EVERYTHING
STARTS WITH
#WILL

ANNUAL REPORT 2015

BANCO security

BANCO security

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2015

BANCO security

01 CHAPTER

OUR BANK

CONSOLIDATED FINANCIAL SUMMARY BANCO SECURITY AND SUBSIDIARIES

Figures in millions of Ch$

PROFIT FOR THE YEAR	2005	2006
Gross Operating Income (Gross Margin)	61,395	65,047
Operating Expenses	30,566	36,099
Net Operating Income (Net Margin)	30,830	28,948
Profit for the Year	20,014	20,498

BALANCES AS OF DECEMBER 31,	2005	2006
Loans (1)	1,354,331	1,610,864
Financial Investments	388,625	317,441
Interest-Earnings Assets	1,742,956	1,928,305
PP&E and Investments in Subsidiaries	23,042	23,445
Total Assets	2,003,297	2,134,186
Demand Deposits, Net	104,331	108,224
Savings Accounts and Time Deposits	1,067,659	1,210,311
Foreign Liabilities	192,116	112,615
Credit Risk Provisions	19,512	16,437
Capital and Reserves (2)	130,259	132,546
Equity	150,273	153,044

RATIOS	2005	2006
Return of Equity	13.3%	13.4%
Return on Total Assets	1.0%	1.0%
Interest-Earnings Assets / Total Assets	87.0%	90.4%
Basel Index	12.26	11.59

FINANCIAL SUMMARY

PROFIT FOR THE YEAR	2007 (3)	2008 (3)	2009	2010	2011	2012	2013	2014	2015
Gross Operating Income (Gross Margin)	85,234	77,397	78,515	99,085	107,953	131,693	128,583	169,925	163,694
Operating Expenses	45,255	50,191	50,885	60,343	67,283	89,848	89,354	105,383	106,622
Net Operating Income (Net Margin)	39,979	27,206	27,630	38,742	40,670	41,845	39,229	64,542	57,072
Profit for the Year	27,250	14,332	23,039	33,710	35,020	35,229	32,801	55,908	47,429

BALANCES AS OF DECEMBER 31,	2007 (3)	2008 (3)	2009	2010	2011	2012	2013	2014	2015
Loans (1)	1,735,299	2,084,693	2,189,085	1,988,633	2,614,571	3,021,457	3,340,912	3,705,226	4,056,096
Financial Investments	600,702	796,434	946,676	729,465	791,479	706,586	579,000	716,401	749,103
Interest-Earnings Assets	2,336,001	2,881,127	3,135,761	2,718,098	3,406,050	3,728,044	3,919,912	4,421,627	4,805,199
PP&E and Investments in Subsidiaries	25,720	28,837	23,112	23,316	24,215	25,131	25,646	25,683	28,649
Total Assets	2,615,515	3,238,938	3,452,372	3,123,518	3,911,365	4,179,893	4,395,535	5,010,707	5,584,680
Demand Deposits, Net	184,270	221,397	255,777	285,464	353,615	395,301	425,450	512,242	583,856
Savings Accounts and Time Deposits	1,466,375	1,720,452	1,651,418	1,696,711	2,038,762	2,306,100	2,298,991	2,541,909	2,717,668
Foreign Liabilities	160,623	292,091	132,120	155,982	289,277	232,399	193,206	146,429	228,156
Credit Risk Provisions	18,969	22,730	31,218	37,904	35,858	41,815	41,255	45,842	72,467
Capital and Reserves (2)	140,083	170,459	174,750	172,737	232,443	248,364	275,562	323,143	323,143
Equity	167,400	184,865	197,854	206,447	267,463	283,593	308,362	379,051	408,340

RATIOS	2007 (3)	2008 (3)	2009	2010	2011	2012	2013	2014	2015
Return of Equity	16.3%	7.8%	11.6%	16.3%	13.1%	12.4%	10.6%	14.75%	11.61%
Return on Total Assets	1.0%	0.4%	0.7%	1.1%	0.9%	0.8%	0.7%	1.1%	0.8%
Interest-Earnings Assets / Total Assets	89.3%	89.0%	90.8%	87.0%	87.1%	89.2%	89.2%	88.2%	86.0%
Basel Index	10.84	11.48	12.56	12.45	12.03	11.92	12.19	12.64	12.10

NOTES:

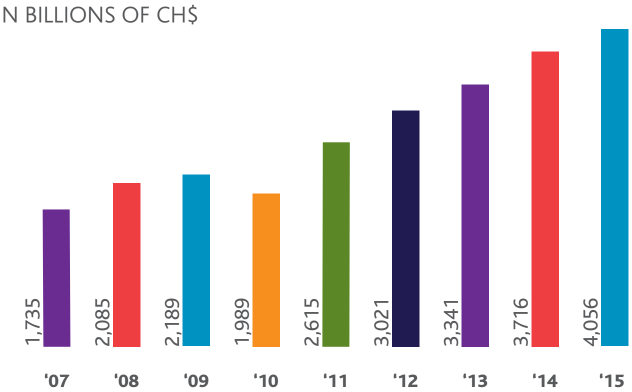
(1) Includes Loans and Advances to Banks. According to new regulations, Contigent Loans are not part of Loans and thus are not included beginning in 2007.

(2) Includes Other Equity Accounts

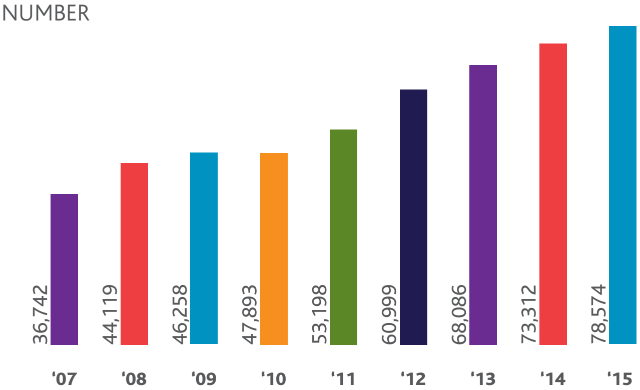
(3) From January 2008 the Balance Sheet and Income Statements were adapted to the IFRS format defined by the SBIF in the Compendium of Accounting Standards issued under Ruling 3,410. Therefore, figures from 2007 onward are not comparable with the financial information from previous years. The figures reported for 2007 and 2008 incorporate subsequent adjustments to align them with changes in standards, and make them more comparable. Since January 2009 adjustments for inflation have been eliminated.

01
OUR BANK

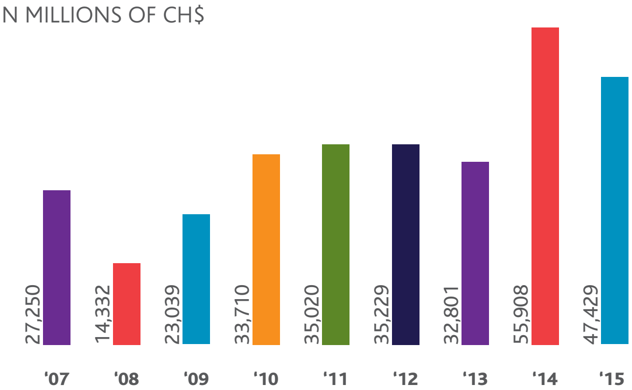
total loans
IN BILLIONS OF CH$



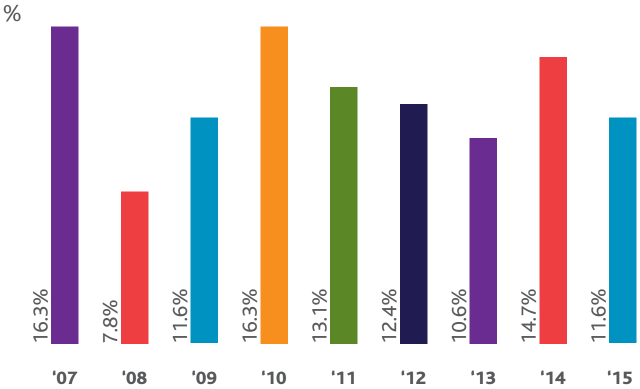
current accounts
NUMBER



profit for the year
IN MILLIONS OF CH$

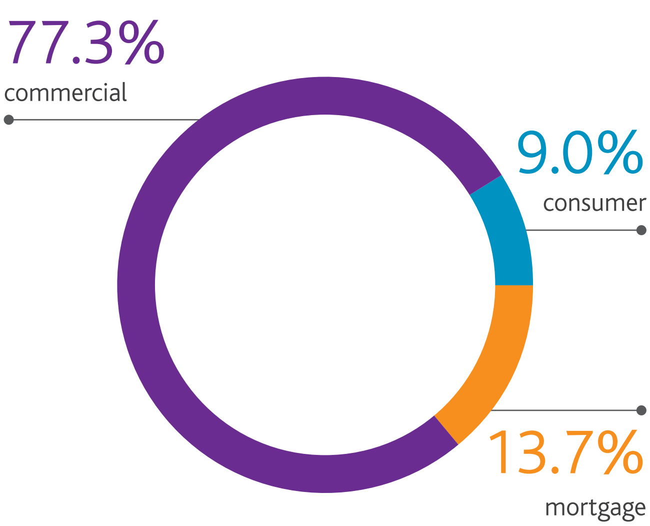


return on equity
%

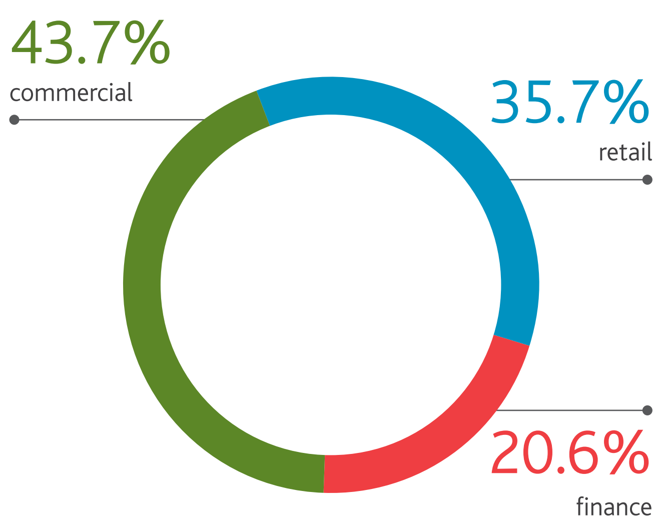


FINANCIAL SUMMARY

loan portfolio



revenue distribution



01
OUR BANK

DEAR SHAREHOLDERS:

Once again, it is my pleasure to present Banco Security's annual report for 2015.

The year 2015 was a complex period for Chile. The impact of international economic fluctuations and the sweeping agenda of reforms initiated by the government in 2014 combined with public mistrust in institutions and a lack of clear political leadership all led to a crisis that affected business and production—two vital components of social progress. Unfortunately, our country's meager economic growth last year, coupled with the reforms still in progress and a drop in copper prices in external markets, among other factors, make it highly likely that our weak economic performance continues in 2016.

The banking industry was not immune to the general situation experienced across the country, evidenced by a fall in profit for the year of 11.0% compared to the previous year, while return on equity declined by almost 3 percentage points, from 17.2% in 2014 to 14.3% in 2015. Total industry loans grew by 11.0%, excluding foreign subsidiaries of local banks, but were influenced by variations in the exchange rate.

Despite this adverse business environment, Banco Security and its subsidiaries have achieved growth and development. An agreement was reached mid-year with Banco Penta to acquire their asset management subsidiaries: Penta Administradora General de Fondos S.A. and Penta Corredores de Bolsa S.A. This deal added approximately US$1,250 million in assets under management, and a portfolio of over 5,000 customers, which we expect will improve results in the asset management area from 2017 onwards. With this acquisition, Administradora General de Fondos Security now has a market ranking of fourth place by assets under management.

We have always said that we are committed to cultivating positive relationships with our employees at every Grupo Security company, and we are proud that this has been our hallmark within the market over the past 20 years. Proof of our commitment can be seen in our outstanding performance in the Great Place to Work rankings of the best companies to work for in Chile over the last 15 years. The year 2015 was no exception, and I am proud to say that we prominently occupy ninth place in this ranking.

In this context, Banco Security and its subsidiaries posted profit for the year of Ch$47,429 million in 2015. Although this figure was 15.2% lower than 2014, this can be explained first by the impressive results achieved in the previous year, which created a basis for comparison that would always be difficult to beat, and secondly by a significant increase in risk losses in Commercial Banking, aggravated by the deterioration of some customers in the mining sector and other cases publicized at an industry level. Therefore, return on equity at

Banco Security was 11.6%, falling 3.1 points in comparison to 14.7% in 2014.

However, Retail Banking achieved progress in its consolidation process, accounting for over 10% of the Bank's consolidated profit, thus reducing our dependence on the Large Companies and Treasury areas.

Total loans reached Ch$4,055 billion, which represents growth of 9.3% over the previous year end. However, this growth is somewhat lower than industry-wide growth, primarily as a result of the mortgage portfolio. The Bank has not been actively participating in this segment this year due to its low profitability, and accordingly this product expanded only 4.3% for the year. In contrast, commercial and consumer loans posted growth of 10.0% and 11.7%, respectively. These rates compare favorably with the industry averages of 9.2% and 11.3%, excluding foreign subsidiaries of local banks.

The progress and achievements of 2015 are the result of the determination and commitment of each team member at Banco Security and its subsidiaries, to whom we are very grateful. Without their dedication, it would have been impossible to achieve our targets, and we would not be able to conquer the new challenges that the future holds.

I would also like to thank our shareholders for their ongoing support for the projects we have undertaken. We are fully committed to them, to our employees and to our customers. We will continue to do business each day with professionalism, while committed to our values, focused on creating value, and providing first class service to meet our customers' needs.

I cannot fail to mention our special concern for the future of our country. We are uneasy about the labor reform. As has been said, it will have a strongly negative impact on employment and productivity. In addition, the constitutional reform process which is envisaged for the second half of 2016 is causing additional uncertainty, as we are unaware of the contents of this reform. Furthermore, we have experienced episodes that undermine and question the political world, and some unfortunate business practices have come to light, which have caused a confidence crisis across all sectors of the country. This situation can only be resolved with clear leadership and urgent remedial measures, in order to not betray and finally break the path to growth and development that we have worked so hard as a nation to achieve, and that has served to lift millions of Chileans out of poverty.

An enormous challenge lies ahead of us, to unite public and private determination to resume the path to growth that has benefitted all Chileans.

FRANCISCO SILVA
Chairman Banco Security

1981/87

- In August 1981, Banco Urquijo de Chile was created, as a subsidiary of Spain's Banco Urquijo.
- In 1987, Security Pacific Corporation, a subsidiary of Security Pacific National Bank in Los Angeles, California, acquired 100% of the shares of Banco Urquijo of Chile, renaming the Bank Banco Security Pacific.
- Security Pacific National Bank created a securities agency and stock brokerage firm in the same year. It is currently a Bank subsidiary called Valores Security, Corredores de Bolsa.

1990/91

- Leasing Security was created in 1990 as a subsidiary of Banco Security to provide lease finance
- Security Pacific Overseas Corporation sold their 60% shareholding in Banco Security to Grupo Security in June 1991, changing the bank's name to Banco Security.

1992/94

- The asset management subsidiary, Administradora de Fondos Mutuos Security, was created as a subsidiary of Banco Security in 1992.
- Bank of America, the successor of Security Pacific National Bank, sold the remaining 40% shareholding in Banco Security to Grupo Security in 1994.

2008

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

2011

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

2012

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

OUR HISTORY

2001/03

- The subsidiary Leasing Security was incorporated into Banco Security as a business unit in April 2001.
- The subsidiary Administradora de Fondos Mutuos Security S.A. extended its business scope and changed its name to Administradora General de Fondos Security S.A. in September 2003.

2004

- In June 2004, Grupo Security acquired a 99.67% stake in Dresdner Bank Lateinamerika, Chile, and on October 1, 2004, it merged with Banco Security.
- Also in June 2004, the Bank exceeded Ch$1 billion in loans.

2006/07

- The Retail Banking project led to the launch of four new branches in 2006: Plaza Constitución, Alcántara and Estoril in the Metropolitan Region and Viña del Mar in the 5th Region.
- Two new branches were opened in 2007: Chicureo and Los Cobres in the Metropolitan Region.

2013

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

2014

- Our first Representative Office abroad was opened in Hong Kong in June 2014, making us the only Chilean bank with an office in that city.
- AGF Security merged with Administradora General de Fondos Cruz del Sur in December 2014, to command a strong market position in this industry.

2015

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

GREAT PLACE TO WORK

The Grupo Security companies have continually worked to create a pleasant working environment where people can grow harmoniously, while keeping their work and personal life in balance. This effort has resulted in Grupo Security and its principal companies being recognized as one of the best companies to work for in Chile for the last 15 years.

We received excellent scores at each of our companies (Banco, Corredora, Factoring, Inmobiliaria, Inversiones, Mandatos, Travel and Vida) in the five dimensions measured by the study, which are credibility, impartiality, respect, pride and camaraderie. Grupo Security continues to be one of the best companies to work for in Chile, and is currently ranked ninth.

AWARDS RECEIVED

MORNINGSTAR AWARD

Inversiones Security received the prize for the Best Long-Term Fixed-Income Fund in the industry for its Security Corporativo Mutual Fund at the third edition of the Morningstar Awards.

The aim of these awards is to reward those funds that have contributed most value to investors over the past three years. Therefore, the consistency of fund performance over the long term is essential to winning this prize.

Inversiones Security is proud to receive this award, which is the only one in this category, making it very significant for customers who invest in this asset class.

SALMON AWARDS 2015

Administradora General de Fondos Security won three Salmon awards in 2015. These are awarded by the Diario Financiero newspaper and the Chilean Mutual Fund Association to the best-performing funds in each category.

The funds awarded were the "Security EE.UU. Mutual Fund" in the US equities category; the "Security Deuda Corporativa Latinoamericana Mutual Fund" in the International Emerging Markets Debt over 365 days category, and the "Security Protección UF Mutual Fund" in the Domestic Debt in UF over 365 days under 3 years category.

BANCO security

02 CHAPTER

CORPORATE GOVERNANCE

02
CORPORATE GOVERNANCE

BOARD OF DIRECTORS

CHAIRMAN	FRANCISCO SILVA S.
DIRECTORS	HERNÁN FELIPE ERRÁZURIZ C.
	JORGE MARÍN C.
	GUSTAVO PAVEZ R.
	RENATO PEÑAFIEL M.
	HORACIO PAVEZ G.
	RAMÓN ELUCHANS O.

CORPORATE MANAGEMENT

CHIEF EXECUTIVE OFFICER	BONIFACIO BILBAO H.
CHIEF LEGAL OFFICER	ENRIQUE MENCHACA O.
CHIEF ECONOMIST	DALIBOR ETEROVIC M.
CHIEF PLANNING AND OPERATIONS OFFICER	MANUEL WIDOW L.
CHIEF CULTURE OFFICER	KARIN BECKER S.
CONTROLLER	ALFONSO VERDUGO R.
CHIEF COMPLIANCE OFFICER	MAURICIO PARRA L.

SUPPORT AREAS

RISK DIVISION MANAGER	JOSÉ MIGUEL BULNES Z.
RISK MANAGEMENT MANAGER	ALEJANDRO VIVANCO F.
LOAN RESTRUCTURING MANAGER	RENÉ MELO B.
COMMERCIAL LOAN APPROVAL MANAGER	MATÍAS ASTORECA U.
RETAIL LOAN APPROVAL MANAGER	JORGE HERRERA P.
FINANCIAL RISK MANAGER	ANTONIO ALONSO M.
OPERATIONS AND IT DIVISION MANAGER	GONZALO FERRER A.
IT ARCHITECTURE AND PLATFORM MANAGER	FACUNDO CURTI V.
CENTRAL AND BRANCH OPERATIONAL PROCESSES MANAGER	CARLOS LOPEZ V.
FINANCIAL OPERATIONS MANAGER	RAÚL LEVI S.

BUSINESS AREAS

COMMERCIAL DIVISION

COMMERCIAL BANKING DIVISION MANAGER	CHRISTIAN SINCLAIR M.
BUSINESS DEVELOPMENT AND MARKETING MANAGER	SERGIO CAVAGNARO R.
QUALITY AND SERVICE MODEL DEPUTY MANAGER	JAVIERA DUARTE R.
BUSINESS INTELLIGENCE DEPUTY MANAGER	LUIS ALEE V.

LARGE COMPANIES AND REAL ESTATE

LARGE COMPANIES AND REAL ESTATE MANAGER	ALEJANDRO ARTEAGA I.
LARGE COMPANIES MANAGER	ALBERTO APEL O.
LARGE COMPANIES MANAGER	FELIPE OLIVA L.
STRUCTURED FINANCE MANAGER	JOSÉ DELGADO A.
CORPORATE BANKING DEPUTY MANAGER	VENANCIO LANDEA L.
REAL ESTATE DEPUTY MANAGER	RICARDO HEDERRA G.

COMPANIES BANKING AND REGIONAL BRANCHES

COMPANIES BANKING AND REGIONAL BRANCHES MANAGER	HERNÁN BUZZONI G.
MID-SIZED COMPANIES MANAGER	FRANCISCO CARDEMIL K.
SOUTHERN AREA COMPANIES BANKING DEPUTY MANAGER	FELIPE SCHACHT R.
NORTHERN AREA COMPANIES BANKING DEPUTY MANAGER	RODRIGO TORNERO J.
COMPANIES BANKING DEPUTY MANAGER	ALBERTO LEIGHTON P.
LA SERENA/COPIAPÓ BRANCH AGENT	RODRIGO SILVA T.
COMPANIES BANKING DEPUTY MANAGER	RICARDO SCHULTZ H.
COMPANIES BANKING AGENT	LUZ MARIA FRÍAS J.
COMPANIES BANKING AGENT	CRISTÓBAL ZAMORANO V.
COMPANIES BANKING AGENT	JUAN PABLO ALDEA I.
ANTOFAGASTA BRANCH AGENT	KEVIN MOIR L.
CONCEPCION BRANCH AGENT	MARÍA PAZ RUIZ-TAGLE V.
TEMUCO BRANCH AGENT	CLAUDIO ASSADI L.
VIÑA DEL MAR BRANCH AGENT	MARIO LORENZINI B.
RANCAGUA BRANCH AGENT	FRANCISCO VIDAL W.
TALCA BRANCH AGENT	JAVIER FLORES S.
PUERTO MONTT BRANCH AGENT	JUAN PABLO NIETO V.

PRODUCTS AND SPECIALIZED SERVICES

PRODUCTS AND SPECIALIZED SERVICES MANAGER	ANDRÉS FABREGAT F
LEASING DEPUTY MANAGER	ALDO MASSARDO G.
FOREIGN TRADE DEPUTY MANAGER	ALBERTO ASPILLAGA F.
ADVISORY SERVICES DEPUTY MANAGER	GERARDO HORTAL S.

REPRESENTATIVE OFFICE IN HONG KONG

CHIEF REPRESENTATIVE OFFICE IN HONG KONG	MARIO ARTAZA L.
REPRESENTATIVE/DIRECTOR	EWALD DOERNER C.

RETAIL BANKING DIVISION

RETAIL BANKING DIVISION MANAGER	HITOSHI KAMADA
SALES DEVELOPMENT AND PRODUCT MANAGER	RAMÓN BUSTAMANTE F.
BRANCHES MANAGER	RODRIGO REYES M.

BRANCHES

CENTRAL NORTHERN AREA DEPUTY MANAGER	RODRIGO MATZNER B.
CENTRAL SOUTHERN AREA DEPUTY MANAGER	TATIANA DINAMARCA G.
EASTERN AREA DEPUTY MANAGER	MARÍA VIRGINIA DÍAZ M.
PRIVATE BANKING DEPUTY MANAGER	JOSÉ IGNACIO ALONSO B.
ENTREPRENEUR BANKING DEPUTY MANAGER	MARÍA SOLEDAD RUIZ S-C.
ANTOFAGASTA BRANCH AGENT	XIMENA RIVERO P.
COPIAPO BRANCH AGENT	KARINA GARMENDIA N.
LA SERENA BRANCH AGENT	MARIELA LÓPEZ E.
VIÑA DEL MAR BRANCH AGENT	CLAUDIA GONZÁLEZ A.
RANCAGUA BRANCH AGENT	CAROLINA JEREZ L.

BOARD AND MANAGEMENT

TALCA BRANCH AGENT	LORENA MELLA R.
CONCEPCON BRANCH AGENT	LENKA BEGO P.
TEMUCO BRANCH AGENT	VERUSCHKA MONTES W.
PUERTO MONTT BRANCH AGENT	LORNA WIEDERHOLD R.
AGUSTINAS BRANCH AGENT	JOSÉ PATRICIO CUADRA G.
ALCANTARA BRANCH AGENT	PAULA CASTAÑO C.
APOQUINDO AND GROUP BANKING BRANCH AGENT	MARÍA DE LOS ÁNGELES BARROS M.
APOQUINDO PRIVATE BANKING AGENT	CRISTIÁN LEAY R.
AUGUSTO LEGUIA PRIVATE BANKING AGENT	CAROLINA SAKA S.
EL GOLF PRIVATE BANKING AGENT	CONSTANZA ORTÚZAR R.
LAS CONDES PRIVATE BANKING AGENT	EVELYN GOEHLER A.
CERRO HUELÉN BRANCH MANAGER	PAULINA COLLAO A.
CIUDAD EMPRESARIAL BRANCH AGENT	CAROLINA QUEVEDO S.
CHICUREO BRANCH MANAGER	FRANCESCA LAZZARI M.
ESTORIL BRANCH AGENT	CLAUDIA AMARO E.
LA DEHESA BRANCH AGENT	LESLIE PERRY K.
LA REINA BRANCH AGENT	ANNELORE BITTNER A.
LOS COBRES BRANCH AGENT	ANNEGRET LANGE M.
LOS TRAPENSES BRANCH AGENT	PAULINA CONTRERAS L.
ENTREPRENEURS BRANCH AGENT	MARÍA CONSTANZA UNDURRAGA V.
MIRAFLORES BRANCH AGENT	MARÍA SOLEDAD GONZÁLEZ DEL C.
MONEDA BRANCH AGENT	PATRICIO VALENZUELA V.
MONEDA ENTREPRENEURS BRANCH AGENT	ALDO PINAR S.
PLAZA CONSTITUCIÓN BRANCH AGENT	MÓNICA ESCOBAR R.
PRESIDENTE RIESCO BRANCH AGENT	MARÍA SOLEDAD TORO V.
PROVIDENCIA BRANCH AGENT	ITALO ARAVENA F.
SANTA MARIA BRANCH AGENT	DALEL SPATE N.
VITACURA BRANCH AGENT	VIVIANNE ZAMORA O.

FINANCE DIVISION AND FINANCIAL BANKING

FINANCE AND CORPORATE DIVISION MANAGER	NICOLÁS UGARTE B.

TRADE DESK

ASSET & LIABILITY AND LIQUIDITY MANAGER	SERGIO BONILLA S.
DISTRIBUTION AND FINANCIAL BANKING MANAGER	RICARDO SANTA CRUZ R-T
TRADING AND INVESTMENT MANAGER	RICARDO TURNER O.
INTERNATIONAL SERVICES DEPUTY MANAGER	MATÍAS ERRÁZURIZ P.

SHAREHOLDERS' MEETINGS

Shareholders' meetings are the highest level of corporate governance according to the Corporations Law. Their main functions are to elect the board of directors; appoint external auditors and risk rating agencies; approve the annual report, financial statements, profit distributions and capital increases and set compensation for the board of directors and the Director's Committee.

BOARD OF DIRECTORS

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

The Board of Directors of Banco Security is composed of seven directors and one alternate. All directors are elected every three years. The last election took place on April 10, 2013, when shareholders re-elected all current directors for a new term. Subsequently, at the board meeting held in May 2013, the board accepted the resignation of Mr. Mario Weiffenbach O. Mr. Ramón Eluchans was appointed as his replacement at the next board meeting. According to the law and the Bank's by-laws, ordinary board meetings are held at least monthly and extraordinary meetings may be called by the chairman or at the request of one or more directors. Currently, the board has 16 ordinary meetings per year.

The board is regularly informed about progress and compliance of strategic plans, financial results, compliance with the comprehensive risk management policy, audit compliance and the status of customer complaints, among other matters.

BOARD CREDIT COMMITTEE

This committee analyzes, evaluates and approves or rejects the most important loan applications, submitted directly by sales areas. This committee examines all Commercial Banking lines of credit greater than approximately 30,000 UF and 40,000 UF, depending on guarantees, and Retail Banking lines of credit greater than approximately 25,000 UF and 27,000 UF. It has no limits to its credit authority other than those established by current banking regulations and the policies defined by the board itself.

The standing members of this committee are:

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

MANAGEMENT CREDIT COMMITTEE

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

The standing members of this committee are:

JOSÉ MIGUEL BULNES Z.	Risk Division Manager

The remaining members depend on the area to which the customer belongs, and these are:

COMMERCIAL BANKING:

CHRISTIAN SINCLAIR M.	Commercial Banking Division Manager
HERNÁN BUZZONI G.	Companies Banking and Regional Branches Manager
MATÍAS ASTORECA U.	Commercial Loan Approval Manager

RETAIL BANKING:

HITOSHI KAMADA	Retail Banking Division Manager
JORGE HERRERA P.	Retail Loan Approval Manager

NOTE: The Unidad de Fomento (UF) is a Chilean inflation-indexed, peso-denominated monetary unit that is set daily based on changes in the Chilean Consumer Price Index. As of December 31, 2015, 1 UF was equivalent to CH$25,629.09.

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

FINANCE COMMITTEE

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

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

In addition, the Finance Committee is empowered to prepare board proposals regarding policies and methods to manage financial activities and ensure compliance with the market risk limits set by the board and regulatory agencies.

The members of this committee are:

FRANCISCO SILVA S.	Chairman
RENATO PEÑAFIEL M.	Director
RAMÓN ELUCHANS O.	Director
DALIBOR ETEROVIC M.	Chief Economist
BONIFACIO BILBAO H.	CEO
NICOLÁS UGARTE B.	Finance Division and Corporate Banking Manager
SERGIO BONILLA S.	Asset & Liability and Liquidity Manager
RICARDO TURNER O.	Trading and Investment Manager
MANUEL WIDOW L.	Chief Planning and Operations Officer
JOSE MIGUEL BULNES Z.	Risk Division Manager
ANTONIO ALONSO M.	Financial Risk Manager
ANDRÉS PÉREZ L.	Finance Manager Valores Security

ASSETS AND LIABILITIES COMMITTEE (ALCO)

This committee is responsible for managing and controlling the Bank's (1) structural matching by maturity and currency within the balance sheet, (2) liquidity, and (3) financial margin to ensure that it remains stable.

The standing members of this committee are:

FRANCISCO SILVA S.	Chairman
RENATO PEÑAFIEL M.	Director
RAMÓN ELUCHANS O.	Director
BONIFACIO BILBAO H.	CEO
NICOLÁS UGARTE B.	Finance Division and Corporate Banking Manager
JOSE MIGUEL BULNES Z.	Risk Division Manager
ANTONIO ALONSO M.	Financial Risk Manager
MANUEL WIDOW L.	Chief Planning and Operations Officer
SERGIO BONILLA S.	Asset & Liability and Liquidity Manager
RICARDO TURNER O.	Trading and Investment Manager
CHRISTIAN SINCLAIR M.	Commercial Banking Division Manager
HITOSHI KAMADA	Retail Banking Division Manager

AUDIT COMMITTEE

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

The standing members of this committee are:

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

Standing participants:

BONIFACIO BILBAO H.	CEO
ALFONSO VERDUGO R.	Controller
ENRIQUE MENCHACA O.	Chief Legal Officer

Additionally, special guests may be invited to review particular issues.

The committee’s roles and responsibilities are:

a) To propose to the Director’s Committee, or in its absence to the board, a short-list of external auditors.

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

c) To propose to the Director’s Committee, or in its absence to the board, a short-list of risk rating firms.

d) To understand and analyze the results of audits and internal reviews.

e) To co-ordinate the work of the internal auditors with the external auditors’ reviews.

f) To analyze the interim financial statements and the annual accounts and report to the board.

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

h) To analyze the external risk assessor reports and the procedures they applied.

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

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

k) To ensure that company policies cover the laws, regulations, and internal standards that the organization must abide by.

l) To understand and resolve conflicts of interest and to investigate fraud and suspicious behavior.

m) To analyze instructions and presentations from regulators and analyze inspection visit reports.

n) To understand, analyze and verify compliance with the annual internal audit program.

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

p) To inform the board of any changes in accounting policy and their effects.

q) To understand the court cases and any other legal contingencies that may affect the Bank.

r) To understand, analyze and resolve any other issues that one or more members may submit.

The committee met on nine occasions during 2015, eight were scheduled meetings plus an additional meeting, where the following issues were addressed:

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

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

c) Received reports on the new FATCA review program that began in 2015.

d) Received a letter from the SBIF reporting on the results of the 2015 visit.

e) Analyzed the financial statements for 2014, with the assistance of the external audit partner.

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

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

h) Prepared a board proposal for the external auditors and the risk rating agencies.

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

j) Analyzed the interim financial statements.

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

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

m) Monitored the annual audit plan for the Bank and its subsidiaries. In December 2015 the Audit Committee reviewed the Audit Plan proposal for 2016, which was submitted to the board.

n) Reviewed the internal audit reports.

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

p) Reviewed and monitored operational risk losses.

q) Reviewed and analyzed the Management and Solvency Self-Assessment for 2015 RAN Chap. 1-13, at an additional committee meeting.

r) Reviewed personnel movements within the Office of the Controller.

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

t) Reviewed relevant incidents and measures taken by management.

u) Received a presentation on the organization, operation and risks within the departments of Accounting, Compliance and Operational Risk, Operations and Technology, Risks, and Planning and Operations.

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

w) Analyzed the Penta AGF, stock brokerage and portfolio management transaction, focusing on the internal audit function.

COMMITTEE	OBJECTIVES
STRATEGY	Define strategic guidelines, risk appetite and capital management
COMMERCIAL / RETAIL SALES MANAGEMENT	Review compliance with budget, deviations and mitigations, and progress on sales initiatives.
OPERATIONAL RISK	Analyze comprehensive management of operational risks. Disseminate and monitor operational risk policies.
INVESTMENTS IN PP&E AND TECHNOLOGY	Review and approve the annual investment budget Review and approve individual projects, and monitor progress
STRATEGIC PROJECTS (OPERATIONS AND IT)	Monitor, analyze, evaluate and coordinate progress on technological projects. Review general matters, plan and monitor operational issues.
PREVENTION, ANALYSIS AND RESOLUTION OF MONEY LAUNDERING	Disseminate, implement and monitor policies that prevent money laundering. Analyze cases
RISK	Review the Bank's overall risk behavior and strategies.
WATCH	Review higher-risk loans, monitor their status and take action.
RECLASSIFICATION	Review the details of customers likely to be reclassified based on the latest available information, discuss and decide on reclassification in each case.
MODELS	Review and monitor all models used for credit risk management. Submit new models for approval and monitor progress.
LOAN RESTRUCTURING	Analyze the management of the Loan Restructuring Area relating to recoveries, uncollectables, revenue, Credit Committee submissions, among others. Also identify cases that should be submitted to the Reclassification Committee.
PHYSICAL SECURITY	Report and analyze the comprehensive management of physical security at the Bank, adopt measures that are relevant, and disseminate and monitor security policies, regulations and procedures.
NEW PRODUCTS	Submit proposals for new products to divisional management, the Chief Executive Officer and group directors. Proposals should include an assessment of the commercial, operational, credit, legal, accounting, technological and security issues, together with an evaluation of overall income and expenditures, for approval and implementation.

BANCO security

03 CHAPTER

STRATEGY AND MANAGEMENT

03

STRATEGY AND MANAGEMENT

BUSINESS STRATEGY

Banco Security's strategy is aligned with the guidelines issued by Grupo Security, which aims to position itself as a comprehensive provider of financial services through its various business areas.

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

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

The pillars of our business strategy are:

- **SERVICE EXCELLENCE**
  This is the Bank's distinguishing feature, which is recognized and appreciated by customers and the market, and reflects the Bank's constant concern to ensure that it complies with the service quality standards that characterize the Security brand

- **FOCUS ON TARGET SEGMENT**
  Banco Security has been able to grow while maintaining its focus on its target segments in commercial and retail banking. This has been fundamental to avoid compromising service quality.

BROAD RANGE OF PRODUCTS AND SERVICES

The Bank has always been concerned with keeping its products and services up to date with respect to other banks. It is differentiated by its ability to provide custom solutions to the specific requirements of each customer, and by the comprehensive packages jointly provided with other Grupo Security companies.

CUSTOMER LOYALTY

The sales team continually encourages customers to expand the range of products and services they use at the Bank and at other companies within the Security Group, building on the premium quality services provided by the Bank.

EFFICIENT USE OF RESOURCES

One of the Bank's strategic objectives is to maintain the flexibility inherent in a small bank, while always aiming to achieve the efficiency of larger banks. Therefore, we are constantly searching for new ways to improve efficiency.

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

COMMERCIAL BANKING

"We want to be the leader in commercial banking in Chile and the bank our customers prefer"

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

LARGE COMPANIES AND REAL ESTATE

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

- **REAL ESTATE AREA:** this area has extensive experience in the market, and provides custom financing to real estate projects.

- **STRUCTURED FINANCING AREA:** this area has highly trained professionals and provides advice and financing for Project Finance, restructuring liabilities, syndicated loans, and corporate acquisitions.

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STRATEGY AND MANAGEMENT

COMPANIES BANKING AND REGIONAL BRANCHES

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

FINANCIAL BANKING

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

These are complemented by areas providing specialized products such as:

FOREIGN TRADE AND INTERNATIONAL SERVICES

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

LEASING

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

FINANCIAL ADVICE

This areas offers support to customers looking for the most suitable financing for their business, or to restructure their liabilities.

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

RETAIL BANKING

"We want to provide our customers with a preferential, personalized and transparent service that differentiates us from our competition"

The target segment for retail banking at Banco Security is high-income individuals (socioeconomic sector ABC1). The customer service model has been separated to match customer profiles in each target segment, to maximize specialization and customer satisfaction:

- **PRIVATE BANKING AND PREMIER BANKING**
  This model targets high-income and high net-worth customers, who require specialized investment care, extensive advice from their relationship manager executive and a range of products and services tailored to satisfy their requirements.

- **PREFERENTIAL BANKING**
  This model targets customers who require traditional financial products and services, and expect first-class personalized attention.

- **ENTREPRENEUR BANKING**
  This model targets entrepreneurs that require a service that encompasses their productive businesses, with annual revenues of under 35,000 UF, and access to products and specialized financial services provided with Banco Security's hallmark service quality.

NOTE: The Unidad de Fomento (UF) is a Chilean inflation-indexed, peso-denominated monetary unit that is set daily based on changes in the Chilean Consumer Price Index. As of December 31, 2015, 1 UF was equivalent to CH$25,629.09.

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STRATEGY AND MANAGEMENT

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

Banco Security has implemented cutting-edge technologies that provide quick and easy access for customers to their products and services through various online channels.

TRADE DESK

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

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

- **TRADING SERVICES**
  Management of a portfolio of short-term investments.

- **ASSET MANAGEMENT SERVICES**
  Management of a portfolio of medium and long-term investments.

ASSET AND LIABILITY SERVICES

Management of structural currency and maturity matches within the balance sheet, and the Bank's liquidity, applying the guidelines provided by the ALCO. It also provides transfer prices to commercial banks for their credit management.

ASSET MANAGEMENT

This area offers a broad range of products and services that efficiently meet the savings and investment needs of individuals, companies and institutional investors. Inversiones Security has acquired growing importance in the market, with complete solutions for stock broking, advisory services and third-party asset management.

AGF Security has over 15 years' experience and a prestigious market reputation, due to its professional asset management in short, medium and long-term fixed income mutual funds; capitalization funds; structured funds; mixed funds for qualified investors and other investment funds.

Valores Security S.A. Corredores de Bolsa is an integral part of the products and services provided by Inversiones Security, offering service excellence in stock broking on behalf of its customers.

Inversiones Security has the support of the Research Department, which constantly analyzes the domestic and international market and generates reports on the economy and on companies listed on the stock exchange. This area shares the same principles of excellence that govern Inversiones Security and Banco Security in the management of their businesses.

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STRATEGY AND MANAGEMENT

ECONOMIC AND FINANCIAL CONTEXT

EXTERNAL ENVIRONMENT: LOWER GLOBAL GROWTH WITH MORE RISK

The divergence between the upward performing trends in industrialized countries, led by the United States, and the slowdown in emerging economies, continued during 2015. In fact, the meager results in developing countries held back growth in global GDP, falling from 3.4% in 2014 to 3% in 2015, which was below the expected figure a year ago. Latin America was one of the hardest hit regions, with a contraction in economic activity due to the substantial fall in Brazil. Meanwhile, the euro zone continued its recovery, almost doubling its pace of expansion from 0.8% to 1.5%. However, it continued to have wide capacity gaps, resulting in limited inflationary pressure. Furthermore, the risk of deflation loomed throughout the year.

In particular, the U.S. achieved growth of 2.4%, based on robust private consumption, which strengthened the labor market. Employment grew by 2% per annum, and the unemployment rate continued to decline from 5.6% at the end of 2014 to 5% at the end of 2015. This good performance resulted in the Federal Reserve beginning to restructure monetary policy in December by increasing the reference interest rate for the first time since the subprime financial crisis. Therefore, the performance of 10-year Treasury Bonds slightly increased, moving from 1.8% to 2.2% over the course of the year. Meanwhile, the U.S. dollar continued to strengthen in relation to other currencies worldwide, including the Canadian dollar (-16%), the Norwegian Krone (-15%) and the New Zealand dollar (-12%) within developed nations; and the Argentine peso (-35%), the Brazilian real (-33%) and the South African rand (-25%) within emerging nations.

The strength of the dollar continued to generally drive down raw material prices. Copper fell 20% on average, as it began the year at around US$ 3 per pound and had fallen to around US$ 2 by the end, while the price of WTI crude oil fell by nearly 50%, averaging US$ 49 per barrel.

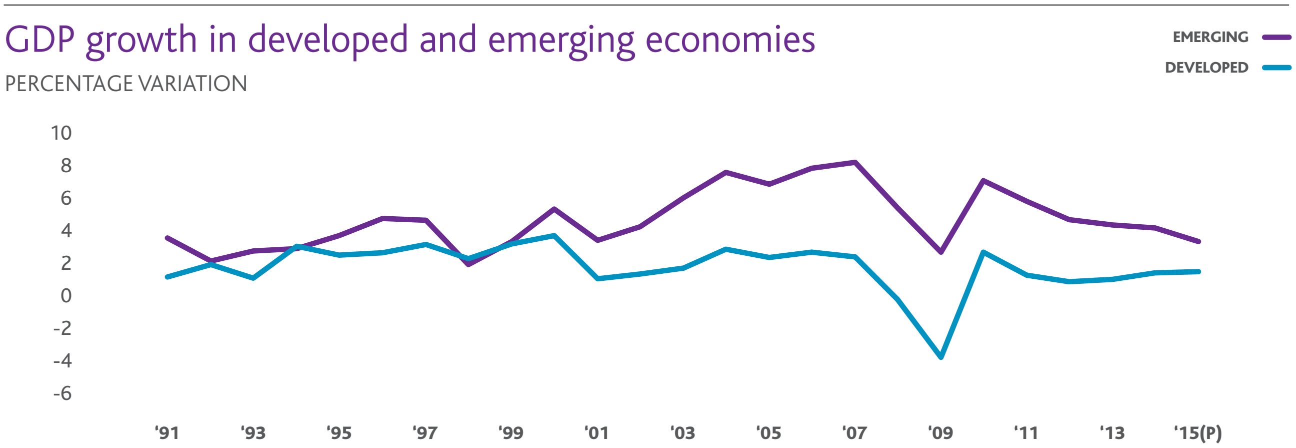
Europe continued its recovery process, led by Germany. The main economy in the region performed well, with GDP growth of 1.7% for the whole year, while the remaining countries grew with respect to 2014: France increased growth from 0.2% to 1.1%, while Italy reversed three years of contraction by expanding 0.6%. The peripheral economies also enjoyed upward trends, highlighting Spain with a 3.2% increase and Portugal with a 1% rise after four years of recession. However, this recovery is still fragile with the latent risk of deflation, so the European Central Bank continued to provide non-conventional monetary stimuli, with the option open to augment them if necessary.

In contrast, an analysis of China in 2015 should separate its economic performance from the risks associated with its financial and foreign exchange system. The economic figures showed a gradual deceleration with GDP expanding by 6.9%, compared to 7.3% in 2014. However, the exchange rate policy of setting the yuan to the US dollar led to China losing competitiveness, which forced authorities to devalue their currency twice in less than a month, causing more doubt than certainty in the market. In fact, following the devaluation the prices of at-risk assets in Shanghai fell by up to 40%, dragging down the remaining stock exchanges around the world, although a large part of these falls were recovered in the last few months of 2015.

The global stock market fell in U.S. dollar terms (-4.3%), as measured by the MSCI index, with a fall in developed nations (-2.9%) and a large collapse in emerging nations (-17%). The best performing nation within the former was Japan (7.8%), while the U.S. showed a slight decline (-0.8%), and Europe was more pronounced (-5.3%). In the latter, contraction was widespread, with falls in Latin American (-33%), Brazil (-43%), and China (-10%). Fixed income U.S. bonds with higher risk (high yield) fell (-5%) and the most secure (high grade) barely advanced (0.4%). While in emerging countries sovereign bonds (EMBI) and corporate bonds (CEMBI) rose (1.2%).

GDP growth in developed and emerging economies

PERCENTAGE VARIATION



03
STRATEGY AND MANAGEMENT

CHILE: LOW GROWTH WITH HIGH INFLATION

As in most emerging nations the reduction in external demand continued to limit GDP growth in the local economy during 2015, with a slowdown which remained more prolonged and profound than was initially expected. In fact, by the end of 2014 the consensus among analysts projected that GDP would expand by almost 3%, although it declined throughout the year to finish with an increase of only 2% based on preliminary data.

From a spending perspective, the deceleration was mostly in response to investment, although consumption also slowed gradually throughout the year. Therefore, the gross formation of fixed capital has been declining from its peak at the end of 2012, and last year remained virtually the same as 2014, i.e. zero growth. The reasons for this meager performance include a mature mining investment cycle, a significant deterioration in business expectations, a fall in terms of trade and capital outflows from the emerging world. At the same time, private consumption also gradually grew, starting the year with an increase of 2% and closing with an increase close to 1%-1.5%.

By industry, the largest contribution to GDP growth came from financial and corporate services (0.5%), followed by public services (0.3%) and communications (0.2%), the latter being the most dynamic together with public administration. The performance of the fishing industry was significantly negative and was the only one that fell (-7%) during 2015.

This meager economic performance did not translate into a marked deterioration in the labor market. Job creation grew at the same rate as in 2014 (1.5%), although in part supported by public sector recruitment. The workforce rose by 1.4% over the whole year, with the average unemployment rate remaining at almost the same level, falling slightly from 6.4% to 6.2%. Exports totaled US$ 63,360 million, equivalent to a decrease of 16% compared to 2014. This comprises falls of 18% in mining exports (copper 18%), 15% in industrial exports and 8% in agricultural exports. However, export volumes remained the same, since the 2% increase in copper volumes were offset by a decrease of 1.5% in the others. Imports showed a sharp decline in value (13%) reaching only US$59,220 million, arising from an abrupt fall in oil imports (53%), and falls in other fuels (33%), consumer goods (8%), and capital goods (5%). The volume of imported goods grew by 2.5%. Therefore, the balance of trade by the end of the year was a positive US$ 4,100 million.

After the slightly negative GDP balance in 2014 of 1.6%, the fiscal result for the year closed with a greater deficit of 2.5% of GDP, as a result of the slowdown in economic activity and the fall in copper prices, which reduced tax revenue.

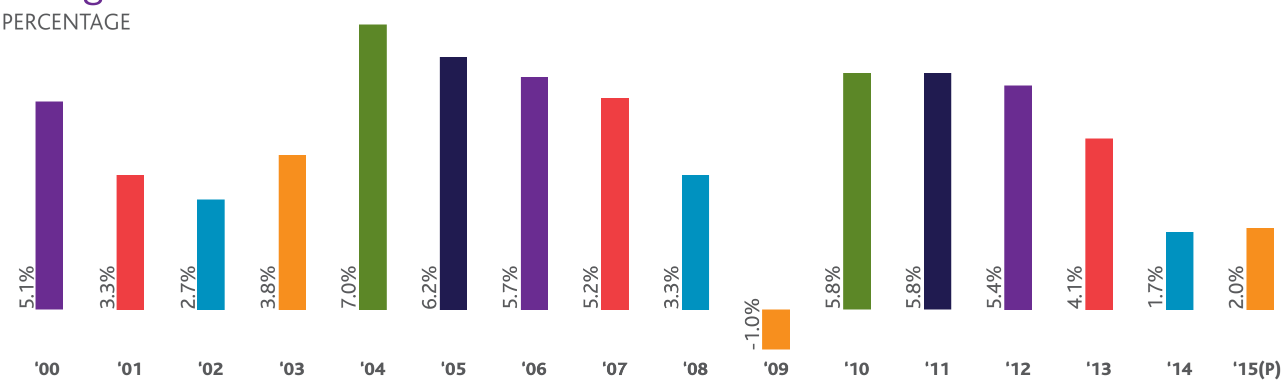
The CPI was up 4.4% by the end of the year after peaking at 5% in August. Much of this increase was due to depreciation in exchange rates during 2015 (15%), which was expected to be a temporary rise. In fact, towards the end of last year the exchange rate reversed, partly associated with the fall in oil prices during the last quarter. Likewise, prices of tradable goods accelerated during the first half of the year though growth slowed during the second half, finishing at 4.3% in December. In contrast, prices of non-tradable goods grew gradually during the course of the year, starting at 5.4% in January and closing at 4.4% in December. The underlying indicators CPIX (standard CPI excluding fuel, fresh fruits and vegetables) and the CPIX-1 (CPIX excluding regulated tariffs and other volatile prices) closed at 4.7%.

Although the economy continued to be weak during 2015, the fact that total and underlying inflation remained above the target range (2% to 4%) prompted the Central Bank to moderate the monetary stimulus, with increases of 25pb in the reference interest rate at the meetings in October and December, placing it at 3.5%.

During 2015 the peso exchange rate was volatile, but continued to depreciate, in line with the strengthening of the U.S. dollar at a global level, the fall in terms of trade and weakness in the economy. At the beginning of 2015 the exchange rate was around Ch$615 to US$ 1, and finished the year around Ch$710, thus depreciating by 15%.

GDP growth in chile

PERCENTAGE



MAIN ECONOMIC INDICATORS	2009	2010	2011	2012	2013	2014	2015 (P)
GDP (in millions of US$)	172	218	251	265	277	258	239
GDP per Capita (US$)	10,180	12,726	14,542	15,240	15,758	14,570	13,361
GDP (% change)	-1.0	5.8	5.8	5.5	4.2	1.9	2.0
Domestic Spending (% change)	-5.7	13.5	9.4	7.3	3.7	-0.6	1.8
Private Consumption	-0.8	10.8	8.9	6.1	5.9	2.2	1.5
Fixed Capital Investment	-12.1	11.6	15.0	11.6	2.1	-6.1	0.1
Exports (% change, in real terms)	-4.5	2.3	5.5	0.1	3.4	0.7	-1.2
Imports (% change, in real terms)	-16.2	25.5	16.0	4.8	1.7	-7.0	-2.1
Global Growth PPP (%)	0.0	5.4	4.1	3.4	3.3	3.4	2.9
Exchange Terms (2008 = 100)	105.1	123.3	123.0	117.3	113.8	112.2	107.7
Copper Price (average US$ /pound, in cents)	234	342	400	361	332	311	250
WTI Oil Price (average US$/per barrel)	62	79	95	94	98	93	49
Federal Funds Rate (Y/E, %)	0.3	0.3	0.3	0.3	0.3	0.3	0.4
180-day LIBOR Rate (Y/E, %)	0.4	0.5	0.8	0.5	0.3	0.3	0.8
10-year U.S. Treasury Bonds (Y/E, %)	3.8	3.3	1.9	1.8	2.9	2.2	2.2
Euro (Y/E, US$)	1.4	1.3	1.3	1.3	1.4	1.2	1.1
Yen (Y/E, ¥/US$)	93.0	81.1	76.9	86.8	105.3	119.8	121.7
Trade Balance (in millions of US$)	15.4	15.9	11.0	2.3	1.8	7.8	4.1
Exports (in millions of US$)	55.5	71.1	81.4	77.8	76.5	75.7	63.4
Imports (in millions of US$)	40.1	55.2	70.4	75.5	74.7	67.9	59.2
Current Account (in millions of US$)	3.5	3.8	-3.1	-9.6	-10.1	-3.0	-3.0
Current Account (% of GDP)	2.0	1.7	-1.2	-3.6	-3.7	-1.2	-1.3
Total Savings (Domestic + External), % of GDP	20.3	22.3	23.7	25.5	24.3	21.4	22.7
Gross Domestic Savings	22.5	24.3	22.9	22.3	21.0	20.8	21.1
Central Government	-2.4	1.4	3.2	2.5	1.0	0.1	-0.3
Private Sector	24.9	22.9	19.7	19.8	20.0	20.6	21.4
External Savings (Current Account Deficit)	-2.2	-2.0	0.8	3.2	3.3	0.7	1.5
Central Government Balance (% of GDP)	-4.2	-0.4	1.3	0.6	-0.6	-1.6	-2.5
CPI Dec-Dec (%)	-1.4	3.0	4.4	1.5	3.0	4.6	4.4
Underlying CPI (CPIXfn) Dec-Dec (%)	-1.8	2.5	3.3	1.3	2.4	5.1	4.7
Inflationary Trend (CPIX1fn) Dec-Dec (%)	-1.1	0.0	2.5	1.8	2.5	4.6	4.7
Central Bank International Inflation (% average)	-7.2	6.0	9.9	-0.2	0.4	-1.1	-9.7
Monetary Policy Rate, TPM (Y/E, %, in Ch$)	0.5	3.3	5.3	5.0	4.5	3.0	3.5
BCU-10 365d Bonds (Y/E, % in UF)	6.4	6.1	5.3	5.6	5.2	4.4	4.7
BCU-10 365d Bonds (Y/E, % in Ch$)	3.3	2.9	2.7	2.6	2.2	1.5	1.6
Observed Exchange Rate (average, Ch$/US$)	506	468	521	479	524	607	707
Observed Exchange Rate (Y/E, Ch$/US$)	560	510	484	486	495	570	654
Job Growth (%)	0.1	7.4	5.0	1.9	2.1	1.5	1.6
Labor Force Growth (%)	1.9	4.2	3.8	1.1	1.6	2.0	1.4
Unemployment Rate (average %)	10.8	8.1	7.1	6.4	5.9	6.4	6.2
Salary Growth in Real Terms (average %)	3.8	2.2	2.6	3.4	3.9	2.2	1.8
External Debt (in millions of US$)	19.6	14.3	13.8	15.3	13.5	14.0	17.7
Total Net External Debt (in millions of US$)	22.6	29.6	31.7	43.9	39.2	38.4	41.4
Total Net External Debt (% of GDP)	13.1	13.6	12.6	16.5	14.2	14.9	17.3
Total Net External Debt (% of Exports)	35.3	36.0	33.5	48.6	44.1	44.3	56.2
Net International Reserves (in millions of US$)	25.4	27.9	42.0	41.6	41.1	40.4	38.6

BANCO SECURITY AND ITS ENVIRONMENT

THE BANKING INDUSTRY

LOANS

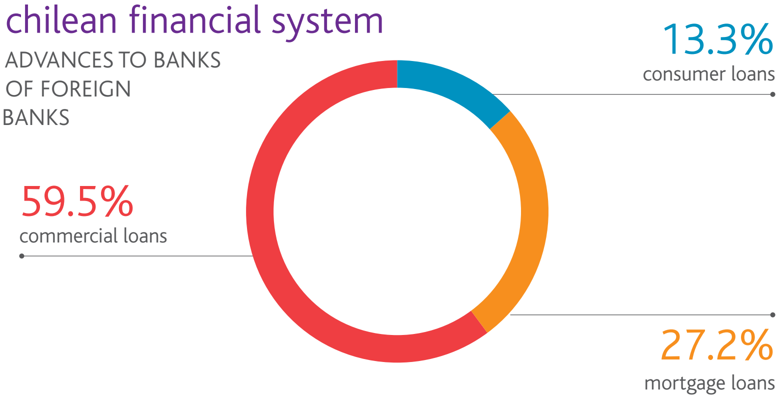
Total industry loans reached Ch$143,477 billion at the close of 2015 (Ch$133,873 billion excluding loans and advances to banks and foreign subsidiaries of local banks), which represents growth of 12.2% compared to the same period last year (11% excluding loans and advances to banks and loan portfolios of foreign subsidiaries of local banks).

Lending behavior was different in each segment. The growth in commercial loans was 11.6%, mortgage loans 16.6% and consumer loans 11.0% (excluding loans and advances to banks and loan portfolios of foreign subsidiaries of local banks these percentages are: 9.2%, 15.0% and 11.3%).

The composition of total loans at the close of 2015 excluding loans and advances to banks and loan portfolios of foreign subsidiaries of local banks was as follows: commercial loans 59.5%, mortgage loans 27.2% and consumer loans 13.3%.

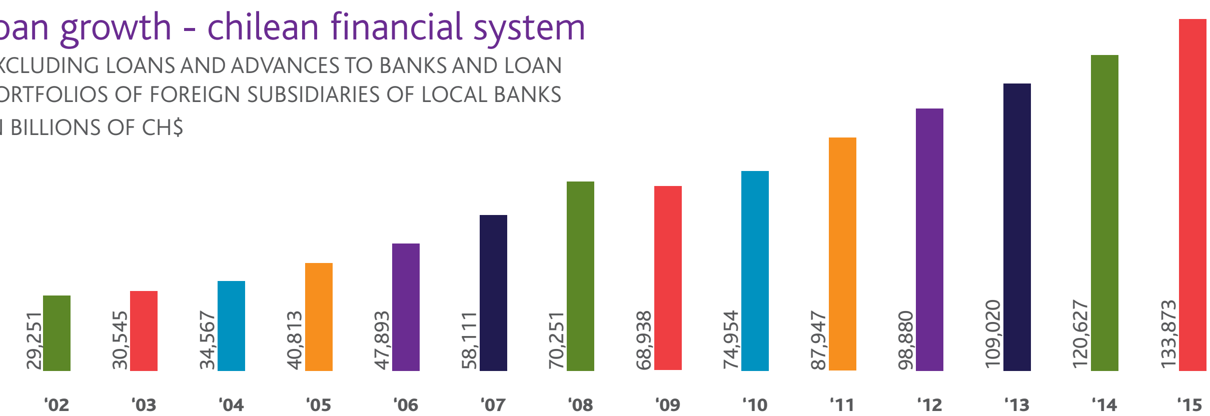
loan portfolio - chilean financial system

EXCLUDING LOANS AND ADVANCES TO BANKS AND LOAN PORTFOLIOS OF FOREIGN SUBSIDIARIES OF LOCAL BANKS



loan growth - chilean financial system

EXCLUDING LOANS AND ADVANCES TO BANKS AND LOAN PORTFOLIOS OF FOREIGN SUBSIDIARIES OF LOCAL BANKS IN BILLIONS OF CH$



SOURCE: SBIF, MONTHLY REPORT OF FINANCIAL INFORMATION FOR BANKS (RECTIFIED ON MARCH 8, 2016)

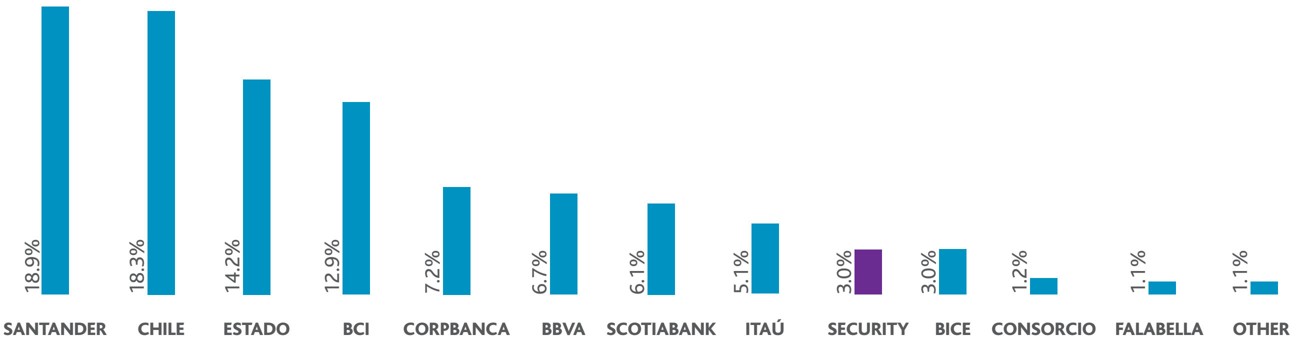
NOTE: It excludes loans and advances to banks and loan portfolios of foreign subsidiaries of local banks. Also, contingent loans were excluded from historical loans, as these must be excluded with effect from January 2008, in accordance with new standards.

03
STRATEGY AND MANAGEMENT

The three largest banks in Chile, Banco de Chile, Santander and BCI, had a combined market share of 50.12%, excluding loans and advances to banks and loan portfolios of foreign subsidiaries of local banks. Banco Security had a market share of 3.03%, excluding loans and advances to banks and loan portfolios of foreign subsidiaries of local banks.

market share - chilean financial system

DECEMBER 2015



SOURCE: SBIF, MONTHLY REPORT OF FINANCIAL INFORMATION FOR BANKS (RECTIFIED ON MARCH 8, 2016)

RESULTS

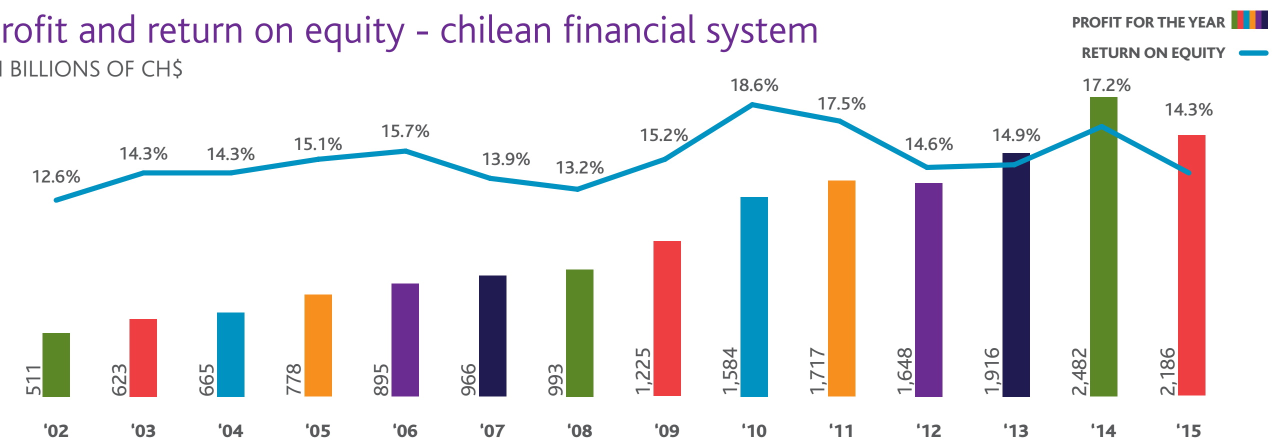
The banking industry posted profit for the year ended December 31, 2015, of Ch$2,186 billion (approximately US$3.1 billion), which represents a nominal fall of 11.9% with respect to 2014. These results are mainly explained by: a decrease in net financial operating income and net foreign exchange transactions of 0.8%, whereas provision expenses and operating expenses grew by 4.2% and 8.7%, respectively.

Total equity grew by 6.9% in the year, reaching Ch$15,412 billion, giving a return on equity of 14.18%, which is less than the 17.21% recorded last year. Meanwhile, return on total assets was 1.07% (1.37% for the previous year).

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

profit and return on equity - chilean financial system

IN BILLIONS OF CH$



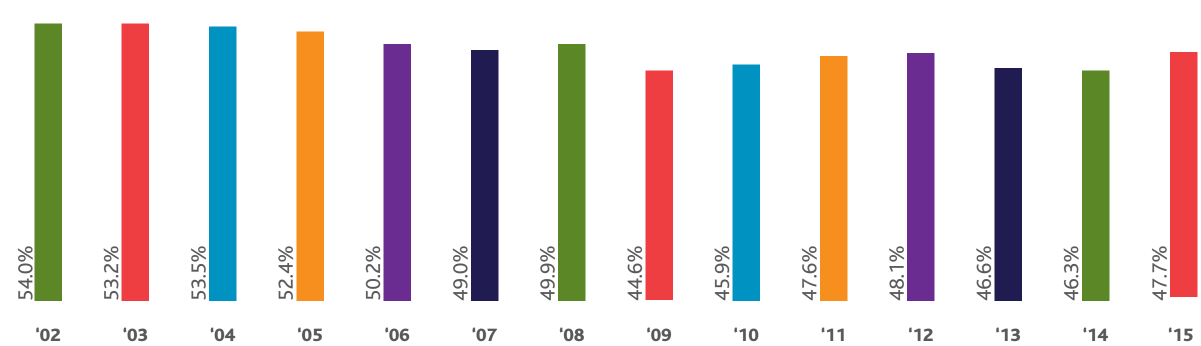
SOURCE: SBIF, MONTHLY REPORT OF FINANCIAL INFORMATION FOR BANKS (RECTIFIED ON MARCH 8, 2016)

OPERATING EXPENSES

Expenses for 2015 increased by 8.7% over 2014, explained by an increase in administrative expenses (10.9%), and, to a lesser extent, payroll and personnel expenses (6.6%) and depreciation (5.0%). This growth in expenses exceeded the growth in total net operating income (4.0%), resulting in a deterioration in the efficiency ratio for the financial sector (measured as operating expenses divided by total net operating income), which rose from 46.3% in 2014 to 47.9% in 2015.

efficiency ratio - chilean financial system

%



SOURCE: SBIF, MONTHLY REPORT OF FINANCIAL INFORMATION FOR BANKS (RECTIFIED ON MARCH 8, 2016)

Banco Santander remained the most efficient among the large and mid-sized banks, with a ratio of 40.5%, up from the previous year of 36.3%, followed by Banco de Chile with an efficiency ratio of 42.7% (41.8% for the previous year). Among the medium-sized banks, CorpBanca stood out with 46.1%, followed by Banco Security with 48.1%. The banks with greatest operational efficiency within the overall industry during 2015 were Banco Consorcio with 33.8% and Banco Falabella with 38.7%.

RISK

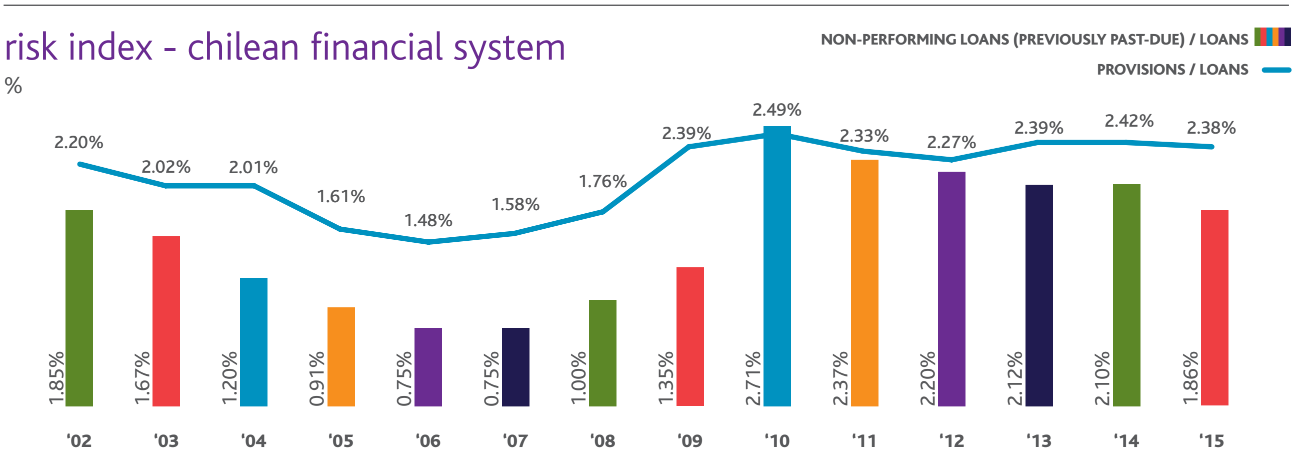
The provisions index for the financial sector was 2.38% of loans at the end of December 2015, showing an improvement in relation to 2014 when it was 2.42%. Provisions as a percentage of commercial loans were 2.38%, while mortgage and consumer loan provisions were 0.70% and 5.84%, respectively.

The 90-day non performing index has steadily declined since December 2011. The index for the financial sector (total portfolio) reached 1.86% at the close of 2015 (2.10% in 2014). Meanwhile, for consumer loans it was 2.08%, which compares with 2.10% for the previous period. For mortgage loans it was 2.69%, less than the 3.05% recorded in 2014, whereas for commercial loans it fell from 1.72% to 1.47%.

CREDIT RISK INDICES	DEC-08	DEC-09	DEC-10	DEC-11	DEC-12	DEC-13	DEC-14	DEC-15
Loan Loss Provisions / Total Loans	1.76%	2.39%	2.49%	2.33%	2.27%	2.39%	2.42%	2.38%
90 Day Non-Performing Loans / Loans, excluding loans and advances to banks	0.98%	2.94%	2. 74%	2.37%	2.20%	2.12%	2.10%	1.86%
Commercial LLP / Commercial Loans	1.46%	2.19%	2.32%	2.15%	2.00%	2.19%	2.36%	2.38%
Retail LLP / Retail Loans	2.39%	2.82%	2.84%	2.71%	2.77%	2.78%	2.59%	2.44%
Mortgage LLP / Mortgage Loans	0.68%	1.10%	1.05%	0.94%	0.79%	0.75%	0.70%	0.71%
Consumer LLP / Consumer Loans	5.65%	6.30%	6.43%	6.08%	6.36%	6.31%	6.11%	5.84%

LLP= Loan Loss Provissions

risk index - chilean financial system



BANCO SECURITY MANAGEMENT RESULTS

BANCO SECURITY MANAGEMENT RESULTS

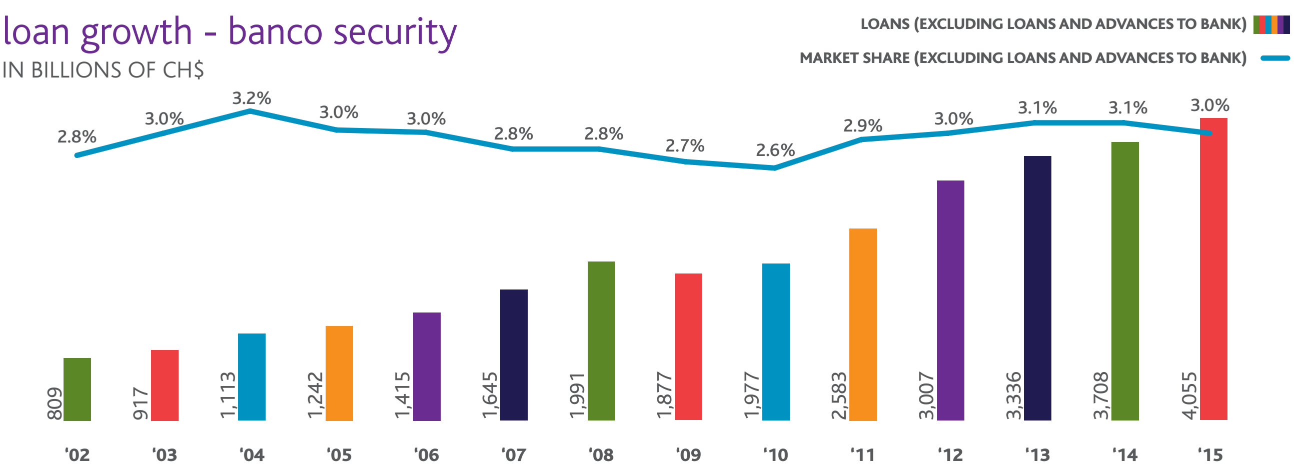
LOANS

In recent years, Banco Security has achieved continual loan growth at a rate higher than the average for the financial sector. Between 2010 and 2015 it expanded at a rate of 15.4%, exceeding growth of 12.3% for the industry. Loans in 2015 amounted to Ch$4,055 billion (excluding loans and advances to banks and loan portfolios of foreign subsidiaries of local banks).

The Bank has managed to maintain a stable market share, placing ninth among financial institutions that operate in Chile, with a market share of 3.03% in December 2015 (3.07% in December 2014), excluding loans and advances to banks and foreign subsidiaries of local banks. Loan growth comprises increases of 10.0% in domestic commercial loans, 11.7% in consumer loans and 4.3% in mortgage loans.

loan growth - banco security

IN BILLIONS OF CH$

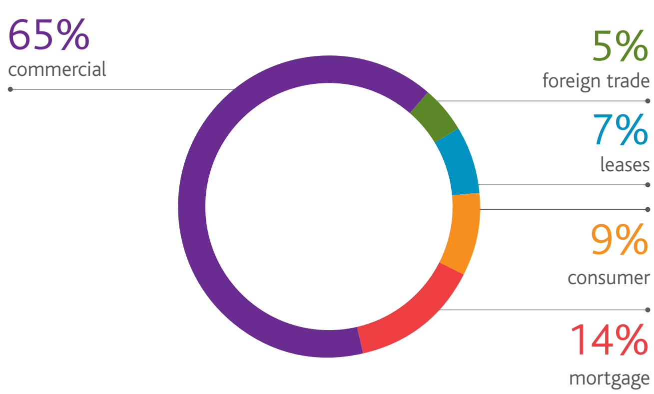


SOURCE: SBIF

NOTE: Contingent loans were excluded from historical loans, as these must be excluded with effect from January 2008, in accordance with new standards.

The loan portfolio as of December 31, 2015 was very similar to the portfolio as of December 31, 2014, and is displayed in the following graph:

loan portfolio - banco security
2015



SOURCE: SBIF

RESULTS

Profit for the year 2015 for Banco Security and its subsidiaries amounted to Ch$47,429 million, 15.2% less than last year, due to the exceptionally good performance in 2014, up 70.4% from 2013, and to an increase in risk losses for the year.

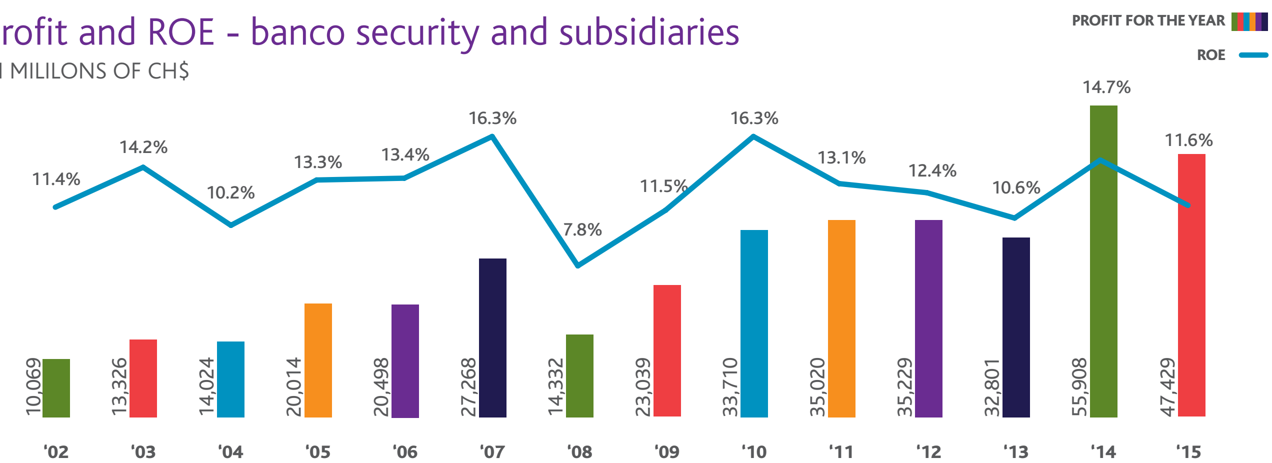
Profit by business segment is disclosed in Note 5 to the financial statements. There is a lower contribution from the Financial Banking business of Ch$11,060 million, due to the exceptional result in 2014 as mentioned previously, and a fall in the contribution from Commercial Banking of Ch$9,849 million, due to increases in risk losses. This was partly offset by an increased contribution from Retail Banking, up 79% from Ch$3,857 million in 2014 to Ch$6,919 million in 2015, and an increased contribution from subsidiaries of Ch$3,878 million.

Our operating expenses rose by 4.9%, whereas the industry average was 8.7%. This increase was mainly due to the costs associated with the volume of transactions and the Bank's technological developments. The efficiency ratio reached its lowest level in recent years at 48.1%, which compares favorably with the ratios in previous years of 48.9% in 2014, 53.3% in 2013 and 54.7% in 2012.

The Bank posted return on equity of 11.6% compared to 14.8% last year, ranking us eleventh in the industry.

profit and ROE - banco security and subsidiaries

IN MILILONS OF CH$



SOURCE: SBIF

SUBSIDIARIES

The subsidiaries consolidated by Banco Security (Valores Security S.A. Corredores de Bolsa (99.76%) and AGF Security S.A. (99.99%)), contributed profit of Ch$10,450 million in 2015, an increase of 58.8% compared to previous year's contribution.

During March 2015, the merger of Valores Security with the brokerage subsidiary of Cruz del Sur was completed, strengthening their operations in the market. During July, an agreement was reached with Banco Penta to acquire 100% of Penta Administración General de Fondos S.A. and Penta Corredores de Bolsa S.A., which will enable Inversiones Security to strengthen the brokerage subsidiary's market share by trading value and position the asset management subsidiary in fourth place by assets under management.

AGF Security posted profit of Ch$8,583 million and a market share of 5.9% at the year end of 2015, which was 6.3% lower than at the year end of 2014. Valores Security achieved a market share of 4.2% in the amounts traded in shares, ranking it seventh by volume traded by stock brokerage on the Santiago and Electronic Stock Exchanges, and reported a profit of Ch$1,866 million at the year end of 2015.

RISK

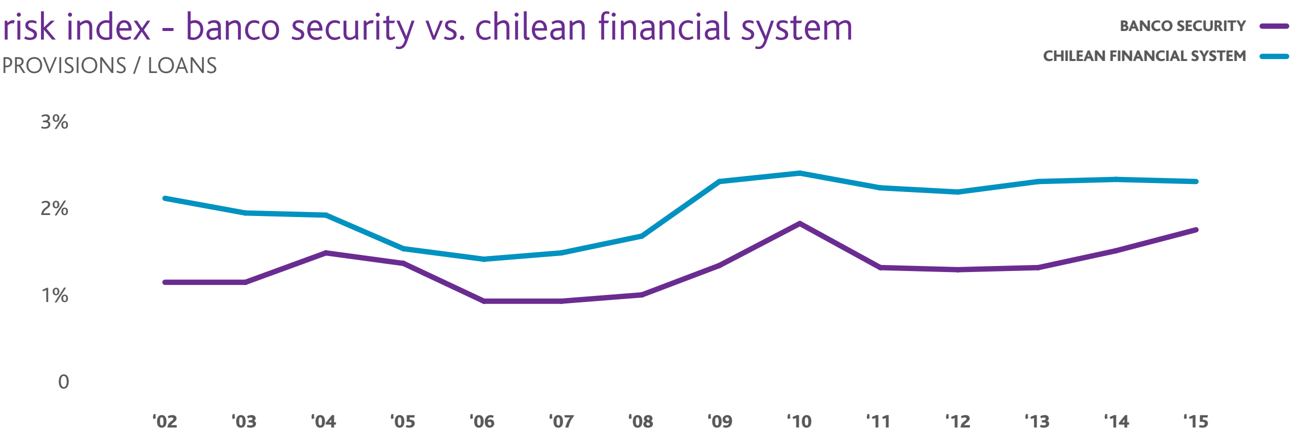
Banco Security's management aims to minimize the risks inherent to the business (credit, market, liquidity and operational risk) to optimize the risk-return ratio defined by its shareholders. This is achieved by establishing clear policies and a defined structure, with risk being controlled by individuals independent of those who manage it. Over the past few years, the Bank has been developing new risk models to accurately calculate and manage credit, market and operational risks, and it has designed and implemented various mechanisms to promptly manage risks as they arise.

Therefore, these models, together with a conservative risk management policy and coordination with sales departments, have enabled the Bank to manage the loan evaluation and approval processes, for both the commercial and retail loan portfolios. This has resulted in credit risk indicators that continue to compare favorably with those of its peers and the industry.

As of December 31, 2015, the risk index for Banco Security was 1.83%, higher than the previous year at 1.59%, which was explained by an increase in the risk of Commercial Banking customers involved in the retail and wholesale trade and mining sectors. Despite this, the rate remains below the average for the industry at 2.38%. Likewise, the Bank's non-performing loans indicators for its 90-day non-performing loans was 1.54% compared to 1.86% for the industry, and for its impaired loans was 3.98% compared to 5.05% for the industry, both outperforming the financial sector.

risk index - banco security vs. chilean financial system

PROVISIONS / LOANS



SOURCE: SBIF

BANCO SECURITY MANAGEMENT RESULTS

CAPITALIZATION

The Bank aims to mantain at all times a regulatory capital to risk-weighted assets ratio higher than 10%, and to keeping it at or above 12% most of the time. The successive capital contributions (Ch$87,000 million between August 2011 and November 2014) and the capitalization of earnings each year reflect the continued commitment and support of the shareholders, which has enabled the Bank's capital base to be strengthened, in order to face from a good stand point the challenges related to loan and asset growth, and to gradually adopt the stricter requirements for basic capital under the Basel III rules.

As of November 2015, the Bank's Basel Index was 12.24%, somewhat below the industry average of 12.64% as of the same date. (Source: SBIF).

BANCO security

04 CHAPTER

GENERAL INFORMATION

04
GENERAL INFORMATION

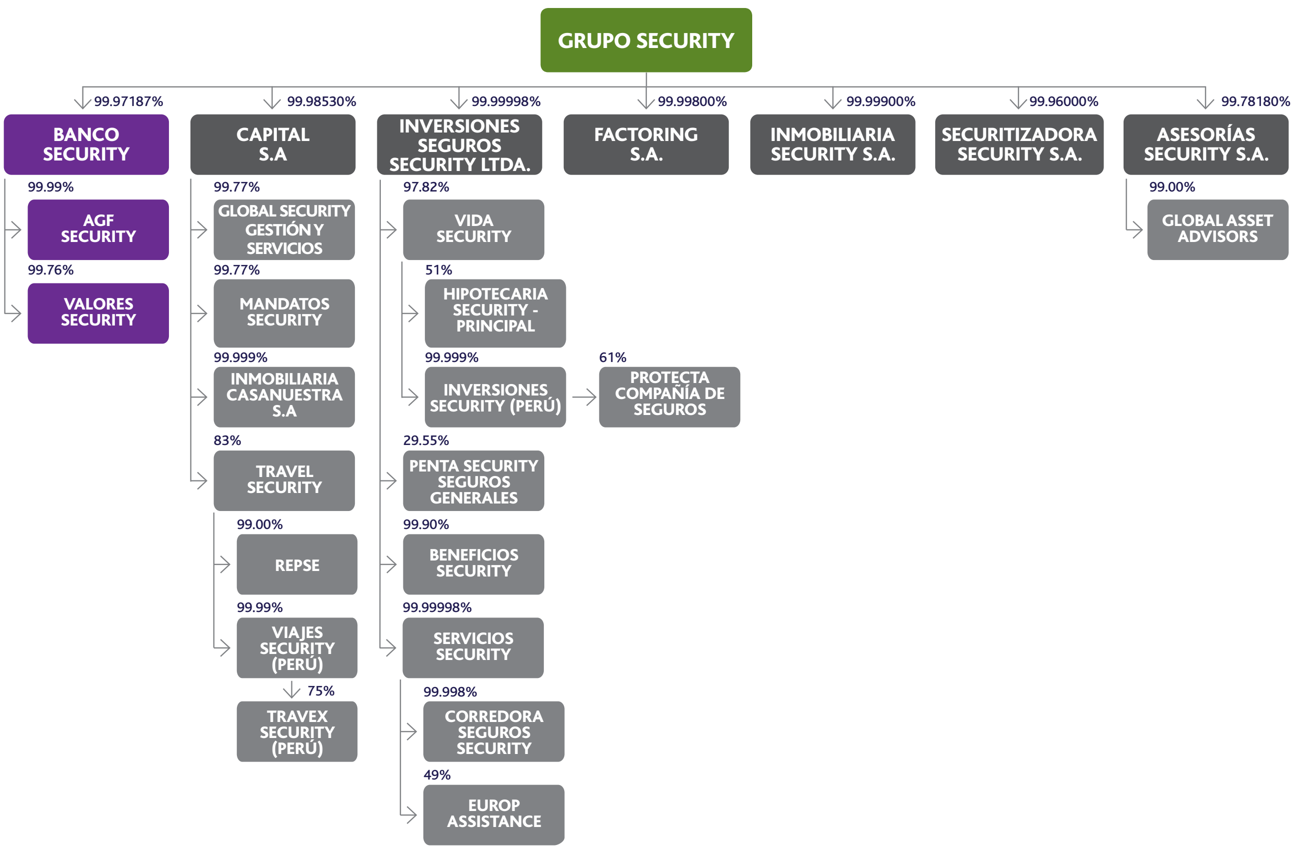
COMPANY IDENTIFICATION

LEGAL NAME:	Banco Security.
TYPE OF COMPANY:	Banking corporation.
SECURITIES REGISTRATION:	Banco Security is not listed on the Securities Registry.
CORPORATE PURPOSE:	To engage in the business, contracts, transactions and operations permitted for a commercial bank in accordance with current legislation.
CHILEAN TAX ID:	97.053.000-2
ADDRESS:	Av. Apoquindo 3150, Floor 15, Las Condes, Santiago, Chile
TELEPHONE:	(56-2) 2 584 4000
FAX:	(56-2) 2 584 4001
EMAIL:	banco@security.cl
WEB:	www.security.cl
INCORPORATION:	The company was formed by public instrument on August 26, 1981, before the Public Notary Mr. Enrique Morgan Torres. The respective extract of the articles of incorporation was published in the Official Gazette on September 23, 1981.

GENERAL INFORMATION

OWNERSHIP AND ORGANIZATIONAL STRUCTURE

Banco Security is controlled by Grupo Security, which owned 99.97187% of its shares, as of December 31, 2015.



PERSONNEL AND COMPENSATION

As of December 31, 2015, Banco Security and its subsidiaries had a total of 1,258 employees, or 11.4% more than December 2014, and 61.3% were women. During the year, the Bank paid its executives total compensation of Ch$8,087.7 million, and termination benefits of Ch$1,286.6 million.

The following table details employee distribution by company:

	EXECUTIVE	PROFESSIONAL	WORKERS	TOTAL
ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.	3	18	17	38
VALORES SECURITY CORREDORA DE BOLSA S.A.	7	19	21	47
BANCO SECURITY	33	748	392	1.173
TOTAL	43	785	430	1,258

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

04

GENERAL INFORMATION

MANAGEMENT POLICIES

PP&E AND TECHNOLOGY INVESTMENT POLICY

Banco Security has a policy for investing in property, plant and equipment (PP&E) and technology that defines the project evaluation process. Project approval depends on the value of the investment:

- Investments from 3,000 UF up to 10,000 UF must be approved by a managers committee.
- Investments from 10,000 UF up to 30,000 UF must be approved by an executive committee together with the Chief Executive Officer.
- Investments exceeding 30,000 UF must be approved by the board.

Investments are aligned with our business strategy and have been focused mainly on physical and technological infrastructure. Initiatives have been designed to strengthen our ability to provide our customers with comprehensive, first-class service, and to use resources more efficiently.

FINANCING POLICY

Banco Security has defined the general guidelines for managing the matching of maturities and currencies, liquidity and concentration by creditor. These are all aimed at limiting the risks inherent to the banking business, above and beyond the requirements established by current regulations.

DIVIDEND POLICY

Banco Security does not have an established a dividend policy. The amount to be distributed each year depends on the capital required to support growth, aimed at keeping the solvency index at the level desired by the board and senior management.

NOTE: The Unidad de Fomento (UF) is a Chilean inflation-indexed, peso-denominated monetary unit that is set daily based on changes in the Chilean Consumer Price Index. As of December 31, 2015, 1 UF was equivalent to CH$25,629.09.

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

DATE	AMOUNT (MCH$)	% PROFIT FOR PRIOR PERIOD
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%

DATE	AMOUNT (MCH$)	% PROFIT FOR PRIOR PERIOD
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%
Apr-2013	35,227.0	100.0%
Mar-2014	9,839.3	30.0%
Mar-2015	16,770.7	30.0%

RISK RATING

Banco Security's liabilities carried the following local risk ratings at the end of 2015:

	TIME DEPOSITS AND OTHER SECURITIES REPRESENTATIVE OF DEPOSITS		LETTERS OF CREDIT	BANKS BONDS	SUBORDINATED BONDS	OUTLOOK
	SHORT-TERM	LONG-TERM				
ICR	Level 1 +	AA	AA	AA	AA -	Stable
Fitch Ratings	Level 1 +	AA -	AA -	AA -	A	Stable

In September 2015, ICR Clasificadora de Riesgo increased their rating for Banco Security, basing its rating "mainly, on steady loan growth, low levels of risk, and a good quality portfolio, which has increased the Bank's recurring revenue, giving it greater income stability. Furthermore, the credibility and prestige of the Controller, and narrowing gap between the Bank's leverage ratio and Basel index versus industry averages. Also, the rating includes a potential for increased risk in relation to a possible increase in Retail Banking loans." (Annual Report and Change of Rating - September 2015 - ICR)

In addition, the Bank carried the following international risk rating provided by Standard & Poor's. As of December 31, 2015, our rating was as follows:

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

BANCO security

05 CHAPTER

SUBSIDIARIES

BOARD OF DIRECTORS

CHAIRMAN	FRANCISCO SILVA S.
DIRECTORS	BONIFACIO BILBAO H.
	CARLOS BUDGE C.
	FELIPE LARRAÍN M.
	RENATO PEÑAFIEL M.

MANAGEMENT

CHIEF EXECUTIVE OFFICER	JUAN PABLO LIRA T.
CHIEF INVESTMENT OFFICER	PABLO JAQUE S.

COMPANY IDENTIFICATION

TYPE OF COMPANY

Corporation, subsidiary of Banco Security

SECURITIES REGISTRATION

The company is registered under number 0112

CORPORATE PURPOSE

General fund manager.

INCORPORATION

The company was formed by public instrument on May 26, 1992, and was licensed to operate by the Securities and Insurance Supervisor (SVS) in Ruling No. 0112 dated June 2, 1992.
The funds managed by the company are subject to the special legal regulations contained in Decree Law No. 1,328 and its corresponding regulations, which are monitored by the SVS.

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

Growth in the mutual fund industry was low during 2015 in Chile. Average total assets under management for the industry as of December 2015 reached Ch$29,141,423 million, up 3.9% over the same date in 2014.

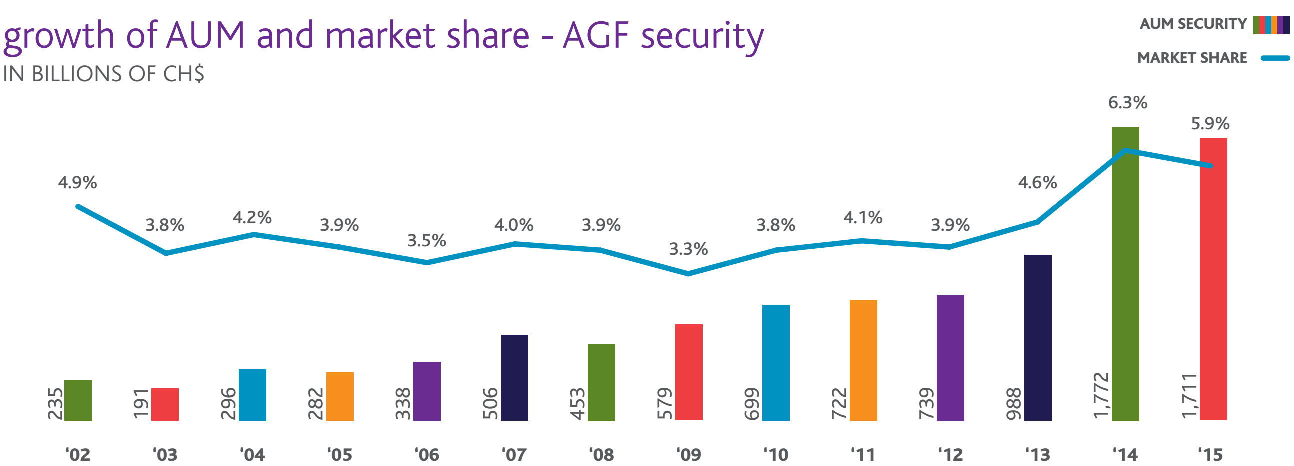
Despite this general landscape, AGF Security increased assets under management by 30% in 2015 as a result of its merger with Cruz del Sur. This growth led to a 40% rise in operating income. The subsidiary took advantage of synergies generated by the merger and managed to double profit with respect to 2014 to reach Ch$8,584,293,186.

AGF Security closed 2015 with Ch$1,916,070 million in assets under management, distributed across 33 mutual funds and one investment fund. This meant an increase of 3% in AUM in relation to 2014.

The market also recognized the subsidiary's good performance with three Salmon awards in 2015, given by the financial newspaper Diario Financiero and the Chilean Mutual Fund Association. The awards for the year went to the Security EE.UU. Mutual Fund, the Security Deuda Corporativa Latinoamericana Mutual Fund and the Security Protección UF Mutual Fund.

growth of AUM and market share - AGF security

IN BILLIONS OF CH$



NOTE: THE FIGURES DO NOT INCLUDE THE INVESTMENT FUNDS

05
SUBSIDIARIES

BOARD OF DIRECTORS

CHAIRMAN	RAMÓN ELUCHANS O.
DIRECTORS	ENRIQUE MENCHACA O.
	FERNANDO SALINAS P.
	NICOLÁS UGARTE B.

MANAGEMENT

CHIEF EXECUTIVE OFFICER	RODRIGO FUENZALIDA B.
CHIEF OPERATING OFFICER	JUAN ADELL S.
CHIEF FINANCIAL OFFICER	ANDRÉS PEREZ L.

COMPANY IDENTIFICATION

TYPE OF COMPANY	Corporation, subsidiary of Banco Security
SECURITIES REGISTRATION	The company is registered under number 0111
CORPORATE PURPOSE	To engage in various businesses, including trading equities (stock brokerage), fixed income instruments and foreign currency; portfolio management and financial advisory services.
INCORPORATION	The company was formed by public instrument on April 10, 1987, before the Public Notary Mr. Enrique Morgan Torres.

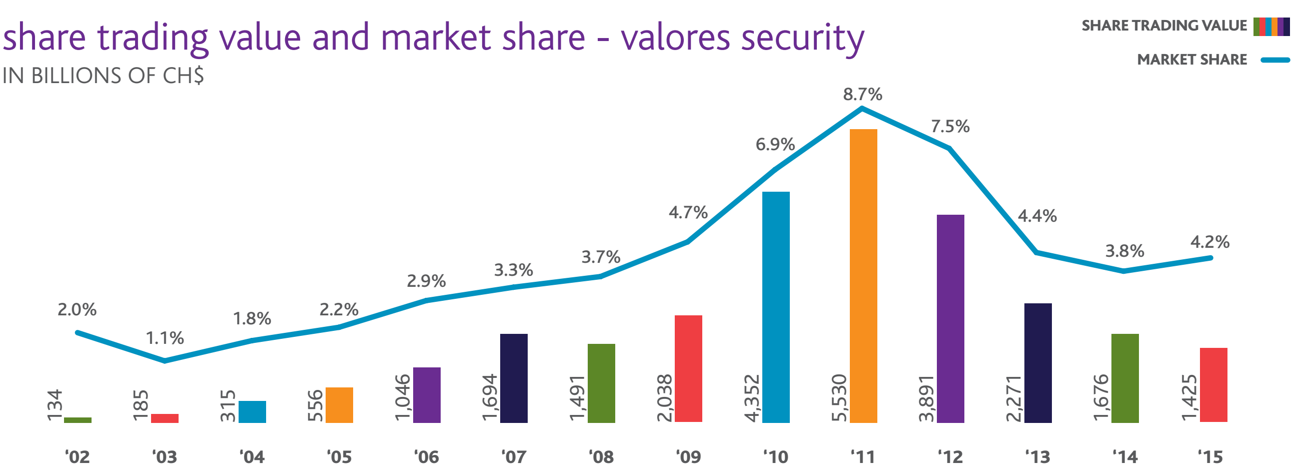
VALORES SECURITY S.A. CORREDORES DE BOLSA

In 2015 Valores Security faced the major challenge of merging with the Cruz del Sur brokerage subsidiary. This process was completed in March. As a result the company sold one share in the Santiago Stock Exchange to Bovespa, generating an extraordinary gain after tax of Ch$1,497 million.

Valores Security generated profit of Ch$1,870,881,205 and had a market share of 4.2% as of December 31, 2015, ranking seventh by share trading value on the Santiago and Electronic Stock Exchanges.

share trading value and market share - valores security

IN BILLIONS OF CH$



BANCO security

06 CHAPTER

FINANCIAL STATEMENTS

Deloitte.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of
Banco Security

We have audited the accompanying consolidated financial statements of Banco Security and its subsidiaries ("the Bank"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of income, statements of comprehensive income, statements of changes in 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 the accounting standards and instructions issued by the Superintendency of Banks and Financial Institutions. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not

INFORME A LOS AUDITORES INDEPENDIENTES

for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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, 2015 and 2014, and the results of their operations and their cash flows for the years then ended, in accordance with accounting standards and instructions issued by the Superintendency of Banks and Financial Institutions.

EMPHASIS OF A MATTER

As indicated in Note 4 to the consolidated financial statements, on March 17, 2015, the subsidiary Valores Security S.A., Corredores de Bolsa approved the acquisition of the 100% of the shares of Cruz del Sur Corredora de Bolsa ("CdS Corredora"), owned by Capital S.A. and Inversiones Seguros Security Limitada, by Securities Security SA Corredores de Bolsa..

OTHER MATTER

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

Deloitte

Enero 14, 2016
Santiago, Chile

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015 AND 2014
FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$

	NOTES	DECEMBER 31, 2015 MCH$	DECEMBER 31, 2015 MCH$
ASSETS			
Cash and due from banks	6	561,624	331,600
Transactions pending settlement	6	41,092	46,663
Financial instruments held for trading	7	188,758	231,289
Receivables from repurchase agreements and securities borrowing	8	-	6,720
Financial derivative instruments	9	139,322	91,035
Loans and advances to banks	10	713	7,165
Loans to customers	11	3,981,083	3,649,755
Investments available for sale	12	421,023	394,077
Investments held to maturity		-	-
Investments in other companies	13	3,048	1,437
Intangible assets	14	67,861	60,234
Property, plant and equipment	15	25,601	24,246
Current tax assets	16	2,877	2,160
Deferred tax assets	16	31,825	21,142
Other assets	17	119,853	143,184
TOTAL ASSETS		5,584,680	5,010,707
LIABILITIES			
Current accounts and other demand deposits	18	583,856	512,242
Transactions pending settlement	6	13,565	18,322
Payables from repurchase agreements and securities lending	8	34,492	56,238
Savings accounts and time deposits	18	2,717,668	2,541,909
Financial derivative instruments	9	138,969	85,259
Interbank loans	19	228,156	146,429
Debt instruments issued	20	1,344,873	1,126,708
Other financial liabilities	20	22,647	24,168
Current tax assets	16	-	4,305
Deferred tax liabilities	16	16,538	11,269
Provisions	21	27,300	32,820
Other liabilities	22	48,276	71,987
TOTAL LIABILITIES		5,176,340	4,631,656
EQUITY			
Attributable to equity holders of the bank:			
Capital		242,047	242,046
Reserves		23,950	24,190
Valuation accounts		(3,986)	(307)
Retained earnings			
Retained earnings from prior periods		113,042	73,906
Profit for the year		47,424	55,902
Less: Provision for minimum dividends		(14,227)	(16,771)
		408,250	378,966
Non-controlling interest		90	85
TOTAL EQUITY		408,340	379,051
TOTAL LIABILITIES AND EQUITY		5,584,680	5,010,707

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

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED
FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$

	NOTES	DECEMBER 31, 2015 MCH$	DECEMBER 31, 2015 MCH$
Interest and indexation income	25	316,810	325,219
Interest and indexation expenses	25	(183,407)	(207,055)
Net interest and indexation income		133,403	118,164
Fee and commission income	26	57,198	44,680
Fee and commission expenses	26	(8,864)	(6,516)
Net fee and commission income		48,334	38,164
Net financial operating income (loss)	27	(4,676)	22,629
Net foreign exchange transactions	28	21,355	12,937
Other operating income	34	9,396	7,355
Total operating income		207,812	199,249
Credit risk provisions	29	(44,118)	(29,324)
OPERATING INCOME, NET OF CREDIT RISK PROVISIONS		163,694	169,925
Payroll and personnel expenses	30	(41,358)	(46,319)
Administrative expenses	31	(49,691)	(41,052)
Depreciation and amortization	32	(6,793)	(5,883)
Impairment	33	(1,557)	(5,501)
Other operating expenses	34	(7,223)	(6,628)
TOTAL OPERATING EXPENSES		(106,622)	(105,383)
NET OPERATING INCOME		57,072	64,542
Income attributable to investments in other companies	13	260	152
Profit before tax		57,332	64,694
Income tax expense	16	(9,903)	(8,786)
Profit from continuing operations		47,429	55,908
Profit from discontinued operations		-	-
PROFIT FOR THE YEAR		47,429	55,908
Attributable to:			
Equity holders of the bank		47,424	55,902
Non-controlling interest		5	6
Earnings per share attributable to equity holders of the bank:			
		$	$
Basic earnings per share	24	230	283
Diluted earnings per share	24	230	283

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

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED
FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$

	DECEMBER 31, 2015 MCH$	DECEMBER 31, 2015 MCH$
PROFIT FOR THE YEAR	47,429	55,908
OTHER COMPREHENSIVE INCOME		
Valuation of investments available for sale	(4,747)	3,424
Valuation of accounting hedges	-	-
Other comprehensive income	-	-
Other comprehensive income (loss) before taxes	(4,747)	3,424
Income taxes related to other comprehensive income (loss)	1,068	(677)
Total other comprehensive income (loss)	(3,679)	2,747
CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR	43,750	58,655
Attributable to:		
Equity holders of the bank	43,745	58,649
Non-controlling interest	5	6
Comprehensive earnings per share attributable to equity holders of the bank:	$	$
Utilidad básica	212	297
Utilidad diluída	212	297

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

FUENTE: FECU SVS

STATEMENT OF CHANGES IN EQUITY

DECEMBER 31, 2015 AND 2014
FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK								
				RETAINED EARNINGS					
	PAID-IN CAPITAL MCH$	RESERVES MCH$	VALUATION ACCOUNTS MCH$	PRIOR YEARS MCH$	PROFIT FOR THE YEAR MCH$	PROVISION FOR MINIMUM DIVIDENDS MCH$	TOTAL MCH$	NON-CONTROLLING INTEREST MCH$	TOTAL MCH$
Balances as of December 31, 2013	215,207	22,224	(3,054)	50,947	32,798	(9,839)	308,283	79	308,362
Reclassification of profit for the year	-	-	-	32,798	(32,798)	-	-	-	-
Dividends paid	-	-	-	(9,839)	-	-	(9,839)	-	(9,839)
Provision for minimum dividends	-	-	-	-	-	9,839	9,839	-	9,839
Other equity movements	-	1,966	-	-	-	-	1,966	-	1,966
Capital increase	26,839	-	-	-	-	-	26,839	-	26,839
Investments available for sale	-	-	2,747	-	-	-	2,747	-	2,747
Profit for the year	-	-	-	-	55,902	-	55,902	6	55,908
Provision for minimum dividends	-	-	-	-	-	(16,771)	(16,771)	-	(16,771)
Balances as of December 31, 2014	242,046	24,190	(307)	73,906	55,902	(16,771)	378,966	85	379,051
Reclassification of profit for the year	-	-	-	55,902	(55,902)	-	-	-	-
Dividends paid	-	-	-	(16,771)		-	(16,771)	-	(16,771)
Provision for minimum dividends	-	-	-	-	-	16,771	16,771	-	16,771
Other equity movements	-	(240)	-	5	-	-	(235)	-	(235)
Capital increase	1	-	-	-	-	-	1	-	1
Investments available for sale	-	-	(3,679)	-	-	-	(3,679)	-	(3,679)
Profit for the year	-	-	-	-	47,424	-	47,424	5	47,429
Provision for minimum dividends	-	-	-	-	-	(14,227)	(14,227)	-	(14,227)
Balances as of December 31, 2015	242,047	23,950	(3,986)	113,042	47,424	(14,227)	408,250	90	408,340

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED
FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$

	NOTES	DECEMBER 31, 2015 MCH$	DECEMBER 31, 2015 MCH$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Consolidated profit before tax		57,332	64,694
Charges (credits) to profit that do not represent cash flows:			
Credit risk provisions	29	44,118	29,324
Depreciation and amortization	32	6,793	5,883
Impairment	33	1,557	5,501
Other provisions	34	2,402	805
Changes in deferred tax assets and liabilities		(4,454)	(6,774)
Valuation of investments in trading book		(2,616)	1,074
Valuation of trading derivatives		5,423	3,803
Income attributable to investments in other companies	13	(260)	(152)
Gain on sales of assets received in lieu of payment		(378)	(126)
Net fee and commission income	26	(48,334)	(38,164)
Net interest and indexation income	25	(133,403)	(118,164)
Other charges (credits) that do not represent cash flows		(20,793)	(13,635)
CHANGES IN OPERATING ASSETS AND LIABILITIES:			
(Increase) decrease in loans and advances to banks		6,467	(1,355)
Increase in loans to customers		(355,316)	(322,399)
(Increase) decrease in investments		19,881	(89,493)
(Increase) decrease in leased assets		(22,153)	3,183
Sale of assets received in lieu of payment		737	4,225
Increase in current accounts and other demand deposits		71,607	86,792
Decrease in sales with repurchase agreements and securities lending		(21,746)	(6,873)
Increase in savings accounts and time deposits		193,079	248,485
Net change in letters of credit		(4,954)	(5,352)
Net change in senior bonds		186,016	134,174
Increase in other assets and liabilities		(16,487)	(47,297)
Recovered taxes		-	20
Interest and indexation received		325,080	272,084
Interest and indexation paid		(159,096)	(170,052)
Fees and commissions received		57,198	44,680
Fees and commissions paid		(8,864)	(6,516)
Net cash flows provided by operating activities		178,836	78,375
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	15	(3,034)	(1,849)
Investments acquired	14	(12,189)	(16,438)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(15,223)	(18,287)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in domestic interbank loans		(575)	1,006
Increase (decrease) in foreign interbank loans		82,312	(47,716)
Decrease in other financial liabilities		(1,591)	(3,946)
Net change in subordinated bonds		(4,494)	15,691
Capital increase		1	26,839
Dividends paid	24	(16,771)	(9,839)
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		58,882	(17,965)
TOTAL POSITIVE NET CASH FLOWS		222,495	42,123
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6	366,661	324,544
EFFECT OF NON-CONTROLLING INTEREST		(5)	(6)
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	589,151	366,661

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Figures in millions of Chilean pesos - MCH$

1. BUSINESS DESCRIPTION

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

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

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

As of December 31, 2015

SHAREHOLDERS	Nº OF SHARES	OWNERSHIP INTEREST (%)
Grupo Security	205,936,986	99.97
Minority shareholders	57,940	0.03
Total	205,994,926	100.00

Al 31 de diciembre de 2014

SHAREHOLDERS	Nº OF SHARES	OWNERSHIP INTEREST (%)
Grupo Security	205,933,569	99.97
Minority shareholders	59,880	0.03
Total	205,993,449	100.00

2. BASIS OF PREPARATION

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

A) ASSET AND LIABILITY VALUATION CRITERIA.

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

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

  For financial assets, amortized cost includes corrections for any impairment that may have occurred.

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

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

- **Valuation at acquisition cost.**
  Acquisition cost is defined as the cost of the transaction to acquire the asset, less any impairment losses that may exist

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

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

B) FUNCTIONAL CURRENCY

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

C) USE OF ESTIMATES AND JUDGMENT.

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

- These relevant estimates and assumptions are reviewed regularly by the Bank's senior management, in order to quantify the effects on asset, liability and profit or loss accounts.
- Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future period that is affected.

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

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

D) CONSOLIDATION CRITERIA.

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

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

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

- **Investments in other companies.**
  Investments in other companies are those in which the Bank does not have significant influence. They are presented at acquisition value, except for the share in the Santiago Stock Exchange, which is presented at fair value. Revenue is recognized in profit or loss as received.

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

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

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

	OWNERSHIP INTEREST 2015 %	OWNERSHIP INTEREST 2014 %
Valores Security S.A. Corredores de Bolsa (*)	99.76	99.76
Administradora General de Fondos Security S.A. (**)	99.99	99.99

(*) As indicated in Note 4 to the consolidated financial statements, in an extraordinary meeting of the Board of Directors of Valores Security S.A., Corredores de Bolsa, held on March 17, 2015, the Board agreed to approve the related party transaction whereby Valores Security S.A., Corredores de Bolsa would acquire 100% of the shares of Cruz del Sur Corredora de Bolsa S.A. ("CdS Corredora") from Capital S.A. and Inversiones Seguros Security Limitada.

(**) As indicated in Note 4 to the consolidated financial statements, on December 22, 2014, the subsidiary Administradora General de Fondos Security S.A. informed the Chilean Superintendency of Securities and Insurance (SVS) that it had registered 100% of the shares of Cruz del Sur Administradora General de Fondos S.A., as recorded in that company's shareholders register, in the name of Administradora General de Fondos Security S.A. This merger also generated goodwill, which is presented in Note 14.b).

E) OPERATING SEGMENTS.

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

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

F) INTEREST AND INDEXATION INCOME AND EXPENSES.

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

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

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

G) FEE AND COMMISSION INCOME AND EXPENSES.

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

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

H) TRANSLATION OF FOREIGN CURRENCY TO FUNCTIONAL CURRENCY.

The Bank's functional currency is the Chilean peso. Transactions in foreign currency carried out by the Bank are translated to Chilean pesos at the exchange rate on the transaction date. As of December 31, 2015 and 2014, monetary items in foreign currency are translated using the year-end exchange rates of CH$708.7 and CH$607.33 to US$ 1, respectively, which does not differ significantly from the exchange rates of CH$710.16 and CH$606.75, as of December 31, 2015 and 2014, used by the subsidiaries regulated by the Superintendency of Securities and Insurance.

The net foreign exchange gains of MCH$21,355 and MCH$12,937 for the years ended December 31, 2015 and 2014, respectively, shown in the consolidated statement of income, include both the result of foreign exchange transactions and the effects of exchange rate variations on foreign currency-denominated assets and liabilities of the Bank and its subsidiaries.

I) TRANSLATION.

Assets and liabilities expressed in unidades de fomento (UF – Chilean inflation index-linked unit of account) are presented using the rates in effect as of December 31, 2015 and 2014, which were CH$25,629.09 and CH$24,627.10, respectively.

J) FINANCIAL INVESTMENTS

Financial investments are classified and valued as follows:

j.1) Financial instruments held for trading: Financial instruments held for trading are securities, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or securities included in a portfolio in which there is a pattern of short-term profit-making.

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

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

j.2) Investment securities: Investment securities are classified into two categories: Held to maturity and available for sale. Investment securities held to maturity are those instruments that the Bank has the ability and intent to hold to maturity. All other investment securities are considered available for sale. As of the date of issuance of these financial statements, the Bank does not have any financial assets held to maturity.

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

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

Investments held to maturity are recorded at cost plus accrued interest and indexation, less any impairment provisions made when the amount recorded is greater than the estimated recoverable amount. As of December 31, 2015 and 2014, the Bank did not have any investments held to maturity.

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

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

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

K) DERIVATIVE INSTRUMENTS.

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

Certain embedded derivatives in other financial instruments are treated as separate derivatives when their risk and characteristics are not closely related to

those of the main contract, and the latter is not recorded at fair value with its unrealized gains and losses included in profit or loss.

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

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

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

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

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

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

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

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

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

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

L) PAYABLES FROM BUYBACK AGREEMENTS AND SECURITIES LENDING/BORROWING.

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

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

M) DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES.

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

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

N) IMPAIRMENT.

n.1) Financial assets: As of each reporting date, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets may be impaired. A financial asset is impaired and a loss will arise if objective evidence of impairment exists.

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

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

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

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

n.2) Non-financial assets: As of each reporting date, the Bank reviews the carrying amount of its non-financial assets to determine if objective evidence of impairment exists. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount.

O) ASSETS RECEIVED IN LIEU OF PAYMENT.

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

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

P) LEASE AGREEMENTS.

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

Q) PROPERTY, PLANT AND EQUIPMENT.

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

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

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

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

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

R) INTANGIBLE ASSETS.

r.1) Software: Expenses for internally developed software are recognized as an asset when the Bank is able to demonstrate its intent and ability to complete development and use it internally to generate future economic benefits and it can reliably measure the costs of completing this development. Capitalized costs of internally developed software include all costs directly attributable to developing the software and they are amortized over their useful lives.

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

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

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

r.2) Goodwill: Goodwill generated upon consolidation represents the difference between the acquisition cost and Banco Security's share of the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity as of the acquisition date.

Any goodwill generated is valued at acquisition cost and is tested at each reporting date for any impairment that reduces its recoverable amount to below its carrying amount. If appropriate, this difference is recorded in the consolidated statement of income under "administrative expenses" in accordance with IFRS 3.

S) PROVISIONS FOR ASSETS AT RISK.

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

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

T) LOANS TO CUSTOMERS, PROVISIONS AND WRITE-OFFS

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

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

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

t.1) Provisions on loans assessed individually.

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

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

- **Normal and Substandard Portfolio**

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

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

- **Default Portfolio**

PORTFOLIO TYPE	SCALE OF RISK	RANGE OF EXPECTED LOSS	PROVISION (%)
Default Portfolio	C1	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

t.2) Provisions on loans assessed in a group.

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

t.3) Additional loan provisions.

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

As of December 31, 2015 and 2014, the Bank had not recorded any additional provisions.

t.4) Write-Offs

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

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

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

As of December 31, 2015 and 2014, recoveries of written-off loans amounted to MCH$4,491 and MCH$3,411, respectively, and they are presented in provisions recorded during the year under "credit risk provisions" in the consolidated statement of income, as detailed in Note 29 to the financial statements.

U) CASH AND CASH EQUIVALENTS.

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

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

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

- **Operating activities,** transactions related to the Bank's normal operations and its main source of revenue.

- **Investing activities,** these cash flows represent disbursements that have been made that will produce revenue and cash flows over the long term.

- **Financing activities,** these cash flows represent the activities and cash needs to cover commitments to those contributing funding or capital to the entity.

V) TIME DEPOSITS, DEBT INSTRUMENTS ISSUED.

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

W) INCOME TAX AND DEFERRED TAXES.

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

As of December 31, 2014, deferred taxes have been adjusted to reflect the new corporate income tax rates stipulated in Law 20,780 published on September 29, 2014, which modifies the income tax system and introduces several adjustments to the tax system ("the Tax Reform"). The Tax Reform includes a progressive rate hike for corporate income tax, which varies based on whether the entity chooses the Semi-Integrated System or the Attributed Income System.

X) EMPLOYEE BENEFITS.

x.1) Employee vacation

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

x.2) Short-term benefits.

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

x.3) Severance indemnities.

The Bank has not agreed to any all-event severance indemnities for its employees and, as a result, has not made any provisions for this concept. Any such expenses are recorded in profit or loss as incurred.

Y) MINIMUM DIVIDENDS.

As of December 31, 2015 and 2014, the Bank recorded a liability (provision) for minimum or mandatory dividends. This provision is based on article 79 of the Corporations Law and is also reflected in the Bank's dividend policy. This policy stipulates that at least 30% of the profits for the year shall be distributed, unless the shareholders representing all issued shares unanimously agree otherwise in the shareholders' meeting.

Z) EARNINGS PER SHARE.

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

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

AB) LEASES.

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

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

AC) PROVISIONS AND CONTINGENT LIABILITIES.

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

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

3. ACCOUNTING CHANGES

During the period from January 1 to December 31, 2015, there were no changes to the accounting policies affecting their comparison with the same period in the prior year.

4. MATERIAL EVENTS

BANCO SECURITY

On December 10, 2015, the SBIF authorized the acquisition and merger of the companies Penta Corredores de Bolsa S.A. and Penta Administradora General de Fondos S.A., in accordance with the terms set by the regulator.

On September 11, 2015, Banco Security and Banco Penta reported that they had signed an agreement to purchase the companies Penta Corredores de Bolsa S.A. and Penta Administradora General de Fondos S.A., and that the merger would take place between December 31, 2015 and February 28, 2016.

On March 5, 2014, the SBIF was informed that the Hong Kong Monetary Authority authorized Banco Security to establish a representation office in that city.

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

In an ordinary board meeting on November 13, 2015, the board approved amendments to its "Policy on Customary Transactions Within its Line of Business with Related Parties ("Customary Transactions Policy"), as required by article 147 letter b) of Law No. 18.046 on Corporations.

On September 3, 2015, by virtue of article 18 of Law 20,712 on Management of Third-Party Funds and Individual Portfolios, and articles 9 and 10 of Law 18,045 on the Securities Market, the company reported the takeover merger of the funds specified therein as approved by the board on May 15, 2015.

ABSORBED FUNDS	CONTINUING FUNDS
F.M. Security Asiático.	F.M. Security Asia Emergente.
F.M. Security Previsión.	F.M. Security Corporativo.
F.M. Security Emergente.	F.M. Security Emerging Markets.
F.M. Security Nominal.	F.M. Security First.
F.M. Security Protección UF.	F.M. Security Gold.
F.M. Security Latinoamericano. F.M. Security Brasil.	F.M. Security Index Fund Latham Small Cap.
F.M. Security Estados Unidos	F.M. Security Index Fund US.
F.M. Security Diversificación	F.M. Security Income
F.M. Security Bonos Latinoamericanos.	F.M. Security Deuda Corporativa Latinoamericana.
F.M. Security Confianza Dólar.	F.M. Security Deuda Corporativa Latinoamericana I.G.
F.M. Security Confianza.	F.M. Security Mid Term
F.M. Security Index Fund Chile Mid & Small Cap.	F.M. Security Index Fund Chile.
F.M. Security Fundación.	F.M. Security Selectivo.

On August 24, 2015, by virtue of article 18 of Law 20,712 on Management of Third-Party Funds and Individual Portfolios, and articles 9 and 10 of Law 18,045 on the Securities Market, the company reported the merger of the Security Liquidez Mutual Fund, which was taken over by the successor fund, as approved by the board in an ordinary meeting on May 15, 2015.

An ordinary general shareholders' meeting was called for April 29, 2015, at 9:30 a.m. in order to address and vote on the following matters: To approve the annual report and balance sheet for the year ended December 31, 2014, distribution of profits for the year, Board of Directors' fees, appointment of the company's independent auditors, designation of the newspaper to be used for official publications and other routine business to be decided by the shareholders.

On March 6, 2015, the company filed the new amended text of the Internal Regulations for the Security Oaktree Opportunities Investment Fund, now called the Security Oaktree Opportunities – Debt Investment Fund (the "Fund"), agreed in an extraordinary meeting of fund unitholders on March 2, 2015, held in order to adapt the Fund to the provisions of Law 20,712 on Management of Third-Party Funds and Individual Portfolios (the "Law") and other related regulations that have been issued, and to make other modifications, because the fund has been classified as a non-redeemable investment fund.

On December 22, 2014, Administradora General de Fondos Security S.A. informed the SVS that, after having obtained proper authorization on December 18, 2014, it proceeded on December 19, 2014, to register 100% of the shares of the company Cruz del Sur Administradora General de Fondos S.A., as recorded in that company's shareholders register, in the name of Administradora de General de Fondos Security S.A. As a result, and as reported to the SVS and the market, Cruz del Sur Administradora General de Fondos S.A. was dissolved under the terms of article 103 of Law 18,046, and, for all intents and purposes, Administradora General de Fondos Security S.A. became the legal successor of Cruz del Sur Administradora General de Fondos S.A., maintaining all of its rights and obligations and acquiring all of its assets and liabilities.

On November 7, 2014, Administradora General de Fondos Security S.A. made an official offer for the purchase and acquisition of 100% of the shares of Cruz del Sur Administradora General de Fondos S.A.

The board agreed to call an extraordinary general shareholders' meeting for August 1, 2014, at 9:30 a.m., in order to address the following matters: To approve the amendment of the corporate purpose of Administradora General de Fondos Security S.A., in order to align its bylaws with the Sole Funds Law.

The board agreed to call an ordinary general shareholders' meeting for April 15, 2014, at 9:30 a.m., in order to address the following matters: To approve the annual report and balance sheet for the year ended December 31, 2013, distribution of profits for the year, board elections, Board of Directors' fees, appointment of the company's independent auditors, designation of the newspaper to be used for official publications and other matters to be decided by the shareholders.

VALORES SECURITY S.A. CORREDORES DE BOLSA

On December 24, 2015, Mr. Gonzalo Baraona Bezanilla submitted his resignation as Director of Valores Security S.A. Corredores de Bolsa.

On May 6, 2015, the company sold one share of the Santiago Stock Exchange that enabled it to participate directly in brokerage activities. It kept the share purchased through the merger with Cruz del Sur Corredores de Bolsa.

An ordinary general shareholders' meeting was called for April 29, 2015, at 9:30 a.m., in order to address and vote on the following matters: To approve the annual report and balance sheet for the year ended December 31, 2014, distribution of profits for the year, Board of Directors' fees, appointment of the company's independent auditors, designation of the newspaper to be used for official publications and other routine business to be decided by the shareholders.

In light of this approval, on March 20, 2015, Capital S.A. and Inversiones Seguros Security Limitada, as sellers, and Valores Security S.A. C.de B., as buyer, signed a public share purchase agreement for the shares of CdS Corredora, detailed as follows: (a) Capital S.A. sold the Company 9,183,515 shares of CdS Corredora, for CH$3,242,972,647; and (b) Inversiones Seguros Security Limitada sold the Company 1 share of CdS Corredora, for CH$353.

As a result, and since 100% of the shares of CdS Corredora have been registered in the shareholders register of that company in the name of Valores Security S.A. and since the latter has expressly waived the term set forth in article 103, number 2 of Law 18,046, CdS Corredora has been automatically dissolved under the terms of Article 103 of Law 18,046, making Valores Security S.A. C. de B. the legal successor of CdS Corredora for all intents and purposes; consequently, the former has acquired all of the latter's rights, obligations, assets and liabilities.

In an extraordinary board meeting held on March 17, 2015, the board agreed, among other matters, to approve the related party transaction whereby Valores Security S.A., Corredores de Bolsa acquired 100% of the shares of Cruz del Sur Corredora de Bolsa S.A. ("CdS Corredora") from Capital S.A. and Inversiones Seguros Security Limitada.

On August 29, 2014, 217 shares of Valores Security S.A. C.de B. were sold by Factoring Security S.A. to Inversiones Seguros Security Ltda.

The board agreed to call an ordinary general shareholders' meeting for April 15, 2014, at 9:00 a.m., in order to address the following matters: To approve the annual report and balance sheet for the year ended December 31, 2013, distribution of profits for the year, board elections, Board of Directors' fees, appointment of the company's independent auditors, designation of the newspaper to be used for official publications and other matters to be decided by the shareholders.

5. OPERATING SEGMENTS

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

Commercial Banking:

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

Retail Banking:

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

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

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

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

The following table illustrates assets, liabilities and profit/loss by segment as of December 31, 2015 and 2014.

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

A) ASSETS AND LIABILITIES BY SEGMENT

	COMMERCIAL BANKING		RETAIL BANKING		TREASURY		OTHER		BANK TOTAL		SUBSIDIARIES		CONSOLIDATED TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Assets														
Total loans	2,780,323	2,541,107	1,275,267	1,174,574	505	296	1	2	4,056,096	3,715,979	-	-	4,056,096	3,715,979
Credit risk provisions	(53,955)	(42,311)	(20,116)	(16,748)	-	-	(229)	-	(74,300)	(59,059)	-	-	(74,300)	(59,059)
Net loans	2,726,368	2,498,796	1,255,151	1,157,826	505	296	(228)	2	3,981,796	3,656,920	-	-	3,981,796	3,656,920
Financial transactions	-	-	-	-	536,785	557,448	-	-	536,785	557,448	72,996	74,638	609,781	632,086
Other assets	-	-	-	-	135,761	85,654	786,925	505,488	922,686	591,142	70,417	130,559	993,103	721,701
Total assets	2,726,368	2,498,796	1,255,151	1,157,826	673,051	643,398	786,697	505,490	5,441,267	4,805,510	143,413	205,197	5,584,680	5,010,707
Liabilities														
Liabilities	2,521,799	2,301,300	1,181,188	1,089,003	620,614	597,817	786,606	505,404	5,110,207	4,493,524	66,133	138,132	5,176,340	4,631,656
Equity	204,569	197,496	73,963	68,823	52,437	45,581	1	1	330,970	311,901	77,280	67,065	408,250	378,966
Non-controlling interest	-	-	-	-	-	-	90	85	90	85	-	-	90	85
Total liabilities	2,726,368	2,498,796	1,255,151	1,157,826	673,051	643,398	786,697	505,490	5,441,267	4,805,510	143,413	205,197	5,584,680	5,010,707

B) RESULTS BY OPERATING SEGMENT

	COMMERCIAL BANKING		RETAIL BANKING		TREASURY		OTHER		BANK TOTAL		SUBSIDIARIES		CONSOLIDATED TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Operating income														
Net interest margin (1)	64,839	59,430	51,094	42,921	21,385	20,378	(1,959)	(1,828)	135,359	120,900	(1,956)	(2,736)	133,403	118,164
Net commissions	15,538	14,914	17,235	14,145	(719)	(514)	(110)	(823)	31,944	27,722	16,390	10,442	48,334	38,164
Net foreign exchange and other income (2)	9,977	8,859	879	1,071	9,185	20,800	(11,843)	(10,084)	8,198	20,647	10,766	9,386	18,964	30,033
Losses from risk and assets received in lieu of payment (3)	(33,321)	(17,981)	(14,316)	(11,343)	(30)	(11)	1,480	475	(46,187)	(28,861)	400	296	(45,787)	(28,565)
Total operating income, net of provisions	57,033	65,222	54,892	46,793	29,821	40,652	(12,432)	(12,260)	129,314	140,408	25,600	17,388	154,914	157,796
Operating expenses (4)	(32,419)	(30,546)	(46,377)	(42,313)	(10,922)	(9,963)	5,126	(303)	(84,592)	(83,125)	(13,250)	(10,129)	(97,842)	(93,254)
Net operating income	24,614	34,676	8,515	4,481	18,899	30,689	(7,306)	(12,563)	44,722	57,283	12,350	7,259	57,072	64,542
Income attributable to investments in other companies	-	-	-	-	-	-	31	18	31	18	229	134	260	152
Profit before tax	24,614	34,676	8,515	4,481	18,899	30,689	(7,275)	(12,545)	44,753	57,301	12,579	7,393	57,332	64,694
Income taxes	(4,614)	(4,827)	(1,596)	(624)	(3,542)	(4,272)	1,967	1,747	(7,785)	(7,976)	(2,118)	(810)	(9,903)	(8,786)
Consolidated profit for the year	20,000	29,849	6,919	3,857	15,357	26,417	(5,308)	(10,798)	36,968	49,325	10,461	6,583	47,429	55,908
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	(5)	(6)	(5)	(6)
Profit attributable to equity holders of the bank	20,000	29,849	6,919	3,857	15,357	26,417	(5,308)	(10,798)	36,968	49,325	10,456	6,577	47,424	55,902

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

6. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents are as follows:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Cash and due from banks		
Cash	9,822	8,941
Deposits in the Chilean Central Bank	327,765	261,850
Deposits in domestic banks	7,191	7,846
Foreign deposits	216,846	52,963
Subtotal - cash and due from banks	561,624	331,600
Transactions pending settlement, net	27,527	28,341
Repurchase agreements	-	6,720
Total cash and cash equivalents	589,151	366,661

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

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

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Assets		
Outstanding notes from other banks	30,884	27,780
Funds receivable	10,208	18,883
Subtotal - assets	41,092	46,663
Liabilities		
Funds payable	(13,565)	(18,322)
Subtotal - liabilities	(13,565)	(18,322)
Transactions pending settlement, net	27,527	28,341

7. FINANCIAL INSTRUMENTS HELD FOR TRADING

As of December 31, 2015 and 2014, the Bank and its subsidiaries record the following balances in financial instruments held for trading:

	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Chilean Government and Central Bank instruments										
Chilean Central Bank instruments	2,187	1,397	2,337	45,596	9,164	6,928	7,142	1,934	20,830	55,855
Chilean Treasury instruments	-	-	169	95,350	81,682	837	3,954	-	85,805	96,187
Other government instruments	-	-	-	-	256	-	52	-	308	-
Subtotal	2,187	1,397	2,506	140,946	91,102	7,765	11,148	1,934	106,943	152,042
Other Financial Instruments										
Notes for deposits in domestic banks	50,977	31,671	3,648	16,865	-	-	-	-	54,625	48,536
Mortgage bonds in domestic banks	1	10	43	89	145	163	1,045	592	1,234	854
Bonds from domestic banks	3,262	2,023	7,466	8,814	10,718	5,731	2,607	3,135	24,053	19,703
Other instruments issued in Chile	149	598	-	-	-	-	-	1,100	149	1,698
Mutual funds	1,754	8,456	-	-	-	-	-	-	1,754	8,456
Subtotal	56,143	42,758	11,157	25,768	10,863	5,894	3,652	4,827	81,815	79,247
Total financial instruments held for trading	58,330	44,155	13,663	166,714	101,965	13,659	14,800	6,761	188,758	231,289

As of December 31, 2015 and 2014, the Bank has issued its own mortgage bonds for MCH$1,662 and MCH$2,249, respectively, which are offset by the mortgage bonds issued by the Bank in liabilities.

As of December 31, 2015 and 2014, the instruments "BLAPO-F" and "BLAPO-G" remain in the portfolio of financial instruments held for trading. They total MCH$4 and MCH$4,305 and implied a charge to the consolidated statement of income of MCH$4 and MCH$671, respectively.

8. OPERATIONS WITH REPURCHASE AGREEMENTS AND SECURITIES BORROWING/LENDING

A) RIGHTS WITH PROMISE OF SALE

The Bank purchases financial instruments under agreements to sell them at a future date. As of December 31, 2015 and 2014, rights with resell commitments, classified by type of debtor and maturity, are as follows:

	FROM ONE DAY TO THREE MONTHS		FROM THREE MONTHS TO ONE YEAR		MORE THAN ONE YEAR		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Domestic banks	-	-	-	-	-	-	-	-
Other entities	-	6,720	-	-	-	-	-	6,720
Total	-	6,720	-	-	-	-	-	6,720

B) OBLIGATIONS WITH PURCHASE COMMITMENTS

The Bank sells financial instruments under agreements to repurchase them at a future date plus preset interest. As of December 31, 2015 and 2014, obligations with repurchase commitments, classified by type of debtor and maturity, are as follows:

	FROM ONE DAY TO THREE MONTHS		FROM THREE MONTHS TO ONE YEAR		MORE THAN ONE YEAR		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Domestic banks:								
Chilean Central Bank	-	-	-	-	-	-	-	-
Other banks	-	3,719	-	-	-	-	-	3,719
Other entities	540	52,297	232	222	33,720	-	34,492	52,519
Total	540	56,016	232	222	33,720	-	34,492	56,238

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

9. DERIVATIVE INSTRUMENTS AND ACCOUNTING HEDGES

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

	CASH FLOW (CF) OR FAIR VALUE (FV) HEDGE	NOTIONAL AMOUNT OF CONTRACT MATURING IN						FAIR VALUE			
		LESS THAN THREE MONTHS		FROM THREE MONTHS TO ONE YEAR		MORE THAN ONE YEAR		ASSETS		LIABILITIES	
		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
		2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Trading Derivatives											
Currency forwards	(VR)	6,123,315	1,753	3,083,342	(157,759)	643,734	(186,928)	67,648	31,898	(77,332)	(32,783)
Interest rate swaps	(VR)	680,441	255,226	543,749	1,008,318	1,347,621	2,488,314	28,167	33,676	(25,473)	(33,538)
Currency swaps	(VR)	13,710	9,717	44,317	19,366	396,464	284,697	43,507	25,461	(35,807)	(18,702)
Interest rate put options	(VR)	-	-	-	-	-	-	-	-	(11)	(21)
Total assets (liabilities) for trading derivatives		6,817,466	266,696	3,671,408	869,925	2,387,819	2,586,083	139,322	91,035	(138,623)	(85,044)
Hedge Accounting Derivatives											
Currency forwards	(F)	-	-	-	-	-	-	-	-	-	-
Interest rate swaps	(F)	-	-	-	-	19,222	18,471	-	-	(346)	(215)
Currency swaps	(F)	-	-	-	-	-	-	-	-		-
Total assets (liabilities) for hedge accounting derivatives		-	-	-	-	19,222	18,471	-	-	(346)	(215)
Total assets (liabilities) for derivative instruments		6,817,466	266,696	3,671,408	869,925	2,407,041	2,604,554	139,322	91,035	(138,969)	(85,259)

B) HEDGE ACCOUNTING:

As of December 31, 2015, the Bank has an accounting hedge with a negative fair value of MCH$432 and MCH$47 presented in interest and indexation expense as a result of an adjustment to the hedged asset. As of December 31, 2014, the Bank had an accounting hedge with a negative fair value of MCH$215 and MCH$51 presented in interest and indexation income as a result of an adjustment to the hedged asset.

10. LOANS AND ADVANCES TO BANKS

A) Credit risk for loans and advances to banks as of December 31, 2015 and 2014 is assessed individually for each transaction. This account is as follows:

	ASSETS BEFORE PROVISIONS						PROVISIONS RECORDED						NET ASSETS	
	NORMAL AND SUBSTANDARD PORTFOLIO		DEFAULT PORTFOLIO		TOTAL		NORMAL AND SUBSTANDARD PORTFOLIO		DEFAULT PORTFOLIO		TOTAL			
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Domestic banks	411	-	-	-	411	-	-	-	-	-	-	-	411	-
Foreign banks	302	7,180	-	-	302	7,180	-	15	-	-	-	15	302	7,165
Total loans and advances to banks	713	7,180	-	-	713	7,180	-	15	-	-	-	15	713	7,165

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

MOVEMENT	MCH$
Balance as of January 1, 2014	(328)
Write-offs of impaired portfolio	-
Provisions recorded	(188)
Provisions released	501
Balance as of December 31, 2014	(15)
Balance as of January 1, 2015	(15)
Write-offs of impaired portfolio	-
Provisions recorded (Note 29)	(7)
Provisions released (Note 29)	22
Balance as of December 31, 2015	-

11. LOANS TO CUSTOMERS, NET

A) LOANS TO CUSTOMERS

	ASSETS BEFORE PROVISIONS						PROVISIONS RECORDED							
	NORMAL AND SUBSTANDARD PORTFOLIO		DEFAULT PORTFOLIO		TOTAL		INDIVIDUAL PROVISION		GROUP PROVISIONS		TOTAL		NET ASSETS	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Commercial loans:														
Commercial loans	2,467,411	2,171,033	104,383	79,340	2,571,794	2,250,373	47,022	29,825	2,752	2,642	49,774	32,467	2,522,020	2,217,906
Foreign trade loans	217,403	232,448	6,701	10,793	224,104	243,241	7,629	10,820	37	19	7,666	10,839	216,438	232,402
Current account overdrafts	45,547	61,218	2,068	3,803	47,615	65,021	2,067	2,854	179	162	2,246	3,016	45,369	62,005
Factored receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease transactions	270,302	272,573	17,052	13,994	287,354	286,567	2,302	2,011	49	40	2,351	2,051	285,003	284,516
Other loans and receivables	5,985	5,033	453	1,321	6,438	6,354	459	1,005	28	8	487	1,013	5,951	5,341
Subtotal	3,006,648	2,742,305	130,657	109,251	3,137,305	2,851,556	59,479	46,515	3,045	2,871	62,524	49,386	3,074,781	2,802,170
Mortgage loans:														
Loans funded with mortgage bonds	5,923	7,673	73	170	5,996	7,843	-	-	8	18	8	18	5,988	7,825
Loans funded with own resources	86,741	46,805	1,111	248	87,852	47,053	-	-	60	33	60	33	87,792	47,020
Other mortgage loans	453,524	471,455	7,391	5,703	460,915	477,158	-	-	905	667	905	667	460,010	476,491
Lease transactions	8	11	-	-	8	11	-	-	4	5	4	5	4	6
Other loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	546,196	525,944	8,575	6,121	554,771	532,065	-	-	977	723	977	723	553,794	531,342
Consumer loans:														
Consumer installment loans	220,582	198,155	4,650	9,252	225,232	207,407	-	-	6,394	5,111	6,394	5,111	218,838	202,296
Current account overdrafts	60,159	51,305	2,037	2,365	62,196	53,670	-	-	2,597	2,359	2,597	2,359	59,599	51,311
Credit card debtors	75,047	63,174	825	865	75,872	64,039	-	-	1,808	1,465	1,808	1,465	74,064	62,574
Consumer lease transactions	3	11	-	-	3	11	-	-	-	-	-	-	3	11
Other loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	355,791	312,645	7,512	12,482	363,303	325,127	-	-	10,799	8,935	10,799	8,935	352,504	316,192
							-	-						
TOTAL	3,908,635	3,580,894	146,744	127,854	4,055,379	3,708,748	59,479	46,515	14,821	12,529	74,300	59,044	3,981,079	3,649,704
Accounting hedges:														
Commercial loans													4	51
Subtotal													4	51
TOTAL LOANS TO CUSTOMERS													3,981,083	3,649,755

B) PROVISION MOVEMENTS

Movements in provisions in 2015 and 2014 are as follows:

	INDIVIDUAL PROVISIONS MCH$	GROUP PROVISIONS MCH$	TOTAL MCH$
Balance as of January 1, 2014	38,089	7,998	46,087
Write-offs of impaired portfolio:			
Commercial loans	(12,334)	-	(12,334)
Mortgage loans	-	(167)	(167)
Consumer loans	-	(8,539)	(8,539)
Total write-offs	(12,334)	(8,706)	(21,040)
Provisions recorded	54,806	30,162	84,968
Provisions released	(34,046)	(16,925)	(50,971)
Balance as of December 31, 2014	46,515	12,529	59,044
Balance as of January 1, 2015	46,515	12,529	59,044
Write-offs of impaired portfolio:			
Commercial loans	(18,641)	-	(18,641)
Mortgage loans	-	(116)	(116)
Consumer loans	-	(12,462)	(12,462)
Total write-offs	(18,641)	(12,578)	(31,219)
Provisions recorded (Note 29)	78,336	35,533	113,869
Provisions released (Note 29)	(46,731)	(20,663)	(67,394)
Balance as of December 31, 2015	59,479	14,821	74,300

In addition to these provisions for loan losses, the Bank also establishes country risk provisions to hedge foreign operations as well as additional provisions agreed upon by the board of directors, which are presented in liabilities in "provisions" (Note 21).

As of December 31, 2015 and 2014, loans to customers present no impairment.

C) GROSS LOANS BY INDUSTRY

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

	DOMESTIC LOANS DECEMBER 31,		FOREIGN LOANS DECEMBER 31,		TOTAL DECEMBER 31,			
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 %	2014 %
Commercial loans								
Manufacturing	175,935	169,942	5,712	4,181	181,647	174,123	4,48	4,69
Mining	49,822	48,964	-	-	49,822	48,964	1,23	1,32
Utilities	134,889	108,279	-	-	134,889	108,279	3,33	2,92
Agriculture and livestock	147,731	122,360	-	-	147,731	122,360	3,64	3,30
Forestry	20,214	13,229	-	-	20,214	13,229	0,50	0,36
Fishing	64,821	64,737	-	-	64,821	64,737	1,60	1,75
Transportation	122,702	135,104	-	-	122,702	135,104	3,03	3,64
Telecom	25,939	29,431	-	-	25,939	29,431	0,64	0,79
Construction	262,722	265,284	-	-	262,722	265,284	6,48	7,15
Wholesale and retail trade	930,852	806,881	-	749	930,852	807,630	22,95	21,78
Financial services and insurance	643,325	600,124	-	3,038	643,325	603,162	15,86	16,26
Real estate	6,099	4,700	-	-	6,099	4,700	0,15	0,13
Corporate services	109,901	100,301	-	-	109,901	100,301	2,71	2,70
Social services	339,108	275,161	-	-	339,108	275,161	8,36	7,42
Other	97,533	99,091	-	-	97,533	99,091	2,41	2,67
Subtotal	3,131,593	2,843,588	5,712	7,968	3,137,305	2,851,556		
Mortgage loans	554,771	532,065	-	-	554,771	532,065	13,68	14,35
Consumer loans	363,303	325,127	-	-	363,303	325,127	8,96	8,77
Total	4,049,667	3,700,780	5,712	7,968	4,055,379	3,708,748		

12. INVESTMENT SECURITIES

As of December 31, 2015 and 2014, the Bank and its subsidiaries present the following balances in investment securities using the fair value method:

FINANCIAL ASSETS AVAILABLE FOR SALE

	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Chilean Government and Central Bank instruments										
Chilean Central Bank instruments	81,876	81,881	34,834	21,917	-	-	-	161	116,710	103,959
Chilean Treasury instruments	-	-	-	-	-	-	-	-	-	-
Subtotal	81,876	81,881	34,834	21,917	-	-	-	161	116,710	103,959
Other Financial Instruments										
Notes for deposits in domestic banks	9,742	35,818	1,050	-	-	-	-	-	10,792	35,818
Mortgage bonds in domestic banks	33	95	455	369	801	1,057	21,611	24,227	22,900	25,748
Bonds from domestic companies	6,447	3,593	19,182	11,534	34,183	32,676	26,652	22,326	86,464	70,129
Other instruments issued abroad	11,980	2,793	24,182	18,719	75,709	53,725	72,286	83,186	184,157	158,423
Subtotal	28,202	42,299	44,869	30,622	110,693	87,458	120,549	129,739	304,313	290,118
Total investments available for sale	110,078	124,180	79,703	52,539	110,693	87,458	120,549	129,900	421,023	394,077

Operations with repurchase agreements to customers and the Chilean Central Bank in the portfolio of financial assets available for sale as of December 31, 2015 and 2014 amount to MCH$539 and MCH$152, respectively.

As of December 31, 2015 and 2014, the portfolio of financial assets available for sale includes an unrealized loss of MCH$(3,986) and MCH$(307), respectively, which is presented in equity net of deferred taxes (Note 24).

As of December 31, 2015 and 2014, the Bank does not have any financial assets held to maturity.

13. INVESTMENTS IN OTHER COMPANIES

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

	OWNERSHIP INTEREST		INVESTMENT VALUE						RESULTADO AL 31 DE DICIEMBRE DE	
			BALANCE AS OF JANUARY 1		BUY/SALE		BALANCE AS OF DECEMBER 31			
	2015 %	2014 %	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Imer Otc Sa	6.67	6.67	864	864	-	-	864	864	-	-
Santiago Stock Exchange (*)	2.08	2.08	305	305	1,582	-	1,887	305	199	110
Electronic Stock Exchange	2.44	2.44	61	61	-	-	61	61	-	-
Combanc S.A.	3.96	3.96	102	102	29	-	131	102	20	18
Depósitos Central de Valores S.A.	3.60	3.60	58	58	-	-	58	58	10	-
Other investments in other companies			47	47	-	-	47	47	31	24
Total investments in other companies			1,437	1,437	1,611	-	3,048	1,437	260	152

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

(*) In 2015, the subsidiary Valores Security S.A. Corredores de Bolsa sold one share in the Santiago Stock Exchange recorded at cost. The same subsidiary merged with Cruz del Sur Corredores de Bolsa S.A. (CdS Corredora) and acquired its share in the Santiago Stock Exchange valued at fair value.

14. INTANGIBLE ASSETS

As of December 31, 2015 and 2014, intangible assets are as follows:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Software or computer programs	59,184	51,557
Goodwill	8,677	8,677
Total intangible assets	67,861	60,234

The above concepts are as follows:

A) SOFTWARE OR COMPUTER PROGRAMS

a.1) The intangibles of the Bank and its subsidiaries as of December 31, 2015 and 2014 are internally developed programs that are either in production or under development:

TYPE OF INTANGIBLE ASSET:	USEFUL LIFE (YEARS) DECEMBER 31, 2015	USEFUL LIFE (YEARS) DECEMBER 31, 2014	REMAINING LIFE (YEARS) DECEMBER 31, 2015	REMAINING LIFE (YEARS) DECEMBER 31, 2014	GROSS BALANCE DECEMBER 31, 2015 MCH$	GROSS BALANCE DECEMBER 31, 2014 MCH$	ACCUMULATED AMORTIZATION DECEMBER 31, 2015 MCH$	ACCUMULATED AMORTIZATION DECEMBER 31, 2014 MCH$	NET BALANCE DECEMBER 31, 2015 MCH$	NET BALANCE DECEMBER 31, 2014 MCH$
Acquired	-	-	-	-	-	-	-	-	-	-
Developed internally	9.00	9.00	6.84	7.16	76,988	68,245	(17,804)	(16,688)	59,184	51,557
Total					76,988	68,245	(17,804)	(16,688)	59,184	51,557

a.2) The intangibles of the Bank and its subsidiaries as of December 31, 2015 and 2014 are internally developed programs that are either in production or under development:

	MOVEMENTS IN INTANGIBLE ASSETS			
	INTANGIBLE ASSETS			
	ACQUIRED MCH$	DEVELOPED INTERNALLY MCH$	ACCUMULATED AMORTIZATION MCH$	TOTAL MCH$
Balance as of January 1, 2014	-	57,308	(12,481)	44,827
Additions	-	16,438	-	16,438
Transfer to intangible assets in operation	-	-	-	-
Amortization for the year	-	-	(4,207)	(4,207)
Impairment for the year	-	(5,501)	-	(5,501)
Balance as of December 31, 2014	-	68,245	(16,688)	51,557
Balance as of January 1, 2015	-	68,245	(16,688)	51,557
Additions	-	12,189	-	12,189
Transfer to intangible assets in operation	-	(1,889)	3,835	1,946
Amortization for the year	-	-	(4,951)	(4,951)
Impairment for the year	-	(1,557)	-	(1,557)
Balance as of December 31, 2015	-	76,988	(17,804)	59,184

In 2015 and 2014, the Bank recorded charges of MCH$1,557 and MCH$5,501 for impairment, respectively (Note 33).

B) GOODWILL

As a result of the 2014 merger of its direct subsidiary Administradora General de Fondos Security S.A. and AGF Cruz del Sur S.A., the new resulting subsidiary recognized goodwill in its financial statements as described in note 2 r.2).

b.1) Goodwill as of December 31, 2015 and 2014 is as follows:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Goodwill	8,677	8,677
Total	8,677	8,677

b.2) Movements in goodwill during the year ended December 31, 2015 are as follows:

	MOVEMENTS IN GOODWILL 12.31.2015 MCH$				
	NET OPENING BALANCE	ADDITIONS	IMPAIRMENT LOSSES RECOGNIZED IN EQUITY	IMPAIRMENT LOSSES RECOGNIZED IN PROFIT (LOSS)	NET CLOSING BALANCE
Goodwill AGF	8,677	-	-	-	8,677
Total	8,677	-	-	-	8,677

15. PROPERTY, PLANT AND EQUIPMENT

A) PROPERTY, PLANT AND EQUIPMENT

	MOVEMENTS IN PROPERTY, PLANT AND EQUIPMEN									
	BUILDINGS AND LAND			EQUIPMENT			OTHER PROPERTY, PLANT AND EQUIPMENT			
	GROSS ASSETS	ACCUMULATED DEPRECIATION	ACCUMULATED IMPAIRMENT	GROSS ASSETS	ACCUMULATED DEPRECIATION	ACCUMULATED IMPAIRMENT	GROSS ASSETS	ACCUMULATED DEPRECIATION	ACCUMULATED IMPAIRMENT	NET ASSETS
	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$
Balance as of January 1, 2014	18,879	(2,310)	-	6,535	(5,176)	-	11,898	(5,617)	-	24,209
Additions	27	-	-	460	-	-	1,362	-	-	1,849
Disposals / write-offs	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	(276)	-	-	(589)	-	-	(947)	-	(1,812)
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2014	18,906	(2,586)	-	6,995	(5,765)	-	13,260	(6,564)	-	24,246
Balance as of January 1, 2015	18,906	(2,586)	-	6,995	(5,765)	-	13,260	(6,564)	-	24,246
Additions	730	-	-	512	-	-	1,792	-		3,034
Disposals / write-offs	-	-	-	-	67	-	-	96		163
Depreciation for the year	-	(267)	-	-	(588)	-	-	(987)		(1,842)
Impairment for the year	-	-	-	-	-	-	-	-		-
Balance as of December 31, 2015	19,636	(2,853)	-	7,507	(6,286)	-	15,052	(7,455)	-	25,601

B) FUTURE OPERATING LEASE PAYMENTS

Minimum future payments as of December 31, 2015 and 2014, which must be disbursed for operating lease agreements and cannot be unilaterally rescinded without compensating the other party, are as follows:

	FUTURE LEASE CASH FLOWS							
	LESS THAN ONE YEAR		FROM ONE TO FIVE YEARS		MORE THAN FIVE YEARS		TOTAL	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Operating lease agreements	146	165	11,589	7,595	11,257	7,595	22,992	15,355

C) LEASE EXPENSES

Expenses for operating leases for the agreements described in letter b) for 2015 and 2014 are as follows:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Operating lease expenses	3,215	2,767

As of December 31, 2015 and 2014, the Bank does not have any finance leases.

16. CURRENT AND DEFERRED TAXES

A) CURRENT TAXES

Current tax assets and liabilities as of December 31, 2015 and 2014 are as follows:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Current income taxes	(13,505)	(13,865)
Tax on disallowed expenses (35%)	-	(6)
Less:		
Monthly provisional tax payments	15,630	9,423
Credits for training expenses	113	112
Other	47	31
Total	2,285	(4,305)
Income taxes payable	-	(4,305)
Current tax liability	-	(4,305)
Recoverable taxes for the year	2,285	-
Recoverable taxes from prior years	592	2,160
Current tax asset	2,877	2,160

B) TAX RESULTS

The Bank's tax expense for the years ended December 31, 2015 and 2014 is as follows:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Income tax expense:		
Current year taxes	13,505	13,865
Single tax for the year	12	6
Tax expense adjustment (prior period)	840	1,292
Subtotal	14,357	15,163
Credit (charge) for deferred taxes:		
Origin and reversal of temporary differences	(3,833)	(4,852)
Effect of change in tax rate	(621)	(1,525)
Net charge to profit for income taxes	9,903	8,786

On September 29, 2014, Law 20,780 was published in the Official Gazette. This law amends the income tax system and introduces several adjustments to the tax system ("the Tax Reform"). It includes a progressive rate hike for corporate income tax, which varies based on whether the company chooses the Semi-Integrated System or the Attributed Income System.

The progressive increase for each year is as follows:

YEAR	2014	2015	2016	2017	2018
Rate	21%	22.5%	24%	25.5%	27%

C) DEFERRED TAXES

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

c.1) Effect of deferred taxes on equity:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Investments available for sale	1,157	89
Tax goodwill	1,827	1,944
Other	31	22
Total	3,015	2,055

c.2) Effect of deferred taxes:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Deferred tax assets:		
Global portfolio provisions	15.844	11.332
Goodwill portfolio provisions	473	620
Vacation and other provisions	927	680
Fair value investments	369	926
Contingency provisions	3	96
Global provisions on recovered assets	355	292
Projects and development	6.231	-
Suspended interest	562	622
Other	5.203	4.519
Total deferred tax assets through profit and loss	29.967	19.087
Effect on equity (debtor balance)	1.858	2.055
Total deferred tax assets	31.825	21.142
Deferred tax liabilities:		
Lease agreements	(1.259)	(2.317)
Depreciation of property, plant and equipment	(6.296)	(5.886)
Effective rate	(175)	(201)
Deferred revenue and expenses	(1.944)	(1.822)
Projects and development	(7.163)	-
Other	(858)	(1.043)
Total deferred tax liabilities through profit and loss	(17.695)	(11.269)
Effect on equity (creditor balance)	1.157	-
Total deferred tax liabilities	(16.538)	(11.269)
Total asset through profit and loss	12.272	7.818

c.3) Total deferred taxes::

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Effect of deferred taxes on equity	3,015	2,055
Effect of deferred taxes on profit	12,272	7,818
Total asset, net	15,287	9,873

c.4) Reconciliation of tax rates:

The following table reconciles the income tax rate to the effective rate applied to determine the Bank's income tax expense as of December 31, 2015 and 2014.

	AS OF DECEMBER 31, 2015		AS OF DECEMBER 31, 2014	
	RATE TAX	AMOUNT MCH$	RATE TAX	AMOUNT MCH$
Profit before taxes	22.5%	12,900	21.0%	12,067
Permanent differences	-5.6%	(3,228)	-5.1%	(3,054)
Additions or deductions				
Single tax (disallowed expenses)	0.0%	12	0.0%	6
Prior period adjustments	1.4%	789	2.1%	1,292
Effect of change in tax rate	-1.1%	(621)	-2.5%	(1,525)
Other	0.1%	51	0.0%	-
Effective rate and income tax expense	17.3%	9,903	15.6%	8,786

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

Joint Standard: SBIF Circular No. 3,478 and Chilean Internal Revenue Service Circular No. 47

The tax treatment of provisions, write-offs, renegotiations and remissions of loans granted by the Bank (excluding subsidiaries) as of December 31, 2015 and 2014 is as follows:

d.1) Loans to customers as of December 31:

	ASSETS AT CARRYING AMOUNT		ASSETS AT TAX VALUE					
			TOTAL		SECURED PAST-DUE PORTFOLIO		UNSECURED PAST-DUE PORTFOLIO	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Commercial loans	2,849,982	2,621,742	2,852,400	2,624,542	5,413	5,681	8,846	15,592
Consumer loans	363,300	325,116	363,300	325,116	56	71	1,182	837
Residential mortgage loans	554,763	532,054	554,763	532,054	489	309	-	-
Loans and advances to banks	712	7,180	712	7,180	-	-	-	-
Total	3,768,757	3,486,092	3,771,175	3,488,892	5,958	6,061	10,028	16,429

d.2) Provisions for past-due portfolio:

	BALANCE AS OF JANUARY 1,		WRITE-OFFS AGAINST PROVISIONS		PROVISIONS RECORDED		PROVISIONS RELEASED		BALANCE AS OF DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Commercial loans	15,592	12,238	(13,556)	(7,304)	6,810	10,658	-	-	8,846	15,592
Consumer loans	837	839	(5,658)	(4,025)	6,003	4,023	-	-	1,182	837
Residential mortgage loans	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-	-	-	-
Total	16,429	13,077	(19,214)	(11,329)	12,813	14,681	-	-	10,028	16,429

d.3) Write-offs, cancellations and recoveries:

DIRECT WRITE-OFFS AND RECOVERIES	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$	APPLICATION OF ARTICLE 31 NO. 4 SECTIONS ONE AND THREE	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Direct write-offs Art. 31, No. 4, section two	11,647	9,066		-	-
Cancellations that resulted in releasing provisions	-	-		-	-
Recovery or renegotiation of written-off loans	4,281	1,503		-	-

17. OTHER ASSETS

A) AS OF DECEMBER 31, 2015 AND 2014, OTHER ASSETS ARE AS FOLLOWS:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Leased assets	36,285	14,132
Assets received or awarded in lieu of payment:		
Assets received in lieu of payment	1,052	-
Assets awarded in court-ordered public auction	392	156
Provisions for assets received in lieu of payment	(145)	(44)
Subtotal - Assets received or awarded in lieu of payment	1,299	112
Other assets		
Cash deposits as collateral	21,113	-
VAT tax credit	1,275	1,926
Prepaid expenses	1,070	1,019
Recovered leased assets for sale	1,388	487
Brokerage receivables	36,173	39,581
Treasury receivables	11,099	65,916
Other	10,151	20,011
Subtotal - Other assets	82,269	128,940
Total other assets	119,853	143,184

Leased assets include assets available for finance leases.

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

B) The following table details movements in provisions for assets received in lieu of payment during the years ended December 31, 2015 and 2014, recorded in accordance with SBIF standards:

MOVEMENT:		MCH$
Balance as of January 1, 2014		(184)
Recorded:	Provision	(23)
	Impairment	-
Released:	Provision	163
	Impairment	-
Balance as of December 31, 2014		(44)
Balance as of January 1, 2015		(44)
Recorded:	Provision	(201)
	Impairment	-
Released:	Provision	100
	Impairment	-
Balance as of December 31, 2015		(145)

18. DEPOSITS

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

A) CURRENT ACCOUNTS AND OTHER DEMAND DEPOSITS

As of December 31, 2015 and 2014, current accounts and other demand deposits are as follows:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Current accounts:		
Current accounts of domestic banks	11	2,791
Current accounts of other legal entities	337,230	305,997
Current accounts of individuals	139,217	118,966
Subtotal	476,458	427,754
Other demand deposits and accounts		
Cashier's checks	34,100	33,943
Demand deposits	2,493	2,656
Subtotal	36,593	36,599
Other demand balances payable:		
Deposits for court allocations	5	340
Performance bonds payable on demand	7,095	4,639
Collections made but not yet received	11,477	6,230
Export returns to settle	18	122
Pending payment orders	2,707	1,543
Payments on behalf of loans to be settled	2,982	5,824
Frozen assets (art 156 of General Banking Law)	931	1,163
Expired time deposits	2,567	1,650
Other demand balances	43,023	26,378
Subtotal	70,805	47,889
Total	583,856	512,242

B) SAVINGS ACCOUNTS AND TIME DEPOSITS

Savings accounts and time deposits as of December 31, 2015 and 2014 are classified by maturity; details are as follows:

	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Time deposits										
Domestic banks	198,227	123,602	-	-	-	-	-	-	198,227	123,602
Other legal entities	2,358,317	2,233,829	19,638	65,143	-	-	-	-	2,377,955	2,298,972
Individuals	141,251	119,046	52	118	183	171	-	-	141,486	119,335
Subtotal	2,697,795	2,476,477	19,690	65,261	183	171	-	-	2,717,668	2,541,909

19. INTERBANK LOANS

As of December 31, 2015 and 2014, interbank loans are as follows:

	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Domestic banks:										
Current account overdrafts	515	-	-	-	-	-	-	-	515	-
Subtotal	515	-	-	-	-	-	-	-	515	-
Foreign banks:										
Financing for Chilean exports										
Financing for Chilean imports	123,383	122,643	-	-	-	-	-	-	123,383	122,643
Obligations for transactions between third-party countries	68,287	23,786	-	-	-	-	-	-	68,287	23,786
Loans and other obligations	-	-	17,718	-	-	-	-	-	17,718	-
Subtotal	18,253		-	-	-	-	-	-	18,253	-
Chilean Central Bank:	209,923	146,429	17,718	-	-	-	-	-	227,641	146,429
Total										
Banco Central de Chile:	-	-	-	-	-	-	-	-	-	-
Total	210,438	146,429	17,718	-	-	-	-	-	228,156	146,429

20. DEBT INSTRUMENTS ISSUED AND OTHER FINANCIAL LIABILITIES

Details and maturities of debt instruments issued and other financial liabilities as of December 31, 2015 and 2014 are as follows:

A) DEBT INSTRUMENTS ISSUED

	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Letters of credit:										
Letters of credit for residential purposes	1,017	1,447	1,548	1,639	1,718	1,981	626	1,042	4,909	6,109
Letters of credit for general purposes	2,546	3,311	4,561	5,029	5,579	6,464	11,211	13,703	23,897	28,507
Subtotal	3,563	4,758	6,109	6,668	7,297	8,445	11,837	14,745	28,806	34,616
Bonds:										
Senior bonds	102,168	23,417	219,564	216,354	291,241	197,198	505,268	457,454	1,118,241	894,423
Subordinated bonds	8,608	8,054	21,211	19,541	21,455	22,723	146,552	147,351	197,826	197,669
Subtotal	110,776	31,471	240,775	235,895	312,696	219,921	651,820	604,805	1,316,067	1,092,092
Total	114,339	36,229	246,884	242,563	319,993	228,366	663,657	619,550	1,344,873	1,126,708

B) OTHER FINANCIAL LIABILITIES

	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Public-sector obligations:										
CORFO financing	501	1,806	1,260	2,243	10,741	12,466	3,985	2,037	16,487	18,552
Subtotal	501	1,806	1,260	2,243	10,741	12,466	3,985	2,037	16,487	18,552
Other Chilean obligations:										
Payables to credit card operators	6,160	5,480	-	-	-	-	-	-	6,160	5,480
Obligations in favor of Chilean exporters	-	136	-	-	-	-	-	-	-	136
Subtotal	6,160	5,616	-	-	-	-	-	-	6,160	5,616
Total	6,661	7,422	1,260	2,243	10,741	12,466	3,985	2,037	22,647	24,168

21. PROVISIONS

A) As of December 31, 2015 and 2014, the Bank and its subsidiaries recorded the following provisions:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Provisions for payroll and employee benefits		
Provision for other employee benefits	-	327
Vacation provisions	2,660	2,482
Subtotal - Provisions for payroll and employee benefits	2,660	2,809
Provision for minimum dividends	14,227	16,771
Contingent credit risk provisions		
Guarantees and pledges	140	27
Issued foreign letters of credit	14	29
Performance and bid bonds	2,526	1,188
Unrestricted lines of credit	3,623	2,926
Subtotal - Contingent loan risk	6,303	4,170
Contingency provisions		
Country risk provisions	189	91
Minimum provision adjustment	16	-
Other contingency provisions	3,905	8,979
Subtotal - Contingency provisions	4,110	9,070
Total other provisions	27,300	32,820

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

B) In 2015 and 2014, provision movements are as follows:

	PAYROLL AND EMPLOYEE BENEFITS MCH$	MINIMUM DIVIDENDS MCH$	CONTINGENT LOAN RISK MCH$	CONTINGENCIES MCH$	TOTAL MCH$
Balance as of January 1, 2014	1,804	9,839	5,119	1,402	18,164
Provisions recorded	1,400	14,932	7,410	7,750	31,492
Provisions released	(395)	(8,000)	(8,359)	(82)	(16,836)
Balance as of December 31, 2014	2,809	16,771	4,170	9,070	32,820
Balance as of January 1, 2015	2,809	16,771	4,170	9,070	32,820
Provisions recorded	736	12,576	10,038	1,101	24,451
Provisions released	(885)	(15,120)	(7,905)	(6,061)	(29,971)
Balance as of December 31, 2015	2,660	14,227	6,303	4,110	27,300

22. OTHER LIABILITIES

Other liabilities as of December 31, 2015 and 2014 are as follows:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Accounts and notes payable	20,252	25,042
Dividends payable	20	20
Unearned revenue	2,149	931
Payables to customers for brokerage services	18,191	21,207
Payables to brokers for brokerage services	4,854	4,844
Other liabilities	2810	19,943
Total	48,276	71,987

23. CONTINGENCIES AND COMMITMENTS

A) LAWSUITS AND LEGAL PROCEEDINGS

Legal contingencies within the ordinary course of business

As of the date of issuance of these consolidated financial statements, no legal actions have been filed against the Bank and its subsidiaries involving its normal operations. Management and its legal counsel do not believe that the Bank and its subsidiaries are exposed to any potential significant losses not disclosed in these financial statements.

B) CONTINGENT LOANS

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

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Performance and bid bonds	229,696	252,314
Immediately available credit lines	797,626	655,171
Letters of credit	15,031	23,640
Guarantees and pledges	6,199	8,123
Provisions	(6,303)	(4,170)
Total	1,042,249	935,078

C) LIABILITIES

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

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Securities and bonds provided as guarantee	3,782,803	3,198,019
Instruments in custody	1,154,175	1,069,499
Loans approved but not disbursed	474,216	412,898
Signed lease agreements	61,363	36,672
Notes in collections	43,565	49,894
Total	5,516,122	4,766,982

D) GUARANTEES FURNISHEDS

As of December 31, 2015 and 2014, the Bank does not have any assets furnished as guarantees.

As of December 31, 2015 and 2014, Valores Security S.A. Corredora de Bolsa, in compliance with articles 30 and 31 of Law No. 18,045 (Securities Market Law), has furnished a guarantee of UF 20,000, expiring on April 22, 2016, through MAPFRE Garantías y Crédito S.A., designating the Santiago Stock Exchange as the depositary and custodian.

With respect to the circular issued by the Santiago Stock Exchange requiring all brokers to have comprehensive insurance coverage beginning February 1, 1998, as of December 31, 2015, Valores Security S.A. Corredora de Bolsa has a comprehensive banking insurance policy with Compañía de Seguros Generales Penta Security, for UF 300,000, expiring on July 31, 2016, which provides all of the coverage required by that circular.

In order to guarantee forward transactions, Valores Security S.A. Corredores de Bolsa has deposited stocks in custody with the Santiago Stock Exchange for MCH$12,729 and MCH$13,303 as of December 31, 2015 and 2014, respectively.

In order to guarantee transactions in the settlement clearing system, Valores Security S.A. Corredores de Bolsa has deposited financial instruments as guarantees with CCLV Countraparte Central for MCH$1,424 and MCH$689 as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014, Valores Security S.A. Corredores de Bolsa has instruments in custody to guarantee its own short sales for MCH$319 and MCH$368, respectively.

In compliance with SVS Circular 1898, as of December 31, 2015, Valores Security S.A. Corredores de Bolsa has taken out insurance for UF10,000 expiring on January 7, 2016, through Compañía de Seguros de Crédito Continental S.A., in favor of the holders of voluntary pension savings plans.

In compliance with General Standard 363 of April 30, 2014, which refers to a guarantee for correct professional performance in accordance with law 20,712 on managing third-party funds and individual portfolios, Valores Security S.A. Corredores de Bolsa has taken out insurance for UF 103,150 through Compañía de Seguros Continental, expiring on March 31, 2016.

24. EQUITY

A) The Bank's authorized capital is comprised of 215,000,000 single-series shares, of which 205,994,926 are fully subscribed and paid in.

On January 23, 2015, 1,477 shares of Banco Security were subscribed and paid in at a price of CH$2,017.39 per share. These particular shares were not subscribed and paid in during the first offer on December 23, 2014.

On April 2, 2014, 4,877,363 shares of Banco Security were subscribed and paid in at a price of CH$2,016.714096 per share.

On July 25, 2014, 1,533 shares of Banco Security were subscribed and paid in at a price of CH$2,016.714096 per share. These particular shares were not subscribed and paid in during the first offer on April 2.

On November 28, 2014, 3,469,776 shares of Banco Security were subscribed and paid in at a price of CH$2,016.714096 per share.

On December 23, 2014, 4,957,085 shares of Banco Security were subscribed and paid in at a price of CH$2,016.714096 per share.

On December 29, 2014, 1,217 shares of Banco Security were subscribed and paid in at a price of CH$2,016.714096 per share. These particular shares were not subscribed and paid in during the first offer on November 28, 2014

Movements of issued and paid in shares are as follows:

	COMMON SHARES		PREFERENTIAL SHARES	
	2015	2014	2015	2014
Opening balance	205,993,449	192,686,475	-	-
Payment of subscribed shares	1,477	13,306,974	-	-
Balance	205,994,926	205,993,449	-	-

At year end, the Bank's shareholders are as follows:

	2015		2014	
SHAREHOLDERS	NO. OF SHARES	OWNERSHIP INTEREST (%)	NO. OF SHARES	OWNERSHIP INTEREST (%)
Grupo Security	205,936,986	99,97	205,933,569	99,97
Other	57,940	0,03	59,880	0,03
Total	205,994,926	100,00	205,993,449	100,00

B) As of December 31, 2015 and 2014, earnings per share are as follows:

Attributable to the equity holders of the Bank:

	DECEMBER	
	2015	2014
Profit for the year	MCH$ 47,424	MCH$ 55,902
Average outstanding shares	205,994,926	197,336,752
Earnings per share		
Basic	CH$ 230	CH$ 283
Diluted	CH$ 230	CH$ 283

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

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Instruments available for sale:		
Valuation	(5,143)	(396)
Deferred taxes	1,157	89
Subtotal	(3,986)	(307)
Accounting hedges:		
Valuation	-	-
Deferred taxes	-	-
Subtotal	-	-
Total	(3,986)	(307)

D) For the years ended December 31, 2015 and 2014, the following dividend was declared and paid:

DESCRIPTION	DISTRIBUTABLE PROFITS MCH$	DIVIDENDS MCH$	RESERVES MCH$	DIVIDENDS PER SHARE CH$
2014 Fiscal Year Shareholders' Meeting No. 33	55,902	16,771	39,131	81.41
2013 Fiscal Year Shareholders' Meeting No. 32	32,798	9,839	22,959	51.07

As of December 31, 2015 and 2014, the Bank recorded a provision for minimum dividends in accordance with Law No. 18,046 on Corporations and chapter B4 of the SBIF Compendium of Accounting Standards, amounting to MCH$14,227 and MCH$16,771, respectively.

E) e)Basic and regulatory capital: In accordance with the General Banking Law, a financial institution must have a minimum basic capital of not less than 3% of its total assets, and a regulatory capital of not less than 8% of its risk-weighted assets. As of December 31, 2015, Banco Security has a basic capital of 6.63% (6.77% in December 2014) and 12.10% (12.64% in December 2014), respectively.

25. INTEREST AND INDEXATION

Interest and indexation accrued and received for the years ended December 31, 2015 and 2014 are as follows:

A) INTEREST AND INDEXATION INCOME

	INTEREST		INDEXATION		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Repurchase agreements	97	276	-	-	97	276
Loans and advances to banks	456	682	-	-	456	682
Commercial loans:						
Commercial loans	125,870	118,329	36,638	45,935	162,508	164,264
Foreign trade loans	7,304	7,376	-	-	7,304	7,376
Current account loans	7,064	7,052	-	-	7,064	7,052
Commercial lease agreements	15,380	16,214	12,403	16,354	27,783	32,568
Total income from commercial loans	155,618	148,971	49,041	62,289	204,659	211,260
Mortgage loans:						
Loans funded with mortgage bonds	295	370	261	474	556	844
Commissions on loans funded with mortgage bonds	42	55	-	-	42	55
Loans funded with own resources	2,475	1,594	2,688	2,381	5,163	3,975
Other mortgage loans	18,095	19,301	18,301	26,146	36,396	45,447
Total income from mortgage loans	20,907	21,320	21,250	29,001	42,157	50,321
Consumer loans:						
Consumer installment loans	21,686	18,825	190	252	21,876	19,077
Current account loans	14,877	12,927	-	-	14,877	12,927
Credit card loans	8,054	6,887	-	-	8,054	6,887
Total income from consumer loans	44,617	38,639	190	252	44,807	38,891
Investment securities:						
Investments available for sale	17,351	15,772	2,919	4,226	20,270	19,998
Total income from investment securities	17,351	15,772	2,919	4,226	20,270	19,998
Other interest or indexation income:	4,170	3,744	241	211	4,411	3,955
Gain (loss) from accounting hedges (*)	(47)	(164)	-	-	(47)	(164)
Total interest and indexation income	243,169	229,240	73,641	95,979	316,810	325,219

Suspended interest and indexation on loans included in the impaired portfolio were MCH$957 and MCH$548, as of December 31, 2015 and 2014, respectively.

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

B) INTEREST AND INDEXATION EXPENSES

For the years ended December 31, 2015 and 2014, interest and indexation expenses are as follows:

	INTEREST		INDEXATION		OTHER		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Deposits								
Demand deposits	(480)	(330)	(73)	(88)	-	-	(553)	(418)
Time deposits	(75,022)	(85,517)	(10,805)	(21,073)	-	-	(85,827)	(106,590)
Total expenses for deposits	(75,502)	(85,847)	(10,878)	(21,161)	-	-	(86,380)	(107,008)
Repurchase agreements	(1,516)	(2,507)	-	-	-	-	(1,516)	(2,507)
Interbank loans	(1,078)	(1,002)	-	-	-	-	(1,078)	(1,002)
Debt instruments issued								
Interest on letters of credit	(1,269)	(1,479)	(1,241)	(1,996)	-	-	(2,510)	(3,475)
Interest on senior bonds	(33,928)	(28,455)	(39,866)	(43,503)	-	-	(73,794)	(71,958)
Interest on subordinated bonds	(8,717)	(8,775)	(7,725)	(10,421)	-	-	(16,442)	(19,196)
Total expenses for debt issued	(43,914)	(38,709)	(48,832)	(55,920)	-	-	(92,746)	(94,629)
Other interest or indexation expenses	(588)	(827)	(667)	(1,082)	-	-	(1,255)	(1,909)
Gain (loss) from accounting hedges (*)	(432)	-	-	-	-	-	(432)	-
Total interest and indexation expenses	(122,598)	(128,892)	(60,377)	(78,163)	-	-	(183,407)	(207,055)

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

26. FEES AND COMMISSIONS

Fee and commission income and expenses for the years ended December 31, 2015 and 2014, which are presented in the consolidated statement of income, consist of the following concepts:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Fee and commission income		
Lines of credit and overdrafts	1,962	1,897
Guarantors and letters of credit	5,320	5,268
Card services	6,870	6,022
Account management	2,762	2,404
Collections and payments	10,666	8,106
Brokerage and securities management	2,841	1,830
Mutual funds and other investments	20,204	13,767
Financial advisory services	54	226
Other fees and commissions earned	6,519	5,160
Total fee and commission income	57,198	44,680
Fee and commission expenses		
Securities transactions fees and commissions	(490)	(250)
Sales service fees and commissions	(6,546)	(4,755)
Other fees and commissions	(1,828)	(1,511)
Total fee and commission expenses	(8,864)	(6,516)
Total net fee and commission income	48,334	38,164

27. NET FINANCIAL OPERATING INCOME

Net financial operating income for the years ended December 31, 2015 and 2014 is as follows:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Financial instruments held for trading		
Interest and indexation	9,580	16,192
Fair value adjustment	2,616	(1,074)
Gain on sale	7,724	10,500
Loss on sale	(7,260)	(5,643)
Gain on mutual fund investments	1,945	2,970
Subtotal	14,605	22,945
Trading derivatives		
Gain on derivative instruments	348,917	252,391
Loss on derivative instruments	(366,853)	(254,892)
Subtotal	(17,936)	(2,501)
Sale of investments available for sale		
Fair value adjustments transferred to profit	(1,479)	-
Gain on sale	1,587	1,918
Loss on sale	(3,709)	(1,644)
Subtotal	(3,601)	274
Sale of loan portfolio	(181)	526
Net income from other transactions		
Purchases of letters of credit issued by the bank	(3)	(4)
Other income	4,961	4,279
Other expenses	(2,521)	(2,890)
Subtotal	2,437	1,385
Total net financial operating income	(4,676)	22,629

28. NET FOREIGN EXCHANGE TRANSACTIONS

For the years ended December 31, 2015 and 2014, net foreign exchange transactions for the Bank and its subsidiaries are as follows:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Net foreign exchange transactions:		
Net gains on currency positions	20,466	13,513
Other currency gains (losses)	838	(673)
Subtotal	21,304	12,840
Net gain (loss) for exchange rate adjustments		
Adjustments to loans to customers	51	111
Adjustments to other liabilities	-	(14)
Subtotal	51	97
Total	21,355	12,937

29. CREDIT RISK PROVISIONS

Movements in credit risk provisions for the years ended December 31, 2015 and 2014 are as follows:

	LOANS AND ADVANCES TO BANKS		LOANS TO CUSTOMERS									
			COMMERCIAL LOANS		MORTGAGE LOANS		CONSUMER LOANS		CONTINGENT LOANS		TOTAL	
	DECEMBER		DECEMBER		DECEMBER		DECEMBER,		DECEMBER		DECEMBER	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Provisions recorded:												
Individual provisions	(7)	(188)	(78,336)	(54,806)	-	-	-	-	(5,314)	(3,715)	(83,657)	(58,709)
Group provisions (+)	-	-	(3,177)	(2,486)	(1,881)	(1,625)	(30,475)	(26,051)	(4,724)	(3,695)	(40,257)	(33,857)
Minimum provision adjustment	-	-	(14)	-	-	-	-	-	(2)	-	(16)	-
				-			-	-		-		
Total provisions recorded	(7)	(188)	(81,527)	(57,292)	(1,881)	(1,625)	(30,475)	(26,051)	(10,040)	(7,410)	(123,930)	(92,566)
Provisions released:												
Individual provisions	22	501	46,731	34,046	-	-	-	-	3,645	3,317	50,398	37,864
Group provisions (++)	-	-	3,003	2,164	1,508	1,264	16,152	13,497	4,260	5,042	24,923	21,967
Minimum provision adjustment	-	-	-	-	-	-	-	-	-	-	-	-
	-	-		-						-		
Total provisions released	22	501	49,734	36,210	1,508	1,264	16,152	13,497	7,905	8,359	75,321	59,831
Recovery of written-off assets	-	-	1,149	1,208	93	-	3,249	2,203	-	-	4,491	3,411
Net gain (loss)	15	313	(30,645)	(19,874)	(281)	(361)	(11,074)	(10,351)	(2,135)	949	(44,118)	(29,324)

In management's opinion, the credit risk provisions recorded for the years ended December 31, 2015 and 2014 cover the potential losses that may arise from not recovering these assets.

(*) Group provisions are the sum of MCH$3,177, MCH$1,881 and MCH$30,476.

(**) Group provisions are the sum of MCH$3,003, MCH$1,508 and MCH$16,152.

30. PAYROLL AND PERSONNEL EXPENSES

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

A) Expenses under these concepts for the years ended December 31, 2015 and 2014 are as follows:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Payroll	27,718	26,634
Bonuses	7,462	13,918
Severance indemnities	1,894	2,020
Training expenses	469	335
Other benefits	3,815	3,412
Total	41,358	46,319

B) Other personnel expenses recorded during the years ended December 31, 2015 and 2014 are as follows:

	NO. OF EMPLOYEES RECEIVING BENEFIT		REASON FOR BENEFIT	TOTAL	
	2015	2014		2015 MCH$	2014 MCH$
Bonuses					
Productivity bonus	1,214	1,245	Voluntario	4,665	8,611
Legal bonuses and employer contributions	1,368	1,353	Contractual	2,178	2,489
Other bonuses	1,236	1,098	Contractual	619	2,818
Total bonuses				7,462	13,918
Other benefits					
Health insurance	1,337	1,245	Contractual	1,118	1,043
Life insurance	341	346	Contractual	60	76
Meal allowance	1,363	1,245	Contractual	1,218	1,100
Annual events	26	1,177	Voluntario	75	62
Childcare	137	113	Por nacimiento	172	108
Other benefits	1,345	1,196	Voluntario	1,172	1,023
Total other benefits				3,815	3,412

31. ADMINISTRATIVE EXPENSES

As of December 31, 2015 and 2014, details are as follows:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
General administrative expenses		
Maintenance and repair of property, plant and equipment	(3,301)	(3,752)
Office leases	(2,910)	(2,604)
Equipment leases	(614)	(523)
Insurance premiums	(262)	(301)
Office supplies	(524)	(488)
IT and communications expenses	(1,752)	(1,495)
Lighting, heating and other utilities	(559)	(440)
Security services and armored transport	(190)	(180)
Travel and entertainment expenses	(600)	(545)
Court and notary expenses	(820)	(647)
Fees for technical reports	(12,648)	(9,535)
Fees for financial statement audit	(332)	(243)
Securities rating fees	(39)	(36)
SBIF fines	(20)	(14)
Other regulatory fines	(42)	(88)
Banking expenses	(99)	(383)
Advisory expenses	(2,977)	(1,793)
Building fees	(818)	(560)
Postage and mail	(30)	(24)
Other general administrative expenses	(9,370)	(6,376)
Subtotal	(37,907)	(30,027)
Outsourced services:		
Data processing	(742)	(590)
Other	(3,661)	(3,063)
Subtotal	(4,403)	(3,653)
	(765)	(765)
Board of directors' fees	(917)	(876)
Advertising	(3,855)	(4,014)
Taxes, property taxes and contributions:		
Property taxes	(337)	(421)
Municipal business permits	(740)	(703)
Other taxes	(107)	(60)
Contribution to SBIF	(1,425)	(1,298)
Subtotal	(2,609)	(2,482)
Total	(49,691)	(41,052)

32. DEPRECIATION AND AMORTIZATION

A) DEPRECIATION AND AMORTIZATION

Depreciation and amortization by type of asset charged to profit or loss for the years ended December 31, 2015 and 2014 are as follows:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Depreciation of property, plant and equipment	(1,842)	(1,676)
Amortization of intangible assets	(4,951)	(4,207)
Total depreciation, amortization and impairment	(6,793)	(5,883)

33. IMPAIRMENT

• FINANCIAL ASSETS AVAILABLE FOR SALE

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

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

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

For the year ended December 31, 2015 and 2014, no impairment losses were recorded for financial assets available for sale.

• INTANGIBLE ASSETS

Impairment testing indicated some intangible assets with expected losses. As a result, the Bank's management recorded impairment of MCH$1,557 and MCH$5,501 for the years ended December 31, 2015 and 2014, respectively, as specified in Note 14 to the consolidated financial statements.

34. OTHER OPERATING INCOME AND EXPENSES

A) OTHER OPERATING INCOME

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

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Income from assets received in lieu of payment	13	293
Release of contingency provisions	546	459
Gain on sale of property, plant and equipment	883	699
Rental payments received	71	267
Recovery of expenses	2,726	1,455
Other income	5,157	4,182
Total other operating income	9,396	7,355

B) OTROS GASTOS OPERACIONALES

El monto de otros gastos de operación que se muestra en el estado de resultados consolidado, corresponde a los siguientes conceptos:

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
Provisions and expenses for assets received in lieu of payment	(1,932)	(369)
Contingency provisions (*)	(470)	(436)
Operating write-offs	(3,055)	(4,643)
Other expenses	(1,766)	(1,180)
Total other operating expenses	(7,223)	(6,628)

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

35. RELATED PARTY TRANSACTIONS

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

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

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

A) RELATED PARTY LOANS

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

	PRODUCERS OF GOODS AND SERVICES		INVESTMENT COMPANIES		INDIVIDUALS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Loans and receivables:								
Commercial loans	33,424	122,452	84	88	2,521	2,346	36,029	124,886
Mortgage loans	-	-	-	-	7,165	7,623	7,165	7,623
Consumer loans	-	-	-	-	1,486	1,391	1,486	1,391
Gross loans and receivables	33,424	122,452	84	88	11,172	11,360	44,680	133,900
Loan loss provisions	(59)	(130)	-	-	(54)	(33)	(113)	(163)
Net loans and receivables	33,365	122,322	84	88	11,118	11,327	44,567	133,737
Contingent loans:								
Total contingent loans	144,419	126,110	66	97	2,691	2,184	147,176	128,391
Contingent loan provisions	(67)	(61)	-	-	(8)	(5)	(75)	(66)
Net contingent loans	144,352	126,049	66	97	2,683	2,179	147,101	128,325
Investments								
Financial instruments held for trading	-	-	-	-	-	-	-	-
Available for sale	-	-	-	-	-	-	-	-
Total investments	-	-	-	-	-	-	-	-
	177,717	248,371	150	185	13,801	13,506	191,668	262,062

B) OTHER ASSETS AND LIABILITIES WITH RELATED PARTIESS

	AS OF DECEMBER 31, 2015 MCH$	AS OF DECEMBER 31, 2014 MCH$
ASSETS		
Financial derivative instruments	2,302	2,942
Total other assets with related parties	2,302	2,942
LIABILITIES		
Financial derivative instruments	1,155	3,075
Demand deposits	23,218	23,014
Savings accounts and time deposits	442,496	433,081
Total other liabilities with related parties	466,869	459,170

C) GAIN (LOSS) ON TRANSACTIONS WITH RELATED PARTIES

	NET INCOME (LOSS) DECEMBER 31, 2015 MCH$	NET INCOME (LOSS) DECEMBER 31, 2014 MCH$
Net interest and indexation income	299	450
Net fee and commission income	1,032	3,068
Net foreign exchange transactions	510	400
Operating expenses	(32,214)	(21,385)
Other income and expenses	2,857	(2,120)
Total loss from related party transactions	(27,516)	(19,587)

D) RELATED PARTY CONTRACTS

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

These contracts are as follows:

COMPANY	DESCRIPTION	CREDITS TO PROFIT DECEMBER 31, 2015 MCH$	CREDITS TO PROFIT DECEMBER 31, 2014 MCH$	CHARGES TO PROFIT DECEMBER 31, 2015 MCH$	CHARGES TO PROFIT DECEMBER 31, 2014 MCH$
Capital S.A. (Formerly Inversiones Invest Security Ltda.)	Service contract	133	168	13,407	9,357
Travel Security S.A.	Office lease and air tickets	-	-	1,160	1,484
Seguros Vida Security Previsión S.A.	Insurance	5,928	4,300	2,642	516
Global Security Gestión y Servicios Ltda.	Service contract	-	-	6,951	3,448
Mandatos Security Ltda.	Service contract	-	-	3,577	3,115
Inmobiliaria Security S.A.	Service contract	-	-	-	63
Asesorías Security S.A.	Advisory services	-	-	388	619
Redbanc S.A.	Service contract	-	-	432	333
Cía. de Seguros Generales Penta Security S.A.	Service contract	1,221	519	354	-
Transbank S.A.	Service contract	5,661	3,690	2,974	2,119
Chilectra S.A.	Sale of electric power	-	-	243	206
Factoring Security Ltda.	Advisory services and leases	-	269	-	-
Inmobiliaria Security Once	Advisory services	-	-	86	125

E) PAYMENTS TO BOARD OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

In 2015 and 2014, the following payments were made to members of the board and key management personnel and charged to profit or loss.

	DIRECTORS DECEMBER 31, 2015 MCH$	DIRECTORS DECEMBER 31, 2014 MCH$	SENIOR EXECUTIVES DECEMBER 31, 2015 MCH$	SENIOR EXECUTIVES DECEMBER 31, 2014 MCH$	DIVISION MANAGERS DECEMBER 31, 2015 MCH$	DIVISION MANAGERS DECEMBER 31, 2014 MCH$	AREA MANAGERS DECEMBER 31, 2015 MCH$	AREA MANAGERS DECEMBER 31, 2014 MCH$
Short-term compensation	498	551	961	717	1,753	1,255	3,442	3,235
Severance indemnities	-	-	-	-	860	-	1,320	337
No. of executives	7	7	3	3	7	7	26	28

36. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

A. ASSETS AND LIABILITIES AT FAIR VALUE

The following table summarizes the fair values of the Bank's main financial assets and liabilities, including those not recorded at fair value in the statement of financial position. The values shown in this note do not attempt to estimate the value of the Bank's income-generating assets, nor forecast their future behavior. As of December 31, 2015 and 2014, the estimated fair values of the Bank's financial instruments are as follows::

	CARRYING AMOUNT		ESTIMATED FAIR VALUE	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Assets				
Cash and due from banks	561,624	331,600	561,624	331,600
Transactions pending settlement	41,092	46,663	41,092	46,663
Financial instruments held for trading	188,758	231,289	188,758	231,289
Receivables from repurchase agreements and securities borrowing	-	6,720	-	6,712
Financial derivative instruments	139,322	91,035	139,322	91,035
Loans and advances to banks	713	7,165	709	7,171
Loans to customers	3,981,083	3,649,755	4,130,088	3,832,026
Investments available for sale	421,023	394,077	421,023	394,077
Investments held to maturity	-	-	-	-
Liabilities				
Current accounts and other demand deposits	583,856	512,242	583,856	512,242
Transactions pending settlement	13,565	18,322	13,565	18,322
Payables from repurchase agreements and securities lending	34,492	56,238	34,540	56,243
Savings accounts and time deposits	2,717,668	2,541,909	2,719,471	2,556,857
Financial derivative instruments	138,969	85,259	138,969	85,259
Interbank loans	228,156	146,429	228,691	146,443
Debt instruments issued	1,344,873	1,126,708	1,432,339	1,167,174
Other financial liabilities	22,647	24,168	25,152	27,770

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

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

B. DETERMINATION OF FAIR VALUE

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

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

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

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

As of December 31, 2015, the Bank has applied valuation techniques to determine the fair value of the financial instruments "BLAPO-F" and "BLAPO-G". For the La Polar bonds, that valuation (prepared by Riskamerica) considers the rate from the date the debt was renegotiated, which gives a price close to 0 given their maturity. If traded (complying with the minimum trade restriction of UF 500), the transaction price is included as the official price.

The following table details the classification of financial instruments by level within the fair value hierarchy as of December 31, 2015 and 2014, respectively.

	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
FINANCIAL ASSETS								
Financial instruments held for trading:								
Chilean Government and Central Bank instruments								
Chilean Central Bank instruments	1,535	43,657	19,295	12,198	-	-	20,830	55,855
Chilean Treasury instruments	595	95,350	85,210	837	-	-	85,805	96,187
Other government instruments	-	-	308	-	-	-	308	-
Subtotal	2,130	139,007	104,813	13,035	-	-	106,943	152,042
Other financial instruments								
Notes for deposits in domestic banks	5,475	1,170	49,150	47,366	-	-	54,625	48,536
Mortgage bonds in domestic banks	-	77	1,234	777	-	-	1,234	854
Bonds from domestic banks	5,824	17,077	18,229	2,626	-	-	24,053	19,703
Other instruments issued in Chile	15	1,420	134	278	-	-	149	1,698
Mutual funds	1,754	8,456	-	-	-	-	1,754	8,456
Subtotal	13,068	28,200	68,747	51,047	-	-	81,815	79,247
Total	15,198	167,207	173,560	64,082	-	-	188,758	231,289
							-	
Trading derivatives:								
Currency forwards	28,361	13,717	39,287	18,181	-	-	67,648	31,898
Interest rate swaps	-	-	27,575	33,611	592	65	28,167	33,676
Currency swaps	-	-	35,020	17,710	8,487	7,751	43,507	25,461
Total assets for trading derivatives	28,361	13,717	101,882	69,502	9,079	7,816	139,322	91,035
Total assets for financial derivatives	28,361	13,717	101,882	69,502	9,079	7,816	139,322	91,035
Investments available for sale:								
Chilean Government and Central Bank instruments								
Chilean Central Bank instruments	-	2,279	116,710	101,680	-	-	116,710	103,959
Chilean Treasury instruments	-	-	-	-	-	-	-	-
Subtotal	-	2,279	116,710	101,680	-	-	116,710	103,959
Other financial instruments								
Notes for deposits in domestic banks	-	9,669	10,792	26,149	-	-	10,792	35,818
Mortgage bonds in domestic banks	-	62	22,900	25,686	-	-	22,900	25,748
Bonds from domestic companies	-	17,409	86,464	52,720	-	-	86,464	70,129
Other instruments issued abroad	184,157	158,423	-	-	-	-	184,157	158,423
Subtotal	184,157	185,563	120,156	104,555	-	-	304,313	290,118
Total	184,157	187,842	236,866	206,235	-	-	421,023	394,077
TOTAL FAIR VALUE ASSETS	227,716	368,766	512,308	339,819	9,079	7,816	749,103	716,401
FINANCIAL LIABILITIES								
Trading derivatives:								
Currency forwards	(36,293)	(17,865)	(41,039)	(14,918)	-		(77,332)	(32,783)
Interest rate swaps	-	-	(24,593)	(32,468)	(880)	(1,070)	(25,473)	(33,538)
Currency swaps	-	-	(35,807)	(18,702)	-	-	(35,807)	(18,702)
Interest rate put options	-	-	-		(11)	(21)	(11)	(21)
Total liabilities for trading derivatives	(36,293)	(17,865)	(101,439)	(66,088)	(891)	(1,091)	(138,623)	(85,044)
Hedge accounting derivatives:								
Interest rate swaps	-	-	(346)	(215)	-	-	(346)	(215)
Total liabilities for hedge accounting derivatives	-	-	(346)	(215)	-	-	(346)	(215)
	-	-	-	-	-	-		
Total liabilities for financial derivatives	(36,293)	(17,865)	(101,785)	(66,303)	(891)	(1,091)	(138,969)	(85,259)
	-		-	-	-	-		
TOTAL FAIR VALUE LIABILITIES	(36,293)	(17,865)	(101,785)	(66,303)	(891)	(1,091)	(138,969)	(85,259)

37. RISK MANAGEMENT

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

I. RISK MANAGEMENT OBJECTIVES

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

In order to achieve this, the Bank has put forth considerable effort to optimize risk management. Starting in 2015, it has separated risk management into three specific divisions by type of risk: Credit Risk, Financial Risk and Operational Risk.

Through this structure, the Bank can properly and opportunely identify, measure, value and monitor all types of risk that Banco Security may incur.

II. RISK MANAGEMENT STRUCTURE

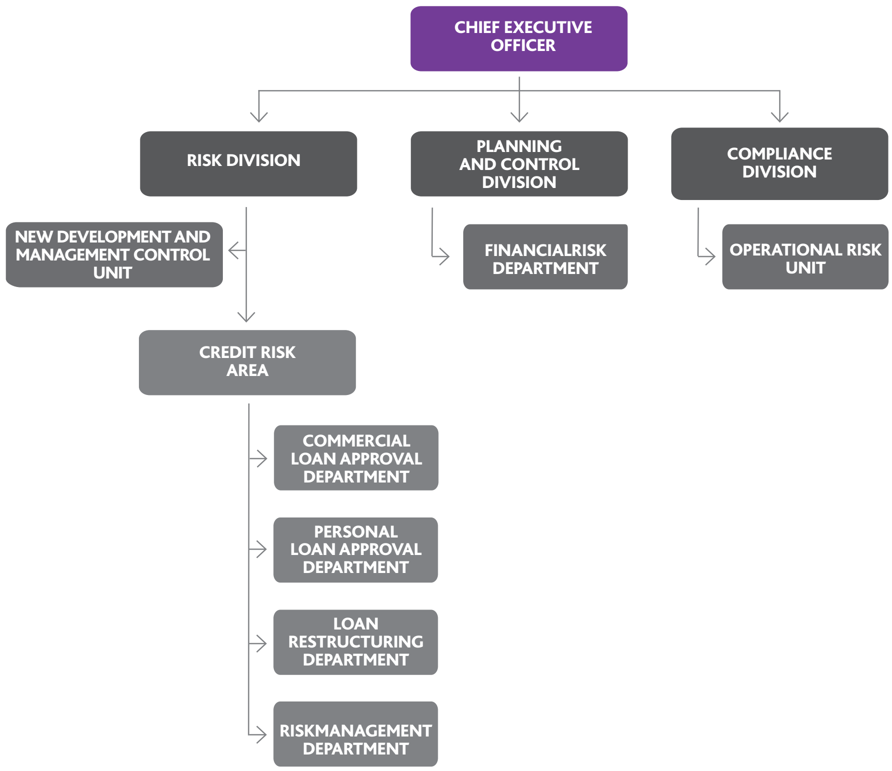
Since April 2015, risk management has been implemented through three divisions that report to the Chief Executive Officer: The Risk Division (credit risk), the Planning and Control Division (financial risk) and the Compliance Division (operational risk). All of these operate independently from other business areas and serve as a counterbalance on the Bank's various committees.

The Risk Division is structured as follows: Credit risk is conducted by the Commercial Loan Approval Department, the Retail Loan Approval Department, the Loan Restructuring Department and the Risk Management Department, while the New Development and Management Control Unit is in charge of bank-wide risk management issues and effective management of all risks.

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

Since operational risk is considered outside the scope of traditional banking risks, it was transferred to the Compliance and Operational Risk Division, which reports directly to the Chief Executive Officer and also includes the areas of Information Security, Business Continuity, Asset Laundering and Fraud.

The Bank's risk division is structured as follows:



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

Area Descriptions:

1) **Credit Risk:**

Retail Loan Approval Department:

The Retail Loan Approval Department participates in the first three stages of the loan process in the people segment. Its main responsibilities include making loan decisions as part of the different levels of loan committees and defining their lending authority levels. This department also plays a key role in establishing credit policies.

Commercial Loan Approval Department:

This is the largest department in the Risk Division. It is further subdivided into two units: customer financial analysis and loan approval decisions. The first unit is responsible for participating in the first two stages of the process, focusing particular effort on the second stage of analyzing and assessing customers. Its main function is to prepare the different types of financial analyses on customers depending on their size, complexity and amount. These analyses are adapted to the needs of the sales areas in terms of depth and response time in order to keep the Bank competitive in the market. This unit is also responsible for preparing sector reports, optimum sector portfolio analyses and country risk studies.

The second unit participates in loan approval through several committees and by preparing credit risk policies and lending authority levels for the sales areas.

Loan Restructuring Department:

This department is responsible for recovering loans with payment problems. Its skilled staff is supported by lawyers and collection companies in order to properly carry out its work.

Credit Risk Management Department:

This department is in charge of managing, monitoring and controlling credit risk, as well as preparing business intelligence and credit risk models.

Its main responsibility involves provisions, appraisals and monitoring lines of credit.

The department, which is responsible for monitoring and controlling risk, is charged with reviewing proper compliance with policies and procedures, as well as the evolution and monitoring of the portfolio from a risk perspective, issuing warnings when necessary.

It also fulfills a business intelligence role where it defines risk tolerance (appetite), actively participating in defining the target market, generating the optimal portfolio and acting as a counterweight for intelligence areas from the sales areas. Lastly, it is responsible for generating all reports on portfolios and trends regarding products, provisions, returns, segmentation, etc. It is, therefore, the Bank's main supplier of credit risk information for the Risk Division as well as other areas.

The Modeling Area is in charge of building statistical models for managing credit risk, for regulatory purposes as well as provisioning, loan approval and collection processes. The main responsibilities of this department include:

- Building risk models
- Monitoring risk models
- Managing the "risk laboratory" data repository
- Managing risk

This department also collaborates with credit risk management efforts by providing departments with information about risk policies, loan approvals, monitoring, intelligence and collections.

2) Financial Risk:

Financial Risk Department:

Department in charge of ensuring financial risk is effectively managed. Its specific functions are detailed in section IV

3) Operational Risk:

Operational Risk Unit:

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

4) Others:

New Development and Management Control Unit:

This unit is responsible for supporting all risk management departments, keeping comprehensive control of risks to the Bank and managing projects for the credit risk division, including regulatory initiatives. It is also charged with centralizing risk policies and standards, training division employees and monitoring goals.

III. CREDIT RISK

A. Credit Risk Management Objectives:

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

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

B. Credit Risk Structure:

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

This area is made up of:

- Commercial Loan Approval Department
- Retail Loan Approval Department
- Risk Management Departament
- Loan Restructuring Department

C. Credit Risk Process:

The following chart details the six stages of the loan approval process and the departments that participate in each stage.

LOAN APPROVAL PROCESS	CORPORATE BANKING	RETAIL BANKING
Target Market Credit Analysis and Assessment Loan Decision	Commercial Loan Approval Department	Retail Loan Approval Department
Credit Management Credit Monitoring and Control	Risk Management Department	
Collections	Loan Restructuring Department	

C.1 Credit Risk Stages:

1. Target Market:

Although the Bank's senior management is responsible for defining the target market, this decision is based on a proposal prepared jointly by the sales and risk areas after having analyzed the opportunities available on the market and the risks of the various segments. This proposal is contained in the Bank's Credit Risk Policy Manual.

2. Credit Analysis and Assessment

The tools used to analyze and assess a customer depend on the customer's market. For example, a scoring system is used in retail banking (individuals and companies) while a case-by-case analysis prepared by a credit risk expert is utilized in commercial banking.

3. Loan Decision:

The credit risk area acts as a counterweight in the loan decision process in all committees on which it participates. It also defines the approval limits for commercial areas and may intervene if risk standards are surpassed at any time.

There are mainly two types of committees, separated by the way they operate: Circulating folder or meeting. In the former, which involves smaller amounts, a folder is passed from one level to the next until it reaches the required level. In the latter, which involves larger amounts, a meeting is held where an account executive presents the loan to members of the committee for their approval. Meeting committees are also divided by amount.

Of these loan committees, the most important is the Board Credit Committee, which includes two directors, two advisors to the board, the Bank's CEO, the Risk Division Manager and the Commercial Loan Approval Manager. This committee analyzes the most important loans, assessing close to 70% of loans in terms of amount and 5% in terms of number of customers.

4. Credit Management:

This area works to ensure proper customer classification, which begins with executives, followed by reclassifications made mainly by the Monitoring and Control Department, committees and the Loan Restructuring Department, and ends with the Reclassification Committee. The latter implements and carries out the classification and provisioning process in order to ensure the Bank is operating correctly and to reflect the reality of its portfolio.

It also works with the sales areas to keep the number of expired and/or overdrawn lines of credit within expected parameters, and it maintains strict control over appraisals of assets provided to guarantee loans.

5. Collections:

In this stage, the specialized Loan Restructuring Department carries out a variety of activities to collect on loans, including out-of-court and court collections.

6. Monitoring and Control:

This stage aims to maintain an overall vision of how the above loan processes are functioning. Among other things, it reviews and audits current credit policies, monitors the performance of the analysis areas and committees, and properly manages credit.

It relies on various sources of information to fulfill its duties, including reports provided by the Credit Risk Intelligence Area and information on portfolio behavior. It uses this information to strictly monitor and control the Bank's portfolio and, as a result, it is the area that proposes most of the potential customer reclassifications.

D. Risk Rating and Provisions:

Risk rating and assessments for provisioning purposes depend on customer and product type. Customers can be rated individually or as a group, as detailed below:

INDIVIDUAL RATING		GROUP RATING	
CUSTOMER TYPE	METHODOLOGY	CUSTOMER TYPE	METHODOLOGY
Companies (includes individuals with business accounts)	Commercial matrix and business rules	Individuals with commercial loans	Guidelines
Real estate	Manual	Small businesses	Guidelines/Matrix
Other - Banks - Restructuring of retail and commercial loans - Non-profit - Special group leasing	Manual	Holding Companies	Guidelines/Matrix
		Residential mortgage loans	Model
		Consumer loans	Internal model

D.1 Rating Individual Customers:

This group includes all customers (individuals or legal entities) that the Bank needs to understand and analyze in detail because of their size, complexity or exposure level.

As a result, Banco Security individually rates all entities with annual sales over MCH$1,000 and debt over MCH$200, as well as real estate projects, institutional companies, non-profit organizations and bankrupt entities, among others.

D.2 Rating Group Loans:

Group assessments are used for customers that tend to behave similarly. Thus, they are assessed using methodologies and models to analyze operations related to the same product, based on customer type, as indicated below:

1. Commercial Products
    a. Individuals
    b. Restructuring of retail loans
    c. Small businesses
    d. Investment companies

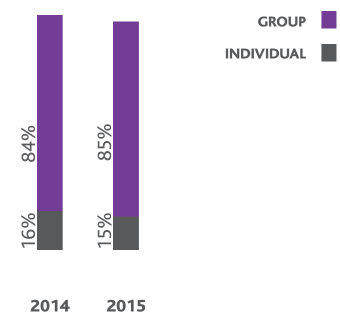
2. Consumer Products:
    a. Individuals

3. 3. Mortgage Products:
    a. Individuals

D.3 Distribution of Loan Portfolio:

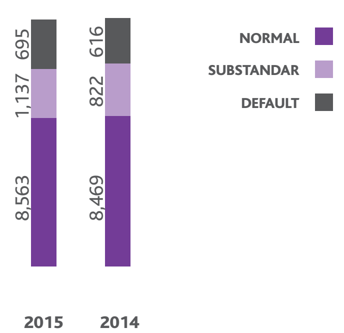
The Bank's portfolio is distributed as follows, based on the type of risk assessment used (i.e. group or individual):

assessment by customer type
number of customers
number

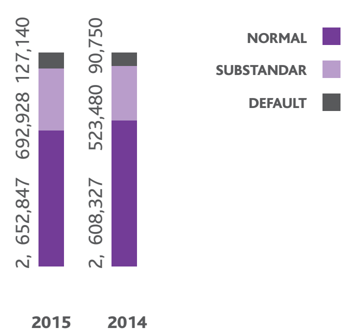


Individually rated loans are distributed by category (normal, substandard and default) using the following criteria:

distribution of individually rated loans
Number of Individual Customers



distribution of individually rated loans
Amount of Loans, MCH$



IV. FINANCIAL RISK

A. Financial Risk Management Objectives

For the organization, financial activities are defined as all transactions that are closed by the Bank and its subsidiaries Valores Security and Administradora General de Fondos, either on their own account or on behalf of third parties.

In general, financial transactions include operations involving foreign currency, loans, financing instruments, fixed-income instruments, derivatives and equities.

The strategic objectives of financial activities include:

- Strengthening and expanding the Bank's position, consolidating and developing long-term relationships with counterparts and providing a full range of investment banking products.
- Improving and ensuring the stability of long-term returns and effectively managing liquidity risk.

Financial activities are limited to previously approved strategic product areas and will only be carried out within the overall risk guidelines defined by the Bank's board of directors.

In managing the portfolio of financial investments, the organization will actively manage positions based on an ongoing analysis of economic and financial conditions. Therefore, positions in financial instruments will be in line with the consensus for the macroeconomic outlook. However, short-term trading positions can also be taken to capitalize on a one-time misalignment of a market variable.

In order to achieve the objectives established in the Bank's investment strategies, a broad range of currencies and products can be traded, always in accordance with current applicable regulations.

The Bank is primarily engaged in trades of non-derivative fixed-income financial instruments, interbank funding, transactions with repo agreements, foreign currency spot sales and purchases, currency and interest rate derivatives (forwards and swaps), equities and simultaneous operations.

Treasury products can be geared towards different objectives, such as profiting from short or medium-term variations in market factors, making returns by generating spreads with respect to the financing rate of positions, leveraging maturity mismatches and curves of interest rate structures or exchange rate differentials, engaging in economic and/or accounting hedges and distributing treasury products through the Bank's sales network.

Derivatives are particularly used to hedge risks, to arbitrate some market or to take certain proprietary positions. Hedge management via derivatives can use economic or accounting hedges, depending on the strategy defined.

Strategies with derivatives with accounting hedges can be used to hedge cash flows or the fair value of any balance sheet item or expected transaction that generates risk or volatility in profit or loss, in compliance with international accounting standards. These strategies must meet all requirements included in current regulations and their effectiveness is reviewed at least monthly for each hedge.

Risk management and control takes place through policies, procedures, methodologies and limits, which create value for the shareholders and the market as a whole, guaranteeing adequate solvency levels.

These internal limits, defined by portfolio type, maturity mismatches, currency and instrument type, allow the Bank to control risk levels and diversify investment portfolios.

The Bank's policies also allow it to require guarantees under certain circumstances, mainly for derivative transactions, in order to mitigate credit risk.

B. Financial Risk Structure

The Board of Directors is responsible for approving risk management policies, limits and structures for the Bank and its subsidiaries. To accomplish this, it has set up several committees to monitor compliance with defined policies and limits. These committees are made up of directors and executives and provide the Board with regular reports on risk exposure.

The following committees currently analyze matters related to financial risk:

- Finance Committee: Controls and manages financial investments from a short and medium-term trading perspective and the risks associated with these portfolios.

- Asset and Liability Committee: Controls and manages the risk of mismatches in assets and liabilities in order to stabilize and protect and control the Bank's financial margin and economic value. It also monitors liquidity gaps, diversification of funding sources, highly-liquid assets and risk-adjusted capital limits (solvency).

The objective of the Bank's financial risk management policies is to identify and analyze the risks faced by the Group, set concentration limits and put ongoing controls in place to monitor compliance.

The committees regularly revise these policies in order to incorporate changes in market conditions and the Bank's activities. Once revised, the changes are submitted to the Board for its approval.

The Financial Risk Department, which reports to the Planning and Control Division, is charged with monitoring and controlling risks and is independent from the business areas that take and manage the risks.

This department is specifically responsible for:

- Centralizing efforts to control and measure the various risks affecting the Bank and its subsidiaries by applying uniform policies and controls.
- Ensuring that risk managers, senior management and the Board of Directors are kept informed of key matters regarding market and liquidity risk.
- Ensuring that recommendations from regulators and internal auditors are appropriately implemented.
- Reporting and monitoring market and liquidity risk and limit compliance on a daily basis.
- Developing and reviewing the effectiveness of methods and procedures for measuring risk.

Risk is measured and controlled on a daily basis via risk reports used by senior management to make decisions. These reports include VaR measurements and rate sensitivity for both the investment portfolio and the banking book as a whole, risk exposure by portfolio, instrument, risk factors and concentration and compliance with internal limits.

C. Financial Risk Process

Risk measurements are based on automated systems used to monitor and control the risk to which the Bank and its subsidiaries are exposed on a daily basis, thus allowing for proper decision-making.

The Treasury is in charge of taking positions and risks within the limits defined by senior management. It is responsible for managing financial risks arising from positions in investment books, from structural balance sheet mismatches and from managing liquidity gaps and also for adequately funding operations.

The Internal Audit Department regularly assesses risk processes. The general risk structure is continuously being evaluated by the SBIF, the Bank's independent auditors, and other external entities.

D. Definition of Financial Risks

a) Market Risk

Market risk represents the potential loss that can result from changes in market prices over a certain period of time as a result of movements in interest rates, foreign currencies, indexation indices and stock prices. These losses affect the value of financial instruments held for trading and available for sale, both for the Bank and its subsidiaries.

Market Risk Methodology

Market risk is measured using the Value at Risk (VaR) methodology, which allows the various different risks and types of operations to be standardized, modeling the collective relationship of these factors in a single risk measurement.

VaR provides an estimate of the maximum potential loss from treasury positions of financial assets or liabilities in the event of an adverse, yet normal, scenario.

The methodology used to calculate VaR is a parametric technique that assumes that the price returns on investments follow a normal distribution using a threshold of 95% confidence, a maintenance horizon of 1 day and an historical data sample of 250 days adjusted using statistical techniques to assign greater weight to more recent developments, in order to quickly capture increases in market volatilities.

The assumptions on which the model is based have some limitations, including:

- A maintenance period of one day assumes that the positions can be covered or disposed of within that period. However, investment portfolios held for trading are comprised of highly-liquid instruments.
- A confidence level of 95% does not reflect the losses that could occur in the remaining 5% of the distribution.
- Value at risk is calculated using end-of-day positions and it does not reflect the exposure that could arise during the trading day.
- The use of historical information to determine possible ranges of future outcomes may not cover all possible scenarios, especially exceptional circumstances.
- Market price returns of financial instruments can present abnormal probability distributions.

The limitations of the assumptions used by the VaR model are minimized by using nominal limits for investment concentration and sensitivity to specific risk factors.

The reliability of the VaR methodology used is verified by backtesting, which is contrasted with the actual results obtained to determine whether they are consistent with the methodological assumptions within the given confidence levels. Ongoing monitoring of these tests allows the Bank to confirm the validity of the assumptions and hypotheses used in the model.

Control of financial risk is supplemented with specific simulation exercises and stress testing to analyze various financial crises that have occurred in the past and the effect they may have on current investment portfolios.

These risks are monitored on a daily basis. Risk levels incurred and compliance with the limits set for each unit are reported to risk managers and senior management.

Banco Security and its subsidiaries measure and limit Value at Risk in their investment portfolios (trading and available for sale) by risk factors, interest rates, currencies, time bands, instrument type and portfolio type.

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

	VAR BY TYPE OF RISK	
	DECEMBER 31, 2015 MCH$	DECEMBER 31, 2014 MCH$
Trading:		
Fixed-income	139	346
Derivatives (excl. options)	394	287
Embedded options	1	1
FX	53	27
Equities	-	7
Diversification effect	(11)	(160)
Total portfolio	576	508
Available for sale:		
Interest rate	394	537
Total portfolio	394	537
Total diversification	(260)	(388)
Total VaR	134	817

b) Structural Interest Rate Risk

This risk stems mainly from commercial activity (commercial loans v/s deposits), caused by the effects of variations in interest rates and/or the slopes of interest rate curves to which assets and liabilities are indexed. When these show temporary repricing or maturity gaps, they can impact the stability of results (financial margin) and solvency levels (economic value of equity).

To do this, the Bank establishes internal limits using sensitivity techniques for interest rate structures. The Bank also uses stress testing to evaluate the sensitivity of interest rates, currency repricing, changes in stock prices, changes in underlying assets for options and changes in commissions that may be sensitive to interest rates. This stress testing enables the Bank to measure and control the impact of sudden movements in the different risk factors that affect its solvency ratio, the financial margin and the economic value of equity.

Compliance with limits established by the Bank, in accordance with the definitions established by the Chilean Central Bank in Chapter III.B.2 of the Compendium of Financial Standards, is also monitored on a daily basis. The Bank also files a weekly report with the SBIF on the risk positions of the investment portfolio within the trading book and limit compliance. It also files a monthly report with the SBIF on the consolidated positions at risk (including subsidiaries) for the trading book and individually for the banking book, which includes sensitivity to market risk in the available-for-sale portfolio and the commercial book.

In accordance with the methodology defined in Chapter III.B.2 of the Compendium of Financial Standards of the Chilean Central Bank, market risk is as follows:

	MARKET RISK TRADING BOOK	
	DECEMBER 31, 2015 MCH$	DECEMBER 31, 2014 MCH$
Market risk		
Interest rate risk	20,592	16,019
Currency risk	1,498	431
Options risk	7	37
Total risk	22,097	16,487
Consolidated risk-weighted assets	4,704,745	4,349,417
Regulatory capital (RC)	569,287	549,671
Basel limit	8,00%	8,00%
Basel with market risk	11,43%	12,10%
Basel I	12,10%	12,64%

	MARKET RISK BANKING BOOK	
	DECEMBER 31, 2015 MCH$	DECEMBER 31, 2014 MCH$
Short-term		
Interest rate risk (short-term)	12,238	9,255
UF mismatch	3,952	2,516
Sensitive commissions	59	59
Total risk	16,249	11,830
Limit 35% margin (board)	51,428	49,027
Clearance/(excess) (board)	35,179	37,198
Long-term		
Interest rate risk	54,787	48,166
Limit 25% RC (board)	142,322	137,418
Clearance/(excess) (board)	87,535	89,252

c) Liquidity Risk

Liquidity risk represents the possibility of not fulfilling obligations when they mature as a result of the inability to liquidate assets or obtain funds, or not being able to dispose of them easily or offset exposure without significantly reducing prices due to insufficient market depth.

The following concepts are involved in liquidity risk.

- Maturity risk: The risk arising from having cash inflows and outflows with different maturity dates.
- Collection risk: The risk of being unable to collect any cash inflow as a result of stoppage of payment, default or delay.
- Funding risk: The risk of being unable to raise market funds, either in the form of debt or capital, or only being able to do so by substantially increasing the cost of funds, thus affecting the financial margin.
- Concentration risk: The risk from concentrating funding or revenue sources in a few counterparts that may bring about an abrupt change in the matching structure.
- Market liquidity risk: This risk is linked to certain products or markets and arises from not being able to close or sell a particular position at the last quoted market price (or a similar price) due to low liquidity.

Liquidity Risk Methodology

The methodologies used to control liquidity are the liquidity gap, which considers probable behavior scenarios for assets and liabilities, stress testing, liability concentration limits and early warning indicators.

The liquidity gap provides information regarding contractual cash inflows and outflows (i.e. those that will occur at a given future time according to asset and liability contracts). For items without contractual maturities, simulations are created based on statistical studies to infer maturity behavior.

Based on these scenarios, assumptions for normal operating conditions are established. These omit items (mainly assets) that create a set of conservative liquidity management conditions from daily management. They are limited through minimum mismatching margins per control segment defined on a weekly and monthly basis over a horizon of one year.

This is supplemented by special procedures to face a liquidity crisis and early warning indicators that can identify any potential risk.

A series of ratios and funding concentration limits by creditor and maturity are also controlled. This enables the Bank to keep its funding sources organized and diversified.

The Bank uses the contractual maturity methodology to comply with the regulatory liquidity limits established in Chapter III.B.2.1 of the Chilean Central Bank's Compendium of Financial Standards and Chapter 12-20 of the SBIF's Updated Compilation of Standards.

Regulatory mismatches and limit compliances are reported to the SBIF on a weekly basis for the Bank, and a monthly basis for consolidated information that includes its subsidiaries.

Since October 2015, as a result of changes in regulations, regulatory limits are contrasted with consolidated maturity mismatches for the Bank and its subsidiaries.

The following table illustrates regulatory liquidity gaps as of December 31, 2015 and 2014, in all currencies, presented in MCH$.

	< 1 MONTH		1 - 3 MONTHS		3 MONTHS - 1 YEAR		1 - 3 YEARS		3 - 6 YEARS		> 6 YEARS		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Available funds	585,596	353,118	-	-	-	-	-	-	-	-	-	-	585,596	353,118
Financial investments	605,397	538,509	6,195	-	4,643	-	-	-	-	-	-	-	616,235	538,509
Loans to other domestic banks	-	3,720	-	-	411	-	-	-	-	-	-	-	411	3,720
Commercial and consumer loans	366,036	381,327	413,179	423,046	986,457	966,009	809,836	837,860	628,952	545,444	619,362	523,533	3,823,822	3,677,219
Lines of credit and overdrafts	55,804	241,487	62,723	466,259	202,119	2,263,966	-	2,260	-	-	608	-	321,254	2,973,972
Residential mortgage loans	4,164	4,198	7,619	8,019	34,461	36,315	91,049	96,133	132,523	137,440	510,560	546,667	780,376	828,772
Other assets	94,673	46,589	1	-	-	-	-	-	-	-	-	-	94,674	46,589
Derivative contracts	123,496	43,291	114,291	53,389	160,958	47,447	253,940	78,567	178,755	55,695	39,512	35,339	870,952	313,728
	1,835,166	1,612,239	604,008	950,713	1,389,049	3,313,737	1,154,825	1,014,820	940,230	738,579	1,170,042	1,105,539	7,093,320	8,735,627
Current accounts and other demand deposits	588,504	517,295	-	-	-	-	-	-	-	-	-	-	588,504	517,295
Funding from other domestic banks	510	-	-	-	-	-	-	-	-	-	-	-	510	-
Savings accounts and time deposits	716,033	634,432	975,490	655,030	1,035,938	1,223,082	22,726	74,178	202	195	-	-	2,750,389	2,586,917
External funding	51,649	33,882	49,249	52,837	109,820	77,044	556	154	17,811	(25)	-	-	229,085	163,892
Letters of credit	860	964	371	439	3,452	3,964	7,883	9,505	9,164	10,691	13,703	17,072	35,433	42,635
Bonds	8,124	7,886	6,082	4,302	137,545	55,767	311,657	300,975	394,672	292,989	749,193	710,569	1,607,273	1,372,488
Lines of credit and overdrafts	50,659	225,372	52,859	461,855	154,570	2,265,007	-	-	-	-	568	-	258,656	2,952,234
Other liabilities	110,330	42,228	865	891	3,373	2,884	7,263	7,166	7,125	7,067	705	757	129,661	60,993
Derivative instruments	122,986	41,193	113,731	54,839	169,791	43,387	172,107	69,368	122,925	49,184	36,129	31,283	737,669	289,254
	1,649,655	1,503,252	1,198,647	1,230,193	1,614,489	3,671,135	522,192	461,346	551,899	360,101	800,298	759,681	6,337,180	7,985,708
													-	-
Net cash flow	185,511	108,987	(594,639)	(279,480)	(225,440)	(357,398)	632,633	553,474	388,331	378,478	369,744	345,858	756,140	749,919
Accumulated net cash flow	185,511	108,987	(409,128)	(170,493)	(634,568)	(527,891)	(1,935)	25,583	386,396	255,565	756,140	749,919		
Regulatory limit	(408,250)	(378,966)	(816,500)	(757,932)										
Clearance / (excess)	(593,761)	487,953	(407,372)	587,439										

Regulatory liquidity gap as of December 31, 2015 and 2014 in foreign currency presented in MCH$.

	< 1 MONTH		1 - 3 MONTHS		3 MONTHS - 1 YEAR		1 - 3 YEARS		3 - 6 YEARS		> 6 YEARS		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Available funds	264,025	153,657	-	-	-	-	-	-	-	-	-	-	264,025	153,657
Financial Investments	182,981	175,487	-	-	-	-	-	-	-	-	-	-	182,981	175,487
Commercial and consumer loans	105,073	95,621	76,940	74,149	142,451	116,865	87,879	52,880	67,811	50,150	91,738	53,060	571,892	442,725
Lines of credit and overdrafts	-	103	-	-	-	-	-	-	-	-	-	-	-	103
Other assets	-	14,673	-	-	-	-	-	-	-	-	-	-	-	14,673
Derivative contracts	77,882	10,219	48,014	21,884	78,851	18,329	88,429	43,080	51,113	32,262	22,051	25,450	366,340	151,224
	629,961	449,760	124,954	96,033	221,302	135,194	176,308	95,960	118,924	82,412	113,789	78,510	1,385,238	937,869
Current accounts and other demand deposits	111,202	94,550	-	-	-	-	-	-	-	-	-	-	111,202	94,550
Funding from other domestic banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Savings accounts and time deposits	140,235	157,772	251,693	103,137	57,970	126,781	-	58	-	-	-	-	449,898	387,748
External funding	51,649	33,882	49,249	52,837	109,820	77,044	556	154	17,811	(25)	-	-	229,085	163,892
Other liabilities	5,670	9,111	-	-	-	-	-	-	-	-	-	-	5,670	9,111
Derivative instruments	72,877	21,605	66,046	12,741	64,899	20,963	28,270	37,873	45,793	30,678	22,628	25,061	300,513	148,921
	381,633	316,920	366,988	168,715	232,689	224,788	28,826	38,085	63,604	30,653	22,628	25,061	1,096,368	804,222
													-	-
Net cash flow	248,328	132,840	(242,034)	(72,682)	(11,387)	(89,594)	147,482	57,875	55,320	51,759	91,161	53,449	288,870	133,647
Accumulated net cash flow	248,328	132,840	6,294	60,158	(5,093)	(29,436)	142,389	28,439	197,709	80,198	288,870	133,647		
Regulatory limit	248,328	(378,966)												
Clearance / (excess)		511,806												

For the purpose of comparing regulatory mismatches and compliance, regulatory report C46 (consolidated) is used as of year end 2015, while regulatory report C08 (individual) was used in 2014.

To supplement these gap analyses, several ratios are monitored to control the amount of liquid assets that support net cash outflows over a 30-day horizon under stress scenarios, as well as ratios that allow the Bank to ensure an adequate relationship between stable or long-term funding and long-term funding needs.

Hedge Accounting

The Bank hedges assets or liabilities in the statement of financial position using derivatives, in order to minimize the effects on profit or loss of possible movements in their market value or estimated cash flows.

At the inception of the hedge relationship, the Bank formally documents the relationship between hedging instruments and the hedged item, as well as the hedge's strategies and objectives and the methodologies for testing its effectiveness.

The effectiveness of the hedge relationship is tested using prospective and retrospective evaluations. The hedge is deemed highly effective, if the results of the tests are between 80% and 125%.

As of December 31, 2015, the Bank has five accounting hedges under the same strategy of hedging the volatility of the fair value of commercial loans as a result of variations in the base interest rate in UF. The hedge object is an interest rate swap for which the liability is a fixed rate in UF and the asset is a daily variable rate in UF (TRA).

HEDGES	
Hedge type	Fair value
Hedged object	Assets at fixed rate in UF
Derivative	Interest rate swaps in UF
Purpose	Reduce fair value risk
Maturity	25-06-2028
Retrospective effectiveness	100.0%

Embedded Derivatives

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

Currently, the Bank carries at fair value through profit and loss embedded derivatives arising from variable rate mortgage loans that incorporate a fixed rate after a certain amount of time or a rate ceiling used by customers to obtain an option in their favor. These will generate negative effects for the Bank when market rates are above the rate ceiling on these loans. This effect is determined on a daily basis using sophisticated methodologies to evaluate options, and the change in fair value is treated as profit or loss for the year (increases in the theoretical value of that derivative are a loss for the Bank).

Relevant data on these embedded derivatives are as follows:

	DECEMBER 31, 2015 MCH$	DECEMBER 31, 2014 MCH$
Balance MUF mortgage portfolio	150	191
Rate ceiling (average)	6.9%	7.2%
Option value MCh$	11	21

V. OPERATIONAL RISK

A. Definition

The Bank and its subsidiaries define operational risk as the risk of losses resulting from inadequate or faulty processes, staff and internal systems, or due to external incidents. This definition includes legal risks, but excludes strategic and reputation risks.

Furthermore, loss (write-off) is defined as negative financial effects on the physical, financial or intangible assets of the Bank and its subsidiaries caused by events related to an operational risk. If this event does not generate negative financial effects, it will not be considered an incident.

B. Main Objectives and Principles

The objective of operational risk management is to define a framework for managing operational risk in Banco Security and its subsidiaries. This includes establishing principles for identifying, assessing, controlling and mitigating such risk in order to reduce losses from operational risk, thus complying with corporate objectives and providing a suitable level of exposure to operational risk.

The following principles govern the operational risk management efforts of Banco Security and its subsidiaries:

- Operational risk is defined as a category apart from traditional banking risks and requires proactive management to identify, assess, control and mitigate such risk.
- A clear definition of operational risk must exist and it must be classified based on the guidelines established in the Basel capital agreements.
- A strategy must be defined for operational risk management that responds to the relative importance and volume of transactions at the Bank and its subsidiaries.
- The board of directors and senior management play an important role in approving and supervising compliance with the operational risk management policy and strategy.
- Specific definitions must exist for operational loss and tolerance levels set by the Bank and its subsidiaries.
- An individual with an independent, specific position should be in charge of the operational risk function.
- Consistency with current regulations and best practices in its regard.

C. Operational Risk Management Strategy

The operational risk management strategy, carried out by the Operational Risk Unit, must be consistent with the volume and complexity of the activities of the Bank and its subsidiaries. To accomplish this, it defines lines of action for operational risk management in the following areas: Products or processes, suppliers, business continuity and information security. These lines are implemented throughout the Bank and its subsidiaries.

The strategy must set a tolerance level for operational risk assumed by the Bank and its subsidiaries that enables it to manage mitigation efforts and monitor risks with exposure greater than or equal to this set tolerance. The strategy must be implemented throughout the entire Bank and its subsidiaries, which means that all levels of personnel must understand and accept their responsibilities regarding the management of this risk.

At a minimum, the strategy should address the following areas: Yearly planning, operational risk models and methodologies and a tool for consolidating all operational risks for the Bank and its subsidiaries.

D. Operational Risk Structure

The Operational Risk Control Unit reports to the Bank's Compliance and Operational Risk Division, which reports directly to the Risk Division Manager.

In accordance with the operational risk policy approved by the Board of Directors, risk management is carried out by the individuals responsible for processes and those who execute them, who are the main risk managers; by the operational risk area, which is in charge of managing and monitoring operational risk; by the Board of Directors and the Operational Risk Committee, which is responsible for ensuring that the Bank's operational risk management framework is in line with defined objectives and best practices, and that the necessary conditions exist (trained personnel, organizational structure, budget) to implement this framework.

E. Operational Risk

In order to properly manage risk and comply with the objectives defined by the Bank in its Operational Risk Policy, a series of activities have been developed and are described below:

The Operational Risk Management Framework is based on three basic pillars:

- **Culture:** Raising awareness of the importance of operational risk management across the entire organization at all levels.

- **Qualitative management:** Managing by detecting present and potential risks in order to manage them effectively (i.e. avoiding, transferring, mitigating or accepting these risks). Qualitative management is based on the following activities:

  - Database of losses and incidents
  - Self-surveys
  - Key risk indicators
  - Critical supplier reviews
  - Project reviews
  - Process reviews
  - Others

- **Quantitative management**: Managing by creating awareness in the organization of the level and nature of operational loss events. This enables the Bank to allocate funds through provisions for expected losses and to efficiently allocate capital for unexpected losses. Quantitative management is based on the following activities:

  - Gathering and managing data.
  - Calculating capital using a model defined by the regulator and, when conditions permit, using advanced models.
  - Integrating qualitative and quantitative management

F. Operational Risk Management Framework

The Operational Risk Management Framework is applied in the following stages:

- **Setting the context:** ESetting the strategic, organizational and risk management context on which the process will take place. The Bank must stipulate the criteria for assessing risks and define the analysis structure.

- **Identifying risks:** Associating risks with the numerous processes and/or procedures executed as part of the various activities carried out by the Bank.

- **Analyzing risks:** Specifically analyzing each of the risks detected based on the context set to determine whether that risk has an associated control or requires an action or mitigation plan. This situation will be established in accordance with the Bank's priorities.

- **Assessing risks:** Assessing each of the risks based on the probability of occurrence and the level of impact.

- **Mitigating risks:** Once risks have been detected and assessed, an analysis will be performed. To accomplish this, the Bank will define an action plan, assign an individual in charge of executing it and set a date for its resolution.

- **Monitoring and reviewing:** Monitoring, reviewing and updating the risk survey and resolution commitments from the person in charge.

- **Communicating and consulting:** Communicating and consulting with internal and external stakeholders, as appropriate, in each stage of the risk management process, considering the process as a whole.

VI. RISK COMMITTEES

In order to correctly manage risks, Banco Security has set up several risk committees, as described briefly below:

A. Credit Risk Committee:

There are three credit risk committees: the Board Credit Committee, the Executive Credit Committee and the Circulating Folder Credit Committee. The Bank's retail banking and Commercial Banking credit risk policies clearly specify the criteria used to identify which committee should analyze each transaction. The sales areas have almost no lending authority on their own and must almost always obtain approval from the credit risk areas or the respective committees in order to approve loans.

Composition of Credit Risk Committee:

There are three credit risk committees: the Board Credit Committee, the Executive Credit Committee and the Circulating Folder Credit Committee. The Bank's retail banking and Commercial Banking credit risk policies clearly specify the criteria used to identify which committee should analyze each transaction. The sales areas have almost no lending authority on their own and must almost always obtain approval from the credit risk areas or the respective committees in order to approve loans.).

Matters addressed:

These committees are responsible for approving or rejecting the loan applications submitted to the appropriate committee based on the loan amount and conditions. The Board Credit Committee is also charged with approving and modifying credit risk policies and lending authority.

Periodicity:

The Board Credit Risk Committee meets every Tuesday and Thursday (except the second Thursday of each month), while the Executive Credit Risk Committee meets every Wednesday. The Circulating Folder Credit Risk Committee operates mainly on Monday and Thursday mornings.

Board involvement:

The Board is highly involved in the credit risk process through the Board Credit Risk Committee. Two directors and the Chairman of the Board sit on this committee, which is the Bank's main credit risk body and is responsible for approving the most important transactions..

B. Credit Risk Reclassification Committee

This committee's objective is to review customer risk classifications in light of new developments that may downgrade or upgrade their risk rating provided by the rating system.

This committee meets monthly and is comprised of:

- Chief Executive Officer
- Risk Division Manager
- Commercial Division Manager (depending on the case being assessed)
- Retail Division Manager (depending on the case being assessed)
- Risk Management Manager
- Commercial Division Agents (depending on the case being assessed)
- Head of Credit Risk Control and Monitoring

C. Financial Risk Committees:

This committee's objective is to evaluate positions and risks taken by the Bank and its subsidiaries, defining strategies to be adopted and validating compliance.

Its main duties include reporting on each unit's performance regarding profits and margins versus budget, aligning strategies and escalating investment and divestiture decisions.

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

This committee is comprised of:

- Committee chairs - Bank's Chief Executive Officer
  - Bank's Chairman
  - Group's Chief Executive Officer
- Planning and Control Division Manager
- Group's Chief Economist
- Risk Division Manager
- Financial Risk Manager
- Finance and Corporate Division Manager
- Trading and Investment Manager
- Chief Executive Officer Valores Security
- Investment Manager Valores Security
- Investment Manager AGF

D. Operational Risk Committee:

Composition of Operational Risk Committee:

The Operational Risk Committee is comprised of one director, the Chief Executive Officer, the Operations and IT Division Manager, the Compliance Division Manager, the General Counsel, the Deputy Manager of Compliance and Internal Control at Subsidiaries, the Information Security Officer and the Deputy Manager of Operational Risk.

The Controller for Grupo Security must attend committee meetings, but does not have any responsibility for risk management. His or her purpose is to ensure that any potential corrective measures in response to observations on audited areas are properly implemented.

Matters addressed:

The committee is in charge of approving, managing and following up on operational risk management models, policies and planning, as well as approving monitoring indicators and mitigation plans to reduce risk, among other responsibilities.

Periodicity:

The Operational Risk Committee meets once every three months.

Board involvement:

The Board is informed about the implementation of the Operational Risk Policy, as well as the detection of incidents, potential risks and measurements of operational risks (i.e. severity and frequency of loss).

E. Risk Committee:

This committee's objective is to comprehensively review risks faced throughout the Bank and those that may impact it in the future. Based on this review, it generates guidelines and approves action plans in order to meet the objectives outlined in the budget based on the defined risk appetite.

This committee meets bimonthly and is comprised of:

- One director.
- Chief Executive Officer
- Division Managers (Commercial, Risk, Finance and Planning).
- Credit Risk Management Manager.
- Financial Risk Manager.
- Operational Risk Deputy Manager.
- Risk and Project Management Control Deputy Manager.

F. Asset and Liability Committee:

This committee is responsible for managing and controlling (1) structural maturity and currency mismatches in the statement of financial position, (2) liquidity and (3) the Bank's financial margin and stability, as well as for (4) defining and controlling capital management policies.

The standing members of this committee are:

- Two directors.
- Chief Executive Officer.
- Finance and Corporate Division Manager.
- Risk Division Manager.
- Financial Risk Manager.
- Planning and Control Division Manager.
- Trading Desk and Investment Manager.
- Distribution Desk Manager.
- Asset and Liability Management Desk Manager.
- Commercial Banking Division Manager.
- Retail Banking Division Manager.
- Foreign Trade and International Services Manager.

VII. CAPITAL REGULATORY REQUIREMENTS

In accordance with the General Banking Law, the Bank must maintain a minimum ratio of Regulatory Capital to Consolidated Risk-Weighted Assets of 8%, net of required provisions, and a minimum ratio of Basic Capital to Total Consolidated Assets of 3%, net of required provisions. To accomplish this, Regulatory Capital is determined based on Capital and Reserves and Basic Capital with the following adjustments: a) Adding subordinate bonds limited to 50% of Basic Capital and b) subtracting the asset balance of goodwill or premiums paid and unconsolidated investments in companies.

Assets are weighted using risk categories, which are assigned a risk percentage based on the capital needed to back up each asset. There are 5 risk categories (0%, 10%, 20%, 60% and 100%). For example, cash, due from banks and financial instruments issued by the Chilean Central Bank have 0% risk, which means that, in accordance with current standards, no capital is required to back up these assets. Property, plant and equipment have 100% risk, which means that a minimum capital equivalent to 8% of the value of these assets is needed.

All derivative instruments traded off-market are taken into account to determine risk assets using conversion factors over notional values, thus calculating the value of the credit risk exposure (or "credit equivalent"). For weighting purposes, "credit equivalent" also considers off-balance sheet contingent loans.

As of December 31, 2015, the Bank has applied valuation techniques to determine the fair value of the financial instruments "BLAPO-F" and "BLAPO-G". For the La Polar bonds, that valuation (prepared by RiskAmerica) considers the rate from the date the debt was renegotiated, which gives a price close to 0 given their maturity. If traded (complying with the minimum trade restriction of UF 500), the transaction price is included as the official price.

Levels of Basic and Regulatory Capital as of December 31, 2015 and 2014 are as follows:

	CONSOLIDATED ASSETS		RISK-WEIGHTED ASSETS	
	2015 MCH$	2014 MCH$	2015 MCH$	2014 MCH$
Balance sheet assets (net of provisions)				
Cash and due from banks	561,624	331,600	-	-
Transactions pending settlement	41,092	46,663	5,799	8,373
Financial instruments held for trading	188,758	231,289	27,214	38,302
Receivables from repurchase agreements and securities borrowing	-	6,720	-	6,720
Financial derivative instruments	198,215	219,081	125,728	101,878
Loans and advances to banks	713	7,165	383	7,165
Loans to customers	3,981,083	3,649,755	3,759,571	3,437,228
Investments available for sale	421,023	394,077	277,359	240,866
Investments held to maturity	-	-	-	-
Investments in other companies	3,048	1,437	3,048	1,437
Intangible assets	67,861	60,234	59,184	60,234
Property, plant and equipment	25,601	24,246	25,603	24,246
Current tax assets	3,403	2,160	340	216
Deferred tax assets	31,825	21,142	3,183	2,114
Other assets	119,853	143,184	107,394	143,184
Off-balance-sheet assets				
Contingent loans	516,564	462,423	309,939	277,454
Total risk-weighted assets	6,160,663	5,601,176	4,704,745	4,349,417

	AMOUNT	AMOUNT	RATIO	RATIO
	2015 MCH$	2014 MCH$	2015 %	2014 %
Basic capital	408,250	378,966	6.63%	6.77%
Regulatory capital	569,287	549,671	12.10%	12.64%

Regulatory capital is calculated as follows:

	DECEMBER 31, 2015 MCH$	DECEMBER 31, 2014 MCH$
Basic capital	408,250	378,966
Subordinated bonds	169,625	170,620
Tax guarantees	-	-
Equity attributable to non-controlling interest	90	85
Regulatory capital	577,965	549,671

38. NEW PRONOUNCEMENTS IN 2015

As of the date of issuance of these financial statements, the following new accounting pronouncements have been issued by the SBIF and the IASB:

I) SUPERINTENDENCY OF BANKS AND FINANCIAL INSTITUTIONS

The following section describes the Circulars issued by the SBIF that are related to this year's consolidated financial statements:

a) The following new standards and interpretations have been adopted in these financial statements.

Circular 3,585 - July 31, 2015, the SBIF issues standards on managing and measuring liquidity positions. It adds the following chapters to the Updated Compilation of Standards: Chapter 12-20 "Managing and Measuring Liquidity Positions" and Chapter 12-21 "Measuring and Controlling Market Risk"

Circular 3,586 - September 3, 2015, the SBIF stipulates that a bank's subsidiaries must file financial statements as of March 31, June 30 and September 30 of each year.

Bank Circular 3,588 – September 25, 2015, "Chapters A-1, B-1, B-3 and C-3 of the Compendium of Accounting Standards" amends instructions. This Circular amends minor aspects of the wording in chapters A-1, B-1 and B-3. In Chapter C-3, it creates a new general ledger account for prepaid debit cards (2100.2.07) and eliminates lines and items required as part of consolidated and individual supplementary information. The amendments in chapters A-1, B-1 and B-3 come into force immediately, while the amendments in chapter C-3 came into force as of October 31, 2015.

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

b) The following new standards and interpretations have been issued, but are not yet in effect:

Circular 3,573 - December 30, 2014, the SBIF issued a Circular related to Chapters B-1, B-2 and E of the Compendium of Accounting Standards. This Circular establishes the standard method for provisioning for residential mortgage loans to be applied beginning in 2016. It supplements and specifies instructions on provisions and loans in the impaired portfolio.

Bank Circular 3,583 – May 25, 2015, "Monthly Position Statements for SBIF." The accounting information sent monthly to the SBIF includes higher education loans regulated by Law 20,027 as one item in commercial loans, and all other student loans in consumer loans, without differentiating them from other loans. In order to apply the same treatment to all loans granted to finance higher education, the SBIF issued Circular 3,583 on May 25, 2015, and amended the corresponding texts in Chapter C-3 of the Compendium of Accounting Standards, requiring all student loans to be reported in Commercial Loans. The amendments in this Circular came into force for reporting as of January 1, 2016.

Circular 3,584 - June 22, 2015, the SBIF issued a Circular related to Chapter B-1 of the Compendium of Accounting Standards to provide specific instructions on modifying the provision calculation established in Circular 3,573 above.

Circular 3,598 - December 24, 2015, the SBIF supplements the instructions in Chapters B-1 of the Compendium of Accounting Standards to add provisions for the use of internal methodologies to determine credit risk provisions.

Management has evaluated and estimated these amendments and will begin recording them in January 2016.

II) INTERNATIONAL ACCOUNTING STANDARDS BOARD

a) The following new standards and interpretations have been adopted in these financial statements:

AMENDMENT TO IFRS	MANDATORY EFFECTIVE DATE
IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions	Annual periods beginning on or after July 1, 2014
Annual Improvements Cycle 2010 - 2012	Annual periods beginning on or after July 1, 2014
Annual Improvements Cycle 2011 - 2013	Annual periods beginning on or after July 1, 2014

Amendment to IAS 19 Employee Benefits

On November 21, 2013, the IASB amended IAS 19 Employee Benefits to clarify the requirements for how contributions by employees or third parties linked to services should be allocated to service periods. The amendments permit contributions that are independent of the number of years of service to be recognized as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Other contributions by employees or third parties are required to be attributed to periods of service, either using the plan's contribution formula or on a straight-line basis. The amendments are effective for periods that begin on or after July 1, 2014, and early adoption is allowed.

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

Annual Improvements Cycle 2010 - 2012

STANDARD	TOPIC	AMENDMENTS
IFRS 2 Share-based Payments	Definition of 'vesting condition'	Appendix A 'Defined terms' to IFRS 2 was amended to (i) change the definitions of 'vesting condition' and 'market condition' and (ii) add definitions for 'performance condition' and 'service condition', which were previously included in the definition of 'vesting condition'. The amendments clarify that: (a) a performance target can be based on the operations of the entity or another entity in the same group (i.e. a non-market condition) or on the market price of the equity instruments of the entity or another entity in the same group (i.e. a market condition); (b) a performance target can relate either to the performance of the entity as a whole or to some part of it (e.g. a division or an individual employee); (c) a share market index target is a non-vesting condition because it not only reflects the performance of the entity, but also of other entities outside the group; (d) the period for achieving a performance condition must not extend beyond the end of the related service period; (e) a condition needs to have an explicit or implicit service requirement in order to constitute a performance condition (rather than being a non-vesting condition); (f) a market condition is a type of performance condition, rather than a non-vesting condition; and (g) if the counterpart ceases to provide services during the vesting period, this means it has failed to satisfy the service condition, regardless of the reason for ceasing to provide services. The amendments apply prospectively to share-based payment transactions with a grant date on or after July 1, 2014; early application is allowed.
IFRS 3 Business Combinations	Accounting for a contingent consideration in a business combination	The amendments clarify that a contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit and loss. Consequential amendments were also made to IFRS 9, IAS 39 and IAS 37. The amendments apply prospectively to business combinations for which the acquisition date is on or after July 1, 2014. Early application is allowed.
IFRS 8 Operating Segments	Aggregation of operating segments	The amendments require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'. The amendments apply for annual periods beginning on or after July 1, 2014, and early adoption is allowed.
	Reconciliation of the total of the reportable segments' assets to the entity's assets	The amendment clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided, if the segment assets are regularly provided to the chief operating decision-maker. The amendment applies for annual periods beginning on or after July 1, 2014, and early adoption is allowed.
IFRS 13 Fair Value Measurement	Short-term receivables and payables	The basis for conclusions was amended to clarify that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.
IAS 16 Property, Plant and Equipment IAS 38 Intangible Assets	Revaluation method: Proportionate restatement of accumulated amortization	The amendments remove perceived inconsistencies in the accounting for accumulated depreciation/amortization when an item of property, plant and equipment or an intangible asset is revalued. The amended requirements clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The amendments apply for annual periods beginning on or after July 1, 2014, and early adoption is allowed. An entity is required to apply the amendments to all revaluations recognized in the annual period in which the amendments are first applied and in the immediately preceding annual period. An entity may, but is not required to, restate any earlier periods presented.
IAS 24 Related Party Disclosures	Key management personnel	The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose, as related party transactions, the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required. The amendments apply for periods beginning on or after July 1, 2014, and early adoption is allowed.

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

Annual Improvements Cycle 2011 - 2013

STANDARD	TOPIC	AMENDMENTS
IFRS 1 First-time Adoption of IFRS	Meaning of "effective IFRS"	The Basis for Conclusions was amended to clarify that a first-time adopter may, but is not required to, apply a new IFRS that is not yet mandatory, if that IFRS allows early adoption. If an entity chooses early application of a new IFRS, it must apply that new IFRS retrospectively throughout all periods presented unless IFRS 1 provides an exemption or an exception that allows or requires otherwise. Consequently, any transitional requirements of that new IFRS do not apply to a first-time adopter that chooses early application of that new IFRS.
IFRS 3 Business Combinations	Scope exception for joint ventures	The scope section was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all kinds of joint arrangements in the financial statements of the joint arrangement itself.
IFRS 13 Fair Value Measurement	Scope of portfolio exception (paragraph 52)	The scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities in IAS 32. Consistent with the prospective initial application of IFRS 13, the amendment must be applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied.
IAS 40 Investment Property	Interrelationship between IFRS 3 and IAS 40	IAS 40 was amended to clarify that this standard and IFRS 3 Business Combinations are not mutually exclusive, and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether (a) the property meets the definition of investment property in IAS 40, and (b) the transaction meets the definition of a business combination under IFRS 3. The amendment applies prospectively for acquisitions of investment property in periods commencing on or after July 1, 2014. An entity is only allowed early adoption of the amendments and/or restatement of prior periods, if the information to do so is available.

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

b) The following new standards and interpretations have been issued, but are not yet in effect:

NEW IFRS	MANDATORY EFFECTIVE DATE
IFRS 9 Financial Instruments	Annual periods beginning on or after January 1, 2018
IFRS 15 Revenue from Contracts with Customers	Annual periods beginning on or after January 1, 2018
IFRS 16 Leases	Annual periods beginning on or after January 1, 2019
Amendment to IFRS	**Mandatory Effective Date**
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	Annual periods beginning on or after January 1, 2016
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)	Annual periods beginning on or after January 1, 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	Annual periods beginning on or after January 1, 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Effective date deferred indefinitely.
Disclosure Initiative (Amendments to IAS 1)	Annual periods beginning on or after January 1, 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).	Annual periods beginning on or after January 1, 2016
Annual Improvements Cycle 2012-2014 - Amendments to Four IFRS.	Annual periods beginning on or after January 1, 2016
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	Annual periods beginning on or after January 1, 2017
Disclosure Initiative (Amendments to IAS 7)	Annual periods beginning on or after January 1, 2017

IFRS 9 Financial Instruments

In 2014, the IASB issued the final version of IFRS 9, which contains the accounting requirements for financial instruments and supersedes IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and Measurement: Financial assets are classified on the basis of the business model in which they are held and contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a measurement category known as "fair value through other comprehensive income" for certain debt instruments. Financial liabilities are classified similarly to IAS 39 Financial Instruments: Recognition and Measurement, but there are differences in the requirements applicable to the measurement of an entity's own credit risk.

Impairment: The 2014 version of IFRS 9 introduces an "expected credit losses" model for measuring financial asset impairment. Therefore, a credit loss event does not need to occur before credit losses can be recognized.

Hedge Accounting: It introduces a new model that is designed to align hedge accounting more closely with risk management activities, when they hedge exposure to financial and non-financial risk.

Derecognition: The requirements for derecognizing financial assets and liabilities are the same as the existing requirements in IAS 39 Financial Instruments: Recognition and Measurement.

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

Management anticipates that the application of IFRS 9 will not have a significant impact on the amounts reported by Banco Security for financial assets and financial liabilities. However, the effects of IFRS 9 cannot be reasonably estimated until a detailed review has been performed.

IFRS 14 Regulatory Deferral Accounts

On January 30, 2014, the IASB issued IFRS 14 Regulatory Deferral Accounts. This standard is applicable to first-time adopters of IFRS and for entities which are involved in rate-regulated activities and recognized regulatory deferral account balances under its previous generally accepted accounting principles. This standard requires separate presentation of regulatory deferral account balances in the statement of financial position and statement of comprehensive income. IFRS 14 is effective for an entity's first annual IFRS financial statements for a period beginning on or after January 1, 2016; early application is allowed.

Management believes that this new standard has no effect on the Bank's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

On May 28, 2014, the IASB has published its new standard, IFRS 15 Revenue from Contracts with Customers. At the same time, the Financial Accounting Standards Board (FASB) has published its equivalent revenue standard, ASU 2014-09.

The new standard provides a single, principles based five-step model to be applied to all contracts with customers: i) Identify the contract with the customer, ii) identify the performance obligations in the contract, iii) determine the transaction price, iv) allocate the transaction price to the performance obligations in the contracts, v) recognize revenue when (or as) the entity fulfills a performance obligation.

It also provides guidance on topics, such as the point at which revenue is recognized, variable considerations, costs incurred to fulfill or obtain a contract and several related matters. The standard also introduces new disclosure requirements on revenue.

IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is allowed. An entity that chooses to apply IFRS 15 earlier than January 1, 2016 must disclose this fact.

Management believes that this new standard has no effect on the Bank's consolidated financial statements.

IFRS 16 Leases

On January 13, 2016, the IASB published a new standard, IFRS 16 Leases. The new standard will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 Leases and related interpretations and is effective for periods beginning on or after January 1, 2019; early adoption is allowed, if IFRS 15 Revenue from Contracts with Customers has also been applied.

Management believes that this new standard has no effect on the Bank's consolidated financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

On May 6, 2014, the IASB issued Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). These amendments clarify the accounting for acquisitions of an interest in a joint operation, when the operation constitutes a business.

It amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- Apply all of the business combinations accounting principles in IFRS 3 and other IFRS, except for those principles that conflict with the guidance in IFRS 11;
- Disclose the information required by IFRS 3 and other IFRS for business combinations.

The amendments are effective for annual periods beginning on or after January 1, 2016. Early application is allowed, but the respective disclosures are required. The amendments apply prospectively.

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

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

On May 12, 2014, the IASB published Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38). The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. They are effective for annual periods beginning on or after January 1, 2016; early application is allowed.

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

Equity Method in Separate Financial Statements (Amendments to IAS 27)

On August 18, 2014, the IASB published Equity Method in Separate Financial Statements (Amendments to IAS 27). The amendments restore the option to use the equity method of accounting in separate financial statements for investments in subsidiaries, joint ventures and associates.

The amendments allow the entity to account for investments in subsidiaries, joint ventures and associates in their separate financial statements:

- at cost,
- in accordance with IFRS 9 Financial Instruments: (or IAS 39 Financial Instruments: Recognition and Measurement of entities that have not yet adopted IFRS 9), or
- using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by investment category.

In addition to the modifications to IAS 27, modifications were made to IAS 28 to avoid a possible conflict with IFRS 10 Consolidated Financial Statements and IFRS 1 First-time Adoption of International Financial Reporting Standards.

The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is allowed. The amendments must be applied retroactively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

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

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28

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

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

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

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

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

Disclosure Initiative (Amendments to IAS 1)

On December 18, 2014, the IASB added an initiative on disclosure to its work program in 2013 to supplement the work done in the Conceptual Framework project. The initiative is made up of a number of smaller projects that aim to explore opportunities to see how presentation and disclosure principles and requirements in existing standards can be improved.

These amendments are effective for annual periods beginning on or after January 1, 2016; early application is allowed.

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

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).

On December 18, 2014, the IASB published Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities.

These amendments are effective for annual periods beginning on or after January 1, 2016; early application is allowed.

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

Annual Improvements Cycle 2012 - 2014

STANDARD	TOPIC	AMENDMENTS
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Changes in methods of disposal.	Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution to owners or vice versa, and cases in which held-for-distribution accounting is discontinued. The amendments are effective for annual periods beginning on or after January 1, 2016, and early adoption is allowed.
IFRS 7 Financial Instruments: Disclosures: (with consequential amendments to IFRS 1)	Servicing contracts	Adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. Clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016, and early adoption is allowed.
IAS 19 Employee Benefits	Discount rate	Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level). The amendments are effective for annual periods beginning on or after January 1, 2016, and early adoption is allowed.
IAS 34 Interim Financial Reporting	Disclosure of information 'elsewhere in the interim financial report'	Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference. The amendments are effective for annual periods beginning on or after January 1, 2016, and early adoption is allowed.
The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is allowed.		

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

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

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

The amendments clarify the following aspects:

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

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

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

Disclosure Initiative (Amendments to IAS 7)

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

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

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

39. SUBSEQUENT EVENTS

Between January 1, 2016, and the date of issuance of these financial statements (January 14, 2016), there have been no subsequent events that significantly affect the presentation and/or results of the financial statements.

40. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors in an ordinary meeting on January 14, 2016.

* * * * * *

MIGUEL A. MORALES C. Deputy Accounting Manager	BONIFACIO A. BILBAO H. Chief Executive Officer

VALORES SECURITY S.A. CORREDORES DE BOLSA

As of December 31, 2015 and 2014

	12-31-2015 MCH$	12-31-2015 MCH$
ASSETS		
Cash and cash equivalents	10,079	8,429
Financial instruments	68,254	89,319
Brokerage receivables	24,627	26,893
Investments in companies	1,952	370
Property, plant and equipment	162	76
Other assets	6,951	7,909
TOTAL ASSETS	112,025	132,996
LIABILITIES AND SHAREHOLDER'S EQUITY		
Financial liabilities	42,130	61,610
Brokerage payables	23,726	27,659
Other liabilities	10,552	9,858
Total Liabilities	76,408	99,127
Capital and reserves	33,746	31,698
Net Income for the period	1,871	2,171
TOTAL LIABILITIES AND EQUITY	112,025	132,996

	12-31-2015 MCH$	12-31-2015 MCH$
STATEMENT OF INCOME		
Income from brokerage	1,674	1,343
Income from services	1,164	595
Income from financial instruments	6,260	8,636
Income from financing operations	(1,975)	(2,851)
Administration and trade expenses	(7,935)	(5,714)
Other income	2,894	138
Income before income tax	2,082	2,147
Income taxes	(211)	24
NET INCOME (LOSS) FOR THE PERIOD	1,871	2,171

SUMMARIZED FINANCIAL STATEMENTS OF SUBSIDIARIES

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

As of December 31, 2015 and 2014

	12-31-2015 MCH$	12-31-2015 MCH$
ASSETS		
Cash and cash equivalents.	2,544.6	10,250.4
Other financial assets, current	28,587.1	13,293.5
Other current assets	1,857.5	2,793.5
Non-Current Assets	11,613.1	11,397.1
TOTAL ASSETS	44,602.3	37,734.5
LIABILITIES		
Current liabilities	2,939.8	4,539.5
Non-current liabilities		
Issued Capital	1,525.3	1,525.3
Other Reserves	1,788.4	1,905.2
Retained earnings	38,348.8	29,764.6
TOTAL LIABILITIES AND EQUITY	44,602.3	37,734.6

	12-31-2015 MCH$	12-31-2015 MCH$
STATEMENT OF INCOME		
Operating income	23,176.5	14,932.6
Administrative expenses	(13,142.1)	(9,547.2)
Financial Costs	(697.0)	(471.4)
Other Net Income	1,152.8	333.8
Income before Income Taxes	10,490.2	5,247.8
Income Tax	(1,905.9)	(833.4)
NET INCOME FOR THE YEAR	8,584.3	4,414.4

MAIN TELEPHONE NUMBERS: (56-2) 2584 4000
Security Customer Service: (56-2) 2584 4060
Security Phone: (600) 2584 4040
Monday to Sunday, 24 hours a day
Web: www.security.cl
e-mail: banco@security.cl

BANKING EMERGENCIES: 800 200717
To call from cellular phones: (56-2) 2462 2117
Monday to Sunday, 24 hours a day
To report a lost or stolen MasterCard
In Chile:
Call Banking Emergencies line: 800 200717
To call from cellular phones: (56-2) 2462 2117,
or Transbank (56-2) 2782 1386
From outside Chile:
In the USA and Canada 1 800 307 7309 or other countries
1 636 722 7111

REPRESENTATIVE OFFICE IN HONG KONG
Suite 2407 - 9 Queen's Road, Central Hong Kong
Tel: (852) 2155 3027
Fax: (852) 2155 3060

BRANCHES IN CHILE

Headquarters (El Golf)
Apoquindo 3150 – Las Condes
Business hours: 9:00am - 2:00pm
Tel.: (56-2) 2584 4000
Fax: (56-2) 2584 4058

Agustinas Branch
Agustinas 621 – Santiago
Business hours: 9:00am - 2:00pm
Tel.: (56-2) 2584 4321
Fax: (56-2) 2584 4012

Alcántara Branch
Av. Alcántara 44 – Las Condes
Business hours: 9:00am - 2:00pm
Tel.: (56-2) 2584 4438
Fax: (56-2) 2584 2266

Chicureo Branch
Camino Chicureo Km 1.7 – Colina
Business hours: 8:00am - 2:00pm
Tel.: (56-2) 2581 5003

Ciudad Empresarial Branch
Av. del Parque 4023 – Huechuraba
Business hours: 9:00am - 2:00pm
Tel.: (56-2) 2584 4683
Fax: (56-2) 2584 4871

El Cortijo Branch
Av. Américo Vespucio 2760 C – Conchalí
Business hours: 9:00am - 2:00pm
Tel.: (56-2) 2581 5534

Estoril Branch
Av. Estoril 50 – Las Condes
Business hours: 8:00am - 2:00pm
Tel.: (56-2) 2584 2292
Fax: (56-2) 2584 2200

La Dehesa Branch
Av. La Dehesa 1744 – Lo Barnechea
Business hours: 8:00am - 2:00pm
Tel.: (56-2) 2584 4465
Fax: (56-2) 2584 4676

La Reina Branch
Av. Carlos Ossandón 1231 – La Reina
Business hours: 8:00am - 2:00pm
Tel.: (56-2) 2584 3252
Fax: (56-2) 2584 3267

Los Cobres Branch
Av. Vitacura 6577 – Vitacura
Business hours: 9:00am - 2:00pm
Tel.: (56-2) 2581 5516
Fax: (56-2) 2581 5523

Moneda Branch
Moneda 877 – Santiago
Business hours: 9:00am - 2:00pm
Tel.: (56-2) 2581 5630
Fax: (56-2) 2584 4012

Los Trapenses Branch
José Alcalde Délano 10,398, store 3 – Lo Barnechea
Business hours: 8:00am - 2:00pm
Tel.: (56-2) 2581 5568
Fax: (56-2) 2581 5573

Plaza Constitución Branch
Agustinas 1235 – Santiago
Business hours: 9:00am - 2:00pm
Tel.: (56-2) 2584 4832
Fax: (56-2) 2584 4161

ADDRESSES FOR BANCO SECURITY AND SUBSIDIARIES

Providencia Branch
Av. Nueva Providencia 2289 – Providencia
Business hours: 9:00am - 2:00pm
Tel.: (56-2) 2584 4688
Fax: (56-2) 2584 4699

Santa Elena Branch
Santa Elena 2400 - San Joaquin
Business hours: 9:00am - 2:00pm
Tel.: (56-2) 2584 4761
Fax: (56-2) 2584 4750

Santa María de Manquehue Branch
Santa Maria 6904 store 15 - Vitacura
Business hours: 8:00am - 2:00pm
Tel.: (56-2) 2581 5555
Fax: (56-2) 2581 5550

Vitacura Branch
Av. Vitacura 3706 – Vitacura
Business hours: 9:00am - 2:00pm
Tel.: (56-2) 2584 4735
Fax: (56-2) 2584 5507

Presidente Riesco Branch
Presidente Riesco 5335 store 101 – Las Condes
Business hours: 8:00am - 2:00pm
Tel.: (56-2) 2584 3220
Fax: (56-2) 2584 3238

Antofagasta Branch
Av. San Martin 2511 - Antofagasta
Business hours: 9:00am - 2:00pm
Tel.: (55) 253 6500
Fax: (55) 253 6512

Copiapó Branch
Atacama 686 – Copiapó
Business hours: 8:00am - 2:00pm
Tel.: (52) 235 7200

Viña del Mar Branch
Av. Libertad 1097 – Viña del Mar
Business hours: 8:00am - 2:00pm
Tel.: Retail Banking: (32) 251 5100
Tel.: Commercial Banking: (32) 251 5128
Fax: (32) 251 5120

La Serena Branch
Calle Huanhualí 85, store 6 – La Serena
Business hours: 8:00am - 2:00pm
Tel.: (51) 247 7400
Fax: (51) 247 7426

Rancagua Branch
Carretera Eduardo Frei Montalva 340, store 6 – Rancagua
Business hours: 8:00am - 2:00pm
Tel.: (72) 274 6600
Fax: (72) 274 6632

Talca Branch
Av. Circunvalación Oriente 1055, store B-2
Business hours: 8:00am - 2:00pm
Tel.: (71) 234 4600

Concepción Branch
Av. Bernardo O'Higgins 428 – Concepción
Business hours: 9:00am - 2:00pm
Tel.: Retail Banking: (41) 290 8003
Tel.: Commercial Banking: (41) 290 8096
Fax: (41) 290 8021

Temuco Branch
Manuel Bulnes 701 – Temuco
Business hours: 9:00am - 2:00pm
Tel.: Retail Banking: (45) 294 8400
Tel.: Commercial Banking: (45) 294 8421
Fax: (45) 294 8416

Puerto Montt Branch
Guillermo Gallardo 132 - Puerto Montt
Business hours: 9:00am - 2:00pm
Tel.: Retail Banking: (65) 256 8300
Tel.: Commercial Banking: (65) 256 8313
Fax: (65) 256 8311

SUBSIDIARIES

Valores Security S.A. Corredores de Bolsa
Apoquindo 3150, Floor 7 - Las Condes
Tel.: (56-2) 2584 4601
Fax: (56-2) 2584 4015
Web: www.inversionessecurity.cl
e-mail: sacinversiones@security.cl

Administradora General de Fondos Security S.A.
Apoquindo 3150, Floor 7 - Las Condes
Tel.: (56-2) 2584 4000
Fax: (56-2) 2584 4015
Web: www.inversionessecurity.cl
e-mail: sacinversiones@security.cl

www.security.cl

BANCO security