BANCO security

ANNUAL REPORT

2005

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CONTENTS

UNCONSOLIDATED FINANCIAL SUMMARY, BANCO SECURITY

million US$ as of December 2005

RESULTS FOR THE YEAR	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004[3]	2005
Gross Operating Income (Gross Margin)	34.8	36.9	40.3	45.1	55.0	57.7	69.9	75.9	82.2	100.0	99.4
Operating Expenses	17.5	20.5	22.0	24.0	28.1	30.4	38.5	39.3	42.0	59.1	49.9
Net Operating Income (Net Margin)	17.4	16.3	18.3	21.1	26.9	27.2	31.3	36.6	40.2	40.9	49.5
Net Income	15.6	13.5	18.3	12.8	19.7	21.4	20.9	21.0	27.5	28.3	38.9
YEAR - END BALANCES											
Loans [1]	780.8	950.2	1,191.1	1,267.6	1,337.0	1,578.5	1,644.6	1,793.4	1,984.9	2,392.7	2,633.9
Financial Investments	331.6	209.2	286.9	247.9	159.3	200.4	281.5	295.8	241.7	466.6	630.5
Productive Assets	1,112.4	1,159.4	1,478.0	1,515.5	1,496.3	1,778.9	1,926.1	2,089.2	2,226.7	2,859.3	3,264.4
Fixed Assets and Investment in Subsidiaries	39.0	45.2	46.3	48.2	54.9	58.6	36.8	43.4	56.3	83.6	91.0
Total Assets	1,305.0	1,506.4	1,620.2	1,749.9	1,711.6	2,021.8	2,168.7	2,344.9	2,466.5	3,236.4	3,726.4
Net Sight Deposits	39.3	59.0	55.2	46.8	64.6	65.1	102.8	105.7	119.5	167.7	205.3
Term Deposits & Borrowings	685.9	875.8	855.4	1.036.3	1,080.7	1,388.5	1,240.3	1,464.6	1,467.4	1,966.7	2,075.1
Borrowings from abroad	140.0	153.2	82.4	97.2	90.1	20.3	170.4	184.7	191.3	281.9	373.6
Provision for Risk Assets	7.7	9.8	9.5	12.8	12.3	12.1	16.3	22.1	24.7	37.4	37.9
Capital & Reserves [2]	94.3	95.4	99.6	129.2	127.9	154.4	159.9	162.5	166.5	249.8	253.3
Shareholders´ Equity	109.8	108.9	117.9	142.0	147.7	175.7	180.8	183.5	194.0	278.1	292.2
INDICATORS											
Productive Assets/Total Assets	85.2%	77.0%	91.2%	86.6%	87.4%	88.0%	88.8%	89.1%	90.3%	88.3%	87.6%
Net Income/Capital & Reserves	16.5%	14.1%	18.4%	9.9%	15.4%	13.8%	13.1%	12.9%	16.5%	11.3%	15.4%
Net Income/ Productive Assets	1.4%	1.2%	1.2%	0.8%	1.3%	1.2%	1.1%	1.0%	1.2%	1.0%	1.2%
Operating Expenses/Gross Margin	50.1%	55.7%	54.6%	53.2%	51.0%	52.8%	55.2%	51.8%	51.1%	59.1%	50.2%
Operating Expenses/Productive Assets	1.6%	1.8%	1.5%	1.6%	1.9%	1.7%	2.0%	1.9%	1.9%	2.1%	1.5%
Productive Assets/Number of Employees	5.7	5.5	6.3	5.9	5.3	5.5	5.6	6.7	7.2	8.2	8.6
Loans/Number of Employees	4.0	4.5	5.1	4.9	4.7	4.9	4.8	5.7	6.4	6.9	6.9
Leverage	13.7	14.7									
Basle Index			9.8	12.3	12.3	11.7	11.3	11.6	11.2	12.3	12.3
Number of Employees	195	210	234	257	283	323	341	314	308	348	380

(1) Includes Interbank Lending
(2) Includes Fluctuations in Values
(3) Banco Security and Dresdner Bank Lateinamerika, Chile, merged on October 1, 2004

CONSOLIDATED FINANCIAL SUMMARY, BANCO SECURITY

million US$ as of December 2005

RESULTS FOR THE YEAR	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004[3]	2005
Gross Operating Income (Gross Margin)	48.1	49.5	53.0	55.5	71.8	73.8	79.3	89.9	97.5	123.6	119.4
Operating expenses	23.5	27.7	28.6	30.5	36.0	37.7	43.8	44.9	48.9	68.1	59.4
Net Operating Income (Net Margin)	24.6	21.7	24.3	25.0	35.8	36.2	35.5	45.0	48.5	55.5	60.0
Net Income	15.6	13.5	18.3	12.8	19.7	21.4	20.9	21.0	27.5	28.3	38.9
YEAR - END BALANCES											
Loans [1]	853.7	1,026.3	1,289.1	1,370.9	1,433.3	1,669.2	1,644.6	1,793.1	1,984.9	2,392.4	2,633.8
Financial Investments	349.7	239.3	322.0	258.7	170.1	255.3	302.1	368.1	354.6	617.6	905.4
Productive Assets	1,203.3	1,265.7	1,611.1	1,629.6	1,603.3	1,924.5	1,946.6	2,161.2	2,339.5	3,010.1	3,539.2
Fixed Assets and Investment in Subsidiaries	18.0	25.0	22.2	24.7	29.4	30.5	25.7	26.0	31.3	43.5	44.8
Total Assets	1,375.7	1,594.5	1,732.2	1,848.9	1,807.4	161.8	2,182.5	2,403.7	2,559.6	3,370.0	3,895.9
Net Sight Deposits	46.7	59.0	55.2	46.7	64.6	65.1	102.8	102.8	119.1	167.1	202.9
Term Deposits & Borrowings	690.8	881.5	880.5	1,040.2	1,085.0	1,425.4	1,242.6	1,465.4	1,461.8	1,978.3	2,076.3
Borrowings from abroad	107.9	153.2	82.	4 97.2	90.	1 20.3	170.4	184.	7 191.3	281.9	373.6
Provision for Risk Assets	7.7	9.8	9.5	12.8	13.8	13.4	16.3	22.1	24.7	37.4	37.9
Capital & Reserves [2]	94.3	95.4	99.6	129.2	127.9	154.4	159.9	162.5	166.5	249.8	253.3
Shareholders´ Equity	109.8	108.9	117.9	142.0	147.7	175.7	180.8	183.5	194.0	278.1	292.2
INDICATORS											
Productive Assets/Total Assets	87.5%	79.4%	93.0%	88.1%	88.7%	89.0%	89.2%	89.9%	91.4%	89.3%	90.8%
Net Income/Equity	16.5%	14.1%	18.4%	9.9%	15.4%	13.8%	13.1%	12.9%	16.5%	11.3%	15.4%
Administrative Expenses/Gross Margin	48.8%	56.0%	54.1%	54.9%	50.2%	51.0%	55.3%	50.0%	50.2%	55.1%	49.8%
Administrative Expenses/Productive Assets	1.9%	2.2%	1.8%	1.9%	2.2%	2.0%	2.3%	2.1%	2.1%	2.3%	1.7%
Basle Index			9.8	12.3	12.3	11.7	11.3	11.6	11.2	12.3	12.3

[1] Includes Interbank Lending
[2] Includes Fluctuations in Values
[3] Banco Security and Dresdner Bank Lateinamerika, Chile, merged on October 1, 2004

01 CHAPTER

CHAIRMAN'S LETTER TO THE SHAREHOLDERS

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

2005 was a very good year for Banco Security. Once the purchase and merger process of Dresdner Bank Lateinamerika, Chile, was completed during 2004, the following year was one of fulfillment of a new development stage for Banco Security, in which it consolidated its position among the 8 principal banks in the market. A clear niche-bank strategy focused on attending companies, complemented by a retail bank of excellence, concerned with providing a service of quality to its customers, and having an agile and modern management system that seeks a proper balance between profitability and risk, has enabled Banco Security to figure among the seven Chilean banks appearing in the ranking of the "25 best banks in Latin America", according to the América Economía magazine.

Year after year, the results of Banco Security, as well as its loans, have grown consistently, showing less volatility than other banks in the sector. This sustained growth, with a proper balance of profitability and low risk, has always been present in the Bank's strategic vision. The net income of Banco Security for 2005 has risen to a new level of US$38.9 million, which compares favorably with US$28.3 million in 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 note that this was achieved despite the financial impact of the sharp increases on medium and long-term interest rates on the domestic financial market during the last quarter of the year. Profitability was reflected in a return of 15.4% on capital and reserves during 2005.

For their part, loans amounted to US$2.6 billion at December 2005, representing a 10% growth in real terms in the business of Banco Security, of which almost

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TRUST

ANNUAL REPORT

80% were loans to companies and 18% to persons. An ambitious retail banking development program, that has enabled us to substantially expand the Bank's customer base, combined with expansion projects for the middle-market business banking area, are the bases sustaining the business growth of Banco Security, always taking care to maintain the quality of customer service. Another important task carried out during 2005 is related to the Bank's advantages in belonging to a financial conglomerate: a large effort was made to use the cross-selling of a wide range of products, which provide clear benefits to our customers in terms of the variety of products and services offered, thus translating into greater customer loyalty and profitability.

The objectives of maintaining the traditional characteristics of Banco Security, in terms of risk and efficiency, also continue to be present; at the end of 2005, the Bank's risk indicators showed 1.44% of allowances for loan losses and overdue loans were 0.65% of total loans, making Banco Security one of the banks with the lowest credit risk levels in the market. Looking at the Bank's efficiency, operating expenses represented 51.7% of the gross margin but should reduce to below 50% in the next few years, taking into account the cost savings and economies of scale resulting from the merger. The efficiency of Banco Security, measured as operating expenses over total assets, reached 1.35%, compared to an average of 2.25% for the industry as a whole; according to this measure, the Bank was the most efficient in the sector.

I should also like to point out that one of the pillars of Banco Security is and has been its people. It has historically had a first-class team, both professionally and in human terms, and I dare to say that the achievements produced are basically due to this. It is therefore no surprise, but indeed a reason to be proud, of the fact that Banco Security has been recognized during 2005, for the fifth consecutive year, in the table of honor of the "35 best companies to work for in Chile" and, in particular, that Banco Security was chosen as "The best company for working mothers", according to the ranking produced every year by Fundación Chile Unido and El Mercurio's Ya magazine.

We are proud of the activities carried out during 2005, the results obtained and the recognitions we have received. This places upon us, all those working for the company, a great challenge with respect to our customers, our shareholders and also the market, to carry out our tasks in an increasingly better way.

Francisco Silva S.
Chairman

DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

• Chairman:	Francisco Silva S.
• Directors:	Hernán Felipe Errázuriz C.
	Jorge Marín C.
	Gustavo Pavez R.
	Renato Peñafiel M.
	Gonzalo Ruiz U.
	Mario Weiffenbach O.

GENERAL MANAGEMENT

• President:	Ramón Eluchans O.
• Chief Assistant Executive Officer:	Margarita Hepp K.
• Chief Economist:	Aldo Lema N.
• Legal Counsel:	Enrique Menchaca O.

SUPPORT AREAS

• Risk Division Manager:	José Miguel Bulnes Z.
• Operations Division Manager:	Arturo Kutscher H.
• Electronic Banking Manager:	Sebastián Covarrubias F.
• Technological Development Manager:	Eduardo Herrera B.
• Administration Manager:	Manuel José Balmaceda A.

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COMMERCIAL AREAS

CORPORATE BANKING DIVISION

- Manager, Corporate Banking Division: Christian Sinclair M.

CORPORATE AND BRANCHES AREA

- Manager, Corporate Banking and Branches: Adolfo Tocornal R-T.
- Assistant Manager, Corporations: Humberto Grattini F.
- Assistant Manager, Large Companies: René Melo B.
- Assistant Manager, Antofagasta Branch: Guillermo Delgado G.
- Assistant Manager, Concepción Branch: Francisco Zañartu F.
- Agent, Puerto Montt Branch: Cristián Gazabatt O.
- Agent, Temuco Branch: Felipe Schacht R.

BUSINESSES AND REAL ESTATE AREA

- Manager, Businesses and Real Estate: Alejandro Arteaga I.
- Assistant Manager, Businesses: Alberto Apel O.
- Assistant Manager, Businesses: Hernán Besa D.
- Assistant Manager, Businesses: Jorge Contreras W.
- Assistant Manager, Businesses: José Luis Correa L.
- Assistant Manager, Real Estate Area: Francisco Domeyko C.
- Businesses Agent: Felipe Oliva L.
- Businesses Agent: Rodrigo Escala A.
- Businesses Agent: Hernán Buzzoni G.
- Businesses Agent: Carlos López V.

MULTINATIONALS AND FOREIGN TRADE AREA

- Manager, Multinationals and Foreign Trade: Mario Alfonso Piriz S.
- Assistant Manager, Multinational Companies,: Erik Möller R.
- Agent, Multinational Companies: Juan Pablo Tolosa C.
- Agent, Multinational Companies: Germán Steffens S.

LEASING AREA

- Manager, Leasing Area: Ignacio Lecanda R.

FINANCIAL ADVISORY AND NEW BUSINESSES AREA

- Manager, Financial Advisory and New Businesses: Mario Alfonso Piriz S.
- Assistant Manager, New Businesses: Mauricio Parra L.
- Assistant Manager, Financial Advisory: José Miguel Arteaga I.

PERSONAL BANKING DIVISION

- Manager, Retail Banking Division: Gonzalo Baraona B.
- Assistant Manager, Retail Banking: Rodrigo de Pablo M.
- Assistant Manager, Development and Performance: Juan Carlos Ruiz V.

PREFERENTIAL BANKING AREA

- Assistant Manager, Agustinas Branch: Margarita Jarpa del S.
- Agent, Head Office Branch: Patricio Gutiérrez P.
- Agent, La Dehesa, Vitacura and Providencia Branches: José Pablo Jiménez U.
- Agent, Regional Branches: Carlos Benedetti D.

PRIVATE BANKING AREA

- Assistant Manager, Private Banking: Constanza Pulgar G.

MORTGAGE BANKING AREA

- Assistant Manager, Mortgages: Carolina Besa M.

FINANCE AND INVESTMENT BANKING DIVISION

- Manager, Investment and Finance Banking Division: Bonifacio Bilbao H.

MONEY DESK

- Manager, Local Currency Desk: Sergio Bonilla B.
- Assistant Manager, Money Desk: Ricardo Turner O.

INTERNATIONAL AREA

- Manager, International Area: Claudio Izzo B.

FOREIGN TRADE

- Manager, Foreign Trade: Miguel Angel Delpin A.
- Assistant Manager, Foreign Trade: Benjamín Díaz M.
- Agent, Foreign Trade Business: Patricio Carvajal M.
- Agent, Foreign Trade Business: Aldo Reganaz E.

03 CHAPTER

HISTORICAL SUMMARY

1981

Banco Urquijo de Chile is formed in August, 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. The same year, Security Pacific National Bank forms a securities trading and stock-broking firm which in 1991 is sold to Banco Security. It is today called Valores Security, Corredores de Bolsa.

1990

A leasing subsidiary, Leasing Security, is formed.

1991

In June 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.

1992

Administradora de Fondos Mutuos Security (a mutual funds management company) is formed as a subsidiary of Banco Security.

1994

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

2001

In April, the subsidiary Leasing Security is incorporated into Banco Security as a business unit.

2003

In September, the subsidiary Administradora de Fondos Mutuos Security S.A. widens its objects and changes its name to Administradora General de Fondos Security S.A.

2004

In June, Grupo Security acquires 99.67% of Dresdner Bank Lateinamerika, Chile, and merges this with Banco Security on October 1, 2004.

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CHAPTER 04

STRATEGY AND BUSINESSES

DESCRIPTION OF THE BUSINESS STRATEGY

Banco Security's strategy consists of offering personalized, integral, competitive and timely solutions for the financial needs of large and medium-sized companies, and of high-income individuals, providing them with a service of excellence that enables it to maintain long-term relationships with them. The Bank therefore has a complete range of financial products and services backed by first-class technology in all its channels and the necessary support for providing full satisfaction for its customers. The pillars of the competitive strategy of Banco Security are therefore:

- To maintain and improve standards of service. This is the principal attribute for maintaining its customers over the long term and the clearest argument for attracting new ones. The Bank is constantly concerned about ensuring compliance with the standards of quality of service that characterize it and improving those aspects where there is the opportunity to do so.

- To increase its customer base within the objective segment. This has been an invariable objective in the Bank's business areas and the achievements obtained in this area largely explain the sustained growth the Bank has had over its history.

- To expand the range of financial products and services. The Bank is constantly concerned to remain up to date in its range of products and services with respect to the rest of the banks operating in Chile, without necessarily being a pioneer in the development and launching of new products. The Bank has been able to differentiate itself from the competition by its capacity to adapt the products and services to the specific requirements of each customer.

- To increase the penetration of its products and services among its customers. Based on the high quality of service offered by the Bank, a central objective of the commercial effort is to persuade customers to increase the variety of products and services they use, as well as the volume of financial transactions they channel through the Bank. This produces greater customer satisfaction and thus loyalty.

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- To continue improving efficiency in the use of the Bank's resources. The Bank aspires to having the special flexibility of a small bank coupled with the efficiency of a large bank. Important progress has been made through the centralization of the human resources, information technology, communications, accounting and audit areas of all the companies of Grupo Security. On the other hand, the Bank has continued with its policy of outsourcing everything that an external entity is capable of doing more efficiently than the Bank itself.

MAIN STRENGTHS

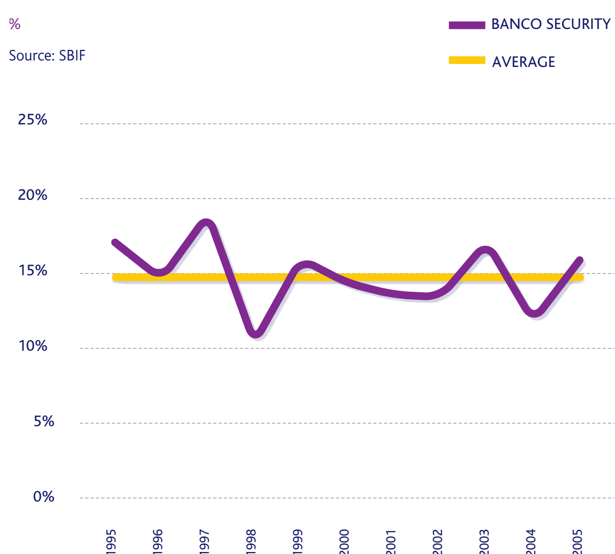
Banco Security has been developing over the years a series of strengths that have enabled it to maintain its competitiveness and certainly an adequate level of profitability, in an increasingly more competitive market. Some of these strengths are:

- A quality of service widely-recognized by the market. The Bank is recognized by its customers in its objective segment and by its competitors as the one that offers the highest quality of service. Constant attention to this has led the Security brand, according to market surveys, to be associated not only with high levels of service quality but also for its agility in attention and a high level of trust, attributes widely valued by the market on which the Bank is focused.

- Great human capital and excellent working environment. One of the Bank's principal assets is the excellent professional and human level of its people and the optimum working climate it has achieved. This reflects the institutional values and is the result of a human resources plan carefully developed and implemented with perseverance over the years. A direct result of this is the Bank uninterrupted presence among the best companies to work for in Chile, ever since the Great Place to Work Institute began to prepare this ranking in Chile.

- High degree of stability in operating flows and profitability. Banco Security is one of the banks in Chile with the greatest stability in terms of return on equity. This is basically explained by its low level of credit risk and by the fact that an important part of its revenues is generated by its traditional banking business and not from trading, which is significantly more volatile.

RETURN ON CAPITAL AND RESERVES

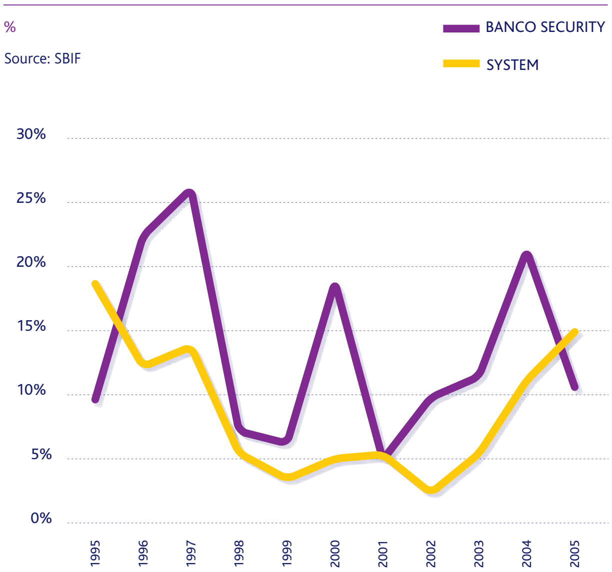


- Directors and senior management with relevant shareholdings in Grupo Security, the holding company owning 100% of the Bank's shares. This has been and will continue to be a guarantee of management's strong commitment with the results and a correct structure of incentives.

- Broad know-how of the financial system. Partners, directors and management have a vast experience in the financial business, averaging more than 15 year's experience in banking and related institutions. Their permanence in this business has enabled them to develop a great capacity to respond correctly to the needs of its objective market and to identify the main trends in the Chilean financial industry.

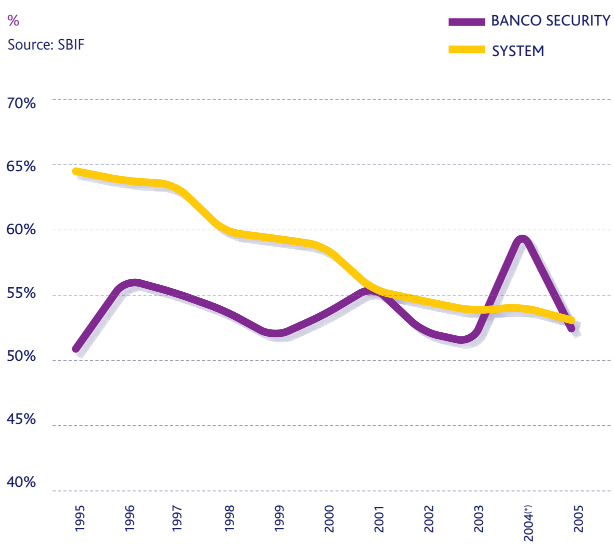
- Capacity to grow faster than the market average. Over the period 1995-2005, the average annual growth in the loans of Banco Security was 13.0%, while the sector grew by 7.1%, expanding at an average of 1.82 times the sector's average growth.

LOAN GROWTH IN REAL TERMS



- High level of efficiency. The constant effort to achieve a proper use of resources and a high level of productivity (it is the bank in Chile with the highest level of loans per employee) has enabled Banco Security to maintain a high level of efficiency compared to the industry average. The Bank follows a policy of outsourcing all the services and processes that, without differentiating, an external entity is able of doing more efficiently than the Bank itself.

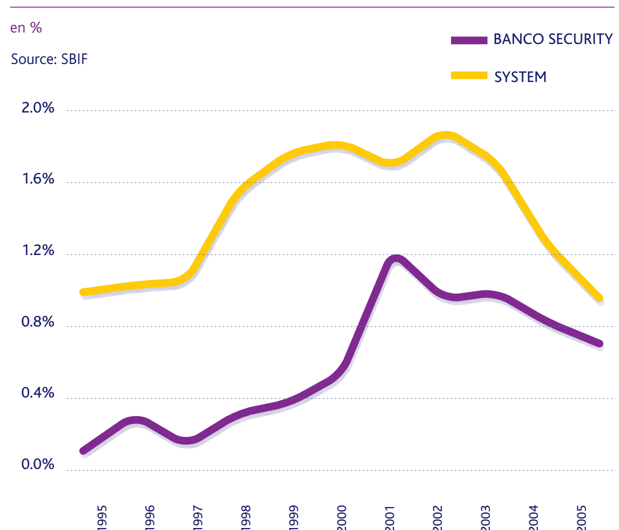
EFFICIENCY (OPERATING EXPENSES/GROSS MARGIN)



(*) Includes one-off costs relating the merger with Dresdner Bank

- Prudent business risk management. The Bank has been noted historically for maintaining a low-risk loan portfolio for which it has clear policies and a first-class risk management system. It has also been introducing in recent years new models for managing market and operating risks more accurately in order to meet the requirements set out in the Basle II Agreement.

OVERDUE LOANS / TOTAL LOANS



CHAPTER 04

STRATEGY AND BUSINESSES

COMMERCIAL STRUCTURE

In order to best exploit its strengths and carry out the above strategy, the Bank's commercial structure is as follows:

a. **Corporate Banking,** the Bank's main business area, representing approximately 79% of the Bank's loans at the end of 2005 and 60% of operating revenues. This comprises the following areas:

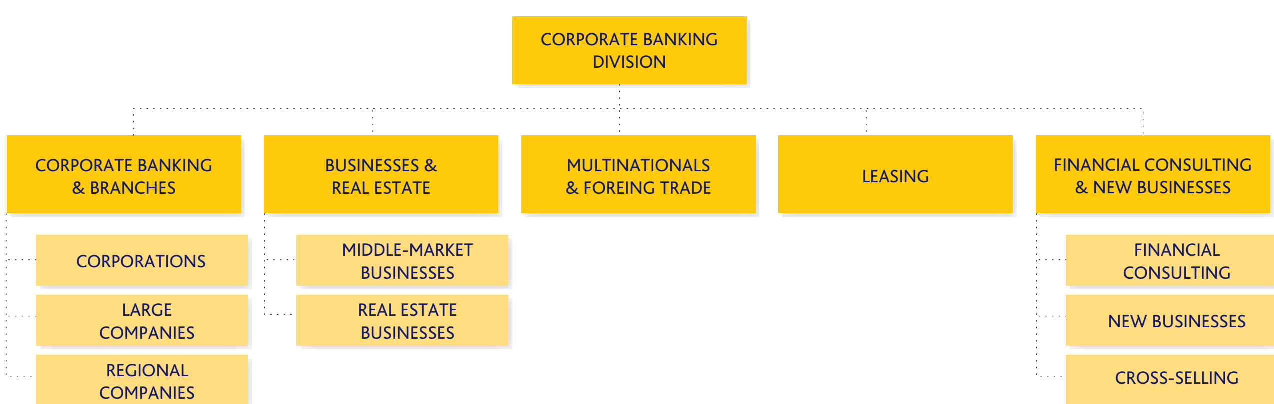
- Corporate Banking and Branches Management: specializes in meeting the financial needs of companies whose annual sales exceed US$30 million and which typically require highly-specialized financial products and services. This management is also responsible for ensuring proper attention for regional customers distributed among the Bank's present 4 regional branches in Antofagasta, Concepción, Temuco and Puerto Montt.

- Middle Market and Real Estate Management: this management seeks to provide special attention to the financial requirements of the middle/large-sized companies having sales of between US$3 million and US$30 million. Given this segment's high growth potential, the objective is to offer a complete range of services and the best service in the market, and thus attract new customers and intensify relationships with each of them.

- Multinational Companies and Foreign Trade Management: this manages an important part of the portfolio of European and multinational customers, and Chilean companies very active in international trade. Because of their nature, these companies require a highly-specialized professional service. The commercial executives in this area therefore have a wide experience in everything related to derivative products, foreign trade, etc.

- Leasing Management: because of the particular characteristics of leasing finance and the importance that this business has acquired (8% of corporate lending), this management specializes in this product for meeting the requirements of customers with the quality of service that has always characterized the Bank.

- Financial Consultancy and New Businesses: the objective of this management, formed in late 2005, is to meet the financial advisory needs of all the bank's customers on matters ranging from financial restructurings, refinancing, securities issues, syndicated loans, etc. This management is also responsible for analyzing, evaluating, implementing and reinforcing opportunities for new products or businesses arising from corporate banking.



b. Foreign Trade, whose basic objective is to attend customers' needs specifically related to foreign trade, providing specialized advice and support for all international business. This area is also responsible for establishing and maintaining relations with companies and banks abroad in order to be referred to in the international market for transactions with companies in Chile.

c. Retail Banking, oriented to attracting and attending the demanding needs of high-income individuals. This area currently represents around 18% of the Bank's total loans and 21% of its operating revenues. This area is structured as follows:

- Preferential Banking and Private Banking: specializes in attending high-income individuals requiring an optimum quality of service. This is achieved by having highly-professional staff on the commercial platforms.

- Mortgage Business: concentrates on attracting and attending high-income individuals who need mortgage finance.

d. Investment Banking is an area of great importance in the Bank's business strategy, complementing the service provided by the business areas. It makes a significant but highly variable contribution to the results due to the nature of the financial Intermediation business; it contributed 16% of the bank's operating revenues in 2005. This area includes:

- Money Desk which actively trades in foreign exchange and financial instruments in both the domestic and international markets, and manages the Bank's exposures in currencies, maturities and interest rates. The area therefore is split into the Trading Desk, Positions Desk and Distribution Desk

- International Management, dedicated to exploring the external financial markets and seeking funding for the bank's foreign trade business in which Banco Security significantly increased its share following the merger with Dresdner Bank.

05 CHAPTER

COUNTRY, INDUSTRY AND BANCO SECURITY

ECONOMIC PANORAMA

GENERAL PERSPECTIVE

The Chilean economy consolidated its expansive phase in terms of activity and spending in 2005, driven by the maintenance of a broadly positive international environment and very favorable external and internal financial conditions. While inflation accelerated during the year and even surpassed in October the ceiling of the target range (4%) set by the Central Bank, this was mainly due to the sharp increase in oil prices and other volatile prices. On the other hand, the recovery in underlying inflation was moderate due to the appreciation of the peso and the slow recovery in unit labor costs. As a result, the monetary correction cycle continued to be gradual, although more continuous in the second half of the year.

VERY POSITIVE INTERNATIONAL ENVIRONMENT

The international environment faced by Chile during 2005 continued to be broadly favorable. World growth remained above its historical average, the terms of trade showed an additional improvement due to the rise in copper prices and financial conditions remained expansive.

USA, with growth again of around 3.5%, and China, with expansion of 10%, accounted for almost half the expansion of 4.4% recorded at the global level. Latin America and Japan continued their good performance shown in 2004, with growth rates again above the average for the last decade. Europe, on the other hand, began to reactivate, led by the maintenance of the referential interest rate at 2% during almost the whole year and the sharp depreciation of the euro.

The strength of world growth and the expectation of a greater appreciation of some Asian currencies gave an additional impetus to the prices of raw materials relevant to Chile. The copper price rose from close to US$1.4 early in the year to over US$2

BANCO security

PROFESSIONALISM

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by the end, amply exceeding forecasts and averaging a price of US$1.63 for the year. Apart from the demand factors mentioned, that behavior was also influenced by reduced growth in supplies due to delays in some projects and the lower ore grades being mined.

This surge in copper prices, combined with an 11% increase in non-copper export prices, comfortably offset the negative shock of the increase in energy costs. Oil prices rose from US$43 at the end of 2004 to US$59 in December 2005, touching a peak of US$70 in late August when refining was restricted by the effect of the US hurricanes. The terms of trade improved by 7% during the year, the highest level in thirty years, and generated extra income of US$11,600 million (10% of GDP) compared to a normal year.

Robust global growth and the high prices of raw materials continued to be reflected in financial conditions that were very favorable for emerging nations, despite the continuation of monetary adjustment in the USA. While the Federal funds rate rose 200 basis points throughout the year, to close at 4.25%, the effect on yields on long-term securities was insignificant. The 10-year Treasury bond showed yields of between 4% and 4.5%, reinforcing the flattening of the yield curve. With a further fall in sovereign risk spreads, external financial costs faced by emerging economies showed additional falls. Together with the consolidation of economic growth, these favorable financial conditions generated a further impulse to capital flows into emerging countries, thus appreciating their currencies and principal assets. In Latin America, the average spread on sovereign bonds declined to just 283 basis points at the end of the year while the principal stock price index in the region rose by 45%. The Chilean sovereign risk closed the year at 80 basis points after touching a record low of 52 basis points in late August.

DYNAMIC INTERNAL PANORAMA

With a combination of a broadly positive external environment and very favorable domestic financial conditions, the Chilean economy completed eight quarters of sustained growth of around 6% during 2005. GDP expanded by 6.3% to a level of almost US$ 115 billion, consistent with income per capita of about 7 thousand dollars. While the volumes exported remained dynamic, especially in the case of non-copper shipments (+10%), the consolidation of the expansive cycle was mainly due to a definite increase in domestic demand, which grew by 11%. Total exports increased by 23.5% in value to a record level of US$ 39,500 million, also benefiting from the rise in copper prices (28.5%) and those of other exports.

On the demand side, private consumption moved from growth of around 6% at the end of 2004 to close to 8% in the last quarter of 2005, showing a high degree of resilience to the high fuel prices. This was partly the consequence of favorable financial conditions and the improvement in consumers' economic expectations. The strong dynamism in employment up to the third quarter of the year, and the consequent fall in unemployment, also made an impact. An average of almost 200 thousand jobs was created during the year, resulting in an unemployment rate of 8% by the end of the year, the lowest level seen since 1998.

The component that stood out within domestic demand was investment in fixed assets, showing growth of 24% over 2004 and reaching 29% of GDP at constant prices. While spending on imported machinery and equipment was notable for its growth of around 40%, construction grew by close to 10%. This outstanding investment performance was founded on the consolidation of favorable economic prospects, low long-term interest rates and the more intensive use of installed capacity.

From a sector point of view, notable was the greater expansion of non-tradables, basically because of the strong dynamism shown by domestic demand and the appreciation of the peso in real terms. Apart from construction, transport and communications (with growth of around 10%) and retail (8.5%) also stand out. Despite the turbulences experienced in the last quarter of the year following the rise in interest rates, the financial sector showed high levels of activity for the third consecutive year. Loans grew by 14% in real terms, particularly consumer loans, followed by mortgage loans and commercial loans, in that order.

In the fiscal area, the larger revenues were generated by the rise in the copper price and from the growth differential with respect to potential which was again saved by the public sector, strictly complying with the 1% structural surplus rule. As a result, the general government ended the year with a surplus equivalent to 4.7% of GDP which permitted the financing of private sector expansion without greater needs for external saving. The current account of the balance of payments showed a small deficit, equivalent to 0.4% of GDP, which, together with the low level of external liabilities, shows the real strength of the external accounts and the low levels of vulnerability.

The variation in the CPI during 2005 was again marked by the exchange rate, international oil prices and some regulated public-utility tariffs. These last two factors were fundamental in the inflation rate rising from 2.4% at the end of 2004 to 4.1% in October (above the target range) and 3.7% at the year-end. However, the acceleration in underlying inflation was less pronounced due to the appreciation of the peso, the smooth recovery in unit labor costs and the moderate releasing of pressure on margins. The core CPI (which takes out fruit, vegetables and fuels) and the core CPI trend (which also excludes regulated public-utility tariffs and other volatile prices) were below the mid point of the target range at the end of 2005, with levels of 2.9% and 2.6% respectively.

This inflationary trend led the Central Bank to persist gradually with its monetary adjustment strategy, although moving from spaced-apart adjustments in the first half of the year to continuous ones from July onward. As a result, the monetary policy interest rate increased by 225 basis points throughout the year, closing at 4.5%, slightly higher than the American reference rate (4.25%). This tighter monetary policy, which peaked in the fourth quarter when deposit rates in pesos and UF reached their highest levels in four years, increased long-term interest rates, although with ups and downs. On the one hand, the long-term part of the curve in pesos closed the year at close to 50 basis points above the level at the end of 2004, with the "BCP10" (Central Bank 10-year paper) yield rising from 6% to 6.5%. On the other hand, volatility was clearly more apparent in UF securities due to fluctuations in expectations of inflation. In particular, the "BCU10" (10-year paper in UF) whose yield moved from 3.3% in December 2004 to a record low of 2.1% in early September, before jumping to 3.6% in early November and closing the year at its initial level. Overall, these long-term rates continued to be historically low due fundamentally to the continued existence of unused resources and the absence of signs of overheating in the economy, all of which again resulted in a picture of controlled inflation and low external borrowings. Chile's macroeconomical bases therefore remained solid, which should extend the favorable cycle over the next two years.

05 CHAPTER

COUNTRY

ECONOMIC INDICATORS

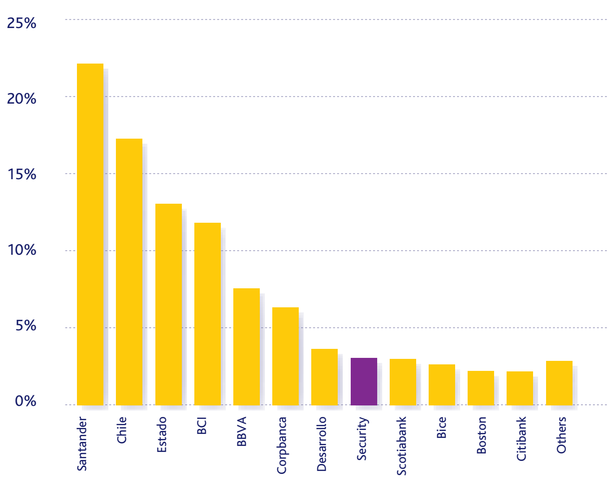
	2001	2002	2003	2004	2005
Nominal GDP (US$ Bill)	68.6	67.3	73.4	94.1	112.0
GDP per capita (US$)	4,451.9	4,314.9	4,651.7	5,897.6	6,942.4
Real GDP (% oya)	3.4	2.2	3.7	6.2	6.4
Domestic Demand (% oya)	2.4	2.4	4.8	8.1	11.3
Private Consumption (% oya)	2.9	2.4	4.1	5.6	7.5
Fixed Investment (% oya)	4.3	1.5	5.7	12.7	23.5
Exports (% oya)	7.2	1.6	5.9	12.8	6.0
Imports (% oya)	4.1	2.3	9.5	18.6	19.7
World GDP PPP (% oya)	2.5	3.0	4.0	5.1	4.4
Terms of Trade (1996=100)	98.5	101.8	109.7	131.8	141.7
Copper Price (US$ Cents per pound)	71.6	70.7	80.7	129.9	166.9
Oil Price (US$ per barrel)	25.9	26.1	31.1	41.4	56.4
Federal Funds Rate (eop,%)	1.8	1.3	1.0	2.3	4.3
Libor 180d (eop,%)	2.0	1.4	1.2	2.8	4.6
BT-10 (eop,%)	5.1	3.8	4.3	4.2	4.5
Euro (eop,US$)	0.9	1.0	1.2	1.4	1.2
Yen (eop,¥/US$)	127.0	122.2	107.9	103.0	117.8
Trade Balance (US$ Bill)	1.8	2.4	3.5	9.0	9.2
Exports (US$ Bill)	18.3	18.2	21.5	32.0	39.5
Imports (US$ Bill)	16.4	15.8	18.0	23.0	30.3
Current Account Balance (US$ Bill)	-1.5	-0.6	-1.1	1.4	-0.4
Balance of Payments (US$ Bill)	-2.2	-0.9	-1.5	1.5	-0.4
Investment Rate, % of GDP	22.1	21.7	22.0	21.7	24.1
National Savings	20.6	20.7	20.6	23.2	23.7
Public Sector (Current Account)	2.4	1.8	2.9	5.2	7.5
Private Sector	18.2	18.9	17.7	18.0	16.2
External Savings	1.5	1.0	1.4	-1.5	0.4
Central Government Balance (% of GDP)	-0.5	-1.2	-0.4	2.2	4.7
CPI (%, Dec-Dec)	2.6	2.8	1.1	2.4	3.7
Core Inflation (% Dec-Dec)	3.2	1.8	1.6	1.8	2.9
Core Inflation Trend (% Dec-Dec)	2.7	2.1	1.8	1.0	2.6
External Inflation. CB measure (av,%)	-1.9	-4.6	10.5	8.9	7.5
Monetary Policy Interest Rate (eop,%. $)	6.5	3.0	2.3	2.3	4.5
Long Term Interest Rate. BCU-5 (eop, %. UF)	5.4	4.1	4.3	3.3	3.3
Long Term Interest Rate. BCP-5 (eop, %. $)	nd	nd	nd	6.0	6.5
Exchange Rate (annual average, $/US$)	634.9	688.9	691.4	609.5	559.8
Exchange Rate (end of period, $/US$)	656.2	712.4	599.4	559.8	514.3
Employment (% oya)	0.3	1.1	3.1	1.8	3.0
Workforce (% oya)	0.3	0.9	2.6	2.2	2.2
Unemployment Rate (%)	9.1	8.9	8.5	8.8	8.0
Real Wages (% oya)	1.6	2.1	1.0	1.8	1.9
External Debt (US$ Bill)	38.5	40.8	43.1	43.7	44.9
Net Foreign Liabilities (US$ Bill)	29.5	28.0	29.1	27.7	28.1
Net Foreign Liabilities (% GDP)	43.0	41.6	39.6	29.4	25.1
Net Foreign Liabilities (% Export of goods)	133.6	124.0	109.9	72.9	60.5
International Net Reserves	14.4	15.4	15.9	16.0	17.0

INDUSTRY ANALYSIS

At December 2005, Chile's banking industry comprises 26 financial institutions: 1 state-owned bank, 19 Chilean-domiciled banks and 6 foreign bank branches. Total loans of the industry were US$87.2 billion, with capital and reserves of US$8.5 billion and net income for the year of US$1.5 billion, representing an average return on capital and reserves of 17.9%.

MARKET SHARE

% at Dec · 05
Source SBIF



REGULATORY FRAMEWORK

The Chilean banking system is regulated and supervised by the Central Bank of Chile and the Superintendency of Banks and Financial Institutions (SBIF). Both institutions check compliance with current regulations as contained in the Organic Constitutional Law of the Central Bank of Chile, the General Banking Law and the Corporations Law, and their corresponding regulations, to the extent that the latter complements the Banking Law. This regulatory framework has permitted a positive development of the sector in recent years in terms of growth, risk control and competition, and is now considered to be one of the most stable and transparent in Latin America and the whole world.

The functions of the Central Bank are set out in clause 3 of its Organic Constitutional Law where is states that, in addition to its responsibility for ensuring the stability of the currency and the normal functioning of internal and external payments, it has several powers that directly affect the banking business, like its regulations on monetary, credit, financial and foreign exchange matters.

In accordance with the General Banking Law, the SBIF is the organism responsible for supervising and controlling the banking industry, having to inspect all the operations and business of the sector's participants, interpret the regulations, evaluate the granting of banking licenses, etc. The banks have to provide the SBIF monthly with a large number of reports and information on their operations and their financial statements, and their annual audited financial statements. The powers of the SBIF include requesting additional information when it requires it, revising directly and without restriction systems, procedures, information, etc., proposing corrective actions, imposing sanctions and, in extreme cases, appointing a provisional administrator.

In recent years, the financial system regulations in Chile have been improved and made more flexible for increasing competition in the sector and expanding the range of services offered by banks. In this area, notable were the flexibility granted with respect to the minimum capital required for requesting a banking license, the regulations covering the factoring business, authorization to pay interest on checking accounts, taking part in insurance broking and offering voluntary pension savings plans. Other participants in the financial industry have also been authorized to offer certain banking products, e.g. insurance companies that currently offer mortgage and consumer loans.

05 CHAPTER

INDUSTRY

TRENDS

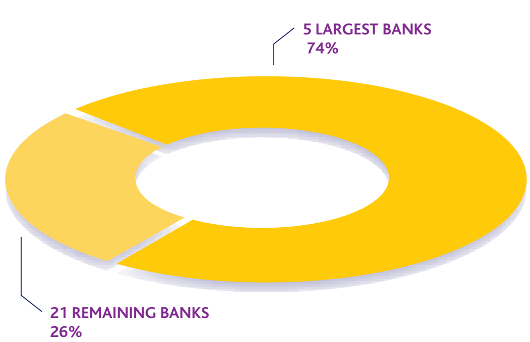
The most relevant trends observed in the local banking industry in recent years have been:

- The concentration of a large market share in big banks. This has been justified by the search for economies of scale that permit higher efficiency levels and competitiveness. During 2002, the SBIF authorized the mergers of the banks Chile with Edwards, and Santander with Santiago, producing the two largest banks which concentrated 40.7% of the system's total loans at December 31, 2005. At the end of 2005, the 5 largest banks shared almost three quarters of the market.

LOAN COMPOSITION

%

Source: SBIF



- Industry consolidation. The number of financial institutions in the domestic market has reduced constantly since the 36 institutions that existed in 1990. In fact, the mergers mentioned in the previous point are not the only ones occurring in recent years; there were also those of the banks Desarrollo and Sudameris in 2003, and Security and Dresdner, and Crédito e Inversiones with Conosur, in 2004.

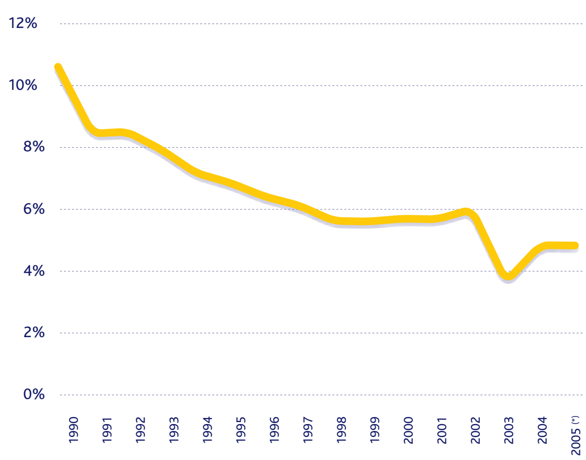
- Addition of new participants focused on specialized attention to certain market niches. Seven new banking licenses have been granted by the SBIF in recent years, being Deutsche Bank, Banco HNS, Banco Ripley, Banco Monex, Banco Conosur, Banco París and Banco Penta.

- Fall in spreads. The domestic market has not remained untouched by this global trend, on the one hand greater competition between banks and other participants in the financial sector and, on the other, a growing financial dis-intermediation process, which have caused a heavy downward pressure on the levels of spreads charged by banks on their assets.

TOTAL FINANCIAL SYSTEM AVERAGE SPREADS

%

Source: SBIF



(*) Estimado

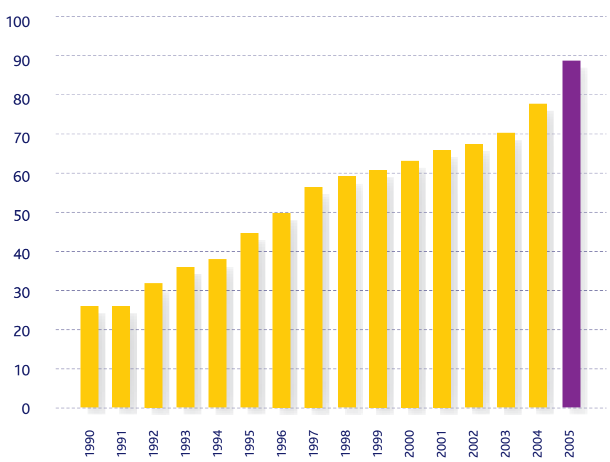
LOAN GROWTH

Loans have grown consistently since 1990, related to the country's economic growth, and have achieved a real annual average rate of 8.7% over the period 1990 – 2005. In December 2005, total loans amounted to US$87.2 billion, representing a 14.2% increase over the same month of 2004. This is the fastest rate of growth recorded by the industry since 1995.

TOTAL LOANS OF FINANCIAL SYSTEM

Billion US$ as of Dec-05

Source: SBIF



Loan growth during 2005 was mainly driven by personal loans, including consumer and mortgage loans, which expanded by almost 18% over the past 12 months, while loans to businesses, representing close to 67% of total loans, grew by 12.5%.

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

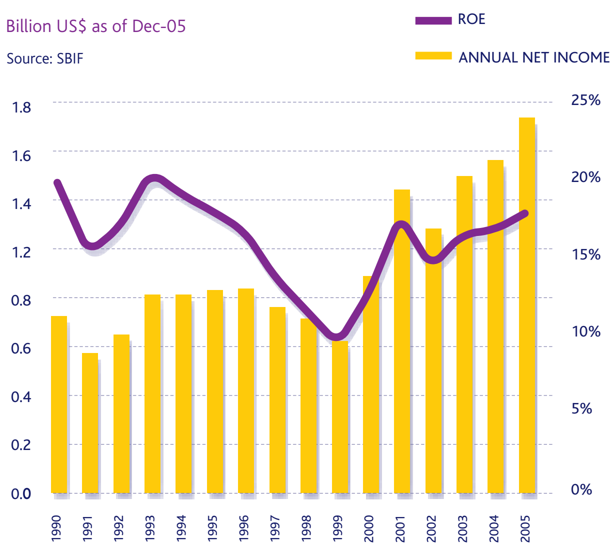
RESULTS

Sustained growth combined with controlled risk levels has permitted the system to achieve attractive returns throughout the whole 1990 – 2005 period. The system's average return in that period was 16.1% on capital and reserves and approximately 1.2% on total assets. The results for 2005 were therefore no exception; on the contrary, net income set a new record of US$1.5 billion, with an average return on capital and reserves of 17.9%. This positive performance is partly explained by a 13.0% real reduction in losses through risk and an increase in net operating income, which reached US$1.7 billion, representing real growth of 20.7% over the year before.

FINANCIAL SYSTEM ANNUAL NET INCOME

Billion US$ as of Dec-05

Source: SBIF



An element that has been very important in banks' results in recent years is the development of alternative or complementary sources of income to the traditional banking business, like different kinds of fees, foreign trade related services, mass payments, foreign exchange dealing, derivatives, etc. These revenues have to a large degree compensated the fall in loan spreads.

Another two elements that have played a most important role in the good industry results are the rationalization of costs and improvements in productivity. Clear examples of these are the efficiency ratios (operating expenses to gross margin) achieved by banks, that have improved from 64.2% in 1995 to 52.4% in 2005; and the productivity indicator (net loans per employee) that has increased from US$0.7 million in 1990 to an estimated US$2.1 million at the end of 2005, in constant peso terms. The two principal factors explaining this change are the economies of scale achieved by the larger banks and technological progress that has enabled the different banks to increase their efficiency and productivity; there is also a greater access to these as a result of the sharp fall in prices.

FUTURE PROSPECTS

Given the strong expansion of the Chilean banking industry over the last 15 years (growth of 3.28 times in real terms), it might be thought that it would be very difficult to maintain the same rhythm of expansion over the coming years. However, comparing the levels of bank penetration in the population in Chile with other countries, it can be seen that the national banking industry still has potential for growth. The concept of bank penetration refers to the percentage of a country's population that has access to bank products and services. In December 2004, there were approximately seven million people in Chile making up the labor force, while just 2.6 million had credit cards (counting additional cards to the card-holder) and 1.6 million had checking accounts. These figures are clearly low when compared to other countries: Chile has 0.1 checking accounts per inhabitant while Mexico and Brazil have 0.28 and 0.45 respectively, and in credit and debit cards, Chile has 0.38 cards per head, while Argentina has almost double and Brazil 0.8.

In view of these figures, the Chilean Association of Banks and Financial Institutions created a bank promotion committee whose main objective is to serve as the industry spokesman with respect to the authorities in debating bills proposed that relate to banking penetration, for example, the Capital Markets Reform Bill II.

PERFORMANCE IN 2005 OF BANCO SECURITY

The year 2005 was a positive one for Banco Security. The principal objective was to consolidate its market position following the merger with Dresdner Bank Lateinamerika, Chile, which was fully achieved. The results exceeded the forecasts made at the time this investment was evaluated, even though loan growth was a little below the average for the industry. On the other hand, the Bank has continued to be recognized as that with the highest quality of service to its customers and as one of the best companies to work for in Chile.

LOANS

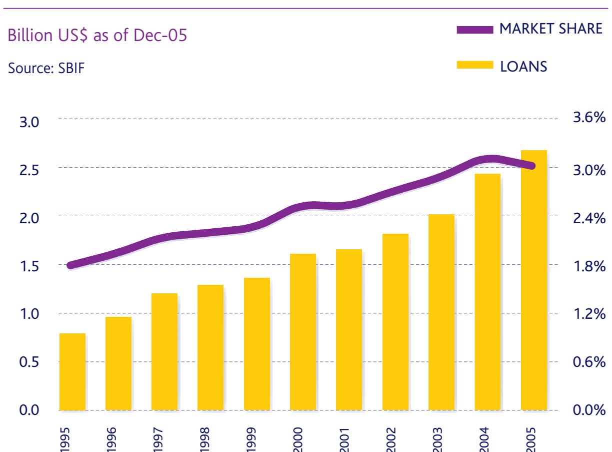
The loans of Banco Security at December 2005 reached US$2.6 billion, showing real growth of 10.1% over 2004. This important growth, although somewhat below the industry's total loan expansion, is partly explained by the greater dynamism seen in consumer loans which, at December 31, 2005, represented only 1.9% of the loans of Banco Security, whereas for the industry as a whole, this percentage is 12.2% of total loans.

In terms of market share, Banco Security closed 2005 with 3.02% of total loans of the system and 4.11% of commercial loans, consolidating itself in 8th place among the 26 banks operating in Chile.

LOANS OF BANCO SECURITY

Billion US$ as of Dec-05

Source: SBIF



In terms of portfolio composition, the growth should be noted in contingent and consumer loans, of 25.5% and 24.5% respectively, in real terms. The Bank's portfolio was thus made up as follows:

TOTAL LOANS OF BANCO SECURITY

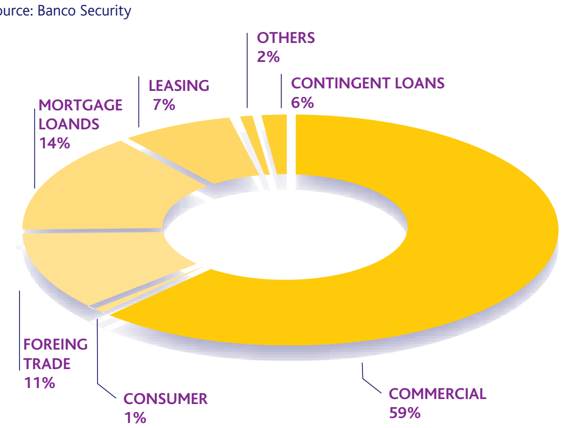
Billion US$ as of Dec-05

	2005		2004	
	$	%	$	%
Commercial	1.57	57.6%	1.44	62.5%
Consumer	0.05	1.0%	0.04	0.7%
Foreign trade	0.29	10.8%	0.26	8.1%
Mortgage loans	0.20	13.7%	0.19	13.5%
Leasing	0.18	7.0%	0.17	6.5%
Contingent loans	0.18	5.9%	0.14	4.6%
Others	0.17	2.0%	0.15	2.0%
TOTAL	**2.63**	**100.0%**	**2.39**	**100.0%**

LOAN COMPOSITION OF BANCO SECURITY

%

Source: Banco Security



RISK

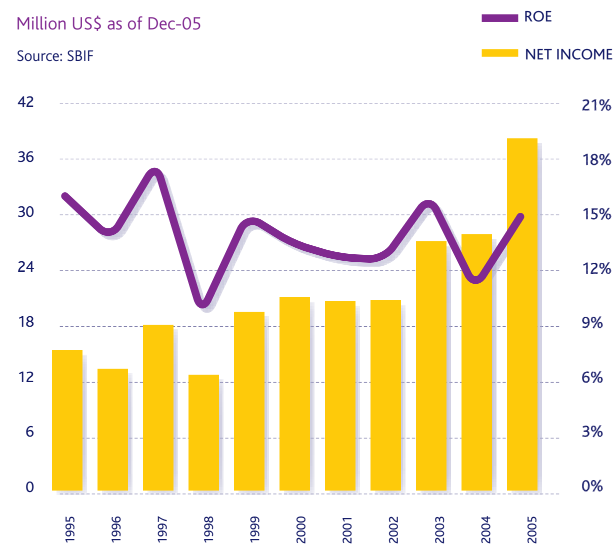
It is important to note that the growth in loans was achieved with strict risk controls in all the commercial units, which allowed the overdue to total loans ratio to reduce from 0.77% in December 2004 to 0.65% by the end of 2005, and the allowance for loan losses to loans to decline from 1.56% to 1.44%. Both ratios compare favorably with the industry averages, which were 0.91% and 1.61% respectively. The Bank thus held its position as one of the banks with least risk in the market.

With respect to market risk, the principal sources of risk for the Chilean banking system are inflation and fluctuations in interest rates. The Bank's Finance Committee has therefore developed risk policies, procedures and limits for managing its maturity and currency exposures according to its own objectives while at the same time complying with the limits imposed by regulation. The Bank and its subsidiaries have a special system for controlling interest rate risks which, together with constant monitoring of its medium and long-term investments, permits an active follow-up of its investment portfolio.

RESULTS OF BANCO SECURITY AND SUBSIDIARIES

Million US$ as of Dec-05

Source: SBIF



RESULTS

In analyzing the result for the year of Banco Security, it can be said that 2005 was a good year. After more than a year since the merger with Dresdner Bank Lateinamerika, Chile, it has been shown that the merged bank is more than the sum of the two operating separately.

The consolidated net income of Banco Security and subsidiaries was US$38.9 million for the year 2005, representing a real increase of 37.8% and a return of 15.4% on capital and reserves. These figures are the result of the good performance of the corporate banking division in terms of growth and return on the loan portfolio, the sustained development of the retail banking division, the good results of investment banking and the significant fall in loan losses. Regarding this last point, it is important to note that a large part of the extraordinary allowances for loan losses on the portfolio of Dresdner Bank Lateinamerika, Chile, made at the time of the merger, were reversed.

The Bank has continued to make important efforts to improve its efficiency and productivity, and thus maintain its competitiveness against the larger banks that benefit from substantial economies of scale. It is a great achievement for the Bank to have maintained in 2005 a better efficiency ratio than the industry average (51.7% v 52.4%), even more so taking into account that the 4 largest banks representing 66.3% of total loans have an average efficiency of 48.1%.

On the other hand, Banco Security held its first place in the industry in terms of productivity, with loans of US$6.9 million per employee at the end of 2005, compared to the estimated system average of US$2.1 million per employee.

The Bank's charge for the allowance for loan losses in 2005 amounted to US$6.9 million, which represents a fall of 64.2% in real terms compared to the previous year. This favorable change is explained by the prudent credit risk management of the loan portfolio, the sound basis of the country's macroeconomic situation, and because extraordinary allowances were made in 2004 for loan losses of Dresdner Bank Lateinamerika, Chile, part of which were reversed during the year following a careful review of risks in accordance with the Bank's standards.

The subsidiaries of Banco Security, Valores Security, Corredores de Bolsa and Administradora General de Fondos Security, as in previous years, made an important contribution to the business and results of the Bank. However, both companies suffered a decline in their results compared to 2004, from US$11.7 million in 2004 to just US$7.5 million in 2005. In the case of Valores, the reduced earnings were due to the impact of the rise in medium and long-term interest rates in the last quarter of the year on the valuation of the investment portfolio, while the Administradora was affected by investor reactions to that rise in rates. Overall, the earnings on investments in related companies declined from 41.5% of the Bank's net income in 2004 to just 19.3% in 2005.

06 CHAPTER

SUBSIDIARIES

ADMINISTRADORA GENERAL DE FONDOS SECURITY

BOARD OF DIRECTORS

• Chairman:	Francisco Silva S.
• Directors:	Carlos Budge C.
	Felipe Larraín M.
	Renato Peñafiel M.
	Gonzalo Ruiz U.

MANAGEMENT

• General Manager:	Alfredo Reyes V.
• Commercial Manager:	Juan Pablo Lira T.
• Assistant Manager, Investments:	Rodrigo Fuenzalida B

The company was formed as a subsidiary of Banco Security in May 1992. It has since grown consistently, every year adding the management of new funds and expanding its number of participants. It broadened its business in September 2003 and changed its name from Administradora de Fondos Mutuos Security S.A. to Administradora General de Fondos Security S.A.

The company's strategy, as for the rest of the companies of Grupo Security, consists of offering a service of excellence together with providing attractive returns on the various funds that it manages, with a moderate degree of risk. Its objective market is companies and particularly high-income individuals. The number of participants of the company at December 2005 was 15,569, representing 2.4% of total participants in the system.

BANCO security

SUBSIDIARIES

The Administradora launched 6 new mutual funds on the market during 2005, closing the year with managed assets of US$79.6 million. The following is a brief detail of the funds managed at December 31, 2005:

- **Security Check:** investment fund in short-term debt instruments for individuals and entities, with maturities of no more than 90 days, with Series A and I, with assets at December 31, 2005 of US$85.3 million.
- **Security First:** investment fund in medium and long-term debt instruments, with Series A and I, with assets of US$40.0 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$55.9 million.
- **Security Premium:** investment fund in short-term debt instruments with maturities of no longer than 365 days, with Series A, B and I, and having assets manager 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$67.3 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$19.5 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$183.2 million.
- **Security Value**: investment fund in medium and long-term debt instruments of the one series, having assets at December 31, 2005 of US$7.4 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$0.7 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$21.6 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$15.2 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$21.6 million.
- **Security Leader 100 Garantizado:** guaranteed structured fund with one series, having assets at December 31, 2005 of US$11.9 million.

THE MUTUAL FUNDS INDUSTRY

The mutual funds industry has shown dynamic growth over the first three quarters of 2005 and a considerable contraction during the last quarter as a result of the rise in long-term interest rates and the lower returns on equities during that period. Preliminary information indicates that total managed assets at December 2005 were US$13.9 billion which, in real terms, represents a fall of 0.5% in 12 months, while the number of participants was 655.463, an annual increase of 17.7% or a little more than 98 thousand new participants. Clearly these results would have been more positive if there had not been the 14.8% fall in total assets managed during the last quarter due to the factors mentioned above.

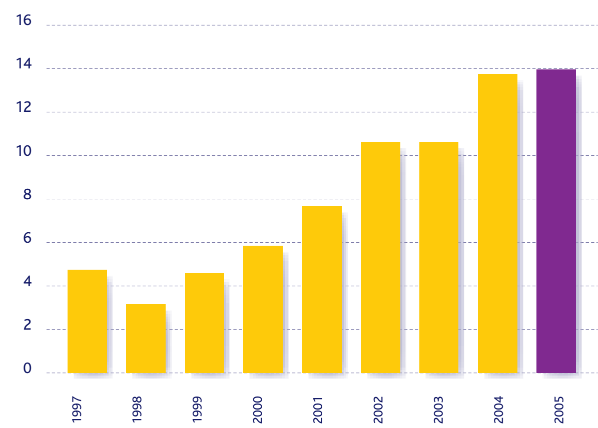
A second effect caused by the rise in medium and long-term interest rates was an important move from medium and long-term fixed-income funds, very liquid and sensitive to changes in interest rates, to funds with maturities of less than 90 days.

By the end of December 2005, there were 21 fund managers competing in the industry, two more than at the same date in 2004. Of these, 13 are subsidiaries of or related to banks, 4 related to insurance companies and 2 to stock-brokers. The 4 largest fund managers concentrated more than 64% of total assets managed at December 31, 2005.

TOTAL ASSETS MANAGED BY THE INDUSTRY

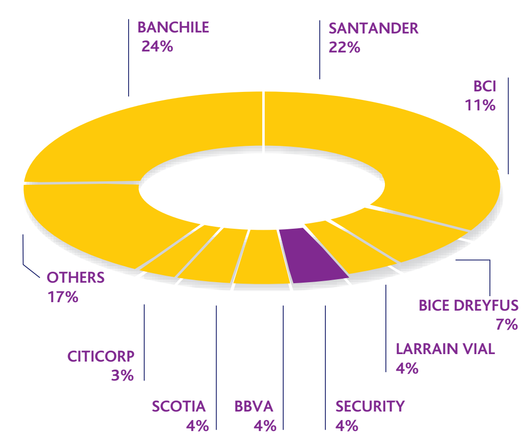
Billion US$ as of Dec-05

Source: AAFM



MARKET SHARES

Source: AAFM



AVERAGE ASSETS MANAGED

Billion US$ as of Dec-05

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Industry	3.9	2.7	4.1	5.1	6.5	9.3	9.9	13.6	13.9
Adm.General de Fondos Security	0.1	0.1	0.2	0.2	0.2	0.5	0.4	0.6	0.5
Market Share	2.9%	4.2%	4.3%	3.8%	3.6%	4.9%	3.7%	4.2%	3.9%

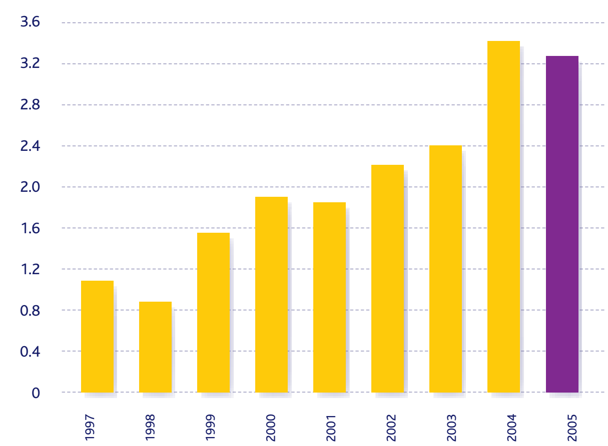
Sorce: AAFM

RESULTS

At December 2005, Administradora General de Fondos Security had assets of US$0.5 billion and a market share of 3.4%, occupying 6th place among the 21 fund managers operating in the market. Net income for the year was US$3.2 million, 4% lower in real terms than the result for 2004. This is mainly because of the impact of the rise in medium and long-term interest rates that affected the whole industry during the last quarter of the year.

RESULTS

Million US$ as of Dec-05



VALORES SECURITY S.A., CORREDORES DE BOLSA

BOARD OF DIRECTORS

• Chairman:	Ramón Eluchans O.
• Directors:	Bonifacio Bilbao H.
	Javier Gómez C.
	Enrique Menchaca O.
	Naoshi Matsumoto C.

MANAGEMENT

• General Manager:	Nicolás Ugarte B.
• Operations Manager:	Juan Adell S.
• Investment Manager:	Cristián Pinto M.

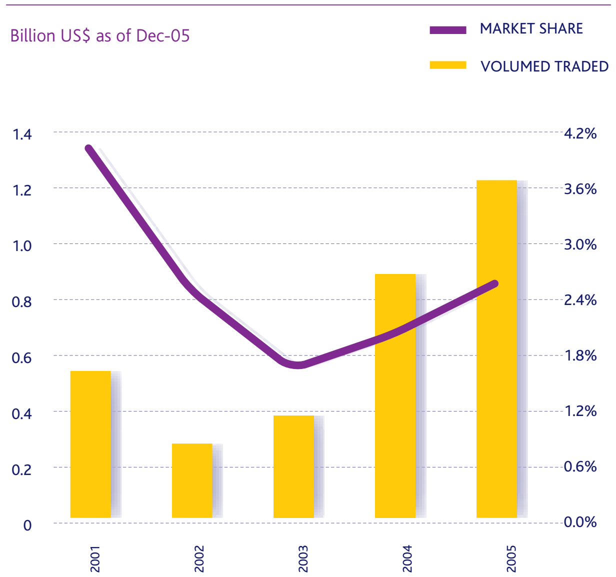
Valores Security S.A., Corredores de Bolsa was created in 1987 by Security Pacific National Bank to act as a stock-broker. It was sold to Banco Security in 1991 and changed its name to its present one. Over time, basically motivated by the high volatility that has characterized the stock market in Chile, the company looked for new business opportunities for diversifying its sources of income, reaching the situation today where stock-broking represented just 21.7% of total revenues in 2005.

Valores Security does business in two areas: fixed and variable-income securities. The first mainly involves the management of own positions, securities trading, foreign exchange trading and dollar forward contracts. Variable-income securities trading corresponds basically to the company's original business of stock broking.

Valores Security S.A., Corredores de Bolsa, produced a net income of US$4.4 million in 2005, a fall of 48.2% in real terms compared to the year before and with a return on capital and reserves of 15.0%. This change is mainly explained by the strong impact of the rise in medium and long-term interest rates in the last quarter of the year on the valuation of the company's investment portfolio.

During 2005, the volumes traded on the stock market increased by 1.8% over the previous year. Valores Security increased its stock volumes traded by almost 38.4%, exceeding US$1 billion and occupying 13th place among the 38 brokers operating in the domestic market. Its average market share therefore increased from 1.52% in 2004 to 2.07% in 2005, taking into account transactions on both the Santiago Stock Exchange and the Chilean Electronic Exchange.

VOLUMES TRADED BY VALORES SECURITY AND MARKET SHARE



07 CHAPTER

FINANCIAL STATEMENTS BANCO SECURITY

BANCO security

ANNUAL REPORT

7.1

CHAPTER

UNCONSOLIDATED FINANCIAL STATEMENTS

ThCh$: Thousands of Chilean pesos
MCh$: Millions of Chilean pesos
UF: Unidad de Fomento
(an official inflation-indexed monetary unit)
US$: United States dollar
ThUS$: Thousands of US dollars

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Banco Security

We have audited the balance sheets of Banco Security 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 Bank's management. 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 the Bank's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The present financial statements have been prepared to reflect the stand-alone financial position of Banco Security, on the basis of the criteria described in Note 1 to the financial statements, before consolidating the financial statements of the subsidiaries detailed in Note 4 to the financial statements. Therefore, in order for these stand-alone financial statements to be fully understood, they should be read and analyzed in conjunction with the consolidated financial statements of Banco Security 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 Banco Security 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 basis of accounting described in Note 1 to the financial statements.

The translation of the financial statements into English has been made solely for the convenience of readers outside Chile.

January 13, 2006

Juan Carlos Cabrol Bagnara

Deloitte.

BALANCE SHEETS

as of December 31, 2005 and 2004 (in millions of chilean pesos - MCh$))

ASSETS	2005 MCh$	2004 MCh$
LIQUID ASSETS	78,631.5	134,292.7
LOANS AND CONTINGENCIES:		
Commercial	807,338.3	742,520.5
Foreign trade	146,758.2	132,850.4
Consumer	25,365.9	20,376.7
Mortgage	103,881.6	98,635.6
Leasing contracts	90,465.4	85,765.5
Contingent facilities	90,794.1	72,320.3
Other outstanding loans	59,471.2	63,296.6
Past-dues	8,822.8	9,469.6
TOTAL LOANS AND CONTINGENCIES	1,332,897.5	1,225,235.2
Less: allowance for loan losses	(19,512.3)	(19,228.3)
TOTAL LOANS AND CONTINGENCIES - NET	1,313,385.2	1,206,006.9
OTHER LOAN OPERATIONS:		
Loans to financial institutions	21,459.3	5,124.6
Securities trading	2,179.9	8,028.8
TOTAL OTHER LOAN OPERATIONS	23,639.2	13,153.4
INVESTMENTS:		
Central Bank of Chile and Treasury Securities	34,595.1	21,827.6
Other financial investments	272,473.9	198,274.8
Trading securities	2,456.9	2,990.2
Assets for leasing	11,796.3	4,458.5
Assets received in settlement or adjudication	716.2	4,358.7
TOTAL INVESTMENTS	322,038.4	231,909.8
OTHER ASSETS	131,642.9	35,830.2
FIXED ASSETS:		
Premises and equipment	21,605.8	21,654.5
Investments in related companies	25,191.9	21,343.6
TOTAL FIXED ASSETS	46,797.7	42,998.1
TOTAL ASSETS	**1,916,134.9**	**1,664,191.1**

The accompanying notes are an integral part of these financial statements

BALANCE SHEETS

as of December 31, 2005 and 2004 (in millions of chilean pesos - MCh$))

LIABILITIES AND SHAREHOLDERS' EQUITY	2005 MCh$	2004 MCh$
LIABILITIES		
DEPOSITS AND OTHER OBLIGATIONS:		
Checking accounts	105,583.1	86,231.4
Time and demand deposits	1,031,888.4	943,997.4
Other demand and term liabilities	35,145.7	67,320.0
Liabilities arising from trading securities	2,436.8	3,010.2
Mortgage notes	103,846.5	106,166.8
Contingent liabilities	91,910.7	73,724.1
TOTAL DEPOSITS AND OTHER LIABILITIES	1,370,811.2	1,280,449.9
BONDS:		
Ordinary bonds	63,118.2	8,889.6
Subordinated bonds	36,741.8	37,399.7
TOTAL BONDS	99,860.0	46,289.3
BORROWINGS FROM FINANCIAL INSTITUTIONS AND CHILEAN CENTRAL BANK:		
Other obligations with the Central Bank of Chile	-	239.6
Loans from local financial institutions	2,579.0	1,461.9
Loans from overseas	192,116.2	144,962.1
Other liabilities	15,188.3	15,454.0
TOTAL BORROWINGS FROM FINANCIAL INSTITUTIONS	209,883.5	162,117.6
OTHER LIABILITIES	85,306.9	32,337.3
TOTAL LIABILITIES	1,765,861.6	1,521,194.1
NET SHAREHOLDERS' EQUITY:		
Capital and reserves	128,785.9	125,959.5
Other equity accounts	1,473.1	2,508.8
Net income for the year	20,014.3	14,528.7
TOTAL SHAREHOLDERS' EQUITY-NET	150,273.3	142,997.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,916,134.9	1,664,191.1

The accompanying notes are an integral part of these financial statements

STATEMENTS OF INCOME

for the years ended December 31, 2005 and 2004 · (in millions of chilean pesos - MCh$)

	2005	2004
OPERATING REVENUES	MCh$	MCh$
Interest and indexation income	99,915.3	81,352.5
Gains from trading securities	1,918.8	6,195.3
Commissions income	6,625.9	5,410.8
Exchange income - net	4,589.7	4,245.8
Other operating income	7,050.7	3,045.8
TOTAL OPERATING REVENUE	120,100.4	100,250.2
LESS:		
Interest and indexation expense	(58,869.0)	(42,617.1)
Loss from trading securities	(2,252.2)	(3,322.5)
Commissions expenses	(379.6)	(380.9)
Other operating expenses	(7,505.0)	(2,512.2)
OPERATING MARGIN	51,094.6	51,417.5
Remunerations and personnel expenses	(11,778.0)	(14,987.5)
Administrative and other expenses	(12,036.8)	(12,039.4)
Depreciation and amortization	(1,819.5)	(3,353.4)
NET OPERATING MARGIN	25,460.3	21,037.2
Allowances for assets at risk	(3,536.0)	(9,867.5)
OPERATING INCOME	21,924.3	11,169.7
OTHER INCOME (EXPENSES)		
Non-operating income	2,189.2	1,311.7
Non-operating expenses	(2,462.2)	(630.0)
Equity in income of related companies	3,868.8	6,036.0
Price-level restatement	(2,754.2)	(1,571.3)
INCOME BEFORE INCOME TAX	22,765.9	16,316.1
INCOME TAX	(2,751.6)	(1,787.4)
NET INCOME FOR THE YEAR	20,014.3	14,528.7

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

for the years ended December 31, 2005 and 2004 · (in millions of chilean pesos - MCh$)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:	MCh$	MCh$
Net income for the year	20,014.3	14,528.7
Charges (credits) to income that do not represent cash flows:		
Depreciation and amortization	1,819.5	3,353.4
Allowances for assets at risk	3,536.0	9,867.5
Profit on investments in related companies	(3,868.8)	(6,036.0)
Price-level restatement	2,754.2	1,571.3
Other credits to income that do not represent cash flows:	(1,070.2)	(517.5)
Net change in interest. indexation and commissions accrued on assets and liabilities	4,324.7	3,081.8
NET CASH PROVIDED BY OPERATING ACTIVITIES	27,509.7	25,849.2
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in loans	(117,235.2)	(187,123.7)
Net increase in other credit facilities	(21,470.8)	(5,190.2)
Increase in investments	(103,508.5)	(115,330.1)
Decrease (increase) in leased assets	(4,784.5)	1,308.7
Purchase of fixed assets	(1,855.7)	(9,457.6)
Purchase of investments in related companies	-	(1,922.0)
Sale of assets received in settlements adjudicated	1,339.3	1,276.2
Net decrease in other assets and liabilities	-	5,911.8
Net cash provided by investing activities	(247,515.4)	(310,526.9)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in checking accounts	19,599.4	25,114.5
Net increase in term and demand deposits	86,291.7	232,332.2
Increase (decrease) in other term and demand liabilities	(32,753.4)	19,897.8
(Decrease) increase in other liabilities arising from trading activities	(475.6)	(8,388.1)
(Decrease) increase in short-term foreign borrowings	(22,644.7)	12,062.0
Decrease in mortgages notes issued	(2,320.4)	(707.7)
Bonds issued	54,350.7	-
Long-term bank loans obtained abroad	69,165.1	37,548.4
Increase in other short-term liabilities	-	7,871.0
Issue of paid-up shares	10.2	15,529.4
Dividends paid	(11,713.0)	(14,220.0)
Net cash provided by financing activities	159,510.0	327,039.5
NET POSITIVE (NEGATIVE) CASH FLOW FOR THE YEAR	(60,495.7)	42,361.8
EFFECT OF INFLATION ON CASH AND CASH EQUIVALENTS	4,834.5	1,691.4
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(55,661.2)	44,053.2
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	134,292.7	90,239.5
CASH AND CASH EQUIVALENTS AT END OF YEAR	78,631.5	134,292.7

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

(In millions of Chilean pesos - MCh$)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Information provided

The financial statements have been prepared in accordance with accounting regulations issued by the Superintendency of Banks and Financial Institutions (hereinafter, the Superintendency). Such regulations concur with generally accepted accounting principles in Chile, except for the investments in subsidiaries, which are recorded on one line in the balance sheet using the proportional equity value method of accounting and therefore have not been consolidated on a line by line basis. This treatment does not modify the net income for the year or the shareholders' equity.

These financial statements have been issued solely for the purpose of making a stand - alone analysis of the Bank and, accordingly, should be read in conjunction with the consolidated financial statements.

The figures corresponding to the 2004 period been price-level restated in accordance with the variation of the Consumer Price Index (CPI) in Chile used for monetary correction (3.6%).

b. Interest and indexation

The amounts recorded in the balance sheet for loans, investments, and liabilities include interest and indexation accrued until year-end. However, the Bank has taken the conservative position of discontinuing the accrual of interest and indexation on high-risk and past-due loans.

c. Price-level restatement

Shareholders' equity, fixed assets and other non-monetary assets and liabilities have been monetarily corrected on the basis of the variations in the Chilean Consumer Price Index (CPI). The application of monetary correction resulted in a net charge to income of MCh$2,754.2 (MCh$1,571.3 in 2004).

The income statements of the Bank are not restated with monetary correction.

d. Foreign Currency

Assets and liabilities denominated in foreign currency are stated in Chilean pesos at the exchange rate prevailing at year-end of Ch$514.21 per USD1 (Ch$559.83 per USD 1 in 2004).

The net gain from exchange of MCh$4,589.7 (MCh$4,245.8 in 2004) shown in the income statement includes the net gains and losses on foreign exchange transactions, as well as the recording of the effects of exchange rate variations on assets and liabilities expressed in foreign currency.

e. Conversion

Assets and liabilities denominated in Unidades de Fomento (non-paper inflation-proof currency) are stated at the following year-end rates: Ch$17,975.97 (Ch$17.315,38 in 2004).

f. Financial investments

The financial investments that are traded on the secondary market are stated at market value in accordance with the instructions of the Superintendency. These instructions call for the recording of adjustments to market value against income for the year, unless permanent investments are involved, in which case, under certain limitations, the aforementioned adjustments can be made directly against the account "Fluctuation in value of financial investments" in the shareholders' equity accounts.

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

Other financial investments corresponding to financial instruments are stated at cost plus restatement, interest and indexation.

g. Premises and equipment

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

h. Investments in related companies

The shares or rights in related companies in which the Bank has a participation equal to, or greater than, 10%, or in which it can elect or appoint at least one of the members of the Board or management, are recorded in assets using the proportional equity value (P.E.V.) method of accounting.

i. Allowances for assets at risk

The Bank has established all the allowances that are required to cover the risk of loss on assets, in accordance with the norms issued by the Superintendency. The assets are shown net of such allowances or, in the case of loans, as a deduction there from.

j. Deferred taxes

The effects of deferred taxes arising from temporary differences between the tax and the book values are recorded on an accrual basis in conformity with Technical Bulletin N° 60 of the Chilean Institute of Certified Public Accountants and its supplements, and the instructions of the Superintendency.

k. Employee vacations

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

l. Cash and cash equivalents

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

2. TRANSACTIONS WITH RELATED PARTIES

In accordance with the General Banking Law in Chile and the instructions of the Superintendency, individuals and companies that are related, directly or indirectly, to the Bank's ownership or management are considered related parties.

a. Loans to related parties

As of December 31, 2005 and 2004, loans to related parties are as follows:

	Current Portfolio		Past due Portfolio		Total		collateral (*)	
	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$
A To operating companies	40,074.7	36,135.6	-	-	40,074.7	36,135.6	29,290.4	31,113.0
To investment companies	15,473.1	15,628.5	-	-	15,473.1	15,628.5	5,633.8	4,977.7
To individuals (**)	3,420.3	3,509.3	-	-	3,420.3	3,509.3	1,809.4	1,740.2
Totals	58,968.1	55,273.4	-	-	58,968.1	55,273.4	36,733.6	37,830.9

(*) Includes only those guarantees that are admitted under Article 84 of the General Banking Law for purposes of establishing the individual credit limits defined by the General Banking Law. The guarantees are valued in accordance with the Superintendency's instructions.

(**) Includes only the obligations of individuals whose debts are equal or greater than the equivalent to UF3,000.

b. Other transactions with related parties

During 2005 and 2004, the Bank entered into the following transactions for amounts in excess of UF1,000 with related parties:

		Credits to income statement		Debits to income statement	
Company	Description	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$
Inversiones Invest Security Ltda.	Consultancy services	-	-	956	1,040
	Office rental	19	-	-	-
Travel	Office rental	77	-	-	-
Seguros de Vida Security Previsión S.A.	Office rental	47	24	-	-
Penta Security Compañía de Seguros Generales S.A.	Office rental	-	15	-	-
Asesorías Security S.A.	Consultancy services	-	-	-	363
Global Mandato Security S.A.	Consultancy services	-	-	718	729
Virtual Security S.A.	Consultancy services	-	-	1,620	1,475
	Office rental	21	-	-	-
Inmobiliaria Security S.A.	Consultancy services	-	-	183	202
	Loans	91	127	-	-
	Investments	-	-	37	-
	Office rental	11	-	-	-

The Bank had a price and works progress balance of MCh$1,301.9 in 2004 payable to Inmobiliaria Security S.A. that fell due in 2005.
In 2004, the Bank paid Inmobiliaria Security Once Limitada the sum of MCh$9,807.0 as advances for Fixed Assets. In 2005, this fixed asset was completed and the deeds were signed.
These transactions were carried out under the market conditions prevailing at the time they were carried out.

3. INVESTMENTS IN RELATED COMPANIES

Participation in the companies

The balance sheet shows current investments in related companies for MCh$25,191.9 (MCh$21,343.6 in 2004), as per the following details:

	Ownership interest		Equity		Investment value		Income	
	2005 %	2004 %	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$
Valores Security S.A. Corredores de Bolsa	99.760	99.760	17,180,9	14,933.7	17,139.7	14,897.9	2,246.0	4,337.1
Administradora General de Fondos Security S.A.	99.900	99.900	7,934.2	6,304.1	7,926.3	6,297.8	1,622.8	1,698.9
Subtotal					25,066.0	21,195.7	3,868.8	6,036.0
Shares and rights in other companies					125.9	147.9	-	-
Total					25,191.9	21,343.6	3,868.8	6,036.0

4. ALLOWANCES

Allowances for assets at risk

As of December 31, 2005, the Bank has recorded allowances for MCh$19,688.3 (MCh$21,313.6 in 2004) which correspond to the minimum allowances required by the Superintendency to cover possible losses.

During each year, the changes in the allowances are summarized as follows:

	Allowances for			
	Loas MCh$	Assets received in settlement MCh$	Otros activos MCh$	Total MCh$
Historic balances as of December 31, 2003	11,960.8	-	428.0	12,388.8
Provisiones from merger	7,143.9	-	-	7,143.9
Provisions applied	(8,484.4)	-	-	(8,484.4)
Provisions freed	(2,080.0)	-	-	(2,080.0)
Provisions established	10,019.8	212.8	1,372.0	11,604.6
Balances as of December 31, 2004	18,560.1	212.8	1,800.0	20,572.9
Balances restated for purposes of comparison	19,228.3	220.5	1,864.8	21,313.6
Historic Balances as of December 31,2004	18,560.1	212.8	1,800.0	20,572.9
Provisions applied	(2,628.9)	(584.7)	-	(3,213.6)
Written-off debts recovered	(1,207.0)	-	-	(1,207.0)
Provisions freed	(508.0)	-	(1,800.0)	(2,308.0)
Provisions established	5,296.1	547.9	-	5,844.0
Balances as of December 31, 2005	19,512.3	176.0	-	19,688.3

In the opinion of the Bank's Board of Directors, the allowances established cover all possible losses that might result from non-recovery of assets, based on the information examined by the Bank.

5. SHAREHOLDERS' EQUITY

a. Equity

Changes in the shareholders' equity for the years ended December 31, 2005 and 2004 are as follows:

	Paid-in capital MCh$	Other reserves MCh$	Others accounts MCh$	Net income for the year MCh$	Total MCh$
Historic balances as of December 31, 2003	58,642.1	19,148.4	2,815.2	13,326.1	93,931.8
Distribution of 2003 income	-	13,326.1	-	(13,326.1)	-
Dividends paid	-	(13,326.1)	-	-	(13,326.1)
Fluctuation in value of financial investments	-	-	(393.6)	-	(393.6)
Capital increase as a result of the merger	20,130.6	6,139.3	-	-	26,269.9
Capital increase	14,989.8	-	-	-	14,989.8
Price-level restatement of capital	1,895.9	636.4	-	-	2,532.3
Net income for the year	-	-	-	14,023.8	14,023.8
Balances as of December 31, 2004	95,658.4	25,924.1	2,421.6	14,023.8	138,027.9
Balances restated for purposes of comparison	99,102.1	26,857.4	2,508.8	14,528.7	142,997.0
Historic Balances as of December 31, 2004	95,658.4	25,924.1	2,421.6	14,023.8	138,027.9
Distribution of 2004 income	-	14,023.8	-	(14,023.8)	-
Dividends paid	-	(11,219.1)	-	-	(11,219.1)
Fluctuation in value of financial investments	-	-	(948.5)	-	(948.5)
Capital increase (remainder)	10.2	-	-	-	10.2
Price-level restatement of capital	3,440.3	948.2	-	-	4,388.5
Net income for the year	-	-	-	20,014.3	20,014.3
Balances as of December 31, 2005	99,108.9	29,677.0	1,473.1	20,014.3	150,273.3

Subscribed and paid-in shares

The Bank's authorized capital is divided into 152,193,531 shares, of which 135,753,250 are fully subscribed and paid in.

Merger

The Extraordinary Shareholders' meeting held on August 27, 2004 approved the merger through the absorption of Dresdner Bank Latineamerika S.A., which increased the paid-in capital by MCh$19,958.4 (historic). This merger by absorption was authorized by the Superintendency in Resolution No. 128 dated September 21, 2004.

Capital increase

The Extraordinary General Meeting of Shareholders held on December 29, 2004 agreed to increase the Bank's capital by MCh$30,000.0 by means of an issue of 32,880,563 shares. As of December 31, 2004, 16,429,155 shares had been subscribed and paid-in, equivalent to MCh$14,989.8 (historic).

During February 2005 and 2004, 80% and 100% of net profits for 2004 and 2003 amounting to MCh$11,219.1 and MCh$13,326.1 (historic), respectively, were distributed.

b. Minimum basic capital and effective equity

According to the General Banking Law, a financial institution's minimum basic capital may not be less than 3% of its total assets, while the effective equity may not be less than 8% of its risk weighted assets. At each year-end, the Bank's situation was as follows:

	As of december 31	
	2005	2004
	MCh$	MCh$
Basic capital (*)	130,258.9	128,468.3
Total assets	1,885,168.8	1,721,952.2
	6.91%	7.46%
Effective equity (**)	166,908.7	165,995.8
Risk weighted assets	1,455,462.6	1,353,698.9
Percentages	11.47%	12.26%

(*) For these purposes, equivalent to paid-in capital and reserves.

(**) Pursuant to Article 66 of the General Banking Law, in order to determine effective shareholders' equity, amounts corresponding to investments in companies and capital assigned to foreign branches must be deducted, whereas subordinated bonds and voluntary allowances, up to certain limits, should be included.

6. INVESTMENTS

As of December 31, 2005 and 2004, the Bank had the following balances included under investments:

a. Financial Investments

	Type of portfolio						Adjustment to market value					
	Permanent (**)		Non Permanent		Subtotal		Credit (charge) to income		Credit (charge) to equity		Total	
	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$
Securities (*)												
Central Bank of Chile	-	1,909.6	33,543.6	21,819.7	33,543.6	23,729.3	(17.6)	(23.8)	-	(13.4)	33,526.0	23,692.1
Treasury of the Republic of Chile or other State institutions	-	-	805.4	479.6	805.4	479.6	(2.4)	1.1	-	-	803.0	480.7
Local financial institutions	23,829.3	10,186.0	155,413.5	87,426.3	179,242.8	97,612.3	411.6	1,289.2	165.4	196.2	179,819.8	99,097.7
Other investments in Chile	47,536.2	18,840.4	29,957.2	48,950.0	77,493.4	67,790.4	26.2	104.3	55.2	826.6	77,574.8	68,721.3
Inverstments abroad	13,836.8	13,527.6	2,403.2	14,478.6	16,240.0	28,006.2	309.8	1,595.3	1,252.5	1,499.3	17,802.3	31,100.8
Total	85,202.3	44,463.6	222,122.9	173,154.2	307,325.2	217,617.8	727.6	2,966.1	1,473.1	2,508.7	309,525.9	223,092.6

(*) Classification according to issuers or those obliged to pay. This chart includes in its total and amount of MCh$2,456.9 (MCh$2,990.2 in 2004) for securities sold under repurchase agreements.
(**) The permanent portfolio includes securities whose adjustment to market value is charged to the "Fluctuation in value of financial investments" account, as described in Note 1f.

b. Other investments

	2005 MCh$	2004 MCh$
Assets for leasing	11,796.3	4,458.5
Assets received in settlement or adjudication (*)	716.2	4,358.7
Totals	12,512.5	8,817.2

(*) The amount shown on the balance sheet represents the estimated realizable value of these assets taken as a whole.

In addition to those assets received or adjudicated in settlement of loans that are recorded as assets, there are no others that have been written-off and that have not yet been sold.

7. MATURITIES OF ASSETS AND LIABILITIES

a. Maturities of loans and financial investments

The following is a breakdown of loans and financial investments classified according to their remaining term to maturity. Balances include interest accrued as of December 31, 2005 and 2004, respectively.

	Due within a year		More than 1 year up to 3 year		More than 3 year up to 6 year		More than 6 year		Total	
	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$
Loans (1):										
Commercial and other loans	716,865.0	603,717.3	83,151.9	99,311.8	132,528.3	135,146.4	169,399.5	183,418.0	1,101,944.7	1,021,593.5
Housing mortgage loans	22.5	41.0	750.2	288.6	6,642.5	2,617.7	96,466.4	95,688.3	103,881.6	98,635.6
Consumer loans	14,003.8	10,719.8	6,390.2	5,200.3	3,968.8	3,555.6	1,003.1	901.0	25,365.9	20,376.7
Other lending operations:										
Loans to other financial institutions	21,459.3	5,124.6		-		-			21,459.3	5,124.6
Credits arising from trading securities	2,179.9	8,028.8		-		-			2,179.9	8,028.8
Financial investments:										
Permanent portfolio (2)	7,630.9	2,184.7	4,819.1	3,224.7	29,746.9	12,198.3	43,005.4	26,855.9	85,202.3	44,463.6
Non-permanent portfolio (3)	222,850.5	176,120.3	-	-	-	-	-	-	222,850.5	176,120.3

(1) Considers only those loans outstanding at year-end that fall due within the indicated periods. Consequently, this includes contingent facilities and loans transferred to the past-due portfolio, as well as delinquent debts that have not been transferred to the past-due portfolio that amounted to MCh$2,088.4 (MCh$2,839.5 in 2004), of which MCh$1,354.3 (MCh$1,296.4 in 2004) had been delinquent less than 30 days.

(2) Includes securities classified as permanent investments, as described in Note 1f, without considering adjustments to market value and non-transferable notes.

(3) Includes the total amount of the rest of the portfolio of financial investments with its corresponding adjustment to market value.

b. Maturities of deposits, loans and other financing operations

The information detailed below shows deposits, borrowings and other liabilities classified according to their remaining term to maturity. Balances include interest accrued as of December 31, 2005 and 2004.

	Due within one year		Over 1 year up to 3 year		Over 3 year up to 6 year		Over 6 year		Total	
	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$
Deposits and other liabilities (*):										
Term and demand deposits	923,967.2	903,194.8	107,239.7	40,236.5	681.5	566.1	-		1,031,888.4	943,997.4
Liabilities arising from trading securities	2,436.8	3,010.2	-		-		-		2,436.8	3,010.2
Mortgage notes	27.8	558.8	801.5	321.5	7,064.2	2,930.1	95,953.0	102,356.4	103,846.5	106,166.8
Obligations on bonds	2,536.7		1,234.3	519.1	53,924.4	1,672.9	42,164.6	44,097.3	99,860.0	46,289.3
Loans from financial institutions and Central Bank of Chile:										
Other obligations with the Central Bank of Chile		239.6	-		-		-		-	239.6
Loans from local financial institutions	2,579.0	1,461.9	-		-		-		2,579.0	1,461.9
Obligations abroad	136,093.8	133,620.2	4,601.4	11,341.9	51,421.0		-		192,116.2	144,962.1
Other obligations	1,956.8	2,836.5	2,092.7	1,602.2	6,399.0	5,991.4	4,739.8	5,023.9	15,188.3	15,454.0

(*) Excludes all sight and contingent obligations.

8. FOREIGN CURRENCY BALANCES

The balance sheets include assets and liabilities that are denominated in foreign currencies or are indexed fluctuations in exchange rates. These amounts are summarized below:

	Payable in					
	Foreing currency		Chilean currency (*)		Total	
	2005 ThUS$	2004 ThUS$	2005 ThUS$	2004 ThUS$	2005 ThUS$	2004 ThUS$
ASSETS						
Liquid assets (*)	100,419	131,819	-	-	100,419	131,819
Loans	321,626	270,350	34,233	30,128	355,859	300,478
Contingent loans	36,346	48,435	7,026	4,567	43,372	53,002
Financial investments:						
Abroad	31,582	50,025	-	-	31,582	50,025
Other assets	558,325	384,997	7,995	12,122	566,320	397,119
Total assets	1,048,298	885,626	49,254	46,817	1,097,552	932,443
LIABILITIES						
Demand deposits	203,656	173,950	-	-	203,656	173,950
Contingent liabilities	38,792	51,094	7,011	3,831	45,803	54,925
Other demand or term deposits	40,376	19,178	-	-	40,376	19,178
Obligations with banks abroad	373,602	258,891	-	-	373,602	258,891
Other liabilities	407,963	403,752	17,778	8,368	425,741	412,120
Total liabilities	1,064,389	906,865	24,789	12,199	1,089,178	919,064

(*) Includes operations denominated in foreign currencies payable in Chilean Pesos or operations that are indexed to fluctuations in exchange rates.

9. TRANSACTIONS WITH DERIVATIVE INSTRUMENTS

Transactions for the purchase and sale of foreign currency and futures operations and other derivative products as of each year-end are summarized below:

a. Contracts for the purchase and sale of foreign currency futures, and interest rates:

	Number of operations		Contract amounts: Up to 3 mounths		Contract amounts: More than 3 mounths	
	2005	2004	2005 ThUS$	2004 ThUS$	2005 ThUS$	2004 ThUS$
Type of future operation						
Local market:						
Future foreign currency purchases with Chilean Pesos	112	136	98,965.9	122,449.1	120,720.0	98,109.9
Future sales of foreign currency to Chilean Pesos	372	254	95,332.6	109,314.4	95,550.6	95,628.9
Foreign currency forward operations	43	48	32,988.6	49,856.5	2,828.7	2,170.8
Foreign markets:						
Purchase of foreign currency forwards	27	45	20,636.6	80,336.2	1,964.7	3,834.5
Forward and other interest rate contracts	7	-	-	-	140,187.8	-

The amount refers to either the US dollars bought or sold, or the equivalent in US dollars of foreign currency futures purchased or sold, or the US dollar amount convened in the interest rate contracts, as appropriate. The terms correspond to the duration of the contracts from the transaction date.

b. Contracts on the value of the Unidad de Fomento:

	Number of operations		Contract amounts: Up to 3 mounths		Contract amounts: More than 3 mounths	
	2005	2004	2005 UF	2004 UF	2005 UF	2004 UF
Purchase of UF/Chilean peso forwards	15	9	4,500,000	900,000	400,000	1,200,000
Sale of UF/Chilean peso forwards	21	18	4,000,000	1,400,000	3,400,000	3,100,000

10. CONTINGENCIES, COMMITMENTS AND RESPONSIBILITIES

Commitments and responsibilities accounted for in memorandum accounts

The Bank has recorded in memorandum accounts the following balances related to commitments or responsibilities deriving from the business activity:

	2005 MCh$	2004 MCh$
Mortgage and pledge guarantees	796,027.9	798,870.4
Securities and notes in guarantee	268,136.0	319,802.5
Credit lines obtained	231,892.3	262,522.1
Securities held in custody	129,929.4	232,717.6
Loans approved but not disbursed	93,531.4	82,439.7
Foreign collections	24,901.0	28,155.1

The above table includes only the more significant balances. Contingent loans and liabilities are stated on the Balance Sheet

11. COMMISSIONS

The amount of commissions received and paid reflected in the income statements correspond to the following items:

	Income		Expenses	
	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$
Commissions earned or paid on:				
Collection of documents	698.8	744.2	-	-
Letters of credit. guarantees. and other contingent facilities	1,059.4	810.8	-	-
Credit cards	638.8	543.7	-	-
Lines of credit	180.7	171.1	-	-
Commissions on loans	1,549.4	1,442.7	61.2	-
ATM commissions	54.4	78.3	303.4	234.8
Checking accounts	1,137.0	986.6	-	-
Branch services	109.2	148.0	-	-
International Rebates	209.2	-	-	-
Foreign correspondments	-	-	-	51.1
Commissions on collection of insurance	759.7	379.6	-	-
Others	229.3	105.8	15.0	95.0
Totals	6,625.9	5,410.8	379.6	380.9

Commissions received on mortgage note transactions are included under "Interest and Indexation Income" in the income statement.

12. OTHER OPERATING INCOME

The amount of other operating income shown in the income statement corresponds to the following items:

	2005 MCh$	2004 MCh$
Sale of assets received in settlement	38.5	90.0
Penal interest on late payment	21.8	21.0
Interest on overdue instalments	49.9	38.6
Profit on sale of leased goods	57.5	286.8
Income from administration of leasing contracts	94.6	158.1
Recovery of leasing payments during period	14.2	58.6
Profit on UF-Peso Forward operation	6,768.1	2,392.7
Others	6.1	-
Totals	7,050.7	3,045.8

13. OTHER OPERATING EXPENSES

The amount of other operating expenses shown in the income statement corresponds to the following items:

	2005 MCh$	2004 MCh$
Contribution of assets received in settlement	17.2	48.6
Expenses abroad	260.0	57.2
Maintenance and repairs assets received in settlement	25.4	78.1
Other expenses paid on credits leasing division	3.5	3.1
Consultancy services on assets received in settlement	31.4	19.2
Utility bills/assets received in settlement	39.0	27.8
Loss on UF - peso Forward operation	7,073.8	2,278.2
Other expenses incurred on the operation	54.7	-
Totals	7,505.0	2,512.2

14. NON-OPERATING INCOME

The amount of non-operating income shown in the income statement corresponds to the following items:

	2005 MCh$	2004 MCh$
Sale of fixed assets	10.6	2.6
Recovery of expenses	1,204.8	898.5
Rents received	207.3	119.8
Recovery of written-off asset received in settlement	555.2	27.9
Others	211.3	262.9
Total	2,189.2	1,311.7

15. NON-OPERATING EXPENSES

The amount of non-operating expenses shown in the income statement corresponds to the following items:

	2005 MCh$	2004 MCh$
PLoss on sale of assets received in settlement	550.9	314.0
Write-off of assets received in settlement	1,547.9	161.8
Loss on leased assets recovered	249.5	134.9
Others	113.9	19.3
Total	2,462.2	630.0

16. INCOME TAX

The Bank established an allowance for First Category Income Tax of MCh$3,927.6 (MCh$2,717.9 in 2004).

17. DEFERRED TAXES

As explained in Note 1j, the Bank has applied the accounting criteria of Technical Bulletin N°60 of the Chilean Institute of Certified Public Accountants and its supplements.

The deferred taxes on temporary differences are presented below:

	Balnces as of	
2005 item	January 1 2005 (historic) MCh$	December 31 2005 MCh$
Debit differences:		
Global provision on loan portfolio	2,410.3	2,338.1
Provision for assets recovered	23.4	13.0
Provision for leasing contracts	139.1	-
Leased assets tax basis	14,018.5	14,413.3
Adjustment of non-permanent investments to market	486.7	132.1
Written-off assets received in settlement	169.8	8.4
Others	171.5	1,713.8
Subtotal	17,419.3	18,618.7
Complementary account	(3,434.5)	(3,284.4)
Net difference	13,984.8	15,334.3
Credit differences:		
Leasing contracts	(16,087.2)	(16,187.7)
Depreciation of fixed assets	(675.9)	(729.1)
Others	(316.5)	(111.5)
Subtotal	(17,079.6)	(17,028.3)
Complementary account	5,365.2	5,140.4
Net difference	(11,714.4)	(11,887.9)

	Balances as of	
2004 item	January 1 2004 (historic) MCh$	December 31 2004 MCh$
Debit differences:		
Global provision on loan portfolio	1,247.2	2,497.1
Allowance for assets recovered	25.5	24.2
Allowance for leasing contracts	107.0	144.1
Leased assets tax basis	9,222.3	14,523.2
Adjustment of non-permanent investments to market	124.1	504.2
Written-off assets received in settlement	73.5	175.9
Others	212.7	177.7
Subtotal	11,012.3	18,046.4
Balance complementary account	(3,738.3)	(3,558.1)
Net difference	7,274.0	14,488.3
Credit differences:		
Leasing contracts	(11,031.7)	(16,666.3)
Depreciation of fixed assets	(589.5)	(700.2)
Others	(61.7)	(327.9)
Subtotal	(11,682.9)	(17,694.4)
Balance complementary account	5,830.6	5,558.3
Net difference	(5,852.3)	(12,136.1)

The effects of the tax expense during the years 2005 and 2004 are as follows:

Item	2005	2004
Provision for income tax	(3,927.6)	(2,717.9)
Effects of deferred taxes for the year on assets or liabilities	1,250.7	1,022.6
Effects of amortization of defferd tax for the year on asset and liability complementary accounts	(74.7)	(92.1)
Total	(2,751.6)	(1,787.4)

18. PURCHASES, SALES, SUBSTITUTIONS OR SWAPS IN THE LOAN PORTFOLIO

In 2005 and 2004, the Bank purchased and sold loans as follows:

2005:

Purchase MCh$	Sale MCh$	Effect on income MCh$	Effect on allowances MCh$
7,165.8	18,229.1	36.3	36.3

2004:

Purchase MCh$	Sale MCh$	Effect on income MCh$	Effect on allowances MCh$
10,298.0	11,592.2	16.7	16.7

19. DIRECTORS' EXPENSES AND FEES

During each year, the Bank has paid the following directors' fees and expenses:

	2005 MCh$	2004 MCh$
Per diems	64.1	102.4
Consulting fees	417.8	443.7
Total	481.9	546.1

20. NEW ACCOUNTING CRITERIA

In accordance with Circular N° 3,345 issued by the Superintendency of Banks and Financial Institutions, effective January 1, 2006, the accounting criteria for valuing financial instruments acquired for negotiation or investment purposes, derivative instruments, hedges and disposals from the financial assets on the balance sheets, will be amended. The instructions of Circular N° 3,345 will become effective starting on March 31, 2006, with valuation differences arising from prior years' investments being adjusted directly against the Bank's equity.

21. SUBSEQUENT EVENTS

From January 1 to January 13, 2006, date on which these financial statement were issued, there have been no subsequent events that would materially affect the financial statements.

.

HORACIO SILVA C.
Accounting Sub-Manager

RAMON ELUCHANS O.
General Manager

7.2 CHAPTER

CONSOLIDATED FINANCIAL STATEMENTS

ThCh$: Thousands of Chilean pesos
MCh$: Millions of Chilean pesos
UF: Unidad de Fomento
(an official inflation-indexed monetary unit)
US$: United States dollar
ThUS$: Thousands of US dollars

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Banco Security

We have audited the consolidated balance sheets of Banco Security and its subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income and of cash flows for the years then ended. These consolidated financial statements (including the related Notes) are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the Bank's management, as well as evaluating the overall financial statement presentation. 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 Banco Security and its subsidiaries as of December 31, 2005 and 2004 and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles in Chile and regulations issued by the Superintendency of Banks and Financial Institutions.

The translation of the financial statements into English has been made solely for the convenience of readers outside Chile.

January 13, 2006

Juan Carlos Cabrol Bagnara

Deloitte.

CONSOLIDATED BALANCE SHEETS

as of December 31, 2005 and 2004 (in millions of chilean pesos - MCh$))

ASSETS	2005 MCh$	2004 MCh$
LLIQUID ASSETS	79,228.0	134,309.8
LOANS AND CONTINGENCIES		
Commercial	807,312.6	742,376.6
Foreign trade	146,758.2	132,850.4
Consumer	25,365.9	20,376.7
Mortgage	103,881.6	98,635.6
Leasing contracts	90,465.4	85,765.5
Contingent	90,794.1	72,320.3
Other outstanding loans	59,471.2	63,296.6
Past-due	8,822.8	9,469.6
Total loans	1,332,871.8	1,225,091.3
Less: allowance for loan losses	(19,512.3)	(19,228.3)
TOTAL LOANS AND CONTINGENCIES - NET	1,313,359.5	1,205,863.0
OTHER LOAN OPERATIONS		
Loans to financial institutions	21,459.3	5,124.6
Securities trading	94,103.7	29,857.8
TOTAL OTHER LOAN OPERATIONS	115,563.0	34,982.4
INVESTMENTS:		
Central Bank of Chile and Treasury securities	64,880.6	29,422.1
Other financial investments	289,984.1	233,930.6
Trading securities	4,082.4	15,564.2
Assets for leasing	11,796.3	4,458.5
Assets received in settlement or adjudication	716.2	4,358.7
TOTAL INVESTMENTS	371,459.6	287,734.1
OTHER ASSETS	100,644.8	47,670.8
FIXED ASSETS		
Premises and equipment	22,019.1	21,876.7
Investments in companies	1,022.9	466.6
TOTAL FIXED ASSETS	23,042.0	22,343.3
TOTAL ASSETS	**2,003,296.9**	**1,732,903.4**

The accompanying notes are an integral part of these financial statements

CONSOLIDADTED BALANCE SHEETS

as of December 31, 2005 and 2004 (in millions of chilean pesos - MCh$))

LIABILITIES AND SHAREHOLDERS' EQUITY	2005 MCh$	2004 MCh$
LIABILITIES		
DEPOSITS AND OTHER LIABILITIES:		
Checking accounts	104,330.6	85,919.0
Term and demand deposits	1,031,888.4	943,997.4
Other term or demand liabilities	35,771.0	73,254.7
Liabilities arising from trading securities	82,062.9	46,331.1
Mortgage Notes	03,846.5	106,166.8
Contingent liabilities	91,910.	73,724.1
TOTAL DEPOSITS AND OTHER LIABILITIES	1,449,810.1	1,329,393.1
BONDS:		
Ordinary bonds	63,118.2	8,889.6
Subordinated bonds	36,741.8	37,399.7
TOTAL BONDS	99,860.0	46,289.3
BORROWINGS FROM FINANCIAL INSTITUTIONS AND THE CENTRAL BANK OF CHILE:		
Other obligations with the Central Bank of Chile	239.6	
Domestic borrowings	2,582.8	13,854.1
Foreign borrowings	192,116.2	144,962.1
Other borrowings	15,188.3	15,465.2
TOTAL BORROWINGS FROM FINANCIAL INSTITUTIONS	209,887.3	174,521.0
OTHER LIABILITIES	93,424.2	39,606.3
TOTAL LIABILITIES	1,852,981.6	1,589,809.7
MINORITY INTEREST	42.0	96.7
SHAREHOLDERS' EQUITY		
Capital and reserves	128,785.9	125,959.5
Other equity accounts	1,473.1	2,508.8
Net income for the year	20,014.3	14,528.7
TOTAL SHAREHOLDERS' EQUITY- NET	150,273.3	142,997.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,003,296.9**	**1,732,903.4**

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENTS OF INCOME

for the years ended December 31, 2005 and 2004 · (in millions of chilean pesos - MCh$)

OPERATING REVENUES	2005 MCh$	2004 MCh$
Interest and indexation income	106,694.0	84,724.0
Net gains from trading securities	13,185.3	23,396.8
Commissions income	7,772.9	5,555.6
Exchange income - net	4,417.9	5,765.1
Other operating income	12,226.3	7,006.0
TOTAL OPERATING REVENUE	144,296.4	126,447.5
LESS:		
Interest and indexation expenses	(61,857.6)	(43,651.9)
Loss from trading securities	(13,081.9)	(16,358.2)
Commission expenses	(379.6)	(380.9)
Other operating expenses	(7,581.9)	(2,512.4)
GROSS OPERATING MARGIN	61,395.4	63,544.1
Remunerations and personnel expenses	(13,428.7)	(17,849.7)
Administrative and other expenses	(15,230.6)	(13,778.7)
Depreciation and amortization	(1,906.6)	(3,380.0)
NET OPERATING MARGIN	30,829.5	28,535.7
Allowances for assets at risk	(3,536.0)	(9,867.5)
OPERATING INCOME	27,293.5	18,668.2
OTHER INCOME AND EXPENSES		
Non-operating income	2,189.4	1,475.5
Non-operating expenses	(2,464.8)	(630.0)
Profit from investments in related companies	34.8	50.8
Price-level restatement	(3,509.6)	(1,943.0)
INCOME BEFORE INCOME TAX	23,543.3	17,621.5
INCOME TAX PROVISION	(3,523.4)	(3,087.9)
INCOME BEFORE MINORITY INTEREST	20,019.9	14,533.6
MINORITY INTEREST	(5.6)	(4.9)
NET INCOME FOR THE YEAR	**20,014.3**	**14,528.7**

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2005 and 2004 · (in millions of chilean pesos - MCh$)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:	MCh$	MCh$
Net income for the year	20,014.3	14,528.7
Charges (credits) to income that do not represent cash flows:		
Depreciation and amortization	1,906.6	3,380.0
Allowances for assets at risk	3,536.0	9,867.5
Profit from investments in related companies	(34.8)	(50.8)
Minority interest	5.6	4.9
Price-level restatement	3,509.6	1,943.0
Other charges that do not represent cash flows		94.5
Net change in interest. indexation and commissions accrued on assets and liabilities	4,324.7	3,081.8
NET CASH PROVIDED BY OPERATING ACTIVITIES	33,262.0	32,849.6
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Net increase in loans	(117,235.2)	(187,123.7)
Net increase in other loan operations	(21,470.8)	(5,190.2)
Net increase in investments	(93,723.5)	(132,887.6)
Increase (decrease) in leased assets	(4,784.5)	1,308.7
Purchase of fixed assets	(1,855.7)	(9,553.6)
Sale of fixed assets	-	78.0
Purchase of investments in related companies	-	(1,922.0)
Sale of assets received in settlement adjudicated	1,339.3	1,276.2
Net (increase) decrease in other assets and liabilities	(60,418.5)	5,193.8
NET CASH USED IN INVESTING ACTIVITIES	(298,148.9)	(328,820.4)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net increase in checking accounts	19,599.4	25,114.5
Net increase in demand or term deposits	86,291.7	232,332.2
Net increase (decrease) in other demand or term liabilities	(34,938.2)	20,767.8
Net increase (decrease) in obligations arising from trading securities	37,341.8	(8,038.2)
Decrease in short-term foreign borrowings	(52,191.4)	190,942.2
Decrease in mortgage notes issued	(2,320.4)	(707.7)
Bond issue	54,350.7	-
Long-term foreign borrowings obtained	69,165.1	37,548.4
Increase in other short-term liabilities	49,194.2	8,615.4
Payment of other long-term loans obtained		(166,261.9)
Issue of paid-in shares	10.2	15,529.4
Dividends paid	(11,713.0)	(14,220.0)
NET CASH PROVIDED BY FINANCING ACTIVITIES	214,790.1	341,622.1
NET TOTAL CASH FLOW FOR THE YEAR	(50,096.8)	45,651.3
EFFECT OF INFLATION ON CASH AND CASH EQUIVALENTS DURING THE YEAR	(4,985.0)	(1,657.6)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(55,081.8)	43,993.7
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	134,309.8	90,316.1
CASH AND CASH EQUIVALENTS AT END OF YEAR	79,228.0	134,309.8

The accompanying notes are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Chilean pesos - MCh$)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Information provided

T- The consolidated financial statements have been prepared in accordance with accounting regulations issued by the Superintendence of Banks and Financial Institutions (hereinafter, the Superintendency). Such regulations concur with generally accepted accounting principles in Chile.

b. Basis of consolidation

The consolidated group comprises Banco Security (hereinafter "the Bank") and its subsidiaries listed below:

	Participation	
	2005 %	2004 %
Valores Security S.A. Corredores 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 price-level restated by 3.6% to reflect the changes in the CPI (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 through to their 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 restatement

Shareholders' equity, fixed assets and other non-monetary balances have been restated in accordance with the variations in the Chilean Consumer Price Index (CPI).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 with monetary correction.

e. Conversion

Assets and liabilities in inflation index-linked units of accounts (UF) are stated at their year-end conversion rate of Ch$17,974.81 (Ch$17,315.38 in 2004).

f. Foreign currency

Assets and liabilities denominated in foreign currency are stated in Chilean pesos at the exchange rate prevailing at year-end 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 the 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 stated at market value, in accordance with instructions of the Superintendence of Banks and Financial Institutions. Such instructions call for the accounting of the adjustments to market value against income for the year, unless permanent investments are involved, in which case, with certain limitations, the aforementioned adjustments can be made directly against the shareholders' equity account "Fluctuation in value of financial investments".

The application of the permanent portfolio adjustment resulted in a net charge of MCh$948.5 (a 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 cost, restated by the CPI and shown net of accumulated depreciation. Depreciation is calculated using the straight-line method over the useful lives of the assets.

i. Allowances for assets at risk

The Bank has established all the allowances that are required to cover the risk of loss on assets, in accordance with the norms issued by the Superintendence of Banks and Financial Institutions. The assets are shown net of such provisions or, in the case of loans, as a deduction there from.

j. Deferred taxes

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

k. Employee vacations

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

l. Cash and cash equivalents

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

2. TRANSACTIONS WITH RELATED PARTIES

In accordance with the General Banking Law in Chile and the instructions of the Superintendency, individuals and companies that are related, directly or indirectly, to the Bank's ownership or management are considered related parties.

a. Loans to related parties

As of December 31, 2005 and 2004, loans to related parties are as follows:

	Current Portfolio		Past due Portfolio		Total		Collateral (*)	
	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$
Operating companies	40,074.0	36,135.6			40,074.0	36,135.6	29,290.4	31,113.0
Investment companies	15,473.1	15,628.5			15,473.1	15,628.5	5,633.8	4,977.7
Individuals (**)	3,420.3	3,509.3			3,420.3	3,509.3	1,809.4	1,740.2
Total	58,967.4	55,273.4	-	-	58,967.4	55,273.4	36,733.6	37,830.9

(*) Includes only those guarantees that are admitted under Article 84 of the General Banking Law for purposes of establishing the individual credit limits defined by the General Banking Law. The guarantees are valued in accordance with the Superintendency's instructions.

(**) Includes only the obligations of individuals whose debts are equal or greater than the equivalent to UF3,000.

b. Other transactions with related parties

During 2005 and 2004, the Bank entered into the following transactions in excess of UF1,000 with related parties:

		Credits to income statement		Debits to income statement	
Company	Description	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$
Inversiones Invest Security Ltda,	Consultancy services			1,111.0	1,185.2
	Office rentals	19.0	-	-	-
Seguros Vida Security Previsión S,A,	Office rentals	44.0	23.6	-	-
Penta Security Compañía de Seguros Generales S,A,	Office rentals	50.0	15.3	-	-
Asesorías Security S,A,	Consultancy services	-	-	41.7	329.1
Global Mandatos Security S,A,	Consultancy services	-	-	1,285.0	903.5
Global Security Gestión y Servicios Ltda,	Consultancy services	-	62.2	1,286.7	62.0
Virtual Security S,A,	Consultancy services	-	-	1,595.0	1,431.8
Inmobiliaria Security S,A,	Consultancy services	-	-	183.0	202.4
	Loans	91.0	126.7	-	-
	Investments	-	-	37.0	-
	Office rentals	11.0	-	-	-
Grupo Security S,A,	Consultancy services	-	-	4.0	627.4

These transactions were carried out on the terms prevailing on the market at the time of the operation.

The Bank had a price and works progress balance of MCh$1,301.9 payable to Inmobiliaria Security S.A. that fell due in 2005.

During the year 2004, the Bank paid MCh$9,807.0 to Inmobiliaria Security Once Limitada as advances for Fixed Assets. In 2005, the construction of this asset concluded and the deeds were signed.

3. ALLOWANCES

Allowances for assets at risk

As of December 31, 2005, the Bank has allowances on its books for MCh$19,688.3 (MCh$21,313.6 in 2004) which correspond to the minimum allowances required by the Superintendency to cover possible losses.

During each year, the changes in the allowances were as follows:

	Provisions for			
	Loas MCh$	Assets received in settlement MCh$	Otros activos MCh$	Total MCh$
Historic balances as of December 31, 2003	11,960.8	-	428.0	12,388.8
Provisiones from merger	7,143.9	-	-	7,143.9
Provisions applied	(8,484.4)	-	-	(8,484.4)
Provisions freed	(2,080.0)	-	-	(2,080.0)
Provisions established	10,019.8	212.8	1,372.0	11,604.6
Balances as of December 31, 2004	18,560.1	212.8	1,800.0	20,572.9
Balances restated for purposes of comparison	19,228.3	220.5	1,864.8	21,313.6
Historic Balances as of December 31,2004	18,560.1	212.8	1,800.0	20,572.9
Provisions applied	(2,628.9)	(584.7)	-	(3,213.6)
Written-off debts recovered	(1,207.0)	-	-	(1,207.0)
Provisions freed	(508.0)	-	(1,800.0)	(2,308.0)
Provisions established	5,296.1	547.9	-	5,844.0
Balances as of December 31, 2005	19,512.3	176.0	-	19,688.3

In the opinion of the Board of Directors, the allowances established cover all possible losses that might result from non-recovery of assets, based on the information examined by the Bank.

4. SHAREHOLDERS' EQUITY

a. Equity

Changes in the shareholders' equity during each year are summarized as follows:

	Paid-in capital MCh$	Other reserves MCh$	Others accounts MCh$	Net income for the year MCh$	Total MCh$
Historic balances as of December 31, 2003	58,642.1	19,148.4	2,815.2	13,326.1	93,931.8
Distribution of 2003 income	-	13,326.1	-	(13,326.1)	-
Dividends paid	-	(13,326.1)	-	-	(13,326.1)
Fluctuation in value of financial investments	-	-	(393.6)	-	(393.6)
Capital increase as a result of the merger	20,130.6	6,139.3	-	-	26,269.9
Capital increase	14,989.8	-	-	-	14,989.8
Price-level restatement of capital	1,895.9	636.4	-	-	2,532.3
Net income for the year	-	-	-	14,023.8	14,023.8
Balances as of December 31, 2004	95,658.4	25,924.1	2,421.6	14,023.8	138,027.9
Balances restated for purposes of comparison	99,102.1	26,857.4	2,508.8	14,528.7	142,997.0
Historic Balances as of December 31, 2004	95,658.4	25,924.1	2,421.6	14,023.8	138,027.9
Distribution of 2004 income	-	14,023.8	-	(14,023.8)	-
Dividends paid	-	(11,219.1)	-	-	(11,219.1)
Fluctuation in value of financial investments	-	-	(948.5)	-	(948.5)
Capital increase (remainder)	10.2	-	-	-	10.2
Price-level restatement of capital	3,440.3	948.2	-	-	4,388.5
Net income for the year	-	-	-	20,014.3	20,014.3
Balances as of December 31, 2005	99,108.9	29,677.0	1,473.1	20,014.3	150,273.3

Subscribed and paid-in shares

The Bank's authorized capital is divided into 152,193,531 shares of which 135,753,250 are fully subscribed and paid-in.

Merger

The Extraordinary Shareholders' meeting held on August 27, 2004 approved the merger through absorption of Dresdner Bank Latineamerika S.A., which increased the paid-in capital by MCh$19,958.4 (historic). This merger through absorption was approved by the Superintendency in Resolution N°128 dated September 21, 2004.

Capital increase

The Extraordinary General Meeting of Shareholders held on December 29, 2004, agreed to increase the Bank's capital by MCh$30,000.0 through the issue of 32,880,563 shares.

During February 2005 and 2004, 80% and 100% of net profits for 2004 and 2003 amounting to MCh$11,219.1 and MCh$13,326.1 (historic), respectively, were distributed.

b. Minimum basic capital and effective equity

According to the General Banking Law, a financial institution's minimum basic capital may not be less than 3% of its total assets, while the effective equity may not be less than 8% of its risk weighted assets. As of December 31, 2005, the Bank has the following parameters: 6.60% (6.50% in 2004) and 11.22% (11.43% in 2004), respectively.

In accordance with the stipulations contained in Circular Letter N°3,178 of the Superintendency dated June 7, 2003, the Bank has determined its minimum basic capital, total assets, effective equity and risk weighted assets as of December 31, 2003 based on the Bank's consolidated balance sheet.

5. INVESTMENTS

As of December 31, 2005 and 2004, the Bank had the following balances included under investments:

a. Financial Investments

	Type of portfolio						Adjustment to market value					
	Permanent (**)		Non Permanent		Subtotal		Credit (charge) to income		Credit (charge) to equity		Total	
	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$
Securities (*)												
Central Bank of Chile	-	1,909.6	61,756.3	38,289.5	61,756.3	40,199.1	(17.6)	(23.8)	-	(13.4)	61,738.7	40,161.9
Chilean Treasury or other Government Entities	-	-	2,878.4	479.6	2,878.4	479.6	(2.4)	1.1	-	-	2,876.0	480.7
Local financial institutions	23,829.3	10,186.0	168,918.0	123,074.8	192,747.3	133,260.8	411.6	1,289.2	165.4	196.2	193,324.3	134,746.2
Other investments in Chile	47,536.2	18,840.4	35,588.2	52,655.9	83,124.4	71,496.3	26.2	104.3	55.2	826.6	83,205.8	72,427.2
Investments abroad	13,836.8	13,527.6	2,403.2	14,478.6	16,240.0	28,006.2	309.8	1,595.3	1,252.5	1,499.4	17,802.3	31,100.9
Total	85,202.3	44,463.6	271,544.1	228,978.4	356,746.4	273,442.0	727.6	2,966.1	1,473.1	2,508.8	358,947.1	278,916.9

(*) Classification according to issuers or obligors. The abovementioned amounts include MCh$4,082.4 (MCh$15,564.2 in 2004) corresponding to securities sold under repurchase agreements.

(**) Permanent investments include securities whose adjustment to market value is charged to the "Fluctuation in value of financial investments" account, as described in Note 1g.

b. Other investments

	2005 MCh$	2004 MCh$
Assets for leasing	11,796.3	4,458.5
Assets received in settlement or adjudication (*)	716.2	4,358.7
Totals	12,512.5	8,817.2

(*) The amount shown on the balance sheet represents the estimated realizable value of these assets taken as a whole.

In addition to those assets received or adjudicated in settlement of loans that are recorded as assets, there are no others that have been written-off and that have not yet been sold.

6. MATURITIES OF ASSETS AND LIABILITIES

a. Maturity of loans and financial investments

The information below shows loans and financial investments grouped in accordance with their term remaining to maturity. Balances include accrued interest at each year-end.

	Due within a year		More than 1 year up to 3 year		More than 3 year up to 6 year		More than 6 year		Total	
	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$
Loans (1):										
Commercial and others	716,839.3	603,717.3	83,151.9	99,311.8	132,528.3	135,002.4	169,399.5	183,418.0	1,101,919.0	1,021,449.5
Housing mortgages	22.5	41.0	750.2	288.6	6,642.5	2,617.7	95,688.3	95,688.3	103,881.6	98,635.6
Consumer	13,785.2	10,719.8	6,390.2	5,200.3	3,968.8	3,555.6	1,003.1	901.0	25,365.9	20,376.7
Other loans:										
Other financial institutions	21,459.3	5,124.6							21,459.3	5,124.6
Credits arising from trading securities	94,103.7	29,857.8							94,103.7	29,857.8
Financial investments:										
Permanent investments (2)	7,630.9	2,184.7	4,819.1	3,224.7	29,746.9	12,198.3	43,005.4	26,855.9	85,202.3	44,463.6
Non-permanent investments (3)	272,271.7	231,944.5							272,271.7	231,944.5

(1) Considers only those loans outstanding at year-end that fall due within the indicated periods. Consequently, this includes contingent facilities and loans transferred to the past-due portfolio, as well as delinquent debts that have not been transferred to the past-due portfolio that amounted to MCh$2,088.4 (MCh$2,839.5 in 2004), of which MCh$1,354.3 (MCh$1,296.4 in 2004) had been delinquent less than 30 days

(2) Includes securities classified as permanent investments, as described in Note 1f, without considering adjustments to market value and non-transferable notes.

(3) Includes the total amount of the rest of the portfolio of financial investments with its corresponding adjustment to market value.

b. Maturities of deposits, loans and other financing operations

The information detailed below shows deposits, borrowings and other liabilities classified according to their remaining term to maturity. Balances include interest accrued as of December 31, 2005 and 2004.

	Due within one year		Over 1 year up to 3 year		Over 3 year up to 6 year		Over 6 year		Total	
	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$
Borrowings and other obligations (*):										
Demand and term deposits	923,967.2	903,163.3	107,239.7	40,237.0	681.5	597.1			1,031,888.4	943,997.4
Other demand and term liabilities	35,771.0	73,254.7							35,771.0	73,254.7
Liabilities arising from trading securities	82,062.9	46,331.1							82,062.9	46,331.1
Mortgage notes	27.8	558.8	801.5	321.5	7,064.2	2,930.1	95,953.0	102,356.4	103,846.5	106,166.8
Obligations on bonds issued	2,536.7		1,234.3	520.1	53,924.4	1,672.9	42,164.6	44,096.3	99,860.0	46,289.3
Loans from financial institutions and Central Bank of Chile:										
Other obligations with Central Bank of Chile		239.6							-	239.6
Loans from local financial institutions	2,582.8	13,854.1							2,582.8	13,854.1
Obligations abroad	136,093.8	133,620.2	4,601.4	11,341.9	51,421.0				192,116.2	144,962.1
Other obligations	1,956.8	2,836.6	2,092.7	1,602.2	6,399.0	5,991.4	4,739.8	5,035.0	15,188.3	15,465.2

(*) Excludes all sight and contingent obligations.

7. FOREIGN CURRENCY POSITION

The balance sheets include assets and liabilities that are denominated in foreign currencies or are indexed fluctuations in exchange rates. These amounts are summarized below:

	Payable in					
	Foreing currency		Chilean currency (*)		Total	
	2005 ThUS$	2004 ThUS$	2005 ThUS$	2004 ThUS$	2005 ThUS$	2004 ThUS$
ASSETS						
Liquid assets (*)	100,418	131,819			100,418	131,819
Loans	321,626	270,350	34,233	30,128	355,859	300,478
Contingent facilities	36,346	48,435	7,026	4,567	43,372	53,002
Financial investments:						
Abroad	31,582	50,025			31,582	50,025
Other assets	558,325	384,997	7,995	12,122	566,320	397,119
Total assets	1,048,297	885,626	49,254	46,817	1,097,551	932,443
LIABILITIES						
Demand and term deposits	203,656	173,950			203,656	173,950
Contingent liabilities	38,791	51,094	7,011	3,831	45,802	54,925
Other demand and term liabilities	40,376	19,178			40,376	19,178
Obligacions with banks abroad	373,602	258,891			373,602	258,891
Other liabilities	407,963	403,752	17,778	8,368	425,741	412,120
Total liabilities	1,064,388	906,865	24,789	12,199	1,089,177	919,064

(*) Includes operations denominated in foreign currencies payable in Chilean Pesos or operations that are indexed to fluctuations in exchange rates.

8. TRANSACTIONS WITH DERIVATIVE INSTRUMENTS

Transactions for the purchase and sale of foreign currency and futures operations and other derivative products at each year-end, are summarized below::

a. Contracts for the purchase and sale of foreign currency futures, and interest rates:

	Number of operations		Contract amounts: Up to 3 mounths		Contract amounts: More than 3 mounths	
	2005	2004	2005 ThUS$	2004 ThUS$	2005 ThUS$	2004 ThUS$
Type of future operation						
Local market:						
Future purchases of foreign currency with Chilean pesos	187	177	152,550.9	160,069.1	144,120.0	127,405.6
Future sales of foreign currency to Chilean pesos	461	314	154,817.9	136,597.4	116,511.3	125,602.8
Forward sales foreign currency	43	48	32,988.6	48,124.0	2,828.7	2,095.4
Foreign markets:						
Forward purchases in foreign currency	27	45	20,636.6	77,543.5	1,964.7	3,701.3
Forward or other interest rate contracts	7	-	-	-	140,187.8	-

The amount refers to either the US dollar futures bought or sold, or the equivalent in US dollar of foreign currency futures bought or sold, or the US dollar basis associated with interest rate futures, as appropriate. The terms correspond to the duration of the contracts from the transaction date.

b. Contracts on the value of "Unidad de Fomento" (Inflation index-linked units of accounts):

	Number of operations		Amount of the contracts: from 1 to 3 mounths		Amount of the contracts: Over 3 mounths	
	2005	2004	2005 UF	2004 UF	2005 UF	2004 UF
Purchase of UF/ Chilean peso forwards	25	17	7,328,305	1,800,000	400,000	1,900,000
Sale of UF/ Chilean peso forwards	45	65	7,911,087	20,586,400	6,273,460	53,320,500

9. CONTINGENCIES, COMMITMENTS AND RESPONSIBILITIES

Commitments and responsibilities accounted for in memorandum accounts

The Bank has recorded in memorandum accounts the following balances related to commitments or responsibilities deriving from the business activity:

	2005 MCh$	2004 MCh$
Liens and mortgage security	796,027.9	798,870.4
Securities and notes in guarantee	268,136.0	319,802.5
Lines of credit obtained	231,892.3	262,522.1
Securities held in custody	129,929.4	232,717.6
Loans approved but not disbursed	93,531.4	82,439.7
Foreign collections	24,901.0	28,155.1

The above table includes only the more significant balances. Contingent loans and liabilities are stated on the Balance Sheet

b. Direct commitments of the subsidiary Valores Security S.A. Corredores de Bolsa

Collateral for overdraft lines: As of December 31, 2004 the Company had overdraft lines approved with the following Banks: Scotiabank, BICE, Citibank, Security and Santander, to which effect promissory notes have been signed for ThCh$1,400,000, ThCh$2,500,000, ThUS$ 3,000, ThCh$2,100,000 and ThCh$1,500,000, respectively.

10. OTHER OPERATING INCOME

The amount shown in the income statement as other operating income corresponds to the following items:

	2005 MCh$	2004 MCh$
Profit on UF-Peso forward operation	6,768.1	4,366.0
Remunerations Mutual Funds	4,188.5	
Others	1,212.7	2,550.0
Gain on assets received in settlement of loans	57.0	90.0
Totals	12,226.3	7,006.0

11. OTHER OPERATING EXPENSES

The amount of other operating expenses shown in the income statement corresponds to the following items:

	2005 MCh$	2004 MCh$
Contribution of assets received in settlement of loans	17.2	48.6
Expenses abroad	260.0	57.2
Maintenance and repairs of assets received in settlement of loans	25.4	78.1
Other expenses paid on credits leasing division	3.5	3.1
Consultancy on assets received in setlement of loans	31.4	19.2
Utility bills/assets received in setlement of loans	39.0	27.8
Loss on UF-Peso forward operation	7,073.8	2,278.2
Other operating expenses	131.6	0.2
Totals	7,581.9	2,512.4

12. COMMISSIONS

Commissions income and expenses shown in the statements of income are as follows:

	Income		Expenses	
	2005 MCh$	2004 MCh$	2005 MCh$	2004 MCh$
Commissions earned or paid on:				
Loan commissions	1,549.4	1,442.7	61.2	
Stock exchange transactions	1,147.0			
Checking accounts	1,137.0	986.6		
Commissions on collecting insurance	759.7			
Commissions on collecting checks and bills	698.8	744.2		
Credit cards	638.8	543.7		
Others	229.3	485.9	15.0	95.0
International Rebates	209.2			
Lines of credit	180.7	171.1		
Branch services	109.2	148.0		
ATM commissions	54.4	78.3	303.4	234.8
Letters of credit. guarantees. pledges and others	1,059.4	810.8		
Foreign correspondents				51.1
Financial consultancy services		144.3		
Totals	7,772.9	5,555.6	379.6	380.9

Commissions earned on mortgage note transactions are included in “Interest and Indexation Income” in the consolidated Statement of Income.

13. NON-OPERATING INCOME

The amount of non-operating income shown in the Income Statement is detailed as follows:

	2005 MCh$	2004 MCh$
Recovery of expenses	1,204.8	898.5
Recovery of written-off asset received in settlement of loans	555.2	27.9
Others	211.5	426.7
Rents received	207.3	119.8
Sale of fixed assets	10.6	2.6
Totals	2,189.4	1,475.5

14. NON-OPERATING EXPENSES

The amount of non-operating expenses shown in the income statement is detailed as follows

	2005 MCh$	2004 MCh$
Writte-offs of assets received in settlement of loans	1,547.9	161.8
Loss on sale of assets received in settlement of loans	550.9	314.0
Loss on assets recovered in leasing	249.5	134.9
Others	116.5	19.3
Total	2,464.8	630.0

15. INCOME TAX

The Bank and its subsidiaries have established allowances for First Category Income Tax for a total of MCh$4,481.7 (MCh$4,306.2 in 2004).

16. DEFERRED TAXES

As explained in Note 1j, the Bank has applied the accounting criteria of Technical Bulletin N°60 of the Chilean Institute of Certified Public Accountants and its supplements.
Deferred taxes on temporary differences are presented below:

	Balance as of	
2005 item	January 1 2005 (historic) MCh$	December 31 2005 MCh$
Debit differences:		
Global provision on assets recovered	2,410.3	2,338.1
Provisions on assets recovered	23.4	13.0
Provision for leasing contracts	139.1	-
Leasing tax assets	14,018.5	14,413.3
Adjustment to market of non-permanent investments	486.7	132.1
Assets received in setlement of loans written-off	169.8	8.4
Others	575.2	1,902.3
Subtotal	17,823.0	18,807.2
Balance of complementary account	(3,434.5)	(3,284.4)
Net difference	14,388.5	15,522.8
Credit differences:		
Leasing contracts	(16,087.2)	(16,187.7)
Depreciation of fixed assets	(675.9)	(729.1)
Others	(314.0)	(111.5)
Subtotal	(17,077.1)	(17,028.3)
Balance complementary account	5,365.2	5,140.4
Net difference	(11,711.9)	(11,887.9)

	Balance as of	
2004 item	January 1 2004 (historic) MCh$	December 31 2004 MCh$
Debit differences:		
Global provision on loan portfolio	1,247.2	2,497.1
Provisions for assets recovered	25.5	24.2
Provision over leasing contracts	107.0	144.1
Leasing tax assets	9,222.3	14,523.2
Adjustment to market of non-permanent investments	124.1	504.2
Write-off of assets received in settlement	73.5	175.9
Others	346.2	595.9
Subtotal	11,145.8	18,464.6
Balance complementary account	(3,738.3)	(3,558.1)
Net difference	7,407.5	14,906.5
Credit differences:		
Leasing contracts	(11,031.7)	(16,666.3)
Depreciation of fixed assets	(589.5)	(700.2)
Others	(61.7)	(325.3)
Subtotal	(11,682.9)	(17,691.8)
Balance complementary account	5,830.6	5,558.3
Net difference	(5,852.3)	(12,133.5)

The effect of the Tax expense in 2005 and 2004 is as follows:

	2005 MCh$	2004 MCh$
Provision for income tax	(4,481.7)	(4,306.2)
Effects of deferred tax for the year on assets and liabilities	1,033.0	1,310.4
Effects of amortization of deferred tax on asset and liability complementary accounts	(74.7)	(92.1)
Total	(3,523.4)	(3,087.9)

17. PURCHASES, SALES, SUBSTITUTIONS OR SWAPS IN THE LOAN PORTFOLIO

In 2005 and 2004, the Bank purchased and sold loans as follows:

2005:

Purchase MCh$	Sale MCh$	Effect on income MCh$	Effect on provisions MCh$
7,165.8	18,229.1	36.3	36.3

2004:

Purchase MCh$	Sale MCh$	Effect on income MCh$	Effect on provisions MCh$
10,298.0	11,592.2	16.7	16.7

18. DIRECTORS' EXPENSES AND FEES

During the years 2005 and 2004, the Bank has paid the following directors' fees and expenses:

	2005 MCh$	2004 MCh$
Per diems	64.1	102.4
Consulting fees	417.8	443.7
Total	481.9	546.1

19. NEW ACCOUNTING CRITERIA

In accordance with Circular N° 3,345 issued by the Superintendency of Banks and Financial Institutions, effective January 1, 2006, the accounting criteria for valuing financial instruments acquired for negotiation or investment purposes, derivative instruments, hedges and disposals from the financial assets on the balance sheets, will be amended. The instructions of Circular N° 3,345 will become effective starting on March 31, 2006, with valuation differences arising from prior years' investments being adjusted directly against the Bank's equity.

20. SUBSEQUENT EVENTS

From January 1 to January 13, 2006, date on which these financial statement were issued, there have been no subsequent events that would materially affect the financial statements.

HORACIO SILVA C.
Accounting Sub-Manager

RAMON ELUCHANS O.
General Manager

7.3 CHAPTER

SUMMARIZED FINANCIAL STATEMENTS OF SUBSIDIARIES

ThCh$: Thousands of Chilean pesos
MCh$: Millions of Chilean pesos
UF: Unidad de Fomento
(an official inflation-indexed monetary unit)
US$: United States dollar
ThUS$: Thousands of US dollars

VALORES SECURITY S.A. CORREDORES DE BOLSA

BALANCE SHEET

Summarized Financial Statements as of December 31, 2005 and 2004.

	2005	2004
ASSETS	**MCh$**	**MCh$**
Current	398,567.7	367,245.5
Premises & equipment	217.1	129.4
Other Assets	371.8	367.8
Total Assets	399,156.6	367,742.7
LIABILITIES		
Current	381,975.7	352,809.1
Capital & reserves	14,933.8	10,270.2
Net income for the year	2.247	4,663.4
Total Liabilities & Shareholders' Equity	399,156.6	367,742.7

STATEMENT OF INCOME

Operating income	3,025.9	5,719.8
Non-operating income	(338.9)	(122.5)
Income before taxes	2,687.0	5,597.3
Income tax	(439.9)	(933.9)
Net income for the year	2,247.1	4,663.4

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

BALANCE SHEET

Summarized Financial Statements as of December 31, 2005 and 2004.

	2005	2004
ASSETS	**MM$**	**MM$**
Current	8,066.7	6,596.6
Premises & equipment	177.0	84.6
Total Assets	8,243.7	6,681.2
LIABILITIES		
Current	309,4	350.1
Capital & reserves	1,275.5	1,275.5
Retained earnings	5,028.6	3,329.4
Net income for the year	1,630.2	1,699.2
Total Liabilities & Shareholders' Equity	8,243.7	6,654.2

STATEMENT OF INCOME

Operating income	1,500.2	1,514.8
Non-operating income	463.2	532.0
Income before taxes	1,963.4	2,046.8
Income tax	(333.2)	(347.6)
Net income for the year	1,630.2	1,699.2

FORMAL INFORMATION

Name:
BANCO SECURITY

Kind of Entity:
Banking Corporation

Corporate Objects:
Carry our all acts, contracts, operations and activities common to a commercial bank, in accordance with prevailing legislation.

Tax No.:
97.053.000-2

Domicile:
Av. Apoquindo 3150, 15th floor, Las Condes, Santiago, Chile

Telephone
(56-2) 584 4000

Fax:
(56-2) 584 4001

E-Mail:
banco@security.cl

Web:
www.security.cl

Constitution Documents:
The company was constituted by public deed dated August 26, 1981 signed before the notary Enrique Morgan Torres. The extract of the deed of constitution was published in the Official Gazette on September 23, 1981.

BANCO security

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Concepción Branch
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