ANNUAL REPORT 2019

BANCO security

CONTENTS 2019

02 OUR BANK

18 CORPORATE GOVERNANCE

32 STRATEGY AND PERFORMANCE

60 GENERAL BANK INFORMATION

70 SUBSIDIARIES

76 FINANCIAL STATEMENTS

BANCO security


BANCO
security

CHAPTER 01

OUR BANK

Trust

FINANCIAL **SUMMARY**

PROFIT FOR 2019

MCH$76,957

TOTAL LOANS IN 2019

MCH$6,051,817

MARKET SHARE IN LOANS

EXCLUDES FOREIGN SUBSIDIARIES AND BRANCHES AND LOANS AND ADVANCES TO BANKS

3.37%

EMPLOYEES · DECEMBER 2019

1,269

56% ARE WOMEN

CONSOLIDATED FINANCIAL SUMMARY BANCO SECURITY AND SUBSIDIARIES

FIGURES IN MILLIONS OF CHILEAN PESOS FOR EACH YEAR

	2007 [3]	2008 [3]
RESULTS FOR THE YEAR		
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		
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		
Return on Equity	16.28%	7.75%
Return on Total Assets	1.04%	0.44%
Interest-Earning Assets / Total Assets	89.31%	88.95%
Basel Index	10.84	11.48

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
RESULTS FOR THE YEAR											
Total Operating Income (Gross Margin)	78,515	99,085	107,953	131,693	128,583	169,925	163,694	238,753	253,946	268,564	289,720
Management Expenses	50,885	60,343	67,283	89,848	89,354	105,383	106,622	154,523	131,065	134,370	146,308
Net Operating Income (Net Margin)	27,630	38,742	40,670	41,845	39,229	64,542	57,072	84,230	122,881	134,194	143,412
Profit for the Year	23,039	33,710	35,020	35,229	32,801	55,908	47,429	50,606	63,026	72,656	76,957
YEAR-END BALANCES											
Loans (1)	2,189,085	1,988,633	2,614,571	3,021,457	3,340,912	3,715,964	4,056,096	4,462,332	4,834,290	5,346,034	6,051,817
Financial Investments	946,676	729,465	791,479	706,586	579,000	716,401	749,103	977,681	905,731	1,007,566	1,155,332
Interest-Earning Assets	3,135,761	2,718,098	3,406,050	3,728,044	3,919,912	4,421,627	4,805,199	5,440,013	5,740,021	6,353,600	7,207,147
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	24,751	24,263
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	6,933,775	8,264,770
Current Accounts and Other Demand Deposits	255,777	285,464	353,615	395,301	425,450	512,242	583,856	570,018	673,475	669,965	974,730
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	2,964,066	3,039,673
Foreign Liabilities	132,120	155,982	289,277	232,399	193,206	146,429	228,156	158,757	188,346	223,071	272,634
Provisions for At-Risk Assets	31,218	37,904	35,858	41,815	46,087	59,044	74,300	80,651	80,508	90,152	100,526
Capital and Reserves (2)	174,750	172,737	232,443	248,364	275,562	323,143	360,912	411,131	489,997	504,990	540,368
Equity	197,854	206,447	267,463	283,593	308,362	379,051	408,340	461,737	553,023	577,646	617,325
RATIOS											
Return on Equity	11.64%	16.33%	13.09%	12.42%	10.64%	14.75%	11.61%	10.96%	11.40%	12.58%	12.47%
Return on Total Assets	0.67%	1.08%	0.90%	0.84%	0.75%	1.12%	0.85%	0.83%	0.98%	1.05%	0.93%
Interest-Earning Assets / Total Assets	90.83%	87.02%	87.08%	89.19%	89.18%	88.46%	86.04%	89.31%	89.11%	91.63%	87.20%
Basel Index	12.56	12.45	12.03	11.92	12.19	12.47	12.10	13.22	14.02	13.22	12.31

SOURCE: BANCO SECURITY

NOTES:

(1) INCLUDES LOANS AND ADVANCES TO BANKS. CONTINGENT 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 STATEMENTS OF FINANCIAL POSITION AND NET INCOME WERE ADAPTED TO THE IFRS FORMAT DEFINED BY THE SBIF IN THE COMPENDIUM OF ACCOUNTING STANDARDS ISSUED UNDER CIRCULAR 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 PRICE-LEVEL RESTATEMENT HAS BEEN ELIMINATED.

FINANCIAL **SUMMARY**

LOAN GROWTH · 2019

13.42%

BANKING INDUSTRY LOAN GROWTH · 2019

10.10%

ROE BANCO SECURITY · 2019

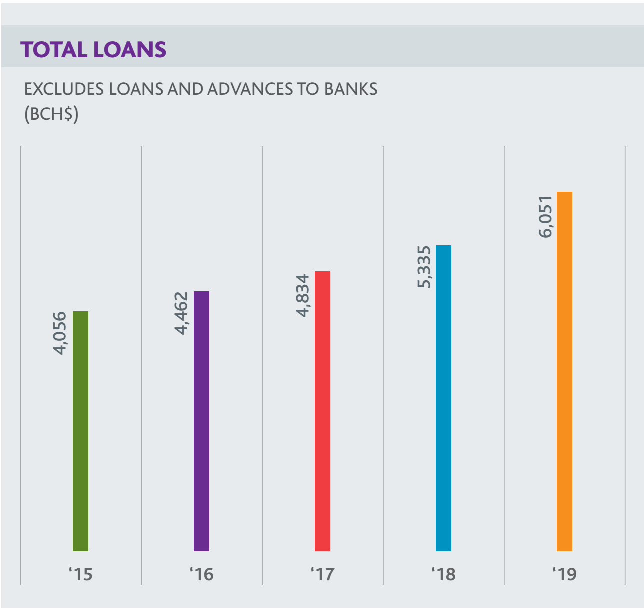
12.47%

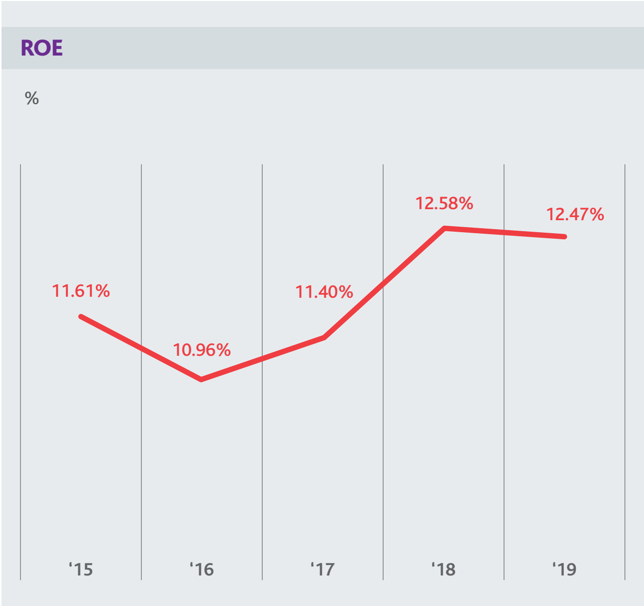
ROE BANKING INDUSTRY · 2019

12.10%

CONSOLIDATED FINANCIAL SUMMARY BANCO SECURITY AND SUBSIDIARIES

FIGURES IN MILLIONS OF CHILEAN PESOS FOR EACH YEAR



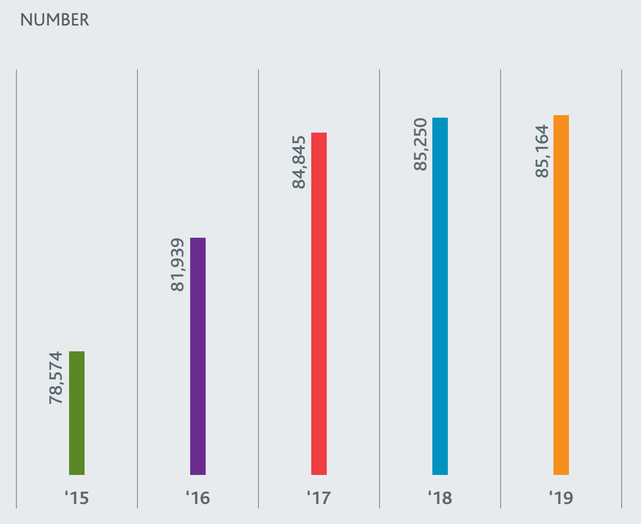


ANNUAL PROFIT GROWTH

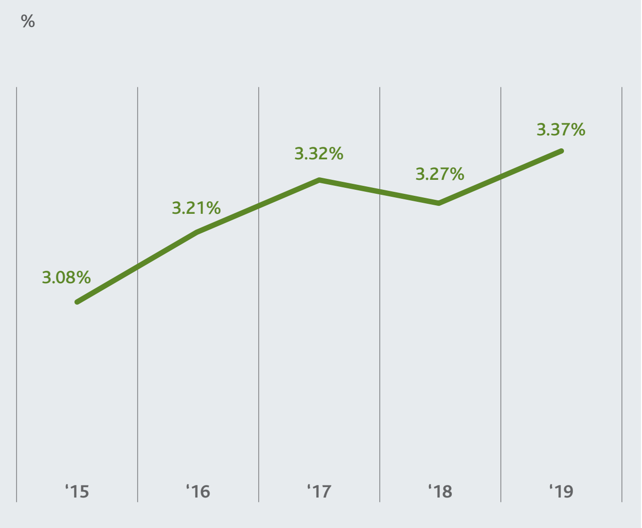
5.92%

PROFIT FOR THE YEAR

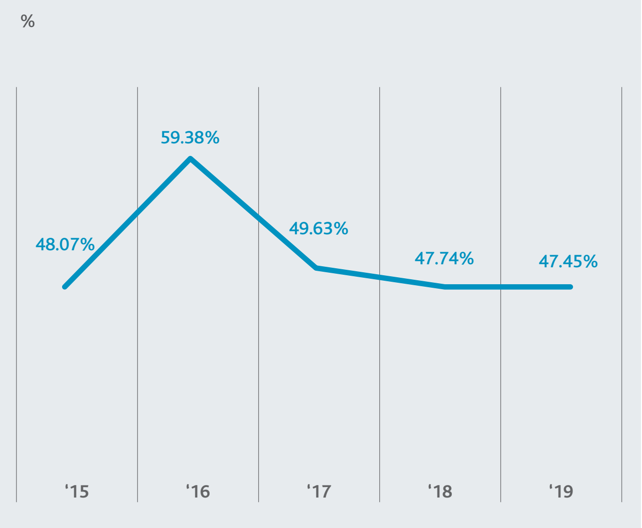
CURRENT ACCOUNTS



MARKET SHARE



EFFICIENCY



FINANCIAL **SUMMARY**

CONSOLIDATED FINANCIAL SUMMARY BANCO SECURITY AND SUBSIDIARIES

FIGURES IN MILLIONS OF CHILEAN PESOS FOR EACH YEAR

ANNUAL GROWTH IN CONSUMER LOANS

2.8%

GREATER THAN THE BANKING INDUSTRY

ANNUAL GROWTH IN COMMERCIAL LOANS

2.3%

GREATER THAN THE BANKING INDUSTRY

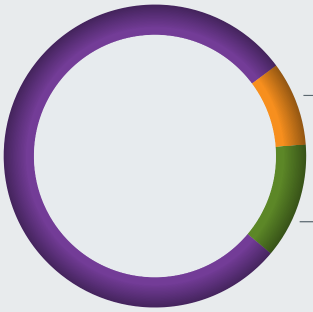
ANNUAL GROWTH IN MORTGAGE LOANS

10.7%

GREATER THAN THE BANKING INDUSTRY

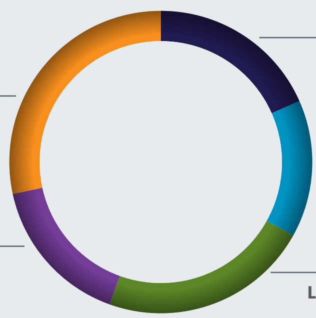
LOAN PORTFOLIO

EXCLUDES LOANS AND ADVANCES TO BANKS



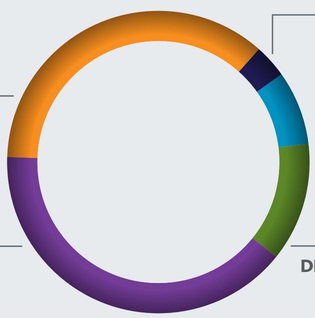
			Change
COMMERCIAL	2019	4,762	12.6%
	2018	4,227	
CONSUMER	2019	544	9.6%
	2018	497	
MORTGAGE	2019	746	21.9%
	2018	612	

REVENUE DISTRIBUTION



			Change
LARGE COMPANIES	2019	66,992	14.2%
	2018	58,637	
COMPANIES AND BRANCHES	2019	48,115	7.6%
	2018	44,709	
RETAIL	2019	84,787	-1.3%
	2018	85,878	
FINANCE	2019	54,899	21.3%
	2018	45,246	
SUBSIDIARIES	2019	43,783	-4.5%
	2018	45,825	

LIABILITY DISTRIBUTION



			Change
TIME DEPOSITS	2019	3,039,673	2.5%
	2018	2,965,403	
DEMAND DEPOSITS	2019	974,730	48.86%
	2018	654,815	
BONDS	2019	2,755,941	25.74%
	2018	2,191,825	
BORROWINGS FROM FINANCIAL INSTITUTIONS	2019	272,634	22.22%
	2018	223,071	

LETTER FROM **THE CHAIRMAN**

DEAR SHAREHOLDERS

It is my pleasure to present Banco Security's annual report for 2019.

The year began in Chile with high expectations of overcoming economic stagnation and achieving greater taxation clarity and stability that would encourage investment and growth. Accordingly, the finance industry performed well during most of the year, with limited risks and stable rates. However, economic performance was generally less auspicious than expected and since October the situation has changed and forced us to become more cautious. We were concerned to find that the macroeconomic and political context had become complex, which negatively affected the local economy and impacted confidence, consumption, investment and the general business environment.

Almost two years of trade tensions between the US and China have affected the international political and economic context. Nevertheless, the phase 1 agreement between these two countries has raised hopes that the global economic slowdown will be reversed. Consequently, the copper price has been highly volatile on international markets throughout the year, which has had a significant impact on the Chilean economy. Although the year closed with prices rising, the outlook for 2020 is not yet clear.

PRINCIPAL MILESTONES IN 2019

We implemented various initiatives to strengthen our businesses during 2019, in order to continue building value by providing simple, agile and timely solutions. This was reflected in the launch of a plan within commercial and retail banking and asset management focused on modernizing processes, incorporating new technologies and developing new customer segments and customer service models.

This plan has identified the transformation that our business needs to adapt to the challenges and trends in local and international financial markets. Therefore, the shareholders of Grupo Security approved a capital increase of BCH$100 on October 3, 2019, a significant proportion of which will probably be used to capitalize the Bank, in order to continue its growth, update its business models and strengthen its customer relationships.

Our principal distinguishing feature is our relationship with our customers, based on service excellence, closeness, kindness, trust, honesty and comprehensive attention to their needs. This characteristic is fundamentally based on the human warmth of all who belong to the Grupo Security companies. They are our main asset and distinguishing feature. Our team is comprised of expert professionals with the required skills to tackle the challenges presented by our customers every day, which has always been the main focus of our business.

These aspects are reflected in the number of awards we have received over the years. Banco Security, together with the rest of the Security companies, achieved fourth place in the Great Place to Work ranking in 2019, thus logging nineteen consecutive years as one of the best places to work in Chile. This award consistently demonstrates the importance the Company places on its employees and their families, which has a positive impact on approximately 15,000 people.

Furthermore, 64% of Security employees are women, who play a fundamental role in the diversity, culture and development of our companies. Accordingly, we have been chosen to receive the Impulsa Award for the second time. This accolade is presented by the ChileMujeres Foundation, PwC Chile and Pulso for encouraging talented women within the organization.

Business excellence at the Bank and our subsidiaries was also rewarded in various aspects, which makes us very proud. The Bank achieved first place among Chilean banks in the Praxis Xperience Index (PXI), the only national experience ranking in Chile. Our asset management team also celebrated three 2019 Salmon Awards, received for their Security Global Fund in the developed country equity funds category, their Security U.S.

PROFIT FOR 2019

MCH$76,957

Index Fund in the U.S. equity funds category and their Security Strategic Balance Fund in the moderately balanced category. Additionally, Morningstar named the Global Security Fund the best international equity fund. All this is clear evidence of the professionalism, dedication and high-quality performance that characterize our Company on a daily basis.

FINANCIAL PERFORMANCE IN 2019

By the end of 2019, the Bank's loan portfolio had reached BCH$6,052, which represents annual growth of 13.42% and exceeds average growth within the banking industry of 10.10%. The asset management area closed the year with BCH$4,265.4 in assets under management, a slight fall of 2.66% compared to the previous year, due to the complex situation in Chile during the last quarter.

Consolidated profit for the year at Banco Security was MCH$76,957, which was 5.9% higher than for 2018, despite the complex situation in Chile and the global environment. This resulted in a return on equity of 12.47%, exceeding the industry average of 12.10%, and efficiency of 47.45%, slightly better than the 2018 figure of 47.74%.

An analysis of business area performance reveals that the most noteworthy results were achieved by the Commercial Banking Division, the Bank's main and most traditional business. Profit for this area was MCH$58,005, up 35.4% from the previous year. This performance is explained by good commercial management, which enabled the division to exceed their targets for the year, and by good portfolio risk performance, which led to a reduction in provision expenses of MCH$8,570, or -43.5% compared to 2018.

However, the Treasury Division also performed well, with profit of MCH$24,748, up 40.2% from 2018. This was the result of good management of the corporate bond portfolio, and an improvement in the interest margin, partly explained by income from commercial loan prepayments.

ADAPTING TO NEW CIRCUMSTANCES

We live in a rapidly changing world and must adapt to circumstances that emerge and continually evolve. Our industry is very competitive, but we know that the key is to provide simple, agile and timely solutions, supply a broad range of products and services on our platforms and always stay close to and understand our customers.

We grasped the challenge of proactively addressing this crisis with our characteristic energy and perseverance, reinforcing our customer focus, mitigating risks and anticipating potential opportunities that may arise, while always driving Banco Security and its subsidiaries forward into the future. This is our obligation to you, our shareholders, and once again we are grateful for your continued support and trust, as this encourages us to progress.

We are very aware of our Company's role and responsibilities to society and the country. Our growth and progress are directly linked to Chile's growth and progress. Therefore, we will continue contributing to value creation in every aspect of our business.

We returned to normal business levels in March 2020 to find the country battling with the initial effects of the public health emergency caused by the coronavirus or COVID-19. Although this pandemic has not yet reached its peak, we are already saddened by its effect on our fellow Chileans. Unfortunately, as time passes we will experience loss of life and profound economic and social problems.

The Bank and every company within Grupo Security is adopting all the measures within our power to protect the health of employees and provide continual customer service.

FRANCISCO SILVA S.
Chairman Banco Security

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
In June 1991, Security Pacific Overseas Corporation sells 60% of the bank's share capital to Grupo Security's current controlling shareholders, 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
Grupo Security acquired a 99.67% stake in Dresdner Bank Lateinamerika, Chile in June 2004, and on October 1, 2004 it was 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: at Plaza Constitución, Alcántara and Estoril in the Metropolitan Region and at Viña del Mar in the Fifth 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.

MILESTONES **IN 2019**

2011

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

2012

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

2013

A new branch was opened in Copiapó in December 2013, and Retail Banking exceeded one billion pesos in loans.

2014

Our first Representative Office abroad was opened in Hong Kong in June 2014, and we became 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.

- Banco Security improved its risk rating from Fitch from AA- to AA.
- Record profit for Commercial Banking Division: BCH$58, 35% higher than 2018, reaching an ROE of 16% for this segment.
- Excellent profit from the Treasury Division: BCH$25, particularly in investment portfolio management.
- A new Bank CEO will be appointed on March 6.
- Management changes were made in the Retail Banking Division.
- Customer Experience Award from Praxis Xperience Index (PXI).

RECOGNITION
2019

GREAT PLACE TO WORK

Banco Security, together with other Group companies, achieved an outstanding fourth place in the Chilean version of the "Great Place To Work" ranking.

Over the last 6 years Grupo Security has been featured among the 10 best companies to work for in Chile. This demonstrates our consistent commitment to our values, without losing sight of our renowned organizational culture. This achievement motivates us to continue providing our employees with the best working environment.

2019 CUSTOMER SERVICE EXPERIENCE AWARD

Banco Security has historically been recognized for its high service quality standards. It was recognized again this year as the best company for Service Experience in Chile in the 2019 PXI-Praxis Xperience Index ranking. Banco Security was the best among 121 large companies from various sectors, which were evaluated according to nationwide customer perceptions, where their experience of the Company was measured in terms of effectiveness, convenience and satisfaction.

UNIVERSIDAD ADOLFO IBÁÑEZ BUSINESS SCHOOL AWARD

Banco Security was recognized as a company that most Chilean consumers trust by the Experiences and Services Center of the Universidad Adolfo Ibáñez Business School. This award evaluates 130 companies through 40,000 telephone surveys, and recognizes these achievements in its Customer Trust Index, which measures the trust, transparency, concern and compliance that customers perceive.

GREAT PLACE TO WORK AWARD

2019 CUSTOMER SERVICE EXPERIENCE AWARD

UNIVERSIDAD ADOLFO IBÁÑEZ BUSINESS SCHOOL AWARD

2019 IMPULSA AWARDS

Grupo Security was honored as the best company in the "banking and financial institutions" sector for the second consecutive year, and Vida Security as the best company in the "insurance" sector. This award is presented by Chile Mujeres Foundation, PwC Chile and Pulso to companies that encourage female participation and development in the organization.

The Impulsa Award aims to encourage cultural change within companies, and rewards those that nurture talented women by recruiting more women and developing them. The award recognizes Grupo Security's constant concern for the women in our organization, who represent 56% of our headcount.

RESEARCH DEPARTMENT RECOGNITION

The Grupo Security research department was recognized by the consulting firm FocusEconomics in May 2019, as the most accurate predictor of the Chilean market during the past year. It excelled in the main category, which rewards the best performance on average across all indicators. Its individual indicators earned it first place for current account and forecasting the MPR, second place for inflation and third place for Chile's GDP.

2019 SALMON AWARDS

AGF Security received three 2019 Salmon Awards and two Salmon APV Awards, given by Diario Financiero and LVA Indices.

It won first place for the Global Security Mutual Fund (Series F) in the developed country equity funds category, and for the Security U.S. Index Mutual Fund (Series B) in the U.S. equity funds category, and second place for the Security Strategic Balance Mutual Fund (Series B) in the moderately balanced category.

It also won first place in the APV Salmon awards for the Security Gold Mutual Fund series I-APV in the national debt in UF over 365 days under 3 years duration category, and second place in the national debt in UF over 365 days over 3 years and under 5 years duration category.

2019 MORNINGSTAR AWARDS

AGF Security was recognized by the 2019 Morningstar Fund Awards in the Chile category. This time the Global Security Mutual Fund (Series F) was chosen as the best international equity fund.

2019 IMPULSA AWARDS

2019 SALMON AWARDS

WORK-FAMILY-LIFE BALANCE

A main objective of the culture at Grupo Security is to encourage a healthy balance between work and personal life. The Company is committed to ensuring that employees can develop in other areas besides their professional skills, and enrich themselves as individuals by dedicating time to their families, sports or other activities.

The Company's market leadership is a significant competitive advantage, not only in attracting and retaining talented people, in low turnover and absenteeism rates, but also in customer evaluations. They express their satisfaction with the service provided by motivated, professional, transparent and cheerful people.

Benefits that encourage people to achieve a healthy work-family-life balance include:

GRADUAL RETURN

During the first four weeks following their legal maternity leave, mothers can leave work at 4 pm, regardless of the type of maternity leave they have chosen. Full salary is paid during leave.

CHILD CARE

Day care funding for all mothers or, alternatively, a bonus to hire a child care assistant to care for the child at home until two years of age. Parents are given an allowance equivalent to the day care benefit during the child's first month to hire someone to assist with its care.

DISABILITY ALLOWANCE

This benefit is granted to all employees who live with a child or an elderly person with a disability.

ADDITIONAL VACATION DAYS

Extra vacation days are given during high and low seasons to encourage employees to take more than 10 vacations days in a row given the proven health benefits of extended breaks.

"24 HOURS FOR YOU"

Employees can take 24 hours off per year to do something that is important to them. This is in addition to vacation time.

DAY OFF FOR DEGREE EXAM

Anyone taking a licensing or degree exam or defending a thesis to earn an academic title or degree is given a day off.

BIRTHDAY AFTERNOON

All Security employees get the afternoon off on their birthday.

DAY OFF FOR MOVING

Employees can take a day off to move their primary place of residence.

FINANCIAL EDUCATION PROGRAM

Informative talks and individual advising are provided to employees and their families to support them in areas such as additional pension contributions and asset management, tax advice, estate planning and pension procedures.

HEALTH AND SUSTAINABILITY

The program ""Yo Elijo Salud y Sustentabilidad" (I Choose Health and Sustainability), encourages healthy living, building awareness of the importance of caring for the environment and supporting the community so that employees are drivers and leaders of change among their family members and close friends.

Some of the main initiatives include:

HEALTH FAIR

Medical testing and specialty consultations within the work day to resolve or progress medical issues such as dentistry, ophthalmology, physical therapy, nutrition, etc.

FLU VACCINATION

All employees are offered flu vaccinations during the work day, free of charge.

SECURITY SPORTS

Numerous soccer, 5 a-side soccer and bowling tournaments are organized throughout the year to encourage sports.

EXERCISE BREAKS

Once a week employees can participate in exercise breaks at work to alleviate bad posture and muscle pain.

PARENTING SCHOOL

Talks that provide skills and advice that reinforce family values.

CORPORATE GOVERNANCE

02

CHAPTER

Teamwork

BOARD OF DIRECTORS **AND MANAGEMENT**

BOARD OF DIRECTORS

Banco Security's Board is composed of 7 directors and 2 alternates, who are actively involved in the Bank's management. They ensure that the business is effectively managed and its risks controlled, thus creating value for shareholders and securing an internal balance within the organization.

In recent years, Banco Security has strengthened its corporate governance by updating its policies, which are inspired by best practices and serve as guidelines for all aspects of the Company's operations.

9
MEMBERS

16
ORDINARY BOARD MEETINGS

1
EXTRAORDINARY BOARD MEETING

FRANCISCO SILVA S.
CHAIRMAN

Civil Engineering, Universidad Católica de Chile
Engineering, Stanford University
Master of Science, Stanford University
Chilean ID number: 4.103.061-5

GUSTAVO PAVEZ R.
DIRECTOR

Civil Engineering,
Universidad Católica de Chile
Chilean ID number: 4.609.215-5

JORGE MARÍN C.
DIRECTOR

Business
Administration
Chilean ID number: 7.639.707-4

HERNÁN FELIPE ERRÁZURIZ C.
DIRECTOR

Law,
Universidad Católica de Chile
Chilean ID number: 4.686.927-3

RENATO PEÑAFIEL M.
DIRECTOR

Business Administration,
Universidad Católica de Chile
Master of Arts in Economics, University of Chicago
Chilean ID number: 6.350.390-8

HORACIO PAVEZ G.
DIRECTOR

Civil Construction,
Universidad Federico Santa María
Chilean ID number: 3.899.021-7

RAMÓN ELUCHANS O.
DIRECTOR

Economist and Business Administration,
Universidad Católica de Chile
Chilean ID number: 6.464.460-2

MARIO WEIFFENBACH O.
ALTERNATE DIRECTOR

Business Administration and Certified Public
Accountant, Universidad de Chile.
Chilean ID number: 4.868.153-0

IGNACIO RUIZ TAGLE V.
ALTERNATE DIRECTOR

Economist and Business Administration,
Universidad Católica de Chile
Chilean ID number: 6.068.262-3

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.

OPERATIONAL RISK AND CYBERSECURITY DIVISION MANAGER
Luis Reyes Escatell M.

COMPLIANCE MANAGER
Mauricio Parra L.

ASSET MANAGEMENT AREA MANAGER
Hitoshi Kamada

OPERATING AREAS

RISK DIVISION MANAGER
Jose Miguel Bulnes Z.

COMMERCIAL RISK MANAGER
Alejandro Vivanco F.

LOAN RESTRUCTURING MANAGER
René Melo B.

RETAIL RISK MANAGER
Roberto Guajardo J.

LOAN ORIGINATION AND POLICY MANAGER
Jorge Herrera P.

RETAIL COLLECTIONS MANAGER
Fernando Contreras F.

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.

SPECIALIZED PRODUCTS AND BUSINESS MANAGER
Jorge Verdugo G.

LARGE COMPANIES AND REAL ESTATE

LARGE COMPANIES AND REAL ESTATE MANAGER
Alejandro Arteaga I.

CORPORATE BANKING MANAGER
Venancio Landea L.

LARGE COMPANIES MANAGER
Rodrigo Tornero J.

LARGE COMPANIES MANAGER
Felipe Oliva L.

REAL ESTATE AND CONSTRUCTION MANAGER
Alberto Apel O.

COMPANIES BANKING AND REGIONAL BRANCHES

COMPANIES BANKING AND REGIONAL BRANCH AFFAIRS MANAGER
Hernán Buzzoni G.

COMPANIES BANKING MANAGER
Patricio Melej R.

COMPANIES BANKING MANAGER
Alberto Leighton P.

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.

REPRESENTATIVE OFFICE IN HONG KONG

CHIEF REPRESENTATIVE OFFICER IN HONG KONG
Juan Lago H.

RETAIL BANKING DIVISION

RETAIL BANKING DIVISION MANAGER
Paulina Las Heras B.

BUSINESS DEVELOPMENT MANAGER
Ramón Bustamante F.

EASTERN AREA MANAGER
Annelore Bittner A.

NORTH CENTRAL AREA MANAGER
Rodrigo Matzner B.

SOUTH CENTRAL AREA MANAGER
Tatiana Dinamarca G.

REMOTE BANKING MANAGER
Samuel Ovalle N.

PRODUCT MANAGER
Nicolás Moreno D.

FINANCE DIVISION AND FINANCIAL BANKING

FINANCE AND CORPORATE DIVISION MANAGER
Nicolás Ugarte B.

TRADE DESK

ASSET & LIABILITY AND LIQUIDITY MANAGER
Sergio Bonilla S.

INVESTMENT AND TRADING MANAGER
Ricardo Turner O.

DISTRIBUTION MANAGER
Ricardo Santa Cruz R-T.

MARKET MAKING AND FINANCIAL BANKING MANAGER
Francisco Forster S.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

DIRECTORS' COMMITTEE - COMMITTEES WITH DIRECTOR INVOLVEMENT
OTHER AD HOC SUPPORT COMMITTEES

CHIEF EXECUTIVE OFFICER

1ST LINE OF DEFENSE

AREAS:
- OPERATIONAL
- COMMERCIAL
- ADMINISTRATIVE

DUTIES:
- MANAGE THE BUSINESS
- RISK OWNERS
- DETECT AND IMPLEMENT CORRECTIVE MEASURES
- REPORT PROGRESS
- UPDATE RISK MAPS

2ND LINE OF DEFENSE

AREAS:
- OPERATIONAL RISK
- FINANCIAL RISK
- CREDIT RISK
- COMPLIANCE
- LEGAL RISK

DUTIES:
- SUPERVISE AND MANAGE RISK MODELS
- MONITOR CONTROLS AND ACTION PLANS
- PREPARE RISK POLICIES AND MANAGE THEIR IMPLEMENTATION
- REPORT PROGRESS ON RISK MANAGEMENT

3RD LINE OF DEFENSE

INTERNAL AUDITING
- MONITORING OF RISK MANAGEMENT MODEL, VERIFYING ACTION PLANS
- REPORTING

SHAREHOLDERS' MEETINGS

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BOARD OF DIRECTORS

↑

BOARD COMMITTEES

STRATEGY COMMITTEE	NEW PRODUCTS COMMITTEE	FINANCE COMMITTEE	BOARD CREDIT COMMITTEE	OPERATIONAL RISK COMMITTEE	AML/CTF COMMITTEE
COMMERCIAL COMPANIES COMMITTEE	RETAIL COMMERCIAL COMMITTEE	ASSET AND LIABILITY COMMITTEE	WATCH COMMITTEE	RISK COMMITTEE	AUDIT COMMITTEE

↑

CHIEF EXECUTIVE OFFICER

↑

MANAGEMENT COMMITTEES

EXECUTIVE CREDIT COMMITTEE	RECLASSIFICATION COMMITTEE	ETHICS COMMITTEE	HEDGING COMMITTEE	SUPPLIERS COMMITTEE
MODEL COMMITTEE	LOAN RESTRUCTURING COMMITTEE	REGULATORY COMMITTEE	PHYSICAL SECURITY COMMITTEE	INVESTMENT COMMITTEE

↑

DIVISIONS AND SUPPORT AREAS

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.

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 behavior of the Company.

The Board of Directors of Banco Security is composed of seven directors and two alternate directors. All directors are elected every three years. The last election took place on March 25, 2019, 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 ordinary Board meetings have been scheduled for 2020, although this does not include any extraordinary Board meetings that may arise.

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.

STRATEGY COMMITTEE

This committee defines general planning guidelines, reviews risk appetite and resource allocation by business area, and monitors the profitability of each business. Its main functions include defining strategic objectives, focus, and global and business risk appetites, reviewing capital allocation criteria and measuring business profitability, proposing adjustments to the capital management policy, and other functions.

The standing members of this committee are:

- **FRANCISCO SILVA S.**
  Chairman
- **RAMÓN ELUCHANS O.**
  Director
- **RENATO PEÑAFIEL M.**
  Director
- **BONIFACIO BILBAO H.**
  Chief Executive Officer
- **MANUEL WIDOW L.**
  Planning and Control Division Manager
- **CHRISTIAN SINCLAIR M.**
  Commercial Banking Division Manager
- **PAULINA LAS HERAS B.**
  Retail Banking Division Manager
- **NICOLÁS UGARTE B**
  Finance and Corporate Division Manager
- **JOSE MIGUEL BULNES Z.**
  Risk Division Manager
- **GONZALO FERRER A.**
  Operations and IT Division Manager
- **LUIS REYES ESCATELL M.**
  Operational Risk and Cybersecurity Division Manager

BOARD CREDIT COMMITTEE

This committee analyzes, evaluates and approves or rejects the most important loan applications, submitted directly by sales areas. It 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. Its credit authority has no limit other than those established by current regulations and the policies defined by the Board of Directors itself.

The standing members of this committee are:

- **FRANCISCO SILVA S.**
  Chairman
- **RAMÓN ELUCHANS O.**
  Director
- **MARIO WEIFFENBACH O.**
  Alternate Director
- **IGNACIO RUIZ TAGLE V.**
  Alternate Director
- **BONIFACIO BILBAO H.**
  Chief Executive Officer
- **JOSE MIGUEL BULNES Z.**
  Risk Division Manager
- **CHRISTIAN SINCLAIR M.**
  Commercial Banking Division Manager

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 responsible for 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 and Corporate Division Manager
- **RICARDO TURNER O.**
  Investment and Trading Manager
- **MANUEL WIDOW L.**
  Planning and Control Division Manager
- **ANTONIO ALONSO M.**
  Financial Risk Manager
- **ANDRÉS PÉREZ L.**
  Chief Financial Officer, Valores Security
- **CÉSAR GUZMÁN B.**
  Macroeconomic Manager

ASSET AND LIABILITY COMMITTEE (ALCO)

This committee is responsible for managing and controlling the Bank's (1) structural matching by maturity and currency within the balance sheet, (2) liquidity, (3) net interest margin, and (4) capital.

The standing members of this committee are:

- **FRANCISCO SILVA S.**
  Chairman
- **RENATO PEÑAFIEL M.**
  Director
- **RAMÓN ELUCHANS O.**
  Director
- **IGNACIO RUIZ TAGLE**
  Alternate Director
- **BONIFACIO BILBAO H.**
  Chief Executive Officer
- **NICOLÁS UGARTE B.**
  Finance and Corporate Division 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
- **PAULINA LAS HERAS B.**
  Retail Banking Division Manager

OPERATIONAL RISK COMMITTEE

This committee aims to define the Bank's guidelines for appropriately managing Operational Risk, based on a strategy and policies that it proposes to the Board that address operational and technological risk, information security and cybersecurity, fraud prevention, business continuity and regulatory risk issues, while following the Board's declared guidelines for risk appetite. It also monitors the organization's current and emerging risks, and approves action plans that mitigate them.

The members of this committee are:

- **RAMÓN ELUCHANS O.**
  Chairman
- **MARIO WEIFFENBACH O.**
  Alternate Director
- **BONIFACIO BILBAO H.**
  Chief Executive Officer
- **GONZALO FERRER A.**
  Operations and IT Division Manager
- **LUIS REYES ESCATELL M.**
  Operational Risk and Cybersecurity Division Manager
- **CHRISTIAN SINCLAIR M.**
  Commercial Banking Division Manager
- **PAULINA LAS HERAS B.**
  Retail Banking Division Manager
- **NICOLÁS UGARTE B.**
  Finance and Corporate Division Manager
- **JOSE MIGUEL BULNES Z.**
  Risk Division Manager
- **MANUEL WIDOW L.**
  Planning and Control Division Manager
- **HITOSHI KAMADA**
  Asset Management Area Manager
- **ENRIQUE MENCHACA O.**
  General Counsel
- **MAURICIO PARRA L.**
  Compliance Manager
- **ALFONSO VERDUGO R.**
  Controller

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 review, evaluate, control and support the internal audit function and its independence from management; and to coordinate external and internal audit functions, liaising between them and the Boards of the Bank and its subsidiaries.

The standing members of this committee are:

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

Standing guests:

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

Additionally special guests may be invited to review particular issues.

The roles and responsibilities of the committee are as follows:

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.

CORPORATE GOVERNANCE

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 apply to the Company.
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 2019, where the following complementary issues were addressed:

1. Analyzed the financial statements, with the external audit partner present.
2. Analyzed the 2018 external auditor's letters regarding internal controls and adequacy of provisions.
3. Analyzed the process to appoint external auditors and risk rating agencies for 2019, in order to report to the Board of Directors at its March meeting, so that it may make a recommendation at the corresponding annual general shareholders' meeting.
4. Received 58 internal audit reports on the Bank and its subsidiaries. A further 11 unplanned audit assignments were also carried out.
5. Coordinated the work of the Controller with reviews by the external auditors.
6. Reviewed the results of 2019 CMF inspections examining money laundering, business strategy, control over companies and corporate governance.
7. Analyzed the reports, contents, procedures and scope of the external auditor's reviews, and the corresponding action plans.
8. Analyzed the reports and procedures issued by the external risk rating agencies.
9. Prepared a Board proposal for external auditors and risk rating agencies.
10. Reviewed the changes in standards that affect the Bank and its subsidiaries, and discussed the implications.
11. Reviewed the rescheduled action plans and risk acceptance presented first to the Operational Risk Committee or Board of Directors of Subsidiaries, as appropriate.
12. Reviewed the court cases and other legal contingencies affecting the Bank.
13. Monitored the annual audit plan for the Bank and its subsidiaries. Reviewed the Audit Plan proposal for 2020 in December 2019, which was submitted to the Board.
14. Analyzed progress on the action plans for the Bank and its subsidiaries arising from reports from the CMF, internal and external auditors and other inspectors, specifically the very high and high priority plans linked to high risks.
15. Called subsidiary CEOs to committee meetings to review the status of their action plans.
16. Reviewed and monitored operational risk losses. Subsidiaries were included in 2019.
17. Analyzed the Management and Solvency Self-assessment 2019 (RAN Chapter 1-13), prior to submitting it to the Board.
18. Reviewed claims by reporting source and product/service.
19. Reviewed presentation by divisional managers regarding their organization, functions, risks and the status of their action plans covering: (RAN, Chapter 1-15, Audit Committees, Section 6.1.1).
20. Analyzed the interim financial statements.
21. Reviewed progress with automated continuous audit processes.
22. Reviewed replacement of ERA risk management platform for another world-class Governance, Risk and Compliance (GRC) system.

OTHER COMMITTEES

OTHER COMMITTEES	OBJECTIVES
EXECUTIVE CREDIT	→ Analyze, evaluate and approve or reject smaller credit applications submitted by sales departments.
COMMERCIAL MANAGEMENT COMPANIES / RETAIL	→ Review compliance with budget, deviations and mitigations and progress on sales initiatives.
INVESTMENTS IN PP&E AND TECHNOLOGY	→ Review and approve the annual investment budget → Review and approve individual projects and monitor progress.
ANTI-MONEY LAUNDERING AND COUNTER TERRORISM FINANCING	→ 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.
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 models currently used for credit risk management. Submit new models for approval and monitor progress.

OTHER COMMITTEES	OBJECTIVES
LOAN RESTRUCTURING	→ Analyze the management of the Loan Restructuring department relating to recoveries, uncollectables, revenue, Credit Committee submissions, and other issues.
PHYSICAL SECURITY	→ Report and analyze the comprehensive management of physical security at the Bank, adopt measures that are relevant. Monitor security policies, standards and procedures.
NEW PRODUCTS	→ Present and analyze new products, including an impact evaluation on each area of the Bank and a financial evaluation, and submit them for approval and implementation.
REGULATORY	→ Understand and analyze the scope and impact of new regulations issued by the various regulatory entities, and ensure that they are correctly implemented by the Bank and its subsidiaries.
SUPPLIERS	→ Comprehensively manage and make ongoing decisions about outsourced service providers, and report to the Operational Risk Committee on controlling and monitoring of critical providers.
HEDGING	→ Manage and control hedging strategies, as well as propose new strategies.

STRATEGY AND PERFORMANCE

03

CHAPTER

Support

BUSINESS **STRATEGY**

The strategy employed by Banco Security and its subsidiaries is aligned with the guidelines issued by Grupo Security, a niche financial group based in Chile, which aims to position itself as a comprehensive provider of financial services across its various business areas.

Since its formation, Banco Security has placed people at the center of its business, which has enabled it to remain competitive and achieve reasonable profitability in an increasingly competitive market.

VISION

It has strengthened its position as a niche bank and service quality leader, by providing financial products and services tailored to each customer and always placing people at the center of its business.

MISSION

To meet the financial needs of large and medium-sized companies and high-income individuals, by delivering exceptional integrated services in order to build long-term relationships with each customer. To always be genuinely concerned for individuals and their families and recognized as a great place to work.

Therefore, the Bank provides a complete range of products and services, it has first-class technological support, appropriate risk policies, with excellent professional staff and support from Grupo Security.

Banco Security ensures that these objectives are fulfilled, with a special emphasis on its six strategic pillars: Service excellence, focus on target segment, products and services, customer loyalty, efficiency and people. The entire bank and particularly the sales areas have defined specific strategic objectives and the most appropriate structure to implement them.

PILLARS

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.

COMMERCIAL BANKING

"We want to build a relationship of trust with our customers, and help them to develop their business"

Three service models were defined according to our customers' size and industry, in order to provide excellent, long-term service and support by providing them with numerous financing options based on their needs:

1. LARGE COMPANIES AND REAL ESTATE

This service model serves large companies and corporations that look to the Bank for an advisor who understands their business as well as they do, and consequentially resolves their financial needs in a comprehensive manner using specialized executives. It encompasses:

REAL ESTATE AREA

This area has extensive experience in the market and provides customized financing to real estate projects.

AGRICULTURAL AREA

Provides financing for this sector adapted to the requirements of product varieties and their agricultural maturity.

MULTINATIONALS AREA

Provides financing to companies that directly or indirectly belong to any multinational foreign company. These financial products and specialized services are managed by executives with vast experience.

ENERGY AND CONCESSIONS AREA

This area provides customized financing to energy projects and concessions.

COMMERCIAL BANKING

2. COMPANIES BANKING AND REGIONAL BRANCHES

This service model serves medium-sized companies and businesses looking for a wide range of products and services, in addition to overall solutions to their financial needs. It has offices in the Metropolitan Region and a network of regional branches.

3. FINANCIAL BANKING

This service model serves institutional customers requiring highly sophisticated products and services. They are very demanding in terms of speed and cost, but are not willing to sacrifice service quality. The executives responsible for this area belong to the Finance Division and work closely with the Trading Desk.

Furthermore, we provide the following services to our customers:

STRUCTURED FINANCING AND FINANCIAL ADVISORY SERVICES

This area has highly trained professionals and provides advising and financing for projects (Project Finance), restructuring liabilities, syndicated loans, corporate acquisitions and other transactions.

FOREIGN TRADE AND INTERNATIONAL SERVICES

This area plays a strategic role for the Bank's value proposition to its customers. The ease and effectiveness of its processes and products are renowned, particularly the E-Comex electronic platform, which is a recognized and valued tool in the market.

Banco Security opened a representative office in Hong Kong in 2014 in order to support customers doing business with the Asian market.

LEASING SERVICES

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

RETAIL BANKING

"We want to provide our customers the best service experience through preferential, specialized advising because we believe that where there's a will, there's a way."

The target segment for Retail Banking at Banco Security is the socioeconomic sector ABC1. We have four models of customer care that have been adapted to the profile and requirements of customers in each target segment, to achieve greater specialization with high standards of service quality.

1. PRIVATE BANKING AND PREMIER BANKING	This area targets high-income and high net-worth customers, who require personalized, specialized investment care, extensive advising from their account executive and a unique range of products and services tailored to their needs.
2. PREFERENTIAL BANKING	This area targets customers looking for traditional financial products and services to support their projects at various stages in their lives. They expect timely financial solutions and first-class personalized attention.
3. ENTREPRENEUR BANKING	This area targets entrepreneurs that need retail and business banking services, with annual revenue under UF 35,000. The Bank has designed a flexible range of financial products and services for this segment, with ongoing advising from a network of specialized executives.

Always focused on providing our customers comprehensive service, the Bank offers a full 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 several remote customer service channels to provide its customers with 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 providing a wide range of financial products to its entire customer portfolio along with advising whenever needed. It also manages the Bank's own investment portfolio and is responsible for managing structural mismatches in balances, transfer pricing and the Bank's liquidity, according to guidelines from the Assets and Liabilities Committee. Therefore, the area is composed of:

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

The division's mission is to support and guide its customers, while identifying and implementing the best solutions for their asset management requirements. Its vision is to be a leader in consulting and asset management for high-net-worth customers, individuals and institutional investors, while conducting business that is consistent and complementary to Grupo Security's value proposition.

Administradora General de Fondos Security (AGF), 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 investors 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

OVERVIEW

In economic terms, 2019 was a year characterized by changes. Initially there was considerable economic, financial and political uncertainty associated with the trade war between two global powers, the U.S. and China. But as the tone softened and positions began to move towards seeking closure, the markets began to scale back their negative predictions. However, it was a year of economic slowdown that was more pronounced than expected. On the positive side, the monetary policy response of the world's major economies was swift and helped to contain the economic moderation.

In fact, the Federal Reserve began the year with a restrictive discourse, as it had just raised the interest rate in December 2018 to 2.5%. But this was modified over successive months and it even reduced the reference rate on three occasions (July, September and October) in mid-cycle adjustments, in order to counteract the slowdown.

Global markets reacted in different ways to these developments. The U.S. dollar began the year on a weakening trend, but closed the year 1.5% above developed currencies (measured by the DXY index) and 1.6% above a basket of emerging currencies (EMCI index). The prices of significant raw materials for Chile increased, specifically 5% for copper and 27% for oil, although these increases largely occurred in December after progress was achieved on the agreement to end the trade war. Global equities performed well with an increase of 24% measured by the MSCI Global index, driven mainly by the U.S. at 29%, as the performance of the remainder was comparatively moderate. The MSCI Emerging Market Index rose by 15%, with increases in both Latin America at 13% and Emerging Asia at 16%, all measured in U.S. dollars.

GLOBAL GROWTH

The year began with very negative prospects after the poor economic figures— especially in Europe and China—as expectations called for more restrictive financial conditions due to the interest rate hikes that the Federal Reserve was planning to introduce during the year and the escalation of the trade war. A recession in some major economies was not even ruled out. But the change of tack in U.S. monetary policy and the start of talks to reverse tariffs in the trade war generated a gradual improvement in the global outlook. Global GDP grew by 2.9% in 2019, a moderate figure compared to the previous year when it grew by 3.6%. Developed nations grew by 1.7% (2.3% in 2018), while emerging nations were up 3.7% (4.5% in 2018).

DEVELOPED NATIONS

The United States grew by 2.9% in 2018 and by 2.3% in 2019, driven by strong private consumption (up 2.6%), which arose from a strong labor market and growth in non-residential industrial investment, which grew by 2.1%.

The Eurozone moderated its pace of growth with GDP growing by 1.2%, below the 2018 figure of 1.9%. This is partially explained by monetary policy becoming slightly less expansionary. An analysis by country indicates that Germany represented most of the moderation, with GDP rising by 1.5% in 2018 and only 0.6% in 2019. Moreover, the region was affected by the trade war, which was reflected in lower confidence indicators. However, the stock market rose 17% as measured by the MSCI Europe index, in line with other stock markets worldwide.

EMERGING NATIONS

China continued to be a dominant global protagonist during 2019,

due to its trade conflict with the U.S. and the size of its economy. Economic figures changed considerably, as an abrupt halt was ruled out. GDP growth was 6.1%, in line with expectations and continuing with a very gradual economic moderation. This was reflected in the stock market, which increased 21% during the year.

Latin America experienced a slight contraction in GDP (-0.1%) dragged down by the 2.1% drop in the Argentinian economy and -0.1% in Mexico, which was not offset by the rise in Brazil of 1.1%, Peru at 2.2%, Colombia at 3.2% and Chile at 1.2%, where performance was worse than expected.

EQUITY AND DEBT MARKETS

As already mentioned, the overall picture improved as the months unfolded, which was reflected in an increased appetite for risky assets. The global stock market was up 24% in U.S. dollar terms (measured by the MSCI index), driven by a rise in developed nations of 25%, followed by 15% in emerging nations.

The former included a rise of 29% in U.S. stocks, followed by 20% in the Eurozone and 18% in Japan. The latter included a noteworthy rise of 21% in China, while Latin America registered an increase of 14%, due to the good performance of Brazil at 22%. Idiosyncratic factors led to an 8.5% fall in the Chilean stock market (IPSA), which added to the Chilean peso's depreciation and resulted in a 16% fall in U.S. dollar terms.

This increased global risk appetite was also reflected in the bond market, where the value of U.S. bonds with higher risk (high yield) and the most secure (high grade) rose by 14%. Sovereign bonds from emerging nations (EMBI) rose by 14%, while corporate bonds (CEMBI) rose by 13%.

GLOBAL GDP (% CHANGE)

2019	2018
2.9%	3.6%

U.S. GDP (% CHANGE)

2019	2018
2.3%	2.9%

EUROZONE GDP (% CHANGE)

2019	2018
1.2%	1.9%

LATIN AMERICAN GDP (% CHANGE)

2019	2018
-0.1%	1.0%

CHILE

The year 2019 will be remembered in Chile for a particular event. At the beginning of the year, the economy performed slowly due to lower external momentum, but a more marked recovery in growth began in the second half of the year. Accordingly, GDP growth was 1.5% in the first quarter, 1.9% in the second and 3.3% in the third. However, this recovery was interrupted by social unrest, with GDP contracting 1.8% in the last quarter, resulting in a rise of only 1.2% for the year as a whole. The social unrest also hit consumer and business economic expectations indicators hard, taking them to record lows.

SPENDING

Domestic demand grew by 1.5% during the year, which was mostly influenced by private consumption rising by 2%, while investment was more dynamic with growth of 2.5%. There was also evidence of inventories being consumed, which reduced growth by almost 0.2%.

GROWTH BY INDUSTRY

The most dynamic and influential economic sector was Financial Services with growth of 3.3%, followed by Transport at 3.2% and Construction at 2.4%. Mining, Agriculture and Electricity contracted by -1%, -3% and -1.2% respectively, with respect to 2018. This economic performance created around 190,000 more jobs, equivalent to 2.1%. However, the social unrest caused an abrupt change in the trend, as the 300,000 new jobs created by September had plummeted to 170,000 by the last quarter. Nevertheless, the unemployment rate averaged 7.2% for the year, practically the same as the 2018 figure of 7.4%. An analysis of job creation indicated that salaried employment increased by 2.2%, or 135,000 new jobs, while self-employment increased by 3.6%, or 65,000 new jobs.

FOREIGN TRADE

Exports totaled BUS$69.7, a decrease from the BUS$75.5 exported in 2018. Practically half of these exports were copper shipments, totaling BUS$33.4. Export volumes decreased slightly by 1%, due to copper exports falling by 2.5%, which was partially offset by exports of all other products increasing by 0.5%. Imports reached BUS$65.5, with reductions in all categories, particularly -11% in consumer, -8% in fuel and -5% in capital goods. Total import volumes fell by 2%. Accordingly, the year-end balance of trade was a positive BUS$ 4.2.

The year closed with a fiscal deficit of 2.8% of GDP, well above the 1.7% achieved in 2018, due to increases in spending in the latter part of the year along with moderating income due to the economic slowdown.

PRICE INDEXES

Inflation remained stable throughout the year, fluctuating around the lower end of its target range of 2% to 4%. Its acceleration from 1.7% at the beginning of the year to 3% by the end was mainly due to an increase in the prices for volatile commodities such as food and energy and exchange rates. Core inflation (IPCSAE), which excludes these components, gradually increased from 1.8% at the beginning of 2019 to 2.5% in December. The CPI for tradables increased by 3.3% in the year, while the CPI for non-tradables reached 2.6%.

REFERENCE INTEREST RATES

The central bank adopted a restrictive bias for monetary policy in the second half of 2018, and then began to withdraw the stimulus in October by raising the monetary policy rate (MPR) from 2.5% to 2.75%, which continued in January 2019 from 2.75% to 3%. However, the economic moderation at the beginning of the year together with lower-than-expected inflation indicators and the calibration of economic structural parameters, such as the rise in GDP and fall in MPR, led authorities to reverse the hikes, reducing the MPR by 50 basis points in June and September. Furthermore, after the social unrest, the governing body reduced the interest rate by another 25 basis points in October, bringing it down to 1.75%, where it remained until the end of the year.

EXCHANGE RATES

In 2019 the U.S. dollar strengthened worldwide, although with volatility, in response to the trade war softening. The Chilean peso was affected by these developments and climbed from about CH$650 at the beginning of the year to CH$720 by the end of the third quarter. Then the social unrest left the Chilean peso as the main catalyst for Chile's higher country risk. Accordingly, it climbed to CH$830, which triggered intervention by authorities that managed to reverse part of this rise, to finally close at CH$745, equivalent to depreciation of around 8% on average for the year.

CHILEAN GDP (% CHANGE)

2019	2018
1.2%	4.0%

UNEMPLOYMENT RATE (%)

2019	2018
7.2%	7.4%

EXCHANGE RATE (Y/E CH$/US$)

2019	2018
745	696

ANNUAL INFLATION (%)

2019	2018
3.0%	2.6%

MAIN ECONOMIC **INDICATORS**

MAIN ECONOMIC INDICATORS - CHILE	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP (BUS$)	252	267	278	261	244	250	278	298	281
GDP per Capita (US$)	14,619	15,313	15,805	14,647	13,574	13,780	15,079	15,906	14,695
GDP (% change)	6.1	5.3	4.0	1.8	2.3	1.7	1.3	4.0	1.2
Domestic Spending (% change)	9.4	7.2	3.6	-0.5	2.5	1.8	2.9	4.7	1.6
Private Consumption	8.2	6.1	4.6	2.7	2.1	2.6	3.0	4.0	2.1
Fixed Capital Investment	16.1	11.3	3.3	-4.8	-0.3	-1.3	-2.7	4.7	2.5
Exports (% change, in real terms)	5.5	0.4	3.3	0.3	-1.7	0.5	-1.1	5.0	-0.8
Imports (% change, in real terms)	15.2	5.2	2.0	-6.5	-1.1	0.9	4.7	7.6	-2.1
Global Growth PPP (%)	4.3	3.5	3.5	3.6	3.5	3.4	3.8	3.6	2.9
Copper Price (average US$/pound in cents)	400	361	332	311	250	221	280	294	274
WTI Oil Price (average US$/per barrel)	95	94	98	93	49	43	51	64	57
Federal Funds Rate (Y/E, %)	0.3	0.3	0.3	0.3	0.4	0.8	1.5	2.5	1.8
180-day LIBOR Rate (Y/E, %)	0.8	0.5	0.3	0.3	0.8	1.3	1.8	2.9	1.9
10-year U.S. Treasury Bonds (Y/E, %)	1.9	1.8	2.9	2.2	2.2	2.5	2.4	2.8	1.9
Euro (Y/E, US$)	1.30	1.32	1.37	1.21	1.09	1.05	1.18	1.14	1.11
Yen (Y/E, ¥/US$)	77	87	105	120	122	116	113	112	109
Balance of Trade (BUS$)	10.8	2.6	2.0	6.5	3.4	4.9	7.4	4.7	4.2
Exports (BUS$)	81.4	78.1	76.8	75.1	62.0	60.7	68.9	75.5	69.7
Imports (BUS$)	70.7	75.5	74.8	68.6	58.6	55.9	61.5	70.8	65.5
Current Account (BUS$)	-4.1	-10.5	-11.2	-4.3	-5.6	-4.0	-6.0	-9.2	-7.9
Current Account (% of GDP)	-1.6	-3.9	-4.0	-1.6	-2.3	-1.6	-2.1	-3.1	-2.8

MAIN ECONOMIC INDICATORS CHILE - CONTINUED	2011	2012	2013	2014	2015	2016	2017	2018	2019
Central Government Balance (% of GDP)	1.3	0.6	-0.6	-1.6	-2.1	-2.7	-2.7	-1.7	-2.8
CPI Dec-Dec (%)	4.4	1.5	3.0	4.6	4.4	2.7	2.3	2.6	3.0
Core CPI (CPIXfn) Dec-Dec (%)	2.4	1.5	2.1	4.3	4.7	2.8	1.9	2.3	2.5
Chilean Central Bank International Inflation (% average)	9.9	-0.2	0.4	-1.1	-9.8	-2.8	3.9	2.3	-2.5
Monetary Policy Rate, MPR (Y/E, % in CH$)	5.3	5.0	4.5	3.0	3.5	3.5	2.5	2.8	1.8
BCP-10 365d Bonds (Y/E, % in CH$)	5.3	5.6	5.2	4.4	4.7	4.4	4.7	4.4	3.3
BCU-10 365d Bonds (Y/E, % in UF)	2.7	2.6	2.2	1.5	1.6	1.5	1.9	1.6	0.5
Official Exchange Rate (Y/E CH$/US$)	521	479	524	607	707	667	615	696	745
Official Exchange Rate (avg, CH$/US$)	484	486	495	570	654	677	649	641	703
Job Growth (%)	5.0	2.2	2.1	1.4	1.7	1.2	2.4	2.2	2.1
Labor Force Growth (%)	3.8	1.5	1.6	1.9	1.5	1.6	2.7	2.6	2.0
Unemployment Rate (average %)	7.3	6.6	6.1	6.5	6.3	6.7	7.0	7.4	7.2
Salary Growth in Real Terms (average %)	2.6	3.3	3.9	2.2	1.9	0.2	3.5	2.1	2.4

THE BANKING **INDUSTRY**

LOANS

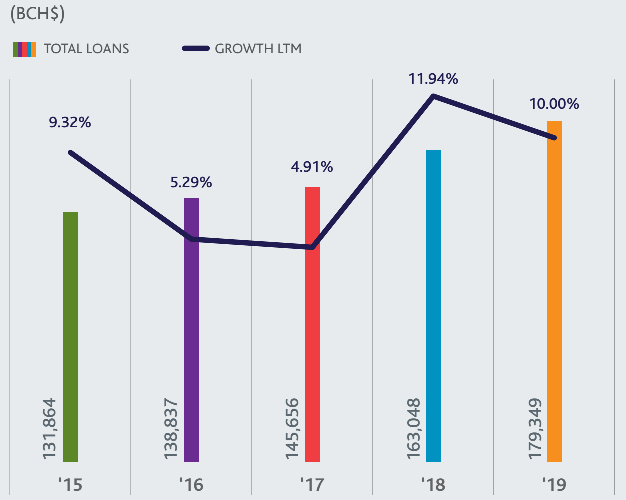
As of December 31, 2019, total banking industry loans reached MCH$194,899,837 (excluding loans and advances to banks), which represents annual growth of 10.1%, below growth for the year ended December 31, 2018 of 13.08%, due to decreases in all three portfolios: commercial, consumer and mortgage.

The consumer portfolio grew the least compared to 2018 with 6.74% (20.21% in 2018), followed by the commercial portfolio with 10.38% (12.30% in 2018) and mortgage portfolio with 11.25% (11.42% in 2018). The domestic events that took place in Chile in October 2019 had an adverse effect mainly on the consumer portfolio.

When loans by foreign branches and subsidiaries are excluded, the remaining loans totaled MCH$179,349,611 as of December 31, 2019, which represents a drop in annual growth of 10.0% compared to 2018 with 11.94%, due to lower dynamism in consumer and commercial loans. Consumer loans grew by 7.16% (21.95% in 2018), commercial loans by 10.14% (10.81% in 2018), while mortgage loans grew by 11.20% (9.40% in 2018).

LOAN GROWTH - CHILEAN BANKING INDUSTRY

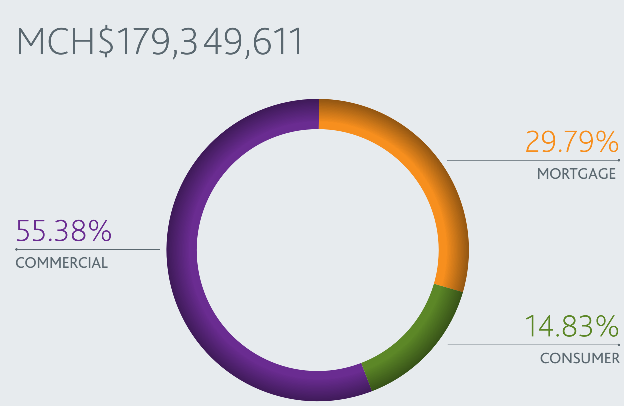
EXCLUDES FOREIGN SUBSIDIARIES AND BRANCHES AND LOANS AND ADVANCES TO BANKS
(BCH$)



SOURCE: CMF

LOAN PORTFOLIO - CHILEAN BANKING INDUSTRY

EXCLUDES FOREIGN SUBSIDIARIES AND BRANCHES AND LOANS AND ADVANCES TO BANKS
TOTAL AS OF DECEMBER 2019



SOURCE: CMF

BANKING INDUSTRY LOANS

EXCLUDES FOREIGN SUBSIDIARIES AND BRANCHES, AND LOANS AND ADVANCES TO BANKS.

COMMERCIAL	2019	MCH$99,325,687	GROWTH COMPARED TO 2018	10.14%
	2018	MCH$90,182,774		
CONSUMER	2019	MCH$26,604,552	GROWTH COMPARED TO 2018	7.16%
	2018	MCH$24,826,671		
MORTGAGE	2019	MCH$53,419,372	GROWTH COMPARED TO 2018	11.20%
	2018	MCH$48,038,928		

SOURCE: CMF

The Chilean banking industry comprises 18 financial institutions. Among them, Banco del Estado de Chile has a branch in the U.S., BCI a branch and a banking subsidiary in the U.S. and Itaú Corpbanca a branch in the U.S. and a subsidiary in Colombia.

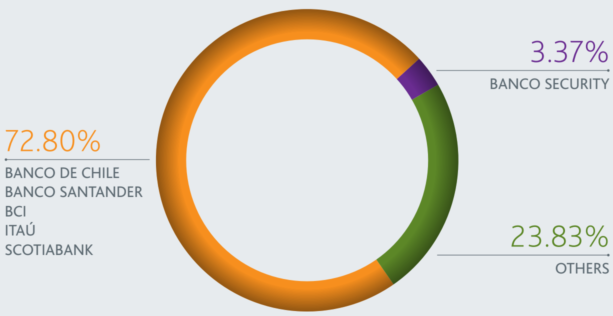
The five largest banks—Santander Chile, Banco de Chile, BCI, Itaú Corpbanca and Scotiabank Chile—account for 72.80% of total industry loans (excluding foreign subsidiaries and branches), a decrease compared to 2018 (73.19%), mainly at Banco Santander and Banco de Chile.

Meanwhile, Banco Security recovered market share compared to 2018 to reach 3.37%, an increase of 10 basis points over the previous year (3.27%).

MARKET SHARE

MARKET SHARE 2019

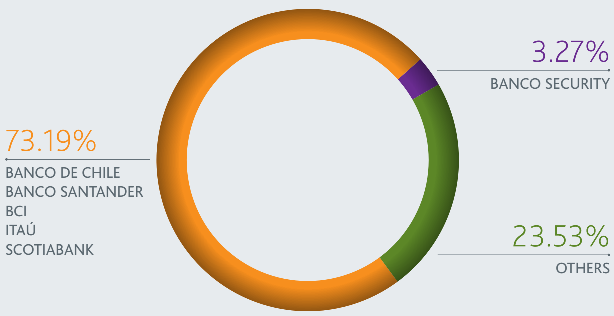
EXCLUDES FOREIGN SUBSIDIARIES AND AND LOANS AND ADVANCES TO BANKS



SOURCE: CMF

MARKET SHARE 2018

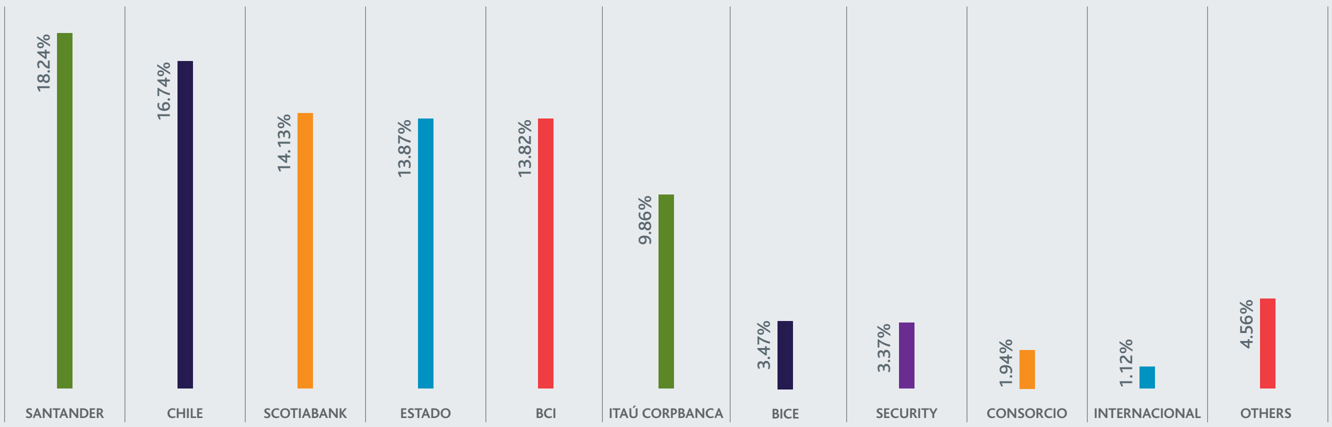
EXCLUDES FOREIGN SUBSIDIARIES AND AND LOANS AND ADVANCES TO BANKS



SOURCE: CMF

MARKET SHARE - DECEMBER 2019

EXCLUDES FOREIGN SUBSIDIARIES AND BRANCHES AND LOANS AND ADVANCES TO BANKS



SOURCE: CMF

RESULTS

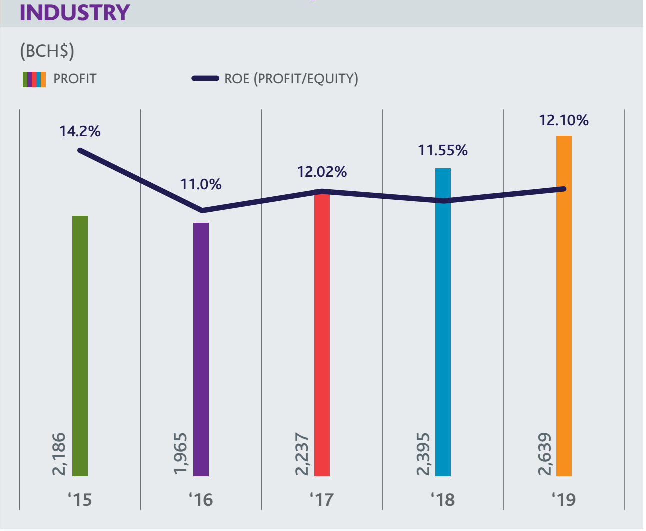
The Chilean banking industry reported profit of MCH$2,639,390 as of December 2019, 10.19% higher than December 2018, mainly explained by a higher net interest margin (+15.65%), higher commission income (+13.81%) and higher financial income (+28.18%). This result was offset by higher provisions (+36.2%) and operating expenses (+10.3%).

Total assets reached BCH$21,834, growing by 5.3% in the year. The market's ROE of 12.10% is slightly higher than the 2018 figure of 11.52%. Banco Security's ROE was 12.47%, which was above the industry average and ranks it in second place among its peer banks, which are BICE, Consorcio and Internacional.

Meanwhile, the industry's return on total assets was 0.91% (0.97% in 2018).

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

PROFIT AND RETURN ON EQUITY - CHILEAN BANKING INDUSTRY

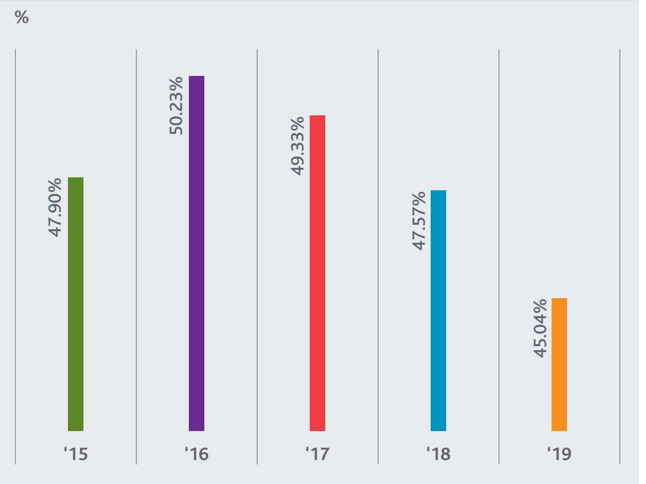


SOURCE: CMF

OPERATING EXPENSES

Operating expenses for 2019 were MCH$5,404,665, an increase of 10.29% over 2018, explained mainly by increases in payroll and personnel expenses (+9.16%), depreciation and amortization (+49.87%), and, to a lesser extent, administrative expenses (+2.69%). As a result, the efficiency ratio, measured as operating expenses divided by gross operating income, reached 45.04%, which represented an improvement of 253 basis points over December 2018, when it was 47.57%, explained by higher gross operating income (+6.46%) that offset the increase in operating expenses over 2018.

EFFICIENCY RATIO - CHILEAN BANKING INDUSTRY



SOURCE: CMF

EFFICIENCY RATIO FOR THE CHILEAN BANKING INDUSTRY

EFFICIENCY RANKING	DEC 2019	DEC 2018
BANCO SANTANDER-CHILE	38.30%	38.15%
BANCO DE CHILE	43.20%	42.77%
SCOTIABANK CHILE	46.49%	47.95%
BANCO DE CRÉDITO E INVERSIONES	47.78%	51.55%
ITAÚ CORPBANCA	54.89%	55.3%
LARGE BANKS	**46.13%**	**47.14%**
BANCO CONSORCIO	32.39%	37.59%
BANCO INTERNACIONAL	43.80%	53.85%
BANCO BICE	46.69%	49.86%
BANCO SECURITY	47.45%	47.74%
Medium Banks	**42.59%**	**47.26%**
BANKING INDUSTRY	**45.04%**	**47.57%**

SOURCE: CMF

Seven banks achieved better efficiency than the industry in December 2019. The ranking was led by Banco Falabella (24.67%), followed by Consorcio (32.39%), which improved by 520 basis points over 2018 (37.59%). Banco Santander was the most efficient among the large banks, achieving efficiency of 38.30%, 15 basis points better than in 2018, followed by Banco de Chile, which also showed an increase over 2018, to reach 43.20%. Banco Security improved its performance in 2019, with an index of 47.45%, 28 basis points better than 2018 (47.74%).

RISK

The risk ratio for the industry (loan loss provisions/total loans) as of December 31, 2019 reached 2.56%, 12 basis points higher than as of December 31, 2018 (2.44%). This increase was due to loans growing at a slower rate than provisions, with the highest increase in the consumer portfolio from 6.45% in 2018 to 7.09% in 2019, followed by the commercial portfolio from 2.28% in 2018 to 2.40% in 2019. This was partly offset by a 3.5 basis points decrease in the mortgage portfolio from 0.76% in 2018 to 0.72% in 2019.

The ratio of non-performing loans over total loans increased from 1.90% in 2018 to 2.07% at the end of 2019, with a rise in all three portfolios. The biggest increase was in the consumer portfolio from 2.08% to 2.51%, then the commercial portfolio from 1.65% to 1.84%. The mortgage portfolio increased by 1 basis point, from 2.36% in 2018 to 2.37% in 2019. This index rose the most during the last quarter of the year, given the events that occurred in Chile during this period.

The ratio of impaired portfolio to total loans increased 3.7 basis points from 4.99% in 2018 to 5.03% at the close of 2019, mainly due to increases in the consumer portfolio, with the commercial and mortgage portfolios improving this index.

CREDIT RISK INDICATORS

	DEC-19	DEC-18
LOAN LOSS PROVISIONS / TOTAL LOANS	**2.56%**	**2.44%**
Commercial LLP / Commercial Loans	2.40%	2.28%
Retail LLP / Retail Loans	2.83%	2.69%
Mortgage LLP / Mortgage Loans	0.72%	0.76%
Consumer LLP / Consumer Loans	7.09%	6.45%

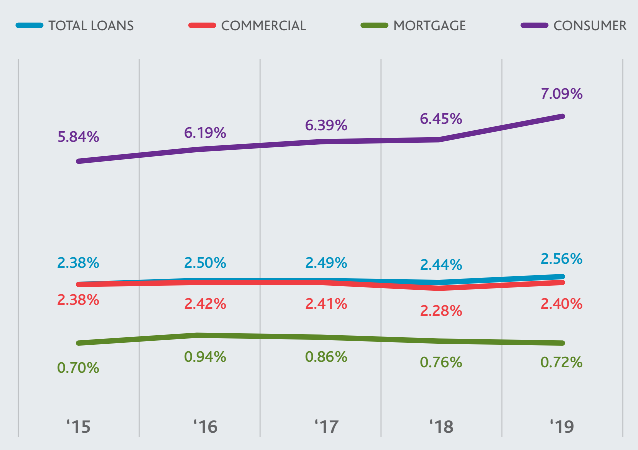
SOURCE: CMF

	DEC-19	DEC-18
NON-PERFORMING LOANS / TOTAL LOANS, EXCLUDING LOANS AND ADVANCES TO BANKS	**2.07%**	**1.90%**
Non-performing Commercial Loans / Commercial Loans	1.84%	1.65%
Non-performing Retail Loans / Retail Loans	2.41%	2.27%
Non-performing Consumer Loans / Consumer Loans	2.51%	2.08%
Non-performing Mortgage Loans / Mortgage Loans	2.37%	2.36%

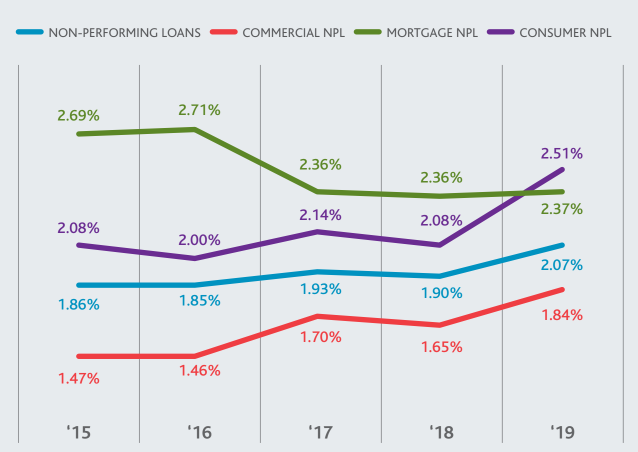
SOURCE: CMF

	DEC-19	DEC-18
IMPAIRED LOANS / TOTAL LOANS	**5.03%**	**4.99%**
Impaired Commercial Loans / Commercial Loans	4.54%	4.56%
Impaired Retail Loans / Retail Loans	5.77%	5.67%
Impaired Consumer Loans / Consumer Loans	7.40%	6.72%
Impaired Mortgage Loans / Mortgage Loans	4.97%	5.12%

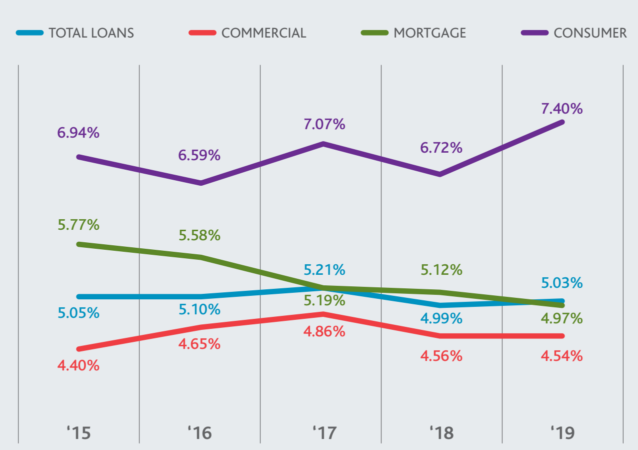
RISK RATIO BY PORTFOLIO



NPL RATIO



IMPAIRED PORTFOLIO RATIO



[1] NON-PERFORMING LOANS: A STRESSED MEASUREMENT OF THE FORMER OVERDUE PORTFOLIO INDICATOR. INCLUDES TOTAL LOANS WITH PAYMENTS OVERDUE OVER 90 DAYS, EVEN WHEN ONLY ONE OR SOME LOAN REPAYMENT INSTALLMENTS (CAPITAL OR INTEREST) ARE OVERDUE. IT ALSO FORMS PART OF THE IMPAIRED PORTFOLIO AND IS PUBLISHED FROM JANUARY 2009 ONWARDS.

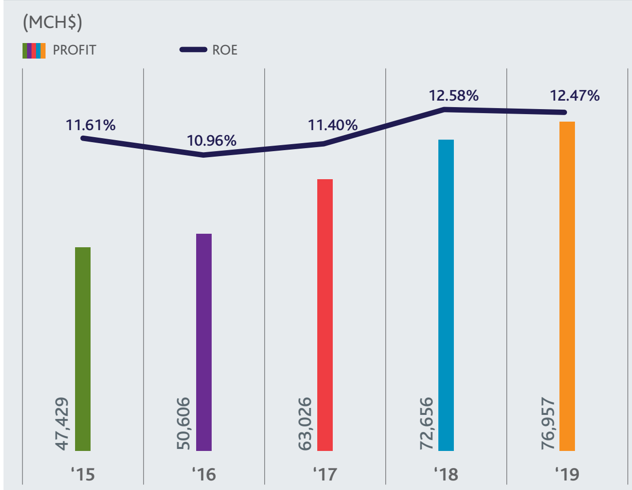
BANCO SECURITY **RESULTS**

RESULTS

Banco Security's consolidated profit for the year ended December 31, 2019 was MCH$76,957, which represents annual growth of 5.92%. Banco Security's stand-alone profit (excluding the Bank's asset management subsidiaries AGF Security and Valores Security Corredores de Bolsa) was MCH$77,578, up 21.3% with respect to 2018.

The average profitability of Banco Security is measured as its profit for the last 12 months divided by equity and reached 12.47%, which was 11 basis points lower than in 2018.

PROFIT GROWTH - BANCO SECURITY AND SUBSIDIARIES



BUSINESS SEGMENTS

The Bank has structured its business into four segments, in order to properly manage its business. These segments provide a full range 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 REPOSSESSED ASSETS	TOTAL OPERATING INCOME NET OF PROVISIONS	OPERATING EXPENSES	NET OPERATING INCOME	TAXES	PROFIT	CONTRIBUTION BY SEGMENT
Commercial Banking	96,169	20,872	8,455	-11,142	114,354	-38,441	75,913	-17,908	58,005	75.4%
Retail Banking	67,122	20,582	1,574	-28,408	60,870	-58,522	2,348	-554	1,794	2.3%
Treasury	27,918	-317	17,257	38	44,896	-12,508	32,388	-7,641	24,748	32.2%
Other Services	-8,449	483	-3,348	-2,059	-13,373	4,237	-9,136	2,151	-6,968	-9.1%
BANK TOTAL	**182,760**	**41,620**	**23,938**	**-41,571**	**206,747**	**-105,234**	**101,513**	**-23,952**	**77,579**	**100.8%**
Subsidiaries	-325	25,658	2,397	0	27,730	-27,721	9	-630	-621	-0.8%
CONSOLIDATED TOTAL	**182,435**	**67,278**	**26,335**	**-41,571**	**234,477**	**-132,955**	**101,522**	**-24,582**	**76,957**	**100%**

NOTE: SEE DETAILS IN NOTE 5 OF THE BANK'S FINANCIAL STATEMENTS.

COMMERCIAL BANKING

Banco Security's Commercial Banking Division targets companies with annual sales above MUS$ 1.2. 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 2019, commercial loans had expanded 12.6% YoY to BCH$4,762. Industry wide, commercial loans grew 10.1% YoY. Including foreign subsidiaries, the industry's commercial loans grew 10.4% YoY. Banco Security's market share in commercial loans was 4.8% for 2019 (excluding foreign subsidiaries), while its market share in its target segment of medium and large companies was 6.1%. The commercial banking division had 9,281 customers as of December 2019 (+2.7% YoY).

The commercial banking division posted profit of MCH $58,005 for the year 2019 (+35.4% YoY). This is explained by a larger net interest margin of MCH $96,169 for 2019 (+13.3% YoY), due to increased commercial loans (+12.6% YoY). Net fee and commission income was MCH$20,872 (+12.3% YoY), due to increased business. Financial operating income, net FX transactions and other income totaled MCH $8,455 (+1.8% YoY). In addition, the division reported lower provision expenses of MCH $11,142 (-43.5% YoY), due to a well-performing portfolio during the period. Operating expenses rose to MCH $38,441 (+3.7% YoY), because of increased expenses for advisory services and regulatory projects.

RETAIL BANKING

Banco Security's retail banking division targets high-income individuals. In recent years, the retail division has focused on expanding consumer products.

As of December 2019, the Bank had total retail loans (consumer + mortgage) of BCH $1,290 (+16.4% YoY), driven by consumer (+9.6% YoY) and mortgage (+12.3% YoY) loans, representing 9.0% and 12.3% of the Bank's total loans, respectively. For the industry, retail loans were up 9.8% YoY, driven by consumer (+7.2% YoY) and mortgage (+11.2% YoY) loans. Including foreign subsidiaries, the industry's retail loans grew +9.7% YoY. As of November 30, 2019, Santander Consumer, a non-banking company providing automotive financing, joined the Chilean banking industry with BCH$451 in consumer loans, and was consolidated with Banco Santander. Banco Security achieved a market share of 4.0% in its target segment of high-income individuals as of December 31, 2019. The Retail Banking Division had 70,633 customers (-0.1% YoY) as of December 31, 2019.

The Retail Banking Division reported profit of MCH $1,794 for 2019 (-77.2% YoY), with a net interest margin of MCH $67,122 (+3.7% YoY), which was more than offset by reduced net fees and a rise in provision expenses. In particular, the division's net fees fell to MCH $20,582 (-7.1% YoY), due to reduced sales of supplementary loan insurance products. Financial operating income, net FX transactions and other income totaled MCH $1,574 (-31.4% YoY), due to decreased sales of mortgage bonds. Risk expenses amounted to MCH $28,408 (+26.8% YoY), explained by MCH $2,439 in provisions to implement the new group commercial matrix, which took force in July 2019, 16.4% loan growth and a rise in delinquency in the last few months of the year. Operating expenses rose to MCH $58,522 (+3.3% YoY) mainly due to increased business from mortgages and credit cards.

TREASURY

For the year 2019, the Treasury Division reported profit of MCH $24,748, (+40.2% YoY), due to a larger net interest margin of MCH $27,918 (+22.8% YoY) because of more prepayments on commercial loans. Financial transactions, net foreign exchange and other income was MCH$17,257 (+38.4% YoY) for 2019, due to decreased sales of mortgage bonds. Operating expenses rose to MCH$12,508 (+3.0% YoY), mainly due to increased security and sales expenses.

The Treasury Division consists of trading, investment, distribution and asset and liability management (ALM) transactions. The ALM desk manages financial investments used to stabilize the net interest margin, manage the balance of interest rate risk, manage liquidity and efficiently fund the bank's loan portfolio. ALM represented 56.1% of treasury income in 2019. The investment

and trading desks manage the Bank's own portfolio of financial instruments, primarily Chilean Central Bank notes and corporate bonds, which represent 24.7% of Treasury Division income. The remaining 19.3% of Treasury Division income comes from the distribution desk, which brokers specialized products for corporate banking customers (currency, forwards and structured products).

SUBSIDIARIES

The subsidiaries consolidated by Banco Security are Valores Security S.A. Corredores de Bolsa (99.88%) and Administradora General de Fondos Security S.A. (99.99%).

AGF Security achieved profits of MCH$5,210 and a market share of 5.9%, ranking it in sixth position among asset managers in the Mutual Funds Industry.

MCH$	2019	2018	CHANGE
AGF Security Profit	5,210	6,563	-20.6%
Mutual funds under management	2,660,717	2,496,079	6.6%
Market share - mutual funds	5.9%	6.6%	-70 p

Valores Security had achieved 3.5% market share (measured by traded volumes), making it the eighth largest brokerage firm on the Santiago and Electronic Stock Exchanges.

MCH$	2019	2018	CHANGE
Valores Security Corredores de Bolsa Profit	-5,834	2,123	-374.8%
Value of shares traded	2,257,239	2,707,465	-16.6%
Market share - stocks	3.5%	4.6%	-110 p

CONSOLIDATED STATEMENT OF INCOME

MCH$	2019	2018	% CHANGE
Net interest margin	182,435	168,225	8.4%
Net fees and commissions	67,277	68,754	-2.1%
Net financial operating income	24,078	23,736	1.4%
Net foreign exchange transactions	10,461	3,215	-
Recovery of written-off loans	3,804	6,287	-39.5%
Other net operating loss	-7,884	-1,413	458.0%
GROSS OPERATING INCOME	**280,171**	**268,804**	**4.2%**
Provisions for loan losses	-45,695	-47,837	-4.5%
Operating expenses	-132,955	-128,323	3.6%
NET OPERATING INCOME	**101,521**	**92,644**	**9.6%**
Income attributable to investments in other companies	18	18	0.0%
PROFIT BEFORE TAX	**101,539**	**92,662**	**9.6%**
Income tax expense	-24,582	-20,006	22.9%
PROFIT FOR THE YEAR	**76,957**	**72,656**	**5.9%**

The net interest margin for 2019 was MCH $182,435 (+8.4% YoY), mainly due to an increase in loans (+13.2% YoY). Interest and indexation income for 2019 was MCH $406,221 (+8.3% YoY), mainly due to an increase in loans. Interest and indexation expense for 2019 totaled MCH $223,786 (+8.1% YoY), due to 20.3% YoY growth in the Bank's total liabilities.

NET INTEREST MARGIN	2019	2018	% CHANGE
Interest and indexation income	406,221	375,166	8.3%
Interest and indexation expenses	-223,786	-206,941	8.1%
NET INTEREST MARGIN	**182,435**	**168,225**	**8.4%**

Net fees and commissions for 2019 totaled MCH $67,277 (-2.1% YoY), due to lower volumes in the bank's subsidiaries, partly offset by higher fees and commissions from growth in Commercial Banking loans.

Net financial income, which is the sum of net financial operating income and the net gain from foreign exchange transactions, totaled MCH $34,539 for 2019 (+28.2% YoY), due to greater bond brokerage income in the treasury division and foreign exchange transactions with corporate customers.

Credit risk provision expenses reached MCH $45,695 for 2019 (-4.5% YoY), due mainly to a strong performance from the commercial banking division's portfolio.

OPERATING EXPENSES AND EFFICIENCY

MCH$	2019	2018	% CHANGE
Personnel expenses	-58,875	-58,089	1.4%
Administrative expenses	-66,947	-65,049	2.9%
Depreciation and amortization	-7,133	-5,185	37.6%
TOTAL OPERATING EXPENSES	**-132,955**	**-128,323**	**3.6%**
EFFICIENCY RATIO	**47.5%**	**47.7%**	**-28 p**

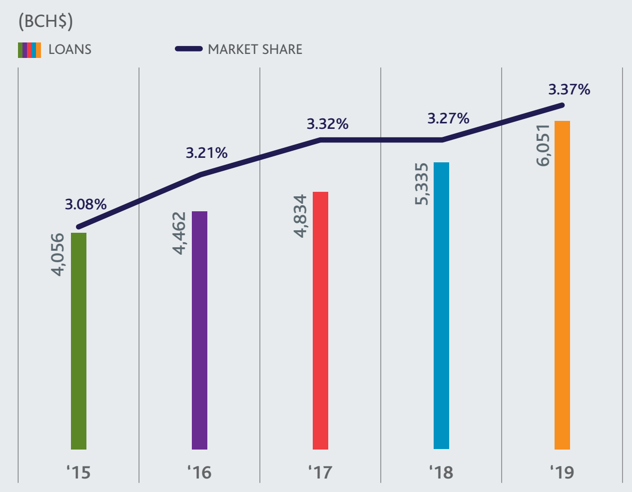
For 2019, the Bank reported operating expenses of MCH $132,955 (+3.6% YoY) Administrative expenses rose to MCH $66,947 (+2.9% YoY) mainly due to higher expenses for advisory services and increased business from mortgage loans and credit cards. Depreciation and amortization expenses were MCH $7,133 for 2019, +37.6% YoY, explained by the effects of applying IFRS 16, which records lease contracts in depreciation and amortization instead of administrative expenses.

Banco Security's efficiency ratio, measured as operating expenses and other operating expenses divided by gross operating income, was 47.5% (-28 basis points YoY) for 2019. This ratio for 2019 compares to 45.0% for the banking industry and 42.6% for peer banks (average of BICE, Security, Internacional and Consorcio).

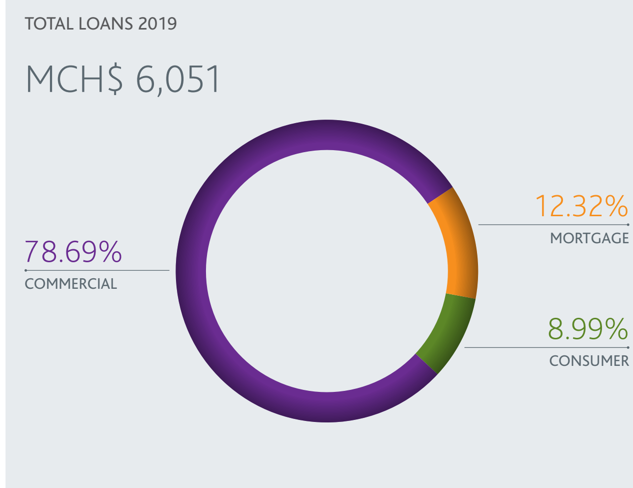
LOANS

Total loans reached MCH $6,051,817 as of December 2019, +13.2% YoY, while industry loans were up +10.01% YoY. Including foreign investments, the industry's loans grew +10.10%. Commercial loans grew 12.6% YoY, to MCH $4,761,744 (78.7% of Banco Security's total loan portfolio), while retail loans (consumer + mortgage) reached MCH $1,289,503 as of December 2019, +16.4% YoY. The 20 largest borrowers represent 10.3% of the Bank's total loan portfolio.

LOAN GROWTH - BANCO SECURITY



LOAN PORTFOLIO - BANCO SECURITY 2019



SOURCE: BANCO SECURITY

TOTAL LOANS

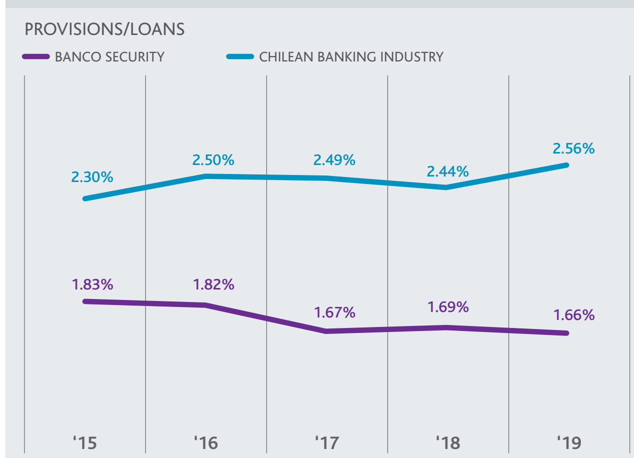
(BCH$)	2019	2018	% CHANGE
Consumer	543,953	496,523	9.60%
Mortgage	745,550	611,583	21.90%
Mortgage + Consumer	1,289,503	1,108,106	16.40%
No. of customers	70,633	70,726	-0.10%
Commercial	4,761,744	4,227,198	12.6%
No. of customers	9,281	9,040	2.7%
TOTAL LOANS	**6,051,247**	**5,335,304**	**13.4%**
MARKET SHARE	**3.37%**	**3.27%**	**10 p**

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 31, 2019, Banco Security's risk index reached 1.66%, -3 basis points compared to December 31, 2018. The nonperforming loan portfolio reached 1.55%, which is above the 1.50% recorded as of December 31, 2018. The resulting 90-day NPL coverage ratio was 112.5%.

RISK RATIO BANCO SECURITY VS. INDUSTRY



CREDIT RISK

	CREDIT RISK (%)								
	PROVISIONS / LOANS					NON-PERFORMING LOANS			
	MORTGAGE	CONSUMER	TOTAL	COMMERCIAL	TOTAL	MORTGAGE	CONSUMER	COMMERCIAL	TOTAL
Banco Security	0.20	4.35	1.95	1.58	1.66	1.26	1.62	1.59	1.55
Peer Banks*	0.26	3.93	1.25	1.66	1.59	1.79	1.29	1.54	1.48
Banking Industry	0.72	7.09	2.83	2.40	2.56	2.37	2.51	1.84	2.07

* AVERAGE FOR BICE, INTERNACIONAL, CONSORCIO AND SECURITY

FUNDING SOURCES

MCH$	2019		2018		CHANGE
Demand deposits	974,730	11.8%	654,815	9.4%	48.9%
Time deposits	3,039,673	36.8%	2,965,403	42.8%	2.5%
Total deposits	4,014,403	48.6%	3,620,218	52.2%	10.9%
Bonds	2,768,376	33.5%	2,205,499	31.8%	25.5%
Borrowings from financial institutions	272,634	3.3%	223,071	3.2%	22.2%
Other liabilities*	592,031	7.2%	308,677	4.5%	91.8%
TOTAL LIABILITIES	**7,647,444**	**93%**	**6,357,465**	**92%**	**20.3%**
Total equity	617,326	7.5%	577,647	8.3%	6.9%
LIABILITIES + EQUITY	**8,264,770**	**100%**	**6,935,112**	**100%**	**19.2%**

* INCLUDES THE FOLLOWING ACCOUNTS: TRANSACTIONS IN THE COURSE OF COLLECTION OR PAYMENT, RESALE AND REPURCHASE AGREEMENTS FINANCIAL DERIVATIVE INSTRUMENTS, OTHER FINANCIAL LIABILITIES, CURRENT TAXES, DEFERRED TAXES, PROVISIONS AND OTHER LIABILITIES.

DEMAND AND TIME DEPOSITS

As of December 2019, deposits totaled MCH$4,014,403, +10.9% YoY. Deposits rose by 10.7% YoY for the industry, and deposits including foreign subsidiaries rose by 9.6% YoY. Banco Security's time deposits consisted of 34.2% retail deposits and 65.8% institutional deposits. The 15 largest depositors represent 21.8% of the Bank's total deposits. The loan to deposit ratio was 151% as of December 2019, compared to 148% as of December 2018.

Banco Security has a strategy to diversify funding sources using sales incentives to increase its retail deposit base. Banco Security strictly monitors liquidity risk, striving to diversify funding sources while monitoring and controlling a series of limits on asset/liability mismatches, maintaining an important volume of liquid assets and lengthening liabilities to increase funding terms. The Bank's exposure from asset and liability mismatches is among the industry's lowest. As of December 31, 2019, the ratio of long-term interest rate risk to regulatory capital was 2.7%. As of December 31, 2019, liquid assets represented 66% of demand and other time deposits.

DEBT ISSUED

As of December 2019, Banco Security had issued debt of MCH $2,755,941, as detailed in Note 18 of Banco Security's financial statements.

SERIES	CMF REGISTRATION NUMBER	CMF REGISTRATION DATE	CURRENCY	AMOUNT	ANNUAL INTEREST RATE	DURATION (YEARS)	MATURITY
H1	03/2007	Jan-25-07	UF	3,000,000	3.00	23	Dec-01-29
R1	10/2011	Oct-06-11	UF	3,000,000	3.00	10	Jun-01-21
K2	01/2012	Mar-14-12	UF	4,000,000	3.25	10	Nov-01-21
K3	01/2013	Feb-26-13	UF	4,000,000	3.50	10	Nov-01-22
K4	10/2013	Nov-06-13	UF	5,000,000	3.60	10	Oct-01-23
K5	14/2014	Oct-09-14	UF	5,000,000	2.75	10	Jun-01-24
B4	05/2015	Apr-01-15	UF	5,000,000	2.25	5	Jun-01-20
K6	05/2015	Apr-01-15	UF	5,000,000	2.75	5	Mar-01-20
K7	05/2015	Apr-01-15	UF	5,000,000	2.75	10	Sep-01-25
Z1	10/2015	Sep-01-15	CH$	75,000,000,000	5.25	5	Sep-01-20
B5	11/2016	Oct-03-16	UF	5,000,000	2.40	5	Aug-01-26
K8	12/2016	Oct-03-16	UF	5,000,000	2.80	10	Oct-01-36
Z2	13/2016	Oct-03-16	CH$	75,000,000,000	5.30	6	Feb-01-27
B6	06/2017	Jul-11-17	UF	5,000,000	2.25	6	Apr-01-22
X1	02/2018	Feb-02-18	US$	37,620,000,000	3.50	5	Jan-15-23
B7	08/2018	May-09-18	UF	4,000,000	2.20	5	Feb-01-23
K9	08/2018	May-09-18	UF	5,000,000	2.75	10	Jan-01-28
Z3	08/2018	May-09-18	CH$	75,000,000,000	4.80	5	Dec-01-22
B8	11/2018	Dec-20-18	UF	5,000,000	1.80	5.5	Aug-01-23
D1	11/2018	Dec-20-18	UF	5,000,000	2.20	10.5	Aug-01-28
Q1	11/2018	Dec-20-18	UF	3,000,000	2.50	15	Aug-01-33
Z4	11/2018	Dec-20-18	CH$	75,000,000,000	4.80	5.5	Oct-01-23
B9	11/2019	Nov-11-19	UF	5,000,000	0.70	5.5	Apr-01-24
C1	11/2019	Nov-11-19	UF	5,000,000	0.80	6	Mar-01-26
D2	11/2019	Nov-11-19	UF	5,000,000	0.90	8.5	Mar-01-27
D3	11/2019	Nov-11-19	UF	5,000,000	1.00	10.5	Mar-01-29
Z5	11/2019	Nov-11-19	CH$	75,000,000,000	3.50	6	Jun-01-25

CAPITALIZATION

As of December 31, 2019, Banco Security's equity attributable to its owners totaled MCH$617,274 (+6.9% compared to 2018).

MCH$	DEC 2019	DEC 2018	% CHANGE
Capital	302,047	302,047	0.0%
Reserves and valuation accounts	33,506	25,897	29.4%
Retained earnings	281,721	249,643	12.8%
EQUITY ATTRIBUTABLE TO OWNERS	**617,274**	**577,588**	**6.9%**
Core capital	617,274	577,588	6.9%
Regulatory capital	789,139	774,770	1.9%
Minimum required capital	489,267	468,961	4.3%
Risk-weighted assets	6,115,838	5,862,013	4.3%
Regulatory capital / Risk-weighted assets	12.31%	13.22%	-91 p
Core capital / Total assets	7.13%	7.79%	-67 p

The Bank's capital adequacy ratio as of December 31, 2019, calculated as regulatory capital over risk-weighted assets, reached 12.31% (with a regulatory minimum of 8%), 91 basis points lower in comparison to 2018. This ratio fell due to growth in risk-weighted assets, driven by increased total loans (+13.2% YoY).

The ratio of core capital to total assets reached 7.13%, 67 basis points lower in comparison to 2018. The return on average equity for Banco Security came to 12.9% for 2019.

GENERAL BANK INFORMATION

04

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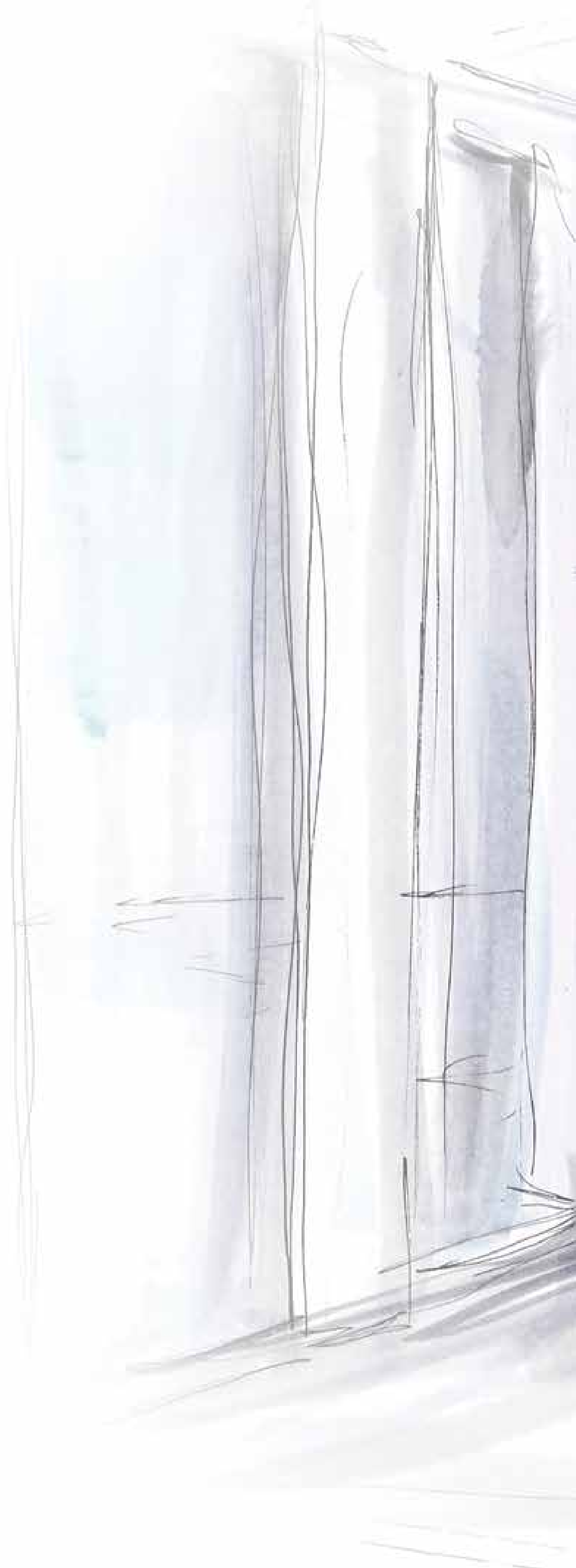

BANCO security

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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

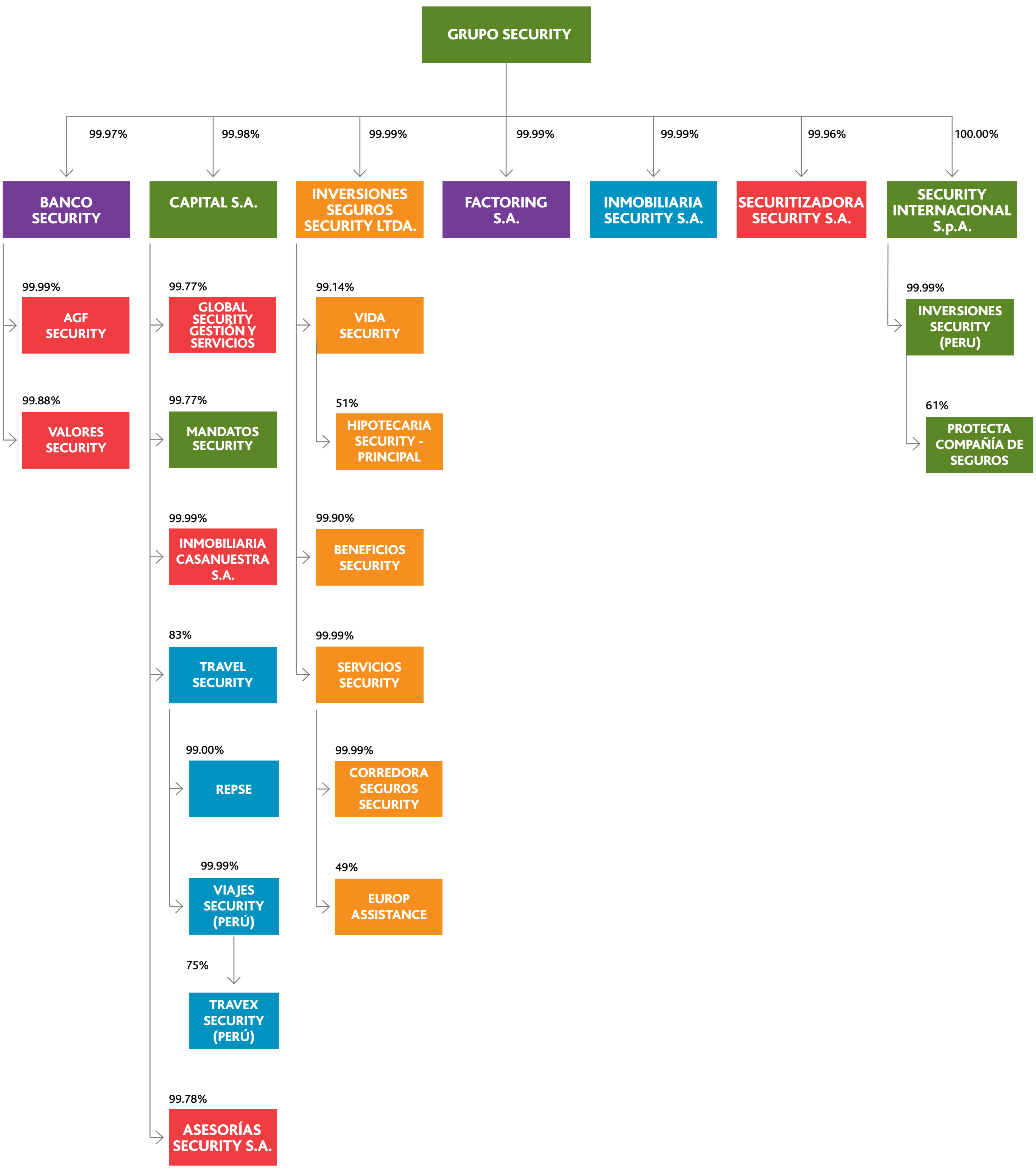
E-MAIL
banco@security.cl

WEB PAGE
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.

CORPORATE STRUCTURE

Banco Security is controlled by Grupo Security, which owned 99.9748% of its shares as of December 31, 2019.



PERSONNEL AND COMPENSATION

As of December 31, 2019, Banco Security and its subsidiaries had a total of 1,269 employees, slightly more than last year (1,268 employee). Banco Security has a significant proportion of women, who represent 56.03% of all employees. Total compensation paid by the Bank to its executives during the year was CH$7,855,315,294, and termination benefits totaled CH$439,735,136.

Employee distribution by company is as follows.

BANCO SECURITY AND SUBSIDIARIES	EXECUTIVES	PROFESSIONALS	EMPLOYEES	TOTAL OVERALL
Administradora General de Fondos Security S.A.	5	34	17	56
Valores Security S.A.	10	59	20	89
Banco Security	47	734	343	1,124
TOTAL	**62**	**827**	**380**	**1,269**

SOURCE: BANCO SECURITY

ORGANIZATIONAL DIVERSITY

TOTAL NUMBER OF EMPLOYEES

	EXECUTIVES	PROFESSIONALS	EMPLOYEES	TOTAL OVERALL
Female	7	441	263	711
Male	55	386	117	558
GRAND TOTAL	**62**	**827**	**380**	**1,269**

SOURCE: BANCO SECURITY

NUMBER OF EMPLOYEES BY NATIONALITY

	EXECUTIVES	PROFESSIONALS	EMPLOYEES	TOTAL OVERALL
Chilean	59	821	374	1254
Foreign	3	6	6	15
GRAND TOTAL	**62**	**827**	**380**	**1,269**

SOURCE: BANCO SECURITY

NUMBER OF EMPLOYEES BY AGE RANGE

	EXECUTIVES	PROFESSIONALS	EMPLOYEES	TOTAL OVERALL
30 - 40	6	315	154	475
41 - 50	35	311	95	441
51 - 60	16	117	50	183
61 - 70	5	23	14	42
Under 30		61	67	128
GRAND TOTAL	**62**	**827**	**380**	**1,269**

SOURCE: BANCO SECURITY

NUMBER OF EMPLOYEES BY LENGTH OF SERVICE

	EXECUTIVES	PROFESSIONALS	EMPLOYEES	TOTAL OVERALL
3 - 6	17	208	120	345
6 - 9	9	161	76	246
9 - 12	7	29	20	56
More than 12	4	24	35	63
Less than 3	25	405	129	559
GRAND TOTAL	**62**	**827**	**380**	**1,269**

SOURCE: BANCO SECURITY

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 profitability, efficiency and return on capital and reserves, as well as meeting annual budgets. Each company directly incurs the expenses associated with its incentive plan.

MANAGEMENT POLICIES

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

Banco Security defines the dividend 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 to 2019, and their corresponding percentage of profit:

DATE	COMPANY PAYING DIVIDEND	TYPE OF OPERATION	AMOUNT (MCH$)	PRIOR YEAR PROFIT	% OF PROFIT FOR PRIOR YEAR
February-2000	Banco Security	Dividend	4,254.4	8,508.8	50.0%
February-2001	Banco Security	Dividend	7,344.0	9,644.1	76.2%
February-2002	Banco Security	Dividend	8,749.7	9,722.0	90.0%
February-2003	Banco Security	Dividend	9,061.7	10,068.6	90.0%
February-2004	Banco Security	Dividend	13,326.1	13,326.1	100.0%
February-2005	Banco Security	Dividend	11,219.1	14,023.8	80.0%
March-2006	Banco Security	Dividend	20,014.3	20,014.3	100.0%
March-2007	Banco Security	Dividend	20,498.0	20,498.0	100.0%
March-2008	Banco Security	Dividend	13,625.0	27,250.0	50.0%
March-2009	Banco Security	Dividend	7,720.0	14,430.1	53.5%
March-2010	Banco Security	Dividend	23,040.2	23,040.2	100.0%
March-2011	Banco Security	Dividend	20,223.5	33,710.0	60.0%
March-2012	Banco Security	Dividend	21,009.8	35,016.4	60.0%
April-2013	Banco Security	Dividend	35,227.0	35,226.9	100.0%
March-2014	Banco Security	Dividend	9,839.3	32,797.8	30.0%
March-2015	Banco Security	Dividend	16,770.7	55,902.3	30.0%
March-2016	Banco Security	Dividend	14,227.2	47,423.9	30.0%
March-2017	Banco Security	Dividend	20,241.6	50,604.1	40.0%
March-2018	Banco Security	Dividend	37,812.9	63,025.8	60.0%
March-2019	Banco Security	Dividend	43,591.1	72,652.6	60.0%

MANAGEMENT POLICIES

CREDIT RISK POLICY	The Bank's Credit Risk Policy has three levels. **1. POLICY COMPENDIUM** 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, Commercial 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** Provides 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 TRANSACTION RISK POLICIES RELATED TO FINANCIAL DERIVATIVES**
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 risk management areas are: products/processes, suppliers, business continuity and information security.
ANTI-MONEY LAUNDERING AND COUNTER TERRORISM FINANCE 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.

MANAGEMENT POLICIES · CONTINUED

FINANCIAL RISK POLICY

The Bank has three Financial Risk Policies:

LIQUIDITY POLICY

This policy identifies the 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 various 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.

VALUATION POLICY

This policy details the roles and responsibilities of the 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 the treatment of adjustments established in international accounting standards.

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.

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 has local raters (ICR and Fitch Ratings Chile) and international raters (Standard & Poor's). Banco Security's liabilities had the following risk ratings as of December 31, 2019.

LOCAL

ICR

INSTRUMENT	RATING	OUTLOOK
Solvency	AA	Stable
Short-term deposits	N1+	Stable
Long-term deposits	AA	Stable
Letters of credit	AA	Stable
Bank bonds	AA	Stable
Subordinated bonds	AA-	Stable

ICR maintained its rating with respect to 2018, mainly because it:

- Recognized a consistent strategy, which achieved increases in commercial loans and strengthened the consumer segment, compared to the industry and its peers.
- Emphasized a loan portfolio with appropriate risk exposure.
- Appropriate capital adequacy, similar to the industry average.
- Emphasized growth in profits, and the profitability and efficiency increases were greater than the industry.

FITCH RATINGS

NATIONAL SCALE	RATING	OUTLOOK
Short-term	N1+(cl)	Stable
Long-term	AA(cl)	Stable
Mortgage bonds	AA(cl)	Stable
Bank bonds	AA(cl)	Stable
Subordinated bonds	A+(cl)	Stable

Fitch Ratings improved its long-term national rating with a stable outlook, and the following comments:

- Rating improved based on the Bank's financial profile improvements, reflected in a consistent strategy, sustained growth in profitability indicators and positive growth in core capital.
- Emphasized the good quality of its management and banking vision, which integrates synergies with its subsidiaries.
- Recognized the increased diversification of recurring revenue, which decreased its exposure to volatility within its financial variables.

INTERNATIONAL

STANDARD & POOR'S

RATING
BBB / Stable / A-2

Standard & Poor's confirmed this risk rating in January 2019.

- Stable business position, suitable risk profile and good-quality assets.

SUBSIDIARIES

05

CHAPTER

BANCO security

Collaboration

ADMINISTRADORA GENERAL **DE FONDOS SECURITY S.A.**

BOARD OF DIRECTORS

CHAIRMAN:

- Francisco Silva S.

DIRECTORS:

- Renato Peñafiel M.
- Bonifacio Bilbao H.
- Eduardo Olivares V.
- Gonzalo Baraona B.

MANAGEMENT

CHIEF EXECUTIVE OFFICER:

- Juan Pablo Lira T.

CHIEF INVESTMENT OFFICER:

- Felipe Marín V.

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.

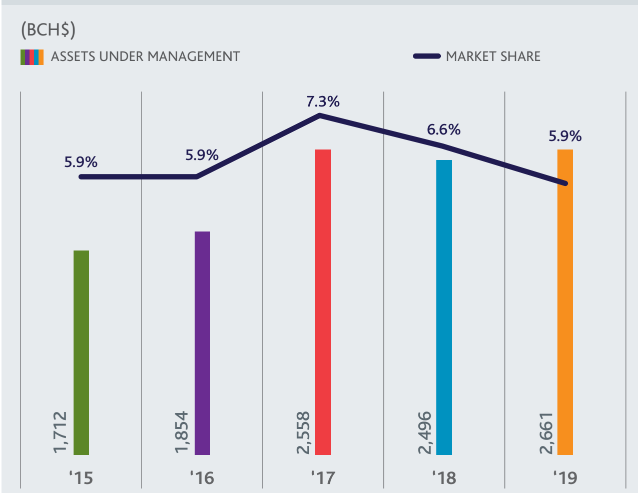
The funds managed by the company are subject to the special legal regulations contained in Decree Law No. 1,328 and its corresponding regulations, which are monitored by the SVS.

SUBSIDIARIES

The mutual fund industry recorded annual growth of 19.7% over the last 12 months, measured in terms of average assets under management. The growth of domestic fixed-income funds under 90 days, and the international fixed-income U.S. dollar funds was outstanding. These asset classes recorded annual growth of 32.7% and 64.0% respectively. The Conservative Balanced and Moderately Balanced Funds grew by 72.7% and 59.5% respectively.

As of December 31, 2019, AGF Security had MCH$2,660,717 in assets under management, reflecting annual growth of 6.6% compared to 2018. Its market share was 5.9% in 2019.

ASSETS UNDER MANAGEMENT AND MARKET SHARE IN MUTUAL FUNDS - AGF SECURITY



MILESTONES IN 2019

- Successfully launched the Real Estate Investment Fund from Rentas Security I, which received investment commitments totaling UF1,200,000, where UF750,000 has already been called.
- Received three Salmon Awards: Security Global Mutual Fund in the developed nations stock fund category; Security U.S. Index Mutual Fund in the U.S. stock fund category; and Security Strategic Balance Mutual Fund in the moderate balanced category. It also received a Morningstar award for the Security Global Mutual Fund as the best international equity fund.
- It established international fund distribution partnerships with Pantheon, Marathon and Lyxor during the first quarter, which were strengthened during the year. It also established further partnerships with ParkSquare and StepStone funds with the goal of placing their funds during the first quarter of 2020. It arranged the first AIMA seminar for institutional clients in accordance with expectations, but beyond the agreements.
- It raised significant new flows for the Latin American corporate debt fund domiciled in Luxembourg totaling over MUS$150. This fund currently has MUS$230 in assets.
- The Real Estate Debt and Preferred Equity Investment Fund began to operate with assets under management as of December 2019 of MCH$10,192.

PROFIT FOR 2019

MCH$5,210

VALORES SECURITY S.A. **CORREDORES DE BOLSA**

BOARD OF DIRECTORS

CHAIRMAN:
- Enrique Menchaca O.

DIRECTORS:
- Fernando Salinas P.
- Hitoshi Kamada

MANAGEMENT

CHIEF EXECUTIVE OFFICER:
- Piero Nasi T.

OPERATIONS AND IT MANAGER
- Ignacio Yuseff Q.

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.

The value of shares traded on Santiago Stock and the Chilean Electronic Stock Exchange in 2019 increased by 9.3% compared to the previous year. Valores Security reported shares traded of BCH$2,257, which represented a decline of 16.6% compared to 2018. This performance earned it twelfth place in the ranking of brokers, with a market share of 3.5%.

MILESTONES IN 2019

- During the first half of the year it successfully launched the optional digital signature for customers, which extended its achievements to strengthen and transform its digital capacities.
- During the first quarter it commissioned its "online chat" project, to complement other customer service channels. Information on the profitability of the total customer portfolio for various periods and currencies was incorporated into the consolidated statement.
- The flow of investment payments was streamlined within the organization, mainly through the project "automatic customer credits in the broker's account", which improved response times to customers and mitigated risks in internal processes.
- A project was developed that allows local stock orders to be sent from the local platform to the stock exchange, in accordance with process improvement.

TOTAL ASSETS STORED AND MANAGED

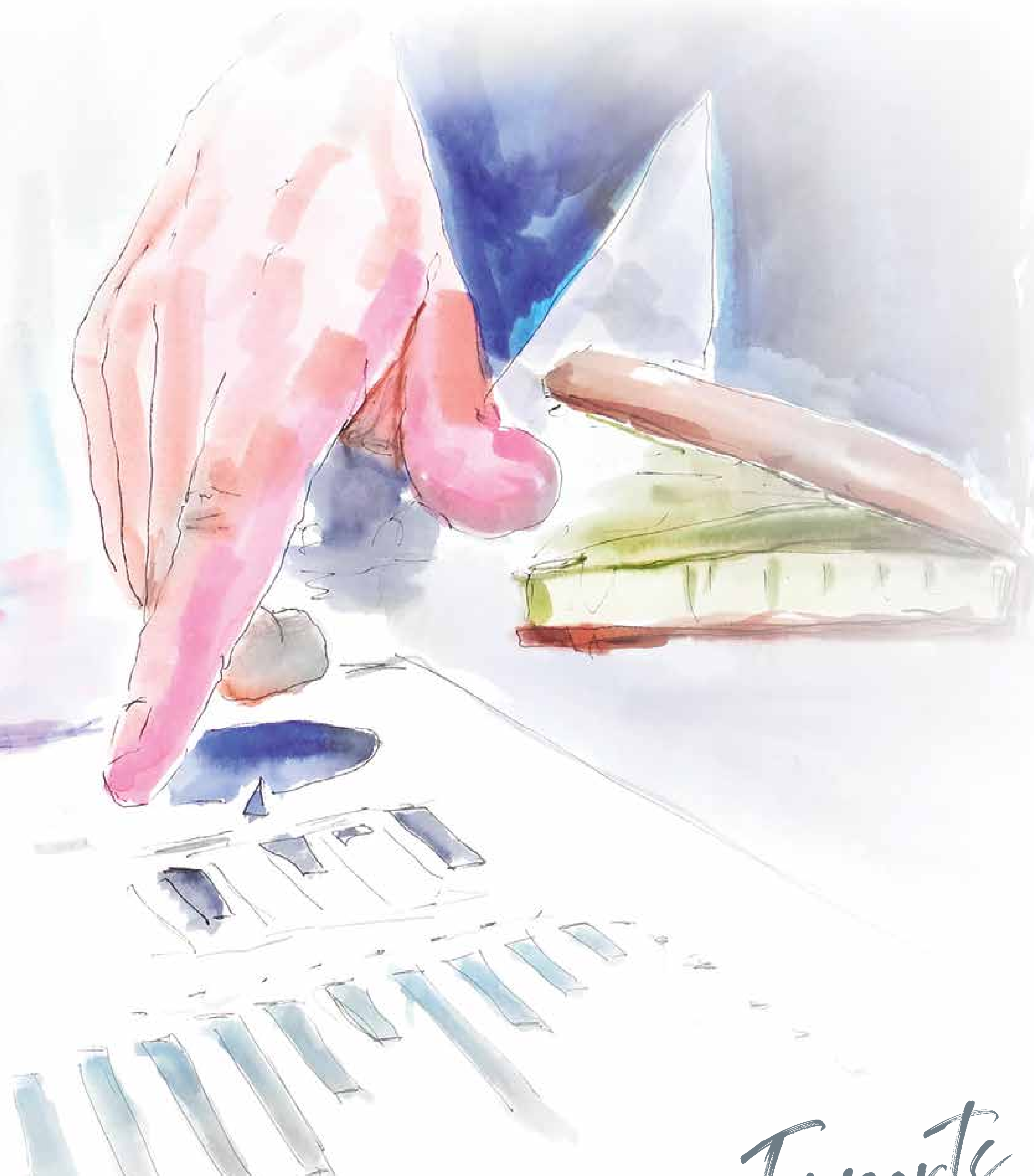
MCH$	12.31.2019	12.31.2018
CUSTODY SERVICES FOR UNRELATED THIRD PARTIES	1,111,062	1,399,230
CUSTODY SERVICES FOR RELATED THIRD PARTIES	71,719	73,973
INTERNATIONAL	421,907	412,873
TOTAL	1,604,688	1,886,076

FINANCIAL STATEMENTS

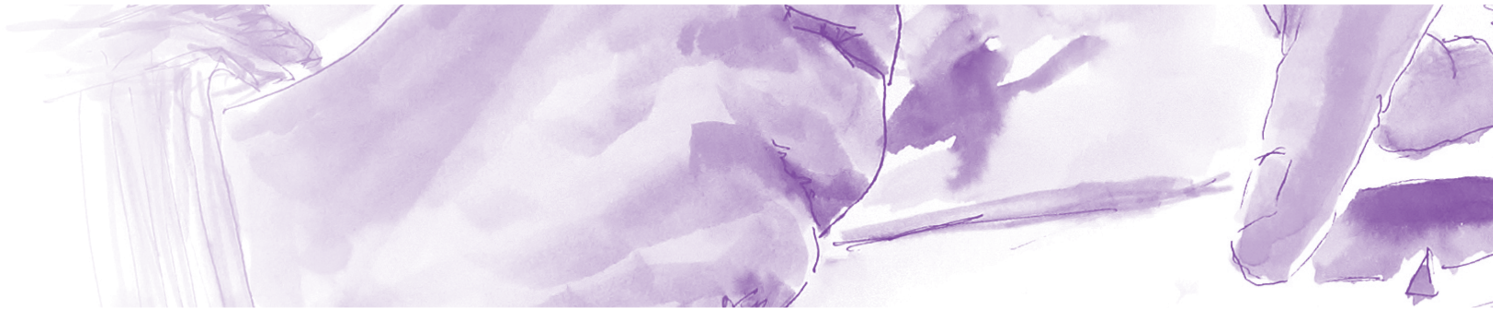
06

CHAPTER

BANCO security



Experts



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INDEPENDENT AUDITOR'S REPORT

(TRANSLATION OF A REPORT ORIGINALLY ISSUED IN SPANISH)

TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS BANCO SECURITY

We have audited the accompanying consolidated financial statements of Banco Security and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Bank's Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards and instructions issued by the Chilean Financial Market Commission. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements of the entity in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the entity. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies

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used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

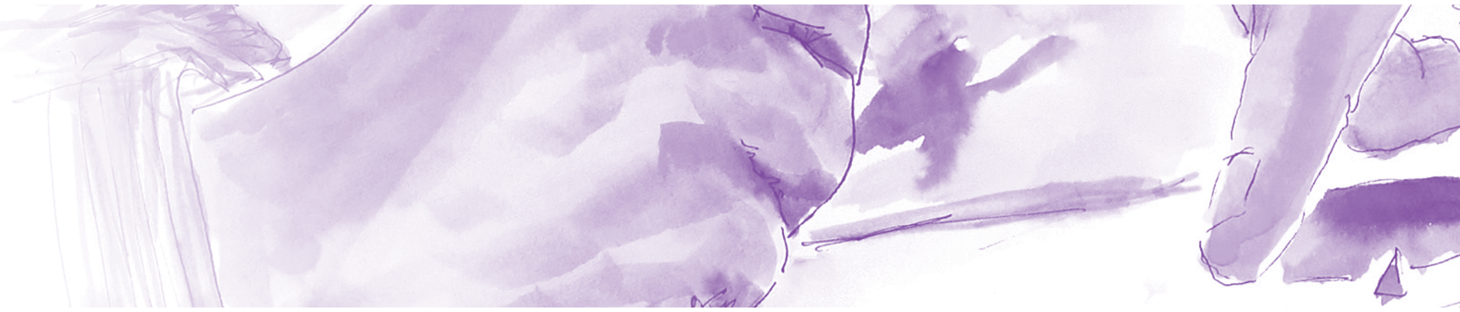
In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of Banco Security and its subsidiaries as of December 31, 2019, and the results of their operations and their cash flows for the year then ended, in accordance with accounting standards and instructions issued by the Chilean Financial Market Commission.

OTHER MATTERS – REPORT OF OTHER AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

The consolidated financial statements of Banco Security and subsidiaries for the year ended December 31, 2018, were audited by other auditors, who expressed an unqualified opinion on them in their report dated February 28, 2019.

Rodrigo Arroyo N.
EY Audit SpA

Santiago, February 27, 2020



CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

AS OF DECEMBER 31, 2019 AND 2018
FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$
(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH – SEE NOTE 2)

	NOTE	DECEMBER 31, 2019 MCH$	DECEMBER 31, 2018 MCH$
ASSETS			
Cash and due from banks	6	693,082	394,332
Transactions in the course of collection	6	150,526	35,628
Financial instruments held for trading	7	123,763	106,095
Investments under resale agreements and securities borrowing	8	-	-
Financial derivative instruments	9	274,975	150,265
Loans and advances to banks	10	568	10,730
Loans to customers	11	5,950,720	5,245,152
Investments available for sale	12	756,594	751,206
Investments held to maturity		-	-
Investments in other companies	13	2,095	2,095
Intangible assets	14	44,943	46,624
Property, plant and equipment	15	22,168	22,656
Lease right-of-use asset	16	8,206	-
Current tax assets	17	2,085	2,053
Deferred tax assets	17	24,434	23,248
Other assets	18	210,611	143,691
TOTAL ASSETS		**8,264,770**	**6,933,775**
LIABILITIES			
Current accounts and other demand deposits	19	974,730	669,965
Transactions in the course of payment	6	130,482	16,903
Obligations under repurchase agreements and securities lending	8	79,811	34,003
Savings accounts and time deposits	19	3,039,673	2,964,066
Financial derivative instruments	9	244,482	117,962
Borrowings from financial institutions	20	272,634	223,071
Debt issued	21	2,768,376	2,205,499
Other financial liabilities	21	9,955	11,963
Lease liabilities	22	8,350	-
Current tax liabilities	17	2,342	358
Deferred tax liabilities	17	-	530
Provisions	23	34,429	38,532
Other liabilities	24	82,181	73,277
TOTAL LIABILITIES		**7,647,445**	**6,356,129**
EQUITY			
Attributable to owners of the Bank:			
Capital		302,047	302,047
Reserves	26	24,739	25,654
Valuation accounts	26	8,767	243
Retained earnings			
Retained earnings from prior periods		227,847	198,786
Profit for the year		76,963	72,653
Less: Minimum dividend provision		(23,089)	(21,796)
		617,274	577,587
Non-controlling interests		**51**	**59**
TOTAL EQUITY		**617,325**	**577,646**
TOTAL LIABILITIES AND EQUITY		**8,264,770**	**6,933,775**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF **INCOME**

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$
(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH – SEE NOTE 2)

	NOTE	DECEMBER 31, 2019 MCH$	DECEMBER 31, 2018 MCH$
Interest and indexation income	27	406,221	375,166
Interest and indexation expense	27	(223,786)	(206,941)
Net interest and indexation income		**182,435**	**168,225**
Fee and commission income	28	81,186	82,314
Fee and commission expense	28	(13,909)	(13,560)
Net fee and commission income		**67,277**	**68,754**
Net financial operating income	29	24,078	23,736
Net foreign exchange transactions	30	10,461	3,215
Other operating income	36	5,469	4,634
Total operating income		**289,720**	**268,564**
Provisions for loan losses	31	(41,891)	(41,550)
OPERATING INCOME, PROVISIONS FOR LOAN LOSSES		**247,829**	**227,014**
Payroll and personnel expenses	32	(58,875)	(58,089)
Administrative expenses	33	(66,947)	(65,049)
Depreciation and amortization	34	(7,133)	(5,185)
Impairment	35	-	(498)
Other operating expenses	36	(13,353)	(5,549)
TOTAL OPERATING EXPENSES		**(146,308)**	**(134,370)**
NET OPERATING INCOME		**101,521**	**92,644**
Income attributable to investments in other companies		18	18
Profit before tax		**101,539**	**92,662**
Income tax expense	17	(24,582)	(20,006)
Profit from continuing operations		**76,957**	**72,656**
Profit from discontinued operations		**-**	**-**
CONSOLIDATED PROFIT FOR THE YEAR		**76,957**	**72,656**
Attributable to:			
Owners of the Bank		76,963	72,653
Non-controlling interests		(6)	3
Earnings per share attributable to owners of the Bank:			
		CH$	CH$
Basic earnings per share	**26**	**337**	**318**
Diluted earnings per share	**26**	**337**	**318**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$
(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH – SEE NOTE 2)

	DECEMBER 31, 2019 MCH$	DECEMBER 31, 2018 MCH$
CONSOLIDATED PROFIT FOR THE YEAR	**76,957**	**72,656**
OTHER COMPREHENSIVE INCOME		
Valuation of investments available for sale	11,301	(8,064)
Valuation of accounting hedges	377	2,976
Other comprehensive income	-	-
Other comprehensive income before tax	11,678	(5,088)
Income taxes related to other comprehensive income	(3,154)	1,373
Total other comprehensive income (loss)	8,524	(3,715)
CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR	**85,481**	**68,941**
Attributable to:		
Owners of the Bank	85,487	68,938
Non-controlling interests	(6)	3
Comprehensive earnings per share attributable to owners of the Bank:	CH$	CH$
Basic earnings per share	**374**	**302**
Diluted earnings per share	**374**	**302**

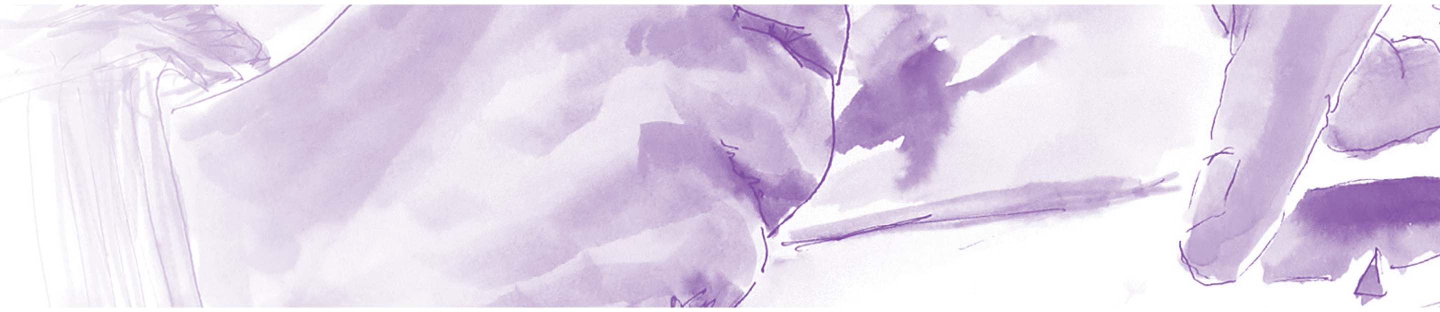
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF **CHANGES IN EQUITY**

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$
(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH – SEE NOTE 2)

	ATTRIBUTABLE TO OWNERS OF THE BANK								
				RETAINED EARNINGS					
	PAID-IN CAPITAL MCH$	RESERVES MCH$	VALUATION ACCOUNTS MCH$	PRIOR YEARS MCH$	PROFIT FOR THE YEAR MCH$	MINIMUM DIVIDEND PROVISION MCH$	TOTAL MCH$	NON-CONTROLLING INTERESTS MCH$	TOTAL MCH$
BALANCES AS OF JANUARY 1, 2018	**302,047**	**26,246**	**3,958**	**176,601**	**63,022**	**(18,907)**	**552,967**	**56**	**553,023**
Reclassification of profit for the year	-	-	-	63,022	(63,022)	-	-	-	-
Dividends paid	-	-	-	(37,813)	-	-	(37,813)	-	(37,813)
Minimum dividend provision	-	-	-	-	-	18,907	18,907	-	18,907
Adjustment for IFRS 15 adoption	-	-	-	(3,174)	-	-	(3,174)	-	(3,174)
Other equity movements	-	(592)	-	150	-	-	(442)	-	(442)
Capital increase	-	-	-	-	-	-	-	-	-
Investments available for sale	-	-	(5,887)	-	-	-	(5,887)	-	(5,887)
Accounting hedges	-	-	2,172	-	-	-	2,172	-	2,172
Profit for the year	-	-	-	-	72,653	-	72,653	3	72,656
Minimum dividend provision	-	-	-	-	-	(21,796)	(21,796)	-	(21,796)
BALANCES AS OF DECEMBER 31, 2018	**302,047**	**25,654**	**243**	**198,786**	**72,653**	**(21,796)**	**577,587**	**59**	**577,646**
BALANCES AS OF JANUARY 1, 2019	**302,047**	**25,654**	**243**	**198,786**	**72,653**	**(21,796)**	**577,587**	**59**	**577,646**
Reclassification of profit for the year	-	-	-	72,653	(72,653)	-	-	-	-
Dividends paid	-	-	-	(43,591)	-	-	(43,591)	-	(43,591)
Minimum dividend provision	-	-	-	-	-	21,796	21,796	-	21,796
Other equity movements	-	(915)	-	(1)	-	-	(916)	(2)	(918)
Capital increase	-	-	-	-	-	-	-	-	-
Investments available for sale	-	-	8,250	-	-	-	8,250	-	8,250
Accounting hedges	-	-	274	-	-	-	274	-	274
Profit for the year	-	-	-	-	76,963	-	76,963	(6)	76,957
Minimum dividend provision	-	-	-	-	-	(23,089)	(23,089)	-	(23,089)
BALANCES AS OF DECEMBER 31, 2019	**302,047**	**24,739**	**8,767**	**227,847**	**76,963**	**(23,089)**	**617,274**	**51**	**617,325**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.



CONSOLIDATED STATEMENTS OF **CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$
(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH – SEE NOTE 2)

	NOTE	DECEMBER 31, 2019 MCH$	DECEMBER 31, 2018 MCH$
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before tax		**101,539**	**92,662**
Charges (credits) to profit that do not represent cash flows:			
Provisions for loan losses	31	41,891	41,550
Depreciation and amortization	34	7,133	5,185
Impairment	35	-	498
Other provisions	34	954	1,843
Operational write-offs	34	-	137
Changes in deferred tax assets and liabilities		(1,716)	(2,050)
Valuation of investments in trading book		(49)	15
Valuation of trading derivatives		7,562	(1,107)
Income attributable to investments in other companies	13	(18)	(18)
Gain on sales of repossessed or awarded assets		(6)	(269)
Net fee and commission income	26	(67,277)	(68,754)
Net interest and indexation income	25	(182,435)	(161,630)
Other credits that do not represent cash flows		(11,665)	(7,509)
Changes in operating assets and liabilities:			
(Increase) decrease in loans and advances to banks		10,124	(10,693)
Increase in loans to customers		(670,093)	(475,766)
Increase in investments		(24,438)	(85,567)
(Increase) decrease in leased assets		1,865	(8,693)
Sale of repossessed assets		384	1,041
Increase (decrease) in current accounts and other demand deposits		242,128	(18,655)
Increase in sales with repurchase agreements and securities lending		45,702	19,830
Increase in savings accounts and time deposits		75,295	36,358
Net change in letters of credit		(996)	(3,055)
Net change in senior bonds		503,353	402,168
(Increase) decrease in other assets and liabilities		21,373	(53,115)
Recovered taxes		713	543
Interest and indexation received		297,424	357,777
Interest and indexation paid		(204,096)	(242,916)
Fees and commissions received		81,186	82,314
Fees and commissions paid		(13,909)	(13,560)
Net cash flows provided by (used in) operating activities		**261,928**	**(111,436)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	(1,487)	(2,192)
Acquisition of intangible assets	14	(2,009)	(2,739)
Sale of property, plant and equipment	15	-	1,676
Net cash flows used in investing activities		**(3,496)**	**(3,255)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in borrowings from domestic financial institutions		-	(115)
Increase in foreign interbank loans		49,328	34,526
Variation in Central Bank obligations		-	-
Decrease in other financial liabilities		(1,422)	(10,914)
Net change in subordinated bonds		37,316	(5,789)
Capital increase		-	-
Dividends paid	24	(43,591)	(37,813)
Net cash flows provided by (used in) financing activities		**41,631**	**(20,105)**
TOTAL POSITIVE (NEGATIVE) NET CASH FLOWS		300,063	(134,796)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6	413,057	547,856
EFFECT OF NON-CONTROLLING INTERESTS		6	(3)
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	713,126	413,057

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

FIGURES IN MILLIONS OF CHILEAN PESOS - MCH$
(TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN SPANISH – SEE NOTE 2)

1. BUSINESS DESCRIPTION

Banco Security (hereinafter the "Bank") is a corporation regulated by the Financial Market Commission (hereinafter the "CMF") (formerly SBIF). The Bank is headquartered at Av. Apoquindo 3,100, Las Condes, Santiago.

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

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

AS OF DECEMBER 31, 2019

SHAREHOLDERS	NO. OF SHARES	OWNERSHIP INTEREST (%)
Grupo Security	228,419,348	99.97
Other	57,396	0.03
TOTAL	228,476,744	100.00

AS OF DECEMBER 31, 2018

SHAREHOLDERS	NO. OF SHARES	OWNERSHIP INTEREST (%)
Grupo Security	228,419,192	99.97
Minority interests	57,552	0.03
TOTAL	228,476,744	100.00

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with regulations from the Financial Market Commission (hereinafter CMF) (formerly the SBIF) contained in the Compendium of Accounting Standards and specific instructions issued by that entity. In all matters not addressed in the compendium, the Bank applies the technical standards issued by the Chilean Institute of Accountants, which coincide with International Financial Reporting Standards (IFRS). Should any discrepancies arise between these accounting principles and the accounting criteria issued by the CMF (Compendium of Accounting Standards), the latter shall take precedence. Certain accounting practices applied by the Company that conform to IFRS may not conform to generally accepted accounting principles in the United States ("US GAAP") or to generally accepted accounting principles in Chile ("Chilean GAAP"). For the convenience of the reader these financial statements have been translated from Spanish to English.

A) ASSET AND LIABILITY VALUATION CRITERIA

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

- VALUATION AT AMORTIZED COST

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

  In the case of financial assets, amortized cost includes corrections for any impairment that may have occurred.

- FAIR VALUE MEASUREMENT

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

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

- VALUATION AT ACQUISITION COST

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

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

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

B) FUNCTIONAL CURRENCY

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

C) USE OF ESTIMATES AND JUDGMENT

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

- These relevant estimates and assumptions are reviewed regularly by the Bank's senior management in order to quantify the effects on asset, liability and profit or loss accounts.

- Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future period that is affected.

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

- Valuation of financial instruments and derivatives
- Provisions for loan losses
- Impairment losses on loans to customers and other assets
- Useful lives of material and intangible assets
- Contingencies and commitments

D) CONSOLIDATION CRITERIA

- **SUBSIDIARIES**

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

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

- **INVESTMENTS IN ASSOCIATES**

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

- **INVESTMENTS IN OTHER COMPANIES**

Investments in other companies are entities in which the Bank does not have significant influence. They are presented at acquisition value. Revenue is recognized in profit or loss as received.

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

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

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

	OWNERSHIP INTEREST 2019 %	OWNERSHIP INTEREST 2018 %
Valores Security S.A. Corredores de Bolsa	99.88	99.88
Administradora General de Fondos Security S.A.	99.99	99.99

E) OPERATING SEGMENTS

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

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

F) INTEREST AND INDEXATION INCOME AND EXPENSES

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

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

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

G) FEE AND COMMISSION INCOME AND EXPENSES

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

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

H) TRANSLATION OF FOREIGN CURRENCY TO FUNCTIONAL CURRENCY

The Bank's functional currency is the Chilean peso. Transactions in foreign currency carried out by the Bank are translated to Chilean pesos at the exchange rate in force on the transaction date.

As of December 31, 2019 and 2018, monetary items in foreign currency are translated using the year-end exchange rates of CH$752.40 and CH$692.92 per US$ 1 respectively, which does not differ significantly from the exchange rates applied by the subsidiaries of CH$748.74 as of December 31, 2019 and CH$694.77 as of December 31, 2018.

The net foreign exchange gains of MCH$10,461 and MCH$3,215 for the years ended December 31, 2019 and 2018, respectively, shown in the consolidated statement of income, include both the result of foreign exchange transactions and the effects of exchange rate variations on foreign-currency-denominated assets and liabilities of the Bank and its subsidiaries.

I) CONVERSION

Assets and liabilities expressed in unidades de fomento (UF) are presented using the rates in effect as of December 31, 2019 and 2018, of CH$28,309.94 and CH$27,565.79, respectively.

J) FINANCIAL INVESTMENTS

Financial investments are classified and valued as follows:

J.1) FINANCIAL INSTRUMENTS HELD FOR TRADING:

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

Financial instruments held for trading are recognized at fair value based on year-end market prices. Gains or losses from fair value adjustments, as well as gains or losses from trading activities and accrued interest and indexation, are included in "financial instruments held for trading" within "net financial operating income" in the statement of income, as specified in detail in Note 29 to the consolidated financial statements.

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

J.2) INVESTMENT SECURITIES:

Investment securities are classified into two categories: Held to maturity and available for sale. Investments held to maturity are those instruments that the Bank has the ability and intent to hold to maturity. The rest of the investment instruments are considered as available for sale. As of the date of issuance of these financial statements, the Bank does not have any investments held to maturity.

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

Investments available for sale are subsequently recognized at fair value based on market prices or valuations obtained from models. Unrealized gains or losses arising from changes in their fair value are recognized with a charge or credit to equity accounts. When these investments are disposed of or impaired, the amount of the fair value adjustments accumulated in equity is transferred to profit or loss and reported in "sale of investments available for sale" in "net financial operating income" in the statement of income, as specified in detail in Note 29 to the consolidated financial statements.

Investments held to maturity are recognized at cost plus accrued interest and indexation, less any impairment provisions made when the amount recognized is greater than the estimated recoverable amount. As of December 31, 2019 and 2018, the Bank did not have any investments held to maturity.

Interest and indexation on held-to-maturity and available-for-sale instruments are included in "interest and indexation income", as specified in detail in Note 27 to the consolidated financial statements.

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

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

K) FINANCIAL DERIVATIVE INSTRUMENTS

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

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related with those of the host contract and when such host contracts are not measured at fair value through profit or loss.

At the moment of subscribing to a derivative agreement, the Bank must designate it either as a derivative instrument for trading or for hedge accounting purposes.

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

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

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

When a derivative hedges the exposure to changes in the fair value of an existing item of the asset or liability, such hedged item is measured at fair value from the designation of the fair value hedge until its expiration, termination, etc. The mark to market adjustments for both the hedged item and the hedging instrument are recognized in the consolidated statements of income.

If the item hedged in a fair value hedge is a firm commitment, the changes in the fair value of the firm commitment regarding the covered risk are recognized as assets or liabilities recognized against the consolidated statements of income for the year. Gains or losses from fair value adjustments of the derivative instrument are recognized in profit or loss. When an asset or liability is acquired as a result of the commitment, the initial recognition of the asset or liability acquired is adjusted to incorporate the accumulated effect of the valuation at fair value of the firm commitment, which was previously recognized in the statement of financial position.

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

Any ineffective portion is recognized directly in the consolidated statements of income for the year. The accumulated amounts recognized in equity are transferred to profit or loss when the hedged item affects profit or loss.

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

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

L) OPERATIONS WITH RESALE/REPURCHASE AGREEMENTS AND SECURITIES BORROWING/LENDING

The Bank engages in repurchase and resale agreements for funding purposes. The Bank's investments that are sold with a repurchase obligation and that serve as a guarantee for the loan are included in "financial instruments held for trading" or "investments available for sale" and the obligation is recognized in liabilities under "obligations under repurchase agreements and securities lending". When financial instruments are purchased with a resale obligation, they are included within assets under "investments under resale agreements and securities borrowing".

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

M) DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

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

N) IMPAIRMENT

N.1) FINANCIAL ASSETS:

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

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

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

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

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

N.2) NON-FINANCIAL ASSETS:

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

O) REPOSSESSED ASSETS

Repossessed assets are classified within "other assets" at the lesser of their foreclosure cost and their fair value less required regulatory write-offs and are presented net of provisions.

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

P) LEASE AGREEMENTS

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

Q) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

ASSET	USEFUL LIFE (YEARS)
Buildings	60 years
Equipment	3 years
Supplies and accessories	2 years

R) INTANGIBLE ASSETS

R.1) SOFTWARE:

Expenses for in-house developed software are recognized as an asset when the Bank is able to demonstrate its intent and ability to complete development and use it within the organization to generate future economic benefits and can reliably measure the costs of completing development.

Capitalized costs of in-house developed software include all costs directly attributable to developing the software and they are amortized over their useful lives.

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

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

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

R.2) GOODWILL:

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

Any goodwill generated is valued at acquisition cost and is tested annually for any impairment that reduces its recoverable amount to below its carrying amount. If appropriate, this difference is recognized in the consolidated statement of income under "administrative expenses", in accordance with IFRS 3. Goodwill recognized as of December 31, 2019 and 2018, is detailed in Note 14.b) of the consolidated financial statements.

S) PROVISIONS FOR ASSETS AT RISK

Provisions required to cover risk of loan losses have been recognized in accordance with standards and specific instructions from the CMF. Effective loans are presented net of such provisions, while contingent loan provisions are presented in liabilities (Note 23).

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

T) LOANS TO CUSTOMERS, PROVISIONS AND WRITE-OFFS

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

IMPAIRED PORTFOLIO:

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

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

T.1) PROVISIONS ON LOANS ASSESSED INDIVIDUALLY

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

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

- NORMAL AND SUBSTANDARD PORTFOLIO

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

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

- DEFAULT PORTFOLIO

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

T.2) PROVISIONS ON LOANS ASSESSED AS A GROUP

Group assessments are used to analyze a large number of transactions with small individual amounts. For these purposes, the Bank uses models based on the characteristics of debtors and their loans, as well as models based on the behavior of a group of loans. In group assessments, provisions for the consumer portfolio will always be recognized according to expected loss based on internal models that are used as explained in the following tables:

INSTALLMENT LOAN MODEL	
SEGMENT	PROVISION RATE
1	0.04%
2	0.30%
3	0.60%
4	0.80%
5	1.40%
6	2.40%
7	4.80%
8	13.20%

REVOLVING CREDIT FACILITY MODEL	
SEGMENT	PROVISION RATE
1	0.09%
2	0.25%
3	0.40%
4	0.84%
5	1.46%
6	3.54%
7	12.34%

RESTRUCTURED LOAN MODEL	
SEGMENT	PROVISION RATE
1	2.10%
2	4.40%
3	5.60%
4	11.40%
5	14.60%
6	24.50%

The commercial and mortgage portfolios use incurred loss methodologies, based on the standard method established by the CMF in the Compendium of Accounting Standards, Chapter B-1, section 3.1.

T.3) ADDITIONAL LOAN PROVISIONS

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

As of December 31, 2019 and 2018, the Bank had not recognized any additional provisions.

T.4) WRITE-OFFS

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

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

RECOVERY OF WRITTEN-OFF LOANS:

Subsequent repayments on written-off loans are recognized directly in profit or loss under "recovery of written-off loans" in "provisions for loan losses".

As of December 31, 2019 and 2018, recoveries of written-off loans totaled MCH$3,908 and MCH$6,291, respectively, and are presented in provisions recognized during the year under "provisions for loan losses" in the consolidated statement of income, as detailed in Note 31 to the financial statements.

U) CASH AND CASH EQUIVALENTS

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

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

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

- OPERATING ACTIVITIES
  These are transactions related to the Bank's normal operations and its main source of revenue.

- INVESTING ACTIVITIES
  These cash flows represent disbursements that have been made that will produce income and cash flows over the long term.

- FINANCING ACTIVITIES
  These cash flows represent the activities and cash needs to cover commitments to those contributing funding or capital to the entity.

V) TIME DEPOSITS, DEBT ISSUED

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

W) CURRENT AND DEFERRED INCOME TAXES

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

X) EMPLOYEE BENEFITS

X.1) EMPLOYEE VACATION

The annual cost of employee vacation is recognized on an accrual basis.

X.2) SHORT-TERM BENEFITS

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

X.3) SEVERANCE INDEMNITIES

The Bank has not agreed to any severance indemnities that will be payable no matter the reason for terminating employment and, as a result, has not made any such provisions. Any such expenses are recognized in profit or loss as incurred.

Y) MINIMUM DIVIDENDS

As of December 31, 2019 and 2018, the Bank recognized a liability (provision) for minimum or mandatory dividends. This provision is based on article 79 of the Corporations Law and is also reflected in the Bank's dividend policy. This policy stipulates that at least 30% of profit for the year shall be distributed unless the shareholders representing all issued shares unanimously agree otherwise.

Z) EARNINGS PER SHARE

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

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

AA) LEASES

Starting January 1, 2019, the Bank recognizes the right to use an asset and a corresponding liability with respect to all these leases, unless they qualify as low-value or short-term leases under IFRS 16.

AB) PROVISIONS AND CONTINGENT LIABILITIES

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

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

AC) BUSINESS COMBINATIONS

Banco Security has purchased interests in companies that qualify as a business combination and, therefore, must apply standards for business combinations.

2.2 NEW ACCOUNTING PRONOUNCEMENTS

B.1) STANDARDS FROM THE FINANCIAL MARKET COMMISSION (CMF) - FORMERLY THE SUPERINTENDENCY OF BANKS AND FINANCIAL INSTITUTIONS (SBIF)

BANK RULING NO. 2,243

On December 20, 2019, the CMF issued a Bank Ruling related to comprehensively updating the instructions in the Compendium of Accounting Standards for Banks (CNCB in Spanish), as a result of diverse changes made by the International Accounting Standards Board to International Financial Reporting Standards (IFRS).

The Bank's management has considered the content of this ruling as of December 31, 2019.

RULING NO. 3,651

On May 25, 2019, the CMF (formerly SBIF) issued a ruling related to modifications introduced to the General Banking Law by Law No. 21,130, which modernizes bank laws, and communicated the date on which the Financial Market Commission would take over the responsibilities of the Superintendency of Banks and Financial Institutions, at which time the latter would be eliminated.

The Bank's management has considered the content of this ruling as of December 31, 2019.

RULING NO. 3,649

On May 6, 2019, the CMF (formerly SBIF) issued this ruling to complement the instructions in Chapter C-3 regarding the leases indicated in IFRS 16.

The Bank's management has implemented these regulatory amendments in its financial statements as of January 1, 2019.

RULING NO. 3,647

On January 31, 2019, the CMF (formerly SBIF) issued a Ruling related to Chapter B-1 of the Compendium of Accounting Standards, which complements the instructions regarding the standard methods for provisions for loan losses for commercial portfolios subject to group analysis.

The Bank's management evaluated these regulatory amendments and believes that they generate no material impact on the Bank.

RULING NO. 3,645

On January 11, 2019, the CMF (formerly SBIF) issued a ruling related to the application of International Financial Reporting Standard IFRS 16 to make changes to the Compendium of Accounting Standards.

The Bank's management has implemented these regulatory amendments in its financial statements as of January 1, 2019.

RULING NO. 3,638

On July 6, 2018, the CMF (formerly SBIF) issued a Ruling related to Chapter B-1 of the Compendium of Accounting Standards, which establishes the standard methods to be used by banking entities to estimate provisions for loan losses for commercial portfolios subject to group analysis.

The Bank's management evaluated the impact of these regulatory amendments.

RULING NO. 3,634

On March 9, 2018, the CMF (formerly SBIF) issued a Ruling related to Chapters 12-1 and 12-3 of the Updated Compilation of Standards, in order for banks to recognize the effects of risk mitigation mechanisms within clearing and settlement systems administered by Central Counterparty Entities (CCP), which are constituted under Law 20,345 of the CMF.

The Bank's management has implemented these regulatory amendments in its consolidated financial statements as of December 31, 2018.

RULING NO. 3,621

On March 15, 2017, the CMF (formerly SBIF) issued this ruling related to chapters B1 and C3 of the Compendium of Accounting Standards. It complements instructions for calculating and accounting for provisions on loans guaranteed by the School Infrastructure Guarantee Fund stipulated in Law 20,845.

The Bank's management has implemented these regulatory amendments in its consolidated financial statements as of December 31, 2018.

B.2) INTERNATIONAL ACCOUNTING STANDARDS BOARD

THE FOLLOWING NEW IFRS AND IFRS AMENDMENTS AND INTERPRETATIONS HAVE BEEN ADOPTED IN THESE CONSOLIDATED FINANCIAL STATEMENTS.

STANDARDS AND INTERPRETATIONS		MANDATORY EFFECTIVE DATE
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

IFRS 16 LEASES

On January 13, 2016, the IASB published IFRS 16 Leases. IFRS 16 sets out a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. When adoption of IFRS 16 becomes mandatory, it will replace the current guidelines for leases, including IAS 17 Leases and related interpretations.

IFRS 16 makes a distinction between leases and service contracts on the basis of whether an identified asset is controlled by a customer. The distinction between operating lease (off-balance-sheet) and finance lease is removed for lessees and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized by lessees for all leases, except for short-term leases and leases of low-value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid as of that date. Subsequently, the lease liability is adjusted to account for interest and lease payments as well as modifications to the lease, among others.

In addition, the classification of cash flows will also be affected since under IAS 17 operating lease payments are presented as operating cash flows, while under the model in IFRS 16, lease payments will be divided between principal payments and interest, which will be presented as financing and operating cash flows, respectively.

In contrast with accounting for lessees, the accounting requirements for lessors in IAS 17 remain virtually intact in IFRS 16, which continues to require lessors to classify leases as either operating or financial leases.

In addition, IFRS 16 requires more extensive disclosures.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is allowed for entities that apply IFRS 15 on or before the initial application date of IFRS 16. Entities can apply IFRS 16 using either a full retrospective approach or a modified retrospective approach. Since the Company has chosen to apply the modified retrospective approach, it is not required to restate comparatives and the cumulative effect of initially applying IFRS 16 must be presented as an adjustment to opening retained earnings (or other component of equity, when appropriate).

As of December 31, 2019, the Bank has accounted for MCH$8,206 in right-of-use assets and MCH$8,350 in lease liabilities.

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

The Interpretation addresses the accounting of income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Tax. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances

The entity must determine whether it considers each uncertain tax treatment separately or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

The Bank's management believes that adopting this standard does not have an impact on its financial statements.

AMENDMENTS		MANDATORY EFFECTIVE DATE
IFRS 3	Business Combinations – Previously Held Interests in a Joint Operation	January 1, 2019
IFRS 9	Financial Instruments – Prepayment Features with Negative Compensation	January 1, 2019
IFRS 11	Joint Arrangements – Previously Held Interests in a Joint Operation	January 1, 2019
IAS 12	Income Taxes – Income Tax Consequences of Payments on Instruments Classified as Equity	January 1, 2019
IAS 23	Borrowing Costs – Borrowing Costs Eligible for Capitalization	January 1, 2019
IAS 28	Investments in Associates – Long-term Investments in Associates or Joint Ventures	January 1, 2019
IAS 19	Employee Benefits - Plan Amendment, Curtailment or Settlement	January 1, 2019

IFRS 3 BUSINESS COMBINATIONS – PREVIOUSLY HELD INTERESTS IN A JOINT OPERATION

The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The amendments must be applied to business combinations completed after January 1, 2019. Early adoption is allowed.

This amendment had no impact on the Bank's financial statements.

IFRS 9 FINANCIAL INSTRUMENTS – PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 intend to clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that cause the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments to IFRS 9 should be applied when the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small.

This amendment has not impacted the Bank's financial statements since it cannot be applied until the CMF (formerly SBIF) qualifies it as a mandatory standard.

IFRS 11 JOINT ARRANGEMENTS – PREVIOUSLY HELD INTERESTS IN A JOINT OPERATION

The amendment affects joint arrangements over interests previously held in a joint operation. A party that invests in but does not have joint control of a joint operation may obtain control if the activity of the joint operation constitutes a business as defined by IFRS 3. The amendments clarify that interests previously held in that joint operation would not be remeasured at the time of the transaction.

This amendment had no impact on the Bank's financial statements.

IAS 12 INCOME TAXES – INCOME TAX CONSEQUENCES OF PAYMENTS ON INSTRUMENTS CLASSIFIED AS EQUITY

The amendments clarify that income taxes on dividends generated by financial instruments classified as equity are linked more directly to the originating transactions or events that generated the distributable profits than to distributions to shareholders. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity based on where the entity originally recognized these originating transactions or events.

This amendment had no impact on the Bank's financial statements.

IAS 23 BORROWING COSTS – BORROWING COSTS ELIGIBLE FOR CAPITALIZATION

The amendments clarify that an entity treats any borrowings made specifically for the purpose of obtaining a qualifying asset as a general loan when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

This amendment had no impact on the Bank's financial statements.

IAS 28 INVESTMENTS IN ASSOCIATES – LONG-TERM INVESTMENTS IN ASSOCIATES OR JOINT VENTURES

The amendments clarify that an entity applies IFRS 9 "Financial Instruments" to long-term interests in an associate or joint venture to which it does not apply the equity method but that, in substance, are part of a net investment in an associate or joint venture.

This amendment had no impact on the Bank's financial statements.

IAS 19 EMPLOYEE BENEFITS – PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity must:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset)

This amendment had no impact on the Bank's financial statements.

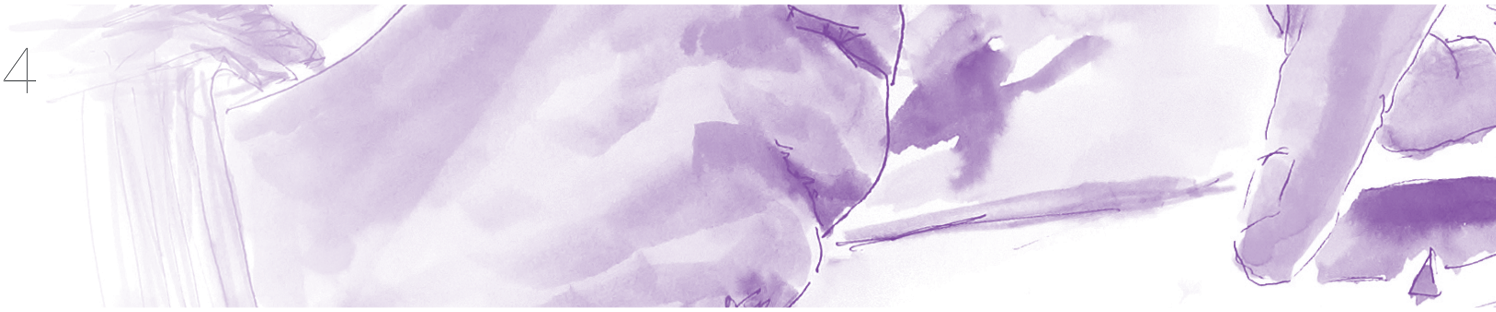
NEW ACCOUNTING PRONOUNCEMENTS (STANDARDS, INTERPRETATIONS AND AMENDMENTS) WITH MANDATORY APPLICATION FOR ANNUAL PERIODS BEGINNING ON OR AFTER JANUARY 1, 2020

The new standards, interpretations and amendments to IFRS that have been issued but have not yet taken effect as of the date of these financial statements are detailed below. The Bank has not adopted these standards early.

STANDARDS AND INTERPRETATIONS		MANDATORY EFFECTIVE DATE
Conceptual Framework	Conceptual Framework (Revised)	January 1, 2020
IFRS 17	Insurance Contracts	January 1, 2021

CONCEPTUAL FRAMEWORK (REVISED)

The IASB issued the revised Conceptual Framework in March 2018. It includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.



The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. The revised Conceptual Framework is effective for annual periods beginning on or after January 1, 2020.

The Bank is still in the process of evaluating application of this amendment to the Conceptual Framework.

IFRS 17 INSURANCE CONTRACTS

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them.

IFRS 17 is effective for periods starting on or after January 1, 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Management estimates that this new standard will have no impact on the Bank.

AMENDMENTS		MANDATORY EFFECTIVE DATE
IFRS 3	Definition of a Business	January 1, 2020
IAS 1 and IAS 8	Definition of Material	January 1, 2020
IFRS 10 and IAS 28	Consolidated Financial Statements – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

IFRS 3 BUSINESS COMBINATIONS – DEFINITION OF A BUSINESS

The IASB issued amendments in terms of the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. The IASB clarifies the minimum requirements for a business; removes the assessment of whether market participants are capable of replacing any missing elements; adds guidance to help entities assess whether an acquired process is substantive; narrows the definitions of a business and of outputs; and introduces an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering the acquisition of a set of activities and assets after first applying the amendments should update their accounting policies on a timely basis.

The amendments could be relevant in other areas of IFRS. For example, the definition of a business may also be relevant where a parent loses control of a subsidiary and has early adopted Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The entity will evaluate the impact of the amendment once it takes effect.

IAS 1 FINANCIAL STATEMENT PRESENTATION AND IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS – DEFINITION OF MATERIAL

In October 2018, the IASB issued IAS 1 Financial Statement Presentation and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of "material" across all standards and to clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments must be applied prospectively. Earlier application is permitted and must be disclosed.

Although the amendments to the definition of material are not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgments are made in practice, by elevating the importance of how the information is communicated and organized in the financial statements.

Management estimates that this amendment will not have an impact once it takes effect.

IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS AND IAS 28 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES: SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address an inconsistency between the requirements of IFRS 10 and IAS 28 (2011) in the treatment of the sale or provision of assets between an investor and its associate or joint venture. The amendments were issued in September 2014, and state that when the transaction involves a business (whether or not in a subsidiary), all the gain or loss is recognized. A partial gain or loss is recognized when the transaction involves assets that do not constitute a business, even when the assets are in a subsidiary. The date of mandatory application of these amendments is to be determined since the IASB is waiting for the results of its research project on accounting using the equity the method. These amendments must be applied retrospectively, and early adoption is permitted, which must be disclosed.

The entity will evaluate the impact of the amendment once it takes effect.

3. ACCOUNTING CHANGES

There were no accounting changes in the consolidated financial statements as of December 31, 2019, compared to the previous year, except for the application of IFRS 16 as disclosed in Notes 16 and 22.

4. MATERIAL EVENTS

BANCO SECURITY

At a board meeting on October 14, 2019, the Board accepted the resignation of Mr. Bonifacio Bilbao H. from the position of Chief Executive Officer as of March 6, 2020. Mr. Eduardo Olivares Veloso was appointed as the new Chief Executive Officer as of that date.

On July 30, 2018, the CMF (formerly SBIF) was informed that the Bank's Board appointed Mr. Ignacio Ruiz Tagle Vergara as second Alternate Director, as agreed in Banco Security's extraordinary shareholder's meeting N°25.

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

On November 13, 2019, the company's Board accepted the resignation of Mr. Carlos Budge Carvallo from the position of director and appointed Mr. Eduardo Olivares Veloso in his place.

On April 26, 2019, the twenty-seventh annual general shareholders' meeting was held at the Company's offices to address the following matters: approval of the annual report, balance sheet and financial statements for the year ended December 31, 2018, and the independent auditors' report for the same period; profit distributions and dividends; setting board compensation for the year 2019; information on the Board's expenses during the year 2018; appointment of the independent auditors; information on related party transactions in conformity with the Corporations Law; selection of the newspaper for legal publications; and in general all other matters that should be addressed at an annual shareholders' meeting according to law.

An extraordinary board meeting of Administradora General de Fondos Security S.A. was held on May 22, 2018, where Mr. Felipe Marin Viñuela was appointed Investment Manager.

Mr. Pablo Jacque Sahr resigned from the position of Investment Manager of Administradora General de Fondos Security S.A. on May 10, 2018. He will continue to serve as an advisor to the company, in order to ensure a smooth transition.

The 26th annual shareholders' meeting was held on March 21, 2018, at which shareholders approved the annual report and consolidated financial statements for the year ended March 31, 2018, the external auditors report for the same period, the distribution of profits and dividends, and in general all matters within its jurisdiction in accordance with the law.

VALORES SECURITY S.A. CORREDORES DE BOLSA

At an ordinary board meeting held on August 23, 2019, the Board accepted the resignation of Mr. Rodrigo Fuenzalida Besa from the position of Chief Executive Officer of Valores Security S.A.C., which took effect immediately. On the same date, the Board appointed Mr. Piero Nasi Toso to replace him as Chief Executive Officer.

During the year 2019, the company recognized a provision of MCH$4,226 for simultaneous transactions for which it has not been able to collect the balance due from the counterparty.

During the period from January 1 to December 31, 2018, Valores Security S.A. Corredores de Bolsa has not filed any material events that must be reported.

5. OPERATING SEGMENTS

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

COMMERCIAL BANKING:

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

RETAIL BANKING:

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

TREASURY:

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

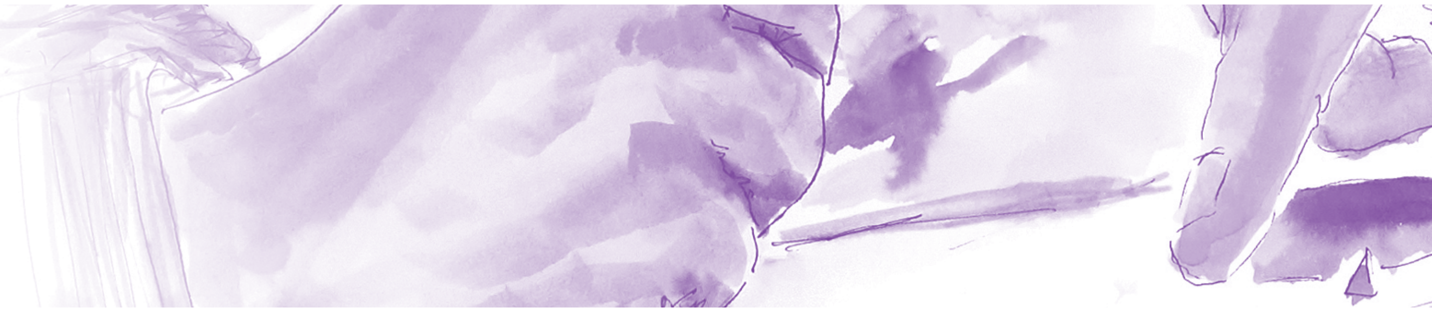
SUBSIDIARIES:

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

OTHERS:

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

The following table illustrates assets, liabilities and profit/loss by segment as of December 31, 2019 and 2018.



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

A) ASSETS AND LIABILITIES BY OPERATING SEGMENT

	COMMERCIAL BANKING		RETAIL BANKING		TREASURY		OTHERS		TOTAL BANK		SUBSIDIARIES		TOTAL CONSOLIDATED	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
ASSETS														
Gross loans	4,216,943	3,741,127	1,834,587	1,597,216	286	7,728	-	-	6,051,816	5,346,071	-	-	6,051,816	5,346,071
Provisions for loan losses	(54,958)	(55,297)	(45,570)	(34,859)	-	(33)	-	-	(100,528)	(90,189)	-	-	(100,528)	(90,189)
NET LOANS	4,161,985	3,685,830	1,789,017	1,562,357	286	7,695	-	-	5,951,288	5,255,882	-	-	5,951,288	5,255,882
Financial transactions	-	-	-	-	786,628	768,999	-	-	786,628	768,999	93,729	86,275	880,357	857,301
Other assets	-	-	-	-	265,324	143,176	998,006	577,465	1,263,330	720,641	169,795	101,978	1,433,125	820,592
TOTAL ASSETS	4,161,985	3,685,830	1,789,017	1,562,357	1,052,238	919,870	998,006	577,465	8,001,246	6,745,522	263,524	188,253	8,264,770	6,933,775
LIABILITIES														
Liabilities	3,827,854	3,368,141	1,674,543	1,453,771	987,187	873,718	997,954	577,405	7,487,538	6,273,035	159,907	83,094	7,647,445	6,356,129
Equity	334,131	317,689	114,474	108,586	65,051	46,152	1	1	513,657	472,428	103,617	105,159	617,274	577,587
Non-controlling interests	-			-		-	51	59	51	59	-	-	51	59
TOTAL LIABILITIES	4,161,985	3,685,830	1,789,017	1,562,357	1,052,238	919,870	998,006	577,465	8,001,246	6,745,522	263,524	188,253	8,264,770	6,933,775

B) RESULTS BY OPERATING SEGMENT

	COMMERCIAL BANKING		RETAIL BANKING		TREASURY		OTHERS		TOTAL BANK		SUBSIDIARIES		TOTAL CONSOLIDATED	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
OPERATING INCOME														
Net interest margin [1]	96,169	84,864	67,122	64,743	27,918	22,737	(8,449)	(3,702)	182,760	168,642	(325)	(417)	182,435	168,225
Net commissions	20,872	18,592	20,582	22,143	(317)	(361)	482	(765)	41,619	39,609	25,658	29,145	67,277	68,754
Net foreign exchange and other income [2]	8,455	8,306	1,574	2,295	17,257	12,469	(3,348)	(5,542)	23,938	17,528	2,397	7,923	26,335	25,451
Loan losses and repossessed assets [3]	(11,142)	(19,711)	(28,408)	(22,401)	38	(46)	(2,059)	695	(41,571)	(41,463)	-	-	(41,571)	(41,463)
Total operating income, net of provisions	114,354	92,051	60,870	66,780	44,896	34,799	(13,374)	(9,314)	206,746	184,316	27,730	36,651	234,476	220,967
Operating expenses (4)	(38,441)	(37,075)	(58,522)	(56,673)	(12,508)	(12,145)	4,237	3,651	(105,234)	(102,242)	(27,721)	(26,081)	(132,955)	(128,323)
Net operating income	75,913	54,976	2,348	10,107	32,388	22,654	(9,137)	(5,663)	101,512	82,074	9	10,570	101,521	92,644
Income attributable to investments in other companies	-	-	-	-	-	-	18	18	18	18	-	-	18	18
Profit (loss) before tax	75,913	54,976	2,348	10,107	32,388	22,654	(9,119)	(5,645)	101,530	82,092	9	10,570	101,539	92,662
Income taxes	(17,908)	(12,136)	(554)	(2,231)	(7,641)	(5,001)	2,151	1,247	(23,952)	(18,121)	(630)	(1,885)	(24,582)	(20,006)
Consolidated profit (loss) for the year	58,005	42,840	1,794	7,876	24,747	17,653	(6,968)	(4,398)	77,578	63,971	(621)	8,685	76,957	72,656
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	6	(3)	6	(3)
Profit (loss) attributable to owners of the Bank	58,005	42,840	1,794	7,876	24,747	17,653	(6,968)	(4,398)	77,578	63,971	(615)	8,682	76,963	72,653

(1) NET INTEREST AND INDEXATION INCOME.
(2) INCLUDES NET FINANCIAL OPERATING INCOME, NET FOREIGN EXCHANGE TRANSACTIONS, OTHER INCOME AND EXPENSES AND OTHER CONTINGENCY PROVISIONS.
(3) INCLUDES PROVISIONS FOR LOAN LOSSES, NET INCOME FROM REPOSSESSED ASSETS, IMPAIRMENT OF INVESTMENT SECURITIES AND INTANGIBLE ASSETS AND NET COUNTRY RISK, SPECIAL AND ADDITIONAL PROVISIONS.
(4) PAYROLL AND PERSONNEL EXPENSES, ADMINISTRATIVE EXPENSES, DEPRECIATION AND AMORTIZATION.

6. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents are as follows:

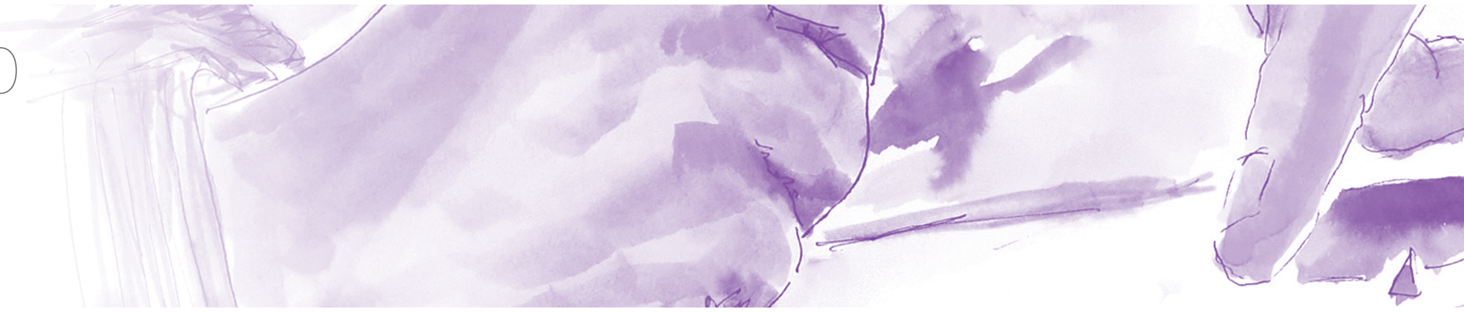
	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
CASH AND DUE FROM BANKS		
Cash	18,184	11,870
Deposits in the Chilean Central Bank	356,413	216,361
Deposits in domestic banks	5,601	4,165
Foreign deposits	312,884	161,936
Subtotal - cash and due from banks	693,082	394,332
Transactions in the course of collection, net	20,044	18,725
Repurchase agreements	-	-
Total cash and cash equivalents	713,126	413,057

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

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

	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
ASSETS		
Outstanding notes from other banks	18,553	20,552
Funds receivable	131,973	15,076
Subtotal - assets	150,526	35,628
LIABILITIES		
Funds payable	(130,482)	(16,903)
Subtotal - liabilities	(130,482)	(16,903)
Transactions in the course of collection, net	20,044	18,725

The instruments that guarantee the obligation for these repurchase agreements are included in the portfolio of financial instruments held for trading or investments available for sale.



7. FINANCIAL INSTRUMENTS HELD FOR TRADING

As of December 31, 2019 and 2018, the Bank and its subsidiaries recognize the following balances in financial instruments held for trading:

	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
CHILEAN GOVERNMENT AND CENTRAL BANK INSTRUMENTS										
Chilean Central Bank instruments	1,925	2,606	1,251	913	-	1,433	-	-	3,176	4,952
Chilean Treasury instruments	2,020	927	209	2,138	-	874	-	695	2,229	4,634
Other government instruments	-	15	-	-	57	62	-	8,294	57	8,371
Subtotal	3,945	3,548	1,460	3,051	57	2,369	-	8,989	5,462	17,957
OTHER FINANCIAL INSTRUMENTS										
Notes for deposits in domestic banks	37,575	22,328	-	4,715	-	-	-	-	37,575	27,043
Mortgage bonds in domestic banks	-	18	53	-	91	75	3,729	4,193	3,873	4,287
Bonds from domestic banks	1,889	21,228	3,496	385	31	6,692	4	-	5,420	28,304
Other instruments issued in Chile	6,470	8,559	-	-	-	-	-	-	6,470	8,559
Mutual funds	64,963	19,945	-	-	-	-	-	-	64,963	19,945
Subtotal	110,897	72,078	3,549	5,100	122	6,767	3,733	4,193	118,301	88,138
Total financial instruments held for trading	114,842	75,626	5,009	8,151	179	9,136	3,733	13,182	123,763	106,095

As of December 31, 2019 and 2018, the Bank has issued its own mortgage bonds for MCH$883 and MCH$948, respectively, which are offset by the mortgage bonds issued by the Bank in liabilities.

8. OPERATIONS WITH RESALE/REPURCHASE AGREEMENTS AND SECURITIES BORROWING/LENDING

A) RIGHTS WITH PROMISE OF SALE

The Bank purchases financial instruments under agreements to sell them at a future date. As of December 31, 2019 and 2018, rights with resell commitments, classified by type of debtor and maturity, are as follows:

	FROM ONE DAY TO THREE MONTHS		FROM THREE MONTHS TO ONE YEAR		MORE THAN ONE YEAR		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
Domestic banks	-	-	-	-	-	-	-	-
Other entities	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

B) OBLIGATIONS UNDER REPURCHASE AGREEMENTS

The Bank sells financial instruments under agreements to repurchase them at a future date plus preset interest. As of December 31, 2019 and 2018, obligations with repurchase commitments, classified by type of debtor and maturity, are as follows:

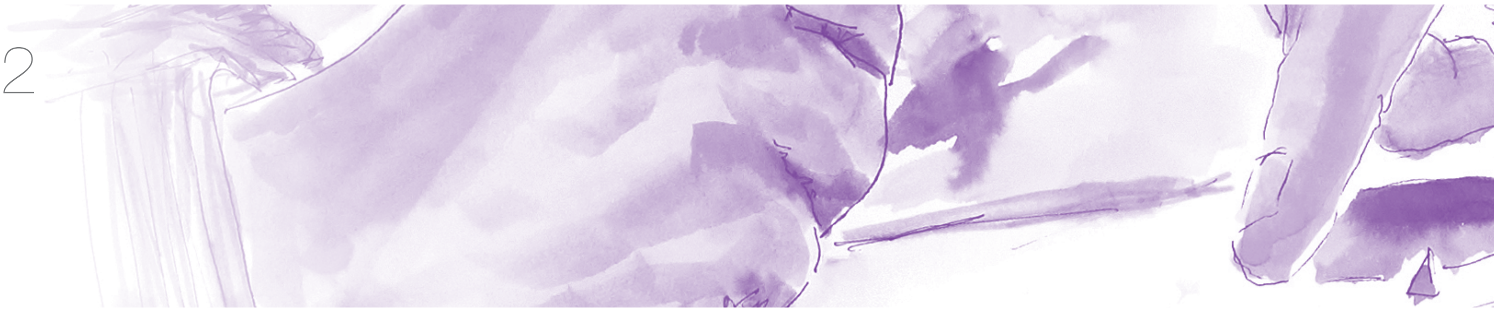
	FROM ONE DAY TO THREE MONTHS		FROM THREE MONTHS TO ONE YEAR		MORE THAN ONE YEAR		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
Domestic banks:								
Chilean Central Bank	69,131	10,440	-	-	-	-	69,131	10,440
Other banks	-	11,689	-	-	-	-	-	11,689
Other entities	10,680	11,874	-	-	-	-	10,680	11,874
Total	79,811	34,003	-	-	-	-	79,811	34,003

The instruments that guarantee the obligation for these repurchase agreements are included in the portfolio of financial instruments held for trading.

9. DERIVATIVE INSTRUMENTS AND ACCOUNTING HEDGES

A) A summary of the derivatives transactions as of each year end is as follows.

	CASH FLOW (CF) OR FAIR VALUE (FV) HEDGE	NOTIONAL AMOUNT OF CONTRACT MATURING IN						FAIR VALUE			
		LESS THAN THREE MONTHS		FROM THREE MONTHS TO ONE YEAR		MORE THAN ONE YEAR		ASSETS		LIABILITIES	
		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
		2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
TRADING DERIVATIVES											
Currency forwards		439,079	266,117	328,052	162,131	14,870	26,589	125,923	67,456	(127,135)	(66,960)
Interest rate swaps		145,327	87,663	286,727	259,037	1,902,976	2,195,216	53,159	30,061	(49,159)	(21,542)
Currency swaps		9,307	44	119,078	108,091	845,986	783,677	75,588	44,941	(58,910)	(28,070)
Interest rate put options		-	-	-	-	-	-	-	-	(21)	-
Total assets (liabilities) for trading derivatives		593,713	353,824	733,857	529,259	2,763,832	3,005,482	254,670	142,458	(235,225)	(116,572)
HEDGE ACCOUNTING DERIVATIVES											
Currency swaps	(CF)	249,240	268,038	-	-	464,206	350,723	20,305	7,807	(9,257)	(1,390)
Total assets (liabilities) for hedge accounting derivatives		249,240	268,038	-	-	464,206	350,723	20,305	7,807	(9,257)	(1,390)
Total assets (liabilities) for derivative instruments		842,954	621,862	733,857	529,259	3,228,038	3,356,205	274,975	150,265	(244,482)	(117,962)



B) HEDGE ACCOUNTING

As of December 31, 2019 and 2018, the Bank had a cash flow hedge, which increased comprehensive income by MCH$377 and MCH$2,976, respectively.

10. LOANS AND ADVANCES TO BANKS

A) Credit risk for loans and advances to banks as of December 31, 2019 and 2018, is evaluated individually for each transaction. This account is as follows:

	ASSETS BEFORE PROVISIONS						PROVISIONS							
	NORMAL AND SUBSTANDARD PORTFOLIO		DEFAULT PORTFOLIO		TOTAL		NORMAL AND SUBSTANDARD PORTFOLIO		DEFAULT PORTFOLIO		TOTAL		NET ASSETS	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
Domestic banks	435	7,159	-	-	435	7,159	-	6	-	-	-	6	435	7,153
Foreign banks	437	3,608	-	-	437	3,608	2	31	-	-	2	31	435	3,577
Total loans and advances to banks	872	10,767	-	-	872	10,767	2	37	-	-	2	37	870	10,730

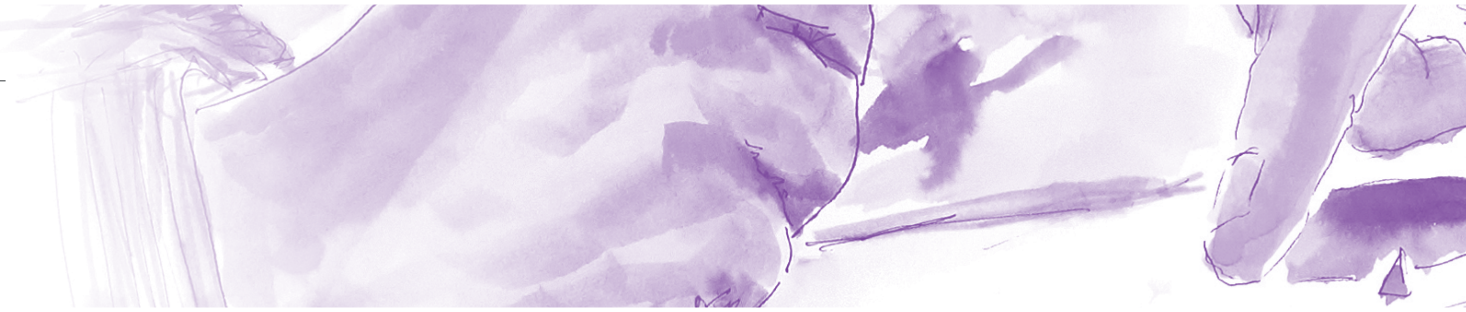
B) Provisions for balances of loans and advances to banks are detailed as follows:

MOVEMENT:	MCH$
BALANCE AS OF JANUARY 1, 2018	-
Write-offs of impaired portfolio	-
Provisions recognized	(46)
Reversal of provisions	9
Balance as of December 31, 2018	(37)
BALANCE AS OF JANUARY 1, 2019	(37)
Write-offs of impaired portfolio	-
Provisions recognized (Note 31)	(20)
Reversal of provisions (Note 31)	55
Balance as of December 31, 2019	(2)

11. LOANS TO CUSTOMERS

A) Loans to Customers

	ASSETS BEFORE PROVISIONS						PROVISIONS							
	NORMAL AND SUBSTANDARD PORTFOLIO		DEFAULT PORTFOLIO		TOTAL		INDIVIDUAL PROVISIONS		GROUP PROVISIONS		TOTAL		NET ASSETS	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
COMMERCIAL LOANS:														
Commercial loans	3,935,219	3,449,632	189,247	159,690	4,124,466	3,609,322	53,342	50,429	10,040	5,184	63,382	55,613	4,061,084	3,553,709
Foreign trade loans	210,275	215,888	6,284	3,337	216,559	219,225	5,515	3,609	56	12	5,571	3,621	210,988	215,604
Current account overdrafts	42,768	48,828	3,702	3,685	46,470	52,513	1,955	3,319	1,151	132	3,106	3,451	43,364	49,062
Factored receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Student loans	4,363	5,024	163	88	4,526	5,112	-	-	304	102	304	102	4,222	5,010
Lease transactions	342,219	313,317	19,409	21,079	361,628	334,396	2,132	4,596	40	38	2,172	4,634	359,456	329,763
Other loans and receivables	5,640	5,217	1,172	1,391	6,812	6,607	636	1,378	197	14	833	1,392	5,979	5,215
Subtotal	4,540,484	4,037,906	219,977	189,270	4,760,461	4,227,175	63,580	63,331	11,788	5,482	75,368	68,813	4,685,093	4,158,363
MORTGAGE LOANS:														
Loans funded with mortgage bonds	1,820	2,581	55	59	1,875	2,640	-	-	-	1	-	1	1,875	2,639
Loans funded with own resources	225,373	157,978	3,909	2,166	229,282	160,144	-	-	423	291	423	291	228,859	159,853
Other mortgage loans	505,445	442,326	7,654	5,180	513,099	447,506	-	-	939	773	939	773	512,160	446,733
Lease transactions	1,294	1,293	-	-	1,294	1,293	-	-	107	10	107	10	1,187	1,283
Other loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	733,932	604,178	11,618	7,405	745,550	611,583	-	-	1,469	1,075	1,469	1,075	744,081	610,508
CONSUMER LOANS:														
Consumer installment loans	314,012	289,339	16,928	12,152	330,940	301,491	-	-	15,769	12,924	15,769	12,924	315,171	288,567
Current account overdrafts	83,280	79,298	3,205	3,738	86,485	83,036	-	-	4,412	4,121	4,412	4,121	82,073	78,915
Credit card debtors	124,366	109,531	2,162	2,455	126,528	111,986	-	-	3,508	3,216	3,508	3,216	123,020	108,770
Consumer lease transactions	-	10	-	-	-	10	-	-	-	3	-	3	-	7
Other loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	521,658	478,178	22,295	18,345	543,953	496,523	-	-	23,689	20,264	23,689	20,264	520,264	476,259
Total	5,796,074	5,120,262	253,890	215,020	6,049,964	5,335,281	63,580	63,331	36,946	26,821	100,526	90,152	5,949,438	5,245,130
ACCOUNTING HEDGES:														
Commercial loans													1,282	22
Subtotal													1,282	22
Total loans to customers													5,950,720	5,245,152



B) PROVISION MOVEMENTS

Movements in provisions in 2019 and 2018 are as follows:

	INDIVIDUAL PROVISIONS MCH$	GROUP PROVISIONS MCH$	TOTAL MCH$
BALANCE AS OF JANUARY 1, 2018	56,846	23,662	80,508
Write-offs of impaired portfolio:			
Commercial loans	(18,789)	-	(18,789)
Mortgage loans	-	(569)	(569)
Consumer loans	-	(18,590)	(18,590)
Total write-offs	(18,789)	(19,159)	(37,948)
Provisions recognized	79,811	59,727	139,538
Reversal of provisions	(54,537)	(37,409)	(91,946)
Balance as of December 31, 2018	63,331	26,821	90,152
BALANCE AS OF JANUARY 1, 2019	63,331	26,821	90,152
Write-offs of impaired portfolio:			-
Commercial loans	(16,800)	-	(16,800)
Mortgage loans	-	(257)	(257)
Consumer loans	-	(20,225)	(20,225)
Total write-offs	(16,800)	(20,482)	(37,282)
Provisions recognized (Note 31)	70,789	75,468	146,257
Reversal of provisions (Note 31)	(53,740)	(44,861)	(98,601)
Balance as of December 31, 2019	63,580	36,946	100,526

In addition to these provisions for loan losses, the Bank also establishes country risk provisions to hedge foreign operations.

As of December 31, 2019 and 2018, loans to customers present no impairment.

C) GROSS LOANS BY INDUSTRY

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

	DOMESTIC LOANS DECEMBER 31,		FOREIGN LOANS DECEMBER 31,		TOTAL DECEMBER 31,			
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 %	2018 %
COMMERCIAL LOANS								
Manufacturing	183,753	197,529	-	-	183,753	197,529	3.04	3.70
Mining	15,944	20,869	-	-	15,944	20,869	0.26	0.39
Utilities	210,683	167,057	-	-	210,683	167,057	3.48	3.13
Agriculture and livestock	183,911	154,722	-	-	183,911	154,722	3.04	2.90
Forestry	18,702	13,019	-	-	18,702	13,019	0.31	0.25
Fishing	84,882	51,406	-	-	84,882	51,406	1.40	0.96
Transportation	198,444	179,402	-	-	198,444	179,402	3.28	3.36
Telecom	3,084	4,387	-	-	3,084	4,387	0.05	0.08
Construction	305,187	266,999	-	-	305,187	266,999	5.04	5.00
Wholesale and retail trade	1,353,601	1,398,568	2,839	933	1,356,440	1,399,501	22.42	26.23
Financial services and insurance	1,292,335	1,132,284	2,266	2,432	1,294,601	1,134,716	21.40	21.27
Real estate	9,041	6,907	-	-	9,041	6,907	0.15	0.13
Corporate services	145,793	123,579	14,702	-	160,495	123,579	2.65	2.32
Social services	446,044	341,709	1,113	-	447,157	341,709	7.39	6.41
Other	288,137	159,109	-	6,264	288,137	165,373	4.76	3.10
Subtotal	4,739,541	4,217,546	20,920	9,629	4,760,461	4,227,175	78.69	79.23
Mortgage loans	745,550	611,583	-	-	745,550	611,583	12.32	11.46
Consumer loans	543,953	496,523	-	-	543,953	496,523	8.99	9.31
Total	6,029,044	5,325,652	20,920	9,629	6,049,964	5,335,281	100.00	100.00

12. INVESTMENT SECURITIES

As of December 31, 2019 and 2018, the Bank and its subsidiaries recognize the following balances within investment securities using the fair value method:

INVESTMENTS AVAILABLE FOR SALE

	UP TO ONE YEAR DECEMBER 31,		FROM ONE TO THREE YEARS DECEMBER 31,		FROM THREE TO SIX YEARS DECEMBER 31,		MORE THAN SIX YEARS DECEMBER 31,		TOTAL DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
Chilean Government and Central Bank instruments										
Chilean Central Bank instruments	374,702	442,928	-	-	-	-	-	-	374,702	442,928
Chilean Treasury instruments	-	-	-	-	-	-	-	-	-	-
Subtotal	374,702	442,928	-	-	-	-	-	-	374,702	442,928
Other financial instruments										
Notes for deposits in domestic banks	76,766	37,313	28,883	38,150	15,330	16,273	1,327	740	122,306	92,476
Mortgage bonds in domestic banks	13	29	538	221	2,140	2,432	19,003	16,709	21,694	19,390
Bonds from domestic companies	9,048	9,835	20,027	2,592	45,224	23,575	9,998	12,151	84,297	48,153
Other instruments issued in Chile	-	-	-	-	-	-	-	-	-	-
Other instruments issued abroad	-	-	1,037	8,467	17,236	50,656	135,322	89,136	153,595	148,259
Subtotal	85,827	47,177	50,485	49,430	79,930	92,936	165,650	118,736	381,892	308,278
Total investments available for sale	460,529	490,105	50,485	49,430	79,930	92,936	165,650	118,736	756,594	751,206

Transactions with repurchase agreements with customers and the Chilean Central Bank in the portfolio of investments available for sale as of December 31, 2019 and 2018, amount to MCH$69,131 and MCH$10,440, respectively.

As of December 31, 2019 and 2018, the portfolio of investments available for sale includes an unrealized loss of MCH$6,825 and MCH$(1,425), respectively, which is presented in equity net of deferred taxes (Note 26).

As of December 31, 2019 and 2018, the Bank does not have any investments held to maturity.

13. INVESTMENTS IN OTHER COMPANIES

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

	OWNERSHIP INTEREST		INVESTMENT VALUE						INCOME AS OF DECEMBER 31,	
			BALANCE AS OF JANUARY 1,		BUY/SALE		BALANCE AS OF DECEMBER 31,			
	2019 %	2018 %	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
Imer Otc Sa	6.89	6.89	864	864	-	-	864	864	-	-
Santiago Exchange	-	-	-	-	-	-	-	-	-	-
Electronic Stock Exchange	-	-	-	-	-	-	-	-	-	-
Combanc S.A.	4.17	4.17	172	171	-	-	172	171	-	-
Depósitos Central de Valores S.A.	3.60	3.60	58	58	-	-	58	58	-	-
Other investments in other companies	-	-	1,001	47	-	955	1,001	1,002	18	18
Total investments in other companies			2,095	1,140	-	955	2,095	2,095	18	18

14. INTANGIBLE ASSETS

As of December 31, 2019 and 2018, intangible assets are as follows:

	AS OF DECEMBER 31, 30, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
Software or computer programs	31,904	33,585
Goodwill	13,039	13,039
Total intangible assets	44,943	46,624

The details for the above items are as follows:

A) SOFTWARE OR COMPUTER PROGRAMS

A.1) The intangible assets of the Bank and its subsidiaries as of December 31, 2019 and 2018, are programs developed in house that are either in production or under development:

	AVERAGE USEFUL LIFE (YEARS)		AVERAGE REMAINING LIFE (YEARS)		GROSS ASSETS		ACCUMULATED AMORTIZATION		NET ASSETS	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
TYPE OF INTANGIBLE ASSET:	2019	2018	2019	2018	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
Acquired	-	-	-	-	-	-	-	-	-	-
Developed in-house	9.89	10.89	11.03	10.21	66,589	64,580	(34,685)	(30,995)	31,904	33,585
Total					66,589	64,580	(34,685)	(30,995)	31,904	33,585

A.2) The intangible assets of the Bank and its subsidiaries as of December 31, 2019 and 2018, are programs developed in house that are either in production or under development:

	MOVEMENTS IN INTANGIBLE ASSETS			
	INTANGIBLE ASSETS		ACCUMULATED AMORTIZATION MCH$	TOTAL MCH$
	ACQUIRED MCH$	DEVELOPED IN-HOUSE MCH$		
BALANCE AS OF JANUARY 1, 2018	-	62,339	(27,789)	34,550
Additions	-	2,739	-	2,739
Transfer to intangible assets in operation	-	-	-	-
Derecognition	-	-	-	-
Amortization for the year	-	-	(3,206)	(3,206)
Impairment for the year	-	(498)	-	(498)
Balance as of December 31, 2018	-	64,580	(30,995)	33,585
BALANCE AS OF JANUARY 1, 2019	-	64,580	(30,995)	33,585
Additions	-	2,009	-	2,009
Transfer to intangible assets in operation	-	-	-	-
Derecognition	-	-	-	-
Amortization for the year	-	-	(3,690)	(3,690)
Impairment for the year	-	-	-	-
Balance as of December 31, 2019	-	66,589	(34,685)	31,904

B) GOODWILL

B.1) Goodwill as of December 31, 2019 and 2018, is as follows:

	AS OF DECEMBER 31, 30, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
Goodwill	13,039	13,039
Total	13,039	13,039

B.2) Movements in goodwill in the year ended December 31, 2019, are as follows:

	MOVEMENTS IN GOODWILL 12.31.2019 MCH$				
	NET OPENING BALANCE	ADDITIONS	IMPAIRMENT LOSSES RECOGNIZED IN EQUITY	IMPAIRMENT LOSSES RECOGNIZED IN PROFIT (LOSS)	NET CLOSING BALANCE
Goodwill Administradora General de Fondos Security S.A.	9,209	-	-	-	9,209
Goodwill Valores Security S.A. Corredores de Bolsa	3,830	-	-	-	3,830
Total	13,039	-	-	-	13,039

15. PROPERTY, PLANT AND EQUIPMENT

	MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT									
	BUILDINGS AND LAND			EQUIPMENT			OTHER PROPERTY, PLANT AND EQUIPMENT			
		ACCUMULATED			ACCUMULATED			ACCUMULATED		
	GROSS ASSETS	DEPRECIATION	IMPAIRMENT	GROSS ASSETS	DEPRECIATION	IMPAIRMENT	GROSS ASSETS	DEPRECIATION	IMPAIRMENT	NET ASSETS
	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$	MCH$
BALANCE AS OF JANUARY 1, 2018	20,492	(3,511)	-	8,091	(7,162)	-	16,031	(9,857)	-	24,084
Additions	1,729	-	-	368	-	-	95	-	-	2,192
Disposals / write-offs	(1,622)	-	-	-	-	-	(54)	-	-	(1,676)
Depreciation for the year	-	(1,261)	-	-	(650)	-	-	(33)	-	(1,944)
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2018	20,599	(4,772)	-	8,459	(7,812)	-	16,072	(9,890)	-	22,656
BALANCE AS OF JANUARY 1, 2019	20,599	(4,772)	-	8,459	(7,812)	-	16,072	(9,890)	-	22,656
Additions	-	-	-	587	-	-	900	-	-	1,487
Disposals / write-offs	-	-	-	(2)	-	-	(2)	-	-	(4)
Depreciation for the year	-	(505)	-	-	(285)	-	-	(1,181)	-	(1,971)
Impairment for the year	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2019	20,599	(5,277)	-	9,044	(8,097)	-	16,970	(11,071)	-	22,168

16. LEASE RIGHT-OF-USE ASSET

The detail of lease right-of-use assets as of December 31, 2019 and 2018, is as follows:

	COMPOSITION OF LEASED ASSET			
NOMINAL VALUES	UP TO ONE YEAR MCH$	UP TO FIVE YEARS MCH$	MORE THAN FIVE YEARS MCH$	TOTAL MCH$
Lease right-of-use asset	1,434	6,500	1,540	9,474

Movements in lease right-of-use assets during the year ended December 31, 2019, are as follows:

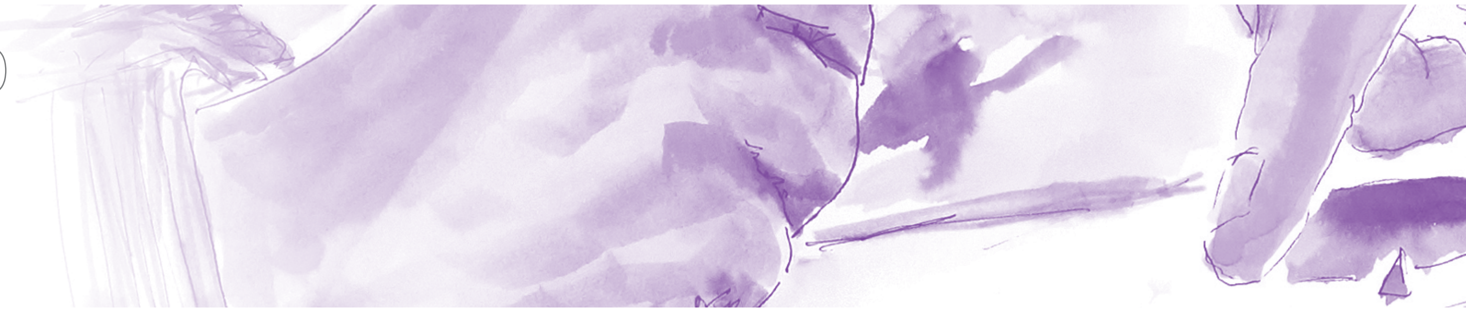
	PROPERTY AND PLANT MCH$	LEASEHOLD IMPROVEMENTS MCH$	EQUIPMENT MCH$	OTHER MCH$	TOTAL MCH$
GROSS ASSETS					
Balance as of January 1, 2019	7,657	-	-	-	7,657
Additions	1,817	-	-	-	1,817
Disposals / write-offs	-	-	-	-	-
Other	204	-	-	-	204
Balance as of December 31, 2019	9,678	-	-	-	9,678
ACCUMULATED DEPRECIATION					
Balance as of January 1, 2019	-	-	-	-	-
Depreciation for the year	(1,472)	-	-	-	(1,472)
Disposals / write-offs	-	-	-	-	-
Other	-	-	-	-	-
Balance as of December 31, 2019	(1,472)	-	-	-	(1,472)
Net balance	8,206	-	-	-	8,206

17. CURRENT AND DEFERRED TAXES

A) CURRENT TAXES

Current tax assets and liabilities as of December 31, 2019 and 2018, are as follows:

	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
Current income taxes	(27,375)	(19,467)
Tax on disallowed expenses (40%)	(444)	(33)
Less:		
Monthly provisional tax payments	25,754	19,725
Credits for training expenses	259	157
Other	101	126
Total	(1,705)	508
Recoverable taxes for the year		
Income taxes payable	-	(358)
Current tax liability	-	(358)
Balance of current tax liability	637	866
Recoverable taxes for the year	193	77
Recoverable taxes from prior years	1,255	1,110
Current tax asset	2,085	2,053



B) INCOME TAX EXPENSE

The Bank's tax expense recognized for the years ended December 31, 2019 and 2018, is as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2019 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2018 MCH$
INCOME TAX EXPENSE:		
Current year taxes	27,375	19,467
Single tax for the year	653	119
Tax expense adjustment (prior period)	1,348	203
Subtotal	29,376	19,789
CREDIT (CHARGE) FOR DEFERRED TAXES:		
Origin and reversal of temporary differences	(4,794)	217
Effect of change in tax rate	-	-
Net charge to profit for income taxes	24,582	20,006

C) DEFERRED TAXES

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

C.1) EFFECT OF DEFERRED TAXES ON EQUITY:

	AS OF DECEMBER 31 2019 MCH$	AS OF DECEMBER 31 2018 MCH$
Investments available for sale	(2,524)	527
Tax goodwill	1,012	1,231
Cash flow hedge	(720)	(617)
First adoption adjustment TCM points	1,174	1,174
Other	(402)	(697)
Total	(1,460)	1,618

C.2) EFFECT OF DEFERRED TAXES:

	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
DEFERRED TAX ASSETS:		
Global portfolio provisions	23,977	21,431
Goodwill portfolio provisions	11	(45)
Vacation and other provisions	893	849
Fair value investments	(14)	41
Contingency provisions	163	45
Global provisions on recovered assets	63	31
Projects and development	4,639	6,483
Suspended interest	826	782
Other	6,140	5,845
Total deferred tax assets through profit and loss	36,698	35,462
Effect on equity (debtor balance)	609	534
Total deferred tax assets	37,307	35,996
DEFERRED TAX LIABILITIES:		
Lease agreements	3,392	941
Depreciation of property, plant and equipment	(5,637)	(5,937)
Effective rate	(177)	(186)
Deferred revenue and expenses	-	-
Projects and development	(7,433)	(8,279)
Other	(949)	(901)
Total deferred tax liabilities through profit and loss	(10,804)	(14,362)
Effect on equity (creditor balance)	(2,069)	1,084
Total deferred tax liabilities	(12,873)	(13,278)
Total asset through profit and loss	25,894	21,100

C.3) TOTAL DEFERRED TAXES:

	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
Effect of deferred taxes on equity	(1,057)	2,315
Effect of deferred taxes on equity (Valores Security)	(403)	(697)
Subtotal	(1,460)	1,618
Effect of deferred taxes on profit (loss)	24,854	20,933
Effect of deferred taxes on profit (loss) (Valores Security)	1,040	167
Subtotal	25,894	21,100
Deferred tax assets	23,797	23,248
Deferred tax liabilities (Valores Security)	637	(530)

C.4) RECONCILIATION OF TAX RATES:

The following table reconciles the income tax rate to the effective rate applied to determine the Bank's income tax expense as of December 31, 2019 and 2018.

	AS OF DECEMBER 31, 2019		AS OF DECEMBER 31, 2018	
	TAX RATE	AMOUNT MCH$	TAX RATE	AMOUNT MCH$
Profit before tax	27.0%	(27,416)	27.0%	(25,019)
Permanent differences	-4.8%	4,835	-5.8%	5,335
Additions or deductions				
Single tax (disallowed expenses)	0.6%	(653)	0.1%	(119)
Amortization of deferred tax complementary accounts	0.0%	-	0.0%	-
Non-deductible expenses (financial, non-tax expenses)	0.0%	-	0.0%	-
Prior period adjustments	1.3%	(1,348)	0.2%	(203)
Effect of change in tax rate	0.0%	-	0.0%	-
Other	0.0%	-	0.0%	-
Effective rate and income tax expense	24.1%	(24,582)	21.5%	(20,006)

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

D) JOINT GUIDANCE: SBIF RULING NO. 3,478 AND CHILEAN INTERNAL REVENUE SERVICE RULING NO. 477

The tax treatment of provisions, write-offs, renegotiations and remissions of loans granted by the Bank (excluding subsidiaries) as of December 31, 2019 and 2018, is as follows:

D.1) LOANS TO CUSTOMERS AS OF DECEMBER 31:

	ASSETS AT CARRYING AMOUNT		ASSETS AT TAX VALUE					
			TOTAL		SECURED PAST-DUE PORTFOLIO		UNSECURED PAST-DUE PORTFOLIO	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
Commercial loans	4,400,116	3,892,802	4,403,208	3,895,082	14,734	11,746	14,161	13,334
Consumer loans	543,953	496,513	543,953	496,513	133	51	2,990	2,230
Residential mortgage loans	744,256	610,290	744,256	610,290	764	403	2	4
Loans and advances to banks	-	-	-	-	-	-	-	-
Total	5,688,325	4,999,605	5,691,417	5,001,885	15,631	12,200	17,153	15,568

D.2) PROVISIONS FOR PAST-DUE PORTFOLIO:

	BALANCE AS OF JANUARY 1,		WRITE-OFFS AGAINST PROVISIONS		PROVISIONS		REVERSAL OF PROVISIONS		BALANCE AS OF DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
Commercial loans	14,161	13,334	9,656	(15,164)	21,587	20,417	-	-	45,404	18,587
Consumer loans	2,990	2,230	8,916	(18,100)	(1,428)	18,088	-	-	10,478	2,218
Residential mortgage loans	2	4	-	(495)	(2)	446	-	-	(0)	(45)
Loans and advances to banks	-	-	-	-			-	-	-	-
Total	17,153	15,568	18,572	(33,759)	20,157	38,951	-	-	55,882	20,760

D.3) WRITE-OFFS, CANCELLATIONS AND RECOVERIES:

DIRECT WRITE-OFFS AND RECOVERIES	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$	APPLICATION OF ART. 31 NO. 4 SECTIONS ONE AND THREE	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
Direct write-offs Art. 31, No. 4, section two	18,608	3,619		-	-
Cancellations that resulted in reversals of provisions				-	-
Recovery or renegotiation of written-off loans	417	160		-	-

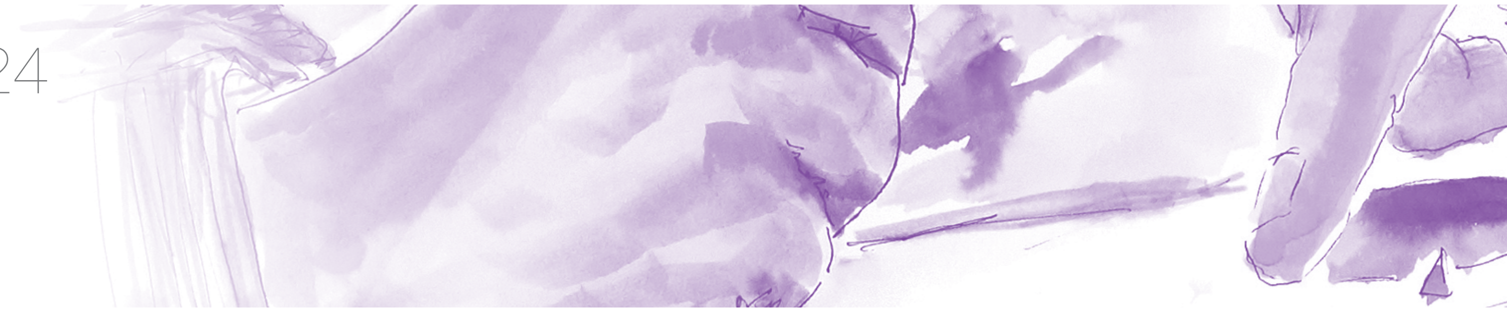
18. OTHER ASSETS

A) As of December 31, 2019 and 2018, other assets are detailed as follows:

	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
LEASED ASSETS	11,225	13,090
Repossessed or awarded assets		
Repossessed assets	3,833	-
Assets awarded in court-ordered public auction	610	925
Provisions for repossessed assets	(401)	(5)
Subtotal - repossessed or awarded assets	4,042	920
OTHER ASSETS		
Cash deposits as collateral	92,324	33,134
VAT tax credit	1,475	2,873
Prepaid expenses	879	1,069
Recovered leased assets for sale	2,538	2,953
Brokerage receivables	53,764	57,901
Treasury receivables	36,530	23,039
Other	7,834	8,712
Subtotal - Other assets	195,344	129,681
Total other assets	210,611	143,691

Leased assets include assets available for finance leases.

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



B) The following table details movements in provisions for repossessed assets during the years ended December 31, 2019 and 2018, recognized in accordance with CMF (formerly SBIF) standards:

MOVEMENT:		MCH$
BALANCE AS OF JANUARY 1, 2018		(2)
Recognized:	Provision	(278)
	Impairment	-
Released:	Provision	275
	Impairment	-
Balance as of December 31, 2018		(5)
BALANCE AS OF JANUARY 1, 2019		(5)
Recognized:	Provision	(505)
	Impairment	-
Released:	Provision	109
	Impairment	-
Balance as of December 31, 2019		(401)

19. CURRENT ACCOUNTS AND OTHER DEMAND DEPOSITS

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

A) CURRENT ACCOUNTS AND OTHER DEMAND DEPOSITS

As of December 31, 2019 and 2018, current accounts and other demand deposits are as follows:

	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
CURRENT ACCOUNTS:		
Current accounts of domestic banks	-	-
Current accounts of other legal entities	466,738	374,092
Current accounts of individuals	196,493	170,808
Subtotal	663,231	544,900
OTHER DEMAND DEPOSITS AND ACCOUNTS		
Cashier's checks	67,193	51,887
Demand deposits	2,925	2,494
Subtotal	70,118	54,381
OTHER DEMAND BALANCES PAYABLE:		
Deposits for court allocations	-	-
Performance bonds payable on demand	12,911	7,455
Collections made but not yet received	7,966	8,326
Export returns to settle	2	376
Pending payment orders	4,374	3,049
Payments on behalf of loans to be settled	17,735	6,211
Frozen assets (art 156 of General Banking Law)	1,760	1,191
Expired time deposits	2,331	2,847
Demand balances with customers - Valores	77,789	15,150
Funds from issuance of new mortgage bonds	109,545	17,801
Other demand balances	6,968	8,278
Subtotal	241,381	70,684
Total	974,730	669,965

B) SAVINGS ACCOUNTS AND TIME DEPOSITS

Savings accounts and time deposits as of December 31, 2019 and 2018, are classified by maturity; details are as follows:

	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
TIME DEPOSITS										
Domestic banks	38,594	124,565	9,622	-	-	-	-	-	48,216	124,565
Foreign banks	2,258	-	-	-	-	-	-	-	2,258	-
Other legal entities	2,678,454	2,592,104	159,694	77,455	-	-	-	-	2,838,148	2,669,558
Individuals	151,031	169,688	20	255	-	-	-	-	151,051	169,943
Subtotal	2,870,337	2,886,357	169,336	77,710	-	-	-	-	3,039,673	2,964,066

20. BORROWINGS FROM FINANCIAL INSTITUTIONS

As of December 31, 2019 and 2018, interbank loans are as follows:

	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
DOMESTIC BANKS:										
Current account overdrafts	-	-	-	-	-	-	-	-	-	-
Long-term borrowings		-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-
FOREIGN BANKS:										
Financing for Chilean exports	109,008	90,323	-	13,974	-	-	-	-	109,008	104,297
Financing for Chilean imports	88,483	72,063	-	6,962	-	-	-	-	88,483	79,025
Obligations for transactions between third-party countries	18,810	-	13,186	31,203	-	-	-	-	31,996	31,203
Loans and other obligations	43,147	147	-	8,399	-	-	-	-	43,147	8,546
Subtotal	259,448	162,533	13,186	60,538	-	-	-	-	272,634	223,071
Chilean Central Bank	-	-	-	-	-	-	-	-	-	-
Total	259,448	162,533	13,186	60,538	-	-	-	-	272,634	223,071

21. DEBT INSTRUMENTS ISSUED AND OTHER FINANCIAL LIABILITIES

Debt instruments issued as of December 31, 2019 and 2018, are detailed by maturity in the following table:

A) DEBT INSTRUMENTS ISSUED

	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
LETTERS OF CREDIT:										
Letters of credit for residential purposes	30	151	115	71	1,259	916	(154)	766	1,251	1,904
Letters of credit for general purposes	3	23	215	26	689	523	10,278	11,198	11,184	11,770
Subtotal	33	174	330	97	1,948	1,439	10,124	11,964	12,435	13,674
BONDS:										
Senior bonds	219,146	209,210	605,487	488,328	1,026,499	644,570	629,138	615,333	2,480,270	1,957,441
Subordinated bonds	7,904	7,476	16,366	15,600	18,515	19,894	232,886	191,414	275,671	234,384
Subtotal	227,050	216,686	621,853	503,928	1,045,014	664,464	862,024	806,747	2,755,941	2,191,825
Total	227,083	216,860	622,183	504,025	1,046,962	665,903	872,148	818,711	2,768,376	2,205,499

B) OTHER FINANCIAL LIABILITIES

	UP TO ONE YEAR		FROM ONE TO THREE YEARS		FROM THREE TO SIX YEARS		MORE THAN SIX YEARS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
PUBLIC-SECTOR OBLIGATIONS:										
CORFO financing	1,219	672	909	3,256	1,677	1,452	361	1,812	4,166	7,192
Subtotal	1,219	672	909	3,256	1,677	1,452	361	1,812	4,166	7,192
OTHER CHILEAN OBLIGATIONS:										
Payables to credit card operators	5,789	4,771	-	-	-	-	-	-	5,789	4,771
Obligations in favor of Chilean exporters			-	-	-	-	-	-	-	-
Subtotal	5,789	4,771	-	-	-	-	-	-	5,789	4,771
Total	7,008	5,443	909	3,256	1,677	1,452	361	1,812	9,955	11,963

22. LEASE LIABILITIES

Lease liabilities as of December 31, 2019, are as follows:

	MATURITY OF LEASE PAYMENTS			
	UP TO ONE YEAR	UP TO FIVE YEARS	MORE THAN FIVE YEARS	
(IN NOMINAL VALUES)	DECEMBER 31, MCH$	DECEMBER 31, MCH$	DECEMBER 31, MCH$	TOTAL MCH$
Lease payments	1,612	6,985	1,582	10,179

The composition and maturities of lease liabilities as of December 31, 2019, are as follows:

	AS OF DECEMBER 31, 30, 2019 MCH$
Lease liabilities	9,474
Lease installments paid	(1,274)
Other	150
Balances as of December 31, 2019	8,350

23. PROVISIONS

A) As of December 31, 2019 and 2018, the Bank and its subsidiaries recognized the following provisions:

	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
PROVISIONS FOR PAYROLL AND EMPLOYEE BENEFITS		
Provision for other employee benefits	38	-
Vacation provisions	3,361	3,078
Subtotal - Provisions for payroll and employee benefits	3,399	3,078
MINIMUM DIVIDEND PROVISION	23,089	21,796
PROVISIONS FOR CONTINGENT LOANS		
Guarantees and pledges	113	93
Issued foreign letters of credit	-	-
Issued documentary letters of credit	31	45
Performance and bid bonds	2,043	4,056
Unrestricted lines of credit	2,905	3,150
Subtotal - Contingent loan risk	5,092	7,344
CONTINGENCY PROVISIONS		
Country risk provisions	274	262
Additional loan provisions	-	-
Minimum provision adjustment	1,411	981
Other contingency provisions	1,164	5,071
Subtotal - Contingency provisions	2,849	6,314
Total other provisions	34,429	38,532

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

B) In 2019 and 2018, provision movements are detailed as follows:

	PAYROLL AND EMPLOYEE BENEFITS MCH$	MINIMUM DIVIDENDS MCH$	CONTINGENT LOAN RISK MCH$	CONTINGENCIES MCH$	TOTAL MCH$
BALANCE AS OF JANUARY 1, 2018	3,153	18,907	7,856	6,829	36,745
Provisions recognized	820	19,231	9,341	2,491	31,883
Reversal of provisions	(895)	(16,342)	(9,853)	(3,006)	(30,096)
Balance as of December 31, 2018	3,078	21,796	7,344	6,314	38,532
BALANCE AS OF JANUARY 1, 2019	3,078	21,796	7,344	6,314	38,532
Provisions recognized	899	21,219	7,482	3,036	32,636
Reversal of provisions	(578)	(19,926)	(9,734)	(6,501)	(36,739)
Balance as of December 31, 2019	3,399	23,089	5,092	2,849	34,429

24. OTHER LIABILITIES

Other liabilities as of December 31, 2019 and 2018, are as follows:

	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
Accounts and notes payable	19,061	19,517
Dividends payable	35	26
Unearned revenue	122	1,795
Short sales	2	-
Payables to customers for brokerage services	36,860	28,814
Payables to brokers for brokerage services	1,761	5,660
Funds retained current account guarantee	-	-
Comder guarantee	4,126	6,486
Bilateral guarantees	13,240	4,629
Other liabilities	6,974	6,350
Total	82,181	73,277

25. CONTINGENCIES AND COMMITMENTS

A) LAWSUITS AND LEGAL PROCEEDINGS

LEGAL CONTINGENCIES WITHIN THE ORDINARY COURSE OF BUSINESS

As of the date of issuance of these consolidated financial statements, some legal actions have been filed against the Bank and its subsidiaries involving its normal operations. Management and its legal counsel do not believe that the Bank and its subsidiaries are exposed to any potential significant losses not disclosed in these financial statements.

B) CONTINGENT LOANS

The following note contains the amounts for which the Bank is contractually obliged to provide loans and the amount of provisions recognized:

	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
Performance and bid bonds	273,747	256,442
Immediately available credit lines	890,020	907,445
Letters of credit	8,724	35,453
Guarantees and pledges	17,375	18,814
Provisions recognized	(5,092)	(7,344)
Total	1,184,774	1,210,810

C) LIABILITIES

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

	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
Securities and bonds provided as guarantee	6,170,130	5,701,903
Instruments in custody	1,191,970	2,706,083
Signed lease agreements	33,603	30,224
Notes in collections	101,734	107,482
Total	7,497,437	8,545,692

D) GUARANTEES FURNISHED

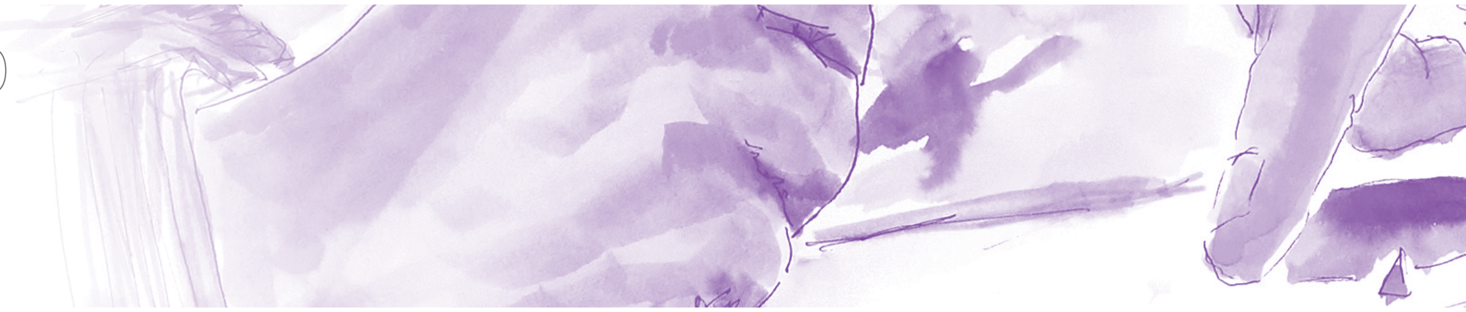
BANCO SECURITY

As of December 31, 2019 and 2018, the Bank does not have any assets furnished as guarantees.

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

Administradora General de Fondos Security S.A., in compliance with article 266 of Law No. 18,045 (Securities Market Law), contracted the following insurance policies to guarantee faithful performance of its obligations as fund manager to manage third-party funds and cover compensation for damages that result from non-compliance.

On January 9, 2019, the company contracted a policy with MAPFRE Seguros Generales S.A., for UF 383,000 that expires on January 9, 2020.



On January 10, 2019, the company contracted a policy with Compañía de Seguros de Crédito Continental S.A., for UF 605,000 and a policy with MAPFRE Seguros Generales S.A., for UF 10,000, both of which expire on January 10, 2020.

The following policies were contracted for investment funds:

On January 9, 2019, the company contracted a policy with MAPFRE Seguros Generales S.A., for UF 185,000 that expires on January 9, 2020.

On February 28, 2019, the company contracted a policy with Compañía de Seguros de Crédito Continental S.A., for UF 10,000, that expires on January 9, 2020.

On March 18, 2019, the company contracted a policy with Compañía de Seguros de Crédito Continental S.A., for UF 10,000, that expires on January 10, 2020.

On July 1, 2019, the company contracted a policy with MAPFRE Seguros Generales S.A., for UF 10,000 that expires on January 10, 2020.

VALORES SECURITY S.A. CORREDORES DE BOLSA

As of December 31, 2019, Valores Security S.A. Corredora de Bolsa, in compliance with articles 30 and 31 of Law No. 18,045 (Securities Market Law), has established a guarantee of UF 20,000 that expires on April 22, 2020, through MAPFRE Garantías y Crédito S.A., designating Santiago Exchange as the depositary and custody institution.

With respect to the ruling issued by Santiago Exchange requiring all brokers to have comprehensive insurance coverage beginning February 1, 1998, Valores Security S.A. Corredora de Bolsa has a comprehensive banking insurance policy with Liberty Compañía de Seguros Generales S.A. for UF 300,000, that expires on September 30, 2020, which provides all of the coverage required by that ruling.

In order to guarantee forward transactions, Valores Security S.A. Corredores de Bolsa has deposited stocks in custody of Santiago Exchange totaling MCH$15,394 and MCH$23,161 as of December 31, 2019 and 2018, respectively.

In compliance with CMF General Standard 1898, Valores Security S.A. Corredores de Bolsa has contracted an insurance policy for UF10,000 expiring on January 8, 2020, through Compañía de Seguros de Crédito Continental S.A., in favor of holders of voluntary retirement savings plans.

In compliance with General Standard 363 of April 30, 2014, which refer to a guarantee for correct professional performance in accordance with Law 20,712 on managing third-party funds and individual portfolios, Valores Security S.A. Corredores de Bolsa has taken out insurance for UF244.152 through Compañía de Seguros Continental expiring on March 31, 2020.

In order to guarantee transactions in the settlement clearing system, Valores Security S.A. Corredores de Bolsa has deposited financial instruments as guarantees with CCLV Countraparte Central totaling MCH$3,620 and MCH$2,896 as of December 31, 2019 and 2018, respectively.

26. EQUITY

A) The Bank's authorized capital is comprised of 246,000,000 single-series shares, of which 228,476,744 are fully subscribed and paid.

Movements of issued and paid-in shares are as follows:

	COMMON SHARES		PREFERENTIAL SHARES	
	2019	2018	2019	2018
Opening balance	228,476,744	228,476,744	-	-
Payment of subscribed shares	-	-	-	-
Balance	228,476,744	228,476,744	-	-

As of the end of this reporting period, the Bank's shareholders are as follows:

	2019		2018	
SHAREHOLDERS	NO. OF SHARES	OWNERSHIP INTEREST (%)	NO. OF SHARES	OWNERSHIP INTEREST (%)
Grupo Security	228,419,348	99.97	228,419,192	99.97
Other	57,396	0.03	57,552	0.03
Total	228,476,744	100.00	228,476,744	100.00

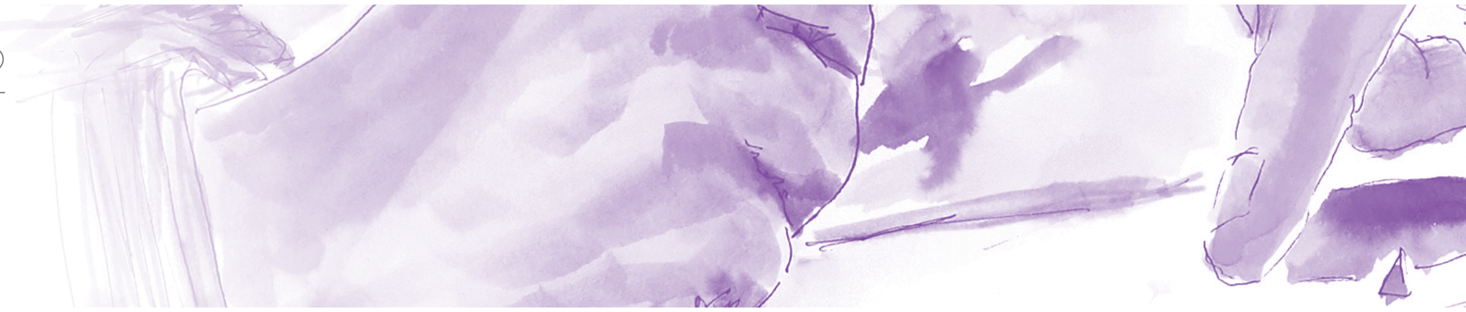
B) As of December 31, 2019 and 2018, earnings per share is detailed as follows:

ATTRIBUTABLE TO OWNERS OF THE BANK:

	DECEMBER	
	2019	2018
Profit for the year	MCH$76,963	MCH$72,653
Average outstanding shares	228,476,744	228,476,744
EARNINGS PER SHARE:		
Basic	CH$337	CH$318
Diluted	CH$337	CH$318

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

	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
Opening balance	25,654	26,246
Other equity movements (*)	(915)	(592)
Closing balance	24,739	25,654
(*) Opening balance of other equity movements		
Movement subsidiary Administradora General de Fondos Security S.A.	(218)	(206)
Movement subsidiary Valores Security S.A. Corredora de Bolsa	(697)	(386)
Total	(915)	(592)



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

	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
INSTRUMENTS AVAILABLE FOR SALE:		
Valuation	9,349	(1,952)
Deferred taxes	(2,524)	527
Subtotal	6,825	(1,425)
ACCOUNTING HEDGES:		
Valuation	2,662	2,285
Deferred taxes	(720)	(617)
Subtotal	1,942	1,668
Total	8,767	243

E) For the years ended December 31, 2019 and 2018, the following dividend was declared and paid:

DESCRIPTION	DISTRIBUTABLE PROFIT MCH$	DIVIDENDS MCH$	RESERVES MCH$	DIVIDEND PER SHARE CH$
2018 Fiscal Year Shareholders' meeting No. 37	72,653	43,591	29,062	190.8
2017 Fiscal Year Shareholders' meeting No. 36	63,026	37,813	25,213	165.5

As of December 31, 2019 and 2018, the Bank recognized a provision for minimum dividends in accordance with Law No. 18,046 on Corporations and Chapter B4 of the CMF (formerly SBIF) Compendium of Accounting Standards, amounting to MCH$23,089 and MCH$21,796, respectively.

F) CORE AND REGULATORY CAPITAL:

In accordance with the General Banking Law, a financial institution must have a minimum core capital of no less than 3% of total assets and a regulatory capital of not less than 8% of its risk-weighted assets. As of December 31, 2019, Banco Security has a core capital of 7.13% (7.79% in December 2018) and 12.31% (13.22% in December 2018), respectively.

27. INTEREST AND INDEXATION

Interest and indexation accrued and received for the years ended December 31, 2019 and 2018, are as follows:

A) INTEREST AND INDEXATION INCOME

	INTEREST DECEMBER 31,		INDEXATION DECEMBER 31,		TOTAL DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
REPURCHASE AGREEMENTS	21	12	-	-	21	12
LOANS AND ADVANCES TO BANKS	887	721	-	-	887	721
COMMERCIAL LOANS						
Commercial loans	181,483	167,134	49,252	40,099	230,735	207,233
Foreign trade loans	11,208	8,796	430	491	11,638	9,287
Current account overdrafts	7,453	7,639	-	-	7,453	7,639
Student loans	250	276	125	142	375	418
Commercial lease agreements	17,319	16,951	7,938	8,801	25,257	25,752
Prepayment commissions on commercial loans	1	-	3,921	2,283	3,922	2,283
Total income from commercial loans	217,714	200,796	61,666	51,816	279,380	252,612
MORTGAGE LOANS						
Loans funded with mortgage bonds	101	142	57	88	158	230
Commissions on loans funded with mortgage bonds	20	27	-	-	20	27
Loans funded with own resources	5,135	5,174	4,734	4,510	9,869	9,684
Other mortgage loans	15,341	15,891	12,753	12,753	28,094	28,644
Total income from mortgage loans	20,597	21,234	17,544	17,351	38,141	38,585
CONSUMER LOANS						
Consumer installment loans	24,873	22,650	-	(1)	24,873	22,649
Current account overdrafts	18,638	18,416	-	-	18,638	18,416
Credit card loans	13,059	12,538	-	-	13,059	12,538
Consumer leases	-	-	-	-	-	-
Prepayment commissions on consumer loans	-	-	3	4	3	4
Total income from consumer loans	56,570	53,604	3	3	56,573	53,607
INVESTMENT SECURITIES						
Investments available for sale	20,936	20,494	2,810	2,681	23,746	23,175
Total income from investment securities	20,936	20,494	2,810	2,681	23,746	23,175
Other interest or indexation income	7,761	6,525	240	191	8,001	6,716
Loss from accounting hedges	(528)	(262)	-	-	(528)	(262)
Total interest and indexation income	323,958	303,124	82,263	72,042	406,221	375,166

For the years ended December 31, 2019 and 2018, interest and indexation expenses are as follows:

B) INTEREST AND INDEXATION EXPENSE FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	INTEREST		INDEXATION		OTHER		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
DEPOSITS								
Demand deposits	(150)	(159)	(97)	(117)	-	-	(247)	(276)
Time deposits	(88,595)	(82,930)	(2,520)	(5,245)	-	-	(91,115)	(88,175)
Total expenses for deposits	(88,745)	(83,089)	(2,617)	(5,362)	-	-	(91,362)	(88,451)
Repurchase agreements	(588)	(592)	-	-	-	-	(588)	(592)
Borrowings from financial institutions	(7,807)	(5,777)	-	-	-	-	(7,807)	(5,777)
Other financial liabilities	(153)	-	-	-	-	-	(153)	-
DEBT ISSUED								
Interest on letters of credit	(529)	(641)	(336)	(436)	-	-	(865)	(1,077)
Interest on senior bonds	(57,097)	(49,501)	(49,306)	(43,527)	-	-	(106,403)	(93,028)
Interest on subordinated bonds	(9,127)	(9,361)	(6,446)	(6,584)	-	-	(15,573)	(15,945)
Total expenses for debt issued	(66,753)	(59,503)	(56,088)	(50,547)	-	-	(122,841)	(110,050)
Lease liabilities	(158)	-	-	-	-	-	(158)	-
Other interest or indexation expenses	(131)	(505)	(133)	(235)	-	-	(264)	(740)
Loss from accounting hedges	(613)	(1,331)	-	-	-	-	(613)	(1,331)
Total interest and indexation expenses	(164,948)	(150,797)	(58,838)	(56,144)	-	-	(223,786)	(206,941)

28. FEES AND COMMISSIONS

Fee and commission income and expenses for the years ended December 31, 2019 and 2018, which are presented in the consolidated statement of income, consist of the following items:

	FOR THE YEAR ENDED DECEMBER 31, 2019 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2018 MCH$
FEE AND COMMISSION INCOME		
Lines of credit and overdrafts	701	1,304
Guarantees and letters of credit	5,846	5,566
Card services	9,345	8,714
Account maintenance	4,627	4,196
Collections and payments	13,748	14,003
Securities brokerage and management	11,670	13,354
Mutual funds and other investments	24,272	24,853
Other fees and commissions earned	10,977	10,324
Total fee and commission income	81,186	82,314
FEE AND COMMISSION EXPENSES		
Credit card transaction fees	(40)	-
Securities transaction fees and commissions	(3,925)	(2,987)
Sales service fees and commissions	(7,083)	(7,756)
Other fees and commissions	(2,861)	(2,817)
Total fee and commission expenses	(13,909)	(13,560)
Total net fee and commission income	67,277	68,754

29. NET FINANCIAL OPERATING INCOME

Net financial operating income for the years ended December 31, 2019 and 2018, is as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2019 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2018 MCH$
FINANCIAL INSTRUMENTS HELD FOR TRADING		
Interest and indexation	2,554	3,653
Fair value adjustment	49	(15)
Gain on sale	3,050	2,147
Loss on sale	(398)	(602)
Gain on mutual fund investments	3,398	1,646
Subtotal	8,653	6,829
TRADING DERIVATIVES		
Gain on derivative instruments	604,041	430,283
Loss on derivative instruments	(598,794)	(418,519)
Subtotal	5,247	11,764
SALE OF INVESTMENTS AVAILABLE FOR SALE		
Fair value adjustments transferred to profit (loss)	-	749
Gain on sale	12,020	2,193
Loss on sale	(1,324)	(241)
Subtotal	10,696	2,701
Sale of loan portfolio	752	1,326
NET GAIN (LOSS) FROM OTHER TRANSACTIONS		
Purchases of letters of credit issued by the Bank	(1)	(2)
Net gain on ineffective hedges	-	
Other income	634	3,742
Other expenses	(1,903)	(2,624)
Subtotal	(1,270)	1,116
Total net financial operating income	24,078	23,736

30. NET FOREIGN EXCHANGE TRANSACTIONS

For the years ended December 31, 2019 and 2018, net foreign exchange transactions for the Bank and its subsidiaries are as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2019 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2018 MCH$
NET FOREIGN EXCHANGE TRANSACTIONS:		
Net gain on currency positions	13,760	9,485
Other currency gains	1,390	953
Subtotal	15,150	10,438
NET GAIN FOR EXCHANGE RATE ADJUSTMENTS		
Indexation of other liabilities	-	(628)
Subtotal	-	(628)
NET LOSS ON HEDGING DERIVATIVES:		
Net foreign exchange loss (hedged)	(4,689)	(6,595)
Subtotal	(4,689)	(6,595)
Total	10,461	3,215

31. PROVISIONS FOR LOAN LOSSES

Movements in provisions for loan losses for the years ended December 31, 2018 and 2019, are as follows:

	LOANS AND ADVANCES TO BANKS		LOANS TO CUSTOMERS						CONTINGENT LOANS		TOTAL	
			COMMERCIAL LOANS		MORTGAGE LOANS		CONSUMER LOANS					
	DECEMBER		DECEMBER		DECEMBER		DECEMBER		DECEMBER		DECEMBER	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
PROVISIONS RECOGNIZED:												
Individual provisions	(20)	(46)	(70,789)	(79,811)	-	-	-	-	(3,441)	(4,342)	(74,250)	(84,199)
Group provisions	-	-	(16,642)	(4,386)	(2,382)	(2,147)	(56,444)	(53,195)	(4,041)	(4,999)	(79,509)	(64,727)
Minimum provision adjustment	-	(3)	(422)	(665)	-	-	-	-	(11)	(55)	(433)	(723)
Total provisions recognized	(20)	(49)	(87,853)	(84,862)	(2,382)	(2,147)	(56,444)	(53,195)	(7,493)	(9,396)	(154,192)	(149,649)
REVERSAL OF PROVISIONS:												
Individual provisions	55	9	53,740	54,537	-	-	-	-	5,312	4,434	59,107	58,980
Group provisions	-	-	10,243	3,798	1,827	1,778	32,791	31,833	4,422	5,419	49,283	42,828
Minimum provision adjustment	3	-	-	-	-	-	-	-	-	-	3	-
Total provisions reversed	58	9	63,983	58,335	1,827	1,778	32,791	31,833	9,734	9,853	108,394	101,808
Recovery of written-off assets	-	-	989	2,706	307	397	2,612	3,188	-	-	3,908	6,291
Provisions, net	38	(40)	(22,881)	(23,820)	(248)	28	(21,041)	(18,174)	2,241	457	(41,891)	(41,550)

In management's opinion, the provisions for loan losses recognized for the years ended December 31, 2019 and 2018, cover the potential losses that may arise from not recovering these assets.

32. PAYROLL AND PERSONNEL EXPENSES

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

A) Expenses for these items for the years ended December 31, 2019 and 2018, are detailed as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2019 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2018 MCH$
Payroll	(40,786)	(38,414)
Bonuses	(10,424)	(12,840)
Severance indemnities	(1,849)	(1,321)
Training expenses	(281)	(221)
Other benefits	(5,535)	(5,293)
Total	(58,875)	(58,089)

B) Other personnel expenses recognized during the years ended December 31, 2019 and 2018, are as follows:

	NO. OF EMPLOYEES RECEIVING BENEFIT		NATURE OF BENEFIT	TOTAL	
	2019	2018		2019 MCH$	2018 MCH$
BONUSES					
Productivity bonus	725	935	Voluntary	(5,798)	(8,319)
Legal bonuses and employer contributions	1,384	1,403	Contractual	(3,046)	(2,865)
Other bonuses	1,120	1,149	Contractual	(1,580)	(1,656)
Total bonuses				(10,424)	(12,840)
OTHER BENEFITS					
Health insurance	1,359	1,381	Contractual	(1,393)	(1,432)
Life insurance	288	313	Contractual	(162)	(159)
Meal allowance	1,374	1,396	Contractual	(1,656)	(1,608)
Annual events	-	-	Voluntary	-	-
Childcare	120	108	Birth of child	(261)	(259)
Other benefits	1,377	1,398	Voluntary	(2,063)	(1,834)
Total other benefits				(5,535)	(5,293)

33. ADMINISTRATIVE EXPENSES

For the years ended December 31, 2019 and 2018, details are as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2019 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2018 MCH$
GENERAL ADMINISTRATIVE EXPENSES		
Maintenance and repair of property, plant and equipment	(2,238)	(4,808)
Expenses for short-term leases	(2,248)	(3,737)
Insurance premiums	(281)	(339)
Office supplies	(410)	(379)
IT and communications expenses	(6,052)	(5,409)
Lighting, heating and other utilities	(462)	(474)
Security services and armored transport	(136)	(134)
Travel and entertainment expenses	(729)	(697)
Court and notary expenses	(1,757)	(1,195)
Fees for technical reports	(14,956)	(12,423)
Audit fees	(155)	(208)
Securities rating fees	(30)	(140)
CMF fines	(35)	-
Other regulatory fines	(31)	(8)
Banking expenses	(290)	(301)
Advisory expenses	(6,185)	(6,123)
Building fees	(953)	(910)
Postage and mail	(158)	(158)
Credit card operating expenses	(5,332)	(4,752)
Other general administrative expenses	(3,782)	(3,604)
Subtotal	(46,220)	(45,799)
OUTSOURCED SERVICES:		
Data processing	(8,742)	(7,728)
Other	(1,948)	(1,951)
Subtotal	(10,690)	(9,679)
Board fees	(1,030)	(965)
Advertising	(5,861)	(5,634)
TAXES, PROPERTY TAXES AND CONTRIBUTIONS:		
Property taxes	(191)	(220)
Municipal business permits	(889)	(840)
Other taxes	(63)	(73)
Contribution to CMF	(2,003)	(1,839)
Subtotal	(3,146)	(2,972)
Total	(66,947)	(65,049)

34. DEPRECIATION AND AMORTIZATION

A) DEPRECIATION AND AMORTIZATION

Depreciation and amortization by type of asset charged to profit or loss for the years ended December 31, 2019 and 2018, are as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2019 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2018 MCH$
Depreciation of property, plant and equipment	(1,971)	(1,944)
Amortization and impairment of intangible assets	(3,690)	(3,241)
Amortization and depreciation of right-to-use assets	(1,472)	-
Total depreciation, amortization and impairment	(7,133)	(5,185)

35. IMPAIRMENT

• INVESTMENTS AVAILABLE FOR SALE

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

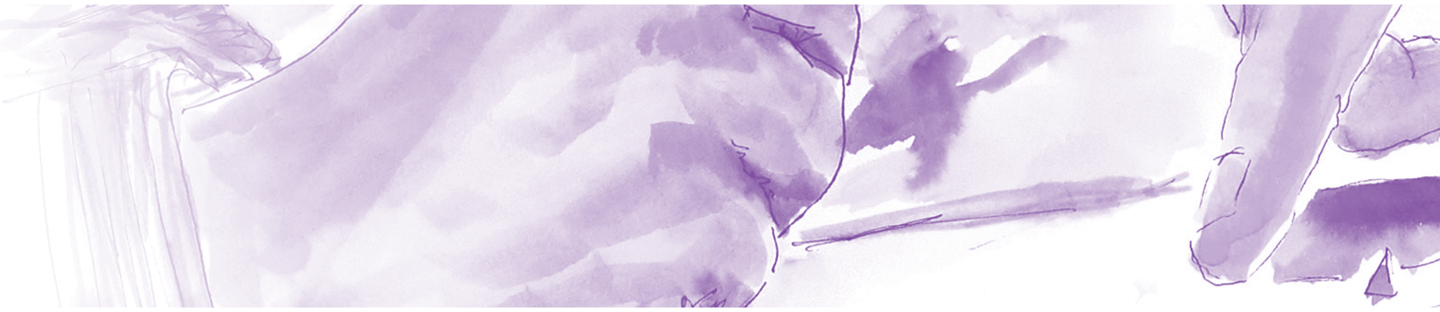
Assets are impaired if there is objective evidence that shows that a loss event has occurred after the initial recognition of the asset and the loss event has an impact on the estimated future cash flows of the financial asset.

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

As of December 31, 2019 and 2018, no impairment losses were recognized for investments available for sale.

• INTANGIBLE ASSETS

For the year ended December 31, 2019, no impairment losses were recognized on intangible assets. For the year ended December 31, 2018, there were expected losses on certain intangible assets. Accordingly, the Bank's management recognized impairment losses of MCH$498.



36. OTHER OPERATING INCOME AND EXPENSES

A) OTHER OPERATING INCOME

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

	FOR THE YEAR ENDED DECEMBER 31, 2019 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2018 MCH$
Income from repossessed assets	137	468
Reversal of provisions for contingencies	107	136
Gain on sale of property, plant and equipment	1,580	487
Insurance claims	-	27
Rental payments received	189	155
Recovery of written-off repossessed assets	-	-
Recovery of expenses	2,418	1,785
Recovery of lease operating expenses	335	268
Other income	702	1,308
Total other operating income	5,469	4,634

B) OTHER OPERATING EXPENSES

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

	FOR THE YEAR ENDED DECEMBER 31, 2019 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2018 MCH$
Provisions for repossessed assets (*)	(396)	(4)
Write-offs of repossessed assets (*)	(339)	(1,569)
Maintenance expenses for repossessed assets (*)	(100)	(87)
Contingency provisions (*)	(119)	(183)
Loss on sale of property, plant and equipment	(1,302)	-
Operational write-offs (**)	(166)	(137)
Mortgage costs	(1,579)	(1,340)
Operating expenses	(7,504)	(1,853)
Other expenses	(1,848)	(376)
Total other operating expenses	(13,353)	(5,549)

(*) In the consolidated statement of cash flows, the concept other provisions consists of the items provisions, write-offs and expenses for repossessed assets and contingency provisions.

(**) Operating write-offs are presented in the consolidated statement of cash flow under the same heading.

37. RELATED PARTY TRANSACTIONS

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

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

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

A) RELATED PARTY LOANS

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

	PRODUCERS OF GOODS AND SERVICES		INVESTMENT COMPANIES		INDIVIDUALS		TOTAL	
	DECEMBER 31,		DECEMBER 31,		DECEMBER 31,		DECEMBER 31,	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
LOANS AND RECEIVABLES:								
Commercial loans	84,633	60,365	46	58	3,682	3,132	88,361	63,555
Mortgage loans	-	-	-	-	9,099	8,567	9,099	8,567
Consumer loans	-	-	-	-	1,842	1,981	1,842	1,981
Gross loans and receivables	84,633	60,365	46	58	14,623	13,680	99,302	74,103
Provisions for loan losses	(238)	(123)	-	-	(162)	(78)	(400)	(201)
Net loans and receivables	84,395	60,242	46	58	14,461	13,602	98,902	73,902
CONTINGENT LOANS:								
Total contingent loans	24,293	26,372	59	59	3,622	3,761	27,974	30,192
Contingent loan provisions	(49)	(40)	(1)	-	(6)	(6)	(56)	(46)
Net contingent loans	24,244	26,332	58	59	3,616	3,755	27,918	30,146
INVESTMENTS:								
Held for trading	-	-	-	-	-	-	-	-
Available for sale	-	-	-	-	-	-	-	-
Total investments	-	-	-	-	-	-	-	-
	108,639	86,574	104	117	18,077	17,357	126,820	104,048

B) OTHER ASSETS AND LIABILITIES WITH RELATED PARTIES

	FOR THE YEAR ENDED DECEMBER 31, 2019 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2018 MCH$
ASSETS		
Financial derivative instruments	40,097	28,606
Total other assets with related parties	40,097	28,606
LIABILITIES		
Financial derivative instruments	72,376	31,555
Demand deposits	25,326	14,750
Savings accounts and time deposits	439,919	252,719
Total other liabilities with related parties	537,621	299,024

C) GAIN (LOSS) ON TRANSACTIONS WITH RELATED PARTIES

	GAIN (LOSS)	
	DECEMBER 31,	
	2019 MCH$	2018 MCH$
Net interest and indexation income	1,172	(656)
Net fee and commission income	2,237	2,116
Net foreign exchange transactions	584	598
Operating support expenses	(33,489)	(63,724)
Operating support income	18,256	12,078
Other income and expenses	(3,702)	(4,158)
Total loss from related party transactions	(14,942)	(53,746)

RELATED PARTY CONTRACTS

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

These contracts are as follows:

LEGAL NAME	DESCRIPTION	CREDITS TO PROFIT DECEMBER 31, 2019 MCH$	CREDITS TO PROFIT DECEMBER 31, 2018 MCH$	CHARGES TO PROFIT DECEMBER 31, 2019 MCH$	CHARGES TO PROFIT DECEMBER 31, 2018 MCH$
Capital S.A. (Formerly Inversiones Invest Security Ltda.)	Service contract	-	-	12,675	22,329
Travel Security S.A.	Office lease and air tickets	802	800	555	3,868
Seguros Vida Security Previsión S.A.	Insurance	9,586	11,278	2,885	5,448
Global Security Gestión y Servicios Ltda.	Service contract	-	-	8,356	17,681
Securitizadora Security S.A.	Advisory services	-	-	-	-
Mandatos Security Ltda.	Service contract	-	-	4,376	8,635
Inmobiliaria Security S.A.	Service contract	-	-	-	-
Asesorías Security S.A.	Advisory services	-	-	100	211
Redbanc S.A.	Service contract	-	-	470	525
Cía. de Seguros Generales Penta Security S.A.	Service contract	-	-	-	-
Transbank S.A.	Service contract	7,868	-	3,933	3,670
ENEL S.A. (formerly Chilectra S.A.)	Sale of electric power	-	-	139	143
Cía. de Seguros Penta Security	Insurance	-	-	-	-
Factoring Security Ltda.	Advisory services and leases	-	-	-	-
Inmobiliaria Security Once	Advisory services	-	-	-	-
Inmobiliaria Security Siete	Advisory services	-	-	-	-
Bice Inversiones Corredores de Bolsa S.A.	Service contract	-	-	-	-
Santiago Exchange	Service contract	-	-	-	449
Comder Contraparte Central S.A.	Service contract	-	-	-	378
Soc Operador De La Camara De Compensación	Service contract	-	-	-	189
Bolsa de Valores de Chile	Service contract	-	-	-	100
Asesoría e Inversiones RTM Ltda.	Advisory services	-	-	-	98

D) PAYMENTS TO BOARD OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

In 2019 and 2018, the following payments were made to members of the Board and key management personnel and charged to profit or loss.

	DIRECTORS DECEMBER 31, 2019 MCH$	DIRECTORS DECEMBER 31, 2018 MCH$	CEOS DECEMBER 31, 2019 MCH$	CEOS DECEMBER 31, 2018 MCH$	DIVISION MANAGERS DECEMBER 31, 2019 MCH$	DIVISION MANAGERS DECEMBER 31, 2018 MCH$	DEPARTMENT MANAGERS DECEMBER 31, 2019 MCH$	DEPARTMENT MANAGERS DECEMBER 31, 2018 MCH$
Short-term compensation	800	768	1,050	1,012	1,482	1,401	2,786	2,730
Severance indemnities	-	-	-	-	-	-	30	94
No. of executives	8	7	3	3	5	6	15	17

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

A) FAIR VALUE ASSETS AND LIABILITIES

The following table summarizes the fair values of the Bank's main financial assets and liabilities, including those not recognized at fair value in the statement of financial position. The values shown in this note do not attempt to estimate the value of the Bank's income-generating assets, nor forecast their future behavior. As of December 31, 2019 and 2018, the estimated fair values of the Bank's financial instruments are as follows:

	CARRYING AMOUNT		ESTIMATED FAIR VALUE	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
ASSETS				
Cash and due from banks	693,082	394,332	693,082	394,332
Transactions in the course of collection	150,526	35,628	150,526	35,628
Financial instruments held for trading	123,763	106,095	123,763	106,095
Investments under resale agreements and securities borrowing	-	-	-	-
Financial derivative instruments	274,975	150,265	274,975	150,265
Loans and advances to banks	568	10,730	568	10,718
Loans to customers	5,950,720	5,245,152	6,148,765	5,237,466
Investments available for sale	756,594	751,206	756,594	751,206
Investments held to maturity	-	-	-	-
LIABILITIES				
Current accounts and other demand deposits	974,730	669,965	974,730	669,965
Transactions in the course of payment	130,482	16,903	130,482	16,903
Obligations under repurchase agreements and securities lending	79,811	34,003	79,891	33,992
Savings accounts and time deposits	3,039,673	2,964,066	3,039,049	2,961,471
Financial derivative instruments	244,482	117,962	244,482	117,962
Borrowings from financial institutions	272,634	223,071	272,823	218,056
Debt instruments issued	2,768,376	2,205,499	2,907,411	2,229,134
Other financial liabilities	9,955	11,963	9,538	11,849

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

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

Therefore, the largest differences between the carrying amount and the fair value occur in more long-term assets (commercial loans) and liabilities (debt issued) and, inversely, short-term items present a smaller or no difference between these values (e.g. transactions in the course of collection or payment and cash).

B. FAIR VALUE DETERMINATION

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

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

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

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

The valuation techniques employed are based on estimates of market factors using mathematical and statistical models widely used in financial literature, which are backtested.

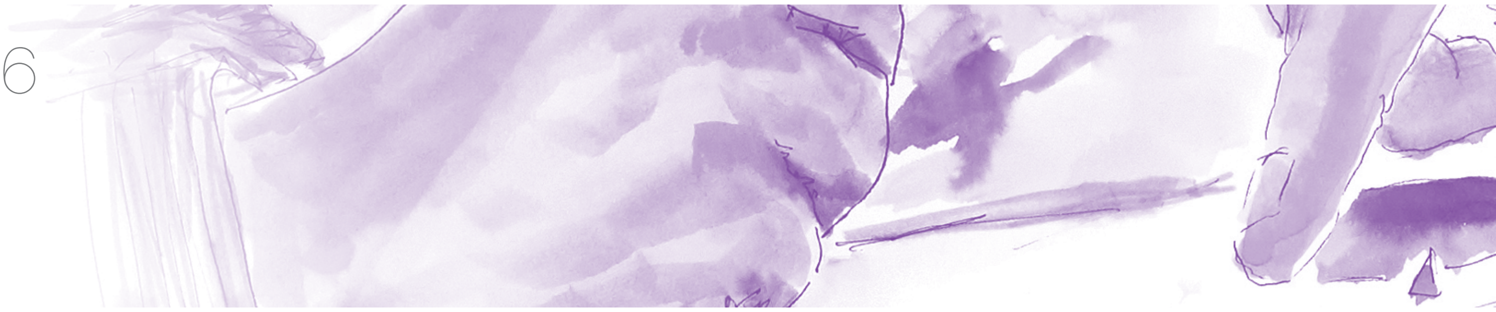
All these techniques are based on policies reviewed by the relevant committees and Boards at least once a year, or more frequently if necessary.

Level 3 includes price estimates for swaps with a yield curve based on the TAB rate (Chilean pesos and Unidad de Fomento), since a yield curve is not observable in the market as a result of its illiquidity.

The same level includes options embedded in variable-rate mortgage loans that have a ceiling rate. Although they are part of a loan agreement that is accounted for on an accrual basis, the value of the option is estimated and recognized separately from the host contract in the trading book as per regulatory requirements, despite the fact that it is not a standalone financial instrument for which market prices exist.

The following table details the classification of financial instruments by level within the fair value hierarchy as of December 31, 2019 and 2018, respectively.

	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
FINANCIAL ASSETS								
FINANCIAL INSTRUMENTS HELD FOR TRADING								
CHILEAN GOVERNMENT AND CENTRAL BANK INSTRUMENTS								
Chilean Central Bank instruments	-	688	3,177	4,264	-	-	3,177	4,952
Chilean Treasury instruments	870	1,313	1,358	3,321	-	-	2,229	4,634
Other government instruments	-	-	57	8,371	-	-	57	8,371
Subtotal	870	2,001	4,592	15,956	-	-	5,462	17,957
OTHER FINANCIAL INSTRUMENTS								
Notes for deposits in domestic banks	1,416	-	36,159	27,043	-	-	37,575	27,043
Mortgage bonds in domestic banks	-	-	3,873	4,287	-	-	3,873	4,287
Bonds from domestic banks	4,050	6,344	1,370	21,960	-	-	5,420	28,304
Other instruments issued in Chile	-	1,430	6,470	7,129	-	-	6,470	8,559
Mutual funds	64,962	17,918	-	2,027	-	-	64,962	19,945
Subtotal	70,427	25,692	47,873	62,446	-	-	118,301	88,138
Total	71,297	27,693	52,465	78,402	-	-	123,763	106,095
TRADING DERIVATIVES								
Currency forwards	2,356	2,901	123,567	64,555	-	-	125,923	67,456
Interest rate swaps	-	-	53,159	29,319	-	742	53,159	30,061
Currency swaps	-	-	72,919	39,207	2,669	5,734	75,588	44,941
Total assets for trading derivatives	2,356	2,901	249,645	133,081	2,669	6,476	254,671	142,458
HEDGE ACCOUNTING DERIVATIVES								
Currency swaps	-	-	20,305	7,807	-	-	20,305	7,807
Total assets for hedge accounting derivatives	-	-	20,305	7,807	-	-	20,305	7,807
Total assets for financial derivatives	2,356	2,901	269,951	140,888	2,669	6,476	274,975	150,265
INVESTMENTS AVAILABLE FOR SALE								
CHILEAN GOVERNMENT AND CENTRAL BANK INSTRUMENTS								
Chilean Central Bank instruments	315,341	192,728	59,361	250,200	-	-	374,702	442,928
Chilean Treasury instruments					-	-	-	-
Subtotal	315,341	192,728	59,361	250,200	-	-	374,702	442,928
OTHER FINANCIAL INSTRUMENTS								
Notes for deposits in domestic banks	1,314	-	120,992	92,476	-	-	122,306	92,476
Mortgage bonds in domestic banks	-	-	21,694	19,390	-	-	21,694	19,390
Bonds from domestic companies	57,142	9,744	27,155	38,409	-	-	84,297	48,153
Other instruments issued in Chile	-	-	-	-	-	-	-	-
Foreign government and central bank instruments	-	-	-	-	-	-	-	-
Other instruments issued abroad	153,595	148,259	-	-	-	-	153,595	148,259
Subtotal	212,051	158,003	169,841	150,275	-	-	381,892	308,278
Total	527,393	350,731	229,202	400,475	-	-	756,594	751,206
TOTAL FAIR VALUE ASSETS	601,045	381,325	551,617	619,765	2,669	6,476	1,155,332	1,007,566
FINANCIAL LIABILITIES								
TRADING DERIVATIVES								
Currency forwards	(2,336)	(3,336)	(124,799)	(63,624)	-	-	(127,135)	(66,960)
Interest rate swaps	-	-	(49,053)	(21,014)	(106)	(528)	(49,158)	(21,542)
Currency swaps	-	-	(58,911)	(28,070)	-	-	(58,911)	(28,070)
Interest rate put options	-	-	(21)	-	-	-	(21)	-
Total liabilities for trading derivatives	(2,336)	(3,336)	(232,784)	(112,708)	(106)	(528)	(235,225)	(116,572)
HEDGE ACCOUNTING DERIVATIVES								
Interest rate swaps	-	-	(9,257)	(1,390)	-	-	(9,257)	(1,390)
Total liabilities for hedge accounting derivatives	-	-	(9,257)	(1,390)	-	-	(9,257)	(1,390)
Total liabilities for financial derivatives	(2,336)	(3,336)	(242,042)	(114,098)	(106)	(528)	(244,482)	(117,962)
TOTAL FAIR VALUE LIABILITIES	(2,336)	(3,336)	(242,042)	(114,098)	(106)	(528)	(244,482)	(117,962)



39. RISK MANAGEMENT

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

I. RISK MANAGEMENT OBJECTIVES

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

In order to achieve this, the Bank has made a considerable effort to optimize risk management. Therefore, risk management is separated into three specific divisions by type of risk: Credit Risk, Financial Risk and Operational Risk.

Through this structure, the Bank can properly and timely identify, measure, value and monitor all kinds of risk that Banco Security may face.

II. RISK MANAGEMENT STRUCTURE

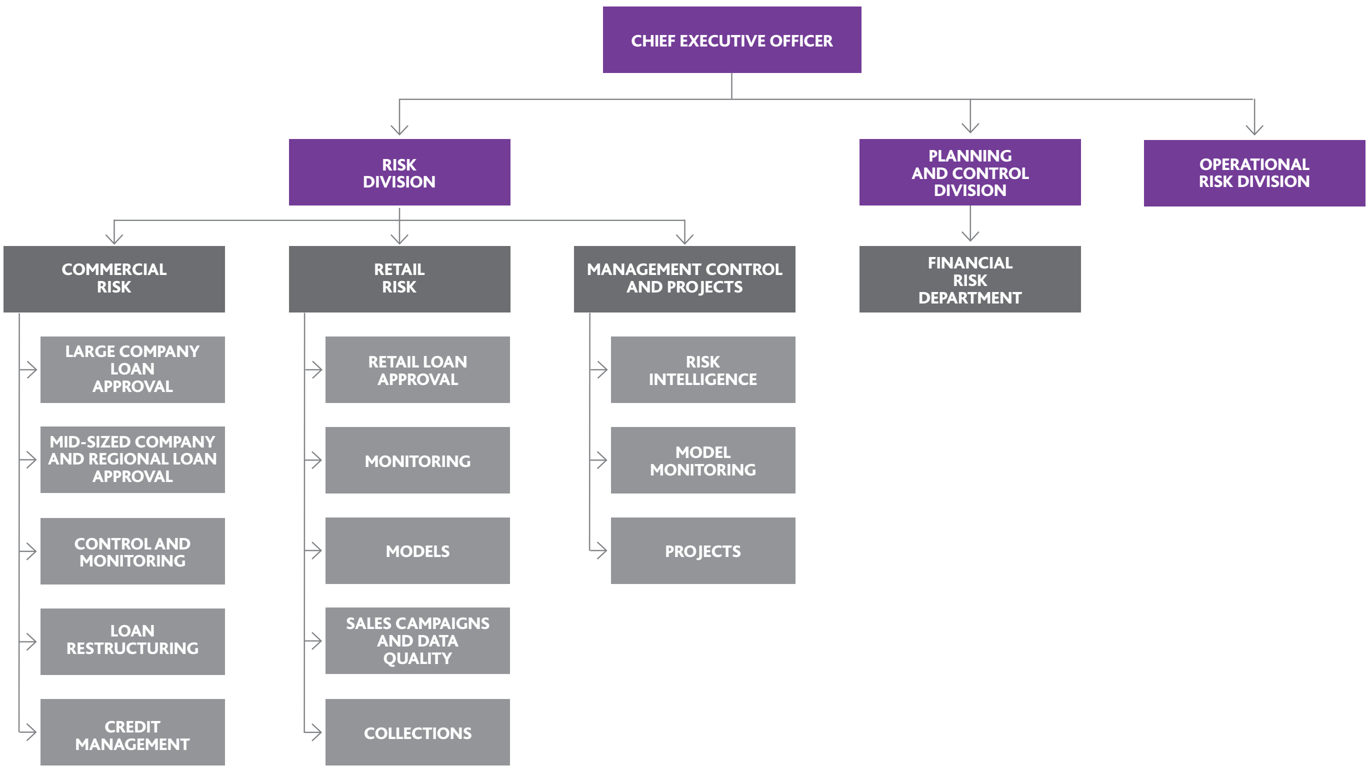
Risk management is carried out through three divisions that report to the Chief Executive Officer: The Risk Division (credit risk); the Planning and Control Division (financial risk) and the Operational Risk Division, all of which operate independently from other business areas and serve as a counterbalance on the Bank's various committees.

The Risk Division is focused on credit risk management and is divided into three departments: Commercial Risk, Retail Risk and Management Control and Projects.

The Financial Risk Department now reports to the Planning and Control Division. It is also responsible for financial control and capital management.

In 2018, the Operational Risk Division was created. This structure helps create complete independence from possible sources of operational risk.

The Bank's risk division is structured as follows:



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

DESCRIPTION OF DEPARTMENT:

1) CREDIT RISK:

COMMERCIAL RISK:

This department is in charge of risk for entire credit process for customers in the Commercial Banking and Finance divisions. In this role, the department is responsible for defining the policies and procedures for this process and ensuring compliance, all in line with defined risk appetite. It is also responsible for monitoring operations, ensuring risk is correctly classified and maximizing recovery through the collections department. To accomplish this, the department is structured as follows:

A. LARGE COMPANY LOAN APPROVAL DEPARTMENT:

Department in charge of analyzing risk during customer assessment for the large companies and finance segments. as well as evaluating and controlling the Bank’s exposure in foreign markets.

This department also participates in decision-making committees for its segment, such as the Circulating Folder Committee and the Managers Committee; and acts as secretary for the Board Credit Committee.

The Real Estate Analysis Department is within this department, which is responsible for analyzing this portfolio and generating warning reports used by the monitoring department to control real estate customers.

This department also serves as the counterparty and controls the loan process for subsidiaries of Banco Security.

B. MID-SIZED COMPANY AND REGIONAL LOAN APPROVAL DEPARTMENT:

Department in charge of analyzing risk during customer assessment of mid-sized and regional companies. It is also responsible for standardizing and analyzing the financial statements for the entire portfolio,

This department also participates in decision-making committees, such as the Circulating Folder Committee and the Managers Committee; and acts as secretary for the Board Credit Committee. It manages all record keeping and procedures related to loan decision making for Commercial Banking.

C. CREDIT MANAGEMENT DEPARTMENT:

The Credit Management Department is responsible for credit management, particularly changes in portfolio classification and the provisioning process (at month end). It also oversees credit management tasks such as supervising appraisers.

D. CREDIT RISK MONITORING DEPARTMENT:

The Credit Risk Monitoring Department is responsible for three functions:

Early detection, which helps the Bank more efficiently recover amounts owed by customers.

Consolidating customer and loan information, which provides data for the ongoing reclassification process to ensure that customer classifications faithfully reflect potential losses.

It is also responsible for controlling compliance with credit risk policies, and managing the pre-court collections process for Commercial Banking.

It also controls and monitors progress on real estate projects using reports prepared by the Real Estate Analysis Department.

E. LOAN RESTRUCTURING DEPARTMENT:

This department is responsible for the collections process and for efficiently recovering amounts owed by customers with payment problems. It also manages collections once a loan enters the past-due portfolio, including court and out-of-court collections (defined as sale of the written-off portfolio once all collections alternatives have been exhausted).

In addition, this department manages repossessed or awarded assets for the entire division.

RETAIL RISK:

This department is in charge of risk for entire credit process with customers in the Retail Banking Divisions. In this role, the department is responsible for defining the policies and procedures for this process and ensuring compliance, all in line with defined risk appetite. It is also responsible for monitoring operations, ensuring risk is correctly classified and maximizing recovery through the collections department. To accomplish this, the department is structured as follows:

A. RETAIL LOAN APPROVAL DEPARTMENT:

Department in charge of risk for loan approval process (initiation, assessment and decision) with customers in the Retail Banking Division. In this role, it is responsible for defining the policies and procedures for this process and ensuring compliance, all in line with the defined risk appetite.

B. SALES CAMPAIGN AND DATA QUALITY DEPARTMENT:
Department in charge of generating sales campaigns and monitoring outcomes.

It is also responsible for the process of validating and maintaining data for the entire Risk Division,

as well as validating regulatory reports for which the Risk Division is responsible.

C. MODELS DEPARTMENT:
Department in charge of generating and maintaining models in accordance with the Bank's requirements and guidelines from the Model Monitoring Department.

D. CREDIT RISK MONITORING DEPARTMENT:
The Credit Risk Monitoring Department is responsible for three functions:
Early detection, which helps the Bank more efficiently recover amounts owed by customers.

Consolidating customer and loan information, which provides data for the ongoing reclassification process to ensure that customer classifications faithfully reflect potential losses.

E. COLLECTIONS DEPARTMENT:
This department is responsible for the collections process and for efficiently recovering amounts owed by customers with payment problems. It also manages pre-court, court and out-of-court collections (defined as sale of the written-off portfolio once all collections alternatives have been exhausted).

MANAGEMENT CONTROL AND PROJECTS:

This department is in charge of three functions: Risk intelligence, model monitoring and provision adequacy, in addition to global credit risk management processes:

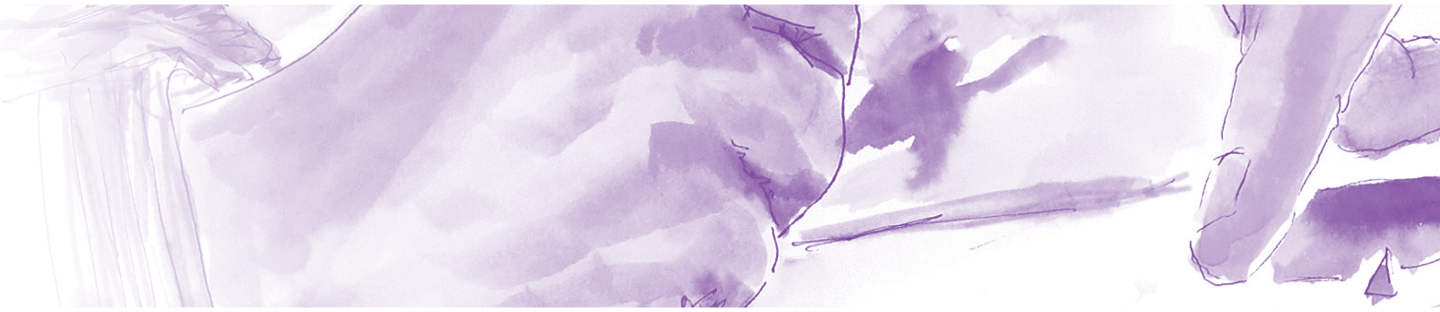
It is responsible for the following central processes:
- Interpreting and implementing regulatory modifications.
- Updating, coordinating and communicating credit risk policies and their related procedures.
- Managing the Risk Committee.

It also provides internal support such as:
- Managing projects for the division and others related to credit risk management.
- Conducting training.
- Controlling internal targets.
- Managing the division's budget and director plan.

A. RISK INTELLIGENCE DEPARTMENT:
This department is in charge of continuously monitoring risk indicators, generating risk management and analysis reports and monitoring limits and concentration in order to more efficiently manage risk in accordance with the Bank's defined risk appetite.

It is also responsible for monitoring new market trends in credit risk management in search of new tools and processes to attain its objectives.

B. MODEL MONITORING AND PROVISION ADEQUACY DEPARTMENT:
This department is in charge of continuously monitoring all of the Bank's models and making recommendations regarding any deviations detected.



It must also monitor the adequacy of provisions on the Bank's portfolios.

Lastly, it is responsible for conducting stress testing for capital management.

2) FINANCIAL RISK:

FINANCIAL RISK DEPARTMENT
Department in charge of ensuring financial risk is effectively managed, which is staffed by nine employees. Further information on its functions is available in section IV.

3) OPERATIONAL RISK:

OPERATIONAL RISK DEPARTMENT
Department in charge of ensuring operational risk, business continuity and information security are effectively managed, which is staffed by nine employees. Further information on its functions is available in section V.

III. CREDIT RISK

A. CREDIT RISK MANAGEMENT OBJECTIVES

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

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

B. CREDIT RISK STRUCTURE

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

This department is made up of:
- Commercial Risk.
- Retail Risk.
- Management Control and Projects.

C. CREDIT RISK PROCESS:

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

LOAN APPROVAL PROCESS	COMMERCIAL	RETAIL
Target Market	Commercial Risk Management	Retail Risk Management
Credit Analysis and Assessment		
Loan Decision		
Credit Management		
Credit Monitoring and Control		
Collections		

C.1 CREDIT RISK STAGES

1. TARGET MARKET:

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

2. CREDIT ANALYSIS AND ASSESSMENT:

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

3. LOAN DECISION:

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

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

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

4. CREDIT MANAGEMENT:

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

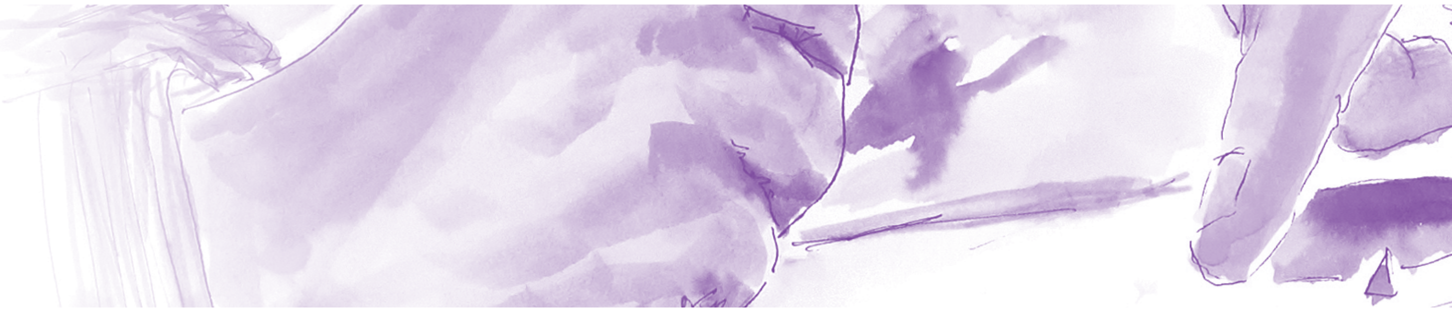
It also works with sales departments to keep the number of expired and/or overdrawn lines of credit within expected parameters, and it maintains strict control of appraisals of assets provided to guarantee loans.

5. COLLECTIONS:

Specialized Collections (Retail Risk) and Loan Restructuring (Commercial Risk) departments perform a variety of activities to collect on loans, including out-of-court and court collections.

6. MONITORING AND CONTROL:

This stage aims to maintain an overall vision of how the above-mentioned loan processes are functioning. Its involvement includes reviewing and auditing current credit policies, monitoring the performance of the analysis departments and committees, and properly managing credit.



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

This function is separated into two departments that serve the Commercial and Retail Banking divisions.

D. RISK RATING AND PROVISIONS:

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

<table>
<tr><th colspan="2">INDIVIDUAL RATING</th><th colspan="2">GROUP RATING</th></tr>
<tr><th>CUSTOMER TYPE</th><th>METHODOLOGY</th><th>CUSTOMER TYPE</th><th>METHODOLOGY</th></tr>
<tr><td>Companies (includes individuals with business accounts)</td><td>Business rules</td><td rowspan="2">Commercial loans</td><td rowspan="2">Standard regulatory matrix</td></tr>
<tr><td>Real estate</td><td>Business rules</td></tr>
<tr><td rowspan="2">OTHER
- Banks
- Restructuring of retail and commercial loans
- Non-profit
- Special group leasing</td><td rowspan="2">Business rules</td><td>Residential mortgage loans</td><td>Standard regulatory matrix</td></tr>
<tr><td>Consumer loans</td><td>Internal model</td></tr>
</table>

D.1 RATING INDIVIDUAL CUSTOMERS:

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

As a result, Banco Security individually rates all entities with annual sales over MCH$1,500 and debt over MCH$100, as well as real estate projects, institutional companies, non-profit organizations and bankrupt entities, among others.

D.2 RATING GROUP LOANS:

Group assessments are used for customers that tend to behave similarly. Thus, they are assessed using methodologies and models to analyze operations related to the same product.

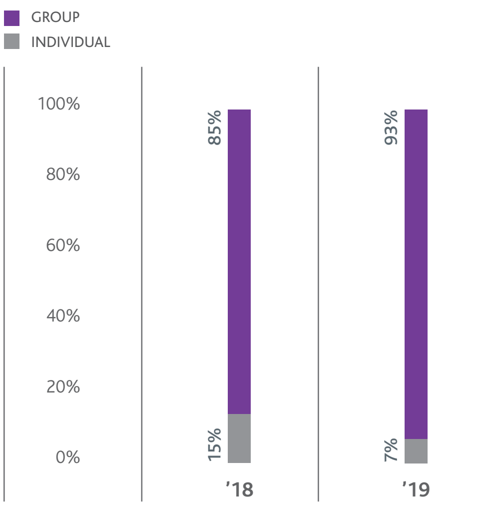
1. Commercial Products
2. Consumer Products
3. Mortgage Products

D.3 DISTRIBUTION OF LOAN PORTFOLIO:

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

ASSESSMENT BY CUSTOMER TYPE

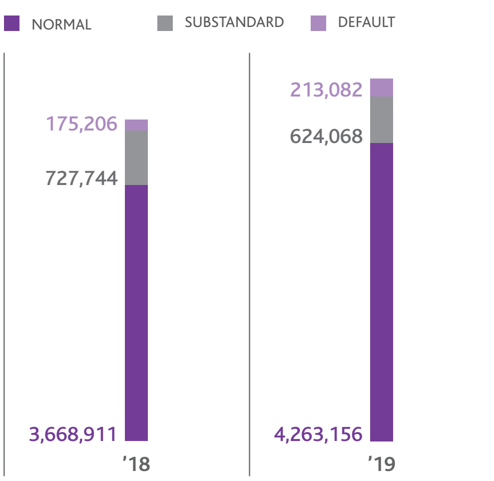
NUMBER OF CUSTOMERS



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

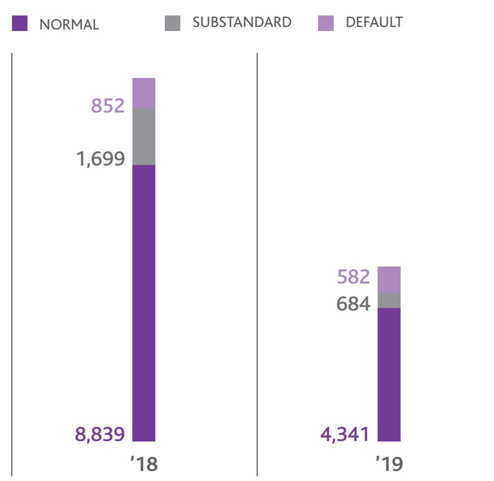
DISTRIBUTION OF INDIVIDUALLY ASSESSED LOANS

AMOUNT OF LOANS - MCH$



DISTRIBUTION OF INDIVIDUALLY ASSESSED LOANS

NUMBER OF CUSTOMERS - DEC 2018 - 2019



D.4 PORTFOLIO DISTRIBUTION BY DELINQUENCY:

Banco Security's portfolio has the following delinquency levels, detailed by product:

DEC 2019 MCH$

PORTFOLIO	LOANS	PAST DUE	NPL (> 90)	% PAST DUE / LOANS	% NPL (> 90) / LOANS
Commercial	5,062,503	5,164	29,508	0.10%	0.58%
Consumer	793,350	1,888	3,123	0.24%	0.39%
Residential mortgage	744,256	213	766	0.03%	0.10%
TOTAL	6,600,109	7,266	33,397	0.11%	0.51%

DEC 2018 MCH$

PORTFOLIO	LOANS	PAST DUE	NPL (> 90)	% PAST DUE / LOANS	% NPL (> 90) / LOANS
Commercial	4,512,299	11,174	24,600	0.25%	0.49%
Consumer	745,867	1,899	1,798	0.24%	0.23%
Residential mortgage	610,291	148	407	0.02%	0.05%
TOTAL	5,868,457	13,222	26,804	0.20%	0.41%

The impaired portfolio by type of assessment is as follows:

DEC 2019 MCH$

ASSESSMENT	LOANS	IMPAIRED	% IMP / LOANS
Group	1,820,635	53,204	2.92%
Individual	4,779,474	221,589	4.64%
TOTAL	6,600,109	274,793	4.16%

DEC 2018 MCH$

ASSESSMENT	LOANS	IMPAIRED	% IMP / LOANS
Group	1,661,314	44,057	2.65%
Individual	4,207,142	201,099	4.78%
TOTAL	5,868,457	245,156	4.18%

IV. FINANCIAL RISK

A. FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

The strategic objectives of financial activities include:

- Strengthening and expanding the Bank's position, consolidating and developing long-term relationships with customers and different market players, and providing a full range of investment banking products.

- Improving and ensuring the stability of long-term returns and effectively managing the different potential risks.

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

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

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

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

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

Derivatives are particularly used to hedge risks, for market arbitrage some market or to take certain proprietary positions.

Hedge management using derivatives can use economic or accounting hedges, depending on the defined strategy.

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

Risk management and control take place through policies, procedures, methodologies and limits, which create value for shareholders and the market in general, guaranteeing adequate solvency levels.

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

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

B. FINANCIAL RISK STRUCTURE

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

The following committees currently analyze matters related to financial risk:

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

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

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

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

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

This department is specifically responsible for:

- Centralizing efforts to control and measure the different risks affecting the Bank and its subsidiaries by applying uniform policies and controls.

- Ensuring that risk managers, senior management and the board of directors are kept informed of key matters regarding market and liquidity risk.

- Assuring that recommendations from regulators and internal auditors are followed and appropriately implemented.

- Reporting and monitoring market risk and liquidity and limit compliance on a daily basis for the Bank and its subsidiaries.

- Developing and reviewing the effectiveness of methods and procedures for measuring risk.

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

C. FINANCIAL RISK PROCESS

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

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

The Internal Audit Department regularly assesses risk processes. The general risk structure is continuously being evaluated by the CMF, the Bank's independent auditors and other individuals who are independent from management.

D. DEFINITION OF FINANCIAL RISKS

A) MARKET RISK

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

MARKET RISK METHODOLOGY

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

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

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

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

- A maintenance period of one day assumes that the positions can be covered or disposed of within that period. However, investment portfolios held for trading are comprised of highly-liquid instruments.
- A confidence level of 95% does not reflect the losses that could occur in the remaining 5% of the distribution.
- Value at risk is calculated with positions at the end of the day and does not reflect the exposure that could arise during the trading day.

- The use of historical information to determine possible ranges of future outcomes may not cover all possible scenarios, especially exceptional circumstances.

- Market price returns of financial instruments can present abnormal probability distributions.

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

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

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

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

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

Details of the market risks of the different investment portfolios by type of risk are as follows:

	VAR BY TYPE OF RISK	
	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
TRADING:		
Fixed income (rate)	125	59
Derivatives (rate)	83	48
Embedded options (price)	1	0
FX (currency)	134	41
Shares (price)	3	22
Diversification effect	(108)	(63)
Total portfolio	239	107
AVAILABLE FOR SALE:		
Rate	702	349
Total portfolio	702	349
Total diversification	(279)	(17)
Total VaR	770	502

B) STRUCTURAL INTEREST RATE RISK

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

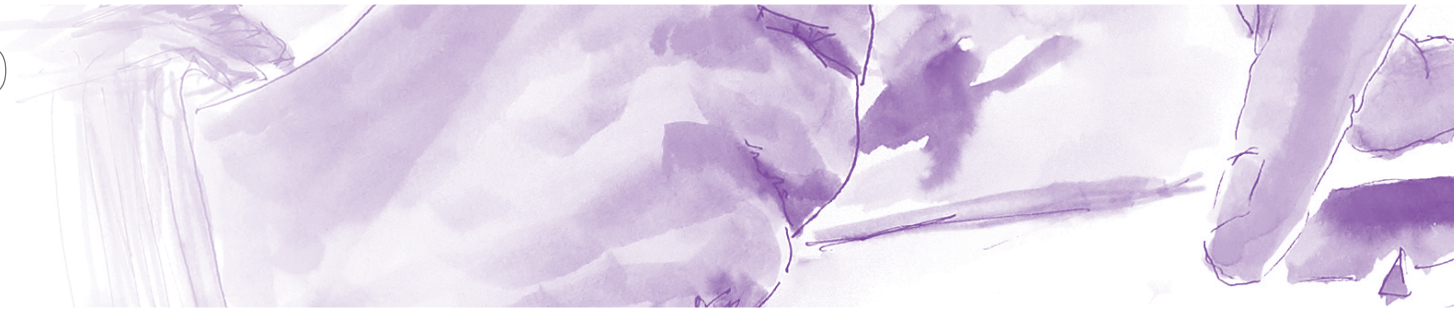
To do this, the Bank establishes internal limits using sensitivity techniques for interest rate structures. The Bank also uses stress testing to evaluate the sensitivity of interest rates, currency repricing, changes in stock prices, changes in underlying assets for options and changes in commissions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

Compliance with limits established by the Bank, in accordance with the definitions established by the Chilean Central Bank in Chapter III.B.2.21 of the Compendium of Financial Standards and by the CMF in Chapter 12-21 of the Updated Standards, is also monitored on a daily basis. The Bank also files a weekly report with the CMF on the risk positions of the investment portfolio within the trading book and limit compliance. It also files a monthly report with the CMF on the consolidated positions at risk (including subsidiaries) for the trading book and individually for the banking book, which includes sensitivity to market risk in the available-for-sale portfolio and the commercial book.

In accordance with the methodology defined in Chapter III.B.2.2 of the Compendium of Financial Standards of the Chilean Central Bank, market risk is as follows:

	MARKET RISK TRADING BOOK	
	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
MARKET RISK		
Interest rate risk	9,307	8,529
Currency risk	1,162	3,037
Options risk	1	97
Total risk	10,470	11,663
Consolidated risk-weighted assets	5,862,013	6,777,845
Regulatory capital (RC)	774,770	834,064
Basel limit	8.00%	8.00%
Basel with market risk	12.93%	12.05%
Basel I	13.22%	12.31%

	MARKET RISK BANKING BOOK	
	FOR THE YEAR ENDED DECEMBER 31, 2019 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2018 MCH$
SHORT-TERM		
Interest rate risk (short-term)	9,610	12,239
UF mismatch	813	5,054
Sensitive commissions	175	204
Total risk	10,598	17,497
Limit 35% margin (Board)	59,325	67,317
Surplus (Board)	48,727	49,820
LONG-TERM		
Interest rate risk	19,984	22,429
Limit 25% RC (Board)	193,693	208,516
Surplus (Board)	173,709	186,087



The regulatory methodology is focused on measuring and controlling exposure to losses that may be incurred as a result of adverse changes in market interest rates or in the value, measured in domestic currency, of foreign currencies and indexation units or indices in which instruments, contracts and other transactions are denominated, which are registered as assets or liabilities.

That methodology involves classifying cash flows from the asset and liability positions into fourteen time bands. These amounts are sensitized in present value through movements in interest rate curves (this is the greatest risk factor for the positions of the Bank and its subsidiaries), assigning vertical and horizontal adjustments that attempt to simulate the effects of correlations between maturities and currencies.

For the trading book, the following shocks are established in basis points (bp) over the interest rate curves:

- In CLP and FX, 125 bp in the bands up to 1 year, 100 bp between 1 and 4 years and 75 bp over 4 years.
- In CLF, they start at 350 bp up to 1 month, decreasing almost proportionally in each of the bands until reaching 75 bp over 4 years.

For the banking book, the impacts on the interest rate curves are as follows:

- In CLP and FX, 200 bp across the board for all control bands.
- In CLF, 400 bp for up to 1 year, 300 bp between 1 and 2 years and 200 bp for bands over 2 years.

The details of other types of lower-impact risks (indexation, options, currency) are detailed in Appendix 1 of Chapter III.B.2.2

C) LIQUIDITY RISK

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

The following concepts are involved with liquidity risk.

- Maturity risk: The risk arising from having cash inflows and outflows with different maturity dates.

- Collection risk: The risk of being unable to collect any cash inflow as a result of stoppage of payment, default or delay.

- Funding risk: The risk of being unable to raise market funds, either in the form of debt or capital, or only being able to do so by substantially raising the cost of funds, thus affecting the financial margin.

- Concentration risk: the risk from concentrating funding or revenue sources in a few counterparties that may bring about an abrupt change in the matching structure.

- Market liquidity risk: This risk is linked to certain products or markets and arises from not being able to close or sell a particular position at the last quoted market price (or a similar price) due to low liquidity.

LIQUIDITY RISK METHODOLOGY

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

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

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

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

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

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

Mismatches and compliance with consolidated regulatory limits by the Bank and its subsidiaries are reported to the SBIF every three days.

Details of regulatory liquidity gaps as of December 31, 2019 and 2018, in all currencies presented in MCH$, are as follows.

	< 1 MONTH		1 - 3 MONTHS		3 MONTHS - 1 YEAR		1 - 3 YEARS		3 - 6 YEARS		> 6 YEARS		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Available funds	786,851	440,133	-	-	-	-	-	-	-	-	-	-	786,851	440,133
Financial investments	784,292	818,754	72,460	33,371	18,456	795	72	676	66	617	88	830	875,434	855,043
Loans to other domestic banks	286	3,172	-	3,879	-	108	-	-	-	-	-	-	286	7,159
Commercial and consumer loans	434,424	418,386	599,114	501,375	1,431,149	1,370,613	1,029,294	923,625	939,852	843,366	1,263,539	1,133,823	5,697,372	5,191,188
Lines of credit and overdrafts	537,436	391,636	1,062,884	787,546	283,362	661,792	-	-	-	-	-	-	1,883,682	1,840,974
Residential mortgage loans	5,259	4,703	9,937	8,555	45,387	38,587	283,216	241,875	258,606	220,857	347,670	296,920	950,075	811,497
Other assets	298,393	91,477	238	2,316	2	388	-	-	-	-	-	-	298,633	94,181
Derivatives	145,795	73,999	72,587	113,330	216,926	126,743	136,834	161,227	124,944	147,217	167,975	197,919	865,061	820,435
	2,992,736	2,242,260	1,817,220	1,450,372	1,995,282	2,199,026	1,449,416	1,327,403	1,323,468	1,212,057	1,779,272	1,629,492	11,357,394	10,060,610
Current accounts and other demand deposits	895,434	656,065	-	-	-	-	-	-	-	-	-	-	895,434	656,065
Domestic interbank loans	58,138	9,811	-	-	-	-	-	-	-	-	-	-	58,138	9,811
Savings accounts and time deposits	723,080	687,185	914,451	965,308	1,255,396	1,265,259	53,925	25,196	53,995	25,229	66,909	31,263	3,067,756	2,999,440
External funding	23,572	23,424	27,804	25,042	173,543	118,388	17,322	19,489	17,345	19,515	21,493	24,182	281,079	230,040
Letters of credit	346	392	118	130	1,294	1,391	4,098	4,579	4,104	4,585	5,085	5,682	15,045	16,759
Bonds	3,915	9,719	15,816	10,699	296,066	271,985	860,374	687,876	861,494	688,772	1,067,528	853,498	3,105,193	2,522,549
Lines of credit and overdrafts	541,614	392,717	1,066,231	784,319	307,214	654,805	-	-	-	-	-	-	1,915,059	1,831,841
Other liabilities	443,379	153,790	73,889	4,347	10,608	8,041	666	1,389	667	1,391	826	1,724	530,035	170,682
Derivative instruments	183,704	89,798	77,090	119,298	192,035	109,037	123,169	154,452	123,329	154,653	152,824	191,640	852,151	818,878
	2,873,182	2,022,901	2,175,399	1,909,143	2,236,156	2,428,906	1,059,554	892,981	1,060,934	894,145	1,314,665	1,107,989	10,719,890	9,256,065
Net cash flow	119,554	219,359	(358,179)	(458,771)	(240,874)	(229,880)	389,862	434,422	262,534	317,912	464,607	521,503	637,504	804,545
Accumulated net cash flow	119,554	219,359	(238,625)	(239,412)	(479,499)	(469,292)	(89,637)	(34,870)	172,897	283,042	637,504	804,545	1,275,008	1,609,090
Regulatory limit	(617,274)	(577,587)	(1,234,548)	(1,155,174)										
Limit exceeded by	(736,828)	(796,946)	(995,923)	(915,762)										

Regulatory liquidity gap as of December 31, 2019 and 2018, in foreign currency presented in MCH$

	< 1 MONTH		1 - 3 MONTHS		3 MONTHS - 1 YEAR		1 - 3 YEARS		3 - 6 YEARS		> 6 YEARS		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Available funds	431,953	147,741	-	4,206	-	-	-	-	-	-	-	-	431,953	151,947
Financial investments	173,262	3,172	-	3,879	-	108	-	-	-	-	-	-	173,262	7,159
Loans to other domestic banks	286	-	-	-	-	-	-	-	-	-	-	-	286	-
Commercial and consumer loans	103,209	70,126	73,018	89,613	149,198	135,637	113,359	102,741	103,508	93,814	139,157	126,123	681,449	618,054
Lines of credit and overdrafts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	57,923	-	234	-	-	-	-	-	-	-	-	-	58,157	-
Derivatives	63,539	43,215	32,186	49,736	91,545	58,218	71,110	86,528	64,931	79,009	87,294	106,220	410,605	422,926
	830,172	264,254	105,438	147,434	240,743	193,963	184,469	189,269	168,439	172,823	226,451	232,343	1,755,712	1,200,086
Current accounts and other demand deposits	153,985	-	-	-	-	-	-	-	-	-	-	-	153,985	-
Domestic interbank loans	16,811	-	-	-	-	-	-	-	-	-	-	-	16,811	-
Savings accounts and time deposits	166,966	23,424	190,329	25,042	102,889	118,388	-	19,489	-	19,515	-	24,182	460,184	230,040
External funding	23,572	104,285	27,804	-	173,543	-	17,322	-	17,345	-	21,493	-	281,079	104,285
Other liabilities	201,562	-	-	-	-	-	-	-	-	-	-	-	201,562	-
Derivative instruments	82,677	126,454	30,172	274,712	81,746	48,266	63,077	-	63,159	-	-	-	320,831	449,432
	645,574	254,163	248,305	299,754	358,178	166,654	80,399	19,489	80,504	19,515	21,493	24,182	1,434,452	783,757
Net cash flow	184,597	10,091	(142,867)	(152,320)	(117,435)	27,309	104,070	169,780	87,935	153,308	204,958	208,161	321,260	416,329
Accumulated net cash flow	184,597	10,091	41,731	(142,229)	(75,704)	(114,920)	28,366	54,860	116,301	208,168	321,259	416,329	642,519	832,658
Regulatory limit	(617,274)	(577,587)												
Limit exceeded by	801,871	587,678												

This regulatory methodology is based on measuring and controlling the difference between cash outflows and inflows, on and off balance sheet, for a given maturity or time band, which is known as a maturity gap.

Maturity gaps are calculated separately for domestic and foreign currency. Cash flows related to indexed items or those expressed in foreign currency but payable in domestic currency are always recognized in the maturity gap in domestic currency.

Chapter III.B.2.1 V.1 No. 8, letter b, establishes the criteria for allocating flows among time bands. Asset accounts and their corresponding cash inflows are classified in a time band based on the latest maturity or contractual date of payment, as appropriate. Cash outflows related to liability accounts are classified in a time band based on the nearest contractual maturity date.

Likewise, to calculate gaps, debtors, depositors and creditors are classified as "wholesalers" (i.e. considering the effect on liquidity of each operation recognized in its books contractually with no adjustments based on the hypothesis of renewal (the most conservative position in liquidity management).

To supplement these gap analyses, the Bank monitors the amount of liquid assets backing net cash outflows over a 30-day horizon under stress scenarios (Liquidity Coverage Ratio or LCR).

LCR = High Quality Liquid Assets / Net Outflows Stressed up to 30 Days

The calculation methodology, assumptions and criteria are detailed in Chapter 12-20 of the CMF's Updated Compilation of Standards.

The LCR has a regulatory limit of 60% (year 2019), which increases by 10% every year until it reaches 100% in 2023.

Among its risk control policies, Banco Security has established internal limits that are more conservative than current regulations, maintaining a ratio above 100% at all times in 2019 and reaching 224.60% as of 12/31/2019.

HEDGE ACCOUNTING

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

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

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

As of December 31, 2019, the bank has five hedge accounting strategies to cover the following risks:

1) Cash Flow Hedging Strategy, to hedge the future cash flow risk of UF liabilities arising from bonds placed in UF.

2) Cash Flow Hedging Strategy, to hedge the future cash flow risk of UF assets arising from mortgages in UF.

3) Cash Flow Hedging Strategy, to hedge the future cash flow risk of loans in US$.

4) Fair Value Hedging Strategy, to hedge the risk of volatility in base interest rates in UF, arising from commercial loans in UF.

Fair Value Hedging Strategy, using macro hedges to hedge the risk of volatility in interest rates in UF, arising from mortgage loans in UF.

EMBEDDED DERIVATIVES

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

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

Relevant data on these embedded derivatives are as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2019 MCH$	FOR THE YEAR ENDED DECEMBER 31, 2018 MCH$
Balance MUF mortgage portfolio	44	61
Rate ceiling (average)	7.2%	7.0%
Option value MCH$	21	0.2

V. OPERATIONAL RISK

A. DEFINITION

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

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

B. MAIN OBJECTIVES AND PRINCIPLES

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

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

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

C. OPERATIONAL RISK MANAGEMENT STRATEGY

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

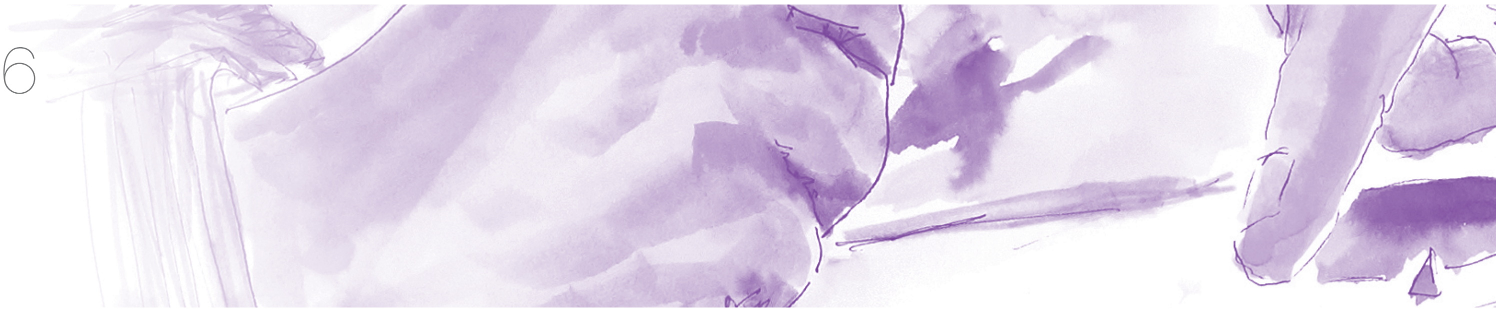
The strategy must set a risk appetite and tolerance level for operational risk taken on by the Bank and its subsidiaries that enables it to manage mitigation efforts and monitor risks with exposure greater than or equal to this set tolerance. The strategy must be implemented throughout the entire Bank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

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

D. OPERATIONAL RISK STRUCTURE

The Operational Risk Division reports to the Chief Executive Officer.

According to the operational risk policy approved by the Board of Directors, risk management is based on: those responsible for and those who carry out processes, who are the primary risk managers (first line of defense); the operational risk department, which is in charge of operational risk management and monitoring (second line of defense); the Board of Directors and the Operational Risk Committee, which are responsible for ensuring that the Bank has an operational risk management framework in accordance with defined objectives and good practices, as well as ensuring that the Bank has the trained personnel, organizational structure and budget necessary to implement this framework. Three lines of defense model.



E. OPERATIONAL RISK MANAGEMENT

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

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

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

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

  - Database of losses and incidents
  - Identification and assessment of operational risks
  - Key risk indicators
  - Critical supplier reviews
  - Project reviews
  - Process reviews
  - Reviews of procedures and operating manuals
  - Others

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

  - Gathering and managing data
  - Integrating qualitative and quantitative management

F. OPERATIONAL RISK MANAGEMENT FRAMEWORK

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

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

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

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

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

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

- MONITORING AND REVIEWING:
  Monitoring, reviewing and updating the risk survey and resolution commitments from the person in charge; Live risk.

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

- CULTURE:
  Developing various initiatives that help the organization to understand every aspect of operational risk, in order to make the model sustainable and appropriately manage operational and cybersecurity risk.

VI. RISK COMMITTEES

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

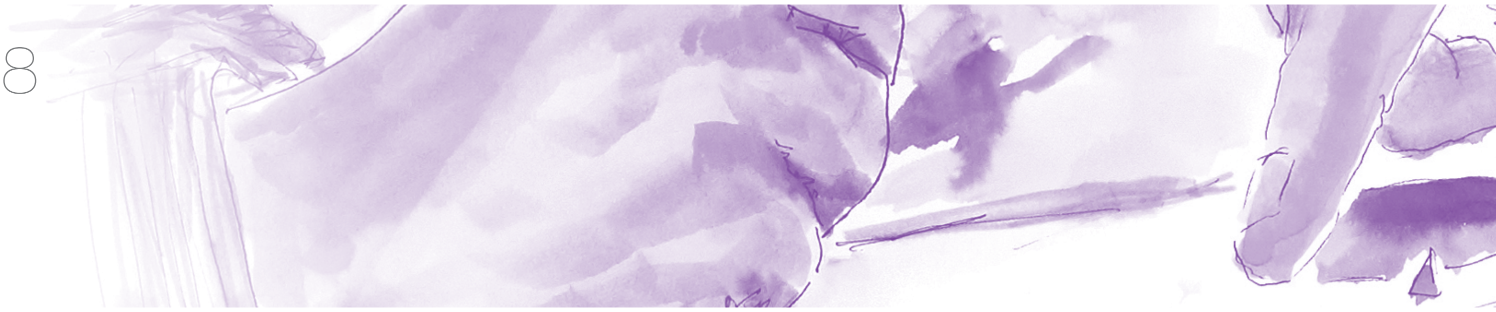
A. CREDIT RISK COMMITTEES

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

COMPOSITION OF CREDIT RISK COMMITTEE:

The Committee is made up of four directors, the Bank's CEO, the Risk Division Manager and the Commercial Loan Approval Manager.

The Bank also has an Executive Credit Committee.



MATTERS ADDRESSED:
These committees are responsible for approving or rejecting the loan applications submitted to the appropriate committee based on the loan amount and conditions.

FREQUENCY:
The Board Credit Risk Committee meets every Tuesday and Thursday (except the second Thursday of each month) while the Executive Credit Risk Committee meets every Wednesday.

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

B. CREDIT RISK RECLASSIFICATION COMMITTEE

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

This committee meets monthly and is comprised of:

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

C. WATCH COMMITTEE

This committee is responsible for monitoring and controlling operations and customers by reviewing information on potential future problems (asymptomatic), non-evident variables and evident variables. It also monitors any previously given instructions.

There are two types of committees:

i. The Board Watch Committee.
ii. The Monitoring or Management Watch Committee.

D. MODELING COMMITTEE

This committee meets to review and monitor all models used for credit risk management. It is also charged with approving new models and monitoring progress. It also reviews the different credit risk methodologies that the Bank uses or is considering using.

E. RISK COMMITTEE

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

This committee also reviews credit risk policies and processes and lending authority and any proposed amendments.

In addition, it analyzes the matters and resolutions discussed by the remaining credit risk committees.

Lastly, this committee is in charge of presenting topics, committee resolutions and policies to the Board for its approval.

This committee meets monthly and its members are:

- One director
- Chief Executive Officer
- Division managers (Commercial, Risk, Finance, Operations and Planning)
- Commercial Risk Manager
- Retail Risk Manager
- Risk and Project Management Control Deputy Manager

F. FINANCE COMMITTEE

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

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

The Financial Committee is also responsible for proposing risk management policies and methodologies for managing financial assets to the Board and ensuring compliance with market risk limits.

This committee is comprised of:

- Two Banco Security Directors
- Chief Executive Officer at Banco Security
- Finance Division Manager at Banco Security
- Planning and Control Division Manager at Banco Security
- Chief Financial Officer at Valores Security

G. OPERATIONAL RISK COMMITTEES

COMPOSITION OF OPERATIONAL RISK COMMITTEE

The members of the Operational Risk Committee are a Director (Chairman), Chief Executive Officer (Vice Chairman), Operational Risk Division Manager (Secretary), Operations and IT Division Manager. (Replacement for the Vice Chairman), Operational Risk Division Manager - Secretary, Commercial Banking Division Manager, Retail Banking Division Manager, Finance and Corporate Division Manager, Planning and Control Division Manager, Credit Risk Division Manager, Representative from the Legal Department, Information Security and BCP Officer, Controller and the Asset Management Division Manager

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

MATTERS ADDRESSED
The committee is also in charge of disseminating the operational risk policy, evaluating identified risks and defining action plans based the Bank's risk profile. Another of its responsibilities is to align and be aware of operational risks, policy compliance levels and integral management of operational risk at each subsidiary.

FREQUENCY
The Operational Risk Committee meets regularly, ideally monthly or as otherwise needed.

BOARD INVOLVEMENT
The Board is informed about the implementation of the Operational Risk Policy and other related policies, as well as the detection of incidents, potential risks and measurements of operational risks (i.e. severity and frequency of loss). New product and service approval. Knowledge of cybersecurity levels and related risks.

H. ASSET AND LIABILITY COMMITTEE

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

The standing members of this committee are:

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

VII. CAPITAL REGULATORY REQUIREMENTS

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

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

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

Levels of Core and Regulatory Capital as of December 31, 2019 and 2018, are as follows:

	CONSOLIDATED ASSETS		RISK-WEIGHTED ASSETS	
	2019 MCH$	2018 MCH$	2019 MCH$	2018 MCH$
BALANCE SHEET ASSETS (NET OF PROVISIONS)				
Cash and due from banks	693,082	394,332	-	-
Transactions in the course of collection	150,526	35,628	108,387	5,102
Financial instruments held for trading	123,763	106,095	81,260	42,789
Investments under resale agreements and securities borrowing	-	-	-	-
Financial derivative instruments	209,656	160,726	150,955	115,248
Loans and advances to banks	568	10,730	339	5,008
Loans to customers	5,950,720	5,245,152	5,653,087	5,000,949
Investments available for sale	756,594	751,206	266,693	218,786
Investments held to maturity	-	-	-	-
Investments in other companies	2,095	2,095	2,095	2,095
Intangible assets	44,943	46,624	31,904	33,585
Property, plant and equipment	22,168	22,656	22,166	22,656
Lease right-of-use asset	8,206	-	8,207	-
Current tax assets	2,085	2,053	209	205
Deferred tax assets	24,434	23,248	2,443	2,325
Other assets	210,611	143,691	172,655	134,678
OFF-BALANCE-SHEET ASSETS				
Contingent loans	462,407	462,360	277,445	278,632
Total risk-weighted assets	8,661,858	7,406,596	6,777,845	5,862,058

	AMOUNT 2019 MCH$	AMOUNT 2018 MCH$	RATIO 2019 %	RATIO 2018 %
Core capital	617,274	577,587	7.13%	7.80%
Regulatory capital	834,064	774,770	12.31%	13.22%

Regulatory capital is calculated as follows:

	AS OF DECEMBER 31, 2019 MCH$	AS OF DECEMBER 31, 2018 MCH$
CORE CAPITAL	617,274	577,587
Subordinated bonds	229,778	210,163
Tax guarantees	-	-
Equity attributable to non-controlling interests	51	59
Goodwill subsidiaries	(13,039)	(13,039)
Regulatory capital	834,064	774,770

40. SUBSEQUENT EVENTS

On January 10, 2020, Banco Security was informed of Resolution No. 114-005 from the Director of the Financial Analysis Unit, by which it levies a fine of UF 800 for delayed reporting of suspicious operations by a customer.

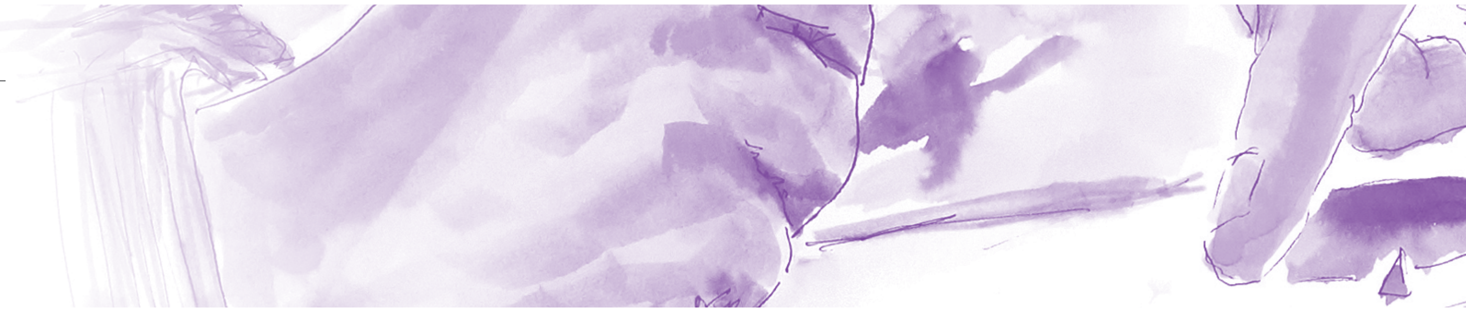
Banco Security reserves the right to file any legal actions lawfully available to it in order to appeal the aforementioned resolution before administrative and judicial bodies.

Between January 1, 2020, and the date these consolidated financial statements were issued, there have been no other subsequent events that significantly affect them.

41. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors in an extraordinary meeting on February 27, 2020.

OMAR K. ABUSADA G.	**BONIFACIO BILBAO H.**
Deputy Accounting Manager	Chief Executive Officer



FINANCIAL STATEMENTS **OF SUBSIDIARIES**

VALORES SECURITY S.A. CORREDORES DE BOLSA

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	12/31/2019 MCH$	12/31/2018 MCH$
ASSETS		
Cash and cash equivalents	58,626	6,509
Financial instruments	71,229	73,010
Brokerage receivables	38,697	39,726
Investments in other companies	3	3
Property, plant and equipment	1,426	171
Other assets	30,975	9,679
TOTAL ASSETS	200,956	129,098
LIABILITIES AND EQUITY		
Financial liabilities	39,865	33,115
Brokerage payables	43,863	36,221
Other liabilities	79,875	15,876
TOTAL LIABILITIES	163,603	85,212
Capital and reserves	43,187	41,763
Profit (loss) for the year	(5,834)	2,123
TOTAL LIABILITIES AND EQUITY	200,956	129,098

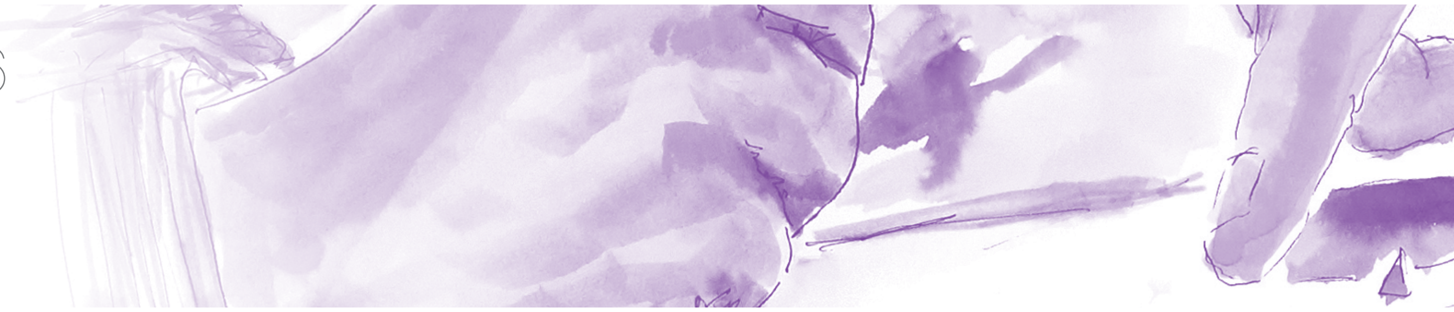
	12/31/2019 MCH$	12/31/2018 MCH$
STATEMENT OF INCOME		
Brokerage income	7,424	9,131
Service income	4,031	4,335
Income from financial instruments	7,657	7,124
Income from financial transactions	(825)	(929)
Administrative and sales expenses	(24,691)	(17,761)
Other gains	149	448
Profit (loss) before tax	(6,255)	2,348
Income tax benefit (expense)	421	(225)
PROFIT (LOSS) FOR THE YEAR	(5,834)	2,123

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	12/31/2019 MCH$	12/31/2018 MCH$
ASSETS		
Cash and cash equivalents	40,178.3	2,795.3
Other financial assets	14,014.1	46,371.6
Other current assets	3,642.2	3,570.5
Non-current assets	12,603.4	11,384.6
TOTAL ASSETS	**70,438.0**	**64,122.0**
LIABILITIES		
Current liabilities	4,173.9	2,849.3
Non-current liabilities		
Issued capital	3,353.6	3,353.6
Other reserves	489.6	708.2
Retained earnings	62,420.9	57,210.9
TOTAL LIABILITIES AND EQUITY	**70,438.0**	**64,122.0**

	12/31/2019 MCH$	12/31/2018 MCH$
STATEMENT OF INCOME		
Operating revenue	17,821.6	18,579.1
Administrative expenses	(13,107.5)	(12,191.8)
Finance costs	(226.2)	(181.2)
Other net income	1,773.7	2,015.7
Profit before tax	6,261.6	8,221.8
Income tax expense	(1,051.7)	(1,659.0)
PROFIT FOR THE YEAR	**5,209.9**	**6,562.8**



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www.security.cl

E-MAIL:
banco@security.cl

BANKING EMERGENCIES:
800 200717
To call from cellular phones: (56-2) 2462 2117
Monday to Sunday, 24 hours a day

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IN CHILE:
Call Banking Emergencies line: 800 200717,
To call from cellular phones: (56-2) 2462 2117,
or Transbank at (56-2) 2782 1386

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In the US and Canada 1 800 307 7309,
In other countries 1 636 722 7111

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