

GRUPO

security

GRUPO

security

BANCO

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Leasing Security
Fondos Mutuos Security
Valores Security
Asesorías Security
Factoring Security
Merchant Security
Securitizadora Security
Inmobiliaria Security
Corredora Security

SEGUROS

previsión

Previsión Vida
Previsión Generales

TRAVEL

security

A LETTER TO OUR SHAREHOLDERS

I am pleased to present you with Grupo Security's Annual Report for the year just ended.

During 1999 the Chilean economy endured a severe adjustment process that showed in a drop in domestic spending, production and employment levels, affecting the business activity in every sector of the national economy. Despite this recessive scenario, Grupo Security's results were quite satisfactory, with all the proposed goals being met once more.

Indeed, Grupo Security's 1999 earnings amounted to US\$17.39 million, that is, a 37,0% increase in real terms as compared with the results of the previous year, with a net income to equity ratio of 13.6%. This comparison does not include the one-time gains from the sale of Grupo Security shares in the AFP Protección pension fund, an operation that was performed in March of 1998.

As for the results of our subsidiaries, Banco Security's profits amounted to US\$16.12 million, yielding returns on equity of 15.4%, which compares very favorably with the financial industry's average of 9.4%. This 54.5% increase in Banco Security's results over the year before can be attributed mainly to the favorable effect of reduced interest rates despite the larger provisions made along the year, and by the subsidiaries' improved results. Thus, the four subsidiaries continue to make significant contributions to the Bank's activities and results. Earnings from investments in related companies were US\$5.07 million, that is twice last year's, and accounted for 31.5% of the Bank's consolidated income. Factoring Security also showed excellent results, with profits increasing 37.4% over the previous period to US\$2.42 million, and with a return on equity ratio of 27.9%.

On the other hand, the results of Merchant Security and Inmobiliaria Security were affected by the country's economic adjustment process and low sales that directly hit the real estate business during the larger part of the year. These two companies recorded losses of US\$0.36 and US\$0.43 million in 1999, respectively.

As for the two insurance companies, Previsión Vida (life) and Previsión Generales (non-life), which were transferred to the holding subsidiary Inversiones Seguros Security by the end of 1998, they both showed substantial recoveries, with net income of US\$0.96 and US\$0.47 million respectively. These results represent significant improvements over 1998 and can be linked to the reorganization processes recently implemented in both firms.

By mid 1999 Grupo Security's Board of Directors agreed to acquire a 75% stake in the company Exportravel, one of the most important travel agencies operating in the local market, changing its name to Travel Security. During the period this company had profits of US\$0.33 million, or a 45% growth over the previous year's results, and a 44,4% return on equity.

Consistently with its business strategy, Grupo Security continued in 1999 with the process of diversifying into new financial activities. Aside from the addition of Travel Security mentioned above, aimed at diversifying the traditional financial businesses into the tourism and recreation areas, the Grupo Security Board also agreed to incorporate to its group of subsidiaries an insurance brokerage company intended to complement particularly its insurance and banking operations. This new affiliate, with the name Corredores de Seguros Security, will begin operations during the early months of the year 2000.

It must be noted that Grupo Security has continued developing during 1999 a complete and ambitious three-year Technological Plan that started off in 1998, which should put us in a privileged position in the competition.

With a future vision that involves expeditious and direct relationships with the customers based on the latest computing and communications technologies, this Technological Plan is centered around Banco Security, but generally covers each one of the Group's subsidiaries. Among other matters, the plan considers the creation of data bases at each subsidiary, developing alternative distribution channels for the various products offered by the Group's companies through the Internet and phone banking, together with developing new features in the traditional products, improving networks and processes, and a number of activities aimed at providing top quality services to our clients. Technological advances made during 1999 were considerable, including launching new products to the market, which were received very favorably. We are aware that there is still a long way ahead, but all the necessary steps are being taken and we are convinced that here lies the future of financial, insurance, and banking businesses in general.

Thus, Grupo Security has continued to walk its success road during 1999, satisfactorily meeting all the set goals, despite the recession that affected the local economy.

From a wider perspective, 5 years have gone by since Grupo Security decided to place its shares in the Stock Exchange for the first time. After completing the five-year period from 1995 to 1999 considered in the projections submitted to the shareholders when Grupo Security went public, we can say with pride that the results obtained by Grupo Security over such period exceeded the forecasts every single year. Indeed, net accumulated income in the 1995-1999 period outdid projections by 21.2%, once again fulfilling satisfactorily all the defined goals.

The above results prove that Grupo Security is fully prepared to undertake its businesses successfully, based on the expertise and solvency it has gained over the years, and is ready to take all the opportunities the market has to offer.

To finish, I would like to say once again that, in carrying out our tasks, were are proud to have had, as we have in previous years, the permanent effort and humane and professional qualities of our staff, whose commitment with the Company and its objectives has been essential in constructing what we now can present to you.

Thank you.



Francisco Silva S.
Chairman of the Board

FINANCIAL INDICATORS GRUPO SECURITY S.A. (INDIVIDUAL)

BALANCE	1991	1992	1993	1994	1995	1996	1997	1998	1999
US\$ as of December 1999 (000s omitted)									
Cash and Equivalents	65	116	262	1979	36,887	35,459	37,136	31,161	22,447
Fixed Assets	0	0	0	0	1,453	1	50	37	132
Investment in Related Companies	44,160	42,996	44,976	78,144	106,546	112,102	123,434	148,445	154,730
Goodwill	13,827	12,374	0	1,765	34,421	30,970	27,454	1,136	1,063
Other Assets	0	0	0	0	149	1,868	1,692	1,522	1,342
TOTAL OTHER ASSETS	57,988	55,370	44,976	79,909	141,116	144,940	152,580	151,103	157,135
Total Assets	58,052	55,486	45,238	81,888	179,456	180,400	189,766	182,301	179,713
Current Liabilities	2,158	3,496	4,715	8,450	42,777	6,729	15,534	11,154	8,679
Long Term Assets	40,369	32,617	30,051	19,885	16,899	41,513	36,702	32,058	25,807
Equity	15,525	19,372	10,472	53,553	119,780	132,158	137,529	139,088	145,227
TOTAL LIABILITIES AND EQUITY	58,052	55,486	45,238	81,888	179,456	180,400	189,766	182,301	179,713

INCOME STATEMENT	1991	1992	1993	1994	1995	1996	1997	1998	1999
US\$ as of December 1999 (000s omitted)									
GROSS MARGIN	10	24	22	133	64	32	-2	0	0
General & Administrative Expenses	125	71	183	177	1,151	1,011	1,563	3,227	2,872
NET OPERATING INCOME	-115	-47	-161	-44	-1,087	-979	-1,565	-3,227	-2,872
NON OPERATING INCOME & EXPENSES:									
Financial Income	0	130	0	0	802	196	62	2,459	2,079
Income from Investments	4,559	4,038	5,666	8,482	14,123	16,683	19,955	15,798	18,531
Other Income	0	0	6	154	58	5,041	3,234	14,788	2,086
Amortization of Goodwill	-728	-1,456	-12,373	-86	-461	-3,497	-3,500	-490	-73
Financial Expenses	-1,937	-2,982	-2,087	-1,742	-1,645	-3,651	-3,147	-2,851	-2,171
Monetary Correction	1,080	4,426	50	3,834	838	277	225	-1,102	-181
NON OPERATING RESULTS	2,974	4,156	-8,738	10,641	13,715	15,048	16,828	28,601	20,271
Net Income Before Taxes	2,859	4,109	-8,899	10,597	12,627	14,069	15,263	25,374	17,399
Taxes	0	264	0	360	0	219	0	1,478	9
NET INCOME	2,859	3,844	-8,899	10,237	12,627	13,850	15,263	23,896	17,390

Exchange Rate: Ch\$ 527.7 per US dollar

FINANCIAL INDICATORS GRUPO SECURITY S.A. (CONSOLIDATED)

BALANCE	1994	1995	1996	1997	1998	1999
US\$ as of December 1999 (000s omitted)						
Cash and Equivalents	12,582	63,070	80,098	100,076	112,780	124,363
Fixed Assets	62	1,505	39	167	195	877
Investment in Related Companies	76,470	103,115	107,827	116,649	126,884	135,189
Goodwill	1,765	34,418	30,961	27,454	5,210	8,441
Other Assets	10,313	10,429	1,869	5,332	4,843	10,205
TOTAL ASSETS	101,193	212,538	220,794	249,677	249,912	279,075
Current Liabilities	27,783	72,398	45,007	73,728	76,108	104,980
Long Term Assets	19,883	20,371	43,663	38,420	34,716	28,867
Equity	53,527	119,769	132,124	137,529	139,088	145,227
TOTAL LIABILITIES AND EQUITY	101,193	212,538	220,794	249,677	249,912	279,075

INCOME STATEMENT	1994	1995	1996	1997	1998	1999
US\$ as of December 1999 (000s omitted)						
GROSS MARGIN	771	1,780	4,232	4,080	9,790	9,427
General & Administrative Expenses	760	2,266	4,908	3,695	9,945	10,922
NET OPERATING INCOME	11	-486	-676	385	-155	-1,495
NON OPERATING INCOME & EXPENSES:						
Financial Income	133	825	197	77	2,784	3,723
Income from Investments	8,400	13,772	15,932	18,380	10,572	16,866
Other Income	158	59	5,810	3,268	18,409	2,780
Amortization of Goodwill	-87	-461	-3,497	-3,500	-507	-404
Financial Expenses	-1,742	-1,645	-3,651	-3,154	-3,116	-2,565
Moneraty Correction	3,768	676	45	-2	-1,566	-558
NON OPERATING RESULTS	10,630	13,225	14,836	15,069	26,576	19,841
Net Income Before Taxes	10,641	12,741	14,165	15,453	26,421	18,346
Taxes	405	112	311	190	2,524	957
NET INCOME	10,236	12,628	13,855	15,263	23,896	17,390

Exchange Rate: Ch\$ 527.7 per US dollar

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I. BOARD OF DIRECTORS AND MANAGEMENT

Chairman

Francisco Silva S.

Civil Engineer, Catholic University of Chile

Master of Science in Engineering, Stanford University

Directors

Osvaldo Barzelatto S.

Entrepreneur

Andrés Concha R.

Business Administrator, University of Chile

Jaime Correa H.

Civil Engineer, University of Chile

Alvaro Donoso B.

Business Administrator, Catholic University of Chile

Master of Arts in Economics, University of Chicago

Jorge Marín C.

Entrepreneur

Naoshi Matsumoto T.

Business Administrator, Catholic University of Chile

Horacio Pavez G.

Civil Constructor, Federico Santa María University

Alvaro Vial G.

Business Administrator, University of Chile

Master of Arts in Economics, University of Chicago

President

Renato Peñafiel M.

Business Administrator, Catholic University of Chile

Master of Arts in Economics, University of Chicago

Annual Report Endorsement

This Annual Report has been endorsed by the Company's Board of Directors.

II. COMPANY IDENTIFICATION

Corporate Name:	GRUPO SECURITY S.A.
Type of Organization:	Open-stock corporation.
Corporate Purpose:	This is a financial group whose purpose is to provide the widest range of financial services, both in Chile and abroad.
Taxpayer ID:	96.604.380-6
Address:	Miraflores 178, Piso 6, Santiago, Chile.
Telephone Number:	(56-2) 270 4000
Fax Number:	(56-2) 270 4001
E-mail Address:	grupo@security.cl
Website:	www.security.cl
Deeds of Incorporation:	<p>GRUPO SECURITY S.A. investment company was incorporated by means of a public deed dated February 8 of 1991, before the Notary Public Mr. Enrique Morgan Torres. An abstract thereof was published in the official daily newspaper Diario Oficial in its February 22, 1991 issue. It was registered in the Santiago Registry of Commerce on page 5720 item 2820 on February 19 of 1991. Grupo Security S.A. is an open-stock corporation. On January 30, 1995, the Company was registered in the Securities File under number 0499 and is therefore subject to inspection by the Securities & Insurance Superintendency.</p> <p>Upon agreement of the Special Shareholders' Meeting held on October 20 of 1997, the Company was renamed, changing from Security Holding S.A. to its present name Grupo Security S.A.</p>

Trust



III. BUSINESS ACTIVITIES OF GRUPO SECURITY S.A.

Strategy • Results of Grupo Security S.A. in 1999 • Financial Indicators
Stock-Market Performance

Strategy

From its creation to this date, Grupo Security has consolidated as a diversified financial conglomerate. Consistently with its objective of adding value for its shareholders, its business strategy seeks to promote fast growth of its existing operations while continuing to diversify into new financial activities, either through purchases or through the creation of new companies. In order to attain the projected growth of its financial activities, Grupo Security is prepared to take the best opportunities provided by the marketplace. The services that the Grupo Security companies provide are all oriented at giving integral service to clients, with diversified products, with top quality standards at low risk.

During 1999 Grupo Security continued along the road to success, despite the effects of the adjustment process that the Chilean economy had to endure. Actually, the Company had begun a process of investment opening and diversification in 1995, when the decision was made to go public in the local stock exchanges and materialize the acquisition of AFP Protección S.A., Seguros Previsión Vida S.A. and Seguros Previsión Generales S.A. later that year. The process continued in 1996 with the creation of two new companies: Inmobiliaria Security S.A., in the real estate area, and Merchant Security S.A., that began operating in the merchant banking and financial counseling areas. Later on, in October of 1997 the addition of Securitizadora Security S.A. as a subsidiary of Merchant Security S.A. was completed. In March of 1998, Grupo Security sold its stake in AFP Protección S.A. and in December that year the insurance companies Previsión Vida S.A. and Previsión Generales S.A. were transferred to the holding company Inversiones Seguros Security Limitada. During 1999 the Company decided to acquire a majority interest in the travel agency Travel Security S.A. and the addition of Corredores de Seguros Security Limitada, which will start activities during the first quarter of 2000.

So, the financial services presently offered by the Grupo Security companies are grouped in the following business areas:

CREDIT	INVESTMENTS	ADVISORY	INSURANCE	OTHER SERVICES
Commercial Banking Leasing Factoring	Mutual Funds Stock Brokerage	Financial Advisory Merchant Banking Securitization	Life Non-Life Insurance Brokerage	Real Estate Tourism and Entertainment

Results of Grupo Security in 1999

Grupo Security's net income was US\$ 17.39 million in 1999, that is, a 37.0% more in real terms than the year before, and its return on equity was 13.6%. This comparison leaves out the one-time gain from the sale of Grupo Security stake in the pension fund AFP Protección, an operation that was completed in March of 1998.

As is apparent in the financial statements included in this Annual Report, these profits were generated mainly by earnings of related companies making up the results of the Group's subsidiaries. Grupo Security's individual balance sheet shows total assets US\$179.71 million, of which current assets account for US\$22.45 million (12.5% of total assets) reflecting a comfortable liquidity situation for the Company. The most important asset entry is Investments in related companies that amount to US\$154.73 million. This figure, considering goodwill, accounts for 86.7% of total assets. Current and long-term liabilities add up to US\$34.49 million, where main entries are Obligations with banks and financial institutions with US\$7.69 million and the bond issue of January of 1996, of US\$25.87 million. Finally, the Group's Shareholders' equity amounted to US\$145.23, or the equivalent of 80.8% of total assets at December of 1999.

Financial Indicators

The table below shows the evolution of the most important financial indicators of Grupo Security's general balance sheets during the past four years.

Grupo Security	December 1999	December 1998	December 1997	December 1996
Current Assets / Current Liabilities	2,59	2,79	2,39	5,27
Total Liabilities / Equity	23,75%	31,07%	37,98%	36,50%
Total Debt / Total Assets	19,19%	23,70%	27,53%	26,74%
Net Income / Equity*	13,60%	20,74%	12,48%	11,71%

* Equity is net of income of the period.

Stock-Market Performance

The stock exchange and prices recovered remarkably over 1999, peaking in the last days of the year and more than offsetting the negative effects that the Asian crisis had had on emerging markets during the previous year. Stock prices, as measured by either the general stock price index IGPA or the selected stock price index IPSA increased by 43% over the year, and market capitalization did by a similar percentage to US\$67,607 million in 1999. US\$6,477 million were traded during the year, a 68% increase over the year before, heavily influenced by a series of public offerings performed especially during the first half of 1999. Worth singling out were the offerings of Endesa, Enersis, Banco Sudamericano and Banco de A. Edwards. The price to earnings ratio averaged 19.36 in 1999, exceeding by far the 12.68 figure of 1998.

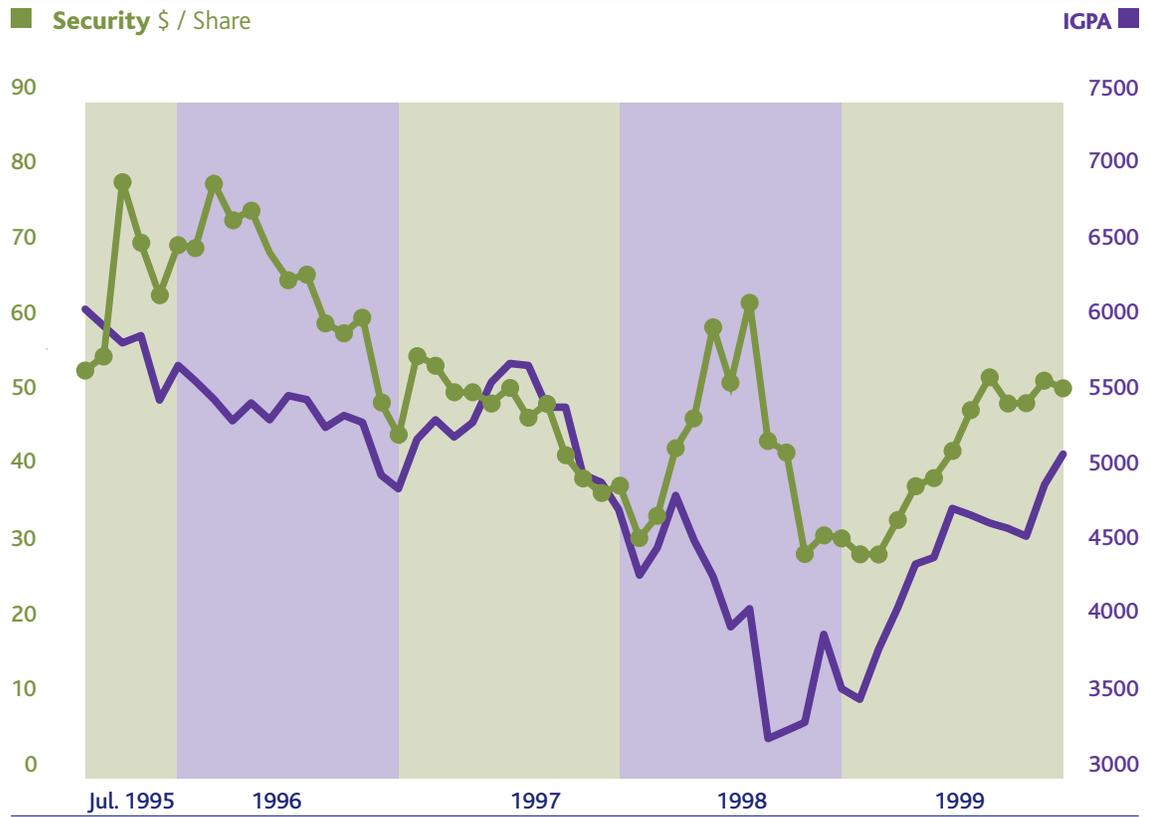
As in previous years, the performance of Grupo Security's share price during 1999 was directly related to the evolution of the domestic stock market. In this context, the price per share went from Ch\$32.1 at the end of 1998 to Ch\$52.0 per share at December 1999, peaking at Ch\$56 per share in September. The Security share price to earnings ratio recovered its level of earlier years and more than doubled from 4.32 in 1998 to 9.38 in 1999.

The following table shows some stock-exchange indicators for Grupo Security at the end of the last four years.

Grupo Security	December 1999	December 1998	December 1997	December 1996
Price per share (Ch\$)	52,0	32,1	39,0	45,7
Earnings per share (Ch\$)	5,55	7,43	4,55	3,88
Price to earnings ratio	9,38	4,32	8,57	11,82
Number of shares	1.654.721.054	1.654.721.054	1.654.721.054	1.654.721.054

The graph shows the evolution of Grupo Security's stock price against the performance of the general stock price index IGPA since July 1995, when the company went public and began trading in the Stock Exchange.

Security Stock Price - IGPA





Technology

IV. COMPANY PROFILE

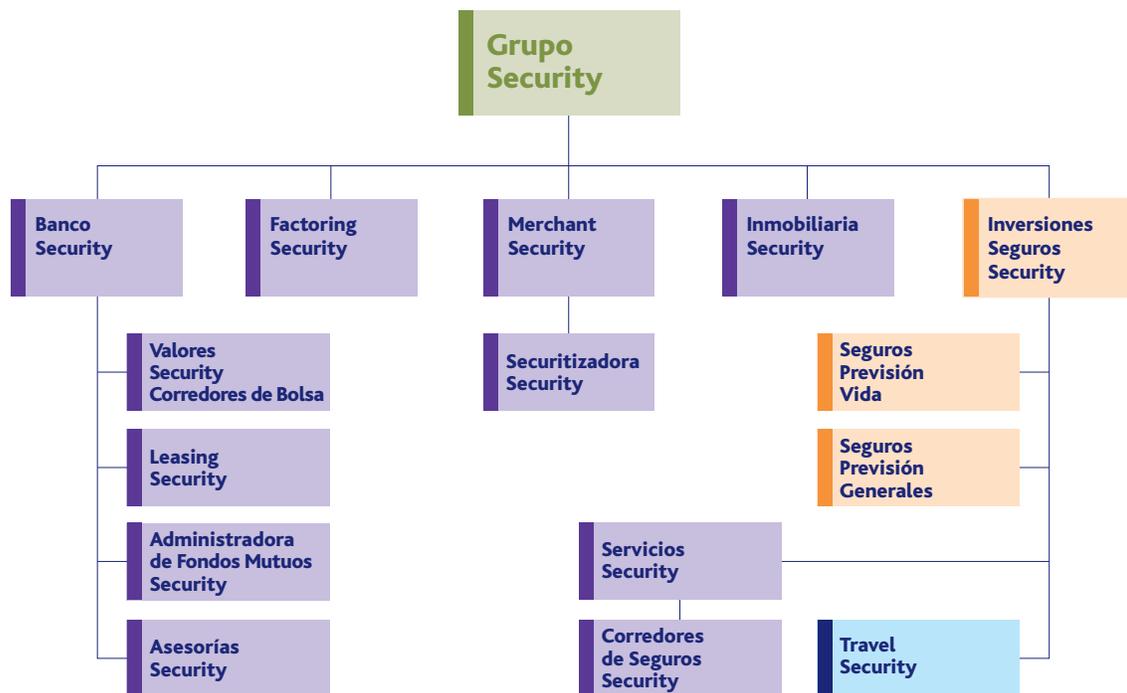
Organizational Structure • Some History • Risk Rating • Ownership
Dividend Policy • Holding Company & Subsidiaries' Staff

Organizational Structure

Grupo Security S.A. was founded in 1991 with the purpose of acquiring Banco Security and developing in the financial business.

It is made up of Banco Security, with its subsidiaries Leasing Security S.A., Administradora de Fondos Mutuos Security S.A., Valores Security S.A. Corredores de Bolsa and Asesorías Security S.A.; Factoring Security S.A.; Merchant Security S.A. and its subsidiary Securitizadora Security S.A.; Inmobiliaria Security S.A.; and Inversiones Seguros Security Limitada and its subsidiaries Seguros Previsión Vida S.A., Seguros Previsión Generales S.A., Travel Security S.A. and Corredores de Seguros Security Limitada. This last one will begin operating in early 2000.

Grupo Security S.A.'s organizational structure is presented below:



Some History

In 1981 Banco Urquijo of Spain creates a subsidiary in Chile, Banco Urquijo de Chile.

In 1987, Security Pacific Corp., a subsidiary of Security Pacific National Bank of Los Angeles, California acquires 100% of the shares of Banco Urquijo de Chile, which is then renamed Banco Security Pacific. That same year, Security Pacific National Bank creates a securities and stock brokerage agency that is subsequently sold to Banco Security, whose present name is Valores Security S.A. Corredores de Bolsa.

In 1990 a leasing subsidiary is created, with the name Leasing Security S.A.

In 1991 Grupo Security S.A. is created with the purpose of developing a financial group. In June of that year, Security Pacific Overseas Corporation sells to the present controlling shareholders of Grupo Security S.A. a 60% stake of the Bank, which becomes Banco Security.

In 1992 the mutual fund Administradora de Fondos Mutuos Security S.A. is created, as a subsidiary of Banco Security, together with Factoring Security S.A., as a subsidiary of Grupo Security S.A.

In 1993 the subsidiary Asesorías Security S.A. is created. It is the representative in Chile of Morgan Stanley Dean Witter Discover & Co. from the US, to provide futures and derivatives and counseling in international asset management.

In 1994, the Bank of America, a successor of Security Pacific National Bank, sells the remaining 40% of the bank to Grupo Security S.A.

In July of 1995, Grupo Security S.A. goes public and begins trading in the Stock Exchange in order to raise resources to increase the capital base of Banco Security and its subsidiaries.

In December of 1995, after a second capital increase, the Company buys a majority stake in the pension fund AFP Protection S.A. and in the insurance companies Previsión Vida S.A. (life) and Previsión Generales S.A. (non-life). This purchase was materialized jointly with the company Inversiones, Seguros y Pensiones Ltda., with whom a joint-action agreement was made with the purpose of developing the newly acquired firms.

In 1996 two new companies were added to the financial conglomerate with the creation of Merchant Security S.A. and Inmobiliaria Security S.A., the former dedicated to merchant banking and financial advisory and the latter to real estate businesses. Last was the purchase of 29.35% of the aforesaid insurance company Previsión Generales S.A. from Inversiones, Seguros y Pensiones Ltda. whereby Grupo Security S.A. gained the control of 62.69% of it.

In July of 1997 Grupo Security S.A. made a stock split, exchanging one old share for 7 new ones. Also, in October there was a renewal of Grupo Security S.A.'s corporate image, changing the companies' names while keeping their activities. Later on, in October of 1997 the securitizing company Securitizadora Security S.A. is

added to Grupo Security S.A. This new company, a subsidiary of Merchant Security S.A., is dedicated to securitize assets, debt certificates, and the like.

In March of 1998 Grupo Security sold out its stake in AFP Protección S.A. and in December of the same year it transferred the insurance companies Previsión Vida and Previsión Generales to the holding company Inversiones Seguros Security Limitada, a subsidiary of Grupo Security that concentrates the conglomerate's insurance operations.

During 1999 Grupo Security acquired a majority interest in the travel agency Travel Security S.A. and decided to create a new subsidiary through the aforesaid holding company Inversiones Seguros Security Limitada: the insurance brokerage company Corredores de Seguros Security Limitada which will begin operations during the first quarter of 2000.

Risk Rating

G rupo Security S.A.'s shares have been rated First Class Level 3 by the private risk-rating companies Feller & Rate and Duff & Phelps Chile. Detail is shown below.

Risk Rating agency	Common Shares	Bonds N° 188, Series A1, A2
Duff & Phelps Chile	First class, level 3	A+
Feller & Rate	First class, level 3	A
Risk Rating Commission	Approved	A

Ownership

Since July of 1995, Grupo Security S.A. is an open-stock corporation and has shown active stock-market presence in the local exchanges.

Grupo Security's shareowners are qualified bankers, business people and professionals with a long history in the financial industry. This strength results in a unique combination of common long-term objectives that generates the proper incentives to establish an agile and efficient organization with long-lasting relationships with the clients.

At December 31 of 1999, Grupo Security S.A. had 864 shareholders that owned a combined total of 1,654,721,054 shares. Below is a list with the largest 12:

Company Name	% Share
Depósito Central de Valores S.A.	11.30%
Soc. Com. de Servicios e Inversiones Limitada	8.12%
Inversiones Hidroeléctricas Limitada	7.96%
Inversiones Hemaco S.A.	6.43%
Inversiones Círculo Financiero S.A.	6.01%
Inmobiliaria Villuco Ltda.	5.94%
Inversiones Matyco Ltda.	5.79%
Inversiones Llascahue Limitada	4.18%
Paclama S.A.	4.01%
Inversiones Los Cactus Limitada	3.87%
Inversiones San Ignacio Limitada	2.16%
Compañía de Inversiones Río Bueno Limitada	2.14%
12 Largest Shareholders	67.91%
Other 852 Shareholders	32.09%
Total	100.00%

Dividend Policy

It is the intention of Grupo Security's Board of directors to propose at the upcoming Shareholders' Meeting that the Company maintain its current dividend policy, as approved at the Regular Shareholders' Meeting of 1999. That is, to pay out no less than 50% of the Company's share in its subsidiaries' net income of each period, distributed into two dividends, one interim and the other final. The interim dividend will be paid in October or November of each year, and it will account for up to 20% of the Company's accrued earnings for the January-June period of the respective years. A second and final dividend will be paid in April or May of each year, to complete no less than 50% of the Company's share in the subsidiaries' net income of the previous period, provided that it does not hinder the Company's ability to comply with any present or future financial obligations.

Accordingly, Grupo Security's Board will propose the shareholders to pay out Ch\$2.75 per share as the final dividend which, when added to the interim dividend of Ch\$0.50 already paid in October of 1999 yields a total of US\$10.19 millions in dividends paid and payable. This sum is the equivalent of 58.6% of the Company's net income of the 1999 period.

In addition, and in accordance with the powers granted to the Board at the Regular Shareholders' Meeting held in April of 1999, it was agreed at a Grupo Security Board session to pay out an additional dividend of Ch\$1.00 per share, which amounted to a combined US\$3.14 million against withheld earnings, that was distributed in October of 1999.

Grupo Security's Board intends to propose the shareholders at their Regular Meeting to maintain this policy and to pay out during 2000 a dividend of up to Ch\$1.00 per share against withheld earnings of previous periods, at the same date as interim dividends.

Holding Company & Subsidiaries' Staff

The table below shows the staff working with Grupo Security S.A. and its subsidiaries as of December 31 of 1999. It must be noted that staff figures of insurance companies Seguros Previsión Vida S.A. and Seguros Previsión Generales S.A. include the sales force.

Number of Employees	1999	1998	1997
Grupo Security S.A.	5	5	2
Banco Security	283	257	233
Leasing Security S.A.	30	31	29
Adm. Fondos Mutuos Security S.A.	17	40	39
Valores Security S.A. Corredores de Bolsa	52	24	30
Asesorías Security S.A.	5	5	4
Factoring Security S.A.	68	60	37
Inmobiliaria Security S.A.	6	5	4
Merchant Security S.A.	8	10	10
Securitizadora Security S.A.	1	1	1
Inversiones Seguros Security Ltda.	–	–	–
Seguros Previsión Vida S.A.	330	173	395
Seguros Previsión Generales S.A.	411	295	272
Travel Security S.A.	110	–	–
Subtotal before AFP Protección	1,326	906	1,056
AFP Protección S.A.	–	–	1,831
Total	1,326	906	2,887

Service



V. ACTIVITIES AND RESULTS OF GRUPO SECURITY COMPANIES

Banco Security and Subsidiaries • Factoring Security S.A. • Merchant Security S.A. and Subsidiary
Inmobiliaria Security S.A • Inversiones Seguros Security Limitada and Subsidiaries

Banco Security and Subsidiaries

Banco Security is a bank oriented to large and medium-sized companies and high-income individuals. The wide range of financial products and services it provides is marked by strong customer orientation and customized, integral, flexible, and timely attention.

Despite the effect of the economic adjustment process and the recession that affected all the country's economic sectors during 1999, Banco Security's results were very satisfactory, especially if compared with the banking industry's performance in the same period. In the Chilean financial system, the effects of the economic downturn reflected on reduced growth in credits and increased risks, with the resulting deterioration of bank profits. Preliminary numbers suggest that overall credits increased only by 2.7% in real terms during 1999 and the earnings of the financial system fell by 12.8%, thus reducing returns on shareholders' equity to 9.4%.

In this scenario, the good results of Banco Security are a proof of the strength and maturity it has attained in the past years. Actually, Banco Security and subsidiaries had consolidated net income of US\$16.12 million in 1999, with a real increase of 54.5% over the previous year and return on equity of 15.4%. This substantial real growth over 1998 results can be attributed mainly to the effects of more favorable interest rates in 1999 and to the subsidiaries' improved results, despite the Bank's increased efforts to make provisions to cover the higher risks of the system.

Consistently with the system's lower level of activity, Banco Security's total credits at December of 1999 amounted to US\$1.09 billion, with real growth at 5.5% in 12 months, compared with the estimated growth rate of 2.7% in the overall financial system. It is worth noting that real annual growth in credits from 1990 to 1998 had averaged 24.7% for Banco Security and 10.8% for the system. Thus, Banco Security's market share in terms of credits was 2.24% in 1999, being well positioned in its target market. It ranked 13th among the 30 banks and financial institutions operating in the market as of late 1999.

Banco Security has maintained its traditional strengths in terms of customer portfolio quality, high efficiency and productivity.

In fact, as measured by the portfolio risk index, Banco Security is the lowest-risk bank among national banks operating in the domestic market in 1999 and ranks eighth if the sample is extended to include all banks, domestic and foreign, in operation. Available risk indicators for October of 1999 indicate that the Financial System's risk increased to 1.98% of credits, from 1.50% in October of 1998. Banco Security recorded a risk index of 1.12% of credits at October of 1999, up from the 0.86% figure of the same month of 1998. It is worth noting here that Banco Security has, as have the rest of the banks, made huge efforts in terms of write-offs and provisions during the year (US\$8.84 million at December of 1999 compared with US\$6.46 million at December of 1998), as a response to the system's increased risk.

In terms of efficiency, Banco Security ranks in an outstanding first place among large and medium sized banks operating in the local market. The bank has continued making efforts to reduce expenses, both administrative and labor-related, to meet the efficiency standards that it has come to be known for. Thus, efficiency increased in 1999, as shown by the ratio of support expenses to gross margin of 51.0% in 1999, compared with 53.2% in 1998. On the other hand, Banco Security keeps its first place in the industry in terms of productivity, as measured by the ratio of credits to number of employees.

It must be noted that Banco Security, together with its affiliates and other companies in the Group, began carrying out an ambitious three-year Technological Plan in 1998, which has continued during 1999, with the purpose of placing the Bank in a privileged position with other technology-conscious banks. A future vision that involves direct contact with clients based on the latest information and communication technology has been in the Bank's development plans for some time now. Some of these products have already entered the market and have been very well received by our clients.

In terms of solvency, Banco Security's Basilea index, which considers equity over risk-weighted assets, as of the end of 1999 was 11.30%, with a comfortable margin over the minimum required of 8%. Basic capital, in turn, accounts for 7.47% of total assets, above the minimum 3% required by the General Banking Act.

Banco Security operates a total of 11 branches, including the Headquarters. Its branch strategy has been oriented into sectors or regions that are consistent with its target market, that is, large and medium-sized companies and selected individuals. Accordingly, four branches are located outside Santiago, in the cities of Temuco, Concepción, Antofagasta and Puerto Montt, and the rest in exclusive districts in the Metropolitan Region.

Finally, it must be mentioned that Banco Security's subsidiaries made significant contributions to the Bank's activities and results, with substantial growth over 1998. In fact, share in earnings from investments in related companies amounted to US\$5.07 million in 1999, or a real 103.8% above 1998, and accounted for 31.5% of the Bank's net consolidated income, as compared with the 23.9% figure of the previous year.

Banco Security's subsidiaries, whose financial services complement its traditional operations, are described in the next section.

Leasing Security S.A.

This Banco Security subsidiary is dedicated to the leasing of equipment and machinery, heavy and freight vehicles, together with used and new product lease-back and real-estate leasing focusing in office space and industrial properties. Its target market is made up by large and medium-sized companies, which it serves with a strong client orientation, providing integral services and taking advantage of synergies with the Bank and other subsidiaries in the Group.

The leasing industry is one of the hardest hit activities by economic cycles, because of its close links with the capital goods market, such as real estate properties and machinery. Thus, in 1999, the leasing industry showed another drop in credits of 8.1% and a reduction in net income of 42.3% from the year before.

Within this context, Leasing Security's net income at year end was US\$ 1.47 million, a slight increase of 1.1% in real terms over 1998, not bad considering the overall industry's slow-down. The Company's return on equity was 12.6%.

The Company's leasing contracts amounted to US\$76.48 million at December of 1999, that is, 8.6% less in real terms than the year before, in line with the system's reduction in credits. Preliminary figures disclosed by the Chilean Association of Leasing Companies show Leasing Security with a 3.9% market share among the 16 companies operating locally. At December of 1999 the Company has 674 lease contracts outstanding (752 in 1998) with a total of 391 debtors (446 in 1998).

During 1999 Leasing Security made provisions amounting to a combined US\$0.17 million (US\$0.47 million in 1998), yielding a provision coefficient equivalent to 1.51% of the entire lease contract portfolio (1.34% in 1998), which compared with the risk-rating coefficient of 1.06% shows a significant leeway.

At year-end, the Company's leverage is 5.75 times equity. Hence, Leasing Security has a solid equity structure, together with low risk levels in its credit operations, reduced payment delay rates and a large number of clients in the widest variety of economic activities. This translates into a diversified portfolio in terms of products and contract terms. Plus diversified sources of financing for the Company and a spacious provisions policy that permit to forecast auspicious growth for the coming years. .

Administradora de Fondos Mutuos Security S.A.

This company was created as a subsidiary of Banco Security in May of 1992, and has shown sustained growth since, incorporating the administration of new funds. As of the end of 1999, the Company manages six funds, namely "Security Check", a short-term fixed-income fund oriented to large and medium-sized companies; "Security First", a medium and long-term fixed-income fund; "Security Premium", the short-term fixed-income fund oriented mainly to individuals and small companies; "Security Acciones", a variable-income fund; "Security Global Investment", which is authorized to invest 100% of its portfolio in foreign countries; and "Security Gold", the fixed-income fund oriented to individuals wishing to invest for the medium and long term.

Administradora de Fondos Mutuos Security's net income increased by a real 76.4% over the previous year to US\$1.23 million in 1999, with a return on equity ratio of 56.8%.

At the mutual fund industry level, the complex financial situation experienced in 1998 had resulted in a severe drop of 31.5% in managed funds. In such a scenario, it is worth highlighting the remarkable recovery during 1999, with an increase of close to 50% in real terms that brought the industry back to its pre-crisis levels.

In line with the overall mutual fund industry, Administradora de Fondos Mutuos Security also showed a remarkable recovery of funds managed, of 53.9%. At the end of December of 1999, Administradora de Fondos Mutuos Security was managing an average of \$171.04 million, which represents an increase in its market share from 2.9% in 1997 to 4.2% in 1998 to 4.3% in 1999. The Company's strategy, in terms of yielding attractive return levels in the various funds it operates, and to direct its sales force to companies and especially to high-income individuals, has resulted in a large number of participants, that equaled 5,868 clients as of the end of 1999.

The sharp drop of 1998 and the subsequent recuperation of investments managed by the mutual funds during 1999 is shown below (figures in millions of US\$):

Mutual Funds	December 1997	December 1998	December 1999	% Variation 1997-1998	% Variation 1998-1999
Mutual Fund Industry	2,003.9	1,372.7	2,107.1	- 31.5 %	49.6%
Administradora de Fondos Mutuos Security	57.6	57.2	90.3	- 0.7 %	53.9%
AFM Security's Market Share	2.9%	4.2%	4.3%		

Valores Security S.A. Corredores de Bolsa

During 1999, Valores Security S.A. Corredores de Bolsa showed very good results, with net income totaling US\$1.71 million, compared with the US\$0.20 million figure of the previous year, that is, a real increase of 771.4% and a return on equity of 40.5%. The favorable results of the Company in 1999 are directly related with the positive evolution of the stock exchanges during 1999, as well as with earnings from the investments made thanks to the increased stability and reduced levels shown by interest rates. Actually, volume traded in the local stock exchanges during the year increased by 68% over the previous year to US\$6,477 million. It was strongly influenced by a number of public offerings that were made during the first half of 1999, where worth singling out were Endesa, Enersis, Banco Sudamericano and Banco de A. Edwards. At the same time, stock prices -measured by either the general index IGPA or the selective index IPSA- increased by 43% during the year, and a similar variation was experienced by market capitalization which reached US\$67,607 million in 1999.

During 1999, Valores Security traded US\$651.78 million in shares, ranking fifth among the 38 local stock brokers, with an annual average market share of 4.19%, considering transactions performed in the Santiago Stock Exchange and the Chilean Electronic Exchange where it operates.

The two business areas where Valores Security S.A. Corredores de Bolsa performs its activities showed the following behavior during the year just ended:

- Variable-income instruments (shares) grossed US\$1.45 million for the Company, from stock intermediation, income from stock exchange rights and from the results of the Company's own portfolio.
- The fixed-income area grossed US\$2.66 million during 1999, a considerable achievement for a period that was not free of complications in taking positions in fixed income instruments and dollars.

Asesorías Security S.A.

This subsidiary of Banco Security focuses its activities on risk hedging operations and on counseling clients in managing financial assets abroad. For these effects it relies on the support of Morgan Stanley Dean Witter Discover & Co., which has transformed itself into one of the world's largest companies in this line of business. Asesorías Security is its representative in Chile for all the above mentioned activities. The year 1999 was a good one for Asesorías Security. The uncertainty prevailing during the previous year generated very interesting business opportunities. Although the volume traded in the markets were not as large as expected, returns outperformed every projection. The risk-hedging area reactivated significantly, mainly because of the strong appreciation of the dollar peso rate. The Company provided financial advise to several businesses, interesting in their structures and terms, that involved an exchange-rate risk. Counseling in asset management abroad continue growing as predicted a year ago. One achievement this year was to capture all but one of the pension fund managing institutions as clients. The Company is working intensively to increase the services offered in order to better differentiate itself from the competition. In brief, Asesorías Security's net income was US\$0.61 million in 1999, a remarkable 312.4% higher than the results of 1998.

Factoring Security S.A.

Factoring Security began operating in December of 1992, one of the pioneers in the domestic factoring industry.

A few years ago the Company started an aggressive commercial strategy, by opening 10 points of sale throughout the country, thus extending its geographic coverage from Iquique up north to Puerto Montt in the south. The big breakthroughs that the Company has developed in recent years have begun to yield their fruits, in terms of both results and credit levels.

During 1999, Factoring Security's profits increased by a real 37.3% over 1998 to US\$2.42 million, yielding a 27.9% return on equity.

The high risk situation of the market arising from the economic recession in place made it recommendable to keep a low profile in the factoring activity. In such a scenario, the Company has kept through all the year 1999 a controlled level of activity, with average credits in the US\$36 to US\$45 million range, to pick up only in the last two months, when the first signs of economic recovery appeared. Thus, the Company closed the year with an average credit level of US\$87.97 million at December of 1999, a real increase of 57.2% over the closing of the year before.

The higher risk of the economy reflected on Factoring Security's credit provisions increasing to US\$3.70 million at December 1999, representing a 4.47% of the Company's net factoring loans.

Merchant Security S.A. and Subsidiary

This company began operating on September 1st of 1996 as a subsidiary of Grupo Security, continuing with the "Corporate Finance Area" that until then was handled by Valores Security S.A. Corredores de Bolsa, a subsidiary of Banco Security.

The activities of Merchant Security involve the provision of corporate financial counseling, fundamentally in three business areas where it has been present during these past few years, namely:

- Traditional financial counseling, including restructuring of liabilities and obtaining long-term credits for specified projects.
- Public offerings in the Stock Exchange and bond issuing.
- Purchase and sale of business units, properties and trademarks.

The results of the Company in 1999 show a loss of US\$0.36 million, or the equivalent of 12.6% of its net worth. During the year, the Company undertook a revision process over its marketing and development strategy. With this purpose in mind, it implemented a wide-ranged program of visits to companies that resulted in a number of businesses that will expectedly materialize during the year 2000. In concrete, at this date there is a stock of several mandates already signed or in progress, plus a list of other businesses whose mandate should materialize during the coming months.

Since late 1997 Merchant Security has a strategic alliance with Advent International, the largest investment fund in the world, which is present in more than 33 countries with investments in over 100 companies.

Securitizadora Security S.A.

Securitizadora Security was incorporated on October 21 of 1997 as a subsidiary of Merchant Security. It was created with the purpose of securitizing varied assets and debt certificates in general. The complex economic conditions prevailing in 1998 and the slow recovery that began only by late 1999 led the Company to be very cautious to begin its activities. However, activities will expectedly develop significantly as economic growth resumes, so the Company will become an important contribution to the varied array of financial products and services Grupo Security currently provides its clients.

Inmobiliaria Security S.A.

Inmobiliaria Security was incorporated in December of 1995 as a subsidiary of Grupo Security. It was created with the purpose of participating in financial operations associated with the real estate sector. Inmobiliaria Security's marketing strategy considers developing its own projects and / or creating associations with third parties through investors requiring real estate management.

Four years into the business, the Company participates in the construction and sale of a series of real estate projects, through operative firms of limited activities created specifically for this purpose. To this date some 45 thousand square meters have been built. The Company has also taken part in office projects outside Santiago, under the prepaid modality upon construction commencement. The Company has also continued making investments in new large-sized projects, whose results will expectedly continue to show in the years to come.

As is common knowledge, the real estate sector is one of the activities most severely affected by economic cycles. Thus, increased interest rates and uncertainty prevailing in the real estate market brought sales to a halt, until by mid-1999 the Government granted tax benefits to individual purchases of a particular size of houses and apartments. This measure translated into a recovery in sales. All in all, during the year Inmobiliaria sold 46 apartments to comply with its sell-it-all objective. Now it can give the green light to new projects whose maturity will hopefully coincide with the sector's recuperation.

The Company registers accumulated losses of US\$0.43 million as of the end of 1999, which represent 15.7% of its net worth. These results are explained by the negative effect of reduced apartment sales and deteriorated margins during the period.



Agility

Inversiones Seguros Security Limitada and Subsidiaries

In December of 1998, Grupo Security amended the bylaws of Inversiones, Seguros y Pensiones Limitada, changing its corporate name to "Inversiones Seguros Security Limitada" and making a capital increase by contributing the shares held by Grupo Security in Compañía de Seguros Previsión Vida S.A. and Seguros Previsión Generales S.A.. Inversiones Seguros Security Limitada thereby became a new subsidiary of Grupo Security and a holding company covering the insurance businesses as well as other activities conducted by the Group.

By mid- 1999, Grupo Security decided to acquire the company Exportravel, one of the most important travel agencies operating in the local market. The purchase was performed through the holding company Inversiones Seguros Security Limitada, and the agency was renamed Travel Security.

Subsequently, by the end of the year, Grupo Security decided to create a new subsidiary under the holding company Inversiones Seguros Security Limitada, dedicated to insurance brokerage, with the name Corredores de Seguros Security Limitada, which is ready to begin operations in January of 2000.

The performance shown by each of Inversiones Seguros Security's subsidiaries during 1999 is described next.

Seguros Previsión Vida S.A.

It must be said here that the insurance companies named “Previsión” have been participating in the country’s insurance industry for more than 70 years. Its history can be traced back to the early days of the public bank Banco del Estado de Chile. In September of 1928 a social security organization was created for Banco del Estado employees, that was given the name of “La Previsión Compañía Chilena de Seguros”. The companies “Seguros Previsión Vida S.A.” and “Seguros Previsión Generales S.A.” as we know them today were created in 1980, the year in which life insurance operations were required by law to be separated from non-life or property casualty operations. Later on, in December of 1995, Grupo Security acquired a majority interest in each of the two from the French group AGF. In December of 1998 they were transferred to the Grupo Security subsidiary “Inversiones Seguros Security Limitada”.

The 1999 results of the life-insurance company Previsión Vida show a net income of US\$0.96 million, a substantial improvement from the US\$0.55 million in losses registered in 1998. In general, the Company’s favorable results are the outcome of an internal reorganizing process carried out during the last year. In particular, earnings generated in the last few months of 1999 were favored by the recovery of the stock price and the reduced loss ratio achieved in the traditional insurance business.

On the sales side, earnings from net withheld premiums amounted to US\$11.81 million in 1999, as compared with US\$10.63 million the year before, a real increase of 11.1% in net earnings from the sale of traditional life insurance policies and annuities.

Among the main causes that may explain the losses of 1998 were the effect of the international crisis that reflected on mounting interest rates and the collapse of stock prices. Despite the recession that affected the Chilean economy in 1999, interest rates declined and the Stock Exchange recovered leading the Company to receive earnings from investment proceeds amounting to US\$6.37 million in 1999, compared with US\$4.79 million in 1998 (a real increase of 33.0%).

One important feature of the Company is its extended network of 17 branches throughout the country. The branch network of Previsión Vida, that shares a number of locations with Previsión Generales, is one of the largest in the country, and one of the main strengths of Seguros Previsión’s sales strategy. In this respect, Previsión Vida has two distribution channels, a direct one managed through its own sales force oriented at the traditional life-insurance policies and an outsourced one handled through insurance brokers dedicated to the sale of annuities and other related products.

Seguros Previsión Generales S.A.

This non-life insurance company is well positioned in the center of a highly competitive industry. The main lines of business the Company takes part in include motor vehicle, fire, the drivers' mandatory personal injury policies, and others.

Seguros Previsión Generales registered in December of 1999 accumulated earnings of US\$0.47 million, compared with US\$0.26 million in 1998. The same as with Previsión Vida, the better results are also the result of the reorganization made by the Company during 1999, which combined favorably with the gradual overall financial recovery and reduced market interest rates. Despite reduced sales of direct premiums, the Company's results benefited from efforts made towards reducing loss ratios and controlling expenses.

Revenues from direct premiums amounted to US\$25.79 million in 1999, a drop in real terms of 1.0% from the US\$26.06 million sold in 1998. It must be noted here that withheld premiums grew by 2.81%, due to a reduction in the ceded portfolio.

On the other hand, investment proceeds recovered from US\$0.82 million in 1998 to US\$0.99 million in 1999, an increase in real terms of 19.5%, thanks to the improved general financial conditions.

Regarding Company risk, it is worth noting that the loss ratio, measured over earned withheld premiums, declined to 57.83% at December of 1999, compared with 65.55% a year before, partly explained by the Company's restructuring process.

In terms of efficiency, collection and administration expenses account for 32.59% of revenues from withheld direct premiums at December of 1999, larger by 29.27% than the previous year figure. However, it must be noted that higher expenses registered in 1999 include some one-time extraordinary costs, which are also related with the Company's reorganization.

Finally, distribution channels used by Seguros Previsión Generales are made up of external agents controlled by Company supervisors distributed throughout the country via the 16-branch network that the Company shares with Previsión Vida in different locations.

Travel Security S.A.

In 1999, this newly acquired company of Grupo Security registered a net income of US\$0.33 million, a growth of 45% over the previous year's results and a return on equity of 44.4%. The Company, upon being purchased in mid 1999 by Grupo Security, began accounting for its results through the holding company Inversiones Seguros Security Limitada starting in the second half of the year.

Travel Security has shown strong growth in sales and improved results in a market not free of complications. This travel agency's accumulated sales amount to US\$22.1 million during 1999, 66% more than the previous year in real terms. If preliminary data available at October of 1999 are considered, a real drop of 8% for the overall industry is observed. Most remarkable is the increase in Travel Security's market share to 3.7% ranking fourth in terms of sales. In general, several travel agencies have been suffering financial problems lately, resulting in a number of mergers. This situation was made worse by a reduction in commissions decreed by some airlines.

Travel Security, on its part, is currently negotiating a number of contracts consistent with its development strategy, oriented to both individuals and organizations. In the last months of 1999 it established itself in its new offices in the "Patio Isidora" building in the select district of Las Condes, and has begun opening new branches in downtown Santiago, and in other major cities such as Iquique, Concepción and Antofagasta.

Courtesy



VI. DESCRIPTION OF GRUPO SECURITY'S SUBSIDIARIES

Banco Security

**Type of Organization:**

Banking Stock Corporation

Corporate Purpose:

To carry out any acts, contracts, operations and activities inherent to commercial banks, in accordance with the legislation in force.

General Information:

The Company was incorporated by means of a public deed dated August 26 of 1981 before the notary public Mr. Enrique Morgan Torres.

Paid-in Capital and Reserves:

US\$104.34 million as of December 31 of 1999, including equity revaluation pursuant to provisions in Article 10 of Law N° 18.046.

Results:

Net income after taxes equaled US\$16.12 million at the end of the 1999 accounting period.

Direct and Indirect Ownership:

Grupo Security S.A. owns 99.999% of the shares.

President:

Ramón Eluchans O.

Board Members:**Chairman:**

Francisco Silva S.

Directors:

Hernán Felipe Errázuriz C.

Jorge Marín C.

Gustavo Pavez R.

Renato Peñafiel M.

Gonzalo Ruiz U.

Mario Weiffenbach O.

Valores Security S.A. Corredores de Bolsa



Type of Organization:

Stock Corporation, a Banco Security subsidiary.

Corporate Purpose:

To operate in two business areas, namely stock intermediation and money desk activities through fixed income instruments, dollar operations, and the like.

General Information:

It was incorporated by means of a public deed dated April 10 of 1987. Pursuant to legal provisions in force applicable to stock corporations and to the securities market, the Company is registered in the Santiago Registry of Commerce under N° 3,630 of 1987. It is also registered in the Stockbroker and Securities Agents Registry under N° 0111 of June 2 of 1987. On October 16 of 1997, the Regular Shareholder's Meeting agreed to change the Company's name to "Valores Security S.A. Corredores de Bolsa".

Paid-in Capital and Reserves:

The Company's paid-in Capital and Reserves at December 31 of 1999 is US\$1.64 million and total shareholders' equity is \$ US\$5.92 million.

Results:

Results of the period were US\$1.71 million as of December 31 of 1999.

Direct and Indirect Ownership:

Banco Security owns 99.900% of the shares.

President:

Nicolás Ugarte B.

Board Members:

Chairman:

Ramón Eluchans O.

Directors:

Claudio Berndt C.

Guillermo Correa S.

Javier Gómez C.

Luis Esteban Montalva R.

Juan Oehninger M.

Mario Weiffenbach O.

Leasing Security S.A.

**Type of Organization:**

Closed-stock Corporation, a Banco Security subsidiary.

Corporate Purpose:

To finance and purchase capital goods through the leasing with option-to-purchase modality.

General Information:

It was incorporated as a closed-stock corporation by means of a public deed dated April 9 of 1990, before the notary public Mr. Enrique Morgan Torres. Its corporate name was modified on July 10 of 1991. The Company began operating on May 8 of 1990, and is a subsidiary of Banco Security. As an affiliate complementing the banking business, this company is subject to inspection by the Banks & Financial Institutions Superintendency. By a public deed dated October 16 of 1997, signed at the office of the Santiago notary public Mr. Enrique Morgan Torres, the Company's name was changed to Leasing Security S.A. An abstract thereof is registered on page 26349, N° 21335, of the Registry of Commerce of the Santiago Real Estate Registrar of 1997, and was published in the official daily newspaper Diario Oficial, on October 27 of 1997.

Paid-in Capital and Reserves:

At December 31 of 1999 the Company's paid-in capital and reserves was US\$11.70 million and its shareholders' equity is US\$13.18 million.

Results:

Net income of the period was US\$1.47 million as of December 31, 1999.

Direct and Indirect Ownership:

Banco Security owns 99.9999% and Mr. Clemente Silva Silva owns 0.0001% of the Company's shares.

President:

Alan Lolic Z.

Board Members:**Chairman:**

Renato Peñafiel M.

Directors:

Claudio Berndt C.

Ramón Eluchans O.

Naoshi Matsumoto T.

Luis Montalva R.

Horacio Pavez G.

Gonzalo Ruiz U.

Administradora de Fondos Mutuos Security S.A.



Type of Organization:

Stock Corporation, a Banco Security subsidiary.

Corporate Purpose:

To manage mutual funds.

General Information:

The Company was incorporated by means of a public deed dated May 26 of 1992, and on June 2 of 1992 the Securities and Insurance Superintendency approved its existence upon exempt decision N° 0112. As of this date, the Company manages 6 mutual funds, namely:

Security Check, approved by exempt decision N° 0112 of June, 1992.

Security First, approved by exempt decision N° 0228 of October, 1992.

Security Premium, approved by exempt decision N° 0142 of June, 1993.

Security Acciones, approved by exempt decision N° 0184 of August of 1993, which started activities in January of 1994.

Security Global Investment, approved by exempt decision N° 0235 of October of 1996. This mutual fund started operating on October 29 of 1996.

Security Gold, approved by exempt decision N° 054. It started operating on March 10 of 1998.

The Company is subject to inspection by the Securities and Insurance Superintendency and is governed by the Decree-Law 1328 and regulations thereof.

Paid-in Capital and Shareholders' Equity:

At December 31 of 1999 the Company's paid-in capital is US\$2.03 million. Its shareholders' equity is US\$3.40 million.

Results:

Net income of the period was US\$1.23 million as of December 31 of 1999.

Direct and Indirect Ownership:

Banco Security owns 99.990% of the Company's shares.

President:

Alfredo Reyes V.

Board Members:

Chairman:

Oscar Brahm G.

Directors:

Francisco Juanicotena S.

Miguel Angel Soto N.

Adolfo Tocornal R-T.

Gonzalo Ruiz U.

Asesorías Security S.A.



Type of Organization:

Closed-stock Corporation, a Banco Security subsidiary.

Corporate Purpose:

To provide financial counseling to clients. In particular, it provides risk hedging to interest rates, exchange rates and commodity prices, together with managing financial assets in foreign countries.

General Information:

The Company was incorporated by means of a public deed dated November 6 of 1992, before the notary public Mr. Juan Ricardo San Martín Urrejola. It was made a subsidiary of Banco Security on August 27 of 1993 through the acquisition of 95% of the shares. On October 16 of 1997, the Company agreed at the Regular Shareholders' Meeting to change the Company's name to "Asesorías Security S.A.".

Paid-in Capital and Shareholders' Equity:

At December 31 of 1999, paid-in capital and reserves amount to US\$0.22 million and shareholders' equity is US\$0.37 million.

Results:

Net income of the period was US\$0.61 million as of December 31, 1999.

Direct and Indirect Ownership:

At this date, Banco Security holds 95,0% of the shares and Asesorías e Inversiones Delfos Limitada has the remaining 5.0%.

President:

Claudio Izzo B.

Board Members:

Chairman:

Ramón Eluchans O.

Directors:

Bonifacio Bilbao H.

José Gabriel Palma A.

Adolfo Tocornal R-T.

Cristián Valdés B.

Factoring Security S.A.



Type of Organization:

Closed-stock Corporation.

Corporate Purpose:

To conduct factoring operations, that is, to buy or finance, with or without liability for receivables, of any type of organization or individual, or to grant financing with receivable collateral, or manages receivables. Also to buy and sell and to invest in any type of intangibles, and to manage investments and collect the proceeds or rents thereof.

General Information:

The Company was incorporated by means of a public deed dated November 26 of 1992, before the notary public Mr. Enrique Morgan Torres. An abstract of the respective deed was published in the official daily newspaper Diario Oficial's issue of December 12, 1992. It was registered in the Santiago Registry of Commerce. By a public deed dated October 20, 1997, the Company was renamed Factoring Security S.A.

Paid-in and Shareholders' Equity:

At December 31 of 1999 the Company's paid-in capital amounts to US\$8.64 million and shareholders' equity is US\$11.07 million.

Results:

Net income of the period was US\$2.42 million.

Direct and Indirect Ownership:

At this date, Grupo Security S.A. owns 99.999% of the Company's shares.

President:

Juan José Irrarrázaval LL.

Board Members:

Chairman:

Gonzalo Ruiz U.

Directors:

Francisco Juanicotena S.

Renato Peñafiel M.

Francisco Silva S.

Mario Weiffenbach O.

Merchant Security S.A.



Type of Organization:

Closed-stock Corporation.

Corporate Purpose:

To provide financial, economic, business, accounting, legal, debt and company restructuring counseling, to carry out studies of any kind related with the aforesaid activities; to make permanent or rent-oriented investments in any kind of goods, whether tangible or intangible. For these purposes the Company may acquire, keep, sell, dispose of and negotiate in any way and in any title any kind of stocks, bonds, debentures, bearer securities, and to receive proceeds and rent thereof, to make investments in order to create, integrate, participate in and represent any type of organizations, whether domestic or foreign, that operate a similar line of business and that may be of interest for the Company.

General Information:

The Company was incorporated as a closed-stock corporation by a public deed dated August 30 of 1996.

Paid-in Capital and Shareholders' Equity:

At December 31 of 1999 the Company's paid-in capital is US\$1.51 million and its shareholders' equity is US\$3.00 million.

Results:

Losses of the period amounted to US\$0.36 million.

Direct and Indirect Ownership:

Grupo Security S.A.'s stake in the Company is 99,8%. The remaining 0.2% of the shares is owned by Factoring Security S.A.

President:

Gonzalo Gormaz D.

Board Members:

Chairman:

Francisco Silva S.

Directors:

Jaime Correa H.

Renato Peñafiel M.

Alvaro Vial G.

Mario Weiffenbach O.

Securizadora Security S.A.



Type of Organization:

Closed-stock Corporation, a subsidiary of Merchant Security S.A.

Corporate Purpose:

The Company's exclusive purposes are to acquire the credits referred to in article N° 135 of Law N° 18.045 of 1981 and complementary regulations thereof, and to issue short and long-term debt certificates.

General Information:

The Company was incorporated as a closed-stock corporation by means of a public deed dated October 21 of 1997, signed before the notary public Mr. Alvaro Bianchi Rosas. Upon exempt decision N° 369 of December 12 of 1997, the Securities & Insurance Superintendency authorized the Company's existence and approved its bylaws. A certificate issued by said Superintendency containing an abstract of the Company bylaws was registered on page 31310 item 25367 in the Registry of Commerce of the Santiago Real Estate Registrar of 1997 and was published in the official daily newspaper Diario Oficial's issue of December 23 of the same year. The Company is registered in the Securities & Insurance Superintendency's Securities File under N° 640 of April 1, 1998.

Paid-in Capital and Shareholders' Equity:

At December 31 of 1999 the Company's paid-in capital is US\$0.31 million and its shareholders' equity is US\$0.33 million.

Results:

The Company has an accumulated deficit from its development period amounting to US\$0.02 million at December 31 of 1999.

Direct and Indirect Ownership:

Merchant Security S.A.'s stake in the Company is 99,0% and Factoring Security S.A owns the remaining 1.0%.

President:

Juan Crocco A.

Board Members:

Chairman:

Francisco Silva S.

Directors:

Jaime Correa H.

Guillermo Correa S.

Ramón Eluchans O.

Renato Peñafiel M.

Inmobiliaria Security S.A.

**Type of Organization:**

Closed-stock Corporation.

Corporate Purpose:

Real Estate counseling and investment, together with real estate brokerage.

General Information:

The Company was incorporated as a closed-stock corporation by means of a public deed dated December 14, 1995, before the notary public Mr. Enrique Morgan Torres, with an initial capital of Ch\$1,000,000, with the purpose of carrying out permanent and rent-producing investments in any kind of movable or immovable properties. On April 19 of 1996 the first Special Shareholder's Meeting took place, where the Company's line of business was extended to include any type of real estate operations, and its capital was increased to US\$3.03 million. Its shares were subscribed by Grupo Security S.A., which kept 99.99% of the share capital.

Paid-in Capital and Shareholders' Equity:

At December 31 of 1999 the Company's paid-in capital is US\$3.42 million and shareholders' equity is US\$2.34 million.

Results:

Losses of the period amounted to US\$0.43 million.

Direct and Indirect Ownership:

Grupo Security S.A. owns 99.999% of the Company's shares, while the remaining 0.001% is owned by Mr. Francisco Silva S.

President:

Jaime Correa H.

Board Members:**Chairman:**

Francisco Silva S.

Directors:

Luis Montalva R.

Gustavo Pavez R.

Renato Peñafiel M.

Gonzalo Ruiz U.

Inversiones Seguros Security Limitada

Type of Organization:
Limited Liability Corporation

Corporate Purpose:

To manage any type of businesses, whether on its own behalf or on that of third parties, to provide business administration services, to acquire and permanently keep any kind of goods, to dispose of the same and to operate the civil or natural proceeds of any goods acquired by the Company.

General Information:

Inversiones Seguros and Pensiones Limitada was incorporated by means of a public deed dated November 28 of 1995, at the notary's office of Mr. Raúl Undurraga Laso. It was registered in the Santiago Registry of Commerce on the same date, on page 29562, item N° 23698. An abstract thereof was published on the official daily newspaper Diario Oficial of December 5, 1995. By a public deed dated December 29 of 1998, an abstract whereof was published on the January 4, 1999 issue of Diario Oficial, the Company changed its name to "Inversiones Seguros Security" and increased its capital.

Paid-in Capital and Shareholders' Equity:

At December 31 of 1999 the Company's paid-in capital and reserves is US\$14.19 million and its shareholders' equity is US\$18.14 million.

Results:

Results of the period were US\$0.79 million at December 31, 1999.

Ownership:

Grupo Security's direct share in the Company is 99.9999% of the shares.

Attorneys:

Renato Peñafiel M.
Francisco Silva S.

Seguros Previsión Vida S.A.

**Type of Organization:**

Open-stock Corporation.

Corporate Purpose:

Life Insurance.

General Information:

The Company was incorporated by means of a public deed dated August 24 of 1981, before the notary public Mr. Eduardo Avello Arellano. Its existence was authorized upon Decision N° 561-S of September 29 of 1981. It was registered in the Santiago Registry of Commerce on October 31 of 1981 on page 18847 N° 10385. An abstract thereof was published in the Diario Oficial issue of October 10, 1981. On January 16 of 1998 the Company's bylaws were amended to change its name to "Seguros Previsión Vida S.A." and recorded in the aforesaid registry. An abstract appeared in the official daily on January 20 of 1998. The Company is registered in the Securities & Insurance Superintendency's Securities File under N° 022 and is subject to inspection by said Superintendency.

Paid-in Capital and Shareholders' Equity:

At December 31 of 1999 the Company's paid-in capital and reserves is US\$0.91 million and its shareholders' equity is US\$10.83 million.

Results:

Net income of the period was US\$0.96 million.

Ownership:

Grupo Security S.A., through Inversiones Seguros Security Limitada, owns 65.34% of the Company's shares.

President:

Alejandro Alzérreca L.

Board Members:**Chairman:**

Francisco Silva S.

Directors:

Oscar Brahm G.

Claudio Berndt C.

Victor Larraguibel H.

Jorge Marín C.

Alberto Munita I.

Renato Peñafiel M.

Seguros Previsión Generales S.A.

Type of Organization:
Open-stock Corporation.

Corporate Purpose:
Non-life insurance.

General Information:

The Company was incorporated by means of a public deed dated August 24 of 1981, before the notary public Mr. Eduardo Avello Arellano. Its existence was authorized upon Decision N° 561-S of September 29 of 1981. It was registered in the Santiago Registry of Commerce on October 8 of 1981 on page 18837 item N° 10325 and an abstract thereof was published in the official daily newspaper Diario Oficial's issue of October 10 of 1981. The Company is registered in the Securities File.

Paid-in Capital and Shareholders' Equity:

At December 31 of 1999 the Company's paid-in capital is US\$2.92 million and shareholder's equity US\$6.41 million.

Results:

Net income of the period was US\$0.47million.

Direct and Indirect Ownership:

Grupo Security S.A., through Inversiones Seguros Security Limitada owns 94.43% of the Company's shares.

President:

Alejandro Mandiola P.

Board Members:

Chairman:

Renato Peñafiel M.

Directors:

Jaime Correa H.

Gonzalo Ruiz U.

Francisco Silva S.

Mario Weiffenbach O.

Travel Security S.A.

**Type of Organization:**

Closed-stock Corporation.

Corporate Purpose:

A travel agency specializing in the sale of air transportation and complementary services.

General Information:

The Company was incorporated as a limited liability company by means of a public deed dated July 13 of 1987 signed before the notary public Mr. Víctor Manuel Correa Valenzuela. Its original line of business was the sale of airfreight transport services, which it performed on an exclusive basis until the end of 1989. Then it extended its operations into selling passenger air transport, and became accredited as an IATA agent. On September 16 of 1993 it was modified from a limited liability company to a stock corporation, with a capital increase. By early 1995 the air freight division was spun off. In April of 1997 new shareholders were incorporated to the Company's ownership structure, who professionalized the company's management and made a capital contribution of \$120 million. In September of 1999 Grupo Security becomes a shareholder through Inversiones Seguros Security Limitada. The Group begins controlling 75% of the Company's shares and changes its name to Travel Security S.A.

Paid-in Capital and Shareholders' Equity:

At December 31 of 1999 shareholder's equity is US\$1.06 million.

Results:

Net income of the period at December 31 of 1999 is US\$0.33 million.

Direct and Indirect Ownership:

Grupo Security S.A. owns 75.0% of the Company's shares.

President:

Eduardo Correa S.

Board Members:**Chairman:**

Guillermo Correa S.

Directors:

Oscar Brahm G.

Ramón Eluchans O.

Renato Peñafiel M.

Francisco Silva S.

VII. FINANCIAL STATEMENTS 1999

Consolidated Financial Statements of Grupo Security

Consolidated Financial Statements of Banco Security

Summary of the Financial of the Affiliates

CONSOLIDATED FINANCIAL STATEMENTS **GRUPO SECURITY S.A.**

December 31, 1999 and 1998

With Independent Auditors' Report Thereon

Table of Contents

1. Independent Auditors' Report
2. Consolidated Balance Sheets
3. Consolidated Statements of Income
4. Consolidated Statements of Cash Flows
5. Notes to Consolidated Financial Statements

ThCh\$ = Thousands of Chilean pesos
MCh\$ = Millions of Chilean pesos
UF = Price-level restatement unit
US\$ = United States dollar

INDEPENDENT AUDITORS' REPORT



Chairman of the Board and Directors Grupo Security S.A.

We have audited the accompanying consolidated balance sheets of Grupo Security S.A. and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income and cash flows for the years then ended. These consolidated financial statements (including the related notes) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Seguros Previsión Generales S.A. and Seguros Previsión Vida S.A. (indirect subsidiaries of the Company) which represent 4.72% and 4.75% of the Company's total assets as of December 31, 1999 and 1998, respectively, and 6.2% and 0.53% of the Company's net income for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

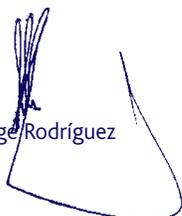
We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis,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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grupo Security S.A. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Chile.

As explained in Note 3 to the financial statements, effective January 1, 1999 the subsidiary Banco Security and its subsidiaries implemented the standards for the recording of deferred taxes.

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

Deloitte & Touche
February 25, 2000


Jorge Rodríguez

**Deloitte Touche
Tohmatsu**

CONSOLIDATED BALANCE SHEETS
December 31, 1999 and 1998 (In thousands of Chilean pesos - ThCh\$)

ASSETS	1999 ThCh\$	1998 ThCh\$
Current:		
Cash and banks	2,069,509	860,584
Time deposits	2,918,781	9,538,361
Marketable securities	3,561,002	6,388,590
Trade accounts receivable, net	44,957,919	29,552,818
Accounts and notes receivable	6,736,333	4,604,604
Other receivables	194,598	26,032
Accounts receivable from related companies	1,583,777	1,049,839
Refundable taxes	320,649	30,864
Other current assets	3,283,916	7,462,393
Total current assets	65,626,484	59,514,085
Fixed Assets:		
Machinery and equipment	26,918	16,859
Others	654,752	198,544
Less accumulated depreciation	681,670	215,403
Total fixed assets, net	(218,919)	(112,326)
Net property, plant and equipment	462,751	103,077
Other Assets:		
Investments in related companies	71,339,011	66,956,615
Goodwill	4,454,070	2,749,529
Others	5,385,349	2,555,477
Total other assets	81,178,430	72,261,621
Total Assets	147,267,665	131,878,783

The accompanying notes are an integral part of these financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY	1999	1998
	ThCh\$	ThCh\$
Current:		
Short-term liabilities with banks and financial institutions	46,423,376	29,245,009
Current portion of long-term liabilities with banks and financial institutions	2,159,241	2,129,376
Current portion of bonds	1,935,158	1,969,439
Accounts payable to related companies	–	1,430,594
Accounts payable	3,026,048	3,591,772
Other payables	1,219,106	7,262
Provisions and withholdings	363,892	713,508
Income tax provision	271,192	1,075,415
Total current liabilities	55,398,013	40,162,375
Long-Term:		
Liabilities with banks and financial institutions	1,899,720	3,524,139
Bonds	11,718,746	13,393,076
Accounts payable to related companies	1,401,589	1,401,610
Other	73,410	–
Total long-term liabilities	15,093,465	18,318,825
Minority Interest	139,779	915
Shareholders' Equity:		
Paid-in capital	39,341,105	39,341,105
Share premium	17,672,412	17,672,412
Other reserves	1,086,781	1,097,523
Accumulated deficit on development stage subsidiary	(557,939)	(519,668)
Retained earnings:		
Prior years	10,751,540	4,908,274
Current year	9,176,488	12,610,046
Interim dividends	(833,979)	(1,713,024)
Total retained earnings	19,094,049	15,805,296
Total shareholders' equity	76,636,408	73,396,668
Total Liabilities and Shareholders' Equity	147,267,665	131,878,783

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENTS OF INCOME

For the years ended as of december 31, 1999 and 1998 (In thousands of Chilean pesos - ThCh\$)

	1999	1998
	ThCh\$	ThCh\$
Sales:	12,300,519	10,163,973
Cost of Sales	(7,325,722)	(4,997,905)
Gross Margin	4,974,797	5,166,068
Administrative And Selling Expenses	(5,763,579)	(5,247,999)
Operating loss	(788,782)	(81,931)
Other Income And Expenses:		
Financial income	1,964,372	1,468,969
Equity in earnings of related companies	9,104,776	5,959,968
Equity in losses of related companies	(204,751)	(380,908)
Other non-operating income	1,537,692	9,657,800
Goodwill amortization	(213,238)	(267,713)
Financial expenses	(1,353,482)	(1,644,124)
Other non-operating expenses	(26,800)	(3,837)
Monetary correction	(294,619)	(826,429)
Other income	10,513,950	13,963,726
Income Before income taxes, extraordinary item and minority interest	9,725,168	13,881,795
Income taxes	(504,819)	(1,332,134)
Income before extraordinary item and minority interest	9,220,349	12,549,661
Extraordinary item - tax loss carried forward	-	61,369
Income before minority interest	9,220,349	12,611,030
Minority interest	(43,861)	(984)
Net income for the year	9,176,488	12,610,046

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended as of december 31, 1999 and 1998 (In thousands of Chilean pesos - ThCh\$)

	1999	1998
	ThCh\$	ThCh\$
Cash flows from operating activities:		
Net income	9,176,488	12,610,046
Gain on the sale of investments	–	(8,586,917)
Sale of assets:		
Loss on sale of fixed assets	880	–
Gain on sale of real estate	–	(705,547)
Charges (credits) to income that do not affect cash flows:		
Depreciation for the year	67,310	33,647
Amortization of intangibles	2,231	67,576
Equity in earnings of related companies	(9,104,776)	(5,959,968)
Equity in losses of related companies	204,751	380,908
Income tax provision	504,819	1,270,765
Goodwill amortization	213,238	267,713
Monetary correction - net	294,619	826,429
Minority interest	43,861	984
Write-offs and accruals	756,507	1,166,569
Other charges and credits to income that do not represent cash flows	(11,745)	432,930
Changes in assets, affecting cash flows:		
Accounts and notes receivable	(1,970,321)	–
Dividends and other distributions received	6,500,681	6,090,189
Other assets	(78,412)	3,197,174
Trade accounts receivable	(15,329,025)	(2,527,384)
Accounts receivable from related companies	(1,867,580)	–
Changes in liabilities, affecting cash flows:		
Other accounts payable related to non-operating results	–	(536)
Provisions and withholdings	(1,194,316)	–
Accounts payable	(504,573)	–
Accounts payable to related companies	(4,633,871)	–
Other liabilities	62,514	(508,541)
Net cash (used in) provided by operating activities	(16,866,720)	8,056,037

(Continued)

The accompanying notes are an integral part of these financial statements

	1999	1998
	ThCh\$	ThCh\$
Cash Flows from financing activities:		
Loan obtained	48,585,048	36,067,625
Bonds repayments	(1,708,611)	(786,231)
Dividends paid	(6,787,442)	(11,884,206)
Loans paid	(29,635,460)	(57,017,066)
Other cash flows from financing activities	–	2,969,191
Net cash (used in) provided by financing activities	10,453,535	(30,650,687)
Cash flows from investing activities:		
Marketable securities and mutual funds	2,068,087	2,719,412
Purchase of fixed assets	(198,274)	(50,327)
Sale of permanent investments	–	43,237,449
Sale of fixed assets	1,435,123	–
Loans provided	(933,853)	–
Purchase of permanent investments	(2,933,411)	(10,213,887)
Purchase of other assets	–	(1,208,193)
Withdrawals from companies	537,688	–
Other cash flows from investing activities	–	1,376,538
Net cash provided by investing activities	(24,640)	35,860,992
Total net cash (used) provided during the year	(6,437,825)	13,266,342
Inflation effect on cash and cash equivalents	(9,752)	480,058
Net (decrease) increase in cash and cash equivalents	(6,447,577)	13,746,400
Cash and cash equivalents at beginning of the year	14,032,242	285,842
Cash and cash equivalents at end of the year	7,584,665	14,032,242

(Concluded)

The accompanying notes are an integral part of these financial statements

NOTES TO CONSOLIDATED STATEMENTS

December 31, 1999 and 1998 (In thousands of Chilean pesos ThCh\$)

Note 1. Company Formation and Registration

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

In the first Extraordinary Shareholders' Meeting held on June 14, 1991, it was agreed to increase the capital to ThCh\$3,315,615 divided into 32,934,591 no-par-value shares.

In the Extraordinary Shareholders' Meeting held on July 12, 1994, it was agreed to expand the Company's business line to include all type of investing and consulting activities, within or outside Chile, and to increase capital by ThCh\$14,555,000, which was subscribed and paid in on August 11, 1994.

On December 14, 1994, an Extraordinary Shareholders' Meeting was held in order to ratify and modify the by-laws and the agreement reached in the Extraordinary Shareholders' Meeting of July 12, 1994, to conform to the rules on publicly-traded corporations, resulting in capital represented by 170,827,056 no-par-value shares.

On January 30, 1995, the Company was registered under number 0499 in the Securities Register. Consequently, the Company is regulated by the Superintendency of Securities and Insurance.

In the Ordinary Meeting of the Board of Directors held on May 11, 1995, it was agreed to back the agreement reached at an Extraordinary Shareholders' Meeting held on January 13, 1995, which decided to increase capital to 194,389,409 no-par-value shares.

On June 23, 1995, the issuance of 23,562,353 shares corresponding to the capital increase agreed in the Extraordinary Shareholders' Meeting held on January 13, 1995, was recorded under N° 362 of the Securities Register. These shares were subscribed and paid, resulting in capital represented by 194,389,409 no-par-value shares.

In the Extraordinary Shareholders' Meeting held on October 18, 1995, it was agreed to increase the Company's paid-in capital by issuing 106,000,000 no-par-value shares.

On December 5, 1995, an issuance of 42,500,000 shares was recorded under N° 391 of the Securities Register, charged against the increase of 106,000,000 shares approved in the Extraordinary Shareholders' Meeting held on October 18, 1995.

In the Extraordinary Shareholders' Meeting held on April 28, 1997, it was agreed to increase the number of shares through a seven to one stock split, leaving capital represented by 1,654,721,054 fully subscribed and paid shares. The new shares resulting from this stock split were issued on June 1, 1997.

In the Extraordinary Shareholders' Meeting held on October 20, 1997, it was agreed to change the Company's name from Security Holdings S.A. to Grupo Security S.A.

Note 2. Summary of Significant Accounting Policies

a. General

The consolidated financial statements of Grupo Security S.A. and subsidiaries as of December 31, 1999 and 1998 have been prepared in accordance with generally accepted accounting principles, except, as explained in Note 2b, for the investments in certain direct or indirect subsidiaries which, according to an authorization of the Superintendency of Securities and Insurance, are reported on a single line in the balance sheet under the equity method, and therefore are not consolidated line-by-line. This treatment does not modify the net income for the years or the equity.

b. Principles of consolidation

The consolidated financial statements include the subsidiaries Factoring Security S.A., a company owned 99.99% by Grupo Security S.A.; Merchant Security S.A. a company owned 99.99% by Grupo Security S.A.; Inmobiliaria Security S.A., a company owned 99.99% by Grupo Security S.A.; and Inversiones Seguros Security Ltda., a company owned 99.99% by Grupo Security S.A. Due to the dissimilarity of their business line, the financial statements of Banco Security, of which Grupo Security S.A. owns 99.99%, have not been consolidated, nor Seguros Previsión Vida S.A., nor Seguros Previsión Generales S.A., which in 1999 and 1998 are affiliates to the Grupo Security S.A. as they are currently owned by Inversiones Seguros Security Ltda. Due to the relevance of the investment in these companies for Grupo Security S.A., Notes 10, 11 and 12 include the balance sheets and income statements of these Companies for 1999 and 1998.

The effects of significant transactions with subsidiaries have been eliminated in consolidation.

c. Reporting periods

These consolidated financial statements cover the years ended December 31, 1999 and 1998.

d. Monetary correction

In order to report the effects of the change in the purchasing power of the currency during the period, non-monetary assets and liabilities, shareholders' equity and income statement accounts have been restated for the change in the Consumer Price Index, which was 2.6% between December 1, 1998 and November 30, 1999 (4.3% in 1998).

Amounts for 1998 included in the financial statements and notes have been price-level restated by 2.6% to allow comparison with the 1999 amounts. In addition, to facilitate comparison, resale agreements have been reclassified as cash equivalents in the 1998 statements of cash flows.

e. Foreign currency

Assets and liabilities in foreign currencies are shown at their Chilean peso equivalent, converted at the exchange rate of Ch\$530.07 = US\$1 at December 31, 1999 (Ch\$472.41 = US\$1 at December 31, 1998).

Amounts expressed in inflation index-linked units of accounts (UF) have been converted at the rate of Ch\$15,066.96 = UF1 at December 31, 1999 (Ch\$14,685.39 = UF1 at December 31, 1998).

f. Time deposits

Time deposits are valued at face value plus adjustments and accrued interest at each year end.

g. Marketable securities

They relate to bonds, which are stated at the lower of monetarily corrected cost plus accrued interest or market value, and mutual funds, which are stated at the unit value at each year end.

h. Other current assets

They relate mainly to resale agreements outstanding at year end, which include interest and indexation agreed in the related contracts.

i. Fixed assets

These assets are valued at cost plus monetary correction. Depreciation for the period, amounting to ThCh\$67,310 (ThCh\$33,647 in 1998) is calculated on the restated values of the assets over their remaining estimated useful lives.

j. Investments in related companies

These investments are valued under the equity method, based on the financial statements as of December 31 of each year.

k. Goodwill

The balance at December 31, 1999 and 1998, represents the goodwill in the purchase of 99.99% of Banco Security S.A., 99.99% of Factoring Security S.A., 65.3369% of Seguros Previsión Vida S.A., 94.935% of Seguros Previsión Generales S.A. and 75% of Travel Security S.A., which is being amortized over a period of 20 years.

l. Income Taxes

The Company calculates its income tax in accordance with current Chilean Tax Law.

m. Deferred Taxes

The Company gives recognition to the effects of deferred taxes arising from significant temporary differences which will reverse in the near future and will not be offset by new temporary differences having the same origin. In 1999 and 1998 there are no such differences. Temporary differences which will be offset when they reverse by new temporary differences having the same origin as treated as permanent differences. The subsidiary Banco Security and its subsidiaries recognize the effect of deferred taxes since 1999 under Technical Bulletin N° 60 issued by the Colegio de Contadores de Chile A.G. (Chilean Institute of Certified Public Accountants).

n. Personnel vacations

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

o. Cash equivalents

In accordance with Technical Bulletin N°50 of the Colegio de Contadores de Chile A.G. (Chilean Institute of Certified Public Accountants), the Company has considered as cash equivalents all investments made as part of the normal management of cash surpluses, with maturities of less than 90 days, as follows:

	1999 ThCh\$	1998 ThCh\$
Cash on hand and in banks	2,069,509	860,584
Time deposits	2,918,781	9,538,361
Resale agreement on promissory notes issued by Banco Central de Chile	2,560,195	2,094,526
Mutual funds	36,180	358,675
Total	7,584,665	12,852,146

For classification purposes, the Company has defined as operating activities all those transactions and events which are not defined as investing or financing activities, principally those related to the Company's business line of investments in other companies.

Note 3. Accounting Changes

In conformity with both Circular N° 2984 issued by the Superintendencia de Bancos e Instituciones Financieras and Bulletin N°60 issued by the Colegio de Contadores de Chile A.G., the subsidiary Banco Security and its subsidiaries recorded, starting on January 1, 1999, all the deferred taxes arising from temporary differences, tax losses, and other events that produce differences between the book and the tax bases for assets and liabilities. Up to December 31, 1998, Banco Security and its subsidiaries did not record the effect of deferred taxes. The application of this accounting principle did not have an accumulated effect at the beginning of the year. The effect for the year on Banco Security and its subsidiaries was a credit to income of ThCh\$396,300.

There have been no other accounting changes with respect to the previous year.

Note 4. Monetary Correction

The application of the monetary correction accounting policy described in Note 2d, generated a charge of ThCh\$294,619 to income in 1999 (ThCh\$826,429 in 1998), as follows:

	(CHARGE) - CREDIT	
	1999 ThCh\$	1998 ThCh\$
Monetary correction of:		
Shareholders' equity	(1,768,499)	(2,839,566)
Investments in related companies	1,668,508	2,540,834
Goodwill	15,196	117,698
Fixed assets	14,171	3,628
Exchange differences (net)	192,209	(379,743)
Indexation (net)	(407,424)	13,262
Income statement accounts	(8,780)	(282,542)
Net charge to income	(294,619)	(826,429)

Note 5. Time Deposits

Time deposits, valued as described in Note 2 f, are as follows:

ENTITY	CURRENCY	1999		1998	
		AMOUNT ThCh\$	MATURITY DATE	AMOUNT ThCh\$	MATURITY DATE
Banco Security	(US\$)	153,067	01.19.2000	64,453	01.11.1999
Banco Security	(UF)	469,353	04.24.2000	9,473,908	01.18.1999
Banco Security	(Ch\$)	2,296,361	01.19.2000	-	
		2,918,781		9,538,361	

Note 6. Marketable Securities

Marketable securities, valued in accordance with Note 2 g, are as follows:

	1999 ThCh\$	1998 ThCh\$
a. Mutual Funds:		
Fondos Mutuos Security Premium	418,658	3,106
Fondos Mutuos Security First	320,469	42,945
Fondos Mutuos Security Check	11,180	358,675
Fondo Mutuo Bice-Dreyfus	25,000	
Sub-total	775,307	404,726
b. Other investments:		
General Electric (Bonds)	2,785,695	5,983,864
Total	3,561,002	6,388,590

Note 7. Other Current Assets

The detail of these investments, which are shown as Other current assets, is as follows:

ENTITY	1999			1998		
	BOOK VALUE ThCh\$	MARKET VALUE ThCh\$	MATURITY DATE	BOOK VALUE ThCh\$	MARKET VALUE ThCh\$	MATURITY DATE
a. Banco Central de Chile promissory notes:						
Resale agreement with Valores Security S.A. Corredores de Bolsa (1)	2,269,559	2,269,559	01.10.2000	1,180,643	1,180,643	01.10.1999
Resale agreement with Valores Security S.A. Corredores de Bolsa (2)	163,002	163,002	01.03.2000	-	-	-
Valores Security S.A. Corredores de Bolsa (1)	127,634	127,634	01.10.2000	913,883	913,883	01.10.1999
b. Banco Security instruments:						
Banco Security (2)	-	-	-	42,946	42,946	04.12.1999
c. Rights over leases	233,929	233,929	-	2,254,981	2,254,981	-
d. Other current assets	489,792	489,792	-	3,069,940	3,069,940	-
Total	3,283,916	3,283,916		7,462,393	7,462,393	

(1) Debt securities with maturity within 90 days.

(2) Debt securities with maturity after 90 days.

Note 8. Investments in Related Companies

As of December 31, 1999 and 1998, these investments are valued as explained in Note 2i, and are detailed, as follows:

NAME	OWNER SHIP		EQUITY		INVESTMENT VALUE		INCOME	
	1999 %	1998 %	1999 ThCh\$	1998 ThCh\$	1999 ThCh\$	1998 ThCh\$	1999 ThCh\$	1998 ThCh\$
Banco Security	99,9990	99,9990	63,670,514	61,221,002	63,669,878	61,220,390	8,507,958	5,508,507
AFP Protección	—	—	—	—	—	—	—	299,760
Previsión Generales S.A.	94,9350	62,6870	3,380,889	2,498,887	3,209,640	1,566,479	237,468	95,384
Previsión Vida S.A.	65,3369	65,2630	5,717,186	4,607,717	3,735,429	3,007,124	331,931	(180,533)
Parque Araucano Ltda.	50,0000	50,0000	67,970	1,332,630	33,985	666,315	(95,526)	31,256
Parque Araucano Dos Ltda.	50,0000	50,0000	675	2,557	337	1,279	(111)	(2,213)
Parque Araucano Tres Ltda. (1)	99,9900	90,0000	66,520	39,098	66,513	35,188	27,419	25,061
Parque Araucano Cuatro Ltda.	50,0000	50,0000	807,393	406,457	403,697	203,228	(109,114)	(198,162)
Inversiones SH Uno Ltda. (2)	99,9900	99,9900	46,201	86,619	46,197	86,611	—	—
Securitizadora Security S.A. (3)	98,6200	98,6200	175,761	172,379	173,335	170,001	—	—
Total			73,933,109	70,367,346	71,339,011	66,956,615	8,900,025	5,579,060

- (1) Despite having an ownership in this company through its subsidiary Inmobiliaria Security S.A. that would lead to a consolidation according to accounting principles generally accepted in Chile, it has not been consolidated, because the impact is not significant considering the total assets of the Company.
- (2) The subsidiary Inmobiliaria Security S.A. has not consolidated with this investee, as it is considered in a development stage, pursuant to Circular N° 981 of the Superintendency of Securities and Insurance. Its results are included in the accumulated deficit from the subsidiary's development stage in shareholders' equity of Inmobiliaria Security S.A.
- (3) The subsidiary Merchant Security S.A. has not consolidated with this investee, as it is considered in a development stage, pursuant to Circular N° 981 of the Superintendency of Securities and Insurance. Its results are included in the accumulated deficit from the subsidiary's development stage in shareholders' equity of Merchant Security S.A.

On March 17, 1998, the Company exercised the option to buy 99.99% of Inversiones Seguros y Pensiones Ltda. (currently, Inversiones Seguros Security Ltda.), for which it paid US\$12,730. That same day, the Company sold 30,000,000 shares of AFP Protección that it held, generating a gain of ThCh\$5,529,507, which is included in the item "Other non-operating income."

On June 26, 1998 the Company participated in a capital increase in Inmobiliaria Security S.A., contributing ThCh\$300,000 (historic), thus maintaining its (99.995%) ownership.

On July 1, 1998 the Company participated in a capital increase in Factoring Security S.A., contributing ThCh\$2,037,150 (historic), thus maintaining its (99.995%) ownership.

On August 3, 1998, the Company made a capital contribution to Banco Security for ThCh\$9,293,907 (historic), to maintain its 99.999% ownership.

On December 29, 1998, the Company made a capital contribution to its subsidiary Inversiones Seguros Security Ltda. for ThCh\$7,295,800 (historic), delivering all of the shares in the companies Seguros Previsión Generales S.A. and Seguros Previsión Vida S.A., at their book value as of November 30, 1998, a transaction that did not generate any income for the Company.

On July 2, 1999 the Company, through its subsidiary Inversiones Seguros Security Ltda., acquired a 75% interest in Turismo Expot Travel S.A., currently Travel Security S.A., generating goodwill for ThCh\$1,001,495.

Note 9. Goodwill

Goodwill and its corresponding amortization is detailed as follows:

ENTITY	OWNERSHIP %	PURCHASE DATE	GOODWILL BALANCE		AMORTIZATION FOR THE YEAR	
			1999 ThCh\$	1998 ThCh\$	1999 ThCh\$	1998 ThCh\$
Banco Security	99.9990	08.11.94	227,611	243,218	15,608	15,608
Factoring Security S.A.	99.9990	07.01.94	333,431	356,426	22,953	22,996
AFP Protección S.A.	30.4219	12.28.95	–	–	–	104,117
Seguros Previsión Generales S.A.	62.6870	12.28.95	1,148,384	299,543	56,474	17,059
Seguros Previsión Vida S.A.	65.3369	12.28.95	1,758,421	1,850,342	92,915	107,933
Travel Security S.A.	75.0000	12.28.95	986,223	–	25,288	–
Total			4,454,070	2,749,529	213,238	267,713

In accordance with the instructions issued by the Superintendency of Securities and Insurance in Circular N° 1358, starting on January 1, 1998, the unamortized balance of goodwill is amortized over a period of 20 years.

On March 13, 1998, the Company sold all of its shares held in AFP Protección. In order to determine the cost, the balance of goodwill was added to the investment cost.

On December 29, 1998, a capital contribution was made to Inversiones Seguros y Pensiones Ltda., currently Inversiones Seguros Security Ltda., for which the Company delivered all of its shares held in Compañía Seguros Previsión Generales S.A. and Seguros Previsión Vida S.A. These shares were contributed at their book value plus goodwill as of November 30, 1998.

On July 2, 1999 the Company, through its subsidiary Inversiones Seguros Security Ltda., acquired a 75% interest in Turismo Expot Travel S.A., currently Travel Security S.A., generating goodwill for ThCh\$1,001,495.

Note 10. Investment in Banco Security

The Company does not consolidate the financial statements of its subsidiary, Banco Security, of which it owns 99.999% as of December 31, 1999 (99.999% in 1998), since the business line and regulations of that subsidiary require it to apply accounting criteria other than those prescribed by the Superintendency of Securities and Insurance. This agency has therefore authorized that this subsidiary not be consolidated.

The consolidated financial statements of Banco Security and subsidiaries as of December 31, 1999 and 1998, are as follows:

Consolidated Balance Sheet at December 31,

(In millions of Chilean pesos - MCh\$)

	1999	1998		1999	1998
	MCh\$	MCh\$		MCh\$	MCh\$
Assets:			Liabilities and Shareholders' Equity:		
Cash and bank	64,444	77,288	Deposits and other obligations	558,406	574,548
Net loans	612,617	585,730	Bonds	36,137	37,706
Other credit operations	-	7,626	Loans from financial		
Investments	73,331	103,944	institutions and Banco		
Other assets	16,272	12,047	Central de Chile	101,394	108,969
Property, plant and equipment	12,686	10,655	Other liabilities	19,225	14,717
			Voluntary provisions	507	94
			Minority interest	10	34
			Capital and reserves	55,089	55,079
			Other equity accounts	73	634
			Net income for the year	8,509	5,509
Total assets	779,350	797,290	Total Liabilities and Shareholders' equity	779,350	797,290

Consolidated Statements of Income

For the years ended December 31, 1999 and 1998

(In millions of Chilean pesos - MCh\$)

	1999 MCh\$	1998 MCh\$
Operating income	84,644	96,397
Interest and inflation adjustment expense	(49,086)	(69,065)
Other operating expenses	(4,592)	(3,415)
Gross margin	30,966	23,917
Personnel, administration and other expenses	(15,544)	(13,139)
Net margin	15,422	10,778
Provision for doubtful assets	(4,751)	(3,656)
Recovery of loans written-off	33	-
Operating income	10,704	7,122
Other expenses	(714)	(689)
Income before income taxes	9,990	6,433
Income taxes	(1,050)	(920)
Income before minority interest	8,940	5,513
Minority interest	(16)	(4)
Voluntary provision	(415)	-
Net income	8,509	5,509

Note 11. Investment in Seguros Previsión Vida S.A.

The subsidiary Seguros Security S.A. does not consolidate the financial statements of its subsidiary Seguros Previsión Vida S.A., of which it owns 65.3369% as of December 31, 1999 (65.263 in 1998), since the principles and standards for insurance companies are different from those applied to other corporations, and therefore the Superintendency of Securities and Insurance has authorized that these financial statements not be consolidated. The following is a summary of this Subsidiary's financial statements as of December 31, 1999 and 1998:

Summarized Financial Statements of Seguros Previsión Vida S.A. (In millions of Chilean pesos – MCh\$)

Balance Sheets at December 31,

(In millions of Chilean pesos - MCh\$)

	1999 MCh	1998 MCh\$		1999 MCh\$	1998 MCh\$
Assets:			Liabilities and shareholders' equity		
Investments	48,200	47,860	Reserve for claims	1,881	7,997
Premiums receivable	810	253	Other liabilities	42,329	37,730
Receivables for claims	73	14	Capital and reserves	5,209	4,896
Other receivables	844	354	Net income (loss)	508	(289)
Other assets	–	1,853			
Total assets	49,927	50,334	Total liabilities and shareholders' equity	49,927	50,334

Statements of Income

For the years ended December 31,

(In millions of Chilean pesos - MCh\$)

	1999 MCh\$	1998 MCh\$
Operating income	6,232	5,494
Brokerage, claims and administrative expense	(9,057)	(7,921)
Operating loss	(2,825)	(2,427)
Income on investments	3,361	2,526
Other income	125	95
Financial expenses	(69)	(432)
Other expenses	(1)	(2)
Monetary correction	22	(23)
Income tax	(105)	(26)
Net income (loss) for the year	508	(289)

Note 12. Investment in Seguros Previsión Generales S.A.

The subsidiary Seguros Security S.A. does not consolidate the financial statements of its subsidiary Seguros Previsión Generales S.A., of which it owns 94.935% as of December 31, 1999 (62.687% in 1998), since the principles and standards for insurance companies are different from those applied to other corporations, and therefore the Superintendency of Securities and Insurance has authorized that these financial statements not be consolidated. The following is a summary of this Subsidiary's financial statements as of December 31, 1999 and 1998:

Summarized Financial Statements Seguros Previsión Generales S.A. (In millions of Chilean pesos)

Balance Sheets at December 31,

(In millions of Chilean pesos - MCh\$)

	1999 MCh\$	1998 MCh\$		1999 MCh\$	1998 MCh\$
Assets:			Liabilities and Shareholders' Equity:		
Investments	4,967	6,365	Technical reserves	8,690	8,606
Premiums receivable	7,116	5,484	Financial obligations	–	992
Reinsurance	443	431	Other liabilities	972	706
Other assets	517	524	Capital and reserves	3,131	2,362
			Net income	250	138
Total assets	13,043	12,804	Total Liabilities and Shareholders' Equity	13,043	12,804

Statements of Income

For the years ended December 31,

(In millions of Chilean pesos - MCh\$)

	1999 MCh\$	1998 MCh\$
Operating results:		
Operating margin	3,046	2,888
Administrative costs	(3,586)	(3,249)
Operating loss	(540)	(361)
Income on investments	520	435
Other income	284	144
Monetary correction	(12)	(76)
Operating income	252	142
Non-operating (expenses) income	(2)	24
Income before income tax	250	166
Income tax	–	(29)
Net income for the year	250	137

Note 13. Others Assets

This heading includes the following items:

	1999 ThCh\$	1998 ThCh\$
Discount on bond placement (1)	708,151	800,519
"Edificio Portal Recoleta" building project (2)	1,755,367	1,751,451
Long-term leases (3)	2,887,605	—
Software	—	2,450
Other assets	34,226	1,057
Total	5,385,349	2,555,477

- (1) The discount granted for the bond placement was ThCh\$1,077,620 (restated), which is being amortized over 140 months. This originated a charge to income for the period 1999 of ThCh\$92,368 (ThCh\$92,368 in 1998), recorded in "Administrative and selling expenses". As a result, the unamortized balance, recorded in Other assets, amounts to ThCh\$708,151 (ThCh\$800,519 in 1998)
- (2) As of December 31, 1999 and 1998, this balance corresponded to the project "Edificio Portal Recoleta". The balance of ThCh\$1,755,367 (ThCh\$1,751,451 in 1998) refers to the value of the purchase of land from Banco Security, as stated in the public deed of December 21, 1998, of which, 20% was paid cash and the 80% balance, equivalent to ThCh\$1,401,589 (ThCh\$1,401,611 in 1998), will be repaid in three years as from December 21, 1998 in a single installment; it also refers to the capitalization of some direct costs incurred in such land.
- (3) In 1999 real and other property was purchased from the related companies Banco Security and Leasing Security S.A. for UF201,498.85. Some of this property had been delivered under finance leases and the transaction in such cases required the related companies to provide the lease contracts. On the other hand, the rest of the acquired assets were provided to third parties under finance leases.

Note 14. Liabilities With Banks - Short-Term

Short-term liabilities with banks are detailed as follows:

BANK'S	1999 ThCh\$	1998 ThCh\$
Banco del Estado	4,487,720	1,767,197
Banco de Chile	–	4,269,779
Banco de A. Edwards	5,464,100	3,302,277
Banco de Crédito e Inversiones	3,448,464	3,576,411
Banco BICE	1,935,551	426,755
Banco Santiago	5,129,396	–
CorpBanca	3,717,187	4,112,635
Banco BHIF	1,660,164	1,658,811
Banco Dresdner Nationale de Paris	1,116,850	461,848
Banco Sudamericano	3,323,652	2,173,037
Banco del Exterior	610,866	474,423
Banco Internacional	353,238	–
Banco Santander	4,213,810	4,473,271
Banco Sudameris	704,312	–
Banco de Boston	2,695,209	–
Banco Real	–	359,856
Banco Security	6,558,357	1,536,268
Republic National Bank	1,004,500	652,441
Total bank obligations	46,423,376	29,245,009
Total principal	45,101,423	27,420,294
Average annual interest rate	11,48 %	11,48 %
Local currency	100,00%	100,00%

Note 15. Short-and Long-Term Liabilities With Banks and Financial Institutions

CREDITOR	SHORT-TERM		LONG-TERM	
	1999 ThCh\$	1998 ThCh\$	1999 ThCh\$	1998 ThCh\$
Bank Boston (*)	2,159,241	2,129,376	1,899,720	3,524,139
Total principal	1,926,105	1,774,222	1,899,720	3,524,139

(*) Obligations in foreign currency

	1999	1998
Annual Interest rate	8,125%	8,125%

a. Over the next 2 years, maturities of this loan are as follows:

DUE DATE	PRINCIPAL		INTEREST	
	US\$	ThCh\$	US\$	ThCh\$
04.05.2000	3,650,000	1,926,105	222,422	117,372
04.05.2001	3,600,000	1,899,720	219,375	115,764
Totals	7,250,000	3,825,825	441,797	233,136

- b. On March 9, 1998, the Company paid principal of US\$3,150,000 and paid interest of US\$1,126,933.64, on the installment due on April 5, 1998.
- c. On April 5, 1999, the Company paid principal of US\$3,650,000 and paid interest of US\$912,366.75, on the installment due on April 5, 1999.

Note 16. Short-Term Liabilities

Other short-term liabilities:

	IN NON-INDEXED CHILEAN PESOS (*)		IN INDEXED CHILEAN PESOS (*)		TOTAL	
	1999	1998	1999	1998	1999	1998
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Notes and accounts payable						
to related companies	–	1,430,594	–	–	–	1,430,594
Accounts payable	3,026,048	3,591,772	–	–	3,026,048	3,591,772
Sundry creditors	1,219,106	7,262	–	–	1,219,106	7,262
Provisions and withholdings	363,892	713,508	–	–	363,892	713,508
Income tax provision	271,192	1,075,415	–	–	271,192	1,075,415
Total	4,880,238	6,818,551	–	–	4,880,238	6,818,551
Total principal	4,880,238	6,818,551	–	–	4,880,238	6,818,551

	1999	1998
Percentage of liabilities in Chilean pesos	100 %	100 %

(*) Interest-free obligations

Note 17. Bonds

On January 4, 1996, bonds were issued for a total of UF1,000,000 in two series, BSECU-A1 and BSECU-A2, with semi-annual interest payments at a rate of 5.9% over 12 years, due on March 1 and September 1 each year, through March 1, 2007. Principal will be paid in 18 equal installments starting on September 1, 1998.

	1999			
	CURRENT PORTION		LONG-TERM PORTION	
	UF	ThCh\$	UF	ThCh\$
Accrued interest	17,326	261,051	–	–
Principal	111,111	1,674,107	777,777	11,718,746
Total	128,437	1,935,158	777,777	11,718,746
	1998			
	CURRENT PORTION		LONG-TERM PORTION	
	UF	ThCh\$	UF	ThCh\$
Accrued interest	19,599	295,304	–	–
Principal	111,111	1,674,135	888,889	13,393,076
Total	130,710	1,969,439	888,889	13,393,076

On March 1, 1998, interest of ThCh\$524,075 was paid on coupon N° 5 of bonds BSECU-A1 and BSECU-A2.
 On September 1, 1998, interest of ThCh\$430,431 was paid on coupon N° 6 of bonds BSECU-A1 and BSECU-A2.
 On March 1, 1999, interest of ThCh\$428,350 was paid on coupon N° 7 of bonds BSECU-A1 and BSECU-A2.
 On September 1, 1999, interest of ThCh\$409,774 was paid on coupon N° 8 of bonds BSECU-A1 and BSECU-A2.

In the placement of the bonds, a ThCh\$1,077,620 (restated) discount was provided, which will be amortized over 140 months. This resulted in a charge to income, in the period from January 1 to December 31, 1999, of ThCh\$92,395 (ThCh\$92,368 in 1998), which is included in Administrative and selling expenses in the statements of income. As a result, the balance yet to be amortized, shown under Other assets, amounts to ThCh\$708,151 (ThCh\$800,519 in 1998).

Note 18. Income Taxes Deferred Taxes

a. Income taxes

At December 31, 1999, the Company has accrued an income tax provision against which the estimated monthly payments made in 1999 were offset, leading to a balance payable of ThCh\$271,192 (ThCh\$1,075,415 in 1998).

The detail of this provision at December 31, 1999 and 1998 is as follows:

	1999 ThCh\$	1998 ThCh\$
Net taxable income	3,348,747	8,880,892
Accrual for First Category income tax	504,819	1,332,134
Less:		
Advance monthly payments and other credits to tax	(233,627)	(195,350)
Extraordinary item – Tax loss carried forward	–	(61,369)
Income tax payable	271,192	1,075,415

b. Deferred taxes

Future accounting change

Circular N° 1383, modified by Circular N° 1421 of the Superintendency of Securities and Insurance, established the obligation to account for all deferred taxes arising from temporary differences, benefits from tax losses, and other events which create differences between the book and a tax bases for assets and liabilities, as required by Technical Bulletin N° 60, only for information purposes, with no impact from an accounting point of view on the financial statements. Therefore, in conformity with the above mentioned Circular, these financial statements contain deferred tax information only for the mentioned purpose in an explanatory note, given that the obligations to account for will be effective beginning January 1, 1999.

In January 2000 the Superintendency of Securities and Insurance ruled that the standards of Technical Bulletin N° 60 will become in force starting on January 1, 2000. The Colegio de Contadores de Chile A.G. established as mandatory the application of Technical Bulletin N° 60 starting in the year 2000.

At December 31, 1999, accumulated deferred tax balances, excluding the accumulated deferred tax balances up to January 1, 1999, are as follows:

	DEFERRED TAXES			
	ASSETS		LIABILITIES	
	SHORT-TERM ThCh\$	LONG-TERM ThCh\$	SHORT-TERM ThCh\$	LONG-TERM ThCh\$
TEMPORARY DIFFERENCES				
Provision for future contracts	3,777	–	–	–
Allowance for doubtful accounts	176,049	–	–	–
Miscellaneous accruals	213,802	–	–	–
Difference in contracts at tax/financial value	–	–	18,270	–
Other provisions	222,000	–	–	–
Provisions consulting	–	–	2,621	–
Tax/financial depreciation difference	–	–	115	230
Vacation provision	16,943	–	–	–
Total	632,571	–	21,006	230

The detail of the accumulated balances of assets and liabilities for deferred taxes and their corresponding supplementary accounts, as of December 31, 1999, would have been the following:

ITEM	DEFERRED TAXES		SUPPLEMENTARY ACCOUNTS		ESTIMATED YEARS FOR REVERSAL	AVERAGE YEARS FOR REVERSAL
	CURRENT ASSET (LIABILITIES)	ASSETS (LIABILITIES) LONG-TERM	SHORT-TERM	LONG-TERM		
	ThCh\$	ThCh\$	ThCh\$	ThCh\$		
Provision for future contracts	7,035	–	(7,035)	–	1	–
Provisions for consulting	7,659	–	(7,659)	–	1	–
Allowance for doubtful accounts	78,450	–	(78,450)	–	1	–
Miscellaneous accruals	113,420	–	(113,420)	–	1	–
Tax/financial depreciation difference	(245)	(489)	245	489	3	–
Tax loss	(4,500)	–	4,500	–	1	–
Vacation provision	4,953	–	(4,953)	–	1	–
Total	206,772	(489)	(206,772)	489	–	1

The composition of the income tax for the year would have been the following:

	ThCh\$
Total current taxes	(504,819)
Deferred taxes:	
Deferred taxes of the year	611,335
Net supplementary amortization of asset and liability accounts	211,272
Total deferred taxes	822,607
Total income tax	317,788

Note 19. Shareholders' Equity

The movements in shareholders' equity accounts were as follows:

	PAID-IN CAPITAL ThCh\$	SHARE PREMIUM ThCh\$	OTHER RESERVES ThCh\$	ACCUMULATED DEFICIT ON DEVELOPMENT STAGE SUBSIDIARY ThCh\$	RETAINED EARNINGS ThCh\$	NET INCOME FOR THE YEAR ThCh\$	INTERIM DIVIDENDS ThCh\$	TOTAL ThCh\$
Balances, December 31, 1997								
(historic)	36,763,334	16,514,451	723,090	(408,704)	8,384,649	7,527,420	(1,677,887)	67,826,353
Transference	–	–	–	–	5,849,533	(7,527,420)	1,677,887	–
Dividends paid	–	–	–	–	(2,482,082)	–	–	(2,482,082)
Accumulated deficit on development								
stage of subsidiary	–	–	–	(89,444)	–	–	–	(89,444)
Surplus during development								
stage of subsidiary	–	–	–	9,224	–	–	–	9,224
Matching reserve in subsidiary	–	–	(302,393)	–	–	–	–	(302,393)
Adjustment to reserve for fluctuations								
in investments in subsidiary	–	–	617,921	–	–	–	–	617,921
Dividends paid	–	–	–	–	(7,446,245)	–	–	(7,446,245)
Monetary correction	1,580,823	710,122	31,093	(17,575)	478,038	–	(14,893)	2,767,608
Interim dividends	–	–	–	–	–	–	(1,654,721)	(1,654,721)
Net income 1998	–	–	–	–	–	12,290,494	–	12,290,494
Historical balances								
December 31, 1998	38,344,157	17,224,573	1,069,711	(506,499)	4,783,893	12,290,494	(1,669,614)	71,536,715
Updated balances, for								
comparative purposes	39,341,105	17,672,412	1,097,523	(519,668)	4,908,274	12,610,046	(1,713,024)	73,396,668
Balances December 31, 1998								
(historical)	38,344,157	17,224,573	1,069,711	(506,499)	4,783,893	12,290,494	(1,669,614)	71,536,715
Net income 1998	–	–	–	–	10,620,880	(12,290,494)	1,669,614	–
Dividends paid	–	–	–	–	(4,964,163)	–	–	(4,964,163)
Accumulated deficit on development								
stage of subsidiary	–	–	–	(41,598)	–	–	–	(41,598)
Surplus during development								
stage of subsidiary	–	–	–	3,567	–	–	–	3,567
Matching reserve in subsidiary	–	–	93,274	–	–	–	–	93,274
Adjustment to reserve for								
fluctuations in investments in subsidiary	–	–	(109,013)	–	–	–	–	(109,013)
Interim dividends	–	–	–	–	–	(827,361)	(827,361)	–
Monetary correction	996,948	447,839	32,809	(13,409)	310,930	–	(6,618)	1,768,499
Net income 1999	–	–	–	–	–	9,176,488	–	9,176,488
Balances, December 31, 1999	39,341,105	17,672,412	1,086,781	(557,939)	10,751,540	9,176,488	(833,979)	76,636,408

The movements of the shareholders' equity and reserve accounts at December 31, 1999 and 1998 was as follows:

- a. Pursuant to Article 10 of Law 18,046, the price-level restatement of the paid-in capital has been incorporated into the same paid-in capital. Paid-in capital is represented by 1,654,721,054 no-par-value shares.
- b. The balance of ThCh\$1,086,781 (ThCh\$1,097,523 in 1998), reported in Other reserves, corresponds to the Company percentage participation, in the matching reserve as of December 31, 1999 and 1998, in the subsidiary Compañía de Seguros Previsión Vida S.A., and in the reserve for fluctuations in investments accrued as of December 31, 1999 and 1998 in the subsidiary Banco Security.
- c. The Company reports a balance of ThCh\$557,939 (ThCh\$519,688 in 1998), resulting from the accumulated deficit on development stage of its subsidiary Inmobiliaria Security S.A. This amount also includes ThCh\$13,199 (ThCh\$9,224 (historic) in 1998) resulting from the surplus in the development stage of the subsidiary Merchant Security S.A.

On April 30, 1999, in the Ordinary Shareholders' Meeting, it was decided that the income from 1998 would be distributed in the following manner:

	ThCh\$
* Dividend distribution:	
Interim dividend of Ch\$1 per share paid in prior year	1,669,614
Dividend of Ch\$3 per share	4,964,163
* Retained earnings	5,656,717
Total	12,290,494

d. Interim dividends - On March 31, 1999 the Board of Directors agreed to distribute an interim dividend of Ch\$0.5 per share, charged to 1999 income.

e. Dividend distribution policy - The shareholders decided to distribute 50% of the net cash income received by the Company from its direct subsidiaries during the year by dividing it into an interim and a final dividend.

Note 20. Balances and Transactions With Related Companies

Transactions with related persons and companies during 1999 and 1998 were as follows:

COMPANY	RELATION	TAXPAYER I.D. N°	DESCRIPTION	AMOUNT		CREDIT (CHARGE*) TO INCOME	
				1999 ThCh\$	1998 ThCh\$	1999 ThCh\$	1998 ThCh\$
Banco Security	Subsidiary	97.053.000-2	Time deposit	2,449,428	9,549,792	1,145,321	640,778
			Financial instruments	–	3,341,723	135,420	141,665
			Purchase of land	161,096	–	–	–
			Consulting	89,000	75,424	89,000	72,322
			Loans	7,298,693	420,598	(138,420)	(37,519)
Asesorías Security	Indirect Subsidiary	96.654.738-8	Consulting	69,732	–	69,732	–
Administradora de Fondos Mutuos Security S.A.	Indirect Subsidiary	96.639.280-0	Mutual funds	1,233,173	46,052	14,621	5,449
			Financial instruments	–	1,995,191	–	55,847
			Consulting	–	52,628	–	52,628
Valores Security S.A. Corredores de Bolsa	Indirect Subsidiary	96.515.580-5	Financial transactions	16,743,015	53,554,575	672,140	544,942
			Consulting and lease	4,056	371,538	4,056	189,550
			Purchase of land	–	1,751,451	–	451
			Commissions	–	1,139	–	(1,139)
Inmobiliaria Parque Araucano Tres Ltda.	Indirect Subsidiary	99.301.000-6	Current account	–	219,310	–	35,318
			Real estate consulting	–	7,060	–	7,060
Inmobiliaria SH Uno Ltda.	Indirect Subsidiary	77.173.860-5	Current account	–	356,895	–	22,067
Seguros Previsión Vida S.A.	Indirect Subsidiary	99.301.000-6	Real estate consulting	–	52,028	–	52,028
Leasing Security S.A.	Indirect Subsidiary	96.577.500-5	Purchase of contracts	2,362,571	132	–	132
Total				32,372,661	71,795,536	–	1,781,579

Balances:**a. Accounts receivable**

COMPANY	RELATION-SHIP	TAXPAYER I.D. N°	DESCRIPTION	1999	1998
				ThCh\$	ThCh\$
Parque Araucano Tres Ltda.	Indirect Subsidiary	78.972.520-9	Current account	21,094	626,615
Parque Araucano Cuatro Ltda.	Indirect Subsidiary	78.975.410-1	Current account	188,560	–
Inversiones Maya S.A.	Indirect Subsidiary	78.089.490-3	Current account	107,643	–
Inmobiliaria SH Uno Ltda.	Indirect Subsidiary	77.173.860-5	Current account	804,198	356,895
Valores Security S.A.					
Corredores de Bolsa	Indirect Subsidiary	96.515.580-5	Current account	81,403	–
Administradora de Fondos					
Mutuos Security S.A.	Indirect Subsidiary	96.639.280-0	Current account	1,879	–
Banco Security	Subsidiary	97.053.000-2	Current account	290,000	–
Banco Security	Subsidiary	97.053.000-2	Consulting	89,000	66,178
Securitizadora Security S.A.	Indirect Subsidiary	96.847.360-3	Current account	–	151
Total				1,583,777	1,049,839

b. Accounts payable – Short-term

COMPANY	RELATION-SHIP	TAXPAYER I.D. N°	DESCRIPTION	1999	1998
				ThCh\$	ThCh\$
Seguros Previsión	Indirect				
Generales S.A.	Subsidiary	99.302.000-1	Current account	–	1,368,578
Valores Security S.A.	Indirect				
Corredores de Bolsa	Subsidiary	96.515.580-5	Current account	–	62,016
Total				–	1,430,594

c. Accounts payable – Long-term

COMPANY	RELATION-SHIP	TAXPAYER I.D. N°	DESCRIPTION	1999	1998
				ThCh\$	ThCh\$
Banco Security	Subsidiary	97.053.000-2	Purchase of land	1,401,589	1,401,610
Total				1,401,589	1,401,610

Also, at December 31, 1999 and 1998, the Company holds the financial investments indicated in notes 5, 6, and 7 in the related financial institutions listed in such notes.

Note 21. Directors' Compensation

Per diem paid to the Company's Directors amounted to ThCh\$52,984 in 1999 (ThCh\$47,371 in 1998).

Note 22. Share Transactions

Share transactions carried out by the majority shareholders, the Chairman, Directors and management, according to the Shareholders' Register, were as follows:

SHAREHOLDER	NUMBER OF SHARES			
	1999		1998	
	PURCHASES	SALES	PURCHASES	SALES
Inversiones Los Cactus Ltda.	14,691,174	5,281,228	–	–
Inversiones Los Chilcos Ltda.	6,862,473	2,598,388	–	–
Inversiones Zukunft Ltda.	–	87,502,205	–	–
San León Inversiones Ltda.	2,866,413	–	–	–
Carmen Moria Alzérreca B.	188,980	–	–	–
Inversiones Llascahue Ltda.	15,216,470	5,761,929	–	–
Jaime Correa Hogg	–	796,544	–	–
Sociedad de Servicios e Inversiones Ltda.	80,668,080	20,128,474	–	–
Bilbao Hormaeche. Bonifacio	325,000	50,000	–	–
Inmobiliaria El Roble Ltda.	–	1,500,000	–	1,535,515
Horacio Pavez Aros	–	155,274	–	–
Inmobiliaria Villuco Ltda.	24,198,540	–	–	–
Inmobiliaria Matyco Ltda.	54,078,982	–	–	–
Inversiones Camino Mirasol Ltda.	13,641,545	40,144,413	–	–
Inversiones Círculo Financiero	6,415,660	7,300,000	–	–
Barzelatto Sánchez Osvaldo	–	1,845,550	–	–
Inversiones Rododendros Ltda.	531,705	–	–	–
Inversiones Montecasino Ltda.	3,171,095	–	–	–
Inversiones San Ignacio Ltda.	1,547,156	–	–	–
Inversiones El Rocío Ltda,	1,224,983	–	–	–
Comercial Los Lagos Ltda.	1,593,888	–	–	–
Inversiones Arizcun Ltda.	370,296	–	–	–
Gómez y Cobo Ltda.	369,887	–	–	–
Inversiones Parsec Ltda.	306,246	–	–	–
Inversiones Hidroeléctricas Ltda.	15,945,646	–	–	–
Inversiones D y V Ltda.	904,913	–	–	–
Cía. de Inversiones Río Bueno S.A.	1,225,350	–	–	–
Sergio Candia A.	–	71,498	–	–
Inversiones Peralillo Ltda.	–	1,366,697	–	–
Silva Gaete Matías	280,140	–	–	–
Soc. de Inv. Camino Interior El Pangué	–	280,140	–	–
Asesorías e Inversiones Las Arañas Ltda.	–	850,000	–	–
De la Mare Peddar Thomas	–	525,938	–	–
Paclama S.A.	37,199	–	2,050,847	–

(Continued)

SHAREHOLDER	NUMBER OF SHARES			
	1999		1998	
	PURCHASES	SALES	PURCHASES	SALES
Claudio Berndt Cramer	3,936	–	–	–
Inversiones La Pinta Ltda.	2,500,000	4,033,522	–	–
Inversiones B y B Ltda.	–	7,764,967	–	–
Inversiones Towel Ltda.	–	40,000	–	–
Peñafield Muñoz María Andrea	–	31,605	–	–
Inversiones Hemaco S.A.	16,780,549	–	–	–
Rentas e Inv. San Antonio	1,361,098	–	–	–

(Concluded)

Note 23. Shareholders' Composition

At December 31, 1999 and 1998, the following is the composition of the shareholders:

CLASS OF SHAREHOLDER	TOTAL OWNERSHIP		NUMBER OF SHAREHOLDERS	
	1999 %	1998 %	1999	1998
10% or more ownership	11.30	–	1	–
Less than 10% ownership with investment equal to or greater than 200 UF	88.10	99.42	417	477
Less than 10% ownership with investment of less than 200 UF	0.60	0.58	400	390
Total	88.70	100.00	817	867
Controlling shareholder	77.30%	77.30%	12	12

Note 24. Third Party Guarantees

In 1999 and 1998 no guarantees were received from third parties.

Note 25. Contingencies and Commitments

In order to secure the loan mentioned in Note 15, as of December 31, 1999, the Company pledged 32,934,591 shares it holds in Banco Security, with a value of ThCh\$26,553,788 (ThCh\$25,532,219 in 1998).

On October 28, 1999 the Company entered into a forward contract in the local market. Such contract states that the Company will receive US\$8,000,000 and will pay UF292,703.23 on January 17, 2000.

During 1999, the loss arising from the recording of such contract amounts to ThCh\$188,548.

Note 26. Foreign Currency

Short and long-term liabilities in foreign currency with financial institutions in 1999 and 1998 consist of a loan obtained from Banco Boston mentioned in Note 15. Also, as indicated in Note 5, there is a time deposit in Banco Security for US\$288,768 (US\$132,596 in 1998).

Note 27. Sanctions

In 1999 and 1998 no sanctions were imposed on the Company, its Directors and its management by the Superintendency of Securities and Insurance.

Note 28. Research and Development Cost

During the last five years, the Company has not incurred any significant research and development costs as defined in Circular N° 981 of the Superintendency of Securities and Insurance.

Note 29. Year 2000 Project

The Company has designed a comprehensive project to deal with the year 2000 issue. As a part of this project, the Company has incurred the following expenses:

	ASSET		LIABILITY	
	1999 ThCh\$	1998 ThCh\$	1999 ThCh\$	1998 ThCh\$
Hardware	-	-	-	-
Software	-	-	-	-
Advisory services and other	-	3,078	-	-
Total	-	3,078	-	-

The Company has not recorded provisions or write-offs related to this topic.

At February 25, 2000 the date these financial statements are issued, no problems have been encountered in connection with the Year 2000.

Note 30. Subsequent Events

From January 1 to February 25, 2000, the date these financial statements are issued, there have been no subsequent events that would materially affect them.

GABRIEL BECERRA T,
Chief Accountant

RENATO PEÑAFIEL M,
General Manager

CONSOLIDATED FINANCIAL STATEMENTS **BANCO SECURITY** AND SUBSIDIARIES

December 31, 1999 and 1998

With Independent Auditors' Report Thereon

Table of Contents

1. Independent Auditors' Report
2. Consolidated Balance Sheets
3. Consolidated Statements of Income
4. Notes to the Consolidated Financial Statements

ThCh\$ = Thousands of Chilean pesos
MCh\$ = Millions of Chilean pesos
UF = Price-level restatement unit
US\$ = United States dollar

INDEPENDENT AUDITORS' REPORT



**Chairman of the Board and Directors
Grupo Security S.A.**

We have audited the accompanying consolidated balance sheets of Banco Security and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income for the years then ended and the consolidated statement of cash flows for the year ended December 31, 1999. 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.

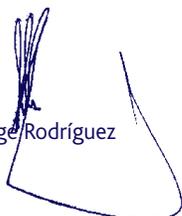
In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Banco Security and subsidiaries as of December 31, 1999 and 1998 and the results of their operations for the years then ended, and their consolidated cash flows for the year ended December 31, 1999 in conformity with generally accepted accounting principles in Chile and regulations issued by the Superintendency of Banks and Financial Institutions.

As stated in Note 2 to the financial statements, from January 1, 1999, the Bank and its subsidiaries implemented standards for the recording of deferred taxes. In addition, from 1999, the Bank has incorporated the statement of cash flows as part of its basic financial statements.

As explained in Note 2 to the financial statements, in 1998 pursuant to instructions issued Superintendency of Bank and Financial Institutions, the Bank changed the method of accounting for the adjustment to market value of financial investments classified as permanent.

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

Deloitte & Touche
January 10, 2000


Jorge Rodríguez

**Deloitte Touche
Tohmatsu**

CONSOLIDATED BALANCE SHEETS
December 31, 1999 and 1998 (In millions of Chilean pesos - MCh\$)

ASSETS	1999 MCh\$	1998 MCh\$
Liquid Assets	64,444.2	77,287.6
Loans:		
Commercial	390,302.9	362,581.0
Foreign trade	81,631.8	63,922.9
Consumer	1,730.0	1,084.6
Mortgage	529.5	-
Leasing contracts	41,451.9	45,228.9
Contingent	55,332.6	69,790.3
Other outstanding loans	45,220.9	47,738.3
Past-due	1,840.3	1,406.3
Total loans	618,039.9	591,752.3
Less: allowance for loan losses	(5,423.0)	(6,022.7)
Total loans-net	612,616.9	585,729.6
Other Loan Operations		
Investment purchased under agreement to resell	-	7,625.8
Total other loan operations	-	7,625.8
Investments:		
Banco Central de Chile and Treasury securities	24,123.2	11,927.8
Other financial investments	40,808.5	58,597.3
Investment collateral under agreement to repurchase	6,874.0	33,179.9
Assets received in sellement or adjudicated	1,524.9	239.2
Total investments	73,330.6	103,944.2
OtherAssets	16,271.5	12,046.8
Fixed Assets:		
Premises and equipment	12,218.8	10,587.6
Investment in related companies	467.9	67.2
Total fixed asset	12,686.7	10,654.8
Total Assets	779,349.9	797,288.8

The accompanying notes are an integral part of these financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY	1999	1998
	MCh\$	MCh\$
Liabilities:		
Deposits and Other Liabilities:		
Checking accounts	27,862.1	20,128.3
Deposits and banker drafts	432,550.0	405,887.5
Other time and demand liabilities	35,335.2	42,681.4
Investment sold under agreement to repurchase	6,959.8	36,120.8
Mortgage notes	529.5	—
Contingent liabilities	55,169.1	69,730.1
Total time and demand deposit	558,405.7	574,548.1
Bonds:		
Current bonds	13,796.6	15,504.7
Subordinated bonds	22,340.6	22,201.0
Total bonds	36,137.2	37,705.7
Borrowings from Financial Institutions and Banco Central del Chile:		
Other obligations with Banco Central de Chile	1,187.1	1,233.9
Domestic borrowings	31,267.0	36,960.4
Foreign borrowings	38,854.6	41,916.8
Other borrowings	30,085.0	28,857.9
Total borrowings from financial institutions	101,393.7	108,969.0
Other Liabilities	19,225.3	14,716.5
Total Liabilities	715,161.9	735,939.3
Voluntary Provisions	507.1	94.8
Minority Interest	10.4	33.9
Net Shareholders' Equity:		
Capital and reserves	55,089.2	55,078.5
Other accounts	72.5	634.0
Net income for the year	8,508.8	5,508.3
Total shareholders' equity	63,670.5	61,220.8
Total Liabilities and Shareholders' Equity	779,349.9	797,288.8

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENTS OF INCOME

December 31, 1999 and 1998 (In millions of Chilean pesos - MCh\$)

	1999 MCh\$	1998 MCh\$
Operating Income:		
Interest and indexation income	70,561.8	86,702.8
Gains from trading securities	2,105.2	1,846.5
Commission income	2,779.1	1,834.2
Exchange income-net	2,153.7	2,767.6
Other operating income	7,044.5	3,245.4
Total operating revenue	84,644.3	96,396.5
Less:		
Interest and indexation expenses	(49,086.0)	(69,064.8)
Loss from trading securities	(267.3)	(2,261.9)
Commission expense	(169.9)	(172.5)
Other operating expenses	(4,155.1)	(980.5)
Gross operating margin	30,966.0	23,916.8
Remunerations and personnel expenses	(8,637.9)	(6,707.2)
Administration and other expenses	(6,080.1)	(5,640.5)
Depreciation and amortization	(825.8)	(791.5)
Net operating margin	15,422.2	10,777.6
Provisions for assets at risk	(4,750.5)	(3,655.5)
Recovery of loans written off	33.0	0.3
Operating income	10,704.7	7,122.4
Other Income and Expenses:		
Non-operating income	906.0	1,050.2
Non-operating expenses	(557.8)	(135.4)
Gain on permanent investments	67.1	47.6
Monetary correction	(1,130.3)	(1,652.0)
Income Bifore Income Taxes	9,989.7	6,432.8
Income Taxes	(1,050.2)	(920.5)
Income Before Voluntary Provisions and Minority Interest	8,939.5	5,512.3
Minority Interest	(16.0)	(4.0)
Voluntary Provisions	(414.7)	-
Net Income for The Year	8,508.8	5,508.3

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended as of december 31, 1999 and 1998 (In millions of Chilean pesos - MCh\$)

	1999 MCh\$
Cash Flow from Operating Activities:	
Net income for the year	8,508.8
Charges (credits) to income that do not represent cash flows:	
Depreciation and amortization	825.8
Provisions for assets at risk	4,750.5
Voluntary provisions	432.8
Equity in earnings of related companies	(67.1)
Net loss from sale of assets received in settlement of loans	15.8
Minority interest	16.0
Monetary correction	1,300.9
Other charges that do not represent cash flows	873.4
Net change in interest, indexation and commissions accrued on assets and liabilities	(4,065.3)
Net cash provided by operating activities	12,591.6
Cash Flow from Investment Activities:	
Net increase in loans	(47,038.5)
Net decrease in other loan operations	7,729.9
Net decrease in investments	26,497.9
Purchase of fixed assets	(2,929.6)
Sale of fixed assets	513.6
Sale of assets received in settlement of loans	509.2
Net decrease in other assets and liabilities	2,818.6
Net cash used in investing activities	(11,898.9)
Cash Flow Financing Activities:	
Net increase in checking accounts	6,616.9
Net increase in deposits and bankers drafts	30,166.3
Net decrease of other at sight or term obligations	(7,431.4)
Net decrease from obligations arising from trading securities	(26,122.0)
Decrease in short-term foreign borrowings	(5,343.4)
Mortgage notes issued	534.4
Decrease in other short-term liabilities	(7,938.6)
Borrowings from financial institutions and CORFO (long-term)	16,732.0
Payment of borrowings obtained from financial institutions and CORFO (long-term)	(17,270.8)
Dividends paid	(5,497.6)
Net cash used in financing activities	(15,554.2)
Net Decrease in Cash Flows for The Year	(14,861.5)
Effect the Inflation on Cash and Cash Equivalentents	2,018.1
Net Decrease in Cash and Cash Equivalentents During the Year	(12,843.4)
Cash and Cash Equivalentents at Beginning of Year	77,287.6
Cash and Cash Equivalentents at End of Year	64,444.2

The accompanying notes are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In millions of Chilean pesos - MCh\$)

Note 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 Bank's and Financial Institutions (hereinafter, the Superintendency). Such regulations agree with generally accepted accounting principles in Chile.

b. Basis of consolidation

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

	OWNERSHIP	
	1999 %	1998 %
Leasing Security S.A.	99.999	99.999
Valores Security S.A. Corredores de Bolsa	99.900	99.900
Administradora de Fondos Mutuos Security S.A.	99.990	99.990
Asesorías Security S.A.	95.000	95.000

Assets of subsidiaries represent in whole a 6.8% of the consolidated balance (6.7% in 1998), and income of such subsidiaries represent 14.8% of the consolidated income (10.6% in 1998).

In the consolidation process, all significant intercompany balances and transactions have been eliminated. The amounts of 1998 are shown price-level restated according to changes in the IPC (Chilean Consumer Price Index) use for monetary correction (2,6%).

c. Interest and indexation

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

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

d. Monetary correction

Shareholders' equity, fixed assets, and other non-monetary balances have been monetarily corrected, considering the changes in the Chilean Consumer Price Index (CPI). The application of monetary correction results in a net charge to income of MCh\$1,130.3 (MCh\$1,652.0 in 1998).

The income statements of the Bank and the subsidiary Leasing Security S.A., are not monetarily corrected. The other subsidiaries income statements accounts are monetarily corrected.

e. Foreign currency

Assets and liabilities denominated in foreign currency are stated in Chilean pesos at the exchange rate prevailing at year end (Ch\$527.70 = US\$1 in 1999 and Ch\$473.77 = US\$1 in 1998).

The net gain from foreign exchange of MCh\$2,153.7 (net gain of MCh\$2,767.6 in 1998) shown in the consolidated income statement includes the net gains obtained from foreign exchange transactions, as well as the recognition of the effects of exchange rate variations on net assets or liabilities denominated in foreign currency.

f. Finance lease

These operations are, for all purposes, shown net of provisions and deferred taxes, according to accounting regulations issued by the Superintendency and applicable to these companies.

g. Financial investments

Long-term investments that are traded in the secondary market and mature after one year are stated at market value, in accordance with instructions of the Superintendency. Such instructions call for the recognition of the 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 "Fluctuation in value of financial investments" equity account.

The application of the adjustment to market value resulted in a net charge of M\$545.4 (net credit of M\$634.0 in 1998) to income of the year.

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

h. Premises and equipment

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

i. Provisions for doubtful assets

The Bank has established all the provisions that are required to cover the risk of loss on assets, in accordance with the rules established by the Superintendency. Assets are stated net of such provisions or deducting from the asset in the case of loans.

j. Voluntary provisions

In accordance with the General Banking Law, financial institutions may accrue special provisions, called "Voluntary provisions", which can be considered as part of the equity for purposes of complying with certain regulations of the General Banking Law.

The amount and effect on the year's income are shown directly on the consolidated balance sheet and the consolidated statement of income.

k. Deferred taxes

The effects of deferred taxes arising from temporary differences between the tax and the book bases are recorded on the accrual basis as from January 1, 1999, in conformity with Technical Bulletin N° 60 of the Chilean Institute of Certified Public Accountants. The effects of deferred taxes existing at January 1°, 1999 and not previously recorded are recognized in 1999 income, as these timing differences reverse.

l. Employee vacations

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

m. 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.

Note 2. Accounting Changes**1999:**

According to Circular N°2,984 of the Superintendency and the Technical Bulletin N°60 of the Chilean Institute of Certified Public Accountants (Chilean Accountants Association), the Bank accounted for, from January 1° 1999, all deferred taxes due to temporary differences, tax losses and other events that create differences between the book and taxable bases of assets and liabilities. To December 31, 1998, the effect of deferred taxes was not recorded. The application of this accounting principle did not have an accumulated effect at the beginning of the year. The 1999 effects are shown in Note 14 to the financial statements.

As of January 1°, 1999, the Technical Bulletin N°65 of the Chilean Institute of Certified Public Accountants, stated as mandatory the presentation of the Statement of Cash Flows for Banks and Financial Institutions. Consequently, this financial statement was incorporated by the Bank as part its the basic financial statements for the year ended December 31, 1999.

1998:

In 1998 the Bank applied Circular form N°2,960 of the Superintendency, which modified the accounting treatment of financial investments considered as permanent. The new accounting criteria allowed the adjustment to market value of permanent investments to be charged against an equity account rather than against income for the year. The effect of this accounting change is shown in Note 1g.

Note 3. Related Parties Transactions

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

a. Loans to related parties

At December 31, 1999 and 1998, loans to related parties are as follows:

	CURRENT PORTFOLIO		PAST DUE PORTFOLIO		TOTAL		GUARANTEES (*)	
	1999 MCh\$	1998 MCh\$	1999 MCh\$	1998 MCh\$	1999 MCh\$	1998 MCh\$	1999 MCh\$	1998 MCh\$
Individuals	510.7	329.4	—	—	510.7	329.4	406.3	233.5
Operating companies	2,851.2	2,853.6	—	—	2,851.2	2,853.6	939.3	1,687.9
Investment companies	8,729.2	3,203.1	—	—	8,729.2	3,203.1	6,811.9	1,866.1
Total	12,091.1	6,386.1	—	—	12,091.1	6,386.1	8,157.5	3,787.5

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

b. Other transactions with related parties

During 1999 and 1998, the Group entered into the following transactions in excess of UF1,000 with related parties:

COMPANY	ITEM	CREDIT TO INCOME		CHARGE TO INCOME	
		1999 MCh\$	1998 MCh\$	1999 MCh\$	1998 MCh\$
Compañía de Seguros					
Previsión Vida	Office rentals	16.5	—	—	—
Compañía de Seguros					
Previsión Generales	Office rentals	16.5	—	—	—
Inmobiliaria Security S.A.	Sale of asset received in lieu of payment	—	206.0	—	—
Merchant Security	Advisory services	—	—	290.0	—
Grupo Security S.A.	Advisory services	—	—	89.0	—

These transactions were realized on terms customarily prevailing in the market.

Note 4. Provisions

a. Provisions for assets at risk

At December 31, 1999, the Bank and its subsidiaries have accrued provisions for a total of MCh\$5,423.0 (MCh\$6,022.7 in 1998) which correspond to the minimum provisions required by the Superintendencia to cover possible losses.

During the year, the changes in the above provisions are as follows:

	PROVISIONS FOR			TOTAL MCh\$
	LOANS MCh\$	ASSETS RECEIVED IN SETTLEMENT MCh\$	OTHER ASSETS MCh\$	
Historic balances, December 31, 1997	4,018.2	–	–	4,018.2
Writte offs	(1,711.0)	–	–	(1,711.0)
Provisions created	3,562.8	–	–	3,562.8
Balances, December 31, 1998	5,870.0	–	–	5,870.0
Updated balances for comparative purposes	6,022.7	–	–	6,022.7
Historical balances, December 31, 1998	5,870.0	–	–	5,870.0
Writte offs	(5,197.5)	–	–	(5,197.5)
Provisions created	4,881.8	–	–	4,881.8
Provision released	(131.3)	–	–	(131.3)
Balance, December 31, 1999	5,423.0	–	–	5,423.0

In the opinion of management, the provisions established cover all possible losses that might result from non-recovery of assets based on the evidence examined by the Bank and its subsidiaries.

b. Voluntary provisions

In addition to the provisions for assets at risk indicated in a) above, the Bank has accrued voluntary provisions totaling MCh\$507.1 (MCh\$94.8 in 1998).

Note 5. Shareholders' Equity

a. Accounting equity

The activity in the shareholders' equity and reserve accounts during 1999 and 1998 are summarized as follows:

	PAID-IN CAPITAL MCh\$	OTHER RESERVES MCh\$	OTHER ACCOUNTS MCh\$	INCOME FOR THE YEAR MCh\$	TOTAL MCh\$
Balances, December 31, 1997, historic	34,197.5	5,941.7	–	7,381.5	47,520.7
Transfer to legal reserve	–	7,381.5	–	(7,381.5)	–
Capital increase	9,294.0	–	–	–	9,294.0
Dividends paid	–	(5,167.1)	–	–	(5,167.1)
Fluctuation in value of financial investments	–	–	617.9	–	617.9
Monetary correction	1,637.9	397.2	–	–	2,035.1
Net income for the year	–	–	–	5,368.8	5,368.8
Balances, December 31, 1998	45,129.4	8,553.3	617.9	5,368.8	59,669.4
Updated balances for comparative purposes	46,302.7	8,775.7	634.0	5,508.4	61,220.8
Balances, December 31, 1998, historic	45,129.4	8,553.3	617.9	5,368.8	59,669.4
Transfer to legal reserve	–	5,368.8	–	(5,368.8)	–
Dividends paid	–	(5,368.8)	–	–	(5,368.8)
Fluctuation in value of financial investments	–	–	(545.4)	–	(545.4)
Monetary correction	1,169.0	237.5	–	–	1,406.5
Net income for the year	–	–	–	8,508.8	8,508.8
Balances, December 31, 1999	46,298.4	8,790.8	72.5	8,508.8	63,670.5

According to Article 10 of law N° 18.046, the amount corresponding to revaluation of paid-in capital has been incorporated to such capital, which is now represented by 78,971,120 of no-par-value shares, and the same occurred with reserves.

In February 1999 and 1998, the net income for MCh\$5,368.8 and MCh\$5,167.1, respectively were distributed.

The Extraordinary Meeting of The Board of Shareholders held on July 27, 1998, agreed to increase the capital by MCh\$15,500,000,000, issuing 28,148,440 net no-par-value shares of the same series. The subscribed capital results in MCh\$49,697,533,082 divided in 90,241,632 shares. From the subscribed shares, 16,877,928 were placed among present shareholders for Ch\$550,66 each, on a pro-rata basis. The shares were paid-in-cash on August 3, 1998; the other 11,270,512 should be paid in cash within three years.

b. Minimum basic capital and effective equity

According to the General Banking Law, a financial institution's minimum basic capital may not be lower than 3% of its total assets, while the effective equity may not be lower than 8% of its risk weighted assets

At December 31, 1999, the Bank has the following parameters 7.47% and 11.30%, respectively.

Note 6. Investments

At December 31, 1999, balances in financial investments are as follows:

a. Financial investments

At December 31, 1999

	TYPE OF INVESTMENT						ADJUSTMENT TO MARKET VALUE					
	PERMANENT(**)		NON-PERMANENT		SUBTOTAL		CREDIT (CHARGE) TO INCOME		CREDIT (CHARGE) TO EQUITY		TOTAL	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Securities (*)												
Banco Central de Chile, Tesorería												
General de la República and other	5,728.7	28,634.3	25,226.2	16,193.6	30,954.9	44,827.9	-	-	40.1	688.0	30,995.0	45,515.9
Chilean financial institutions	1,474.5	1,704.4	8,089.9	21,277.4	9,564.4	22,981.8	-	-	32.4	(54.0)	9,596.8	22,927.8
Other investments	39.2	-	5,171.8	14,588.4	5,211.0	14,588.4	-	-	-	-	5,211.0	14,588.4
Investments abroad	20,843.4	3,672.6	5,159.5	17,000.3	26,002.9	20,672.9	-	-	-	-	26,002.9	20,672.9
Total	28,085.8	34,011.3	43,647.4	69,059.7	71,733.2	103,071.0	-	-	72.5	634.0	71,805.7	103,705.0

(*) Classification according to issuers. This amount includes, in total, an amount of MCh\$6,874,0 (MCh\$33,179,9 in 1998) for 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

	1999	1998
	Th\$	Th\$
Assets received in lieu or adjudicated in payment (*)	1,524.9	239.2

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

In addition to the assets received in settlement of loans that are recorded as assets, the Group owns properties and other assets that have been written-off but have not yet been sold.

Note 7. Analysis of Assets and Liabilities by Maturity

a. Maturity of loans and financial investments

The information below shows assets and liabilities at December 31, 1999 and 1998 in accordance with the remaining term until maturity. The balances, which include interest accrued at year end, are as follows:

	DUE WITHIN ONE YEAR		MORE THAN 1 YEAR UP TO 3 YEARS		MORE THAN 3 YEARS UP TO 6 YEARS		MORE THAN 6 YEARS		TOTAL	
	1999 MCh\$	1998 MCh\$	1999 MCh\$	1998 MCh\$	1999 MCh\$	1998 MCh\$	1999 MCh\$	1998 MCh\$	1999 MCh\$	1998 MCh\$
Loans (1):										
Commercial and other	362,314.1	332,923.0	38,130.0	44,231.0	59,320.0	35,093.0	30,030.0	26,914.8	489,794.1	439,161.8
Mortgage loans	1,069.0	1,224.0	2,035.0	2,310.0	3,551.0	4,126.0	20,642.0	25,361.0	27,297.0	33,021.0
Consumer loans	1,201.0	513.0	512.0	525.0	17.0	29.0	—	18.0	1,730.0	1,085.0
Lease contract	11,679.9	12,197.6	14,577.1	15,725.2	15,194.9	17,306.1	—	—	41,451.9	45,228.9
Other loans:										
Investment purchased under agreement to resell	—	7,625.8	—	—	—	—	—	—	—	7,625.8
Financial Investments:										
Permanent investments (2)	5,347.8	11,295.3	17,014.0	15,866.0	5,719.0	6,670.0	5.0	180.0	28,085.8	34,011.3
Non-permanent investments (3)	43,647.4	69,059.7	—	—	—	—	—	—	43,647.4	69,059.7

(1) Considers only those loans outstanding at year end that fall due within the indicated periods. Consequently, contingent loans and loans transferred to the past-due portfolio, as well as delinquent debts that have not been transferred to the past-due portfolio amounting to MCh\$594,0 (MCh\$2,041,5 in 1998), of which MCh\$216,0 (MCh\$698,0 in 1998) have been delinquent less than 30 days, have been excluded.

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

(3) Includes all the other financial investments, with adjustments to market value.

b. Maturities of deposits, borrowings and other financing operations

The information detailed below shows deposits, borrowings and other liabilities at December 31, 1999 and 1998 in accordance with the remaining term until maturity. The balances, which include interest accrued at year end, are as follows:

	ONE YEAR		MORE THAN 1 YEAR UP TO 3 YEARS		MORE THAN 3 YEARS UP TO 6 YEARS		MORE THAN 6 YEARS		TOTAL	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Borrowings and other obligations (*):										
Deposits and banker drafts	423,772.0	395,587.0	8,778.0	10,300.5	–	–	–	–	432,550.0	405,887.5
Obligations under repurchase										
agreements	6,959.8	36,120.8	–	–	–	–	–	–	6,959.8	36,120.8
Obligations on mortgage notes	52.9	–	158.7	–	158.7	–	159.2	–	529.5	–
Obligations on bonds issued	1,805.2	1,960.7	3,396.0	4,151.0	8,229.0	4,253.0	22,707.0	27,341.0	36,137.2	37,705.7
Loans from financial										
Entities and Banco Central de Chile:										
Other obligations with										
Banco Central	164.1	333.9	1,023.0	900.0	–	–	–	–	1,187.1	1,233.9
Loans from financial institutions	20,754.0	28,778.9	10,423.0	7,759.1	90.0	422.4	–	–	31,267.0	36,960.4
Obligations abroad	38,853.0	11,725.0	1.6	5,455.0	–	24,736.8	–	–	38,854.6	41,916.8
Other obligations	6,890.0	18,799.0	2,895.0	8,676.0	12,519.0	1,382.9	7,781.0	–	30,085.0	28,857.9

(*) Excluding at sight and contingent obligations.

Note 8. Foreign Currency Position

The balance sheet includes assets and liabilities that are denominated in foreign currencies or are indexed to changes in exchange rates. These amounts are summarized below:

	TO BE PAID IN				TOTAL	
	FOREIGN CURRENCY		CHILEAN CURRENCY (*)		1999 ThUS\$	1998 ThUS\$
	1999 ThUS\$	1998 ThUS\$	1999 ThUS\$	1998 ThUS\$		
Assets						
Liquid assets (*)	45,999	59,269	–	–	45,999	59,269
Loans	158,542	132,924	38,873	20,212	197,415	153,136
Contingent loans	67,914	101,751	6,304	–	74,218	101,751
Financial investments:						
Foreign	49,276	42,528	–	–	49,276	42,528
Other assets	38,003	78,886	–	–	38,003	78,886
Total assets	359,734	415,358	45,177	20,212	404,911	435,570
Liabilities						
Deposits and banker drafts	12,811	9,317	–	–	12,811	9,317
Contingent liabilities	67,914	101,951	–	–	67,914	101,951
Time and demand deposits	85,411	59,924	–	26,535	85,411	86,459
Liabilities with foreign banks	72,263	84,867	–	–	72,263	84,867
Other liabilities	123,651	153,489	–	–	123,651	153,489
Total liabilities	362,050	409,548	–	26,535	362,050	436,083

(*) Corresponds to operations denominated in foreign currencies and payable in Chilean pesos or operations that are indexed to changes in the exchange rate.

Note 9. Transactions with Derivative Instruments

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

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

	NUMBER OF OPERATIONS		AMOUNT OF THE CONTRACTS			
	1999	1998	UP TO 3 MONTHS		MORE THAN 3 MONTHS	
			1999 ThUS\$	1998 ThUS\$	1999 ThUS\$	1998 ThUS\$
Type of futures operation						
Local market:						
Future purchase of foreign currency						
in Chilean pesos	6	13	4,007.7	18,000	10,000.0	8,005
Future sale of foreign currency						
in Chilean pesos	29	19	19,000.0	37,000	58,700.0	20,305
Forward in foreign currency (sales)	5	13	918.8	16,422	3,256.4	16,422
Foreign market:						
Forward in foreign currency (purchases)	5	13	917.3	16,642	32,553.0	2,166

The amounts refer to either the US dollar futures bought or sold, the equivalent in US dollars of foreign currency futures bought or sold, or the US dollars 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):

	N° OF OPERATIONS		CONTRACT AMOUNTS	
	1999	1998	UP TO 3 MONTHS	MORE THAN 3 MONTHS
			UF	UF
Purchase of UF/pesos forwards	—	3	-	400,000

Note 10. Contingencies Commitments and Responsibilities

a. Commitments and responsibilities recorded in memorandum accounts:

The Group has recorded the following commitments and responsibilities in memorandum accounts:

	1999 MCh\$	1998 MCh\$
Mortgage and pledge Guarantees	322,040	302,983
Credit lines obtained	174,233	161,436
Securities and notes in guarantee	102,827	113,843
Securities held in custody	82,261	89,295
Loans approved and not disbursed	18,462	15,497
Foreign collections	12,472	10,586

The above summary list includes only the principal balances. Contingent loans and liabilities are stated on the balance sheet.

Note 11. Commissions

Commission income and expenses shown on the statement of income are as follows:

	INCOME		EXPENSE	
	1999 MCh\$	1998 MCh\$	1999 MCh\$	1998 MCh\$
Commissions earned or paid on:				
Stock exchange transactions	1,028.8	573.0	132.3	147.9
Foreign transactions	416.2	498.2	-	-
Lease transactions	160.4	103.0	-	-
Mutual funds transactions	92.7	-	-	-
Collection of notes	696.1	144.7	-	-
Letters of credit, guarantees, pledges and othe contingent loans	48.2	57.1	-	-
Credit cards	29.1	30.3	-	-
Lines of credit	42.2	28.1	-	-
Checking accounts	20.4	24.7	-	-
Others	245.0	375.1	37.6	24.6
Totals	2,779.1	1,834.2	169.9	172.5

The commissions earned on mortgage note transactions are included in "Interest and Indexation Income" in the consolidated statement of income.

Note 12. Non-Operating Income

The detail of non-operating income is as follows:

	1999 MCh\$	1998 MCh\$
Financial investments	48.6	72.6
Recovery of expenses	359.4	391.5
Rents received	147.7	168.2
Others	350.3	417.9
Total	906.0	1,050.2

Note 13. Income tax

The Bank and its subsidiaries has accrued a provision for First Category Income Tax, originating a charge to income for MCh\$1,050.2 (MCh\$920.5 in 1998).

Note 14. Deferred Taxes

As described in Note 2 to the financial statements, the Bank applied the accounting criteria of Technical Bulletin N°60 of the Colegio de Contadores de Chile A.G. from January 1, 1999. The deferred taxes due to the following temporary differences are as follows:

ITEM	BALANCE AT		AVERAGE TERM OF REVERSAL (MONTHS)
	JANUARY 1, 1999 MCh\$	DECEMBER 31, 1999 MCh\$	
Assets:			
Global loan loss provision	578.1	349.2	—
Accrual of suspended interest and indexation	3.7	—	—
Tax asset	4,193.0	4,073.0	—
Contingency provision	38.1	13.0	—
Country risk provision	0.3	10.7	—
Voluntary provision	13.9	76.2	—
Others	9.3	104.1	—
Subtotal	4,836.4	4,626.2	—
Supplementary account	(4,880.1)	(4,314.6)	104
Net difference	(43.7)	311.6	—
Liabilities:			
Accrual of suspended interest and indexation	—	(0.8)	—
Lease contract	(6,457.7)	(6,054.0)	—
Fixed assets depreciation	(315.2)	(214.5)	—
Adjustment for futures contracts	43.7	(96.9)	—
Others	—	(0.4)	—
Subtotal	(6,729.2)	(6,366.6)	—
Supplementary account	6,772.9	6,451.3	253
Net difference	43.7	84.7	—

Tax expense for the year is as follows:

ITEM	MCh\$
Current tax	(1,446.5)
Effect on assets and liabilities for deferred tax of the year	152.4
Effect of amortization of supplementary accounts of assets and liabilities due to deferred taxes of the year	243.9
Total	(1,050.2)

Note 15. Directors' Expenses and Fees

During 1999 and 1998, the following expenses and fees paid to the Directors have been charged to income during each year:

	1999 MCh\$	1998 MCh\$
Per diem	53.5	52.9
Advisory services fees	283.9	280.8
Total	337.4	333.7

Note 16. Purchases, Sales, Substitutions or Trades in The Loan Portfolio

In 1999, the Bank sold from the endorsable mortgage loans portfolio as follows:

SALE MCh\$	EFFECT ON INCOME MCh\$	EFFECT ON PROVISIONS MCh\$
13,047.2	589.4	0.0

Note 17. Year 2000 Project

The Bank and its subsidiaries have designed a comprehensive project to deal with the Year 2000 Issue and, to develop this project, made the following investments in 1999 and 1998:

ITEM	ASSETS		LIABILITIES	
	1999 MCh\$	1998 MCh\$	1999 MCh\$	1998 MCh\$
Hardware	34.6	–	–	–
Hardware	62.7	35.4	–	–
Software	–	–	40.8	16.8
Others	21.9	–	–	13.3
Totals	84.6	35.4	40.8	30.1

To date these investments represent 100% of the total investment budget for the project.

HORACIO SILVA C.
Accounting Submanager

RAMON ELUCHANS O.
General Manager

SUMMARY OF THE FINANCIAL STATEMENTS OF THE AFFILIATES

as of December 31, 1999 and 1998

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ThCh\$ = Thousands of Chilean pesos
MCh\$ = Millions of Chilean pesos
UF = Price-level restatement unit
US\$ = United States dollar

BANCO SECURITY
Financial Statement (Consolidated as of 31 December 1999 and 1998)

Balance

	1999	1998
Assets	MCh\$	MCh\$
Current Assets	64,444	77,288
Net Loans	612,617	585,730
Other Credit Operations	-	7,626
Investment	73,331	103,944
Fixed Assets	12,687	10,654
Other Assets	16,271	12,047
Total Assets	779,350	797,289

Liabilities

Time Deposits and Other	558,406	574,548
Loans from Financial Institutions	101,394	108,969
Subordinates Bonds	22,341	22,201
Other Liabilities	33,538	30,350
Capital & Reserves	55,162	55,713
Net Income	8,509	5,508
Total Liabilities & Equity	779,350	797,289

Income Statements

Operating Income	10,705	7,122
Non Operating Income	(1,146)	(693)
Net Income Before Taxes	9,559	6,429
Taxes	(1,050)	(921)
Net Income	8,509	5,508

VALORES SECURITY S.A. CORREDORES DE BOLSA

Financial Statement as of 31, December 1999 and 1998

Balance

Assets	1999 ThCh\$	1998 ThCh\$
Current Assets	36,556,335	43,143,541
Fixed Assets	93,440	99,283
Other Assets	376,117	460,290
Total Assets	37,025,892	43,703,114

Liabilities

Current Assets	33,900,781	41,473,823
Capital & Reserves	2,223,969	2,125,878
Net Income	901,142	103,413
Total Liabilities & Equity	37,025,892	43,703,114

Income Statement

Operating Income	1,020,266	86,896
Non Operating Income	55,896	31,470
Net Income before Taxes	1,076,162	118,366
Taxes	(175,020)	(14,953)
Net Income	901,142	103,413

LEASING SECURITY S.A.
Financial Statement as of 31 December 1999 and 1998

Balance

Assets	1999 ThCh\$	1998 ThCh\$
Current Assets	15,253,300	13,660,064
Long Term Assets	31,126,809	32,343,767
Fixed Assets	555,507	584,480
Total Activos	46,935,616	46,588,311

Liabilities

Current Assets	20,745,217	21,080,888
Long Term Assets	19,236,632	18,564,030
Capital & Reserves	6,176,627	6,174,378
Net Income	777,140	769,015
Total Liabilities & Income	46,935,616	46,588,311

Income Statement

Operating Income	1,543,901	966,170
Non Operating Income	(591,256)	(141,160)
Net Income before Taxes	952,645	825,010
Taxes	(175,505)	(55,995)
Net Income	777,140	769,015

ADMINISTRADORA DE FONDOS MUTUOS SECURITY S.A.

Financial Statement as of 31 December 1999 and 1998

Balance

Assets	1999 ThCh\$	1998 ThCh\$
Current Assets	1,862,047	1,528,152
Long Term Assets	—	—
Fixed Assets	61,738	56,773
Total Assets	1,923,785	1,584,925

Liabilities

Current Liabilities	131,438	73,734
Capital & Reserves	1,069,619	1,069,619
Retained net Income	73,436	73,436
Net Income	649,292	368,136
Total Liabilities & Equity	1,923,785	1,584,925

Income Statement

Operating Income	385,545	268,100
Non Operating Income	378,328	166,345
Net Income before Taxes	763,873	434,445
Taxes	(114,581)	(66,309)
Net Income	649,292	368,136

ASESORIAS SECURITY S.A.
Financial Statement as of 31 December 1999 and 1998

Balance

Assets	1999 ThCh\$	1998 ThCh\$
Current Assets	235,208	204,632
Fixed Assets	3,865	1,621
Other Assets	—	—
Total Assets	239,073	206,253

Liabilities

Current Liabilities	43,653	7,639
Capital & Reserves	177,668	177,668
Provisional Dividends	(302,978)	(56,822)
Net Income	320,730	77,768
Total Liabilities & Equity	239,073	206,253

Income Statement

Operating Income	365,522	80,513
Non Operating Income	11,100	10,941
Net Income before Taxes	376,622	91,454
Taxes	(55,892)	(13,686)
Net Income	320,730	77,768

FACTORING SECURITY S.A.
Financial Statement as of 31 December 1999 and 1998

Balance

Assets	1999 ThCh\$	1998 ThCh\$
Current Assets	50,729,640	37,024,647
Fixed Assets	125,180	65,916
Other Assets	2,891,613	4,112
Total Assets	53,746,433	37,094,675

Liabilities

Current Liabilities	47,906,650	31,609,596
Long Term	-	-
Capital & Reserves	4,565,278	4,557,138
Net Income	1,274,505	927,941
Total Liabilities & Equity	53,746,433	37,094,675

Income Statement

Operating Income	1,732,618	1,214,599
Non Operating Income	(79,081)	(7,999)
Net Income before Taxes	1,653,537	1,206,600
Taxes	(379,032)	(278,659)
Net Income	1,274,505	927,941

MERCHANT SECURITY S.A.
Financial Statement as of 31 December 1999 and 1998

Balance

Assets	1999 ThCh\$	1998 ThCh\$
Current Assets	1,765,355	3,811,585
Fixed Assets	8,350	4,315
Other Assets	183,547	170,001
Total Assets	1,957,252	3,985,901

Liabilities

Current Liabilities	618,668	2,458,348
Capital & Reserves	1,530,888	1,040,427
Net Income	(192,304)	487,126
Total Liabilities & Equity	1,957,252	3,985,901

Income Statement

Operating Income	(371,854)	(83,836)
Non Operating Income	179,550	656,738
Net Income before Taxes	(192,304)	572,902
Taxes	-	(85,776)
Net Income	(192,304)	487,126

SECURITIZADORA SECURITY S.A.
Financial Statement as of 31 December 1999 and 1998

Balance

	1999	1998
Assets	ThCh\$	ThCh\$
Current Assets	174,965	172,074
Fixed Assets	1,394	2,320
Total Assets	176,359	174,394
Liabilities		
Current Assets	597	2,013
Capital & Reserves	172,381	163,704
Net Income	3,381	8,677
Total Liabilities & Equity	176,359	174,394

INMOBILIARIA SECURITY S.A.
Financial Statement as of 31 December 1999 and 1998

Balance

Assets	1999 ThCh\$	1998 ThCh\$
Current Assets	1,455,928	2,495,399
Fixed Assets	11,184	11,077
Other Assets	2,306,096	2,744,072
Total Assets	3,773,208	5,250,548

Liabilities

Current Liabilities	1,137,307	2,344,923
Long Term	1,401,589	1,401,611
Capital & Reserves	1,805,679	1,805,679
Star-up Deficit Affiliate	(182,928)	(142,514)
Star-up Deficit	(15,019)	(15,019)
Acumulated Income	(144,132)	-
Net Income	(229,288)	(144,132)
Total Liabilities & Equity	3,773,208	5,250,548

Income Statement

Operating Income	(61,703)	(23,173)
Non Operating Income	(167,585)	(120,959)
Net Income before Taxes	(229,288)	(144,132)
Taxes	-	-
Net Income	(229,288)	(144,132)

INVERSIONES SEGUROS SECURITY LTDA.

Financial Statement as of 31 December 1999 and 1998

Balance General

Assets	1999 ThCh\$	1998 ThCh\$
Current Assets	2,255,808	1,994,009
Fixed Assets	248,484	2,166
Other Assets	10,862,111	6,723,488
Total Assets	13,366,403	8,719,663

Liabilities

Current Assets	3,580,819	118,310
Long Term Liabilities	73,410	–
Minoritary Interest	139,832	–
Capital & Reserves	9,153,597	5,822,710
Net Income	418,745	2,778,643
Total Liabilities & Equity	13,366,403	8,719,663

Income Statement

Operating Income	(572,085)	(133,995)
Non Operating Income	1,154,705	3,039,074
Minoritary Interest	(43,022)	–
Net Income before Taxes	539,598	2,905,079
Taxes	(120,853)	(126,436)
Net Income	418,745	2,778,643

SEGUROS PREVISION VIDA S.A.
Financial Statement as of 31 December 1999 and 1998

Balance

Assets	1999 ThCh\$	1998 ThCh\$
Financial Investment	48,199,655	47,860,320
Premium Receivable & reinsurance	883,485	267,042
Other Assets	843,936	2,207,191
Total Assets	49,927,076	50,334,553

Liabilities

Underwriting Reserves	41,580,216	41,766,597
Outstanding Debt with Banks	401,516	2,693,450
Other Liabilities	2,228,158	1,266,789
Capital & Reserves	5,209,156	4,895,535
Net Income	508,030	(287,818)
Total Liabilities & Equity	49,927,076	50,334,553

Income Statement

Operating Income	487,609	(357,083)
Non Operating Income	124,926	95,023
Net Income before Taxes	612,535	(262,060)
Taxes	(104,505)	(25,759)
Net Income	508,030	(287,819)

SEGUROS PREVISION GENERALES S.A.

Financial Statement as of 31 December 1999 and 1998

Balance

Assets	1999 ThCh\$	1998 ThCh\$
Financial Investment	4,967,260	6,365,081
Premium Receivable & reinsurance	7,558,774	5,914,978
Other Assets	517,442	524,292
Total Assets	13,043,476	12,804,351

Liabilities

Underwriting Reserves	8,751,476	8,607,573
Outstanding Debt with Banks	2	991,800
Other Liabilities	911,108	706,092
Capital & Reserves	3,130,752	2,361,385
Net Income	250,138	137,501
Total Liabilities & Equity	13,043,476	12,804,351

Income Statement

Operating Income	251,205	142,402
Non Operating Income	17,756	23,635
Net Income before Taxes	268,961	166,037
Taxes	(18,823)	(28,536)
Net Income	250,138	137,501

TRAVEL SECURITY S.A.
Financial Statement as of 31 December 1999

Balance

	1999
Assets	ThCh\$
Current Assets	1,780,687
Fixed Assets	247,061
Other Assets	24,014
Total Assets	2,051,762

Liabilities

Current Liabilities	861,121
Long Term Liabilities	631,313
Capital & Reserves	387,241
Met Income	172,087
Total Liabilities & Equity	2,051,762

Income Statement

Operating Income	182,252
Non Operating Income	15,648
Net Income before Taxes	197,900
Taxes	(25,813)
Net Income	172,087

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