20 ANNUAL REPORT 17

BANCO security

CONTENT



BANCO security

01

OUR BANK

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

revenue diversification

BANCO security



FINANCIAL SUMMARY

MCH$ 63,026

PROFIT FOR THE YEAR • 2017

MCH$ 4,834,290

LOANS • 2017

1,252

NUMBER OF EMPLOYEES • 2017

CONSOLIDATED FINANCIAL SUMMARY BANCO SECURITY AND SUBSIDIARIES

(FIGURES IN MILLIONS OF CHILEAN PESOS OF EACH YEAR)

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

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

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



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

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

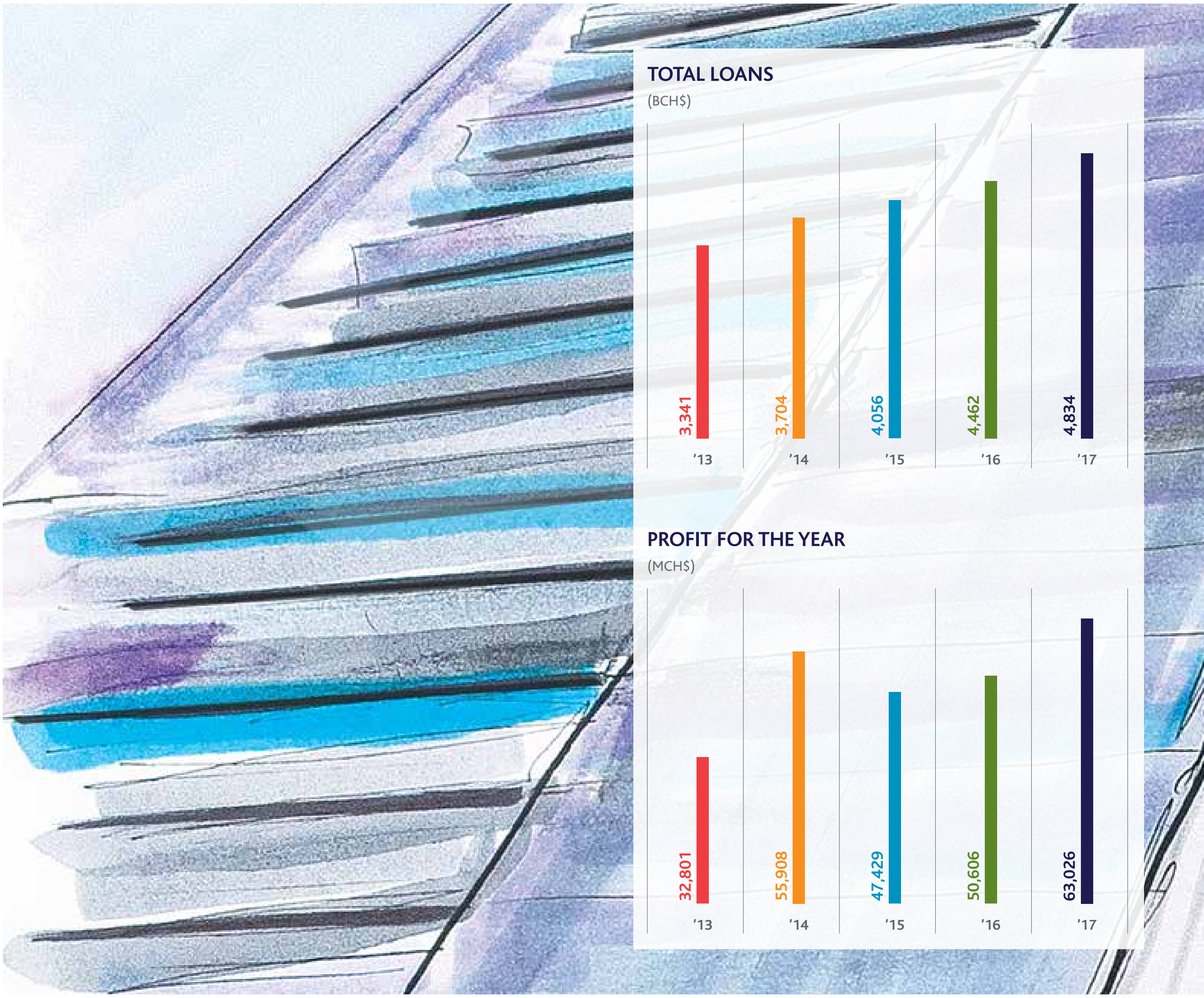
RATIOS	2009	2010	2011	2012	2013	2014	2015	2016	2017
Return on Equity	11.6%	16.3%	13.1%	12.4%	10.6%	14.7%	11.6%	11.0%	11.4%
Return on Total Assets	0.7%	1.1%	0.9%	0.8%	0.7%	1.1%	0.8%	0.8%	1.0%
Interest-Earning Assets / Total Assets	90.8%	87.0%	87.1%	89.2%	89.2%	87.3%	86.0%	89.3%	89.1%
Basel Index	12.56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

SOURCE: BANCO SECURITY

NOTES:
(1) INCLUDES LOANS AND ADVANCES TO BANKS. CONTINGENCY LOANS ARE NOT INCLUDED FROM 2007. ACCORDING TO THE NEW RULES THEY DO NOT FORM PART OF LOANS.
(2) INCLUDES OTHER EQUITY ACCOUNTS.
(3) FROM JANUARY 2008 THE BALANCE SHEET INFORMATION AND INCOME STATEMENTS WERE ADAPTED TO THE IFRS FORMAT DEFINED BY THE SBIF IN THE COMPENDIUM OF ACCOUNTING STANDARDS ISSUED UNDER CIRCULAR NO. 3,410. THEREFORE, FIGURES FROM 2007 ONWARDS ARE NOT COMPARABLE WITH PRIOR YEAR FINANCIAL INFORMATION. THE FIGURES REPORTED FOR 2007 AND 2008 INCORPORATE SUBSEQUENT ADJUSTMENTS TO ALIGN THEM WITH CHANGES IN STANDARDS, AND MAKE THEM MORE COMPARABLE. SINCE JANUARY 2009 ADJUSTMENTS FOR INFLATION HAVE BEEN ELIMINATED.

FINANCIAL SUMMARY

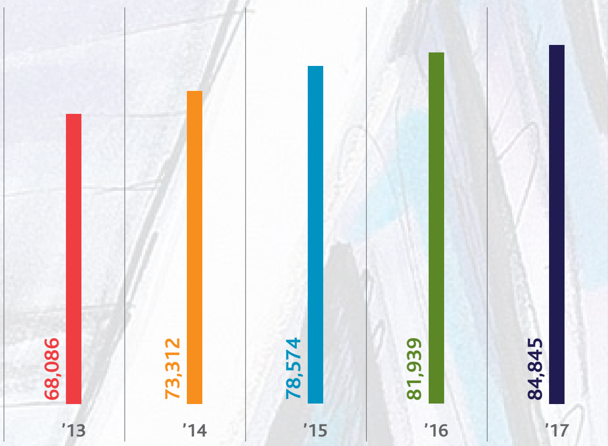
CONSOLIDATED FINANCIAL SUMMARY BANCO SECURITY AND SUBSIDIARIES



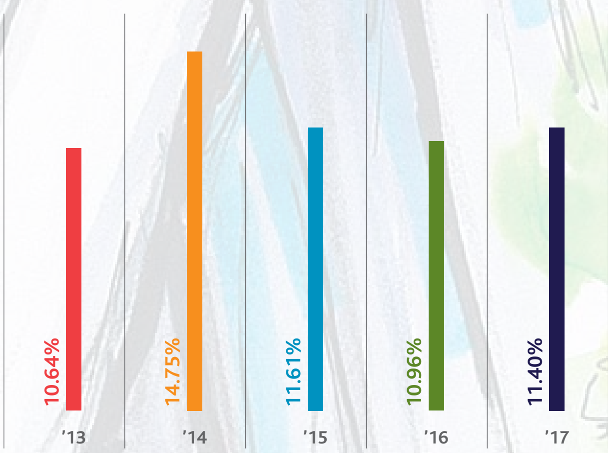
84,845
CURRENT ACCOUNTS • 2017

11.4%
ROE • 2017

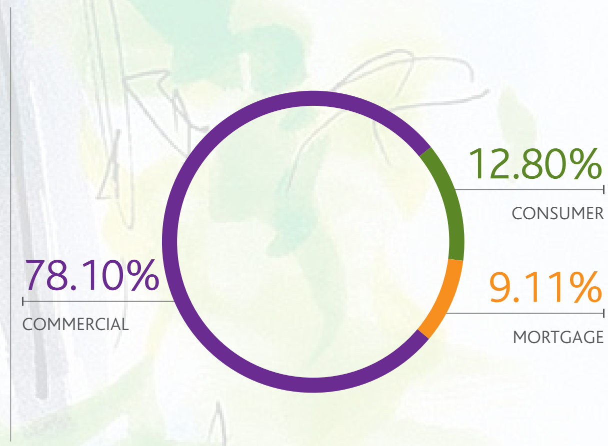
CURRENT ACCOUNTS
NUMBER



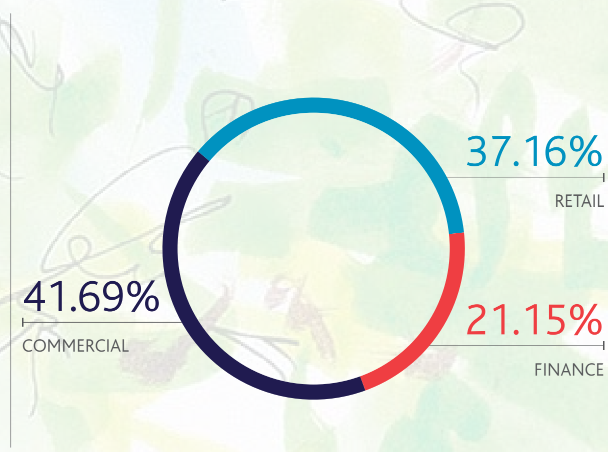
ROE
%



LOAN PORTFOLIO



REVENUE DISTRIBUTION



SOURCE: BANCO SECURITY

LETTER FROM THE CHAIRMAN

24.5%

ANNUAL GROWTH IN CONSOLIDATED PROFIT · 2017

DEAR SHAREHOLDERS:

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

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

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

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

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

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

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

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



BBB/A-2
BANK'S RISK RATING · 2017

14.02%
BASEL INDEX · 2017

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

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

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

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

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

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

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

FRANCISCO SILVA S.
Chairman, Grupo Security

OUR HISTORY

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

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

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

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

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

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

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

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

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

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

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

2006

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

2007

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

2008

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

2011

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

2012

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

2013

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

2014

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

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

2015

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

2016

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

RECOGNITION RECEIVED

GREAT PLACE TO WORK

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

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

7th PLACE

IN THE GREAT PLACE TO WORK RANKING

RECOGNITION FOR CUSTOMER SERVICE EXPERIENCE

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

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

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

1st PLACE

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

SALMON AWARDS 2017

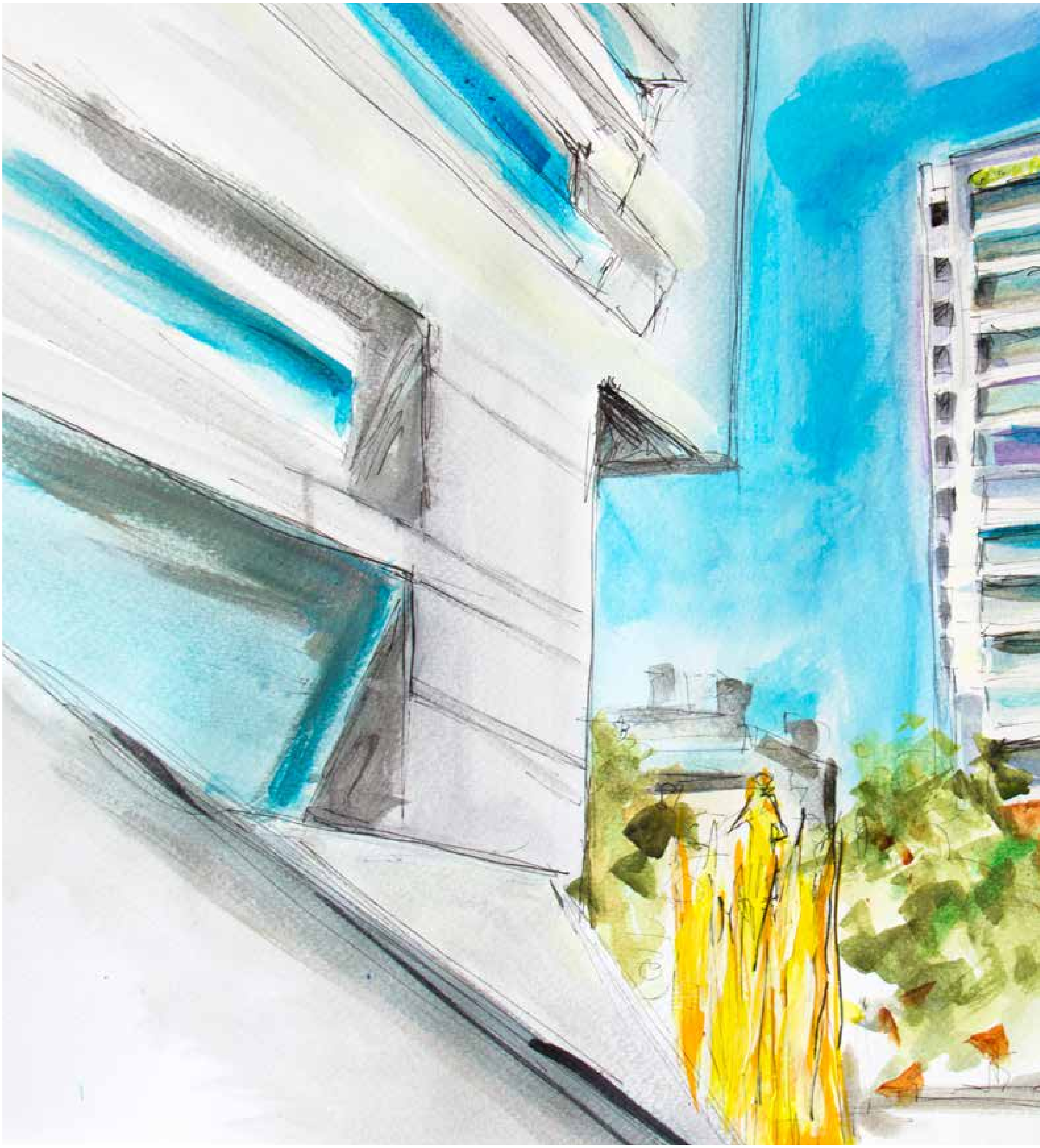
In 2017, Administradora General de Fondos Security was recognized with two Salmon Awards and two Salmon APV Awards, given by Diario Financiero and LVA Índices.

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

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

4 FUNDS

HONORED WITH AWARDS



02

CORPORATE GOVERNANCE

THE BANK STRIVES CONTINUOUSLY TO BUILD LOYALTY

among our customers

BANCO security

BOARD AND MANAGEMENT

BOARD AND MANAGEMENT

BOARD OF DIRECTORS

- CHAIRMAN
  Francisco Silva S.

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

- ALTERNATE DIRECTOR
  Mario Weiffenbach O.

SENIOR MANAGEMENT

- CHIEF EXECUTIVE OFFICER
  Bonifacio Bilbao H.

- GENERAL COUNSEL
  Enrique Menchaca O.

- CHIEF ECONOMIST
  Felipe Jaque S.

- PLANNING AND CONTROL DIVISION MANAGER
  Manuel Widow L.

- CORPORATE CULTURE MANAGER
  Karin Becker S.

- CONTROLLER
  Alfonso Verdugo R.

- COMPLIANCE MANAGER
  Mauricio Parra L.

SUPPORT AREAS

- RISK DIVISION MANAGER
  José Miguel Bulnes Z.

- COMMERCIAL RISK MANAGER
  Alejandro Vivanco F.

- RETAIL RISK MANAGER
  Roberto Guajardo J.

- LOAN RESTRUCTURING MANAGER
  René Melo B.

- RETAIL COLLECTIONS MANAGER
  Fernando Contreras F.

- LOAN ORIGINATION AND POLICY MANAGER
  Jorge Herrera P.

- FINANCIAL RISK MANAGER
  Antonio Alonso M.

- OPERATIONS AND IT MANAGER
  Gonzalo Ferrer A.

- IT AND PROCESS MANAGER
  Raúl Levi S.

- CENTRAL AND BRANCH OPERATIONAL PROCESSES MANAGER
  Jorge Oñate G.

BUSINESS AREAS

COMMERCIAL DIVISION

- COMMERCIAL BANKING DIVISION MANAGER
  Christian Sinclair M.

- BUSINESS DEVELOPMENT AND PRODUCT MANAGER
  Sergio Cavagnaro R.

LARGE COMPANIES AND REAL ESTATE

- LARGE COMPANIES AND REAL ESTATE MANAGER
  Alejandro Arteaga I.

- LARGE COMPANIES MANAGER
  Alberto Apel O.

- LARGE COMPANIES MANAGER
  Felipe Oliva L.



- REAL ESTATE AND CONSTRUCTION MANAGER
  Ricardo Hederra G.

COMPANIES BANKING AND REGIONAL BRANCHES

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

- COMPANIES BANKING MANAGER
  Francisco Cardemil K.

STRUCTURED FINANCING

- STRUCTURED FINANCING MANAGER
  José Antonio Delgado A.

- BUSINESS MANAGER
  Fabián Videla O.

- BUSINESS MANAGER
  José M. Costas F.

- BUSINESS MANAGER
  Sebastián Laso R.

- INTERNATIONAL BUSINESS MANAGER
  Ewald Doerner C.

SPECIALIZED PRODUCTS AND SERVICES

- SPECIALIZED PRODUCTS AND BUSINESS MANAGER
  Andrés Fabregat F.

REPRESENTATIVE OFFICE IN HONG KONG

- CHIEF REPRESENTATIVE OFFICER IN HONG KONG
  Juan Lago H.

RETAIL BANKING DIVISION

- RETAIL BANKING DIVISION MANAGER
  Hitoshi Kamada

- BUSINESS DEVELOPMENT AND PRODUCT MANAGER
  Ramón Bustamante F.

- BRANCH AFFAIRS AND REMOTE BANKING MANAGER
  Rodrigo Reyes M.

- PRIVATE BANKING MANAGER
  José Ignacio Alonso B.

- ENTREPRENEUR BANKING MANAGER
  Annelore Bittner A.

- EASTERN AREA MANAGER
  Virginia Díaz M.

- NORTH CENTRAL AREA MANAGER
  Rodrigo Matzner B.

- SOUTH CENTRAL AREA MANAGER
  Tatiana Dinamarca G.

- REMOTE BANKING MANAGER
  Samuel Ovalle N.

- LIABILITY AND INSURANCE PRODUCT MANAGER
  María Soledad Ruiz S.

- ASSET PRODUCT MANAGER
  Nicolás Moreno D.

FINANCE DIVISION AND FINANCIAL BANKING

- FINANCE DIVISION AND FINANCIAL BANKING MANAGER
  Nicolás Ugarte B.

TRADE DESK

- ASSET & LIABILITY AND LIQUIDITY MANAGER
  Sergio Bonilla S.

- INVESTMENT AND TRADING MANAGER
  Ricardo Turner O.

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

- MARKET MAKING AND FINANCIAL BANKING MANAGER
  Francisco Forster S.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

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

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

A. SHAREHOLDERS' MEETINGS

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

B. BOARD OF DIRECTORS

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

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

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

C.1

BOARD CREDIT COMMITTEE

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

The members of this committee are:

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

C.2

EXECUTIVE CREDIT COMMITTEE

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

The members of this committee are:

- **JOSÉ MIGUEL BULNES Z.**
  Risk Division Manager

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

COMMERCIAL BANKING

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

RETAIL BANKING

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

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



C.3

FINANCE COMMITTEE

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

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

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

The members of this committee are:

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

C.4

ASSET AND LIABILITY COMMITTEE (ALCO)

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

The standing members of this committee are:

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

C.5
AUDIT COMMITTEE

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

The standing members of this committee are:

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

Permanent participants:

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

Additionally special participants may be invited to review particular issues.

The committee's roles and responsibilities include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

c) Reviewed operations of Board Support Committees.

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

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

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

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

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

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

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

k) Analyzed the interim financial statements.

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

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

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

o) Reviewed the internal audit reports.

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

q) Reviewed and monitored operational risk losses.

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

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

t) Reviewed relevant incidents and measures taken by management.

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

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

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

C.6

OTHER COMMITTEES · OBJECTIVES

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



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

03

STRATEGY AND PERFORMANCE

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

the best service

BANCO security

BUSINESS STRATEGY

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

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

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



The pillars of our business strategy are:

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

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

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

COMMERCIAL BANKING

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

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

LARGE COMPANIES AND REAL ESTATE

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

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



STRUCTURED FINANCING AND FINANCIAL ADVISORY

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

COMPANIES BANKING AND REGIONAL BRANCHES

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

FINANCIAL BANKING

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

These are complimented by areas providing specialized products such as:

FOREIGN TRADE AND INTERNATIONAL SERVICES

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

LEASING

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

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

RETAIL BANKING

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

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

PRIVATE BANKING AND PREMIER BANKING

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

PREFERENTIAL BANKING

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

ENTREPRENEUR BANKING

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

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

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



TRADE DESK

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

DISTRIBUTION SERVICES

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

TRADING SERVICES

Management of a portfolio of short-term investments.

ASSET MANAGEMENT SERVICES

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

ASSET & LIABILITY AND LIQUIDITY SERVICES

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

ASSET MANAGEMENT

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

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

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



BANCO SECURITY AND ITS ENVIRONMENT

ECONOMIC AND FINANCIAL CONTEXT

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

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

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

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

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

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

GLOBAL GROWTH

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

DEVELOPED NATIONS

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

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

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

EMERGING NATIONS

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

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

EQUITY AND DEBT MARKETS

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

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

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

GROWTH OF MSCI INDEX

GLOBAL MARKET 22%

DEVELOPED ECONOMIES 20%

EMERGING ECONOMIES 34%



CHILE: DOMESTIC CONTEXT

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

SPENDING

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

GROWTH BY INDUSTRY

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

FOREIGN TRADE

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

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

PRICE INDEXES

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

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

REFERENCE INTEREST RATES

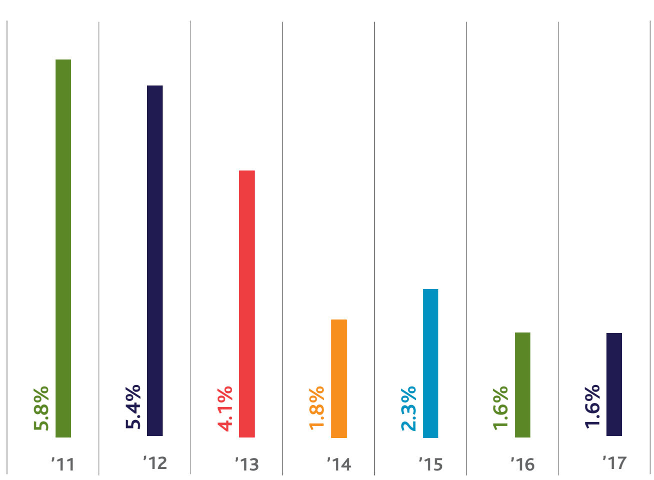
In this context of prolonged economic weakness, the Chilean Central Bank began the year by increasing monetary stimulus with 25-basis point cuts in January, March, April and May, leaving the reference interest rate at 2.5% until year end.

EXCHANGE RATES

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

GDP GROWTH IN CHILE

%



SOURCE: SECURITY RESEARCH DEPARTMENT - CHILEAN CENTRAL BANK

GDP GROWTH · GLOBAL

2017 3.60%

2016 3.00%

GDP GROWTH · UNITED STATES

2017 2.30%

2016 1.60%

GDP GROWTH · EUROZONE

2017 2.30%

2016 1.70%

GDP GROWTH · LATIN AMERICA

2017 1.10%

2016 -0.10%

MAIN ECONOMIC INDICATORS

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

SOURCE: SECURITY RESEARCH DEPARTMENT

THE BANKING INDUSTRY

4.27%

TOTAL LOAN GROWTH
CHILEAN BANKING INDUSTRY

LOANS

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

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

LOAN GROWTH BANKING INDUSTRY

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

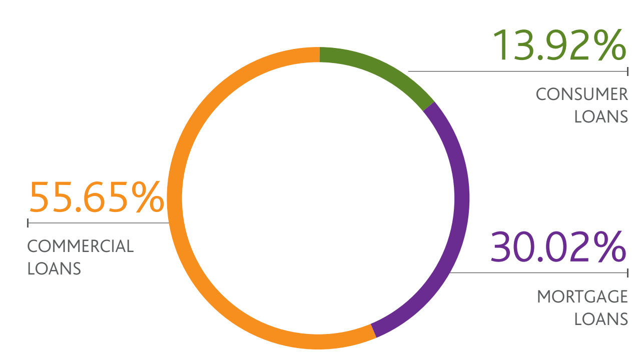
LOAN GROWTH BANKING INDUSTRY

EXCLUDING FOREIGN SUBSIDIARIES AND BRANCHES

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

LOAN PORTFOLIO

EXCLUDES FOREIGN SUBSIDIARIES AND BRANCHES

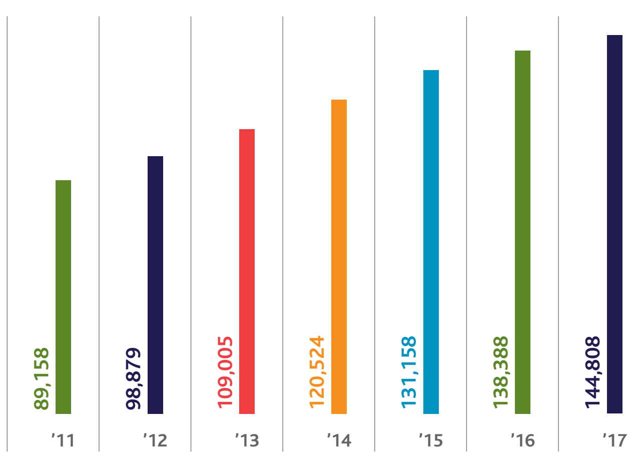


SOURCE: SBIF

LOAN GROWTH

BCH$

EXCLUDES FOREIGN SUBSIDIARIES AND BRANCHES AND LOANS AND ADVANCES TO BANKS

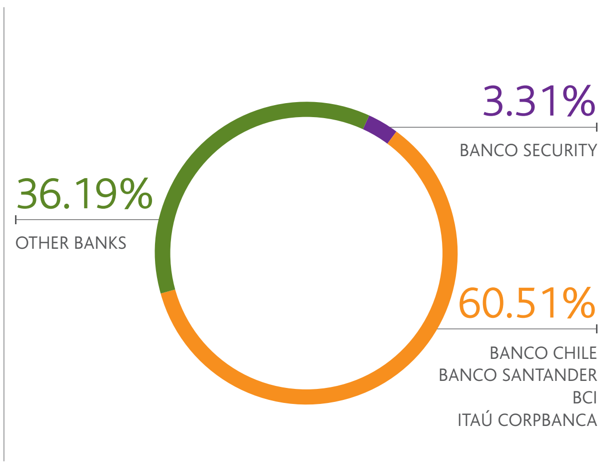


SOURCE: SBIF

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

MARKET SHARE 2017

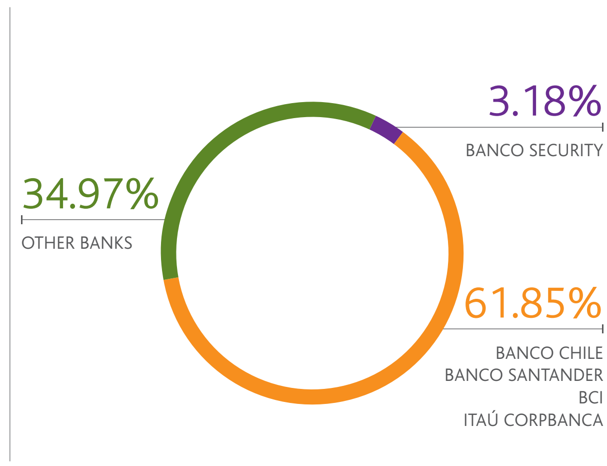
EXCLUDES FOREIGN SUBSIDIARIES AND BRANCHES



SOURCE: SBIF

MARKET SHARE 2016

EXCLUDES FOREIGN SUBSIDIARIES AND BRANCHES



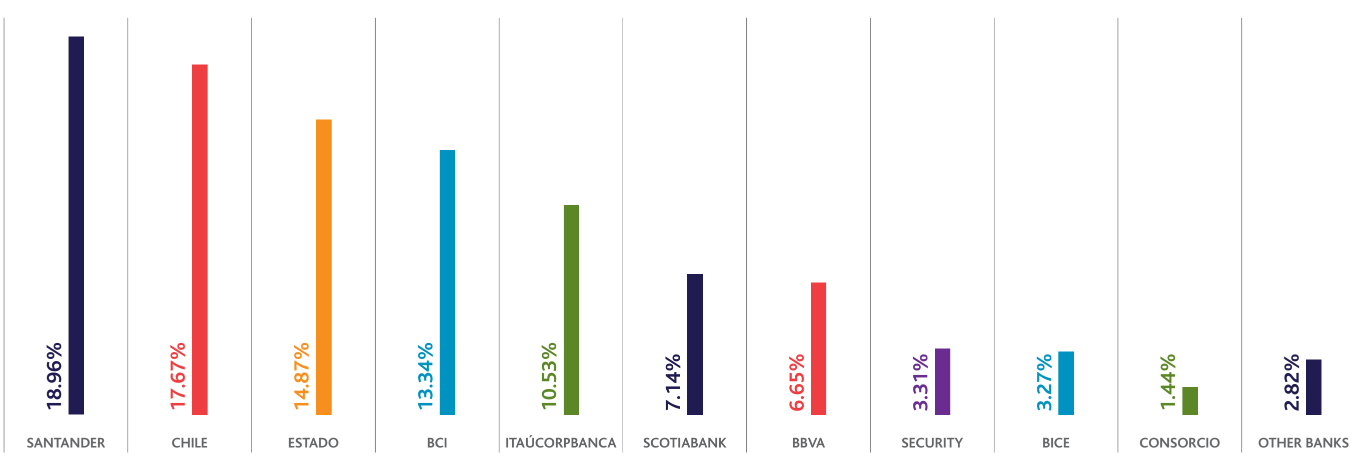
SOURCE: SBIF

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

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

MARKET SHARE - DECEMBER 2017

EXCLUDES FOREIGN SUBSIDIARIES AND BRANCHES



SOURCE: SBIF



RESULTS

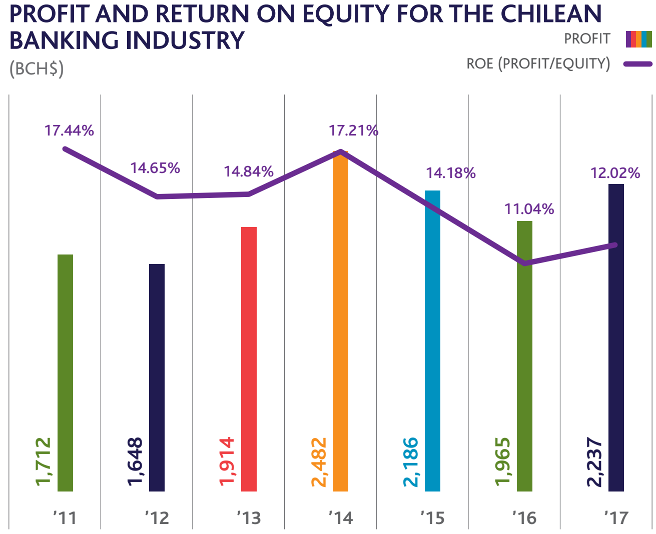
The banking industry posted profit for the year 2017 of MCH$2,236,888, reflecting an increase of 13.84% over 2016.

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

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

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

PROFIT AND RETURN ON EQUITY FOR THE CHILEAN BANKING INDUSTRY
(BCH$)



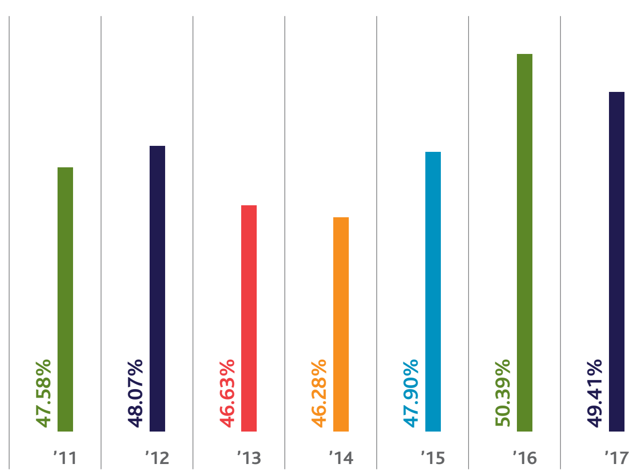
SOURCE: SBIF

SUPPORT EXPENSES

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

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

EFFICIENCY RATIO
%



SOURCE: SBIF



EFFICIENCY RATIO FOR THE CHILEAN BANKING INDUSTRY

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

SOURCE: SBIF

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

RISK

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

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

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

RISK RATIOS

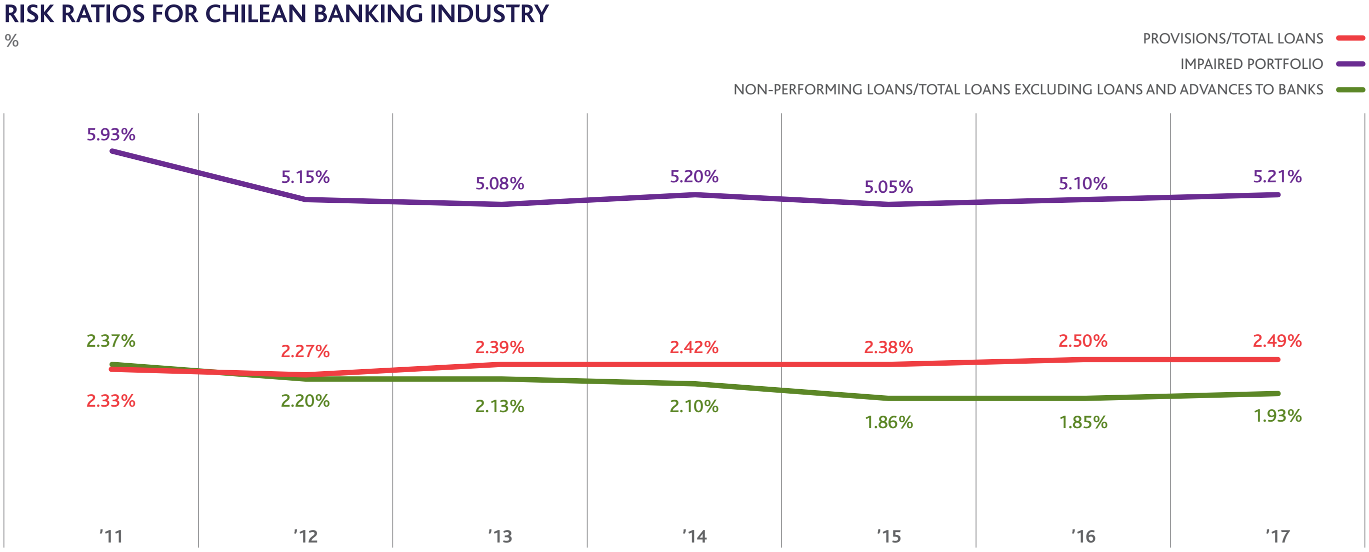
	DEC-13	DEC-14	DEC-15	DEC-16	DEC-17
Loan Loss Provisions / Total Loans	2.39%	2.42%	2.38%	2.50%	2.49%
Nonperforming Loans / Total Loans Excluding Loans and Advances to Banks	2.13%	2.10%	1.86%	1.85%	1.93%
Commercial LLP / Commercial Loans	2.20%	2.36%	2.38%	2.42%	2.41%
Retail LLP / Retail Loans	2.78%	2.59%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

SOURCE: SBIF

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

RISK RATIOS FOR CHILEAN BANKING INDUSTRY

%



SOURCE: SBIF

BANCO SECURITY RESULTS

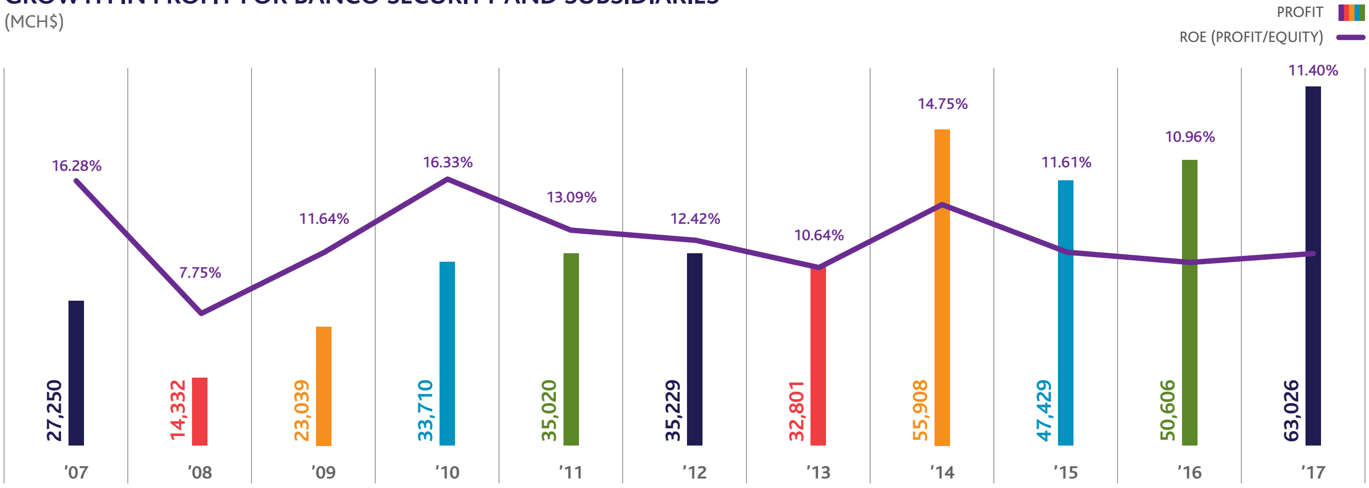
RESULTS

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

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

GROWTH IN PROFIT FOR BANCO SECURITY AND SUBSIDIARIES

(MCH$)



SOURCE: SBIF

OPERATING SEGMENTS

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

RESULTS BY SEGMENT

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

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



COMMERCIAL BANKING

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

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

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

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

RETAIL BANKING

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

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

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

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

TREASURY

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



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

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

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

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

SUBSIDIARIES

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

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

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

SOURCE: BANCO SECURITY

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

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

SOURCE: BANCO SECURITY



CONSOLIDATED STATEMENT OF INCOME

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

SOURCE: BANCO SECURITY

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

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

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

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



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

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

SUPPORT EXPENSES AND EFFICIENCY

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

SOURCE: BANCO SECURITY

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

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

LOANS

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

LOAN GROWTH IN 2017

BANCO SECURITY

8.34%

BANKING INDUSTRY

4.29%

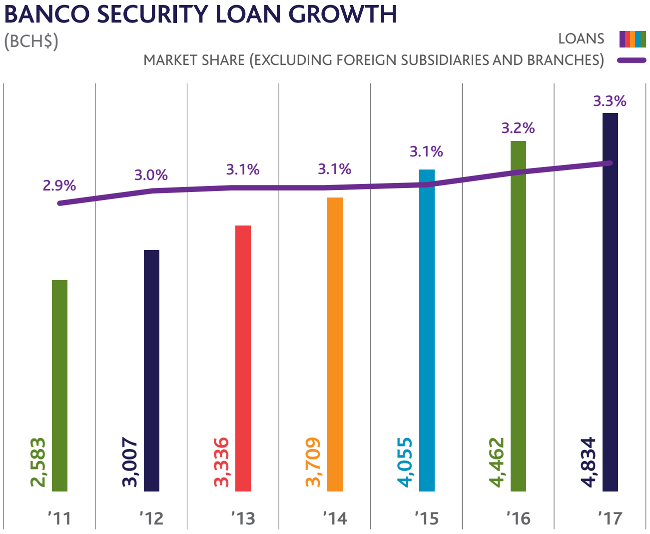
LOAN GROWTH FOR BANCO SECURITY BY SEGMENT

COMMERCIAL	7.7%
CONSUMER	14.5%
MORTGAGE	8.3%

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

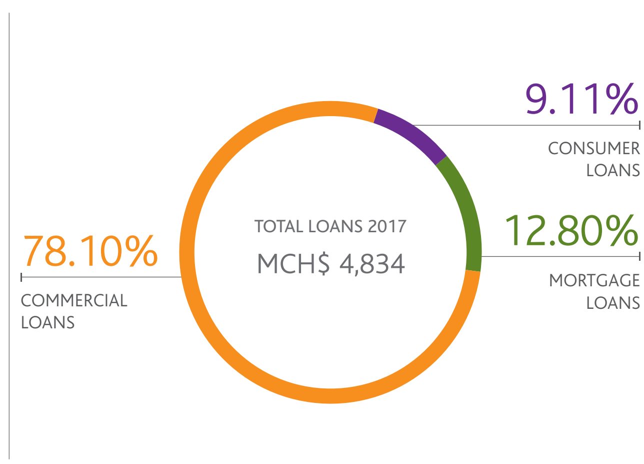
BANCO SECURITY LOAN GROWTH

(BCH$)



SOURCE: SBIF

LOAN PORTFOLIO 2017



SOURCE: SBIF

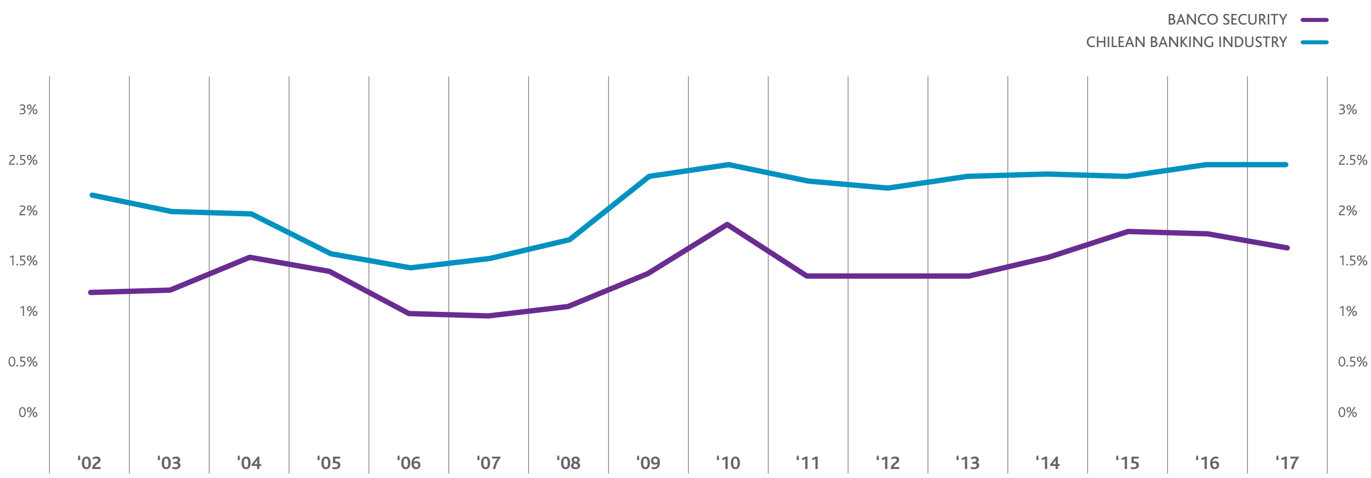
ASSET QUALITY

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

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

RISK RATIO: BANCO SECURITY VS. CHILEAN BANKING INDUSTRY

PROVISIONS/LOANS



SOURCE: SBIF.

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

CREDIT RISK

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

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



FUNDING SOURCES

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

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

DEMAND AND TIME DEPOSITS

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

Banco Security has a strategy to diversify funding sources using sales incentives to increase its retail deposit base. Banco Security strictly controls and monitors liquidity risk, striving to diversify funding sources while applying strict limits to asset/liability mismatches, maintaining liquid assets and lengthening liabilities to increase funding terms. It is important to note that the Bank’s exposure from asset and liability mismatches is among the industry’s lowest. As of December 2017, the ratio of long-term interest rate risk to regulatory capital was 2.26%. As of December 31, 2017, liquid assets represented 46% of demand and other time deposits.

CAPITALIZATION

As of December 2017, Banco Security's equity attributable to its owners totaled MCH$552,967. For some years now, Banco Security has been preparing for the implementation of Basel III. In line with this objective, on December 21, 2017, Banco Security completed a capital increase of MCH$50,000, issuing 17,523,256 new shares at a value of approximately CH$2,853 per share.

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

04

GENERAL INFORMATION

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

Great Place to Work ranking

BANCO security



GENERAL INFORMATION

COMPANY IDENTIFICATION

LEGAL NAME
BANCO SECURITY

TYPE OF COMPANY
Banking corporation.

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

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

TAXPAYER ID NUMBER
97.053.000-2

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

TELEPHONE
(56-2) 2584 4000

FAX
(56-2) 2584 4001

E-MAIL
banco@security.cl

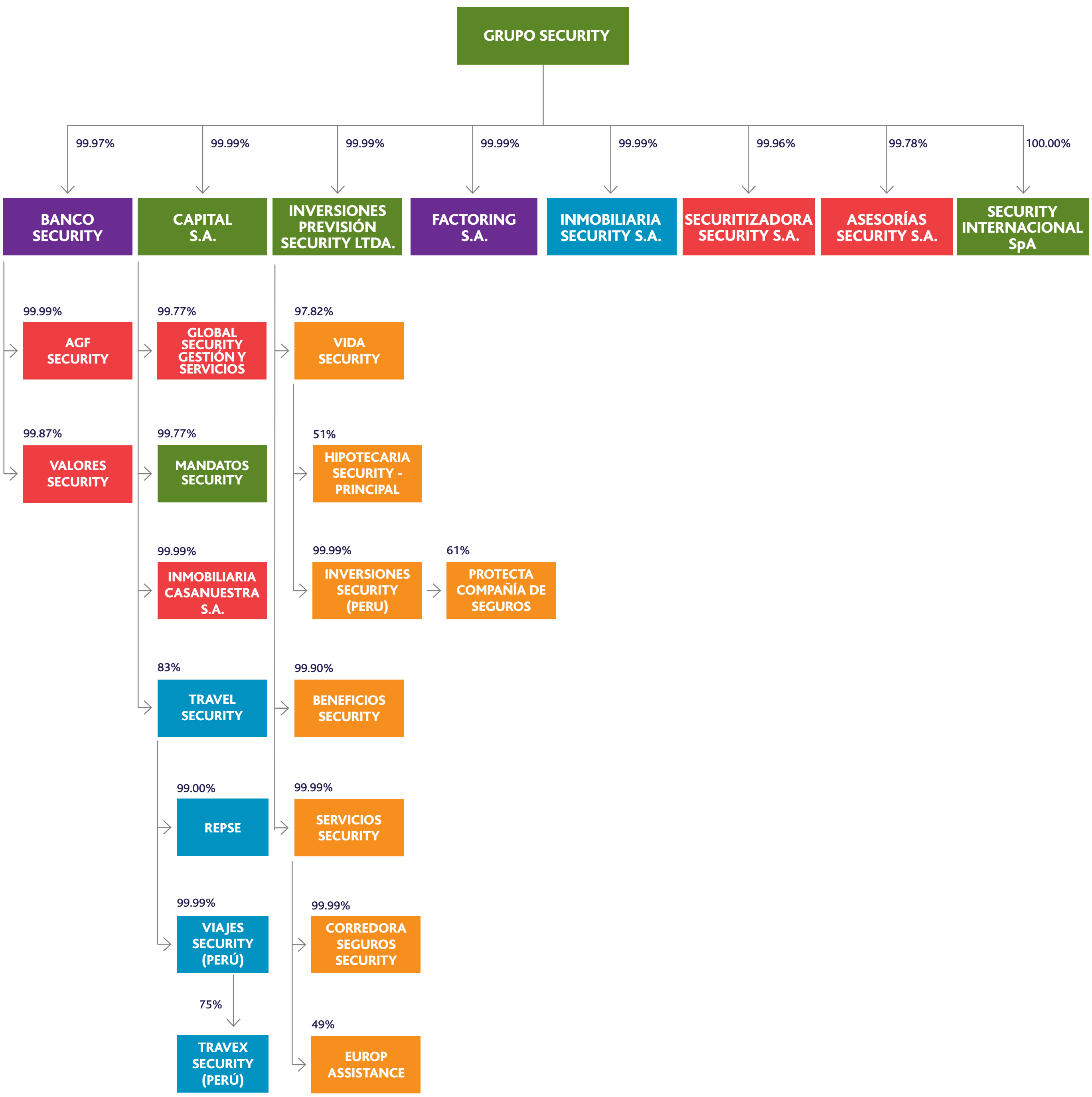
WEB
www.security.cl

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



OWNERSHIP AND ORGANIZATIONAL STRUCTURE

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





PERSONNEL AND COMPENSATION

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

The following table details employee distribution by company:

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

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

MANAGEMENT POLICIES

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

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

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

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



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

CREDIT RISK POLICIES

The Bank's Credit Risk Policy is divided into three levels:
1. POLICY COMPENDIUM, which defines the Bank's credit risk management policies in seven chapters, separated by credit process and including risk management topics applicable to all processes such as Body of Policies, Corporate Governance and Credit Risk Committees, Companies Loan Origination, Retail Loan Origination, Administration, Classifying Credit Risk and Provisions, Controlling and Monitoring Credit Risk, Loan Restructuring and Country Risk.
2. MARGIN CONTROL POLICIES, which provide guidelines for the Bank and its subsidiaries regarding maximum margin control, as established in articles 84 and 85 of the General Banking Law.
3. CREDIT OPERATIONS RISK POLICIES, which are related to financial derivatives.

FINANCIAL RISK POLICIES

The Bank has three Financial Risk Policies:
1. BANK LIQUIDITY POLICY: This policy identifies the different liquidity risks faced by the Bank and its subsidiaries, the strategies used for liquidity management such as asset-liability matching, investment strategies, funding and creditor diversification. It also establishes different methodologies, assumptions and limits for managing this risk, from both an internal and regulatory perspective, instituting early warning indicators that help identify and prevent emerging risk.
2. VALUATION POLICY: This policy details the roles and responsibilities of the different areas within the Bank and its subsidiaries that participate in the daily process of valuing financial instruments (proprietary) at market price (execution/controls). It defines methodologies, criteria and sources for determining prices, as well as treatments of different adjustments established in international accounting standards.
3. MARKET RISK POLICY: This policy defines the different sources of risk faced by the Bank and its subsidiaries, due to its proprietary positions in financial investments and asset-liability maturity mismatches in the banking book. It also details the methodologies and control limits for the different risk factors in order to keep exposure in line with Board-defined risk appetite.

OPERATIONAL RISK POLICY

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

ANTI-MONEY LAUNDERING AND TERRORISM FINANCING POLICY

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

CAPITAL MANAGEMENT POLICY

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

PP&E AND TECHNOLOGY INVESTMENT POLICY

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

SUPPLIER AND SERVICE MANAGEMENT POLICY

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



RISK RATING

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

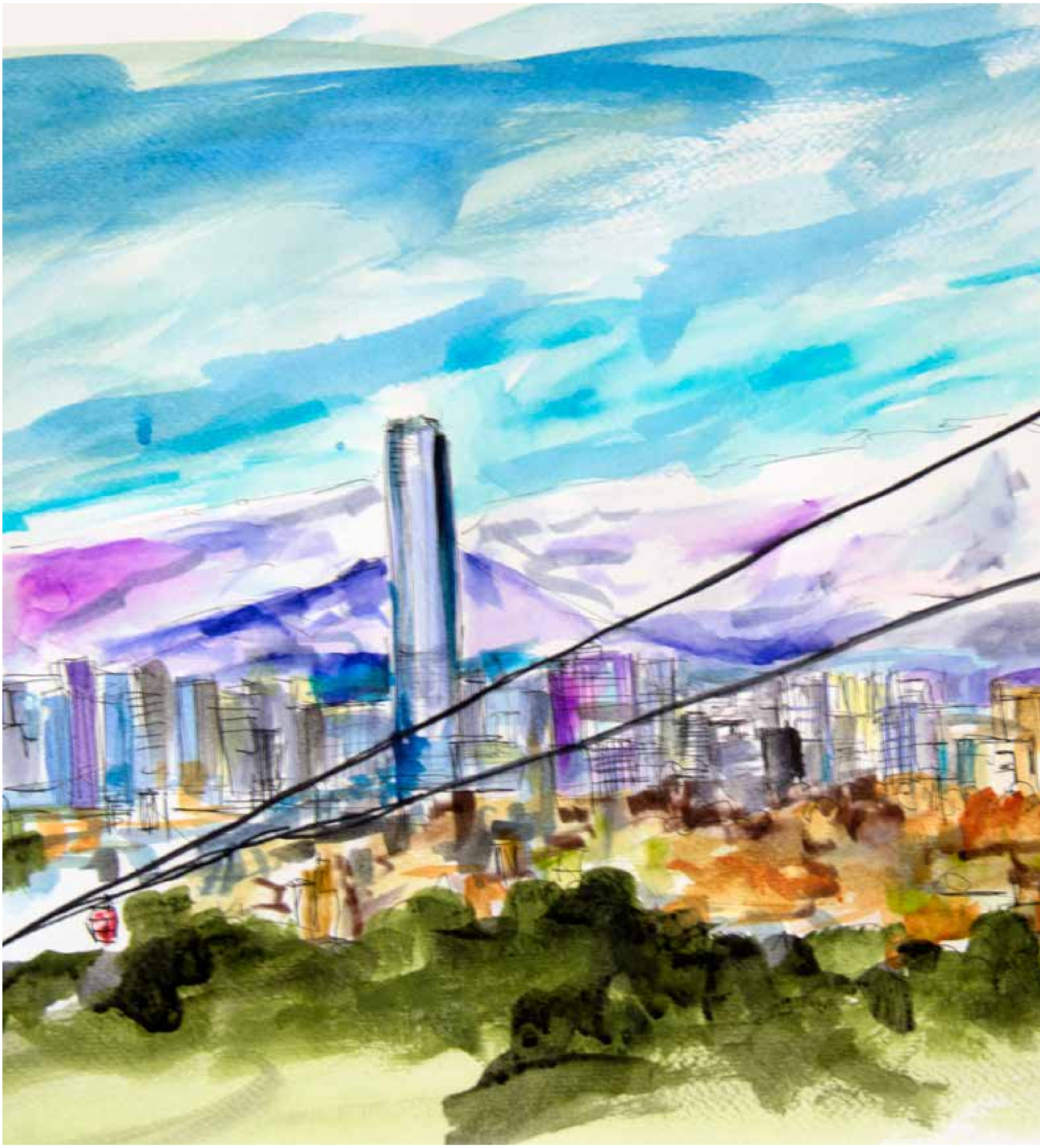
	DEMAND AND OTHER DEPOSITS REPRESENTATIVE OF BORROWINGS		LETTERS OF CREDIT	BANK BONDS	SUBORDINATED BONDS	OUTLOOK
	SHORT-TERM	LONG-TERM				
ICR	Level 1 +	AA	AA	AA	AA -	Stable
Fitch Ratings	Level 1 +	AA -	AA -	AA -	A	Positive

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

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

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

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



05

SUBSIDIARIES

VALORES SECURITY ATTAINED MARKET SHARE OF

6.1% in 2017

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

BOARD OF DIRECTORS

CHAIRMAN
Francisco Silva S.

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

MANAGEMENT

CHIEF EXECUTIVE OFFICER
Juan Pablo Lira T.

CHIEF INVESTMENT OFFICER
Pablo Jaque S.

TYPE OF COMPANY
Corporation, subsidiary of Banco Security.

SECURITIES REGISTRATION
The company is registered under number 0112.

CORPORATE PURPOSE
General fund administrator (asset management).

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

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

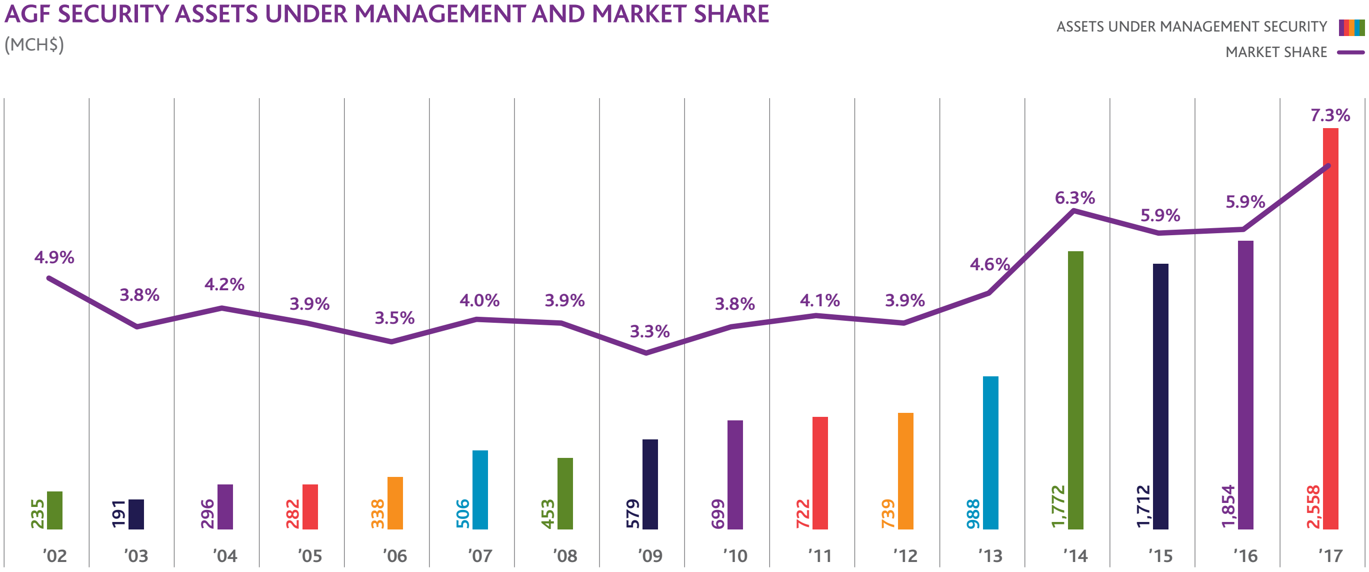
The mutual fund industry recorded annual growth of 12.4% in 2017, measured in terms of average assets under management. Worth highlighting are growth in equity funds and balanced funds of 58.6% and 59.8%, respectively. Debt funds expanded merely 5.2%.

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

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

AGF SECURITY ASSETS UNDER MANAGEMENT AND MARKET SHARE

(MCH$)



NOTE: FIGURES DO NOT INCLUDE INVESTMENT FUNDS.



VALORES SECURITY S.A. CORREDORES DE BOLSA

BOARD OF DIRECTORS

CHAIRMAN
Enrique Menchaca O.

DIRECTORS
Hitoshi Kamada
Fernando Salinas P.
Nicolás Ugarte B.

MANAGEMENT

CHIEF EXECUTIVE OFFICER
Rodrigo Fuenzalida B.

CHIEF OPERATING OFFICER
Juan Adell S.

CHIEF FINANCIAL OFFICER
Andrés Perez L.

TYPE OF COMPANY
Corporation, subsidiary of Banco Security.

SECURITIES REGISTRATION
The company is registered under number 0111.

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

ARTICLES OF INCORPORATION

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

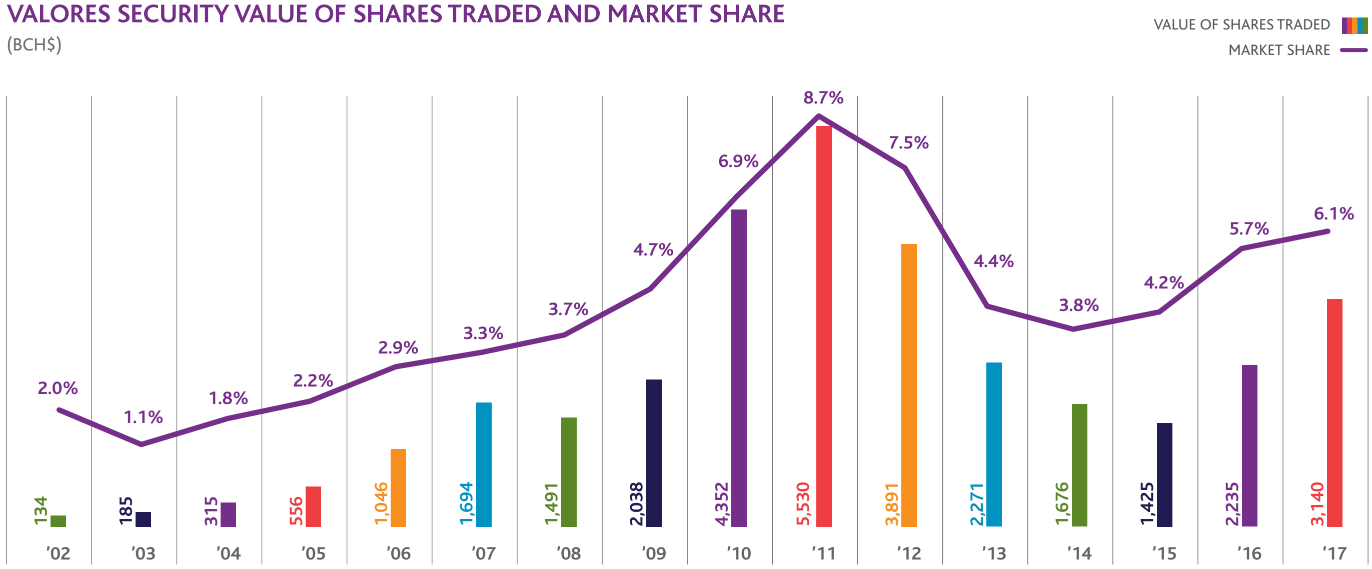


Favorable international financial conditions faced by emerging economies in 2017 translated into a very strong performance from risky assets (equities and bonds). The MSCI Emerging Index climbed 34%, driven by strong performances from Emerging Asia (40%) and Latin America (21%), all measured in US dollars.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

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

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

VALORES SECURITY VALUE OF SHARES TRADED AND MARKET SHARE
(BCH$)



06

FINANCIAL STATEMENTS

AS OF DECEMBER 2017,
THE BANK HAD TOTAL EQUITY OF

MCH$
553,213

BANCO security