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Annual

Report

2012

ANNUAL REPORT

2012

Contents

SUMMARIZED FINANCIAL STATEMENT BANCO SECURITY AND SUBSIDIARIES

CHAIRMAN'S LETTER

HISTORIC SUMMARY

RECOGNITIONS

01

Our Bank


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Financial Summary

CONSOLIDATED FINANCIAL SUMMARY BANCO SECURITY AND SUBSIDIARIES

Figures in millions of pesos

RESULTS FOR THE YEAR	2004 (3)	2005	2006	2007 (4)	2008 (4)	2009	2010	2011	2012
Gross operating result (Gross margin)	61.336	61.395	65.047	85.234	77.397	78.515	99.085	107.953	131.693
Operating expenses	33.792	30.566	36.099	45.255	50.191	50.885	60.343	67.283	89.848
Net operating result (Net margin)	27.544	30.830	28.948	39.979	27.206	27.630	38.742	40.670	41.845
Earnings	14.024	20.014	20.498	27.268	24.338	23.039	33.710	35.020	35.229
BALANCES AT END OF THE YEAR									
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	3.021.457
Financial investments	306.556	388.625	317.441	600.702	796.434	946.676	729.465	791.479	706.586
Productive assets	1.494.023	1.742.956	1.928.305	2.336.001	2.881.127	3.135.761	2.718.098	3.406.050	3.728.044
Fixed assets & investment in subsidiaries	21.567	23.042	23.445	25.720	28.837	23.112	23.316	24.215	25.131
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	4.179.893
Net sight deposits	82.933	104.331	108.224	184.270	221.397	255.777	285.464	353.615	395.301
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	2.306.100
Foreign borrowings	139.925	192.116	112.615	160.623	292.091	132.120	155.982	289.277	232.399
Provisions for doubtful assets	18.560	19.512	16.437	18.969	22.730	31.218	37.904	35.858	41.815
Capital & reserves (2)	124.004	130.259	132.546	140.083	170.459	174.750	172.737	232.443	248.364
Equity	138.028	150.273	153.044	167.400	184.865	197.854	206.447	267.463	283.593
RATIOS	**2004 (3)**	**2005**	**2006**	**2007 (4)**	**2008 (4)**	**2009**	**2010**	**2011**	**2012**
Earnings / Equity	10,2%	13,3%	13,4%	16,3%	13,2%	11,6%	16,3%	13,1%	12,4%
Earnings / Total assets	0,8%	1,0%	1,0%	1,0%	0,8%	0,7%	1,1%	0,9%	0,8%
Productive assets / Total assets	89,3%	87,0%	90,4%	89,3%	89,0%	90,8%	87,0%	87,1%	89,2%
Basle I ratio	12,26	12,26	11,59	10,84	11,48	12,56	12,45	12,03	11,92

NOTES :

(1) Includes interbank. Contingent liabilities are not included since 2007 under the new standards, and do not form part of loans.

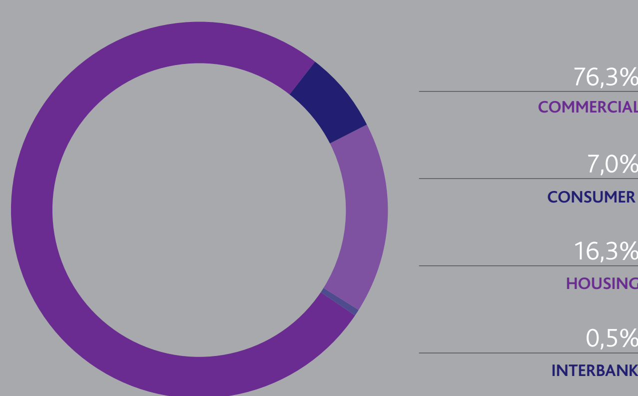
(2) Include Other equity accounts

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

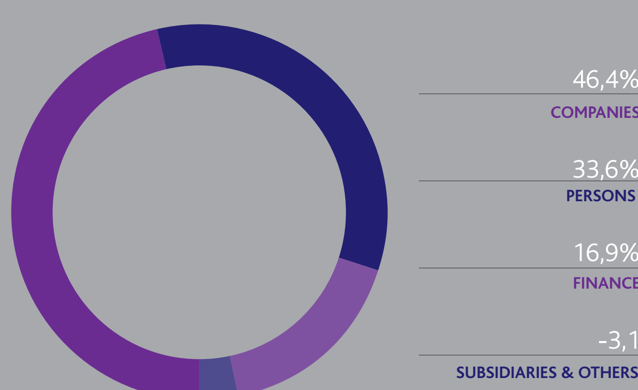
(4) Effective January 2008, the balance sheets & statements of results were changed to the IFRS format defined by the SBIF in its accounting regulations published under Circular 3,410. The figures from 2007 are not therefore comparable with the financial information of previous years. The 2007 & 2008 figures incorporate adjustments in accordance with the later regulatory changes to make them more comparable. Price-level correction was suppressed from January 2009.

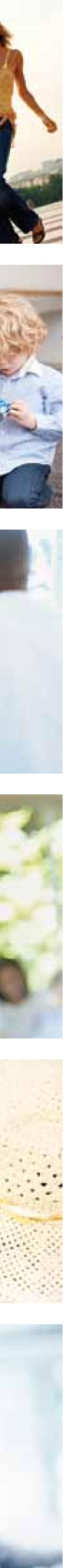
Principal Financial Indicators

LOAN COMPOSITION

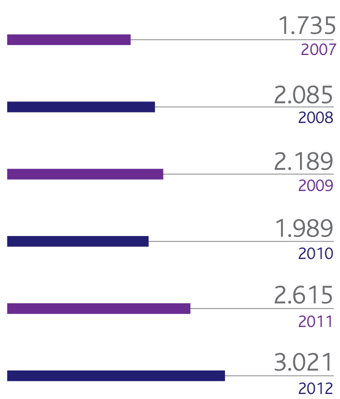


REVENUE COMPOSITION

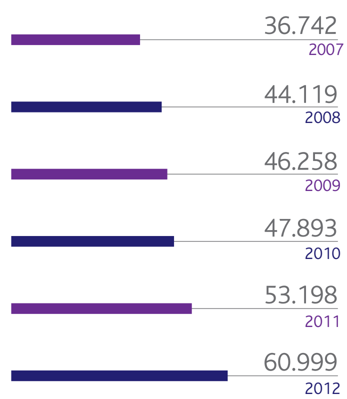




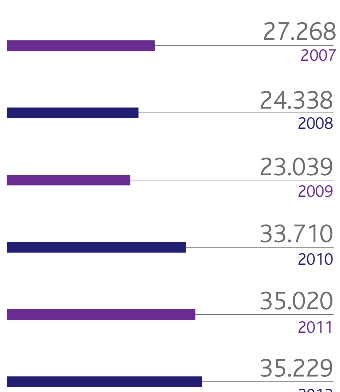
TOTAL LOANS
BILLIONS OF CH$



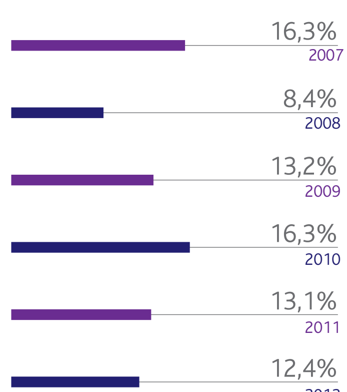
CHECKING ACCOUNTS
NUMBER



RESULT
MILLIONS OF CH$



ROE
PERCENTAGE



Chairman's Letter

Dear shareholders:

I am pleased to present to you the Annual Report of Banco Security for the year 2012.

Last year, the Bank had to face important challenges as an organization and industry. The unstable international economic scenario, influenced by European sovereign debt problems, which has passed close to four years now without resolution, and the economic situation in the United States, also affected by fiscal debt problems, contrasted by a great local dynamism, plus the changes in the regulatory-institutional framework of the banking industry and fierce competition, produced an extremely complex scenario which we were able to navigate very successfully, enabling us to reach the objectives we had set.

2012 was a year in which the banking industry showed a prudent performance, both in volumes and in results. Loans in the system grew by 14.6%, which meant a rise of Ch$12.8 billion over the previous year (13.7% and Ch$12.1 billion respectively if Corpbanca Colombia is excluded). The total earnings of the banks were Ch$1,648 million, which represents a fall of 4.0% compared to the year before (Ch$1,624 million and a fall of 5.4% after excluding Corpbanca Colombia) and a return on equity of 14.65%, which compares negatively with 17.50% in 2011.

In this context, Banco Security and its subsidiaries Valores Security Corredores de Bolsa and Administradora General de Fondos Security produced a good commercial performance with consolidated earnings of Ch$35,229 million, which compares favorably with the Ch$35,020 million reported for 2011, in circumstances where the overall result of the industry showed a decline. The return on equity was 12.4%, with a Basle ratio of 11.92% and a risk ratio of 1.38%.

The results of Banco Security in 2012 basically reflect the strategic plans for strengthening the commercial areas which have been implemented over recent years, which have permitted a closer proximity with our customers and the profitability of the relationship with each one. These plans include a branch network expansion plan which continues to advance, although slightly slower than originally planned, and the focus of commercial efforts on customer segments offering the greatest potential.

We are going to continue working to deepen every day the commitment with our customers, transparency in all our commercial relations and links with the community.

It is important to mention that, as in previous years, Banco Security together with other companies of Grupo Security obtained an outstanding award by the Great Place to Work Institute, placing it among the "15 Best Companies to Work for in Chile" out of a total of 195 companies, the consequence of a policy of permanent concern and interest in its staff and their families. Grupo Security was also the first Chilean company to be accredited as Familiarly Responsible, a distinction granted by the IESE Business School of the Universidad de Navarra, Spain, and the ESE Business School of the Universidad de los Andes.

This successful performance, reflected in the results and the various distinctions received during the year, is the result of the work and dedication of every one of our staff, and the trust and support that our shareholders have placed in us.

We feel prepared to face the challenge represented by the growth plans for the coming years, without overlooking the values that characterize the way of working of every member of Banco Security. We are going to continue working to deepen every day the commitment with our customers, transparency in all our commercial relations and links with the community, while caring for conciliation between work and family. With the effort and loyalty that characterize our human team, we expect to achieve the objectives we have set ourselves.

FRANCISCO SILVA S.

Chairman Grupo Security

Historical Summary

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 AS A BANK SUBSIDIARY IN ORDER TO HANDLE THE LEASING FINANCE BUSINESS.

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 IS CREATED 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.

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2001

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

2003

ON 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.

2006/08

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

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

CONTINUING WITH THE GROWTH AND EXPANSION OF THE BRANCH NETWORK, BRANCHES ARE OPENED AT SANTA MARÍA AND LOS TRAPENSES.

2011

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

2012

3 NEW BRANCHES ARE INAUGURATED: LA REINA, MONEDA AND TALCA. RETAIL BANKING REACHED 50,000 CHECKING ACCOUNTS AND CORPORATE BANKING SURPASSES 2 BILLION PESOS IN LOANS.

Awards Received

GPTW PRIZES

SALMON 2012 PRIZES

FIRST IN CHILE ACCREDITED AS FAMILIARLY RESPONSIBLE

GPTW PRIZES

For the twelfth consecutive year, Banco Security was recognized as one of the "Best Companies to Work for in Chile", by winning 12th place in the ranking prepared annually by the Great Place to Work Institute.

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

SALMON 2012 PRIZES

Consistency is always rewarded. Administradora General de Fondos Security was the best evaluated in the funds management industry in the Salmón 2012 prizes, obtaining 5 first places (Fondo Mutuo Security Latinoamericano, Fondo Mutuo Security USA, Fondo Mutuo Security Emerging Market, Fondo Mutuo Security Energy Fund and Fondo Mutuo Security Check) and a second place (Fondo Mutuo Security Dólar Bond). The prizes were awarded by the Diario Financiero newspaper and the Chilean Association of Mutual Fund Managers.

FIRST IN CHILE ACCREDITED AS FAMILIARLY RESPONSIBLE

As a result of an organizational culture concerned about work-family conciliation for over 20 years, Grupo Security is the first company in Chile to be accredited as Familiarly Responsible, according to a survey made by the IESE Business School of the Universidad de Navarra, Spain.

The measurement, carried out since 1999 in more than 20 countries, was made last year for the first time in our country in collaboration with the ESE Business School, and evaluates the implementation of conciliation policies between work, family and personal life. Grupo Security achieved excellent results in the measurement, particularly for its internal policies focused on work-family conciliation.

The survey evaluates among other things the flexibility of working hours and space, services for the staff, support for professional advancement, extra-salary benefits of the companies and all actions that help organizations to put into practice a culture of flexibility and responsibility. Similarly, it shows that organizations concerned about the work-family balance function better as their staff are more committed and motivated, which makes them more efficient.

BOARD AND MANAGEMENT

LEVELS OF CORPORATE GOVERNANCE

02 Corporate Governance


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Corporate Governance

DIRECTORS 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	Dalibor Eterovic M.
• Manager, Planning & Performance	Manuel Widow L.
• Manager, Corporate Culture	Karin Becker S.
• Comptroller	Alfonso Verdugo R.

SUPPORT AREAS

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

COMMERCIAL AREAS

CORPORATE DIVISION

• Manager, Corporate Banking Division	Christian Sinclair M.
• Manager, Commercial Products & Development	Sergio Cavagnaro R.
• Manager, Marketing & Products	Francisco Domeyko C.
• Assistant Manager, Leasing Business	Aldo Massardo G.

LARGE AND REAL ESTATE CORPORATIONS	
• Manager, Large & Real Estate Corporations	Alejandro Arteaga I.
• Manager, Large Corporations	José Luis Correa L.
• Manager, Large Corporations	Alberto Apel O.
• Assistant Manager, Large Corporations	Felipe Oliva L.
• Assistant Manager, Large Corporations	Carlos López V.
• Assistant Manager Real Estate Companies	Ricardo Hederra G.
REGIONAL COMPANIES AND BRANCHES	
• Manager, Regional Companies & Branches	Jorge Contreras W.
• Manager, Regional Branches	Hernán Buzzoni G.
• Assistant Manager, Companies	Francisco Cardemil K.
• Assistant Manager, Companies	José Antonio Delgado A.
• Assistant Manager, Companies	Alberto Leighton P.
• Agent, Puerto Montt Branch	Rodrigo Tornero J.
• Agent, Antofagasta Branch	Rolando Trombert J.
• Agent, Concepción Branch	María Paz Ruiz-Tagle V.
• Agent, Temuco Branch	Claudio Assadi L.
• Agent, Viña del Mar Branch	Hugo Figueroa V.
• Agent, Rancagua Branch	Francisco Vidal W.
• Agent, Talca Branch	Javier Flores S.
• Agent, La Serena Branch	Sebastián Cummins S.
FOREIGN TRADE AND INTERNATIONAL SERVICES	
• Manager, Foreign Trade & International Services	Miguel Ángel Delpin A.
• Assistant Manager, International Business	Germán Steffens Sch.

RETAIL DIVISION

• Manager, Retail Division	Gonzalo Baraona B.
• Manager, Marketing & Products	Felipe González A.
• Manager, Commercial Development	Ramón Bustamante F.
BRANCHES	
• Manager, Branches	Rodrigo Reyes M.
• Assistant Manager, East Zone	Virginia Díaz M.
• Assistant Manager, Center Regions Zone	Tatiana Dinamarca
• Assistant Manager, Head Office Zone	Rodrigo Matzner B.
• Assistant Manager, New Branches	María Soledad Ruiz S.
• Assistant Manager, Private & Businessmen Banking	José Ignacio Alonso B.
• Agent, La Dehesa Branch	Stephanie Mackay R.
• Agent, Estoril Branch	Mónica Escobar R.
• Agent, Vitacura Branch	Paulina Collao A.

Corporate Governance

• Agent, Agustinas Branch	Raúl Figueroa D.
• Agent, Santa Lucia Branch	Sharon Wells M.
• Agent, Providencia Branch	Magdalena González V.
• Agent, Alcántara Branch	Leslie Perry K.
• Agent, Plaza Constitución Branch	Evelyn Goehler A.
• Agent, El Golf Branch	Soledad Toro V.
• Agent, La Reina Branch	Annelore Bittner A.
• Agent, Presidente Riesco Branch	Carolina Saka S.
• Agent, Moneda Branch	Ma. De los Ángeles Covarrubias P.
• Agent, Foothill Branches	Vivianne Zamora O.
• Agent, North Branches	Ma. Constanza Undurraga V.
• Agent, El Regidor Platform	Rossana Yunusic B.
• Agent, Reyes Lavalle Platform	Paula Castaño C.
• Agent, Apoquindo Platform	Constanza Ortúzar R.
• Agent, Las Condes Platform	María Soledad González D.
• Agent, San Crescente Platform	Ma. De los Ángeles Barros M.
• Agent, Group Banking	Ximena Leiton A.
• Agent, Private Banking Apoquindo	Cristian Leay R.
• Agent, Private Banking El Golf	Loreto Velasco D.
• Agent, Businessmen Banking	Esteban Mozó B.
• Agent, Viña del Mar Branch	Loreto Escandón S.
• Agent, Antofagasta Branch	Katherine Siede R.
• Agent, Concepción Branch	Lenka Bego P.
• Agent, Temuco Branch	Veruschka Montes W.
• Agent, Puerto Montt Branch	Lorna Wiederhold R.
• Agent, La Serena Branch	Mariela López E.
• Agent, Rancagua Branch	Carolina Jerez L
• Agent, Talca Branch	Lorena Mella R.

FINANCE AND CORPORATE DIVISION

• Manager, Finance & Corporate Division	Nicolás Ugarte B.

MONEY DESK

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

CORPORATE BANKING

• Manager, Corporate Banking	Adolfo Tocornal R-T.
• Assistant Manager, Corporate Banking	Venancio Landea L.

LEVELS OF CORPORATE GOVERNANCE

SHAREHOLDERS MEETING

This is 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 capital increases and the remuneration of the members of the board and directors' committee.

BOARD OF DIRECTORS

This is 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 members.

All the directors are elected every three years. The last election was on March 11, 2010 when the shareholders meeting ratified the permanence for a new period of all its members, the nest shareholders meeting having to elect the board. 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.

DIRECTORS' 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.

The permanent members of this committee are:

• Francisco Silva S.	Chairman
• Mario Weiffenbach O.	Director
• Ramón Eluchans O.	Chief Executive
• 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 member of this committee is:

• José Miguel Bulnes Z.	Manager, Risk Division

Corporate Governance

The following are also members, according to the banking division to which the customers analyzed belong:

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 objective 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
• José Miguel Bulnes Z.	Manager, Risk Division
• Nicolás Ugarte B.	Manager, Finance & Corporate Division
• Manuel Widow L.	Manager, Planning & Performance
• Cristian Pinto M.	Manager, Trading
• Antonio Alonso M.	Manager, Financial Risk
• Andrés Pérez L.	Finance Manager, Valores Security
• Cristian Ureta P.	Investment Manager, Adm. General de Fondos Security S.A.
• Ricardo Turner O.	Manager, Investments
• Sergio Bonilla S.	Manager, Balance Sheet & Investments

ASSETS AND LIABILITIES COMMITTEE (COAP)

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
• 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.	Manager, Trading
• Sergio Bonilla B.	Manager, Balance Sheet & 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 & 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
• Enrique Menchaca O.	Legal Counsel
• Alfonso Verdugo R.	Comptroller

Special guests also attend for the revision of certain matters.

The committee's functions and responsibilities are:

a) To propose to the board a list for the election of external auditors.

b) To propose to the board a list for the election of credit-rating agencies.

c) To know and analyze the results of internal audits and revisions, and revise compliance with the observations made.
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 internal control systems and procedures of the Bank and subsidiaries.
i) To analyze the functioning of the information systems, their sufficiency, reliability and application in decision-taking, including the results of self-evaluation.
j) To learn about compliance with institutional policies relating to the due observance of the laws, regulations and internal regulations that the Bank and subsidiaries have 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.
o) Be informed about lawsuits and other legal contingences affecting the institution.
p) Be informed, analyze and resolve on other matters that one or more of its members submit.

During 2012, the committee met on 8 occasions and covered the following matters:

1. Proposal to the board of 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 and regulatory authorities, 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 2012 for the Bank and its subsidiaries.
8. Analysis and approval of the comptroller's annual work plan for 2013.
9. Analysis of progress and follow-up of the action plans defined by the Bank to resolve observations arising from the audit.
10. Be informed of the complaints statistics by channel, product/service and type
11. Monitor the state of documentation required for new customers and in the renewal process for operating Money Desk products.
12. Invitation to the Manager, Compliance to know the structure, planning, results and performance of the area.

OTHER COMMITTEES

COMMITTEE	OBJECTIVES
Operational Risk	• Information & analysis of the integral management of operational risks. • Diffusion & follow-up of operational risk policies.
Commercial Management Companies / Persons	• Revision of budgetary compliance and progress with commercial projects.
Investments in Fixed & Technological Assets	• Revision & approval of annual investment budget • Revision & approval of individual projects and their progress
Operations & Technology	• Information & revision of general matters of the Bank. • Planning & follow-up of operational matters. • Analysis, evaluation & planning of the Bank's technological projects.
Prevention, Analysis & Resolution of Asset Laundering	• Diffusion, application & follow-up of asset-laundering prevention policies. • Analysis of cases.
Coordination of Regulatory Compliance	• Revision of new regulations, assignment & follow-up of compliance.

BUSINESS STRATEGY

BANCO SECURITY AND ITS ENVIRONMENT
ECONOMIC SCENARIO
BANKING INDUSTRY
PERFORMANCE OF BANCO SECURITY

03 Strategy and Management


BANCO | security
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Strategy and Management

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: a 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.

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 CORPORATIONS AND REAL-ESTATE COMPANY BANKING: 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 three sub-segments as a function of size, plus an additional one that covers real-estate companies.

- CORPORATE 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 segments by size and region areas in order to give the best attention.

- 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 is incorporated into 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 that enable us to differentiate ourselves from the competition"

The objective segment of the Retail Division is the ABC1 social-economic group, and the service model has been defined to achieve a greater specialization and customer satisfaction, divided into different banking groups as a function of the customer's profile:

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

- PREFERENTIAL BANKING: oriented to customers requiring traditional financial products and services and who demand a first-class personalized service.

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

Banco Security's business strategy considers that foreign trade is and will be a fundamental pillar in the development of the country and its companies. This area has therefore been given it a strategic role in the Bank's proposal of value and it has constantly sought to improve its products and services, incorporating technological innovations and increasingly-closer relationships with its customers.

In 2012, revenue from this business continued to grow, and the market positioning continued to consolidate. The value proposal of Banco Security in its foreign trade services continues to be considered as a market benchmark. Important initiatives were thus developed during the

Strategy and Management

year to continue improving its specialized products, as well as strengthening our team of specialists. These initiatives will allow the Bank to face the challenges and opportunities that will arise in the future, with a country increasingly open and globally-oriented like Chile.

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:

- 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 primary 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 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.

BANCO SECURITY AND ITS ENVIRONMENT

ECONOMIC AND FINANCIAL CONTEXT

EXTERNAL SCENARIO: A BETTER-THEN-EXPECTED YEAR

Despite the negative forecasts given at the end of 2011, 2012 ended by being a year more positive than expected, within what is possible in an ongoing crisis. The focus was on the decisions and measures taken by the global authorities to contain what might have been a global financial collapse.

In the end, the feared collapse did not occur and economies as important as China managed to recover over the months. GDP growth declined to a low of 6.1% in the first quarter (annualized), but returned to figures of over 8% during the rest of the year. The recovery was supported by somewhat more expansive policies that were justified by the moderation of inflation, to less than 2%. The economic deceleration was therefore crucial, but above all the consolidation of the exchange-rate appreciation.

For its part, the United States managed to avoid the most pessimistic forecasts that expected a double-dip recession. In fact, growth again settled at around 2% for the third consecutive year, resuming the level of activity prior to the crisis. Employment continued to recover with the creation of almost 2 million jobs last year. The leading indicators and those of the property sector also supported its incipient recovery. This was all reflected in further rises in the prices of risk assets.

Overall, despite the fall in unemployment to less than 8%, the United States continued to operate with ample looseness and without large inflationary pressures. This continued to justify low interest rates, the unconventional monetary measures and gradual progress in fiscal consolidation.

Despite this panorama, uncertainty continued to be present, mainly due to the decoupling of the European economies which, while progressing in containing the crisis, are still fully in the process of adjustments.

The contagion was limited, partly thanks to greater pro-activity by the European authorities and multilateral organisms to contain the crisis. While the European Central Bank significantly expanded liquidity and committed itself to the permanence of the euro, governments sought to strengthen the European stability mechanism for fiscal and financial rescues.

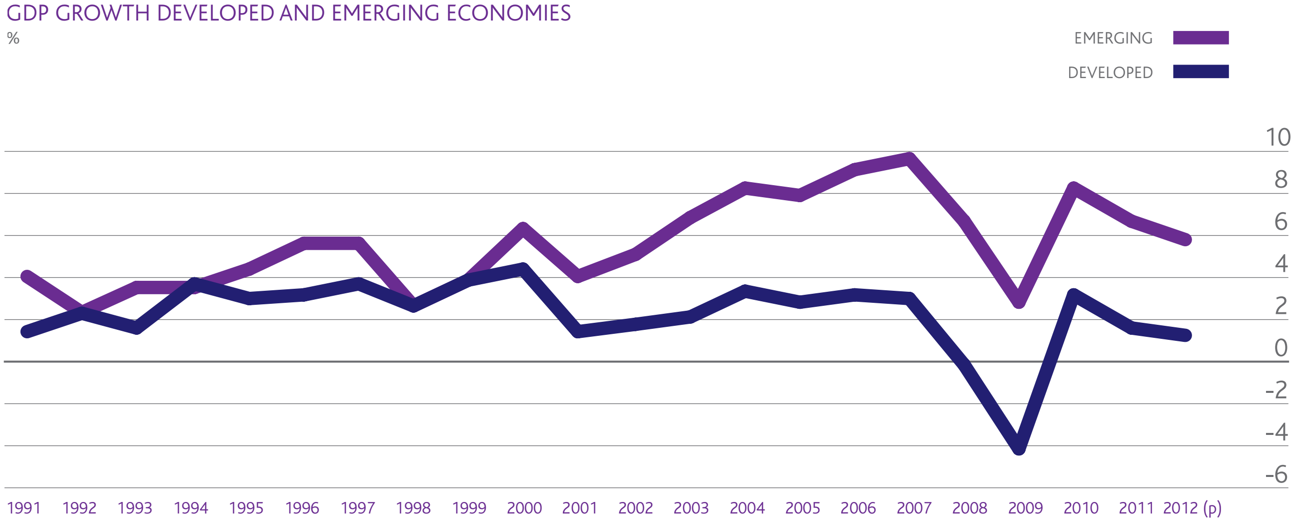
Despite everything, 2012 brought no big progress toward a greater compliance in the euro-zone with the basic conditions for a monetary union. The risks therefore continue to be latent in the face of the evident fiscal, financial and competitive asymmetries.

Global GDP managed to grow by 3.2%, being a positive year also for the prices of risk assets. The global stock market showed a rise of 13% in dollar terms (measured by the MSCI index), with increases in both the developed countries (13%) and emerging ones (15%). In the former, notable were the rises in the United States (13%) and in Europe (15%), while notable in the latter was the rise in China (19%). Fixed-income securities for their part also showed important returns: while emerging-country sovereign bonds (EMBI) grew by 18%, corporate bonds (CEMBI) did so by over 15%. US high-yield securities also advanced by 15%, and high-grade by over 10%.

Strategy and Management

GDP GROWTH DEVELOPED AND EMERGING ECONOMIES

%



CHILE: PROLONGATION OF DOMESTIC DEMAND DYNAMISM

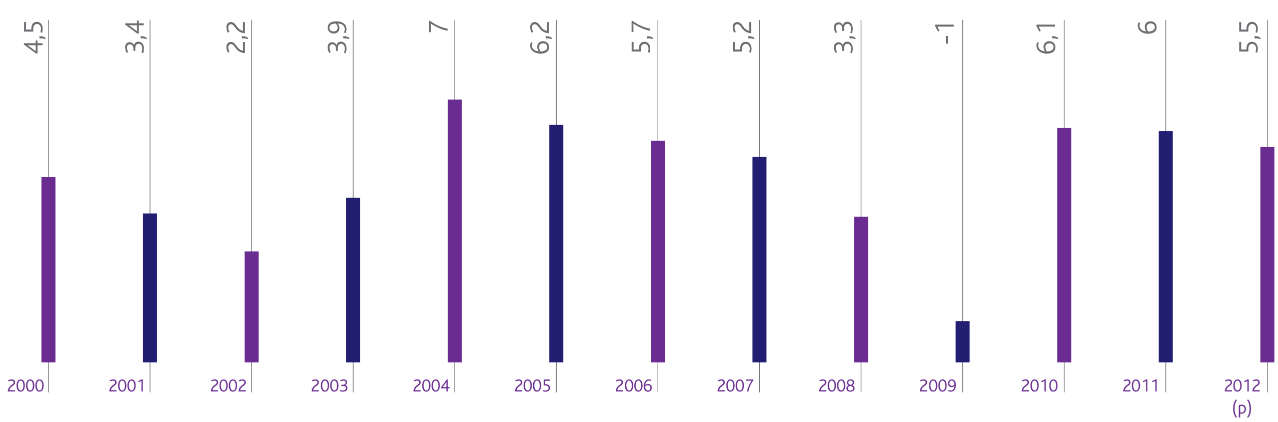
In this global macro-economic context, Chile showed great dynamism mainly because external influences were more benign than forecasted at the end of 2011 and the moderation in domestic demand was less than estimated.

Perhaps the biggest surprise for the Chilean economy in 2012 arose from the strength of the terms of trade in the light of the swings in the global economy. It is sufficient to recall that in the Monetary Policy Report (PoM)of March 2012, the central bank expected a fall of around 7.4% in this variable, which finally resulted in less than half that. Better terms of trade stimulate spending through many channels, like rises in the confidence of consumers and businessmen, and improved prospects for returns on investment.

In this way, and based on preliminary figures, GDP expanded by 5.5% in the year, although with some moderation in the rhythm of growth as the year progressed. Domestic demand showed an increase of 7% during 2012, reflecting the favorable financial conditions. The detail of this variable shows that both private consumption and investment maintained strong growth during the year, with increases of around 5.5% and 10% respectively, although lower than in 2011. It should nevertheless be noted that domestic demand in the last months of the year was also beginning to lose strength.

GDP GROWTH IN CHILE (%)

%



The greater dynamism in domestic spending and reduced public saving translated into a higher current account deficit (passing from -1.3% of GDP in 2011 to close to -3.5% of GDP last year).

In terms of dynamics, investment in Chile has been growing at rates above those of national savings since 2011. In fact, investment has increased its proportion of GDP since 2010 and is already at its highest since 2000, reaching 28% of GDP. National savings for their part have fallen to 26% after having reached their peak in 2010. While investment levels largely reflect the positive prospects for the economy in the next few years, the decline in the savings rate reflects robust consumption which should be monitored closely by the central bank because of its potential for generating inflationary pressures.

A desegregation by economic activity shows that the greatest contribution to the growth of GDP came from sectors linked to domestic demand: financial and business services, commerce and public services, although the most dynamic were the electricity and construction sectors. The fishing sector was the only one to have contracted in 2012.

In terms of foreign trade, exports declined by 3.2% in value to US$ 78,800 million, while the volume rose by 2.4%. This reflected a fall of 3.7% in mining shipments (-3.9% for copper). On the other hand, imports grew by 5.6% to US$ 74,600 million, with a rise of 14% in capital goods and 5.8% in consumer goods. This was partially compensated by a 6% fall in oil imports. With this, the trade balance for the year was a positive US$ 4,200 million.

Following a positive balance of 1.3% of GDP in 2011, the fiscal result closed last year practically in balance as a result of larger revenues as the copper price was higher than foreseen (US$ 3.6 vs. US$3.02 in the budget).

Regarding prices, the CPI ended the year with a rise of 1.5% in 12 months, below the target range floor (2%-4%). This responded to the prices of tradable goods showing a slight fall of -0.5% in a context in which those of non-tradable grew by close to 4%. In the case of the underlying indicators, the variation in IPCX, which excludes fuels and fresh fruit and vegetables, rose by 1.3%, while the IPCX1, also excluding regulated tariffs and other volatile prices, rose by 1.8%.

In this context, in which the external risks (the fragile fiscal and financial situation of developed countries) were balanced by internal factors (great dynamism in domestic demand which was absorbing idle capacity), the central bank maintained the reference interest rate at 5% throughout the year, thus following a neutral stance in monetary policy.

With respect to the exchange rate, the peso with ups and downs maintained its appreciating trend during 2012, in line with the strength of the dollar globally, the increased terms of trade and the strength of the economy. Thus, after beginning the year at around Ch$520, the exchange rate finally ended the year at around Ch$ 475, equivalent to an appreciation of around 8% over the previous year.

Strategy and Management

PRINCIPAL ECONOMIC INDICATORS	2007	2008	2009	2010	2011	2012 (P)
GDP (MUS$)	173,1	179,6	173,0	216,3	248,6	264,5
GDP per capita (US$)	10.428	10.715	10.218	12.654	14.411	15.197
GDP (Var %)	5,2	3,3	-1,0	6,1	6,0	5,5
Domestic spending (Var %)	7,6	6,5	-5,7	14,8	9,4	6,6
Private spending	7,6	5,2	-0,8	10,0	8,8	5,6
Investment in fixed capital	10,8	17,9	-12,1	14,3	17,6	10,6
Exports (real var.%)	7,2	-0,7	-4,5	1,4	4,6	2,4
Imports (real var. %)	14,3	11,2	-16,2	27,4	14,4	5,0
Global growth PPP (%)	5,4	2,8	-0,6	5,1	3,8	3,2
Terms of trade (2003=100)	115,9	100,0	105,1	125,4	126,0	120,8
Copper price (avrge, US$ cents/pound)	323	316	234	342	400	361
Oil price WTI (US$ p/b, avrge)	72	100	62	79	95	94
Federal funds rate (y/e,%)	4,3	0,1	0,1	0,1	0,1	0,1
Libor 180d (y/e, %)	4,6	1,8	0,4	0,5	0,8	0,5
US Treasury bonds 10 years (y/e, %)	4,0	2,2	3,8	3,3	2,0	1,7
Euro (y/e, US$)	1,5	1,4	1,4	1,3	1,3	1,3
Yen (y/e,¥/US$)	111,7	90,6	93,0	81,1	76,9	83,5
Trade balance (MUS$)	24,1	6,1	15,4	15,3	10,8	4,2
Exports (MUS$)	68,6	64,5	55,5	70,9	81,4	78,8
Imports (MUS$)	44,4	58,4	40,1	55,6	70,6	74,6
Current account (MUS$)	7,1	-5,8	3,5	3,3	-3,2	-8,7
Current account (% of GDP)	4,1	-3,2	2,0	1,5	-1,3	-3,3
Total savings (national + external), % of GDP	20,6	26,0	20,2	23,6	24,7	25,8
Gross national savings	22,7	22,4	22,5	25,3	23,7	22,1
Central government	9,4	6,4	-2,4	1,4	3,2	1,7
Private sector	13,2	15,9	24,8	23,9	20,5	20,4
External saving (Current account deficit)	-2,1	3,6	-2,3	-1,7	1,0	3,7
Central government balance (% of GDP)	8,4	5,0	-4,2	-0,4	1,3	0,5
CPI Dec-Dec (%)	7,8	7,1	-1,4	3,0	4,4	1,5
Underlying CPI (IPCX) Dec-Dec (%)	6,5	8,6	-1,8	2,5	3,3	1,3
Inflationary tendency (IPCX1) Dec-Dec (%)	6,3	7,8	-1,1	0,1	2,5	1,8
Relevant external inflation BCCh (avrge. %)	8,5	12,2	-7,2	6,0	10,0	-0,2
Monetary policy rate, TPM (y/e,%, in Ch$)	6,0	8,3	0,5	3,3	5,3	5,0
BCU-10 365d base (y/e, % in UF)	3,0	3,3	3,3	2,9	2,7	2,5
BCP-10 365d base (y/e, % in Ch$)	6,4	6,2	6,4	6,1	5,3	5,5
"Observado" exchange rate (avrge, Ch$/US$)	522	522	560	510	484	486
"Observado" exchange rate (y/e, Ch/US$)	496	629	506	468	521	477
Employment growth (%)	2,8	3,0	0,1	7,4	5,0	2,0
Growth in workforce (%)	2,1	3,7	1,9	4,2	3,8	1,2
Unemployment rate (avrge %)	8,6	9,3	10,8	8,1	7,1	6,4
Change in real wages (avrge %)	2,9	-0,2	3,8	2,2	2,6	3,4
Foreign debt (MUS$)	53,4	63,7	71,9	84,1	98,6	99,2
Net total external debt (MUS$)	9,2	27,0	22,6	23,3	23,9	31,2
Net total external debt (% GDP)	5,3	15,0	13,1	10,8	9,6	11,8
Net total external debt (% exports)	11,9	35,9	35,3	28,5	25,4	34,1
Net international reserves (MUS$)	16,9	23,2	25,4	27,9	42,0	41,6

BANKING INDUSTRY

It should be noted that the figures for the banking system, this being all the banks operating in Chile, are influenced by the acquisition by Corpbanca in May 2012 of 51% of Banco Santander Colombia S.A., including its subsidiary Santander Investment Valores Colombia S.A..

LOANS

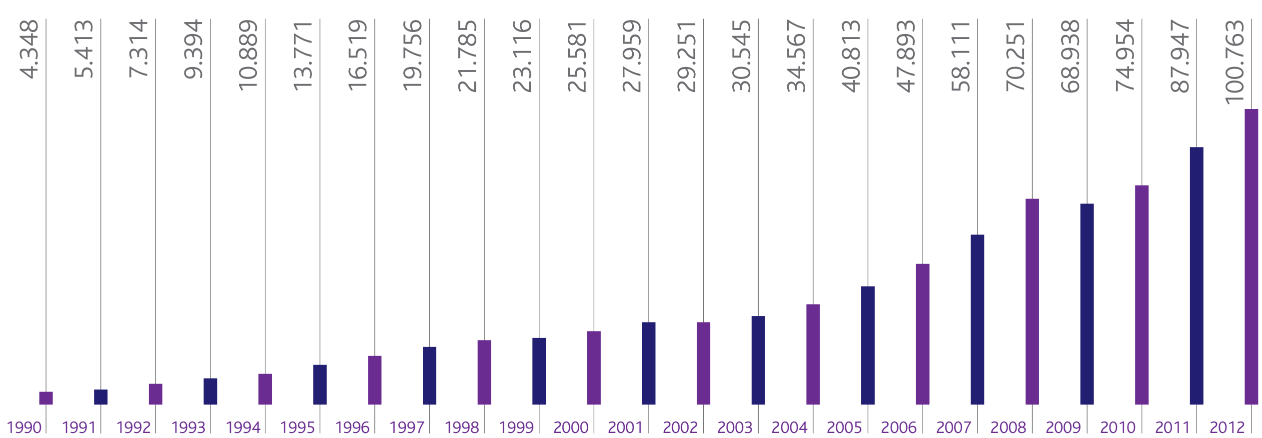
Total loans of the banking industry as of December 2012 amount to Ch$ 100,763,185 million (excluding interbank loans), which represents growth of 14.6% over the end of 2011 (12.2% without Corpbanca Colombia). This is explained by growth in commercial loans of 15.2% (13.2% without Corpbanca Colombia), housing loans of 11.6% (10.9% without Corpbanca Colombia) and consumer loans of 17.3 (11.8% without Corpbanca Colombia).

The composition of total banking-system loans as of December 2012 is: commercial loans 62.3%, housing loans 24.3% and consumer loans 13.4%.

LOAN COMPOSITION

EVOLUTION OF SYSTEM'S TOTAL LOANS

BILLIONS OF CH $

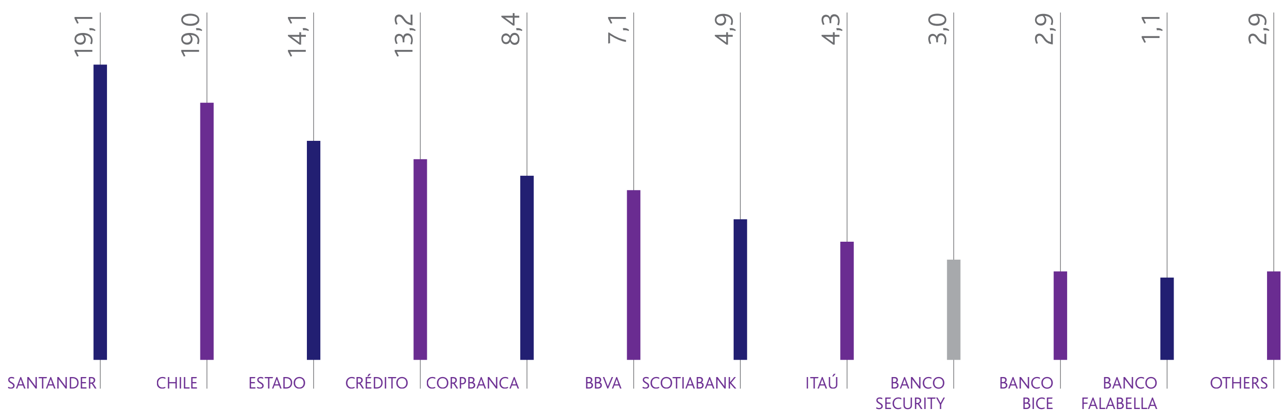


SOURCE: SBIF

NOTE: EXCLUDES INTERBANK LOANS. HISTORIC LOANS ALSO EXCLUDE CONTINGENT LIABILITIES AS THESE ARE OFF BALANCE SHEET SINCE JANUARY 2008 UNDER THE NEW STANDARDS.

Strategy and Management

MARKET SHARE
%



SOURCE: SBIF (EXCLUDES CORPBANCA COLOMBIA)

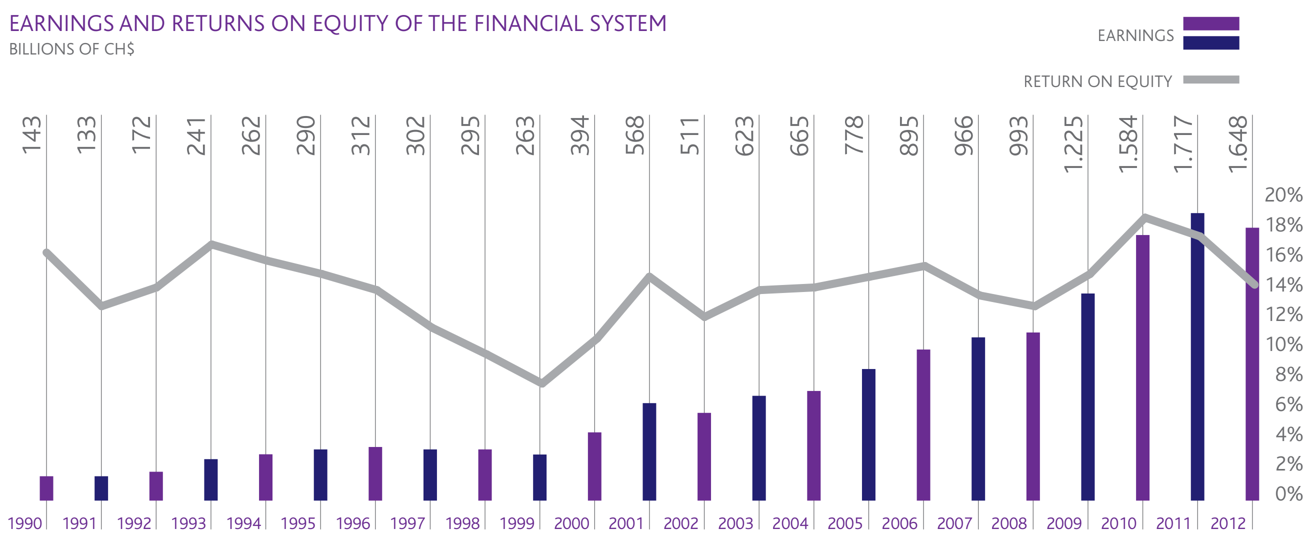
RESULTS

In terms of results, the banking system produced post-tax earnings in 2012 of Ch$1,648,139 million (approximately US$ 3.4 billion), a decrease of 4.0% from 2011 (5.4% excluding the results of Corpbanca Colombia). This fall is mainly explained by an increase in the charge for provisions and a lower interest margin as a result of reduced inflation.

Total equity amounted to Ch$11,251 billion, an increase of 14.6% in the year. The return on equity therefore was 14.6%, which compares negatively with 17.5% for 2011. The return on total assets was 1.2%.

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

EARNINGS AND RETURNS ON EQUITY OF THE FINANCIAL SYSTEM
BILLIONS OF CH$

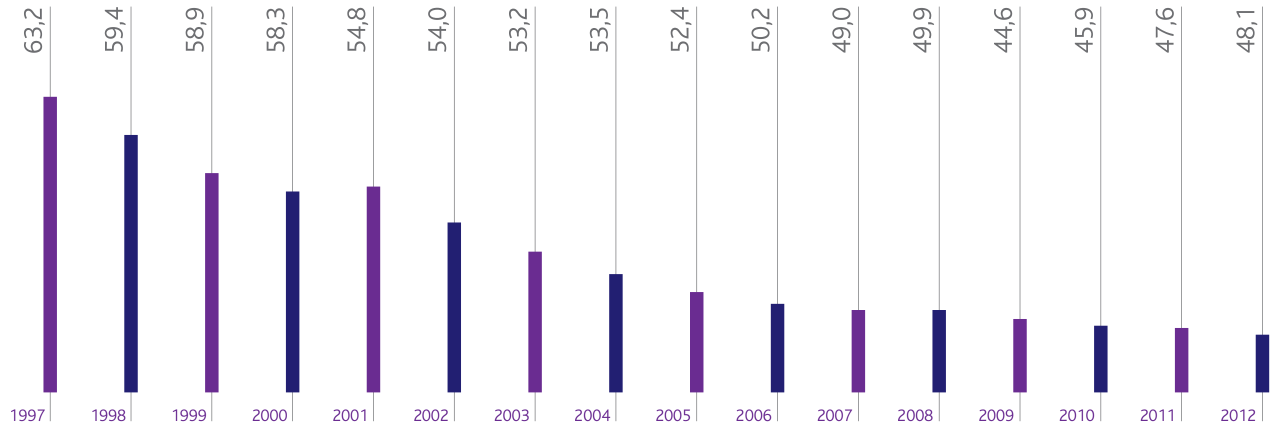


SOURCE SBIF

Operating Expenses

The efficiency ratio (measured as support costs over gross margin) has remained below 50% over the last five years, being 48.1% at the end of December 2012 (45.94% at December 2010 and 47.58% at December 2010), with an nominal increase in support costs of 10.3% over 2011. It should be recalled that the Chilean banking system is one of the most efficient in the world.

EFFICIENCY RATIO
%



SOURCE: SBIF

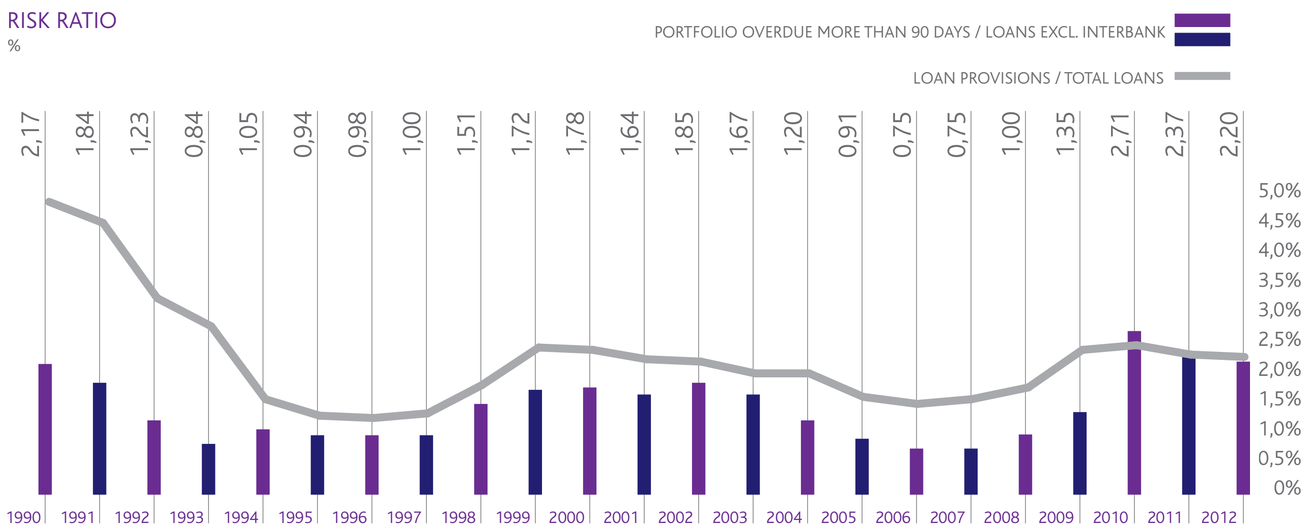
RISK

Provisions of the financial system were 2.27% of loans at December 2012. Provisions for commercial loans were 2.00%, housing loans 0.79% and consumer loans 6.36%.

Loans past-due more than 90 days were 2.20% of total loans, down from 2.37% the year before, thus reflecting an improvement in the loan quality.

CREDIT RISK INDICATORS	DEC-08	DEC-09	DEC-10	DEC-11	MAR-12	JUN-12	SEP-12	OCT-12	NOV-12	DEC-12
Loan provisions / Total loans	1.76%	2.39%	2.49%	2.33%	2.33%	2.28%	2.32%	2.29%	2.27%	2.27%
Portfolio overdue more than 90 days / Loans excl. Interbank	0.99%	2.96%	2.70%	2.37%	2.56%	2.43%	2.29%	2.28%	2.22%	2.20%
Commercial loan provisions / Commercial loans	1.46%	2.19%	2.32%	2.15%	2.13%	2.06%	2.07%	2.03%	2.02%	2.00%
Personal loan provisions / Personal loans	2.39%	2.82%	2.84%	2.71%	2.72%	2.71%	2.81%	2.78%	2.78%	2.77%
Housing loan provisions / Housing loans	0.68%	1.10%	1.05%	0.94%	0.91%	0.87%	0.82%	0.79%	0.79%	0.79%
Consumer loan provisions / Consumer loans	5.65%	6.30%	6.43%	6.08%	6.19%	6.11%	6.45%	6.42%	6.40%	6.36%

Strategy and Management



SOURCE: SBIF

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.

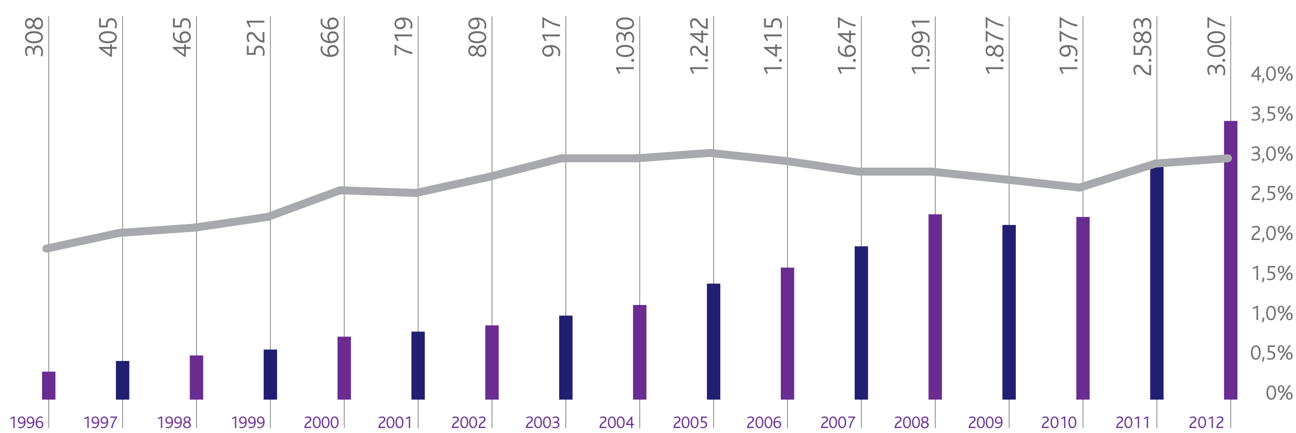
Banco Security is the principal asset of Grupo Security (99.94%), a financial conglomerate with participations in insurance (life and general), broking and re-insurance, securitization, financial advisory, factoring, commercial lending, real-estate businesses, travel agency and sales-force services, offering its 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 3.1% (without Corpbanca Colombia). The Bank achieved growth of 16.4% in its loans compared to December 2011, which totaled Ch$3,007 billion as of December 31, 2012 (excluding interbank transactions). This growth was basically due to the 23.5% expansion achieved by Retail Banking.

Of the total loans, 76.6% were commercial and 23.4% to persons (consumer and housing).

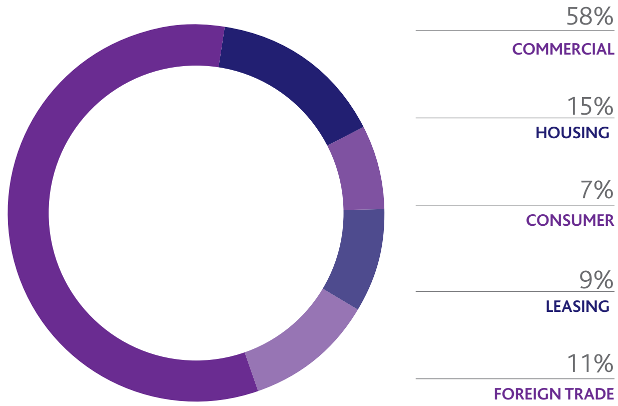
EVOLUTION OF LOANS BANCO SECURITY
BILLIONS OF US$



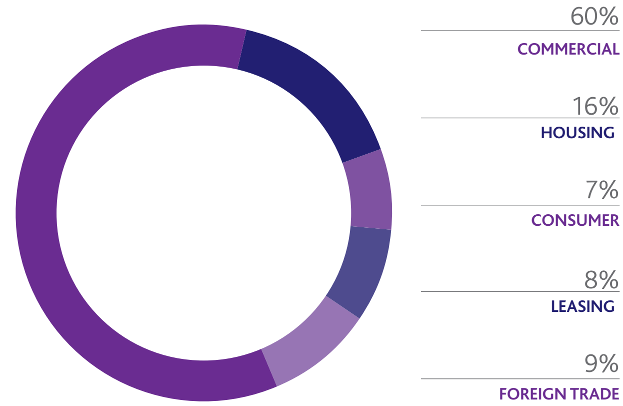
SOURCE: SBIF

The following is the distribution of loans as of December 31, 2012 and 2011, excluding interbank:

LOANS COMPOSITION 2011



LOANS COMPOSITION 2012



SOURCE: SBIF
NOTE: COMMERCIAL LOANS ARE THE SUM OF LOANS TO BUSINESSES, LEASING AND FOREIGN TRADE.

Strategy and Management

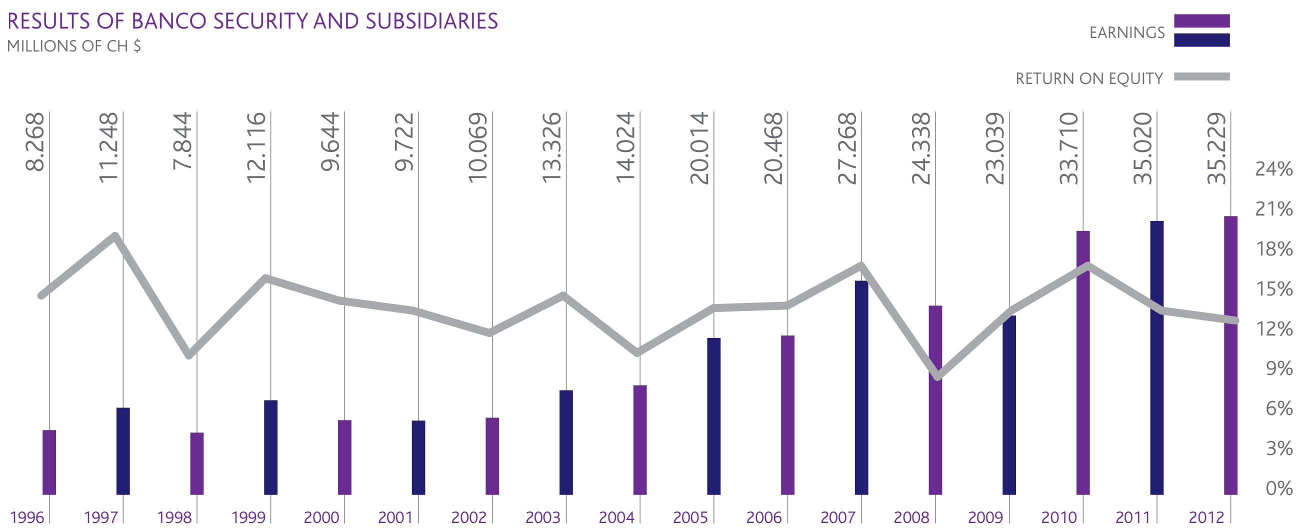
RESULTS

The results of the development strategy implemented by the Bank in the commercial segments began to bear fruit in 2011 and 2012, especially in the retail area, and included a capital increase of Ch$47 billion in August 2011. This expansion of its businesses is seen in an increase in total loans greater than the market average, which showed growth of 30.6% in 2011 and 16.4% in 2012. 3 new branches were also opened in 2012 (La Reina, Moneda and Talca) in accordance with the guidelines of the expansion plan.

The earnings of the Bank and its subsidiaries in 2012 were Ch$35,229 million, representing growth of 0.6% over the year before and a return on equity of 12.4%.

RESULTS OF BANCO SECURITY AND SUBSIDIARIES

MILLIONS OF CH $



SOURCE: SBIF

SUBSIDIARIES

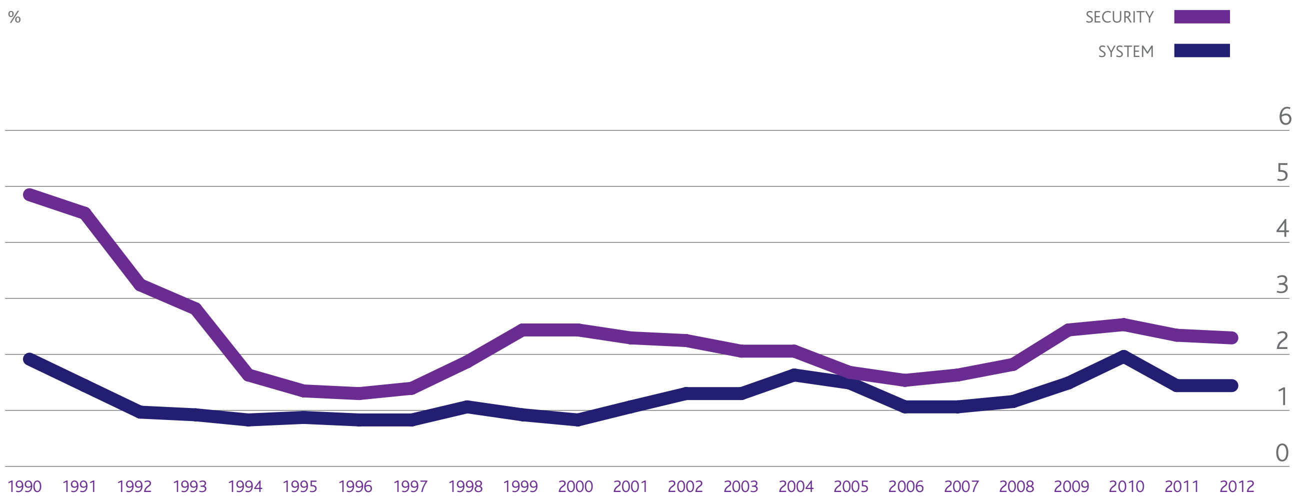
The subsidiaries that are consolidated with Banco Security are Valores Security S.A. Corredores de Bolsa (99.76%) and Administradora General Fondos Security S.A. (99.90%). Valores Security had a market share of 7.5% in volumes traded being placed 5th among stockbrokers on the Santiago Stock Exchange and Chilean Electronic Exchange. In terms of results, the earnings of Valores Security were Ch$827 million. Administradora General de Fondos Security ended 2012 successfully, with average assets managed of Ch$739,168 million, distributed among 25 mutual funds and one investment fund. Managed assets grew by 2.4% over 2011. Participants in the industry grew by 5.6% over the year before, while the total participants of AGF Security reached 35,981, 0.7% lower than the close of 2011.

RISK

The Bank has been known for maintaining the good asset quality of its portfolio, for which it has clear policies and a proper risk-management system that permits the early recognition of risks. In recent years, the Bank has been developing new models in order to manage market and operational risks more exactly and so incorporate the Basle II guidelines progressively. All this has led its risk indicators to compare favorably with those of its peers.

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 sanitary crisis. However, this situation was reversed during 2011 and by the end of 2012 the provisions were 1.38%, a percentage below the system average (2.27%). The ratio of past-due loans to total loans was 1.33% at December 2012 (2.20% for the industry).

RISK INDICATOR BANK VS. SYSTEM



CAPITALIZATION

The Bank's policy is to maintain an effective equity/risk-weighted assets ratio of over 10.0%, and moving most of the time at around 12%. The capital contribution of Ch$47,000 million made in August 2011 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 November 2012, its Basle ratio was 12.18%, a little lower than the average for the system which was 13.16% on the same date (source: SBIF).

04 General Information


BANCO | security
quieres, puedes

General Information

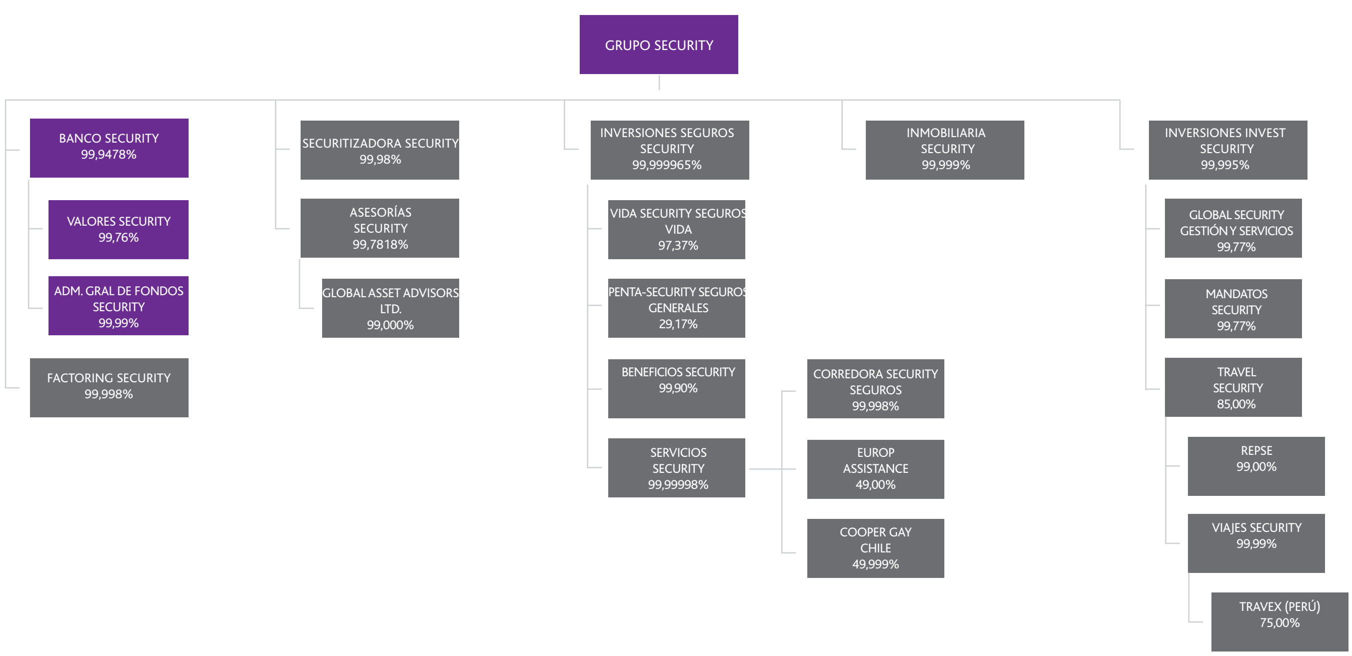
GENERAL INFORMATION

IDENTIFICATION OF THE COMPANY

NAME	BANCO SECURITY
TYPE OF COMPANY	Banking corporation
SECURITIES REGISTER REGISTRATION	Banco Security is not registered in the Securities Register
OBJECTS	All acts, contracts, operations and activities typical of a commercial bank, in accordance with current legislation.
TAX NO.	97.053.000-2
DOMICILE	Av. Apoquindo 3150 piso 15, Las Condes, Santiago, Chile
TELEPHONE	(56-2) 2584 4000
FAX	(56-2) 2584 4001
E-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, 2012.



EMPLOYEES AND REMUNERATION

As of December 31, 2012, Banco Security and its subsidiaries employed a total of 1,072 staff, 12.4% more than the previous year, with 58.5% of the total staff being women. The total remuneration paid by the Bank to its executives during the year was Ch$ 7,098.6 million, while severance payments made to executives amounted to Ch$ 112.7 million.

The following table shows the distribution of staff by company:

COMPANY WORKFORCE	CLASSIFICATION			
	EJECUTIVE	PROFESSIONAL	STAFF	TOTAL
ADM GRAL DE FONDOS SECURITY S.A.	7	16	17	40
VALORES SECURITY COR. BOLSA	5	22	28	55
BANCO SECURITY	77	553	347	977
TOTAL	89	591	392	1072

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

POLICY FOR INVESTMENTS IN FIXED AND TECHNOLOGICAL ASSETS

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.

General Information

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 (HISTORIC MCH$)	% EARNINGS OF PREVIOUS YEAR
feb-2000	4.254,4	50,0%
feb-2001	7.344,0	76,2%
feb-2002	8.749,7	90,0%
feb-2003	9.061,7	90,0%
feb-2004	13.326,1	100,0%
feb-2005	11.219,1	80,0%
mar-2006	20.014,3	100,0%
mar-2007	20.498,0	100,0%
mar-2008	13.625,0	50,0%
mar-2009	7.720,0	53,5%
mar-2010	23.040,2	100,0%
mar-2011	20.223,5	60,0%
mar-2012	21.009,8	60,0%

CREDIT RATINGS

The obligations of Banco Security at the end of 2012 had the following domestic credit ratings:

	TIME DEPOSITS & OTHER INSTRUMENTS REPRESENTATIVES OF BORROWINGS		MORTGAGE FUNDING NOTES	BONDS	SUBORDINATED BONDS	OUTLOOK
	SHORT TERM	LONG TERM				
Feller-Rate	Level 1 +	AA -	AA -	AA -	A +	Stable
Fitch Ratings	Level 1 +	AA -	AA -	AA -	A	Stable

The Bank also has a public international credit rating by Standard & Poor´s which, at the end of 2012, was the following:

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

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

VALORES SECURITY S.A., CORREDORES DE BOLSA

05 subsidiaries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Subsidiaries

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 REGSITARTION	Registered in the Securities Register with No.0112
OBJECTS	General fund 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.

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

The Chilean mutual-funds industry ended 2012 with average assets managed of Ch$18,790,359 million, representing growth of 5.6% over the close of the previous year.

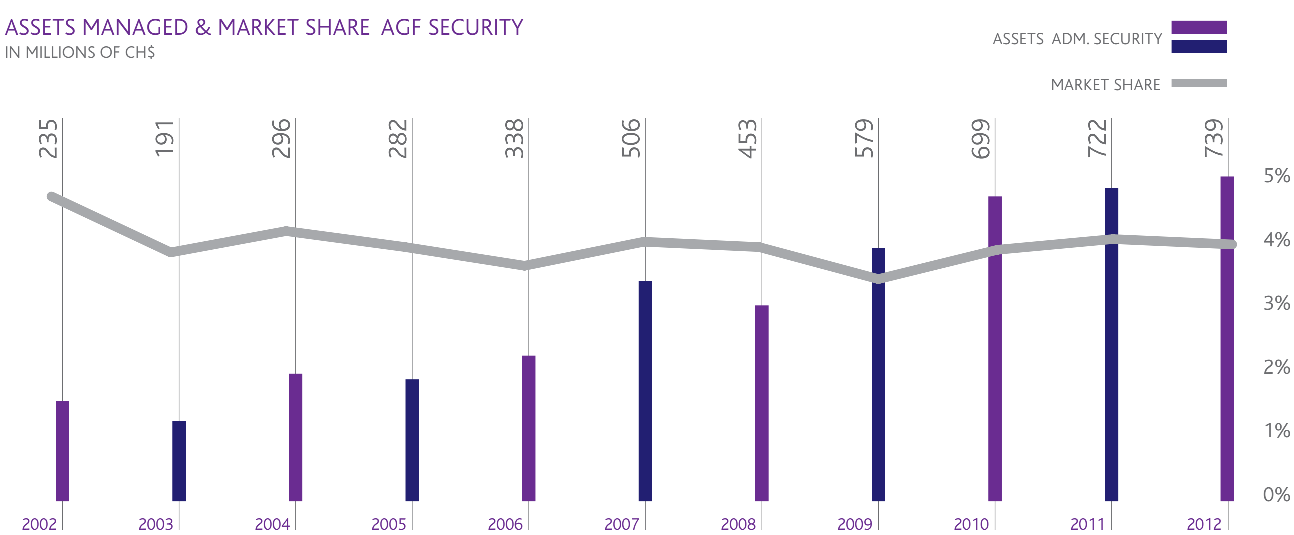
Administradora General de Fondos Security S.A. (AGF Security) ended 2012 with average managed assets of Ch$739,168 million, distributed among 25 mutual funds and an investment fund. These managed assets represented a 5.6% increase over the previous year, while the number of participants of AGF reached 35,981, 0.7% fewer than at December 2011.

Among the highlights of 2012 was the launch of a new family of indexed funds (Index Fund Chile, Index Fund Small Cap Latam and Ifund MSCI Brasil Small Cap) and of the first alternatives investment fund of AGF Security, Fondo de Inversion Security Oaktree Oportunities, whose manager is Oaktree Capital.

The contribution of the AGF to the mutual-funds industry was recognized by different entities during 2012. The Diario Financiero newspaper and the Association of Mutual Fund Managers presented Administradora General de Fondos Security with five Salmon first prizes and one second prize, being the most awarded mutual fund manager in the market. Fund Pro, through its Platinum Performance Awards, also awarded prizes for the Security mutual funds Equity Fund, Security Dollar Money Market and Security USA, in the categories Emerging Equities Fund, International Max. 90-day Debt and United States Shares categories respectively.

Despite the uncertain scenario experienced in 2012, AGF Security achieved earnings of Ch$3,507 million and ended the year with a market share of 3.93%.

ASSETS MANAGED & MARKET SHARE AGF SECURITY
IN MILLIONS OF CH$



SOURCE: ASOCIACIÓN DE ADMINISTRADORAS DE FONDOS MUTUOS DE CHILE.

Subsidiaries

VALORES SECURITY S.A. CORREDORES DE BOLSA

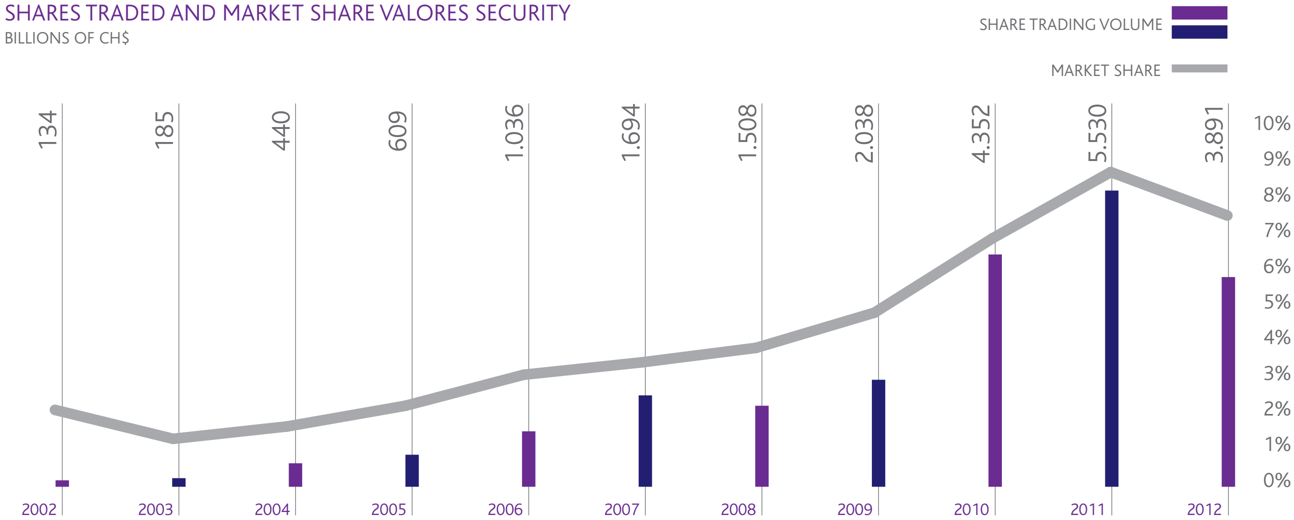
BOARD OF DIRECTORS	
Chairman:	Ramón Eluchans O.
Directors:	Gonzalo Baraona B.
	Enrique Menchaca O.
	Fernando Salinas P.
	Nicolás Ugarte B.
MANAGEMENT	
General Manager:	Rodrigo Fuenzalida B.
Operations Manager:	Juan Adell S.
Finance Manager:	Andrés Perez L.
TYPE OF COMPANY	Corporation, subsidiary of Banco Security
SECURITIES REGISTER REGISTRATION	Registered in the Securities Register with No.0111
OBJECTS	Develop activities in various business areas like: Equities (share trading), Fixed Income, Foreign Currencies, Portfolio Management and Financial Advisory.
CONSTITUTION DOCUMENTS	The Company was constituted by public deed dated April 10, signed before the notary Enrique Morgan Torres.

Despite the year beginning with very negative prospects due to the fragile fiscal situation of the euro-zone, which could have led to a financial crisis, the authorities of that region, political and economic, were able to avoid a financial collapse and its eventual adverse effects on activity. The other two principal world economies were providing positive news during the year: the USA managed to deal with its difficulties and grew by something over 2% while China was increasing its rhythm of quarter-to-quarter expansion. Thus, as confidence returned, the markets began to recover that lost in 2011. Global equities, measured by the MSCI index, showed high volatility during the year but finished with a return of around 13% in dollar terms, with the USA rising by 13% and Europe by 15%. For its part, the IPSA, the principal Chilean stock market index, followed a similar evolution, closing 2012 with a rise of 11% in dollars, equivalent to an increase of around 3% in pesos.

Despite a more optimistic atmosphere at the global level, the volumes traded on the local market reduced by approximately 21% with respect to 2011.

By the end of the year, Valores Security had reached an outstanding market share of 7.5% in shares traded, placing itself 5th in the ranking of trading volumes by broker (Santiago Stock Exchange and Chilean Electronic Exchange). In terms of results, the company produced earnings of Ch$827 million.

SHARES TRADED AND MARKET SHARE VALORES SECURITY
BILLIONS OF CH$



SOURCE: BOLSA DE COMERCIO DE SANTIAGO Y BOLSA ELECTRÓNICA DE CHILE

CONSOLIDATED FINANCIAL STATEMENTS OF BANCO SECURITY AND SUBSIDIARIES

SUMMARIZED FINANCIAL STATEMENTS OF SUBSIDIARIES

06 Financial Statements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Consolidated Financial Statements Banco Security And Subsidiaries

INDEPENDENT AUDITORS' REPORT

Deloitte.

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

To the Shareholders of
Banco Security

We have audited the accompanying consolidated statements of financial position of Banco Security and its subsidiaries (hereinafter "the Bank"), which comprise the consolidated statements of financial position at December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and statements of cash flows for the years then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the relevant internal control to the Bank' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, we do not express such an opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Security and its subsidiaries as of December 31, 2012 and 2011, and the results of their operations, comprehensive income and cash flows for the years then ended in accordance with Accounting Standards and instructions issued by the Superintendency of Banks and Financial Institutions.

The translation of the consolidated financial statements into English has been made solely for the convenience of readers outside Chile.

Deloitte.

January 17, 2013

Juan Carlos Cabrol Bagnara

Consolidated Financial Statements Banco Security And Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the years ended December 31, 2012 and 2011

	NOTES	2012 MCH$	2011 MCH$
ASSETS			
Cash and deposits in banks	6	264,245	262,517
Unsettled transactions	6	66,370	106,195
Trading investments	7	274,280	404,366
Investments under resale agreements	8	5,051	2,018
Financial derivative contracts	9	42,779	53,613
Interbank loans, net	10	14,797	31,651
Loans and accounts receivable from customers, net	11	2,964,828	2,547,029
Available for sale investments	12	389,527	333,500
Held to maturity investments		-	-
Investments in other companies	13	573	620
Intangible assets, net	14	36,813	29,522
Property, plant and equipment, net	15	24,558	23,595
Current tax asset	16	572	2,744
Deferred tax asset	16	7,263	7,680
Other assets	17	88,237	77,550
TOTAL ASSETS		4,179,893	3,882,600
LIABILITIES			
Deposits and other on demand obligations	18	395,301	353,615
Unsettled transactions	6	38,650	71,368
Repurchase agreements	8	67,210	121,075
Time deposits and other time liabilities	18	2,306,100	2,038,762
Financial derivative contracts	9	37,400	55,282
Interbank borrowings	19	232,399	289,277
Issued debt instruments	20	712,004	585,098
Other financial obligations	20	32,097	37,267
Current tax liability	16	2,223	-
Deferred taxes liability	16	7,856	6,356
Provisions	21	18,864	17,638
Other liabilities	22	46,196	39,399
TOTAL LIABILITIES		3,896,300	3,615,137
EQUITY			
Attributable to Bank owners			
Capital		185,207	185,207
Reserves		22,224	22,224
Valuation adjustments		480	(1,493)
Retained earnings:			
Retained earnings from prior years		50,947	36,941
Net income for the year		35,227	35,016
Less: Provision for minimum dividends		(10,568)	(10,505)
		283,517	267,390
Non-controlling interest		76	73
TOTAL EQUITY		283,593	267,463
TOTAL LIABILITIES AND EQUITY		4,179,893	3,882,600

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2012 and 2011

	NOTES	2012 MCH$	2011 MCH$
Interest income	25	231,344	199,652
Interest expense	25	(163,506)	(139,302)
NET INTEREST INCOME (EXPENSE)		67,838	60,350
Commission income	26	32,873	32,555
Commission expense	26	(4,289)	(5,031)
NET INCOME (EXPENSE) FROM COMMISSIONS		28,584	27,524
Income from financial operations, net	27	29,143	29,786
Foreign exchange gain (loss), net	28	5,497	(5,976)
Other operating income	34	16,872	4,940
TOTAL OPERATING INCOME		147,934	116,624
Provision for loan losses	29	(16,241)	(8,671)
NET OPERATING PROFIT		131,693	107,953
Personnel salaries and expenses	30	(31,567)	(26,097)
Administrative expenses	31	(37,387)	(31,704)
Depreciation and amortization	32	(4,051)	(3,068)
Impairment	33	(1,180)	(1,977)
Other operating expenses	34	(15,663)	(4,437)
TOTAL OPERATING EXPENSES		(89,848)	(67,283)
NET OPERATING INCOME		41,845	40,670
Income from investments in other companies	13	118	178
Income before tax		41,963	40,848
Income tax expense	16	(6,734)	(5,828)
INCOME FROM CONTINUING OPERATIONS		35,229	35,020
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX		-	-
CONSOLIDATED NET INCOME FOR THE YEAR		35,229	35,020
Attributable to:			
Bank owners		35,227	35,016
Non-controlling interest		2	4
Earnings per share of Bank owners:			
		$	$
Basic earnings	24	198	218
DILUTED EARNINGS	24	198	218

Consolidated Financial Statements Banco Security And Subsidiaries

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2012 and 2011

	2012 MCH$	2011 MCH$
CONSOLIDATED NET INCOME FOR THE YEAR	35,229	35,020
OTHER COMPREHENSIVE INCOME (EXPENSES)		
Available for sale investments	2,521	(1,570)
Cash flow hedges	(63)	1,046
Other comprehensive income (expenses)	-	-
Other comprehensive income before income tax	2,458	(524)
TAX OR OTHER COMPREHENSIVE INCOME	(485)	139
TOTAL OTHER COMPREHENSIVE INCOME	1,973	(385)
CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR	37,202	34,635
Attributable to:		
Bank owners	37,200	34,631
Non-controlling interest	2	4
Comprehensive earnings per share of the Bank owners	$	$
Basic earnings	209	216
DILUTED EARNINGS	209	216

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2012 and 2011

	ATTRIBUTABLE TO BANK OWNERS								
				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$	NON-CONTROLLING INTEREST MCH$	TOTAL MCH$
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
Reclassification of prior year net income	-	-	-	35,016	(35,016)	-	-	-	-
Dividends paid	-	-	-	(21,010)	-	-	(21,010)	-	(21,010)
Provision for minimum dividends	-	-	-	-	-	10,505	10,505	-	10,505
Other changes in equity	-	-	-	-	-	-	-	1	1
Capital increase	-	-	-	-	-	-	-	-	-
Available for sale investments	-	-	2,017	-	-	-	2,017	-	2,017
Cash flow hedges	-	-	(44)	-	-	-	(44)	-	(44)
Net income for the year	-	-	-	-	35,227	-	35,227	2	35,229
Provision for minimum dividends 2012	-	-	-	-	-	(10,568)	(10,568)	-	(10,568)
BALANCES AT DECEMBER 31, 2012	185,207	22,224	480	50,947	35,227	(10,568)	283,517	76	283,593

Consolidated Financial Statements Banco Security And Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended December 31, 2012 and 2011

	NOTES	2012 MCH$	2011 MCH$
CASH FLOWS FROM OPERATING ACTIVITIES:			
CONSOLIDATED INCOME BEFORE INCOME TAX		41,963	40,848
DEBITS (CREDITS) TO INCOME THAT DO NOT REPRESENT CASH FLOWS			
Provision for loan losses	29	16,241	8,671
Depreciation and amortization	32	4,051	3,068
Other provisions	34	2,286	1,770
Changes in deferred tax assets and liabilities		1,917	144
Valuation investments trading portfolio		573	(303)
Valuation financial derivative trading contracts		(7,028)	3,691
Income from investment in other companies	13	(118)	(178)
Income from sale of assets received in lieu of payment		(1,011)	(695)
Net income from commissions	26	(28,584)	(27,524)
Net interest income	25	(67,838)	(60,350)
Other charges and credits that do not represent cash flows		(6,798)	8,699
CHANGES IN OPERATING ASSETS AND LIABILITIES:			
(Increase) decrease in interbank loans		17,294	(20,312)
Net (increase) decrease in loans and accounts receivable from customers		(410,101)	(572,580)
(Increase) decrease in investments		75,059	(66,272)
(Increase) decrease in leased assets		2,221	10,343
Sale of assets awarded in lieu of payment		5,724	3,870
Increase (decrease) in deposits and other on demand obligations		41,686	68,153
Increase (decrease) in repurchase and resale agreements		(53,828)	80,441
Increase (decrease) in deposits and other time deposits		272,337	321,813
Net change in letters of credit		(5,036)	(11,024)
Net change in current bonds		87,086	154,522
(Increase) decrease in other assets and liabilities		(20,643)	(14,940)
Refunded tax		3,628	52
Interest and other adjustments received		218,180	160,088
Interest and other adjustments paid		(166,451)	(99,707)
Commissions received		32,873	32,555
Commissions paid		(4,289)	(5,031)
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		51,394	19,812
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	(2,433)	(2,121)
Acquisition of intangible assets	14	(11,016)	(10,285)
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES		(13,449)	(12,406)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in obligations with national banks		(8,517)	6,514
Increase (decrease) in obligations with foreign banks		(48,025)	126,169
Increase (decrease) in other financial obligations		(5,236)	(2,359)
Net change in subordinated bonds		42,499	(1,409)
Capital increase	24	-	47,000
Dividends paid	24	(21,010)	(20,224)
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		(40,289)	155,691
TOTAL NET CASH FLOWS PROVIDED BY (USED IN) THE PERIOD		(2,344)	163,097
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6	299,362	136,269
NON-CONTROLLING INTEREST		(2)	(4)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	297,016	299,362

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

• Provisions for loan losses, assets received in lieu of payment, contingent loans, suspension of accrual and others
The provisions for loan losses 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
In accordance with 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.

• 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 derivate.

• 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 are stated measure 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 the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties 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 features 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 available 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

Items included in the financial statements of each of the Bank´s entities are measured using the currency of the primary of the economic environment in which the entity operates ("the functional currency"). The functional currency of the parent of the Group is the Chilean Peso ("$"). The presentational currency of the consolidated financial statements of the Group is the peso. All values are rounded to the nearest thousand pesos, except when otherwise indicated.

d) Significant accounting judgments and estimates

In the application of the Bank's accounting policies the Group management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. 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

• Subsidiaries

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

An associate are an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the associate.

• 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 interests", and in the Consolidated Statement of Income it is shown after" income attributable to the Bank owners."

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

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

	OWNERSHIP INTEREST 2012 %	OWNERSHIP INTEREST 2011 %
Valores Security S.A. Corredores de Bolsa	99.76	99.76
Administradora General de Fondos Security S.A.	99.99	99.99

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, 2012 and 2011, monetary items in foreign currency were converted using the year-end functional currency exchange rates of Ch$478.80 and Ch$519.55 per US$ 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$479.96 at December 31, 2012 and Ch$519.20 at December 31, 2011.

Net foreign exchange income of MCh$5,497 and MCh$(5,976) for 2012 and 2011 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 2012 and 2011 year-end values of Ch$22,840.75 and Ch$22,294.03 respectively.

k) Financial Instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A financial asset is classified as held for trading if:

• It has been acquired principally for the purpose of selling it in the near term; or
• On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
• It is a derivative that is not designated and effective as a hedging instrument.

Financial assets held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend and interest earned on the financial asset and is included in the 'Income from financial operations net'.

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.

Investment instruments: Investment instruments are classified into two categories: Financial investment held-to-maturity and financial investment available-for-sale. The held to maturity investment category only include those instruments for which the Bank has the intent and ability to hold to maturity. All other investment instrument is categorized as available-for-sale.

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

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortized cost using the effective interest method less any impairment.

Interest and indexation 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.

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (2) held to maturity investments or (c) financial assets at fair value through profit or loss.

Available for sale instruments are subsequently measured 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 other comprehensive income. 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 "Net income from financial operations" in the Statement of Income, which is detailed in Note 27.

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

All purchases and sales of investment instruments, to be delivered within the deadline stipulated by market regulations and conventions, are recognized on the trade date, which is the date on which the commitment is made to purchase or sell the asset.

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 measured at fair value. The fair value is obtained from market quotes, discounted cash flow models and option valuation models, as appropriate. Derivatives contracts are classified as assets when their fair value is positive and as liabilities when it is negative, under line item "Financial derivative contracts."

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

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 "Net income from financial operations." 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 recognized 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 recognized 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 hedging 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 hedging derivative 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 Consolidated Statement of Financial Position.

When a derivative instrument hedges exposure to fluctuation in cash flows of recognized 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 other comprehensive income.

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 presented in the Consolidated 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 a significant and prolonged decline in 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 indicator 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

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of carrying amount and fair value less costs to sell.

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 measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognized in the Consolidated Statement of Income on a straight-line method over the estimated useful lives of the related assets.

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 five years.

t) Provisions for loan losses

The Bank has established all the provisions that are required to cover the impairment loss of loan assets (Note 21) in accordance with the standards issued by the SBIF. The 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 clients, provisions and write-offs are fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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 collateral redemption seizure, 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, 2012 was not constitute provision for this concept and at December 31, 2011 MCh$ 564, (see 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, 2012 and 2011 the Bank does not hold any additional provisions.

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 is recognized directly as income in the Consolidated Statement of Income, under "Provisions for loan losses."

At December 31, 2012 and 2011, recoveries of written-off loans were MCh$2,402 and MCh$2,184, 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 sale or disposal of long-term assets and other investments not included in cash and 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, 2012 and 2011, 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 are 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.

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

During 2012 there were no accounting changes that could affect the comparison with the prior year.

4. SIGNIFICANT EVENTS

Banco Security

During the fiscal year from January 1 to December 31, 2012 and 2011, there were no significant events that must be communicated.

Administradora General de Fondos Security S.A.

On March 16, 2012 the board of directors agreed to set up the Shareholders' Meeting to April 3, 2012 at 9:30 hours with the purpose to review the following topics: Memory and Balance sheet ending at December 31, 2011, distribution of the profit of the year, determination of board of directors fees, external auditors appointed, and definition of publication period and other matters.

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, 2011, 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 2012.

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 20/12/2012	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 20/12/2012	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

Valores S.A. Corredores de Bolsa

As of December 31, 2012 and 2011, there were no relevant events to be communicated.

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.

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

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.

Consolidated Financial Statements Banco Security And Subsidiaries

The following is a detailed summary of the allocation of the assets, liabilities and income as of December 31, 2012 and 2011, 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	
	DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
ASSETS														
Gross loans	2,074,613	1,852,440	946,218	761,315	635	814	4	2	3,021,470	2,614,571	-	-	3,021,470	2,614,571
Loan provision	(31,278)	(35,498)	(10,537)	(360)	(30)	(33)	-	-	(41,845)	(35,891)	-	-	(41,845)	(35,891)
NET LOANS	2,043,335	1,816,942	935,681	760,955	605	781	4	2	2,979,625	2,578,680	-	-	2,979,625	2,578,680
Financial operations	-	-	-	-	593,732	653,675	-	-	593,732	653,675	75,126	86,209	668,858	739,884
Other assets	-	-	-	-	41,534	52,648	434,834	463,467	476,368	516,115	55,042	47,921	531,410	564,036
TOTAL ASSETS	2,043,335	1,816,942	935,681	760,955	635,871	707,104	434,838	463,469	4,049,725	3,748,470	130,168	134,130	4,179,893	3,882,600
Liabilities and equity														
Liabilities	1,891,700	1,674,074	885,179	716,412	607,659	672,686	434,762	463,396	3,819,300	3,526,568	77,000	88,569	3,896,300	3,615,137
Equity	151,635	142,868	50,502	44,543	28,212	34,418	-	-	230,349	221,829	53,168	45,561	283,517	267,390
Non-controlling interest	-	-	-	-	-	-	76	73	76	73	-	-	76	73
TOTAL LIABILITIES AND EQUITY	2,043,335	1,816,942	935,681	760,955	635,871	707,104	434,838	463,469	4,049,725	3,748,470	130,168	134,130	4,179,893	3,882,600

b) Income by business segment

	CORPORATE BANKING		PERSONAL BANKING		FINANCIAL BUSINESS		OTHERS		BANK TOTAL		INVESTMENT BUSINESS		TOTAL CONSOLIDATED	
	DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
DIRECT OPERATING MARGIN														
Financial margin (1)	50,924	42,066	35,578	26,751	(11,676)	(5,087)	(3,599)	-	71,227	63,730	(3,389)	(3,380)	67,838	60,350
Net commissions	10,798	9,964	10,231	8,633	(429)	(530)	(767)	(688)	19,833	17,379	8,751	10,145	28,584	27,524
Changes and others (2)	7,754	6,843	416	338	22,757	18,998	(4,247)	(1,938)	26,680	24,241	8,360	8,594	35,040	32,835
Provision for loan losses (3)	(9,551)	(11,706)	(7,238)	(4,988)	(95)	(1,306)	272	(1,170)	(16,612)	(19,170)	-	-	(16,612)	(19,170)
TOTAL DIRECT OPERATING MARGIN	59,925	47,167	38,987	30,734	10,557	12,075	(8,341)	(3,796)	101,128	86,180	13,722	15,359	114,850	101,539
Support expenses (4)	(23,114)	(21,630)	(34,849)	(27,021)	(7,187)	(5,414)	932	1,081	(64,218)	(52,984)	(8,787)	(7,885)	(73,005)	(60,869)
OPERATING INCOME (LOSS)	36,811	25,537	4,138	3,713	3,370	6,661	(7,409)	(2,715)	36,910	33,196	4,935	7,474	41,845	40,670
Income from investments in other companies	-	-	-	-	-	-	16	12	16	12	102	166	118	178
INCOME BEFORE INCOME TAX	36,811	25,537	4,138	3,713	3,370	6,661	(7,393)	(2,703)	36,926	33,208	5,037	7,640	41,963	40,848
Taxes	(6,009)	(3,627)	(675)	(527)	(550)	(946)	1,207	383	(6,027)	(4,717)	(707)	(1,111)	(6,734)	(5,828)
CONSOLIDATED INCOME (LOSS) FOR THE PERIOD	30,802	21,910	3,463	3,186	2,820	5,715	(6,186)	(2,320)	30,899	28,491	4,330	6,529	35,229	35,020
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	2	4	2	4
INCOME ATTRIBUTABLE TO BANK OWNERS	30,802	21,910	3,463	3,186	2,820	5,715	(6,186)	(2,320)	30,899	28,491	4,328	6,525	35,227	35,016

(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, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
CASH AND DEPOSTIS IN BANKS		
Cash	9,206	10,077
Deposits in Chile's Central Bank	191,707	142,422
Deposits in national banks	1,603	1,394
Deposits abroad	61,729	108,624
SUBTOTAL - CASH AND DEPOSITS IN BANKS	264,245	262,517
Unsettled transactions, net	27,720	34,827
Resale agreements	5,051	2,018
TOTAL CASH AND CASH EQUIVALENTS	297,016	299,362

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, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
ASSETS		
Documents in other banks (exchange)	27,394	18,224
Funds receivable	38,976	87,971
SUBTOTAL - ASSETS	66,370	106,195
LIABILITIES		
Funds payable	(38,650)	(71,368)
SUBTOTAL - LIABILITIES	(38,650)	(71,368)
UNSETTLED TRANSACTIONS, NET	27,720	34,827

7. TRADING INVESTMENTS

As of December 31, 2012 and 2011, 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 YEARS		MORE THAN 3 YEARS AND UP TO 6 YEARS		MORE THAN 6 YEARS		TOTAL	
	DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
INSTRUMENTS OF THE STATE AND CHILE'S CENTRAL BANK										
Instruments of Chile's Central Bank	33,586	5,366	4,575	24,624	22,591	18,996	128	3,165	60,880	52,151
Chilean Treasury instruments	-	-	23	37,729	3,288	42,816	-	162	3,311	80,707
SUBTOTAL	33,586	5,366	4,598	62,353	25,879	61,812	128	3,327	64,191	132,858
OTHER FINANCIAL INSTRUMENTS										
Deposit promissory notes in local banks	107,386	202,600	8,726	4,747	-	-	-	-	116,112	207,347
Mortage notes in local banks	5	-	104	-	43	2	3,996	1,439	4,148	1,441
Bonds in local banks	656	547	1,775	2,479	7,842	6,623	266	996	10,539	10,645
Other locally issued instruments	734	4,791	-	-	-	-	-	-	734	4,791
Mutual funds	78,556	47,284	-	-	-	-	-	-	78,556	47,284
SUBTOTAL	187,337	255,222	10,605	7,226	7,885	6,625	4,262	2,435	210,089	271,508
TOTAL TRADING INSTRUMENTS	220,923	260,588	15,203	69,579	33,764	68,437	4,390	5,762	274,280	404,366

The Bank has letters of credit issued on its behalf at December 31, 2012 and 2011 for MCh$2,659 and MCh$2,796, 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, 2012 and 2011, 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	
	DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
Local banks	-	-	-	-	-	-	-	-
Other entities	5,051	2,018	-	-	-	-	5,051	2,018
TOTAL	5,051	2,018	-	-	-	-	5,051	2,018

b) Repurchase agreement liabilities

The Bank sells financial instruments agreeing to purchase them at a future date plus interest. At December 31, 2012 and 2011, 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	
	DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
Local banks:								
Central bank	14,071	49,822	-	-	-	-	14,071	49,822
Other banks	5,051	707	-	-	-	-	5,051	707
Other entities	48,088	70,546	-	-	-	-	48,088	70,546
TOTAL	67,210	121,075	-	-	-	-	67,210	121,075

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	
		DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31	
		2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
DERIVATIVES HELD FOR TRADING											
Currency forwards	(FV)	(450,254)	1,575,383	67,075	1,889,031	(23,403)	827,627	24,993	38,909	(23,349)	(40,830)
Interest rate swaps	(FV)	626,357	1,668,085	524,336	2,780,204	941,330	6,697,628	11,493	11,053	(11,703)	(12,867)
Currency swaps	(FV)	1	5,161	25,500	59,794	115,643	24,635	6,293	3,066	(2,053)	(678)
Interest rate put options	(FV)	-	-	-	-	-	-	-	-	(3)	(10)
									-	-	-
TOTAL DERIVATIVE ASSETS/(LIABILITIES) HELD FOR TRADING		176,104	3,248,629	616,911	4,729,029	1,033,570	7,549,890	42,779	53,028	(37,108)	(54,385)
DERIVATIVES HELD FOR HEDGE ACCOUNTING											
Interest rate swaps	(CF)	-	-	-	12,363	25,000	25,000	-	-	(292)	(897)
Currency swaps	(CF)	-	-	-	-	-	12,362	-	585	-	-
TOTAL DERIVATIVE ASSETS/(LIABILITIES) HELD FOR HEDGING		-	-	-	12,363	25,000	37,362	-	585	(292)	(897)
TOTAL FINANCIAL DERIVATIVE ASSETS/(LIABILITIES)		176,104	3,248,629	616,911	4,741,392	1,058,570	7,587,252	42,779	53,613	(37,400)	(55,282)

b) Hedge Accounting

The fair value adjustment recognized in equity at December 31, 2012 and 2011 of the hedge instruments is a reduction in equity value of MCh$212 and MCh$168 (net of deferred taxes), respectively.

On September10, 2010 trough management letter 69,858, the Superintendency of Bank and Financial Institutions instructed the Bank to derecognize its accouting treatment as a cash flow hedge of the hedging instrument entered into from January 2009, geared towards hedging the interest rate risk on renewal of time deposits. At December 31, 2012, there is no balance in accumulated other comprehensive income whit respect to this instrument. At December 31, 2011, there was a balance of MCh$262 remaining to be reclassified to the income statement.

10. INTERBANK LOANS

a) Transactions owed by banks at December 31, 2012 and 2011 show normal behavior (normal portfolio), and credit risk is evaluated on an individual basis. Details are as follows:

	AT DECEMBER 31 2012 MCH$	AT DECEMBER 31 2011 MCH$
LOCAL BANKS:		
Inter-bank loans	-	37
Provisions for loans from local banks	-	-
SUBTOTAL	-	37
FOREIGN BANKS:		
Loans to foreign banks	14,827	31,647
Other credits with foreign banks	-	-
Provisions for credits with foreign banks	(30)	(33)
SUBTOTAL	14,797	31,614
TOTAL	14,797	31,651

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

MOVEMENT:	MCH$
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)
Balance at January 1, 2012	(33)
Impaired portfolio write-offs	-
Provisions established (Note 29)	(92)
Provisions released (Note 29)	95
BALANCE AT DECEMBER 31, 2012	(30)

11. LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS

a) Loans and accounts receivable from customers

	ASSETS BEFORE PROVISIONS						PROVISIONS SET UP							
	NORMAL PORTFOLIO		IMPAIRED PORTFOLIO		TOTAL		INDIVIDUAL PROVISIONS		GROUP PROVISIONS		TOTAL		NET ASSETS	
	DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
COMMERCIAL LOANS:														
Commercial loans	1,723,162	1,434,099	50,130	41,429	1,773,292	1,475,528	25,525	20,296	2,672	2,774	28,197	23,070	1,745,095	1,452,458
Foreign trade loans	255,416	264,243	8,801	14,464	264,217	278,707	6,041	7,177	3	6	6,044	7,183	258,173	271,524
Checking account debtors	32,410	26,971	1,746	1,211	34,156	28,182	1,545	1,161	210	146	1,755	1,307	32,401	26,875
Factoring operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease operations	224,498	224,913	4,318	3,083	228,816	227,996	770	558	33	71	803	629	228,013	227,367
Other credits and accounts receivable	2,783	2,192	728	647	3,511	2,839	662	546	14	19	676	565	2,835	2,274
SUBTOTAL	2,238,269	1,952,418	65,723	60,834	2,303,992	2,013,252	34,543	29,738	2,932	3,016	37,475	32,754	2,266,517	1,980,498
MORTGAGE LOANS:														
Loans with letters of credit	11,649	14,239	395	697	12,044	14,936	-	-	40	57	40	57	12,004	14,879
Endorsable mortgage loans	30,780	43,965	574	1,450	31,354	45,415	-	-	56	130	56	130	31,298	45,285
Other mortgage loans	444,107	334,505	3,542	3,370	447,649	337,875	-	-	296	260	296	260	447,353	337,615
Lease operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other credits and accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL	486,536	392,709	4,511	5,517	491,047	398,226	-	-	392	447	392	447	490,655	397,779
CONSUMER LOANS:														
Consumer credits in installments	132,173	106,142	6,979	4,344	139,152	110,486	-	-	2,768	1,673	2,768	1,673	136,384	108,813
Check account debtors	33,340	29,355	972	923	34,312	30,278	-	-	570	504	570	504	33,742	29,774
Credit card debtors	37,367	29,520	502	311	37,869	29,831	-	-	610	480	610	480	37,259	29,351
Other credits and accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SUBTOTAL	202,880	165,017	8,453	5,578	211,333	170,595	-	-	3,948	2,657	3,948	2,657	207,385	167,938
							-							
TOTAL	2,927,685	2,510,144	78,687	71,929	3,006,372	2,582,073	34,543	29,738	7,272	6,120	41,815	35,858	2,964,557	2,546,216
Accounting hedges														
Commercial loans													271	813
SUBTOTAL													271	813
TOTAL CREDITS AND RECEIVABLES FROM CLIENTS													2,964,828	2,547,029

b) Movement of provisions for loan losses

Changes in provisions in 2012 and 2011 are as follows:

	INDIVIDUAL PROVISIONS MCH$	GROUP PROVISIONS MCH$	TOTAL MCH$
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
BALANCE AT JANUARY 1, 2012	29,738	6,120	35,858
IMPAIRED PORTFOLIO WRITE-OFFS:			
Commercial loans	(6,290)	-	(6,290)
Mortgage loans	-	(117)	(117)
Consumer loans	-	(6,030)	(6,030)
TOTAL WRITE-OFFS	(6,290)	(6,147)	(12,437)
Provisions established (Note 29)	31,605	21,210	52,815
Provisions released (Note 29)	(20,510)	(13,911)	(34,421)
BALANCE AT DECEMBER 31, 2012	34,543	7,272	41,815

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, 2012 and 2011, 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 DECEMBER 31		FOREIGN LOANS DECEMBER 31		TOTAL DECEMBER 31			
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 %	2011 %
COMMERCIAL LOANS								
Manufacturing	165,865	157,768	4,094	5,105	169,959	162,873	5.65	6.31
Mining	37,440	29,412	-	6,437	37,440	35,849	1.25	1.39
Electricity, gas and water	26,446	11,306	-	-	26,446	11,306	0.88	0.44
Agriculture and livestock	74,119	68,676	13	988	74,132	69,664	2.47	2.70
Forestry	28,963	23,635	-	-	28,963	23,635	0.96	0.92
Fishery	50,670	43,955	-	-	50,670	43,955	1.69	1.70
Transportation	157,238	39,229	-	-	157,238	39,229	5.23	1.52
Telecommunications	39,462	26,424	-	-	39,462	26,424	1.31	1.02
Construction	358,851	173,577	-	-	358,851	173,577	11.94	6.72
Commerce	438,766	446,258	3,620	9,971	442,386	456,229	14.71	17.67
Financial and insurance services	427,362	483,777	-	4,680	427,362	488,457	14.22	18.92
Real estate	56,906	115,144	-	-	56,906	115,144	1.89	4.46
Company services	81,939	101,293	-	-	81,939	101,293	2.73	3.92
Community services	259,686	226,856	-	-	259,686	226,856	8.64	8.79
Others	92,490	38,761	62	-	92,552	38,761	3.08	1.50
SUBTOTAL	2,296,203	1,986,071	7,789	27,181	2,303,992	2,013,252		
Mortgage loans	491,047	398,226	-	-	491,047	398,226	16.33	15.42
Consumer loans	211,333	170,595	-	-	211,333	170,595	7.03	6.60
TOTAL	2,998,583	2,554,892	7,789	27,181	3,006,372	2,582,073		

12. INVESTMENT INSTRUMENTS

As of December 31, 2012 and 2011, 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 DECEMBER 31		MORE THAN 1 YEAR AND UP TO 3 YEARS DECEMBER 31		MORE THAN 3 YEARS AND UP TO 6 YEARS DECEMBER 31		MORE THAN 6 YEARS DECEMBER 31		TOTAL DECEMBER 31	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
INSTRUMENTS OF THE STATE AND CHILE'S CENTRAL BANK										
Instruments of Chile's Central Bank	18,290	11,044	33,591	27,910	627	23,389	1,863	-	54,371	62,343
Other Treasury instruments	-	-	88	-	-	-	-	-	88	-
SUBTOTAL	18,290	11,044	33,679	27,910	627	23,389	1,863	-	54,459	62,343
OTHER FINANCIAL INSTRUMENTS										
Promissory notes of deposits in local banks	174,852	133,324	2,974	4,298		-		-	177,826	137,622
Mortgage notes in local banks	88	14	496	333	1,512	1,649	28,958	34,573	31,054	36,569
Domestic corporate bonds	9,834	1,196	19,745	15,827	5,255	19,554	8,274	9,109	43,108	45,686
Other instruments issued abroad	816	808	6,704	3,268	18,475	12,948	57,085	34,256	83,080	51,280
SUBTOTAL	185,590	135,342	29,919	23,726	25,242	34,151	94,317	77,938	335,068	271,157
TOTAL AVAILABLE FOR SALE INVESTMENTS	203,880	146,386	63,598	51,636	25,869	57,540	96,180	77,938	389,527	333,500

The operations with repurchase agreements with clients and the Chilean Central Bank, involving the portfolio of available for sale investment instruments at December 31, 2012, amount to MCh$177. At December 31, 2011, amount to MCh$47,437. The Bank did not have a balance related to such operations.

At December 31, 2012 and 2011 the net of deferred, respective available-for-sale portfolio includes unrealized loss of MCh$656 and MCh$(3,302), of which MCh$692 and MCh$1,325, net of deferred taxes respectively.

At December 31, 2012 and 2011, 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			
	2012 %	2011 %	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
Santiago Stock Exchange	2.08	2.08	305	305	-	-	305	305	80	82
Electronic Stock Exchange	2.44	2.44	61	61	-	-	61	61	-	-
Combanc S.A.	3.96	4.72	134	134	(32)	-	102	134	10	-
Depósito Central de Valores S.A.	3.60	3.60	58	58	-	-	58	58	6	2
Other investments in companies			62	63	(16)	(1)	47	62	22	94
TOTAL INVESTMENTS IN OTHER COMPANIES			620	621	(48)	(1)	573	620	118	178

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, 2012 and 2011 correspond to internal developments which are in the production or development stage:

TYPE OF INTANGIBLE:	USEFUL LIFE (YEAR)		REMAINING YEARS AS OF AMORTIZATION		GROSS BALANCE		ACCUMULATED AMORTIZATION		NET BALANCE	
	DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31		DECEMBER 31	
	2012	2011	2012	2011	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
Acquired	-	-	-	-	-	-	-	-	-	-
Generated internally	4.00	3.92	1.75	1.60	46,426	36,554	(9,613)	(7,032)	36,813	29,522
TOTAL					46,426	36,554	(9,613)	(7,032)	36,813	29,522

b) The movement of intangible assets during the period from January 1 to December 31, 2012 and 2011 is as follows:

	MOVEMENT OF INTANGIBLE ASSETS			
	INTANGIBLES			
	ACQUIRED MCH$	GENERATED INTERNALLY MCH$	ACCUMULATED AMORTIZATION MCH$	TOTAL MCH$
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
Balance at January 1, 2012	-	36,554	(7,032)	29,522
Additions	-	11,016	-	11,016
Transfer to operating intangibles	-	-	-	-
Amortization for the period	-	-	(2,581)	(2,581)
Impairment for the period	-	(1,144)	-	(1,144)
BALANCE AT DECEMBER 31, 2012	-	46,426	(9,613)	36,813

In 2012 and 2011, the Bank's management recorded an impairment of MCh$1,144 and MCh$671 respectively (see 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			
	GROSS ASSETS	DEPRECIACIÓN ACCUMULATED	IMPAIRMENT	GROSS ASSETS	DEPRECIACIÓN ACCUMULATED	IMPAIRMENT	GROSS ASSETS	DEPRECIACIÓN ACCUMULATED	IMPAIRMENT	NET ASSETS
	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$
Balance at January 1, 2011	18,879	(1,563)	-	6,744	(5,049)	-	7,519	(3,835)	-	22,695
Additions	-	-	-	430	-	-	1,691	-	-	2,121
Retirements write-offs	-	-	-	(1,338)	1,338	-	(339)	339	-	-
Depreciation for the year	-	(249)	-	-	(427)	-	-	(545)	-	(1,221)
Impairment for the period	-	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2011	18,879	(1,812)	-	5,836	(4,138)	-	8,871	(4,041)	-	23,595
Balance at January 1, 2012	18,879	(1,812)	-	5,836	(4,138)	-	8,871	(4,041)	-	23,595
Additions	-	-	-	400	-	-	2,033	-	-	2,433
Retirements write-offs	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	(249)	-	-	(513)	-	-	(708)	-	(1,470)
Impairment for the period	-	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2012	18,879	(2,061)	-	6,236	(4,651)	-	10,904	(4,749)	-	24,558

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, 2012 and 2011, are as follows:

	FUTURE LEASE CASH OUTFLOWS							
	LESS THAN 1 YEAR		FROM 1 TO 5 YEARS		MORE THAN 5 YEARS		TOTAL	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
Operating lease contracts	1,698	1,600	9,159	7,856	9,159	10,942	20,016	20,398

c) Lease expenses

Operating lease expenses for the agreements described in Note b) above for 2012 and 2011 are as follows:

	AT DECEMBER 31 2012 MCH$	AT DECEMBER 31 2011 MCH$
OPERATING LEASE EXPENSES	1,692	1,657

As of December 31, 2012 and 2011, 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, 2012 and 2011 are as follows:

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
Income tax at 20% statutory tax rate	(6,079)	(5,281)
Tax on disallowed expenses - 35%	(16)	(13)
Less:		
Monthly estimated tax payments	3,662	6,884
Training expense credits	173	148
Other	37	28
TOTAL	(2,223)	1,766
Refundable tax	-	1,766
Income tax payable	(2,223)	-
CURRENT TAX LIABILITY	(2,223)	-
Refundable income tax provision	145	1,766
Other tax credits	427	978
CURRENT TAX ASSET	572	2,744

b) Income tax expense

Income tax expense during the years ended December 31, 2012 and 2011 is as follows:

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
INCOME TAX EXPENSE:		
Current year tax	6,079	4,660
Single tax for the year	16	13
Adjustment to tax expense, prior years	(836)	(151)
SUBTOTAL	5,259	4,522
DEFERRED TAX CREDIT (CHARGE)		
Origin and reversal of temporary differences	1,475	1,306
NET CHARGE TO INCOME FROM INCOME TAX	6,734	5,828

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.

On September 27, 2012, the Government issued Law 20,630, which established corporate tax rate of 20% going forward.

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, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
Available for sale investments	(171)	333
Hedges	52	33
TOTAL	(119)	366

c.2) Effect of deferred taxes:

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
DEFERRED TAX ASSETS:		
Global provision portfolio	6,704	4,659
Provision - lower value of portfolio	74	128
Provision - greater value of swaps	-	4
Global provision recovered assets	18	15
Forward contracts	669	669
Leased tax assets	-	-
Suspended interest	345	201
Other	(428)	1,638
TOTAL DEFERRED TAX ASSETS	7,382	7,314
Effect on equity	(119)	366
TOTAL DEFERRED TAX ASSETS	7,263	7,680
DEFERRED TAX LIABILITIES:		
Lease assets	-	(1,955)
Lease contracts	(5,029)	(1,582)
Depreciation property, plant and equipment	(1,323)	(1,047)
Effective interest rate	(661)	(395)
Other	(843)	(1,377)
TOTAL DEFERRED TAX LIABILITIES	(7,856)	(6,356)
TOTAL ASSETS (LIABILITIES)	(474)	958

c.3) Total Deferred Taxes:

	AT DECEMBER 31, 2012	AT DECEMBER 31, 2011
Effect of Deferred Taxes on Equity	(119)	366
Effect of Deferred Taxes on Income	(474)	958
TOTAL ASSETS (LIABILITIES), NET	(593)	1,324

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, 2012 and 2011 is specified below:

	AT DECEMBER 31, 2012		AT DECEMBER 31, 2011	
	INTEREST RATE	AMOUNT MCH$	INTEREST RATE	AMOUNT MCH$
Income before tax	20.0%	9,261	20,0%	9,393
Permanent differences	-5.2%	(2,397)	-6,4%	(2,996)
Additions or deductions				
Single tax (disallowed expenses)	0.0%	16	0,0%	13
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	-1.7%	(781)	-0,4%	(170)
Effect of change in tax rates	1.4%	638	-1,1%	(504)
Other	0.0%	(3)	0,2%	92
EFFECTIVE INCOME TAX RATE AND EXPENSE	14.5%	6,734	12,3%	5,828

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

Details at December 31, 2012 and 2011 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 PORTFOLIOWITH COLLATERAL		PAST-DUE PORTFOLIO WITHOUT COLLATERAL	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
Commercial loans	2,077,417	1,784,443	2,079,144	1,786,392	9,845	5,027	10,590	12,076
Consumer loans	211,333	170,595	211,333	170,595	141	41	905	516
Mortgage loans	491,047	398,226	491,047	398,226	173	248	-	1
Interbank loans	14,797	31,684	14,797	31,684	-	-	-	-
TOTAL	2,794,594	2,384,948	2,796,321	2,386,897	10,159	5,316	11,495	12,593

d.2) Provisions for past-due portfolio:

	BALANCE AT JANUARY 1		WRITE-DOWN AGAINST PROVISION		PROVISIONS ESTABLISHED		PROVISIONS RELEASED		BALANCE AT DECEMBER 31	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
Commercial loans	12,076	8,913	(4,457)	(5,618)	2,971	8,781	-	-	10,590	12,076
Consumer loans	516	371	(2,518)	(1,441)	2,907	1,586	-	-	905	516
Mortgage loans	1	-	-	-	-	1	(1)	-	-	1
Interbank loans	-	-	-	-	-	-	-	-	-	-
TOTAL	12,593	9,284	(6,975)	(7,059)	5,878	10,368	(1)	-	11,495	12,593

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

CASTIGOS DIRECTOS Y RECUPERACIONES	AT DECEMBER 31 2012 MCH$	AT DECEMBER 31 2011 MCH$	APPLICATION OF ARTICLE 31 NUMBER 4, PARAGRAPHS 1 AND 3	AL 31 DE DICIEMBRE DE 2012 MCH$	AL 31 DE DICIEMBRE DE 2011 MCH$
Direct write-offs Article 31 Number 4, paragraph two	5,463	4,879	Write-offs according to paragraph one	-	-
Loan forgiveness releasing provisions	-	-	Loan forgiveness according to paragraph two	-	-
Recovery or renegotiation of written-off loans	1,520	1,036			

17. OTHER ASSETS

a) Details of other assets at December 31, 2012 and 2011 are as follows:

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
Assets for leasing	11,587	13,808
Assets received in lieu of payment or awarded		
Assets received in lieu of payment	1,892	794
Assets awarded in court-ordered auctions	284	1,294
Provision for assets received in lieu of payment	(90)	(90)
SUBOTAL - ASSETS RECEIVED IN LIEU OF PAYMENT OR AWARDED	2,086	1,998
OTHER ASSETS		
VAT credit	4,823	4,480
Prepaid expenses	580	502
Brokerage debtors	1,671	-
Treasury operations receivable	46,258	33,645
Other	10,138	15,029
Otros	11,094	8,088
SUBTOTAL - OTHER ASSETS	74,564	61,744
TOTAL OTHER ASSETS	88,237	77,550

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, 2012 and 2011 established in conformity with the regulations of the SBIF are as follows:

MOVEMENT::		MCH$
Balance at January 1, 2011		(1,140)
Establishment	Provision	(90)
	Impairment	-
Release:	Provision	1,140
	Impairment	-
BALANCE AT DECEMBER 31, 2011		(90)
Balance at January 1, 2012		(90)
Establishment	Provision	(1,392)
	Impairment	-
Release:	Provision	1,392
	Impairment	-
BALANCE AT DECEMBER 31, 2012		(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, 2012 and 2011, details of deposits and other on demand obligations are as follows:

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
CHECKING ACCOUNTS:		
Local banks checking accounts	227	26
Checking accounts with other legal entities	222,943	180,907
Individuals checking accounts	94,726	77,721
SUBTOTAL	317,896	258,654
OTHER DEPOSITS AND ON-DEMAND ACCOUNTS:		
Money orders	22,713	18,728
Other on demand deposit accounts	2,847	2,630
SUBTOTAL	25,560	21,358
OTHER ON DEMAND OBLIGATIONS:		
Deposits for court-ordered consignments	173	159
Performance on-demand bonds payable	233	330
Collections made payable	3,372	3,416
Export proceeds to be settled	247	33
Pending payment orders	3,131	1,919
Payments to the account of credits to be paid	2,186	1,080
Inactive balances article 156 LGB	1,129	756
Expired time deposits	1,576	690
Past-due bond coupons and letters of credit	1	212
Other on demand obligations	39,797	65,008
SUBTOTAL	51,845	73,603
TOTAL	395,301	353,615

b) Time deposits and other time liabilities

At December 31, 2012 and 2011, 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	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
TIME DEPOSITS										
Domestic banks	125,183	82,695	-	5,004	-	-	-	-	125,183	87,699
Foreign banks	-	-	-	-	-	-	-	-	-	-
Other legal entities	2,010,558	1,849,870	78,294	42,738	4,605	4,204	(3,752)	-	2,089,705	1,896,812
Individuals	88,423	51,121	17	73	41	-	-	-	88,481	51,194
SUBTOTAL	2,224,164	1,983,686	78,311	47,815	4,646	4,204	(3,752)	-	2,303,369	2,035,705
OTHER TIME DEPOSIT BALANCES										
Performance bonds payable with 30 days advanced notice	2,149	2,045	532	930	46	75	4	4	2,731	3,054
Others	-	3	-	-	-	-	-	-	-	3
SUBTOTAL	2,149	2,048	532	930	46	75	4	4	2,731	3,057
TOTAL	2,226,313	1,985,734	78,843	48,745	4,692	4,279	(3,748)	4	2,306,100	2,038,762

Consolidated Financial Statements Banco Security And Subsidiaries

19. INTERBANK BORROWINGS

At December 31, 2012 and 2011, interbank borrowings were as follows:

	UP TO 1 YEAR		MORE THAN 1 YEAR AND UP TO 3 YEARS		MORE THA 3 YEARS AND UP TO 6 YEARS		MORE THAN 6 YEARS		BALANCE AT	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
DOMESTIC BANKS:										
Interbank loans	-	5,917	-	-	-	-	-	-	-	5,917
Checking account overdrafts	73	2,683	-	-	-	-	-	-	73	2,683
SUBTOTAL	73	8,600	-	-	-	-	-	-	73	8,600
FOREIGN BANKS:										
Financing for Chilean exports	110,378	162,141	-	-	-	-	-	-	110,378	162,141
Financing for Chilean imports	101,975	84,868	-	-	-	-	-	-	101,975	84,868
Obligations from transactions between other countries	2,905	25,288	-	-	-	-	-	-	2,905	25,288
Loans and other obligations	17,068	8,380	-	-	-	-	-	-	17,068	8,380
SUBTOTAL	232,326	280,677	-	-	-	-	-	-	232,326	280,677
Chile's Central Bank:	-	-	-	-	-	-	-	-	-	-
TOTAL	232,399	289,277	-	-	-	-	-	-	232,399	289,277

20. DEBT INSTRUMENTS ISSUED AND OTHER OBLIGATIONS

The composition and maturity of issued debt instruments and other financial obligations at December 31, 2012 and 2011 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,"	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
LETTERS OF CREDIT:										
Mortgage letters of credit	1,828	1,599	2,659	3,070	2,649	3,839	3,082	4,536	10,218	13,044
General purpose letters of credit	4,394	4,241	7,296	7,789	8,544	9,974	17,435	18,857	37,669	40,861
SUBTOTAL	6,222	5,840	9,955	10,859	11,193	13,813	20,517	23,393	47,887	53,905
BONDS:										
Senior bonds	20,507	83,328	112,449	102,193	167,957	50,210	215,480	192,782	516,393	428,513
Subordinated bonds	3,040	2,802	11,668	7,064	26,579	25,015	106,437	67,799	147,724	102,680
SUBTOTAL	23,547	86,130	124,117	109,257	194,536	75,225	321,917	260,581	664,117	531,193
TOTAL	29,769	91,970	134,072	120,116	205,729	89,038	342,434	283,974	712,004	585,098

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,	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
PUBLIC SECTOR OBLIGATIONS										
CORFO financing	2,450	1,245	5,655	7,981	4,405	8,167	15,595	17,031	28,105	34,424
SUBTOTAL	2,450	1,245	5,655	7,981	4,405	8,167	15,595	17,031	28,105	34,424
OTHER LOCAL OBLIGATIONS:										
Owed to credit card operators	3,707	2,843	-	-	-	-	-	-	3,707	2,843
obligations for Chilean exporters	285	-	-	-	-	-	-	-	285	-
SUBTOTAL	3,992	2,843	-	-	-	-	-	-	3,992	2,843
TOTAL	6,442	4,088	5,655	7,981	4,405	8,167	15,595	17,031	32,097	37,267

21. PROVISIONS

a) At December 31, 2012 and 2011, the Bank and its subsidiaries set up the following provisions:

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
PROVISIONS FOR OTHER EMPLOYEE BENEFITS		
Provisions for other employee benefits	80	178
Vacation provisions	1,596	1,338
SUBTOTAL - PERSONNEL COMPENSATION AND BENEFITS	1,676	1,516
Provision for minimum dividends	10,568	10,505
PROVISIONS FOR CONTINGENT CREDIT RISKS		
Sureties and collateral	135	128
Confirmed foreign letters of credit confirmed	-	-
Documented letters of credit issued	21	24
Performance bonds	711	375
Freely available lines of credit	3,104	2,628
SUBTOTAL - CONTINGENT CREDIT RISKS	3,971	3,155
PROVISIONS FOR CONTINGENCIES		
Provisions for country risk	70	44
Minimum provision adjustment	-	564
Provisions for employee benefits	-	-
Other provisions for contingencies	2,579	1,854
SUBTOTAL - PROVISIONS FOR CONTINGENCIES	2,649	2,462
TOTAL OTHER PROVISIONS	18,864	17,638

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 during the year for Provisions in 2012 and 2011 is as follows:

	EMPLOYEE VACATIONS MCH$	MINIMUM DIVIDENDS MCH$	CONTINGENT CREDIT RISKS MCH$	OTHER CONTINGENCIES MCH$	TOTAL MCH$
Balance at January 1, 2011	1,433	10,112	2,567	1,776	15,888
Provisions established	629	8,844	745	1,432	11,650
Provisions released	(546)	(8,451)	(157)	(746)	(9,900)
BALANCE AT DECEMBER 31, 2011	1,516	10,505	3,155	2,462	17,638
Balance at January 1, 2012	1,516	10,505	3,155	2,462	17,638
Provisions established	491	9,814	4,232	2,250	16,787
Provisions released	(331)	(9,751)	(3,416)	(2,063)	(15,561)
BALANCE AT DECEMBER 31, 2012	1,676	10,568	3,971	2,649	18,864

22. OTHER LIABILITIES

Details of other liabilities at December 31, 2012 and 2011 are as follows:

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
Accounts and notes payable	17,378	6,180
Dividends payable	48	42
Unearned income	717	826
Obligations related to short sales	-	3,994
Client brokerage creditors	18,968	16,641
Stockbroker creditors	5,015	3,182
Other liabilities	4,070	8,534
TOTAL	46,196	39,399

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, 2012 and 2011, 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, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
Performance bonds	252,621	165,313
Amounts available for credit card users	415,408	366,900
Documented letters of credit	53,709	61,105
Sureties and bonds	24,178	19,770
Provisions (Note 21)	(3,971)	(3,155)
TOTAL	741,945	609,933

c) Responsibilities

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

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2012 MCH$
Securities and letters in guarantee	2,328,703	1,928,068
Instruments in custody	769,357	1,174,563
Credits approved but not disbursed	296,855	277,121
Signed lease contracts	37,986	27,981
Notes under collection	11,906	1,865
TOTAL	3,444,807	3,409,598

d) Guarantees furnished

At December 31, 2012 and 2011, the Bank does not hold any assets in guarantee.

At December 31, 2012 and 2011, 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 Law). The Santiago Stock Exchange was designated as the trustee and custodian of such guarantee.

The Circular issued by the Santiago Stock Exchange established that all brokers should have comprehensive insurance as of February 1, 1998, at December 31, 2012 and 2011, Valores Security S.A. Corredores de Bolsa held a has hired a insurance policy whit Liberty Compañía de Seguros Generales S.A. for UF 300,000, maturing on July 1, 2013 and 2012, respectively, and which considered all of the coverage specified in the aforementioned Circular.

To guarantee time transactions through December 31, 2012 and 2011, Valores Security S.A. Corredores de Bolsa held shares for MCh$18,472 and MCh$12,780, respectively, deposited in custody with the Santiago Stock Exchange.

To guarantee voluntary retirement savings operations, at December 31, 2012 and 2011, Valores Security S.A. Corredores de Bolsa held a performance bond for UF 10,000 with Banco Security, maturing on January 9, 2013 and 2012, respectively.

To guarantee fulfillment of the Settlement Compensation System's operations, at December 31, 2012 and 2011, Valores Security S.A. Corredores de Bolsa held financial instruments in guarantee for MCh$764 and MCh$917, respectively, in CCLV Central Counterpart.

At December 31, 2012 y 2011 Valores Security S.A. Corredores de Bolsa held instruments to guarantee short selling operations on its own account for MCh$383 and MCh$6,938, respectively.

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	
	2012	2011	2012	2011
Opening balance	177,810,792	151,819,041	-	-
Payment of subscribed shares	-	25,991,751	-	-
BALANCE	177,810,792	177,810,792	-	-

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

SHAREHOLDERS	2012		2011	
	NO. OF SHARES	% OWNERSHIP INTEREST	NO. OF SHARES	% OWNERSHIP INTEREST
Grupo Security	177,739,382	99.96	177,739,382	99.96
Other	71,410	0.04	71,410	0.04
TOTAL	177,810,792	100.00	177,810,792	100.00

b) At December 31, 2012 and 2011, earnings per share are as follow:

Attributable to the Bank owners

NET INCOME FOR THE YEAR	DICIEMBRE	
	2012 MCH$ 35,227	2011 MCH$ 35,016
Average outstanding shares	177,810,792	160,481,943
Earnings per share:		
Basic	$ 198	$ 218
Diluted	$ 198	$ 218

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

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
AVAILABLE FOR SALE INVESTMENTS :		
Valuation	863	(1,658)
Deferred tax	(171)	333
SUBTOTAL	692	(1,325)
CASH FLOW HEDGES:		
Valuation	(264)	(201)
Deferred tax	52	33
SUBTOTAL	(212)	(168)
TOTAL	480	(1,493)

d) The following dividends were declared and paid in the years ended December 31, 2012 and 2011:

DESCRIPTION	EARNINGS TO BE DISTRIBUTED MCH$	DIVIDENDS MCH$	RESERVES MCH$	DIVIDENDSPER SHARE $
2010 Business year Shareholders' Meeting 28	35,016	21,010	14,006	118.16
2011 Business year Shareholders' Meeting 29	33,706	20,224	13,482	133.21

As of December 31, 2012 and 2011, the Bank established a provision of MCh$10,568 and MCh$10,505, respectively, for related to minimum dividends which as required by 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, 2012, these ratios were 6.17% (6.26% in 2011) and 19.92% (12.03% in 2011), 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, 2012 and 2011 is as follows:

a) Interest income

	INTEREST		ADJUSTMENTS		TOTAL ADJ. INTEREST INCOME	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
Reverse Repurchase agreements	167	563	-	-	167	563
Interbanks loans	1,058	881	-	-	1,058	881
COMMERCIAL LOANS:						
Commercial loans:	105,714	78,509	13,325	17,805	119,039	96,314
Foreign trade loans	7,383	6,063	-	-	7,383	6,063
Checking account loans	6,078	4,853	-	-	6,078	4,853
Lease contracts	13,668	12,425	4,854	7,517	18,522	19,942
TOTAL INCOME FROM COMMERCIAL LOANS	132,843	101,850	18,179	25,322	151,022	127,172
MORTGAGE LOANS:						
Loans with letters of credit	581	722	327	623	908	1,345
Commissions on loans with letters of credit	66	77	-	-	66	77
Loans with endorsable mortgage mutual funds	1,784	2,180	1,048	1,891	2,832	4,071
Other mortgage loans	15,643	10,620	9,300	10,304	24,943	20,924
TOTAL INCOME FROM MORTGAGE LOANS	18,074	13,599	10,675	12,818	28,749	26,417
CONSUMER LOANS:						
Consumer credits in installments	13,662	10,049	111	164	13,773	10,213
Current account credits	10,489	7,733	-	-	10,489	7,733
Credit cards	5,466	3,699	-	-	5,466	3,699
TOTAL INCOME FROM CONSUMER LOANS	29,617	21,481	111	164	29,728	21,645
INVESTMENT INSTRUMENTS:						
Available for sale investments	15,272	12,064	3,538	6,854	18,810	18,918
Adjustment of available for sale investments						
TOTAL INCOME FROM AVAILABLE FOR SALE INVESTMENTS	15,272	12,064	3,538	6,854	18,810	18,918
Other interest or adjustment income	2,323	3,145	28	99	2,351	3,244
Result from hedge accounting	(541)	812	-	-	(541)	812
TOTAL INTEREST AND ADJUSTMENT INCOME	198,813	154,395	32,531	45,257	231,344	199,652

Interest and adjustments suspended for loans included in the impaired portfolio totaled MCh$717 and MCh$768 at December 31, 2012 and 2011, respectively.

b) Interest expense

Details of interest expense at December 31, 2012 and 2011 are as follows:

	INTEREST		ADJUSTMENTS		OTHER		TOTAL ADJ. INTEREST EXPENSE	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
DEPOSITS								
On demand deposits	(193)	(171)	(98)	(35)	-	-	(291)	(206)
Time deposits	(102,257)	(77,038)	(7,636)	(13,755)	-	-	(109,893)	(90,793)
TOTAL EXPENSES FOR DEPOSITS	(102,450)	(77,209)	(7,734)	(13,790)	-	-	(110,184)	(90,999)
Repurchase agreements	(4,548)	(4,735)	-	-	-	-	(4,548)	(4,735)
Obligations with banks	(3,259)	(2,502)	-	-	-	-	(3,259)	(2,502)
DEBT INSTRUMENTS ISSUED								
Interest from letters of credit	(2,011)	(2,376)	(1,191)	(2,191)	-	-	(3,202)	(4,567)
Interest from senior bonds	(18,630)	(11,845)	(12,505)	(12,878)	-	-	(31,135)	(24,723)
Interest from subordinated bonds	(5,932)	(5,151)	(2,878)	(3,841)	-	-	(8,810)	(8,992)
TOTAL EXPENSES FOR DEBT INSTRUMENTS ISSUED	(26,573)	(19,372)	(16,574)	(18,910)	-	-	(43,147)	(38,282)
Other interest or adjustment expenses	(1,023)	(1,280)	(695)	(1,272)	-	-	(1,718)	(2,552)
Gain (loss) from accounting hedges	-	-	-	-	(650)	(232)	(650)	(232)
TOTAL INTEREST EXPENSE	(137,853)	(105,098)	(25,003)	(33,972)	(650)	(232)	(163,506)	(139,302)

26. COMMISSIONS

Commission income and expenses at December 31, 2012 and 2011 shown in the Statements of Income are as follows:

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
COMMISSION INCOME		
Lines of credit and overdrafts	1,672	1,419
Sureties and letters of credit	4,349	3,747
Card services	4,317	3,651
Account management	1,379	964
Collections and payments	6,478	5,652
Brokerage and security management	2,023	2,663
Investments in mutual funds and others	9,565	11,108
Fees for selling insurance	-	-
Fund managements	-	-
Financial advisory services	327	212
Other commissions earned	2,763	3,139
TOTAL COMMISSION INCOME	32,873	32,555
COMMISSION EXPENSES		
Commissions on security transactions	(250)	(319)
Sales commissions	(2,921)	(3,542)
Other commissions	(1,118)	(1,170)
TOTAL COMMISSION EXPENSES	(4,289)	(5,031)
TOTAL COMMISSION INCOME, NET	28,584	27,524

27. INCOME FROM FINANCIAL OPERATIONS

Net profits from financial operations at December 31, 2012 and 2011 are as follows:

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
FINANCIAL INSTRUMENTS HELD FOR TRADING		
Interest and other adjustments	15,283	19,881
Fair value adjustments	(573)	303
Gain on sale	5,338	7,495
Loss on sale	(3,653)	(5,708)
Profit from investment in mutual funds	3,780	3,007
SUBTOTAL	20,175	24,978
TRADING DERIVATIVES		
Gain on derivative contracts	132,922	183,520
Loss on derivative contracts	(128,337)	(173,867)
SUBTOTAL	4,585	9,653
SALE OF AVAILABLE FOR SALE INVESTMENTS		
Gain on sale	3,466	2,179
Loss on sale	(1,121)	(1,005)
SUBTOTAL	2,345	1,174
Sale of credit portfolio	260	(7,705)
NET INCOME (LOSS) FROM OTHER OPERATIONS		
Purchase of own issue letters of credit	(4)	(5)
Net result of ineffective hedges	641	(295)
Other income	3,810	5,967
Other expense	(2,669)	(3,981)
SUBTOTAL	1,778	1,686
TOTAL INCOME FROM FINANCIAL OPERATIONS, NET	29,143	29,786

28. NET INCOME FROM FOREIGN EXCHANGE

At December 31, 2012 and 2011, net income from foreign currency exchange earned by the Bank and its subsidiaries was as follows:

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2012 MCH$
NET INCOME FROM FOREIGN CURRENCY EXCHANGE:		
Net exchange gain (loss) - exchange position	(1,807)	(14,746)
Other exchange gain (loss)	9,074	6,415
SUBTOTAL	7,267	(8,331)
NET GAIN (LOSS) FROM EXCHANGE RATE ADJUSTMENTS		
Adjustments of trading instruments	-	-
Adjustments of credits to clients	(1,881)	2,522
Adjustments of other liabilities	111	(167)
SUBTOTAL	(1,770)	2,355
TOTAL	5,497	(5,976)

29. PROVISION FOR LOAN LOSSES

The activity in 2012 and 2011 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	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
PROVISIONS ESTABLISHED:												
Individual provisions	(92)	(27)	(31,605)	(40,632)	-	-	-	-	(2,419)	(2,355)	(34,116)	(43,014)
Group provisions	-	-	(2,117)	(2,679)	(1,395)	(861)	(17,698)	(10,837)	(1,813)	(1,577)	(23,023)	(15,954)
Minimum provisions adjustment	(2)	(16)	(186)	(873)	-	-	-	-	(49)	(216)	(237)	(1,105)
TOTAL PROVISIONS ESTABLISHED	(94)	(43)	(33,908)	(44,184)	(1,395)	(861)	(17,698)	(10,837)	(4,281)	(4,148)	(57,376)	(60,073)
RELEASE OF PROVISIONS												
Individual provisions	95	26	20,510	35,573	-	-	-	-	1,880	1,882	22,485	37,481
Group provisions	-	-	2,202	2,448	1,333	871	10,376	6,626	1,536	1,254	15,447	11,199
Minimum provisions adjustment	10	7	627	433	-	-	-	-	164	101	801	541
TOTAL PROVISIONS RELEASED	105	33	23,339	38,454	1,333	871	10,376	6,626	3,580	3,237	38,733	49,221
Recovery of loans written-off		-	765	846	1,637	-	-	1,335	-	-	2,402	2,181
NET INCOME (LOSS)	11	(10)	(9,804)	(4,884)	1,575	10	(7,322)	(2,876)	(701)	(911)	(16,241)	(8,671)

In management's opinion, loan loss provisions established as of December 31, 2012 and 2011 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 2012 and 2011 for these concepts are as follows:

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
Employee salaries	20,297	17,403
Bonuses	7,525	5,530
Severance indemnities	698	352
Training expenses	266	237
Other benefits	2,781	2,575
TOTAL	31,567	26,097

b) Details of other employee expenses recognized during the years ended December 31, 2012 and 2011 are as follows:

	NO. OF EMPLOYEES WITH BENEFIT			TOTAL	
	2012 NUM	2011 NUM	ORIGIN OF BENEFIT	2012 MCH$	2011 MCH$
BONUSES					
Production bonus	897	804	Voluntary	5,278	3,962
Legal bonus and employer contributions	1,141	1,026	Contractual	2,115	1,267
Other bonuses	603	996	Contractual	132	301
TOTAL BONUSES				7,525	5,530
OTHER BENEFITS					
Health insurance	1,137	1,019	Contractual	861	688
Life insurance	437	427	Contractual	-	27
Contract-stipulated lunch allowance	1,141	1,026	Contractual	1,125	961
Benefit through compensation societies	46	-		273	-
Annual events	1,053	970	Voluntary	189	171
Nursery assistance and daycare	410	74	By birth	147	-
Length of service bonus	-	11	Length of service	15	28
Other benefits	1,091	978		171	700
TOTAL OTHER BENEFITS				2,781	2,575

31. ADMINISTRATIVE EXPENSES

Details of this item at December 31, 2012 and 2011 are as follows:

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
GENERAL ADMINISTRATIVE EXPENSES		
Maintenance and repair of property, plant and equipment	(3,702)	(2,878)
Office leases	(1,672)	(1,280)
Equipment leases	(463)	(377)
Insurance premiums	(332)	(329)
Office materials	(564)	(439)
Computer and communications expenses	(1,633)	(1,296)
Lighting, heating and other services	(496)	(424)
Guard and security transportation services	(143)	(139)
Hospitality and employee travel expenses	(473)	(508)
Legal and notary expenses	(511)	(445)
Fees for technical reports	(9,262)	(9,043)
Fees for audit of financial statements	(225)	(193)
Fees for classification of stock certificates	(43)	(41)
Fines imposed by the SBIF	(10)	-
Fines imposed by other agencies	(26)	(18)
Banking expenses	(397)	(300)
Advisory service expenses	(1,701)	(2,549)
Ordinary expenses	(727)	(757)
Mail and postage	(188)	(226)
Other administrative overheads	(5,623)	(4,063)
SUBTOTAL	(28,191)	(25,305)
SUBCONTRACTED SERVICES:		
Data processing	(533)	(444)
Other	(2,237)	(1,753)
SUBTOTAL	(2,770)	(2,197)
Board of Directors fees	(684)	(671)
Publicity and advertising	(3,582)	(1,712)
TAXES, DUTIES AND CONTRIBUTIONS		
Real estate taxes	(426)	(395)
Licenses	(571)	(533)
Other taxes	(85)	(20)
Contribution to the SBIF	(1,078)	(871)
SUBTOTAL	(2,160)	(1,819)
TOTAL	(37,387)	(31,704)

32. DEPRECIATION AND AMORTIZATION

a) Depreciation and amortization

As of December 31, 2012 and 2011, the effect of amortization and depreciation expense by type of asset is as follows:

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
Depreciation of property, plant and equipment	(1,470)	(1,221)
Amortization of intangibles	(2,581)	(1,847)
TOTAL DEPRECIATIONS AND AMORTIZATIONS	(4,051)	(3,068)

33. IMPAIRMENT

a. 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.

At December 2012 and 2011 impairment losses on the available-for-sale portfolio were recognized in the income statements for an amount of MCh$ 36 and MCh$ 1,306 respectively. (Note 12).

The Bank has performed impairment adjustments to the bonds issued by the La Polar, which are part of the portfolio.

b. Intangibles

During the above evaluation, some intangibles presented an expected loss, resulting in impairment of MCh$1,144 and MCh$671 at December 31, 2012 and 2011, respectively, 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, 2012 MCH$	AL 31 DE DICIEMBRE DE 2011 MCH$
Income from assets received in lieu of payment	485	91
Release of provisions for contingencies	228	37
Income from sale of property, plant and equipment	599	436
Rent received	0	232
Recovery of assets received in lieu payment written-off	978	840
Recovery of expenses	2,509	2,297
Other income	12,073	1,007
TOTAL OTHER OPERATING INCOME	16,872	4,940

b) Other operating expenses

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

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
Provisions and expenses for assets received in lieu of payment	(2,090)	(1,624)
Provisions for contingencies	(196)	(146)
Operating write-offs	(13,055)	(2,375)
Other expenses	(322)	(292)
TOTAL OTHER OPERATING EXPENSES	(15,663)	(4,437)

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	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
LOANS AND ACCOUNTS RECEIVABLE:								
Commercial loans	35,655	29,776	89	89	2,113	1,108	37,857	30,973
Mortgage loans	-	-	-	-	5,303	3,455	5,303	3,455
Consumer loans	-	-	-	-	758	519	758	519
LOANS AND ACCOUNTS RECEIVABLE, GROSS	35,655	29,776	89	89	8,174	5,082	43,918	34,947
Provisions for loans	(23)	(31)	-	-	(20)	(13)	(43)	(44)
LOANS AND ACCOUNTS RECEIVABLE, NET	35,632	29,745	89	89	8,154	5,069	43,875	34,903
CONTINGENT LOANS:								
Total contingent loans	104,559	99,707	39	40	1,462	1,101	106,060	100,848
Provisions for contingent loans	(46)	(45)	-	-	(12)	(8)	(58)	(53)
CONTINGENT LOANS, NET	104,513	99,662	39	40	1,450	1,093	106,002	100,795
INVESTMENTS								
Trading	-	-	-	-	-	-	-	-
Available for sale	-	-	-	-	-	-	-	-
TOTAL INVESTMENTS	-	-	-	-	-	-	-	-
TOTAL LOANS WITH RELATED PARTIES	140,145	129,407	128	129	9,604	6,162	149,877	135,698

b) Other assets and liabilities with related parties

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
ASSETS		
Financial derivative contracts	949	794
TOTAL OTHER ASSETS WITH RELATED PARTIES	949	794
LIABILITIES		
Financial derivative contracts	153	103
On demand deposits	13,544	9,634
Deposits and other time deposits	24,781	9,006
TOTAL OTHER LIABILITIES WITH RELATED PARTIES	38,478	18,743

c) Earnings from related party transactions

	NET PROFIT (LOSS)	
	2012 MCH$	2011 MCH$
Interest income and expenses (net)	1,999	1,341
Commission and service income and expenses (net)	2,088	1,735
Exchange income (net)	382	293
Operational support expenses	(21,048)	(18,877)
Other income and expenses	4,947	97
TOTAL OPERATING INCOME (EXPENSE) FROM RELATED PARTIES	(11,632)	(15,411)

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	
		2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
Inversiones Invest Security Ltda.	Service agreement	223	126	9,870	8,585
Travel Security S.A.	Office lease	143	140	326	360
Seguros Vida Security Previsión S.A.	Insurance	2,845	2,154	464	377
Global Security Gestión y Servicios Ltda.	Service agreement	-	-	3,791	3,835
Securitizadora Security S.A.	Advisories	-	-	-	109
Mandatos Security Ltda.	Service agreement	-	-	3,022	2,465
Inmobiliaria Security S.A.	Service agreement	-	-	405	426
Asesorías Security S.A.	Advisories	-	-	1,022	809
Redbanc S.A.	Service agreement	-	-	281	218
Transbank S.A.	Service agreement	3,214	2,571	1,330	1,027
Chilectra S.A.	Sale of electricity	-	-	180	173
Cía. De Seguros Penta Security	Insurance	1,194	472	107	-
Factoring Security Ltda.	Advisories and leases	205	75	-	-
Inmobiliaria Security Once	Advisories	-	-	132	-
Inmobiliaria Security Siete	Advisories	-	-	118	-

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

In 2012 and 2011, 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	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
Compensation, short term	525	475	788	756	1,516	1,364	3,691	3,344
End-of-contract indemnities	-	-	-	-	-	-	-	27
No. of executives	7	7	3	3	7	7	31	32

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, 2012 and 2011 is as follows:

	CARRYING VALUE		ESTIMATED FAIR VALUE	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
ASSETS				
Cash and deposits in banks	264,245	262,517	264,245	262,517
Unsettled transactions	66,370	106,195	66,370	106,195
Trading investments	274,280	404,366	274,280	404,366
Investments under rresale agreements	5,051	2,018	5,047	2,017
Financial derivative contracts	42,779	53,613	42,779	53,613
Interbank loans	14,797	31,651	14,265	31,226
Loans and accounts receivable from customers, net	2,964,828	2,547,029	2,943,856	2,601,250
Available for sale investments	389,527	333,500	389,527	333,500
Held to maturity investments	-	-	-	-
LIABILITIES				
Deposits and other on demand obligations	395,301	353,615	395,301	353,615
Unsettled transactions	38,650	71,368	38,650	71,368
Repurchase agreements	67,210	121,075	67,278	122,175
Time deposits and other time liabilities	2,306,100	2,038,762	2,311,219	2,041,019
Financial derivative contracts	37,400	55,282	37,400	55,282
Interbank borrowings	232,399	289,277	233,594	285,989
Issued debt instruments	712,004	585,098	660,393	547,727
Other financial obligations	32,097	37,267	36,499	37,834

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.

Consolidated Financial Statements Banco Security And Subsidiaries

The details below show the classification of financial instruments by fair value levels at December 31, 2012 and 2011, respectively:

	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
FINANCIAL ASSETS								
TRADING INSTRUMENTS								
INSTRUMENTS OF THE STATE AND CHILE'S CENTRAL BANK								
Instruments of Chile's Central Bank	52,524	5,186	8,356	46,965	-	-	60,880	52,151
Chilean Treasury instruments	3,311	39,241	-	41,466	-	-	3,311	80,707
SUBTOTAL	55,835	44,427	8,356	88,431	-	-	64,191	132,858
OTHER FINANCIAL INSTRUMENTS								
Promissory notes of deposit in local banks	14,526	42,746	101,586	164,601	-	-	116,112	207,347
Mortgage notes in local banks	-	-	4,148	1,441	-	-	4,148	1,441
Local bank bonds	2,087	6,890	8,452	3,755	-	-	10,539	10,645
Other locally issued instruments	651	4,764	83	27	-	-	734	4,791
Mutual funds	78,556	47,284	-	-	-	-	78,556	47,284
SUBTOTAL	95,820	101,684	114,269	169,824	-	-	210,089	271,508
TOTAL	151,655	146,111	122,625	258,255	-	-	274,280	404,366
DERIVATIVES HELD FOR TRADING								
Currency forward	8,931	-	16,062	38,909	-	-	24,993	38,909
Interest rate swap	-	-	11,493	11,053	-	-	11,493	11,053
Currency swap	-	-	6,293	3,066	-	-	6,293	3,066
TOTAL DERIVATIVE ASSETS HELD FOR TRADING	8,931	-	33,848	53,028	-	-	42,779	53,028
Derivatives held for accounting hedge:								
Currency swap	-	-	-	585	-	-	-	585
TOTAL ASSETS FROM DERIVATIVES HELD FOR HEDGE	-	-	-	585	-	-	-	585
TOTAL FINANCIAL DERIVATIVE ASSETS	8,931	-	33,848	53,613	-	-	42,779	53,613
AVAILABLE FOR SALE INVESTMENTS:								
Instruments of the State and Chile's Central Bank								
Instruments of Chile's Central Bank	25,279	2,577	29,092	59,766	-	-	54,371	62,343
Chilean Treasury instruments	-	-	88	-	-	-	88	-
SUBTOTAL	25,279	2,577	29,180	59,766	-	-	54,459	62,343
OTHER FINANCIAL INSTRUMENTS								
Promissory notes of deposits in local banks	80,958	37,129	96,868	100,493	-	-	177,826	137,622
Mortgage notes in local banks	48	96	31,006	36,473	-	-	31,054	36,569
Local company bonds	7,181	14,129	35,927	31,557	-	-	43,108	45,686
Other instruments issued abroad	83,080	51,280	-	-	-	-	83,080	51,280
SUBTOTAL	171,267	102,634	163,801	168,523	-	-	335,068	271,157
TOTAL	196,546	105,211	192,981	228,289	-	-	389,527	333,500
TOTAL ASSETS AT FAIR VALUE	357,132	251,322	349,454	540,157	-	-	706,586	791,479
FINANCIAL LIABILITIES								
DERIVATIVES HELD FOR TRADING								
Currency forward	(6,654)	-	(16,695)	(40,830)	-	-	(23,349)	(40,830)
Interest rate swap	-	-	(11,703)	(12,867)	-	-	(11,703)	(12,867)
Currency swap	-	-	(2,053)	(678)	-	-	(2,053)	(678)
Interest rate put options	-	-	-	-	(3)	(10)	(3)	(10)
TOTAL DERIVATIVE LIABILITIES HELD FOR TRADING	(6,654)	-	(30,451)	(54,375)	(3)	(10)	(37,108)	(54,385)
DERIVATIVES HELD FOR HEDGE ACCOUNTING								
Interest rate swap	-	-	(292)	(897)	-	-	(292)	(897)
TOTAL DERIVATIVE LIABILITIES HELD FOR TRADING	-	-	(292)	(897)	-	-	(292)	(897)
TOTAL FINANCIAL DERIVATIVE LIABILITIES	(6,654)	-	(30,743)	(55,272)	(3)	(10)	(37,400)	(55,282)
TOTAL LIABILITIES AT FAIR VALUE	(6,654)	-	(30,743)	(55,272)	(3)	(10)	(37,400)	(55,282)

37. RISK MANAGEMENT

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

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. RISK MANAGEMENT STRUCTURE

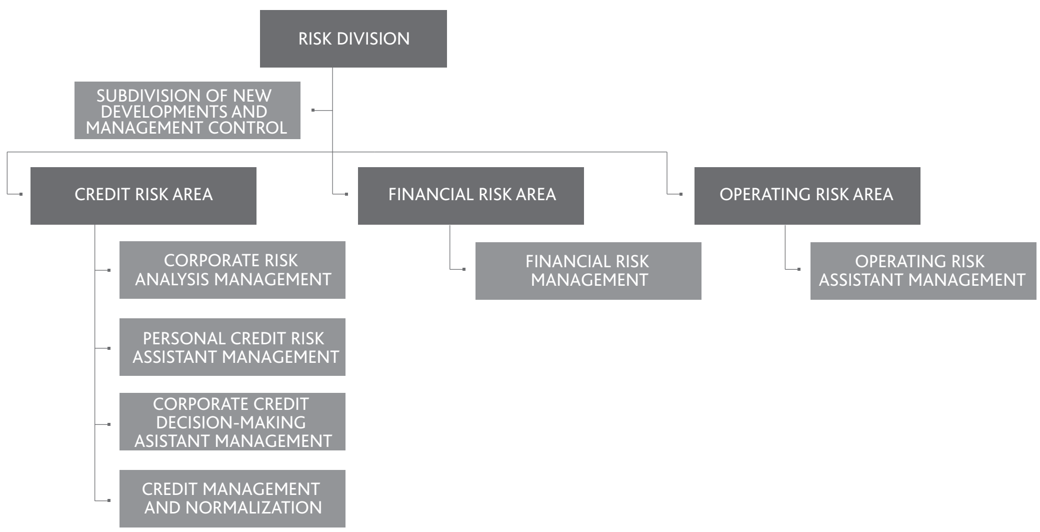
The Bank's Risk Division has an ideal structure to fulfill the above objectives, separated into three areas: Credit Risk, Financial or Market Risk and Operating Risk.

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.

Consolidated Financial Statements Banco Security And Subsidiaries

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



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 internal audit testing, 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 work plan to solve the issues noted.

III. CREDIT RISK

A. Credit Risk Management Objective:
The management of credit risk is defined by 6 stages: Target market, analysis and evaluation; Decision; Administration, Monitoring and Control and Collection.

All this within a framework of tolerance to irrigation (appetite) defined by senior management.

B. Credit Risk Structure:
Through its various 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 detailed in the following table, which describes credit risk participation.

<table>
<tr><th>CREDIT PROCESS</th><th>CORPORATE</th><th>INDIVIDUALS (PERSONAL)</th></tr>
<tr><td>Target market</td><td rowspan="3">Risk Management Admissions</td><td rowspan="3">Risk Management Admissions</td></tr>
<tr><td>Credit analysis and assessment</td></tr>
<tr><td>Credit decision - making</td></tr>
<tr><td>Credit management</td><td colspan="2" rowspan="2">Corporate Credit Assistant Management</td></tr>
<tr><td>Monitoring and control</td></tr>
<tr><td>Collection</td><td colspan="2">Credit Management and Normalization</td></tr>
</table>

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 as ratifier in 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 credit committee meetings are coordinated so that groups of loans of like amounts are decided upon within the same timeframe.

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 70% of operations and 5% 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 to identify the number of operations with exceptions and overdue amounts to the minimal extent 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. Monitoring and 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 calling committee meetings, 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.

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 process 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		Investment Company	Guideline/Matrix
- Banks		Housing mortgage	Model
- Normalization for individuals and companies	Manual		
- Non-profit organizations		Consumer Loan	Past-due
- Special lease group			

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:

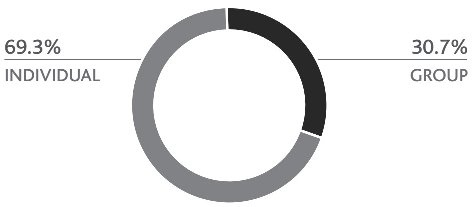
1. Commercial Product:
    a. Individuals
    b. Normalization Individuals
    c. Small Companies
    d. Investment Companies

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

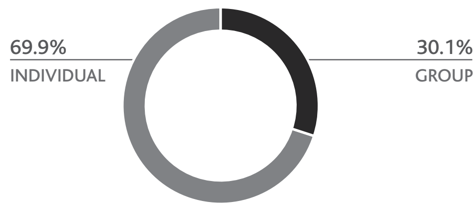
3. Mortgage Product:
    a. Individuals
    b. Normalization Individuals

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 2012



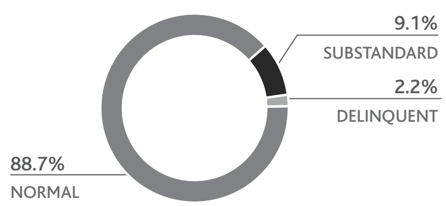
EVALUATION BY TYPE OF CLIENT
DECEMBER 2011



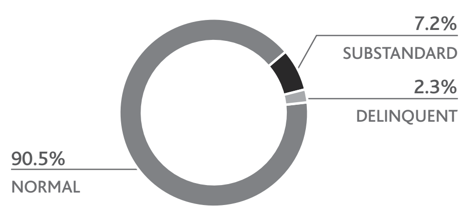
Consolidated Financial Statements Banco Security And Subsidiaries

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

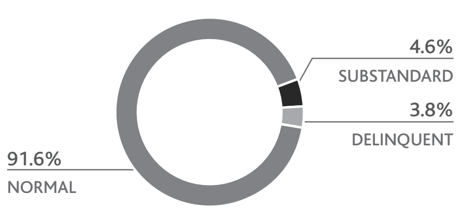
DISTRIBUTION OF INDIVIDUAL CLASSIFICATION
LOANS, DECEMBER 2012



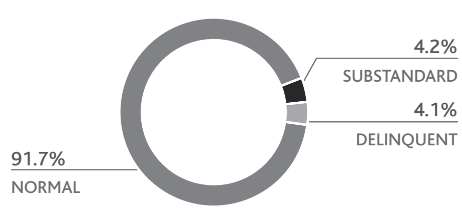
DISTRIBUTION OF INDIVIDUAL CLASSIFICATION
LOANS, DECEMBER 2011



DISTRIBUTION OF INDIVIDUAL CLASSIFICATION
NUMBER OF CLIENTS, DECEMBER 2012



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 cash flow or fair value hedging 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. 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 types 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 counterparties.

B. Financial Risk Structure:
The Board of Directors is responsible for approving the policies, limits and risk management structure of the Bank and its Subsidiaries. To that end, various committees have been created which monitor compliance with the defined policies and limits. These committees are made up of 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 identifying and analyzing 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 investment positions taken by the Bank, structural mismatches in the Statement of Financial Position, management of liquidity matching 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 aggregates the risks of different types of transactions, modeling the joint relationship of these factors into a single risk measurement.

Var is defined as a threshold value such that the probability that the mark – to – market loss on the portfolio over the given time horizon exceeds this value (assuming normal markets and no trading in the portfolio) is the given probability level.

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.

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

- A 1-day maintenance period that assumes that it is possible to hedge or dispose of positions within this period. However, the investment portfolios held for trading are composed of highly liquid instruments.
- A 95% level of reliance does not reflect the losses that might occur in the remaining 5% of the distribution.
- The Value at Risk is calculated with the positions at the end of the day and does not reflect the exposures that might occur during the trading day.
- The use of historical information to determine possible ranges of future income might not cover all 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 on 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, 2012 MCH$	DECEMBER 31, 2011 MCH$
TRADING:		
Fixed income	269	629
Derivatives (without options)	419	150
Embedded options	2	5
FX	13	10
Shares	4	20
DIVERSIFICATION EFFECT	(318)	(128)
TOTAL PORTFOLIO	389	686
AVAILABLE FOR SALE:		
Rate	330	309
TOTAL PORTFOLIO	330	309
Total diversification	(456)	(222)
VAR TOTAL	581	901

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 repricing 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. 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, 2012 MCH$	DECEMBER 31, 2011 MCH$
MARKET RISK		
Rate Risk	6,378	10,444
Currency Risk	353	1,210
Options Risk	9	32
TOTAL RISK	6,740	11,686
Consolidated Risk Weighted Assets	3,477,660	3,073,896
EFFECTIVE EQUITY (PE)	414,674	369,686
BASEL LIMIT	8.00%	8.00%
BASEL WITH MARKET RISK	11.64%	11.48%
BASEL I	11.92%	12.03%

	MARKET RISK BANKING BOOK	
	DECEMBER 31, 2012 MCH$	DECEMBER 31, 2011 MCH$
SHORT TERM		
CP Rate Risk	14,007	14,537
UF Mismatch	8,331	6,940
Commissions sensitive	47	45
TOTAL RISK	22,385	21,522
LIMIT 35% MARGIN (BOARD OF DIRECTORS)	30,936	30,502
SURPLUS/(EXCESS) (BOARD OF DIRECTORS)	8,551	8,980
LONG TERM		
Rate Risk	68,073	60,267
LIMIT 25% PE (BOARD OF DIRECTORS)	103,669	92,421
SURPLUS/(EXCESS) (BOARD OF DIRECTORS)	35,596	32,154

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 or compensated without significantly reducing market prices due to the illiquidity of the market.

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 flow, 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 effect 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 limited number of counterparties which could 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.

Consolidated Financial Statements Banco Security And Subsidiaries

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 flow (i.e. those 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 repricing or maturity.

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, i.e. those, which are limited through minimum mismatch margins by controlled tranches or those, which have been defined weekly or monthly for up to a period of one year.

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 maturity 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 monthly on consolidated basis.

Regulatory Liquidity Mismatch at December 31, 2012 and 2011 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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Available funds	290,817	279,902	-	-	-	-	-	-	-	-	-	-	290,817	279,902
Financial investments	574,648	593,581	2,236	1,244	-	-	-	-	-	-	-	-	576,884	594,825
Interbank loans to local banks	5,053	827	-	-	-	-	-	-	-	-	-	-	5,053	827
Commercial and consumer loans	316,141	308,638	355,524	331,378	665,076	536,647	614,944	520,267	418,936	383,914	382,616	364,878	2,753,237	2,445,722
Lines of credit and overdrafts	88,692	72,361	170,193	144,512	778,405	648,244	-	-	-	-	-	-	1,037,290	865,117
Mortgage loans	3,665	3,100	7,298	6,134	33,550	28,317	90,048	75,838	128,085	107,998	536,342	432,210	798,988	653,597
Other liabilities	48,481	123,352	-	-	-	-	-	-	-	-	-	-	48,481	123,352
Derivative contracts	49,922	56,745	27,604	44,414	44,832	95,186	34,779	20,396	46,215	29,028	27,178	31,481	230,530	277,250
	1,377,419	1,438,506	562,855	527,682	1,521,863	1,308,394	739,771	616,501	593,236	520,940	946,136	828,569	5,741,280	5,240,592
On demand obligations	403,954	357,270	-	-	-	-	-	-	-	-	-	-	403,954	357,270
Interbank borrowings	-	520	-	5,388	-	-	-	-	-	-	-	-	-	5,908
Deposits and time deposits	482,493	673,806	930,781	699,272	856,863	696,701	85,755	50,192	5,875	5,413	-	-	2,361,767	2,125,384
Foreign financing	42,646	46,873	58,624	57,421	131,917	165,185	22	3,144	(22)	(25)	11	-	233,198	272,598
Letters of credit	1,113	1,230	676	775	5,296	5,905	13,043	14,311	15,015	17,395	24,413	27,813	59,556	67,429
Bonds	7,302	7,133	3,519	2,570	34,995	94,055	163,012	137,543	241,322	106,485	395,117	306,419	845,267	654,205
Credit facilities and overdrafts	83,045	69,776	161,608	137,549	765,799	636,218	-	-	-	-	-	-	1,010,452	843,543
Other obligations	58,258	106,907	1,180	2,872	8,969	12,487	9,940	16,902	8,921	10,637	3,783	5,917	91,051	155,722
Derivative contracts	49,864	56,134	25,666	44,008	44,349	98,893	34,590	17,222	46,182	28,542	25,891	30,955	226,542	275,754
	1,128,675	1,319,649	1,182,054	949,855	1,848,188	1,709,444	306,362	239,314	317,293	168,447	449,215	371,104	5,231,787	4,757,813
Net cash flow	248,744	118,857	(619,199)	(422,173)	(326,325)	(401,050)	433,409	377,187	275,943	352,493	496,921	457,465	509,493	482,779
Accumulated net cash flow	248,744	118,857	(370,455)	(303,316)	(696,780)	(704,366)	(263,371)	(327,179)	12,572	25,314	509,493	482,779		
Regulatory Ceiling	(283,517)	(267,390)	(567,034)	(534,780)										
Surplus / (Excess)	532,261	386,247	196,579	231,464										

Regulatory Liquidity Mismatch at December 31, 2012 and 2011 in MCh$ (Foreign Currency), Banco Security

	< 1 MONTH		DE 1 A 3 MESES		DE 3 MESES A 1 AÑO		DE 1 A 3 AÑOS		DE 3 A 6 AÑOS		> 6 AÑOS		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Available funds	89,177	136,579	-	-	-	-	-	-	-	-	-	-	89,177	136,579
Financial investments	105,495	56,831	-	-	-	-	-	-	-	-	-	-	105,495	56,831
Commercial and consumer loans	87,070	104,146	106,326	115,187	99,323	97,294	42,848	54,759	31,127	(3,825)	3,048	5,985	369,742	373,546
Credit facilities and overdrafts	185	3	-	-	-	-	-	-	-	-	-	-	185	3
Other liabilities	36,163	47,002	-	-	-	-	-	-	-	-	-	-	36,163	47,002
Derivative contracts	2,807	25,074	6,150	15,569	5,273	22,250	10,736	2,835	17,405	3,164	691	351	43,062	69,243
	320,897	369,635	112,476	130,756	104,596	119,544	53,584	57,594	48,532	(661)	3,739	6,336	643,824	683,204
On demand obligations	66,318	47,555	-	-	-	-	-	-	-	-	-	-	66,318	47,555
Interbank borrowings	-	520	-	5,388	-	-	-	-	-	-	-	-	-	5,908
Deposits and time deposits	101,031	139,058	107,000	57,362	29,975	44,126	941	4,016	5,822	5,413	-	-	244,769	249,975
Foreign financing	42,646	46,873	58,624	57,421	131,917	165,185	22	3,144	(22)	(25)	11	-	233,198	272,598
Other obligations	15,619	39,265	-	-	-	-	-	-	-	-	-	-	15,619	39,265
Derivative contracts	24,419	22,658	12,859	18,172	25,416	19,272	12,028	3,829	17,314	2,618	583	184	92,619	66,733
	250,033	295,929	178,483	138,343	187,308	228,583	12,991	10,989	23,114	8,006	594	184	652,523	682,034
Net cash flow	70,864	73,706	(66,007)	(7,587)	(82,712)	(109,039)	40,593	46,605	25,418	(8,667)	3,145	6,152	(8,699)	1,170
Accumulated net cash flow	70,864	73,706	4,857	66,119	(77,855)	(42,920)	(37,262)	3,685	(11,844)	(4,982)	(8,699)	1,170		
Regulatory Ceiling	(283,517)	(267,390)												
Surplus / (Excess)	354,381	341,096												

Hedge Accounting

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

When the hedge is set up initially, the relationship between the hedging 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, 2012 the following accounting hedges are in place:

HEDGE	
Type of Hedge	Fair value
Hedged Item	Fixed rate asset in CLP
Derivative	Interest rate swaps in CLP
Purpose	Reduce exchange rate risk
Expiration date	15-04-2014
Retrospective effectiveness	99.9%

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

HEDGE 1	
Type of Hedge	Cash Flow
Hedged Item	Variable rate liability in USD
Derivative	Interest rate swaps in USD
Purpose	Reduce fair value risk
Expiration date	29-10-2012
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	15-04-2014
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	20-09-2012
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 and loss, as those mortgages incorporate a fixed 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, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
Balance MUF mortgage portfolio	360	492
Rate Ceiling (Average)	7.22%	7.22%
Residual term (years)	9.7	10.6
Option value MCh$	3	10

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.
- Contribution to the archievement of the strategic objectives of the Organization

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 and a date of completion is 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. Reclassification Financial Risk Committee
The objective of this committee is review risk classification of client for actuality economical conditions because the classification may change. The Comitte meets monthly and the members are:

- Risk division Manager
- Corporate division Manager
- Individual division Manager
- Risk Management Manager
- Agent commercial module
- Manager of Control and follow credit risk Agent

C. 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

D. 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 (by internal audit) 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.

Timing:

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.

E. Risk Committee:

The objective of this committee is to review and evaluated risk to the Bank in a transparent and integral fashion and identify risks which may affect the Bank in the future

The timing of meetings is two times a year and permanent members of this committee are:

- President of Bank
- General Manager of Group Security
- General manager of Bank
- Division Managers
- Risk Division Manager
- Assistant director of management control and risks and projects

F. 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 Angel 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, 2012 and 2011 are as follows:

	CONSOLIDATED ASSETS		RISK WEIGHTED ASSETS	
	2012 MCH$	2011 MCH$	2012 MCH$	2011 MCH$
ASSETS OF THE STATEMENT OF FINANCIAL POSITION (NET OF PROVISIONS)				
Cash and deposits in banks	264,245	262,517	-	-
Unsettled transactions	66,370	106,195	12,078	28,823
Trading investments	274,280	404,366	115,810	113,013
Investments under resale agreements	5,051	2,018	5,051	2,018
Financial derivative contracts	94,856	115,938	23,624	63,727
Interbank loans	14,797	31,651	14,797	31,622
Loans and accounts receivable from clients	2,964,828	2,547,029	2,768,409	2,388,793
Available for sale investments	389,527	333,500	167,949	131,836
Held to maturity investments	-	-	-	-
Investments in other companies	573	620	573	620
Intangible assets	36,813	29,522	36,813	29,522
Property, plant and equipment	24,558	23,595	24,558	23,595
Current taxes	572	2,744	57	274
Deferred taxes	7,263	7,680	726	768
Other assets	88,237	77,550	88,237	77,550
OFF-BALANCE SHEET ASSETS				
Contingent loans	364,963	298,098	218,978	178,859
TOTAL RISK WEIGHTED ASSETS	4,596,933	4,243,023	3,477,660	3,071,020

	AMOUNT 2012 MCH$	AMOUNT 2011 MCH$	RATIO 2012 %	RATIO 2011 %
Basic Capital	283,517	267,390	6.17	6.26
Effective Equity	414,674	369,686	11.92	12.03

Effective equity is determined as follows:

	AT DECEMBER 31, 2012 MCH$	AT DECEMBER 31, 2011 MCH$
BASIC CAPITAL	283,517	267,390
Subordinated bonds	131,081	93,509
Government guarantees	-	8,714
Equity attributable to non-controlling interest	76	73
EFFECTIVE EQUITY	414,674	369,686

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 2012 are specified below:

Circular 3,529 - On March 12, 2012, "Updated Compilation of Standards. Chapter 18-14, Transparency of public information. Deletes instructions ": the SBIF issued Circular related to transparency of information to the public. Due to the enactment of Law No. 20,555, has resolved to repeal the provisions relating to information to be provided to the Superintendent on contract changes and rates.

Circular 3,530 - On March 21, 2012, "Standards for individual contracts and collective mortgage related insurance, minimum conditions to be contemplating bidding and information thereof shall be delivered to the insured debtor. "The SBIF Circular issued standards related to the individual and collective recruitment associated with mortgage insurance, minimum conditions to be contemplating bidding and information to be provided to insured debtors.

Circular 3,532 - On March 28, 2012, - "Methods of collection of fees for deposit accounts in sight.": The SBIF issued Circular related methods of earning fees for deposit accounts in sight

Circular 3,535 - On April 23, 2012,- "Updated Compilation of Standards. Chapters 2-2 and 2-4. Bank current accounts and savings accounts. Modifies instruction. ": the SBIF issued Circular related Updated Compilation of Standards. Chapter 18-5. Information debtors. Modifies instruction on the reported ages credits.

Circular 3,536 – On June 29, 2012,- "Updated Compilation of Standards. Chapters 2-2 and 2-4. Bank current accounts and savings accounts. Modifies instruction. ": The SBIF issued Circular related Updated Compilation of Standards. Chapter 18-5. Information debtors. Modifies instruction on the reported ages credits.

Circular 3,537 – On July 20, 2012,- "instructs concerning insurance contracts referred to in Article 40 of Law Decree No. 251 of 1931 (Insurance Law)":, the SBIF issued circular, where gives instructions regarding insurance contracts referred to in Article 40 of Law Decree No. 251 of 1931 (insurance Act).

Circular 3,538 – On July 27, 2012, "establishes common rules relating to voluntary contributions, agreed deposits and voluntary pension savings deposits.": The SBIF issued Circular SBIF, establishing common rules regarding voluntary contributions, agreed deposits and voluntary pension savings deposits.

Circular 3,542 – On September 14, 2012 "Updated Compilation of Standards. Chapter 9-2. Mortgage bond trading, "The SBIF Circular issued, related to Updated Compilation of Standards. Chapter 9-2 Mortgage bond trading. These regulations govern, among other things, the placement of the notes, the special register of mortgage loans associated with each issue and the conditions for replacement thereof.

Circular 3,544 – On November 7, 2012, "Updated Compilation of Standards. Chapter 12-15. Replaces instructions "The SBIF Circular issued, related to Updated Compilation of Standards Chapter 12-15 credits abroad, replaces instructions for overseas credit limits.

ii. International Financial Reporting Standards

1. Standards and Interpretations effective in 2012

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

AMENDMENTS TO STANDARDS	EFFECTIVE DATE
IAS 12, *Income Taxes – Deferred tax: Recovery of underlying assets*	Annual periods beginning on or after January 1, 2012.
IFRS 1 (Revised), *First Time Adoption of IFRS – (i)Replacement of 'fixed dates' for first-time adopters – (ii) Severe Hyperinflation*	Annual periods beginning on or after July 1, 2011.
IFRS 7, *Financial Instruments: Disclosures – Disclosures - Transfers of financial assets*	Annual periods beginning on or after July 1, 2011.

Amendments to IAS 12, Income Taxes

On December 20, 2010, the IASB published Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12. The amendments provide an exception to the general principle in IAS 12 Income Taxes (IAS 12) that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset.

Specifically, the amendments provide an exception to the principle when deferred tax assets or deferred tax liabilities arise from investment property measured using the fair value model in IAS 40 Investment Property (IAS 40) and for investment property acquired in a business combination if it is subsequently measured using the fair value model in IAS 40. For the purposes of measuring deferred tax, the amendments introduce a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale. The amendments to IAS 12 should be applied retrospectively requiring a retrospective restatement of all deferred tax assets or deferred tax liabilities within the scope of the amendment, including those that were initially recognized in a business combination. The effective date of the amendments is for annual periods beginning on or after January 1, 2012. Earlier application is permitted.

The Bank's management estimates that this new standard will not have an impact on the financial statement

Amendments to IFRS 1, First Time Adoption of IFRS

On December 20, 2010, the IASB published certain amendments IFRS 1 First Time Adoption of IFRS, specifically:

- Removal of Fixed Dates for First-Time Adopters – These amendments provide relief to first-time adopters of IFRSs by replacing the date of prospective application of the derecognition of financial assets and liabilities of 'January 1, 2004' with 'the date of transition to IFRSs' so that first-time adopters of IFRS do not have to apply the derecognition requirements in IAS 39 retrospectively from an earlier date; and relieves first-time adopters from recalculating 'day 1' gains and losses on transactions occurring before the date of transition to IFRS.

- Severe Hyperinflation – These amendments provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. In accordance with the amendment, when an entity's date of transition to IFRS is on or after the functional currency normalization date, the entity may elect to measure all assets and liabilities held before the functional currency normalization date at fair value on the date of transition to IFRS and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. Entities making use of this exemption should describe the circumstances of how, and why, their functional currency became subject to severe hyperinflation and the circumstances that led to those conditions ceasing.

These amendments require mandatory application for annual periods starting on or after July 1, 2011, with early adoption permitted.

The Bank's management estimates these amendments will not have an impact on the financial statement because these are under IFRS

Amendments to IFRS 7, Financial Instruments: Disclosure

On October 7, 2010, the IASB issued Disclosures – Transfers of Financial Assets (Amendments to IFRS 7 Financial Instruments: Disclosure) that increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure (referred to as 'continuing involvement') in the asset. The amendments also require disclosure where transfers of financial assets are not evenly distributed throughout the period (e.g., where transfers occur near the end of a reporting period). The amendments are applicable for annual periods beginning on or after July 1, 2011, with early adoption permitted. Disclosures are not required for comparative periods before the date of initial application of the amendments.

b) New and revised IFRS in issue but not yet effective

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS	EFFECTIVE DATE
IFRS 9, Financial Instruments	Annual periods beginning on or after January 1, 2015
IFRS 10, Consolidated Financial Statements	Annual periods beginning on or after January 1, 2013
IFRS 11, Joint Arrangements	Annual periods beginning on or after January 1, 2013
IFRS 12, Disclosure of Involvement in Other Entities	Annual periods beginning on or after January 1, 2013
IAS 27 (2011), Separate Financial Statements	Annual periods beginning on or after January 1, 2013
IAS 28 (2011), Investments in Associates and Joint Ventures	Annual periods beginning on or after January 1, 2013
IFRS 13, Fair Value Measurements	Annual periods beginning on or after January 1, 2013

AMENDMENTS TO STANDARDS	EFFECTIVE DATE:
IAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	Annual periods beginning on or after July 1, 2012
IAS 19, Employee benefits (2011)	Annual periods beginning on or after January 1, 2013
IAS 32, Financial instruments: presentation – Clarified requirements for offsetting of financial assets and financial liabilities	Annual periods beginning on or after January 1, 2014
IFRS 7, Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets	Annual periods beginning on or after July 1, 2011.
IFRS 10, Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Involvement with Other Entities – Transition Guidance	Annual periods beginning on or after January 1, 2013
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	Annual periods beginning on or after January 1, 2014

IFRS 9, Financial Instruments

On November 12, 2009, the IASB issued IFRS 9 Financial Instruments (IFRS 9). This Standard introduces new requirements for the classification and measurement of financial assets and is effective from 1 January 2013 with early adoption permitted. IFRS 9 specifies how an entity shall classify and measure its financial assets. This Standard requires that all financial assets be classified on the basis of an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are either measured at amortized cost or at fair value. Only those financial assets measured at amortized cost are tested for impairment. Additionally, on 28 October 2010, the IASB published a revised version of IFRS 9. The revised standard retains the requirements for classification and measurement of financial assets that were published in November 2009 but adds guidance on the classification and measurement of financial liabilities. As part of its restructuring of IFRS 9, the IASB also copied the guidance on derecognition of financial instruments and related implementation guidance from IAS 39 to IFRS 9. This new guidance concludes the first part of Phase 1 of the Board's project to replace IAS 39. The other phases, impairment and hedge accounting, are not yet completed.

The guidance included in IFRS 9 on the classification and measurement of financial liabilities is unchanged from the classification criteria for financial liabilities currently contained in IAS 39. In other words, financial liabilities will continue to be measured either wholly, or in part, at amortized cost or at fair value through profit or loss (FVTPL). The concept of bifurcating embedded derivatives from a financial liability host contract also remains unchanged. Financial liabilities held for trading would continue to be measured at FVTPL, and all other financial liabilities would be measured at amortized cost unless the fair value option is applied, using the existing criteria in IAS 39.

However, there are two differences compared to IAS 39:

- The presentation of the effects of changes in fair value attributable to a liability's credit risk; and
- The elimination of the cost exemption for derivative liabilities to be settled by delivery of unquoted equity

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

Management believes that this new standard will be adopted in its financial statements when The Superintendency of Banks and Financial Institutions authorize its application.

IFRS 10, Consolidated Financial Statements

On May 12, 2011, the IASB issued IFRS 10 Consolidated Financial Statements, which is a replacement of 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 for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. NIIF 10 provides detailed guidance on how to apply the control principle in a number of situations, including agency relationships and holdings of potential voting rights. An investor would reassess whether it controls an investee if there is a change in facts and circumstances. IFRS 10 replaces those parts of IAS 27 that address when and how an investor should prepare consolidated financial statements and replaces SIC – 12 in its entirety. The effective date of NIIF 10 is January 1, 2013, with earlier application permitted under certain circumstances.

The Bank's Management believes that this new standard will be adopted in its financial statements for the period beginning January 1, 2013. Last, Management has not had the opportunity to consider the potential impact of the adoption of these amendments.

IFRS 11, Joint Arrangements

On May 12, 2011, the IASB issued IFRS 11 Joint Arrangements which supersedes IAS 31 Interests in Joint Ventures and SIC – 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 classify joint arrangements as either joint operations (combining 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 whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. NIIF 11 requires the use of the equity method of accounting for interests in joint ventures thereby eliminating the proportionate consolidation method. The effective date of IFRS 11 is January 1, 2013, with earlier application permitted under certain circumstances.

The Bank's Management believes that this new standard will not impact in its financial statements for the period beginning January 1, 2013.

IFRS 12, Disclosure of Interests in Other Entities

On May 12, 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities which requires extensive disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that an entity must provide to meet those objectives. An entity should disclose information that helps users of its financial statements evaluate the nature and risks associated with interests in other entities and the effects of those interests on its financial statements. The disclosure requirements are extensive and significant effort may be required to accumulate the necessary information. The effective date of IFRS 12 is January 1, 2013 but entities are permitted to incorporate any of the new disclosures into their financial statements before that date.

The Bank's Management believes that this new standard will not impact in its financial statements for the period beginning January 1, 2013.Last, Management has not had the opportunity to consider the potential impact of the adoption of these amendments.

IAS 27 (2011), Separate Financial Statements

IAS 27 (2008) Consolidated and Separate Financial Statements has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements.

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

IAS 28 Investments in Associates has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 13, Fair Value Measurement

On May 12, 2011, the IASB issued IFRS 13 Fair Value Measurement, which establishes a single source of guidance for fair value measurement under IFRS. The Standard applies to both financial and non-financial items 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" (i.e., an exit price). IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, and applies prospectively from the beginning of the annual period in which the Standard is adopted.

The Bank's Management believes that this new standard will be adopted in its financial statements for the period beginning January 1, 2013. Last, Management has not had the opportunity to consider the potential impact of the adoption of these amendments.

Amendments to IAS 1, Presentation of Financial Statements

On June 16, 2011, the IASB issued Presentation of Items of Other Comprehensive Income (amendments to IAS 1). The amendments retain the option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements. Items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss. Tax on items of other comprehensive income is required to be allocated on the same basis. The measurement and recognition of items of profit or loss and other comprehensive income are not affected by the amendments, which are applicable for reporting periods beginning on or after July 1, 2012 with earlier application permitted.

The Bank's Management believes that these amendments will be adopted in its financial statements for the period beginning January 1, 2013.

Amendment to IAS 19, Employee Benefits

On June 16, 2011, the IASB issued amendments to IAS 19 Employee Benefits (2011) that change the accounting for defined benefit plans and termination benefits. The amendments require the recognition of changes in the defined benefit obligation and in plan assets when those changes occur, eliminating the corridor approach and accelerating the recognition of past service costs. Changes in the defined benefit obligation and plan assets are disaggregated into three components: service costs, net interest on the net defined benefit liabilities (assets) and remeasurements of the net defined benefit liabilities (assets). Net interest is calculated using high quality corporate bond yield. This may be lower than the rate used to calculate the expected return on plan assets, resulting in a decrease in net income. The amendments are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. Retrospective application is required with certain exceptions.

The Bank's Management believes that these amendments will be adopted in its financial statements for the period beginning January 1, 2013.

Amendment to IAS 32, Financial Instruments: Presentation

In December 2011, the IASB amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures. These amendments are the result of the IASB and US Financial Accounting Standards Board ('FASB' undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The new disclosures are required for annual and interim periods beginning on or after January 1, 2013 and the clarifying amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Both require retrospective application for comparative periods.

Amendment to IFRS 7, Financial Instruments: Disclosures

NIIF 7Financial Instruments: Disclosures was amended to require information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The IASB believes that these disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The amendments are effective for annual periods beginning on or after January 1, 2013. Early application is permitted.

The Bank´s Management are evaluating the potential impact of the adoption of these amendments.

Amendments to IFRS 10, Consolidated Financial Statements; IFRS 11, Joint Arrangements and IFRS 12, Disclosure of Involvement in Other Entities – Transition Guidance

On June 28, 2012, the IASB published Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities (Amendments to IFRS 10, IFRS 11, and IFRS 12). The amendments are intended to provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12 by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period. The effective date of these amendments is for periods. The effective date of these amendments, annual periods beginning on or after 1 January 2013, is aligned with the effective dates of IFRS 10, IFRS 11 and IFRS 12.

The bank´s Management believes that these amendments will be adopted in its financial statements for the periods beginning January 1, 2013.

Investment Entities – Amendments to IFRS 10 – Consolidated Financial Statements; IFRS 12 – Disclosures of Involvement in Other Entities and IAS 27 – Separate Financial Statements

On October 31, 2012, the IASB published "Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)", providing an exemption from consolidation of subsidiaries under IFRS 10 'Consolidated Financial Statements' for entities which meet the definition of an 'investment entity', such as certain investment funds. Instead, such entities would measure their investment in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 'Financial Instruments' or IAS 39 'Financial Instruments: Recognition and Measurement'.

The amendments also require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries. In addition, the amendments require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated). The amendments are effective for anual periods beginning on or after January 1, 2014, with early application permitted..

The Bank´s Management are evaluating the potential impact of the adoption of these amendments.

39. SUBSEQUENT EVENTS

During the period between January 1, 2013 and the date of issue of these consolidated financial statements (January 17, 2013), 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 17, 2013

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

Summarized Financial Statements of Subsidiaries

VALORES SECURITY S.A. CORREDORES DE BOLSA

As of December 31, 2012 & 2011

CONSOLIDATED BALANCE SHEETS	31-12-2012 MCH$	31-12-2011 MCH$
ASSETS		
Cash & cash equivalents	2,699	1,703
Financial instruments	81,796	87,379
Trading debtors	26,031	31,317
Investments in companies	370	370
Property, plant & equipment	69	74
Other assets	7,017	3,207
TOTAL ASSETS	117,982	124,051
LIABILITIES & EQUITY		
Financial liabilities	56,215	70,293
Trading creditors	25,552	20,688
Other liabilities	5,414	3,096
TOTAL LIABILITIES	87,181	94,077
Capital & reserves	29,974	28,373
Earnings for the year	827	1,601
TOTAL LIABILITIES & EQUITY	117,982	124,051
STATEMENT OF RESULTS		
Trading result	1,501	2,150
Services revenue	685	589
Result of financial instruments	7,906	8,929
Result of financial operations	(4,587)	(4,977)
Administrative & selling expenses	(5,118)	(5,156)
Other results	427	168
EARNINGS BEFORE INCOME TAX	814	1,703
Income tax	13	(102)
EARNINGS (LOSS) FOR THE YEAR	827	1,601

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

As of December 31, 2012 & 2011

CONSOLIDATED BALANCE SHEETS	31-12-2012 MCH$	31-12-2011 MCH$
ASSETS		
Cash & cash equivalents	5,263.6	775.1
Other financial assets, current	17,785.1	19,278.3
Other assets, current	710.7	465.0
Assets, non-current	294.9	328.2
TOTAL ASSETS	24,054.3	20,846.5
LIABILITIES		
Current liabilities	1,687.8	1,987.1
Non-current liabilities		0.0
Issued capital	1,525.3	1,525.3
Accumulated earnings	20,841.2	17,334.2
TOTAL LIABILITIES & EQUITY	24,054.3	20,846.5
STATEMENT OF RESULTS		
Net ordinary revenue	10.732,5	12.171,1
Administration expenses	-6.347,7	-6.509,7
Financial costss	-295,3	-272,2
Other net revenue	137,4	148,4
EARNINGS BEFORE TAXES	4.226,9	5.537,6
Income tax	(719,9)	(1.008,6)
EARNINGS (LOSS) FOR THE YEAR	3.507,0	4.529,0

General Information

ADDRESSES BANCO SECURITY AND SUBSIDIARIES

CENTRAL SWITCHBOARD: (56-2) 2584 4000
Security Customer Attention Service: (56-2) 25844060
Banking Emergencies: 800 200717
From mobile phones: 02-24622117
Security Phone: (600) 25844040
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) 2584 4000
Fax: (56-2) 2584 4058

AGUSTINAS BRANCH
Agustinas 621 – Santiago
Opening Hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 2584 4311 - 25842250
Fax: (56-2) 2584 4012

ALCÁNTARA BRANCH
Av. Alcántara 44 – Las Condes
Opening Hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 2584 4438
Fax: (56-2) 2584 2266

CHICUREO BRANCH
Camino Chicureo Km 1.7 – Colina
Opening Hours: 8:00 – 14:00 hrs.
Tel.: (56-2) 2581 5003

CIUDAD EMPRESARIAL BRANCH
Av. del Parque 4023 – Huechuraba
Opening Hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 2584 4683
Fax: (56-2) 2584 4871

EL CORTIJO BRANCH
Av. Américo Vespucio 2760 C - Conchalí
Opening Hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 2581 5534

ESTORIL BRANCH
Av. Estoril 50 – Las Condes
Opening Hours: 8:00 – 14:00 hrs.
Tel.: (56-2) 2584 2292
Fax: (56-2) 2584 2200

LA DEHESA BRANCH
Av. La Dehesa 1744 – Lo Barnechea
Opening Hours: 8:00 – 14:00 hrs.
Tel.: (56-2) 2584 4465
Fax: (56-2) 2584 4676

LA REINA BRANCH
Av. Carlos Ossandón 1231 - La Reina
Opening Hours: 8:00 - 14:00 hrs.
Tel.: (56-2) 2584 3252
Fax: (56-2) 2584 3267

LOS COBRES BRANCH
Av. Vitacura 6577 – Vitacura
Opening Hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 2581 5516
Fax: (56-2) 2581 5523

SUCURSAL MONEDA
Moneda 877, Santiago
Opening Hours: 9:00 - 14:00 hrs.
Tel.: (56-2) 2581 5630
Fax: (56-2) 2584 4012

LOS TRAPENSES BRANCH
Camino Los Trapenses 3023 Local 1, Lo Barnechea
Opening Hours: 8:00 - 14:00 hrs.
Tel.: (56-2) 2581 5568
Fax: (56-2) 2581 5573

PLAZA CONSTITUCIÓN BRANCH
Agustinas 1235 – Santiago
Opening Hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 2584 4832
Fax: (56-2) 2584 4161

PROVIDENCIA BRANCH
Av. 11 de Septiembre 2289 – Providencia
Opening Hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 2584 4688
Fax: (56-2) 2584 4699

QUILICURA BRANCH
Av. Presidente E. Frei M. 9950 Of. 4 – Quilicura
Opening Hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 2584 4690
Fax: (56-2) 2584 4698

SANTA ELENA BRANCH
Santa Elena 2400 – San Joaquín
Opening Hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 2584 4761
Fax: (56-2) 2584 4750

SANTA MARÍA DE MANQUEHUE BRANCH
Santa María 6904 local 15, Vitacura
Opening Hours: 8:00 – 14:00 hrs.
Tel.: (56-2) 2581 5555
Fax: (56-2) 2581 5550

VITACURA BRANCH
Av. Vitacura 3706 – Vitacura
Opening Hours: 9:00 – 14:00 hrs.
Tel.: (56-2) 2584 4735
Fax: (56-2) 2584 5507

PRESIDENTE RIESCO BRANCH
Presidente Riesco 5335 Local 101 – Las Condes
Opening Hours: 8:00 – 14:00 hrs.
Tel.: (56-2) 2584 3220
Fax: (56-2) 2584 3238

General Information

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

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

LA SERENA BRANCH
Calle Huanhualí 85, local 6 – La Serena
Opening Hours: 8:00 - 14:00 hrs.
Tel.: (51) 477400
Fax: (51) 477426

RANCAGUA BRANCH
Carretera Eduardo Frei Montalva 340, local 6 - Rancagua
Opening Hours: 8:00 - 14:00 hrs.
Tel.: (72) 746600
Fax: (72) 746632

TALCA BRANCH
Av. Circunvalación Oriente 1055, Local B-2
Opening Hours: 8:00 - 14:00 hrs.
Teléfono: (71) 344600

CONCEPCIÓN BRANCH
Av. Bernardo O'Higgins 428 – Concepción
Opening Hours: 9:00 – 14:00 hrs.
Tel.: (41) 290 8000
Fax: (41) 290 8021

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

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

SUBSIDIARY COMPANIES

VALORES SECURITY S.A., CORREDORES DE BOLSA
Apoquindo 3150 7th floor – 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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