committee is where the Bank's most important operations are addressed.

B. Financial Risk Committee:
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.

The main functions of this committee include reporting on the results of each business unit in relation to net income and margins in comparison to the budget, the alignment of strategies, and escalation of investment or divestiture decisions.

Additionally, the Financial Risk Committee has the power to propose to the Board the policies and methodology associated with managing the Bank's financial activities and ensuring compliance with market risk and liquidity limits set by the Board and supervisory agencies.

This committee is made up of:

- Chairman of the Committee: - Bank's General Manager
  - Bank President
  - Group's General Manager
- Planning and Development Manager
- Chief Economist Grupo Security
- Risk Division Manager
- Financial Risk Manager
- Finance and Corporate Division Manager
- Trading and Investments Manager
- Valores Security General Manager
- Valores Security Investment Manager
- AGF Investment Manager

C. Operating Risk Committee:

Composition of the Operating Risk Committee:

The Operating Risk Committee is made up of the General Manager or a member of the Board of the Banco Security and Subsidiaries, the Operations and Technology Manager, Risk Control Manager, a representative of the Legal Department, the Security Mutual Funds and Securities Operations Manager, the Information Security Officer, the Bank's Risk Division Manager and the Operating Risk Assistant Manager.

The Controller of the Security Group must sit on this Committee, but he does not have any responsibility whatsoever with regard to risk management. His job is to note that any possible corrective measures are in line with the observations made regarding the audited areas

Subjects to be covered:

The Operating Risk Committee is in charge of establishing the operating risk policy, assessing the risks detected and defining action plans in accordance with the Bank's risk profile.

Periodicity:

The Operating Risk Committee meets regularly, ideally bimonthly, or as needed.

Interaction with the Board of Directors:

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

D. Asset and Liability Committee:

This committee is responsible for the administration and control of the (1) structural matching of terms and currencies in the statement of financial position, (2) liquidity, (3) the stability of the Bank's margin, and (4) 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 Development Manager: Manuel Widow L.
- Trading and Investments Manager: Cristian Pinto M.
- Distribution Table Manager: Sergio Bonilla B.
- Balance Sheet Table Manager: Ricardo Turner O.
- Corporate Banking Division Manager: Christian Sinclair M.
- Personal Banking Division Manager: Gonzalo Baraona B.
- International Comex and Serv. Business Manager: Miguel Ángel Delpin A.

VII. CAPITAL REQUIREMENTS

In accordance with the Chilean General Banking Law, the Bank maintains a minimum 8% effective equity to Risk-weighted consolidated assets ratio, net of required provisions, and a minimum 3% Basic Capital to Total Consolidated Assets ratio, net of required provisions. To that end, the effective equity is calculated based on the Capital and Reserves or the Basic Capital, with the following adjustments: a) Junior bonds with a ceiling of 50% of the Basic Capital are added, and b) the balance of assets corresponding to goodwill or markups paid and to investments in companies not participating in the consolidation is deducted.

Assets are weighted according to their risk category, to which a risk percentage is assigned depending on the amount of capital needed to support each of the assets. Five risk categories are applied (0%, 10%, 20%, 60% and 100%). For example, cash, deposits in other banks and financial instruments issued by Chile's Central Bank have 0% risk, which means that, under current regulations, no capital is needed to back up these assets. Fixed assets have a 100% risk, which means that a minimum capital equivalent to 8% of the amount of such assets needs to be maintained.

All derivative instruments traded outside the stock market are considered in calculating assets at risk by using a conversion factor on notional values, thereby obtaining the amount of exposure to credit risk (or credit equivalent). Off-balance sheet contingent credits are also considered as a "credit equivalents" for weighting.

CONSOLIDATED FINANCIAL STATEMENTS BANCO SECURITY AND SUBSIDIARIES

The levels of Basic Capital and Effective Equity at December 31, 2011 and 2010 are as follows:

	CONSOLIDATED ASSETS		RISK WEIGHTED ASSETS	
	2011 MCH$	2010 MCH$	2011 MCH$	2010 MCH$
Assets of the statement of financial position (net of provisions)				
Cash and deposits in banks	262,517	114,409	-	-
Unsettled transactions	106,195	131,111	28,823	40,022
Trading investments	404,366	389,522	113,013	92,448
Investments under resale agreements	2,018	-	2,018	-
Financial derivative contracts	115,938	83,309	63,727	35,742
Interbank loans	31,651	11,325	31,622	10,022
Loans and accounts receivable from clients	2,547,029	1,939,372	2,388,793	1,821,748
Available for sale investments	333,500	278,007	131,836	117,965
Held to maturity investments	-	-	-	-
Investments in other companies	620	621	620	621
Intangible assets	29,522	21,755	29,522	21,755
Property, plant and equipment	23,595	22,695	23,595	22,695
Current taxes	2,744	650	274	65
Deferred taxes	36,445	36,131	3,644	3,613
Other assets	77,550	115,984	77,550	115,984
Off-balance sheet assets				
Contingent loans	298,098	252,233	178,859	151,340
Total risk weighted assets	4,271,788	3,397,124	3,073,896	2,434,020

	AMOUNT	AMOUNT	RATIO	RATIO
	2011 MM$	2010 MM$	2011 %	2010 %
Basic Capital	267,390	206,376	6.26	6.08
Effective Equity	369,686	303,033	12.03	12.45

Effective equity is determined as follows:

	AT DECEMBER 31, 2011 MM$	AT DECEMBER 31, 2010 MM$
Basic Capital	267,390	206,376
Subordinated bonds	93,509	91,781
Government guarantees	8,714	4,805
Equity attributable to non-controlling interest	73	71
Effective Equity	369,686	303,033

38. NEW ACCOUNTING PRONOUNCEMENTS 2011

i. Chilean Superintendency of Banks and Financial Institutions

The new accounting pronouncements issued by the SBIF at the date of issuance of these consolidated financial statements applicable as of 2011 are specified below:

Circular 3,503 – On August 12, 2010, the SBIF issued this Circular, which supplements and amends the instructions for Chapters B-1, Provisions for credit risks; B-2, Impaired and written-down credits; B-3, Contingent credits and C1, Annual Financial Statements of the Compendium of Accounting Standards. The changes made include new wording and restatement of concepts involving the types of credit and portfolios. These amendments became applicable on January 1, 2011. This Circular also introduces regulations regarding the additional provisions contained in No. 9 of Chapter B-1, applicable in 2010.

Circular 3,510 – On October 8, 2010, the SBIF issued this Circular in order to adapt the format of the new instructions on provisions and cover certain information needs with a more detailed breakdown; Chapter C-3, "Monthly Financial Statements" of the Compendium of Accounting Standards was replaced.

Circular 3,518 – On February 2, 2011, the SBIF issued this circular in order to supplement the instructions applicable as of January 2011 with regard to Chapters B-1 and B-3, and to more exactly specify certain instructions. The changes made only involve adding and removing words from the text in order to clarify the standards set forth. This Circular did not have any significant effects on these consolidated financial statements.

Circular Letter 1 – On May 4, 2011, the SBIF announced the issuance of Supreme Decree 1,512, which regulates the universal credits of Law 20.448. Further, the SBIF requested that the respective measures be adopted to thereby comply with the provisions in a decree on October 4, 2011. The purpose of the creation of the universal credits is to implement simple mass credits, whose costs are easily understandable and comparable, with a goal of making the Consumer's election easier. The main aspects of this new regulation involve the introduction of a new total cost indicator expressed in terms of annual percentage (rate), known as the Equivalent Annual Charge the terms in which the information must be provided to the consumer and the contents of the universal credit contracts, which the entity will be bound to offer as of the effective date of the Supreme Decree.

ii. International Financial Reporting Standards

1. Standards and Interpretations effective in 2010

a) The following new Standards and Interpretations have been adopted in these financial statements:

AMENDMENTS TO IFRSS	DATE OF MANDATORY APPLICATION
IAS 24, *Related Party Disclosures*	Annual periods started on or after January 1, 2011
IAS 32, *Financial Instruments: Presentation – Classification of Rights Issues*	Annual periods started on or after February 1, 2010
Improvements to IFRS May 2010 – *collection of Amendments to seven International Financial Reporting Standards*	Annual periods started on or after January 1, 2011

NEW INTERPRETATIONS	DATE OF MANDATORY APPLICATION
IFRIC 19, *Extinguishing financial liabilities with equity instruments*	Annual periods started on or after July 1, 2010

AMENDMENTS TO INTERPRETATIONS	DATE OF MANDATORY APPLICATION
IFRIC 14, *The limit on a defined benefit asset, minimum funding requirements and their interaction*	Annual periods started on or after January 1, 2011

Amendment to IAS 24, *Related Party Disclosures*

On November 4, 2009, IASB issued amendments to IAS 24, Related Party Disclosures. The revised Standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government agency (called government-related entities) and clarifies the definition of a related entity. The revised Standard applies to annual periods starting on or after January 1, 2011. Retroactive application is required. Therefore, in the year of initial application, disclosures for comparative periods need to be reissued. Early application is allowed, either of all of the revised Standard or of the partial exemption for government-related entities. If an entity applies either all of the Standard or the partial exemption for a period starting before January 1, 2011, such needs to be disclosed. The Bank's management estimates that these amendments do not apply to it, since the Bank is not a government-related entity.

Amendment to IAS 32, Financial Instruments: Presentation

On October 8, 2009, IASB issued an amendment to IAS 32, *Financial Instruments:* Presentation, called Classification of Rights Issues. According to the amendments, the rights, options and warrants that in any way meet the definition of paragraph 11 of IAS 32 issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, always provided that the offer is made on a pro rata basis to all of the current owners of the same class of the entity's own non-derivative equity instruments. The amendment applies to annual periods starting on or after February 1, 2010, with permissible early application. The Bank's management believes that these amendments have not had any impact on the accounting policies for the period.

Improvements to International Financial Reporting Standards – 2010

On May 6, 2010, IASB issued Improvements to IFRS 2010, incorporating amendments to 7 International Financial Reporting Standards. This is the third collection of amendments issued under the process of annual improvements, which were designed to make necessary, but not urgent, amendments to the IFRS. The amendments apply to annual periods starting on or after July 1, 2010 and to annual periods starting on or after January 1, 2011. The Bank's management has analyzed these amendments and has concluded that they do not have any impact on their accounting policies for the period.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

On November 26, 2009, the International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments.* This interpretation provides guidelines on how to account for the extinguishment of financial liabilities by issuing equity instruments. The interpretation concludes that issuing the equity instruments to extinguish a liability is the consideration paid. The consideration shall be measured at the fair value of the equity instrument issued, unless the fair value is not easily determinable, in which case the equity instruments shall be measured at the fair value of the extinguished liability. The Bank has not performed any operations that might be affected by this standard.

Amendment to IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

In December, 2009, IASB issued *Payment in advance of a minimum funding requirement*, amendments to IFRIC 14 IAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction*. The amendments have been made to remediate an unintentional consequence of IFRIC 14, which prohibits entities in some circumstances from recognizing advanced payments of minimum funding contributions as payments. The Bank's management estimates that these amendments have not had any impact on its accounting policies during the period.

b) The following New Standards and Interpretations have been issued, but their date of application has still not come into force:

NEW IFRS	DATE OF MANDATORY APPLICATION
IFRS 9, *Financial Instruments*	Annual periods started on or after January 1, 2015
IFRS 10, *Consolidated Financial Statements*	Annual periods started on or after January 1, 2013
IFRS 11, *Joint Arrangements*	Annual periods started on or after January 1, 2013
IFRS 12, *Disclosure of Interests in Other Entities*	Annual periods started on or after January 1, 2013
IAS 27 (2011), *Separate Financial Statements*	Annual periods started on or after January 1, 2013
IAS 28 (2011), *Investments in Associates and Joint Ventures*	Annual periods started on or after January 1, 2013
IFRS 13, *Fair Value Measurements*	Annual periods started on or after January 1, 2013
AMENDMENTS TO IFRSS	**DATE OF MANDATORY APPLICATION**
IAS 1, *Presentation of Financial Statements – Presentation of Components of Other Comprehensive Income*	Date of mandatory application
IAS 12, *Deferred Taxes – Recovery of Underlying Assets*	Annual periods started on or after July 1, 2012
IAS 19, *Employee Benefits (2011)*	Annual periods started on or after January 1, 2012
IAS 32, *Financial Instruments: Presentation – Clarifications of requirements for netting financial assets and liabilities*	Annual periods started on or after January 1, 2013
IFRS 1 (Revised), *First-time Adoption of International Financial Reporting Standards – (i) Elimination of Dates Set for First-time Adopters – (ii) Severe Hyperinflation*	Annual periods started on or after January 1, 2014
IFRS 7, *Financial Instruments: Disclosures – (i) Disclosures – Transfers of Financial Assets – (ii) Amendments to disclosures on netting of financial assets and liabilities*	Annual periods started on or after July 1, 2011.
	Annual periods started on or after July 1, 2011 (for transfers of financial assets)
NEW INTERPRETATIONS	**DATE OF MANDATORY APPLICATION**
IFRIC 20*, Stripping Costs in the Production Phase of a Surface Mine*	Annual periods started on or after January 1, 2013

IFRS 9, Financial Instruments

On November 12, 2009, the International Accounting Standards Board (IASB) issued IFRS 9, Financial Instruments. This Standard introduces new requirements for classifying and measuring financial assets and it applies to annual periods starting on or after January 1, 2013, with permissible early application. IFRS 9 specifies how an entity should classify and measure its financial assets. It requires that all financial assets should be classified based on the entity's business model for managing financial assets and the characteristics of the contractual cash flows of the financial assets. The financial assets are measured either at amortized cost or fair value. Only financial assets classified as measured at amortized cost will be tested for impairment. On October 28, 2010, IASB published a revised version of IFRS 9, Financial Instruments. The revised Standard maintains the requirements for classifying and measuring financial assets that were published in November 2009, but adds guidelines on classifying and measuring financial liabilities. As part of the restructuring of IFRS 9, the IASB has also replicated the guidelines on derecognition of financial instruments and the related implementation guidelines from IAS 39 to IFRS 9. These new guidelines conclude the first phase of the IASB project to replace IAS 39. The other phases - impairment and hedge accounting - have still not concluded.

The guidelines in IFRS 9 on classification and measurement of financial assets have not changed from those stipulated in IAS 39. In other words, the financial liabilities will continue to be measured at either amortized cost or fair value through profit and loss. The concept of branched derivatives incorporated into a contract by a financial asset has not changed either. Financial liabilities held for trading will continue to be measured at fair value through profit and loss, and all other financial assets will be measured at amortized cost, unless the fair value option is applied under the criteria currently existing in IAS 39.

Notwithstanding the above, there are two differences compared to IAS 39:

- The presentation of the effects of the changes in fair value attributable to the credit risk of a liability; and
- The elimination of the cost exemption for derivatives of a liability to be liquidated by delivering untraded equity instruments.

On December 16, 2011, IASB issued the date of mandatory application of IFRS 9 and Transition Disclosures, deferring the effective date for both the 2009 and 2010 versions to annual periods starting on or after January 1, 2015. Prior to the amendments, application of IFRS 9 was mandatory for annual periods starting on or after 2013. The amendments change the requirements for the transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9. In addition, the amendments also amend IFRS 7 Financial Instruments: Disclosures to add certain requirements in the reporting period, including the date of application of IFRS 9.

The amendments apply to annual periods starting on or after January 1, 2015, with permissible early application being allowed. The Superintendency of Banks and Financial Institutions issued instructions not to implement early application of this Standard, but rather to adopt it as of its date of mandatory application. The Bank's Management has not had the opportunity to consider the potential impact of adopting these amendments.

IFRS 10, Consolidated Financial Statements

On May 12, 2011, the IASB issued IFRS 10, Consolidated Financial Statements, which replaces IAS 27, Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The objective of IFRS 10 is to have a single basis of consolidation for all entities, regardless of the nature of the investment. This basis is control. The definition of control includes three elements: Power over an investment, exposure or rights to the variable returns of an investment and the ability to use the power over the investment to affect the investor's rate of return. IFRS 10 provides detailed guidelines on how to apply the principle of control in a number of situations, including agency relationships and holding potential voting rights. An investor should reevaluate whether he controls an investment if there is a change in the facts or circumstances. IFRS 10 replaces those sections of IAS 27 that address when and how an investor should prepare consolidated financial statements and replaces SIC 12 completely. The effective date for applying IFRS 10 is January 1, 2013, and early application is allowed under certain circumstances.

The Bank's management estimates that this new standard will be adopted in the consolidated financial statements for the period that will start on January 1, 2013. Management is currently evaluating the potential impact that adopting this new Standard will have on its financial statements on the date of initial application.

IFRS 11, Consolidated Financial Statements

On May 12, 2011, the IASB issued IFRS 11, Joint Arrangements, which replaces IAS 31, Interests in Joint Ventures and SIC-13, Entities under Joint Control. IFRS 11 classifies joint arrangements either as joint operations (combination of the existing concepts of jointly controlled assets and jointly controlled operations) or joint ventures (equivalent to the existing concept of a jointly controlled entity) . A joint operation is a joint arrangement where the parties that have joint control have rights to the assets and obligations from the liabilities. A joint venture is a joint arrangement where the parties that have joint control of the arrangement have a right to the arrangement's net assets. IFRS 11 requires the use of the equity method to account for the interests in joint ventures, thereby eliminating the proportional consolidation method. The effective date of application is January 1, 2013, and early application is allowed in certain circumstances.

The Bank's management estimates that this new standard will be adopted in the consolidated financial statements for the period that will start on January 1, 2013. Management is currently evaluating the potential impact that adopting this new Standard will have on its financial statements on the date of initial application.

IFRS 12, Disclosures of Interests in Other Entities

On May 12, 2011, the IASB issued IFRS 12, Disclosures of Interests in Other Entities, which requires greater disclosures of interests in subsidiaries, joint arrangements, associated and non-consolidated entities. IFRS 12 stipulates disclosure objectives and specifies minimum disclosures that an entity should provide in order to meet these objectives. An entity shall disclose information that allows users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of such interests on its financial statements. The disclosure requirements are extensive and represent an effort that could require the compilation of the information needed. The effective date of application of IFRS 12 is January 1, 2013, however entities are allowed to incorporate any new disclosures into their financial statements before that date.

The Bank's management estimates that this new standard will be adopted in the consolidated financial statements for the period that will start on January 1, 2013. Management is currently evaluating the potential impact that adopting this new Standard will have on its financial statements on the date of initial application.

IAS 27 (2011), Separate Financial Statements

IAS 27 Consolidated and Separate Financial Statements was amended by the issue of IFRS 10, but it retains the current guidelines for separate financial statements.

The Bank's management estimates that this new standard will be adopted in the consolidated financial statements for the period that will start on January 1, 2013. Management estimates that this new Standard will not have an impact on its consolidated financial statements on the date of initial application.

IAS 28 (2011), Investments in Associates and Joint Ventures

IAS 28 Investments in Associates was amended to bring it into line with the changes resulting from the issuance of IFRS 10 and IFRS 11.

The Bank's management estimates that this new standard will be adopted in the consolidated financial statements for the period that will start on January 1, 2013. Management is currently evaluating the potential impact that adopting this new Standard will have on its financial statements on the date of initial application.

IFRS 13, Fair Value Measurements

On May 12, 2011, the IASB issued IFRS 13, Fair Value Measurements, which stipulates a single source of guidelines for fair value measurements under IFRS. This standard applies to both financial and non-financial assets measured at fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". (In other words, the output price). IFRS 13 applies to annual periods starting on or after January 1, 2013. Early application is allowed and it should be applied prospectively as of the start of the annual period in which it is adopted.

The Bank's management estimates that this new standard will be adopted in the consolidated financial statements for the period that will start on January 1, 2013. Management is currently evaluating the potential impact that adopting this new Standard will have on its financial statements on the date of initial application.

Amendments to IAS 1, Presentation of Financial Statements

On June 16, 2011, the IASB published the Presentation of Components of Other Comprehensive Income (amendments to IAS 1). The amendments retain the option of presenting a statement of income and a statement of comprehensive income, either as a single statement or as two consecutive individual statements. The components of other comprehensive income are required to be grouped into those that will and those that will not be subsequently reclassified to profit and loss. The tax on other comprehensive income is required to be assigned on that same basis. Measurement and recognition of the components of profit and loss and other comprehensive income are not affected by the amendments, which apply to reporting periods starting on or after July 1, 2012. Early application is allowed.

The Bank's management estimates that this new standard will be adopted in the consolidated financial statements for the period that will start on January 1, 2013. Management estimates that, considering the characteristics of the amendment, it will not have an impact on the measurement and recognition of the components of profit and loss and other comprehensive income on the initial date of application of these amendments.

Amendments to IAS 12, Income tax

On December 20, 2010, the IASB published Deferred Taxes: Recovery of Underlying Assets – Amendments to IAS 12. The amendments stipulate an exemption to the general principles of IAS 12 that the measurement of deferred tax assets and liabilities shall reflect the tax consequences of the way in which the entity expects to recover the carrying value of an asset. Specifically, the exemption applies to deferred tax assets and liabilities originating in investment properties measured using the fair value model of IAS 40 and in investment properties acquired in a business combination, if it is subsequently measured using the fair value model of IAS 40. The amendment introduces a presumption that the current value of the investment property will be recovered when it is sold, except when the investment property is depreciable and is maintained within a business model whose objective is to substantially consume all of the economic benefits over time, instead of through the sale. These amendments shall be applied retroactively requiring a retroactive reissue of all of the deferred tax assets and liabilities within the scope of this amendment, including those that would have been recognized initially in a business combination. The date of mandatory application of these amendments is to all annual periods starting on or after January 1, 2012. Early application is allowed. The Bank's management estimates that this new standard will be adopted in the consolidated financial statements for the period that will start on January 1, 2012. Management is currently evaluating the potential impact that adopting this new standard will have on its financial statements on the date of initial application.

Amendments to IAS 19, Employee Benefits

On June 16, 2011, the IASB published amendments to IAS 19, Employee Benefits, which change the accounting of the defined benefit plans and the termination benefits. The amendments require recognition of the changes in the defined benefit liability and in the assets of the plan when those changes occur, eliminating the broker approach and accelerating recognition of the costs of past services.

The changes in the defined benefit liability and assets of the plan are broken down into three components: Costs of the service, net interest on the net defined benefit liabilities (assets) and re-measurements of the net defined benefit liabilities (assets).

The net interest is calculated using the rate of return for top quality corporate bonds. It could be less than the rate currently used to calculate the expected return on the plan's assets, resulting in a decrease in the profit for the year. The amendments apply to annual periods starting on or after January 1, 2013. Early application is allowed. Retrospective application is required, with certain exceptions.

The bank does not have any operations affected by this amendment.

Amendments to IAS 32, Financial Instruments: Presentation

In December 2011, the IASB amended the accounting and disclosure requirements for netting financial assets and liabilities through amendments to IAS 32 and IFRS 7. These amendments are the result of the joint project of IASB and the Financial Accounting Standards Board (FASB) to address the differences in their respective accounting standards with regard to netting financial instruments. The new disclosures are required for annual or interim periods starting on or after January 1, 2013 and the amendments to IAS 32 apply to annual periods starting on or after January 1, 2014. Both require retrospective application for comparative periods.

The Bank's management estimates that this new standard will be adopted in the consolidated financial statements for the periods that will start on January 1, 2013 and 2014, respectively. Management has not had the opportunity to consider the potential impact of adopting these amendments.

Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards

On December 20, 2010, IASB published certain amendments to IFRS 1, specifically:

(i) Elimination of the Dates Set by the First-time Adopters. These amendments provide help to first-time adopters of IFRS replacing the date of prospective application of the derecognition of the financial assets and liabilities of 'January 1, 2004' with 'the date of transition to IFRS'. Thus, the first-time adopters of IFRS do not have to apply the derecognition procedures of IAS 39 retrospectively to a prior date, and it frees the first-time adopters from recalculating "day 1" profits and losses on transactions occurring before the IFRS transition date.

(ii) Severe Hyperinflation – These amendments provide guidelines for entities emerging from severe hyperinflation, allowing them, at the date of transition, to measure all of the assets and liabilities held before the date of standardization of the functional currency at the fair value on the date of transition to IFRS and use that fair value as the attributed cost of such assets and liabilities in the opening statement of financial situation under IFRS. The entities using this exemption shall describe the circumstances of how and why their functional currency was subject to severe hyperinflation and the circumstances that led to those conditions terminating.

These amendments will be applied mandatorily to annual periods starting on or after July 1, 2011. Early application is allowed. The Bank's management estimates that these amendments will not have any effect on their financial statements, since they are currently preparing their financial statements under IFRS.

Amendments to IFRS 7, Financial Instruments

On October l7, 2010, the International Accounting Standards Board (IASB) issued Disclosures – Transfers of Financial Assets (Amendments to IFRS 7 Financial Instruments - Disclosures) which increases the disclosure requirements for transactions involving the transfer of financial assets. These amendments are aimed at furnishing greater transparency with regard to the risk exposure of transactions where a financial asset is transferred but the assignor retains a certain level of continued exposure (referred to as "continued involvement) in the asset. The amendments also require disclosure when the transfers of financial assets have not been evenly distributed during the period (i.e. when the transfers occur near the reporting period-end). These amendments apply to annual periods starting on or after July 1, 2011. Early application of these amendments is allowed. The disclosures are not required for any of the periods presented starting before the initial date of application of the amendments. The Bank's management estimates that this new standard will be adopted in the consolidated financial statements for the period that will start on January 1, 2012. Management is currently evaluating the potential impact that adopting this new Standard will have on its financial statements on the date of initial application.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

On October 19, 2011, the IFRS Interpretations Committee published IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine ('IFRIC 20'). IFRIC 20 applies to all kinds of natural resources extracted using the surface mining process. The stripping costs that improve access to the ore shall be recognized as a non-current asset ("stripping activity asset"), when certain criteria are met, while the costs of normal continued operations of the stripping activities shall be accounted for under IAS 2 Inventories. The stripping activity asset shall be measured initially at cost or at its revaluated amount less depreciation or amortization and impairment losses. The interpretation applies to annual periods starting on or after January 1, 2013. Early application is allowed. The Bank's management considers that this new interpretation will not have an impact on its financial statements, since its business activities do not consider the extraction of natural resources.

39. SUBSEQUENT EVENTS

During the period between January 1 and the date of issue of these consolidated financial statements (January 18, 2012), there have been no subsequent events that have had a significant impact on the Banks consolidated financial statements.

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors in an extraordinary meeting held on January 18, 2012, and their publication has been authorized for January 18 of this year.

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HORACIO SILVA C. Chief Accountant	RAMON ELUCHANS O. Chief Executive Officer

VALORES SECURITY S.A. CORREDORES DE BOLSA

As of December 31, 2011 and 2010

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2011 CH$ MILLIONS	2010 CH$ MILLIONS
ASSETS		
Cash & cash equivalents	1,703	1,051
Financial instruments	87,379	74,633
Trading debtors	31,317	50,984
Investments in companies	370	370
Premises & equipment	128	80
Other assets	3,152	5,161
TOTAL ASSETS	124,051	132,278
LIABILITIES & EQUITY		
Financial liabilities	70,293	61,162
Trading creditors	20,688	37,130
Other liabilities	3,096	5,613
Total liabilities	94,077	103,905
Capital & reserves	28,373	26,101
Earnings for the year	1,601	2,272
TOTAL LIABILITIES & EQUITY	124,051	132,278
STATEMENT OF RESULTS		
Trading result	2,150	2,605
Services revenue	589	507
Result of financial instruments	8,929	5,579
Result of financing operations	(4,977)	(1,797)
Administration & selling costs	(5,156)	(4,503)
Other results	168	84
Earnings before income tax	1,703	2,474
Income tax	(102)	(202)
EARNINGS (LOSS) FOR THE YEAR	1,601	2,272

SUMMARIZED FINANCIAL STATEMENTS OF SUBSIDIARIES

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

As of December 31, 2011 and 2010

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2011 CH$ MILLIONS	2010 CH$ MILLIONS
ASSETS		
Cash & cash equivalents	775.1	1,532.5
Other financial assets, current	19,278.3	14,622.7
Other current assets	465.0	224.8
Non-current assets	328.2	309.0
Total assets	20,846.5	16,689.0
LIABILITIES		
Current liabilities	1,987.1	2,358.5
Non-current liabilities	0.0	0.0
Issued capital	1,525.3	1,525.3
Accumulated earnings	17,334.2	12,805.2
Total liabilities & equity	20,846.5	16,689.0
STATEMENT OF RESULTS		
Ordinary revenue	12,171.1	10,735.2
Administrative expenses	-6,509.7	-5,843.0
Financial costs	-272.2	-271.1
Other revenue	148.4	142.5
Earnings before taxes	5,537.6	4,763.6
Income tax	(1,008.6)	(738.4)
Earnings for the year	4,529.0	4,025.2

ADDRESSES BANCO SECURITY AND SUBSIDIARIES

CENTRAL SWITCHBOARD: (56-2) 584 4000

Security Customer Attention Service: (56-2) 5844060
Banking emergencies: (56-800) 200717
From mobile phones: (56-2) 4622117
Security Phone: (56-600) 5844040
Web: www.security.cl
e-mail: banco@security.cl

HEAD OFFICE (EL GOLF)

Apoquindo 3100 – Las Condes
Opening hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 584 4000
Fax: (56-2) 584 4058

AGUSTINAS BRANCH

Agustinas 621 – Santiago
Opening hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 584 4311 - 5842250
Fax: (56-2) 584 4012

ALCÁNTARA BRANCH

Alcántara 44 – Las Condes
Opening hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 584 4438
Fax: (56-2) 584 2266

CHICUREO BRANCH

Camino Chicureo Km 1.7 – Colina
Opening hours: 8:00 – 14:00 hrs.
Tel.: (56-2) 581 5003

CIUDAD EMPRESARIAL BRANCH

Avenida del Parque 4023 – Huechuraba
Opening hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 584 4683
Fax: (56-2) 584 4871

EL CORTIJO BRANCH

Américo Vespucio 2760 C - Conchalí
Opening hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 581 5534

ESTORIL BRANCH

Estoril 50 – Las Condes
Opening hours: 8:00 – 14:00 hrs.
Tel.: (56-2) 584 2292
Fax: (56-2) 584 2200

LA DEHESA BRANCH

La Dehesa 1744 – Lo Barnechea
Opening hours: 8:00 – 14:00 hrs.
Tel.: (56-2) 584 4465
Fax: (56-2) 584 4676

GENERAL INFORMATION

ADDRESSES

LOS COBRES BRANCH
Vitacura 6577 – Vitacura
Opening hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 581 5516
Fax: (56-2) 581 5523

LOS TRAPENSES BRANCH
Camino Los Trapenses 3023, N° 1 - Lo Barnechea
Opening hours: 8:00 - 14:00 hrs.
Tel.: (56-2) 581 5568
Fax: (56-2) 581 5573

PLAZA CONSTITUCION BRANCH
Agustinas 1235 – Santiago
Opening hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 584 4832
Fax: (56-2) 584 4161

PROVIDENCIA BRANCH
11 de Septiembre 2289 – Providencia
Opening hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 584 4688
Fax: (56-2) 584 4699

QUILICURA BRANCH
Presidente E. Frei M. 9950 Of. 4 – Quilicura
Opening hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 584 4690
Fax: (56-2) 584 4698

SANTA ELENA BRANCH
Santa Elena 2400 – San Joaquín
Opening hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 584 4761
Fax: (56-2) 584 4750

SANTA MARÍA DE MANQUEHUE BRANCH
Santa María 6904, N°15 - Vitacura
Opening hours: 8:00 – 14:00 hrs.
Tel.: (56-2) 581 5555
Fax: (56-2) 581 5550

VITACURA BRANCH
Vitacura 3706 – Vitacura
Opening hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 584 4735
Fax: (56-2) 584 5507

PRESIDENTE RIESCO BRANCH
Presidente Riesco 5335, N° 101 - Las Condes
Opening hours: 8:00 – 14:00 hrs.
Tel.: (56-2) 584 3220
Fax: (56-2) 584 3238

ANTOFAGASTA BRANCH
San Martín 2511 – Antofagasta
Opening hours: 9:00 – 14:00 hrs.
Tel.: (55) 536 500
Fax: (55) 536 512

VIÑA DEL MAR BRANCH
Libertad 1097 – Viña del Mar
Opening hours: 8:00 – 14:00 hrs.
Tel.: (56-32) 251 5100
Fax: (56-32) 251 5120

LA SERENA BRANCH
Huanhualí 85, N°6 – La Serena
Opening hours: 8:00 - 14:00 hrs.
Tel.: (56-51) 477400
Fax: (56-51) 477426

RANCAGUA BRANCH
Eduardo Frei Montalva 340, N° 6
Rancagua
Opening hours: 8:00 - 14:00 hrs.
Tel.: (56-72) 746600
Fax: (56-72) 746632

CONCEPCION BRANCH
Bernardo O'Higgins 428 – Concepción
Opening hours: 9:00 – 14:00 hrs.
Tel.: (56-41) 290 8000
Fax: (56-41) 290 8021

TEMUCO BRANCH
Manuel Bulnes 701 – Temuco
Opening hours: 9:00 – 14:00 hrs.
Tel.: (56-45) 948 400
Fax: (56-45) 948 416

PUERTO MONTT BRANCH
Guillermo Gallardo 132 – Puerto Montt
Opening hours: 9:00 – 14:00 hrs.
Tel.: (56-65) 568 300
Fax: (56-65) 568 311

GENERAL INFORMATION

SUBSIDIARY COMPANIES

VALORES SECURITY S.A., CORREDORES DE BOLSA

Apoquindo 3150 7th Flr – Las Condes

Tel.: (56-2) 584 4000

Fax: (56-2) 584 4015

Web: www.security.cl

e-mail: valores@security.cl

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

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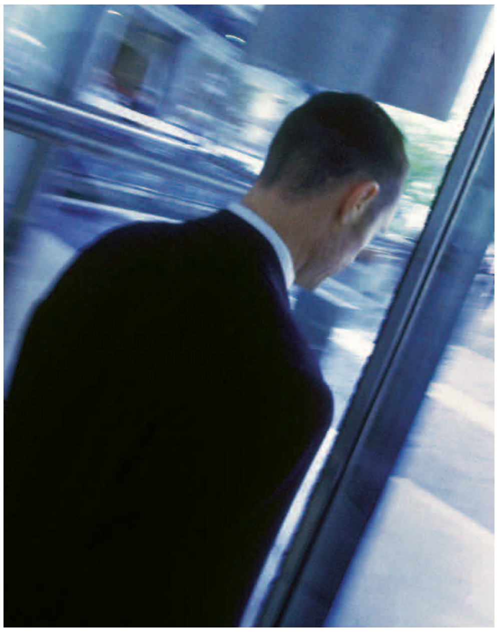

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