

GRUPO *security*

A N N U A L R E P O R T

2005



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## GRUPO SECURITY UNCONSOLIDATED FINANCIAL SUMMARY

US\$ as of December 2005 (000s omitted)

Balance Sheet	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Cash and Equivalents	45,277	43,521	45,603	38,260	27,561	14,833	14,719	17,098	20,696	24,776	14,037
Fixed Assets	1,784	1	61	46	162	303	276	183	116	87	2,122
Investment in Related Companies	130,779	137,587	151,574	182,266	189,983	228,329	238,211	240,038	265,172	349,932	373,502
Goodwill	42,250	38,010	33,712	1,395	1,305	1,216	1,126	1,036	946	33,752	31,157
Other Assets	182	2,292	2,078	1,868	1,648	1,433	1,218	1,003	1,494	2,097	2,579
Total Other Assets	173,212	177,890	187,364	185,530	192,936	230,977	240,555	242,077	267,613	385,781	407,238
<b>Total Assets</b>	<b>220,273</b>	<b>221,412</b>	<b>233,028</b>	<b>223,836</b>	<b>220,659</b>	<b>246,114</b>	<b>255,550</b>	<b>259,358</b>	<b>288,425</b>	<b>410,644</b>	<b>423,396</b>
Current Liabilities	52,506	8,259	19,076	13,696	10,656	13,865	11,461	13,687	10,719	6,511	15,690
Long Term Liabilities	20,743	50,950	45,070	39,362	31,687	45,689	48,718	44,887	59,683	79,140	67,658
Equity	147,023	162,202	168,882	170,777	178,315	186,561	195,372	200,785	218,023	324,992	340,047
<b>Total Liabilities and Equity</b>	<b>220,273</b>	<b>221,412</b>	<b>233,028</b>	<b>223,836</b>	<b>220,659</b>	<b>246,114</b>	<b>255,550</b>	<b>259,358</b>	<b>288,425</b>	<b>410,644</b>	<b>423,396</b>

Income statement	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Gross Margin	79	39	-2	0	0	0	0	0	0	0	0
General & Administrative Expenses	1,413	1,240	1,920	3,962	3,527	3,881	2,657	3,642	2,746	3,002	4,894
Net Operating Income	-1,335	-1,202	-1,922	-3,962	-3,527	-3,881	-2,657	-3,642	-2,746	-3,002	-4,894
Non Operating Income & Expenses:											
Financial Income	985	240	76	3,019	2,553	1,070	889	684	389	540	679
Income From Investments	17,335	20,475	24,504	19,398	22,753	25,446	25,157	20,801	33,890	40,020	47,498
Other Income	71	6,187	3,971	18,158	2,562	1,702	248	912	607	33	2,599
Amortization of Goodwill	-566	-4,292	-4,298	-602	-90	-90	-89	-90	-90	-1,851	-2,596
Financial Expenses	-2,020	-4,481	-3,864	-3,501	-2,665	-2,566	-3,864	-3,349	-3,100	-3,319	-3,433
Monetary Correction	1,029	340	276	-1,354	-223	-269	-599	-86	147	-1,038	-914
Non Operating Results	16,834	18,470	20,665	35,117	24,890	25,293	21,741	18,872	31,843	34,386	43,833
Net Income Before Taxes	15,499	17,268	18,743	31,155	21,363	21,413	19,084	15,231	29,098	31,384	38,939
Taxes	0	269	0	1,815	11	32	3	-139	-138	38	-495
<b>Net Income</b>	<b>15,499</b>	<b>16,999</b>	<b>18,743</b>	<b>29,341</b>	<b>21,352</b>	<b>21,381</b>	<b>19,081</b>	<b>15,370</b>	<b>29,236</b>	<b>31,346</b>	<b>39,434</b>

Financial Indicators	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Current assets / Current liabilities (times)	0.86	5.27	2.39	2.79	2.59	1.07	1.28	1.25	1.93	3.81	0.89
Total liabilities / Shareholders' equity	49.82%	36.50%	37.98%	31.07%	23.75%	31.92%	30.80%	29.17%	32.29%	26.35%	24.51%
Total debt / Total assets	33.25%	26.74%	27.53%	23.70%	19.19%	24.20%	23.55%	22.58%	24.41%	20.86%	19.69%
Net income / Shareholders' equity *	11.78%	11.71%	12.48%	20.74%	13.60%	12.94%	10.82%	8.29%	15.49%	10.67%	13.12%

\* Equity net of net income.

## LETTER FROM THE CHAIRMAN

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

2005 was a very good year for the businesses and activities of Grupo Security. We were able to consolidate the achievements and new businesses begun in 2004 and translate into reality all the projects initiated the previous year. This is reflected in the results of Grupo Security which reached US\$39.4 million in 2005, a notable 25.8% real increase over 2004. The return on capital and reserves was 13.1% (10.7% in 2004) and debt was 24.5% of shareholders' equity (26.4% the year before), reflecting the solvency of Grupo Security.

Important businesses begun the previous year matured during 2005, in particular the purchase of Dresdner Bank Lateinamerika Chile and its merger with Banco Security in October 2004. Our initial forecasts were confirmed and an important increase in business and activities was achieved. Higher revenues and reduced expenses have improved our efficiency and produced a 37.8% increase in real terms in the net income of Banco Security to US\$39.05 million, with a return on capital and reserves of 15.4%. Total loans amounted to US\$2,641 million at December 2005, representing a 10% real growth, of which almost 80% were loans to companies and 18% to individuals. An ambitious development program for retail banking, which has permitted a substantial expansion in the customer base, plus the expansion of middle-market business banking, form the basis of growth of the business of Banco Security, always caring for maintaining the quality of customer service.

In the insurance area, the merger of the non-life insurance companies Security and Las Américas, renamed as Compañía de Seguros Generales

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Penta Security, also exceeded the forecasts made for 2005. It produced a net income of US\$4.28 million, to a large degree due to the benefits of economies of scale deriving from being among the largest five companies in the market.

Relations with shareholders were also strengthened during 2005 through periodic informative meetings. This initiative was driven by the capital increase of US\$58.5 (out of a total of US\$87.8 million over the next 3 years authorized by the shareholders) made at the end of the year to cover the Company's investments and provide greater share liquidity. This objective has been achieved and the Security share now forms part of the IPSA (the Selective Stock Price Index), as from 2006.

New initiatives were also taken in 2005 that show the constant presence of Grupo Security in financial businesses, evaluating the best opportunities in the market. An agreement was reached between Securitizadora Security S.A. and GMAC-RFC, a subsidiary of General Motors Acceptance Corporation (GMAC), the financial division of General Motors, for jointly developing and exploiting loan and mortgage lease securitization transactions in the Chilean market. Grupo Security also announced its interest in acquiring the annuity portfolio of Interamericana S.A.

One of the basic pillars of Grupo Security for achieving these results has been its people. It has always had a top-class team in both professional and human terms. It is therefore no surprise, and indeed a reason for pride, that three subsidiaries (Vida Security, Factoring Security and Banco Security) have been judged to be among the "35 best companies to work for in Chile", and one of them, Factoring Security, was placed among the top ten. Banco Security was also distinguished as "The best company for working mothers" according to a ranking published annually by Fundación Chile Unido and El Mercurio's Ya magazine.



We are proud of the activities carried out during 2005, of the results obtained and of the recognitions we have received. This imposes a great challenge on us with respect to our customers, shareholders and also the market, to perform our tasks in even better ways.



**Francisco Silva S.**  
**Chairman**

## BOARD AND MANAGEMENT

### BOARD OF DIRECTORS

#### CHAIRMAN

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

#### DIRECTORS

Claudio Berndt C.  
Accountant, Universidad de Chile

Andrés Concha R.  
Commercial Engineer, Universidad de Chile

Jaime Correa H.  
Civil Engineer, Universidad de Chile

Jorge Marín C.  
Business Manager

Naoshi Matsumoto T.  
Commercial Engineer, Universidad Católica de Chile

Horacio Pavez G.  
Civil Constructor, Universidad Federico Santa María

Juan Cristóbal Pavez R.  
Commercial Engineer, Universidad Católica de Chile  
Master in Business Administration,  
Massachusetts Institute of Technology

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

### MANAGEMENT

#### PRESIDENT

Renato Peñafiel M.  
Commercial Engineer,  
Universidad Católica de Chile  
Master of Arts in Economics,  
University of Chicago

#### CHIEF FINANCIAL BUSINESS OFFICER

Carlos Budge C.  
Agronomist and Master in Agrarian Economics,  
Universidad Católica de Chile  
Master of Arts in Applied Economics and PHD,  
Stanford University

#### CORPORATE SERVICES MANAGER

Gonzalo Ferrer A.  
Civil Industrial Engineer,  
Universidad de Chile  
Master in Business Administration,  
Universidad Católica de Chile

#### PLANNING AND DEVELOPMENT MANAGER

Fernando Salinas P.  
Commercial Engineer,  
Universidad Católica de Chile  
Master in Business Administration,  
Universidad Católica de Chile

#### CHIEF INSURANCE BUSINESS OFFICER

Andrés Tagle D.  
Commercial Engineer,  
Universidad Católica de Chile

#### MARKETING MANAGER

Alejandra Zegers C.  
Commercial Engineer,  
Universidad Católica de Chile

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S U P P O R T

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## 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

**Telephone:**

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..

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## ACTIVITIES AND BUSINESS

### BUSINESS STRATEGY

Grupo Security S.A. is the holding company of a diversified group of companies that participates in the main sectors of the Chilean financial industry such as banking, insurance and financial investments.

Grupo Security was formed in 1991 to buy Banco Security and has since been gradually broadening its business base in the financial sector, following a strategy of segmentation and innovation that has enabled it to diversify its sources of revenues and increase its offer of services.

Since the origins of Grupo Security, its founding shareholders have been noted for their high degree of commitment to the management of the Company. They actively participate in the daily business decisions of the Group, as well as being members of the boards and committees of each of the companies.

Grupo Security is structured into four principal business areas, each comprising the subsidiaries and divisions that share common business objectives: financing, investments and asset management, non-life and life insurance, and complementary services.

The following table shows the business structure of Grupo Security, identifying the subsidiaries and divisions that make up each area:

BUSINESS AREAS	
Financing	<ul style="list-style-type: none"> <li>• Banco Security               <ul style="list-style-type: none"> <li>• Corporate Banking</li> <li>• Retail Banking</li> <li>• Leasing</li> </ul> </li> <li>• Factoring Security</li> </ul>
Investments	<ul style="list-style-type: none"> <li>• Administradora General de Fondos Security</li> <li>• Valores Security</li> <li>• Asset management</li> <li>• Securitizadora</li> </ul>
Insurance:	<ul style="list-style-type: none"> <li>• Life</li> <li>• Non-life</li> <li>• Insurance broking</li> <li>• Reinsurance broking</li> </ul>
Other Services	<ul style="list-style-type: none"> <li>• Travel Security</li> <li>• Inmobiliaria Security</li> <li>• Business support services &amp; technological development</li> </ul>



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C L O S E N E S S

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Grupo Security has carried out a considerable reorganization and rationalization of its business structure in recent years. An integrated technological network for all its businesses was created with important investments in technology. This has reduced operating costs and better management control tools. It has also strengthened its new organizational and business structure by taking better advantage of the synergies and potential for integration of the financial services offered.

The net income of Grupo Security at December 2005 was US\$39.4 million, an increase of 25.8% over the year before. Dividends paid to shareholders during the year amounted to US\$20.1 million. The financial expense coverage at that date was 12.74 times. In addition, the unconsolidated balance sheet of Grupo Security at December 31, 2005 showed shareholders' equity of US\$340 million, financial debt of US\$83.4 million and total assets of US\$423.4 million, with a total debt ratio of 24.5%.



## 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 stockbroking 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 formed as a subsidiary of Banco Security and Factoring Security 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 begins the market listing of its shares and, following a second capital increase, acquires a controlling 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 share exchange in which seven new shares represent one old share.
- A corporate image change is made in October.
- Securitizadora Security, a subsidiary of Merchant Security, is incorporated into the Group.

### 1998

- In March, Grupo Security sells its participation in AFP Protección.
- In December, it transfers the insurance companies Previsión Vida and Previsión Generales to the parent 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 company 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 by 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 the insurance broking companies. 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 US\$35 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 its objects to become a general fund management company.
- An extraordinary shareholders' meeting in December approves a capital increase of US\$58.5 million , which was carried out in 2004.

### 2004

- 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 from the Group's shareholders which was completed in June for US\$23,031,001 . 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\$87.8 million, open to individual and institutional Investors. This is placed in November for close to US\$ 58.5 million. In October, Grupo Security signs an alliance with Europ Assistance to form Europ Assistance Chile.
- Grupo Security becomes associated with the English reinsurance broker Cooper Gay and the new reinsurance broking firm Cooper Gay Chile is formed.

### 2005

- In September, Feller Rate confirms its "A" rating for Grupo Security and "AA-" for the subsidiary Banco Security. The rating outlook for the holding company is changed from "Stable" to "Positive", given the gradual consolidation of its different lines of business, the good performance of its principal asset, Banco Security, and the stabilization of cash flows from the rest of its investments, reflected in a strengthening of its financial profile, with growing returns and a good financial expense coverage. Its present data base management and customer profitability plan should contribute to consolidating that trend.
- In November, an agreement is reached with GMACRFC by which GMAC-RFC Chile Limitada will acquire 49% of the share capital of Securitizadora Security S.A. It is intended to strengthen the investment and securitization development strategy in mortgage assets, for which the capital base of Securitizadora Security S.A. will be increased.

## MATERIAL INFORMATION

Following the end of the year, between January 1 and the date of issue of these consolidated and unconsolidated financial statements, the following material information of a financial or accounting nature has been reported.

- On January 10, 2006, Grupo Security S.A. reached agreement to acquire 100% of Interamericana Rentas Seguros de Vida S.A. from Inversiones Interamericana S.A. and International Technical and Advisory Services Limited. On January 27, 2006, the controlling companies of Interrentas signed a sale contract for US\$130.7 million, corresponding to an approximate value per share of US\$5,433.80, subject to future adjustments for equity variations of Interrentas. Grupo Security will take over Interamericana Rentas Seguros de Vida during May 2006.
- On January 17, 2006, Grupo Security and Residential Funding Corporation (GMACRFC) signed an agreement to exploit the business of securitizing mortgage loans and housing leases in the Chilean market under the name of Securitizadora Security GMAC-RFC S.A. The association was formalized by the entry of a Chilean subsidiary of GMACRFC as a 49% shareholder in Securitizadora Security.
- On February 21, 2006, Grupo Security announced the placement of 161,205,724 shares at US\$0.23 per share, for a total amount of around US\$ 37 million. The placement forms part of the 450,000,000 shares issued during 2004 at the time of the acquisition of Banco Dresdner Lateinamerika by Grupo Security. The proceeds will be used for the purchase of Interrentas stock, as agreed on January 10, 2006.

## STOCK MARKET PERFORMANCE

The stock market performed less than was generally expected. The Selective Stock Price Index (IPSA) rose by 9.35% during the year while the General Stock Price Index (IGPA) grew by only 2.7%, both below investors' expectations at the start and middle of the year. However, the volumes traded in 2005 increased by 45% over 2004, mainly due to a greater participation by individual investors.

The local market showed an outstanding performance until the third quarter of the year, with accumulated growth of 19.8% (with a peak of 23.2% on August 2), reflecting GDP growth figures pointing to an annual expansion of 6%, historically low long-term interest rates despite the Central Bank having already begun to reduce the monetary stimulus, and an external scenario that continued to be very favorable for the Chilean economy.

While the shortage of Argentine gas supplies was a problem for the electric sector during the first five months of the year, the heavy rainfalls that began in June and the approval of the amendments to the electricity law considerably reduced pressure on the electricity generation sector. However, a combination of events in the last quarter adversely affected the stock market, mainly the sharp and fast rise in long-term interest rates reflecting greater expectations of accelerated inflation (partly explained by the increase in oil prices).

In particular, the rise in interest rates increased potential yields on fixed-income securities which motivated a switch from shares to bonds, causing a sharp fall in prices; this in turn internalized a higher expected rate of return. In addition, the healthy growth rates of the first half year

gave way to less expansive activity data (IMACEC), as in September (5.4%) and October (4.9%), which were clearly below market expectations, thus affecting the market. On the other hand, the pronounced appreciation of the peso from July onward affected exporters' revenues, while the pre-election uncertainty with respect to taxation, the environment and labor affected investor confidence.

In this context, the shares of Grupo Security traded at an average price of US\$0.24 (Ch\$124) per share, closing at US\$0.23 (Ch\$118) in December 2005. The price-earnings ratio of the Security share reached 11.91 times, compared to 16.45 times in 2004, and had an adjusted market trading presence of 100%.

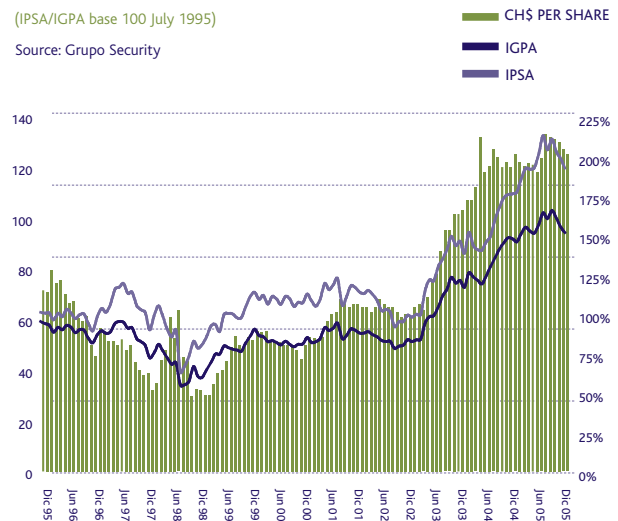
A capital increase of US\$ 58.5 million was made at the end of 2004 (out of a total increase of US\$87.8 million over the next 3 years approved by shareholders) in order to finance the Company's investments and provide greater liquidity for the share. This resulted in closer relations with shareholders during 2005, through periodic informative meetings, and also met the objective of generating a greater trading volume, which then led to the Security share being incorporated into the IPSA as from 2006.

The following graph shows the movement in the share price of Grupo Security S.A., compared to the behavior of the General Stock Price Index (IGPA).

#### MOVEMENT IN SECURITY SHARE PRICE AND THE IPSA / IGPA

(IPSA/IGPA base 100 July 1995)

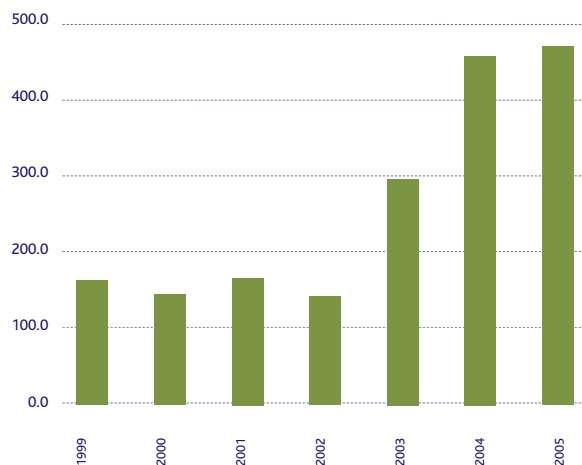
Source: Grupo Security



#### CHANGES IN MARKET VALUE

US\$ MILLIONS

Source: Grupo Security



## STOCK MARKET INDICATORS AND SHARE TRADING

The following table shows some stock market indicators of Grupo Security at the end of each year from 1999 to 2005.

## STOCK MARKET INDICATORS GRUPO SECURITY

Source: Grupo Security

INDICATOR	1999	2000	2001	2002	2003	2004	2005
Share Price (Ch\$)	52.0	50.0	66.0	61.0	107.0	125.0	118.0
Earnings per share (Ch\$ per share)	5.55	5.81	5.35	4.44	8.27	7.60	9.91
Price/earnings ratio (times)	9.38	8.60	12.34	13.74	12.94	16.45	11.91
Market trading presence (%)	86.9	50.0	50.2	35.6	42.9	49.0	99.6
Number of shares (millions)	1,654	1,654	1,654	1,654	1,654	2,040	2,040
Market value (US\$ millions)	163.1	144.5	166.4	141.7	295.4	455.6	469.8

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

## TRADING IN GRUPO SECURITY SHARES

Source: Economática

PERIOD	NO. OF SHARES (THOUS.)	VOLUME TRADED (THCHS)	AVERAGE PRICE CH\$ PER SHARE
1st Quarter 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
<b>2002</b>	<b>68,083</b>	<b>4,355,833</b>	<b>63.98</b>
1st Quarter 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
<b>2003</b>	<b>130,082</b>	<b>8,699,229</b>	<b>81.03</b>
1st Quarter 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
<b>2004</b>	<b>221,735</b>	<b>26,864,923</b>	<b>121.16</b>
1st Quarter 2005	42,613	5,231,688	122.77
2nd Quarter 2005	51,280	6,188,367	120.68
3rd Quarter 2005	46,388	5,999,784	129.34
4th Quarter 2005	21,198	2,668,819	125.90
<b>2005</b>	<b>161,479</b>	<b>20,088,658</b>	<b>124.40</b>

## RESULTS OF GRUPO SECURITY IN 2005

Grupo Security produced a net income of US\$ 39.4 million in 2005, which represents a real increase of 25.8% over 2004. This represents a return on average capital and reserves of 13.3%. The results of investments in companies were US\$ 47.5 million, an 18.7% increase over the year before in real terms.

The unconsolidated balance sheet of Grupo Security shows total assets of US\$ 423.4 million (3.1% higher than at December 2004), of which current assets were US\$ 14.04 million (3.3% of assets). The most important asset is investments in related

companies amounting to US\$ 373.5 million, representing 88.2% of total assets.

Current liabilities amounted to US\$ 15.7 million and long-term liabilities to US\$ 67.7 million. Their principal components are bonds payable and borrowings from banks.

Finally, the shareholders' equity of Grupo Security amounted to US\$ 340.1 million and represented 80.3% of total assets at December 2005.

## 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

Source: Grupo Security

INDICATOR	2001	2002	2003	2004	2005
Current Assets / Current Liabilities (times)	1.28	1.25	1.93	3.81	0.89
Total Liabilities / Shareholders' Equity	30.80	29.17	32.29	26.35	24.51
Total Debt / Total Assets	23.55	22.58	24.41	20.86	19.69
Net income / Shareholders' Equity (%)*	10.82	8.29	15.49	10.67	13.12

\* Return on Capital and Reserves for the year.

## OWNERSHIP

Grupo Security does not have a controller or controlling group as defined by law. However, a group of shareholders, jointly representing close to a 76.37% shareholding, are parties to an agreement with respect to the assignment of shares and have actively participated in its management since its foundation in 1991.

Since then, Grupo Security has created and incorporated new subsidiaries and areas of development that have broadened its business base in the financial sector, positioning it as a first-class group in the provision of integrated financial services to its customers.

As required by 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.. At December 31, 2005, Mr Gustavo Pavez Rodríguez holds 13.1315% of the share capital.

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

#### OWNERSHIP STRUCTURE OF GRUPO SECURITY

(December 31, 2005)

NAME	TAX N°.	Nº. OF SHARES	SHAREHOLDING (%)	ACCUMULATED SHAREHOLDINGS (%)
Soc. Comercial de Servicios e Inv. Ltda.	79.553.600-0	269,958,145	13.23	13.23
Inmobiliaria Villuco Ltda.	79.652.720-K	197,381,156	9.67	22.91
Inversiones Matyco Ltda.	96.512.100-5	188,804,392	9.25	32.16
Inversiones Hidroeléctricas Ltda.	79.884.660-4	166,089,085	8.14	40.30
Inversiones Hemaco Ltda.	96.647.170-0	131,414,487	6.44	46.74
Inversiones Llascahue Ltda.	79.884.060-6	80,575,227	3.95	50.69
Inmobiliaria CAB S.A.	96.941.680-8	78,342,585	3.84	54.53
Inversiones Los Cactus Ltda.	79.884.050-9	66,470,099	3.26	57.79
Cía. de Inversiones Río Bueno S.A.	96.519.130-5	55,271,297	2.71	60.50
Inversiones Círculo Financiero S.A.	87.019.500-1	49,095,526	2.41	62.90
Inversiones San Ignacio Ltda.	78.063.360-3	39,245,820	1.92	64.83
Inversiones Los Chilcos Ltda.	79.884.030-4	31,771,277	1.56	66.38

#### DIVIDEND POLICY

It is the board's intention to propose to the ordinary shareholders' meeting to maintain the current dividend policy, approved at the corresponding meeting in 2004 as the permanent policy of Grupo Security S.A. This is to distribute about 50% of the income that the company receives from its subsidiaries during the year. This distribution could be made against the income for 2005 or retained earnings from previous years. The payment will be split between an interim and a final dividend.

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 for 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 prevent or make difficult compliance with the Company's present or future financial obligations.

### EARNINGS AND DIVIDENDS PAID

(millions of US\$ as of December 2005)

Source: Grupo Security

	2000	2001	2002	2003	2004	2005
Retained Earnings	28.9	40.04	48.70	50.96	62.88	74.12
Net income for the year	21.38	19.08	15.37	29.24	31.35	39.43
Dividends paid during the year	11.03	9.99	9.70	14.06	14.08	20.10

### 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.

### EARNINGS AND DIVIDENDS PAID

Source: Grupo Security

DIV. N°	DATE	Ch\$ PER SHARE	AMOUNT (US\$ MILLIONS)	DIV. N°	DATE	Ch\$ PER SHARE	AMOUNT (US\$ MILLIONS)
1	March 3, 1995	1,766	7.12	15	October 23, 2001	0,400	0.93
2	May 9, 1996	1,571	6.40	16	October 23, 2001	0,600	1.40
3	May 8, 1997	2,000	7.9	17	May 7, 2002	2,200	5.57
4	November 20, 1997	1,000	3.89	18	October 17, 2002	0,330	0.74
5	May 11, 1998	1,500	5.47	19	October 17, 2002	0,270	0.60
6	October 14, 1998	4,500	16.06	20	May 5, 2003	2,600	6.11
7	October 14, 1998	1,000	3.57	21	October 16, 2003	0,742	1.90
8	April 12, 1999	2,000	6.86	22	October 16, 2003	0,758	1.94
9	October 20, 1999	1,000	3.08	23	May 7, 2004	3,150	8.20
10	October 20, 1999	0,500	1.54	24	October 7, 2004	1,000	2.88
11	April 17, 2000	2,750	8.96	25	October 7, 2004	0,500	1.44
12	October 27, 2000	0,250	0.73	26	April, 2005	3,300	11.60
13	October 27, 2000	1,000	2.91	27	October, 2005	1,000	3.81
14	April 30, 2001	2,000	5.53	28	October, 2005	0,750	2.86



## PERSONNEL OF GRUPO SECURITY AND REMUNERATIONS

Grupo Security S.A. and its subsidiaries employ 1,691 people at December 31, 2005. The following table shows their distribution by company:

### PERSONNEL OF GRUPO SECURITY AND SUBSIDIARIES

GROUP COMPANIES	EXECUTIVES	PROFESSIONALS	STAFF	TOTAL
Grupo Security	6	2	3	11
Banco Security and subsidiaries	38	201	202	441
Factoring Security	7	22	62	91
Inmobiliaria Security	2	4	4	10
Asesorías Security and subsidiaries	3	9	3	15
Invest Security	11	80	260	351
Inversiones Seguros Security and subsidiaries	22	80	670	772
TOTAL Grupo Security and subsidiaries	89	398	1,204	1,691

The active participation of women in Security's companies is notable, accounting for 56.2% of the total. The total remuneration received by executives of Grupo Security during the year was US\$995,426.

Grupo Security made no severance payments during 2005 to its

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

## DIRECTORS' COMMITTEE

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

### DIRECTORS' COMMITTEE

Directors	Andrés Concha Rodríguez	Commercial Engineer, Universidad de Chile	Tax No.: 4.773.967-5
	Jorge Marín Correa	Business Manager	Tax No.: 7.639.707-4
	Álvaro Vial Gaete	Commercial Engineer, Universidad de Chile	
		Master of Arts in Economics, University of Chicago	Tax No.: 5.759.348-2
Secretary	Renato Peñafiel Muñoz	Commercial Engineer, Universidad Católica de Chile	
		Master of Arts in Economics, University of Chicago	Tax No.: 6.350.390-8

The remuneration was set at the equivalent of UTM 8.5 <sup>(\*)</sup> per meeting for each director, with a limit of six meetings in the year. No administration expenses or advisory fees were incurred by the Directors' Committee.

The committee, whose functions are those set out in law, revised the following matters:

- Revision of the report of the independent accountants addressed to the shareholders of Grupo Security and its subsidiaries as at December 31, 2004.
- Proposal of the external auditors and credit rating agencies to the board.
- Revision of the annual internal audit plan and its principal scope and focus.
- Revision of the annual report on the progress of inspections by the external auditors, for the preparation of the report of the independent accountants of Grupo Security and its subsidiaries at December 31, 2005.
- Revision of compliance with the internal audit targets for 2005, and its principal findings in the different lines of business and companies of Grupo Security.
- Revision of the compensation and incentive programs for managers and senior executives of Grupo Security.
- Revision in detail of transactions between related and associated companies of Grupo Security.

Regarding this last point, the Directors' Committee has revised the principal transactions with persons and companies during 2005, being mainly advisory services and trading accounts with related companies. The Committee took due note of these transactions and that the related contracts have been agreed at market prices and that they are generally related to the normal course of business, agreed services and trading accounts. The Committee also checked that the transactions are not related by ownership to any director or authorized signatory, all in strict compliance with current legislation. For further details, please see Note 6 of the consolidated financial statements.

#### DIRECTORS' ALLOWANCES AND FEES

Regarding the allowances and fees received by each director during the year, the ordinary shareholders' meeting held in April 2005 agreed to set as the directors' remuneration an allowance for attending board meetings for the year 2005 of UTM 20 per meeting for each director and UTM 29 for the chairman, with a maximum of one remunerated meeting per month. The total of allowances and fees paid to directors during the year amounted to UTM 16,663. No advisory fees were incurred by the board.

#### ALLOWANCES AND FEES 2005

(UTM at December 31, 2005)

NAME	TAX N°	MEETINGS	GRUPO SECURITY		BANCO SECURITY		SEGUROS VIDA SECURITY	SEGUROS GENERALES PENTA SECURITY	INMOBILIARIA SECURITY
			DIRECTORS' C'TEE	FEES	MEETINGS	FEES	MEETINGS	MEETINGS	SALARY
1 FRANCISCO SILVA SILVA	4.103.061-5	306,39	0,00	0,00	338,57	6.235,31	136,47	180,44	0,00
2 CLAUDIO BERT CRAMER	4.775.620-0	195,18	0,00	0,00	0,00	485,58	0,00	0,00	0,00
3 ANDRÉS CONCHA RODRÍGUEZ	4.773.967-5	136,59	24,67	291,25	0,00	0,00	0,00	0,00	0,00
4 JAIME CORREA HOGG	5.892.161-0	214,47	0,00	0,00	0,00	0,00	0,00	0,00	4.395,00
5 JORGE MARÍN CORREA	7.639.707-4	214,47	25,21	0,00	338,57	334,94	0,00	0,00	0,00
6 NAOSHI MATSUMOTO TAKAHASHI	3.805.153-9	195,18	24,57	0,00	0,00	466,12	0,00	0,00	0,00
7 JUAN CRISTÓBAL PAVEZ RECART	9.901.478-4	195,30	0,00	291,25	0,00	0,00	170,68	0,00	0,00
8 HORACIO PAVEZ GARCÍA	3.899.021-7	195,30	0,00	0,00	0,00	465,90	119,34	0,00	0,00
9 ÁLVARO VIAL GAETE	5.759.348-2	174,89	49,77	291,25	0,00	0,00	153,27	0,00	0,00
TOTALES		1.827,77	124,22	873,75	677,14	7.987,85	579,76	180,44	4.395,00

(\*) UTM = US\$61.60 at December 31, 2005.

## ALLOWANCES AND FEES 2004

(UTM at December 31, 2005)

	NAME	TAX N°	GRUPO SECURITY			BANCO SECURITY		SEGUROS VIDA SECURITY	SEGUROS GENERALES PENTA SECURITY	INMOBILIARIA SECURITY
			MEETINGS	DIRECTORS' CTEE	FEES	MEETINGS	FEES	MEETINGS	MEETINGS	SALARY
1	FRANCISCO SILVA SILVA	4.103.061-5	309.6	0.0	0.0	341.8	7,157.9	172,3	85,5	0,0
2	CLAUDIO BERNDT CRAMER	4.775.620-0	197.3	0.0	0.0	0.0	363.3	0,0	0,0	0,0
3	ANDRÉS CONCHA RODRÍGUEZ	4.773.967-5	157.7	8.3	225.3	0.0	0.0	0,0	0,0	0,0
4	JAIME CORREA HOGG	5.892.161-0	216.7	0.0	0.0	0.0	0.0	0,0	0,0	4.195,5
5	JORGE MARÍN CORREA	7.639.707-4	216.7	0.0	0.0	341.8	300.4	0,0	0,0	0,0
6	NAOSHI MATSUMOTO TAKAHASHI	3.805.153-9	177.1	8.3	0.0	0.0	441.7	0,0	0,0	0,0
7	JUAN CRISTÓBAL PAVEZ RECART	9.901.478-4	216.7	0.0	225.3	0.0	0.0	189,8	0,0	0,0
8	HORACIO PAVEZ GARCÍA	3.899.021-7	216.7	0.0	0.0	0.0	441.7	0,0	0,0	0,0
9	ÁLVARO VIAL GAETE	5.759.348-2	216.7	8.3	225.3	0.0	0.0	189,8	0,0	0,0
	TOTAL		1,925.4	25.0	675.8	683.6	8,705.0	551,9	85,5	4.195,5

## CREDIT RATINGS

The shares of Grupo Security S.A. at December 31, 2005 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 RATING AGENCY	COMMON SHARES	BONDS NO.340, SERIES B & BONDS NO.376, SERIES C	OUTLOOK
Fitch Chile Clasificadora de Riesgo Limitada	First Class, Level 3	A+	Stable
Feller & Rate Clasificadora de Riesgo	First Class, Level 3	A	Positive
Credit Rating Commission	Approved	A	

## ACTIVITIES AND RESULTS OF THE BUSINESS AREAS

### FINANCING

Grupo Security provides finance for companies and individuals through its companies Banco Security and Factoring Security.

Total loans of Grupo Security's different financing businesses, whether bank loans, leasing or factoring, amounted to US\$2,828 million at December 2005.

### Banking industry

The number of institutions comprising the Chilean banking industry has steadily reduced from the 36 entities that existed in 1990. This reflects the search for economies of scale in order to achieve higher levels of efficiency and competitiveness.

Chile's banking industry today comprises 26 financial institutions of which 20 are Chilean-domiciled banks (six controlled by foreign shareholders and one state-owned) and 6 foreign bank branches.

Total bank loans at December 2005 were US\$87,479 million while the aggregate net income for the year was US\$1,517 million, representing real growth of 14.2%. This is the highest industry growth rate since 1995. The return on capital and reserves was 17.9%.

The five largest private-sector banks concentrate approximately 67.4% of the sector's loans at December 2005 and the two banks that resulted from the mergers of Bancos de Chile-Edwards, and Santander-Santiago, concentrated close to 40.7% of total loans.

Loans have grown consistently as compared to the country's economic growth, with average annual growth of 8% over the period 1990-2005. The increase in loans has been driven mainly by loans to persons (consumer and mortgage loans) which have expanded by more than 18% over the last 12 months. Loans to companies, on the other hand, representing close to 67% of total loans, grew by 12.5%.

E F F I C I E N C Y

The dynamism of the banking sector, greater than national economic growth, has been accompanied by a constant improvement in the quality of the loan portfolio. This is the result of the sophistication achieved by loan classification models and the country's greater macroeconomic stability.

A characteristic of this sustained growth with controlled risk has been the attractive returns produced by the banking industry over the period 1990 - 2005 when the system showed an average return on capital and reserves of 16.1% and approximately 1.2% on total assets. This performance is explained by a 13.0% reduction in real terms in loan losses and an increase in net operating income which reached US\$1.660 million, a real increase of 20.7% over the previous year.

The development of alternative or complementary sources of income, rationalization of costs and improvements in productivity, have also been important to the industry's results in recent years. An example of this is efficiency (operating costs to gross margin) which has improved from 64.2% in 1995 to 52.4% at December 2005; and productivity (net loans per employee) that has increased from US\$0.71million in 1990 to an estimated US\$2.15 million in 2005.

Fundamental to this has been strong technological innovation and greater accessibility, which has enabled the system to improve its efficiency and productivity, and also to match services to its transaction costs. The quality and variety of the services provided to customers has therefore become an important part of banks' strategies for competing in the different segments.

The industry has strong growth potential because of the low extent of banking penetration within the country. This penetration refers to the process by which the poorer sectors of the population have access to the means of payment, i.e. making deposits in accounts, drawings or transfers, the use of

credit and debit cards, checks and loans of different kinds. At December 2004, the Chilean workforce was made up of close to 7 million people but only 2.6 million had credit cards (as card-holders and additional cards) and only 1.6 million had checking accounts.

This shows the low level of penetration, especially taking into account that whereas Chile has 0.1 checking accounts per person, Mexico and Brazil have 0.28 and 0.45 accounts per person respectively. And with respect to credit and debit cards, there are 380 per thousand people in Chile while the figure is almost double that in Argentina and is 800 in Brazil.

In view of this situation, the Chilean Association of Banks and Financial Institutions created a banking penetration committee in 2005 whose principal objective is to be the industry's spokesman with respect to the authorities in debating bills relating to this subject, like the Capital Markets Reform II bill.

#### BANCO SECURITY

In an industry characterized by its rapid concentration which has resulted in its being dominated by a few large banks, Banco Security stands out as being of medium size and operating in a clearly-defined niche, with controlled risk levels, high productivity and good technological support.

Banco Security's strategy consists of attending the markets for large and medium-sized companies and high-income individuals. The wide range of financial products and services the Bank offers is marked by strong customer orientation, providing a personalized, integral, flexible and prompt service.

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

### Corporate Banking

The Corporate Banking Division is the most traditional area of Banco Security, defining the essence of the niche to which it prefers to direct its business. This represents approximately 79% of the Bank's loans and 56% of operating revenues.

The Division comprises the following groups:

- **Corporate Banking and Branches:** specializes in the market for companies whose annual sales exceed US\$29.3 million and which require specialized financial solutions. This management is also responsible for attending regional customers through the Bank's four branches, in Antofagasta, Concepción, Temuco and Puerto Montt.
- **Multinational Companies and Foreign Trade:** manages a large part of the portfolio of European and multinational companies that were customers of Dresdner Bank, taking advantage of the experience and skills of that bank's commercial platform to provide them with solutions to their financial needs with the standard of service that characterizes Banco Security.
- **Middle Market and Real Estate Management:** attends the financial needs of middle/large-sized companies having annual sales of between US\$2.9 million and US\$29.3 million. This market is one of the segments with greatest growth potential, so the bank's strategy has been to offer the best service in the market in order to attract new customers and intensify relationships with each of them.

### Retail Banking

The Retail Banking Division is oriented to high-income and professional customers, currently concentrating close to 18.2% of the bank's total loans and approximately 20% of its revenue. The area is structured as follows:

- **Preferential Banking and Private Banking:** specializing in high-income customers who demand an optimum quality of service.
- **Mortgage Business:** concentrated on attracting and attending high-income customers who require mortgage finance.

### Investment Banking

The Investment Banking Division is responsible for operating in both the Chilean and international markets, complementing the service provided by the other commercial areas. This area makes a significant contribution to results, reaching around 22% of the bank's operating revenues in 2005. It comprises:

- **Money Desk:** operates actively in the trading of currencies and financial instruments in the Chilean and international markets and manages the bank's exposures to currencies, maturities and interest rates.
- **International Management:** dedicated to exploring the external financial markets to seek financing for foreign trade in which Banco Security significantly increased its market share following the merger with Dresdner Bank.



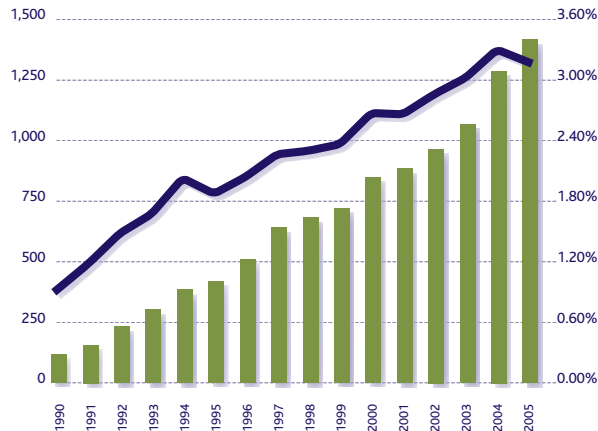
## Loans

The total loans of Banco Security amounted to US\$2,642 million at December 2005, showing real growth of 10% over 2004. This enabled it to consolidate its eighth position in the market in terms of loans, with a share of 3.02%. The composition of the portfolio included 25.5% and 24.5% real increases in contingent and consumer loans respectively.

### LOANS AND MARKET SHARE

Billions of pesos of Dec-05

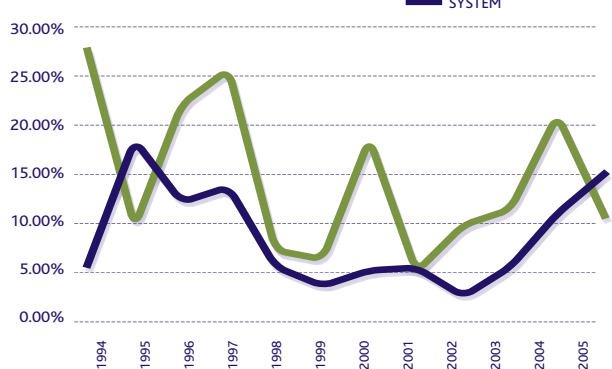
Source: SBIF



### REAL GROWTH IN LOANS

%

Source: SBIF



## Results Banco Security

The consolidated net income of Banco Security and its subsidiaries was US\$39.1 million in 2005, representing a return of 15.4% on capital and reserves.

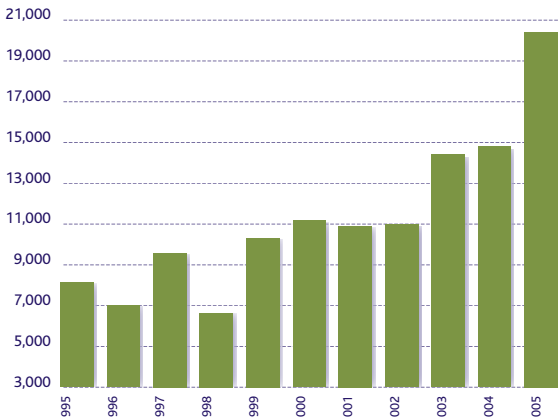
This was the result of the good performance of Investment Banking, efforts made in terms of growth and profitability in Corporate Banking, the favorable development of the Retail Banking business and the important contribution of US\$7.6 million made by the subsidiaries.

## NET INCOME AND PROFITABILITY BANCO SECURITY

### NET INCOME

Millions of Ch\$ of Dec-05

Source: Banco Security



### ROE

Millions of Ch\$ of Dec-05





### Risk indicators

One of the principal strengths of Banco Security is the quality of its customer loan portfolio. Loan growth was achieved under strict credit risk control in all the commercial units, enabling the overdue loans to total loans ratio to reduce from 0.77% in December 2004 to 0.65% at the end of 2005, while allowances for loan losses fell from 1.56% to 1.44% over the same period.

Both ratios compare favorably with industry averages which were 0.91% and 1.61% respectively. The bank therefore maintained its position as one of the institutions with lowest risk in the system. With respect to operating costs, the bank has made strenuous efforts to improve its efficiency and productivity in order to maintain its competitiveness with respect to larger entities which benefit from important economies of scale.

The bank maintained a better efficiency ratio in 2005 than the average for the industry (51.7% v 52.4%). This is quite an achievement when considering also that the four largest banks, representing 66.3% of the industry's lending, have an average efficiency of 48.1%.

Banco Security has also maintained its first place in the industry in terms of productivity, with loans of US\$6.95 million per employee in 2005, while the system produced an estimated level of US\$2.15 million per employee. This efficiency has been reinforced by the technological synergies produced as a Group through the subsidiary Virtual Security.

The bank also has a comfortable position in terms of solvency, measured by the Basle Ratio (effective equity to risk-weighted assets). This was 11.2% (12.3% at December 2004), a positive level compared to the 10% required under current local regulations for qualifying as a top-level bank.

As in previous years, the subsidiaries of Banco Security (Valores Security Corredores de Bolsa and Administradora General de Fondos Security) made important contributions to the bank's activities and results. This despite suffering a relapse in their results compared to 2004, passing from US\$11.8 million to US\$7.6 million in 2005.

In the case of Valores Security Corredores de Bolsa, the reduced result was due to the impact of the rise in medium and long-term interest rates on the valuation of the investment portfolio, while Administradora General de Fondos Security was affected by investors' reactions to that rise. Income from investments in companies therefore showed a decline in its contribution to the bank's total net income, from 41.5% in 2004 to 19.3% in 2005.

### FACTORING SECURITY S.A.

Factoring Security began operating in December 1992, being one of the pioneers in the Chilean factoring business. Since then, the considerable progress made by the company has begun to show results, currently being placed as one of the leading companies in the market. At December 2005, the gross financing assets of Factoring Security amounted to US\$185.9 million. According to figures of the Chilean Factoring Association (ACHEF) at September 2005, the company was placed fifth in the market, with a share of 9.5%.

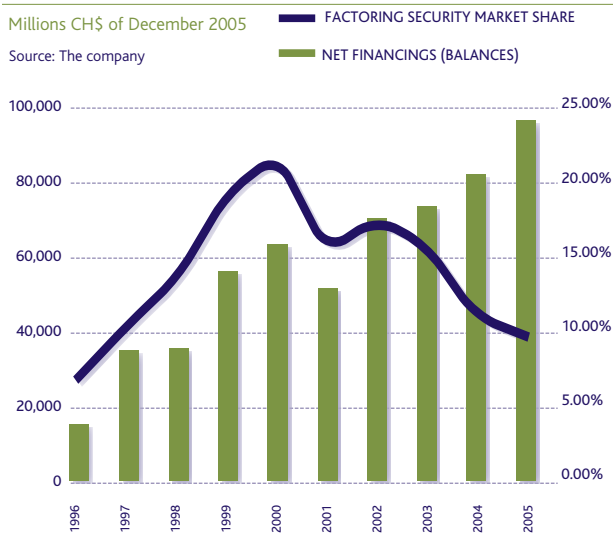
### Financings, Market Share and Profits of Factoring Security

Factoring Security has a diversified financing portfolio. The most important activities in 2005 were related to financing arranged for wholesale and retail traders, with a little more than half of the documents acquired being invoices.

## FINANCINGS AND MARKET SHARE OF FACTORING SECURITY

Millions CH\$ of December 2005

Source: The company



The net income of Factoring Security has recovered strongly since 2002, reaching US\$6.06 million in 2005, 22.3% more than in 2004. It also produced a return on capital and reserves of 23.8% while its allowances for financing losses amounted to US\$5.09 million, representing 2.7% of the company's total financings.

Factoring Security is currently in the middle of a three-year expansion plan. In this context, a capital increase of US\$19.1 million was made in June which included US\$1.85 million of capitalization of the capital restatement reserve and the balance in new paid-up shares.

## INVESTMENTS

Grupo Security participates in the investment and fund management business through Administradora General de Fondos Security, security broking and trading through Valores Security Corredores de Bolsa, and individual asset management through Asesorías Security.

## ADMINISTRADORA GENERAL DE FONDOS SECURITY

The mutual funds business showed dynamic growth during the first three quarters of 2005 before contracting in the last quarter as a result of the rise in long-term interest rates and a reduced return on equities in that quarter.

Preliminary information indicates that average total assets managed at December 2005 were US\$13,955 million which, in real terms, represents a 1.3% decline over twelve months. However, the number of participants was 655,463, an annual increase of 17% with the addition of something more than 98 thousand new participants.

Administradora General de Fondos Security was created as a subsidiary of Banco Security in May 1992. It has since shown sustained growth and added new funds to its management portfolio. In September 2003, it broadened its business and changed its name from Administradora de Fondos Mutuos Security S.A. to Administradora General de Fondos Security S.A. At December 2005, the company was managing 16 mutual funds and had a total of 15,569 participants, representing 2.4% of the whole system. Administradora General de Fondos Security produced a net income of US\$3.18 million in 2005, 4.1% below the level of 2004 in real terms. This was basically due to the impact of the rise in medium and long-term interest rates which affected the whole industry during the last quarter of the year. The funds and their respective managed assets at December 31, 2005 were as follows:

- Security Check: investment fund in short-term debt instruments for individuals and entities, with maturities not exceeding 90 days, with Series A and I, and assets at December 31, 2005 of US\$85.6 million.
- Security First: investment fund in medium and long-term debt instruments, with Series A and I, and assets of US\$40.1 million at the end of 2005.

- Security Acciones: investment fund in Chilean equities, with Series A, B, C and I, having assets at December 31, 2005 of US\$56.1 million.
- Security Premium: investment fund in short-term debt instruments with maturities of not exceeding 365 days, with Series A, B and I, and having managed assets at December 31, 2005 of US\$7.4 million.
- Security Global Investment: mixed fund that invests in international equities, with Series A, B and I, having assets at December 31, 2005 of US\$3.5 million.
- Security Gold: investment fund in medium and long-term securities for individuals and entities, with Series A, B and I, having assets at December 31, 2005 of US\$67.5 million.
- Security Explorer: mixed fund that invests in international equities, with Series A, B and I, having assets at December 31, 2005 of US\$1.3 million.
- Security Dólar Bond: mixed fund in US dollars that invests in international debt instruments, with Series A, B and I, having assets at December 31, 2005 of US\$19.6 million.
- Security Plus: investment fund in short-term debt instruments for individuals and entities, with maturities not exceeding 90 days and in Series A and C, having assets at December 31, 2005 of US\$183.8 million.
- Security Value: investment fund in medium and long-term debt instruments of the one series, having assets at December 31, 2005 of US\$7.5 million.
- Security Euro Bond: mixed fund in euros investing in international fixed-income instruments, Series A, B and I, having assets at December 31, 2005 of US\$0.66 million.

- Security Trade: investment fund that can freely invest in Chilean or international variable or fixed-income securities, with Series A and I, having assets at December 31, 2005 of US\$21.637 million.
- Security Emerging Market: mixed US dollar fund investing mainly in emerging market equities, with Series A, B and I, having assets at December 31, 2005 of US\$8.7 million.
- Security Opportunity 100 Garantizado: guaranteed structured fund with one series, having assets at December 31, 2005 of US\$15.231 million.
- Security Dólar Money Market: investment fund in short-term US dollar debt instruments with maturities of maximum 90 days, of the one series, having assets at December 31, 2005 of US\$21.7 million.
- Security Leader 100 Garantizado: guaranteed structured fund with one series, having assets at December 31, 2005 of US\$11.9 million.

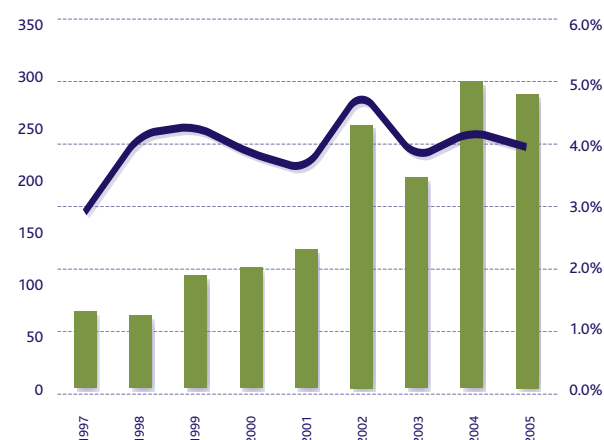
#### ASSETS MANAGED AND MARKET SHARE OF FONDOS MUTUOS SECURITY<sup>(1)</sup>

Billions of pesos of Dec-05

Source: Grupo Security & AAFM

MARKET SHARE

ADM. GRAL DE FONDOS SECURITY



(1) Figures include redemptions.

**MUTUAL FUND ASSETS**

(Billions of pesos at Dec. 31 each year)

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Industry	2,007.1	1,372.5	2,110.8	2,638.8	3,364.2	4,829.1	5,069.4	6,995.9	7,152.0
Adm.Gral de Fondos Security	57.5	57.1	90.7	101.4	120.1	235.2	190.6	295.5	282.0
Market share	2.9%	4.2%	4.3%	3.8%	3.6%	4.9%	3.8%	4.2%	3.9%

The company's strategy is based on providing attractive returns on the different funds that it manages, with a moderate level of risk, and directing its sales force to companies and, in particular, to high-income persons.

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

Valores Security S.A. Corredores de Bolsa produced a net income of US\$4.4 million in 2005, a fall of 51.8% in real terms compared to the year before and representing a return on capital and reserves of 15.1%. This is mainly explained by the strong impact of the rise in medium and long-term interest rates on the valuation of the company's investment portfolio.

Valores Security organizes its business through two areas: fixed income and equities. The first mainly involves the management of own positions, securities trading, foreign exchange trading and dollar forward contracts. Equities trading corresponds basically to the company's original business of stockbroking.

During 2005, stock market activity grew strongly with volumes traded rising by 45%. Valores Security increased its volumes traded by 38%, exceeding US\$1,170 million and occupying 13th place among the 38 brokers operating in the domestic market. Its average market share increased from 1.52% in 2004 to 2.07% in 2005, including transactions on both the Santiago Stock Exchange and the Chilean Electronic Exchange.

#### ASESORÍAS SECURITY S.A.

The result of Asesorías Security S.A. for 2005 was a loss of US\$0.18 million.

#### SECURITIZADORA SECURITY S.A.

Securitizadora Security S.A. was created in 1997 as a subsidiary of Asesorías Security in order to securitize different assets and debt instruments in general. In an industry that has shown dynamic growth and is noted for being highly competitive, the company achieved a market share at December 2005 of 9.5% in terms of mortgage debt issued, occupying sixth place out of ten active securitization firms. At the same time, the company shared first place in terms of the number of separated assets, with a share of 18%.

It is important to note that, as from 2005, the company is called Securitizadora Security GMAC-RFC S.A. This name change reflects the successful entry of GMAC, subsidiary of the giant General Motors, to take a 49% shareholding in the company, with Grupo Security retaining a 51% holding. This change will strengthen the company's equity and its capacity to do business in Chile's mortgage securitization market.

The result of Securitizadora Security at December 2005 was a loss of US\$0.29 million.

## INSURANCE

### Insurance Industry

The Chilean insurance industry consists of two main branches, life and non-life, which are differentiated by the regulations covering industry participants and the kind of products they offer. Both branches have shown a high degree of concentration in recent years. At the same time, in the case of life insurance, there has been a considerable increase in the number of companies in the market.

The mergers and acquisitions included the purchase of Compañía de Seguros Generales Cruz del Sur by Royal & SunAlliance and the transfer of the non-life insurance business of ABN Amro to Aseguradora Magallanes and of its life business to Euroamérica.

At December 2005, there were 29 life companies and 22 non-life insurance companies. At the same time, the ten largest life and non-life insurance companies accounted for 72% and 89% of total direct premiums respectively.

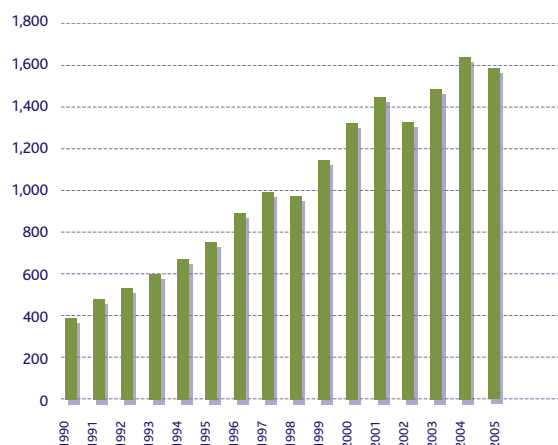
Both insurance branches have shown growth in their direct premium income since 1990. In the case of the life companies, sector premium income rose by an annual average of 9.8% in real terms between 1990 and 2005, to reach US\$3,057 million. Non-life insurance company sales have shown strong growth following the fall experienced in the second half of the 1990s, especially in recent years. During the period 1990-2005, the non-life insurance industry saw real average annual growth of 7.4%, reaching US\$1,485 million by the end of 2005.

## DIRECT PREMIUMS

### LIFE INSURANCE MARKET

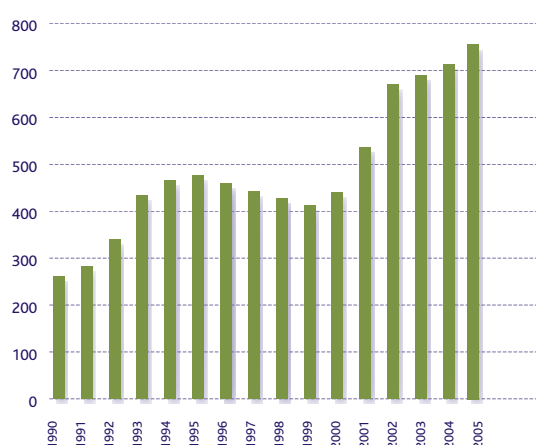
Billions of Ch\$ of Dec-05

Source: AACH & SVS



### GENERAL INSURANCE MARKET

Billions of Ch\$ of Dec-05



Life insurance direct premiums showed a slight fall in 2002, then recovering to growth levels over the last three years. The most important segment of life insurance direct premiums is annuities which represented 48% of the total at December 2005. Although they continue to be the most relevant segment of life insurance, they have shown a progressive drop in their share since the second half of the 1990s when they represented close to 70% of the total.

Traditional life insurance, composed mainly of individual and group insurance, has become a new source of sector growth. At December 2005, this business represented 40% of total life insurance premiums, against 18% in 1991. This has allowed companies to specialize in products that still showed a low level of market penetration and which, without being so intensive in capital requirements like annuities, have a high level of standardization and strong development potential linked to their distribution through mass channels like banks and retail chains.

Direct premiums in 2005 in the insurance market showed a slight decline of 0.5% compared to the year before following a 3.8% fall in life insurance sales due to the sharp fall in the annuity business.

The non-life insurance market, on the other hand, was quite concentrated as just two segments represented 58.5% of the market. The most important segment was fire and its additional, including earthquake and risks of nature, which in total make up 33.0% of the market. This type of product has an important reinsurance component in its pricing and so has been affected by rising reinsurance costs deriving from the Twin Towers attacks of September 2001 in the United States. The second segment in importance is vehicle insurance, with a 25.5% share.

In terms of profitability, life and non-life insurance companies show very different realities. The results of the former are heavily affected by returns on the instruments making up their investment portfolios and the characteristics of their pensions

business. The average return on their investments in 2005 was 5.6%, lower than the 7.2% recorded in 2004, and their return on equity was 9.1%, down from 12.8% in 2004. This decline in profitability, despite the good equities performance, is largely explained by low interest rates as the major component of their investments is fixed-income.

On the other hand, the profitability of non-life companies is related to the cost of reinsurance and the characteristics of an operation with more standardized products, relevant being efficiency in operating costs and handling of claims. Profitability, measured as net income to equity, was 5.3% in 2005 and the return on investments was 2.8%.

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

At December 2005, Vida Security occupied 16th place in terms of direct traditional insurance premiums, with a 2.1% market share. Special mention should be made of the company's share in the Voluntary Pension Savings (APV) scheme, in which it has increased its participation from 5.5% in 2003 to 8.3% in 2004 and 11.3% in 2005, now occupying fourth place among life insurance companies.

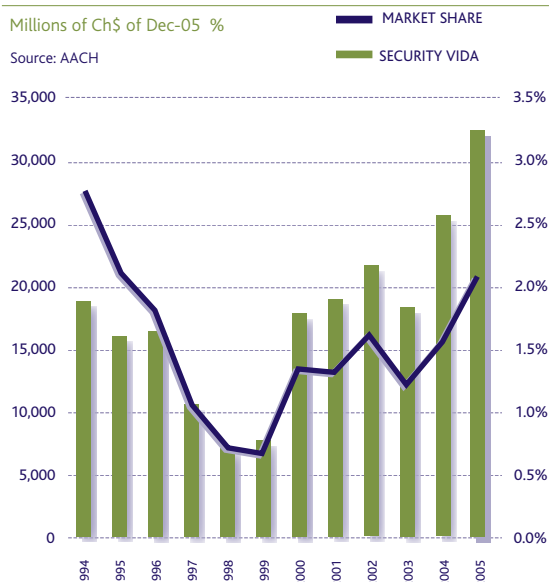
Vida Security participates actively in the traditional insurance business and although it has an annuities portfolio, its policy has only considered this business to the degree that it enables it to provide a better service to customers. Its principal products are group and individual mortgage protection, individual family protection and group and individual life. Of these, its family protection insurance represents a stable cash flow for the company, associated with a wide and diversified customer base

During 2005, Vida Security produced a net income of US\$2.6 million, with a 28.8% growth in direct premium compared to 2004. Direct premium for 2005 was US\$64.03 million.

**DIRECT PREMIUM VIDA SECURITY**

Millions of Ch\$ of Dec-05 %

Source: AACH



One of the important elements that determine the company's results is the return on investments; this reached US\$8.35 million in 2005, representing a real annual return of 7.0%.

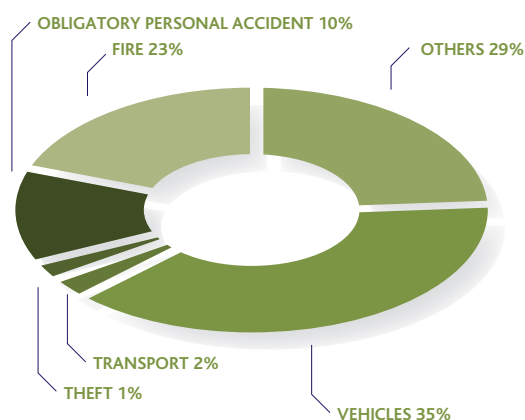
#### COMPAÑÍA DE SEGUROS GENERALES PENTA SECURITY S.A. (PENTA SECURITY)

The merger was completed during 2004 of Compañía de Seguros Generales Las Américas S.A. with Seguros Security Previsión Generales S.A., companies which at the end of 2003 occupied 7th and 13th places in the industry, with placements of US\$79.9 million and US\$33.9 respectively. At the end of 2004, the new company Penta Security S.A. already occupied fourth place in the market, measured by direct premiums, with US\$129.3 million and a share of 9.6%.

The most important business lines of Penta Security were unchanged following the merger, being motor vehicles, fire and obligatory personal accident insurance.

**BUSINESSES OF PENTA SECURITY**

Source: AACH



The direct premium of Penta Security in 2004 was US\$129.3 million, whereas it reached US\$142.7 million in 2005.

2005 was a very positive year for Penta Security as it produced a net income of US\$4.3 million, which compares very favorably with the situation of the two companies the year before, prior to the merger, explained by the cost savings that resulted.

#### CORREDORA DE SEGUROS SECURITY LIMITADA

Created in late 1999, this company began to operate in January 2000 and has since experienced strong growth. In 2005, it continued with its commercial restructuring begun the year before in order to consolidate the broker as an efficient commercial insurance channel for the group in the medium term, which resulted in a loss of US\$0.82 million.

Grupo Security has developed important commercial alliances to support this area. In 2004, it signed a strategic alliance with the reinsurance broker Cooper Gay, one of the ten largest reinsurance brokers in the world, in line with Grupo

Security's strategy to strengthen its position in the brokering market. Grupo Security now has 49% of the reinsurance broker Cooper Gay Chile. Grupo Security also reached an agreement with Europ Assistance, the second travel, vehicle and home assistance company in the world, to form Europ Assistance Chile.

## SERVICES

The business lines of Grupo Security in this sector include activities dedicated to the real estate business, travel and tourist agency and other services oriented particularly to provide complementary support for Grupo Security companies. Invest Security for example has been providing a series of services such as accounting, auditing and corporate culture development since 2001, while Virtual Security provides the technological development and support required by all the companies of Grupo Security.

## INMOBILIARIA SECURITY S.A.

The company was created in December 1995 as a subsidiary of Grupo Security to complement the activities of Banco Security and to participate in financial aspects of the real estate sector. Its commercial strategy points to the development of its own projects or through associations with other parties as investors who require real estate management.

It provides all kinds of real estate services including project management, property brokerage, works progress statements, technical inspections, appraisals and asset management in general, both for third parties and the different companies of Grupo Security. This area is an important source of mortgage loan business for Banco Security.

In 2005, the company generated a net income of US\$0.72 million and reported shareholders'equity of US\$4.57 million. The principal projects carried out during the year include the El Vergel building in Providencia, which produced profits of US\$ 0.94 million and an IRR of 25%. It has also acquired land for new projects amounting to US\$10.5 million.

## TRAVEL SECURITY S.A.

This company was added to Grupo Security in mid 1999 to expand the services offered to customers of Banco Security. Travel Security today offers a wide variety of air, land, hotel, travel insurance, congress, etc. products, to corporate and individual clients, mainly in the high-income groups who seek a top-level service. The company in 2005 achieved sales of US\$ 65.5 million and a net income of US\$1 million, representing growths of 31% and 23.4% respectively over the previous year.

Travel Security has consolidated its position as one of the country's top three travel agencies with an accumulated market share, international and domestic, of 8.7% at December 2005.

## TRAVEL SECURITY SALES IN THUSD

Source: Grupo Security





## INVEST SECURITY

This company was created toward the end of 2001 to provide support services in accounting, corporate culture and audit work for the subsidiaries of Grupo Security. Invest Security is non-profit making but it optimizes the use of professional services, standardizing and raising the quality of support services and achieving a significant reduction in their related costs. It has permitted improvements in the companies' efficiency standards and generates economies of scale, providing an integral advisory and support service to the Group's subsidiaries.

In terms of corporate culture, it has reinforced the human resources area in Group companies and generated the conditions for Banco Security, Factoring Security and Vida Security to be chosen in 2005 as among the 25 best companies to work for in Chile by The Great Place to Work Institute. Banco Security was also awarded the prize of "The Best Company for Working Women" by Fundación Chile Unido and El Mercurio's Ya magazine.

Inversiones Invest Security Ltda. and subsidiaries produced a net income of US\$0.13 million in 2005.

## VIRTUAL SECURITY

Virtual Security was created in early 2002 out of Banco Security's Development and Information Technology Management in order to be the central point for information technology services for the exclusive benefit of Grupo Security and its subsidiaries. It provides the following services:

- Software development, integration and maintenance
- Technological platform operation
- Data center operation
- User assistance and support desk
- PC services and communications
- Platform administrator
- Consultations
- Procurement management of technological assets
- Training

Virtual Security seeks to provide the best level of service at a cost below that of the market, in order to help improve end-customer satisfaction for each company and for the employees working in them.

## PROPERTIES AND EQUIPMENT OF 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 at December 31, 2005 total US\$7.18 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 AND FINANCING POLICIES

### INVESTMENT POLICY

The bylaws of Grupo Security do not define any kind of investment policy, but its strategy has been mainly focused on investments in the financial sector or in areas complementing this.

### FINANCING POLICY

Grupo Security does not currently define any kind of financing policy in its bylaws. Its resources come mainly from own resources, capital contributions, bond issues 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.

- Debt level: defined as the ratio of debt (account 5.21.00.00 plus account 5.22.00.00 of the FECU (financial statements)) to shareholders' equity (account 5.23.00.00 plus account 5.24.00.00 of the FECU) according to the unconsolidated balance sheet, should not exceed 0.40 times with effect from the balance sheet at September 30, 2003. For determining the level of debt, liabilities include all guarantees or collateral granted to cover the obligations of third parties, even if these are subsidiaries.
- Ownership of Banco Security: the Company should retain control of Banco Security. For these purposes, the term "controller" shall have the meaning set out in the Chilean Securities Market Law.

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P R O F E S S I O N A L I S M

A N N U A L R E P O R T

**Series C Bonds**

Date: July 16, 2004

- Level of Debt: as from the balance sheet at September 30, 2004, the issuer shall maintain in its quarterly financial statements a debt level no higher than 0.4 times, 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 balance sheet, 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 should retain control of Banco Security. For these purposes, the term "controller" shall have the meaning set out in the Chilean Securities Market Law.

The present issue has the same covenants as the Series C bonds as they are issues under the same Line of Bonds.

**CREDITOR BANKS**

- Debt level: maintenance of a debt ratio no higher than 0.40 times, 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 should maintain the ownership, directly or indirectly, of at least 51% of the shares 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 the subsidiaries' performance. The most important asset of Grupo Security is Banco Security and subsidiaries which provided it with close to 64% of the dividends received in 2005. The solvency rating of Banco Security is AA-, granted by both Feller-Rate and Fitch Ratings, with stable outlook. The second largest dividend flow for Grupo Security in 2005 came from Factoring Security which, although not having an official credit rating, is managed with risk and solvency criteria very similar to the bank's. With respect to the Group's insurance companies, which are still not an important source of dividends, Vida Security is rated as A+ by Feller-Rate and Fitch Ratings, and Penta Security as A+ by Humphrey's and Fitch Ratings.

It should be mentioned that Grupo Security controls its principal subsidiaries through important holdings in each, giving it the flexibility to set their dividend policies according to their/its requirements. This aspect is strengthened by the diversification of revenues developed by the Company, having subsidiaries that participate in different sectors of the financial industry.

**RISK FACTORS**

- **Strong competition in all the businesses in which the Group participates.** These businesses are characterized by fierce competition (banking and insurances industries principally) and a falling trend in margins. The mergers between companies and the continuous alliances between

competitors are evidence of this. While this presents 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, its high degree of customer loyalty and the niche strategy followed. This enables it to provide 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

During the second half of the 1990s, the banking system experienced a decline in the loan quality in certain segments, with the consequent generalized impact on the loan portfolios. However, there has been a recovery in recent years, reflected in improved overdue loan and allowances for loan losses indicators.

Banco Security has been characterized for maintaining risk levels that are consistently below the sector.

### Market risk

The effects of inflation and fluctuations in interest rates are the principal market risks faced by the domestic banking system. Banco Security's finance committee has therefore developed policies, procedures and market risk limits for administering its exposures to maturities and currencies according to its objectives and current regulations. The bank and its subsidiaries also have a special system for controlling interest rate risks which permanently monitors its medium and long-term investments and provides an active follow-up of its portfolio.

## INSURANCE BUSINESS RISKS

### Local financial risks

The fall in long and medium-term interest rates could affect the return on the assets backing annuities and guaranteed-rate investment accounts when making investments in short-term instruments, generating a medium term operating deficit.

### Death and Sickness Rates

An increase in sickness rates can lead to a rise in claims under serious illness policies in the medium term and in claims under policies covering medical costs in the short term. A reduction in adult mortality rates can reduce expected results in the annuities area to the extent that companies do not adjust to the new mortality curve structure.

### Industry Structure

The large number of participants in the industry can lead to company closures and mergers, thus changing the present industry structure and producing adjustments to the sales and operating margin structures.

### Reinsurance industry

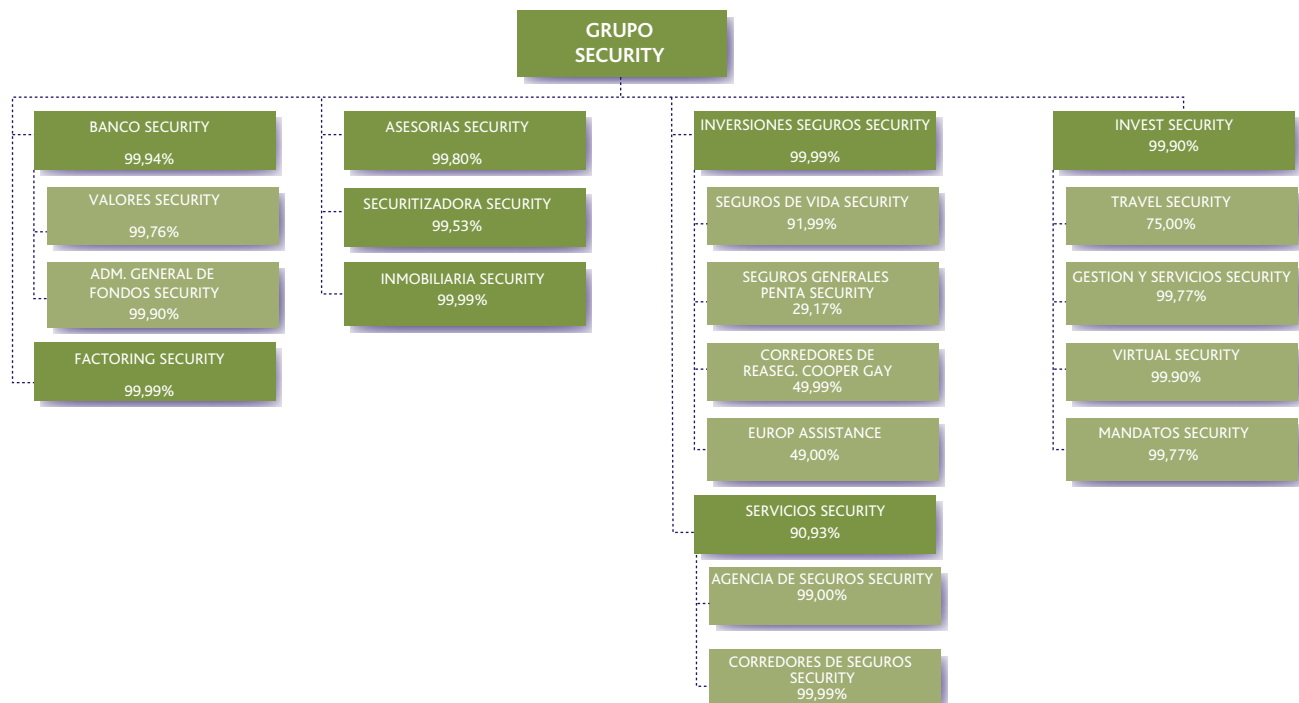
The tendency for reinsurance companies to concentrate could affect the variety of coverage offered, ceasing to provide reinsurance cover for risks that are currently under cover thanks to the strong competition that recently existed in the market

### Domestic competition

The technical margins of high retention branches of non-life insurance could continue to fall due to tough competition through market pricing.

the Chilean financial industry. Its subsidiaries Banco Security and Factoring Security provide financing to companies and individuals, Compañía de Seguros Vida Security Previsión and Compañía de Seguros Generales Penta Security operate in the insurance business, and Valores Security, Fondos Security and Asesorías Security, with its subsidiary Securitizadora Security, complement the Group's range of financial services with the development and distribution of specialized products and the provision of personalized services in investments and asset management.

And while the administration and control of the financial businesses in which the Group participates is carried out by the business areas, the organizational structure of the Grupo Security companies is in accordance with the following chart:







## GRUPO SECURITY FINANCIAL STATEMENTS

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A G I L I T Y

A N N U A L   R E P O R T



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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, 2005, and 2004 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, 2005 and 2004 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 mentioned in Note 19, in January 2006, the Company made an offer to purchase 100% of Interamericana Rentas Seguros de Vida S.A..

February 17, 2006

Juan Carlos Cabrol Bagnara

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ANNUAL REPORT

## UNCONSOLIDATED FINANCIAL STATEMENTS

### BALANCE SHEETS

as of December 31, 2005 and 2004 · (In thousands of Chilean pesos - ThCh\$)

ASSETS	2005 ThCh\$	2004 ThCh\$
<b>CURRENT ASSETS</b>		
Cash	106,867	380,159
Time deposits	52,201	56,203
Marketable securities	1,654,367	5,223,117
Other receivables	258,768	7,504
Notes receivable	1,126	-
Due from related companies	1,949,154	1,653,544
Recoverable taxes	27,121	32,386
Prepaid expenses	22,813	408
Deferred taxes (net)	189,653	130,367
Other current assets	2,931,675	5,214,041
<b>TOTAL CURRENT ASSETS</b>	<b>7,193,745</b>	<b>12,697,729</b>
<b>FIXED ASSETS</b>		
Buildings	973,943	-
Machinery and equipment	24,812	19,880
Other fixed assets	166,956	70,118
Accumulated depreciation	(78,293)	(45,246)
<b>TOTAL FIXED ASSETS- NET</b>	<b>1,087,418</b>	<b>44,752</b>
<b>OTHER ASSETS</b>		
Investments in related companies	191,419,714	179,339,999
Goodwill	15,967,858	17,298,056
Others	1,123,196	1,074,488
Deferred taxes	198,515	-
<b>TOTAL OTHER ASSETS</b>	<b>208,709,283</b>	<b>197,712,543</b>
<b>TOTAL ASSETS</b>	<b>216,990,446</b>	<b>210,455,024</b>

## BALANCE SHEETS

as of December 31, 2005 and 2004 · (In thousands of Chilean pesos - ThCh\$)

LIABILITIES AND SHAREHOLDERS' EQUITY	2005 ThCh\$	2004 ThCh\$
<b>CURRENT LIABILITIES</b>		
Current portion of long-term liabilities with banks	2,459,009	1,918,946
Long-term bonds payable current portion	4,192,492	619,399
Accounts payable	216,146	338,000
Due to related companies	248,090	-
Accruals	901,597	444,303
Withholdings	23,919	16,409
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,041,253</b>	<b>3,337,057</b>
<b>LONG-TERM LIABILITIES</b>		
Liabilities with banks	7,712,734	10,060,628
Bonds payable	26,962,215	30,498,788
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>34,674,949</b>	<b>40,559,416</b>
<b>SHAREHOLDERS' EQUITY</b>		
Paid-in capital	87,097,536	87,097,536
Share premium	28,414,860	28,414,860
Total fixed assets- net	2,394,108	4,264,961
Retained earnings	37,987,991	32,227,042
Interim dividends	(1,548,561)	(912,705)
Accumulated deficit - development stage subsidiary	(281,523)	(597,800)
Net income for the year	20,209,833	16,064,657
<b>TOTAL SHAREHOLDERS' EQUITY - NET</b>	<b>174,274,24</b>	<b>166,558,551</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>216,990,446</b>	<b>210,455,024</b>

## UNCONSOLIDATED FINANCIAL STATEMENTS

## STATEMENTS OF INCOME

for the years ended December 31, 2005 and 2004 · (In thousands of Chilean pesos - ThCh\$)

	2005 ThCh\$	2004 ThCh\$
ADMINISTRATIVE AND SELLING EXPENSES	(2,508,404)	(1,538,477)
OPERATING RESULT	(2,508,404)	(1,538,477)
NON-OPERATING RESULT		
Financial income	347,861	276,906
Equity in income of related companies	24,483,956	20,589,014
Other income	1,338,984	61,509
Equity in losses of related companies	(141,358)	(78,938)
Amortization of goodwill	(1,330,197)	(948,586)
Financial expenses	(1,759,200)	(1,700,858)
Other disbursements	(4,226)	(32,452)
Price-level restatement	(468,444)	(532,056)
Exchange differences	(2,801)	(11,892)
NON-OPERATING RESULT	22,464,575	17,622,647
INCOME BEFORE INCOME TAXES	19,956,171	16,084,170
INCOME TAX	253,662	(19,513)
NET INCOME FOR THE YEAR	20,209,833	16,064,657



## STATEMENTS OF CASH FLOWS

for the years ended December 31, 2005 and 2004 · (In thousands of Chilean pesos - ThCh\$)

	2005 ThCh\$	2004 ThCh\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	20,209,833	16,064,657
CHARGES (CREDITS) TO INCOME THAT DO NOT REPRESENT CASH FLOWS		
Depreciation for the year	49,914	43,713
Equity in income of related companies	(24,483,956)	(20,589,014)
Equity in losses of related companies	141,358	78,938
Amortization of goodwill	1,330,197	948,586
Price-level restatement	468,444	532,056
Exchange differences	2,801	11,892
Other changes (credits) to income that do not represent cash flows	488,409	170,164
CHANGES IN ASSETS AFFECTING CASH FLOWS:		
Other assets	20,425,217	15,431,943
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,632,217	12,692,935
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Placement and payment of shares		47,543,480
Proceeds from loans	11,921,863	
Bonds payable	7,215,712	
Total fixed assets- net	(10,303,318)	(8,240,601)
Repayment of loans	(2,193,060)	(9,373,633)
Payment of bonds	(1,362,565)	
Other financing outlays	(2,459,403)	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(16,318,346)	49,066,821
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Permanent investments	(7,633,828)	(44,005,604)
Purchase of fixed assets	(1,065,546)	(34,600)
Other investment outlays		(17,487,518)
NET CASH USED IN INVESTING ACTIVITIES	(8,699,374)	(61,527,722)
<b>TOTAL NET CASH PROVIDED DURING THE YEAR</b>	<b>(6,385,503)</b>	<b>232,034</b>
EFFECT OF INFLATION ON CASH AND CASH EQUIVALENTS	257,093	406,278
NET INCREASE IN CASH AND CASH EQUIVALENTS	(6,128,410)	638,312
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,873,520	10,235,208
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>4,745,110</b>	<b>10,873,520</b>

The accompanying notes are an integral part of these financial statements

## 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, 2005 and 2004.

#### b. Basis of preparation

These stand-alone financial statements of Grupo Security S.A. at December 31, 2005 and 2004 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 2004 included in the financial statements and notes have been price-level restated for the change in the consumer price index of 3.6% to allow comparison with the 2005 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) (3.6% in 2005 and 2.5% in 2004).

#### e. Basis of translation

Assets and liabilities in foreign currency have been translated into Chilean pesos using the year-end exchange rate of Ch\$512.50 per US\$1 (Ch\$557.40 per US\$1 in 2004).

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\$17,974.81 per UF (Ch\$17,317.05 per UF in 2004).

#### 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\$49,914 (ThCh\$43,713 in 2004) 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 for the purchase 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.

**o. 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.

**p. Employee vacations**

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

**q. Revenue from sales**

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

**r. 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

**s. 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**

During 2005 there have been no accounting changes that affect these financial statements.

**4. MARKETABLE SECURITIES**

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

Securities	2005 ThCh\$	2004 ThCh\$
Security Plus Mutual Funds	1,640,036	3,547,371
Security Check Mutual Funds	-	1,658,317
Money Market Funds	14,331	17,430
<b>Total</b>	<b>1,654,367</b>	<b>5,223,117</b>

**5. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES**

Balances and transactions with related companies at December 31, 2005 and 2004 are as follows:

**a) Due from related companies - short term:**

Company	2005 ThCh\$	2004 ThCh\$
Inversiones Seguros Security Ltda.	346,953	357,395
Servicios Security S.A.	769,523	40,388
Corredora de Seguros Security Ltda.	832,678	427,343
Inversiones Invest Security Ltda.	-	36,884
Inmobiliaria Security Once Ltda.	-	790,367
Asesorías Security S.A.	-	1,167
<b>Total</b>	<b>1,949,154</b>	<b>1,653,544</b>

**b) Due to related companies - short term:**

Company	2005 ThCh\$	2004 ThCh\$
Asesorías Security S.A.	248,090	-

**c) Transactions:**

Company	Description of the transaction	2005		2004	
		Amount ThCh\$	Effect on income (charges/credit) ThCh\$	Amount ThCh\$	Effect on income (charges/credit) ThCh\$
Banco Security	Time deposits	35,711,302	115,834	15,702,147	68,073
Banco Security	Bank costs and others	20,446	20,446		
Administradora General de Fondos Security S.A.	Mutual funds	10,210,036	185,539	32,105,935	89,914
Factoring Security S.A.	Commercial loan			1,036,000	11,575
Valores Security S.A. Corredores de Bolsa	Financing investments	14,362,012	248,753	14,296,722	114,139
Valores Security S.A. Corredores de Bolsa	Commercial consulting	5,503	5,503		
Servicios Security S.A.	Commercial account	769,523	39,894	40,114	933
Inversiones Seguros Security Limitada	Commercial account	346,853	2,892	370,482	972
Corredora de Seguros Security Ltda.	Commercial account	832,678	25,286	427,343	326
Inversiones Invest Security Ltda.	Commercial account	73,049	654	135,272	1,745
Inversiones Invest Security Ltda.	Asesorías administrativas	149,395	149,395		
Asesorías Security S.A.	Current account			1,167	
Travel Security S.A.	General costs	31,296	31,296		
Inmobiliaria Security Once	Promise		(118,866)	790,368	15,534
Inmobiliaria Security S.A.	Rentals	6,876	(6,876)	2,290	(2,290)
Virtual Security S.A.	IT consulting	199,154	199,154		

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

**6. INCOME TAX AND DEFERRED TAXES****a) Recoverable taxes:**

Details of recoverable taxes at December 31, 2005 and 2004 are as follows:

	2005 ThCh\$	2004 ThCh\$
Provision for first category income tax		(1,332)
Article 21 tax	(683)	
Subtotal	(683)	(1,332)
Monthly provisional payment	32,547	33,718
Others	(4,743)	
<b>Total</b>	<b>27,121</b>	<b>32,386</b>

**b) Accumulated tax results:**

At December 31, 2005, the Company presented a tax loss for the year of ThCh\$1,890,128, so it did not make provision for first category income tax.

At December 31, 2004, the Company determined a taxable income for the year of ThCh\$7,837 and the current income tax expense amounts to ThCh\$1,332.

**c) Deferred taxes:**

Deferred taxes at December 31, 2005 and 2004 are as follows:

	Deferred taxes			
	2005		2004	
	Assets	liabilities	Assets	
Temporary differences:	Short term ThCh\$	Long term ThCh\$	Long term ThCh\$	Short term ThCh\$
Vacation provision	7,957			4,577
Other provisions	181,696			125,790
Tax loss		321,322		
Placement differences			122,807	
<b>Total</b>	<b>189,653</b>	<b>321,322</b>	<b>122,807</b>	<b>130,367</b>

**d) The composition of net (change) credit to income tax at December 31, 2005 and 2004 is as follows:**

Item	2005 ThCh\$	2004 ThCh\$
Current tax expense		
Provision for first category income tax		(1,332)
Article 21 tax	(683)	
Previous year's adjustment	(3,456)	
Deferred taxes		
Effect of the year's deferred taxes	257,801	(18,181)
<b>Total</b>	<b>253,662</b>	<b>(19,513)</b>

**7. OTHER CURRENT ASSETS**

The balance of ThCh\$2,931,675 (ThCh\$5,214,041 in 2004) at December 31, 2005 represents resale agreements.

	2005			2004		
	Book Value ThCh\$	Market Value ThCh\$	Maturity	Book Value ThCh\$	Market Value ThCh\$	Maturity
Valores Security S.A. Corredores de Bolsa	2,931,675	2,931,675	2/01/2006	5,214,041	5,214,041	3/01/2005

## 8. INVESTMENTS IN RELATED COMPANIES

Investments in related companies at December 31, 2005 and 2004 are as follows:

Company	Ownership percentage		Equity in companies		Accrued results		Book value of investment	
	2005 %	2004 %	2005 ThCh\$	2004 ThCh\$	2005 ThCh\$	2004 ThCh\$	2005 ThCh\$	2004 ThCh\$
Banco Security	99.94	99.94	150,273,214	142,996,941	20,002,248	17,225,330	150,157,162	142,884,349
Inversiones Seguros Security Ltda.	99.99	99.99	19,269,373	19,202,342	943,078	285,522	19,269,180	19,202,150
Factoring Security S.A.	99.99	99.99	15,150,135	11,967,610	3,106,242	2,539,453	16,150,133	11,967,609
Asesorías Security S.A.	99.80	99.80	834,282	926,697	(92,230)	(78,938)	832,613	924,843
Inmobiliaria Security S.A.	99.99	99.99	2,343,460	1,977,580	365,876	518,412	2,343,436	1,977,559
Inversiones Invest Security Ltda.	99.90	99.90	2,452,452	2,385,874	66,512	20,297	2,450,002	2,383,489
Securizadora Security S.A.	99.53	0.00	218,203	-	(49,128)	-	217,188	-
<b>Total</b>							<b>191,419,714</b>	<b>179,339,999</b>

a. On June 22, 2004, the Company decreased the capital for ThCh\$2,676,000 (historical) in Inversiones Seguro Security Ltda., maintaining its 99.99% interest.

b. 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 name 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 (historical), which will be amortized over the term of the return on the investment.

At December 31, 2005, the absorbed Company's original assets and liabilities were realized and the results were recognized at fair value, therefore at that date, the absorbed Company's assets liabilities are valued at book-value.

c. 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.

d. 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.

e. On October 1, 2004, Valores Security S.A. Corredores de Bolsa merged with the former Dresdner Lateinamerika S.A. Corredores de Bolsa.

f. On December 20, 2004, the Company made a capital contribution of ThCh\$6,500,000 (historical) to Inversiones Seguros Security Limitada, changing its interest in that company from 99.99% to 99.94% of the total capital.

g. 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 total capital.

h. On February 13, 2005, Banco Security paid a dividend of ThCh\$11,212,372 (historical).

i. On June 21, 2005, Factoring Security S.A. paid a dividend of ThCh\$6,306,024 to the Group; on the same date an increase in capital was made for which Grupo Security S.A. paid ThCh\$7,355,032.

j. During December 2005, Grupo Security S.A. purchased Securitizadora Security S.A. from its direct affiliate Asesorias Security S.A. for ThCh\$248,090, obtaining a 99.5% interest. During the same month there was a capital increase in the acquired company for a total of ThCh\$2,317,803 divided in 3,815 shares, of which Grupo Security S.A. only subscribed 1,750, partially renouncing to its share subscription preference rights. The subscribed shares represent ThCh\$1,063,213, where 30 shares have been cancelled for ThCh\$18,227, whereby its interest in equity is increased to 99.5349%.

The shares not subscribed by Grupo Security S.A. were subscribed by GMAC. The purpose of this agreement is to develop and jointly exploit the credit securitization and home mortgage leasing business in Chile.

## 9. GOODWILL ON INVESTMENTS

Goodwill at December 31, 2005 and 2004, recorded as described in Note 2m, is as follows:

Company	2004		2005	
	Amount amortized in the year ThCh\$	Balanced of goodwill ThCh\$	Amount amortized in the year ThCh\$	Balanced of goodwill ThCh\$
Banco Security	18,612	159,750	18,612	178,361
Factoring Security S.A.	27,421	233,079	27,421	260,500
Dresdner Bank Lateinamerika S.A.	477,971	2,221,697	441,047	2,699,669
Inversiones Copper Ltda.	708,984	13,106,395	364,297	13,815,379
Dresdner Lateinamerika S.A. Corredores de Bolsa	97,209	246,937	97,209	344,147
<b>Total</b>	<b>1,330,197</b>	<b>15,967,858</b>	<b>948,586</b>	<b>17,298,056</b>

## 10. SHORT-TERM LIABILITIES WITH BANKS AND FINANCIAL INSTITUTIONS

### a) Long term – current portion:

Bank	Currency UF		Total	
	2005 ThCh\$	2004 ThCh\$	2005 ThCh\$	2004 ThCh\$
Banco de Chile	1,002,641	641,531	1,002,641	641,531
Corpbanca	552,622	543,779	552,622	543,779
Banco de Crédito e Inversiones	903,746	733,636	903,746	733,636
<b>Total</b>	<b>2,459,009</b>	<b>1,918,946</b>	<b>2,459,009</b>	<b>1,918,946</b>

**b. Long term::**

Liabilities with banks accrue an average annual interest rate of 2.46% (4.6% in 2004).

Bank	Currency	Years of maturity			Closing date current period	Average annual interest rate %	Closing date prior period
		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\$		Total long term at close of financial statements ThCh\$
Banco de Chile	UF	950,867	949,069	2,466,145	4,366,081	2.52%	5,306,788
Corpbanca	UF	521,140	521,142	-	1,042,282	3.28%	1,560,436
Banco de Crédito e Inversiones	UF	895,145	176,153	1,233,073	2,304,371	1.54%	3,193,404
<b>Total</b>		<b>2,367,152</b>	<b>1,646,364</b>	<b>3,699,218</b>	<b>7,712,734</b>		<b>10,060,628</b>

**11. BONDS PAYABLE**

Details of bonds payable at December 31, 2005 and 2004, recorded as described in Note 2n, are as follows:

Identification of instrument	Series	Outstanding nominal amount placed	Bond indexation unit	Interest rate %	Final maturity	Payment date		Par value		Placement in Chile or abroad
						Interest	Amortization	2005 ThCh\$	2004 ThCh\$	
Long term - short term portion										
340-13-08-03	BSECU-B	200,000	UF	4.75	15.07.2010	Semestral	Semestral	3,982,505	386,803	Chile
376-16-07-04	BSECU-C		UF	5.00	15.07.2016	Semestral	Semestral	209,987	232,596	Chile
Total short term portion								4,192,492	619,399	
Long term										
340-13-08-03	BSECU-B	1,000,000	UF	4.75	15.07.2010	Semestral	Semestral	14,379,848	17,940,464	Chile
376-16-07-04	BSECU-C	700,000	UF	5.00	15.07.2016	Semestral	Semestral	12,582,367	12,558,324	Chile
Total long term								26,962,215	30,498,788	

**12. ACCRUALS AND WRITE-OFFS**

The balance is the provision for employee vacations recorded as described in Note 2o, and provisions for payments of ThCh\$662,417 (ThCh\$444,303 in 2004) to be made in the first half of 2006 as a result of 2005 activities.

The Company does not have any allowances netted against assets or write-offs at December 31, 2005 and 2004.

### 13. SHAREHOLDERS' EQUITY

Changes in shareholders' equity accounts at December 31, 2005 and 2004 were as follows:

	Paid-in Capital ThCh\$	Share premium ThCh\$	Others reserves ThCh\$	Retained earnings ThCh\$	Interim dividends ThCh\$	Development stage deficit ThCh\$	Net income for the year ThCh\$	Total ThCh\$
Balances, January 1, 2003	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			
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				(6,963,842)				(6,963,842)
Capital increase	38,554,337	7,037,982						45,592,319
Unpaid capital								
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	31,107,182	(880,989)	(577,027)	15,506,426	160,770,802
Price-level restatement	3,026,555	987,389	148,203	1,119,860	(31,716)	(20,773)	558,231	5,787,749
<b>Balances, December 31, 2004 restated</b>	<b>87,097,536</b>	<b>28,414,860</b>	<b>4,264,961</b>	<b>32,227,042</b>	<b>(912,705)</b>	<b>(597,800)</b>	<b>16,064,657</b>	<b>166,558,551</b>
Balances, January 1, 2005	84,070,981	27,427,471	4,116,758	31,107,183	(880,989)	(577,027)	15,506,426	160,770,803
Transfer				15,506,426			(15,506,426)	-
Prior year final dividend				(880,989)	880,989			-
Development stage accumulated deficit				(324,567)		301,086		(23,481)
Adjustment to reserve for fluctuation in investment in subsidiary			(1,889,082)					(1,889,082)
Final dividends				(8,773,120)				(8,773,120)
Price-level restatement	3,026,555	987,389	166,432	1,353,058	(18,363)	(5,582)		5,509,489
Net income for the year							20,209,833	20,209,833
Interim dividends					(1,530,198)			(1,530,198)
<b>Balances, December 31, 2005</b>	<b>87,097,536</b>	<b>28,414,860</b>	<b>2,394,108</b>	<b>37,987,991</b>	<b>(1,548,561)</b>	<b>(281,523)</b>	<b>20,209,833</b>	<b>174,274,244</b>

#### a. Paid-in capital

In accordance with Article No10 of Law No18,046, paid-in capital includes its proportional amount of monetary correction.

At December 31, 2005, the subscribed and paid-in capital was ThCh\$87,097,536, (ThCh\$87,097,536 en 2004) represented by 2,040,264,415 no par-value shares.

#### b. 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 Compañía de Seguros Generales Penta Security S.A., and in the reserve for fluctuations in investments in the subsidiary Banco Security.

#### c. 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.

#### d. 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).

During 2005, a Ch\$3.3 final dividend per share was paid, which added to the October 2004 interim dividend, makes a final dividend of Ch\$3.8 charged to 2004 results. This dividend must be added to the Ch\$1 additional dividend paid in October 2004, which makes a Ch\$4.8 total dividend per share paid in 2004.

Additionally, in September 2005, Grupo Security management, in an ordinary session, agreed to pay an interim dividend of Ch\$0.75 per share, and an additional dividend of Ch\$1.0 per share with charge to retained earnings, which makes a total dividend of Ch\$1.75 per share.

#### e. 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.

## 14. PRICE-LEVEL RESTATEMENT

Application of the price-level restatement mechanism described in Note 2 d resulted in a 2005 charge to income of ThCh\$468,444 (ThCh\$532,056 in 2004); details are as follows:

	Indexation unit	2005 ThCh\$	2004 ThCh\$
<b>Activos/abonos</b>			
Investments in related companies	CPI	5,766,121	2,834,308
Goodwill	CPI	601,091	286,056
Other non-monetary assets	CPI	119,104	177,549
Expense and cost accounts	CPI	59,883	10,250
Total (charges) credits		6,546,199	3,308,163
<b>Liabilities (charges)/credits</b>			
Shareholders' equity	CPI	(5,509,489)	(2,912,453)
Non-monetary liabilities	UF	(1,505,154)	(927,766)
Total (charges) credits		(7,014,643)	(3,840,219)
<b>(Loss) gain from restatement</b>		<b>(468,444)</b>	<b>(532,056)</b>

## 15. CONTINGENCIES AND RESTRICTIONS

At December 31 2005 and 2004 the Company is not aware of any contingencies or restrictions that may affect the interpretation of these individual financial statements.

# UNCONSOLIDATED FINANCIAL STATEMENTS

## 16. THIRD PARTY GUARANTEES

The Company does not have any third party guarantees at December 31, 2005 and 2004.

## 17. FOREIGN CURRENCY

### Assets

Item	Currency	Amount		
		2005 ThCh\$	2004 ThCh\$	
<b>Current:</b>				
Cash	Non-adjustable Ch\$	106,867	380,159	
Time deposits	Dollars	42,079	42,964	
Time deposits	Euro	10,122	13,239	
Marketable securities	Non-adjustable Ch\$	1,654,367	5,223,117	
Sundry debtors	Non-adjustable Ch\$	258,768	7,504	
Notes and accounts receivable	Non-adjustable Ch\$	1,126		
Due from related companies	Adjustable Ch\$	1,949,154	1,653,544	
Recoverable taxes	\$ Reajustables	27,121	32,386	
Other current assets	\$ Reajustables	2,931,675	5,214,041	
Deferred tax (net)	\$ Reajustables	189,653	130,367	
Pepaid expenses	Non-adjustable Ch\$	22,813	408	
Total current assets		7,193,745	12,697,729	
Fixed assets - net		\$ Reajustables	1,087,418	44,752
<b>Others:</b>				
Investments in related companies	\$ Reajustables	191,419,714	179,339,999	
Negative goodwill	\$ Reajustables	15,967,858	17,298,056	
Deferred tax - long term	\$ Reajustables	198,515		
Discounts in bond placement	UF	1,123,196	1,074,488	
Total other assets		208,709,283	197,712,543	
	Non-adjustable Ch\$	2,043,941	5,611,188	
	Dollars	42,079	42,964	
	Euro	10,122	13,239	
	\$ Reajustables	213,771,108	203,713,145	
	UF	1,123,196	1,074,488	

### Current liabilities

Item	Currency	Up to 90 days				90 days to 1 year			
		2005		2004		2005		2004	
		Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %
Accounts payable	Adjustable Ch\$	216.146		338.000					
Accruals and withholdings	Adjustable Ch\$	901.597		444.303					
Liabilities with banks and Financial Institutions	UF	647.380	3,51			1.811.629	2,46	1.918.946	1,87
Bonds payable	UF	2.395.011	4,75			1.797.481	4,75	619.399	4,75
Accounts due to related companies	Adjustable Ch\$	248.090							
Withholdings	Adjustable Ch\$	23.919		16.409					
	Adjustable Ch\$	1.389.752		798.712	-			-	
	UF	3.042.391		-		3.609.110		2.538.345	

**2005**

Item	Currency	2 to 3 years		3 to 5 years		3 to 5 years		Over than 10 years	
		Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %
Liabilities with banks and Financial Institutions	UF	4,013,516		3,699,218					
Bonds payable	UF	9,706,397		9,706,397		6,291,184		1,258,237	
Total long term liabilities		13,719,913		13,405,615		6,291,184		1,258,237	

**2004**

Item	Currency	2 to 3 years		3 to 5 years		3 to 5 years		Over than 10 years	
		Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %
Liabilities with banks and Financial Institutions	UF	4,007,642	1,87	6,052,986	1,87				
Bonds payable	UF	8,432,019	4,80	9,687,851	4,80	11,123,088	4,75	1,255,830	4,75
Total long term liabilities		12,439,661		15,740,837		11,123,088		1,255,830	

**18. SANCTIONS**

In 2005 and 2004, no sanctions were imposed on the Company, its Directors or its Management by the Superintendence of Securities and Insurance or other administrative authorities.

**19. SUBSEQUENT EVENTS**

On January 10, 2006, the Company made an offer for the purchase of 100% of Interamericana Rentas Seguros de Vida S.A., also known as Interrenta (This Company is the life annuity division of Interamericana Chile), which was accepted the same day by the selling shareholders.

On January 27, 2006, Grupo Security S.A., jointly with its affiliate Factoring Security S.A., signed a share sales agreement with Inversiones Interamericana S.A. and International Technical and Advisory Services Limited to purchase 100% of the shares of "Interamericana Rentas Seguros de Vida S.A." ("Interrentas").

The price of the purchased shares is Ch\$67 billion (sixty seven billion Chilean pesos), which corresponds to approximately Ch\$2,748,820.65 per share, which is subject to possible adjustments due to variations Interrentas' equity. To this effect, it should be noted that Inversiones Interamericanas S.A. owns 24,058 Interrentas shares, which represent 99.996 of its capital, and International Technical and Advisory Services Limited owns 1 Interrentas share which represents 0.004% of that company's capital. The contract stipulates that the applications closing will be done on or before May 2, 2006, once contract conditions are fulfilled.

On January 17, 2006, the Company paid ThCh\$1,044,986 for the Securitizadora Security S.A. capital increase shares.

No events materially affecting the financial statements have occurred between February 1 and February 17, 2006, their date of issue.

**20. ENVIRONMENT**

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

## MANAGEMENT'S ANALYSIS OF UNCONSOLIDATED FINANCIAL STATEMENTS

The net income of Grupo Security for 2005 amounted to Ch\$20,210 million, representing a real increase of 25.8% over 2004 and generating a return on average capital and reserves of 13.3%. Income on investments in companies amounted to Ch\$24,343 million, an increase of 18.7% in real terms over the year before.

The unconsolidated balance sheet of Grupo Security shows total assts of Ch\$216,990 million (3.1% higher than at December 2004) of which current assets are Ch\$7,193 million (3.3% of total assets), reflecting the Company's adequate liquidity. The most important asset item is the investment in related companies of Ch\$191,420 million, representing 88.2% of total assets.

Short and long-term liabilities of Ch\$42,716 million at December 2005 declined by 2.7% compared to the figure of Ch\$43,896 million at December 2004. They include current liabilities of Ch\$8,041 million (18.8% of liabilities) and long-term liabilities of Ch\$34,675 million (81.2% of the total), particularly borrowings from banks and financial institutions of Ch\$10,171 million and the balance of bonds payable of Ch\$31,155 million. The debt to equity ratio of Grupo Security at December 2005 was 24.5% compared to 26.4% in 2004. Grupo Security's shareholders' equity amounts to Ch\$174,274 million and represents 80.3% of total assets at December 2005, compared to 79.1% in 2004.

### GRUPO SECURITY COMPANY RESULTS:

#### Banco Security

The principal asset of Grupo Security generated a net income of Ch\$20,014 million, which favorably compares with the Ch\$14,529 million reported for 2004, a real increase of 37.8%. These results are consistent with the forecasts made at the time of purchase of Dresdner Bank and it is important to emphasize that these were achieved despite the sharp rises in long-term interest rates in the domestic financial market in the last quarter of the year. The return for the year was 15.4% on capital and reserves.

Total loans amounted to Ch\$1,354 billion at December 2005, which represents real growth of 10%, of which almost 80% were to companies and 18% to persons. An ambitious retail banking development program which has substantially increased the customer base, and expansion projects for middle-market banking, are the bases supporting the business growth of Banco Security, always maintaining a high quality of service for its customers. The industry grew by 14% over the same period.

The objectives of maintaining the traditional characteristics of Banco Security, in terms of risk and efficiency, also continue to be present. This is reflected in the bank's risk indicators at the end of 2005 which showed allowances for loan losses of 1.44% of loans and an overdue portfolio of 0.65%, making Banco Security one of the banks with the lowest risk levels in the market. In terms of efficiency, the Bank's operating costs represent 51.7% of the gross margin, but should fall to below 50% in the next few years with the cost savings and economies of scale related to the merger.

#### Factoring Security

This company began operating in December 1992 and was one of the pioneers in Chilean factoring. The large advances developed by the company in recent years have begun to bear fruit and place it among the leaders in the factoring market. The gross advances of Factoring Security at December 2005 amounted to Ch\$95,265 million. In September 2005, it was placed 5th by ACHEF (the industry association) with a market share of 9.5%.

The earnings of Factoring Security have shown a strong recovery since 2002, reaching Ch\$3,107 million in 2005, 22.3% higher than in 2004 and with a 23.8% return on capital and reserves.

The company increased its capital in June 2005 by Ch\$9,801 million, with Ch\$946 million from the inflation restatement of its capital and the rest in cash. Factoring Security is currently implementing a three-year expansion plan.

#### **Valores Security S.A. Corredores de Bolsa**

Its business is divided into two areas: fixed income and variable income securities. The first relates mainly to managing its own positions, trading in financial documents, trading in foreign currencies and forward dollar contracts. Variable-income transactions cover equities trading.

At December 2005, Valores Security S.A. Corredores de Bolsa produced a net income of Ch\$2,247 million, a real reduction of 51.8% compared to the year before and representing a return on capital and reserves of 15.0%. This change is basically explained by the strong impact of the rise in medium and long-term interest rates on the valuation of the company's investment portfolio.

#### **Administradora General de Fondos Security**

This was created as a subsidiary of Banco Security in May 1992, since when it has grown consistently with the addition of new managed funds.

The company launched 6 new mutual funds in 2005 and closed the year with managed assets of Ch\$41 billion. At December 2005, the company managed 16 mutual funds with a total number of 15,569 participants, representing 2.4% of the system's total participants. The total assets managed at December 2005 were Ch\$282 billion. This represented a 3.9% market share and placed it in 6th position in a market consisting of 21 fund managers.

Administradora General de Fondos Security produced profits of Ch\$1,630 million in 2005, 4% lower in real terms than the year before. This change was basically due to the impact of the rise in medium and long-term interest rates which affected the whole industry in the last quarter of the year. The company's return on capital and reserves at December 2005 was 25.9%.

#### **Inmobiliaria Security S.A.**

This was constituted in December 1995 as a subsidiary of Grupo Security in order to complement the activities of Banco Security and participate in financial aspects of the real estate sector.

The company produced earnings of Ch\$366 million in 2005 with a return for the year of 18.5% and net shareholders' equity of Ch\$2,343 million.

#### **Travel Security**

Grupo Security's travel agency produced a net income of Ch\$513 million at December 2005. The company has consolidated itself as one of the three leading travel agencies in Chile. The overall market share of Travel (international and domestic) at December 2005 is 8.7%.

**Compañía de Seguros Vida Security**

In the insurance business, Compañía de Seguros Vida Security produced a net income of Ch\$1,351 million and direct premiums of Ch\$32,815 million in 2005, a real increase of 28.8% over the previous year. Notable was the company's share in the Voluntary Pension Savings (APV) market where this increased from 5.5% in 2003 to 8.3% in 2004 and 11.1% in September 2005, occupying 4th place among life insurance companies.

**UNCONSOLIDATED STATEMENT OF CASH FLOWS OF GRUPO SECURITY S.A.**

Description and analysis of the principal net cash flow components:

For the years ended December 31, 2005 and 2004 (millions of pesos)

	2004	2005
Net cash flow from operating activities	12,692.9	18,632.2
Net cash flow from financing activities	49,066.8	-16,318.3
Net cash flow from investment activities	-61,527.7	-8,699.4
Net total cash flow the year	232.0	-6,385.5
Effect of inflation on cash & cash equivalents	406.3	257.1
Net change in cash & cash equivalents	638.3	-6,128.4
Opening balance of cash & cash equivalents	10,235.2	10,873.5
Closing balance of cash & cash equivalents	10,873.5	4,745.1

The net positive cash flow from operating activities of ThCh\$18,632,217 at December 31, 2005 (ThCh\$12,692,936 in 2004) was principally due to the results of the investment in related companies and its own financing operations to subsidiaries.

The net negative cash flow from financing activities of ThCh\$16,318,346 at December 31, 2005 (positive ThCh\$45,066,822 in 2004) basically comprises dividend payments (ThCh\$10,303,318), loan repayments (ThCh\$2,193,060) and amortization of bonds (ThCh\$3,821,968).

The net negative cash flow from investment activities of ThCh\$8,699,374 at December 31, 2005 relates principally to permanent investments (-ThCh\$7,633,828 which relates to the capital increase of Factoring Security).

## FINANCIAL INDICATORS

The most relevant financial indicators of the unconsolidated financial statements of Grupo Security at December 2004 and 2005 show the following changes:

	Unit	2004	2005
Current assets / Total assets	%	6,03	3,32
Fixed assets / total assets	%	0,02	0,50
Other assets / Total assets	%	93,95	96,18
Current liabilities / Total liabilities	%	1,59	3,71
Long-term liabilities /Total liabilities	%	19,27	15,98
Shareholders' equity / Total liabilities	%	79,14	80,31
Current assets / Current liabilities	Times	3,81	0,89
Total liabilities / Shareholders' equity	Times	0,26	0,25
Debt ratio 1/	%	26,35	24,51
Return on equity 2/	%	10,67	13,12
Return on average equity 3/	%	12,99	13,27
Financial expenses coverage 4/	%	10,46	12,34
Return on total average assets 5/	% year	8,97	9,46
Earnings per share 6/	Ch\$ per share	7,87	9,91
Dividend yield, last 12 months	% / share	3,07	4,32
EBITDA 7/	M\$	18.777.327	23.095.482

1/ Total liabilities / Shareholders' equity

2/ Net income for the year /Capital and reserves

3/ Net income for the year /Average capital and reserves

4/ Financial expenses coverage: Income before taxes & interest /Financial expenses

5/ Return on total assets: Net income /Average assets

6/ Earnings per share, annualized

7/ EBITDA (Income before taxes, financial expenses, amortization goodwill & depreciation)

## MARKETS IN WHICH THE COMPANY OPERATES

Grupo Security is the parent company of a diversified group of companies in the Chilean financial market. Its subsidiaries Banco Security and Factoring Security provide financing to companies and individuals, Seguros Vida Security Previsión and Compañía de Seguros Penta Security operate in the insurance sector and Valores Security, Administradora General de Fondos Security and Asesorías Security, with its subsidiary Securitizadora Security, complement the Group's range of financial services, developing and distributing specialized financial products and providing personalized services in investments and asset management.

Grupo Security is divided into 4 principal business areas, each grouping together in an integrated way the subsidiaries and divisions that share business objectives in common. These areas are financing, investments and asset management, general and life insurance and complementary services.



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#### 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, 2005, and 2004 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, 2005 and 2004 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 explained in Note 27, in January 2006, the Company made an offer to purchase 100% of Interamericana Rentas Seguros de Vida S.A..

February 17, 2006

Juan Carlos Cabrol Bagnara

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GRUPO security



A N N U A L   R E P O R T

## CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEETS

as of December 31, 2005 and 2004 · (In thousands of Chilean pesos - ThCh\$)

ASSETS	2005 ThCh\$	2004 ThCh\$
<b>CURRENT ASSETS</b>		
Cash	3,567,301	3,230,461
Time deposits	83,030	87,243
Marketable securities	2,442,94	7,488,054
Trade accounts receivable, net	94,993,358	83,232,184
Notes receivable	3,849,869	5,012,705
Other receivables	746,651	574,538
Due from related companies	403,311	263,305
Inventories	6,629,449	13,109,455
Recoverable taxes	414,332	95,294
Prepaid expenses	176,202	48,902
Deferred taxes (net)	1,244,187	1,073,568
Other current assets	3,936,344	7,743,868
<b>TOTAL CURRENT ASSETS</b>	<b>118,486,981</b>	<b>121,959,577</b>
<b>FIXED ASSETS</b>		
Buildings and infrastructure	1,272,940	
Machinery and equipment	2,846,730	769,872
Other fixed assets	2,809,446	3,467,729
Accumulated depreciation	(3,251,564)	(2,459,070)
<b>TOTAL FIXED ASSETS - NET</b>	<b>3,677,552</b>	<b>1,778,531</b>
<b>OTHER ASSETS</b>		
Investments in related companies	165,395,844	155,195,281
Goodwill	20,064,292	21,685,456
Goodwill (decrease)	(20,491)	-
Due from related companies	26,267	586,894
Deferred taxes (net)	33,281	13,801
Intangibles	339,797	287,990
Amortization	(230,413)	-
Others	11,477,677	14,531,142
<b>TOTAL OTHER ASSETS</b>	<b>197,086,254</b>	<b>192,300,564</b>
<b>TOTAL ASSETS</b>	<b>319,250,787</b>	<b>316,038,672</b>

## CONSOLIDATED BALANCE SHEETS

as of December 31, 2005 and 2004 · (In thousands of Chilean pesos - ThCh\$)

LIABILITIES AND SHAREHOLDERS' EQUITY	2005 ThCh\$	2004 ThCh\$
<b>CURRENT LIABILITIES</b>		
Short-term liabilities with banks and financial institutions	78,529,833	75,814,058
Current portion of long-term liabilities with banks and financial institution	2,527,713	1,918,946
Bonds payable	4,192,492	619,399
Accounts payable	6,155,398	4,314,836
Notes payable	96,102	30,640
Sundry creditors	198,274	415,644
Due to related companies	335,307	11,672,939
Accruals	2,730,164	1,994,300
Withholdings	460,777	292,983
Other current liabilities	10,523,741	7,946,187
<b>TOTAL CURRENT LIABILITIES</b>	<b>105,749,801</b>	<b>105,019,932</b>
<b>LONG-TERM LIABILITIES</b>		
Liabilities with banks and financial institutions	10,471,808	12,899,774
Bonds payable	26,962,215	30,498,788
Notes payable	9,16	-
Other long-term liabilities	745,853	22,804
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>38,189,040</b>	<b>43,421,366</b>
<b>MINORITY INTEREST</b>	<b>1,037,702</b>	<b>1,038,823</b>
<b>SHAREHOLDERS' EQUITY</b>		
Paid-in capital	87,097,536	87,097,536
Share premium	28,414,860	28,414,860
Other reserves	2,394,108	4,264,961
Retained earnings	37,987,991	32,227,042
Interim dividends	(1,548,561)	(912,705)
Accumulated deficit in development stage	(281,523)	(597,800)
Net income for the year	20,209,833	16,064,657
<b>TOTAL SHAREHOLDERS' EQUITY - NET</b>	<b>174,274,244</b>	<b>166,558,551</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>319,250,787</b>	<b>316,038,672</b>

## CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF INCOME

for the years ended December 31, 2005 and 2004 · (In thousands of Chilean pesos - ThCh\$)

	2005 ThCh\$	2004 ThCh\$
SALES	37,934,234	31,095,585
COST OF SALES	(18,301,694)	(13,486,604)
GROSS MARGIN	19,632,540	17,608,981
ADMINISTRATIVE AND SELLING EXPENSES	(18,271,282)	(13,850,933)
OPERATING RESULT	1,361,258	3,758,048
NON-OPERATING RESULT		
Financial income	645,572	610,640
Equity in income of related companies	21,958,460	18,179,272
Other income	2,389,856	294,660
Goodwill related companies	(67,294)	-
Amortization of goodwill	(1,621,160)	(1,246,884)
Financial expenses	(2,619,305)	(2,502,767)
Other expenses	(387,384)	(2,195,013)
Price-level restatement	(987,216)	(525,600)
Exchange differences	(15,166)	85,954
NON-OPERATING RESULT	19,296,363	12,700,262
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	20,657,621	16,458,310
Minority interest	(59,434)	111,505
INCOME BEFORE INCOME TAXES	20,598,187	16,569,815
Income tax	(391,903)	(505,158)
Goodwill amortization	3,549	-
NET INCOME FOR THE YEAR	20,209,833	16,064,657

## CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2005 and 2004 · (In thousands of Chilean pesos - ThCh\$)

	2005 ThCh\$	2004 ThCh\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	20,209,833	16,064,657
CHARGES (CREDITS) TO INCOME THAT DO NOT REPRESENT CASH FLOWS		
Depreciation and amortization	776,207	1,143,756
Amortization of intangibles	134,706	-
Accruals and write-offs	725,000	835,315
Equity in income of related companies	(21,958,460)	(18,179,272)
Goodwill related companies	67,294	-
Amortization of goodwill	1,621,160	1,246,884
Amortization of goodwill	(3,549)	-
Price-level restatement	987,216	525,600
Exchange differences	15,166	(85,954)
Minority interest	59,434	(111,505)
Other credits to income that do not represent cash flows	410,439	(110,592)
Other credits to income that do not represent cash flows	1,126,238	1,999,837
CHANGES IN ASSETS AFFECTING CASH FLOWS		
Trade accounts receivable	(15,674,374)	(12,465,935)
Inventories	13,093,823	13,430,896
Other assets	59,010,659	5,286,689
Changes in liabilities affecting cash flows		
Accounts payable	(10,961,962)	(1,112,887)
Other accounts payable	-	304,221
Other liabilities	(33,211,710)	(4,403,779)
NET CASH PROVIDED BY OPERATING ACTIVITIES	16,427,120	4,367,931
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Placement and payments of shares	7,509,620	47,543,480
Loans obtained	71,237,069	31,389,121
Other sources of financing	-	-
Payment of dividends	(16,609,650)	(8,240,601)
Repatriations de capital (menos)	(164,395)	-
Repayment of loans	(68,152,248)	(18,273,309)
Bonds	-	7,215,712
Bonds payable	(1,362,565)	-
Other financing disbursements	(2,459,403)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	(10,001,572)	59,634,403
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of fixed assets	-	2,724,438
Purchase of fixed assets	(2,744,679)	(848,041)
Permanent investments	(7,761,347)	(46,826,333)
Documented loans to related companies	(1,956,792)	-
Other investment disbursements	(3,134,136)	(18,703,666)
NET CASH USED IN INVESTING ACTIVITIES	(13,640,162)	(65,610,394)
<b>TOTAL NET CASH PROVIDED (USED) DURING THE YEAR</b>	<b>(7,214,614)</b>	<b>(1,608,060)</b>
EFFECT OF INFLATION ON CASH AND CASH EQUIVALENTS	219,37	7 451,230
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,995,237)	(1,156,830)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	16,019,799	17,176,629
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>9,024,562</b>	<b>16,019,799</b>

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

## 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, 2005 and 2004.

#### 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 2004 included in the financial statements and notes have been price-level restated for the change in the consumer price index of 3.6% to allow comparison with the 2005 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 dissimilarity 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., Quirihue Fondo de Inversión Privado and Pastrana II Fondo de Inversión Privado have not been consolidated.

On September 16, 2006, the Superintendence of Banks and Financial Institutions approved the merger of Compañía de Seguros Generales Las Américas S.A. with Seguros Security Previsión Generales S.A. forming, on October 1, 2005, Sociedad Compañía de Seguros Generales Penta Security S.A.. Inversiones Seguros Security Limitada has a 29.1670% interest in this new company.

Considering the importance for Grupo Security S.A. of its ownership of these companies, Note 9 includes their summarized financial statements.

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 name to Copper Limitada.

Taxpayer N°	Company	Ownership percentage			
		2005			2004
		Direct %	Indirect %	Total %	Total %
96.655.860-1	Factoring Security S.A.	99.9999	-	99.9999	99.9999
78.769.870-0	Inversiones Seguros Security Limitada y filiales	99.9990	-	99.9990	99.9990
96.803.620-3	Asesorías Security S.A. y filiales	99.8001	0.1999	100.0000	100.0000
96.786.270-3	Inmobiliaria Security S.A. y filiales	99.9999	-	99.9999	99.9999
77.461.880-5	Inversiones Invest Security Limitada y filiales	99.9000	-	99.9000	99.9000
78.746.120-4	Inversiones Copper Ltda.	-	-	-	99.9900
96.847.360-3	Securitizadora Security S.A.	99.5349	-	99.5349	-

#### 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 according to Consumer Price Index (CPI) variations (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:

	2005 \$	2004 \$
Unidad de Fomento (UF- inflation index-linked unit of account)	17,974.81	17,317.05
Dollar observed exchange rate (US\$)	512.50	557.40

#### 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.

**l. 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 chattel under lease, 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 debt securities for the securitization of a separate equity 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.

**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 debt securities for securitization of separate equity**

This is the goodwill on placement of debt securities for securitization of a separate equity, compared to par value. This goodwill is rendered in "Other assets" and is amortized using the straight-line method over the term of the debt 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 mainly 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, 2005 and 2004 include terms of up to 144 months (156 months in 2004).

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 unearned interest, of unaccrued 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 an 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**

During 2005 there have been no accounting changes that affect these financial statements.

**4. MARKETABLE SECURITIES**

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

Instrumentos	2005 ThCh\$	2004 ThCh\$
Fondo Mutuo Security Gold	311,660	513,033
Fondo Mutuo Security First	-	1,651,282
Fondo Mutuo Security Plus	1,640,036	3,547,371
Fondo Mutuo Security Check	458,959	1,758,937
Money Market Funds	14,331	17,431
Fondo Security Accionario	17,961	-
<b>Total</b>	<b>2,442,947</b>	<b>7,488,054</b>

**5. SHORT AND LONG-TERM RECEIVABLES**

Details of short and long-term receivables at December 31, 2005 and 2004 are as follows:

Item	Current					Total	
	Up to 90 days		Over 90 days up to 1 year		Subtotal	current (net)	
	2005 ThCh\$	2004 ThCh\$	2005 ThCh\$	2004 ThCh\$		2005 ThCh\$	2004 ThCh\$
Trade accounts receivable	60,725,172	38,553,125	39,805,276	47,787,554	100,530,448	94,993,358	83,232,184
Allowance for uncollectible accounts	-	(3,108,495)	-	-	(5,537,090)	-	-
Notes receivable	3,849,869	4,491,614	-	521,090	3,849,869	3,849,869	5,012,705
Other receivables	746,651	574,538	-	-	746,651	746,651	574,538

## 6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties during 2005 and 2004 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	2005 ThCh\$	2004 ThCh\$
Compañía de Seguros Generales Penta Security S.A.	3,186	2,478
Seguros Security Previsión Vida S.A.	151,225	33,480
El Vergel FIP	3,428	
Rodrigo de Quiroga FIP	3,276	
Antonio Pastrana FIP	1,152	
Quirihue FIP	2,960	
General Flores FIP	2,182	
Silvina Hurtado FIP	333	
Vitacura IV FIP	2,240	
Pastrana II FIP	2,988	
Inmobiliaria El Peumo S.A.	629	
Banco Security	49,785	176,129
Administradora General de Fondos Security S.A.	133,718	
Valores Security S.A. Corredores de Bolsa	26,287	32,918
Cooper Gay	695	
Europ Assistance Chile	1,044	
Sepatate Equity BSECS-1	1,932	2,332
Sepatate Equity BSECS-2	1,932	2,332
Sepatate Equity BSECS-3	1,932	2,332
Sepatate Equity BSECS-4	3,415	4,217
Sepatate Equity BSECS-5	2,142	2,870
Sepatate Equity BSECS-6	3,415	4,217
Sepatate Equity BSECS-7	3,415	
<b>Total short-term accounts receivable</b>	<b>403,311</b>	<b>263,305</b>

### b. Notes receivable long term

Company	2005 ThCh\$	2004 ThCh\$
El Vergel Fondo de Inversiones Privado	26,267	586,894

### c. Notes and accounts payable

Company	2005 ThCh\$	2004 ThCh\$
Banco Security	317,788	11,438,141
Inmobiliaria Ventisquero Oeste S.A.	17,519	234,798
<b>Total short-term notes payable</b>	<b>335,307</b>	<b>11,672,939</b>

## CONSOLIDATED FINANCIAL STATEMENTS

## d. Transactions

Company	Taxpayer N°	Nature of relationship	Description of transaction	2005		2004	
				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			15,702,147	68,073
Banco Security	97.530.000-2	Direct Subsidiary	Loans	2,928,447	(145,345)	2,994,527	(126,700)
Banco Security	97.530.000-2	Direct Subsidiary	Real Estate Consulting & Brokerage			674,843	674,843
Banco Security	97.530.000-2	Direct Subsidiary	Rentals		791	8,311	(8,311)
Banco Security	97.530.000-2	Direct Subsidiary	Price Remanent		5,066	1,301,958	(80,931)
Banco Security	97.530.000-2	Direct Subsidiary	Promise			9,806,955	(192,780)
Valores Security S.A. Corredores de Bolsa	96.515.580-5	Indirect Subsidiary	Financing Investments	5,336,476,656	388,836	4,063,023,406	742,986
Valores Security S.A. Corredores de Bolsa	96.515.580-5	Indirect Subsidiary	Consulting	49,025	49,025	373,537	349,456
Valores Security S.A. Corredores de Bolsa	96.515.580-5	Indirect Subsidiary	Rentals			29,008	29,008
Cia. de Seguros Generales Penta Security S.A.	99.302.000-1	Indirect Subsidiary	Commissions	3,485	(2,929)	306,625	(306,625)
Seguros Vida Security Previsión S.A.	99.301.000-6	Indirect Subsidiary	Commissions	168,186	(168,186)	217,817	(217,817)
Inmobiliaria Security Nueva Limitada	77.441.660-9	Indirect Subsidiary	Commercial Account			15,140	15,140
Inmobiliaria El Peumo S.A.	-	Indirect Subsidiary	Consulting	629	5,648		

## 7. INVENTORIES

Details of inventories at December 31, 2005 and 2004 are as follows:

	Amount	2005 ThCh\$	2004 ThCh\$
<b>Inmobiliaria Security S.A.</b>			
Huechuraba property <sup>(1)</sup>		2,203,347	
<b>Inmobiliaria SH Uno Ltda.</b>			
Parking lots	7	27,906	27,906
<b>Inmobiliaria Security Ocho Ltda.</b>			
Apartments	2		141,345
Parking lots	3		16,137
Warehouses	2		2,869
<b>Inmobiliaria Security Once Ltda.</b>			
El Golf Office Project			
Offices	24		11,347,827
Parking lots	235		1,330,280
Warehouses	11		141,992
<b>Inmobiliaria Security Diez Ltda.</b>			
Apartments	1		67,346
Parking lots	6	26,931	32,317
Warehouses	1		1,436
<b>Contratos de leasing habitacional</b>			
Leasing contracts	418	4,371,265	
<b>Total</b>		<b>6,629,449</b>	<b>13,109,455</b>

<sup>(1)</sup> At December 31, 2005, the Huechuraba property was reclassified for ThCh\$2,203,347, including it in inventory, because the Company intends to develop a commercial real estate project. At December 31, 2004, this property was included in other current assets.

## 8. DEFERRED TAXES AND INCOME TAX

### a. Recoverable taxes:

Details of recoverable taxes at December 31, 2005 and 2004 are as follows:

	2005 ThCh\$	2004 ThCh\$
Provision for first category income tax	(735,996)	(902,331)
Article 21 tax		(1,332)
Subtotal	(735,996)	(903,663)
Monthly provisional payments	909,560	472,086
Income tax recoverable on tax loss		119,902
VAT credit		159,890
Other credits	240,768	247,079
<b>Total</b>	<b>414,332</b>	<b>95,294</b>

### b. Deferred taxes:

Details of income tax and deferred taxes at December 31, 2005 and 2004 are as follows:

	Deferred taxes							
	2005				2004			
	Assets		Liabilities		Assets		Liabilities	
	Short term ThCh\$	Long term ThCh\$	Short term ThCh\$	Long term ThCh\$	Short term ThCh\$	Long term ThCh\$	Short term ThCh\$	Long term ThCh\$
<b>Temporary difference:</b>								
Allowance for uncollectible accounts	456,095							
Advanced earnings	7,957							
Provision for vacations	61,819				51,042			
Amortization of intangibles	11,592							
Leased assets	6,815		2,926	471,392		1,107,930	5,470	367,172
Depreciation of fixed assets	32,667		127,270				4,099	19,404
Sale of securitized asset							6,093	115,768
Accrual for consulting	18,341				53,929			460,666
Allowance for uncollectibles					528,444			
Accrual for expenses	112,510				95,521			
Sundry accruals	134,290	690,438			93,296	241,525		
Tax losses							128,422	
Earned margin		136,808			3,391	4,238		
Capital leases	304,200				243,790	28,697		
Other accruals		353,992						
Activated Consulting				444,658				
Unearned interest	234,897				211,859			
Interest due							59,860	
Recovered assets								423,703
Placement differences				122,807				
Other events	9,773		16,573	122,610			3,760	
<b>Total deferred taxes</b>	<b>1,390,956</b>	<b>1,181,238</b>	<b>146,769</b>	<b>1,161,467</b>	<b>1,281,272</b>	<b>1,382,390</b>	<b>207,704</b>	<b>1,386,713</b>
Complementary accounts				(13,510)				(18,124)
<b>Balance as per balance sheet</b>	<b>1,390,956</b>	<b>1,181,238</b>	<b>146,769</b>	<b>1,147,957</b>	<b>1,281,272</b>	<b>1,382,390</b>	<b>207,704</b>	<b>1,368,589</b>

c.

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

	2005 ThCh\$	2004 ThCh\$
<b>Current tax expenses:</b>		
Provision for first category income tax	(735,103)	(903,663)
Tax benefit from tax losses	4,693	37,769
Tax expense adjustment (prior year)	147,405	44,690
<b>Deferred taxes:</b>		
Effect of the year's deferred taxes	194,713	207,616
Effect of amortization of complementary accounts of deferred assets and liabilities	(4,614)	(2,476)
Effect on deferred tax assets or liabilities from changes in valuation allowance	-	105,671
Other charges or credits	1,003	5,235
<b>Total charge to income</b>	<b>(391,903)</b>	<b>(505,158)</b>

## 9. INVESTMENTS IN RELATED COMPANIES

Details of investments in related companies at December 31, 2005 and 2004, recorded as described in Note 2s, are as follows:

Company	Ownership percentage		Equity in company		Results for the year		Fair value equity		Results for the year at fair value		Accumulated result		Book value of investment	
	2005 %	2004 %	2005 ThCh\$	2004 ThCh\$	2005 ThCh\$	2004 ThCh\$	2005 ThCh\$	2004 ThCh\$	2005 ThCh\$	2004 ThCh\$	2005 ThCh\$	2004 ThCh\$	2005 ThCh\$	2004 ThCh\$
Banco Security	99.9400	99.9400	150,273,214	142,996,941	20,014,256	14,528,667	150,273,214	142,884,349	20,014,256	17,225,331	20,002,248	17,225,330	150,157,162	142,884,350
Compañía de Seguros Generales Penta Security S.A.	29.1670	29.0000	15,314,069	14,673,730	2,190,661	1,208,858	15,314,069		2,190,661		638,950	39,825	4,489,136	4,285,004
Seguros Vida Security Previsión S.A.	91.9932	91.9932	8,204,357	7,795,075	1,351,192	1,106,510					1,243,005	1,017,915	7,547,451	7,170,940
Europ Assistance Chile S.A.	49.0000	-	115,795	-	(136,906)	-					(67,294)		56,741	-
Other investments													23,930	23,962
Inmobiliaria Security S.A. (Private Investment Fund)													2,957,383	741,581
Cooper Gay	49.9990	49.0000	328,139	178,891	149,219	17,613					74,257	8,806	164,041	89,444
<b>Total</b>													<b>165,395,844</b>	<b>155,195,281</b>

### Additional information

- On June 22, 2004, the Company decreased the capital for ThCh\$2,676,000 (historical) in Inversiones Seguro Security Ltda., maintaining its 99.99% interest.
- 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 this Bank. To that end, a takeover bid was made for the remaining percentages according to Law 18.046.

c. After the date of purchase, the new acquired Company changed its name 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 (historic), which will be amortized over the term of the return on the investment.

At December 31, 2005, the absorbed Company's original assets and liabilities were realized and the results were recognized at fair value, therefore at that date, the absorbed Company's assets liabilities are valued at book-value.

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 interest in that company 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.

i. During March 2005, the final independent appraisal report was received to close the process of determining the fair value of Seguros Generales Penta-Security S.A. assets and liabilities. Given the results obtained and presented on March 31, 2005, the fair value adjustment was made by the direct affiliate Inversiones Seguros. As a result of the above adjustment, the direct affiliate recorded a positive goodwill which will be amortized in five years.

	ThCh\$
Equity Book Value	14,843,971
Adjustment to Fair Value	77,701
Equity Value	14,921,672

At December 31, 2005, the absorbed Company's original assets and liabilities were realized and the results were recognized at fair value, therefore at that date, the absorbed Company's assets liabilities are valued at book-value.

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

### BANCO SECURITY AND SUBSIDIARIES

#### Consolidated General Balance

General Balances at December 31

ASSETS	2005 MCh\$	2004 MCh\$	LIABILITIES AND SHAREHOLDERS EQUITY	2005 MCh\$	2004 MCh\$
Cash	79,228	134,310	Deposits and other liabilities	1,449,810	1,329,393
Net loans	1,313,360	1,205,863	Bonds payable	99,860	46,290
Other credit operations	115,563	34,983	Loans from financial institutions	209,887	174,521
Investments	371,460	287,734	Other liabilities	93,424	39,606
Other assets	100,645	47,671	Minority interest	42	96
Fixed assets	23,042	22,343	Capital and reserves	128,786	125,959
			Other equity accounts	1,473	2,509
			Income for the year	20,014	14,529
<b>Total assets</b>	<b>2,003,297</b>	<b>1,732,903</b>	<b>Total liabilities and shareholders' equity</b>	<b>2,003,297</b>	<b>1,732,903</b>

### BANCO SECURITY AND SUBSIDIARIES

#### Consolidated Statements of Income

For the years ended December 31, 2005 and 2004

	2005 MCh\$	2004 MCh\$
Operating revenue	144,296	126,448
Less:		
Interest and indexation expenses	(61,858)	(43,652)
Loss in brokering securities	(13,082)	(16,358)
Expenses for commissions	(380)	(381)
Other operating expenses	(7,579)	(2,513)
Gross margin	61,397	63,544
Employee salaries and expenses	(13,429)	(17,850)
Administrative and other expenses	(15,231)	(13,779)
Depreciation and amortization	(1,907)	(3,380)
Gross margin	30,830	28,535
Allowances for assets at risk	(3,536)	(9,868)
Operating results	27,294	18,667
Other income	2,189	1,477
Other expenses	(2,465)	(630)
Income from permanent investments	35	51
Price-level restatement	(3,510)	(1,943)
Income before taxes	23,543	17,622
Income taxes	(3,523)	(3,088)
Income after income taxes	20,020	14,534
Minority interest	(6)	(5)
<b>Income for the year</b>	<b>20,014</b>	<b>14,529</b>



**SEGUROS VIDA SECURITY PREVISION S.A.****Balance Sheets at December 31 · (In millions of Chilean pesos - MCh\$)**

ASSETS	2005 MCh\$	2004 MCh\$	LIABILITIES AND SHAREHOLDERS EQUITY	2005 MCh\$	2004 MCh\$
Investments	64,066	59,051	Reserve for claims	56,537	52,778
Premiums receivable	1,976	1,478	Other liabilities	4,014	3,300
Reinsurance	1,087	1,188	Capital and reserves	6,853	6,688
Other assets	1,626	2,155	Income for the year	1,351	1,106
<b>Total assets</b>	<b>68,755</b>	<b>63,872</b>	<b>Total liabilities and shareholders' equity</b>	<b>68,755</b>	<b>63,872</b>

**SEGUROS VIDA SECURITY PREVISION S.A.****Statements of Income**

For the years ended December 31, 2005 and 2004 · (In millions of Chilean pesos - MCh\$)

	2005 MCh\$	2004 MCh\$
Operating revenue	24,237	16,424
Brokerage, claims and administration costs	(26,597)	(18,990)
Operating results	(2,360)	(2,566)
Revenue from investments	4,280	3,948
Financial expenses		
Other expenses		
Non-operating result	4,280	3,948
Subtotal	1,920	1,382
Price-level restatement	(441)	(274)
Other income	157	66
Income tax	(285)	(68)
<b>Net income for the year</b>	<b>1,351</b>	<b>1,106</b>

**QUIRIHUE FONDO DE INVERSION PRIVADO.****Balance Sheets at December 31, 2005 · (In thousands of Chilean pesos - ThCh\$)**

ASSETS	2005 ThCh\$	LIABILITIES AND SHAREHOLDERS EQUITY	2004 MCh\$
CURRENT LIABILITIES:		CURRENT LIABILITIES:	
Cash and banks	7,283	Notes and accounts payable to related companies	2,960
Marketable securities	79,588	Deferred income for pledged sales	34,928
Investment in works	1,135,550	Other provisions	36,417
		Other current liabilities	898
<b>Total current assets</b>	<b>1,222,421</b>	<b>Total current liabilities</b>	<b>75,203</b>
FIXED ASSETS		EQUITY:	
Machinery and equipment	1,386	Contributions	1,162,182
Furniture and fixtures	1,914	Net loss for the year	(11,829)
Accumulated depreciation	(165)		
<b>Total fixed assets</b>	<b>3,135</b>	<b>Total shareholders' equity - net</b>	<b>1,150,353</b>
<b>TOTAL ASSETS</b>	<b>1,225,556</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,225,556</b>

**QUIRIHUE FONDO DE INVERSION PRIVADO.****Statement of variations in equity**

for the 255 day period ending on December 31, 2005 · (In thousands of Chilean pesos - ThCh\$)

	2005 ThCh\$
EQUITY AT BEGINNING OF PERIOD	-
Contributions received in the period	1,162,182
EQUITY BEFORE NET INCOME FOR THE PERIOD	1,162,182
UNREALIZED PROFIT FROM INVESTMENTS:	
Mutual fund accrued profit	3,717
Total unrealized profit from investments	3,717
EXPENSES FOR THE YEAR:	
External services:	(4,556)
Operating expenses charged to the fund	(928)
Total expenses for the year	(5,484)
PRICE-LEVEL RESTATEMENT	(10,062)
NET INCOME FOR THE YEAR	(11,829)
<b>EQUITY AT THE END OF PERIOD</b>	<b>1,150,353</b>

**QUIRIHUE FONDO DE INVERSION PRIVADO.****Statement of income for the distribution of dividends**

for the 255 day period ending on December 31, 2005 · (In thousands of Chilean pesos - ThCh\$)

	2005 ThCh\$
NET PROFIT (DEFICIT) FOR THE PERIOD	
Net unrealized profits from investments	3,717
Expenses for the period	(5,484)
Net price level restatement debit balance	(10,062)
Net deficit for the period	(11,829)
<b>AMMOUNT TO BE DISTRIBUTED</b>	<b>(11,829)</b>

**PASTRANA II FONDO DE INVERSION PRIVADO****General balance at December 31, 2005** · (In thousands of Chilean pesos - ThCh\$)

ASSETS	2005 ThCh\$	LIABILITIES AND SHAREHOLDERS EQUITY	2004 ThCh\$
CASH AND CASH EQUIVALENTS:		CASH AND CASH EQUIVALENTS:	
Cash and banks	2,641	Notes and accounts from related companies	2,988
Marketable securities	30,166	Other provisions	359
Investment in works	650,715	Total current liabilities	3,347
Total current assets	683,522	EQUITY:	
		Contributions	682,580
		Net loss for the year	(2,405)
		Total shareholders' equity - net	680,175
<b>TOTAL ASSETS</b>	<b>683,522</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>683,522</b>

**PASTRANA II FONDO DE INVERSION PRIVADO****Statement of variations in equity**

for the 145 day period ending on December 31, 2005 · (In thousands of Chilean pesos - ThCh\$)

	2005 ThCh\$
EQUITY AT BEGINNING OF PERIOD	
Contributions received	682,580
EQUITY BEFORE NET INCOME FOR THE PERIOD	682,580
NET PROFIT FROM INVESTMENTS:	
Mutual fund earned profit	2,079
Total realized net profit from investments	2,079
UNREALIZED PROFIT FROM INVESTMENTS:	
Mutual fund accrued profit	166
Total unrealized profit from investments	166
EXPENSES FOR THE YEAR:	
External services:	(3,514)
Operating expenses charged to the fund	(176)
Total expenses for the year	(3,690)
PRICE-LEVEL RESTATEMENT	(960)
NET INCOME FOR THE YEAR	(2,405)
<b>EQUITY AT THE END OF PERIOD</b>	<b>680,175</b>

**PASTRANA II FONDO DE INVERSION PRIVADO****Statement of income for the distribution of dividends**

for the 145 day period ending on December 31, 2005 - (In thousands of Chilean pesos - ThCh\$)

	2005 ThCh\$
NET PROFIT (DEFICIT) FOR THE PERIOD	
Unrealized profits from investments	166
Realized profits from investments	2,079
Expenses for the period	(3,690)
Net price level restatement debit balance	(960)
Net deficit for the period	(2,405)
<b>AMOUNT TO BE DISTRIBUTED</b>	<b>(2,405)</b>

**10. GOODWILL ON INVESTMENTS**

Details of goodwill on investments at December 31, 2005 and 2004, recorded as described in Note 2t, are as follows:

Company	2005		2004	
	Amount amortized during the year ThCh\$	balance of goodwill ThCh\$	Amount amortized during the year ThCh\$	balance of goodwill ThCh\$
Banco Security	18,612	159,750	18,612	178,361
Factoring Security S.A.	27,421	233,079	27,421	260,500
Seguros Security Previsión Generales S.A.	71,912	937,938	71,913	1,009,850
Seguros Vida Security Previsión S.A.	149,060	2,081,437	149,060	2,230,498
Travel Security S.A.	56,177	833,299	56,177	889,476
Agencias Security S.A.	2,713	39,117	2,713	41,832
Asesorías Security S.A.	1,568	23,533	1,569	25,102
Servicios Security S.A.	9,533	181,110	16,866	190,642
Inversiones Copper Limitada	708,984	13,106,395	364,297	13,815,379
Dresdner Bank Lateinamerika	477,971	2,221,697	441,047	2,699,669
Dresdner Lateinamerika Corredora de Bolsa S.A.	97,209	246,937	97,209	344,147
<b>Total</b>	<b>1,621,160</b>	<b>20,064,292</b>	<b>1,246,884</b>	<b>21,685,456</b>

**11. OTHER ASSETS**

Details of other long-term assets at December 31, 2005 and 2004 are as follows

	2005 M\$	2004 M\$
Discount on placement of bonds	722,396	598,608
Lease contracts	1,851,829	4,424,955
Earned margin		755,421
Others	914,488	950,775
Acquired portfolio (Corredora de Seguros Security Ltda.)	7,988,964	7,801,383
<b>Total</b>	<b>11,477,677</b>	<b>14,531,142</b>

## 12. SHORT-TERM LIABILITIES WITH BANKS AND FINANCIAL INSTITUTIONS

Details of liabilities with banks and financial institutions at December 31, 2005 and 2004 are as follows:

Bank or financial Institution	Dollars		UF		non-indexed ch\$		Total	
	2005 ThCh\$	2004 ThCh\$	2005 ThCh\$	2004 ThCh\$	2005 ThCh\$	2004 ThCh\$	2005 ThCh\$	2004 ThCh\$
<b>Short term</b>								
Banco de Chile				362,069	7,391,318	9,339,393	7,391,318	9,701,462
Corpbanca					3,094,480	3,356,805	3,094,480	3,356,805
Banco Estado				316,736	24,004,104	18,847,557	24,004,104	19,164,293
Banco de Crédito e Inversiones					14,955,123	15,576,670	14,955,123	15,576,670
Banco BICE						1,554,161	-	1,554,161
Banco BBVA BHIF						4,145,609	-	4,145,609
Dresdner Nationale Banque de Paris						-		-
Scotiabank					3,732,212	3,849,007	3,732,212	3,849,007
Banco del Desarrollo					2,489,759	1,349,368	2,489,759	1,349,368
Banco Santander	557,794				5,219,284	5,025,406	5,777,078	5,025,406
Citibank N.A.						-		-
Bank Of América	2,264,900					2,306,589	2,264,900	2,306,589
Banco Security			494,867		1,797,249	2,776,945	2,292,116	2,776,945
Banco ABN Amro Bank					8,051,320	1,524,016	8,051,320	1,524,016
Wachovia Bank	2,470,803					2,710,547	2,470,803	2,710,547
Bank Boston	2,006,620					2,773,180	2,006,620	2,773,180
First Union Bank								-
<b>Total</b>	<b>7,300,117</b>	<b>-</b>	<b>494,867</b>	<b>678,805</b>	<b>70,734,849</b>	<b>75,135,253</b>	<b>78,529,833</b>	<b>75,814,058</b>
<b>Outstanding principal</b>	<b>7,153,622</b>		<b>489,247</b>		<b>64,958,239</b>		<b>72,601,108</b>	<b>-</b>
<b>Average annual interest rate</b>	<b>4.90</b>		<b>6.00</b>	<b>3.90</b>	<b>5.49</b>	<b>3.52</b>		
<b>Long term-Short term portion</b>								
Banco de Chile			1,039,567	641,531			1,039,567	641,531
Corpbanca			552,621	543,779			552,621	543,779
Banco de Crédito e Inversiones			903,746	733,636			903,746	733,636
Banco Security			31,779				31,779	-
<b>Total</b>			<b>2,527,713</b>	<b>1,918,946</b>			<b>2,527,713</b>	<b>1,918,946</b>
<b>Outstanding principal</b>			<b>2,435,134</b>				<b>2,435,134</b>	<b>-</b>
<b>Average annual interest rate</b>			<b>2.46</b>	<b>2.46</b>				

## 13. OTHER CURRENT LIABILITIES

Details of other current liabilities at December 31, 2005 and 2004 are as follows:

	2005 ThCh\$	2004 ThCh\$
Corporación de Fomento de la Producción <sup>(1)</sup>	6,152,476	6,224,665
Alto El Parque Building	-	23,024
Apoquindo El Golf office project	-	1,682,747
Leasing contracts purchase(BSECS-8)	4,371,265	-
Other current liabilities	-	15,751
<b>Total</b>	<b>10,523,741</b>	<b>7,946,187</b>

<sup>(1)</sup> Annual interest rate is 2.95%.

## 14. LONG-TERM LIABILITIES WITH BANKS AND FINANCIAL INSTITUTIONS

Details of long-term liabilities with banks and financial institutions at December 31, 2005 and 2004 are as follows:

Financial institution	Currency or indexation	Years of maturity			Closing date current year		Closing date prior year
		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	950,867	2,030,170	2,466,145	5,447,182	3,50	6,383,219
Corpbanca	UF	521,140	521,142	-	1,042,282	3,56	1,560,433
Corpbanca	\$				-		37,983
Banco de Crédito e Inversiones	UF	895,145	176,153	1,233,073	2,304,371	1,74	3,193,404
Banco Security	UF	1,677,973			1,677,973	1,38	1,724,735
<b>Total</b>		<b>4,045,125</b>	<b>2,727,465</b>	<b>3,699,218</b>	<b>10,471,808</b>		<b>12,899,774</b>

## 15. BONDS PAYABLE

Details of bonds payable at December 31, 2005 and 2004, recorded as described in Note 2 x, are as follows:

Registration N° or Identification of the instrumente	Series	Outstanding nominal amount placed	Indexation unit	interest rate %	Final maturity	Payment date		Par value	
						interest	amortization	2005	2004
								ThCh\$	ThCh\$
Long-term bonds - current portion									
340-13-08-03	BSECU-B		UF	4,75	15,07,2010	Six-monthly	Six-monthly	3,982,505	386,803
376-16-07-04	BSECU-C		UF	5	15,07,2016	Six-monthly	Six-monthly	209,987	232,596
Total - porción corto plazo								4,192,492	619,399
Long-term bonds									
340-13-08-03	BSECU-B		UF	4,75	15,07,2010	Six-monthly	Six-monthly	14,379,848	17,940,464
376-16-07-04	BSECU-C		UF	5	15,07,2010	Six-monthly	Six-monthly	12,582,367	12,558,324
Total long term								26,962,215	30,498,788

## 16. ACCRUALS AND WRITE-OFFS

At December 31, 2005 and 2004, accruals are as follows:

	2005 ThCh\$	2004 ThCh\$
Accrual for vacations	510,604	300,245
Accrual for consultancy services	80,781	91,718
Accrual for rewards	268,444	142,786
Accrual for profit	120,264	27,899
Accrual for employee benefits	30,550	18,648
Accrual for estimates for payment		336,482
Sundry accruals	1,716,521	824,087
Other accruals	3,000	252,435
<b>Total</b>	<b>2,730,164</b>	<b>1,994,300</b>

## 17. MINORITY INTEREST

Minority interest at December 31, 2005 and 2004 is as follows

Subsidiary	Ownership %	Ownership		Ownership	
		2005 ThCh\$	2004 ThCh\$	2005 ThCh\$	2004 ThCh\$
Factoring Security S.A.	0,001	2	1		
Inmobiliaria Security S.A.	0,001	23	20	(4)	(5)
Seguros Security S.A.	0,001	193	192	(9)	(4)
Inversiones Invest Security Limitada	0,199	2,452	2,387	(67)	(21)
Servicios Virtual Security S.A.	0,100	138	165	27	23
Representaciones Security Limitada	1,000	196	96	(100)	(100)
Travel Security S.A.	25,000	498,398	421,978	(128,319)	(104,009)
Global Security Gestión y Servicios S.A.	0,230	(160)	66	225	150
Mandatos Security Ltda.	0,230	38	64	26	(31)
Securitizadora Security S.A.	0,100	1,015	1,602	689	737
Asesorías Security S.A.	1,000	1,669	1,853	185	159
Servicios Security S.A.	9,070	531,886	605,503	69,594	8
Inmobiliaria Security Siete Limitada	0,001	4	16		
Inmobiliaria SH Uno Limitada	0,001	19	2	(6)	(13)
Inmobiliaria Security Once Limitada	1,000	116	3,423	(1,417)	(1,220)
Corredora de Seguros Security Limitada	0,005	41	49	8	(164)
Agencias Security S.A.	1,000	1,672	1,406	(266)	215,995
Corredora de Reaseguros Security Limitada	0,200				
<b>Total</b>		<b>1,037,702</b>	<b>1,038,823</b>	<b>(59,434)</b>	<b>111,505</b>

## 18. SHAREHOLDERS' EQUITY

Changes in shareholders' equity accounts at December 31, 2005 and 2004 were as follows:

	Paid in capital ThCh\$	Share premium ThCh\$	Other reserves ThCh\$	Retained earnings ThCh\$	Interim dividends ThCh\$	Deficit subsidiary development stage 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
Transfers				14,109,874			(14,109,874)	
Prior year final dividend				(1,248,007)	1,248,007			
Capital increase with cash share issue	38,554,337	7,037,982						45,592,319
Development stage accumulated deficit				(191,225)		168,811		(22,414)
Adjustment to matching 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
Price-level restatement (3.6%)	3,026,555	987,389	148,203	1,119,859	(31,716)	(20,773)	558,231	5,787,748
<b>Balances, December 31, 2004 restated by 3.6%</b>	<b>87,097,536</b>	<b>28,414,860</b>	<b>4,264,961</b>	<b>32,227,042</b>	<b>(912,705)</b>	<b>(597,800)</b>	<b>16,064,657</b>	<b>166,558,551</b>
Balances, January 1, 2005	84,070,981	27,427,471	4,116,758	31,107,183	(880,989)	(577,027)	15,506,426	160,770,803
Transfer				15,506,426			(15,506,426)	
Prior year final dividend				(880,989)	880,989			
Development stage accumulated deficit				(324,567)		301,086		(23,481)
Adjustment to reserve for fluctuation in investment in subsidiary			(1,889,082)					(1,889,082)
Final dividends				(8,773,120)				(8,773,120)
Price-level restatement	3,026,555	987,389	166,432	1,353,058	(18,363)	(5,582)		5,509,489
Net income for the year							20,209,833	20,209,833
Interim dividends					(1,530,198)			(1,530,198)
<b>Balances, December 31, 2005</b>	<b>87,097,536</b>	<b>28,414,860</b>	<b>2,394,108</b>	<b>37,987,991</b>	<b>(1,548,561)</b>	<b>(281,523)</b>	<b>20,209,833</b>	<b>174,274,244</b>

### Paid-in capital

In accordance with Article No 10 of Law No 18,046, paid-in capital includes its proportional amount of monetary correction.

At December 31, 2005, the subscribed and paid-in capital was ThCh\$87,097,536, (ThCh\$87,097,536 in 2004) 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 Compañía de Seguros Generales Penta Security 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 - an interim and 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).

During 2005, a Ch\$ 3.3 final dividend per share was paid, which added to the October 2004 interim dividend, makes a final dividend of Ch\$ 3.8 charged to 2004 results. This dividend must be added to the Ch\$1 additional dividend paid in October 2004, which makes a Ch\$4.8 total dividend per share paid in 2004.

Additionally, in September 2005, Grupo Security management, in an ordinary session, agreed to pay an interim dividend of Ch\$0.75 per share, and an additional dividend of Ch\$1.0 per share with charge to retained earnings, which makes a total dividend of Ch\$1.75 per share.

### 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 2004.

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.

## 19. PRICE-LEVEL RESTATEMENT

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

	Indexation	2005 ThCh\$	2004 ThCh\$
<b>Assets (charges) / credits</b>			
Inventories	IPC	74,681	388,949
Fixed assets	IPC	93,615	59,801
Investments in related companies	IPC	4,779,008	2,583,168
Goodwill	IPC	632,000	309,120
Other non-monetary assets	UF	705,898	
Expense and cost accounts	IPC	(17,663)	(41,063)
Total (charges) credits		6,267,539	3,299,975
<b>Liabilities (charges) / credits</b>			
Shareholders' equity	IPC	(5,509,489)	(2,912,453)
Non-monetary liabilities	IPC	(1,714,359)	(913,122)
Income accounts	IPC	(30,907)	
Total (charges) credits		(7,254,755)	(3,825,575)
Loss from price-level restatement		(987,216)	(525,600)

## 20. EXCHANGE DIFFERENCES

Details of exchange differences at December 31, 2005 and 2004 are as follows:

	(Charges) / credits	
	2005	2004
	ThCh\$	ThCh\$
<b>Price-level restatement of:</b>		
Cash	(4,638)	29,881
Non-permanent investments	(2,801)	(11,892)
Cuentas por pagar	(7,727)	
<b>Total credits</b>	<b>(15,166)</b>	<b>17,989</b>
<b>Pasivos:</b>		
Other liabilities in dollars		67,965
Total charges	-	67,965
<b>Net credit to income</b>	<b>(15,166)</b>	<b>85,954</b>

## 21. 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 less than 90 days, as cash equivalents, as specified in Technical Bulletin 50 of the Chilean Institute of Accountants; details are as follows:

	2005	2004
	ThCh\$	ThCh\$
Cash	3,567,301	3,230,461
Time deposits	83,030	87,243
Resale agreements on promissory notes issued by Chilean Central Bank <sup>(1)</sup>	2,931,284	5,214,041
Mutual fund units	2,442,947	7,488,054
<b>Total</b>	<b>9,024,562</b>	<b>16,019,799</b>

<sup>(1)</sup> These balances are included in "Other current assets".

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.

## 22. FORWARD CONTRACTS

Details of valid forward contracts at December 31, 2005 are as follows:

Type of derivative	Type of contract	Value of contract	Maturity date	Specific item	Position in purchase/sale	Item or transaction hedged		Value of item hedged	Book accounts affected			
						Name	Amount		Assets / Liabilities		Effect on income	
									Name	Amount	Realized	Unrealized
FR	CCPE	400,000	I-Trim. 2005	Exchange rate	C	BSP payable	200,000	111,780	Others current assets	250,830	(579)	-
FR	CCPE	300,000	I-Trim. 2005	Exchange rate	C	BSP payable	250,000	139,775	Others current assets	251,555	(832)	-

## 23. CONTINGENCIES AND RESTRICTIONS

On August 30, 2005, The Internal Revenue Service performed liquidation for the years 2001, 2002 and 2003 to the Factoring Security S.A. subsidiary, including first class income taxes, the sole tax from item 3, article 21, and reimbursements from article 97 of the Income tax Law (ITL). The claim on these tax liquidations was made on November 10, 2005, and is in the administrative prejudicial phase of Administrative Actions Review (AAR), which as to date is still pending. Management and company legal counsels do not foresee adverse results from these liquidations, and therefore have not considered it pertinent or necessary to make provisions in this case.

## 24. THIRD PARTY GUARANTEES

At December 31, 2005 and 2004, the Company and its subsidiaries have not received any guarantees from third parties.

## 25. LOCAL AND FOREIGN CURRENCY

### Assets

	Currency	Amount	
		2005 ThCh\$	2004 ThCh\$
<b>Current assets:</b>			
Cash	Non-indexed Ch\$	3,567,301	2,476,805
Cash	Indexed Ch\$		654,834
Cash	US\$		98,823
Time deposits	Non-indexed Ch\$	83,030	31,040
Time deposits	US\$		42,964
Time deposits	Euro		13,239
Marketable securities	Non-indexed Ch\$	2,442,947	6,968,205
Marketable securities	Indexed Ch\$		519,848
Trade accounts receivable	Indexed Ch\$	3,986,387	3,532,054
Trade accounts receivable	Non-indexed Ch\$	91,006,971	79,700,130
Notes receivable	Non-indexed Ch\$	3,147,901	4,507,385
Notes receivable	Indexed Ch\$	701,968	505,319
Other receivables	Non-indexed Ch\$	684,658	574,539
Other receivables	Indexed Ch\$	61,993	
Due from related companies	Indexed Ch\$	403,311	263,305
Inventories	Non-indexed Ch\$	6,629,449	13,109,455
Recoverable taxes	Indexed Ch\$	414,332	95,294
Prepaid expenses	Non-indexed Ch\$	176,202	46,764
Prepaid expenses	Indexed Ch\$		2,138
Deferred taxes	Indexed Ch\$	1,244,187	1,073,568
Other current assets	Non-indexed Ch\$	3,936,344	7,743,868
Total current assets		118,486,981	121,959,577
<b>Total fixed assets - net</b>			
	<b>\$ Reajustables</b>	<b>3,677,552</b>	<b>1,778,531</b>
<b>Other assets:</b>			
Investments in related companies	Indexed Ch\$	165,371,914	155,195,281
Goodwill	Indexed Ch\$	20,064,292	21,685,456
Due from related companies	Indexed Ch\$	26,267	586,894
Deferred taxes (net)	Indexed Ch\$	33,281	13,801
Intangibles	Indexed Ch\$	339,797	287,990
Investments in other companies	Indexed Ch\$	23,930	-
Goodwill	Indexed Ch\$	(20,491)	-
Amortization	Indexed Ch\$	(230,413)	-
Others	Indexed Ch\$	11,477,677	13,682,133
Others	Non-indexed Ch\$		849,009
Total other assets		197,086,254	192,300,564

## CONSOLIDATED FINANCIAL STATEMENTS

## Current liabilities

Item	Currency	up to 90 days				90 days to 1 year			
		2005		2004		2005		2004	
		Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %
Liabilities with banks	Indexed Ch\$			3,111,408	6.25			158,229	4.62
Liabilities with banks	US\$			-				-	
Liabilities with banks	Non-indexed Ch\$	75,143,073	5.20	72,544,421		3,386,760		-	
Liabilities with banks	UF			-		2,527,713		1,918,946	1.87
Bonds payable	Indexed Ch\$			-				-	
Bonds payable	UF	2,395,011	4.75	-		1,797,481	4.75	619,399	4.75
Accounts payable	Non-indexed Ch\$	4,339,139		4,314,836				-	
Accounts payable	Indexed Ch\$	1,816,259						-	
Notes payable	Non-indexed Ch\$	96,102		30,640				-	
Sundry creditors	Indexed Ch\$	198,274		415,644				-	
Due to related companies	Non-indexed Ch\$			11,672,939				-	
Due to related companies	Indexed Ch\$	335,307						-	
Accruals	Non-indexed Ch\$	1,975,459		336,482				-	
Accruals	Indexed Ch\$	754,705		1,657,818				-	
Withholdings	Indexed Ch\$	460,777		292,983				-	
Other current liabilities	Non-indexed Ch\$	10,523,741		1,705,792				6,224,664	
Other current liabilities	Indexed Ch\$			15,731					
<b>Total</b>		<b>98,037,847</b>		<b>96,098,694</b>		<b>7,711,954</b>		<b>8,921,238</b>	

## long-term liabilities

## 2005

Item	Currency	2 to 3 years		3 to 5 years		5 to 10 years		Over 10 years	
		Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %
Liabilities with banks	Indexed Ch\$								
Liabilities with banks	UF	3,448,253	2.44	1,646,364	2.44	3,699,218	2.44	-	
Liabilities with banks	Non-indexed Ch\$	1,677,973	5.40	-		-		-	
Bonds payable	UF	13,181,527	5.90	7,189,924	5.90			6,590,764	5.90
Documentos por pagar	Non-indexed Ch\$	9,164							
Other liabilities	Non-indexed Ch\$	745,853							
<b>Total</b>		<b>19,062,770</b>		<b>8,836,288</b>		<b>3,699,218</b>		<b>6,590,764</b>	

## 2004

Item	Currency	2 to 3 years		3 to 5 years		5 to 10 years		Over 10 years	
		Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %
Liabilities with banks	Indexed Ch\$	2,801,163	4.80	6,052,986	1.87				
Liabilities with banks	UF	4,007,642	1.87						
Liabilities with banks	Non-indexed Ch\$	37,983	5.00						
Bonds payable	UF	8,432,019	4.80	9,687,851	4.80	11,123,088	4.75	1,255,832	4.75
Other liabilities	Indexed Ch\$	22,802							
<b>Total</b>		<b>15,301,609</b>		<b>15,740,837</b>		<b>11,123,088</b>		<b>1,255,832</b>	

## 26. SANCTIONS

In 2005 and 2004, no sanctions were imposed on the Company, its Directors or its Management by the Superintendence of Securities and Insurance.

## 27. SUBSEQUENT EVENTS

On January 10, 2006, the Company made an offer for the purchase of 100% of Interamericana Rentas Seguros de Vida S.A., also known as Interrenta (This Company is the life annuity division of Interamericana Chile), which was accepted the same day by the selling shareholders.

On January 27, 2006, Grupo Security S.A., jointly with its affiliate Factoring Security S.A., signed a share sales agreement with Inversiones Interamericana S.A. and International Technical and Advisory Services Limited to purchase 100% of the shares of "Interamericana Rentas Seguros de Vida S.A. ("Interrentas").

The price of the purchased shares is Ch\$67 billion (sixty seven billion Chilean pesos), which corresponds to approximately \$2,784,820.65 per share, which is subject to possible adjustments due to variations Interrentas' equity. To this effect, it should be noted that Inversiones Interamericana S.A. owns 24,058 Interrentas shares, which represent 99.996 of its capital, and International Technical and Advisory Services Limited owns 1 Interrentas share which represents 0.004% of that company's capital. The contract stipulates that closing will be on or before May 2, 2006, once contract conditions are fulfilled.

On January 17, 2006, the Company paid ThCh\$1,044,986 for the Securitizadora Security S.A. capital increase shares.

No events materially affecting the financial statements have occurred between February 1 and February 17, 2006, their date of issue.

## 28. 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

## MANAGEMENT'S ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

Because of the different nature of their businesses, the financial statements of the direct subsidiary Banco Security and subsidiaries, the indirect subsidiaries Seguros Vida Security Previsión S.A. and the private investment funds Quirihue and Pastrana II, have not been consolidated. Consequently, the consolidation of Grupo Security and subsidiaries includes Factoring Security, Asesorías Security, Securitizadora Security, Inmobiliaria Security and subsidiaries, Inversiones Seguros Security and subsidiaries and Invest Security and subsidiaries.

Because of this consolidation process, while the final results are equivalent to those shown in the unconsolidated financial statements, their composition changes due to the incorporation of the items of the subsidiaries and the growth of the businesses of the different companies comprising Grupo Security.

As can be seen in the consolidated financial statements, the balance sheet of Grupo Security shows total assets of Ch\$319,251 million, of which current assets amount to Ch\$118,487 million (37.1% of assets), mainly consisting of trade accounts receivable and inventories, the normal items in the businesses of the consolidated subsidiaries. The most important items also include the investment in related companies amounting to Ch\$165,372 million, representing 51.8% of total assets.

Of the total short and long-term liabilities (Ch\$143,939 million), current liabilities represent Ch\$105,750 million (73.5% of the total) and long-term liabilities Ch\$38,189 million (26.5% of the total). Short and long-term borrowings from banks and financial institutions amounted to Ch\$91,529 million and bonds payable to Ch\$31,155 million.

The shareholders' equity of Grupo Security is Ch\$174,274 million, representing 54.6% of the total consolidated assets at December 2005, compared to 52.7% the previous year.

### CONSOLIDATED STATEMENT OF CASH FLOWS OF GRUPO SECURITY S.A.

Description and analysis of the principal net cash flow components:

	For the years ended December 31, 2005 and 2004 (millions of pesos)	
	2004	2005
Net cash flow from operating activities	4,367.9	16,427.1
Net cash flow from financing activities	59,634.4	-10,001.6
Net cash flow from investment activities	-65,610.4	-13,640.2
<b>Net total cash flow the year</b>	<b>-1,608.1</b>	<b>-7,214.7</b>
Effect of inflation on cash & cash equivalents	451.2	219.4
Net change in cash & cash equivalents	-1,156.9	-6,995.3
Opening balance of cash & cash equivalents	17,176.6	16,019.8
<b>Closing balance of cash &amp; cash equivalents</b>	<b>16,019.8</b>	<b>9,024.5</b>

The net positive cash flow from operating activities of ThCh\$16,427,120 at December 31, 2005 (ThCh\$4,367,931 in 2004) mainly includes trade accounts receivable, other assets and accounts payable related to operating income, basically dividends received by Grupo Security from Banco Security and changes in net financings mainly by Factoring Security.

The net negative cash flow from financing activities of ThCh\$10,001,572 at December 31, 2005 (positive ThCh\$59,634,403 in 2004) arose mainly from dividend payments (ThCh\$ 16,609,650) and loan repayments (ThCh\$68,152,248). Financing was mainly obtained from bank loans and the share placement (Factoring).

The net negative cash flow from investment activities of ThCh\$13,640,162 at December 31, 2005 (ThCh\$65,610,394 in 2004) corresponds mainly to the capital increase of Factoring Security.

## FINANCIAL INDICATORS

The most relevant financial indicators of the consolidated financial statements of Grupo Security at December 2004 and 2005 show the following changes:

	Unit	2004	2005
Current assets / total assets	%	38,59	37,11
Fixed assets / total assets	%	0,56	1,15
Other assets / Total assets	%	60,85	61,73
Current liabilities / Total liabilities	%	33,23	33,12
Long-term liabilities /Total liabilities	%	13,74	11,96
Shareholders' equity / Total liabilities	%	52,70	54,59
Current assets / Current liabilities	Times	1,16	1,12
Total liabilities / Shareholders' equity	Times	0,90	0,83
Debt ratio <sup>1/</sup>	%	89,75	83,19
Return on equity <sup>2/</sup>	%	10,67	13,12
Return on average equity <sup>3/</sup>	%	12,99	13,27
Financial expenses coverage <sup>4/</sup>	%	7,58	8,89
Return on total average assets <sup>5/</sup>	% year	5,58	6,36
Earnings per share <sup>6/</sup>	Ch\$ per share	7,87	9,91
Dividend yield, last 12 months	% / share	3,07	4,32
R.A.I.I.D.A.I.E <sup>7/</sup>	ThCh\$	21.351.717	25.674.293

1/ Total liabilities / Shareholders' equity

2/ Net income for the year /Capital and reserves

3/ Net income for the year /Average capital and reserves

4/ Financial expenses coverage: Income before taxes & interest /Financial expenses

5/ Return on total assets: Net income /Average assets

6/ Earnings per share, annualized

7/ EBITDA (Income before taxes, financial expenses, amortization goodwill & depreciation)

## CREDIT RATING

The following is a detail of the credit ratings:

Rating agency	Common shares	bonds n° 340, Series B bonds n° 376, Series C	outlook
Fitch Chile Clasificadora de Riesgo Limitada	First Class, Level 3	A+	Stable
Feller & Rate Clasificadora de Riesgo	First Class, Level 3	A	Positive
Comisión Clasificadora de Riesgo	Approved	A	

## BANCO SECURITY AND SUBSIDIARIES

### KIND OF ENTITY

Banking Corporation

### CORPORATE OBJECTS

Carry out all acts, contracts, operations and activities common to a commercial bank, in accordance with prevailing legislation.

### GENERAL INFORMATION

The company was constituted by public deed dated August 26, 1981 signed before the notary Enrique Morgan Torres.

### RELEVANT INFORMATION

On April 1, 2001, Leasing Security S.A. was merged into Banco Security at book value, without affecting the results.

On September 30, 2004, Banco Security merged with Dresdner Bank Lateinamerika, resulting in Security taking over 99.67% of the company Dresdner Bank Lateinamerika AG and 100% of Dresdner Bank Lateinamerika Corredora de Bolsa, which transaction was largely financed by a capital increase subscribed by the Group shareholders.

### PAID CAPITAL AND RESERVES

The paid capital and reserves were Ch\$130,259 million at December 31, 2005, including the restatement of capital in accordance with clause 10 of Law 18,046. Its total shareholders' equity at December 31, 2005 was Ch\$150,273 million.

### INVESTMENT AS PERCENTAGE OF GRUPO SECURITY S.A. ASSETS

Banco Security represents 57.6672% of the assets of Grupo Security.

### TRADING RELATIONS WITH SUBSIDIARIES, ASSOCIATE COMPANIES AND PARENT (\*)

Banco Security provides banking services (checking accounts, deposits, lines of credit and overdrafts, payment services, etc.) to the parent, subsidiaries and associate companies of Grupo Security S.A.

In the future, there is the possibility of extending the offer of these services to customers of the parent's subsidiaries and associate companies.

(\*) The figures for transactions of the parent with its subsidiaries and associates are shown in the financial statements of Grupo Security S.A.

### BOARD OF DIRECTORS

#### Chairman of the Board Director

Francisco Silva S.	Tax No.: 4.103.061-5
Hernán Felipe Errázuriz C.	Tax No.: 4.686.927-3
Jorge Marín C.	Tax No.: 7.639.707-4
Gustavo Pavez R.	Tax No.: 4.609.215-5
Renato Peñafiel M.	Tax No.: 6.350.390-8
Gonzalo Ruiz U.	Tax No.: 5.321.309-K
Mario Weiffenbach O.	Tax No.: 4.868.153-0
Ramón Eluchans O.	Tax No.: 6.464.460-2

#### President



GRUPO security



A N N U A L   R E P O R T

# BANCO SECURITY AND SUBSIDIARIES

Summarized financial statements at December 31, 2005 and 2004

BALANCE	2005 MCh\$	2004 MCh\$
<b>ASSETS</b>		
Current Assets	79,228.0	134,309.8
Net Loans	1,313,359.5	1,205,863.0
Other Credits	115,563.0	34,982.4
Investments	371,459.6	287,734.1
Fixed Assets	23,042.0	22,343.3
Other Assets	100,644.8	47,670.8
<b>TOTAL ASSETS</b>	<b>2,003,296.9</b>	<b>1,732,903.4</b>
<b>LIABILITIES</b>		
Time Deposits and Others	1,449,810.1	1,329,393.1
Loans from Financial Institutions	209,887.3	174,521.0
Subordinates Bonds	99,860.0	46,289.3
Other Liabilities	93,424.2	39,606.3
Minority Interests	42.0	96.7
Capital & Reserves	130,259.0	128,468.3
Net Income	20,014.3	14,528.7
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>2,003,296.9</b>	<b>1,732,903.4</b>
<b>INCOME STATEMENTS</b>		
Operating Income	27,293.5	18,668.2
Non Operating Income	(3,750.2)	(1,046.7)
<b>NET INCOME BEFORE TAXES</b>	<b>23,543.3</b>	<b>17,621.5</b>
Taxes	(3,523.4)	(3,087.9)
Minority Interest	(5.6)	(4.9)
<b>NET INCOME</b>	<b>20,014.3</b>	<b>14,528.7</b>
<b>CASH FLOW</b>		
Cash flow from operating activities	33,262.0	32,849.6
Cash flow from investments activities	(298,148.9)	(328,820.4)
Cash flow from financing activities	214,790.1	341,622.1
<b>NET CASH FLOW</b>	<b>(50,096.8)</b>	<b>45,651.3</b>
Monetary adjustment	(4,985.0)	(1,657.6)
<b>NET VARIATION OF CASH AND CASH EQUIVALENTS</b>	<b>(55,081.8)</b>	<b>43,993.7</b>

Note: The complete financial statements at available to the public at the offices of Grupo Security or the respective superintendency.

**INSCRIPTION IN THE SECURITIES REGISTER**

Banco Security is not inscribed into Securities Register.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. Information provided**

These consolidated financial statements have been prepared in accordance with accounting regulations issued by the Superintendence of Banks and Financial Institutions which conform with accounting principles generally accepted in Chile.

**b. Basis of consolidation**

The consolidated group comprises Banco Security ("the Bank") and its following subsidiaries:

	2005 %	Participation 2004 %
Valor's Security S.A. Corridors de Bolsa	99.76	99.76
Administradora General Fondos Security S.A.	99.99	99.99

Assets of subsidiaries represent in total 5.7% of the consolidated balance sheet (4.0% in 2004), and the revenue of such subsidiaries represents 16.9% of the consolidated revenues (19.0% in 2004).

In the process of consolidation, all significant inter-company balances and transactions have been eliminated.

The 2004 Chilean peso amounts have been restated by 3.6% to reflect the changes in the Chilean consumer price index.

**c. Interest and indexation**

The amounts recorded in the balance sheet for loans, investments and liabilities include interest and indexation accrued to the year-end.

Nevertheless, the Bank has taken the conservative position of discontinuing the accrual of interest and indexation on high-risk and past-due loans.

**d. Price-level restatements**

Shareholders' equity, fixed assets and other non-monetary balances have been restated in accordance with variations in the consumer price index. The application of this monetary correction resulted in a net charge to income of MCh\$3,509.6 (MCh\$1,943.0 in 2004). The income statements of Banco Security have not been restated for monetary correction.

**e. Conversion**

Assets and liabilities in Unidades de Fomento (UF) are shown at their year-end value of Ch\$17,974.81 (Ch\$17,315.38 in 2004).

**f. Foreign currencies**

Assets and liabilities denominated in foreign currencies are shown in Chilean pesos at the exchange rate prevailing at the year-end of Ch\$514.21 per USD1 (Ch\$559.83 per USD1 in 2004).

The net gain from foreign exchange of MCh\$4,417.9 (MCh\$5,765.1 in 2004) shown in the consolidated income statement includes net gains obtained from foreign exchange transactions as well as the recording of the effects of exchange rate variations on assets and liabilities denominated in foreign currency.

**g. Financial investments**

The Bank's long-term investments that are traded on the secondary market are shown at market value, in accordance with instructions of the Superintendency of Banks and Financial Institutions. Such instructions call for the accounting of investments to market value against income for the year, unless permanent investments are involved, in which case, with certain limitations, such adjustments can be made directly against the shareholders' equity account Fluctuations in value of financial investments.

The application of the permanent portfolio adjustment resulted in a net charge of MCh\$948.5 (net charge to equity of MCh\$393.6 (historic) in 2004).

Other financial investments are stated at cost plus accrued interest and indexation.

**h. Premises and equipment**

Premises and equipment are stated at their restated cost and net of accumulated depreciation. Depreciation is calculated using the straight-line method over the useful lives of the assets.

**i. Allowances for loan losses**

The Bank has established all the allowances that are required to cover the risk of loan losses, in accordance with the instructions of the Superintendence of Banks and Financial Institutions. Assets are shown net of such allowances or as a deduction in the case of loans.

**j. Deferred taxes**

The effects of deferred taxes arising from timing differences between the taxation and book values are recorded on an accrual basis in accordance with Technical Bulletin N°60 of the Chilean Institute of Accountants and its supplements and the instructions of the Superintendency.

**k. Employee vacations**

The annual cost of employee vacations and benefits is shown on the accrual basis.

**l. Cash and cash equivalents**

For purposes of the statement of cash flows, cash and cash equivalents include the balances of liquid assets, in accordance with the rules established in Chapter 18-1 of the Superintendency's compendium of regulations.

**NEW ACCOUNTING CRITERIA**

In accordance with Circular 3,345 of the Superintendency of Banks, the accounting criteria is changed from January 1, 2006 for the valuation of financial instruments acquired for trading or investment, derivative instruments, accounting hedging and reductions in the balance of financial assets. These instructions will start to be applied to the information at March 31, 2006, adjusting differences to the valuation of investments made in previous years directly to shareholders' equity.

**SUBSEQUENT EVENTS**

There have been no later events between January 1 and 13, 2006, the date of issue of these financial statements, that might have a significant effect on them.

## VALORES SECURITY S.A. CORREDORES DE BOLSA

### KIND OF ENTITY

Corporation, subsidiary of Banco Security.

### CORPORATE OBJECTS

To carry on business in two areas: stock trading and trading in fixed-income securities, dollars and others through a money desk.

### GENERAL BACKGROUND

Constituted under public deed dated April 10, 1987. It was inscribed in the Santiago Trade Register under No.3,630 of 1987 in accordance with the securities market and corporations legislation.

It is also registered in the Register of Stock-Brokers and Securities Traders on June 2, 1987, under No.0111. On October 16, 1997, an extraordinary shareholders' meeting agreed to change its name to Valores Security S.A. Corredores de Bolsa.

On August 24, 2004, the extraordinary shareholders' meeting agreed to its merger with Dresdner Lateinamerika S.A. Corredores de Bolsa and, by its Resolution No.10098 of October 27, 2004, the Superintendency of Securities and Insurance approved it with effect from October 1, 2004.

### PAID CAPITAL AND RESERVES

The company's paid capital and reserves at December 31, 2005 was Ch\$14,934 million and its total equity Ch\$17,181 million.

### INVESTMENT AS PERCENTAGE OF ASSETS OF GRUPO SECURITY S.A.

Valores Security represents 7.8941% of the assets of Grupo Security.

### TRADING RELATIONS WITH SUBSIDIARIES, ASSOCIATE COMPANIES AND PARENT COMPANY

Valores Security provides different services to the subsidiaries and associates of Grupo Security S.A., and to the parent company. For Banco Security it provides consultancy services, trading in financial instruments and trading in dollars and forwards. It also provides financial instrument and stock trading services for Administradora General de Fondos S.A. and Asesorías Security, for which it also offers trading in dollars, consultancy and forward contracts.

In the bank's insurance area, Valores Security carries out operations relating to insurance policies in the case of Seguros Security Generales S.A. and insurance broking for Corredora de Seguros Security.

It purchases tickets from Travel Security S.A. and provides financial information services for Global Security.

It offers data processing and telephone services for Virtual Security and audit and accounting services for Inversiones Invest Security Ltda., and financial services for Inversiones Seguros Security Ltda.

In the future, there is the possibility of extending the offer of these services to customers of the parent's subsidiaries and associate companies.

**BOARD OF DIRECTORS**
**Chairman of the Board**

Ramón Eluchans O.

Tax No.: 6.464.460-2

**Directors**

Bonifacio Bilbao H.

Tax No.: 9.218.210-K

Francisco Javier Gómez C.

Tax No.: 4.878.296-5

Enrique Menchaca O.

Tax No.: 6.944.388-5

Naoshi Matsumoto C.

Tax No.: 9.496.299-4

**President**

Nicolás Ugarte B.

Tax No.: 7.033.564-6

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

Summarized financial statements at December 31, 2005 and 2004

SECURITIES REGISTER NO.0111

	2005 MCh\$	2004 MCh\$
<b>BALANCE</b>		
<b>ASSETS</b>		
Current Assets	398,567.7	367,245.5
Fixed Assets	217.2	129.5
Other Assets	371.7	367.8
<b>TOTAL ASSETS</b>	<b>399,156.6</b>	<b>367,742.8</b>
<b>LIABILITIES</b>		
Current Liabilities	381,975.7	352,809.1
Capital & Reserves	14,933.8	10,270.3
Net Income	2,247.1	4,663.4
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>399,156.6</b>	<b>367,742.8</b>
<b>INCOME STATEMENT</b>		
Operating Income	3,025.8	5,719.7
Non Operating Income	(338.9)	(122.4)
<b>NET INCOME BEFORE TAXES</b>	<b>2,686.9</b>	<b>5,597.3</b>
Taxes	(439.8)	(933.9)
<b>NET INCOME</b>	<b>2,247.1</b>	<b>4,663.4</b>
<b>CASH FLOW</b>		
Cash flow from operating activities	13,943.2	(14,079.1)
Cash flow from investments activities	(32.4)	9.4
Cash flow from financing activities	(12,371.0)	14,180.7
<b>NET CASH FLOW</b>	<b>1,539.8</b>	<b>111.0</b>
Monetary adjustment	(27.8)	(18.6)
<b>NET VARIATION OF CASH AND CASH EQUIVALENTS</b>	<b>1,511.9</b>	<b>92.4</b>

Note: The complete financial statements are available to the public at the offices of Grupo Security or the respective superintendency.

## INSCRIPTION IN THE SECURITIES REGISTER

Valores Security S.A. Corredora de Bolsa was registered in the Securities Register on June 2, 1987, under No.0111.

## MERGER OF THE COMPANY

On August 24, 2004, the extraordinary shareholders' meeting agreed to the company's merger with Dresdner Lateinamerika S.A. Corredores de Bolsa and, by its Resolution No.10098 of October 27, 2004, the Superintendency of Securities and Insurance approved it with effect from October 1, 2004.

## SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

### a. Preparation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Chile and instructions issued by the Superintendency of Securities and Insurance with respect to securities dealers.

### b. Period

These consolidated financial statements cover the years ended December 31, 2005 and 2004.

### c. Price-level restatements

The financial statements are restated to reflect the effect of changes in the purchasing power of the currency, the equity, non-monetary assets and liabilities and income statement accounts being adjusted in accordance with accounting principles generally accepted in Chile. The percentage adjustments made were 3.6% and 2.5% for 2005 and 2004 respectively.

For a better comparison, the financial statements at December 31, 2004 have been restated off the books by 3.6%.

### d. Valuation of investments

Investments have been valued according to the following criteria, as required by the Superintendency of Securities and Insurance.

**d.1 Traded shares:** Traded shares are shown at the lower of restated cost and their market value. Should this result at below the cost, the difference is charged to income for the year.

**d.2 Fixed-income securities:** These are shown at the present value of the investment calculated using the discount rate determined at the time of acquisition. Fixed-income securities with maturities of over 90 days are shown at the lower of their present value and their market value. This adjustment to market value is charged to income for the year.

**d.3 Investments in shares of stock exchanges:** Investments in the shares of Bolsa Electrónica de Chile S.A. and Bolsa de Comercio de Santiago S.A. are shown at their proportional equity value.

**d.4 Investments in other entities:** These include one share in the Clearing Chamber of the Santiago Stock Exchange, valued at its proportional equity value.

**e. Rights and obligations under future transactions**

**e.1 Rights and obligations under repurchase agreements:** These are valued in accordance with Circular 514 of the Superintendency of Securities and Insurance of June 13, 1985. Both the rights and obligations therefore include the interest and indexation agreed in the respective agreements. Provisions have been made for marking to market the rights under future transactions, as detailed in Note 5a.

**e.2 Rights and obligations under other future transactions:** These relate to forward contracts which are valued as established in Technical Bulletin 57 of the Chilean Institute of Accountants.

**e.3 Short sales and loans of shares:** These transactions, in accordance with the provisions of Circular 1,474 of the Superintendency of Securities and Insurance, are valued according to the receivable at the market price for the short sale and the obligation is valued at the higher of the restated initial value and the average weighted price of the share at the year-end. In the case of the premium payable, this accrues on a straight-line basis in the results over the term of the short sale transaction.

**f. Fixed assets**

Fixed assets are shown at their restated cost.

**g. Income tax**

Income tax is booked on the basis of the taxable income calculated for tax purposes.

**h. Deferred taxes**

The effects of deferred taxes are shown on an accrued basis, as established in Technical Bulletin 60 of the Chilean Institute of Accountants.

**i. Vacations**

The cost of staff vacations is shown as an expense in the year in which the right accrues.

**j. Cash and cash equivalents**

This comprises balances of cash and with banks.

**k. Valuation and classification of cash flows**

The company has used the direct method in preparing the statement of cash flows, as required by Technical Bulletin 50 of the Chilean Institute of Accountants and Circular 1,442 of the Superintendency of Securities and Insurance.

**l. Conversion**

Assets and liabilities denominated in Unidades de Fomento and foreign currency have been converted at December 31 each year at the following closing rates

	2005 Ch\$	2004 Ch\$
Unidad de Fomento	17,974.81	17,317.05
US dollar	512.50	557.40



**m. Intangible assets**

This includes installations as follows:

	2005				2004	
	Book Value ThCh\$	Amortization ThCh\$	Net Value ThCh\$	Amortization installments	AmortizationThCh\$	Net Value ThCh\$
Installations	8,212	2,737	5,475	24	2,737	8,212

**n. Severance payments:**

The company has not agreed to any such benefit contractually and has therefore made no provision for this concept.

**SANCTIONS**

On March 22, 2004, the Superintendency of Securities and Insurance (by Resolution No.26) fined the company UF 400. This was founded on clauses 3 a) and 28 of Decree Law 3,538 and clauses 24 and 36 c) of Law 18,045 of 1981 (securities market law).

**MATERIAL INFORMATION**

On July 8, 2005, Naoshi Matsumoto Courdurier accepted to be a director in place of the deceased director Luis Montalva Rodríguez. The extraordinary shareholders' meeting of August 27, 2004 approved the merger of the company with Dresdner Lateinamerika S.A., Corredora de Bolsa.

**SUBSEQUENT EVENTS**

There have been no later events between January 1 and 12, 2006, the date of issue of these financial statements, that might have a significant effect on them.

## ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

### KIND OF ENTITY

Corporation, subsidiary of Banco Security.

### CORPORATE OBJECTS

General fund manager.

### GENERAL BACKGROUND

The company was constituted by public deed dated May 26, 1992 and was approved by the Superintendency of Securities and Insurance on June 2, 1992 (Resolution No.0112). The company is subject to the regulatory authority of that Superintendency and the provisions of Decree Law 1,328 and its regulations.

By Resolution 288 of September 17, 2003, the Superintendency approved the reform of the bylaws of Sociedad Administradora de Fondos Mutuos Security S.A. agreed at the extraordinary shareholders' meeting of July 4, 2003, which changed the company's name to Sociedad Administradora General de Fondos, in accordance with Chapter XXVII of Law 18,045.

The company currently manages the following funds:

- Fondo Mutuo Security Check, approved by Resolution 0112 of June 2, 1992.
- Fondo Mutuo Security First, approved by Resolution 228 of October 14, 1992.
- Fondo Mutuo Security Premium, approved by Resolution 142 of June 23, 1993.
- Fondo Mutuo Security Acciones, approved by Resolution 184 of August 14, 1992.
- Fondo Mutuo Security Global Investment, approved by Resolution 0235 of October 1, 1996.
- Fondo Mutuo Security Gold, approved by Resolution 54 of October 29, 1996.
- Fondo Mutuo Security Explorer, approved by Resolution 174 of July 4, 2000.
- Fondo Mutuo Security Bond, approved by Resolution 353 of October 31, 2001.
- Fondo Mutuo Security Plus, approved by Resolution 403 of September 27, 2002.
- Fondo Mutuo Security Value, approved by Resolution 403 of July 13, 2004.
- Fondo Mutuo Security Euro Bond, approved by Resolution 546 of August 2, 2004.
- Fondo Mutuo Security Trade, approved by Resolution 545 of January 3, 2005.
- Fondo Mutuo Security Emerging Market, approved by Resolution 409 of January 3, 2005.
- Fondo Mutuo Security Opportunity 100 Garantizado, approved by Resolution 230 of February 4, 2005.
- Fondo Mutuo Security Dólar Money Market, approved by Resolution 502 of April 12, 2005.
- Fondo Mutuo Security Leader 100 Garantizado, approved by Resolution 662 of September 8, 2005.

These funds are managed by the company and are therefore subject to the special legislation contained in Decree Law 1,328 and its regulations, and the company is subject to the regulatory authority of the Superintendency of Securities and Insurance.

### PAID CAPITAL AND EQUITY

At December 2005, the company's capital and reserves were Ch\$1,276 million and its equity Ch\$7,934 million.

### INVESTMENT AS PERCENTAGE OF ASSETS OF GRUPO SECURITY S.A.

Administradora General de Fondos Security S.A. represents 3.6506% of the assets of Grupo Security.

### TRADING RELATIONS WITH SUBSIDIARIES, ASSOCIATE COMPANIES AND THE PARENT COMPANY

Administradora General de Fondos Security S.A. provides investment sales services for the purchase of mutual fund quotas to each of the

subsidiaries and associates of Grupo Security S.A., and to the parent company. In the future, there is the possibility of extending the offer of these services to customers of the parent's subsidiaries and associate companies.

#### BOARD OF DIRECTORS

##### Chairman of the Board Directors

Francisco Silva S.

Tax No.: 4.103.061-5

Carlos Budge C.

Tax No.: 7.011.490-9

Santiago Felipe Larraín M.

Tax No.: 5.196.190-0

Renato Peñafiel M.

Tax No.: 6.350.390-8

Gonzalo Ruiz U.

Tax No.: 5.321.309-K

##### President

Alfredo Reyes V.

Tax No.: 9.035.635-6

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

Summarized financial statements at December 31, 2005 and 2004

	2005 MCh\$	2004 MCh\$
<b>BALANCE</b>		
<b>ASSETS</b>		
Current Assets	8,066.7	6,569.6
Other Assets	177.0	84.6
<b>TOTAL ASSETS</b>	<b>8,243.7</b>	<b>6,654.2</b>
<b>LIABILITIES</b>		
Current Liabilities	309.5	350.1
Capital & Reserves	1,275.5	1,275.5
Accumulated Income	5,028.6	3,329.4
Net Income	1,630.1	1,699.2
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>8,243.7</b>	<b>6,654.2</b>
<b>INCOME STATEMENT</b>		
Operating Income	1,500.2	1,514.8
Non Operating Income	463.2	532.0
<b>NET INCOME BEFORE TAXES</b>	<b>1,963.4</b>	<b>2,046.8</b>
Taxes	(333.3)	(347.6)
<b>NET INCOME</b>	<b>1,630.1</b>	<b>1,699.2</b>
<b>Cash Flow</b>		
Cash flow from operating activities	1,225.9	1,803.9
Cash flow from investments activities	(1,006.9)	(909.1)
Cash flow from financing activities	3.1	0.0
<b>NET CASH FLOW</b>	<b>222.1</b>	<b>894.8</b>
Monetary adjustment	(20.5)	(15.3)
<b>NET VARIATION OF CASH AND CASH EQUIVALENTS</b>	<b>201.6</b>	<b>879.5</b>

Note: The complete financial statements are available to the public at the offices of Grupo Security or the respective superintendency.

**INSCRIPTION IN THE SECURITIES REGISTER**

Indicated under General Background, above.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. Period**

These financial statements cover the years ended December 31, 2005 and 2004.

**b. Preparation**

These financial statements have been prepared in accordance with accounting principles generally accepted in Chile and instructions issued by the Superintendency of Securities and Insurance. In the event of differences, the latter prevail.

**c. Presentation**

For a better comparison, the financial statements at December 31, 2004 have been restated off the books by 3.6%.

**d. Price-level restatements**

The financial statements are restated to reflect the effect of changes in the purchasing power of the currency, the equity, non-monetary assets and liabilities and income statement accounts being adjusted in accordance with accounting principles generally accepted in Chile. The percentages of the adjustments made were 3.6% and 2.5% for 2005 and 2004 respectively.

**e. Conversion**

Assets and liabilities denominated in Unidades de Fomento are shown at their respective values at each year-end.

	2005 Ch\$	2004 Ch\$
Unidad de Fomento	17,974.81	17,317.05

**f. Time deposits**

These are shown at their present value, calculated using the discount rate used to determine the price of the instrument at the time of its acquisition or its market value. Any adjustment resulting from marking to market is charged to income for the year.

**g. Marketable securities**

Investments in market securities are valued as follows:

g.1 Mutual fund quotas: fixed-income quotas are shown at their redemption value at the close of the year.

g.2 Investments in other fixed-income instruments: these are shown at the lower of their present value calculated using the discount rate used to determine the price of the instrument at the time of its acquisition or its market value. Any adjustment resulting from marking to market is charged to income for the year.

**h. Fixed assets**

These are shown at their restated cost. Depreciation has been calculated on the straight-line basis on their restated values over their estimated useful lives. The charge for depreciation in 2005 was ThCh\$ 71,198 (ThCh\$ 36,423 in 2004).

**i. Income tax and deferred taxes**

Income tax is booked on the basis of the taxable income calculated for tax purposes in accordance with the law.

The effects of deferred taxes arising from timing differences between the taxation and financial accounts are shown as established in Technical Bulletin 60 of the Chilean Institute of Accountants and Circular 1,466 of January 27, 2001 of the Superintendency of Securities and Insurance.

**j. Severance payments**

The company has not contracted this benefit with its staff.

**k. Staff vacations**

The annual cost of staff vacations and benefits is shown on an accrual basis.

**l. Sales**

Sales comprise the remunerations and commissions charged by the company to the mutual funds it manages.

**m. Derivative contracts**

The forward contract of the company at December 31, 2004 was defined by the management as a hedge for existing items and is shown valued according to the provisions of Technical Bulletin 57 of the Chilean Institute of Accountants.

**n. Cash and cash equivalents**

The company has considered as cash equivalents all investments in fixed-income instruments made as part of its normal cash management, with maturities not exceeding 90 days, as required by Technical Bulletin 50 of the Chilean Institute of Accountants.

Operating cash flows include revenues from remunerations and commissions and expenses incurred in the business, basically remunerations, administration expenses and services.

The following is a detail of cash and cash equivalents:

	2005 ThCh\$	2004 ThCh\$
Cash & banks	47,908	40,227
Time deposits, max. 90 days	653,494	454,485
Marketable securities, max. 90 days	808,037	813,072
Total	1,509,439	1,307,784

**ACCOUNTING CHANGES**

There were no accounting changes in 2005 that affect the financial statements compared to the previous year.

**SANCTIONS**

By Resolution 694 of December 20, 2005, the Superintendency of Securities and Insurance charged a fine to the president for the equivalent of 10 UF for delays in presenting the shareholders' register.

The payment of the fine, of ThCh\$ 180, was made on December 28, 2005.

**SUBSEQUENT EVENTS**

Funds guarantee: On January 4, 2006, Administradora General de Fondos Security S.A. has obtained the following fund manager performance bonds to cover compliance with the company's obligations, the management of third-party funds and damages in cases of breaches, in accordance with clause 226 of Law 18,045.

Bond N°	Fund Name	Cover
176062	Fondo Mutuo Security Check	21,500
176063	Fondo Mutuo Security First	18,100
176064	Fondo Mutuo Security Acciones	16,800
176065	Fondo Mutuo Security Premium	10,000
176066	Fondo Mutuo Security Global Investment	10,000
176067	Fondo Mutuo Security Gold	35,100
176068	Fondo Mutuo Security Explorer	10,000
176069	Fondo Mutuo Security Dólar Bond	10,000
176071	Fondo Mutuo Security Plus	46,400
176072	Fondo Mutuo Security Value	13,300
176073	Fondo Mutuo Security Euro Bond	10,000
176074	Fondo Mutuo Security Trade	10,000
176075	Fondo Mutuo Security Emerging Market	10,000
176076	Fondo Mutuo Security Dólar Money Market	10,000
176077	Fondo Mutuo Security Opportunity 100 G.	10,000
176078	Fondo Mutuo Security Leader 100 G.	10,000

The performance bonds were issued by Banco Security.

**MATERIAL INFORMATION**

By Resolution 230 of March 23, 2005, the Superintendency of Securities and Insurance approved:

- The internal regulations of the new mutual fund Fondo Mutuo Security Opportunity 100 Garantizado, in accordance with the standardized format established in Circular 1,633 of December 2, 2002.
- The quota subscription contract with its respective appendices of the new mutual fund called Fondo Mutuo Security Opportunity 100 Garantizado, in accordance with the standardized format established in Circular 1,633 of December 2, 2002.

By Resolution 502 of August 25, 2005, the Superintendency of Securities and Insurance approved:

- The internal regulations of the new mutual fund Fondo Mutuo Security Dólar Money Market, in accordance with the standardized format established in Circular 1,633 of December 2, 2002.
- The quota subscription contract with its respective appendices of the new mutual fund called Fondo Mutuo Security Dólar Money Market, in accordance with the standardized format established in Circular 1,633 of December 2, 2002.

By Resolution 662 of November 30, 2005, the Superintendency of Securities and Insurance approved:

- The internal regulations of the new mutual fund Fondo Mutuo Security Leader 100 Garantizado, in accordance with the standardized format established in Circular 1,633 of December 2, 2002.
- The quota subscription contract with its respective appendices of the new mutual fund called Fondo Mutuo Security Leader 100 Garantizado, in accordance with the standardized format established in Circular 1,633 of December 2, 2002.

## FACTORING SECURITY S.A.

### KIND OF ENTITY

Closely-held corporation.

### CORPORATE OBJECTS

The company's objects are to buy, sell and invest in all kinds of incorporeal assets such as shares, share commitments, bonds, bills of exchange, promissory notes, savings plans, quotas or rights in all kinds of civil, commercial or mining companies, communities or associations, and all kinds of documents or securities; carry out factoring operations including the acquisition from any company or person of accounts receivable documented with invoices, bills of exchange, promissory notes or other documents, with or without recourse to the assignor and advance or not the value of such documents; grant financing with the guarantee of such documents and also the simple administration of accounts receivable; provide administration services, market surveys, research and classification of customers and advice in general; manage investments and receive their returns; and other activities that are complementary to such objects.

### GENERAL BACKGROUND

The company was constituted on November 26, 1992 before the notary Enrique Morgan Torres. An extract of the deed was published in the Official Gazette on December 12, 1992 and the company was inscribed in the Santiago Trade Register. By public deed dated October 20, 1997, the company changed its name to Factoring Security S.A.

### PAID CAPITAL AND EQUITY

The paid capital at December 31, 2005 was Ch\$13,043 million and the equity Ch\$16,150 million.

### INVESTMENT AS PERCENTAGE OF ASSETS OF GRUPO SECURITY S.A.

Factoring Security S.A. represents 7.4421% of the assets of Grupo Security.

### TRADING RELATIONS WITH SUBSIDIARIES, ASSOCIATE COMPANIES AND THE PARENT COMPANY

No factoring business was carried out during 2005 with subsidiaries or associates of Grupo Security S.A.

In the future, there is the possibility of extending the offer of these services to customers of the parent's subsidiaries and associate companies.

### BOARD OF DIRECTORS

#### Chairman of the Board

Francisco Silva S.

Tax No.: 4.103.061-5

#### Directors

Francisco Ramón Juanicotena S.

Tax No.: 5.201.352-6

Renato Peñafiel M.

Tax No.: 6.350.390-8

Gonzalo Ruiz U.

Tax No.: 5.321.309-K

Mario Weiffenbach O.

Tax No.: 4.868.153-0

#### President

Alan Lolic Z.

Tax No.: 7.037.931-7

**FACTORING SECURITY S.A.**

Summarized financial statements at December 31, 2005 and 2004

<b>BALANCE</b>	<b>2005</b> MCh\$	<b>2004</b> MCh\$
<b>ASSETS</b>		
Current Assets	98,077.2	86,209.0
Fixed Assets	520.0	450.6
Other Assets	1,920.3	4,679.1
<b>TOTAL ASSETS</b>	<b>100,517.5</b>	<b>91,338.6</b>
<b>LIABILITIES</b>		
Current Liabilities	84,367.3	79,371.1
Long Term Liabilities	0.0	0.0
Capital & Reserves	13,043.6	9,428.1
Net Income	3,106.6	2,539.5
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>100,517.5</b>	<b>91,338.6</b>
<b>INCOME STATEMENT</b>		
Operating Income	3,997.0	4,869.3
Non Operating Income	(294.7)	(1,911.6)
<b>NET INCOME BEFORE TAXES</b>	<b>3,702.3</b>	<b>2,957.6</b>
Taxes	(595.7)	(418.1)
<b>NET INCOME</b>	<b>3,106.6</b>	<b>2,539.5</b>
<b>CASH FLOW</b>		
Cash flow from operating activities	(6,064.1)	(10,785.2)
Cash flow from investments activities	(313.4)	2,412.3
Cash flow from financing activities	7,133.5	7,849.2
<b>NET CASH FLOW</b>	<b>755.9</b>	<b>(523.7)</b>
Monetary adjustment	(44.4)	142.0
<b>NET VARIATION OF CASH AND CASH EQUIVALENTS</b>	<b>711.6</b>	<b>(381.7)</b>

Note: The complete financial statements are available to the public at the offices of Grupo Security or the respective superintendency.

**INSCRIPTION IN THE SECURITIES REGISTER**

Factoring Security S.A. is not inscribed in the Securities Register.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. General**

These financial statements have been prepared in accordance with accounting principles generally accepted in Chile and instructions issued by the Superintendency of Securities and Insurance as it is a subsidiary of Grupo Security S.A., an open corporation.



**b. Period**

These financial statements cover the years ended December 31, 2005 and 2004.

**c. Price-level restatements**

The financial statements are restated to reflect the effect of changes in the purchasing power of the currency. The financial statements of 2004 have been restated off the books by 3.6% in order to facilitate a comparison with those of this year. The company has also made some reclassifications of prior year figures for comparison purposes.

**d. Conversion**

Assets and liabilities in Unidades de Fomento and foreign currencies have been translated at their year-end values at December 31 each year:

	2005 Ch\$	2004 Ch\$
Unidad de Fomento	17,974.81	17,317.05
US dollar	512.50	557.40

**e. Factoring assets**

Factoring assets are shown as the cost of invoices and documents, corresponding to their nominal value after deducting the amount not advanced and the un-accrued price difference.

**f. Recognition of price difference**

The price difference generated on the acquisition of invoices and documents is shown as revenue as a function of the maturities of the documents acquired.

**g. Allowance for asset losses**

The company has made an allowance at the end of each year to cover the risks of loss of assets through non-payment, determined on the basis of a risk analysis carried out by the management.

**h. Fixed assets**

These are shown at their restated cost. Depreciation for the year amounted to ThCh\$ 244,060 (ThCh\$ 173,948 in 2004), calculated on the restated values over the remaining useful lives of the respective assets.

**i. Investments in related companies**

Investments in related companies are shown at their proportional equity value determined on the basis of their financial statements. This includes the recognition of the participation in the accrued results of the related companies.

**j. Goodwill**

Goodwill is being amortized over a period of 3 years, being the estimated period of return of the investment. Goodwill is the difference between the total amount paid for the investment and its proportional equity value.

Due to the sale of the investment in related company in 2004, a balance of ThCh\$ 16,866 was amortized on the sale date. This goodwill was generated on the purchase made on December 31, 2003, equivalent to the remaining 36.8% holding in Servicios Security S.A.

**k. Income tax and deferred taxes**

Income tax is booked on the basis of the taxable income calculated for tax purposes.

The effects of deferred taxes for timing differences, tax losses implying a tax credit and other events creating differences between the taxation and financial accounts are shown as established in Technical Bulletin 60 of the Chilean Institute of Accountants.

**l. Leasing agreement**

Financial leasing agreements are rental agreements with clauses granting the lessee a purchase option on the expiry of the lease. Leasing transactions outstanding at December 31, 2005 and 2004 include terms of up to 24 months (36 months in 2004).

The valuation of these operations has been made in accordance with accounting principles generally accepted in Chile. They are shown in current and long-term assets after deducting non-accrued interest and value added tax, and allowance for agreement losses.

**m. Provision for staff vacations**

The annual cost of staff vacations and benefits is shown on an accrued basis.

**n. Cash flows**

Operating cash flows include all those related to the corporate business, including interest paid and in general all flows that are not otherwise defined as for investment or financing. The operating concept used in this statement is broader than that considered in the statement of income.

**ACCOUNTING CHANGES**

There were no accounting changes applied during 2005 compared to the previous year that could significantly affect an interpretation of these financial statements.

**SUBSEQUENT EVENTS**

There have been no later events between January 1 and 13, 2006, the date of issue of these financial statements, that might have a significant effect on them.

## INMOBILIARIA SECURITY S.A. AND SUBSIDIARIES

### KIND OF ENTITY

Closely-held corporation.

### CORPORATE OBJECTS

Real estate advice and investments, real estate brokerage and management of private investment funds.

### GENERAL BACKGROUND

The company was originally constituted as a closely-held corporation named Inversiones y Rentas SH S.A., who's principal object was to make permanent investments in and rentals of all kinds of movable and immovable assets, per public deed dated December 14, 1995 signed before the notary Enrique Morgan Torres.

The company's objects were expanded at the extraordinary shareholders' meeting of April 19, 1996, recorded in public deed dated July 4, 1996, to make all kinds of real estate investments and advisory services, and real estate broking.

On October 14, 1997, the name was changed from Inversiones y Rentas SH S.A. to Inmobiliaria Security S.A., by public deed signed before the notary Enrique Morgan Torres.

The company's objects were again modified by the extraordinary shareholders' meeting of January 22, 2004, recorded in public deed dated January 27, 2004, when it was decided to expand the objects of Inmobiliaria Security S.A. to include the management of private investment funds in accordance with clause 7 of Law 18,815.

### PAID CAPITAL AND EQUITY

At December 31, 2005, the capital and reserves were Ch\$2,153 million and the equity Ch\$1,978 million.

### INVESTMENT AS PERCENTAGE OF ASSETS OF GRUPO SECURITY S.A.

Inmobiliaria Security S.A. represents 1.0799% of the assets of Grupo Security.

### TRADING RELATIONS WITH SUBSIDIARIES, ASSOCIATE COMPANIES AND THE PARENT COMPANY

Inmobiliaria Security has provided real estate advisory services to Banco Security and Grupo Security S.A.

In the future, there is the possibility of extending the offer of these services to customers of the parent's subsidiaries and associate companies.

### BOARD OF DIRECTORS

#### Chairman of the Board

Francisco Silva S.

Tax No.: 4.103.061-5

#### Directors

Enrique Menchaca O.

Tax No.: 6.944.388-5

Gustavo Pavez R.

Tax No.: 4.609.215-5

Renato Peñafiel M.

Tax No.: 6.350.390-8

Gonzalo Ruiz U.

Tax No.: 5.321.309-K

#### President

Jaime Correa H.

Tax No.: 5.892.161-0

**INMOBILIARIA SECURITY S.A. AND SUBSIDIARIES**

Summarized financial statements at December 31, 2005 and 2004

<b>BALANCE</b>	<b>2005</b> MCh\$	<b>2004</b> MCh\$
<b>ASSETS</b>		
Current Assets	2,873.4	17,655.9
Fixed Assets	36.6	7.9
Other Assets	3,137.1	2,137.6
Total Assets	6,047.1	19,801.4
<b>LIABILITIES</b>		
Current Liabilities	2,025.5	16,095.7
Long Term Liabilities	1,678.0	1,724.7
Minority Interest	0.1	3.4
Capital & Reserves	2,153.2	2,153.2
Subsidiary Start-up Deficit	(175.6)	(532.6)
Accumulated Income	0.0	(161.4)
Net Income	365.9	518.4
TOTAL LIABILITIES & EQUITY	6,047.1	19,801.3
<b>INCOME STATEMENT</b>		
Operating Income	139.3	631.2
Non Operating Income	339.4	(108.0)
NET INCOME BEFORE TAXES	478.7	523.2
Minority Interest	(1.4)	(1.2)
Taxes	(111.4)	(3.6)
NET INCOME	365.9	518.4
<b>CASH FLOW</b>		
Cash flow from operating activities	2,042.9	3,136.8
Cash flow from investments activities	(3,167.1)	(2,287.4)
Cash flow from financing activities	(150.3)	(1,166.6)
NET CASH FLOW	(1,274.5)	(317.2)
Monetary adjustment	(0.6)	(18.0)
NET VARIATION OF CASH AND CASH EQUIVALENTS	(1,275.1)	(335.2)

Note: The complete financial statements are available to the public at the offices of Grupo Security or the respective superintendency.

**INSCRIPTION IN THE SECURITIES REGISTER**

Inmobiliaria Security S.A. is not inscribed in the Securities Register.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. Period**

These financial statements cover the years ended December 31, 2005 and 2004.

**b. Preparation**

These financial statements have been prepared in accordance with accounting principles generally accepted in Chile and instructions issued by the Superintendency of Securities and Insurance as are applicable to the parent company.

**c. Presentation**

For presentation purposes, the financial statements of 2004 have been restated off the books by 3.6%.

**d. Consolidation**

The consolidated financial statements include the assets, liabilities, results and cash flows of the parent company and its subsidiaries. Balances and significant transactions between the consolidated companies have been eliminated and the participation of the minority interest recognized.

Because of the particular nature of their business, the financial statements of Quirihue Fondo de Inversión Privado and Pastrana II Fondo de Inversión Privado have not been consolidated.

Because of the relevance of these funds to the results of Inmobiliaria Security S.A., the participation in these, in Note 10, is included in their summarized financial statements.

At December 31, 2005 and 2004, the consolidated group comprised Inmobiliaria Security S.A. (the parent) and the following subsidiaries:

Company	Percentage Participation			
	2005			2004
	Direct	Indirect	Total	Total
Inmobiliaria SH Uno Ltda.	99.99%	-	99.99%	99.99%
Inmobiliaria Security Siete Ltda.	99.99%	-	99.99%	99.99%
Inmobiliaria Security Ocho Ltda.	60.00%	-	60.00%	60.00%
Inmobiliaria Security Nueve Ltda.	99.00%	-	99.00%	99.00%
Inmobiliaria Security Diez Ltda.	99.00%	-	99.00%	99.00%
Inmobiliaria Security Once Ltda.	99.00%	-	99.00%	99.00%

**e. Price-level restatements:**

The financial statements have been restated to show the effects of changes in the purchasing power of the currency based on the variation in the consumer price index for this year of 3.6% (2.5% in 2004).

**f. Conversion:**

The assets and liabilities of the Parent and its subsidiaries have been converted to pesos at the following year-end values:

	2005 Ch\$	2004 Ch\$
Unidad de Fomento	17,974.81	17,317.05
US dollar	512.50	557.40

**g. Marketable securities**

Fixed-income mutual fund quotas are shown at their redemption value at the end of each year.

**h. Inventories**

These relate to land, apartments, offices, parking lots and building store-rooms which are currently fully finished and for sale. They are valued at their restated construction cost.

**i. Fixed assets**

These are shown at their restated cost.

**j. Depreciation**

Depreciation is calculated on the straight-line method based on the estimated useful lives of the assets.

**k. Investments in related companies**

Those investments made in related companies prior to January 1, 2004 are valued according to the proportional equity method. This includes recognition of the participation in results on an accrued basis.

Investments in related companies made after January 1, 2004 are valued according to the equity method, as established in Technical Bulletin 72 of the Chilean Institute of Accountants and Circular 1,697 of the Superintendency of Securities and Insurance.

**l. Income tax and deferred taxes**

The Parent and its subsidiaries calculate income tax on the basis of the taxable income determined for tax purposes.

Deferred taxes for items having a different treatment for the taxation and financial accounts are shown as established in Technical Bulletin 60 of the Chilean Institute of Accountants, applying the rate of income tax for the year in which the corresponding timing difference will be reversed.

**m. Other current liabilities**

In 2004, these related to advances received on purchases of real estate of the first subsidiaries Inmobiliaria Security Ocho Ltda. and Inmobiliaria Security Once Ltda.

**n. Recognitions of revenues and costs**

Real estate sales revenues and costs are shown in results when the final sale contracts are signed. Customers' advance payments are shown as a transitory liability until the final sales contracts are signed and are shown in other current liabilities.

The company accrues sales margins proportionately, taking into account the percentage margin of the expected project return with a maximum of the percentage fine for cancellation set in the sale commitment, the degree of progress of the works and the amount paid by the customer, giving a result that is not feasible to accrue an amount higher than that of the fine established in each sale commitment of the amount paid by the customer. This accrual is shown in an asset account called "Accrued margin" and the proportional revenue is reflected in the income account "Accrued margin", which is reversed once the final sale contract is signed.

**o. Staff vacations**

The cost of staff vacations is shown on an accrued basis.

**p. Cash equivalents**

The Parent considers as cash equivalents all investments made as part of its normal cash management, in accordance with Technical Bulletin 50 of the Chilean Institute of Accountants.

The Parent has defined as operational all cash flows generated by the real estate business of the buildings constructed and sold through the companies in which it invests.

**ACCOUNTING CHANGES**

There were no accounting changes applied during 2005 compared to the previous year that affect the financial statements.

**SUBSEQUENT EVENTS**

The Parent company signed in January 2006 an extension of the promise described in Note 19, with contract signing to be by March 30, 2006.

On January 12, 2006, Inmobiliaria Security S.A. subscribed for 125 quotas of Vitacura IV FIP, for a total amount of UF 12,500, giving it a 50% participation in that fund.

There have been no other subsequent events between January 1 and February 10, 2006, the date of issue of these consolidated financial statements that might affect an interpretation of them.

## ASESORÍAS SECURITY S.A.

### KIND OF ENTITY

Closely-held corporation.

### CORPORATE OBJECTS

The objects of the company are to provide financial, economic, business, accounting, legal, debt and business restructuring advisory services and make studies of all kinds related to these services; make permanent investments and rentals of all kinds of corporeal or incorporeal movable assets; acquire, conserve, sell, dispose of and negotiate in any way and form all kinds of shares, bonds, debentures, securities and receive their returns, make investments to form, integrate, participate and represent all kinds of Chilean or foreign firms or companies that exploit a business similar to the above and are of interest to the company.

### GENERAL BACKGROUND

The company was constituted as a closely-held corporation by public deed dated August 30, 1996. During 2002, there was a restructuring of the businesses of Merchant Security S.A. and its subsidiaries Securitizadora Security and Asesorías Security. Asesorías Security assumed all the advisory business in international investments and it was decided to discontinue the financial advisory services provided by Merchant Security, which implied the closure of activities and compliance with ongoing obligations and mandates which was completed late in 2002.

In addition, Merchant Security S.A. acquired all the shares in its subsidiary Asesorías Security not already held by it, thus becoming the holder of 100% of its share capital and producing a merger through absorption. Its name was then changed from Merchant Security S.A. to Asesorías Security S.A.

In November 2005 Asesorías Security S.A. sold its holding in Securitizadora Security S.A. to Grupo Security S.A.

### PAID CAPITAL AND EQUITY

The company's capital and reserves at December 2005 were Ch\$928 million and its equity Ch\$834 million.

### INVESTMENT AS PERCENTAGE OF ASSETS OF GRUPO SECURITY S.A.

Asesorías Security S.A. represents 0.3837% of the assets of Grupo Security.

### TRADING RELATIONS WITH SUBSIDIARIES, ASSOCIATE COMPANIES AND THE PARENT COMPANY

Asesorías Security in 2005 provided international investment advice to Grupo Security, Administradora General de Fondos and Vida Security. It also became placement agent for mutual funds managed by Administradora General de Fondos Security and distributor of the products of Valores Security.

In the future, there is the possibility of extending the offer of these services to customers of the parent's subsidiaries and associate companies.

### BOARD OF DIRECTORS

#### Chairman of the Board

Francisco Silva S.

Tax No.: 4.103.061-5

#### Directors

Carlos Budge C.

Tax No.: 7.011.490-9

Renato Peñafiel M.

Tax No.: 6.350.390-8

#### President

Carlos Budge C.

Tax No.: 7.011.490-9



**ASESORÍAS SECURITY S.A.**

Summarized financial statements at December 31, 2005 and 2004

<b>BALANCE</b>	<b>2005</b> MCh\$	<b>2004</b> MCh\$
<b>ASSETS</b>		
Current Assets	837.5	869.0
Fixed Assets	37.3	21.2
Other Assets	26.3	124.0
Total Assets	901.1	1,014.2
<b>LIABILITIES</b>		
Current Liabilities	66.8	85.9
Long term Liabilities	0.0	0.0
Minority Interest	0.0	1.6
Capital & Reserves	926.7	1,005.8
Net Income	(92.4)	(79.1)
TOTAL LIABILITIES & EQUITY	901.1	1,014.2
<b>INCOME STATEMENT</b>		
Operating Income	(91.3)	(93.3)
Non Operating Income	(4.2)	7.4
NET INCOME BEFORE TAXES	(95.5)	(85.9)
Minority Interest	0.0	0.7
Taxes	3.1	6.1
NET INCOME	(92.4)	(79.1)
<b>CASH FLOW</b>		
Cash flow from operating activities	(234.2)	(346.5)
Cash flow from investments activities	(33.0)	(15.1)
Cash flow from financing activities	0.0	0.0
NET CASH FLOW	(267.2)	(361.6)
Monetary adjustment	(22.3)	(23.0)
NET VARIATION OF CASH AND CASH EQUIVALENTS	(289.5)	(384.7)

Note: The complete financial statements are available to the public at the offices of Grupo Security or the respective superintendency.

**INSCRIPTION IN THE SECURITIES REGISTER**

Asesorías Security S.A. is not inscribed in the Securities Register.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. Period**

These financial statements cover the years ended December 31, 2005 and 2004.

**b. Presentation**

These financial statements have been prepared in accordance with accounting principles generally accepted in Chile and instructions issued by the Superintendency of Securities and Insurance as being a subsidiary of Grupo Security S.A., an open corporation.

The company has also made some minor reclassifications of previous year's figures for comparison purposes.

**c. Consolidation**

The consolidated financial statements at December 31, 2004 include the assets, liabilities, results and cash flows of the parent company and its subsidiaries. The effect of the results arising from transactions with the consolidated companies have been eliminated and the participation of the minority interest recognized, shown in the balance sheet as minority interest.

Tax N°	Company	Registration number Securities Register	Percentage shareholding			
			2005		2004	
			Direct %	Indirect %	Total %	Total
96.847.360-3	Securitizadora Security S.A. (1)	640	-	-	-	99.33%

(1) On November 10, the company sold to the parent company Grupo Security S.A. its 99.5% shareholding in the related company Securitizadora Security S.A. to Ch\$ 248,090 (historic pesos). The transaction had no effects on the results.

The proportional results to the date of the disposal are shown in Loss on investment related company in the statement of income.

**d. Price-level restatements**

The financial statements have been restated to show the effects of changes in the purchasing power of the currency in the respective years. Current practice was applied that states that non-monetary assets and liabilities at the year-end and the initial equity and its changes be restated against income. The index applied was the consumer price index which showed a variation for this year of 3.6% (2.5% in 2004).

**e. Conversion**

Assets and liabilities in dollars and Unidades de Fomento have been expressed in local currency at the following conversion rates:

	2005 Ch\$	2004 Ch\$
Unidad de Fomento	17,974.81	17,317.05
US dollar	512.50	557.40

**f. Marketable securities**

At December 31, 2005 and 2004, quotas in mutual funds are shown at their redemption value at each year end.

**g. Note and accounts receivable**

These relate to receivables arising from the company's business services.

**h. Fixed assets and depreciation**

Fixed assets are shown at their restated cost which includes the real costs of financing incurred until the assets are in a condition to be used.

Depreciation is calculated on the straight-line basis taking into account the remaining useful lives of the assets.

**i. Goodwill**

Goodwill is being amortized over 20 years, taking into account the expected period of return of the investment.

Minor investments made in 2005 and 2004 were ThCh\$ 23,533 and ThCh\$ 25,102 respectively.

**j. Discount on placement of separated securitized debt**

This reflects the discount on the placement of securitized debt instruments compared to their face value. This is being amortized on a straight-line basis over the term of the debt instrument issued.

The amount of discount on the placement of securitized debt for the year ended December 31, 2004 was ThCh\$ 73,624.

**k. Income tax and deferred taxes**

Income tax is calculated on the basis of the taxable income calculated for tax purposes.

Deferred taxes for items having a different treatment for the taxation and financial accounts are shown as established in Technical Bulletin 60 of the Chilean Institute of Accountants and Circular 1,466 of the Superintendency of Securities and Insurance.

**l. Intangible assets**

These include software licenses which are being amortized on a straight-line basis over two years.

**m. Provision for staff vacations and other benefits**

Staff vacations and other benefits are shown on an accrued basis in accordance with Technical Bulletin 47 of the Chilean Institute of Accountants.

**n. Statement of cash flows**

The company considers cash equivalents as those investments made as part of its normal cash management, with maturities not exceeding 90 days, in accordance with Technical Bulletin 50 of the Chilean Institute of Accountants.

The detail is as follows:

	2005 ThCh\$	2004 ThCh\$
Cash & banks	58,340	115,668
Marketable securities	278,386	510,592
Total	336,726	626,260

**o. Derivative instruments**

The company has derivative contracts considered as investments. Transactions in currency forward contracts are valued at market conditions in accordance with Technical Bulletin 57 of the Chilean Institute of Accountants and are shown in Other current assets.

**ACCOUNTING CHANGES**

There were no accounting changes applied during 2005 compared to the previous year that significantly affect an interpretation of these financial statements.

**SUBSEQUENT EVENTS**

There have been no subsequent events between January 1 and 28, 2006, the date of issue of these consolidated financial statements, that might affect the figures or an interpretation of them.

## SECURITIZADORA SECURITY S.A.

### KIND OF ENTITY

Closely-held corporation.

### CORPORATE OBJECTS

The company's objects are exclusively to acquire credits as referred to in clause 135 of Law 18,045 of 1981 and complementary legislation, and the issue of short and long-term debt instruments.

### GENERAL BACKGROUND

The company was constituted by public deed dated October 21, 1997 before the notary Álvaro Bianchi Rosas and was approved, together with its bylaws, by Resolution 369 of December 12, 1997 of the Superintendency of Securities and Insurance.

The certificate issued by that Superintendency containing an extract of the bylaws was inscribed in folio 31,310 number 25,367 in the Santiago Trade Register of 1997 and published in the Official Gazette on December 23, 1997.

In November 2005, Securitizadora Security S.A. was acquired by Grupo Security S.A. to become its direct subsidiary. The extraordinary shareholders' meeting held on November 29, 2005 agreed to change the company's name to Securitizadora Security GMAC-RFC S.A.

### PAID CAPITAL AND EQUITY

The capital and reserves at December 31, 2005 were Ch\$366 million and its equity Ch\$218 million.

### INVESTMENT AS PERCENTAGE OF ASSETS OF GRUPO SECURITY S.A.

Securitizadora Security S.A. represents 0.1001% of the assets of Grupo Security.

### TRADING RELATIONS WITH SUBSIDIARIES, ASSOCIATE COMPANIES AND THE PARENT COMPANY

There were no trading relations with subsidiaries, associates or parent of Grupo Security during 2005.

In the future, there is the possibility of extending the offer of these services to customers of the parent's subsidiaries and associate companies.

### BOARD OF DIRECTORS

#### Chairman of the Board

Francisco Silva S.

Tax No.: 4.103.061-5

#### Directors

Christian Sinclair M.

Tax No.: 6.379.747-2

Ramón Eluchans O

Tax No.: 6.464.460-2

Renato Peñafiel M.

Tax No.: 6.350.390-8

Carlos Budge C.

Tax No.: 7.011.490-9

#### President

Juan Enrique Montes M.

Tax No.: 9.253.937-7

**SECURITIZADORA SECURITY S.A.**

Summarized financial statements at December 31, 2005 and 2004

SECURITIES REGISTER NO.640

<b>BALANCE</b>	<b>2005</b> MCh\$	<b>2004</b> MCh\$
<b>ASSETS</b>		
Current Assets	4,492.6	170.8
Fixed Assets	18.4	7.2
Other Assets	126.4	97.1
<b>TOTAL ASSETS</b>	<b>4,637.4</b>	<b>275.1</b>
<b>LIABILITIES</b>		
Current Liabilities	4,419.2	36.0
Long Term Liabilities	0.0	0.0
Capital & Reserves	366.4	349.1
Net Income	(148.2)	(110.0)
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>4,637.4</b>	<b>275.1</b>
<b>INCOME STATEMENT</b>		
Operating Income	(177.3)	(135.6)
Non Operating Income	(4.3)	(1.0)
<b>NET INCOME BEFORE TAXES</b>	<b>(181.6)</b>	<b>(136.6)</b>
Taxes	33.4	26.6
<b>NET INCOME</b>	<b>(148.2)</b>	<b>(110.0)</b>
<b>CASH FLOW</b>		
Cash flow from operating activities	(163.5)	(29.8)
Cash flow from investments activities	(20.4)	(8.9)
Cash flow from financing activities	127.3	109.5
<b>NET CASH FLOW</b>	<b>(56.6)</b>	<b>70.8</b>
Monetary adjustment	(1.3)	(3.9)
<b>NET VARIATION OF CASH AND CASH EQUIVALENTS</b>	<b>(57.9)</b>	<b>66.9</b>

Note: The complete financial statements are available to the public at the offices of Grupo Security or the respective superintendency.

**INSCRIPTION IN THE SECURITIES REGISTER**

Securitizadora Security 6MAC-RFC S.A. is inscribed in the Securities Register under the number 640.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. Presentation**

These financial statements have been prepared in accordance with accounting principles generally accepted in Chile and instructions issued by the Superintendency of Securities and Insurance, the latter prevailing in the event of differences between the two.

The company has also made some reclassifications of previous year's figures for comparison purposes.

**b. Period**

These financial statements cover the years ended December 31, 2005 and 2004.

**c. Price-level restatements**

The financial statements have been restated to show the effects of changes in the purchasing power of the currency in the respective years in accordance with generally accepted accounting principles.

**d. Presentation**

For comparison purposes, the financial statements at December 31, 2004 have been restated off the books by 3.6%.

**e. Marketable securities**

These relate to investments fixed-income mutual funds quotas are shown at their redemption value at each year end.

**f. Fixed assets and depreciation**

Fixed assets are shown at their restated cost. Depreciation is calculated on a straight-line basis over the remaining useful lives of the assets. Depreciation for the years 2005 and 2004 amounted to ThCh\$ 9,187 and ThCh\$ 6,106 respectively.

**g. Income tax**

Income tax is calculated on the basis of the taxable income calculated for tax purposes.

**h. Deferred taxes**

Deferred taxes for timing differences, tax losses and other events that create a different treatment between the taxation and financial accounts are shown as established in Technical Bulletin 60 of the Chilean Institute of Accountants.

**i. Cash and cash equivalents**

The company considers as cash equivalents those investments made as part of its normal cash management, with maturities not exceeding 90 days, in accordance with Technical Bulletin 50 of the Chilean Institute of Accountants. Fixed-rate mutual funds are considered as cash equivalents.

**j. Staff vacations**

This cost is shown as an expense as the right accrues.

**k. Severance payments**

The company has not contracted the provision of this benefit and therefore has made no provision for this concept.

**l. Discount on placement of separated securitized debt**

This reflects the discount on the placement of securitized debt instruments compared to their face value. This is being amortized on a straight-line basis over the term of the debt instrument issued.

**m. Sales**

This reflects the result generated by the transfer of the securitized assets to the corresponding equities and operating income common to the company's business.

**n. Conversion**

Assets and liabilities denominated in Unidades de Fomento are shown at their year-end values of Ch\$17,974.81 at December 31, 2005 (Ch\$17,317.05 in 2004).

**o. Share and bond issue and placement costs**

On March 25, and December 23, 2004, and May 19 and November 29, 2005, extraordinary shareholders' meetings approved capital increases. These did not generate any issue or placement costs.

**ACCOUNTING CHANGES**

There were no accounting changes applied during 2005 compared to the previous year that affect these financial statements.

**CHANGES IN EQUITY****a. Capital**

The initial paid capital on October 21, 1997 was ThCh\$ 150,000 (historic pesos).

According to clause 132 of Law 18,046 regarding securitization companies, the company should maintain a paid capital of no less than the equivalent of UF 10,000.

On December 16, 2002, an extraordinary shareholders' meeting agreed to increase the company's capital, complemented by the agreement of an extraordinary shareholders' meeting of March 21, 2003, recorded in public deeds dated December 19, 2002 and March 24, 2003 respectively.

These changes consisted of increasing the paid capital from ThCh\$ 242,425 at December 31, 2002 divided into 100 common shares of the one series and no par value to the sum of Ch\$ 500,000, through the capitalization of ThCh\$ 120,438, issuing 100 common shares free of payment, of the one series and no par value, and with Ch\$ 137,137 through the issue of 100 common shares for payment of the ones series and no par value, payable within 3 years of the shareholders' meeting. The Superintendency of Securities and Insurance approved this change on March 31, 2003, by its Resolution 069.

On December 27, 2002, payment of ThCh\$ 40,000 (historic pesos) was made with respect to 29 shares.

The extraordinary board meeting of March 25, 2004 agreed to increase the capital previously subscribed by ThCh\$ 50,000. Asesorías Security S.A. purchased 36 shares on December 25, 2004.

The extraordinary board meeting of December 23, 2004 agreed to increase the capital previously subscribed by ThCh\$ 54,250. For this, Asesorías Security S.A. purchased 35 shares on December 23, 2004.

On May 19, 2005, the extraordinary shareholders' meeting agreed to increase the capital of the company.



This consisted of increasing the capital of ThCh\$ 500,000 divided into 300 common shares of no par value, fully subscribed and paid, to ThCh\$ 615,000 divided into 400 common shares of no par value and of the same series as those already issued, to be subscribed and paid for within three years of the date of the meeting.

The extraordinary board meeting of May 31, 2005 agreed to increase the capital previously subscribed by ThCh\$ 52,222. For this, Asesorías Security S.A. purchased 60 shares on May 31, 2005. The Superintendency of Securities and Insurance approved this change on July 7, 2005, by its Resolution 430.

On October 28, 2005, Asesorías Security S.A. paid in ThCh\$ 54,883 (historic pesos) with respect to the purchase of 40 shares.

On November 29, 2005, the extraordinary shareholders' meeting agreed to increase the capital of the company.

This consisted of increasing the capital of ThCh\$ 615,000 divided into 400 common shares of no par value, fully subscribed and paid, to ThCh\$ 2,932,803 divided into 4,215 common shares of no par value and of the same series, through the issue of 3,815 common shares of the same characteristics, to be subscribed and paid for within one year of the date of the meeting.

The Superintendency of Securities and Insurance approved this change on December 29, 2005, by its Resolution 719.

On December 30, 2005, Grupo Security S.A. paid in ThCh\$ 18,227 (historic pesos) corresponding to 30 shares.

As mentioned in Note 20, subsequent events, Grupo Security S.A. on January 17, 2006 paid in ThCh\$ 1,044,986 (historic pesos) for the purchase of 1,720 shares and GMAC-RFC Chile Inversiones Limitada paid in ThCh\$ 1,254,590 (historic pesos) corresponding to 2,065 shares.

The movement in the equity accounts during 2005 and 2004 was as follows:

	Paid in capital ThCh\$	Share Premium ThCh\$	Acumulated losses ThCh\$	Result of the year ThCh\$	Total ThCh\$
Balance at January 1, 2004	417,655	232	(92,035)	(100,254)	225,598
Distribution previous year's results	-	-	(100,254)	100,254	-
Capital increase	99,312	4,938	-	-	104,250
Price-level restatement	11,928	19	(4,807)	-	7,140
Loss for the year	-	-	-	(106,201)	(106,201)
Balance at December 31, 2004	528,895	5,189	(197,096)	(106,201)	230,787
Restated off the books (3.6%)	19,040	187	(7,096)	(3,823)	8,308
Restated balances at December 31, 2004	547,935	5,376	(204,192)	(110,024)	239,095
Balance at January 1, 2005	528,895	5,189	(197,096)	(106,201)	230,787
Distribution previous year's results	-	-	(106,201)	106,201	-
Capital increase	104,880	20,452	-	-	125,332
Price-level restatement	20,989	238	(10,919)	-	10,308
Loss for the year	-	-	-	(148,224)	(148,224)
Balance at December 31, 2005	654,764	25,879	(314,216)	(148,224)	218,203

On November 10, 2005, the shareholder Asesorías Security S.A. sold all its shares in Securitizadora Security S.A. to Grupo Security S.A.

## SUBSIDIARIES

### b. Number of shares

Series	N° subscribed shares	N° paid shares	N° shares with voting rights
Sole	4,215	430	430

### c. Capital (ThCh\$)

Series	Subscribed capital ThCh\$	Paid capital ThCh\$
Sole	2,932,803	654,764

### d. Acquisition and holdings of own shares

Reason for share repurchase	Date share repurchase	N° of share	Repurchase of shares	
			Series	ThCH\$
Shareholder's meeting	16-12-2002	100	Sole	120,438
Shareholder's meeting	27-12-2002	29	Sole	40,000
Shareholder's meeting	25-03-2004	36	Sole	50,000
Shareholder's meeting	23-12-2004	35	Sole	54,250
Shareholder's meeting	31-05-2005	60	Sole	52,222
Shareholder's meeting	28-10-2005	40	Sole	54,883
Shareholder's meeting	30-12-2005	30	Sole	18,227

### SUBSEQUENT EVENTS

On January 17, 2006, Grupo Security S.A. paid ThCh\$ 1,044,986 (historic pesos) corresponding to the purchase of 1,720 shares and GMAC-RFC Chile Inversiones Limitada paid ThCh\$ 1,254,590 (historic pesos) corresponding to 2,065 shares, with respect to the capital increase approved on November 29, 2005.

There were no other significant events between January 1 and 28, 2006, the date of issue of these financial statements, that might affect their interpretation.

## INVERSIONES SEGUROS SECURITY LIMITADA AND SUBSIDIARIES

### KIND OF ENTITY

Limited Partnership

### CORPORATE OBJECTS

The company's objects are to manage any kind of business for its own or third party's account, the provision of business administration services, the acquisition and permanent holding of all kinds of corporeal or incorporeal assets, real estate or movable assets, real or personal, securities, commercial paper or credit instruments; the temporary assignment of any of these assets in any form: the disposal in any form of the assets indicated or of their returns, whether accrued, pending or received at the time of disposal and the exploitation of the returns on the assets acquired.

### GENERAL BACKGROUND

The company was constituted by public deed dated November 28, 1995 before the notary Raúl Undurraga Laso. It was inscribed in the Santiago Trade Register in the same date in folio 29562 No 23,698 and an extract of the deed was published in the Official Gazette on December 5, 1995.

The name was changed to its present Inversiones Seguros Security and its capital increased by a public deed dated December 29, 1998, whose extract was published in the Official Gazette on January 4, 1999.

### PAID CAPITAL AND EQUITY

The capital and reserves at December 31, 2005 were Ch\$18,259 million and the equity Ch\$19,269 million.

### INVESTMENT AS PERCENTAGE OF THE ASSETS OF GRUPO SECURITY S.A.

Inversiones Seguros Security Limitada represents 0.7852% of the assets of Grupo Security.

### TRADING RELATIONS WITH SUBSIDIARIES, ASSOCIATE COMPANIES AND THE PARENT COMPANY

As a holding company, trading relations are carried out through its subsidiary companies.

### ADMINISTRATORS

Renato Peñafiel M.

Tax No.: 6.350.390-8

Francisco Silva S.

Tax No.: 4.103.061-5

**INVERSIONES SEGUROS SECURITY LTDA. AND SUBSIDIARIES**

Summarized financial statements at December 31, 2005 and 2004

<b>BALANCE</b>	<b>2005</b> MCh\$	<b>2004</b> MCh\$
<b>ASSETS</b>		
Current Assets	2,656.2	2,343.3
Fixed Assets	216.1	261.3
Other Assets	23,300.5	22,754.7
Total Assets	26,172.8	25,359.3
<b>LIABILITIES</b>		
Current Liabilities	5,033.8	4,127.3
Long Term Liabilities	1,336.0	1,422.7
Minority Interest	533.6	607.0
Capital & Reserves	18,326.3	18,916.8
Net Income	943.1	285.5
TOTAL LIABILITIES & EQUITY	26,172.8	25,359.3
<b>INCOME STATEMENT</b>		
Operating Income	(813.7)	(418.0)
Non Operating Income	1,453.9	434.5
NET INCOME BEFORE TAXES	640.2	16.5
Minority Interest	69.3	215.8
Goodwill Amortization	3.5	
Taxes	230.1	53.2
NET INCOME	943.1	285.5
<b>CASH FLOW</b>		
Cash flow from operating activities	1,287.0	2,919.0
Cash flow from investments activities	(351.1)	(3,740.6)
Cash flow from financing activities	(838.5)	308.6
NET CASH FLOW	97.3	(513.0)
Monetary adjustment	6.5	(10.6)
NET VARIATION OF CASH AND CASH EQUIVALENTS	103.8	(523.6)

Note: The complete financial statements are available to the public at the offices of Grupo Security or the respective superintendency.

**INSCRIPTION IN THE SECURITIES REGISTER**

Inversiones Seguros Security Ltda. and Subsidiaries are not inscribed in the Securities Register.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. Period**

These consolidated financial statements cover the years ended December 31, 2005 and 2004.

**b. Presentation**

These financial statements have been prepared in accordance with accounting principles generally accepted in Chile and instructions issued by the Superintendency of Securities and Insurance that are applicable to the parent company.

**c. Presentation**

The comparative financial statements for 2004 have been restated off the books by 3.6% for comparison purposes.

**d. Consolidation**

The consolidated financial statements include the assets, liabilities, results and cash flows of the parent company and its subsidiary. Balances and significant transactions between the consolidated companies have been eliminated and the participation of the minority interest recognized.

As explained in Note 11, the parent company has not consolidated the direct subsidiary Seguros Security Previsión Vida S.A. as the principles and rules governing insurance companies are different to those applied to corporations.

On September 16, 2005, the Superintendency of Securities and Insurance approved the merger of Compañía de Seguros Generales Las Américas S.A. into Seguros Security Previsión Generales S.A., creating from October 1, 2005 the company Compañía de Seguros Generales Penta Security S.A. The company has a shareholding of 29.1670% in the latter company.

The consolidated group at December 31, 2005 and 2004 comprises Inversiones Seguros Security Limitada (the Parent) and the following subsidiary:

TAX N°	Company	Percentage holding	
		2005 Direct	2004 Direct
96.849.320-5	Servicios Security S.A.	90.93%	90.93%

**e. Price-level restatements**

The financial statements have been restated to show the effects of variations on the purchasing power of the currency, based on changes in the consumer price index which was 3.6% for the year 2005 (2.5% in 2004).

**f. Conversion**

Assets and liabilities have been translated into pesos at their year-end values as follows:

	2005 Ch\$	2004 Ch\$
Unidad de Fomento	17,974.81	17,317.05
US dollar	512.50	557.40

**g. Time deposits**

Time deposits are shown at their investment value plus indexation and interest accrued to the year end.

**h. Trade accounts receivable**

This includes the receivables of the subsidiary Corredora de Seguros Security Ltda. from different insurance companies in relation to commission due on policies sold.

**i. Sundry debtors**

This heading mainly includes advances of commissions made by the indirect subsidiary Corredora de Seguros Security Limitada.

**j. Fixed assets**

Fixed assets are shown at their restated cost.

**k. Depreciation of fixed assets**

Depreciation has been calculated on a straight-line basis over the remaining useful lives of the assets.

**l. Investments in related companies**

Those investments made in related companies prior to January 1, 2004 are valued according to the proportional equity method. This includes recognition of the participation in results on an accrued basis.

Investments in related companies after January 1, 2004 are valued according to the equity method, as established in Technical Bulletin 72 of the Chilean Institute of Accountants and Circular 1,697 of the Superintendency of Securities and Insurance.

**m. Goodwill**

Goodwill represents the excess paid over the proportional equity value of investments made prior to January 1, 2004 and that paid over the equity value of investment made in related companies after January 1, 2004, as required by the rules of the Superintendency of Securities and Insurance and Technical Bulletin 72 of the Chilean Institute of Accountants. Goodwill is being amortized over a term reflecting the expected period of return on the investment, principally 240 months.

**n. Income tax and deferred taxes**

The Parent and its subsidiary have calculated their tax liability in accordance with current legislation.

Deferred taxes for timing differences, tax losses and other events that create a different treatment between the taxation and financial accounts are shown as established in Technical Bulletin 60 of the Chilean Institute of Accountants, applying the rate of income tax for the year in which the timing differences will be reversed.

**o. Customer portfolio**

The subsidiary Corredora de Seguros Security Ltda. includes as assets the price paid and/or due on acquired customer portfolios, which are being amortized over twenty years. This asset is shown in Others in Other assets".

**p. Accounts payable**

Obligations originating from the acquisition of portfolios from the subsidiary Corredora de Seguros Security Ltda. have been valued according to the conditions of the respective contracts.

**q. Sales**

Relate mainly to revenue of the subsidiary Corredora de Seguros Security Ltda. with respect to commissions on policies documented and paid to the Parent.

**r. Cash and cash equivalents**

The company considers as cash equivalents those investments made as part of its normal cash management, with maturities not exceeding 90 days, in accordance with Technical Bulletin 50 of the Chilean Institute of Accountants.

**ACCOUNTING CHANGES**

There were no accounting changes applied during 2005 compared to the previous year that affect these financial statements.

**SUBSEQUENT EVENTS**

There were no significant events between January 1 and the date of issue of these consolidated financial statements (February 10, 2006), that might affect their interpretation.

**SEGUROS VIDA SECURITY PREVISIÓN S.A.****KIND OF ENTITY**

Open corporation.

**CORPORATE OBJECTS**

Life insurance.

**GENERAL BACKGROUND**

The company was constituted by public deed dated August 24, 1981 before the notary Eduardo Avello Arellano and was approved by Resolution 561-S on September 29, 1981. It was inscribed in the Santiago Trade Register on October 31, 1981 (folio 18,847 No 10,385) and an extract of the deed published in the Official Gazette on October 10, 1981. Its change of name to Seguros Previsión Vida S.A was inscribed in the Santiago Trade Register on January 16, 1998 and an extract was published in the Official Gazette on January 20, 1998. The company is inscribed in the Securities Register with number 022 and is subject to the regulatory authority of the Superintendency of Securities and Insurance. On March 11, 2002, the extraordinary shareholders' meeting approved the change of its name to Seguros Vida Security Previsión S.A. with effect from May 2002.

**PAID CAPITAL AND EQUITY**

The capital and reserves at December 31, 2005 were Ch\$6,854 millions and its equity Ch\$8,205 million.

**INVESTMENT AS PERCENTAGE OF ASSETS OF GRUPO SECURITY S.A.**

Seguros Vida Security Previsión S.A. represents 3.4779% of the assets of Grupo Security.

**TRADING RELATIONS WITH SUBSIDIARIES, ASSOCIATE COMPANIES AND PARENT COMPANY**

Vida Security provides life insurance policies for the staff of Banco Security, Factoring Security, Asesorías Security, Inmobiliaria Security, Administradora de Fondos Mutuos, Grupo Security, Valores Security, Securitizadora Security, Global Security, Inversiones Invest Security and Virtual Security.

Vida Security also sells travel assistance insurance to corporate and individual customers of Travel Security.

In the future, there is the possibility of extending the offer of these services to customers of the parent's subsidiaries and associate companies.

**BOARD OF DIRECTORS****Chairman of the Board  
Directors**

Francisco Silva S.  
Renato Peñafiel M.  
Juan Cristóbal Pavez R.  
Álvaro Eduardo Santa Cruz G.  
Andrés Tagle D.  
Álvaro Vial G.  
Horacio Pavez G.  
Alejandro Alzérrecá L.

Tax No.: 4.103.061-5  
Tax No.: 6.350.390-8  
Tax No.: 9.901.478-4  
Tax No.: 3.557.209-0  
Tax No.: 5.895.255-9  
Tax No.: 5.759.348-2  
Tax No.: 3.899.021-7  
Tax No.: 7.050.344-1

**President**



**SEGUROS VIDA SECURITY PREVISIÓN S.A.**

Summarized financial statements at December 31, 2005 and 2004

<b>BALANCE</b>	<b>2005</b> MCh\$	<b>2004</b> MCh\$
<b>ASSETS</b>		
Investments	64,066.3	59,058.3
Premius Receivable & Reinsurance	2,862.8	2,684.3
Other Assets	1,625.7	2,119.4
<b>TOTAL ASSETS</b>	<b>68,554.8</b>	<b>63,862.0</b>
<b>LIABILITIES</b>		
Underwriting Reserves	56,536.9	52,750.4
Other Liabilities	3,813.2	3,317.1
Capital & Reserves	6,853.5	6,688.0
Net Income	1,351.2	1,106.5
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>68,554.8</b>	<b>63,862.0</b>
<b>INCOME STATEMENT</b>		
Operating Income	(2,360.2)	(2,539.5)
Non Operating Income	3,996.6	3,718.8
<b>NET INCOME BEFORE TAXES</b>	<b>1,636.4</b>	<b>1,179.3</b>
Taxes	(285.2)	(72.8)
<b>NET INCOME</b>	<b>1,351.2</b>	<b>1,106.5</b>
<b>CASH FLOW</b>		
Cash flow from operating activities	2,322.0	3,056.6
Cash flow from investments activities	(1,851.4)	(1,037.7)
Cash flow from financing activities	(622.5)	(2,102.0)
<b>NET CASH FLOW</b>	<b>(151.9)</b>	<b>(83.0)</b>
Monetary adjustment	(7.2)	(10.3)
<b>NET VARIATION OF CASH AND CASH EQUIVALENTS</b>	<b>(159.1)</b>	<b>(93.4)</b>

Note: The complete financial statements are available to the public at the offices of Grupo Security or the respective superintendency.

**INSCRIPTION IN THE SECURITIES REGISTER**

Seguros Vida Security Previsión S.A. is inscribed in the Securities Register under No.22.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. General**

These financial statements have been prepared in accordance with accounting principles generally accepted in Chile and instructions

issued by the Superintendency of Securities and Insurance, the latter prevailing in the event of differences between the two.

**b. Period**

These financial statements cover the years ended December 31, 2005 and 2004.

**c. Price-level restatements**

The financial statements have been restated to reflect the effects of variations in the purchasing power of the currency during the year. Changes in the consumer price index of 3.6% and the value of the Unidad de Fomento (UF= \$ 17,974.81) were used for this purpose.

**d. Fixed-income instruments**

These are valued at their present value using the discount rate used in determining their price at the time of their acquisition, in accordance with Circular 1,360 of January 5, 1998 and its later modifications.

The difference between the nominal value and cost is amortized over the term of the instrument, whose detail at December 31, 2004 and 2005 is as follows:

	2005 Th Ch\$	2004 ThCh\$
Par value	45,244,266	44,762,245
Value at purchase	45,226,192	44,594,950
Balance to amortize	18,074	167,294

**e. Variable-income instruments**

**e.1.** Registered shares with annual adjusted trading presence: registered shares that have an adjusted annual trading presence of at least 25% are valued at the average weighted price of transactions over the last 10 trading days prior to the closing date of the financial statements on which at least UF 150 were traded.

**e.2.** Non-registered shares: these are valued at the lower of their restated cost and the book value of the investment.

**e.3.** Investment funds: quotas in investment funds with an adjusted annual trading presence of 20% are valued at the average weighted price of transactions over the last 10 trading days prior to the closing date of the financial statements on which at least UF 150 were traded. Quotas in investment funds not meeting this condition are valued at book value of the quota based on the fund's last financial statements.

**e.4.** Investments supporting the Fund Value Reserve: these are valued in accordance with Circular 1,360 and its modifications issued by the Superintendency of Securities and Insurance.

**e.5.** Purchases under resale agreements: purchases of instruments under resale agreements are valued at cost plus accrued interest at the rate implicit determined between the cost and committed sale price on expiry of the agreement.

**f. Real Estate, Properties and Equipment**

These are shown at cost plus their legal revaluations less accumulated depreciation at December 31, 2005.

Depreciation has been calculated on a straight-line basis over the useful lives of the respective assets.

The charge to income for depreciation is as follows:

	2005 Th Ch\$	2004 ThCh\$
Real estate	62,877	78,262
Furniture, machinery & fittings	132,971	135,891
Total	195,848	214,153

The useful life assigned to computer equipment is 3 years. Amortization of computer programs is calculated on a straight-line basis over a term of 6 years. These programs are shown in Other fixed investments.

#### g. Leasing agreements

Leasing agreements over real estate are shown at their present value as required by Technical Bulletin 22 of the Chilean Institute of Accountants. Investments in leased assets are shown at the lesser of the residual value of the agreements, the restated cost less accumulated depreciation and market value.

#### h. Income tax

Income tax is calculated on the basis of the taxable income determined for tax purposes.

#### i. Deferred taxes

Effective January 1, 2000, deferred taxes are shown in accordance with Circular 1,466 of the Superintendency of Securities and Insurance, calculated based on timing differences between the tax and financial accounting, in accordance with Technical Bulletin 60 of the Chilean Institute of Accountants.

#### j. Reserves

- j.1. Mathematical reserve: this has been constituted in accordance with the calculation methods determined by the Superintendency of Securities and Insurance in its Circulars 1,510 and 33 of July 19, 1979 and May 22, 1981 respectively, which correspond to the present value of future payments under policies, deducting the present value of the future premiums base on the mortality tables M-70 K.W., M-95 H and M-95 M and a technical interest rate of 3% annually.
- j.2. Life insurance reserves with sole investment account: the company makes a reserve for the cost of covering risk and a reserve for the value of the fund, according to instructions in General Rule 132 and its modifications and Circular 1,595 of the Superintendency of Securities and Insurance.
- j.3. Reserve for Pension Insurance: this has been constituted in accordance with the calculation methods determined by the Superintendency of Securities and Insurance and correspond to the present value of future payments to the insured or beneficiaries, calculated on the basis of the mortality tables and maximum interest rate stated in Circulars 528 of 1985 and 778 of 1988. Effective January 2001, the company has adopted the application of Circular 1,512 for insurance policies governed by Circular 528 of 1985. For annuities in force from October 31, 1990, a financial technical reserve has been made in accordance with Circular 1,512 of January 2, 2001 of the Superintendency of Securities and Insurance concerning valuation of assets and liabilities that correspond to the present value of future payments discounted at a weighted rate determined on the basis of the old rate of 3% and the internal

rate of return implicit in formal market transactions of long-term government securities on the date the policies are sold, weighted by the liability coverage indicators at the close of the financial statements.

For endowment and life insurance contracted from August 1, 1990, reserves have been calculated in accordance with Circular 967 of September 28, 1990.

- j.4. Reserve for Claims Payable: this reserve has been constituted in accordance with the rules established by the Superintendency of Securities and Insurance and corresponds to claims pending settlement and/or payment and claims occurring and not reported at the end of the year.
- j.5. Reserve for current risks: this reserve is constituted for policies signed for terms of no more than one year and corresponds to the net unearned premium, depending on the premium payment terms, in accordance with the instructions of the Superintendency of Securities and Insurance.

#### **k. Staff vacations**

The company shows staff vacations on an accrued basis. This amounted to ThCh\$ 321,460 at December 31, 2005.

#### **l. Insurance premiums**

Insurance premium income for financing the additional contribution and endowment and disability insurance has been booked in accordance with Circular 1,499 of the Superintendency of Securities and Insurance. Premium income from group and individual insurance and annuities is treated similarly.

#### **m. Matching**

The company has valued the technical reserves using the matching rules as stated in Circular 1,512 of the Superintendency of Securities and Insurance. Under these rules, to the degree that future flows of the fixed-income investment portfolio and technical reserves generated by annuities are matched as to term, the future flows of the technical reserves required are discounted at a rate closest to the average yield on government long-term instruments.

Differences occurring between the application of this rule and the general rules for valuing liabilities produce adjustments at the close of the financial statements, whose effects are shown forming part of equity in the account "Reserves for Matching".

Effective September 2005, the company is applying the modifications introduced to Circular 1,512 by Circular 1,731 and General Rule 178 of the Superintendency of Securities and Insurance, incorporating new mortality tables (RV-2004) with their improvement factors to the total of policies outstanding at the date of calculation and discounting the flows without considering the security factor.

#### **n. Reserve for Mis-Matching**

The company makes a reserve for mis-matched positions as required by General Rule 132 and its modifications and Circular 1,595 of the Superintendency of Securities and Insurance, for the risk assumed deriving from the mis-match of term, interest rates, currency and types of instrument, between the reserve for the fund value and the investments supporting this reserve, for insurances in which an investment account is agreed in favor of the insured.

#### **o. Statement of cash flows**

The statement of cash flows has been prepared in accordance with Technical Bulletin 50 of the Chilean Institute of Accountants. The concept of cash and cash equivalents covers the net cash movement.

## ACCOUNTING CHANGES

By its General Rule 172, the Superintendency of Securities and Insurance established the use of mortality tables RV-2004 for retirement pensions under Decree Law 3,500 of 1980, in replacement of the mortality tables RV-85, whose gradual application in the calculation of the financial technical reserve of policies current prior to March 9, 2005 was regulated through General Rule 178. The effects produced in the company by the application of these rules are stated in detail in Note 15 c.

## MATERIAL INFORMATION

On March 24, 2005, the board agreed to propose to the ordinary shareholders' meeting the distribution of a dividend of Ch\$600,000,000 corresponding to Ch\$30 per share. It was also agreed to propose that the balance of Ch\$468,059,994 be credited to the Retained Earnings Fund, and that the dividend policy be to distribute at least 50% of the net income for the year.

The ordinary shareholders' meeting was held on April 15, 2005, agreeing to distribute approximately 56.77% of the net income for 2004, of Ch\$600,000,000, being Ch\$30 per share. The balance of Ch\$468,059,994 would be credited to the Retained Earnings Fund.

It was also agreed that the future dividend policy would be to distribute at least 50% of the net income for the year, subject to the income actually produced and the company's economic and financial situation.

The meeting agreed to appoint Deloitte & Touche Sociedades de Auditores y Consultores Ltda. as the external auditors.

It was also agreed to appoint the following credit-rating agencies: Feller-Rate Clasificadoras de Riesgo Ltda., Clasificadora de Riesgo Humphreys Ltda., Fitch Chile Clasificadora de Riesgo Ltda., ICR Compañía Clasificadora de Riesgo Ltda., two of them chosen by the board. As in the case of the external auditors, prestige, quality and cost of the services were taken into account.

On April 21, 2005, the board was constituted as elected by the ordinary shareholders' meeting held on April 15, 2005, comprising Francisco Silva Silva, Renato Peñafiel Muñoz, Juan Cristóbal Pavez Recart, Álvaro Santa Cruz Goecke, Andrés Tagle Domínguez, Álvaro Vial Gaete and Horacio Pavez García.

The board elected Francisco Silva Silva as chairman of the board and of the company and Renato Peñafiel Muñoz as vice-chairman.

## SUBSEQUENT EVENTS

There were no significant events between January 1 and the date of issue of these consolidated financial statements (February 16, 2006), that might affect their interpretation.

## SERVICIOS SECURITY S.A. AND SUBSIDIARIES

### KIND OF ENTITY

Closely-held corporation.

### CORPORATE OBJECTS

Investment is all kinds of business, companies or activities, whether movable or immovable assets, corporeal or incorporeal; and the provision of consultancy and advisory services in the financial, economic and commercial areas.

### GENERAL BACKGROUND

Servicios Security S.A. was constituted under a public deed dated January 27, 2000 signed before the notary Álvaro Bianchi Rosas, granting its administration to a board composed of 7 members elected by the shareholders.

The extraordinary shareholders' meeting held on December 10, 2004 approved the merger with Inversiones El Sol Limitada and Corredora de Reaseguros Security Limitada, based on the audited balance sheets at September 30, 2004 of those companies. The merger took effect from December 31, 2004.

### PAID CAPITAL AND EQUITY

The capital and reserves at December 31, 2005 were Ch\$6,632 million and its equity Ch\$5,864 millions.

### INVESTMENT AS PERCENTAGE OF ASSETS OF GRUPO SECURITY S.A.

Servicios Security S.A. represents 1.5900% of the assets of Grupo Security.

### TRADING RELATIONS WITH SUBSIDIARIES, ASSOCIATE COMPANIES AND THE PARENT COMPANY

As a holding company, trading relations are carried out through its subsidiary companies.

### BOARD OF DIRECTORS

#### Chairman of the Board

Francisco Silva S.

Tax No.: 4.103.061-5

#### Directors

Renato Peñafiel M.

Tax No.: 6.350.390-8

Claudio Berndt C.

Tax No.: 4.775.620-0

Ignacio Fuenzalida de la M.

Tax No. 7.022.196-9

Andrés Tagle D.

Tax No.: 5.895.255-9

Horacio Pavez A.

Tax No.: 9.737.844-4

Cristián Solís de Ovando

Tax No.: 7.483.251-2

#### President

Alejandro Mandiola P.

Tax No.: 8.684.673-K

**SERVICIOS SECURITY S.A. AND SUBSIDIARIES**

Summarized financial statements at December 31, 2005 and 2004

<b>BALANCE</b>	<b>2005</b> MCh\$	<b>2004</b> MCh\$
<b>ASSETS</b>		
Investments	2,145.5	2,328.4
Fixed Assets	202.8	245.3
Other Assets	8,062.7	7,846.6
<b>TOTAL ASSETS</b>	<b>10,411.0</b>	<b>10,420.3</b>
<b>LIABILITIES</b>		
Current Liabilities	3,209.1	2,320.2
Long Term Liabilities	1,336.0	1,422.8
Minority Interest	1.7	1.5
Capital & Reserves	6,631.5	7,302.3
Net Income	(767.3)	(626.5)
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>10,411.0</b>	<b>10,420.3</b>
<b>INCOME STATEMENT</b>		
Operating Income	(789.7)	(387.2)
Non Operating Income	(207.4)	(292.4)
<b>NET INCOME BEFORE TAXES</b>	<b>(997.1)</b>	<b>(679.6)</b>
Minority Interest	(0.3)	(0.1)
Taxes	230.1	53.2
<b>NET INCOME</b>	<b>(767.3)</b>	<b>(626.5)</b>
<b>CASH FLOW</b>		
Cash flow from operating activities	1,014.4	825.5
Cash flow from investments activities	(84.3)	(1,004.8)
Cash flow from financing activities	(838.5)	(332.2)
<b>NET CASH FLOW</b>	<b>91.6</b>	<b>(511.5)</b>
Monetary adjustment	(6.9)	(10.1)
<b>NET VARIATION OF CASH AND CASH EQUIVALENTS</b>	<b>84.7</b>	<b>(521.6)</b>

Note: The complete financial statements are available to the public at the offices of Grupo Security or the respective superintendency.

**INSCRIPTION IN THE SECURITIES REGISTER**

Servicios Security S.A. and Subsidiaries are not inscribed in the Securities Register.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. Period**

These consolidated financial statements cover the years ended December 31, 2005 and 2004.

**b. Preparation**

These financial statements have been prepared in accordance with accounting principles generally accepted in Chile and instructions issued by the Superintendency of Securities and Insurance as the company is an indirect subsidiary of Grupo Security S.A. (an open corporation), except for the investments in subsidiaries which are shown on just one line in the balance sheet at their equity value and therefore have not been consolidated line by line. This treatment does not alter the net result for the year of the equity.

These financial statements have been issued only for the purposes of making an individual analysis of the company and should therefore be read together with the consolidated financial statements which are required by accounting principles generally accepted in Chile.

**c. Presentation**

For comparison purposes, the financial statements for 2004 have been restated off the books by 3.6%.

**d. Price-level restatements**

The financial statements have been restated to reflect the effect of variations in the purchasing power of the currency. The financial statements for 2004 have been restated off the books by 3.6% in order to facilitate their comparison with the financial statements for 2005.

**e. Investments in related companies**

Those investments made in related companies prior to January 1, 2004 are valued according to the proportional equity method. This includes recognition of the participation in results on an accrued basis.

Investments in related companies after January 1, 2004 are valued according to the equity method, as established in Technical Bulletin 72 of the Chilean Institute of Accountants and Circular 1,697 of the Superintendency of Securities and Insurance.

**f. Goodwill**

Goodwill represents the excess paid over the proportional equity value of investments made prior to January 1, 2004 and that paid over the equity value of investment made in related companies after January 1, 2004, as required by the rules of the Superintendency of Securities and Insurance and Technical Bulletin 72 of the Chilean Institute of Accountants. Goodwill is being amortized over a term reflecting the expected period of return on the investment, principally 240 months.

**g. Customer portfolio**

The company includes as assets the price paid and/or due on acquired customer portfolios in 2004 and previous years, which are being amortized over twenty years.



**h. Income tax and deferred taxes**

The company has shown its tax liabilities based on current tax legislation. Deferred taxes assignable to items whose treatment is different for tax and financial accounting, have been shown as required by Technical Bulletin 60 of the Chilean Institute of Accountants.

**i. Sales**

The company records sales as products are dispatched or services provided.

**k. Cash equivalents**

Cash equivalents are considered to be investments in fixed-income instruments with maturities not exceeding 90 days, in accordance with Technical Bulletin 50 of the Chilean Institute of Accountants.

**ACCOUNTING CHANGES**

There were no accounting changes applied during 2005 compared to the previous year that affect these consolidated financial statements.

**SUBSEQUENT EVENTS**

There were no significant events between January 1 and 13, the date of issue of these financial statements, that might affect their interpretation.

## CORREDORES DE SEGUROS SECURITY LIMITADA

## KIND OF ENTITY

Limited partnership

## CORPORATE OBJECTS

Insurance brokers.

## GENERAL BACKGROUND

Corredores de Seguros Security Limitada was constituted under public deed dated December 3, 1999, signed before the Santiago notary Enrique Morgan Torres, granting the administration and representation of the company and the use of its name to its partner Servicios Security S.A.

## PAID CAPITAL AND EQUITY

The capital and reserves at December 31, 2005 were Ch\$2,490 million and the equity Ch\$2,070 million.

## INVESTMENT AS PERCENTAGE OF ASSETS OF GRUPO SECURITY S.A.

Corredores de Seguros Security Limitada represents 0.8671% of the assets of Grupo Security.

## TRADING RELATIONS WITH SUBSIDIARIES, ASSOCIATE COMPANIES AND THE PARENT COMPANY

Corredora de Seguros Security provides insurance broking services to Grupo Security, Banco Security, Administradora General de Fondos, Valores Security, Factoring Security, Inmobiliaria Security, Asesorías Security, Securitizadora Security, Inversiones Seguros Security, Servicios Security, Invest Security, Travel, Global Security and Virtual Security.

It also brokers general insurance policies and guarantee and credit policies with Seguros Security and life and health policies with Vida Security.

The broker also arranges insurance for customers of Banco Security.

In the future, there is the possibility of extending the offer of these services to customers of the parent's subsidiaries and associate companies.

## BOARD OF DIRECTORS

Chairman of the Board	Francisco Silva S.	Tax No.: 4.103.061-5
Directors	Renato Peñafiel M.	Tax No.: 6.350.390-8
	Claudio Berndt C.	Tax No.: 4.775.620-0
	Ignacio Fuenzalida de la M.	Tax No.: 7.022.196-9
	Andrés Tagle D.	Tax No.: 5.895.255-9
	Horacio Pavez A.	Tax No.: 9.737.844-4
President	Cristián Solís de Ovando	Tax No.: 7.483.251-2
	Alejandro Mandiola P.	Tax No.: 8.684.673-K

**CORREDORES DE SEGUROS SECURITY LTDA.**

Summarized financial statements at December 31, 2005 and 2004

SECURITIES REGISTER NO.5455

	2005 MCh\$	2004 MCh\$
<b>BALANCE</b>		
<b>ASSETS</b>		
Current Assets	1,301.8	1,546.8
Fixed Assets	202.8	245.3
Other Assets	3,619.8	4,454.2
<b>TOTAL ASSETS</b>	<b>5,124.4</b>	<b>6,246.3</b>
<b>LIABILITIES</b>		
Current Liabilities	1,973.6	2,641.9
Long Term Liabilities	1,081.1	1,114.4
Capital & Reserves	2,489.9	2,813.3
Net Income	(420.2)	(323.3)
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>5,124.4</b>	<b>6,246.3</b>
<b>INCOME STATEMENT</b>		
Operating Income	(210.0)	(21.5)
Non Operating Income	(347.0)	(379.0)
<b>NET INCOME BEFORE TAXES</b>	<b>(557.0)</b>	<b>(400.5)</b>
Taxes	136.8	77.2
<b>NET INCOME</b>	<b>(420.2)</b>	<b>(323.3)</b>
<b>CASH FLOW</b>		
Cash flow from operating activities	843.7	61.5
Cash flow from investments activities	(84.3)	(791.1)
Cash flow from financing activities	(674.1)	295.6
<b>NET CASH FLOW</b>	<b>85.3</b>	<b>(434.0)</b>
Monetary adjustment	(6.2)	(0.3)
<b>NET VARIATION OF CASH AND CASH EQUIVALENTS</b>	<b>79.1</b>	<b>(434.3)</b>

Note: The complete financial statements are available to the public at the offices of Grupo Security or the respective superintendency.

**INSCRIPTION IN THE SECURITIES REGISTER**

Corredores de Seguros Security Limitada is inscribed in the Securities Register under No.5455.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. Period**

These consolidated financial statements cover the years ended December 31, 2005 and 2004.

**b. Preparation**

These financial statements have been prepared in accordance with accounting principles generally accepted in Chile and instructions issued by the Superintendency of Securities and Insurance. In the event of differences between the two, the latter prevail.

**c. Price-level restatements**

The financial statements are restated to show changes in the purchasing power of the currency. For this purpose, the change in the consumer price index has been used, being 3.6% in 2005.

**d. Time deposits**

These include the principal plus interest accrued to December 31, 2005.

**e. Fixed assets**

Fixed assets are shown at their restated cost.

**f. Depreciation of fixed assets**

Depreciation has been calculated on the restated cost using the straight-line method and according to the remaining useful lives of the assets.

**g. Computer software**

This mainly relates to the People Soft system and the development of quotations and reserves and commission reconciliation systems, which are being amortized over an average of 36 months and are shown in Other assets.

**h. Income tax**

Income tax is booked on the basis of the taxable income calculated according to the taxation law. The company made no provision for tax at December 31, 2005 as it had a tax loss for the year of ThCh\$ 1,116,182.

**i. Deferred taxes**

Deferred taxes are shown in accordance with Technical Bulletin 60 of the Chilean Institute of Accountants, showing in results deferred taxes arising from timing differences, applying the tax rate for the year in which the respective timing difference will be reversed.

**j. Staff vacations**

The cost is recorded as an expense in the year in which the right accrues.

**k. Severance payments**

The company has not agreed any such payments with its staff.

**l. Statement of cash flows**

For cash flow purposes, cash and cash equivalents consist of balances of cash, banks and time deposits.

**ACCOUNTING CHANGES**

There were no accounting changes applied during 2005 compared to the previous year that affect these consolidated financial statements.

**SUBSEQUENT EVENTS**

There were no significant events between January 1 and February 10, 2006, the date of issue of these financial statements, that might significantly affect their interpretation.

## INVERSIONES INVEST SECURITY LIMITADA AND SUBSIDIARIES

### KIND OF ENTITY

Limited Partnership.

### CORPORATE OBJECTS

The corporate objects are to make all kinds of investments in corporeal and incorporeal assets, exploit and dispose of them, receive and invest their returns; invest, acquire, and dispose of in any form and exploit real estate in any way; administer all kinds of movable and immovable assets, corporeal or incorporeal, for own or third party's account; provide all kinds of assistance, consultancy and financial, economic, marketing, accounting and management services, and in general execute all acts and business directly and indirectly related to these objects.

### GENERAL BACKGROUND

The company was constituted on June 28, 2000 before the notary Enrique Morgan Torres, as an investment limited partnership called Inversiones Invest Security Ltda..

### PAID CAPITAL AND EQUITY

The capital and reserves at December 31, 2005 were Ch\$ 2,386 million and the equity Ch\$2,453 million.

### INVESTMENT AS PERCENTAGE OF ASSETS OF GRUPO SECURITY S.A.

Inversiones Invest Security Limitada represents 0.4017% of the assets of Grupo Security.

### TRADING RELATIONS WITH SUBSIDIARIES, ASSOCIATE COMPANIES AND THE PARENT COMPANY

Invest Security provides accounting, corporate image, human resources, controller and audit services for each of the Group companies and the parent company.

### BOARD AND MANAGEMENT:

Administrators	Renato Peñafiel M.	Tax No.: 6.350.390-8
	Francisco Silva S.	Tax No.: 4.103.061-5
	Ramón Eluchans O.	Tax No.: 6.464.460-2
Managers	Karin E. Becker S.	Tax No.: 5.360.901-5
	Sergio Candia A.	Tax No.: 6.053.341-5
Assistant Manager	Horacio Silva C.	Tax No.: 5.059.187-5

**INVERSIONES INVEST SECURITY LTDA. AND SUBSIDIARIES.**

Summarized financial statements at December 31, 2005 and 2004

<b>BALANCE</b>	<b>2005</b> MCh\$	<b>2004</b> MCh\$
<b>ASSETS</b>		
Current Assets	5,899.8	5,699.1
Fixed Assets	1,761.7	992.9
Other Assets	1,552.7	1,663.4
<b>TOTAL ASSETS</b>	<b>9,214.2</b>	<b>8,355.5</b>
<b>LIABILITIES</b>		
Current Liabilities	5,370.3	5,524.3
Long Term Liabilities	892.8	22.8
Minority Interest	498.6	422.4
Capital & Reserves	2,385.9	2,365.6
Net Income	66.6	20.3
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>9,214.2</b>	<b>8,355.5</b>
<b>INCOME STATEMENT</b>		
Operating Income	815.7	307.3
Non Operating Income	(416.0)	(59.9)
<b>NET INCOME BEFORE TAXES</b>	<b>399.7</b>	<b>247.4</b>
Minority Interest	(128.1)	(103.9)
Taxes	(205.0)	(123.2)
<b>NET INCOME</b>	<b>66.6</b>	<b>20.3</b>
<b>CASH FLOW</b>		
Cash flow from operating activities	927.4	(296.3)
Cash flow from investments activities	(1,195.1)	(451.9)
Cash flow from financing activities	36.1	623.6
<b>NET CASH FLOW</b>	<b>(231.6)</b>	<b>(124.6)</b>
Monetary adjustment	26.5	(45.3)
<b>NET VARIATION OF CASH AND CASH EQUIVALENTS</b>	<b>(205.1)</b>	<b>(169.9)</b>

Note: The complete financial statements are available to the public at the offices of Grupo Security or the respective superintendency.

**INSCRIPTION IN THE SECURITIES REGISTER**

Inversiones Invest Security Ltda. and Filiales is not inscribed in the Securities Register.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. Period**

These consolidated financial statements cover the years ended December 31, 2005 and 2004.

**b. Preparation**

These financial statements have been prepared in accordance with accounting principles generally accepted in Chile and instructions issued by the Superintendency of Securities and Insurance, as it is a subsidiary of Grupo Security S.A. (an open corporation).

**c. Presentation**

For comparison purposes, the financial statements have been restated off the books by the percentage change in the consumer price index for the year amounting to 3.6% (2.5% in 2004), following the reclassification of some items to facilitate a comparison.

**d. Consolidation**

All significant transactions and balances between companies have been eliminated in the consolidation and also unrealized income on such transactions.

These consolidated financial statements include the balances of the following subsidiaries with their corresponding direct and indirect holdings:

Company	Percentage holding	
	2005	2004
	Direct	Direct
Global Security Mandatos Limitada	99.77	99.77
Global Security Gestión y Servicios Ltda.	99.77	99.77
Travel Security S.A. & subsidiary	75.00	75.00
Virtual Security S.A.	99.90	99.90

**e. Price-level restatements**

The financial statements have been restated off the books to show the effect of variations in the purchasing power of the currency, based on changes in the consumer price index for the year amounting to 3.6% (2.5% in 2004).

**f. Conversion**

Assets and liabilities denominated in Unidades de Fomento and dollars have been translated into pesos at the following year-end values:

	2005 Ch\$	2004 Ch\$
Unidad de Fomento	17,974.81	17,317.05
US dollar	512.50	557.40

**g. Marketable securities**

These relate to mutual fund quotas (fixed-income) valued at their redemption prices at the year-end.

**h. Allowance for doubtful accounts**

The Parent and its subsidiaries make allowances for balances of doubtful recoverability based on their aging.

**i. Recoverable taxes**

This heading basically covers tax recoverable from tax prepayments, training expenses credits and other recoverable taxes, plus the balance of VAT credits that can be absorbed in later years.

**j. Fixed assets**

Fixed assets are shown at their restated cost. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets.

**k. Leased fixed assets**

Leasing agreements having the characteristics of a financial lease are booked as purchases of fixed assets, showing the total obligation and interest on an accrued basis. These assets do not legally belong to the company until it exercises its purchase option, and therefore it cannot freely dispose of them.

**l. Intangible assets**

Trademarks have been shown at their restated cost and are being amortized over ten years.

**m. Computer software**

Computer software is shown at its restated cost and is being amortized over 4 years.

**n. Others**

Branch renovations are shown at their restated cost and are being amortized over the term of the respective rental agreements.

**o. Income tax and deferred taxes**

Income tax is booked on the basis of the taxable income calculated according to the taxation law. Deferred taxes are shown in accordance with Technical Bulletin 60 of the Chilean Institute of Accountants, showing in results deferred taxes arising from timing differences arising from differences between the financial and taxation accounts, applying the tax rate for the year in which the respective timing difference will be reversed.

**p. Staff vacations**

The annual cost of staff vacations is shown on an accrued basis at the end of the year.

**q. Sales**

Sales are recorded for the value of products when these are dispatched and/or services are provided.



**r. Derivative transactions**

The company has derivative contracts to hedge exchange rate fluctuations, considered as cover for existing items. Transactions with derivative currency financial instruments (forwards) are booked in accordance with Technical Bulletin 57 of the Chilean Institute of Accountants.

**s. Cash equivalents**

Cash equivalents are investments in fixed-income instruments with maturities of no more than 90 days, in accordance with Technical Bulletin 50 of the Chilean Institute of Accountants.

**ACCOUNTING CHANGES**

There were no accounting changes applied during 2005 compared to the previous year that affect these consolidated financial statements.

**SUBSEQUENT EVENTS**

There were no significant events between January 1 and February 10, 2006, the date of issue of these consolidated financial statements, that might affect their interpretation.

## TRAVEL SECURITY S.A. AND SUBSIDIARY

### KIND OF ENTITY

Closely-held corporation.

### CORPORATE OBJECTS

Travel agency. The provision of tourist services of all kinds and other services related or not as the partners may decide, including investment of the company's funds.

### GENERAL BACKGROUND

The company was constituted as a limited partnership on July 3, 1987 by public deed signed before the notary Víctor Manuel Correa Valenzuela. In 1989, the business was broadened to include the sale of air tickets to individuals, and obtaining its accreditation as an IATA agent. The company was transformed into a corporation on September 16, 1993 and its capital was increased; in early 1995, its air freight division was sold. In April 1997, new shareholders joined the company, modernized its management and contributed Ch\$120 million of fresh capital. In September 1999, it became part of Grupo Security when Inversiones Seguros Security Limitada became a shareholder with a 75% shareholding and changing its name to Travel Security S.A.

### PAID CAPITAL AND EQUITY

The company's capital and reserves at December 31, 2005 were Ch\$1,480 million and its equity Ch\$1,994 million.

### INVESTMENT AS PERCENTAGE OF ASSETS OF GRUPO SECURITY S.A.

Travel Security S.A. and subsidiary represent 0.6884% of the assets of Grupo Security.

### TRADING RELATIONS WITH SUBSIDIARIES, ASSOCIATE COMPANIES AND THE PARENT COMPANY

Travel Security provides travel services to every one of the companies in the Group and to the parent company.

In the future, there is the possibility of extending the offer of these services to customers of the parent's subsidiaries and associate companies.

### BOARD OF DIRECTORS

#### Chairman of the Board

Guillermo Correa S.

Tax No.: 7.741.851-2

#### Directors

Osvaldo Hernán Barzelatto S.

Tax No.: 2.300.044-K

Naoshi Matsumoto T.

Tax No.: 3.805.153-9

Renato Peñafiel M.

Tax No.: 6.350.390-8

Francisco Silva S.

Tax No.: 4.103.061-5

#### President

Eduardo Correa S.

Tax No.: 8.628.777-3

**TRAVEL SECURITY S.A. AND SUBSIDIARIES**

Summarized financial statements at December 31, 2005 and 2004

<b>BALANCE</b>	<b>2005</b> MCh\$	<b>2004</b> MCh\$
<b>ASSETS</b>		
Current Assets	5,129.7	4,704.3
Fixed Assets	657.3	617.7
Other Assets	572.6	309.0
<b>TOTAL ASSETS</b>	<b>6,359.6</b>	<b>5,631.0</b>
<b>LIABILITIES</b>		
Current Liabilities	4,327.9	3,885.0
Long Term Liabilities	37.9	58.0
Minority Interest	0.2	0.1
Capital & Reserves	1,480.3	1,271.9
Net Income	513.3	416.0
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>6,359.6</b>	<b>5,631.0</b>
<b>INCOME STATEMENT</b>		
Operating Income	898.6	531.8
Non Operating Income	(254.6)	(29.2)
<b>NET INCOME BEFORE TAXES</b>	<b>644.0</b>	<b>502.6</b>
Minority Interest	(0.1)	(0.1)
Taxes	(130.6)	(86.5)
<b>NET INCOME</b>	<b>513.3</b>	<b>416.0</b>
<b>CASH FLOW</b>		
Cash flow from operating activities	(76.2)	(1,353.9)
Cash flow from investments activities	(293.3)	(82.1)
Cash flow from financing activities	218.9	353.6
<b>NET CASH FLOW</b>	<b>(150.6)</b>	<b>(1,082.4)</b>
Monetary adjustment	(30.0)	(42.0)
<b>NET VARIATION OF CASH AND CASH EQUIVALENTS</b>	<b>(180.6)</b>	<b>(1,124.4)</b>

Note: The complete financial statements are available to the public at the offices of Grupo Security or the respective superintendency.

**INSCRIPTION IN THE SECURITIES REGISTER**

Travel Security S.A. and Subsidiary is not inscribed in the Securities Register.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. Period**

These consolidated financial statements cover the years ended December 31, 2005 and 2004.

**b. Preparation**

These financial statements have been prepared in accordance with accounting principles generally accepted in Chile and instructions issued by the Superintendency of Securities and Insurance, as it is a subsidiary of Grupo Security S.A. (an open corporation).

**c. Price-level restatements**

The financial statements have been restated off the books to show the effect of variations in the purchasing power of the currency, amounting to 3.6%. The company has also made some reclassifications of previous year figures for comparison purposes.

**d. Consolidation**

The consolidated group consists of the parent Travel Security S.A. and the subsidiary Representaciones Security Limitada. Significant balances and transactions between the companies have been eliminated and the participation of the minority interest is shown.

**e. Conversion**

Assets and liabilities in Unidades de Fomento and dollars have been translated into pesos using the following year-end values:

	2005 Ch\$	2004 Ch\$
Unidad de Fomento	17,974.81	17,317.05
US dollar	512.50	557.40

**f. Allowance of doubtful accounts**

This allowance is calculated taking into account the aging of accounts receivable.

**g. Fixed assets**

Fixed assets are shown at their restated cost.

**h. Depreciation of fixed assets**

Depreciation has been calculated on the straight-line basis over the remaining useful lives of the assets.

**i. Leased fixed assets**

Leasing agreements having the characteristics of a financial lease are booked as purchases of fixed assets, showing the total obligation and interest on an accrued basis. These assets do not legally belong to the company until it exercises its purchase option, and therefore it cannot freely dispose of them.

**j. Intangible assets**

Trademarks have been shown at their restated cost and are being amortized over ten years.

**k. Others**

Branch renovations are shown at their restated cost and are being amortized over the term of the respective rental agreements.

**l. Income tax and deferred taxes**

Income tax is booked on the basis of the taxable income calculated according to the taxation law. Deferred taxes are shown in accordance with Technical Bulletin 60 of the Chilean Institute of Accountants, showing in results deferred taxes arising from timing differences arising from differences between the financial and taxation accounts, applying the tax rate for the year in which the respective timing difference will be reversed.

**m. Staff vacations**

The annual cost of staff vacations is shown on an accrued basis at the end of the year.

**n. Sales**

Sales are recorded for the value of services when they are provided.

**o. Derivative transactions:**

The company has derivative contracts to hedge exchange rate fluctuations, considered as cover for existing items. Transactions with derivative currency financial instruments (forwards) are booked in accordance with Technical Bulletin 57 of the Chilean Institute of Accountants.

**ACCOUNTING CHANGES**

There were no accounting changes applied during 2005 compared to the previous year that affect these consolidated financial statements.

**SUBSEQUENT EVENTS**

There were no significant events between January 1 and February 10, 2006, the date of issue of these consolidated financial statements, that might affect their interpretation.

## GLOBAL SECURITY GESTIÓN Y SERVICIOS LIMITADA

### KIND OF ENTITY

Limited partnership.

### CORPORATE OBJECTS

The carrying out of civil mandates related to obtaining information on third parties and the preparatory handling of requests for the pre-evaluation of such information to enable the principals to execute acts and contracts directly with those parties without the intervention of the company; and in general carry out all acts and business directly and indirectly related to the objects or which the partners may decide.

### GENERAL BACKGROUND

Global Security Mandatos Limitada was constituted under public deed dated October 5, 2000 signed before the notary Enrique Morgan Torres, granting the administration and use of the corporate name to the partner Inversiones Invest Security Limitada.

On September 1, 2004, before the notary Linda Scarlett Boschi Jiménez, the company was divided into Mandatos Security Ltda. and Gestión y Servicios Security Ltda.

### PAID CAPITAL AND EQUITY

The company's capital and reserves at December 31, 2005 was Ch\$29 million and its equity Ch\$185 million.

### TRADING RELATIONS WITH SUBSIDIARIES, ASSOCIATE COMPANIES AND THE PARENT COMPANY

Gestión y Servicios Security provides advisory, marketing and financial product sales services to Valores Security, Administradora General de Fondos Security and Vida Security.

In the future, there is the possibility of extending the offer of these services to customers of the parent's subsidiaries and associate companies.

### BOARD AND MANAGEMENT

#### Administrators

Renato Peñafiel M.

Tax No.: 6.350.390-8

Francisco Silva S.

Tax No.: 4.103.061-5

#### Legal Representative

Juan Pablo Lira T.

Tax No.: 7.367.430-1

**GLOBAL SECURITY GESTIÓN Y SERVICIOS LTDA.**

Summarized financial statements at December 31, 2005 and 2004

<b>BALANCE</b>	<b>2005</b> MCh\$	<b>2004</b> MCh\$
<b>ASSETS</b>		
Current Assets	172.7	153.5
Fixed Assets	12.1	0.0
Other Assets	0.0	0.0
<b>TOTAL ASSETS</b>	<b>184.8</b>	<b>153.5</b>
<b>LIABILITIES</b>		
Current Liabilities	254.3	124.9
Capital & Reserves	28.6	93.8
Net Income	(98.1)	(65.2)
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>184.8</b>	<b>153.5</b>
<b>INCOME STATEMENT</b>		
Operating Income	4.8	(64.6)
Non Operating Income	(92.2)	(0.6)
<b>NET INCOME BEFORE TAXES</b>	<b>(87.4)</b>	<b>(65.2)</b>
Taxes	(10.7)	0.0
<b>NET INCOME</b>	<b>(98.1)</b>	<b>(65.2)</b>
<b>CASH FLOW</b>		
Cash flow from operating activities	(11.7)	-
Cash flow from investments activities	0.0	-
Cash flow from financing activities	(14.0)	-
<b>NET CASH FLOW</b>	<b>(25.7)</b>	<b>-</b>
Monetary adjustment	1.4	-
<b>NET VARIATION OF CASH AND CASH EQUIVALENTS</b>	<b>(24.3)</b>	<b>-</b>

Note: The complete financial statements are available to the public at the offices of Grupo Security or the respective superintendency.

**INSCRIPTION IN THE SECURITIES REGISTER**

Gestión y Servicios Security S.A. is not inscribed in the Securities Register.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. Period**

These consolidated financial statements cover the years ended December 31, 2005 and 2004.

**b. Preparation**

These financial statements have been prepared in accordance with accounting principles generally accepted in Chile and instructions issued by the Superintendency of Securities and Insurance, as it is a subsidiary of Grupo Security S.A. (an open corporation).

**c. Presentation**

For comparison purposes, all the comparative figures for 2004 have been restated off the books by 3.6%.

**d. Price-level restatements**

The financial statements have been restated to show the effect of variations in the purchasing power of the currency during the year. For this, the change in the consumer price index has been used, being 3.6 % (2.5% in 2004).

**e. Conversion**

Assets and liabilities in Unidades de Fomento and dollars have been translated into pesos using the following year-end values:

	2005 Ch\$	2004 Ch\$
Unidad de Fomento	17,974.81	17,317.05
US dollar	512.50	557.40

**f. Recoverable taxes**

These include prepayments of tax paid to the Treasury monthly.

**g. Income tax**

Income tax is shown based on the taxable income determined for tax purposes.

**h. Deferred taxes**

Deferred taxes arising from timing differences, tax losses and other events creating differences between the financial and tax basis of the accounts are recorded in accordance with Technical Bulletin 60 of the Chilean Institute of Accountants.

**i. Staff vacations**

The annual cost of staff vacations is shown on an accrued basis at each year end.

**j. Sales**

Sales are recorded for the value of services when they are provided.

**k. Cash equivalents**

Cash equivalents are investments in fixed-income instruments with maturities not exceeding 90 days, in accordance with Technical Bulletin 50 of the Chilean Institute of Accountants.

**ACCOUNTING CHANGES**

There were no accounting changes applied during 2005 compared to the previous year that affect these consolidated financial statements.



## GLOBAL SECURITY MANDATOS LIMITADA

### KIND OF ENTITY

Limited partnership.

### CORPORATE OBJECTS

Carrying out of civil mandates for obtaining information on third parties.

### GENERAL BACKGROUND

Global Security Mandatos Limitada was constituted under public deed dated October 5, 2000 signed before the notary Enrique Morgan Torres, granting the administration and use of the corporate name to the partner Inversiones Invest Security Limitada.

On September 1, 2004, before the notary Linda Scarlett Boschi Jiménez, the company was divided into Mandatos Security Ltda. and Gestión y Servicios Security Ltda.

### PAID CAPITAL AND EQUITY

The company's capital and reserves at December 31, 2005 were Ch\$28 million and its equity Ch\$17 million.

### INVESTMENT AS PERCENTAGE OF ASSETS OF GRUPO SECURITY S.A.

Global Mandatos Security Limitada represents 0.0076% of the assets of Grupo Security.

### RELACIONES COMERCIALES CON FILIALES, COLIGADAS Y MATRIZ

Global Mandatos Security provides services of obtaining information for the financial products of Banco Security.

### BOARD AND MANAGEMENT

Administrators	Renato Peñafiel M.	Tax No.: 6.350.390-8
	Ramón Eluchans O.	Tax No.: 6.464.460-2
Legal Representative	Luis Gil V.	Tax No.: 10.077.185-3

**GLOBAL SECURITY MANDATOS LTDA.**

Summarized financial statements at December 31, 2005 and 2004

<b>BALANCE</b>	<b>2005</b> MCh\$	<b>2004</b> MCh\$
<b>ASSETS</b>		
Current Assets	59.9	74.0
Fixed Assets	1.2	
Other Assets	0.0	3.0
<b>TOTAL ASSETS</b>	<b>61.1</b>	<b>77.0</b>
<b>LIABILITIES</b>		
Current Liabilities	44.5	49.0
Capital & Reserves	27.9	14.7
Net Income	(11.3)	13.3
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>61.1</b>	<b>77.0</b>
<b>INCOME STATEMENT</b>		
Operating Income	(18.4)	14.0
Non Operating Income	(8.8)	0.1
<b>NET INCOME BEFORE TAXES</b>	<b>(27.2)</b>	<b>14.1</b>
Taxes	15.9	(0.8)
<b>NET INCOME</b>	<b>(11.3)</b>	<b>13.3</b>
<b>CASH FLOW</b>		
Cash flow from operating activities	(43.7)	-
Cash flow from investments activities	0.0	-
Cash flow from financing activities	0.0	-
<b>NET CASH FLOW</b>	<b>(43.7)</b>	<b>-</b>
Monetary adjustment	(1.8)	-
<b>NET VARIATION OF CASH AND CASH EQUIVALENTS</b>	<b>(45.5)</b>	<b>-</b>

Note: The complete financial statements are available to the public at the offices of Grupo Security or the respective superintendency.

**INSCRIPTION IN THE SECURITIES REGISTER**

Global Mandatos Security S.A. is not inscribed in the Securities Register.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. Period**

These consolidated financial statements cover the years ended December 31, 2005 and 2004.

**b. Preparation**

These financial statements have been prepared in accordance with accounting principles generally accepted in Chile and instructions issued by the Superintendency of Securities and Insurance, as it is a subsidiary of Grupo Security S.A. (an open corporation).

**c. Presentation**

For comparison purposes, all the comparative figures for 2004 have been restated off the books by 3.6%.

**d. Price-level restatements**

The financial statements have been restated to show the effect of variations in the purchasing power of the currency during the year. For this, the change in the consumer price index has been used, being 3.6 % (2.5% in 2004).

**e. Conversion**

Assets and liabilities in Unidades de Fomento and dollars have been translated into pesos using the following year-end values:

[tabla: Dolar observado = US dollar ]

**f. Recoverable taxes**

These include prepayments of tax paid to the Treasury monthly.

**g. Income tax**

Income tax is shown based on the taxable income determined for tax purposes.

**h. Deferred taxes**

Deferred taxes arising from timing differences, tax losses and other events creating differences between the financial and tax basis of the accounts are recorded in accordance with Technical Bulletin 60 of the Chilean Institute of Accountants.

**i. Staff vacations**

The annual cost of staff vacations is shown on an accrued basis at each year end.

**j. Sales:**

Sales are recorded for the value of services when they are provided.

**k. Cash equivalents**

Cash equivalents are investments in fixed-income instruments with maturities not exceeding 90 days, in accordance with Technical Bulletin 50 of the Chilean Institute of Accountants.

**ACCOUNTING CHANGES**

There were no accounting changes applied during 2005 compared to the previous year that affect these consolidated financial statements.

## VIRTUAL SECURITY S.A.

### KIND OF ENTITY

Closely-held corporation.

### CORPORATE OBJECTS

The company's objects are to invest in corporeal and incorporeal assets, exploit, dispose of, receive and invest their returns, the management of all kinds of business for its own or third party's account, electronic trading via internet, the provision of recruitment and consultancy services, the provision of all kinds of financial, economic, marketing, accountancy and management advisory and consultancy services.. It also provides data processing services, the management of development projects and integration of third-party software and hardware, preferably for one of the Grupo Security companies, in order to improve their business processes at lower cost and with better service, using the best existing technologies, ensuring the quality of the projects with methodology, finally contributing to improving customer satisfaction for all the companies of Grupo Security, their suppliers and the staff working in them.

### GENERAL BACKGROUND

Virtual Security SA was constituted by public deed on July 19, 2000 before the notary Enrique Morgan Torres. It began operations on March 29, 2001 when the partners paid in the capital.

### PAID CAPITAL AND EQUITY

The company's capital and reserves at December 31, 2005 were Ch\$165 million and its equity Ch\$138 million.

### INVESTMENT AS PERCENTAGE OF ASSETS OF GRUPO SECURITY S.A.

Virtual Security represents 0.0634% of the assets of Grupo Security.

### TRADING RELATIONS WITH SUBSIDIARIES, ASSOCIATE COMPANIES AND THE PARENT COMPANY

It provides the parent and all the subsidiaries of the Group with services in development, integration and maintenance of software, operation of the technological platform, consultancy, purchase of technological assets and training.

### BOARD OF DIRECTORS

<b>Chairman of the Board</b>	Renato Peñafiel M.	Tax No.: 6.350.390-8
<b>Directors</b>	Francisco Silva S.	Tax No.: 4.103.061-5
	Ramón Eluchans O.	Tax No.: 6.464.460-2
<b>President</b>	Francisco Silva S.	Tax No.: 4.103.064-5
<b>Corporate IT manager</b>	Pedro de Tezanos Pinto D.	Tax No.: 6.898.534-K

**VIRTUAL SECURITY S.A.**

Summarized financial statements at December 31, 2005 and 2004

<b>BALANCE</b>	<b>2005</b> MCh\$	<b>2004</b> MCh\$
<b>ASSETS</b>		
Current Assets	501.0	426.0
Fixed Assets	1,074.8	354.5
Other Assets	279.4	459.4
<b>TOTAL ASSETS</b>	<b>1,855.2</b>	<b>1,239.9</b>
<b>LIABILITIES</b>		
Current Liabilities	829.8	1,074.9
Long Term Liabilities	887.6	0.0
Capital & Reserves	164.9	189.0
Net Income	(27.1)	(24.0)
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,855.2</b>	<b>1,239.9</b>
<b>INCOME STATEMENT</b>		
Operating Income	17.9	(20.6)
Non Operating Income	(1.8)	25.1
<b>NET INCOME BEFORE TAXES</b>	<b>16.1</b>	<b>4.5</b>
Minority Interest		
Taxes	(43.2)	(28.5)
<b>NET INCOME</b>	<b>(27.1)</b>	<b>(24.0)</b>
<b>CASH FLOW</b>		
Cash flow from operating activities	665.0	219.3
Cash flow from investments activities	(810.0)	(531.1)
Cash flow from financing activities	554.0	280.8
<b>NET CASH FLOW</b>	<b>409.0</b>	<b>(31.0)</b>
Monetary adjustment	(356.0)	(0.8)
<b>NET VARIATION OF CASH AND CASH EQUIVALENTS</b>	<b>53.0</b>	<b>(31.8)</b>

Note: The complete financial statements are available to the public at the offices of Grupo Security or the respective superintendency.

**INSCRIPTION IN THE SECURITIES REGISTER**

Virtual Security S.A. and Subsidiaries is not inscribed in the Securities Register.

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES****a. Period**

These financial statements cover the years ended December 31, 2005 and 2004.

**b. Preparation**

These financial statements have been prepared in accordance with accounting principles generally accepted in Chile and instructions issued by the Superintendency of Securities and Insurance. In the event of differences between the two, the latter prevail.

**c. Price-level restatements**

The financial statements have been restated to reflect of the variation in the purchasing power of the currency. The financial statements for 2004 have been restated off the books by 3.6% to facilitate their comparison with those for 2005. The company has also made some reclassification to previous year balances for comparison purposes.

**d. Conversion**

Assets and liabilities in Unidades de Fomento and dollars have been translated into pesos using the following year-end values:

	2005 Ch\$	2004 Ch\$
Unidad de Fomento	17,974.81	17,317.05
US dollar	512.50	557.40

**e. Recoverable taxes**

These basically include monthly tax prepayments, training expense credits and other recoverable taxes, plus the balance of VAT credits that can be absorbed in following years.

**f. Fixed assets**

Fixed assets are shown at their restated cost. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets.

**g. Income tax**

Income tax is recorded on the basis of the taxable income determined for tax purposes.

**h. Deferred taxes**

Deferred taxes arising from timing differences, tax losses and other events creating differences between the financial and tax basis of the accounts are recorded in accordance with Technical Bulletin 60 of the Chilean Institute of Accountants.

**i. Staff vacations**

The annual cost of staff vacations is shown on an accrued basis at each year end.

**j. Sales**

Sales are recorded for the value of services when they are provided.

**k. Cash equivalents**

Cash equivalents are investments in fixed-income instruments with maturities not exceeding 90 days, in accordance with Technical Bulletin 50 of the Chilean Institute of Accountants.

**ACCOUNTING CHANGES**

There were no accounting changes applied during 2005 compared to the previous year that affect these consolidated financial statements.

## DECLARATION OF RESPONSIBILITY

The undersigned, as directors and president of Grupo Security, domiciled at Av. Apoquindo 3150, 15th floor, Las Condes, Santiago, Chile, swear that the information contained in this annual report is a faithful expression of the truth, for which we are therefore legally responsible.

**FRANCISCO SILVA SILVA**  
CHAIRMAN  
TAX NO.: 4.103.061-5



**CLAUDIO BERNDT CRAMER**  
DIRECTOR  
TAX NO.: 4.775.620-0



**ANDRÉS CONCHA RODRÍGUEZ**  
DIRECTOR  
TAX NO.: 4.773.967-5



**JAIME CORREA HOGG**  
DIRECTOR  
TAX NO.: 5.892.161-0



**JORGE MARÍN CORREA**  
DIRECTOR  
TAX NO.: 7.639.707-4





**NAOSHI MATSUMOTO TAKAHASHI**  
DIRECTOR  
TAX NO.: 3.805.153-9



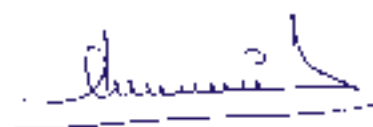
**HORACIO PAVEZ GARCÍA**  
DIRECTOR  
TAX NO.: 3.899.021-7



**JUAN CRISTÓBAL PAVEZ RECARTE**  
DIRECTOR  
TAX NO.: 9.901.478-4



**ÁLVARO VIAL GAETE**  
DIRECTOR  
TAX NO.: 5.759.348-2



**RENATO PEÑAFIEL MUÑOZ**  
PRESIDENT  
TAX NO.: 6.350.390-8



## ADDRESSES OF COMPANIES OF GRUPO SECURITY S.A.

### GRUPO SECURITY S.A.

Av. Apoquindo 3150, 15th floor, Las Condes, Santiago  
Telephone: (56-2) 584 4000  
Fax: (56-2) 584 4001  
Web: [www.security.cl](http://www.security.cl)  
E-mail: [grupo@security.cl](mailto:grupo@security.cl)

### BANCO SECURITY

Av. Apoquindo 3100, Las Condes, Santiago  
Telephone: (56-2) 584 4000  
Fax: (56-2) 584 4001  
Web: [www.security.cl](http://www.security.cl)  
Web: [wab.security.cl](http://wab.security.cl)  
E-mail: [banco@security.cl](mailto:banco@security.cl)  
SecurityPhone: (56-2) 584 4040

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

Av. Apoquindo 3150, 7th floor, Las Condes, Santiago  
Telephone: (56-2) 584 4000  
Fax: (56-2) 584 4015  
Web: [www.security.cl](http://www.security.cl)  
E-mail: [valores@security.cl](mailto:valores@security.cl)  
SecurityPhone: (56-2) 584 4040

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

Av. Apoquindo 3150, 7th floor, Las Condes, Santiago  
Telephone: (56-2) 584 4000  
Fax: (56-2) 584 4015  
Web: [www.security.cl](http://www.security.cl)  
E-mail: [fmutuos@security.cl](mailto:fmutuos@security.cl)  
SecurityPhone: (56-2) 584 4040

### FACTORING SECURITY S.A.

Av. Apoquindo 3150, 9th floor, Las Condes, Santiago  
Telephone: (56-2) 584 3700  
Fax: (56-2) 584 3622  
Web: [www.security.cl](http://www.security.cl)  
E-mail: [factoring@security.cl](mailto:factoring@security.cl)

### ASESORIAS SECURITY S.A.

Av. Apoquindo 3150, 7th floor, Office 701, Las Condes, Santiago  
Telephone: (56-2) 584 4000  
Fax: (56-2) 584 4995  
Web: [www.security.cl](http://www.security.cl)  
E-mail: [asesorias@security.cl](mailto:asesorias@security.cl)

### SECURITIZADORA SECURITY S.A.

Av. Apoquindo 3150, 7th floor, Of. 701, Las Condes, Santiago  
Telephone: (56-2) 584 4000  
Fax: (56-2) 584 4009  
Web: [www.security.cl](http://www.security.cl)  
E-mail: [securitizadora@security.cl](mailto:securitizadora@security.cl)

### INMOBILIARIA SECURITY S.A.

Av. Apoquindo 3150, 12th floor, Of. 1202, Las Condes, Santiago  
Telephone: (56-2) 584 4000  
Fax: (56-2) 584 4159  
Web: [www.securitizadorasecurity.cl](http://www.securitizadorasecurity.cl)  
E-mail: [inmobiliaria@security.cl](mailto:inmobiliaria@security.cl)

### SEGUROS VIDA SECURITY PREVISION S.A.

Av. Apoquindo 3150, 8th floor, Las Condes, Santiago  
Telephone: (56-2) 584 4000  
Fax: (56-2) 584 2474  
Web: [www.vidasecurity.cl](http://www.vidasecurity.cl)  
E-mail: [vidasecurity@security.cl](mailto:vidasecurity@security.cl)

### COMPAÑÍA DE SEGUROS GENERALES PENTA SECURITY S.A.

Av. El Bosque Norte 0440, 7th floor, Las Condes, Santiago  
Telephone: (56-2) 339 0000  
Fax: (56-2) 339 0400  
Web: [www.pentasecurity.cl](http://www.pentasecurity.cl)

### CORREDORES DE SEGUROS SECURITY LTDA.

Isidora Goyenechea 3621, 4th floor, Las Condes, Santiago  
Telephone: (56-2) 584 3000  
Fax: (56-2) 584 3090  
Web: [www.security.cl](http://www.security.cl)

### GLOBAL SECURITY LTDA.

Av. Apoquindo 3150, 6th floor, Las Condes, Santiago  
Telephone: (56-2) 584 4000  
Fax: (56-2) 584 4807  
Web: [www.security.cl](http://www.security.cl)

### TRAVEL SECURITY S.A.

Av. Apoquindo 3180, 1st floor, Las Condes, Santiago  
Telephone: (56-2) 584 4000  
Fax: (56-2) 584 3505  
Web: [www.travelsecurity.cl](http://www.travelsecurity.cl)

## ADDRESSES OF BRANCHES OF COMPANIES OF GRUPO SECURITY S.A.

## BANCO SECURITY

**Head Office**

Av. Apoquindo 3100, Las Condes, Santiago  
Telephone: (56-2) 584 4100  
Fax: (56-2) 584 4058  
Web: [www.security.cl](http://www.security.cl)  
E-mail: [banco@security.cl](mailto:banco@security.cl)

**Agustinas Branch**

Agustinas 621, Santiago  
Telephone: (56-2) 584 4311  
Fax: (56-2) 584 4012

**Providencia Branch**

Av. 11 de Septiembre 2289, Providencia, Santiago  
Telephone: (56-2) 584 4688  
Fax: (56-2) 584 4186

**Vitacura Branch**

Av. Nueva Costanera 3750, Vitacura, Santiago  
Telephone: (56-2) 584 4653  
Fax: (56-2) 584 4627

**La Dehesa Branch**

Av. La Dehesa 1744, Lo Barnechea, Santiago  
Telephone: (56-2) 584 4670  
Fax: (56-2) 584 4676

**El Cortijo Branch (formerly Panamericana Norte)**

Av. Américo Vespucio 2760, Conchalí, Santiago  
Telephone: (56-2) 584 4833  
Fax: (56-2) 584 4840

**Santa Elena Branch**

Santa Elena 2400, San Joaquín, Santiago  
Telephone: (56-2) 584 4762  
Fax: (56-2) 555 4750

**Quilicura Branch**

Av. Presidente E. Frei M. 9950, Office 4, Quilicura, Santiago  
Telephone: (56-2) 584 4690  
Fax: (56-2) 584 4698

**Ciudad Empresarial Branch**

Av. Santa Clara 354, Huechuraba, Santiago  
Telephone: (56-2) 584 4683  
Fax: (56-2) 584 4686

**Antofagasta Branch**

Av. San Martín 2511, Antofagasta  
Telephone: (56-55) 536 500  
Fax: (56-55) 536 512

**Concepción Branch**

Av. Bernardo O' Higgins 428, Concepción  
Telephone: (56-41) 908 000  
Fax: (56-41) 908 021

**Temuco Branch**

Manuel Bulnes 701, Temuco  
Telephone: (56-45) 948 400  
Fax: (56-45) 948 416

**Puerto Montt Branch**

Guillermo Gallardo 132, Puerto Montt  
Telephone: (56-65) 568 300  
Fax: (56-65) 568 311

**Leasing Module**

Apoquindo 3150, 4th floor, Office 403, Las Condes, Santiago  
Telephone: (56-2) 584 4000  
Fax: (56-2) 584 4001  
Web: [www.security.cl](http://www.security.cl)  
E-mail: [leasing@security.cl](mailto:leasing@security.cl)

## FACTORING SECURITY S.A.

### La Serena

Av. El Santo 1360.

Telephone: (56-51) 470 030.

### Viña del Mar

Av. Valparaíso 585, Office 604.

Telephone: (56-32) 766 081.

### Talca

1 Norte 963, Office 321.

Telephone: (56-71) 340 021 – 340 022 – 340 023.

### Concepción

O' Higgins 420, 10th floor, Office 101.

Telephone: (56-41) 908 050.

### Temuco

Varas 910.

Telephone: (56-45) 948 480 – 948 482.

### Osorno

Av. Manuel Antonio Matta 549, Office 505.

Telephone: (56-64) 450 012.

### Puerto Montt

Benavente 4005, Office 605.

Telephone: (56-65) 560 020.

## SEGUROS VIDA SECURITY PREVISION S.A.

Customer Attention Line 800: 800-222 100

### Arica

Arturo Prat 391, Edificio Empresarial, 12th floor, Office 123.

Telephone: (56-58) 231 502

### Iquique

Tarapacá 465, 4th floor.

Telephone: (56-57) 360 010

### Antofagasta

San Martín 2517.

Telephone: (56-55) 536 600.

### Copiapó

Atacama 541, 2nd floor, Office 1.

Telephone: (56-52) 350 010.

### La Serena

El Santo 1360.

Telephone: (56-51) 470 010.

### Viña del Mar

5 Norte 615.

Telephone: (56-32) 766 070.

### Santiago/Las Condes

Av. Apoquindo 3150, 8th floor

Telephone: (56-2) 584 2400

### Talca

3 Oriente 1169.

Telephone: (56-71) 340 010.

### Concepción

O'Higgins 420, 3rd floor

Telephone: (56-41) 908 125.

### Temuco

Antonio Varas 920, Office 201.

Telephone: (56-45) 940 010.

### Valdivia

Independencia 521, 3rd floor.

Telephone: (56-63) 360 010.

### Osorno

Av. Manuel Antonio Matta 549, Office 505.

Telephone: (56-64) 450 010.

### Puerto Montt

Guillermo Gallardo 132, 2nd floor

Telephone: (56-65) 560 010.

### Punta Arenas

Edificio Libertad Roca 817, 6th floor, Office 68.

Telephone: (56-61) 247 946

**SEGUROS PENTA SECURITY****Antofagasta**

Condell 2330.

Telephone: (56-55) 224 909.

**La Serena**

El Santo 1430.

Telephone: (56-51) 215 723.

**Viña del Mar**

12 Norte 836.

Telephone: (56-32) 383 300.

**Talca**

2 Oriente 1331.

Telephone: (56-71) 239 607.

**Concepción**

Orompello 847.

Telephone: (56-41) 231 530.

**Chillán**

Isabel Riquelme 506.

Telephone: (56-42) 226 669.

**Los Ángeles**

Av. Ricardo Vicuña 495.

Telephone: (56-43) 322 289.

**Temuco**

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