

GRUPO security

memoria anual 2004

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Financial Indicators_



GRUPO security

financial indicators

FINANCIAL INDICATORS GRUPO SECURITY S.A. (UNCONSOLIDATED)

US\$ as of December 2004 (000s omitted)

BALANCE	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Cash and equivalents	2.157	40.183	38.624	40.472	33.956	24.460	13.165	13.063	15.174	18.368	21.989
Fixed assets	0	1.583	1	54	40	144	269	245	163	103	77
Investment in related companies	85.157	116.066	122.108	134.522	161.761	168.610	202.641	211.412	213.033	235.339	310.564
Goodwill	1.923	37.497	33.734	29.920	1.238	1.159	1.079	999	919	840	29.955
Other assets	0	162	2.035	1.844	1.658	1.462	1.272	1.081	890	1.326	1.861
Total other assets	87.080	153.725	157.877	166.285	164.657	171.230	204.992	213.492	214.842	237.505	342.379
TOTAL ASSETS	89.237	195.492	196.502	206.811	198.653	195.834	218.426	226.800	230.180	255.976	364.445
Current liabilities	9.208	46.599	7.330	16.930	12.155	9.457	12.305	10.171	12.147	9.513	5.779
Long term assets	21.670	18.409	45.218	39.999	34.934	28.122	40.549	43.237	39.837	52.969	70.237
Equity	58.359	130.483	143.954	149.883	151.564	158.254	165.572	173.392	178.196	193.495	288.430
TOTAL LIABILITIES AND EQUITY	89.237	195.492	196.502	206.811	198.653	195.834	218.426	226.800	230.180	255.976	364.445
INCOME STATEMENT	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Gross margin	145	70	34	-2	0	0	0	0	0	0	C
General & administrative expenses	193	1.254	1.101	1.704	3.516	3.130	3.444	2.358	3.232	2.437	2.664
NET OPERATING INCOME	-48	-1.184	-1.066	-1.706	-3.516	-3.130	-3.444	-2.358	-3.232	-2.437	-2.664
NON OPERATING INCOME & EXPEN	NSES										
Financial income	0	874	213	67	2.679	2.266	950	789	607	345	480
Income from investments	9.243	15.385	18.172	21.747	17.215	20.193	22.584	22.326	18.461	30.077	35.517
Other income	168	63	5.491	3.525	16.115	2.273	1.510	220	810	539	30
Amortization of goodwill	-94	-502	-3.809	-3.814	-534	-80	-80	-79	-80	-80	-1.643
Financial expenses	-1.899	-1.792	-3.977	-3.430	-3.107	-2.366	-2.277	-3.430	-2.972	-2.751	-2.945
Monetary Correction	4.178	913	302	245	-1.201	-198	-239	-532	-77	131	-921
NON OPERATING RESULTS	11.596	14.940	16.392	18.340	31.167	22.090	22.448	19.295	16.749	28.261	30.517
Net income before taxes	11.548	13.756	15.325	16.634	27.650	18.960	19.004	16.937	13.517	25.824	27.853
Taxes	392	0	23	0	1.610	10	29	3	-123	-122	34
NET INCOME	11.155	13.756	15.086	16.634	26.040	18.949	18.975	16.934	13.641	25.947	27.819

BALANCE

Cash and equivalents

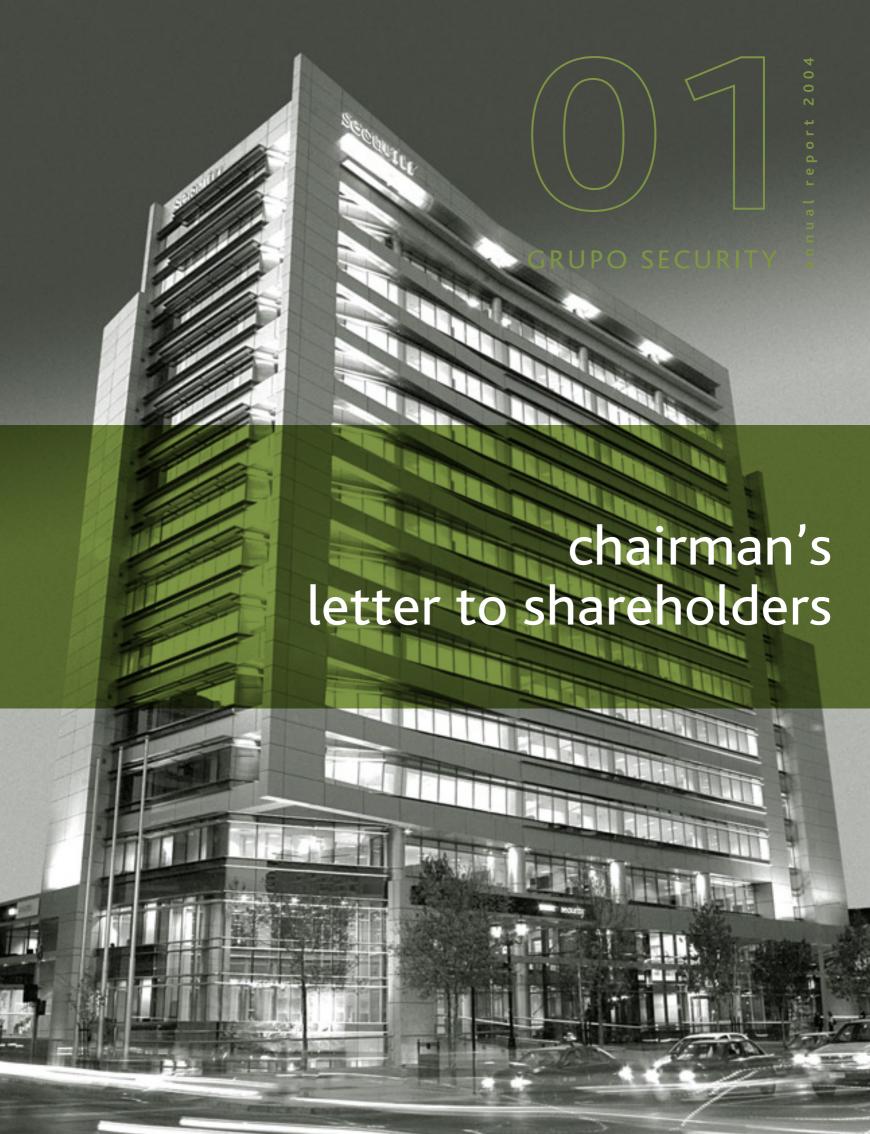
financial indicators

FINANCIAL INDICATORS GRUPO SECURITY S.A. (CONSOLIDATED)

US\$ as of December 2004 (000s omitted)

Cash and equivalents	13./ 12	68.706	87.247	109.065	122.897	135.519	139.636	131.678	17 1.984	219.113	211.198
Fixed assets	68	1.640	42	182	213	956	1.871	3.083	3.741	3.154	3.080
Investment in related companies	83.332	112.329	117.452	127.127	138.266	147.315	158.977	175.328	178.456	194.239	268.752
Goodwill	1.924	37.493	33.724	29.920	5.678	9.198	8.266	8.327	7.838	8.690	37.553
Other assets	11.239	11.361	2.036	5.811	5.277	11.121	16.564	21.154	20.180	23.785	26.703
TOTAL ASSETS	110 274	231.529	240.502	272.104	272.330	304.108	325.313	339.571	382.200	448.982	547.285
1011/2/20210	1101211	23 11323	2 101302	2721101	212,330	30 11100	3231313	333.37	302.200	1 101502	3 171233
Current liabilities	30.277	78.868	49.024	80.350	82.935	114.397	129.309	114.623	157.540	193.529	181.863
Cong term assets	21.667	22.191	47.561	41.871	37.830	31.457	43.429	2.376	46.465	61.958	76.992
Equity	58.330	130.471	143.917	149.883	151.564	158.254	165.572	173.392	178.196	193.495	288.430
TOTAL LIABILITIES AND EQUITY	110.274	231.529	240.502	272.104	272.330	304.108	338.310	290.391	382.200	448.982	547.285
INCOME STATEMENT	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
	1334	1999	1330	1557	1550	1333	2000	2001	2002	2003	2004
Gross margin	841	1.939	4.610	4.446	10.668	10.273	18.729	25.568	26.111	31.264	30.494
General & administrative expenses	828	2.468	5.346	4.027	10.837	11.902	15.866	22.363	28.584	27.607	23.986
NET OPERATING INCOME	12	-529	-736	419	-169	-1.629	2.863	3.205	-2.473	3.658	6.508
NET OPERATING INCOME	12	-529	-736	419	-169	-1.629	2.863	3.205	-2.473	3.658	6.508
NET OPERATING INCOME NON OPERATING INCOME & EXPEN		-529	-736	419	-169	-1.629	2.863	3.205	-2.473	3.658	6.508
		-529 899	-736 214	419 84	-169 3.033	-1.629 4.056	2.863	3.205 1.688	-2.473 922	3.658 747	1.057
NON OPERATING INCOME & EXPEN	NSES										
NON OPERATING INCOME & EXPEN	NSES 145	899	214	84	3.033	4.056	1.667	1.688	922	747	1.057
NON OPERATING INCOME & EXPENTING Financial income Income from investments	NSES 145 9.154	899 15.003	214 17.355	84 20.031	3.033 11.521	4.056 18.379	1.667 18.688	1.688 19.106	922 18.861	747 26.557	1.057 31.481
NON OPERATING INCOME & EXPENFinancial income Income from investments Other income	NSES 145 9.154 173	899 15.003 64	214 17.355 6.328	84 20.031 3.561	3.033 11.521 20.060	4.056 18.379 3.029	1.667 18.688 1.473	1.688 19.106 319	922 18.861 905	747 26.557 906	1.057 31.481 -3.142
NON OPERATING INCOME & EXPENTING Financial income Income from investments Other income Amortization of goodwill	NSES 145 9.154 173 -95	899 15.003 64 -502	214 17.355 6.328 -3.809	84 20.031 3.561 -3.814	3.033 11.521 20.060 -553	4.056 18.379 3.029 -440	1.667 18.688 1.473 -492	1.688 19.106 319 -499	922 18.861 905 -501	747 26.557 906 -561	1.057 31.481 -3.142 -2.159
NON OPERATING INCOME & EXPENFinancial income Income from investments Other income Amortization of goodwill Financial expenses	NSES 145 9.154 173 -95 -1.899	899 15.003 64 -502 -1.792	214 17.355 6.328 -3.809 -3.977	84 20.031 3.561 -3.814 -3.438	3.033 11.521 20.060 -553 -3.395	4.056 18.379 3.029 -440 -2.795	1.667 18.688 1.473 -492 -2.935	1.688 19.106 319 -499 -4.217	922 18.861 905 -501 -4.435	747 26.557 906 -561 -4.420	1.057 31.481 -3.142 -2.159 -4.334
NON OPERATING INCOME & EXPEN Financial income Income from investments Other income Amortization of goodwill Financial expenses Monetary Correction	145 9.154 173 -95 -1.899 4.106	899 15.003 64 -502 -1.792 736	214 17.355 6.328 -3.809 -3.977 49	84 20.031 3.561 -3.814 -3.438	3.033 11.521 20.060 -553 -3.395 -1.70	4.056 18.379 3.029 -440 -2.795 7 -608	1.667 18.688 1.473 -492 -2.935 -967	1.688 19.106 319 -499 -4.217 -1.177	922 18.861 905 -501 -4.435 -602	747 26.557 906 -561 -4.420	1.057 31.481 -3.142 -2.159 -4.334 -910
NON OPERATING INCOME & EXPEN Financial income Income from investments Other income Amortization of goodwill Financial expenses Monetary Correction	145 9.154 173 -95 -1.899 4.106	899 15.003 64 -502 -1.792 736	214 17.355 6.328 -3.809 -3.977 49	84 20.031 3.561 -3.814 -3.438	3.033 11.521 20.060 -553 -3.395 -1.70	4.056 18.379 3.029 -440 -2.795 7 -608	1.667 18.688 1.473 -492 -2.935 -967	1.688 19.106 319 -499 -4.217 -1.177	922 18.861 905 -501 -4.435 -602	747 26.557 906 -561 -4.420	1.057 31.481 -3.142 -2.159 -4.334 -910
NON OPERATING INCOME & EXPENTING INCOME & EXPENTING INCOME & EXPENTING Income Income from investments Other income Amortization of goodwill Financial expenses Monetary Correction NON OPERATING RESULTS	145 9.154 173 -95 -1.899 4.106	899 15.003 64 -502 -1.792 736 14.407	214 17.355 6.328 -3.809 -3.977 49 16.160	84 20.031 3.561 -3.814 -3.438 -2 16.422	3.033 11.521 20.060 -553 -3.395 -1.70 28.960	4.056 18.379 3.029 -440 -2.795 7 -608 21.621	1.667 18.688 1.473 -492 -2.935 -967 17.434	1.688 19.106 319 -499 -4.217 -1.177	922 18.861 905 -501 -4.435 -602	747 26.557 906 -561 -4.420 -34 23.195	1.057 31.481 -3.142 -2.159 -4.334 -910 21.993
NON OPERATING INCOME & EXPENFINANCIAL income Income from investments Other income Amortization of goodwill Financial expenses Monetary Correction NON OPERATING RESULTS Net income before taxes	145 9.154 173 -95 -1.899 4.106	899 15.003 64 -502 -1.792 736 14.407	214 17.355 6.328 -3.809 -3.977 49 16.160	84 20.031 3.561 -3.814 -3.438 -2 16.422	3.033 11.521 20.060 -553 -3.395 -1.70 28.960	4.056 18.379 3.029 -440 -2.795 7 -608 21.621	1.667 18.688 1.473 -492 -2.935 -967 17.434	1.688 19.106 319 -499 -4.217 -1.177 15.219	922 18.861 905 -501 -4.435 -602 15.150	747 26.557 906 -561 -4.420 -34 23.195	1.057 31.481 -3.142 -2.159 -4.334 -910 21.993
NON OPERATING INCOME & EXPENFINANCIAL income Income from investments Other income Amortization of goodwill Financial expenses Monetary Correction NON OPERATING RESULTS Net income before taxes Minority interest	145 9.154 173 -95 -1.899 4.106 11.584	899 15.003 64 -502 -1.792 736 14.407	214 17.355 6.328 -3.809 -3.977 49 16.160	84 20.031 3.561 -3.814 -3.438 -2 16.422	3.033 11.521 20.060 -553 -3.395 -1.70 28.960	4.056 18.379 3.029 -440 -2.795 7 -608 21.621 19.992 0	1.667 18.688 1.473 -492 -2.935 -967 17.434 20.297 -544	1.688 19.106 319 -499 -4.217 -1.177 15.219	922 18.861 905 -501 -4.435 -602 15.150	747 26.557 906 -561 -4.420 -34 23.195 26.853 -176	1.057 31.481 -3.142 -2.159 -4.334 -910 21.993 28.501 193

13.712 68.706 87.247 109.065 122.897 135.519 139.636 131.678 171.984 219.113 211.198



chairman's letter to shareholders

It is a pleasure to present you the Annual Report of Grupo Security for the year recently ended.

2004 was a year full of important achievements and progress for the businesses of Grupo Security. The year began with the purchase of Dresdner Bank Lateinamerika Chile, which was announced in April and formalized in June, with the merger process being completed in October. This transaction provided an important opportunity for Banco Security as the respective similarities and differences between the two banks meant a considerable enhancement of the performance of the merged bank. Both banks showed a similar concentration on businesses directed to medium and large companies which allowed the generation of important synergies in the client portfolio so that clients now have access to a wider range of products. At the same time, we applied a timely commercial strategy and an efficient operative program that permitted the maintenance of the service quality and the retention of the valuable client portfolio of Dresdner Bank, avoiding the loss of market share generally seen in merger situations. Very much to the contrary, the merger of Banco Security and Dresdner Bank meant advancing the Bank's growth by two years, achieving an increase in market share from 2.8% to 3.4% in loans. Also, having absorbed all the merger costs during 2004, the lower expenses of the merged bank will provide an important step in terms of efficiency.

In the insurance area, the merger of the general insurance companies Security and Las Américas to form Compañía de Seguros Generales Penta Security was announced in April 2004. This company is held 70% by Empresas Penta and 30% by Grupo Security. The merger, which was agreed in June 2004, brings large benefits because of the economies of scale in being one of the four largest general insurance companies in the market.

As part of the consolidation of the financial bases of Grupo Security, a bond issue was approved in August and the first tranche of UF 700,000 (US\$ 21.75 million) was placed with a 12-year term with 2 year's grace period, at an annual interest rate of 4.09%. At the same time, bonds that carried higher interest rates were prepaid and other bank loans were restructured.

chairman's letter to shareholders

A shareholders' meeting held in August 2004 authorized a capital increase of US\$ 80.732 million (Ch\$45,000 million) over the next three years in order to finance the Company's investments and provide greater market liquidity to the shares, appointing Larrain Vial as the placement agent and Valores Security as co-leader. In a successful placement made in November 2004, US\$ 47.951 million (Ch\$26,728 million) was raised from 5,916 shareholders at US\$ 0.210 (Ch\$117) per share. The order book recorded a total of 7,141 purchase orders for a total amount of US\$ 1,593.08 million (Ch\$887,985 million), being 33.2 times over-subscribed.

In December 2004, shareholders who had ceded their preemptive purchase rights subscribed for an additional US\$ 12.668 million (Ch\$7,061 million), resulting in 2,040 million subscribed and paid shares and a book equity of US\$ 228.455 million (Ch\$160,785 million) at the end of the year.

The proceeds have allowed us to form the basis for the solid business growth of Grupo Security's companies. Particularly notable was the capital increase of US\$26.911 million (Ch\$15,000 million) made to Banco Security in December 2004, a clear sign of the commitment of its shareholders with the group's principal asset. A further US\$ 11.661 million (Ch\$6,500 million) was used to develop the insurance business; and the capital of Factoring Security was increased in the first months of 2005 in order to support the growth in this business line.

All these achievements and the progress made were also reflected in the results for the year 2004. The net income of Grupo Security was US\$ 27.818 million (Ch\$15,506 million) which compares favorably with the US\$ 25.947 million (Ch\$14,463 million) recorded the year before, a real increase of 7.2%. Profitability, taking into account the capital increases made during the year, showed a 10.7% return on equity, and the debt level represented 26.4% of equity, thus demonstrating Grupo Security's solvency.

I should also like to state that one of the pillars of Grupo Security is and has been its people. It has historically had a first-class team, both in professional and human terms, and I venture to say that our achievements are basically explained by this factor. It is therefore no surprise, but one

chairman's letter to shareholders

of pride, to inform you that Banco Security was included in 2004, for the fourth consecutive year, in the table of honor of the "25 best companies to work for in Chile" and, this time, in 7th place. Along similar lines, in a survey of "The best companies for working mothers" made by El Mercurio newspaper, Ya magazine and Fundación Chile Unido, Banco Security was again chosen among the 5 companies in Chile that provide the best facilities for working mothers, thus promoting an optimum family-work relationship. Banco Security was also awarded the "Gran Premio Revista Capital", work and the family category, as the Chilean company which best reconciles both factors. While the awards have been primarily concentrated on Banco Security, the good working environment and the quality of its professionals extends to every one of the subsidiaries of Grupo Security.

We are proud of the activities carried out during 2004, the results obtained and the recognitions we have received. This imposes on all those working for this company, a great challenge with respect to our shareholders and also to the market, in performing our work in an increasingly better way.

Francisco Silva S.

1 pm B

Chairman



directors and management

BOARD OF DIRECTORS

Chairman:

Francisco Silva Silva
 Civil Engineer, Universidad Católica de Chile
 Engineer, Stanford University
 Master of Science, Stanford University

Tax No.: 4.103.061-5

Directors:

 Claudio Berndt Cramer Accountant, Universidad de Chile

Tax No.: 4.775.620-0

Andrés Concha Rodríguez
 Commercial Engineer, Universidad de Chile

Tax No.: 4.773.967-5

Jaime Correa Hogg
 Civil Engineer, Universidad de Chile
 Tax No.: 5.892.161-0

 Jorge Marín Correa Business Manager
 Tax No.: 7.639.707-4

Naoshi Matsumoto Takahashi
 Commercial Engineer, Universidad Católica de Chile

Tax No.: 3.805.153-9

Tax No.: 5.759.348-2

Horacio Pavez García
 Civil Constructor, Universidad Federico Santa María
 Tax No.: 3.899.021-7

Juan Cristóbal Pavez Recart
 Commercial Engineer, Universidad Católica de Chile
 Master of Business Administration,
 Massachusetts Institute of Technology
 Tax No.: 9.901.478-4

Álvaro Vial Gaete
 Commercial Engineer, Universidad de Chile
 Master of Arts in Economics, University of Chicago

MANAGEMENT

President:

Renato Peñafiel Muñoz

Commercial Engineer, Universidad Católica de Chile

Master of Arts in Economics, University of Chicago

Tax No.: 6.350.390-8

Chief Financial Business Officer:

Carlos Budge Carvallo
 Agronomist and M.Sc., Universidad Católica de Chile
 Master of Arts and PHD, Applied Economics, Stanford
 University

Tax No.: 7.011.490-9

Chief Insurance Business officer:

Andrés Tagle Domínguez
 Commercial Engineer, Universidad Católica de Chile
 Tax No.: 5.895.255-9

Assistant Manager, Planning and Performance Control:

Fernando Salinas Pinto
 Commercial Engineer, Universidad Católica de Chile

Tax No.: 8.864.773-4



the company

THE COMPANY

Name:

GRUPO SECURITY S.A.

Type of Entity:

Open Corporation

Corporate Objects:

Financial group whose object is to offer the broadest range of financial services in both Chile and abroad.

Tax No.:

96.604.380-6

Domicile:

Av. Apoquindo 3150, 15th floor, Las Condes, Santiago

562-584 4000

Fax:

562-584 4001

Mail:

grupo@security.cl

Web:

www.security.cl

Constitution Documents:

The investment company GRUPO SECURITY S.A. was formed under public deed dated February 8, 1991 before the notary Enrique Morgan Torres. Its extract was published in the Official Gazette on February 22, 1991 and was inscribed in the Santiago Trade Register for 1991(folio 5720, No.2820) on February 19, 1991.

Grupo Security S.A. is an open corporation. On January 30, 1995, the company was inscribed in the Securities Register (No.0499) and is therefore subject to the regulatory authority of the Superintendency of Securities and Insurance.

The extraordinary shareholders' meeting held on October 20, 1997 agreed to change the company's name to the present Grupo Security S.A..



BUSINESS STRATEGY

Grupo Security is a diversified financial group that participates actively in the financing of businesses and individuals, the marketing of life and general insurance, and the supply of investments products and asset management.

Several of the founding shareholders that formed the group in 1991 are actively involved in its management. Since then, Grupo Security has been creating and incorporating new subsidiaries that have widened its business base in the financial sector to become positioned as a top-level group in the provision of integrated financial services to its clients.

Grupo Security is structured in four principal business areas grouping together its different subsidiaries and divisions according to common business objectives. The arrangement of these areas reflects the need to follow the global trend to provide customers with all the financial services they require through the life cycle (bank, investments and insurance). These areas are as follows:

BUSINESS AREA	S Comments
Financing	 Banco Security Corporate banking Personal banking Leasing Factoring
Investments	 Mutual funds Stockbroker Asset management Securitization
Insurance	General insuranceLife insuranceInsurance brokerReinsurance broker
Other services	Travel SecurityInmobiliaria SecurityBusinesses support servicesTechnological services

2004 was especially notable for Grupo Security, full of activities and new businesses, among which was the purchase of Dresdner Bank Lateinamerika Chile, a transaction formalized in June and completed with

the merger of Banco Security and Banco Dresdner in October.

The Group also arranged a series of alliances including that with Cooper Gay, one of the ten most important resinsurance brokers in the world, in order to develop the reinsurance business, and that with the travel, vehicle and home assistance company, Europ Assistance, to form Europ Assistance Chile

There was also the merger of the Group's general insurance subsidiary, Seguros Security Previsión Generales S.A., with the general insurance company of the Penta Group, Compañía de Seguros Generales Las Américas S.A., to form Compañía de Seguros Generales Penta Security.

One of the principal highlights of the year for Grupo Security was the capital increase made on the stock exchange in November for an amount close to US\$ 58.8 million (Ch\$32,775.1 million), a transaction that generated great market interest and which was over-subscribed 33.2 times. The Group also made a capital increase from among its shareholders in June for US\$ 17.356 million (Ch\$ 9.674 million) and placed bonds in August for UF 700,000 (US\$ 21.747 million), at a 12-year term and annual interest rate of 4.09%.

The year 2004 was therefore especially intense for the Group, in which the companies in each business area worked in coordination to promote the provision of an integrated and broad range of products for its customers.

But it was not only the businesses that marked the progress of Grupo Security in 2004. Last year also saw the completion of the new corporate building at Avda. Apoquindo 3150, where the different business areas work together.

Another factor that accompanied the good year for Grupo Security was the awards obtained by Banco Security. These included seventh place in "Great Place to Work" where the bank was included in the list of honor for the fourth consecutive year. Banco Security also gained second place among the "best companies for working mothers" given by the Ya magazine, El Mercurio newspaper and Fundación Chile Unido, and won the "Gran Premio Revista Capital", Work and Family Category, as the Chilean company that best reconciles work and the family.

HISTORICAL SUMMARY

. 1981

Banco Urquijo de Chile is formed, a subsidiary of Banco Urquijo, Spain.

· 1987

Security Pacific Corporation, a subsidiary of Security Pacific National Bank, Los Angeles, California, acquires all the shares of Banco Urquijo de Chile whose name is changed to Banco Security Pacific. Security Pacific National Bank forms a securities trading and stock-brokerage firm which, four years later, is sold to Banco Security to become Valores Security, Corredores de Bolsa.

· 1990

Leasing Security is formed and is incorporated into Banco Security in April 2001.

· 1991

Security Pacific Overseas Corporation sells 60% of the bank to the present controlling shareholders of Grupo Security and its name is changed to Banco Security. Grupo Security is thus born.

· 1992

Administradora de Fondos Mutuos Security (a mutual funds management company) is founded as a subsidiary of Banco Security, and Factoring Security is founded as a subsidiary of Grupo Security.

· 1993

The subsidiary Asesorías Security is formed to represent Dean Witter Reynolds & Co., USA, in Chile.

· 1994

Bank of America, the successor of Security Pacific National Bank, sells to Grupo Security the remaining 40% of Banco Security.

. 1995

Grupo Security's shares become public by listed and, following a second capital increase, acquires a majority interest in AFP Protección (a pension fund management company) and the insurance companies Previsión Vida and Previsión Generales. The transaction is carried out with the company Inversiones, Seguros y Pensiones Limitada with which a joint-action agreement is signed for managing the acquired companies.

. 1996

The Group incorporates Merchant Security and Inmobiliaria Security. Grupo Security buys 29.35% of the insurance company Previsión Generales from Inversiones, Seguros y Pensiones Limitada and becomes the controller of 62.69% of that insurance company.

· 1997

Grupo Security makes a stock split, with seven new shares representing one old share. A corporate image change is made in October and the company Securitizadora Security, a subsidiary of Merchant Security, is incorporated into the Group.

· 1998

In March, Grupo Security sells its holding in AFP Protección and, in December, transfers the insurance companies Previsión Vida and Previsión Generales to the parent company Inversiones Seguros Security Limitada.

. 1999

Grupo Security acquires a majority interest in the travel agency Travel Security and forms Corredora de Seguros Security through the parent Inversiones Seguros Security Limitada. Global Security is created.

· 2001

The subsidiary Invest Security centralizes the corporate accounting, control and cultural development services of the subsidiaries of the Group. Virtual Security starts

the provision of technological services for companies in the Group. Two subsidiaries are formed of Servicios Security S.A. (a subsidiary in turn of Inversiones Seguros Security Limitada): Corredora de Reaseguros Security and Agencia Security.

· 2002

Merchant Security absorbs the international asset management business of Asesorías Security and the International Private banking business from Banco Security, and adopts the name of Asesorías Security S.A. Inversiones Seguros Security Limitada reaches a 73.69% holding in Servicios Security, the parent of companies dedicated to insurance broking. The insurance companies change their names to Seguros Vida Security Previsión S.A. and Seguros Security Previsión Generales S.A.

· 2003

Inversiones Seguros Security increases to 92% its holding in Seguros Vida Security Previsión S.A., and Grupo Security successfully places a bond issue for UF 1 million (US\$ 31.07 million). In September, the Superintendency of Securities and Insurance approves the reform of the bylaws of Administradora General de Fondos Security S.A which changes the type of company to become a general funds management company. In December, an extraordinary shareholders' meeting approves a capital increase of US\$ 53.82 million (Ch\$30,000 million), part of which was carried out in 2004.

· 2004

Grupo Security agrees an association with the English reinsurer Cooper Gay and forms the resinsurance broker, Cooper Gay Chile.

In June, Grupo Security acquires 99.67% of Dresdner Bank Lateinamerika AG and 100% of Dresdner Lateinamerika S.A. Corredora de Bolsa, a transaction mainly financed by a capital increase among the Group's shareholders which was completed in June for US\$ 21.18 million (Ch\$11,803,388,370). On October 1, Banco Dresdner is merged with Banco Security.

On that same date, the merger of Seguros Generales Las Américas and Seguros Security Previsión Generales is completed under the name of Penta Security.

An extraordinary shareholders' meeting held on August 2 approves a new capital increase of US\$ 80.73 million (Ch\$45,000 million), open to individual and institutional Investors. This is placed In November for an amount close to US\$ 58.5 million.

In October, Grupo Security signs an alliance with Europ Assistance to form Europ Assistance Chile.

MATERIAL INFORMATION

There have been no significant events of a financial accounting nature between January 1 and the date of these consolidated and unconsolidated financial statements that might affect an interpretation of these financial statements.

STOCK MARKET PERFORMANCE

The stock market performed positively during 2004, maintaining the trend that began in late 2002. In particular, the IPSA (the selective stock price index) closed the year at 1,796.48 points. This meant an annual nominal return of 20.99% (18.5% in real terms), while the IGPA (the general stock price index) showed an annual nominal return of 22.16% (19.65% real). This performance is mainly explained by a strong increase in company earnings as a result of greater domestic and external economic growth; lower financing costs that permitted an additional fall in the cost of capital, an important increase in commodity prices that especially benefited exporters of copper, woodpulp and steel; and a reduction in the sovereign risk of the whole region.

The greater dynamism on the stock market was reflected in the sharp increase of 60.8% in volumes traded to Ch\$7,344,500 million, equivalent to US\$13,176.3 million. In this context, the Group in November made a successful capital increase that produced US\$ 44.5 million (Ch\$24,804.3 million) to finance the subsidiaries' growth plans. The share's performance was characterized by an annual nominal return of 21.08% (18.60% in real terms), slightly above that of the IPSA for the same period; an increase in its liquidity, reflected in transactions, following the placement of the capital increase, which exceeded US\$718 thousand (Ch\$400 million) daily on average; and an adjusted annual market presence of 50%.

The performance of Grupo Security's shares exceeded that of the local stock market. The Group's share price increased by 21.4%, from US\$ 0.185 (Ch\$103) per share at the end of December 2003 to US\$ 0.224 (Ch\$125) at the close of 2004.

The price/earnings ratio today of the Grupo Security share is 16.53 times, compared to 12.94 in 2003. This is

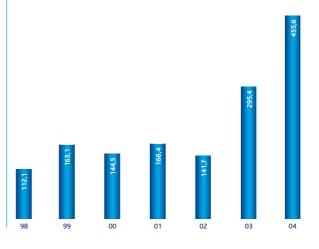
basically explained by the strong rise in the net income of Grupo Security compared to the year before and the capital increase.

The following graph shows the movement in the share price of Grupo Security S.A. compared to the behavior of the IGPA.

EVOLUTION OF THE SHARE PRICE OF GRUPO SECURITY AND THE IGPA



EVOLUTION OF MARKET CAPITALIZATION MMUS\$



STOCK MARKET INDICATORS AND SHARE TRADING

The following table shows some stock market indicators of Grupo Security at the end of each year from 1998 to 2004.

STOCK MARKET INDICATORS OF GRUPO SECURITY									
INDICATOR	1998	1999	2000	2001	2002	2003	2004		
Share price (Ch\$)	32.1	52.0	50.0	66.0	61.0	107.0	125.0		
Earnings per share (Ch\$ per share)	7.43	5.55	5.81	5.35	4.44	8.27	7.60		
Price-Earnings Ratio	4.32	9.38	8.60	12.34	13.74	12.94	16.45		
Market presence	92.4%	86.9%	50.0%	50.2%	35.6%	42.9%	49.0%		
Number of shares	1,654,721,054	1,654,721,054	1,654,721,054	1,654,721,054	1,654,721,054	1,654,721,054	2,040,264,415		
Market Capitalization (MMUS\$)	112.1	163.1	144.5	166.4	141.7	295.4	455.6		

The following shows the number of Grupo Security shares traded, the total volume traded and the average share price over the last four years.

TRANSACTIONS IN GRUPO SECURITY SHARE

PERIOD	N° OF SHARE (THOUSANDS)	VOLUME TRADED (ThCh\$)	AVERAGE PRICE (Ch\$ PER SHARE)
1st quarter 2001	3,158	166,135	52.61
2nd quarter 2001	13,636	759,840	55.72
3rd quarter 2001	2,093	2,116,940	65.96
4th quarter 2001	8,832	578,315	65.48
YEAR 2001	27,719	3,621,230	61.35
1st tr1stmeste 2002	3,135	204,685	65.28
2nd quarter 2002	14,210	919,018	64.67
3rd quarter 2002	26,528	1,732,352	65.30
4th quarter 2002	24,210	1,499,778	61.95
YEAR 2002	68,083	4,355,833	63.98
1st tr1stmeste 2003	103,990	6,659,068	63.75
2nd quarter 2003	11,620	758,908	70.26
3rd quarter 2003	10,084	852,752	86.95
4th quarter 2003	4,388	428,501	100.22
YEAR 2003	130,082	8,699,229	81.03
1st tr1stmeste 2004	2,772	297,308	107.25
2nd quarter 2004	80,733	9,846,166	121.96
3rd quarter 2004	19,765	2,383,999	120.62
4th quarter 2004	118,465	14,337,451	121.03
YEAR 2004	221,735	26,864,923	121.16

For further details about transactions in the shares of Grupo Security, please refer to:

DCV REGISTROS S.A., address: Huérfanos Street 770, piso 22, Santiago, Telephone: 393 90 05 (Option 1 - shareholder attention desk), Fax: 393 93 15, E-mail: dcvregistros@dcv.cl, Web: www.dcv.cl

RESULTS OF GRUPO SECURITY IN 2004

Grupo Security produced a net income US\$ 27.82 million (Ch\$15,506 million) in 2004, which represents a return on equity of 10.67%.

It is important to mention that this indicator is affected by the recent capital increase following the share placement. If the return is calculated using the average equity, the ROE would be 13%.

The unconsolidated balance sheet of Grupo Security shows total assets of US\$ 364.45 million (Ch\$203,142) million of which current assets form

6.03%, i.e. US\$ 21.99 million (Ch\$12,256 million), to provide a liquid position for the company. The most important asset item is investments in related companies which amount to US\$ 310.56 million (Ch\$173,108 million).

On the other hand, current liabilities amounted to US\$ 5.78 million (Ch\$3,221 million) and long-term liabilities to US\$ 70.24 million (Ch\$39,150 million), the main items being bonds payable and borrowings from banks.

Finally, the equity of Grupo Security amounts to US\$ 304.58 million (Ch\$169,770 million) and represents 79.14% of total assets at December 2004.

FINANCIAL INDICATORS

Changes in the most relevant financial indicators of Grupo Security over the last five years are shown in the following table:

FINANCIAL INDICATORS Current Assets / Current Liabilities (times) 1.07 1.28 1.25 1.93 1.16 Total Debt / Equity 31.92% 30.80% 29.17% 32.29% 26.38% Total Debt / Total Assets 24.20% 23.55% 22.58% 24.41% 20.87% 12.94% 10.82% 15.49% 10.67% Earnigs / Equity (*) 8.29%

^(*) Equity less net income for the year

OWNERSHIP

Grupo Security S.A. has been an open corporation since July 1995 and has maintained an active presence on the local stock exchanges.

The shareholders in Grupo Security S.A. include businessmen, bankers, and professionals with a long experience in the financial sector. This produces a singular and positive coming together of common short and long-term objectives, generating the suitable incentives for establishing an agile and efficient organization plus long-standing relations with clients.

Grupo Security increased its shareholder base following the capital increase made in November 2004. Grupo Security now has 660 shareholders, with 2,040,264,415 shares.

Grupo Security S.A. lacks a controller or a controlling group as defined in clause 97 of the Securities Market Law. It should be mentioned that a group of shareholders, together representing approximately 72.96% of the share capital of Grupo Security, were parties to a shareholders' agreement at December 31, 2004, concerning the assignment of shares.

The following shows the 12 largest shareholders in Grupo Security S.A.:

OWNERSHIP				
DIRECT CONTROLLER	TAX N°	NUMBER OF SHARES	% DIRECT HOLDING	% ACCUM. HOLDING
SOC. COMERCIAL DE SERVICIOS E INV. LTDA.	79.553.600 0	234,388,655	11.4882%	11.4882%
INMOBILIARIA VILLUCO LTDA	79.652.720 K	171,775,728	8.4193%	19.9074%
INVERSIONES MATYCO LTDA	96.512.100 5	165,512,100	8.1123%	28.0197%
INVERSIONES HIDROELECTRICAS LTDA	79.884.660 4	157,582,636	7.7236%	35.7434%
INVERSIONES HEMACO SA	96.647.170 0	128,268,615	6.2869%	42.0302%
INMOBILIARIA CAB S.A.	96.941.680 8	78,342,585	3.8398%	45.8701%
INVERSIONES LLASCAHUE LIMITADA	79.884.060	6 75,292,145	3.6903%	49.5604%
INVERSIONES LOS CACTUS LIMITADA	79.884.050	9 66,279,304	3.2486%	52.8089%
COMPANIA DE INVERSIONES RIO BUENO SA	96.519.130 5	55,271,297	2.7090%	55.5180%
INVERSIONES CIRCULO FINANCIERO SA	87.019.500 1	49,095,526	2.4063%	57.9243%
INVERSIONES SAN IGNACIO LIMITADA	78.063.360 3	39,245,820	1.9236%	59.8479%
INVERSIONES EL ROCIO S.A.	78.256.070 0	35,323,465	1.7313%	61.5792%

In accordance with General Regulation No.30 of the Superintendency of Securities and Insurance, the following is a detail of individuals who directly or indirectly through other individuals or entities hold 10% or more of the shares of Grupo Security S.A., indicating their direct and indirect shareholdings in Grupo Security S.A.. In this situation at December 31, 2004 is Mr Gustavo Pavez Rodríguez, Tax No.4.609.215-5, who holds 11.4882% of the share capital.

DIVIDEND POLICY

It is the Board's intention to propose to the ordinary shareholders' meeting to maintain the current dividend policy, approved at the ordinary shareholders' meeting in 2004, which corresponds to the permanent policy of Grupo Security S.A. In particular, it is proposed to distribute about 50% of the income that the company has received from its subsidiaries during the year. This distribution could be made against the income for 2004 or retained earnings from previous years. The payment will be split into two dividends, an interim and a final one.

It is therefore proposed to distribute an interim dividend between October and November each year representing no more than 20% of the income accrued to the company between January and June that year. A final dividend is then contemplated in April or May of the following year in order to reach no less than 50% of the income that Grupo Security has received from its subsidiaries in the respective year, provided this does not impede or make difficult to comply with the company's financial obligations or those it may assume in the future.

The board of Grupo Security S.A. will therefore propose to the ordinary shareholders' meeting the payment of a final dividend of US\$ 0.006 (Ch\$3.3) per share which, added to the interim dividend of US\$ 0.001 (Ch\$0.5) per share and the additional dividend of US\$ 0.0018 (Ch\$1.0) paid in October 2004, make a total of US\$ 0.0086 (Ch\$4.8) per share. These dividends represent a total amount of US\$ 16.792 million (Ch\$9,360 million) which means the distribution of dividends for 60.4% of the net income for 2004.

EARNINGS AND DIVIDENDS PAID								
				In millions of US\$ as of	December of 2004			
INDICATOR	2000	2001	2002	2003	2004			
Previous years' retained earnigs	36.6	26.9	43.2	45.2	55.8			
Net income for the year	16.9	18.9	13.6	25.9	27.8			
Interim & final dividends	10.1	10.3	8.6	12.5	14.1			

DIVIDENDS PAID

The following table shows the history of dividends paid by Grupo Security to its shareholders since the company first quoted its shares on the stock market in 1995.

DIVIDEN	IDS PAID					
DIV. N°	DATE	Ch\$ PER SHARE	AMOUNT (MILLIONS OF Ch\$)	DIV. N°	DATE	Ch\$ PER SHARE
1	April 03,1995	1.766	2,922	14	April 30, 2001	2.000
2	May 09, 1996	1.571	2,600	15	October 23, 2001	1.000
3	May 08,1997	2.000	3,009	16	October 23, 2001	0.600
4	November 20, 199	7 1.000	1,655	17	May 07, 2002	2.200
5	May 11, 1998	1.500	2,482	18	October 17, 2002	0.330
6	October 14, 1998	4.500	7,446	19	October 17, 2002	0.70
7	October 14, 1998	1.000	1,655	20	May 05, 2003	2.600
8	April 12,1999	2.000	3,309	21	October 16, 2003	0.742
9	October 20, 1999	1.000	1,655	22	October 16, 2003	0.758
10	October 20, 1999	0.500	827	23	May 07, 2004	3.150
11	April 17,2000	2.750	4,550	24	October 07, 2004	1.000
12	October 27, 2000	0.250	414	25	October 07, 2004	0.500
13	October 27, 2000	1.000	1,655			

Grupo Security S.A has a total of 2,040,264,415 shares at December 31, 2004.

PERSONNEL OF GRUPO SECURITY AND COMPENSATION

Grupo Security S.A. and its subsidiaries at December 31, 2004 employ 1,566 people.

The following table shows the distribution of personnel by company:

PERSONNEL OF GRUPO SECURITY				
COMPANY	MANAGEMENT	EXECUTIVES	STAFF	TOTAL
Grupo Security	3	1	3	7
· Banco Security & Filiales	20	188	199	407
· Factoring Security	4	30	47	81
· Inmobiliaria Security	2	3	5	10
· Asesorías Security & Filiales	2	4	9	15
· Inversiones Seguros Security & Filiales	16	92	577	685
· Invest Security	9	83	269	361
TOTAL GRUPO SECURITY & SUBSIDIARIES	56	401	1,109	1,566

The active participation of women in the Grupo Security is notable, reaching 56.6% of the total.

Total compensation received by executives of Grupo Security during the year was US\$ 657.1 thousand (Ch\$366,288,389).

Grupo Security and its subsidiaries have an incentives plan consisting of an annual bonus for executives, managers and directors based on compliance with return on equity targets and the budget established for each year. Each company directly incurs the associated costs.

DIRECTORS' COMMITTEE

The Directors' Committee comprises the following directors of Grupo Security:

DIRECTORS' CO	DMMITTEE		
DIRECTORS	Andrés Concha Rodríguez	Commercial Engineer, Universidad de Chile	4.773.967-5
	Naoshi Matsumoto Takahashi	Commercial Engineer, Universidad Católica de Chile	3.805.153-9
	Alvaro Vial Gaete	Commercial Engineer, Universidad de Chile	5.759.348-2
		Master of Arts in Economics, University of Chicago	
SECRETARY	Renato Peñafiel Muñoz	Commercial Engineer, Universidad Católica de Chile	6.350.390-8
		Master of Arts in Economics, University of Chicago	

The director's compensation was set at UF 15 (US\$466.01) per meeting for each director, equivalent to UTM 8.5 (US\$466.01) approximately, with a maximum of six meetings per year.

No administration expenses or advisory fees were incurred by the Directors' Committee.

The committee, whose functions are those set out in clause 50 bis of Law 18,046, revised the following matters during 2004:

- Revision of the Report of the Independent Accountants addressed to the shareholders of Grupo Security and its subsidiaries as at December 31, 2003.
- · Revision of the targets of the audit plan 2004.
- Revision of the principal contents, scope and results of the internal audit of the different business lines and companies of Grupo Security.
- Revision of the detail of transactions between related and associated companies of Grupo Security.

- Revision of the compensation and incentive programs for managers and senior executives of Grupo Security.
- This Committee dealt with the development of the Report of the Independent Accountants of Grupo Security and its subsidiaries as at December 31, 2004.

DIRECTORS' COMPENSATION AND FEES

Regarding the allowances and fees received by each director during the year, the ordinary shareholders' meeting held in April 2004 agreed to set as the directors' remuneration an allowance for attending board meetings for the year 2004 of UTM 19.99 (US\$ 1,086.93) per meeting for each director and UTM 28.56 (US\$ 1,552.92) for the chairman, with a maximum of one remunerated meeting per month. The total of compensation and fees paid to directors during the year amounted to UTM 16,847.7 (US\$ 916,074.797). No advisory fees were incurred by the board.

								Figu	ires in UTM
		GRUPO SECURITY		BANCO SECURITY		SEGUROS VIDA SEGUROS GENERA SECURITY SECURITY(*)		ES INMOBILIARIA SECURITY	
NAME	TAX ID. №	ATTENDANCES FEES	DIRECTORS' COMMITTEE FEE	FEES	ATTENDANCES FEES	FEES	ATTENDANCES FEES	ATTENDANCES FEES	SALARY
FRANCISCO SILVA SILVA	4.103.061-5	309.6	0.0	0.0	341.8	7,157.9	172.3	85.5	0.0
CLAUDIO BERNDT CRAMER	4.775.620-0	197.3	0.0	0.0	0.0	363.3	0.0	0.0	0.0
ANDRÉS CONCHA RODRÍGUEZ	4.773.967-5	157.7	8.3	225.3	0.0	0.0	0.0	0.0	0.0
JAIME CORREA HOGG	5.892.161-0	216.7	0.0	0.0	0.0	0.0	0.0	0.0	4,195.5
JORGE MARIÍN CORREA	7.639.707-4	216.7	0.0	0.0	341.8	300.4	0.0	0.0	0.0
NAOSHI MATSUMOTO TAKAHASHI	3.805.153-9	177.1	8.3	0.0	0.0	441.7	0.0	0.0	0.0
UAN CRISTÓBAL PAVEZ RECART	9.901.478-4	216.7	0.0	225.3	0.0	0.0	189.8	0.0	0.0
HORACIO PAVEZ GARCÍA	3.899.021-7	216.7	0.0	0.0	0.0	441.7	0.0	0.0	0.0
ÁLVARO VIAL GAETE	5.759.348-2	216.7	8.3	225.3	0.0	0.0	189.8	0.0	0.0

COMPENSATION AND FEES	2003								
								Figu	ires in UTM
			GRUPO SECURITY	,		NCO URITY	SEGUROS VIDA SECURITY	SEGUROS GENERALES SECURITY	INMOBILIARIA SECURITY
NAME	TAX ID. N°	ATTENDANCES FEES	DIRECTORS COMMITTEE F		ATTENDANCES FEES	FEES	ATTENDANCES FEES	ATTENDANCES FEES	SALARY
FRANCISCO SILVA SILVA	4.103.061-5	284.0	0.0	0.0	340.7	6,860.6	173.0	190.6	0.0
CLAUDIO BERNDT CRAMER	4.775.620-0	218.6	0.0	0.0	0.0	321.5	0.0	0.0	0.0
ANDRÉS CONCHA RODRÍGUEZ	4.773.967-5	218.7	25.5	142.5	0.0	0.0	0.0	0.0	0.0
JAIME CORREA HOGG	5.892.161-0	238.6	0.0	0.0	0.0	0.0	0.0	0.0	4,308.2
JORGE MARÍN CORREA	7.639.707-4	218.7	0.0	0.0	340.7	190.0	0.0	0.0	0.0
NAOSHI MATSUMOTO TAKAHASHI	3.805.153-9	139.0	25.5	0.0	0.0	361.4	0.0	0.0	0.0
JUAN CRISTÓBAL PAVEZ RECART	9.901.478-4	238.6	0.0	142.5	0.0	0.0	157.5	0.0	0.0
HORACIO PAVEZ GARCÍA	3.899.021-7	218.7	0.0	0.0	0.0	341.5	0.0	0.0	0.0
ÁLVARO VIAL GAETE	5.759.348-2	238.6	25.5	142.5	0.0	112.3	157.5	173.2	0.0
TOTAL		2,013.7	76.6	427.5	681.4	8,187.3	487.9	363.8	4,308.2

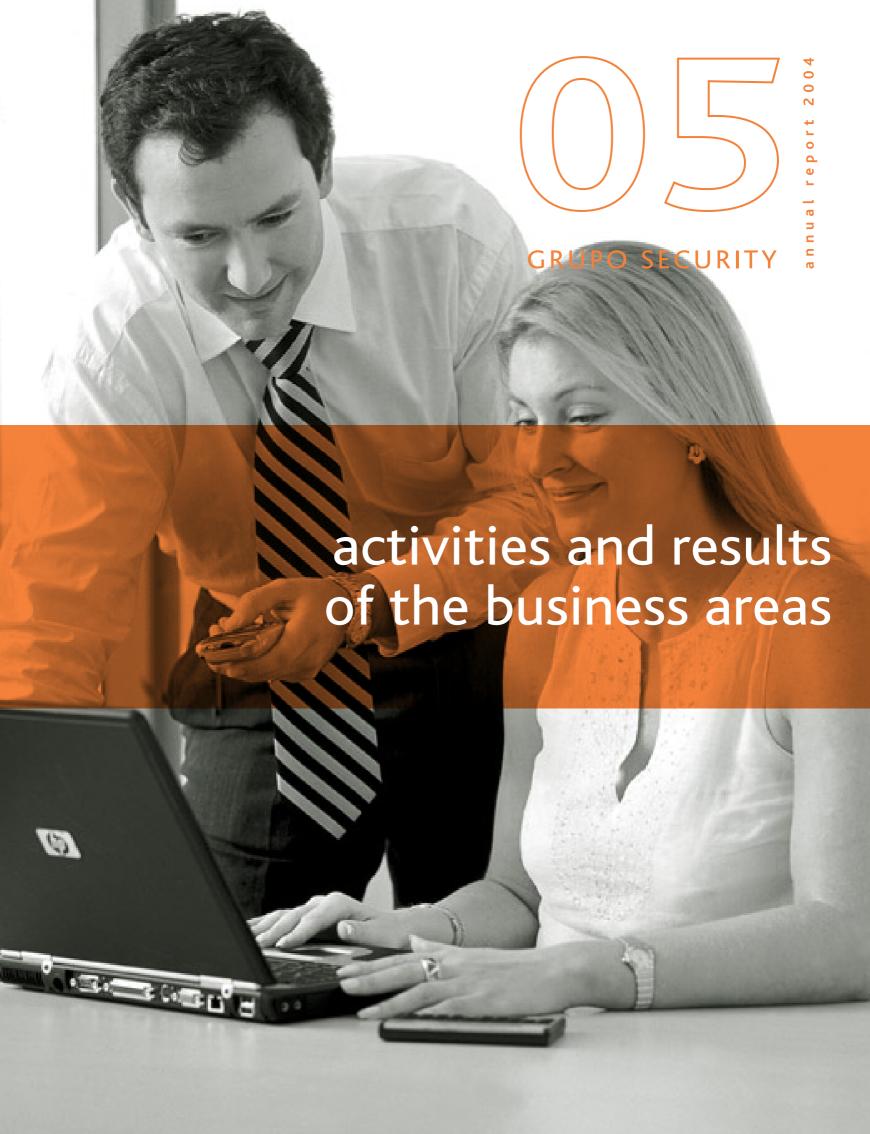
UTM al 31/12/2003 · Source: Banco Central de Chile

CREDIT RATING

The shares of Grupo Security S.A. at December 31, 2004 have been rated as First Class Level 3 and the bonds as A+ and A by the private credit-rating agencies Feller-Rate and Fitch Chile respectively.

The detail of these ratings is as follows:

CREDIT RATINGS		
		December 2004
	COMMON SHARES	BONDS N° 340, SERIES B AND BONDS N° 376, SERIES C
Fitch Chile Clasificadora de Riesgo Limitada	First Class Level 3	A+
Feller - Rate Clasificadora de Riesgo	First Class Level 3	A
Risk Classification Commision	Approved	A



FINANCING

Grupo Security participates in the financing of companies and individuals through its companies Banco Security and Factoring Security.

The total loans in the different financing businesses, whether bank loans, leasing or factoring, in which Grupo Security companies participate, amounted to (Ch\$1,269 billion) at December 2004 (US\$ 2.3 billion).

BANCO SECURITY

The Chilean banking industry is comprised of 26 financial institutions of which 20 are banks established in the country (including seven controlled by foreign shareholders and one by the state) and 6 correspond to foreign bank branches.

Total loans at December 2004 amounted to US\$ 67.874 billion (Ch\$37,833 billion) while aggregate earnings for the year were US\$ 1,193.355 million (Ch\$665,176 million), representing real 12-month growth of 4.4% and an annualized return on equity of 16.8%.

The banking system is well advanced compared to its peer group in Latin America, measured as a function of the bank-usage index, defined as the ratio of total loans to GDP, which reached 67.5% in 2004 (51% in 1991).

One of the main trends observed in the banking industry in recent years has been the growing concentration of total loans in a smaller number of banks. This has been the result of a marked process of consolidation, basically motivated by rationalization of costs and greater competition within the industry.

It was in this context that the purchase of Banco Dresdner was announced in September 2004 by Grupo Security.

Together with the trend towards greater concentration, new banks have been created to meet the financing needs of specific market niches. Last year, two new licenses were granted by the SBIF, corresponding to Banco Paris and Banco Penta.

BANCO SECURITY LOANS
% of Total Loan



Another of the principal trends refers to the entry of new competitors to the banking business. Thus in July 2004, Distribución y Servicio D&S S.A. signed an agreement with Banco Estado that contemplates, among other things, access by all holders of the Presto card to the bank's automatic teller machines and mortgage loans.

The system's total loans have shown sustained growth since 1990, mainly explained by the country's economic growth and the stability of the domestic banking system, principal factors for this industry's growth worldwide. The annual growth rate for loans during the period 1990-2004 was a real 8.1% while annual GDP growth in the same period is estimated to be about a real 6.0%.

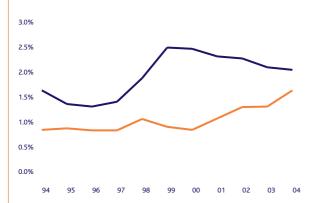
This notable growth has been accompanied by a fall in the levels of credit risk. For example, the ratio of allowances for loan losses to total loans reached 1.99% at December

2004, compared to 4.72% at December 1990, and the ratio of overdue loans to total loans was 1.20% at December 2004 compared to 2.10% at December 1990.

LOAN PORTFOLIO QUALITY
BANCO SECURITY VS. FINANCIAL SYSTEM

(Loan portfolio quality/Total loan)

— BANCO SECURITY
— SYSTEM



Analyzing in detail what occurred during 2004, the most important growth rates relate to foreign trade financing (14.08% at December 2004) explained by increased trade with countries that have recently signed free trade agreements with Chile, housing loans (18.92%) and consumer loans (17.30%). The latter are the direct result of the reactivation of spending following people's improved economic conditions and expectations.

There was also a positive change in the system's average efficiency. The efficiency indicator (operating expenses divided by the operating margin) for 2004 was 53.5%, favorably comparing with the 53.8% of the previous year.

The principal explanation is the concentration of loans in a few larger banks which has led to important economies of scale. In addition, there are the adjustments made by most banks during the period of economic stagnation (1998-

2002), the falling costs of technological tools with a high impact on the efficiency of processes, the massification of technological channels (Internet), etc..

In this context, Banco Security stands out as a mediumsized bank operating in a clearly-defined niche, with properly controlled levels of risk, high levels of productivity and good technological support.

Banco Security has based its competitive advantages on defining service to the client as its central business objective, with personalized attention and with a high-level human team and working climate according to the needs of its objective market. It has also forced itself to achieve a high level of efficiency in the use of its resources and to achieve low credit risks and adequate controls over the associated risks.

In line with this strategy, Grupo Security announced in April the purchase of Dresdner Bank Lateinamerika, and completed in September.

Banco Security has organized its activities around three business areas: Corporate Banking, Personal Banking and Investment Banking Treasury.

In order to better explore its strengths and put into practice the above strategy, during 2004 the bank made some adjustments to its business structure, resulting in the following:

· CORPORATE BANKING

The Corporate Banking Division is the most traditional of Banco Security as it defines in essence the niche to which it prefers to direct its businesses. At December 2004, it concentrated 83% of loans and contributed around 58% of its revenues.

The Division mainly offers loans, performance bonds, letters of credit, foreign trade, cash management, foreign exchange, deposits, checking accounts and cash accounts.

- Corporate Banking and Branches specializes in meeting the financial needs of companies whose annual sales exceed Ch\$15,000 million (US\$ 26.91 million) and who typically require highly-specialized financial products and services. This division is also responsible for ensuring proper attention for regional customers distributed among the bank's present 4 regional branches in Antofagasta, Concepción, Temuco and Puerto Montt.
- Multinational Companies and Foreign Trade manages
 an important part of the portfolio of European and
 multinational customers introduced to the bank through
 the merger with Dresdner Bank. Advantage was taken of
 the know-how of that bank's business platform in order
 to attend the specific needs of this customer category
 with the standard of service that characterizes Banco
 Security.
- Middle Market and Real Estate seeks to provide special attention to the financial requirements of the middle/large-sized companies having sales of between Ch\$1,500 million (US\$ 2.69 million) and Ch\$15,000 million (US\$ 26.91 million). Given this segment's high growth potential, the objective is to offer the best service in the market and thus attract new customers and intensify relationships with them.

PERSONAL BANKING

The Personal Banking Division is oriented to clients in the AB social-economic segment. This area at December 2004 represented around 17% of the bank's total loans and 18% of its operating revenues.

It mainly offers mortgage loans, loans, checking accounts, credit cards, deposits and foreign exchange services.

It comprises the following groups:

 Preferential Banking and Private Banking: specialize in attending high-income individuals requiring an optimum quality of service. Mortgage Business: concentrates on attracting and attending high-income individuals who need mortgage finance. In 2004, this area continued to expand strongly, attracting customers and business through its recognized quality of service and wide range of products offered.

· INVESTMENT BANKING

Investment Banking Division is an area traditionally of great importance in the bank's business and results, complementing the service provided by the business areas. It is responsible for trading financial products and services in the local and international markets. It thus contributed 24% of the bank's operating revenues in 2004.

The Division is made up of the following groups:

- Money Desk, which actively trades in foreign exchange and financial instruments in both the domestic and international markets, and manages the bank's exposures in currencies, maturities and interest rates. The area therefore is split into the Trading Desk, Positions Desk and Distribution Desk
- International Management, dedicated to exploring the external financial markets and seeking funding for the bank's foreign trade business in which Banco Security has held a significant participation over time.

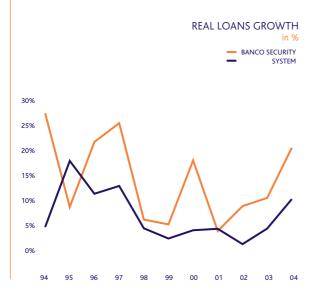
LOANS

In analyzing the changes in the bank's loans during 2004, it is important to remember that it was merged with Dresdner Bank in October, whose loan portfolio at that date amounted to US\$357.20 million (Ch\$199,104 million).

The bank's total loans at December 31, 2004 amounted to US\$ 2,130.62 million (Ch\$1,187,606 million), showing real growth of 20.5% in the year. When compared to the total loans at the end of 2003 of Banco Security and Dresdner Bank (US\$ 2,052.99 million (Ch\$1,144,334 million)), the real growth amounted to 1.3%. Recalling what happened in other bank mergers which resulted in large losses of portfolio, it can be said that it is a great achievement to have closed the year 2004 with more loans than the sum of both banks at the end of the previous year. In fact, this was the objective set in taking the decision to purchase Dresdner Bank.

The bank has a market share of 3.14% of the total bank loans at December 31, 2004, occupying 8th place among the 26 banks operating in the local market.

Regarding the composition of the loan portfolio, the most notable feature in 2004 was the increase in the relative importance of foreign trade financing as a result of the inclusion of the portfolio of Dresdner Bank (representing 10.8% of the bank's lending) and growth in loans by Personal Banking Division above the growth rate for the bank's total loans.

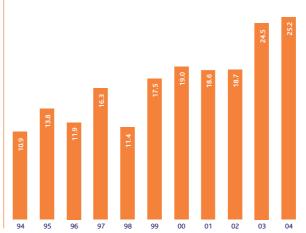


RESULTS

In comparing the results for 2004 with the previous year, it is important to bear in mind that a series of costs associated with the merger with Dresdner Bank (severance payments, provisions, write-offs, etc.), amounting to approximately US\$ 8.97 million (Ch\$5,000 million), were a one-off charge to income.

The consolidated income of the bank and its subsidiaries was US\$ 25.16 million (Ch\$14,024 million), including the merger-related costs, thus exceeding the result for 2003. The return on equity was 11.3%, below the level of previous years because of the merger costs and the capital increases made at the time of the merger of approximately US\$ 46.65 (Ch\$26,000 million) and in December of US\$26.91 million (Ch\$15,000 million). Extracting these effects, the estimated return on equity reaches around 18%, with which the Bank would have occupied 6th place in the sector's profitability ranking. This notable performance is largely explained by the results obtained from the management of investment positions and growth in the Personal Banking area. Corporate banking, for its part, achieved considerable progress in diversifying its sources of income in order to offset the fall in spreads in the last few years.





The following were the most notable effects on the operating margin:

- Strong growth in the net result of trading and exchange gains which together represented 13.8% of income before expenses.
- Net fee income grew by a real 32.6% to reach 9.8% of the operating margin (9.0% the year before). The efforts in this respect made in recent years has enabled the bank to treble revenues from this source and gradually close the gap with the sector average (around 18% of the operating margin), but the bank still has plenty of scope for further increasing its commission income.

Operating expenses showed strong growth, basically explained by the merger with Dresdner Bank. As mentioned above, it is important to bear in mind that the figures for 2004 included the normal operating expenses of Dresdner Bank and, additionally, the merger itself generated a series of one-off costs. The efficiency ratio was 49.5% in September 2004 (prior to the merger), maintaining the positive trend shown in recent years and below the sector average of 52.0% at that date. This trend will be strengthened from 2005 onward as a result of the cost savings and greater economies of scale resulting from the merger with Dresdner Bank and the bank's efforts will continue in this direction in order to maintain its competitiveness in the face of the larger banks.

Banco Security held its market leadership in terms of productivity in 2004, reaching an average of US\$ 6.10 million (Ch\$3,400 million) in loans for each of its 351 employees at December 31, 2004.

RISK INDICES

One of the main strengths of Banco Security is the quality of its loan portfolio, based on a rigorous policy of customer selection, credit approvals and monitoring. At December 2004, Banco Security maintained an past-due portfolio that represented 0.77% of total loans which was covered 203% by total loan loss provisions at that date.

However, it should be noted that the bank reported an important increase in its losses for risk (provisions plus write-offs) which is basically explained by the extraordinary allowances made at the time of the merger in adjusting the portfolio of Dresdner Bank to the risk standards of Banco Security.

The bank's solvency, measured by the Basle ratio (effective equity to risk-weight assets) showed a strong improvement during 2004 as a result of the merger with Dresdner Bank, whose capital and reserves at September 30, 2004 amounted to US\$ 48.02 million (Ch\$26,77 million), and the capital increase of US\$ 26.91 million (Ch\$15,000 million) made in December. The bank's capital and reserves thus increased by around 50% in real terms and its Basle ratio at the year-end was 12.3% (against 11.2% in 2003). It is therefore very comfortably placed with respect to the 10% level demanded by local regulations for classification as a first-category bank.

FACTORING SECURITY S.A.

Despite the Chilean factoring industry being still a maturing business, various situations and regulatory changes have driven its recent development and made this industry one of the financial activities with greatest prospects in Chile and internationally.

Undoubtedly, one of the most important advances made in 2004 for the factoring business was the granting of enforceable title to invoices which widens the number of potential customers that could have access to this kind of financing.

The implementation of electronic invoices, economic growth and the development of international factoring

following the signing of free trade agreements between Chile and other countries have also been elements that have helped to give important impetus to this industry.

LOANS, MARKET SHARE AND PROFITS OF FACTORING SECURITY

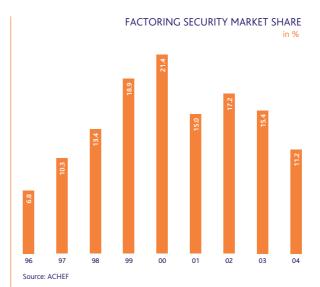
Factoring Security began operating in December 1992, being one of the first companies in the Chilean factoring industry. The large progress made by the company in these years has begun to produce results, placing it as one of the leaders in the market.

At December 2004, the net loans of Factoring Security amounted to US\$ 146.63 million (Ch\$81,734 million), which gives in 3rd place in the Chilean Association of Factoring Companies (ACHEF) with an 11.2% market share.

Allowances for loan losses of Factoring Security at the end of 2004 amounted to US\$5.27 million (Ch\$2,935 million), representing 3.5% of the company's loans.

The net income of Factoring Security for 2004 was US\$ 4.40 million (Ch\$2,451 million), 16.2% higher than in 2003 and representing a return on equity of 26.9%.





INVESTMENTS

The objective of the investments and asset management area of Grupo Security is to provide an integral range of investment products and services to its clients. The Group is involved in asset management through Administradora General de Fondos Security; in securities brokerage and trading through Valores Security S.A. Corredores de Bolsa, in management of individual investment portfolios through Asesorías Security, and in securitization through Securitizadora Security.

ADMINISTRADORA GENERAL DE FONDOS SECURITY

The funds management industry in Chile has developed considerably in recent years due to changes in the regulatory framework and the deepening of the country's financial markets. In the case of mutual funds, there are 19 managers of which thirteen are subsidiaries of or related to banks. The largest four companies manage 65.2% of total assets.

2004 was a very dynamic year as, according to the latest preliminary figures at December 2004, the total assets managed by the mutual funds industry was US\$ 12,424.05 million (Ch\$6,925,163 million), with a total of 557,011

investors, which represents real growth of 41.5% in terms of assets under management and 31.5% in terms of number of investors. These excellent results for the industry are mainly explained by the good performance of the stock market and better economic prospects.

Administradora General de Fondos Security S.A. was created in May 1992 as a subsidiary of Banco Security. It expanded its objects in September 2003 and changed its name from Administradora de Fondos Mutuos Security S.A. to Administradora General de Fondos Security S.A., taking advantage of the change in regulations published that year. It has consistently grown In terms of number of funds, assets under management and number of investors.

The funds and their respective managed assets at December 31, 2004 were:

- "Security Check", a short-term fixed-income fund focused on medium and large-sized companies, with assets under management of US\$53.47 million (Ch\$29,806 million) at December 31, 2004,
- "Security First", a medium and long-term fixed-income fund, with assets under management of US\$ 59.79 million (Ch\$33,325 million) at December 31, 2004,
- Security Premium", a short-term fixed-income fund mainly focused on individuals and small businesses, with assets under management of US\$ 6.14 million (Ch\$3,421 million) at December 31, 2004,

- "Security Acciones", a variable-income fund with assets under management of US\$38.30 million (Ch\$21,348 million) at December 31, 2004,
- "Security Global Investment", fund authorized to invest all its assets abroad, with assets under management of US\$
 2.98 million (Ch\$1,659 million) at December 31, 2004,
- "Security Gold", fixed-income fund focused on individuals with a medium and long-term investment horizon, with assets under management of US\$ 124.90 million (Ch\$69,617 million) at December 31, 2004,
- "Security Explorer", an international variable-income fund, with assets under management of US\$ 1.34million (Ch\$749 million) at December 31, 2004,
- "Security Plus", short-term fund focused on companies and individuals, with assets under management of US\$ 116.56 million (Ch\$64,971 million) at December 31, 2004,
- "Security Dólar Bond", fund invests US dollar fixedincome securities, with assets under management of US\$ 37.13 million (Ch\$20,697 million) at December 31, 2004, and
- "Security Value", a short-term fund directed to companies and individuals, with assets under management of US\$ 87.29 million (Ch\$48,657 million) at December 31, 2004.

MUTUAL FUNDS in US\$ as of december 2004 Million of US\$ Industry 4.4 2.9 4.4 5.2 6.4 8.8 9.4 12.6 Adm. Gral. De Fondos Security Thuosands of US\$ 111,6 106,9 176,0 184,1 214,0 433,4 348,6 527,8 Market share 2,5% 3,7% 4,0% 3,5% 3,3% 4,9% 3,7% 4,2%

In 2004, Administradora General de Fondos Security produced very satisfactory results, with a net income of US\$ 2.94 million (Ch\$1,640 million) which represents a real increase of 42.2% over the year before and a return on equity of 36.9%. It managed an average of US\$ 527.90 million (Ch\$294,250 million) in assets in 2004, with real growth of 51.2% and a market share of 4.25%, occupying 7th place among the 19 managers in the market.

At September 2004, the market share in APV (voluntary pension savings) was 11,4%, while, at December 2004, the APV assets managed by Administradora General de Fondos totaled US\$6.85 million (Ch\$3,818 million).

The company's strategy is based on providing attractive returns on the various funds it manages, together with a moderate level of risk. Through its funds, the company provides its clients with a diversity of asset classes, allowing an efficcient asset allocation. This has enabled it to achieve a high number of investors, totaling 11,781 at December 2004, with a 12.7% growth over 2003.

VALORES SECURITY S.A. CORREDORES DE BOLSA

2004 was a very active year for stockbrokers because many companies increased their capital, others obtained new listings, sales of blocks of shares, bond issues, etc.

It is estimated that stockbrokers traded a total of US\$ 51,66 million (Ch\$28,796,399 million) during the year.

On October 1, 2004, Valores Security S.A. Corredores de Bolsa merged with Dresdner Lateinamerika S.A. Corredores de Bolsa, absorbing all its assets and liabilities.

Valores Security S.A. Corredores de Bolsa produced a net income of US\$ 8.08 million (Ch\$4,501 million) in 2004, with a spectacular real 82.9% increase over the year before. This result includes the net income of US\$ 592 thousand (Ch\$330 million) of Dresdner

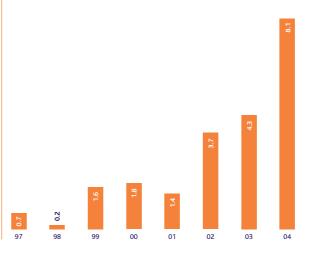
Lateinamerika S.A. Corredores de Bolsa between January and September 2004. The return on equity for 2004 therefore reached 45.4%.

Valores Security divides its activities into two business areas: fixed income and equities. The first relates mainly to managing its own positions, trading in financial securities, foreign exchange dealing and US dollar forward contracts. Equity transactions relate basically to the company's tradicional business of stock brokerage.

During 2004, Valores Security was benefitted by the stock market's great activity, increasing its share trading volume by almost 138% to obtain 12th place among the 38 brokers operating in the local market. Its average annual market share was 1.52%, considering trading on both the Santiago Stock Exchange and Chilean Electronic Exchange, which compares favorably with the 1.14% achieved in 2003.

On of the most important transactions was the capital increase of Grupo Security in whose placement Valores Security acted as co-leader





ASESORÍAS SECURITY S.A. AND SUBSIDIARIES

The third-party assets management business in 2004 was marked by the restructuring of the company's commercial management.

Asesorías Security continued to consolidate the restructuring begun in 2002 by which it concentrates the business of international investment advice for both institutional and private clients.

At December 2004, the unconsolidated net income of Asesorías Security was US\$ 52.2 thousand (Ch\$29.1 million) while its subsidiary, Securitizadora Security, made a loss of US\$ 190.5 thousand (Ch\$106.2 million). The company therefore produced a consolidated loss of US\$ 136.8 thousand (Ch\$76.3 million).

SECURITIZADORA SECURITY S.A.

Securitizadora Security S.A. was formed in 1997 as a subsidiary of Asesorías Security in order to securitize various assets and debt instruments in general. In an industry that has shown dynamic growth and which is known for being highly competitive, the company by December 2004 has achieved a market share of 5.6% in terms of ABS issues. It therefore finished the year in 7th place in the market, out of a total of 10 similar companies.

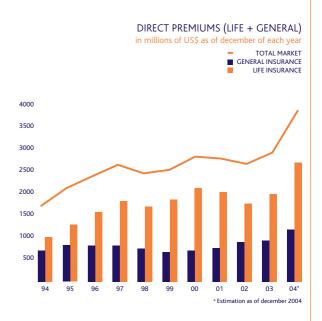
At December 2004, the company has achieved an 11% market share in terms of number of assets SPV's. It thus ended the year in 3rd place (shared) in the market.

In 2004, Securitizadora Security made a sixth RMBS issue, related to the same number of separated assets, for a total of UF 856.8 thousand (US\$ 26.62 million) whose collateral consists of house lease contracts.

INSURANCE

INSURANCE INDUSTRY

The Chilean insurance industry consists of two main branches, life and propiety and casualty (P&C), which are differentiated by the regulations covering industry participants and by the kind of products they offer. At December 2004, there were 29 life companies and 23 P&C insurance companies. Both industries have shown good progress in their direct premium income since 1991. In the case of life insurance companies, premium income increased by an annual average real 11% between 1991 and 2003, reaching US\$ 2.16 billion (Ch\$1,201.94 billion) at December 2003. The rate of increase of direct premiums to September 2004 was 14% over the same period of the previous year, reaching US\$ 2.13 billion (Ch\$1,188.99 billion).



P&C insurance companies also produced strong growth, especially in recent years, with average annual real growth of 9% in the period 1991 – 2003. This resulted in premium

income for the sector of US\$ 1.01 billion (Ch\$562.94 billion) at December 2003. At September 2004, this amounted to US\$ 915.18 million (Ch\$ 510.12 billion), 3% higher than as of September 2003.

Insurance penetration, both life and P&C, has been increasing over time. In 2003, total premiums as a percentage of GDP were 4.09% which compares with 2.7% in 1990, while insurance premiums per capita amounted to US\$ 200.78 (Ch\$111,912) in 2003 compared to Ch\$22,186 in 1990. This is a global trend noted when countries increase their level of development.

In recent years, the number of companies in the insurance industry has increased considerably while at the same time the degree of concentration has grown. There have been important acquisitions and mergers like Consorcio-CNA, ING-Aetna, Metlife-Santander, Bice Vida-La Construcción and Penta-Security, the latter completed in 2004. At September 2004, the 10 principal life and P&C companies concentrated 70% and 85% respectively of total direct premium.

SEGUROS VIDA SECURITY PREVISIÓN S.A. (VIDA SECURITY)

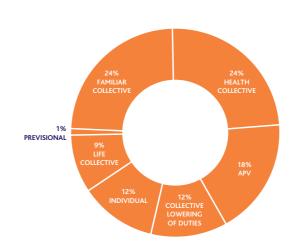
Vida Security, at September 2004, occupied 10th place in terms of direct traditional insurance premium, with a market share of 4.1%. In individual insurance, the market share is 4.4%, occupying 7th place.

A special mention should be made of the company's share in the APV market of around 7.6% at September 2004, compared to a 5.0% share at September 2003.

During 2004, the life insurance business generated profits of US\$ 1.92 million (Ch\$1,068 million), a level higher than the year before.

The company's results in 2004 were mainly determined by large increases in direct premiums from group mortgage-protection and individual APV business, with growth rates of 107% and 106% respectively over 2003.

COMPOSITION OF DIRECT PREMIUM



COMPAÑÍA DE SEGUROS GENERALES PENTA SECURITY S.A.

In order to provide a high-quality service to its clients and obtain attractive investment returns, Grupo Security in 2004 agreed to the merger of Seguros Security Previsión Generales with Compañía de Seguros Generales Las Américas, the latter belonging to the Penta Group. The resultant company is known as Compañía de Seguros Generales Penta Security S.A., in which Grupo Security holds 30% of the share capital.

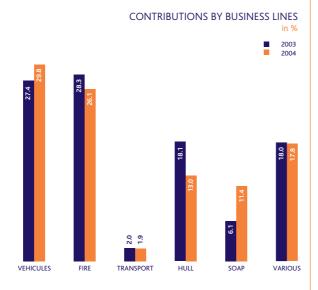
Penta Security occupies fourth place in P&C premiums at December 2004. The company produced a net

activities and results of the business areas

income of US\$ 2.09 million (Ch\$ 1,166 million) and an 11% growth in direct premium, mainly due to the merger. The merger-related costs were fully absorbed during the year.

The company's principal lines of business are the same as those prior to the merger, including vehicles, fire and the obligatory automobile insurance coverage.

The company's sales amounted to US\$ 118.868 million (Ch\$66,257 million), distributed as follows:



The company maintains strong growth in the more profitable lines like vehicles and obligatory automobile coverage (SOAP). The reduction in the hull lines relates mainly to the sharp fall in the exchange rate in the market.

CORREDORA DE SEGUROS SECURITY, COOPER GAY AND EUROP ASSISTANCE

Corredora de Seguros Security (insurance brokers) began trading in January 2000 and has since grown strongly.

The year 2004 was one of a severe commercial restructuring for the company which led to a loss of US\$ 559.7 thousand (Ch\$312 million) for the year. It is expected to continue the adjustments in 2005 so that, in the medium term, it becomes consolidated as an efficient commercial insurance channel for Grupo Security.

In order to strengthen this area, Grupo Security made important strategic alliances in insurance brokage. In March, Grupo Security signed an agreement with Cooper Gay, one of the 10 largest reinsurance brokers in the world with operations in more than 80 countries. This alliance is coherent with the Group's strategy of strengthening its position in the reinsurance intermediation business.

Also. in October 2004, Grupo Security became associated with Europ Assistance, the second travel, vehicle and home assistance company in the world, to create Europ Assistance Chile.

SERVICES

Grupo Security's business lines in the "services" sector comprise activities dedicated to the real estate business and travel agency and tourism, and other services particularly oriented to give a complementary support to the Grupo Securitys' companies. These activities are carried out through the subsidiary Invest Security.

With respect to the complementary support to the Group companies, its objective is to optimize the use of the professional resources, make them uniform and raise the quality of the support services and, in particular, achieve a significant reduction in the costs related to these services. Through Invest Security, improvements have been made in standards of efficiency in the companies and in

activities and results of the business areas

generating economies of scale in their operation, providing an integral advisory and business support service to each of the subsidiaries of Grupo Security in their respective businesses.

INMOBILIARIA SECURITY S.A.

Constituted in December 1995 as a subsidiary of Grupo Security, the company was formed to complement the activities of Banco Security and to participate in financial aspects related to the real estate sector. The commercial strategy of Inmobiliaria Security includes the development of own projects and/or association with third parties through investors who require real estate management. It provides all kinds of real estate services including project management, real estate brokering, work progress statements, technical inspections, appraisals and management of assets in general, both for third parties and for different Grupo Security companies. This area constitutes a strong source for generation mortgage loans for the bank.

The company produced a net income of US\$ 897 thousand (Ch\$500 million) in 2004 with a net equity of US\$ 3.424 million (Ch\$1,908.8 million). Among the main projects handled during the year was the El Golf office building.

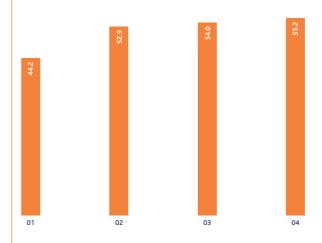
TRAVEL SECURITY S.A.

Travel Security offers air, land, hotel, tours, insurance, incentive travel, congresses, etc. products, but essentially the management of travel budgets for corporate and individual clients, basically in the high-income groups, that want a top-level service. Travel Security is today a relevant player in the business, achieving sales of US\$ 50 million (Ch\$ 27,870 million) and a net income of US\$ 720.49 thousand (Ch\$401.6 million) in 2004, representing growth

of 15.2% and 35.3% respectively over the previous year. Travel Security enjoys a strong positioning in the corporate sector, placing it among the country's leading agencies.



in million of US\$ as of december 2004



INVEST SECURITY

Since 2001, this company has provided a series of services like accounting, auditing and corporate culture development.

Over these years, Invest Security has managed to improve the standards of efficiency in the companies and to generate economies of scale in their operation, providing an integral service that seeks to optimize the use of the professional resources, make them uniform and raise the quality of support services and achieve a significant reduction in costs associated with these services.

Special mention should be made of the Corporate Culture which has been responsible for promoting the human resources area within the Group's companies and generating the conditions for Banco Security to be chosen as one of the 25 best companies to work for in Chile by the Great Place To Work Institute.

activities and results of the business areas

VIRTUAL SECURITY

Virtual Security was created in early 2002 out of the Development and Information Technology Management of Banco Security in order to be the center of information technology services for the exclusive benefit of Grupo Security and its subsidiaries.

It provides the following services:

- Development, integration and maintenance of software
- · Operation of the technological platform
- Operation of the data center
- · User assistance and support desk
- PC services and communications
- · Platform administrator
- Consultations
- Management of purchases of technological assets
- Training

Virtual Security seeks to provide the best level of it services at a cost below that of the market, in order to help

improve customer satisfaction of each company and of the employees working in them.

PROPERTIES AND EQUIPMENT GRUPO SECURITY

As Grupo Security is a parent company of subsidiary and associate companies, it does not possess properties or equipment or other important assets of a similar nature for carrying out its activities and business. Its fixed assets as of December 31, 2004 total US\$ 3.08 million (Ch\$1,716.7 million).

TRADEMARKS AND PATENTS

Grupo Security is the owner of the "Security" brand name in the class corresponding to the activities of the parent, subsidiaries and associate companies.



INVESTMENT POLICY

The bylaws of Grupo Security do not define any kind of investment policy, but its strategy has been mainly to make investments in the financial sector or in related areas.

FINANCING POLICY

Grupo Security does not currently define in its bylaws any kind of financing policy. Its resources come mainly from capital contributions, bond issues, own resources and traditional borrowing sources like bank loans.

RESTRICTIONS RELATED TO CREDITORS OF GRUPO SECURITY

SERIES B BONDS

Date: June 25, 2003, modified on July 28, 2003. The following summarizes the principal covenants related to this issue:

Debt level: defined as the ratio of debt (account 5.21.00.00 plus account 5.22.00.00 of the FECU) to shareholders' equity (account 5.23.00.00 plus account 5.24.00.00 of the FECU) in the unconsolidated balance sheet should not exceed 0.40% as from the FECU at September 30, 2003.

For determining the Level of Debt in the unconsolidated FECUs, liabilities shall include all guarantees or collateral granted to cover the obligations of third parties, even if these are subsidiaries.

 Ownership of Banco Security: the company must retain control of Banco Security. For these purposes, the term "controller" shall have the meaning set out in clause 97 onward of the Securities Market Law (No.18,045).

SERIES C BONDS

Date: July 16, 2004.

This issue is governed by the obligations and restrictions detailed in 5.5 "Rules for Protecting Holders" of the respective prospectus.

The following is a summary of the principal covenants covering this issue:

 Level of Debt: as from the FECU at September 30, 2004, the issuer shall maintain in its quarterly financial statements (FECU) a debt level no higher than 0.4%, measured on the unconsolidated balance sheet, being the ratio of liabilities (account 5.21.00.00 plus account 5.22.00.00 of the FECU) to shareholders' equity (account 5.24.00.00 of the FECU).

For determining the Level of Debt in the unconsolidated FECUs, liabilities shall include all guarantees or collateral granted to cover the obligations of third parties, even if these are subsidiaries.

 Ownership of Banco Security: the company must retain control of Banco Security. For these purposes, the term "controller" shall have the meaning set out in clause 97 onward of the Securities Market Law (No.18,045).

CREDITOR BANKS

 Level of Debt: maintenance of a debt level no higher than 0.40%, measured on figures in the quarterly unconsolidated financial statements, this being the ratio of liabilities (short and long-term liabilities) to shareholders' equity.

 Ownership of Banco Security: the company must maintain the ownership, directly or indirectly, of at least 51% of the share capital with voting rights of Banco Security.

DEPENDENCE ON DIVIDENDS FROM SUBSIDIARIES

Grupo Security is the parent of a group of companies that receives its revenues from the dividends distributed by its subsidiaries. Its results therefore depend fundamentally on their performance.

More than 90% of the capital of each of the subsidiaries is controlled by Grupo Security, which allows it to set the dividend policies of these companies according to its requirements. This is strengthened by the diversification of revenues as the Group has subsidiaries in different sectors of the financial industry.

The most important asset of Grupo Security is Banco Security and subsidiaries which provided it with close to 80% of the dividends received in 2004. The solvency rating of Banco Security at December last year was Level 1+ and AA- for time deposits at less than and more than 1 year, mortgage notes and bonds respectively, with stable prospects.

The second largest dividend flow for Grupo Security during the previous year was from Factoring Security which, although with no credit rating, follows similar risk and solvency management criteria to those of the bank.

The Group insurance companies are rated as A with stable prospects for Seguros Vida Security Previsión, and AA- with stable prospects in the case of Compañía de Seguros Generales Penta Security. However, these subsidiaries do not yet represent a relevant source of dividends for Grupo Security.

RISK FACTORS

- · Intense competition in all the businesses in which the Group participates: These businesses are characterized for the tough competition (banking and insurances industries principally) and show a reducing trend in margins. The mergers between companies and the continuous alliances between competitors are evidence of this. While this represents potential difficulties for companies in producing profits, it is believed that in the case of Grupo Security, the potential negative effects are offset by its strong brand image in its objective market, the high degree of loyalty of its customers and the niche strategy followed, which enables the provision of personalized and specialized products and services to its customers, a difficult task for larger entities which also focus on the more mass segments of the population. This also generates a favorable position for facing future competition.
- Regulatory changes in industries in which the Group participates: The Group's businesses are regulated by state entities (specifically the banking and insurance industries) and are therefore subject to potential regulatory changes over time. However, given the level of transparency, the advanced degree of development and the excellent reputation of these industries worldwide, it is believed that this risk should be low

· RISKS RELATED TO THE FINANCE BUSINESS

 Credit risk: in recent years, the banking system experienced a decline in loan quality, with the consequent generalized impact on the loan portfolios. However, beginning in 2003, there has been a recovery, reflected in better credit ratings, overdue loans and allowances for loan losses. It should be noted that Banco Security has been characterized for maintaining risk levels below the sector average.

Market risk (inflation and interest rates): the effects
of inflation and fluctuations in interest rates are the
principal market risks faced by the domestic banking
system. The Finance Committee of Banco Security
has therefore developed policies, procedures and
market risk limits for being able to administer its
exposures to maturities and currencies according
to its objectives and current regulations. The bank
also has a special system for the monthly control of
interest rate risks which monitor on-line the market
prices for its medium and long-term investments,
providing a more detailed follow-up of the evolution
of its portfolio.

• RISKS RELATED TO THE INSURANCE BUSINESS

- · Financial risks: a financial risk exists in the annuities business, inherent to all competitors in this industry, due to the duration of the investments being shorter than the estimated duration of the liabilities, which generates a mismatch between assets and liabilities. The future profitability of the business is therefore dependent on the rate of reinvestment in the future. The industry, and therefore the Group, in any event has been conservative in setting their rates and in constituting reserves, and requires very low or even negative reinvestment rates to cover the future payment of annuities. In individual life insurance, there are portfolios with guaranteed interest during the term of the cover which could result superior to those seen in the market in the future. The industry, and thus the group, has been gradually abandoning the marketing of these products, pushing the sale of plans with variable income.
- Morbidity rate: the increase in morbidity rate levels leads to related systematic increases in health policy

claims for all companies comprising the industry, requiring a continuous process of tariff adjustments that in certain cycles can be difficult to carry out due to tough competition in the industry.

- Mortality: a reduction in adult mortality, over and above that contemplated in the mortality statistics tables, can reduce expected profits from annuities for all companies in the industry.
- Reinsurance: the presence of important catastrophic events in the world generates volatility in the prices of reinsurance, which affects our country where insurance has an important catastrophic component, generating in turn cycles of price volatility for domestic general insurance and thus the income of the insurance and insurance broking industry.

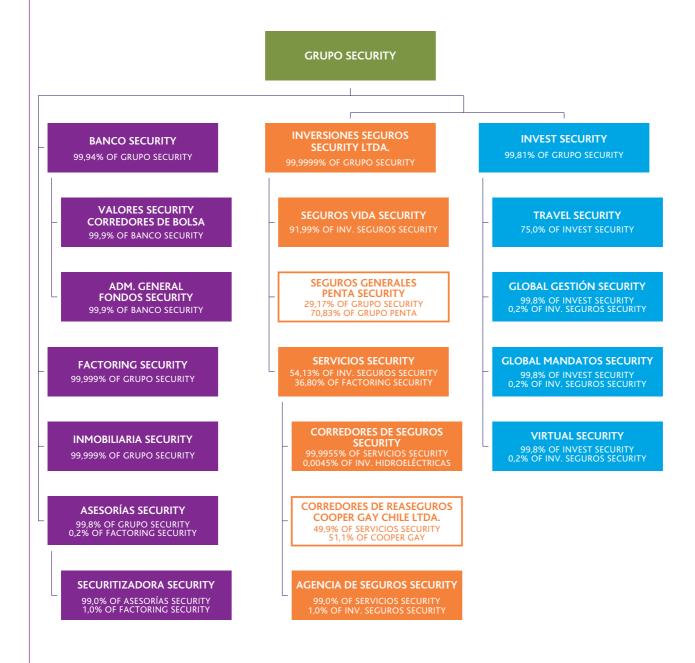
ORGANIZATIONAL STRUCTURE

Grupo Security is comprised of Banco Security and subsidiaries (Administradora General de Fondos Security S.A. and Valores Security S.A. Corredores de Bolsa), Factoring Security S.A., Inmobiliaria Security S.A., Asesorías Security S.A. and subsidiary (Securitizadora Security S.A.), Inversiones Seguros Security Limitada and subsiodiaries (Seguros Vida Security Previsión S.A., Seguros Generales Penta Security y Servicios Security S.A. with its subsidiaries Corredores de Seguros Security Limitada, Corredore de Reaseguros Security Limitada, Corredores de Reaseguros Cooper Gay Chile and the Agencia de Seguros Security S.A.) and Invest Security Limitada and subsidiaries (Travel Security S.A., Global Security S.A. and Virtual Security).

Despite the fact that the management and control of the performance of the financial businesses in which the

Group companies operate are carried out as a function of the business areas, the organizational structure of the Grupo Security companies is ordered according to the following organization chart:

ORGANIZATION CHART GRUPO SECURITY





financial statements

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Grupo Security S.A.

We have audited the accompanying balance sheets of Grupo Security S.A. as of December 31, 2004, and 2003 and the related statements of income and of cash flows for the years then ended. These financial statements (including the related notes) are the responsibility of the management of Grupo Security S.A.. Our responsibility is to express an opinion on these financial statements based on our audits.

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

These financial statements have been prepared to reflect the stand-alone financial position of Grupo Security S.A., on the basis of the criteria described in Note 2 to the financial statements before consolidating the financial statements of the subsidiaries detailed in Note 9 to the financial statements. Therefore, in order for these stand-alone financial statements to be correctly understood, they should be read and analyzed together with the consolidated financial statements of Grupo Security S.A. and subsidiaries, which are required by accounting principles generally accepted in Chile.

In our opinion, such stand-alone financial statements present fairly, in all material respects, the financial position of Grupo Security S.A at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended, in conformity with the criteria described in Note 2 to the financial statements.

As is explained in Note 3 to the financial statements, investments acquired after January 1, 2004 are valued under the equity method of accounting stipulated in Technical Bulletin 72 of the Chilean Institute of Accountants and Circular 1697 of the Superintendence of Securities and Insurance.

February 15, 2005

Juan Carlos Cabrol Bagnara

BALANCE SHEETS AS OF DECEMBER 31, 2004 AND 2	2003	
	((in thousands of Chilean pesos - ThCh\$)
	2004	2003
ASSETS	ThCh\$	ThCh\$
CURRENT ASSETS		
Cash	366,949	12,478
Time deposits	54,250	5,210,412
Marketable securities	5,041,619	980,396
Other receivables	7,243	41,576
Due from related companies	1,596,085	171,056
Recoverable taxes	31,261	2,602
Prepaid expenses	394	
Deferred taxes (net)	125,837	143,385
Other current assets	5,032,858	3,676,258
TOTAL CURRENT ASSETS	12,256,496	10,238,163
FIXED ASSETS:		
Machinery and equipment	19,189	19,189
Other fixed assets	67,681	74,373
Accumulated depreciation	(43,674)	(36,012)
TOTAL FIXED ASSETS - NET	43,196	57,550
OTHER ASSETS		
Investments in related companies	173,108,107	131,178,198
Goodwill	16,696,965	468,045
Others	1,037,151	739,304
TOTAL OTHER ASSETS	190,842,223	132,385,547
TOTAL ASSETS	203,141,915	142,681,260

	(in thousa	nds of Chilean pesos - ThCl
	2004	2003
LIABILITIES AND SHAREHOLDERS' EQUITY	ThCh\$	ThCh
CURRENT LIABILITIES		
Current portion of long-term liabilities with banks	1,852,264	1,894,98
Long-term bonds payable current portion	597,875	2,453,37
Accounts payable	326,255	93,92
Due to related companies		4,89
Accruals	428,864	843,44
Withholdings	15,838	11,76
TOTAL CURRENT LIABILITIES	3,221,096	5,302,38
LONG-TERM LIABILITIES Liabilities with banks	9,711,031	6,400,80
		, ,
Bonds payable Total long-term liabilities	29,438,985 39,150,016	23,123,99
Total long-term habilities	39,130,010	29,324,80
Shareholders' equity		
Paid-in capital	84,070,981	45,282,91
Share premium	27,427,471	20,341,53
Other reserves	4,116,758	4,600,86
Retained earnings	31,107,183	25,208,79
Interim dividends	(880,989)	(1,279,20
Accumulated deficit - development stage subsidiary	(577,027)	(763,44
Net income for the year	15,506,426	14,462,62
		107,854,0

STATEMENTS OF INCOME FOR THE YEARS ENDED DECE	MBER 31, 2004 AND 2003	
	(in thousar	nds of Chilean pesos - ThCh\$)
	2004	2003
	ThCh\$	ThCh\$
ADMINISTRATIVE AND SELLING EXPENSES	(1,485,016)	(1,358,205)
OPERATING RESULT	(1,485,016)	(1,358,205)
NON-OPERATING RESULT		
Financial income	267,284	192,430
Equity in income of related companies	19,873,566	16,837,748
Other income	59,372	213,329
Equity in losses of related companies	(76,195)	(72,822)
Amortization of goodwill	(915,624)	(44,436)
Financial expenses	(1,641,755)	(1,533,457)
Other disbursements	(31,325)	1
Price-level restatement	(513,567)	72,909
Exchange differences	(11,479)	86,970
NON-OPERATING RESULT	17,010,277	15,752,672
INCOME BEFORE INCOME TAXES	15,525,261	14,394,467
INCOME TAX	(18,835)	68,154
NET INCOME FOR THE YEAR	15,506,426	14,462,621

		(in thousands of Chilean pesos - ThCh
	2004	2003
	ThCh\$	ThCh
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	15,506,426	14,462,62
Charges (credits) to income that do not represent cash flows:		
Depreciation for the year	42,194	34,71
Equity in income of related companies	(19,873,566)	(16,837,748
Equity in losses of related companies	76,195	72,82
Amortization of goodwill	915,624	44,43
Price-level restatement	513,567	(72,909
Exchange differences	11,479	(86,970
Other changes (credits) to income that do not represent cash flows	164,252	(68,211
Changes in assets affecting cash flows:		
Other assets	14,895,698	10,701,04
	14,055,050	10,701,04
Changes in liabilities affecting cash flows:		420.02
Interest payable		120,92
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,251,869	8,370,72
CASH FLOWS FROM FINANCING ACTIVITIES	45.004.000	
Placement and payment of shares	45,891,390	
Proceeds from loans	11,507,590	47000
Bonds payable	6,964,973	17,369,68
Payment of dividends	(7,954,248)	(6,953,966
Repayment of loans	(9,047,908)	(9,455,976
Payment of bonds	47.064.707	(1,913,953
Net cash provided by (used in) financing activities	47,361,797	(954,214
CASH FLOWS FROM INVESTING ACTIVITIES		
Permanent investments	(42,476,452)	(5,072,707
		(7,369
Purchase of fixed assets	(33,398)	(1,303
	(33,398)	
Collection of loans to related companies	(33,398) (16,879,844)	
Purchase of fixed assets Collection of loans to related companies Other investment outlays NET CASH USED IN INVESTING ACTIVITIES		400,50
Collection of loans to related companies Other investment outlays NET CASH USED IN INVESTING ACTIVITIES	(16,879,844)	400,50 (4,679,574
Collection of loans to related companies Other investment outlays NET CASH USED IN INVESTING ACTIVITIES TOTAL NET CASH PROVIDED DURING THE YEAR	(16,879,844) (59,389,694)	400,50 (4,679,57 ² 2,736,93
Collection of loans to related companies Other investment outlays	(16,879,844) (59,389,694) 223,972	(4,679,574 2,736,93 (61,500
Collection of loans to related companies Other investment outlays NET CASH USED IN INVESTING ACTIVITIES TOTAL NET CASH PROVIDED DURING THE YEAR EFFECT OF INFLATION ON CASH AND CASH EQUIVALENTS NET INCREASE IN CASH AND CASH EQUIVALENTS	(16,879,844) (59,389,694) 223,972 392,160	400,50. (4,679,574 2,736,93. (61,500
Collection of loans to related companies Other investment outlays NET CASH USED IN INVESTING ACTIVITIES TOTAL NET CASH PROVIDED DURING THE YEAR EFFECT OF INFLATION ON CASH AND CASH EQUIVALENTS	(16,879,844) (59,389,694) 223,972 392,160 616,132	400,50. (4,679,574 2,736,93: (61,500 2,675,43:

NOTES TO THE FINANCIAL STATEMENTS

(In Thousands of Chilean pesos · ThCh\$)

1. REGISTRATION IN THE SECURITIES REGISTER

The investment company Security Holdings S.A. (the Company) was formed by public deed on February 8, 1991, with the corporate purpose of carrying out investments and performing consulting work of any kind in Chile.

On January 30, 1995, the Company was registered in the Securities Register under No. 0499 and thus became subject to the control of the Superintendence of Securities and Insurance (the Superintendence).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting periods

These financial statements cover the years ended December 31, 2004 and 2003.

b. Basis of preparation

These stand-alone financial statements of Grupo Security S.A. at December 31, 2004 and 2003 have been prepared in accordance with accounting principles generally accepted in Chile and with standards and instructions issued by the Superintendence of Securities and Insurance, which prevail over the principles in the event of any discrepancy, except for the investments in subsidiaries, which are reported on a single line in the balance sheet under the equity method of accounting or at their equity value, as applicable, and, therefore, are not consolidated line-by-line. This treatment does not modify the net income for the year or the shareholders' equity.

These financial statements have been issued solely for a stand-alone analysis of the Company and, therefore, must be read together with the consolidated financial statements, which are required by generally accepted accounting principles in Chile.

c. Basis of presentation

Amounts for 2003 included in the financial statements and notes have been price-level restated by the consumer price index of 2.5% to allow comparison with the 2004 amounts.

d. Price-level restatement

In order to report the effects of the change in the purchasing power of the currency during the year, non-monetary assets and liabilities, shareholders' equity and income accounts have been restated for in the change in the Consumer Price Index (CPI) (2.5% in 2004 and 1.0% in 2003).

e. Basis of translation

Assets and liabilities in foreign currency have been translated into Chilean pesos using the year-end exchange rate of Ch\$557.40 per US\$1 (\$593.8 per US\$1 in 2003).

Balances in Unidades de Fomento (inflation index-linked units of account) at December 31, 2004 have been translated into Chilean pesos at the rate of Ch\$17,317.05 per UF (\$16,920.00 per UF in 2003).

f. Time deposits

Time deposits are valued at investment value plus indexation and interest accrued at each year-end.

g. Marketable securities

Mutual fund units are stated at each year-end unit redemption value.

h. Resale agreements

Resale agreements are valued at purchase cost plus accrued interest based on the interest rate determined between the purchase cost and the value of the sale on the promised date of sale. Resale agreements are included under "Other current assets".

i. Recoverable taxes

Monthly provisional payments made into the Chilean Treasury are presented net of the income tax payable.

j. Fixed assets

These are presented at price-level restated cost.

k. Depreciation of fixed assets

Depreciation for the year is ThCh\$42,194 (ThCh\$34,711 in 2003) and has been calculated on the restated values of the assets, based on the estimated remaining useful life of the respective asset. Depreciation is applied using the straight-line and normal methods.

l. Investments in related companies

Investments in related companies made prior to January 1, 2004 are valued under the equity method of accounting. This method includes recognizing the share in income on the accrual basis.

Investments in related companies made after January 1, 2004 are valued at equity value, as provided for in Technical Bulletin 72 of the Chilean Institute of Accountants and Circular 1697 of the Superintendence of Securities and Insurance.

m. Goodwill on investments

Goodwill on investments is premium paid over the equity method of accounting for investments made prior to January 1, 2004 and the permission paid oven the on purchases of shares of related companies made after January 1, 2004, as provided for in Technical Bulletin 72 of the Chilean Institute of Accountants and Circular 1697 of the Superintendence of Securities and Insurance. Such goodwill is being amortized over the expected term of return on the investment, mainly estimated at 240 months.

n. Bonds payable

These are bonds issued by the Company at face value plus indexation and accrued interest at each year-end. The difference between the face value and the proceeds is deferred and amortized over the average repayment term.

ñ. Income taxes and deferred taxes

The Company has recognized its tax obligations based on current legal provisions.

Deferred taxes, applicable to items whose tax treatment is different to their book treatment, are recorded as provided for in Technical Bulletin No. 60 of the Chilean Institute of Accountants and its supplements. The income tax rate applied is that of the year in which the temporary difference that gave rise to the deferred tax reverses.

o. Employee vacations

The cost of annual vacations and related personnel benefits is recognized on the accrual basis.

p. Revenue from sales

The Company recognizes the price of services as revenue from sales when such services have been rendered.

q. Software

Software has been acquired as computer packages and recorded in "Other fixed assets"; it is amortized over 4 years in accordance with Circular No. 981 of the Superintendence of Securities and Insurance

r. Cash equivalents

In accordance with Technical Bulletin No. 50 of the Chilean Institute of Accountants, the Company has considered as cash equivalents all investments made as part of the normal management of cash surpluses, with maturities of less than 90 days.

3. ACCOUNTING CHANGES

Permanent investments made after January 1, 2004 are valued at equity value, as provided for in Circular 1697 of the Superintendence of Securities and Insurance and Technical Bulletin 72 of the Chilean Institute of Accountants regarding the business combinations, permanent investments and consolidation of financial statements. Applying this method did not result in any material changes to the Company's results as a result of the change.

4. TIME DEPOSITS

Details of time deposits at December 31, 2004 and 2003 are as follows:

	2004 ThCh\$	2003 ThCh\$
Banco Security	54,250	5,210,412

5. MARKETABLE SECURITIES

Marketable securities are recorded as described in Note 2g; details are as follows:

SECURITY	2004 ThCh\$	2003 ThCh\$
Security Plus Mutual Funds	3,424,103	963,735
Security Check Mutual Funds	1,600,692	-
Money Market Funds	16,824	16,661
TOTAL	5,041,619	980,396

6. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

Balances and transactions with related companies at December 31, 2004 and 2003 are as follows:

a. Due from related companies - short term

COMPANY	2004 ThCh\$	2003 ThCh\$
Inmobiliaria Security Once	762,903	
Inversiones Seguros Security Ltda.	344,976	
Servicios Security S.A.	38,985	37,148
Corredora de Seguros Security Ltda.	412,493	
Inversiones Invest Security Ltda.	35,602	132,754
Asesorías Security S.A.	1,126	1,154
	4.504.005	474.074

b. Due to related companies - short term

COMPANY	2004 ThCh\$	2003 ThCh\$
Inversiones Seguros Security Ltda.	-	4,894

c. Transactions

			20	004	200)3
COMPANY	RELATIONSHIP	DESCRIPTION OF TRANSACCTION	AMOUNT ThCh\$	EFFECT ON INCOME (CHARGES/CREDIT) ThCh\$	AMOUNT ThCh\$	EFFECT ON INCOME (CHARGES/CREDIT) ThCh\$
Banco Security	Direct subsidiary	Time deposits	15,156,513	65,708	11,080,692	70,029
Administradora General de Fondos Security S.A.	Indirect subsidiary	Mutual funds	30,990,285	86,790	9,929,175	48,200
Valores Security S.A. Corredores de Bolsa	Indirect subsidiary	Financing investments	13,799,925	110,173	15,171,567	74,373
Servicios Security S.A.	Indirect subsidiary	Commercial account	38,720	901	37,250	5,912
Inversiones Seguros Security Limitada	Direct subsidiary	Commercial account	357,608	938	5,072,707	204,048
Corredora de Seguros Security Ltda.	Indirect subsidiary	Commercial account	412,493	315		
Inversiones Invest Security Ltda.	Direct subsidiary	Commercial account	130,571	1,684	132,478	18,269
Asesorías Security S.A.	Direct subsidiary	Current account	1,126			
Factoring Security S.A.	Direct subsidiary	Commercial loan	1,000,000	11,173		
Inmobiliaria Security Once	Indirect subsidiary	Promise 762.903	14,994			

Commercial accounts between related companies are settled in 30 days and accrue 5.5% annual interest.

7. INCOME TAX AND DEFERRED TAXES

a. Recoverable taxes

Recoverable taxes at December 31, 2004 and 2003 are as follows:

	2004 ThCh\$	2003 ThCh\$
Provision for first category income tax	(1,286)	(9,362)
Monthly provisional payment 3	2,547	11,964
TOTAL	31,261	2,602

b. Accumulated tax results

At December 31, 2004, the Company has net taxable income of ThCh\$7,565 (ThCh\$55,065 in 2003); therefore, it made a provision for income tax of ThCh\$1,286 (ThCh\$9,362 in 2003).

c) Deferred taxes:

c. Deferred taxes at December 31, 2004 are as follows

	DEFERRED TAXES	
TEMPORARY DIFFERENCES	2004 ASSET SHORT TEM ThCh\$	2003 ASSET SHORT TEM ThCh\$
Vacation provision	4,418	6,045
Other provisions	121,419	137,340
TOTAL	125,837	143,385

d. The composition of net (change) credit to income tax at December 31, 2004 and 2003 is as follows:

ITEM	2004 ThCh\$	2003 ThCh\$
Current tax expense		
Provision for first category income tax	(1,286)	(9,362)
Deferred taxes		
Effect of the year's deferred taxes	(17,549)	77,516
TOTAL	(18,835)	68,154

8. OTHER CURRENT ASSETS

The balance of ThCh\$5,032,858 (ThCh\$3,676,258 in 2003) at December 31, 2004 represents resale agreements.

9. INVESTMENTS IN RELATED COMPANIES

Investments in related companies at December 31, 2004 and 2003 are as follows:

COMPANY		NERSHIP CENTAGE		EQUITY COMPANY		RESULTS FOR THE YEAR		CRUED SULT		K VALUE ESTMENT
	2004 %	2003 %	2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$
Banco Security	99.94	99.99	138,027,935	96,280,338	14,023,810	13,659,274	16,626,767	13,659,274	137,919,257	96,279,374
Inversiones Seguros Security Limitada.	99.99	99.99	18,535,079	19,101,919	275,602	324,904	275,600	839,176	18,534,894	19,101,729
Factoring Security S.A.	99.99	99.99	11,551,747	10,952,221	2,451,300	1,104,078	2,451,209	1,849,969	11,551,746	10,952,221
Asesorías Security S.A.	99.80	99.80	894,495	970,842	(76,196)	(61,235)	(76,195)	(72,822)	892,706	968,901
Inmobiliaria Security S.A.	99.99	99.99	1,908,861	1,422,700	500,393	254,987	500,393	462,733	1,908,840	1,422,686
Inversiones Invest Security Ltda.	99.90	99.81	2,302,967	2,457,957	19,605	51,841	19,598	26,596	2,300,664	2,453,287
TOTAL									173,108,107	131,178,198

- **a.** On December 18, 2003, the Company made a capital contribution of ThCh\$4,948,982 (historical) to Inversiones Seguros Security Ltda., maintaining its 99.99% ownership of the total capital.
- **b.** On June 22, 2004, the Company made a capital decrease of ThCh\$2,676,000 (historical) in Inversiones Seguro Security Ltda., maintaining its 99.99% ownership.
- c. On June 24, 2004, Grupo Security acquired 99% ownership of IDBLA of Dresdner Bank Lateinamerika Aktiengesellschaft and Dresdner Bank A.G., for ThCh\$39,265,822. As part of this operation, Grupo Security S.A. disbursed ThCh\$1,019,200 for consultancy services in the purchase, which became part of the investment cost. The purpose of all of the above was to take over control of Dresdner Bank, since the above company controlled 88.3% of such Bank. To that end, a takeover bid was made for the remaining percentages according to Law 18.046.

After the date of purchase, the newly acquired Company changed its named from IDBLA to Inversiones Copper Ltda.

Following Circular 1,697 of the Superintendence of Securities and Insurance and Technical Bulletin 72, the Company calculated the fair value of the assets and liabilities of the acquired Company, based on the purchase evaluation process, for which outside experts were also requested to participate. As a result, the Company calculated goodwill of ThCh\$3,832,100, which will be amortized over the term of the return on the investment.

As provided for in paragraphs 65 and 66 of Technical Bulletin 72, the Company has been developing a system that will allow it to monitor fair values of assets and liabilities of the investment continuously and systematically.

A detail of the reconciliation of the shareholders' equity is shown below:

	Cli\$
Book equity	27,499,500
Adjustment to fair value (*)	(3,832,100)
SHAREHOLDERS' EQUITY	23,667,400

- (*) The independent appraisers delivered their final report on August 31, 2004 with a view to concluding the process of completing the respective fair values of the assets and liabilities of Banco Dresdner, Corredora Dresdner and Inversiones Copper Ltda..
- **d.** On September 27, 2004, Grupo Security S.A. purchased the 1% ownership share that Inversiones Seguros Security Ltda. held in Inversiones Copper Ltda.. Consequently, the Company took over control of 100% of the latter Company and merged said companies as stipulated in Technical Bulletin 72 of the Chilean Institute of Accountants. This operation does not affect the shareholders' equity of the merged Companies.
- **e.** On October 1, 2004, Banco Security merged with the former Banco Dresdner Lateinamerika; consequently, the relevant adjustments of the bank's equity as a result of such merger were made, thereby complying with the provisions of Technical Bulletin 72 of the Chilean Institute of Accountants.
- **f.** On October 1, 2004, Valores Security S.A. Corredores de Bolsa merged with the former Dresdner Lateinamerika S.A. Corredores de Bolsa.
- g. On December 20, 2004, the Company made a capital contribution of ThCh\$6,500,000 (historical) to Inversiones Seguros Security Limitada, changing its ownership from 99.99% to 99.94% of the total capital.
- **h.** On December 29, 2004, the Company made a capital contribution of ThCh\$14,989,847 (historical) to Banco Security, maintaining its 99.99% ownership of the total capital.

10. GOODWILL AND NEGATIVE GOODWILL ON INVESTMENTS

Goodwill at December 31, 2004 and 2003, recorded as described in Note 2m, is as follows:

	20	2004			
COMPANY	AMOUNT AMORTIZED IN THE YEAR ThCh\$	BALANCE OF GOODWILL ThCh\$	AMOUNT AMORTIZED IN THE YEAR ThCh\$	BALANCE OF GOODWILL ThCh\$	
Banco Security	17,965	172,163	17,966	190,128	
Factoring Security S.A.	26,468	251,448	26,470	277,916	
Dresdner Bank Lateinamerika S.A.	425,721	2,605,858			
Inversiones Copper Ltda.	351,639	13,335,308			
Dresdner Lateinamerika S.A. Corredores de Bolsa	93,831	332,188			
TOTAL	915,624	16,696,965	44,436	468,044	

11. SHORT-TERM LIABILITIES WITH BANKS AND FINANCIAL INSTITUTIONS

Short-term liabilities with banks at December 31, 2004 and 2003 are as follows:

a. Long term – current portion

		CURRENCY UF				
BANK	2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$		
Banco de Chile	619,238	626,256	619,238	626,256		
Corpbanca	524,883	557,775	524,883	557,775		
Banco de Crédito e Inversiones	708,143	710,958	708,143	710,958		
TOTAL	1,852,264	1,894,989	1,852,264	1,894,989		

b. Long term

			YEARS TO MATURITY			CLOSING DATE CURRENT PERIOD		
BANK	CURRENCY	OVER 1 UP TO 2 ThCh\$	OVER 2 UP TO 3 ThCh\$	OVER 3 UP TO 5 ThCh\$	TOTAL LONG TERM AT CLOSE OF FINANCIAL STATEMENTS · ThCh\$	AVERAGE ANNUAL INTEREST RATE %	TOTAL LONG TERM AT CLOSE OF FINANCIAL STATEMENTS - ThCh\$	
Banco de Chile	UF	916,072	916,072	3,290,239	5,122,383	1.73%	2,308,354	
Corpbanca	UF	502,070	502,070	502,072	1,506,212	1.85%	2,011,292	
Banco de Crédito e Inversiones	UF	169,707	862,389	2,050,340	3,082,436	2.08%	2,081,160	
TOTALES		1,587,849	2,280,531	5,842,651	9,711,031		6,400,806	

Liabilities with banks accrue an average annual interest rate of 1.89% (4.6% in 2003).

12. BONDS PAYABLE

Details of bonds payable at December 31, 2004 and 2003, recorded as described in Note 2 n, are as follows:

IDENTIFICATION OF INSTRUMENT	SERIES	OUTSTANDING NOMINAL AMOUNT PLACED	BOND INDEXATION UNIT	INTEREST RATE %	FINAL MATURITY	PAYMENT DATE INTEREST	PAYMENT DATE AMORTIZATION	PAR VALUE 2004 ThCh\$	PAR VALUE 2003 ThCh\$	PLACEMENT IN CHILE OR ABROAD
Long term - short	term portion									
1 88-20-11-95	BSECU-A1		UF	5.90	12.09.2007	Semiannual	Semiannual		1,661,792	Chile
188-20-11-95	BSECU-A2		UF	5.90	12.09.2007	Semiannual	Semiannual		415,448	Chile
340-13-08-03	BSECU-B		UF	4.75	15.07.2010	Semiannual	Semiannual	373,361	376,133	Chile
370-16-07-04	BSECU-C		UF	5.00	15.07.2016	Semiannual	Semiannual	224,514		Chile
TOTAL SHORT TE	RM PORTION							597,875	2,453,373	

IDENTIFICATION OF INSTRUMENT	SERIES	OUTSTANDING NOMINAL AMOUNT PLACED	BOND INDEXATION UNIT	INTEREST RATE %	FINAL MATURITY	PAYMENT DATE INTEREST	PAYMENT DATE AMORTIZATION	PAR VALUE 2004 ThCh\$	PAR VALUE 2003 ThCh\$	PLACEMENT IN CHILE OR ABROAD
Long term										
188-20-11-95	BSECU-A1		UF	5.90	12.09.2007	Semiannual	Semiannual		4,624,798	Chile
188-20-11-95	BSECU-A2		UF	5.90	12.09.2007	Semiannual	Semiannual		1,156,199	Chile
340-13-08-03	BSECU-B	1,000,000	UF	4.75	15.07.2010	Semiannual	Semiannual	17,317,050	17,343,000	Chile
36-16-07-04	BSECU-C	700,000	UF	5.00	15,07.2016	Semiannual	Semiannual	12,121,935		Chile
TOTAL LONG TER	M							29,438,985	23,123,997	

13. ACCRUALS AND WRITE-OFFS

The balance is the provision for employee vacations recorded as described in Note 2 o, and provisions for payments of ThCh\$428,864 (ThCh\$843,441 in 2003) to be made in the first six months of 2005 as a result of 2004 activities.

The Company does not have any allowances netted against assets or write-offs at December 31, 2004 and 2003.

14. CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity accounts at December 31, 2004 and 2003 were as follows:

	PAID-IN CAPITAL ThCh\$	SHARE PREMIUM ThCh\$	OTHER RESERVES ThCh\$	RETAINED EARNINGS ThCh\$	INTERIM DIVIDENDS ThCh\$	DEVELOPMENT STAGE DEFICIT ThCh\$	NET INCOME FOR THE YEAR ThCh\$	TOTAL ThCh\$
Balances, January 1, 2003	43,741,042	19,648,906	3,384,851	23,272,130	(455,498)	(991,506)	7,344,463	95,944,388
Transfer				7,344,463			(7,344,463)	
Prior year final dividend				(455,498)	455,498			
Development stage accumulated deficit				(367,030)		246,680		(120,350)
Adjustment to reserve for fluctuation								
in investment in subsidiary			1,085,596					1,085,596
Final dividends				(5,530,078)				(5,530,078)
Price-level restatement	437,411	196,489	18,198	329,962	6,272			988,332
Net income for the year							14,109,874	14,109,874
Interim dividends					(1,254,279)			(1,254,279)
Balances, December 31, 2003	44,178,453	19,845,395	4,488,645	24,593,949	(1,248,007)	(744,826)	14,109,874	105,223,483
Price-level restatement (2,5%)	1,104,461	496,135	112,216	614,849	(31,200)	(18,621)	352,747	2,630,587
Balances, December 31, 2003 restated by 2.5%	45,282,914	20,341,530	4,600,861	25,208,798	(1,279,207)	(763,447)	14,462,621	107,854,070

	PAID-IN CAPITAL ThCh\$	SHARE PREMIUM ThCh\$	OTHER RESERVES ThCh\$	RETAINED EARNINGS ThCh\$	INTERIM DIVIDENDS ThCh\$	DEVELOPMENT STAGE DEFICIT ThCh\$	NET INCOME FOR THE YEAR ThCh\$	TOTAL ThCh\$
Balances, January 1, 2004	44,178,453	19,845,395	4,488,645	24,593,949	(1,248,007)	(744,826)	14,109,874	105,223,483
Transfer				14,109,874			(14,109,874)	
Prior year final dividend				(1,248,007)	1,248,007			
Capital increase with issue of cash shares	38,554,337	7,037,982				45,592,319		
Development stage accumulated deficit				(191,225)		168,811		(22,414)
Adjustment to reserve for fluctuation								
in investment in subsidiary			(500,683)					(500,683)
Final dividends				(6,963,841)				(6,963,841)
Price-level restatement	1,338,191	544,094	128,796	806,433	(5,254)	(1,012)		2,811,248
Net income for the year							15,506,426	15,506,426
Interim dividends					(875,735)			(875,735)
BALANCES, DECEMBER 31, 2004	84,070,981	27,427,471	4,116,758	31,107,183	(880,989)	(577,027)	15,506,426	160,770,803

Paid-in capita

In accordance with Article N°10 of Law N°18,046, paid-in capital includes its proportional amount of monetary correction. At December 31, 2004, the subscribed and paid-in capital was ThCh\$84,070,981, represented by 2,040,264,415 no par-value shares.

Other reserves

These are basically the Company's percentage participation in the matching reserve in the indirect subsidiary Seguros Vida Security Previsión S.A., the fluctuation in the indirect subsidiary Seguros Previsión Security Generales S.A., and in the reserve for fluctuations in investments in the subsidiary Banco Security.

Development stage accumulated deficit

This is the percentage participation in the development stage deficit of the direct subsidiary Inmobiliaria Security S.A. and Seguros Security Ltda.. This deficit will be absorbed by future income.

Dividends - The policy agreed by the shareholders is to distribute 50% of net cash income received by the Company from direct subsidiaries during the year and split the payment into two dividends - one an interim and the other a final dividend.

In 2004, payment of a final dividend of \$3.15 per share was agreed, which means an historical amount of ThCh\$5,212,371. Additionally, payment of an additional dividend of \$1 per share totaling ThCh\$1,751,470 was agreed, and the interim dividend of ThCh\$1,254,279 (historical) paid in 2003 has been absorbed as a final dividend (in 2003, ThCh\$5,985,576 (historical) were paid) and charged to retained earnings.

In 2004, an interim dividend of ThCh\$875,735 (historical) was agreed to and paid to the shareholders in October, together with the additional dividend referred to in the paragraph above (ThCh\$1,254,279 (historical) in 2003).

Capital increase

The Shareholders' Meeting of Grupo Security, held on August 2, 2004, decided to declare that part of the capital increase agreed to in the General Shareholders' Meeting of December 19, 2003 that has not been subscribed or paid in (issue registered with the Superintendence of Securities and Insurance under No. 717 on May 20, 2004) null and void. The total increase was 300,000,000 shares for ThCh\$30,000,000; additionally, it agreed to increase the capital by ThCh\$45,000,000 by issuing 450,000,000 ordinary, registered, no par value, cash shares. ThCh\$28,879,428 (historical) were paid in November.

On October 4, 2004, the Superintendence registered the issue of 100,278,956 ordinary, registered, no par value, cash shares in the stock register under No. 725. The term of issue, subscription and payment of these shares is three years from August 2, 2004. At December 31, 2004, ThCh\$9,674,909 (historical) have been paid in.

15. PRICE-LEVEL RESTATEMENT

Application of the price-level restatement mechanism described in Note 2 d resulted in a charge to income of ThCh\$513,567 (ThCh\$72,909 credit in 2003); details are as follows:

	INDEXATION UNIT	2004 ThCh\$	2003 ThCh\$
Assets (charges)/credits			
Fixed assets	CPI		882
Investments in related companies	CPI	2,735,819	1,060,853
Goodwill	CPI	276,116	5,074
Other non-monetary assets	CPI	171,379	84,702
Expense and cost accounts	СРІ	9,894	45
TOTAL (CHARGES) CREDITS		3,193,208	1,151,556
Liabilities (charges)/credits			
Shareholders' equity	CPI	(2,811,248)	(1,013,040)
Non-monetary liabilities	UF	(895,527)	(65,467)
Income accounts			(140)
TOTAL (CHARGES) CREDITS		(3,706,775)	(1,078,647)
(LOSS) GAIN FROM RESTATEMENT		(513,567)	72,909

16. FOREING EXCHANGE DIFFERENCES

Foreing exchange differences at December 31, 2004 and 2003 are as follows:

ITEM	CURRENCY	AMOUNT 2004 ThCh\$	AMOUNT 2003 ThCh\$
Asets (charges)/credits Investments in dollars	USD	(11,479)	(196,900)
Liabilities (charges) / credits Bank debt	USD	-	283,870
(LOSS) GAIN FROM EXCHANGE DIFFERENCE		(11,479)	86,970

17. STATEMENTS OF CASH FLOWS

Details of cash and cash equivalents at December 31, 2004 and 2003 are as follows:

	2004 ThCh\$	2003 ThCh\$
Cash	366,949	12,478
Time deposits (Note 4)	54,250	5,210,412
Resale agreement on promissory notes issued by Chilean Central Bank (Note 8)	5,032,858	3,676,258
Mutual funds (Note 5)	5,041,619	980,396
TOTAL	10,495,676	9,879,544

18. CONTINGENCIES AND RESTRICTIONS

At December 31, 2004 and 2003, the Company is not aware of any contingencies or restrictions affecting the interpretation of these stand-alone financial statements.

19. THIRD PARTY GUARANTEES

The Company does not have any third party guarantees at December 31, 2004 and 2003.

20. LOCAL AND FOREIGN CURRENCY

Details of assets and liabilities per currency at December 31, 2004 and 2003 are as follows:

Assets

ІТЕМ	CURRENCY	AMOUNT 2004 ThCh\$	AMOUNT 2003 ThCh\$
Current			
Cash	Non-adjustable Ch\$	366,949	12,478
Time deposits	Non-adjustable Ch\$		5,210,412
Time deposits	Dollars	41,471	
Time deposits	Euro	12,779	
Marketable sercurities	Non-adjustable Ch\$	5,041,619	980,396
Other liabilities	Non-adjustable Ch\$	7,243	41,576
Due from related companies	Non-adjustable Ch\$	1,596,085	171,056
Recoverable taxes	Adjustable Ch\$	31,261	2,602
Other current assets	Adjustable Ch\$	5,032,858	3,676,258
Deferred tax (net)	Adjustable Ch\$	125,837	143,385
Pepaid expenses	Non-adjustable Ch\$	394	
TOTAL CURRENT ASSETS		12,256,496	10,238,163
Fixed assets - net	Adjustable Ch\$	43,196	57,550
Others			
Investments in related companies	Adjustable Ch\$	173,108,107	131,178,198
Negative goodwill	Adjustable Ch\$	16,696,965	468,045
Discounts in bond placement	UF	1,037,151	739,304
TOTAL OTHER ASSETS		190,842,223	132,385,547
	Non-adjustable Ch\$	7,012,290	6,415,918
	Dollars	41,471	
	Euro	12,779	
	Adjustable Ch\$	195,038,224	135,526,038
	UF	1,037,151	739,304

Current liabilities

			UP TO 90	DAYS			90 DAYS TO	1 YEAR	
			2004	2	2003	2	004	20	003
ITEM	CURRENCY	AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %		VERAGE ANNUAL INTEREST RATE %
Accounts payable	Adjustable Ch\$	326,255		93,928					
Accruals and withholdings	Adjustable Ch\$	428,864		843,441					
Liabilities with banks and									
Financial Institutions	UF					1,852,264	1.87	1,894,	989 3.42
Bonds payable	UF					597,875	4.75	2,453,3	5.52
Accounts due to									
related companies	Adjustable Ch\$			4,894					
Withholdings	Adjustable Ch\$	15,838		11,762					
	Adjustable Ch\$	770,957		954,025		_		_	
	UF			,,		2,450,139		4,348,3	362

Long-term liabilities

2004

		2 TC	O 3 YEARS	3 TO 5	YEARS	5 TC	10 YEARS	OVER TO 10	YEARS
ITEM	CURRENCY	AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %		AGE ANNUAL EREST RATE %
Liabilities with banks									
and Financial Institutions	UF	3,868,380	1.87	5,842,651	1.87				
Bonds payable	UF	8,139,014	4.80	9,351,208	4.80	10,736,571	4.75	1,212,192	4.75
TOTAL LONG TERM LIABILITI	ES	12,007,394		15,193,859)	10,736,571		1,212,192	!

2003

		2 T	O 3 YEARS	3 TO 5	YEARS	5 TC	10 YEARS	OVER TO 10 YEARS
ITEM	CURRENCY	AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %	AVERAGE ANN AMOUNT INTEREST RA ThCh\$ %
Liabilities with banks								
and Financial Institutions	UF	3,541,980	3.28	2,858,826	3.28			
Bonds payable	UF	7,322,601	5.52	12,332,796	5.52	3,468,600	4.75	
TOTAL LONG TERM LIABILITI	FS	10.864.581		15,191,622	,	3.468.600		

21. SANCTIONS

In 2004 and 2003, no sanctions were imposed on the Company, its Directors or its Management by the Superintendence of Securities and Insurance or other administrative authorities.

22. SUBSEQUENT EVENTS

From January 1 to February 15, 2005, the date of issue of these financial statements, there have been no subsequent events that would materially affect them.

23. ENVIRONMENT

Being strictly a financial company, the Company has not made any disbursements in connection with the environment.

Renato Peñafiel Muñoz General Manager Miguel Morales Cáceres Chief Accountant



Deloitte.

Deloitte & Touche Sociedad de Auditores y Consultores Ltda. RUT: 80.276.200-3 Av. Providencia 1760 Pisos 6, 7, 8 y 9 Providencia, Santiago, Chile Fono: (56-2) 270 3000 Fax: (56-2) 374 9177 e-mail: deloittechile@deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Grupo Security S.A.

We have audited the accompanying consolidated balance sheets of Grupo Security S.A. and subsidiaries at December 31, 2004, and 2003 and the related consolidated statements of income and of cash flows for the years then ended. These financial statements (including the related notes) are the responsibility of the management of Grupo Security S.A.. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Grupo Security S.A. and subsidiaries at December 31, 2004 and 2003 and the consolidated results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles in Chile.

As is explained in Note 3 to the financial statements, investments acquired as of January 1, 2004 are valued under the equity method of accounting stipulated in Technical Bulletin 72 of the Chilean Institute of Accounting and Circular 1697 of the Superintendence of Securities and Insurance.

Ho177 e. February 15, 2005

Juan Carlos Cabrol Bagnara

CONSOLIDATED BALANCE SHEETS AT DECEMBER 37	I, 2004 AND 2003	
	(in tho	usands of Chilean pesos - ThCh\$)
	2004	2003
ASSETS	ThCh\$	ThCh\$
CURRENT ASSETS		
Cash	3,118,206	3,275,632
Time deposits	84,211	5,772,228
Marketable securities	7,227,851	3,855,637
Trade accounts receivable, net	80,339,946	68,155,368
Notes receivable	4,838,518	3,735,749
Other receivables	554,573	518,417
Due from related companies	254,155	1,400,870
Inventories	12,653,914	25,450,095
Recoverable taxes	91,983	266,483
Prepaid expenses	47,203	89,395
Deferred taxes (net)	1,036,263	914,147
Other current assets	7,474,776	8,699,515
TOTAL CURRENT ASSETS	117,721,599	122,133,536
FIXED ASSETS		
Buildings and infrastructure		327,003
Machinery and equipment	743,120	760,422
Other fixed assets	3,347,229	2,305,057
Accumulated depreciation	(2,373,620)	(1,634,300)
TOTAL FIXED ASSETS - NET	1,716,729	1,758,182
OTHER ASSETS	140.002.205	400 250 004
Investments in related companies	149,802,395	108,269,084
Goodwill	20,931,907	4,844,056
Due from related companies	566,500	
Deferred taxes (net)	13,321	205 242
Intangibles	277,983	295,212
Others	14,026,199	12,962,641
TOTAL OTHER ASSETS	185,618,305	126,370,993
TOTAL ASSETS	305,056,633	250,262,711
101/12/135213		E30,E02,711

	(in thousa	ands of Chilean pesos - ThCh
	2004	2003
LIABILITIES AND SHAREHOLDERS' EQUITY	ThCh\$	ThCh
CURRENT LIABILITIES		
Short-term liabilities with banks and financial institutions	73,179,593	65,235,38
Current portion of long-term liabilities with banks and financial institutions	1,852,264	1,908,81
Bonds payable	597,875	2,453,37
Accounts payable	4,164,900	4,001,23
Notes payable	29,575	27,81
Sundry creditors	401,201	11,72
Due to related companies	11,267,316	11,951,51
Accruals	1,925,000	2,608,91
Withholdings	282,802	324,58
Other current liabilities	7,670,065	19,349,60
TOTAL CURRENT LIABILITIES	101,370,591	107,872,97
LONG-TERM LIABILITIES		
Liabilities with banks and financial institutions	12,451,519	8,103,93
Bonds payable	29,438,985	23,123,99
Notes payable		1,615,17
Sundry creditors		37,85
Deferred taxes (net)		164,57
Other long-term liabilities	22,010	495,39
TOTAL LONG-TERM LIABILITIES	41,912,514	33,540,93
MINORITY INTEREST	1,002,725	994,73
SHAREHOLDERS' EQUITY		
Paid-in capital	84,070,981	45,282,91
Share premium	27,427,471	20,341,53
Other reserves	4,116,758	4,600,86
Retained earnings	31,107,183	25,208,79
Interim dividends	(880,989)	(1,279,207
Accumulated deficit in development stage	(577,027)	(763,447
Net income for the year	15,506,426	14,462,62
TOTAL SHAREHOLDERS' EQUITY - NET	160,770,803	107,854,07
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	305,056,633	250,262,71 ⁻

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003				
	(in thousands of Chilean pesos - T			
	2004	2003		
	ThCh\$	ThCh\$		
SALES	30,015,043	25,416,641		
COST OF SALES	(13,017,958)	(7,990,023)		
GROSS MARGIN	16,997,085	17,426,618		
ADMINISTRATIVE AND SELLING EXPENSES	(13,369,626)	(15,387,907)		
OPERATING RESULT	3,627,459	2,038,711		
NON-OPERATING RESULT				
Financial income	589,421	416,184		
Equity in income of related companies	17,547,560	14,803,117		
Other income	284,421	544,832		
Amortization of goodwill	(1,203,556)	(312,774)		
Financial expenses	(2,415,798)	(2,463,520)		
Other expenses	(2,118,738)	(195,020)		
Price-level restatement	(507,336)	(18,772)		
Exchange differences	82,967	154,943		
NON-OPERATING RESULT	12,258,941	12,928,990		
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	15,886,400	14,967,701		
MINORITY INTEREST	107,630	(98,303)		
INCOME BEFORE INCOME TAXES	15,994,030	14,869,398		
INCOME TAX	(487,604)	(406,777)		

2004

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(in thousands of Chilean pesos - ThCh\$)

2003

	2004	2003
	ThCh\$	ThCh\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	15,506,426	14,462,621
Charges (credits) to income that do not represent cash flows:		
Depreciation and amortization	1,104,012	1,082,116
Accruals and write-offs	806,289	1,285,995
Equity in income of related companies	(17,547,560)	(14,803,117)
Amortization of goodwill	1,203,556	312,774
Price-level restatement	507,336	18,772
Exchange differences	(82,967)	(154,943)
Minority interest	(107,630)	98,303
Dividends received	1,930,345	936,330
Other credits to income that do not represent cash flows	(106,749)	(262,385)
Changes in assets affecting cash flows:		
Trade accounts receivable	(12,032,756)	(8,503,322)
Inventories	12,964,185	(1,090,841)
Other assets	5,102,982	12,038,772
Changes in liabilities affecting cash flows:		
Accounts payable	(1,074,215)	(98,079)
Interest payable	,	120,924
Other accounts payable	293,650	(202,412)
Other liabilities	(4,250,752)	6,323,020
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,216,152	11,564,528
CASH FLOWS FROM FINANCING ACTIVITIES		
	45,891,390	7611611
Placement and payments of shares Loans obtained	· ·	7,611,611
	30,298,379	61,826,664 17,369,681
Other sources of financing	(7054 240)	(8,061,671)
Payment of dividends	(7,954,248) (17,638,329)	(69,558,397)
Repayment of loans Repayment of bonds	6,964,973	(1,913,953)
NET CASH PROVIDED BY FINANCING ACTIVITIES	57,562,165	7,273,935
NET CASHTROVIDED DI TIINANCING ACTIVITIES	37,302,103	1,21
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of fixed assets	2,629,766	
Purchase of fixed assets	(818,572)	(842,979)
Permanent investments	(45,199,163)	(11,745,861)
Recovery of documented loans to related companies		400,502
Documented loans to related companies	(1,888,795)	(712,679)
Other investment disbursements	(18,053,732)	(1,195,699)
NET CASH USED IN INVESTING ACTIVITIES	(63,330,496)	(14,096,716)
TOTAL NET CASH PROVIDED (USED) DURING THE YEAR	(1,552,179)	4,741,747
EFFECT OF INFLATION ON CASH AND CASH EQUIVALENTS	435,550	(126,369)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,116,629)	4,615,378
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	16,579,755	11,964,377
CASH AND CASH EQUIVALENTS AT END OF YEAR	15,463,126	16,579,755

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands of Chilean pesos · ThCh\$)

1. INCORPORATION OF THE COMPANY

The investment company Security Holdings S.A. (the Company) was formed by public deed on February 8, 1991, with the corporate purpose of carrying out investments and performing consulting work of any kind in Chile.

On January 30, 1995, the Company was registered in the Securities Register under No. 0499 and thus became subject to the control of the Superintendence of Securities and Insurance (the Superintendence).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting periods

These consolidated financial statements cover the years ended December 31, 2004 and 2003.

b. Basis of preparation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Chile, except for the investments in certain direct or indirect subsidiaries (see Note 2d) which, as expressly authorized by the Superintendence, are reported on a single line in the balance sheet under the equity method of accounting, and, therefore, are not consolidated line-by-line. This treatment does not modify the net income for the year or the shareholders' equity.

c. Basis of presentation

Amounts for 2003 included in the financial statements and notes have been price-level restated for the change in the consumer price index of 2.5% to allow comparison with the 2004 amounts.

d. Principles of consolidation

The consolidated financial statements include the assets, liabilities, results and cash flows of the Parent Company and its subsidiaries. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements, and recognition has been given to minority interest.

Due to the dissimilar nature of their lines of business, the financial statements of the direct subsidiary Banco Security and its subsidiaries, and the indirect subsidiary Seguros Vida Security Previsión S.A. (Banco Security and subsidiaries, and indirect subsidiaries Seguros Security Previsión S.A and Seguros Security Previsión Generales S.A., 2003) have not been consolidated. At December 31, 2004, the Company ceased having any material influence over Compañía de Seguros Generales Penta Security S.A. through its direct subsidiary Inversiones Seguros Security Limitada.

On September 16, 2004, the Superintendence approved the merger of Compañía de Seguros Generales Las Américas S.A. and Seguros Security Previsión Generales S.A., forming Compañía de Seguros Generales Penta Security S.A. on October 1, 2004. Inversiones Seguros Security Limitada owas 29.1670% of this new company.

Considering the importance for Grupo Security S.A. of its ownership of these companies, Note 9 includes their summarized financial statements. Furthermore, some indirect subsidiaries have not been consolidated, as they are still in a development stage.

In June, 2004, the Company acquired 99.99% of the ownership rights of IDBLA Limitada and subsidiaries, owner of Dresdner Bank Lateinamerika and Dresdner Lateinamerika Corredora de Bolsa S.A. Subsequently the company changed its firm name to Copper Limitada.

		OWNERSHIP PERCENTAGE						
TAXPAYER N°	COMPANY	2004 DIRECT %	2004 INDIRECT %	2004 TOTAL %	2003 TOTAL %			
96.655.860-1	Factoring Security S.A.	99.9999		99.9999	99.9999			
78.769.870-0	Inversiones Seguros Security Limitada and subsidiaries	99.9990		99.9990	99.9990			
96.803.620-3	Asesorías Security S.A. and subsidiaries	99.8001	0.1999	100.0000	100.0000			
96.786.270-3	Inmobiliaria Security S.A. and subsidiaries	99.9999		99.9999	99.9999			
77.461.880-5	Inversiones Invest Security Limitada and subsidiaries	99.9000		99.9000	99.8100			

e. Price-level restatement

In order to report the effects of the change in the purchasing power of the currency during the year, non-monetary assets and liabilities, shareholders' equity and income accounts have been restated for the change in the Consumer Price Index (CPI) (2.5% in 2004 and 1.0% in 2003).

f. Basis of translation

Assets and liabilities have been translated into Chilean pesos using the year-end exchange rates, as follows:

	2004 Ch\$	2003 Ch\$
Unidad de Fomento (UF- inflation index-linked unit of account)	17,317.05	16,920.00
Dollar observed exchange rate (US\$)	557.40	593.80

g. Time deposits

Time deposits are valued at investment value plus indexation and interest accrued at each year-end.

h. Marketable securities

Mutual fund units are stated at each year-end unit value.

i. Trade accounts receivable

These relate mainly to commissions on insurance policies brokered for the insurance companies by the indirect subsidiary Corredora de Seguros Security Ltda.. Factoring receivables are presented at face value, net of retention and unearned price difference.

j. Allowance for uncollectible accounts

The allowance for uncollectible accounts mainly involves the direct subsidiary Factoring Security S.A.. This subsidiary has made allowance at each year end to cover the risk of losses on assets of doubtful recovery. Such allowance is calculated based on a risk analysis performed by management.

k. Factoring receivables

Factoring receivables are rendered at the acquisition cost of the invoices and documentation, which relates to their face value, net of retention and unearned price difference.

I. Recognition of price difference

The price difference arising from acquisition of invoices and documents is recognized as revenue on the basis of the maturities of the acquired documents.

m. Allowance for assets at risk

At each year-end the Company has accrued an allowance to cover the risks of losses on assets of doubtful recovery. Such allowance has been calculated based on a risk analysis performed by management. (Note 5).

n. Inventories

The apartments, parking lots and warehouses in the buildings owned by the direct subsidiary Inmobiliaria Security S.A. are valued at their price-level restated construction cost.

ñ. Resale agreements

Resale agreements are valued at purchase cost plus accrued interest based on the interest rate determined between the purchase cost and the value of the sale on the promised date of sale. Resale agreements are included under "Other current assets".

o. Fixed assets

Fixed assets are valued at cost plus price-level restatement.

p. Depreciation of fixed assets

Depreciation has been calculated using the straight-line method, based on the estimated remaining useful life of the assets.

q. Capital leases

Real estate and equipment leases, with the characteristics of a finance lease, are booked as purchases of fixed assets, with the total liability and the related interest being recorded on the accrual basis. These assets are not legally owned by the Company and its subsidiaries, so, until they exercise their purchase option, they may not freely dispose of them.

r. Other assets

The rights acquired in the purchase by the indirect subsidiary Corredora de Seguros Security Ltda. of the portfolio of clients from a number of insurance brokers are shown at face value and amortized over 20 years. The goodwill on placement of assets backed securities is price-level restated and amortized using the straight-line method over the term of the debt security. Lease contracts of the direct subsidiary Factoring Security S.A. are rendered at face value of the contracts net of deferred interest and provisions on the contracts.

s. Investments in related companies

Investments in related companies made prior to January 1, 2004 are valued under the equity method of accounting. This method includes recognizing the share in income on the accrual basis.

Investments in related companies made after January 1, 2004 are valued at equity value, as provided for in Technical Bulletin 72 of the Chilean Institute of Accountants and Circular 1697 of the Superintendence of Securities and Insurance.

At December 31, 2004 the Company had applied to the Superintendence of Securities and Insurance for authorization to use the book value of Compañía de Seguros Generales Penta Security S.A. as the fair value of its assets and liabilities, while awaiting the report from independent experts on such value.

t. Goodwill on investments

Goodwill on investments is the premium paid over equity method of accounting for investments made prior to January 1, 2004 and the premium paid over equity value on purchases of shares of related companies made after January 1, 2004, as provided for in Technical Bulletin 72 of the Chilean Institute of Accountants and Circular 1697 of the Superintendence of Securities and Insurance. Such goodwill is being amortized over the expected term of return on the investment.

u. Goodwill on securities

This is the goodwill on placement of asset backed securities, related to securitizations, compared to par value. This goodwill is rendered in "Other assets" and is amortized using the straight-line method over the term of the asset backed security.

v. Intangibles

The trademark rights of the indirect subsidiary Travel Security S.A. are price-level restated and are amortized over a maximum period of 20 years.

w. Recoverable taxes

This comprises the monthly provisional payments made to the Treasury (PPM), plus training credits and other recoverable taxes. It also includes the VAT credit that can be used in subsequent years.

x. Bonds payable

These are bonds issued by the Company at face value plus indexation and accrued interest at each year-end. The difference between the face value and the proceeds is deferred and amortized over the average repayment term.

y. Accounts payable

These are basically liabilities contracted by the indirect subsidiary Travel Security S.A. for the purchase of air fares.

z. Income taxes and deferred taxes

Income taxes are based on the net taxable income calculated for tax purposes. Deferred taxes applicable to items whose tax treatment is different to their book treatment are recorded as provided for in Technical Bulletin No. 60 of the Chilean Institute of Accountants and its supplements. The income tax rate applied is that of the year in which the temporary difference that gave rise to the deferred tax reverses.

aa. Capital leases

The capital leases of direct subsidiary Factoring Security S.A. consist of lease contracts with a clause whereby the lessee is granted an option to purchase the leased asset at the end of the contract. Outstanding lease operations at December 31, 2004 and 2003 include terms of up to 156 months (168 months in 2003).

These operations are valued in accordance with generally accepted accounting principles in Chile and are included in current and long-term assets. Amounts receivable are net of non-earned interest, of non-accrued value-added tax and of accruals for losses on contracts.

ab. Revenue from sales

The Company recognizes the price of services as revenue from sales when such services have been rendered.

The direct subsidiary Inmobiliaria Security S.A. recognizes the proceeds from the sale of real estate as revenue from sales when the final purchase deeds have been signed.

The revenue of indirect subsidiary Corredora de Seguros Security Limitada is from commissions earned on policies documented and paid to the Company.

ac. Forward contracts

Forward contracts are considered as hedges against exchange rate fluctuations which might affect existing amounts. The forward currency contracts are valued in accordance with Technical Bulletin No. 57 of the Chilean Institute of Accountants.

ad. Employee vacations

The cost of annual vacations and related personnel benefits are recognized on the accrual basis.

ae. Software

Software has been acquired as packages recorded at cost plus price-level restatement; it is amortized over 4 years in accordance with Circular No. 981 of the Superintendence of Securities and Insurance.

af. Cash equivalents

In accordance with Technical Bulletin No. 50 of the Chilean Institute of Accountants, the Company has considered as cash equivalents all investments made as part of the normal management of cash surpluses, with maturities of less than 90 days (Note 22).

3. ACCOUNTING CHANGES

Permanent investments made after January 1, 2004 are valued at equity value, as provided for in Circular 1697 of the Superintendence of Securities and Insurance and Technical Bulletin 72 of the Chilean Institute of Accountants regarding business combinations, permanent investments and consolidation of financial statements. Applying this method did not result in any material changes to the Company's results as a result of the change.

4. MARKETABLE SECURITIES

Marketable securities are recorded as described in Note 2h; details are as follows:

INSTRUMENTS	2004 ThCh\$	2003 ThCH\$	
Security Gold Mutual Fund	495,206	77,381	
Security First Mutual Fund	1,593,902	1,984,715	
Security Plus Mutual Fund	3,424,103	1,087,857	
Security Check Mutual Fund	1,697,816	552,727	
Money Market Funds	16,824	16,631	
BCI Competitivo Mutual Fund		46,126	
BBVA Excelencia Mutual Fund		90,200	
TOTAL	7 227 851	3 855 637	

5. SHORT AND LONG-TERM RECEIVABLES

Details of short and long-term receivables at December 31, 2004 and 2003 are as follows:

				CURRENT			
	UP TO OVER 90 DAYS 90 DAYS UP TO 1 YEAR				TOTAL CURRENCY (NET)		
ІТЕМ	2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$	SUBTOTAL ThCh\$	2004 ThCh\$	2003 ThCh\$
Trade accounts receivable	37,213,441	27,292,118	46,126,983	40,863,250	83,340,424	80,339,946	68,155,368
Allowance for uncollectible accounts	(3,000,478)				(3,000,478)		
Notes receivable	4,335,535	3,735,749	502,983		4,838,518	4,838,518	3,735,749
Other receivables	554,573	518,417			554,573	554,573	518,417

6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties during 2004 and 2003 are mainly consultancy services for subsidiaries and commercial accounts maintained with them. These mature every 30 days and accrue 5.5% interest per annum.

a. Notes and accounts receivable short term

COMPANY	2004 ThCh\$	2003 ThCh\$
Compañía de Seguros Generales Penta Security S.A.		
(ex-Seguros Security Previsión Generales S.A.)	2,392	12,767
Seguros Security Previsión Vida S.A.	32,317	7,305
Inmobiliaria Security Nueve Limitada		393,615
Inmobiliaria Security Diez Limitada		816,101
Banco Security	170,009	39,497
Administradora General de Fondos Security S.A.		80,612
Valores Security S.A. Corredores de Bolsa	31,774	28,616
Special Purpose Vehicle BSECS-1	2,251	1,735
Special Purpose Vehicle BSECS-2	2,251	1,735
Special Purpose Vehicle BSECS-3	2,251	1,735
Special Purpose Vehicle BSECS-4	4,070	3,035
Special Purpose Vehicle BSECS-5	2,770	14,117
Special Purpose Vehicle BSECS-6	4,070	
TOTAL SHORT-TERM ACCOUNTS RECEIVABLE	254,155	1,400,870

b. Notes receivable long term

COMPANY	2004 ThCh\$
El Vergel Fondo de Inversiones Privado	566,500

c. Notes and accounts payable

COMPANY	2004 ThCh\$	2003 ThCh\$
Banco Security	11,040,677	9,513,440
Compañía de Seguros Generales Penta Security S.A.		
(ex-Seguros Security Previsión Generales S.A.)		35,816
Inmobiliaria Ventisquero Oeste S.A.	226,639	758,525
Seguros Vida Security Previsión S.A.		1,643,738
TOTAL SHORT-TERM NOTES PAYABLE	11,267,316	11,951,519

d. Transaccions

				20	004	200	3
COMPANY	TXPAYER N°	NATURE OF RELANTIOSHIP	DESCRIPTION OF TRANSACCTION	AMOUNT ThCh\$	EFFECT ON INCOME (CHARGE/CREDIT) ThCh\$	AMOUNT ThCh\$	EFFECT ON INCOME (CHARGE/CREDIT) ThCh\$
Banco Security	97.530.000-2	Direct subsidiary	Time deposits	15,156,513	65,708	11,080,692	70,029
Banco Security	97.530.000-2	Direct subsidiary	Loans	2,890,470	(122,297)	2,948,472	(143,532)
Banco Security	97.530.000-2	Direct subsidiary	Consulting and brokerage of real estate	-	-	14,326,452	4,387,697
Banco Security	97.530.000-2	Direct subsidiary	Others	-	-	16,196	(16,196)
Banco Security	97.530.000-2	Direct subsidiary	Rental	8,022	(8,022)	16,622	(16,622)
Banco Security	97.530.000-2	Direct subsidiary	Price balance	1,256,716	(78,119)	4,925,316	(51,198)
Banco Security	97.530.000-2	Direct subsidiary	Option	9,466,173	(186,081)	4,138,038	(32,323)
Valores Security S.A. Corredores de Bolsa	96.515.580-5	Indirect subsidiary	Financial investments	3,921,837,264	717,168	12,825,602	88,600
Valores Security S.A. Corredores de Bolsa	96.515.580-5	Indirect subsidiary	Commissions	-	-	47,631	(40,956)
Valores Security S.A. Corredores de Bolsa	96.515.580-5	Indirect subsidiary	Consultancy services	360,557	337,313	266,753	266,753
Valores Security S.A. Corredores de Bolsa	96.515.580-5	Indirect subsidiary	Rental	28,000	28,000	-	-
Compañía de Seguros Generales Penta Security S.A. (ex-Seguros Security Previsión Generales S.A.) Compañía de Seguros Generales Penta Security	99.302.000-1	Indirect subsidiary	Consultancy services			137,026	126,604
S.A. (ex-Seguros Security Previsión Generales S.A.)	99.302.000-1	Indirect subsidiary	Commissions	295,970	(295,970)	470,114	(470,114)
Compañía de Seguros Generales Penta Security S.A. (ex-Seguros Security Previsión Generales S.A.)	99.302.000-1	Indirect subsidiary	Financial instruments	-	-	640,113	4,141
Seguros Vida Security Previsión S.A.	99.301.000-6	Indirect subsidiary	Financial instruments	-	_	7,544,859	5,656
Seguros Vida Security Previsión S.A.	99.301.000-6	Indirect subsidiary	Commissions	210,248	(210,248)	120,409	(120,409)
Seguros Vida Security Previsión S.A.	99.301.000-6	Indirect subsidiary	Price balance	-	-	1,643,738	-
Inmobiliaria Security Nueve Limitada	77.441.660-9	Indirect subsidiary	Commercial account	14,614	14,614	432,336	22,989
Inmobiliaria Security Diez Limitada	77.464.540-3	Indirect subsidiary	Commercial account	-	-	811,765	33,046
Inmobiliaria Security Diez Limitada	77.464.540-3	Indirect subsidiary	Consultancy services	-	-	38,982	38,982

7. INVENTORIES

Details of inventories at December 31, 2004 and 2003 are as follows:

	AMOUNT	2004 ThCh\$	2003 ThCh\$
Inmobiliaria SH Uno Ltda.			
Parking lots	7	26,936	26,936
Inmobiliaria Security Ocho Ltda.			
Apartments	2	136,433	1,493,545
Parking lots	3	15,576	162,688
Warehouses	2	2,769	30,461
Inmobiliaria Security Once Ltda.			
El Golf Office Project			11,429,158
Offices	24	10,953,501	
Parking lots	235	1,284,054	
Warehouses	11	137,058	
Inmobiliaria Security Diez Ltda.			
Apartments	1	65,006	
Parking lots	6	31,194	
Warehouses	1	1,386	
Securitizadora Security S.A.			12,307,307
TOTAL		12,653,914	25,450,095

8. DEFERRED TAXES AND INCOME TAX

a. Recoverable taxes

Details of recoverable taxes at December 31, 2004 and 2003 are as follows:

	2004 ThCh\$	2003 ThCh\$
Provision for first category income tax	(870,976)	(370,475)
Article 21 tax	(1,286)	(818)
SUBTOTAL	(872,262)	(371,293)
Monthly provisional payments	455,681	418,951
Income tax recoverable on tax loss	115,736	152,193
VAT credit	154,334	8,583
Other credits	238,494	58,049
TOTAL	91,983	266,483

b. Deferred taxes

Details of income tax and deferred taxes at December 31, 2004 and 2003 are as follows:

-	٦	c	c	c	D	D	С	n	1	Г٨	v	Е	c

		004 SETS		04 LITIES	200 ASSE		2003 LIABILIT	
TEMPORARY DIFFERENCES	SHORT TERM ThCh\$	LONG TERM ThCh\$	SHORT TERM ThCh\$	LONG TERM ThCh\$	SHORT TERM ThCh\$	LONG TERM ThCh\$	SHORT TERM ThCh\$	LONG TERM ThCh\$
Provision for vacations	49,268				66,400			
Leased assets		1,069,430	5,280	354,413		854,933	107,831	828,640
Depreciation of fixed assets			3,957	18,730			2,097	7,425
Sale of securitized asset			5,881	111,745				
Accrual for consulting	52,055			444,658	15,551		21,236	340,129
Allowance for uncollectible accounts	510,081				451,513			
Accrual for expenses	92,202				60,043			
Sundry accruals					240,009			
Tax losses	90,054	233,132			367	283,861		
Earned margin			123,959			41,253		
Capital leases	3,273	4,091			2,349	6,435		
Other accruals	235,319	27,700			88,677	12,919		
Unearned interest	204,497				176,797			
Interest due			57,780				51,079	
Recovered assets				408,980				
Other events			3,629				5,316	105,666
TOTAL DEFERRED TAXES	1,236,749	1,334,353	200,486	1,338,526	1,101,706	1,199,401	187,559	1,281,860
Complementary accounts				(17,494)				(19,884)
Valuation allowance				· · · · · · · · · · · · · · · · · · ·		(101,999)		
BALANCE AS PER BALANCE SHEET	1,236,749	1,334,353	200,486	1,321,032	1,101,706	1,097,402	187,559	1,261,976

c. At December 31, 2004 and 2003, the net credit (charge) to income for income tax is as follows:

	2004 ThCh\$	2003 ThCh\$
Current tax expense:		
Provision for first category income tax	(872,262)	(371,293)
Tax benefit from tax losses	36,457	16,002
Tax expense adjustment (prior year)	43,137	(4,712)
Deferred taxes:		
Effect of the year's deferred taxes	200,402	(56,560)
Effect of amortization of complementary accounts		
of deferred assets and liabilities	(2,390)	(5,538)
Effect on deferred tax assets or liabilities from changes		
in valuation allowance	101,999	13,570
Other charges or credits	5,053	1,753
TOTAL CHARGE TO INCOME	(487,604)	(406,777)

9. OTHER CURRENT ASSETS

Other current assets at December 31, 2004 and 2003 are as follows:

	2004 ThCh\$	2003 ThCh\$
Resale agreements	5,032,858	3,676,258
Assets received in settlement	305,936	755,893
Lease contract rights	2,923	609,540
Huechuraba project	2,117,876	2,120,551
Others	15,183	1,537,273
TOTAL	7,474,776	8,699,515

10. INVESTMENTS IN RELATED COMPANIES

Details of investments in related companies at December 31, 2004 and 2003, recorded as described in Note 2s, are as follows:

COMPANY		IERSHIP ENTAGE		JITY IN MPANY		SULTS HE YEAR		VALUE UITY	FOR TH	ULTS HE YEAR R VALUE		MULATED SULT		(VALUE ESTMENT
	2004 %	2003 %	2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$
Banco Security	99.9400	99.99900	138,027,935	96,280,338	14,023,810	13,659,410	137,919,257		16,626,767		16,626,767	13,659,275	137,919,257	96,279,374
Compañía de Seguros Generales Penta Security S.A. (1)	29.1670		14,163,832		1,166,851						38,441		4,136,104	
Seguros Security Previsión Generales S.A.		97.22000		4,231,761		174,432						169,583		4,114,253
Seguros Vida Security Previsión S.A.	91.9932	91.99320	7,524,204	8,556,848	1,068,060	1,059,093					982,543	974,259	6,921,757	7,871,719
Other investments													23,097	
Inmobiliaria Security S.A. (Fondos de Inversión Privados)													715,844	
Besec - 12 Separate equity														3,738
Cooper Gay	49.9990		172,675		17,001						8,500		86,336	
TOTAL													149 802 395	108 269 084

(1) The Company has applied to the Superintendence of Securities and Insurance for authorization to use the book value of the new Company as the fair value of its assets and liabilities, while it awaits the report from independent experts on such value.

Additional information

- **a.** On December 18, 2003, the Company made a capital contribution of ThCh\$4,948,982 (historical) to Inversiones Seguros Security Ltda., maintaining its 99.99% ownership of the total capital.
- **b.** On June 22, 2004, the Company decreased the capital for ThCh\$2,676,000 (historical) in Inversiones Seguro Security Ltda., maintaining its 99.99% ownership.
- c. On June 24, 2004, Grupo Security acquired 99% ownership of IDBLA of Dresdner Bank Lateinamerika Aktiengesellschat and Dresdner Bank A.G., for ThCh\$39,265,822. As part of this operation, Grupo Security S.A. disbursed ThCh\$1,019,200 for

consultancy services in the purchase, which became part of the investment cost. The purpose of all of the above was to take over control of Dresdner Bank, since the above company controlled 88.3% of such Bank. To that end, a takeover bid was made for the remaining percentages according to Law 18.046.

After the date of purchase, the new acquired Company changed its named from IDBLA to Inversiones Copper Ltda.

Following Circular 1,697 of the Superintendence of Securities and Insurance and Technical Bulletin 72, the Company calculated the fair value of the assets and liabilities of the acquired Company, based on the purchase evaluation process, for which outside experts were also requested to participate. As a result, the Company calculated goodwill of ThCh\$3,832,100, which will be amortized over the term of the return on the investment.

As provided for in paragraphs 65 and 66 of Technical Bulletin 72, the Company has been developing a system that will allow it to monitor fair values of assets and liabilities of the investment continuously and systematically.

A detail of the reconciliation of the shareholders' equity is shown below:

	Ch\$
Book equity	27,499,500
Adjustment to fair value (*)	(3,832,100)

SHAREHOLDERS' EQUITY (VP) 23,667,400

- (*) The independent appraisers delivered their final report on August 31, 2004 with a view to concluding the process of completing the respective fair values of the assets and liabilities of Banco Dresdner. Corredora Dresdner and Inversiones Copper Ltda..
- **a.** On September 27, 2004, Grupo Security S.A. purchased the 1% ownership share that Inversiones Seguros Security Ltda. held in Inversiones Copper Ltda.. Consequently, the Company took over control of 100% of the latter Company and merged said companies as stipulated in Technical Bulletin 72 of the Chilean Institute of Accountants. This operation does not affect the shareholders' equity of the merged Companies.
- **b.** On October 1, 2004, Banco Security merged with the former Banco Dresdner Lateinamerika; consequently, the relevant adjustments of the bank's equity as a result of such merger were made, thereby complying with the provisions of Technical Bulletin 72 of the Chilean Institute of Accountants.
- c. On October 1, 2004, Valores Security S.A. Corredores de Bolsa merged with the former Dresdner Lateinamerika S.A. Corredores de Bolsa.
- **d.** On December 20, 2004, the Company made a capital contribution of ThCh\$6,500,000 (historical) to Inversiones Seguros Security Limitada, changing its ownership from 99.99% to 99.94% of the total capital.
- **e.** On December 29, 2004, the Company made a capital contribution of ThCh\$14,989,847 (historical) to Banco Security, maintaining its 99.99% ownership of the total capital.

The balances of the unconsolidated companies mentioned in Note 2d are included below:

BANCO SECURITY AND SUBSIDIARIES · CONSOLIDATED BALANCE SHEETS

at December 31

ASSETS	2004 MCh\$	2003 MCh\$
Cash	129,643	87,178
Net loans	1,163,960	972,953
Other credit operations	33,767	1,304
Investments	277,736	174,682
Other assets	46,014	18,740
Fixed assets	21,567	15,559

TOTAL ASSETS

LIABILITIES AND SHAREHOLDERS' EQUITY	2004 MCh\$	2003 MCh\$
Deposits and other liabilities	1,283,198	991,359
Bonds payable	44,681	46,435
Loans from financial institutions	168,457	120,712
Other liabilities	38,230	15,621
Minority interest	93	9
Capital and reserves	121,582	79,735
Other equity accounts	2,422	2,886
Income for the year	14,024	13,659
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	/ 1,672,687	1,270,416

BANCO SECURITY AND SUBSIDIARIES · CONSOLIDATED STATEMENT OF INCOME

1,672,687 1,270,416

for the years ended December 31, 2004 and 2003

	2004 MCh\$	2003 MCh\$
Operating revenue	122,054	85,851
Less:		
Interest and indexation expenses	(42,135)	(28,641)
Loss in brokering securities	(15,790)	(7,191)
Expenses for commissions	(368)	(306)
Other operating expenses	(2,425)	(1,329)
Gross margin	61,336	48,384
Employee salaries and expenses	(17,229)	(11,290)
Administrative and other expenses	(13,300)	(10,784)
Depreciation and amortization	(3,263)	(2,218)
Gross margin	27,544	24,092
Allowances for assets at risk	(9,524)	(6,338)
Operating results	18,020	17,754
Other income	1,424	1,398
Other expenses	(608)	(1,648)
Income from permanent investments	49	43
Price-level restatement	(1,876)	(595)
Income before taxes	17,009	16,952
Income taxes	(2,980)	(3,292)
Income after income taxes	14,029	13,660
Minority interest	(5)	(1)
INCOME FOR THE YEAR	14,024	13,659

					at December 31
ASSETS	2004 MCh\$	2003 MCh\$	LIABILITIES AND SHAREHOLDERS' EQUITY	2004 MCh\$	2003 MCh\$
Investments	56,999	53,455	Reserve for claims	50,944	48,058
Premiums receivable	1,427	1,505	Other liabilities	3,185	2,559
Reinsurance	1,147	1,070	Capital and reserves	6,456	7,498
Other assets	2,080	3,144	Income for the year	1,068	1,059
TOTAL ASSETS	61,653	59,174	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	61,653	59,174

	for the years ende	ed December 31, 2004 and 200
	2004 MCh\$	2003 MCh\$
Operating revenue	15,853	13,798
Brokerage, claims and administrative costs	(18,330)	(16,377)
Operating results	(2,477)	(2,579)
Revenue from investments	3,811	3,739
Financial expenses		(1)
Other expenses		(41)
Non-operating results	3,811	3,697
Subtotal	1,334	1,118
Price-level restatement	(264)	(126)
Other income	64	291
Income tax	(66)	(224)
RESULTS FOR THE YEAR	1,068	1,059

SEGUROS SECURITY PREVISIÓN GENERALES S.A. · BALANCE SHEETS

at December 31

ASSETS	2003 MCh\$
Investments	4,304
Premiums receivable	7,818
Reinsurance receivables	1,139
Other assets	786
TOTAL ASSETS	14,047

LIABILITIES AND SHAREHOLDERS' EQUITY	2003 MCh\$
Reserve for claims	9,065
Other liabilities	750
Capital and reserves	4,057
Income for the year	175
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	14,047

SEGUROS SECURITY PREVISIÓN GENERALES S.A. · STATEMENT OF INCOME

for the years ended December 31, 2004 and 2003

	2003 MCh\$
Operating results:	
Revenue from earned premiums	8,437
Other adjustments to income from premiums	
Cost of claims	(5,158)
Brokerage results	(332)
Gross margin	2,947
Administrative cost	(3,411)
Operating results	(464)
Revenue from investments	139
Other income and expenses	350
Price-level restatement	125
Operating results	150
Non-operating results	75
Income before income tax	225
Income tax	(50)
INCOME FOR THE YEAR	175

11. GOODWILL ON INVESTMENTS

Details of goodwill on investments at December 31, 2004 and 2003, recorded as described in Note 2t, are as follows:

	20	2004		
COMPANY	AMOUNT AMORTIZED DURING THE YEAR ThCh\$	BALANCE OF GOODWILL ThCh\$	AMOUNT AMORTIZED DURING THE YEAR ThCh\$	BALANCE OF GOODWILL ThCh\$
Banco Security	17,965	172,163	17,966	190,128
Factoring Security S.A.	26,468	251,448	26,470	277,916
Seguros Security Previsión Generales S.A.	69,414	974,759	69,414	1,044,173
Seguros Vida Security Previsión S.A.	143,880	2,152,990	140,565	2,296,870
Travel Security S.A.	54,225	858,568	54,226	912,794
Agencias Security S.A.	2,619	40,378	2,619	42,997
Asesorías Security S.A.	1,514	24,230	1,514	25,744
Servicios Security S.A.	16,280	184,017		53,433
Inversiones Copper Limitada	351,639	13,335,308		
Dresdner Bank Lateinamerika	425,721	2,605,858		
Dresdner Lateinamerika Corredora de Bolsa S.A.	93,831	332,188		
TOTAL	1,203,556	20,931,907	312,774	4,844,056

12. OTHER ASSETS

Details of other long-term assets at December 31, 2004 and 2003 are as follows:

	2004 ThCh\$	2003 ThCh\$
Discount on placement of bonds	577,807	739,304
Lease contracts	4,271,192	4,725,174
Earned margin	729,171	242,665
Remodeling	423,187	
Others	494,550	423,335
Acquired portfolio (Corredora de Seguros Security Ltda.)	7,530,292	6,832,163
TOTAL	14,026,199	12,962,641

13. SHORT-TERM LIABILITIES WITH BANKS AND FINANCIAL INSTITUTIONS

Details of liabilities with banks and financial institutions at December 31, 2004 and 2003 are as follows:

	DC	DLLARS	U	F	NON-IND	EXED Ch\$	TOTA	L
BANK OR FINANCIAL INSTITUTION	2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$
Short term								
Banco de Chile			349,487	349,569	9,014,858	10,171,149	9,364,345	10,520,718
Corpbanca					3,240,159	3,166,210	3,240,159	3,166,210
Banco Estado			305,730		18,192,623	13,035,676	18,498,353	13,035,676
Banco de Crédito e Inversiones					15,035,396	12,642,067	15,035,396	12,642,067
Banco BICE						1,500,155	1,500,155	-
Banco BBVA BHIF					4,001,553	2,507,015	4,001,553	2,507,015
Dresdner Nationale Banque de Paris						1,332,802		1,332,802
Scotiabank					3,715,258	3,808,985	3,715,258	3,808,985
Banco del Desarrollo					1,302,479		1,302,479	-
Banco Santander Santiago					4,850,778	9,259,103	4,850,778	9,259,103
Citibank N.A.						282,447		282,447
Bank Of América					2,226,437		2,226,437	-
Banco Security				1,245,345	2,680,449	1,800,184	2,680,449	3,045,529
Banco ABN Amro Bank					1,471,058		1,471,058	-
Wachovia Bank					2,616,358		2,616,358	
Bank Boston					2,676,815	3,201,622	2,676,815	3,201,622
First Union Bank		2,433,212						2,433,212
TOTAL		2,433,212	655,217	1,594,914	72,524,376	61,207,260	73,179,593	65,235,386
OUTSTANDING PRINCIPAL		2,490,350		1,245,345		59,200,733		62,936,428
Average annual interest rate		1.80		3.90		3.52		
Long term - Short term portion								
Banco de Chile			619,238	640,080			619,238	640,080
Corpbanca			524,883	557,775			524,883	557,775
Banco de Crédito e Inversiones			708,143	710,958			708,143	710,958
TOTAL			1,852,264	1,908,813			1,852,264	1,908,813
Outstanding principal				1,774,065				1,774,065
Average annual interest rate		8.75		3.42				

14. OTHER CURRENT LIABILITIES

Details of other current liabilities at December 31, 2004 and 2003 are as follows:

	2004 ThCh\$	2003 ThCh\$
Corporación de Fomento de la Producción (1)	6.008.364	5.131.655
Alto El Parque Building	22.244	60.915
Apoquindo El Golf office project	1.624.273	1.772.600
Liability Inmobiliaria Mapsa		12.307.307
Other current liabilities	15.184	77.131
TOTAL	7.670.065	19.349.608

(1) Annual interest rate is 2.95%.

15. LONG-TERM LIABILITIES WITH BANKS AND FINANCIAL INSTITUTIONS

Details of long-term liabilities with banks and financial institutions at December 31, 2004 and 2003 are as follows:

		YEAR TO MATURITY		CLOSING E CURRENT	CLOSING DATE PRIOR YEAR		
FINANCIAL INSTITUTION	CURRENCY OR INDEXATION	OVER 1 UP TO 2 ThCh\$	OVER 2 UP TO 3 ThCh\$	OVER 3 UP TO 5 ThCh\$	TOTAL LONG TERM AT CLOSE OF FINANCIAL STATEMENTS ThCh\$	AVERAGE ANNUAL INTEREST RATE %	TOTAL LONG TERM AT CLOSE OF FINANCIAL STATEMENTS ThCh\$
Banco de Chile	UF	1,262,413	1,262,413	3,636,582	6,161,408	3.87	2,308,354
Corpbanca	UF	502,070	502,070	502,070	1,506,210	3.56	2,011,292
Corpbanca	\$	36,663			36,663	7.20	
Banco de Crédito e Inversiones	UF	169,707	862,389	2,050,340	3,082,436	1.74	2,081,160
Banco Security	\$	1,664,802			1,664,802	4.56	1,703,127
TOTAL		3,635,655	2,626,872	6,188,992	12,451,519		8,103,933

16. BONDS PAYABLE

Details of bonds payable at December 31, 2004 and 2003, recorded as described in Note 2 x, are as follows:

REGISTRATION N° OR IDENTIFICATION OF THE INSTRUMENT		UTSTANDING NOMINAL INDEXAT IOUNT PLACED UNIT			PAYMENT DATE INTEREST	PAYMENT DATE AMORTIZATION	PAR VALUE 2004 ThCh\$	PAR VALUE 2003 ThCh\$
Long-term bonds - curre	nt portion							
188-20-11-95	BSECU-A1	UF	5.9	12.09.2007	Six-monthly	Six-monthly		1,661,792
188-20-11-95	BSECU-A2	UF	5.9	12.09.2007	Six-monthly	Six-monthly		415,448
340-13-08-03	BSECU-B	UF	4.75	15.07.2010	Six-monthly	Six-monthly	373,361	376,133
376-16-07-04	BSECU-C	UF	5	15.07.2016	Six-monthly	Six-monthly	224,514	
TOTAL - CURRENT PORT	TION						597,875	2,453,373
Long-term bonds								
188-20-11-95	BSECU-A1	UF	5.9	12.09.2007	Six-monthly	Six-monthly		4,624,798
188-20-11-95	BSECU-A2	UF	5.9	12.09.2007	Six-monthly	Six-monthly		1,156,199
340-13-08-03	BSECU-B	UF	4.75	15.07.2010	Six-monthly	Six-monthly	17,317,050	17,343,000
376-16-07-04	BSECU-C	UF	5	15.07.2010	Six-monthly	Six-monthly		12,121,935
TOTAL LONG TERM							29,438,985	23,123,997

17. ACCRUALS AND WRITE-OFFS

At December 31, 2004 and 2003, accruals are as follows:

	2004 ThCh\$	2003 ThCh\$
Accrual for vacations	289,812	390,587
Accrual for consultancy services	88,531	136,197
Accrual for rewards	137,824	157,984
Accrual for profit	26,929	109,697
Accrual for employee benefits	18,000	18,450
Accrual for estimates for payment	324,790	7,560
Sundry accruals	795,451	1,411,817
Other accruals	243,663	376,624
TOTAL	1,925,000	2,608,915

18. MINORITY INTEREST

Minority interest at December 31, 2004 and 2003 is as follows:

		OW	NERSHIP	RESULT		
SUBSIDIARIES	OWNERSHIP %	2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$	
Factoring Security S.A.	0.001	1	1			
Inmobiliaria Security S.A.	0.001	19	14	(5)	(5)	
Seguros Security S.A.	0.001	185	192	(3)	(8)	
Inversiones Invest Security Limitada	0.199	2,304	4,670	(20)	(50)	
Ejecutivo Net Limitada	0.100		19		243	
Servicios Virtual Security S.A.	0.100	159	182	22	(4)	
Representaciones Security Limitada	1.000	93	(5)	(97)	127	
Travel Security S.A.	25.000	407,315	345,246	(100,395)	(74,410)	
Global Security Gestión y Servicios S.A.	0.230	64		145		
Mandatos Security Ltda.	0.230	62	241	(30)	(127)	
Securitizadora Security S.A.	0.100	1,546	2,012	712	894	
Asesorías Security S.A.	1.000	1,789	1,941	153		
Servicios Security S.A.	9.070	584,462	636,757	8	(22,376)	
Inmobiliaria Security Siete Limitada	0.001	15	2			
Inmobiliaria SH Uno Limitada	0.001	3	3	(13)		
Inmobiliaria Security Once Limitada	1.000	3,304	2,126	(1,178)	(2,071)	
Corredora de Seguros Security Limtada	0.005	47	130	(158)	(8)	
Agencias Security S.A.	1.000	1,357	1,200	208,489	(510)	
Corredora de Reaseguros Security Limitada	0.200				2	
TOTAL		1,002,725	994,732	107,630	(98,303)	

19. SHAREHOLDERS' EQUITY

Changes in shareholders' equity accounts at December 31, 2004 and 2003 were as follows:

	PAID-IN CAPITAL ThCh\$	SHARE PREMIUM ThCh\$	OTHERS RESERVES ThCh\$	RETAINED EARNINGS ThCh\$	INTERIM DIVIDENDS ThCh\$	DEFICIT SUBSIDIARY DEVELOPMENT STAGE · ThCh\$	NET INCOME FOR THE YEAR ThCh\$	TOTAL ThCh\$
Balances, January 1, 2003	43,741,042	19,648,906	3,384,851	23,272,130	(455,498)	(991,506)	7,344,463	95,944,388
Transfers				7,344,463			(7,344,463)	
Prior year final dividend				(455,498)	455,498			
Development stage accumulated deficit				(367,030)		246,680		(120,350)
Adjustment to matching reserve for fluctuation								
in investment in subsidiary			1,085,596					1,085,596
Final dividends				(5,530,078)				(5,530,078)
Price-level restatement	437,411	196,489	18,198	329,962	6,272			988,332
Net income for the year							14,109,874	14,109,874
Interim dividends					(1,254,279)			(1,254,279)
Balances, December 31, 2003	44,178,453	19,845,395	4,488,645	24,593,949	(1,248,007)	(744,826)	14,109,874	105,223,483
Price-level restatement (2.5%)	1,104,461	496,135	112,216	614,849	(31,200)	(18,621)	352,747	2,630,587
Balances, December 31, 2003 restated by 2.5%	45,282,914	20,341,530	4,600,861	25,208,798	(1,279,207)	(763,447)	14,462,621	107,854,070
Balances, January 1, 2004	44,178,453	19,845,395	4,488,645	24,593,949	(1,248,007)	(744,826)	14,109,874	105,223,483
Transfer				14,109,874			(14,109,874)	
Prior year final dividend				(1,248,007)	1,248,007			
Capital increase from issues of cash shares	38,554,337	7,037,982						45,592,319
Development stage accumulated deficit				(191,225)		168,811		(22,414)
Adjustment to reserve for fluctuation in investment in subsidiary			(500,683)					(500,683)
Final dividends			,	(6,963,841)				(6,963,841)
Price-level restatement	1,338,191	544,094	128,796	806,433	(5,254)	(1,012)		2,811,248
Net income for the year					, ,	, ,	15,506,426	15,506,426
Interim dividends					(875,735)			(875,735)
BALANCES, DECEMBER 31, 2004	84,070,981	27,427,471	4,116,758	31,107,183	(880,989)	(577,027)	15,506,426	160,770,803

Paid-in capital

In accordance with Article N°10 of Law N°18,046, paid-in capital includes its proportional amount of monetary correction. At December 31, 2004, the subscribed and paid-in capital was ThCh\$84.070.981, represented by 2,040,264,415 no par-value shares.

Other reserves

These are basically the Company's percentage participation in the matching reserve in the indirect subsidiary Seguros Vida Security Previsión S.A., the fluctuation in the indirect subsidiary Seguros Previsión Security Generales S.A., and in the reserve for fluctuations in investments in the subsidiary Banco Security.

Development stage accumulated deficit - This is the percentage participation in the development stage deficit of the direct subsidiary Inmobiliaria Security S.A. and Seguros Security Ltda.. This deficit will be absorbed by future income.

Dividends

The policy agreed by the shareholders is to distribute 50% of net cash income received by the Company from direct subsidiaries during the year and split the payment into two dividends - one an interim and the other a final dividend.

In 2004, payment of a final dividend of \$3.15 per share was agreed, which represented an historical amount of ThCh\$5,212,371. Additionally, payment of an additional dividend of \$1 per share totaling ThCh\$1,751,470 was agreed, and the interim dividend of ThCh\$1,254,279 (historical) paid in 2003 has been absorbed as a final dividend (in 2003, ThCh\$5,985,576 (historical) were paid and charged to retained earnings).

In 2004, an interim dividend of ThCh\$875,735 (historical) was agreed to and paid to the shareholders in October, together with the additional dividend referred to in the paragraph above (ThCh\$1,254,279 (historical) in 2003).

Capital increase

The Shareholders' Meeting of Grupo Security, held on August 2, 2004, decided to declare that part of the capital increase agreed to in the General Shareholders' Meeting of December 19, 2003 that has not been subscribed or paid in (issue registered with the Superintendence of Securities and Insurance under No. 717 on May 20, 2004) null and void. The total increase was 300,000,000 shares for ThCh\$30,000,000; additionally, it agreed to increase the capital by ThCh\$45,000,000 by issuing 450,000,000 ordinary, registered, no par value, cash shares. ThCh\$28,879,428 (historical) were paid in November.

On October 4, 2004, the Superintendence registered the issue of 100,278,956 ordinary, registered, no par value, cash shares in the stock register under No. 725. The term of issue, subscription and payment of these shares is three years from August 2, 2004. At December 31, 2004, ThCh\$9,674,909 (historical) have been paid in.

20. PRICE-LEVEL RESTATEMENT

Details of the net charge to income from monetary correction, as described in Note 2 e, is as follows:

	INDEXATION	2004 ThCh\$	2003 ThCh\$
Assets (charges) / credits			
Inventories	CPI	375,433	42,637
Fixed assets	CPI	57,723	12,698
Investments in related companies	CPI	2,493,405	903,712
Goodwill	CPI	298,379	253,820
Expense and cost accounts	CPI	(39,636)	(11,231)
TOTAL (CHARGES) CREDITS		3,185,304 1	,201,636
Liabilities (charges) / credits			
Shareholders' equity	CPI	(2,811,248)	(1,013,040)
Non-monetary liabilities	CPI	(881,392)	(207,368)
TOTAL (CHARGES) CREDITS		(3,692,640)	(1,220,408)
LOSS FROM PRICE-LEVEL RESTATEMENT		(507,336)	(18,772)

21. EXCHANGE DIFFERENCES

Details of exchange differences at December 31, 2004 and 2003 are as follows:

	(CHARGES/CREDITS)		
	2004 ThCh\$	2003 ThCh\$	
Price-level restatement of:			
Cash	28,843	20,759	
Non-permanent investments	(11,479)	(196,900)	
TOTAL CHARGES (CREDITS)	17,364	(176,141)	
Liabilities:			
Liabilities with banks		283,870	
Other liabilities in dollars	65,603	47,214	
TOTAL CHARGES	65,603	331,084	
NET CREDIT TO INCOME	82,967	154,943	

22. STATEMENTS OF CASH FLOWS

The Parent Company and its subsidiaries have considered all investments made as part of normal management of cash surpluses, which mature in under 90 days, as cash equivalents, as specified in Technical Bulletin 50 of the Chilean Institute of Accountants; details are as follows:

	2004 ThCh\$	2003 ThCh\$
Cash	3,118,206	3,275,632
Time deposits	84,211	5,772,228
Resale agreements on promissory notes issued by Chilean Central Bank (1)	5,032,858	3,676,258
Mutual fund units	7,227,851	3,855,637
TOTAL	15,463,126	16,579,755

⁽¹⁾ These balances are included in "Other current assets" (Note 9).

According to the provisions of Circular 1,501 of the Superintendence of Securities and Insurance, there are no financing or investing activities committing future flows not disclosed in the notes.

23. FORWARD CONTRACTS

Details of valid forward contracts at December 31, 2004 are as follows:

							FRANSACTION EDGED			BOOK ACCOUNTS AFFECTED		
TYPO OF DERIVATIVE	TYPE OF CONTRACT	VALUE OF CONTRACT	MATURITY DATE	SPECIFIC ITEM	POSITION PURCHASE/ SALE	NAME	AMOUNT ThCh\$	VALUE OF ITEM HEDGED ThCh\$	ASSETS/LIABILITIES NAME	ASSETS/LIABILITIES MONTO ThCh\$	EFFECT ON INCOME REALIZED	EFFECT ON INCOME UNREALIZED
FR	ССРЕ	400,000	I-Trim. 2005	Exchange rate	С	BSP payable	200,000	111,780	Other current assets	250,830	(579)	-
FR	CCPE	300,000	I-Trim. 2005	Exchange rate	С	BSP payable	250,000	13,.775	Other current assets	251,555	(832)	-

24. CONTINGENCIES AND RESTRICTIONS

At December 31, 2004 and 2003, the Company and its subsidiaries are not aware of any contingencies or restrictions affecting the interpretation of these financial statements.

25. THIRD PARTY GUARANTEES

At December 31, 2004 and 2003, the Company and its subsidiaries have not received any guarantees from third parties.

26. LOCAL AND FOREIGN CURRENCY

Assets

	CURRENCY	AMOUNT 2004 ThCh\$	AMOUNT 2003 ThCh\$
Current assets			
Cash	Non-indexed Ch\$	2,390,738	3,202,094
Cash	Indexed Ch\$	632,079	
Cash	US\$	95,389	73,538
Time deposits	Non-indexed Ch\$	29,961	5,086,320
Time deposits	Indexed Ch\$		685,908
Time deposits	US\$	41,471	
Time deposits	Euro	12,779	
Marketable securities	Non-indexed Ch\$	6,726,067	3,188,523
Marketable securities	Indexed Ch\$	501,784	650,453
Marketable securities	US\$		16,661
Trade accounts receivable	Indexed Ch\$ 3	,409,319	2,106,990
Trade accounts receivable	Non-indexed Ch\$	76,930,627	66,048,378
Notes receivable	Non-indexed Ch\$	4,350,758	3,327,238
Notes receivable	Indexed Ch\$	487,760	408,511
Other receivables	Non-indexed Ch\$	445,042	518,417
Other receivables	Non-indexed Ch\$	109,531	,
Due from related companies	Indexed Ch\$	254,155	228,201
Due from related companies	Non-indexed Ch\$	Ť	1,172,669
Inventories	Non-indexed Ch\$	12,653,914	12,307,307
Inventories	Indexed Ch\$,,	13,142,788
Recoverable taxes	Indexed Ch\$	91,983	266,483
Prepaid expenses	Non-indexed Ch\$	45.139	89.395
Prepaid expenses	Indexed Ch\$	2,064	
Deferred taxes	Indexed Ch\$	1,036,263	914,147
Other current assets	Indexed Ch\$	1,438,536	2,
Other current assets	Non-indexed Ch\$	7,474,776	7,260,979
Total current assets		117,721,599	122,133,536
TOTAL FIXED ASSETS - NET	INDEXED CH\$	1,716,729	1,758,182
Other assets			
Investments in related companies	Indexed Ch\$	149,802,395	108,269,084
Goodwill	Indexed Ch\$	20,931,907	4,844,056
Due from related companies	Indexed Ch\$	566,500	
Deferred taxes (net)	Indexed Ch\$	13,321	
Intangibles	Indexed Ch\$	277,983	295,212
Others	Indexed Ch\$	13,206,692	12,511,213
Others	Non-indexed Ch\$	819,507	451,428
TOTAL OTHER ASSETS		185,618,305	126,370,993

Current liabilities

			UP TO 9				90 DAYS TO		
		:	2004	2	2003	2	004	2003	
тем	CURRENCY	AMOUNT ThCh\$	AVERAGE ANNUA INTEREST RATE %	L AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %		GE ANNUA REST RATE %
Liabilities with banks	Indexed Ch\$	3,003,290	6.25	1,594,914	6.25	152,731	4.62	1,908,813	6.25
Liabilities with banks	US\$							2,433,212	6.25
Liabilities with banks	Non-indexed Ch\$	70,023,572		61,207,260					
Liabilities with banks	UF					1,852,264	1.87		
Bonds payable	Indexed Ch\$							2,453,373	5.80
Bonds payable	UF					597,875	4.75		
Accounts payable	Non-indexed Ch\$	4,164,900		4,001,239					
Notes payable	Non-indexed Ch\$	29,575		27,817					
Sundry creditors	Indexed Ch\$	401,201		11,724					
Due to related companies	Non-indexed Ch\$	11,267,316		11,951,519					
Accruals	Non-indexed Ch\$	324,790		800,831					
Accruals	Indexed Ch\$	1,600,210		1,808,084					
Withholdings	Indexed Ch\$	282,802		324,581					
Other current liabilities	Non-indexed Ch\$	1,646,517				6,008,364		19,272,477	
Other current liabilities	Indexed Ch\$	15,184		77,131					
TOTAL		92,759,357	8	31,805,100		8,611,234		26,067,875	

Long-term liabilities

2004

		2 T	O 3 YEARS	3 TO 5	YEARS	5 TC	10 YEARS	OVER 1	0 YEARS
ITEM	CURRENCY	AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %		/ERAGE ANNUAL INTEREST RATE %
Liabilities with banks	Indexed Ch\$	2,703,825	4.80	5,842,651	1.87				
Liabilities with banks	UF	3,868,380	1.87						
Liabilities with banks	Non-indexed Ch\$	36,663	5.00						
Bonds payable	UF	8,139,014	4.80	9,351,208	3 4.80	10,736,571	4.75	1,212,19	92 4.75
Other liabilities	Indexed Ch\$	22,010							
TOTALS		14,769,892		15,193,859)	10,736,571		1,212,1	92

2003

		2 T	O 3 YEARS	3 TO	5 YEARS	5 TO 10 YE	ARS
ітем	CURRENCY	AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %	AMOUNT ThCh\$	AVERAGE ANNUAL INTEREST RATE %		GE ANNUAL REST RATE %
Liabilities with banks and financial institutions	UF	5,251,257	3.95	2,852,675	3.95		
Bonds payable	UF	7,322,601	5.90	12,332,797	5.90	3,468,600	5.90
Deferred taxes	Indexed Ch\$	164,574					
Notes payable	Non-indexed Ch\$	1,615,179					
Sundry creditors	Non-indexed Ch\$	37,856					
Other long-term liabilities	Non-indexed Ch\$	495,395					
TOTALS		14,886,862		15,185,472		3,468,600	

27. SANCTIONS

In 2004 and 2003, no sanctions were imposed on the Company, its Directors or its Management by the Superintendence of Securities and Insurance.

28. SUBSEQUENT EVENTS

From January 1 to February 15, 2005, the date of issue of these financial statements, there have been no subsequent events that would materially affect them.

29. ENVIRONMENT

Being strictly financial companies, the Company and its subsidiaries have not made any disbursements in connection with the environment.

Renato Peñafiel Muñoz General Manager Miguel Morales Cáceres Chief Accountant



BANCO SECURITY AND SUBSIDIARIES.

	2004	2003
BALANCE	MCh\$	MCh\$
ASSETS		
Current Assets	129,642.7	87,177.9
Net Loans	1,163,960.3	972,952.8
Investments	277,735.6	174,681.6
Fixed Assets	21,566.9	15,559.
Other Assets	79,781.1	20,044.5
TOTAL ASSETS	1,672,686.6	1,270,415.9
Loans from Financial Institutions Subordinates Bonds Other Liabilities Capital & Reserves	168,456.6 44,680.8 38,323.3 124,004.1	120,711.6 46,434. 15,630.6 82,620.6
Net Income TOTAL LIABILITIES & EQUITY	14,023.8 1,672,686.6	13,659.3 1,270,415. 9
INCOME STATEMENTS		
INCOME STATEMENTS Operating Income	18,019.5	17,754.2
Non Operating Income	(1,010.4)	(801.9
Net Income Before Taxes	17,009.1	16,952.3
Taxes	(2,980.6)	(3,291.7
Minority Interest	(4.7)	(1.3
NET INCOME	14,023.8	13,659.3

CASH FLOW		
Cash flow from operating activities	31,708.0	25,428.0
Cash flow from investments activities	(317,394.1)	(94,563.1)
Cash flow from financing activities	329,750.9	58,923.9
Net Cash flow	44,064.8	(10,211.2)
Monetary adjustment	(1,600.0)	505.7
NET VARIATION OF CASH AND CASH EQUIVALENTS	42,464.8	(9,705.5)

VALORES SECURITY S.A. CORREDORES DE BOLSA.

NET VARIATION OF CASH AND CASH EQUIVALENTS

FINANCIAL STATEMENT CONSOLIDATED AS OF DECEM	1BER 31, 2004 AND 2003	
	2004	2003
BALANCE	MCh\$	MCh\$
ASSETS		
Current Assets	354,484,.1	160,671.0
Fixed Assets	125.0	92.5
Other Assets	355.0	386.1
TOTAL ASSETS	354,964.1	161,149.6
LIABILITIES		
Current Liabilities	340,549.3	152,745.8
Capital & Reserves	9,913.5	5,942.6
Net Income	4,501.3	2,461.2
TOTAL LIABILITIES & EQUITY	354,964.1	161,149.6
INCOME STATEMENT		
Operating Income	5,521.0	2,888.6
Non Operating Income	(118.3)	33.6
Net Income Before Taxes	5,402.7	2,922.2
Taxes	(901.4)	(460.9)
NET INCOME	4,501.3	2,461.3
CASH FLOW		
Cash flow from operating activities	(13,589.9)	2,020.2
Cash flow from investments activities	9.0	87.7
Cash flow from financing activities	13,688.0	(3,345.3)
Net Cash flow	107.1	(1,237.4)
Monetary adjustment	(17.9)	0.9

89.2

(1,236.5)

Monetary adjustment

NET VARIATION OF CASH AND CASH EQUIVALENTS

summarized financial statements of the subsidiaries

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

	2004	2003
BALANCE	MCh\$	MCh!
ASSETS		
Current Assets	6,341.4	4,656.
Other Assets	81.6	90.
TOTAL ASSETS	6,423.0	4,746.9
LIABILITIES		
Current Liabilities	337.9	302.0
Capital & Reserves	1,231.2	1,231.
Acumulated Income	3,213.7	2,059.
Net Income	1,640.1	1,153.
TOTAL LIABILITIES & EQUITY	6,422.9	4,746.9
INCOME STATEMENT		
Operating Income	1,462.2	1,090.
Non Operating Income	513.5	283.
Net Income Before Taxes	1,975.7	1,373.
Taxes	(335.6)	(219.3
NET INCOME	1,640.1	1,153.
Cash flow from counting activities	1.741.2	1.075
Cash flow from operating activities	1,741.2	1,075.
Cash flow from investments activities	(877.6)	(1,086.2
Cash flow from financing activities	0.0	(101.6
Net Cash flow	863.6	(112.5

(14.7)

848.9

(18.7)

(131.2)

FACTORING SECURITY S.A.

Cash flow from financing activities

NET VARIATION OF CASH AND CASH EQUIVALENTS

Net Cash flow

Monetary adjustment

FINANCIAL STATEMENT CONSOLIDATED AS OF DECEMI	T CONSOLIDATED AS OF DECEMBER 31, 2004 AND 2003				
	2004	2003			
BALANCE	MCh\$	MCh\$			
ASSETS					
Current Assets	83,213.3	71,604.9			
Fixed Assets	434.9	305.8			
Other Assets	4,516.5	7,439.9			
TOTAL ASSETS	88,164.7	79,350.6			
LIABILITIES					
Current Liabilities	76,613.0	68,398.4			
Long Term Liabilities	0.0	0.0			
Capital & Reserves	9,100.4	9,102.3			
Net Income	2,451.3	1,849.9			
TOTAL LIABILITIES & EQUITY	88,164.7	79,350.6			
INCOME STATEMENT					
Operating Income	2,975.9	2,135.7			
Non Operating Income	(121.0)	18.9			
Net Income Before Taxes	2,854.9	2,154.6			
Taxes	(403.6)	(304.7)			
NET INCOME	2,451.3	1,849.9			
CASH FLOW					
Cash flow from operating activities	(10,410.4)	(1,916.3)			
Cash flow from investments activities	2,328.5	(2,851.8)			

7,576.4

(505.5)

(505.5)

0.0

4,729.0

(39.1)

(39.1)

0.0

INMOBILIARIA SECURITY S.A.

	2004	2003
BALANCE	MCh\$	MCh\$
ASSETS		
Current Assets	17,042.4	18,793.3
Fixed Assets	7.6	7.9
Other Assets	2,063.3	264.
TOTAL ASSETS	19,113.3	19,065.7

LIABILITIES		
Current Liabilities	15,536.3	15,442.3
Long Term Liabilities	1,664.8	2,198.5
Minority Interest	3.3	2.1
Capital & Reserves	2,078.4	2,078.4
Subsidiary Start-up Deficit	(514.1)	(700.5)
Acumulated Income	(155.8)	(417.8)
Net Income	500.4	462.7
TOTAL LIABILITIES & EQUITY	19,113.3	19,065.7

INCOME STATEMENT		
Operating Income	609.3	562.3
Non Operating Income	(104.2)	(72.3)
Net Income Before Taxes	505.1	490.0
Minority Interest	(1.2)	(2.1)
Taxes	(3.5)	(25.2)
NET INCOME	500.4	462.7

CASH FLOW		
Cash flow from operating activities	3,027.8	4,597.2
Cash flow from investments activities	(2,207.9)	(368.4)
Cash flow from financing activities	(1,126.0)	(2,405.0)
Net Cash flow	(306.1)	1,823.8
Monetary adjustment	(17.4)	6.8
NET VARIATION OF CASH AND CASH EQUIVALENTS	(323.5)	1,830.6

ASESORIAS SECURITY S.A. AND SUBSIDIARIES.

Net Cash flow

Monetary adjustment

NET VARIATION OF CASH AND CASH EQUIVALENTS

	2004	2000
BALANCE	2004 MCh\$	2003 MCh
DALANCE	i ieny	rien
ASSETS		
Current Assets	845.5	13,567.
ixed Assets	20.4	16.
Other Assets	113.1	104.6
TOTAL ASSETS	979.0	13,688.5
IABILITIES		
Current Liabilities	82.9	12,711.2
ong term Liabilities	0.0	4
Minority Interest	1.5	2.0
Capital & Reserves	970.9	1,043.
Net Income	(76.3)	(73.0
TOTAL LIABILITIES & EQUITY	979.0	13,688.5
NCOME STATEMENT		
Operating Income	(90.1)	(143.1
Non Operating Income	7.2	54.7
Net Income Before Taxes	(82.9)	(88.9
Minority Interest	0.7	0.9
Taxes	5.9	15.0
NET INCOME	(76.3)	(73.0
CASH FLOW		
Cash flow from operating activities	(334.4)	95.
Cash flow from investments activities	(14.6)	(13.0
Cash flow from financing activities	0.0	0
9	===	0.

(349.0)

(22.2)

(371.2)

82.0

(9.5)

72.5

SECURITIZADORA SECURITY S.A.

Monetary adjustment

NET VARIATION OF CASH AND CASH EQUIVALENTS

ASSETS ACCURATE ASSETS 167.2 12,49° Fixed ASSETS 6.9 4 Other ASSETS 87.0 74 TOTAL ASSETS 261.1 12,570 LIABILITIES Current Liabilities 30.3 12,334 Long Term Liabilities 0.0 4 Capital & Reserves 337.0 334 Net Income (106.2) (102. TOTAL LIABILITIES & EQUITY 261.1 12,570 INCOME STATEMENT Operating Income (130.9) (119. Non Operating Income (130.9) (119. Non Operating Income (131.9) (119. Net Income Before Taxes (131.9) (119. NET INCOME (106.2) (102. CASH FLOW Cash flow from operating activities (28.8) (60. Cash flow from financing activities (8.6) 0.0		2004	2003
Current Assets 167.2 12,49° Fixed Assets 6.9 4 Other Assets 87.0 74 TOTAL ASSETS 261.1 12,570 LIABILITIES Current Liabilities 30.3 12,334 Long Term Liabilities 0.0 2 Capital & Reserves 337.0 334 Net Income (106.2) (102. TOTAL LIABILITIES & EQUITY 261.1 12,570 INCOME STATEMENT Operating Income (130.9) (119. Non Operating Income (10.0) (0. Net Income Before Taxes (131.9) (119. Taxes 25.7 16 NET INCOME (106.2) (102. CASH FLOW Cash flow from operating activities (28.8) (60. Cash flow from financing activities (8.6) 0.0	BALANCE		MCh
Current Assets 167.2 12,49° Fixed Assets 6.9 4 Other Assets 87.0 74 TOTAL ASSETS 261.1 12,570 LIABILITIES Current Liabilities 30.3 12,334 Long Term Liabilities 0.0 2 Capital & Reserves 337.0 334 Net Income (106.2) (102. TOTAL LIABILITIES & EQUITY 261.1 12,570 INCOME STATEMENT Operating Income (130.9) (119. Non Operating Income (10.0) (0. Net Income Before Taxes (131.9) (119. Taxes 25.7 16 NET INCOME (106.2) (102. CASH FLOW Cash flow from operating activities (28.8) (60. Cash flow from financing activities (8.6) 0.0			
Fixed Assets 6.9 4 Other Assets 87.0 74 TOTAL ASSETS 261.1 12,570 LIABILITIES Current Liabilities 30.3 12,334 Long Term Liabilities 0.0 4 Capital & Reserves 337.0 334 Net Income (106.2) (102. TOTAL LIABILITIES & EQUITY 261.1 12,570 INCOME STATEMENT Operating Income (130.9) (119. Non Operating Income (10.0) (0. Net Income Before Taxes (131.9) (119. Taxes 25.7 16 NET INCOME (106.2) (102. CASH FLOW Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 0. Cash flow from financing activities (8.6) 0.	ASSETS		
Other Assets 87.0 74 TOTAL ASSETS 261.1 12,570 LIABILITIES Current Liabilities 30.3 12,334 Long Term Liabilities 0.0 4 Capital & Reserves 337.0 334 Net Income (106.2) (102. TOTAL LIABILITIES & EQUITY 261.1 12,570 INCOME STATEMENT Operating Income (130.9) (119. Non Operating Income (10.0) (0.0) Net Income Before Taxes (131.9) (119. Taxes 25.7 16 NET INCOME (106.2) (102. CASH FLOW (28.8) (60. Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 0.0 Cash flow from financing activities (8.6) 0.0	Current Assets	167.2	12,491
LABILITIES 261.1 12,570 Current Liabilities 30.3 12,334 Long Term Liabilities 0.0 4 Capital & Reserves 337.0 334 Net Income (106.2) (102. TOTAL LIABILITIES & EQUITY 261.1 12,570 INCOME STATEMENT Operating Income (130.9) (119. Non Operating Income (10.0) (0. Net Income Before Taxes (131.9) (119. Taxes 25.7 16 NET INCOME (106.2) (102. CASH FLOW Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 0. Cash flow from financing activities (8.6) 0.	Fixed Assets	6.9	4
LIABILITIES Current Liabilities 30.3 12,334 Long Term Liabilities 0.0 4 Capital & Reserves 337.0 334 Net Income (106.2) (102. TOTAL LIABILITIES & EQUITY 261.1 12,570 INCOME STATEMENT Operating Income (130.9) (119. Non Operating Income (10.0) (0. Net Income Before Taxes (131.9) (119. Taxes 25.7 16 NET INCOME (106.2) (102. CASH FLOW (28.8) (60. Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 0. Cash flow from financing activities (8.6) 0.	Other Assets	87.0	74
Current Liabilities 30.3 12,334 Long Term Liabilities 0.0 4 Capital & Reserves 337.0 334 Net Income (106.2) (102. TOTAL LIABILITIES & EQUITY 261.1 12,570 INCOME STATEMENT Operating Income (130.9) (119. Non Operating Income (10.0) (0. Net Income Before Taxes (131.9) (119. Taxes 25.7 16 NET INCOME (106.2) (102. CASH FLOW Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 0 Cash flow from financing activities (8.6) 0	TOTAL ASSETS	261.1	12,570.
Current Liabilities 30.3 12,334 Long Term Liabilities 0.0 4 Capital & Reserves 337.0 334 Net Income (106.2) (102. TOTAL LIABILITIES & EQUITY 261.1 12,570 INCOME STATEMENT Operating Income (130.9) (119. Non Operating Income (10.0) (0. Net Income Before Taxes (131.9) (119. Taxes 25.7 16 NET INCOME (106.2) (102. CASH FLOW Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 0 Cash flow from financing activities (8.6) 0			
Long Term Liabilities 0.0 4 Capital & Reserves 337.0 334 Net Income (106.2) (102. TOTAL LIABILITIES & EQUITY 261.1 12,570 INCOME STATEMENT Operating Income (130.9) (119. Non Operating Income (10.0) (0.0) Net Income Before Taxes (131.9) (119. Taxes 25.7 16 NET INCOME (106.2) (102. CASH FLOW Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 0. Cash flow from financing activities (8.6) 0.	LIABILITIES		
Capital & Reserves 337.0 334.0 Net Income (106.2) (102.0 TOTAL LIABILITIES & EQUITY 261.1 12,570 INCOME STATEMENT Operating Income (130.9) (119.0 Non Operating Income (1.0) (0.0 Net Income Before Taxes (131.9) (119.0 Taxes 25.7 16.0 NET INCOME (106.2) (102.0 CASH FLOW Cash flow from operating activities (28.8) (60.0 Cash flow from investments activities 105.8 0.0 Cash flow from financing activities (8.6) 0.0	Current Liabilities	30.3	12,334
Net Income (106.2) (102. TOTAL LIABILITIES & EQUITY 261.1 12,570 INCOME STATEMENT Operating Income (130.9) (119. Non Operating Income (1.0) (0. Net Income Before Taxes (131.9) (119. Taxes 25.7 16 NET INCOME (106.2) (102. CASH FLOW Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 0. Cash flow from financing activities (8.6) 0.	Long Term Liabilities	0.0	4
INCOME STATEMENT 261.1 12,570 Operating Income (130.9) (119. Non Operating Income (1.0) (0. Net Income Before Taxes (131.9) (119. Taxes 25.7 16 NET INCOME (106.2) (102. CASH FLOW Cash flow from operating activities (28.8) (60. Cash flow from financing activities (8.6) 0	Capital & Reserves	337.0	334
INCOME STATEMENT	Net Income	(106.2)	(102.8
Operating Income (130.9) (119. Non Operating Income (1.0) (0. Net Income Before Taxes (131.9) (119. Taxes 25.7 16 NET INCOME (106.2) (102. Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 0. Cash flow from financing activities (8.6) 0.	TOTAL LIABILITIES & EQUITY	261.1	12,570.
Operating Income (130.9) (119. Non Operating Income (1.0) (0. Net Income Before Taxes (131.9) (119. Taxes 25.7 16 NET INCOME (106.2) (102. Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 0. Cash flow from financing activities (8.6) 0.			
Non Operating Income (1.0) (0.0) Net Income Before Taxes (131.9) (119.0) Taxes 25.7 16 NET INCOME (106.2) (102.0) CASH FLOW Cash flow from operating activities (28.8) (60.0) Cash flow from investments activities (15.8) (28.6) Cash flow from financing activities (8.6)			
Net Income Before Taxes (131.9) (119. Taxes 25.7 16 NET INCOME (106.2) (102. CASH FLOW Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 0 Cash flow from financing activities (8.6) 0			•
Taxes 25.7 16 NET INCOME (106.2) (102. CASH FLOW Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 0 Cash flow from financing activities (8.6) 0			
CASH FLOW Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 Cash flow from financing activities (8.6) C	Net Income Before Taxes		•
CASH FLOW Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 C Cash flow from financing activities (8.6) C	Taxes		16
Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 Cash flow from financing activities (8.6)	NET INCOME	(106.2)	(102.8
Cash flow from operating activities (28.8) (60. Cash flow from investments activities 105.8 Cash flow from financing activities (8.6)			
Cash flow from investments activities 105.8 Cash flow from financing activities (8.6)	CASH FLOW		
Cash flow from financing activities (8.6)	Cash flow from operating activities	(28.8)	(60.
	Cash flow from investments activities	105.8	0
Net Cash flow 68.4 (60.	Cash flow from financing activities	(8.6)	0
	Net Cash flow	68.4	(60.4

(3.8)

64.6

(1.7)

(62.1)

INVERSIONES SEGUROS SECURITY LTDA AND SUBSIDIARIES.

NET VARIATION OF CASH AND CASH EQUIVALENTS

FINANCIAL STATEMENT CONSOLIDATED AS OF DECEMB	ER 31, 2004 AND 2003	
	2004	2003
BALANCE	MCh\$	MCh\$
ASSETS		
Current Assets	2,261.9	2,934.2
Fixed Assets	252.2	292.8
Other Assets	21,964.0	22,339.8
TOTAL ASSETS	24,478.1	25,566.8
LIABILITIES		
Current Liabilities	3,983.8	1,325.3
Long Term Liabilities	1,373.3	1,905.1
Minority Interest	585.9	3,234.5
Capital & Reserves	18,259.5	18,262.7
Net Income	275.6	839.2
TOTAL LIABILITIES & EQUITY	24,478.1	25,566.8
INCOME STATEMENT		
Operating Income	(403.4)	573.0
Non Operating Income	419.4	498.8
Net Income Before Taxes	16.0	1.071.8
Minority Interest	208.3	(113.7)
Taxes	51.3	(118.9)
NET INCOME	275.6	839.2
CASH FLOW		
Cash flow from operating activities	2,488.0	881.7
Cash flow from investments activities	627.4	5,111.3
Cash flow from financing activities	(3,610.6)	(5,769.9)
Net Cash flow	(495.2)	223.1
Monetary adjustment	(10.2)	(13.2)
	4	

(505.4)

209.9

SEGUROS VIDA SECURITY PREVISIÓN S.A.

		2000
BALANCE	2004 MCh\$	2003 MCh
DALANCE	115.114	
ASSETS		
Investments	57,006.1	53,455.
Premius Receivable & Reinsurance	2,591.0	2,574.
Other Assets	2,045.7	3,143.
TOTAL ASSETS	61,642.8	59,174.0
LIABILITIES		
Underwriting Reserves	50,917.4	48,057.
Other Liabilities	3,201.9	2,559.
Capital & Reserves	6,455.4	7,497.
Net Income	1,068.1	1,059.
TOTAL LIABILITIES & EQUITY	61,642.8	59,174.0
INCOME STATEMENT		
Operating Income	(2,451.2)	(2,578.9
Non Operating Income	3,589.6	3,865.
Net Income Before Taxes	1,138.4	1,286.
Taxes	(70.3)	(227.1
NET INCOME	1,068.1	1,059.
CASH FLOW		
Cash flow from operating activities	2,950.4	(559.6
Cash flow from investments activities	(2,028.9)	(1,051.3
Cash flow from financing activities	(1,001.6)	1,377.
Net Cash flow	(80.1)	(233.7
Monetary adjustment	(10.0)	(4.2
NET VARIATION OF CASH AND CASH EQUIVALENTS	(90.1)	(237.9

SERVICIOS SECURITY S.A. AND SUBSIDIARIES.

NET INCOME

FINANCIAL STATEMENT CONSOLIDATED AS OF DECE	MBER 31, 2004 AND 2003	
	2004	2003
BALANCE	MCh\$	MCh\$
ASSETS		
Investments	2,394.5	2,982.1
Fixed Assets	236.8	274.8
Other Assets	7,573.9	7,009.1
TOTAL ASSETS	10,205.2	10,266.0
LIABILITIES		
Current Liabilities	2,239.5	1,241.9
Long Term Liabilities	1,520.3	1,974.3
Minority Interest	1.4	1.3
Capital & Reserves	7,048.7	6,801.8
Net Income	(604.7)	246.7
TOTAL LIABILITIES & EQUITY	10,205.2	10,266.0
INCOME STATEMENT		
Operating Income	(373.7)	683.0
Non Operating Income	(282.2)	(316.8)
Net Income Before Taxes	(655.9)	366.2
Minority Interest	(0.1)	(0.5)
Taxes	51.3	(119.0)

CASH FLOW		
Cash flow from operating activities	796.8	84.6
Cash flow from investments activities	(969.9)	(1,615.9)
Cash flow from financing activities	(320.6)	1,997.7
Net Cash flow	(493.7)	466.4
Monetary adjustment	(9.8)	(15.3)
Net Variation of Cash and Cash Equivalents	(503.5)	451.1

(604.7)

246.7

CORREDORES DE SEGUROS SECURITY LTDA.

FINANCIAL STATEMENT CONSOLIDATED AS OF DECEMBER 31, 2	2004 AND 2003	
	2004	2003
BALANCE	MCh\$	MCh.
ASSETS		
Current Assets	31.8	451.
Fixed Assets	236.8	274.
Other Assets	5,760.6	9,370.
TOTAL ASSETS	6,029.2	10,095.
LIABILITIES		
Current Liabilities	2,550.1	1,621.
Long Term Liabilities	1,075.7	1,953.
Capital & Reserves	2,715.5	6,090.
Net Income	(312.1)	430.
TOTAL LIABILITIES & EQUITY	6,029.2	10,095.9
INCOME STATEMENT		
Operating Income	(20.8)	783.
Non Operating Income	(365.8)	(200.2
Net Income Before Taxes	(386.6)	583.
Taxes	74.5	(152.8
NET INCOME	(312.1)	430.
CASH FLOW		
Cash flow from operating activities	59.3	392.
Cash flow from investments activities	285.3	(1,217.2
Cash flow from financing activities	(763.6)	1,217.
Net Cash flow	(419.0)	392.
Monetary adjustment	(0.3)	(4.9
NET VARIATION OF CASH AND CASH EQUIVALENTS	(419.3)	388.

INVERSIONES INVEST. SECURITY LTDA. AND SUBSIDIARIES.

Cash flow from investments activities

NET VARIATION OF CASH AND CASH EQUIVALENTS

Cash flow from financing activities

Net Cash flow

Monetary adjustment

	2004	2003
BALANCE	MCh\$	MCh
ASSETS		
Current Assets	5,501.1	5,323.9
Fixed Assets	958.4	1,077.
Other Assets	1,605.6	1,463.9
TOTAL ASSETS	8,065.1	7,865.5
LIABILITIES		
Current Liabilities	5,332.4	5,024.0
Long Term Liabilities	22.0	37.9
Minority Interest	407.7	345.
Capital & Reserves	2,283.4	2,431.3
Net Income	19.6	26.0
TOTAL LIABILITIES & EQUITY	8,065.1	7,865.5
NCOME STATEMENT		
Operating Income	296.6	269.0
Non Operating Income	(57.8)	(127.0
Net Income Before Taxes	238.8	142.0
Minority Interest	(100.3)	(74.2
axes	(118.9)	(41.2
NET INCOME	19.6	26.0
1127 117001 12		
CASH FLOW		

601.9

(436.2)

(1,277.1)

(1,320.8)

(43.7)

792.8 (413.9)

(85.0)

(1.7)

(86.7)

TRAVEL SECURITY S.A. AND SUBSIDIARIES.

	2004	2003
BALANCE	MCh\$	MCh
ASSETS		
Current Assets	4,810.6	4,336.3
Fixed Assts	596.2	645.7
Other Assets	298.3	502.9
TOTAL ASSETS	5,705.1	5,484.9
LIABILITIES		
Current Liabilities	4,019.7	4,046.8
Long Torm Liabilities	56.0	571

LIABILITIES		
Current Liabilities	4,019.7	4,046.8
Long Term Liabilities	56.0	57.1
Minority Interest	0.1	0.0
Capital & Reserves	1,227.7	1,083.4
Net Income	401.6	297.6
TOTAL LIABILITIES & EQUITY	5,705.1	5,484.9

INCOME STATEMENT		
Operating Income	519.8	411.2
Non Operating Income	(34.6)	(75.9)
Net Income Before Taxes	485.2	335.3
Minority Interest	(0.1)	0.0
Taxes	(83.5)	(37.7)
NET INCOME	401.6	297.6

CASH FLOW		
Cash flow from operating activities	(1,300.0)	678.3
Cash flow from investments activities	341.3	127.0
Cash flow from financing activities	(79.2)	(19.3)
Net Cash flow	(1,037.9)	786.0
Monetary adjustment	(40.6)	(1.0)
NET VARIATION OF CASH AND CASH EQUIVALENTS	(1,078.5)	785.0

GLOBAL SECURITY S.A.

FINANCIAL STATEMENT CONSOLIDATED AS OF DEC	EMBER 31, 2004 AND 2003	
	2004	2003
BALANCE	MCh\$	MCh\$
ASSETS		
Current Assets	71.4	202.4
Other Assets	2.9	0.9
TOTAL ASSETS	74.3	203.3
LIABILITIES		
Current Liabilities	47.3	98.8
Capital & Reserves	14.2	159.9
Net Income	12.8	(55.4)
TOTAL LIABILITIES & EQUITY	74.3	203.3
INCOME STATEMENT		
Operating Income	13.5	(50.0)
Non Operating Income	0.1	3.6
Net Income Before Taxes	13.6	(46.4)
Taxes	(0.8)	(8.8)
NET INCOME	12.8	(55.2)

VIRTUAL SECURITY S.A. AND SUBSIDIARIES.

Cash flow from financing activities

NET VARIATION OF CASH AND CASH EQUIVALENTS

Net Cash flow

Monetary adjustment

ASSETS Current Assets Fixed Assets Other Assets TOTAL ASSETS LIABILITIES Current Liabilities Capital & Reserves Net Income TOTAL LIABILITIES & EQUITY INCOME STATEMENT Operating Income Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities Cash flow from investments activities		
ASSETS Current Assets Fixed Assets Other Assets Other Assets TOTAL ASSETS LIABILITIES Current Liabilities Capital & Reserves Net Income TOTAL LIABILITIES & EQUITY INCOME STATEMENT Operating Income Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities	2004 MCh\$	200: MCh
Current Assets Other Assets Other Assets TOTAL ASSETS LIABILITIES Current Liabilities Capital & Reserves Net Income TOTAL LIABILITIES & EQUITY INCOME STATEMENT Operating Income Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities	MCh\$	MCh
Fixed Assets Other Assets TOTAL ASSETS LIABILITIES Current Liabilities Capital & Reserves Net Income TOTAL LIABILITIES & EQUITY INCOME STATEMENT Operating Income Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities		
Other Assets TOTAL ASSETS LIABILITIES Current Liabilities Capital & Reserves Net Income TOTAL LIABILITIES & EQUITY INCOME STATEMENT Operating Income Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities	411.2	419.
LIABILITIES Current Liabilities Capital & Reserves Net Income TOTAL LIABILITIES & EQUITY INCOME STATEMENT Operating Income Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities	342.2	413.
LIABILITIES Current Liabilities Capital & Reserves Net Income TOTAL LIABILITIES & EQUITY INCOME STATEMENT Operating Income Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities	443.3	21.
Current Liabilities Capital & Reserves Net Income TOTAL LIABILITIES & EQUITY INCOME STATEMENT Operating Income Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities	1,196.7	854.
Current Liabilities Capital & Reserves Net Income TOTAL LIABILITIES & EQUITY INCOME STATEMENT Operating Income Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities		
Capital & Reserves Net Income TOTAL LIABILITIES & EQUITY INCOME STATEMENT Operating Income Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities		
Net Income TOTAL LIABILITIES & EQUITY INCOME STATEMENT Operating Income Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities	1,037.5	672
INCOME STATEMENT Operating Income Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities	182.4	178
INCOME STATEMENT Operating Income Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities	(23.2)	4
Operating Income Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities	1,196.7	854.
Operating Income Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities		
Non Operating Income Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities		
Net Income Before Taxes Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities	(19.9)	(27.0
Minority Interest Taxes NET INCOME CASH FLOW Cash flow from operating activities	24.3	11.
Taxes NET INCOME CASH FLOW Cash flow from operating activities	4.4	(15.8
CASH FLOW Cash flow from operating activities	0.0	0
CASH FLOW Cash flow from operating activities	(27.5)	19.
Cash flow from operating activities	(23.2)	4.
Cash flow from operating activities		
Cash flow from investments activities	211.7	167
	(512.6)	(160.

271.0

(29.9)

(8.0)

(30.7)

0.0

7.3

1.5

8.8

directory

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