




BANCO security

annual report

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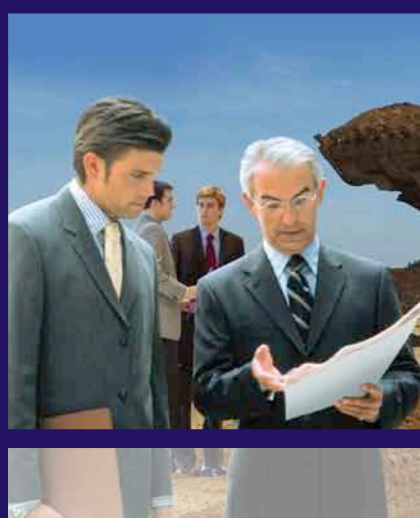
COMPANIES • INDIVIDUALS • INVESTMENTS



• FOREIGN TRADE • LEASING

Annual Report 2007

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You want ***You can***

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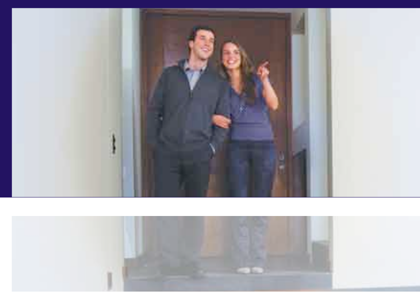

UNCONSOLIDATED FINANCIAL SUMMARY

MILLIONS OF PESOS OF DECEMBER 2007

	2000	2001	2002	2003	2004 (3)	2005	2006	2007
RESULTS FOR THE YEAR								
Gross Operating Result (Gross Margin)	32,507	39,394	42,805	46,342	56,382	56,028	58,654	68,043
Operating Expenses	17,169	21,728	22,180	23,675	33,314	28,109	32,472	34,527
Net Operating Margin (Net Margin)	15,338	17,666	20,625	22,666	23,068	27,919	26,182	33,517
Net Income	12,045	11,777	11,841	15,517	15,931	21,947	22,015	27,250
YEAR-END BALANCES								
Loans (1)	890,044	927,298	1,011,205	1,119,231	1,349,156	1,485,125	1,730,068	1,929,229
Financial Investments	112,987	158,731	166,792	136,311	263,106	313,912	268,624	461,777
Productive Assets	1,003,031	1,086,030	1,177,997	1,255,542	1,612,261	1,799,037	1,998,949	2,391,006
Fixed Assets & Investment in Subsidiaries	33,047	20,765	24,462	31,731	47,150	51,316	55,642	60,277
Total Assets	1,140,012	1,222,824	1,322,171	1,390,758	1,824,875	2,101,145	2,224,142	2,682,822
Net Sight Deposits	36,680	57,939	59,602	67,366	94,557	115,778	116,946	138,838
Time Deposits & Borrowings	782,910	699,350	825,850	827,389	1,108,964	1,170,061	1,278,964	1,524,200
Foreign Liabilities	11,453	96,060	104,149	107,877	158,959	210,666	120,948	153,106
Allowances for Loan Losses	6,826	9,176	12,472	13,928	21,085	21,396	17,653	19,249
Capital & Reserves (2)	87,042	90,184	91,635	93,860	140,872	142,836	142,354	140,083
Shareholders' Equity	99,086	101,960	103,476	109,377	156,804	164,783	164,369	167,333
RATIOS								
Productive Assets/Total Assets	88.0%	88.8%	89.1%	90.3%	88.3%	85.6%	89.9%	89.1%
Net income/Capital & Reserves	13.8%	13.1%	12.9%	16.5%	11.3%	15.4%	15.5%	19.5%
Net Income/Productive Assets	1.2%	1.1%	1.0%	1.2%	1.0%	1.2%	1.1%	1.1%
Operating Expenses/Gross Margin	52.8%	55.2%	51.8%	51.1%	59.1%	50.2%	55.4%	50.7%
Operating Expenses/Productive Assets	1.7%	2.0%	1.9%	1.9%	2.1%	1.6%	1.6%	1.4%
Productive Assets/Number of Employees	3,105	3,185	3,752	4,076	4,633	4,734	4,208	3,639
Loans/Number of Employees	2,756	2,719	3,220	3,634	3,877	3,908	3,642	2,936
Basel Ratio	11.7	11.3	11.6	11.2	12.3	12.3	11.6	10.8
Number of Employees	323	341	314	308	348	380	475	657

(1) Includes Interbank Lending
(2) Includes Other Equity Accounts
(3) Banco Security & Dresdner Bank L.A., Chile were merged on October 1, 2004



financial summary

CONSOLIDATED FINANCIAL SUMMARY

MILLIONS OF PESOS OF DECEMBER 2007

	2000	2001	2002	2003	2004 (3)	2005	2006	2007
RESULTS FOR THE YEAR								
Gross Operating Result (Gross Margin)	41,623	44,719	50,708	54,965	69,680	67,323	69,860	89,962
Operating Expenses	21,234	24,708	25,343	27,596	38,389	33,517	38,770	43,437
Net Operating Margin (Net Margin)	20,389	20,011	25,365	27,369	31,291	33,806	31,090	46,525
Net Income	12,045	11,777	11,841	15,517	15,931	21,947	22,015	27,250
YEAR-END BALANCES								
Loans (1)	941,188	927,298	1,011,064	1,119,231	1,348,998	1,485,097	1,730,068	1,929,229
IFinancial Investments	143,981	170,323	207,529	199,925	348,257	426,148	340,932	588,269
Productive Assets	1,085,170	1,097,622	1,218,594	1,319,157	1,697,255	1,911,245	2,071,000	2,517,498
Fixed Assets & Investment in Subsidiaries	17,182	14,495	14,655	17,676	24,501	25,267	25,180	25,681
Total Assets	1,218,976	1,230,600	1,355,325	1,443,230	1,900,222	2,196,723	2,292,116	2,813,856
Net Sight Deposits	36,680	57,939	57,981	67,149	94,215	114,404	116,233	136,678
Time Deposits & Borrowings	803,734	700,647	826,287	824,228	1,115,472	1,170,746	1,299,874	1,555,766
Foreign Liabilities	11,453	96,060	104,149	107,877	158,959	210,666	120,948	153,106
Allowances for Loan Losses	7,564	9,176	12,434	13,928	21,085	21,396	17,653	19,249
Capital & Reserves (2)	87,042	90,184	91,635	93,860	140,872	142,836	142,354	140,083
Shareholders' Equity	99,086	101,960	103,476	109,377	156,804	164,783	164,369	167,333
RATIOS								
Productive Assets/Total Assets	89.0%	89.2%	89.9%	91.4%	89.3%	87.0%	90.4%	89.5%
Net income/Capital & Reserves	13.8%	13.1%	12.9%	16.5%	11.3%	15.4%	15.5%	19.5%
Operating Expenses/Gross Margin	51.0%	55.3%	50.0%	50.2%	55.1%	49.8%	55.5%	48.3%
Operating Expenses/Productive Assets	2.0%	2.3%	2.1%	2.1%	2.3%	1.8%	1.9%	1.7%
Basel Ratio	11.7	11.3	11.6	11.2	12.3	12.3	11.6	10.8

1) Includes Interbank Lending
(2) Includes Other Equity Accounts
(3) Banco Security & Dresdner Bank L.A., Chile were merged on October 1, 2004

BANCO security

Chairman's letter to shareholders

Once again, it is a pleasure for me to present to you the Annual Report of Banco Security for the year 2007.

It was a year of great activity in all the areas in which the Bank is involved, both internally and externally, and, as in previous years, I dare to say that we have the satisfaction of "work well done", having met most of the objectives and targets that we set ourselves. This was reflected in the results obtained, progress made in the various projects on which we are working, the multiple recognitions received during the year and above all in the continuing enthusiasm and commitment of all those working for this institution.

We had a favorable international economic scenario, with robust growth and expansive financial conditions, but with great volatility during the second half of the year as a result of the problems in the United States' real-estate sector. Our economy, one of the most open in the world, was not unaffected by these changes and, following a good first half, we noted a progressive deterioration in growth expectations, an acceleration of inflation and high levels of volatility. The Bank, making use of various currently-available financial instruments and its professional capacity, was able to successfully overcome these situations.

Two new mergers were announced in the banking industry, those of Scotiabank Sud Americano with Banco del Desarrollo, and Banco de Chile with Citibank, and there was a change of ownership of another three banks. This represents new challenges as the larger size of the merged banks will make them more competitive as they will benefit from economies of scale. But we also believe that this is an opportunity due to the normal deterioration of customer service during these processes, with the consequent loss of some customers to other banks.

In terms of activity and profitability, the industry had a good year although not as good as 2006. Loans grew by 12.8% in real terms, with slower growth than the year before as a result of declines in the expansion in foreign trade finance and consumer loans, as a direct consequence of the deterioration in the country's economic prospects. The aggregate net income of banks was Ch $965,971 million, representing a return on capital and reserves of 16.2% and a 0.9% decline from the level of 2006.

In this context, the constancy of our vision and business strategy has once again enabled us to achieve the defined objectives and perform successfully in this increasingly more competitive market. The improvement in the quality of service, the focus on the objective segments of companies and individuals, sustained growth maintained in the balance between profitability and risk, and our concern that our people and their families continue to be the central hub of our daily business.

We can be satisfied with the results achieved. While loans grew somewhat below the industry average (11.9% against 12.8% in real terms), the net income and profitability rose to record levels of Ch$27,250 million and 19.5% respectively, the latter comparing favorably with the industry average of 16.2% and positioning ourselves as the sixth most profitable bank in the system.

I should mention the progress made in different projects that the Bank is currently carrying out. Firstly, the retail banking development project met all its targets for the year, adding 10,000 new checking account customers and maintaining the standard of service that characterizes us and the profitability of this business. Progress in technological projects was also on schedule, principally the implementation of a new Bank Core. It is important to remember that this project represents a technological transformation for the Bank, enabling us to absorb future growth in operations, improve our productivity and efficiency ratios and raise quality standards.

None of this would have been possible without the enthusiasm and commitment of our people, and without the decided and constant support of our shareholders. We are convinced that this is and will continue to be our principal competitive advantage. We are therefore always concerned about each member of our staff and their families, as demonstrated by the recognitions received year after year. The Bank, together with other Grupo Security companies, was rated for the seventh consecutive year as one of the "35 Best Companies to work for in Chile", according to a survey carried out by the Great Place to Work Institute. There was also the recognition granted by Ya magazine and Fundación Chile Unido, as one of the "Best Companies for working parents". Other distinctions included the Bank being placed ninth among the "25 Best Banks in Latin America", according to a ranking prepared by the América

Chairman’s letter to shareholders

Economía magazine. At the same time, thanks to its profitability in 2006, the subsidiary Administradora General de Fondos Security was distinguished in three categories of the “Premios Salmón” given annually by the Diario Financiero newspaper.

The year 2008 will be full of challenges, industry changes, international credit market turbulences, volatility in global stock markets and a probable gradual deceleration of the economy. These call on us to be alert and to increase our efficiency, without overlooking customer service which is our great attribute, in order to achieve the ambitious objectives that we have again set ourselves.

Francisco Silva S.

Chairman

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BOARD OF DIRECTORS

CHAIRMAN	Francisco Silva S.
DIRECTORS	Hernán Felipe Errázuriz C.
	Jorge Marín C.
	Gustavo Pavez R.
	Renato Peñafiel M.
	Gonzalo Ruiz U.
	Mario Weiffenbach O.

GENERAL MANAGEMENT

• President	Ramón Eluchans O.
• Legal Counsel	Enrique Menchaca O.
• Chief Economist	Aldo Lema N.
• Corporate Culture Manager	Karin Becker S.
• Planning & Performance Manager	Manuel Widow L.
• Controller	Alfonso Verdugo R.

SUPPORT AREAS

• Risk Division Manager	José Miguel Bulnes Z.
• Credit Administration & Normalization Manager	Alejandro Vivanco F.
• Risk Control Manager	Ricardo Martinez S.
• Compliance Manager	Hernán Braun B.
• Marketing & Products Manager	Sebastián Covarrubias F.
• Products Manager	Juan Carlos Ruiz V.
• Operations & Technology Division Manager	Carlos Brito C.
• Administration Manager	Manuel José Balmaceda A.

COMMERCIAL AREAS

CORPORATE DIVISION

• Corporate Banking Division Manager	Christian Sinclair M.

LARGE COMPANIES AREA

• Large Companies Manager	Humberto Grattini F.
• Large Companies Assistant Manager	René Melo B.
• Large Companies Assistant Manager	Alberto Apel O.

board and management

BUSINESSES AND BRANCHES AREA

• Businesses & Branches Manager	Alejandro Arteaga I.
• Businesses Platform Assistant Manager	José Luis Correa L.
• Businesses Platform Assistant Manager	Jorge Contreras W.
• Businesses Assistant Manager	Hernán Besa D.
• Businesses Executive	Francisco Cardemil K.
• Businesses Executive	Carlos López V.
• Businesses Executive	José Antonio Delgado A.
• Businesses Executive	Felipe Oliva L.
• Businesses Executive	Luis Vivanco A.
• Businesses Executive	Hernán Buzzoni G.
• Businesses Executive	Alberto Leighton P.
• Antofagasta Branch Agent	Rolando Trombert J.
• Concepción Branch Agent	María Paz Ruiz-Tagle V.
• Puerto Montt Branch Assistant Manager	Cristián Gazabatt O.
• Temuco Branch Agent	Harald Zach P.

SPECIALIZED BANKING AREA

• Specialized Banking Manager	Alfonso Piriz S.
• Real Estate Area Assistant Manager,	Francisco Domeyko C.
• Multinational Companies Assistant Manager	Erik Möller R.
• Businesses Assistant Manager	Mauricio Parra L.
• Multinational Companies Agent	Germán Steffens S.
• Financial Consultancy Agent	Alberto Aspillaga F.
• Leasing Area Agent	Aldo Massardo G.

FOREIGN TRADE AND INTERNATIONAL SERVICES AREA

• Foreign Trade & International Services Manager	Miguel Ángel Delpin A.
• Foreign Trade Business Assistant Manager	Benjamín Díaz M.
• International Business Agent	Miguel García R.
• International Operations Agent	Aldo Reganaz E.

RETAIL DIVISION

• Retail Banking Division Manager	Gonzalo Baraona B.

PREFERENTIAL BANKING AREA

• Mortgage Banking & New Businesses Manager	Felipe González A.
• Commercial Platforms Manager	Rodrigo de Pablo M.
• Branches Assistant Manager	Rodrigo Reyes M.
• Head Office Branch (El Golf) Assistant Manager	Patricio Gutiérrez P.
• Vitacura Branch Assistant Manager	Margarita Jarpa del S.
• Agustinas Branch Assistant Manager	José Pablo Jiménez U.
• La Dehesa Branch Agent	Virginia Díaz M.
• Providencia Branch Agent	Carlos Benedetti D.
• Estoril Branch Agent	María Soledad Ruiz S.
• Viña del Mar Branch Agent	Loreto Escandón S.
• Los Cobres Branch Agent	José Ignacio Alonso B.
• Plaza Constitución Branch Agent	Paula Martínez I.
• North Zone Branches Agent	Raúl Figueroa D.
• Apoquindo Platform Agent	Marcela Brunetto S.

PRIVATE BANKING AREA

• Private Banking Assistant Manager	Constanza Pulgar G.

MORTGAGES AREA

• Mortgage Banking Agent	Nicolás Moreno D.

FINANCE DIVISION

• Finance & Corporate Division Manager	Nicolás Ugarte B.

MONEY DESK

• Finance Manager	Sergio Bonilla B.
• Money Desk Manager	Ricardo Turner O.

CORPORATE BANKING AREA

• Corporate Banking Manager	Adolfo Tocornal R-T.

AUDIT COMMITTEE

In accordance with SBIF(*) Circular 1-15, Banco Security constituted its Audit Committee on March 24, 2004 in order to ensure the efficiency of the internal control systems and compliance with regulations, thus reinforcing a supervision system based on self-regulation.

The permanent members of the committee are:

• Hernán Felipe Errázuriz C.	Director
• Jorge Marín C.	Director
• Ramón Eluchans O.	President
• Enrique Menchaca O.	Legal Counsel
• Alfonso Verdugo R.	Controller

The functions and responsibilities of the Committee are:

a) To propose to the Directors' Committee or in its absence the Board a list for the election of external auditors.

b) To propose to the Directors' Committee or in its absence the Board a list for the election of credit-rating agencies.

c) To take note of and analyse the results of internal audits and revisions.

d) To coordinate the tasks of internal control and the revisions by the external auditors.

e) To analyze the interim and the final financial statements for the year in order to inform the Board

f) To analyze the revision reports of the external auditors, their content, procedures and scope.

g) To analyze the reports, content and revision procedures of the external credit-rating agencies.

h) To take note of the effectiveness and reliability of the company's internal control systems and procedures.

i) To analyze the functioning of the information systems, their adequacy, reliability and application in decision taking.

j) To take note of compliance with institutional policies related to due observance of the laws, regulations and internal rules that the company should follow.

k) To take note of and resolve conflicts of interest and investigate acts of suspicious conduct and frauds.

l) To analyze reports of inspection visits, instructions and presentations of the SBIF (*).

m) To take note of, analyze and check compliance with the annual program to be carried out by the internal audit area.

n) To report to the Board on accounting changes that occur and their effects.

(*) SBIF: Superintendency of Banks and Financial Institutions.

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During 2007, the Committee met on 6 occasions, covering the following matters:

a) The annual and semi-annual financial statements were analyzed. These meetings were also attended by the Bank's Accountant and the partner responsible from the external auditing firm.

b) The Controller's area annual work plan was approved, its compliance controlled and note was taken of the conclusions and principal comments arising from the internal audits made in the different units of the Bank and its subsidiaries.

c) Note was taken of regulatory changes, frauds, lawsuits and legal contingencies affecting the institution.

d) The results and comments of revisions made by the SBIF and the Superintendency of Securities and Insurance were analyzed.

DIRECTORS' CREDIT COMMITTEE

The purpose of this committee is to analyze, evaluate and approve or reject the largest credit applications submitted directly by the commercial areas. This committee currently considers all credit facilities of approximately UF 20,000 and above (depending on the level of collateral). Its credit powers are unlimited other than those established in current regulations and the policies established by the board.

The permanent members of this committee are:

• Francisco Silva S.	Chairman
• Gonzalo Ruiz U.	Director
• Mario Weiffenbach O.	Director
• Ramón Eluchans O.	President
• José Miguel Bulnes Z.	Risk Division Manager

Depending on the commercial area submitting the credit application for analysis, this committee also includes the managers, assistant managers, agents and/or executives submitting these on behalf of their customers.

This committee meets every Tuesday and Thursday afternoon, except on the second Thursday of each month when the monthly board meeting is held.

MANAGEMENT CREDIT COMMITTEE

This committee complements the functions of the above, whose purpose is to analyze, evaluate and approve or reject smaller credit applications falling below the powers of the directors' committee. As in the previous case, the commercial areas are those that submit applications to this committee.

The permanent members of this committee are:

• José Miguel Bulnes Z.	Risk Division Manager

Depending on the banking area to which the customer belongs, the members are:

COMPANIES BANKING:

• Christian Sinclair M.	Companies Banking Division Manager
• Matías Astoreca U.	Companies Risk Analysis Assistant Manager.

RETAIL BANKING:

• Gonzalo Baraona B.	Retail Banking Division Manager
• Jorge Gacitúa A.	Retail Risk Analysis Assistant Manager

In addition, this committee also includes the managers, assistant managers, agents and/or executives submitting the credit facility applications on behalf of their customers. This committee meets every Wednesday.

FINANCE COMMITTEE

The most important objectives of this committee are:

a) To evaluate and decide on the financial investments of the Bank and its subsidiaries within the framework established by the board.

b) To monitor the results and compliance with budgets in the financial areas of the Bank and its subsidiaries.

c) To propose to the board the policies and methodologies to be applied in the management of the finance activity, and especially in the administration of the related risks.

d) To ensure compliance with the policies set by the board with respect to risk administration related to the financial activities of the Bank and its subsidiaries.

e) To ensure compliance with market risk and liquidity limits set by the board and supervisory bodies, setting management limits within these.

f) To approve and reject new products as a function of market risks and liquidity.

g) To take decisions with respect to the cost of funds.

The members of this committee are:

• Francisco Silva S.	Chairman
• Renato Peñafiel M.	Director
• Ramón Eluchans O.	President
• Aldo Lema N.	Chief Economist
• Nicolás Ugarte B.	Finance and Corporate Division Manager
• Sergio Bonilla B.	Finance Manager
• Ricardo Martínez S.	Risk Control Manager
• Cristián Pinto M.	President, Valores Security S.A., Corredores de Bolsa
• Cristián Ureta P.	Investments Manager, Administradora General de Fondos Security S.A.

The minimum quorum for the Bank's decisions is:

• The president or a member of the board.

• A representative of the Finance Division management

. A representative of the Bank's research department.

• A representative of the Risk Control management.

The minimum quorum for taking decisions in the subsidiaries also includes the following:

• A representative of the management or board of Valores Security S.A. Corredores de Bolsa.

• A representative of the management or board of Administradora General de Fondos Security S.A.

Decisions are taken unanimously in the case of both the Bank and its subsidiaries.

OTHER COMMITTEES

Other committees that meet regularly in the Bank are:

COMMITTEE	OBJECTIVES
Commercial board	• Revision of budgetary compliance and progress with commercial projects.
Operations committee	• Information and revision of the Bank's general matters. • Planning and follow-up of operational topics and matters.
Prevention, Analysis and Asset Resolution Committee	• Publication, application and follow-up of asset-laundering prevention policies. • Analysis of cases.
Technology Committee	• Analysis, evaluation and planning of the Bank's technological projects.
Leasing Management Board	• Information and revision of Leasing Area results, projects and matters.
Operating Risk Committee	• Information and analysis of the integral management of operating risks. • Publication and follow-up of operating risk policies.

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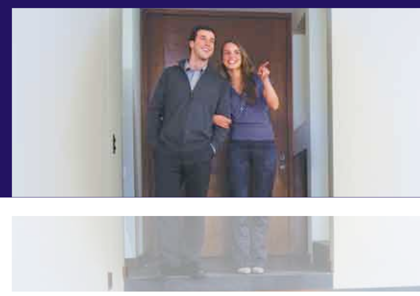


1980

1981

Banco Urquijo of Chile is formed in August 1981, a subsidiary of Banco Urquijo; Spain.

1987

In 1987, Security Pacific Corporation, a subsidiary of Security Pacific National Bank, Los Angeles, California, acquires all the shares of Banco Urquijo de Chile, whose name is changed to Banco Security Pacific. The same year, Security Pacific National Bank forms a securities trading and stock-broking firm which in 1991 is sold to Banco Security. Today it is called Valores Security, Corredores de Bolsa.

1990

1990

In 1990, a leasing subsidiary, Leasing Security, is formed as a subsidiary of the Bank, to carry on the business of leasing.

1991

In June 1991, Security Pacific Overseas Corporation sells 60% of the bank to the present controlling shareholders of Grupo Security and its name is changed to Banco Security.

1992

In 1992, Administradora de Fondos Mutuos Security (a mutual funds management company) is formed as a subsidiary of Banco Security.

1994

In 1994, Bank of America, the successor of Security Pacific National Bank, sells to Grupo Security the remaining 40% of Banco Security.

history

2000

2001

In April 2001, the subsidiary Leasing Security is incorporated into Banco Security as a business unit.

2003

In September 2003, the subsidiary Administradora de Fondos Mutuos Security S.A. widens its objects and changes its name to Administradora General de Fondos Security S.A.

2004

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

Also, in June that year, the Bank exceeds a billion pesos in loans.

2006

During the year, 4 new branches are opened as part of the Bank's successful Retail Banking project: Plaza Constitución, Alcántara and Estoril in the Metropolitan Region, and Viña del Mar in the 5th Region.

2007

In line with Retail Banking's development, 2 new branches are opened: Chicureo and Los Cobres in the Metropolitan Region.

In November 2007, Retail Banking had more than 30,000 checking accounts open.

GPTW AWARD

Banco Security, together with other Grupo Security companies, was rated for the seventh consecutive year as one of the "35 Best Companies to work for in Chile", gaining fifth place, according to a survey carried out by the Great Place to Work Institute and Revista Capital magazine.

CHILE UNIDO AND YA MAGAZINE

Recognition granted by El Mercurio newspaper's Ya magazine and Fundación Chile Unido, as one of the "Best Companies for working parents", placing Banco Security among top positions for 3 consecutive years.

PREMIO SALMÓN 2007

Administradora General de Fondos Security won the "Premio Salmón" prize awarded by Diario Financiero newspaper in recognition of its profitability level in 2006.

AMÉRICA ECONOMÍA MAGAZINE PRIZE

Banco Security was placed ninth among the 25 Best Banks in Latin America according to a ranking prepared by the América Economía magazine.

CAPITAL MAGAZINE

Two senior Bank officers were mentioned as among the best in banking according to a survey made by Capital magazine of peer-group managers in all banks. .

SUPER BRAND PRIZE

Grupo Security was recognized as a Super Brand for the second consecutive year, for the consistency of its publicity and communications, plus a differentiating service recognized by its customers.

recognitions

BANCO security

business strategy

BUSINESS STRATEGY

Banco Security is the principal asset of Grupo Security, a diversified financial group that has managed to obtain a relevant participation in the principal sectors of the Chilean financial industry thanks to a fundamental characteristic: excellence in its relations with its customers.

The Bank's mission is to meet the financial needs of large and medium-sized companies and of high-income individuals, providing them with a service of excellence that enables it to maintain and cultivate long-term relationships with them. For this, the Bank offers a complete range of products and services, with first-class technology support in all its channels and the whole support necessary for providing full satisfaction for its customers.

Constantly, year by year, Banco Security has been developing and consolidating a series of differentiating characteristics in its image, service and value proposals that have allowed it to become a market benchmark, widely recognized as the bank that offers the best quality of service to its customers. The "Security seal" has thus been evolving, much valued by customers and which has enabled the Bank to maintain its competitiveness and finally a satisfactory level of profitability in a market with increasing levels of competition.

The pillars of the business strategy are the following:

- EXCELLENCE OF SERVICE • constant concern to ensure compliance with the quality of service standards that characterize it and improve those aspects where there is an opportunity to do so.

- FOCUS ON OBJECTIVE SEGMENT • Banco Security has been capable of growing consistently while maintaining its objective segment, both in companies and in individuals. This has been fundamental for maintaining and improving service standards.

- BROAD RANGE OF PRODUCTS AND SERVICES • the Bank has always been concerned to maintain its range of products and services up to date with respect to the other banks, differentiating itself by its capacity to adapt each one of them to the specific requirements of the customer.

• CUSTOMER LOYALTY • based on the high quality of service offered by the Bank, a central objective of the commercial effort is to persuade customers to broaden the variety of products and services that they use in the Bank and other Grupo Security companies.

• EFFICIENCY IN THE USE OF RESOURCES • a strategic objective of the Bank is to have the flexibility of a small bank and the efficiency of a large bank, for which new sources of efficiency are constantly being sought.

In line with its mission and global strategy, all areas of the Bank and especially the commercial areas have defined their own specific strategic objectives and the most suitable structure for their correct execution.

CORPORATE BANKING

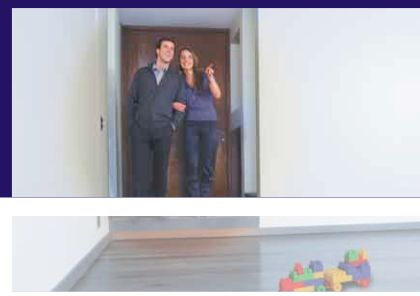
"We want to be the bank to with which the country's companies aspire to work, and that is preferred by our customers"

In order to best adapt to the different customer profiles belonging to the objective segment of corporate banking, the following three models of attention have been defined, emphasizing the value proposal aspects of each of them considered to be most important:

• SPECIALIZED BANKING • attends companies seeking an adviser who understands their business as well they themselves do and thus their financial needs and the best ways to resolve them. Two specialist areas have so far been created:

-Real Estate Area • attends companies linked to the real-estate sector, advising and offering them the products and services that best meet their financial needs.

-Multinational Area • with a full knowledge of the problems of international fund flows, this area attends companies who trade with their parent or related companies abroad.



• GLOBAL BANKING • attends companies seeking the best service in the global solution of their financial needs. In order to provide the best attention, two attention areas have been defined:

-Large Companies • attends the largest companies having annual sales of over Ch$15,000 million.

-Companies • attends companies with annual sales below Ch$15,000 million and above Ch$1,500 million.

• TRANSACTIONAL BANKING • attends corporate and institutional entities that require highly-sophisticated products and at the same time they are very demanding in terms of speed and costs, and they don´t want to sacrifice the quality of service. In order to best balance these two things, this area was incorporated into the Finance Division and its executives work closely with the Money Desk.

RETAIL BANKING

"We want to give a preferential and personalized attention to customers who in other banks are just an identity number"

The objective segment has not changed with respect to its original definition when we started offering retail banking, which is the ABC1 income segment of the population. However, in order to achieve a greater specialization and efficiency in attending the various customer profiles, different banking areas and sub-segments have been defined:

• PRIVATE BANKING • attends the highest-income customers who are more demanding and require more specialized advice from their account executive.

• PREFERENTIAL BANKING • attends customers who require traditional financial services and products and demand a first-class personalized attention. Given the differences in customer profiles and needs, common characteristics have been identified in order to define sub-segments in this area that permit giving a better attention to each of them:

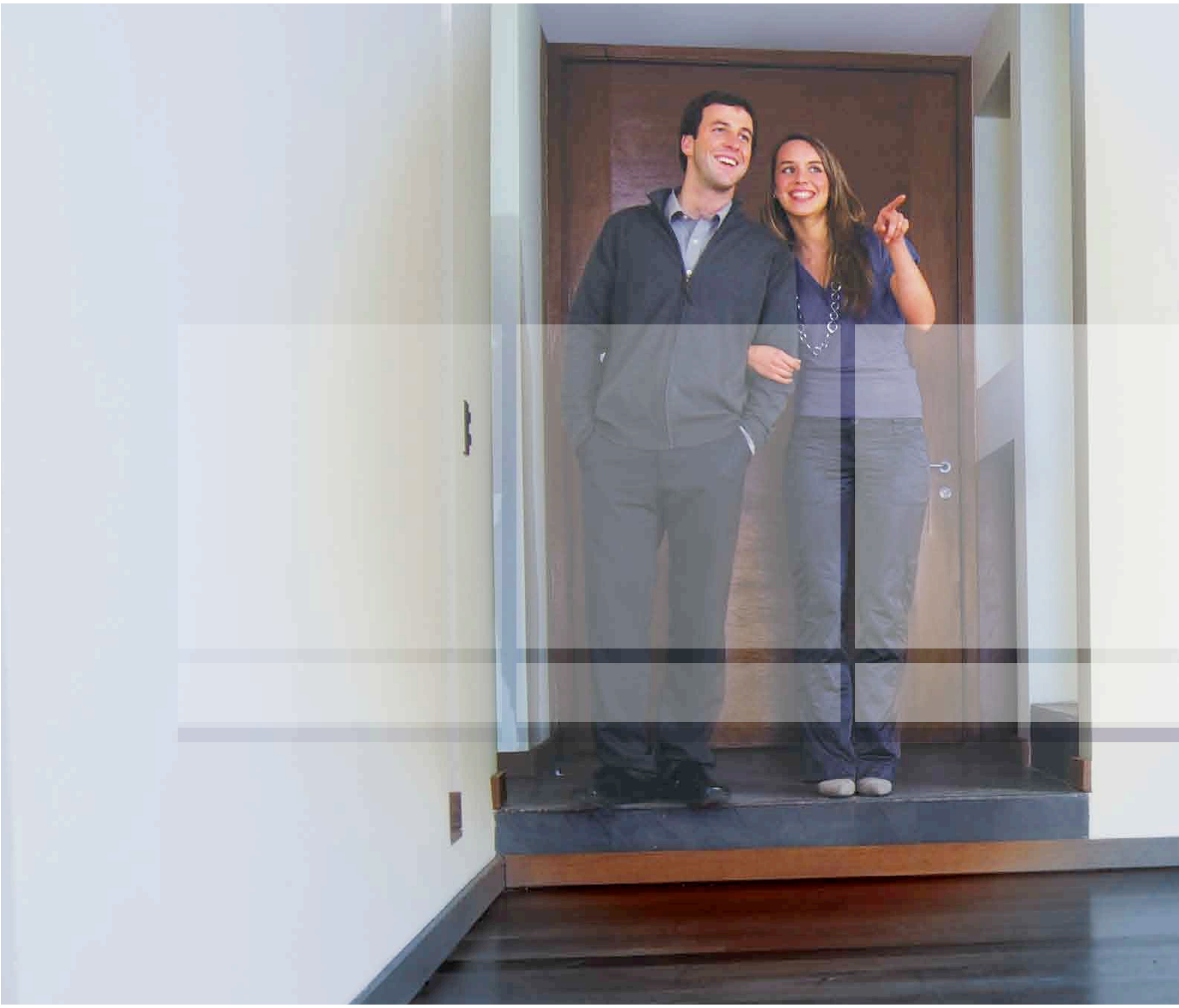
-Women Segment • specializes in attending women belonging to the objective group, offering them products and service especially designed for them.

-Young Professionals Segment • attends customers who are embarking on their professional careers and who meet or will meet within a short time, the parameters defined for the objective group. Because of their stage in life, they are intensive users of electronic channels and demand a specialized attention.

The strategic focus has been and will continue to be excellence in service. This has become a great challenge due to the expansion process that Retail Banking is currently undergoing. In order to support this expansion and improve on one of the weak points of service, geographical coverage, a branch-network extension plan was launched in 2006. That year, four new branches were opened (Plaza Constitución, Alcántara, Estoril and Viña del Mar), with two more in 2007 (Los Cobres and Chicureo), making a total of 19 branches, 14 in Santiago and 5 in the regions.

FOREIGN TRADE

The Bank has positioned itself as a specialist in foreign trade services for companies, achieving in recent years significant increases in funds flows and in the volumes of transactions processed, and consolidating itself as leader in remote services via internet with its "e-Comex" system. This area has therefore gained great importance in the integral solution of the financial needs of customers, while its strategic objectives are completely aligned with the other commercial areas, placing a great emphasis on excellence of service and customer satisfaction.



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ECONOMIC SCENARIO

INTERNATIONAL ENVIRONMENT: POSITIVE AND VOLATILE

The international scenario faced by Chile in 2007 could be called very favorable despite the high volatility in the financial markets during second half of the year as a result of the real-estate market adjustments in the United States and their propagation to other sectors of the economy. Global growth remained robust, the terms of trade showed a further improvement and financial conditions continued to be expansive, with interest rates and spreads that held financing costs at their historical low level.

In particular, global activity remained vigorous, with an expansion of over 5%, thus completing five years of above-average growth. The composition of this growth was also more balanced between geographical zones, with greater contributions from Europe, Emerging Asia and Latin America.

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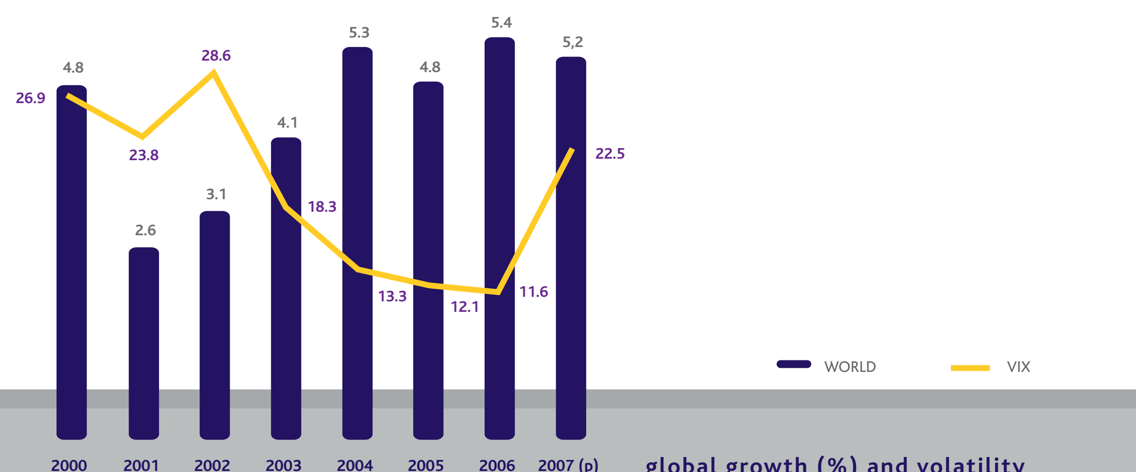


global growth (%) and volatility implicit in the s&p 500 index (points)

SOURCE: GRUPO SECURITY

In this context, the dollar weakened at the global level, especially against the currencies of emerging countries, thus constituting a renewed external impulse by limiting the fall in prices of raw materials and stimulating capital flows toward the region. The average copper price rose by 6% over 2006, to US$3.23 per pound, widely exceeding market

expectations. For its part, the oil price recovered from an average of US$ 66 per barrel in 2006 to US$72 per barrel in 2007. Overall, the terms of trade improved by 3% during the year.

As already mentioned, the robust global growth and the high prices of raw materials continued to induce broadly favorable conditions for emerging countries, helped also by the cuts in the federal funds rate in the United States. The Federal Reserve reduced the interest rate by 100 basis points between August and December, to end the year at 4.25%. The 10-year Treasury bond yield remained mainly between 4% and 5%, although it reached levels of close to 3.8%, based on expectations of further cuts due to the greater probability of a more pronounced deceleration in the American economy.

MORE DYNAMIC ACTIVITY

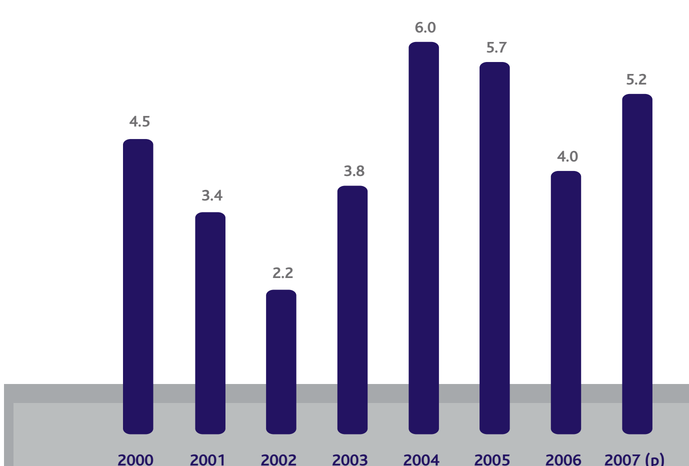
At the domestic level, and according to preliminary figures, GDP expanded by 5.2% in 2007, more than one percentage point higher than that of 2006, in the context of a favorable external environment, still positive financial conditions, great dynamism in investments and consumption, and greater fiscal stimulation. However, the economy had to face an increase in energy costs associated with the intensification of natural gas cuts from Argentina, a weaker hydrology for electricity generation, and the high prices of fuels and their derivatives. GDP thus reached a level of around US$ 165 billion in 2007, consistent with an income per capita of about US$ 10,000.

The favorable international scenario was reflected in the trade surplus of around US$ 25 billion, comprising exports of US$ 68 billion and imports of US$ 43 billion. Sales abroad increased by 18% in value over 2006, mainly due to the increase in the copper price. Copper exports in 2007 will have slightly passed US$ 38,000 million. Overall, the volumes traded abroad showed a 7% increase in the case of exports (12% in copper shipments) and 14% in imports.

On the demand side, private spending continued to show solid signs, with growth of 7.5% in 2007, based among other factors on still-expansive internal conditions and the strength of the labor market. In particular, it is believed that an average of over 160 thousand new jobs were created during the year, in monthly terms, thus producing an unemployment rate of 7%, the lowest level seen since 1998.

Regarding fixed-capital investment, this showed a significant recovery in annual growth from 4% in 2006 to 12% in 2007, partly due to the disappearance of over capacity, positive growth prospects, companies' funds generation and access to finance on favorable conditions. Investment therefore reached 25.7% of GDP in 2007 at constant prices.

In fiscal matters, the greater receipts following the rise in copper prices were again saved by the public sector, thus fully complying with 1% structural surplus rule. The central government therefore produced a surplus of over 8% of GDP, the highest since comparable records have been kept. For its part, the treasury closed 2007 with a net creditor position (assets less liabilities) of around 9% of GDP, thus completing three consecutive years in this position.



chile: gdp growth (%)

SOURCE: GRUPO SECURITY

BANCO security

HIGH INFLATION

The consumer price index (CPI) in 2007 was essentially marked by the significant rise in food prices at both the local and the global levels, the persistence of high energy costs, rises in some public-utility charges and the insufficient appreciation of the peso. Inflation for the year was 7.8%, its highest level since 1995 and very much higher than the Central Bank's projections during the year (2.3% in January, 2.8% in May and 5.5% in September).

The underlying price indices, the IPCX (that eliminates fruit, vegetables and fuels) and the IPCX1 (that also excludes regulated public-utility charges and other volatile prices) both ended the year at 6.3%, almost 4 points higher than at the end of 2006.

With respect to monetary policy, the faster-than-expected occupation of surplus productive capacity and the significant acceleration of the price indices led the Central Bank to raise its benchmark interest rate by 100 basis points throughout the year to 6%, including the reversal of the cut of 25 basis points made in January. This induced a recovery in long-term interest rates in nominal pesos and in UF.

Despite the nominal exchange rate at the end of 2007 (Ch$ 497), with a fall of Ch$ 35 compared to the end of 2006, the principal indicators of the real exchange rate showed an average rise during the year, favored by the strong rise in international prices in dollar terms.

CHILE: BASIC ECONOMIC INDICATORS

	2003	2004	2005	2006	2007 (p)
GDP (US$ millions)	74.0	95.8	119.0	145.8	165.6
GDP per Capita (US$)	4,698.1	6,011.2	7,351.0	8,886.1	9,984.0
GDP (Change %)	3.8	6.0	5.7	4.0	5.2
Domestic Spending (Change %)	4.8	7.5	11.0	6.0	8.1
Private Consumption	4.2	7.0	7.9	7.1	7.5
Investment in Fixed Capital	5.7	9.9	21.9	4.0	12.2
Exports (Real change %)	6.5	11.7	3.5	4.2	6.7
Imports (Real change %)	9.7	16.9	17.7	9.4	13.7
Global Growth PPP (%)	4.1	5.3	4.8	5.4	5.2
Terms of Trade (2003=100)	100.0	119.7	133.2	163.2	168.0
Copper Price (avrge. US$ cents/Pound)	80.7	129.9	166.9	304.9	322.9
WTI Oil Price (US$ p/b, avrge.)	31.1	41.4	56.4	66.0	72.3
Federal Funds Rate (fdp,%)	1.0	2.3	4.3	5.3	4.3
Libor 180d (fdp, %)	1.2	2.8	4.7	5.4	4.6
US 10-year Treasury Bonds (fdp, %)	4.3	4.2	4.4	4.7	4.0
Euro (fdp, US$)	1.2	1.4	1.2	1.3	1.5
Yen (fdp,¥/US$)	107.9	102.6	117.8	119.1	111.7
Trade Balance (US$ millions)	3.72	9.59	10.80	22.21	24.5
Exports (US$millions)	21.66	32.52	41.30	58.12	68.3
Imports (US$ millions)	17.94	22.94	30.49	35.90	43.8
Current Account (US$ millions)	-0.8	2.1	1.3	5.3	6.3
Current Account (% of GDP)	-1.1	2.2	1.1	3.6	3.8
Total Saving (domestic & external), % del PIB	21.1	20.1	22.4	20.4	21.3
Gross National Saving	20.0	22.2	23.5	24.0	21.2
Central Government	2.8	5.5	8.0	10.8	11.1
Private Sector	17.2	16.7	15.5	13.2	10.1
External Saving (Current Acct Deficit)	1.1	-2.1	-1.1	-3.6	0.1
Central Government Balance (% of GDP)	-0.5	2.1	4.5	7.7	8.1
CPI Dec-Dec (%)	1.1	2.4	3.7	2.6	7.8
Underlying CPI (IPCX) Dec-Dec (%)	1.6	1.8	2.9	2.7	6.3
Inflationary Trend (IPCX1) Dec-Dec (%)	1.8	1.0	2.6	2.4	6.3
Relevant External Inflation BCCh (avrge. %)	10.5	8.9	7.5	5.3	8.5
Monetary Policy Rate, MPR (fdp,%, en $)	2.3	2.3	4.5	5.3	6.0
BCU-10 base 365d (fdp, % in UF)	4.3	3.3	3.2	2.7	3.0
BCP-10 base 365d (fdp, % in $)	nd	5.9	6.4	5.7	6.4
Exchange Rate (avrge. Ch$/US$)	691.4	609.5	559.8	530.3	522.5
Exchange Rate (fdp, Ch$/US$)	599.4	559.8	514.2	527.6	499.3
Employment Rate (%)	3.9	2.7	3.8	1.6	2.8
Growth in Workforce (%)	3.6	3.3	2.9	0.1	1.9
Unemployment Rate (avrge %)	9.5	10.0	9.2	7.8	7.0
Change in Real Wages (avrge %)	1.0	1.8	1.9	2.0	2.9
Foreign Debt (US$ millions)	43.1	43.5	44.9	47.6	47.7
Net Total Foreign Debt (US$ millions)	42.9	36.4	38.1	20.9	21.1
Net Total Foreign Debt (% GDP)	58.0	38.0	32.0	14.3	12.7
Net Total Foreign Debt (% Export Bs.)	160.6	94.4	78.8	31.8	27.7
Net International Reserves (US$ millions)	15.9	16.0	17.0	19.4	16.9

BANKING INDUSTRY ANALYSIS

As of December 2007, the banking industry in Chile comprised 25 financial institutions: a state-owned bank, 20 banks established in Chile and 4 branches of foreign banks. At that date, the total loans of the industry were Ch$63,735 billion, equivalent to US$128.1 billion and approximately 77% of GDP. Total net income for the year amounted to Ch$966 billion, representing a return on capital and reserves of 16.2%.

RESULTS

The sustained growth in well-controlled risk levels and the favorable evolution of efficiency ratios have permitted the Chilean financial system to achieve fairly attractive profitability rates compared to other countries with similarly-solid financial systems.

At the close of 2007, the total net income of the industry amounted to Ch$966 billion, with a return on capital and reserves of 16.2%, above the average from 1990 to date but below that of the last five years. This is explained by the generalized fall in the profitability of banks (just three banks improved this indicator), particularly of some banks focused on consumer financing.

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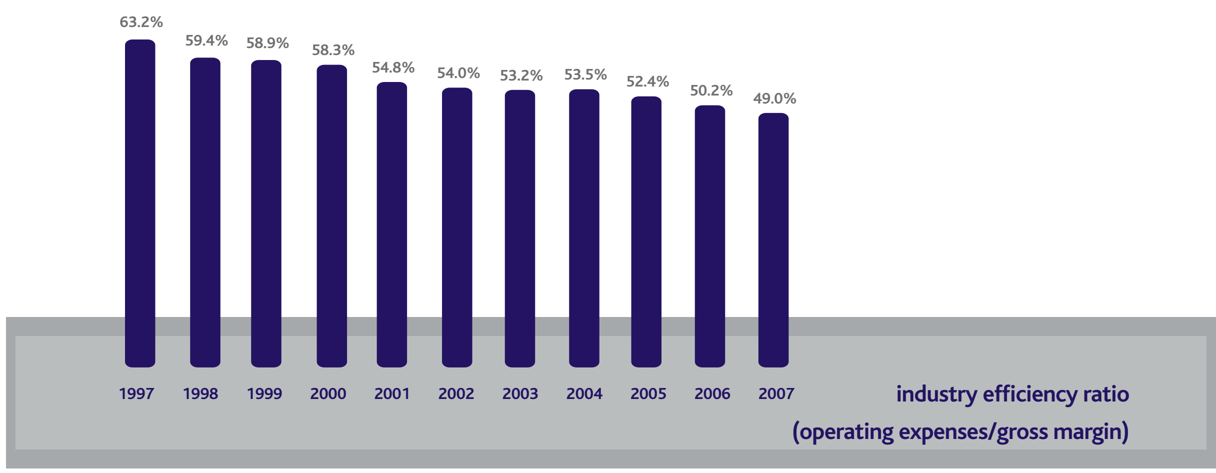
The level of efficiency obtained by the banks (measured as operating expenses to gross margin), which declined from 63.5% in 1996 to 49.0% in 2007, is one of the best in the world. The two most relevant factors explaining this are the economies of scale achieved by the larger banks, and technological advances that have enabled to different players to increase productivity in their commercial and operations areas, along with greater access to technology as a result of its lower cost.



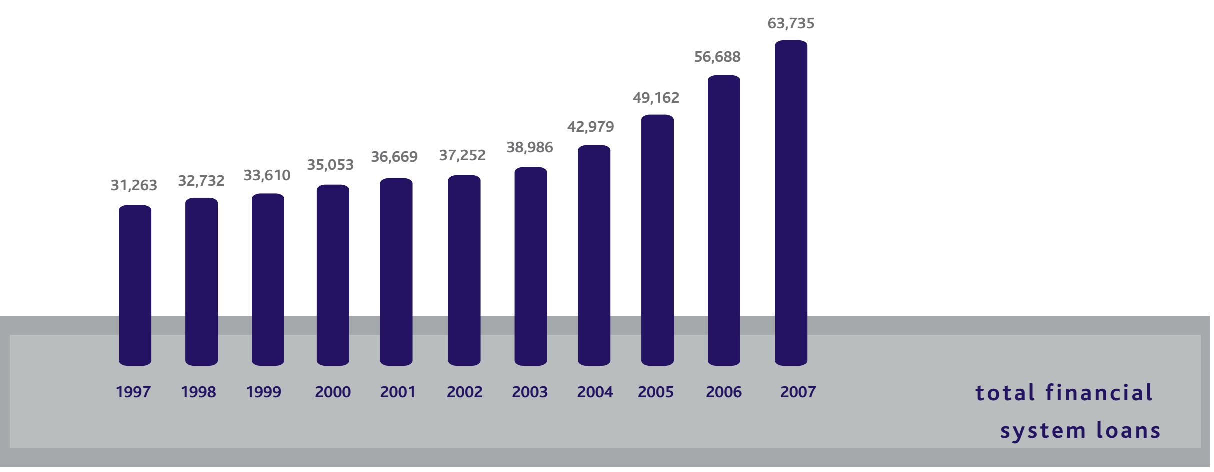
industry efficiency ratio (operating expenses/gross margin)

SOURCE: SBIF

BANCO security

LOANS

Total industry loans have experienced sustained growth since 1990. Over the last ten years, the average annual increase was 7.4% in real terms but with a particularly fast rate during the last 4 years (13.1%), directly related to the country's economic growth. As of December 2007, total loans amounted to Ch$63,735 billion, a 12.4% increase in real terms compared to December 2006.



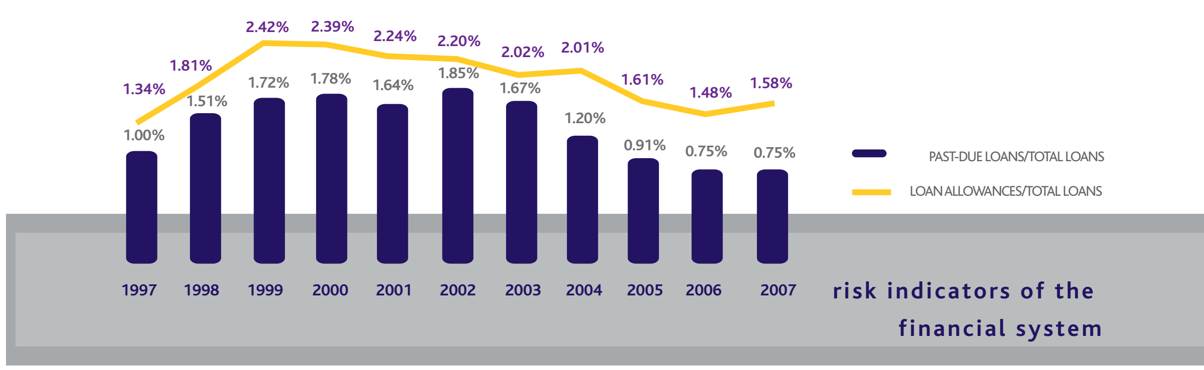
SOURCE: SBIF

BILLIONS OF PESOS DECEMBER 2007

Loan growth during 2007 was based on lending to individuals (consumer and housing loans) and the financing of companies. The former expanded by 13.0% in real terms over the last 12 months, mainly due to the 16.2% growth in housing loans, while consumer loans grew by a much slower rate than the year before: 7.8% against 21.7% in real terms. Company financing, which represents 67% of total loans, saw an expansion of 12.8% in real terms but with an important fall in the growth rate for foreign trade financing, from 29.9% real in 2006 to 5.1% in 2007.

RISK

The loan credit risk of the financial system has also followed a positive trend since 1990, interrupted only by the Asian crisis that seriously affected markets in 1997 and 1998. As of December 2007, the past-due loan portfolio remained at a historically-low level, representing just 0.75% of total loans, similar to that of 2006 but less than the 0.91% of December 2005. With respect to loan allowances, these increased by 31% in 2007 while accumulated allowances as of December 2007 were 1.58% of total loans, higher than at the end of 2006 (1.48%).



risk indicators of the financial system

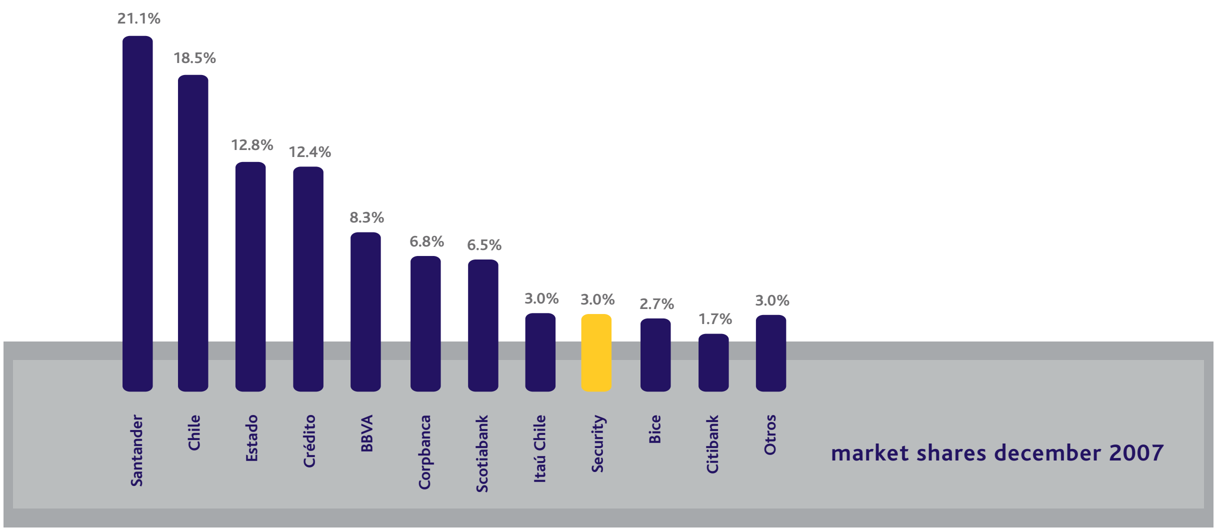
SOURCE: SBIF

TRENDS

During 2007, the financial system was marked by a firm performance even though the level of activity was somewhat lower than the year before. The most relevant trends noted in the local banking industry were:

-Consolidation of the industry • the number of financial institutions in the domestic market has been constantly reducing. In December 2007, there were 25 banks operating in the domestic market whereas in 1990 there were 36 institutions.

-Loans concentration • the concentration of loans in a few large banks over the last ten years has increased significantly and accelerated with the numerous bank mergers in recent years motivated by the search for economies of scale. By December 2007 the five largest banks accounted for 73.1% of the system's total loans.



SOURCE: SBIF

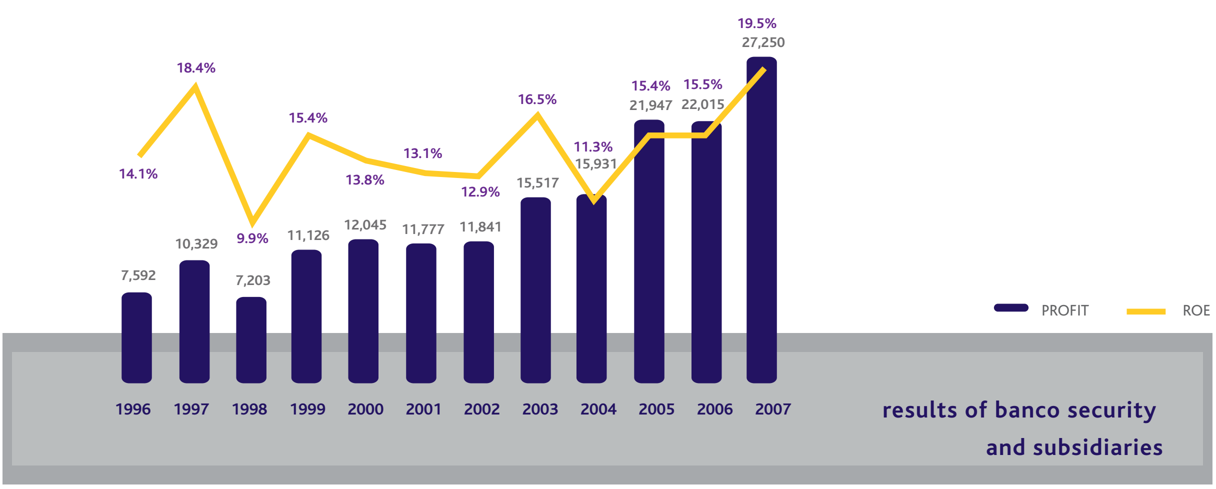
This process continued during 2007 when the SBIF authorized the mergers of Banco de Chile (the 2nd largest bank in terms of loans) with Citibank-Chile, and of Scotiabank with Banco del Desarrollo. With these, the loans at December 2007 of the five largest banks, together with Citibank, represented 74.8% of total loans.

-Fall in spreads • the efforts of some banks to gain market share and the reduction in transaction costs, have led to a significant increase in competition to attract a new customer or business, and this has naturally resulted in a systematic fall in spreads. This fall has been partly offset by the development of other types of income like fees charged for foreign trade, mass payments and other services, currency trading, derivatives, etc.

RESULTS OF BANCO SECURITY

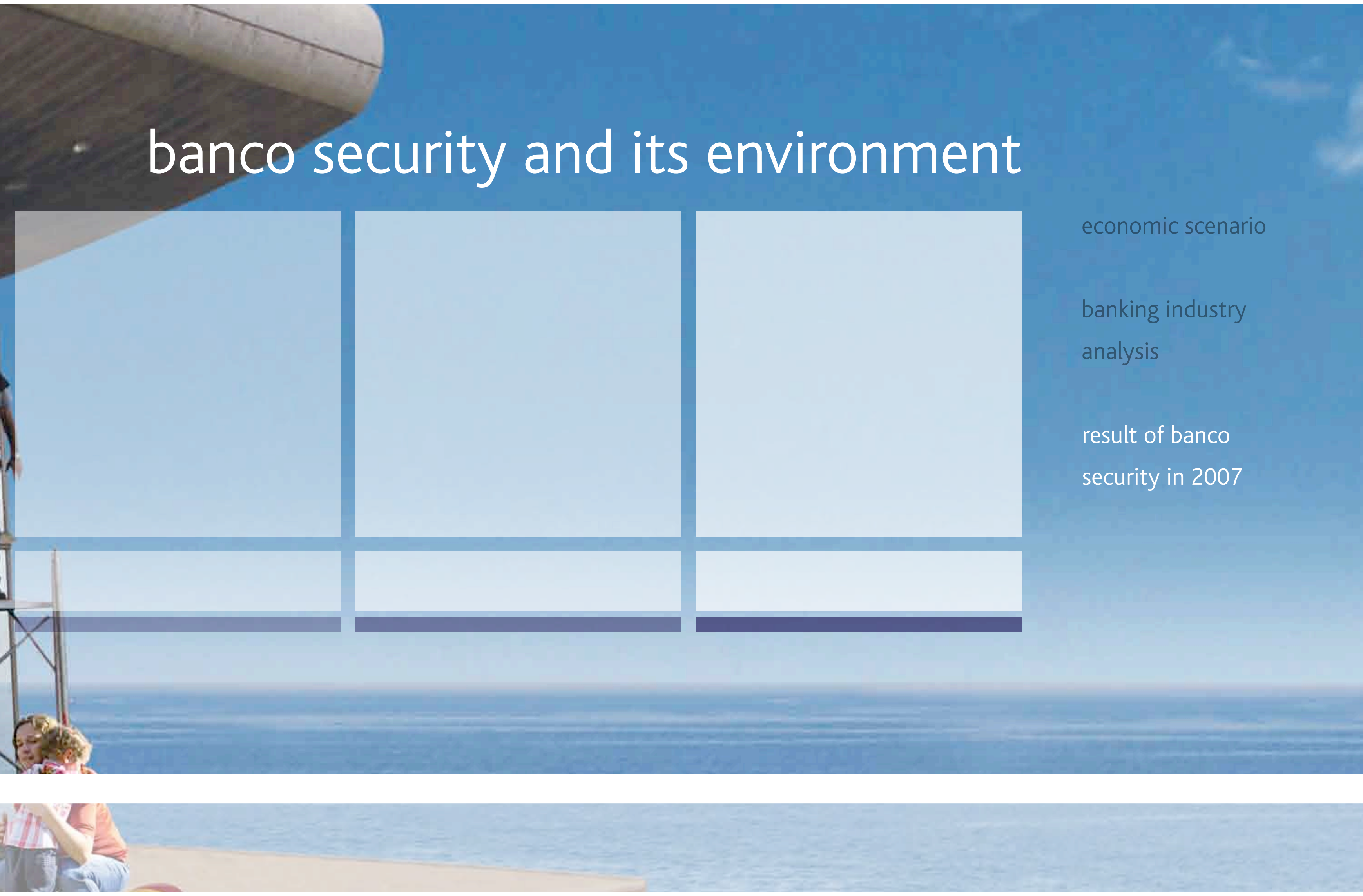
RESULTS

As of December 2007, the net income of the Bank and its subsidiaries amounted to Ch$27,250 million, amply exceeding the target set for the year, and achieving a 19.5% return on capital and reserves, the highest in the last ten years and a 23.8% real increase over the result for 2006.



SOURCE: SBIF

MILLIONS OF PESOS DECEMBER 2007



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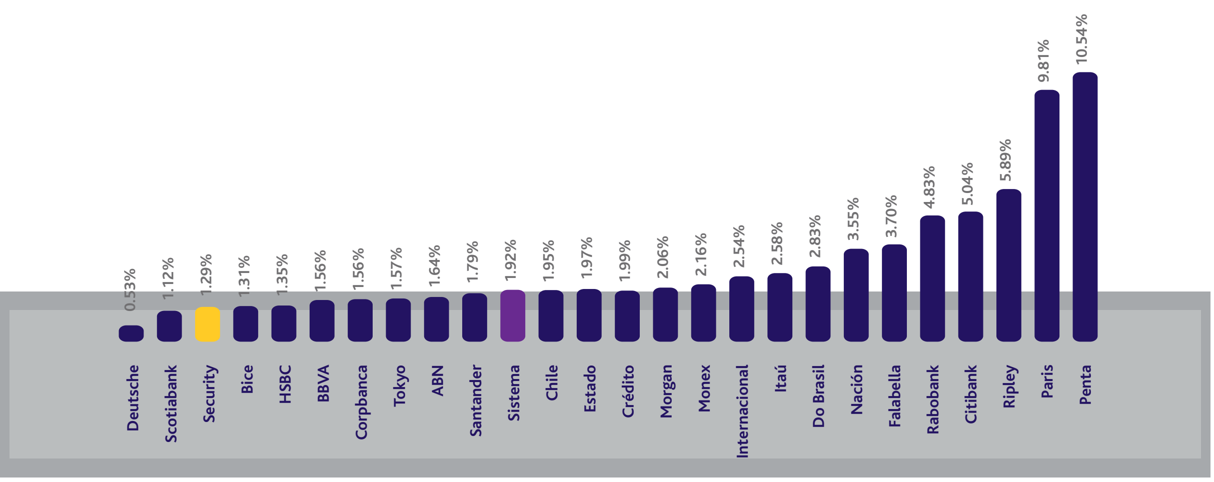
The Bank is making large efforts to diversify its sources of stable revenues, one of the principal reasons for the movement made in recent years in the development of Retail Banking. Very important achievements were met in 2007 in its plan for increasing the number of customers and the loans and revenues from this business, which enabled income from this area to increase by 28% in real terms and to contribute a little less than 28% of the Bank's total revenues, compared to 22% in 2006.

Corporate Banking has placed emphasis on the growth of the most profitable customer portfolios, with which the medium-sized companies and regional branches increased their share of total revenues by 2%. Commercial efforts with the rest of the corporate customers have been focused on increasing the cross-selling of products, and thus profitability.

Regarding operating expenses, the Bank has continued its work in improving efficiency and productivity in order to maintain its competitiveness with larger banks that benefit from large economies of scale. However, it is important to mention that the commercial and technological projects currently under development have meant a temporary deterioration in the Bank's efficiency ratio (measured as operating expenses to gross margin). This explains why this ratio has changed from 51.7% in 2005 and 56.6% in 2006 to 54.5% in 2007 (according to the SBIF measurement), while the industry average was 49.0% last year. As these projects reach maturity, it is expected that the ratio will revert to levels of around 50%.

However, when measuring operating expenses against total assets, Banco Security appears in a leadership position, with 1.29%, while the industry average was 1.92%.



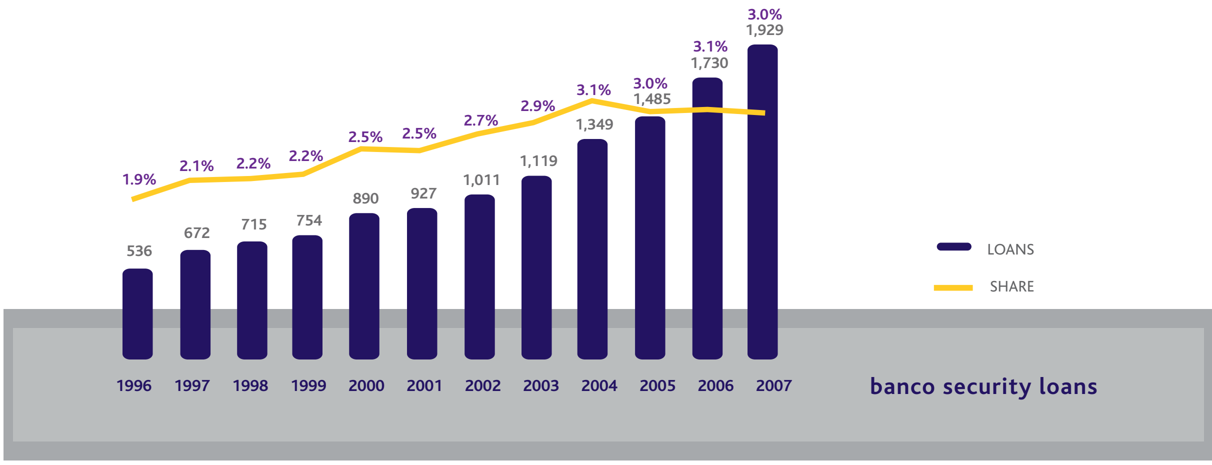
SOURCE: SBIF

SUBSIDIARIES

The Bank's subsidiaries Valores Security, Corredores de Bolsa and Administradora General de Fondos Security provide an important contribution to the Bank's activities and results, as in previous years. The profits of both subsidiaries amounted to Ch$9,414 million, representing 34.5% of the Bank's net income for 2007, more than double the previous year when they contributed 16.7% to the consolidated result.

LOANS

Loans reached Ch$1,929 billion by the end of 2007, placing Banco Security in 9th position among banks operating in Chile, with a market share of 3% and real growth of 11.9% over 2006. Of the total, 80% related to the corporate commercial areas and 20% to Retail Banking.



SOURCE: SBIF

MILLIONS OF PESOS DECEMBER 2007

Following the strategic orientation of Banco Security, commercial loans represent 59% of the total loan portfolio, distributed as follows as of December 31, 2007:

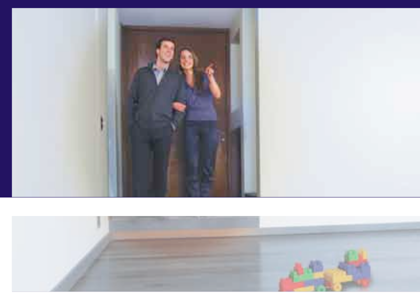
LOANS COMPOSITION

BILLIONS OF PESOS OF DECEMBER 2007

	2007		2006		% CHANGE
	$	%	$	%	2007/2006
Commercial	1,018	59.0%	971	56.3%	4.9%
Foreign Trade	158	9.2%	177	10.3%	-10.7%
Consumer	64	3.7%	39	2.3%	64.2%
Mortgage Funding Notes	103	6.0%	118	6.9%	-12.9%
Leasing	120	6.9%	114	6.6%	4.8%
Contingent Liabilities	196	11.3%	142	8.2%	38.2%
Other	271	15.7%	163	9.5%	66.2%
Total	1,929	100.0%	1,724	100.0%	11.9%

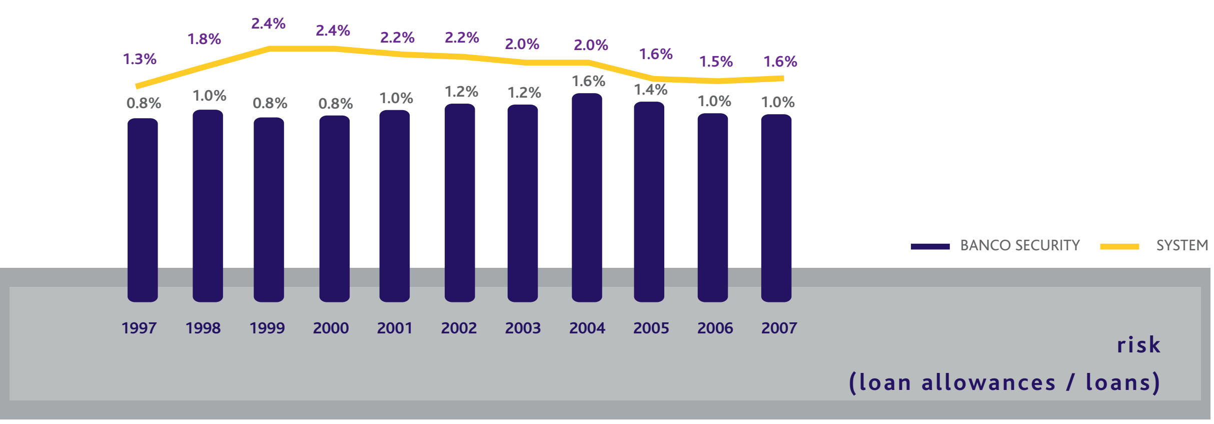
SOURCE: BANCO SECURITY FINANCIAL STATEMENTS

BANCO security



RISK

The loan growth has been achieved while maintaining a strict control of credit risk in all the commercial units which has permitted a reduction in the ratio of past-due loans to total loans from 0.77% in December 2004 to 0.57% in 2007, and in loan allowances from 1.57% to 1.00% in the same years. Both ratios compare favorably with the industry averages which were 0.75% and 1.58% respectively as of December 2007. The Bank maintained its position as one of the banks with lowest risk levels in the banking industry.



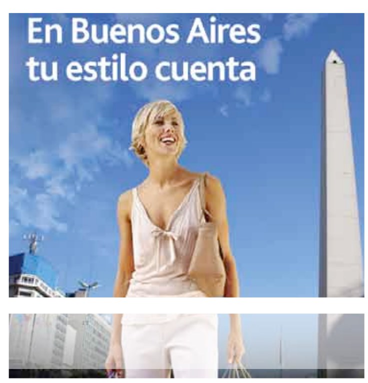
SOURCE: SBIF

OUTSTANDING ACTIVITIES OF THE YEAR

RETAIL BANKING

- Successful advertising campaigns were carried out during 2007, including "Flexible Mortgage" and "I recommend you to my bank". The first generated mortgage loans of over UF 3 million and the second reinforced recognition as the bank that offers the highest quality of service.
- Two new branches were opened in November and December 2007: Chicureo and Los Cobres de Vitacura, in the Metropolitan Region.

- In October, Retail Banking surpassed 30,000 checking accounts, with 10,000 accounts added during the year.
- Various relationship events were held for customers during the year that have reinforced our commitment of service and shown our appreciation of their preference and trust.
- For the third consecutive year, the Bank obtained an outstanding place in banking industry customer satisfaction surveys.
- Successful internal consumer loan commercial campaigns enabled us to obtain real growth of 64.4% in the year.
- Cheking account for a market subsegment of women customers grew impressively, now forming a third of the checking account customers of Retail Banking. Notable is the real differentiation that Banco Security has developed compared to the competition, in terms of image, service and value proposal to the customer.



CORPORATE BANKING

- The implementation of Corporate Banking's strategic plan permitted the reorganization of portfolios and the strengthening of the structure, to give a better attention to customers and thus strengthen the growth of the most profitable portfolios.
- Specialized Banking was formed, initially with two areas of specialization: Real Estate and Multinationals.
- Transaction Banking was transferred to the finance area in order to give a closer attention to the Money Desk. This model has been very positive for both the customers and the Bank.

BANCO security

subsidiaries

administradora general de fondos security S.A.

valores security S.A. corredores de bolsa

ADMINISTRADORA GENERAL DE FONDOS SECURITY

BOARD OF DIRECTORS

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

MANAGEMENT

President:	Alfredo Reyes V.
Comercial Manager:	Juan Pablo Lira T.
Investment Manager:	Cristián Ureta P.

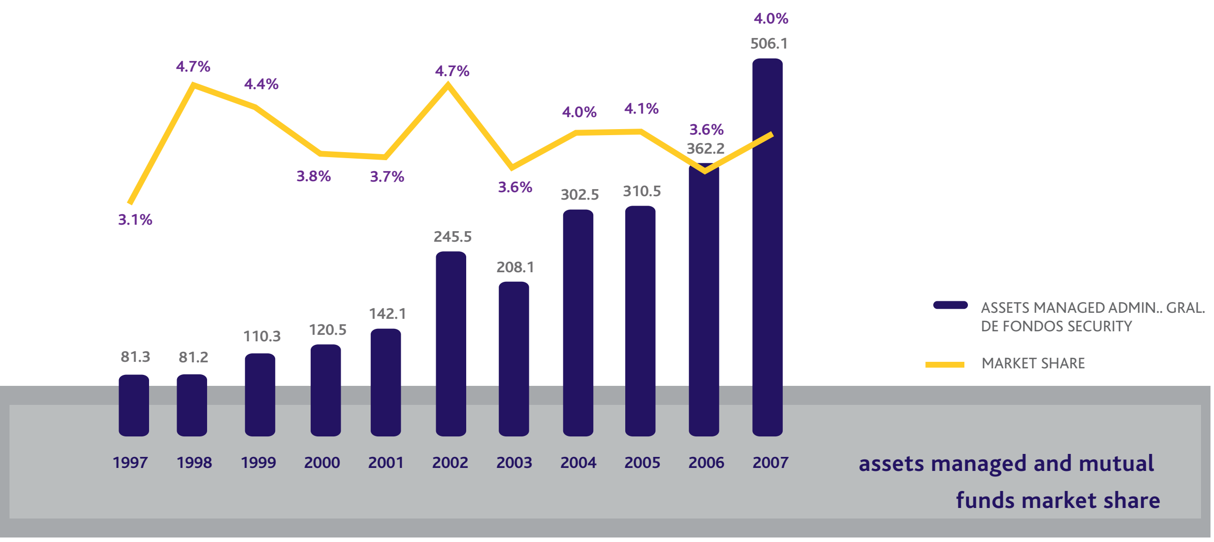
Administradora General de Fondos Security was formed as a subsidiary of Banco Security in May 1992. Since then, it

has grown consistently, every year offering new funds. It broadened its business in September 2003 and changed its name from Administradora de Fondos Mutuos Security to Administradora General de Fondos Security.

The Chilean mutual funds industry has shown important and sustained growth. This was reflected in 2007 mainly by the significant increase in assets managed and the wide variety of funds offered. As of December 2007, total assets managed by the mutual funds industry rose by 33.3% over the previous year to an average of Ch$12,688 billion, while the number of participants reached 1,084,375, with the incorporation of more than 283 thousand new participants, representing annual growth of 35%.

As of December 2006, Administradora General de Fondos Security was managing 22 mutual funds and 1 investment fund, and had a total of 24,597 participants and the average managed assets reached Ch$ 506,055 million, equivalent to growth of 49.95% over December 2006. The increase in assets managed represented a 12.4% increase in market share, from 3.55% at December 2006 to 3.99%.

BANCO security



assets managed and mutual funds market share

SOURCE: GRUPO SECURITY & AAFM

BILLIONS OF PESOS DECEMBER 2007

The company produced net income of Ch$2,070 million in 2007, a 44% increase over 2006.

Its strategy is based on providing attractive levels of profitability in the various funds it manages, with a moderate level of risk, and focusing its sales efforts on companies and, in particular, on high-income individuals.

The company has been widening the range of funds offered to its customers in order to cover a broad diversity of assets and thus meet the specific and preferred investment needs of each one. As of December 31, 2007, the funds offered, together with their assets managed and number of participants, are as follows:

FONDOS MUTUO SECURITY	CATEGORY	FUND NAME	SERIES	ASSETS (31/12/07)	PARTICIPANTS (31/12/07)
Short Term Fixed Income	National	Plus	A, C	Ch$ 131,773	2,321
	National	Check	A, I	Ch$ 52,237	2,816
	International	Money Markets	Sole	Ch$ 24,661	440
	National	Premium	A, B, I	Ch$ 328	1,023
Medium & Long Term Fixed Income	National	Value	Sole	Ch$ 3,489	226
	National	Gold	A, B, I	Ch$ 78,391	2,765
	National	First	A, I	Ch$ 51,157	1,771
	International	Dollar Bond	A, B, I	Ch$ 4,710	555
Structured	National	Opportunity 100	Sole	Ch$ 11,061	432
	National	Leader 100	Sole	Ch$ 5,247	327
	International	Opportunity 105	Sole	Ch$ 18,689	710
	National-Foreign	América 106	Sole	Ch$ 1,142	91
Capitalization Instruments	National	Acciones	A, B, C, I	Ch$ 35,658	3,189
Qualified Investors	National	Security 9	A, B, I	Ch$ 2,016	77
Mixed	International	Emerging Markets	A, B, I	Ch$ 19,570	1,698
	International	Global	A, B, I	Ch$ 1,452	342
	International	Explorer	A, B, I	Ch$ 328	167
Free Choice	National	Income	A, I	Ch$ 16,456	1,261
	National-Foreign	Equity	A, B, I	Ch$ 30,627	2,726
	National-Foreign	Balance	A, B, I	Ch$ 8,773	843
	National-Foreign	Energy	A, D, I	Ch$ 2,647	260
	National-Foreign	Latinamericano	A, B, I	Ch$ 5,643	55

VALORES SECURITY S.A., CORREDORES DE BOLSA

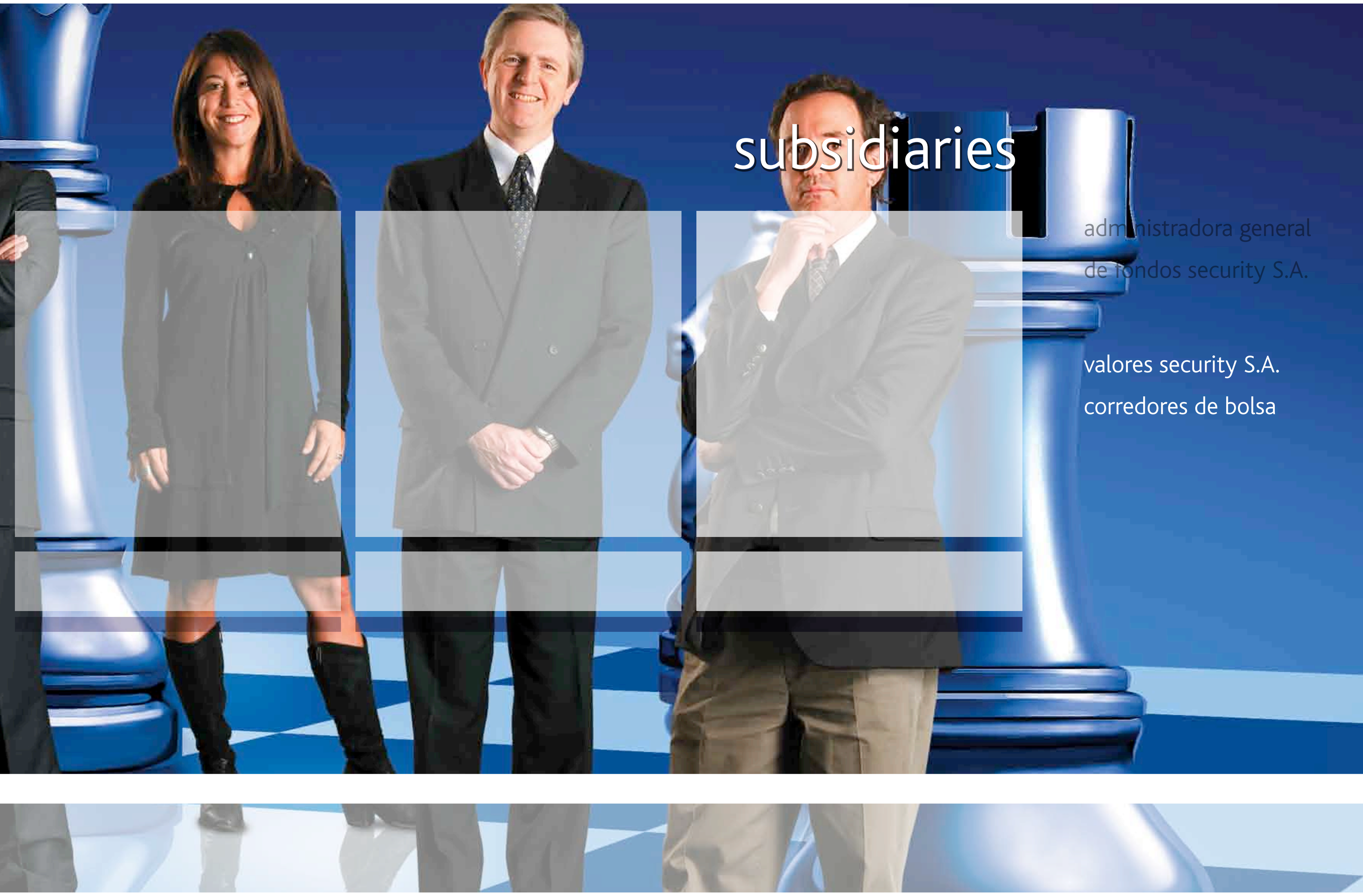
BOARD OF DIRECTORS

Chairman:	Ramón Eluchans O.
Directors:	Nicolás Ugarte B.
	Javier Gómez C.
	Enrique Menchaca O.
	Naoshi Matsumoto C.

MANAGEMENT

President:	Cristián Pinto M.
Operations Manager	Juan Adell S.
Assistant Manager Shares Desk	Jorge Elton P.

Valores Security S.A., Corredores de Bolsa was created in 1987 by Security Pacific National Bank to act as a stock-broker, becoming a subsidiary of Banco Security in 1991.



Over time, basically motivated by the high volatility that has characterized the stock market in Chile, the company has sought new business opportunities. Valores Security now runs its business through three areas:

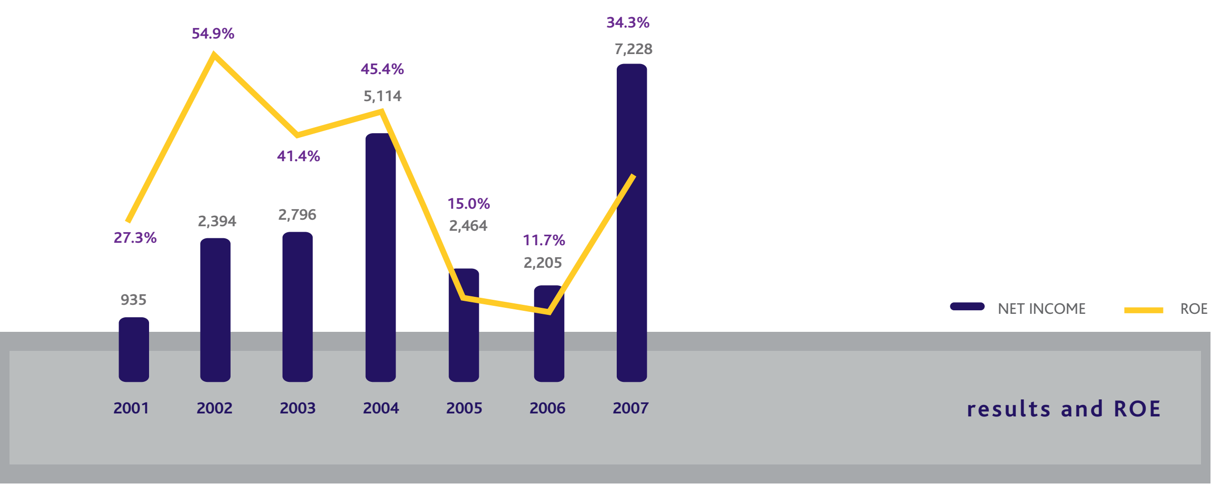
• FIXED INCOME: mainly the management of its own positions in fixed income and derivative instruments on the local market and the trading of financial instruments.

• VARIABLE INCOME: basically the company's original business: share trading.

• CURRENCIES: the purchase and sale of foreign currencies and trading in dollar forward contracts.

In 2007, Valores Security S.A. Corredores de Bolsa produced a net income of Ch$7,228 million, a real increase of 228% over the previous year and representing a return on capital and reserves of 34.4%.

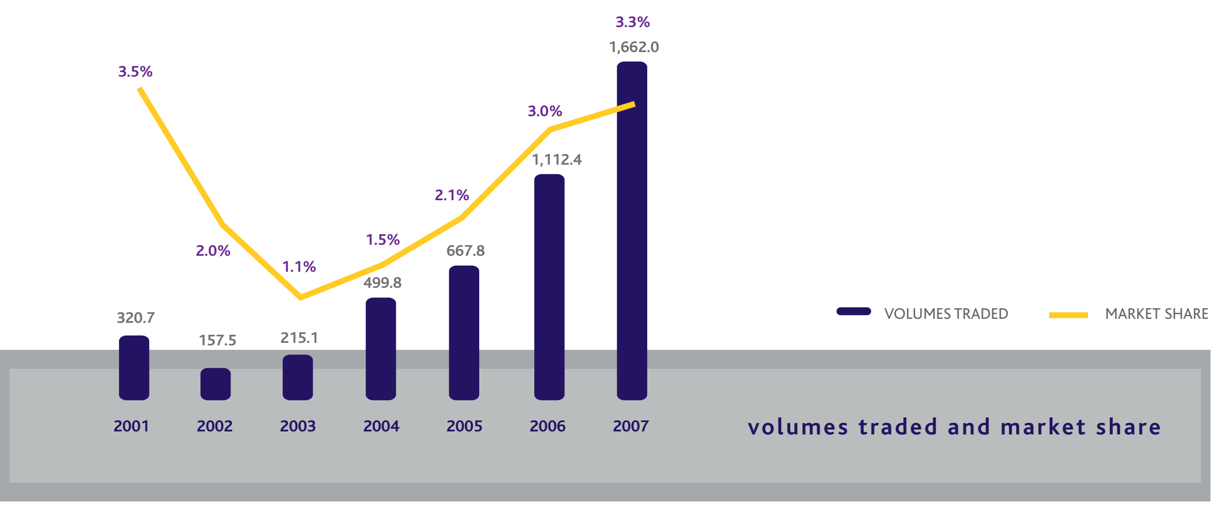
BANCO security



SOURCE: GRUPO SECURITY

MILLIONS OF PESOS DECEMBER 2007

During 2007, stock market activity grew strongly, with volumes traded rising by 35%. Valores Security increased its volume traded by 49%, amounting to Ch$1,662 billion, placing it in 9th position among the 38 stockbrokers operating on the local market. Its average market share rose from 2.97% in 2006 to 3.32% at December 2007, based on transactions carried out on the Santiago Stock Exchange and the Chilean Electronic Exchange.



SOURCE: GRUPO SECURITY

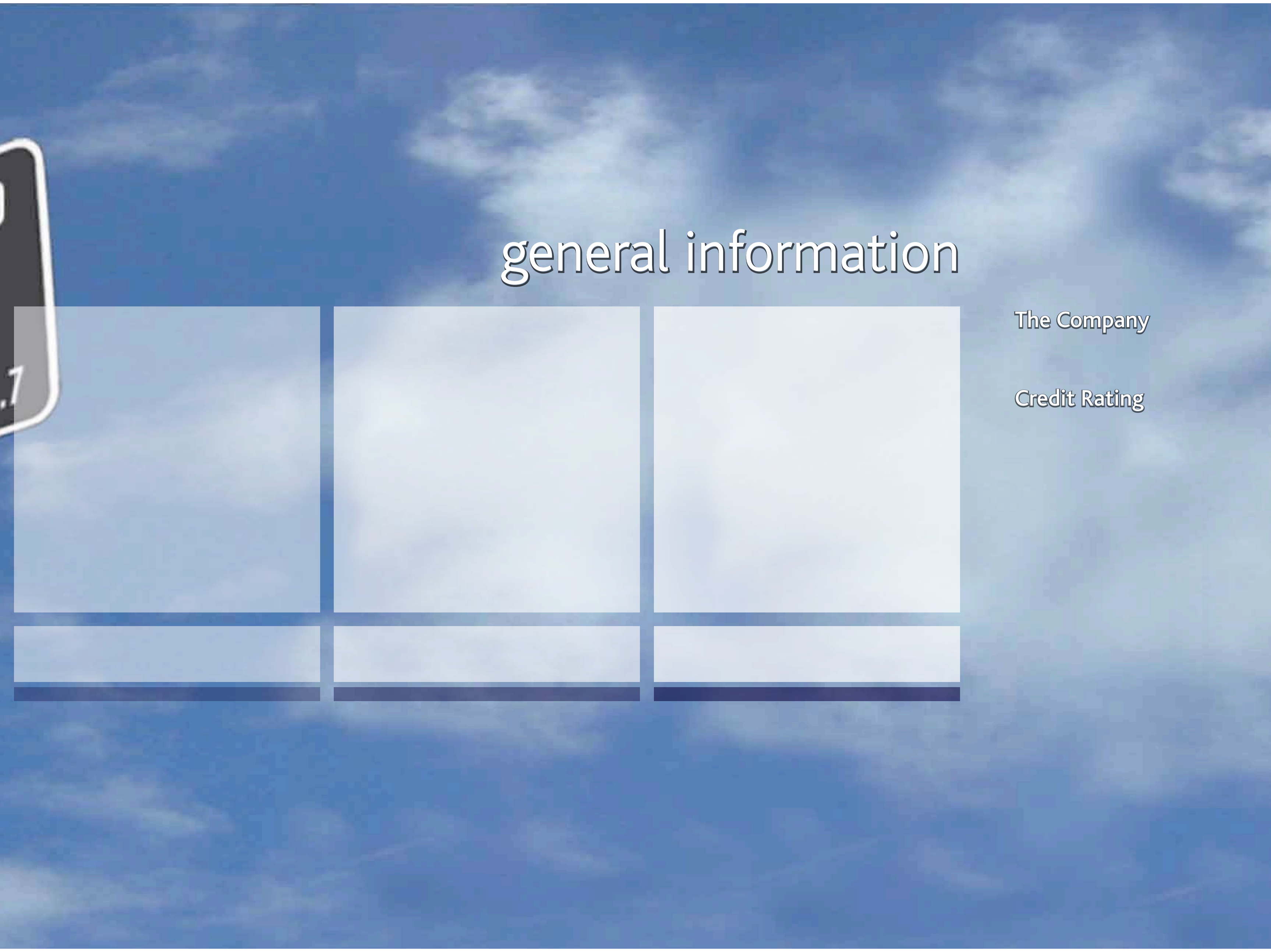
BILLIONS OF PESOS DECEMBER 2007

VOLUMES TRADED AND MARKET SHARE

BILLIONS OF PESOS OF DECEMBER 2007

	2002	2003	2004	2005	2006	2007
Volumes Traded	158	215	499	668	1,113	1,662
Market Share	2.00%	1.14%	1.52%	2.07%	2.97%	3.28%

BANCO security



general information

The Company

Credit Rating

THE COMPANY

Name:
BANCO SECURITY

Type of Company:
Banking Corporation

Objects:
Carry out all acts, contracts, operations and activities appropriate to a commercial bank, in accordance with current legislation.

Tax No.:
97.053.000-2

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

Telephone:
(56-2) 584 4000

Fax:
(56-2) 584 4001

Mail:
banco@security.cl

Web:
www.security.cl

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

CREDIT RATING

The obligations of Banco Security at the end of 2007 had the following local credit ratings:

	TIME DEPOSITS & OTHER TITLES REPRESENTATING BORROWINGS SHORT TERM	TIME DEPOSITS & OTHER TITLES REPRESENTATING BORROWINGS LONG TERM	MORTGAGE-FUNDING NOTES	SUBORDINATED BONDS	BANK BONDS	OUTLOOK
Credit Rating Commission	N - 1 +	AA -	AA -	AA -	-	-
Feller-Rate	Level 1 +	AA -	AA -	AA -	A +	Stable
Fitch Ratings	N 1 +	AA -	AA	AA -	A +	Stable

As from the first half of 2007, the Bank also has a public international credit rating. This service was contracted with Standard & Poor´s and rating as of December 31, 2007 was:

	GLOBAL SCALE LOCAL CURRENCY	GLOBAL SCALE FOREIGN CURRENCY	OUTLOOK
Standard & Poor´s	BBB- / Stable / A-3	BBB- / Stable / A-3	Stable

BANCO security

financial statements

unconsolidated

consolidated

summarized financial

ThCh$: Thousands of Chilean pesos

MCh$: Millions of Chilean pesos

UF: Unidad de fomento

(an official inflation - indexed monetary unit)

US$: United States dollar

ThUS$: Thousands of US dollars

BANCO security

unconsolidated financial statements

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Banco Security

We have audited the balance sheets of Banco Security as of December 31, 2007 and 2006, and the related statements of income and cash flows for the years then ended all expresed in millions of constract chilean pesos. These financial statements (including the related notes) are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

These financial statements have been prepared to reflect the stand-alone financial position of Banco Security, on the basis of the criteria described in Note 1 to the financial statements, before consolidating the financial statements of the subsidiaries detailed in Note 3 to the financial statements. Therefore, in order for these stand-alone financial statements to be fully understood, they should be read and analyzed in conjunction with the consolidated financial statements of Banco Security and subsidiaries, which are required by accounting principles generally accepted in Chile.

In our opinion, such stand-alone financial statements present fairly, in all material respects, the financial position of Banco Security at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended, in conformity with the basis of accounting described in Note 1 to the financial statements.

The accompanying stand-alone financial statements have been translated into English for the convenience of readers outside Chile.

Deloitte.

January 16, 2008

Juan Carlos Cabrol Bagnara

BANCO security

BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006

(In millions of Chilean pesos)

ASSETS	2007 MCh$ (Millions)	2006 MCh$ (Millions)
CASH AND BANKS	69,967.6	59,169.2
LOANS		
Commercial loans	1,017,874.3	974,283.3
Foreign trade loans	158,019.3	177,530.9
Consumer loans	63,709.4	38,938.9
Letters of credit loans	103,068.9	118,715.0
Lease contracts	119,792.6	114,767.6
Contingent loans	195,614.7	142,060.9
Other current loans	172,000.1	85,315.7
Past-due loans	10,912.6	9,998.2
TOTAL LOANS	1,840,991.9	1,661,610.5
Less: Reserve for loans losses	(19,248.9)	(17,653.2)
TOTAL LOANS, NET	1,821,743.0	1,643,957.3
OTHER CREDIT OPERATIONS:		
Loans to financial institutions	88,237.1	68,457.7
Security trading credits	8,270.1	-
TOTAL OTHER CREDIT OPERATIONS	96,507.2	68,457.7
INSTRUMENTS HELD FOR TRADING	263,295.4	212,939.5
INVESTMENT INSTRUMENTS:		
Available for sale	171,461.2	52,206.9
Held to maturity	-	-
TOTAL INVESTMENT INSTRUMENTS	171,461.2	52,206.9
FINANCIAL DERIVATIVE CONTRACTS	27,020.3	3,477.4
OTHER ASSETS	172,550.1	128,291.4
FIXED ASSETS:		
Premises and equipment, net	24,855.5	24,315.7
Investment in other companies	35,421.4	31,326.4
TOTAL FIXED ASSETS	60,276.9	55,642.1
TOTAL ASSETS	2,682,821.7	2,224,141.5

The accompanying notes are an integral part of these financial statements

BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006

(In millions of Chilean pesos)

LIABILITIES AND SHAREHOLDERS' EQUITY	2007 MCh$ (Millions)	2006 MCh$ (Millions)
LIABILITIES:		
DEPOSITS AND OTHER LIABILITIES		
Checking accounts	138,837.9	116,945.9
Deposits and savings	1,467,475.1	1,230,625.4
Other time and demand liabilities	56,725.0	48,338.5
Investments under agreements to repurchase	3,691.0	7,470.2
Mortgage notes	108,648.8	120,266.2
Contingent liabilities	196,364.4	143,024.3
TOTAL DEPOSITS AND OTHER LIABILITIES	1,971,742.2	1,666,670.5
BONDS:		
Bonds	143,932.9	87,382.6
Subordinated bonds	78,564.9	61,895.6
TOTAL BONDS	222,497.8	149,278.2
BORROWINGS FROM FINANCIAL INSTITUTIONS AND CHILE'S CENTRAL BANK		
Borrowings from domestic financial institutions	7,454.7	8,742.8
Borrowings from abroad	153,106.4	120,948.4
Other borrowings	31,397.7	25,000.5
TOTAL BORROWINGS FROM FINANCIAL INSTITUTIONS	191,958.8	154,691.7
FINANCIAL DERIVATIVE CONTRACTS	20,815.4	2,227.0
OTHER LIABILITIES	108,474.2	86,905.2
TOTAL LIABILITIES	2,515,488.4	2,059,772.6
SHAREHOLDERS' EQUITY		
Capital and reserves	139,657.4	139,657.4
Other equity accounts	425.5	2,696.6
Net income for the year	27,250.4	22,014.9
TOTAL SHAREHOLDERS' EQUITY	167,333.3	164,368.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,682,821.7	2,224,141.5

The accompanying notes are an integral part of these financial statements

BANCO security

INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(In millions of Chilean pesos)

	2007 MCh$ (Millions)	2006 MCh$ (Millions)
OPERATING INCOME:		
Interest and indexation income	182,480.9	123,320.3
Gains from trading activities	61,876.4	111,060.4
Income from commissions	9,208.4	7,665.6
Exchange gain - net	3,009.9	2,636.6
Other operating income	2,314.7	1,228.7
TOTAL OPERATING INCOME	258,890.3	245,911.6
LESS:		
Interest and indexation expenses	(134,192.2)	(77,398.2)
Losses from trading activities	(55,454.8)	(108,684.9)
Commission expenses	(669.8)	(522.3)
Other operating expenses	(530.3)	(652.0)
GROSS OPERATING MARGIN	68,043.2	58,654.2
Remuneration and personnel expenses	(16,887.8)	(16,552.2)
Administrative and other expenses	(15,553.9)	(14,148.5)
Depreciation and amortization	(2,085.0)	(1,771.6)
NET OPERATING MARGIN	33,516.5	26,181.9
Provisions for loan losses	(5,573.1)	(3,172.7)
OPERATING INCOME	27,943.4	23,009.2
OTHER INCOME AND EXPENSES		
Non-operating income	1,487.5	1,615.6
Non-operating expenses	(2,441.9)	(825.0)
Earnings from permanent investments	9,413.6	3,671.6
Monetary correction	(5,707.0)	(1,713.2)
INCOME BEFORE INCOME TAX	30,695.6	25,758.2
INCOME TAX	(3,445.2)	(3,743.3)
NET INCOME FOR THE YEAR	27,250.4	22,014.9

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(In millions of Chilean pesos)

CASH FLOWS FROM OPERATING ACTIVITIES	2007 MCh$ (Millions)	2006 MCh$ (Millions)
Net income for the year	27,250.4	22,014.9
CHARGES (CREDITS) TO INCOME THAT DO NOT REPRESENT CASH FLOWS		
Depreciation and amortization	2,085.0	1,771.6
Provisions for loan losses	5,573.1	3,172.7
Equity in income of related companies	(9,413.6)	(3,671.6)
Monetary correction	5,707.0	1,713.2
Other charges (credits) that do not represent cash flows	(3,567.4)	(2,192.4)
Net variation in the interest, indexation and commissions accrued on assets and liabilities	10,535.2	4,981.3
NET CASH PROVIDED BY OPERATING ACTIVITIES	38,169.7	27,789.7
CASH FLOW FROM INVESTMENT ACTIVITIES		
Net increase in loans	(210,014.1)	(181,712.5)
Net increase in other credit operations	(33,973.2)	(45,876.6)
Increase (decrease) in investments	(188,014.0)	30,048.2
Decrease (increase) in leasing assets	(2,316.4)	1,418.9
Purchase of fixed assets	(2,550.3)	(2,357.9)
Sale of fixed assets	11.1	278.9
Sale of assets received in settlement of loans	3,158.7	352.4
Net (decrease) increase in other asssets and liabilities	(35,033.5)	50,072.7
NET CASH USED IN INVESTING ACTIVITIES	(468,731.7)	(147,775.9)
Cash flows from financing activities		
Net increase in checking accounts	31,057,8	3,586.9
Net increase in deposits and savings	302,989.5	121,207.8
Net (decrease) increase in other time and demand liabilities	12,150.7	10,703.2
Net increase (decrease) in other liabilities arising from trading activities	(3,383.3)	4,900.6
(Decrease) increase in short-term foreign loans	2,803.1	(71,314.9)
Increase (decrease) in letters of credit	(9,173.5)	8,107.1
Bond issues	71,691.1	37,496.2
(Decrease) increase in long-term foreign borrowings	37,601.1	(14,939.3)
Increase in other short-term liabilities	7,506.2	13,502.7
Dividends paid	(16,830.4)	(21,946.7)
NET CASH PROVIDED BY FINANCING ACTIVITIES	436,412.3	91,303.6
NET POSITIVE (NEGATIVE) CASH FLOWS FOR THE YEAR	5,850.3	(28,682.6)
EFFECT OF INFLATION ON CASH AND CASH EQUIVALENTS DURING THE YEAR	4,948.1	1,628.1
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	10,798.4	(27,054.5)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	59,169.2	86,223.7
CASH AND CASH EQUIVALENTS AT END OF YEAR	69,967.6	59,169.2

The accompanying notes are an integral part of these financial statements

BANCO security

NOTES TO THE FINANCIAL STATEMENTS

(In millions of Chilean pesos - MCh$)

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

These financial statements have been issued only for the purpose of making an individual analysis of the Bank and, consequently, they have to be read along with the consolidated financial statements required by accounting principles generally accepted in Chile.

The 2006 Chilean peso amounts have been price level restated for changes in the Consumer Price Index (CPI) used for monetary correction (7.4%).

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

c. Monetary correction - Shareholders' equity, fixed assets, and other non-monetary assets and liabilities have been monetarily corrected on the basis of variations in the Chilean Consumer Price Index (IPC). The application of monetary correction resulted in a net charge to income of MCh$5,707.0 (MCh$1,713.2 in 2006).

The income statements of the Bank are not monetarily corrected.

d. Foreign Currency -Assets and liabilities denominated in foreign currency are stated in Chilean pesos at the exchange rate of Ch$497.55 per US$1 (Ch$532.25 per US$1 in 2006).

The net gain of MCh$3,009.9 (MCh$2,636.6 in 2006) from the exchange shown in the income statement includes the net gains and losses on foreign exchange transactions, as well as the recognition of the effects of exchange rate variations on net assets or liabilities denominated in foreign currency.

e. Conversion -Assets and liabilities denominated in Unidades de Fomento (inflation index-linked units of account) are stated at the following year-end rates: Ch$19,622.66 (Ch$18,336.38 in 2006).

f. Financial investments - Prior to January 1, 2006, the Bank recorded its financial investments traded in the secondary market stated at market value, in accordance with specific instructions from the Superintendency of Banks and Financial Institutions. These instructions required such adjustments to be made against income, except in the case of permanent investments, where, subject to certain limitations, the adjustments were made directly against the equity account as "Fluctuation in the value of financial investments".
Las demás inversiones correspondientes a instrumentos financieros se presentaban al valor de adquisición, más sus reajustes e intereses devengados.

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

As of January 1, 2006, financial investments are classified and valued as follows:

•**Trading instruments** - Instruments for trading are securities acquired for which the Bank has the intent to generate earnings from short-term price fluctuations or through brokerage margins, or that are included in a portfolio created for such purposes.

Instruments for trading are valued at their fair value according to market prices on the closing date of the balance sheet. Mark to market adjustments , as well as realized gains/losses from trading , are included in the Income Statement under "Earnings (losses) from trading activities". Interest income and indexation adjustments are reported as "Interest revenue".

All purchases and sales of instruments for negotiation, which must be delivered within the deadline stipulated by market regulations and conventions, are recognized on the date of trade, which is the date on which the commitment is made to purchase or sell the asset. Any other purchase or sale is treated as a forward until it is liquidated.

•**Investment Instruments** - As of January 1, 2006, investment instruments are classified into two categories: Held to maturity investments and instruments available for sale. Held to maturity investments only include those instruments for which the Bank has the intent and ability to hold to maturity. Investment instruments not classified as held to maturity or trading are considered to be available for sale.

Investment instruments are recognized initially at cost, which includes transaction costs.
Instruments available for sale are valued at each subsequent period-end at their fair value according to market prices or valuations

obtained by using models. Mark to market adjustments are reported in a separate component of Shareholders' equity. When these investments are sold or become impaired, the amount of the adjustments to fair value accumulated in Shareholders' equity is reclassified to the income statement and reported under "Gain from trading activities" or "Losses from trading activities", as applicable.

Held to maturity investments are recorded at their cost value plus accrued interest and adjustments, less provisions for impairment recorded when the book value is higher than its estimated return. The bank does not maintain any investment held to maturity in its portfolio.

Interest and indexation adjustments of held to maturity investments and available for sale investments are included under "Interest and indexation income" or "interest and indexation expense".

Investment instruments designated as hedges are accounted for under the appropriate derivative accounting literature.

All purchases and sales of investment instruments, to be delivered within the deadline stipulated by market regulations and conventions, are recognized on the commitment date, which is the date on which the commitment is made to purchase or sell the asset. Other purchases or sales are treated as forwards until they are liquidated.

Prior to January 1, 2006, the Bank recorded its financial investments classified as permanent investments stated at market value, in accordance with specific instructions from the Superintendency of Banks and Financial Institutions. These instructions allowed such adjustments to be made directly against the equity account "Fluctuation in the value of financial investments".

g. Derivative activities - Prior to January 1, 2006, according to instructions of the Superintendence of Banks and Financial Institutions, derivative instruments were recorded in asset accounts and their corresponding offset accounts; at year-end their net balance is presented under Other Assets or Other Liabilities. Initial differences from these kinds of operations were amortized during the term of the respective contracts

The Bank valued forward currency contracts at the daily observed exchange rate and the resulting income or loss were recognized in income on an accrual basis.

The bank valued interest rate SWAP contracts (IRS) at each month-end according to the accrual of agreed interest rates, crediting or charging differences to income.

Effective January 1, 2006, under the requirements of Circular No.3,345 of the Superintendency of Banks financial derivative contracts including forwards in foreign currency and unidades de fomento (inflation index-linked units of account), interest rate futures, currency and interest rate swaps, currency and interest rate options, and others, are recognized initially in the balance sheet at cost (including transaction fees) and, at subsequent period ends, at their fair value. The fair value is obtained from market quotes, discounted cash flow models and option valuation models, as applicable. Derivative contracts are reported in "Financial derivative contracts" as assets when their fair value is positive and as liabilities when negative.

Certain derivatives embedded in non-derivative financial instruments, may require their bifurcations and treatment as a separate derivative when their risk and economic characteristics are not clearly and closely related to the host contract that is not recorded at fair value and its unrealized changes are not recorded in Income.

When a derivative contract is signed, it must be designated by the Bank as a speculative derivative contract or a hedge.

Any changes in the fair value of speculative financial derivative contracts are recorded in Income under "Gains from trading activities" or "Losses from trading activities", as applicable.

If the derivative is classified as a hedge, it may be: (1) a fair value hedge, or (2) a cash flow hedge. To qualify as a hedge for accounting purposes, the instruments must fulfill all the following conditions: (a) the hedge must be formally documented at the start; (b) the hedge is expected to be highly effective; (c) the effectiveness of the hedge can be reasonably measured; and (d) the hedge is highly effective during its lifetime in relation to the risk being hedged.

Certain derivative transactions that do not classify as hedges are treated and reported as speculative, even though they may provide effective economic hedges for managing risk positions.

When a derivative hedges exposure to changes in the fair value of an existing asset or liability, the latter is recorded at its fair value. Earnings or losses from measuring the fair value of both the item hedged and the hedging derivative are recognized in income.

If the item hedged in a fair value hedge is a firm commitment, the changes in fair value of the commitment in relation to the hedged risk are recorded as assets or liabilities and recognized in income. Earnings or losses from measuring the fair value of the hedging derivative are recognized in income. When an asset or liability is acquired because of the commitment, the initial recognition of the acquired asset or liability is adjusted to fair value.

When a derivative hedges exposure to changes in the cash flows of existing assets or liabilities, or expected transactions, the effective portion of the changes in fair value with regard to the risk hedged is recorded in shareholders' equity. Any ineffective portion is recognized directly in the period's income. The amounts recorded directly in shareholders' equity are recorded in income in the same periods in which the offsetting changes in hedged assets or liabilities affect income.

When fair value hedge accounting is used for portfolio hedge of interest rate risk and the hedge item is designated as an amount of currency, the earnings or losses from measuring the fair value of both the portfolio hedged and the hedge are recognized in income, but the fair value measurement of the hedged portfolio is stated in Other Assets or Other Liabilities according to the hedged portfolio's position at that moment.

The bank does not have any financial derivate hedge contract.

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

i. Investments in related companies - The shares or rights in related companies in which the Bank has ownership equal to, or greater than, 10%, or in which it can elect or appoint at least one of the members of the Board or management, are recorded as investment using the equity method of accounting.

j. Provisions for doubtful assets - The provisions required to cover the risk of loss on assets (Note 4) have been set up in accordance with the standards issued by the Superintendency of Banks and Financial Institutions. The assets are shown net of such provisions or, in the case of loans, as a deduction therefrom.

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, in conformity with Technical Bulletin 60 of the Chilean Institute of Accountants and its supplements, and instructions from the Superintendency of Banks and Financial Institutions.

l. Employee vacations - The annual cost of employee vacations and benefits is recognized on the accrual basis.

m. Cash and cash equivalents - For statement of cash flow purposes, cash and cash equivalents include the cash and banks balance, in accordance with the rules provided for in Chapter 18-1 of the Compendium of Standards of the Superintendency of Banks and Financial Institutions.

2. TRANSACTIONS WITH RELATED PARTIES

In accordance with the Chilean General Banking Law and the rules of the Superintendency of Banks and Financial Institutions, 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, 2007 and 2006, loans to related parties are as follows:

	DUE PORFOLIO		PAST - DUE PORTFOLIO		TOTAL		GUARANTEES (*)	
	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$
To operating companies	30,548.7	26,146.3	-	-	30,548.7	26,146.3	29,057.1	31,176.4
To investment companies	17,505.6	11,882.1	-	-	17,505.6	11,882.1	12,067.6	6,340.7
To individuals (**)	3,570.7	2,493.0	-	-	3,570.7	2,493.0	1,445.7	2,070.3
TOTAL	51,625.0	40,521.4	-	-	51,625.0	40,521.4	42,570.4	39,587.4

(*)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.

(**)Includes only those loans to individuals whose outstanding balances are not less than the equivalent of UF 3,000. The UF is a unit of account that is indexed to the changes in the consumer price level.

b. Other transactions with related parties - During 2007 and 2006, the Bank entered into the following transactions in excess of UF1,000 with related parties:

		CREDITS TO INCOME		CHARGES TO INCOME	
FIRM NAME	DESCRIPTION	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$
Grupo Security S.A.	Office rental	28.8	-	-	-
Inversiones Invest Security Ltda.	Provision of services contract	-	-	1,137.9	1,115.5
	Office rental	24.1	31.8	-	-
Travel Security S.A.	Office rental	120.8	125.3	-	-
Seguros Vida Security Previsión S.A.	Office rental	50.2	52.3	-	-
Global Mandatos Security S.A.	Provision of services contract	-	-	1,027.6	476.3
Virtual Security S.A.	Provision of services contract	-	-	2,100.5	1,745.9
	Office rental	6.7	3.4	-	-
Inmobiliaria Security S.A.	Provision of services contract	-	-	266.9	287.7
	Loam	186.9	185.6	-	-
Inmobiliaria Security Siete S.A.	Advisory services	33.3	-	-	-

3.INVESTMENTS IN RELATED COMPANIES

Participation in the companies - In the balance sheets, there are investments in affiliates for MCh$35,421.4 (MCh$31,326.4 in 2006), details of which are as follows:

SOCIEDAD	OWNERSHIP INTEREST OF BANK		EQUITY OF COMPANY				INVESTMENT VALUE		RESULT	
	2007 %	2006 %	2007 MCh$ (1)	2007 MCh$ (2)	2006 MCh$ (1)	2006 MCh$ (2)	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$
Valores Security S.A Corredores de Bolsa	99.76	99.76	28,272.4	28,405.3	21,044.5	20,970.1	28,337.1	20,919.7	7,343.2	2,125.0
Administradora General de Fondos Security S.A.	99.90	99.90	6,982.3	6,982.3	10,247.1	10,247.1	6,975.3	10,237.4	2,070.0	1,546.6
SUBTOTAL							35,312.4	31,157.1	9,413.2	3,671.6
Shares and interests in other companies							109.0	169.3	0.4	-
TOTAL							35,421.4	31,326.4	9,413.6	3,671.6

(1)Corresponds to the book equity portion of the Subsidiary.

(2)Corresponds to the equity adjusted by applying Circular N°3,345 of the Superintendency of Banks and Financial Institutions and its amendments.

4. ALLOWANCE FOR LOAN LOSSES

At December 31, 2007, the Bank has recorded provisions for MCh$20,483.4 (MCh$19,246.9 in 2006) which correspond to the minimum provisions required by the Superintendency of Banks and Financial Institutions to cover possible losses.

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

	PROVISIONS ON				
	LOANS MCh$	COUNTRY RISK RATING MCh$	ASSETS RECEIVED IN PAYMENT MCh$	OTHER ASSETS MCh$	TOTAL MCh$
Historical balances at December 31, 2005	19,512.3	-	176.0	-	19,688.3
Application of provisions	(4,115.3)	-	(176.0)	-	(4,291.3)
Recovery of written-off credits	(430.3)	-	-	-	(430.3)
Release of provisions	-	-	-	-	-
Provisions made	1,470.2	-	395.9	1,088.0	2,954.1
Balances at December 31, 2006	16,436.9	-	395.9	1,088.0	17,920.8
Updated balances for purposes of comparison	17,653.2	-	425.2	1,168.5	19,246.9
Historical balances at December 31, 2006	16,436.9	-	395.9	1,088.0	17,920.8
Application of provisions	(3,010.7)	-	-	-	(3,010.7)
Recovery of written-off credits	(1,025.1)	-	-	-	(1,025.1)
Release of provisions	-	-	(395.9)	(1,088.0)	(1,483.9)
Provisions made	6,667.8	180.0	334.5	900.0	8,082.3
Balances at December 31, 2007	19,068.9	180.0	334.5	900.0	20,483.4

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

5. SHAREHOLDERS' EQUITY

a. Equity

Changes in capital and reserves for each year are as follows:

	PAID-IN CAPITAL MCh$	OTHERS RESERVES MCh$	OTRAS ACCOUNTS MCh$	INCOME FOR THE YEAR MCh$	TOTAL MCh$
Balances at December 31, 2005 - historical	99,108.9	29,677.0	1,473.1	20,014.3	150,273.3
Distribution 2005 profits	-	20,014.3	-	(20,014.3)	-
Dividends paid	-	(20,014.3)	-	-	(20,014.3)
Adjustment from valuation of investments available for sale (1)	-	-	1,037.7	-	1,037.7
Adjustment Circular N°3,345	-	(1,375.5)	-	-	(1,375.5)
Monetary corrections	2,081.3	543.1	-	-	2,624.4
Net income for the year	-	-	-	20,498.0	20,498.0
Balances at December 31, 2006	101,190.2	28,844.6	2,510.8	20,498.0	153,043.6
Updated balances for purposes of comparison	108,678.3	30,979.1	2,696.6	22,014.9	164,368.9
Balances at December 31, 2006 - historical	101,190.2	28,844.6	2,510.8	20,498.0	153,043.6
Distribution 2006 profits	-	20,498.0	-	(20,498.0)	-
Dividends paid	-	(20,498.0)	-	-	(20,498.0)
Adjustment from valuation of investments available for sale (1)	-	-	(2,085.3)	-	(2,085.3)
Monetary corrections	7,488.1	2,134.5	-	-	9,622.6
Net income for the year	-	-	-	27,250.4	27,250.4
Balances at December 31, 2007	108,678.3	30,979.1	425.5	27,250.4	167,333.3

(1) These balances are presented net of deferred taxes, originated by adjustments to fair value of the investments available for sale

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

During March 2007 and 2006, 100% and 90% of net profits from 2006 and 2005 amounting to MCh$20,498.0 and MCh$20,014.3 (historical), respectively, were distributed.

b. Minimum basic capital and effective equity

According to the Chilean 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 each year-end, the Bank's situation is as follows:

	AT DICEMBER 31	
	2007 MCh$	2006 MCh$
Basic capital (*)	140,082.9	142,354.0
Total assets (as calculated)	2,810,746.0	2,238,593.0
Percentages	4.98%	6.36%
Actual equity (**)	216,268.5	173,714.3
Risk-weighted assets	1,994,221.0	1,736,318.5
Percentages	10.84%	10.00%

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

(**) Pursuant to Article 66 of the General Banking Law, in order to determine effective shareholders' equity, subordinated bonds and voluntary provisions, up to certain limits, should be included.

6. INVESTMENTS

At December 31, 2007 and 2006, the Bank had the following balances included under investments:

a. Traiding Investments:

	SALDOS AL 31 DE DICIEMBRE DE	
	2007 MCh$	2006 MCh$
Central Bank and Goverment Securities		
Central Bank Securities	101,181.3	16,136.7
Chilean Treasury Bonds	23,265.3	-
Other Securities	4,479.1	-
SUBTOTAL	128,925.7	16,136.7
Other financial Securities		
Time deposit in Chilean Chilean Financials Institutions	101,358.3	159,206.6
Mortgage Finance Bonds	30,955.5	37,596.2
Chilean Bank Bonds	2,055.9	-
SUBTOTAL	134,369.7	196,802.8
TOTAL	263,295.4	212,939.5

Central Bank and Goverment Securities include repurchase agreements sold to customers and financial institutions for MCh$3,697.8 and MCh$7,054.1 at December 31, 2007 and 2006, respectively. The repurchase agreements have an average maturity of 10 days at year-end (11 days in 2006).

b. Available for sale Investments

	BALANCES AT DECEMBER 31	
	2007 MCh$	2006 MCh$
Central Bank and Goverment Securities		
Central Bank Securities	-	-
Chilean Treasury Bonds	-	-
Other Securities	-	-
SUBTOTAL		
Other financial Securities		
Time deposit in Chilean Financial Institutions	90,679.2	-
Mortgage Finance Bonds	2,074.6	-
Chilean Corporate Bonds	-	37,751.4
Chilean Other Securities	35,045.7	-
Central Bank and Goverment Foreing Securities	43,661.7	-
Other foreing Securities	-	14,455.5
SUBTOTAL	171,461.2	52,206.9
TOTAL	171,461.2	52,206.9

Available for sale investment do not include transactions with agreements to repurchase at December 31, 2007 and 2006.

At December 31, 2007 and 2006, instruments available for sale include a net unrealized profit (loss) of MCh$425.5 and MCh$2,696.6, respectively recorded against equity.

At December 31, 2007 and 2006, the Bank does not have any held-to maturity investments.

7. TRANSACTIONS WITH DERIVATIVE INSTRUMENTS

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

2007

		AT DECEMBER 31, 2007				
		NOTIONAL AMOUNT OF THE CONTRACT EXPIRING IN			FAIR VALUE	
	CASH FLOW (F) OR FAIR VALUE (VR) HEDGE	LESS THAN 3 MONTHS MCh$	BEETWEEN 3 MONTHS AND ONE YEAR MCh$	MORE THAN ONE YEAR MCh$	ASSETS MCh$	LIABILITIES MCh$
Derivative maintained for trading purpose						
Currency forwards	(VR)	941,879.0	978,572.2	46,204.9	21,363.1	(15,529.4)
Interest rate swaps	(VR)	-	68.4	359.9	5,657.2	(5,228.8)
Interest rate put options	(VR)	-	-	-	-	(57.2)
Total assets/(liabilities) from derivatives		941,879.0	978,640.6	46,564.8	27,020.3	(20,815.4)
Total assets/(liabilities) from derivatives						
Total assets /(liabilities) from financial derivatives		941,879.0	978,640.6	46,564.8	27,020.3	(20,815.4)

2006

		AT DECEMBER 31, 2006				
		NOTIONAL AMOUNT OF THE CONTRACT EXPIRING IN			FAIR VALUE	
	CASH FLOW (F) OR FAIR VALUE (VR) HEDGE	LESS THAN 3 MONTHS MCh$	BEETWEEN 3 MONTHS AND ONE YEAR MCh$	MORE THAN ONE YEAR MCh$	ASSETS MCh$	LIABILITIES MCh$
Derivative held for trading purpose						
Currency forwards	(VR)	222,338.3	147,292.4	16,593.1	3,290.1	(1,459.4)
Interest rate swaps	(VR)	-	-	6,227.6	34.4	-
Interest rate put options	(VR)	-	-	-	-	(728.3)
Interest rate put options	(VR)	-	-	-	152.9	(39.3)
Total assets/(liabilities) from derivatives		222,338.3	147,292.4	22,820.7	3,477.4	(2,227.0)
Total assets/(liabilities) from derivatives						
Total assets /(liabilities) from financial derivatives		222,338.3	147,292.4	22,820.7	3,477.4	(2,227.0)

(*) The valuation criteria described in the first three paragraphs of Note 1 g) were applied to transactions made prior to January 1

8. MATURITIES OF ASSETS AND LIABILITIES

a .Maturities of loans and financial investments - - The following is a breakdown of loans and financial investments classified by their maturity. Balances include accrued interest at December 31, 2007 and 2006, respectively. Instruments for trading or available for sale have been included at their fair value and within the period in which they may be sold.

	UP TO ONE YEAR		MORE THAN 1 YEAR UP TO 3 YEARS		MORE THAN 3 YEAR UP TO 6 YEARS		MORE THAN 6 YEARS		TOTAL	
	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$
Loans (1):										
Commercial loans and others	774,583.1	852,630.1	138,589.5	121,462.7	175,937.6	156,432.0	376,802.6	219,868.1	1,465,912.8	1,350,392.9
Letters of credits loans	125.7	34.4	690.2	665.0	8,649.2	9,171.5	93,554.2	108,777.5	103,019.3	118,648.4
Consumer loans	26,028.8	18,926.1	16,470.5	9,909.3	19,208.1	8,686.1	1,778.6	1,297.2	63,486.0	38,818.7
Other credit operations:										
Loans to financial institutions	88,237.1	68,457.7	-	-	-	-	-	-	88,237.1	68,457.7
Security trading credits	8,270.1	-	-	-	-	-	-	-	8,270.1	-
Instruments held for trading	97,206.5	171,328.6	74,029.2	2,502.7	12,265.4	4,655.7	79,794.3	34,452.5	263,295.4	212,939.5
Investment instruments										
Available for sale	89,738.4	2,995.3	14,152.0	5,976.9	17,174.1	18,161.1	50,396.7	25,073.6	171,461.2	52,206.9
Held to maturity										
Financial derivative contracts	22,483.4	3,416.0	4,536.9	61.4	-	-	-	-	27,020.3	3,477.4

(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$2,046.5 (MCh$1,691.4 in 2006), of which MCh$106.5 (MCh$954.7 in 2006) have been delinquent less than 30 days, have been excluded.

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b. Maturities of deposits, borrowings and other financing operations - The information detailed below shows deposits, borrowings and other liabilities through their maturity. Balances include interest accrued at December 31, 2007 and 2006.

	UP TO ONE YEAR		MORE THAN 1 YEAR UP TO 3 YEARS		MORE THAN 3 YEAR UP TO 6 YEARS		MORE THAN 6 YEARS		TOTAL	
	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$
Borrowings and other liabilities (*):										
Deposits and savings	1,313,480.2	1,083,254.0	126,260.0	118,473.4	25,618.6	26,651.0	-	-	1,465,358.8	1,228,378.4
Other time liabilities	2,637.3	-	-	-	-	-	-	-	2,637.3	-
Investment under agreements to repurchase	3,691.0	7,470.2	-	-	-	-	-	-	3,691.0	7,470.2
Mortgage notes	172.2	42.7	763.9	730.3	9,132.9	9,650.7	98,579.8	109,842.5	108,648.8	120,266.2
Bonds	2,818.0	2,408.9	78,490.6	836.8	58,868.0	78,773.1	82,321.2	67,259.4	222,497.8	149,278.2
Borrowings from financial entities and Chile's Central Bank:										
Lines of credit from rescheduling	-	-	-	-	-	-	-	-	-	-
Other liabilities with the Central Bank	-	-	-	-	-	-	-	-	-	-
Borrowings from domestic financial institutions	7,454.7	8,742.8	-	-	-	-	-	-	7,454.7	8,742.8
Borrowings from abroad	105,839.1	63,784.8	-	27,365.3	19,902.0	57,163.6	-	-	153,106.4	120,948.4
Other borrowings	1,640.0	1,160.6	4,319.7	3,250.0	11,294.1	9,618.0	14,143.9	10,971.9	31,397.7	25,000.5
Financial derivative contracts:	16,695.8	1,457.8	4,062.4	41.5	-	-	57.2	727.7	20,815.4	2,227.0

(*) Excludes all sight and contingent obligations

9. FOREIGN CURRENCY POSITION

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

	PAYABLE IN					
	FOREIGN CURRENCY		CHILEAN CURRENCY (*)		TOTAL	
	2007 US$ (THOUSANDS)	2006 US$ (THOUSANDS)	2007 US$ (THOUSANDS)	2006 US$ (THOUSANDS)	2007 US$ (THOUSANDS)	2006 US$ (THOUSANDS)
ASSETS						
Available funds	59,861	52,186	-	-	59,861	52,186
Effective loans	388,611	354,803	38,411	30,448	427,022	385,251
Contingent loans	125,298	91,282	23,214	21,733	148,512	113,015
Instruments held for trading	87,753	25,071	-	-	87,753	25,071
Other assets	123,048	107,842	-	-	123,048	107,842
TOTAL ASSETS	784,571	631,184	61,625	52,181	846,196	683,365
LIABILITIES						
Time deposits and savings	290,479	226,078	-	-	290,479	226,078
Contingent liabilities	127,222	93,176	26,937	23,785	154,159	116,961
Other on demand or time liabilities	8,268	62,709	33,653	-	41,921	62,709
Liabilities with banks abroad	307,721	211,508	-	-	307,721	211,508
Other liabilities	69,976	60,230	-	21,513	69,976	81,743
TOTAL LIABILITIES	803,666	653,701	60,590	45,298	864,256	698,999

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

10.CONTINGENCIES, COMMITMENTS AND RESPONSIBILITIES

Commitments and responsibilities accounted for in memorandum accounts - The Bank has recorded the following balances in memorandum accounts, which are related to commitments or responsibilities related to the business activity:

	2007 MCh$	2006 MCh$
Securities in safekeeping	1,165,966.0	94,191.3
Collections abroad	24,028.4	24,455.3
Credits approved but not paid out	148,673.5	127,004.5
Mortgages and chattel mortgages	1,030,403.9	1,063,663.7
Securities and notes in guarantee	395,324.4	323,788.2
Letters of credit obtained	140,229.3	258,270.7

The above summary list includes only the more important balances. Contingent loans and liabilities are stated in the balance sheets.

11.COMMISSION

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

	INCOME		EXPENSES	
	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$
Commissions earned or paid for:				
Collection of notes	562.8	650.0	-	-
Letters of credit, warranty bonds, sureties and contingent loans	1,053.6	1,474.9	-	-
Credit cards	1,516.6	660.7	-	-
Lines of credit	336.3	246.3	-	-
SecurityCash	261.8	219.6	-	-
Credit commissions	-	1,264.2	83.5	66.7
Brokerage commissions	-	-	302.6	-
Automatic Teller Cards	57.4	55.1	230.3	446.9
Prepayment commissions	298.7	300.1	-	-
Checking accounts	1,802.1	1,342.1	-	-
Demand deposits	120.3	104.3	-	-
Branch services	288.8	186.3	-	-
International rebates	522.3	408.8	-	-
Commissions for collecting insurance	1,677.7	628.2	-	-
Others	710.0	125.0	53.4	8.7
TOTAL	9,208.4	7,665.6	669.8	522.3

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

12.OTHER OPERATING INCOME

Details of operating income are as follows:

	2007 MCh$	2006 MCh$
Sale of assets received in payment	46.8	-
Penalty interest for delinquent payment mutual funds	28.8	29.9
Penalty interest for installment in arrears	52.6	73.6
Earnings from sale of leased assets	223.2	186.2
Income from lease contract management	191.5	86.6
Income in mutual fund installments	1,535.9	747.8
Recovery of the year's lease income	-	73.1
Recovery of expenses incurred by leasing clients	192.2	-
Others	43.7	31.5
TOTAL	2,314.7	1,228.7

13. OTHER OPERATING EXPENSES

Details of operating expenses are as follows:

	2007 MCh$	2006 MCh$
Contributions of assets received in payment	11.0	86.9
Expenses abroad Circular N°3,818	271.4	443.2
Maintenance and repair of goods received in payment	17.2	37.4
Advisory services for goods received in payment	74.9	15.7
Accounts services/goods received in payment	30.4	-
Other operating expenses	125.4	68.8
TOTAL	530.3	652.0

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14.NON-OPERATING INCOME

Details of non-operating income are as follows:

	2007 MCh$	2006 MCh$
Recovery of expenses	320.5	1,077.4
Rentals received	287.9	275.2
Recovery of written off assets received in payment	734.3	134.0
Others	144.8	129.0
TOTAL	1,487.5	1,615.6

15. NON-OPERATING EXPENSES

Details of non-operating expenses are as follows:

	2007 MCh$	2006 MCh$
Loss from sale of assets received in payment	206.0	25.7
Write-off of assets received in payment	1,216.7	644.1
Loss from assets recovered from leasing	269.0	146.7
Sundry non-operational expenses	750.2	8.5
TOTAL	2,441.9	825.0

16. INCOME TAX

The Bank has made a provision of MCh$1,647.6 (MCh$2,450.4 in 2006) for First Category Income Tax.

17. DEFERRED TAXES

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

The deferred taxes on temporary differences are presented below:

2007

	BALANCE AT	
	JANUARY 1 2007 MCh$	DECEMBER 31 2007 MCh$
Assets		
Allowance for loan losses	1,765.0	1,964.5
Assets received in lieu of payment	11.0	7.6
Allowance for lease contracts	188.6	200.3
Leasing tax assets	18,677.7	19,888.6
Others	3,267.7	2,480.6
Subtotal	23,910.0	24,541.6
Less: Complementary liabilities balance to be amortized	(3,119.1)	(2,233.3)
Net difference	20,790.9	22,308.3
Liabilities		
Lease contracts	(18,179.0)	(20,385.9)
Depreciation fixed assets	(844.1)	(1,103.4)
Others	(4,345.1)	(3,804.4)
Subtotal	(23,368.2)	(25,293.7)
Less: Complementary liabilities balance to be amortized	4,892.4	3,502.9
Net difference	(18,475.8)	(21,790.8)

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2006

CONCEPT	BALANCE AT JANUARY 1 DE 2006 MCh$	BALANCE AT DECEMBER 31 DE 2006 MCh$
Assets		
Allowance for loan losses	2,387.2	1,765.0
Assets received in lieu of payment	13.3	11.0
Allowance for lease contracts	-	188.6
Leasing tax assets	14,716.0	18,677.7
Adjustment from valuation of investments available for sale	134.9	
Assets received in lieu of payment previously charged-off	8.6	-
Others	1,749.8	3,267.7
Subtotal	19,009.8	23,910.0
Less: Complementary liabilities balance to be amortized	(3,353.4)	(3,119.1)
Net difference	15,656.4	20,790.9
Liabilities		
Lease contracts	(16,527.6)	(18,179.0)
Depreciation fixed assets	(744.4)	(844.1)
Others	(113.8)	(4,345.1)
Subtotal	(17,385.8)	(23,368.2)
Less: Complementary liabilities balance to be amortized	5,248.3	4,892.4
Net difference	(12,137.5)	(18,475.8)

The effect of tax expense during 2007 and 2006 is as follows:

Concept	2007 MCh$	2006 MCh$
Income tax - current	(1,647.6)	(2,450.4)
Effect on assets and liabilities from deferred tax fluctuations for the year	(1,293.9)	(1,162.3)
Effect on amortization complementary accounts of assets and liabilities from deferred taxes for the year	(503.7)	(130.6)
INCOME TAX EXPENSE	(3,445.2)	(3,743.3)

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

In 2007 and 2006, the Bank purchased and sold loans as follows:

2007

PURCHASE MCh$	SALE MCh$	EFFECT ON INCOME MCh$	EFFECT ON PROVISIONS MCh$
3,442.1	1,200.0	-	0.8

2006

PURCHASE MCh$	SALE MCh$	EFFECT ON INCOME MCh$	EFFECT ON PROVISIONS MCh$
8,274.4	11,981.9	(645.9)	(4,227.7)

19.DIRECTORS' EXPENSES AND FEES

During 2007 and 2006, the Bank has paid the following directors' fees and expenses charged to income:

	2007 MCh$	2006 MCh$
Per diem allowances	68.7	71.4
Fees for advisory services	488.4	431.9
TOTALES	557.1	503.3

20.SUBSEQUENT EVENTS

During the period between January 1 and 16, 2008, the date on which these financial statements were issued, there have been no subsequent events that have had a significant impact on them.

HORACIO SILVA C.
Accounting Officer

RAMON ELUCHANS O.
General Manager

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Banco Security

We have audited the consolidated balance sheets of Banco Security and its subsidiaries (the "Bank") as of December 31, 2007 and 2006, and the related consolidated statements of income and cash flows for the years then ended all expressed in millions of constant Chilean pesos. 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 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 and its subsidiaries' management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Banco Security and subsidiaries as of December 31, 2007 and 2006 and the consolidated results of its operations and its consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in Chile and the rules of the Superintendency of Banks and Financial Institutions.

The accompanying consolidated financial statements have been translated into English for the convenience of readers outside Chile

Enero 16, 2008

Juan Carlos Cabrol Bagnara

BANCO security

BANCO SECURITY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006

(in millions of chilean pesos)

ASSETS	2007 MCh$	2006 MCh$
CASH AND BANKS	72,938.3	59,680.9
LOANS:		
Commercial loans	1,017,874.3	974,283.3
Foreign trade loans	158,019.3	177,530.9
Consumer loans	63,709.4	38,938.9
Letter of credit loans	103,068.9	118,715.0
Lease contracts	119,792.6	114,767.6
Contingent loans	195,614.7	142,060.9
Other current loans	172,000.1	85,315.7
Past-due loans	10,912.6	9,998.2
Total loans	1,840,991.9	1,661,610.5
Less: Reserve for loan losses	(19,248.9)	(17,653.2)
TOTAL LOANS, NET	1,821,743.0	1,643,957.3
OTHER CREDIT OPERATIONS:		
Loans to financial institutions	88,237.1	68,457.7
Security trading credits	8,570.3	-
TOTAL OTHER CREDIT OPERATIONS	96,807.4	68,457.7
INSTRUMENTS HELD FOR TRADING	357,176.2	282,929.7
INVESTMENT INSTRUMENTS:		
Available for sale	171,461.2	52,206.9
To maturity	-	-
TOTAL INVESTMENT INSTRUMENTS	171,461.2	52,206.9
FINANCIAL DERIVATIVE CONTRACTS	59,631.4	5,795.2
OTHER ASSETS	208,417.8	153,908.5
FIXED ASSETS:		
Premises and equipment, net	25,142.1	24,600.4
Investment in other companies	539.0	579.6
TOTAL FIXED ASSETS	25,681.1	25,180.0
TOTAL ASSETS	2,813,856.4	2,292,116.2

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

BANCO SECURITY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2007 AND 2006

(in millions of chilean pesos)

LIABILITIES AND SHAREHOLDERS´ EQUITY	2007 MCh$	2006 MCh$
LIABILITIES:		
DEPOSITS AND OTHER LIABILITIES		
Checking accounts	136,678.0	116,232.8
Deposits and savings	1,467,475.1	1,230,625.4
Other time and demand liabilities	88,291.1	69,248.3
Investments under agreements to repurchase	78,458.4	51,882.8
Mortgage notes	108,648.8	120,266.2
Contingent liabilities	196,364.4	143,024.3
TOTAL DEPOSITS AND OTHER LIABILITIES	2,075,915.8	1,731,279.8
BONDS:		
Bonds	143,932.9	87,382.6
Subordinated bonds	78,564.9	61,895.6
TOTAL BONDS	222,497.8	149,278.2
BORROWINGS FROM FINANCIAL INSTITUTIONS AND CHILEAN CENTRAL BANK:		
Other borrowings from Chilean Central Bank		
Borrowings from domestic financial institutions	7,454.7	8,742.8
Borrowings from abroad	153,106.4	120,948.4
Other borrowings	31,397.7	25,000.5
TOTAL BORROWINGS FROM FINANCIAL INSTITUTIONS	191,958.8	154,691.7
FINANCIAL DERIVATIVE CONTRACTS	42,739.5	4,373.9
OTHER LIABILITIES	113,342.3	88,071.2
TOTAL LIABILITIES	2,646,454.2	2,127,694.8
MINORITY INTEREST	68.9	52.5
SHAREHOLDERS' EQUITY:		
Capital and reserves	139,657.4	139,657.4
Other equity accounts	425.5	2,696.6
Net income for the year	27,250.4	22,014.9
TOTAL SHAREHOLDERS' EQUITY	167,333.3	164,368.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,813,856.4	2,292,116.2

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

BANCO security

CONSOLIDATED INCOME STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(In millions of Chilean pesos)

	2007	2006
OPERATING INCOME	MCh$	MCh$
Interest and indexation income	190,008.6	128,482.9
Gains from trading activities	94,406.4	122,351.8
Income from commissions	10,720.8	8,630.7
Exchange gain - net	1,962.3	4,293.9
Other operating income	10,461.6	6,513.3
TOTAL OPERATING INCOME	307,559.7	270,272.6
LESS:		
Interest and indexation expenses	(138,368.0)	(81,050.8)
Losses from trading activities	(77,487.5)	(117,912.4)
Commission expenses	(1,104.0)	(694.2)
Other operating expenses	(638.0)	(754.8)
GROSS OPERATING MARGIN	89,962.2	69,860.4
Remuneration and personnel expenses	(19,776.6)	(18,651.2)
Administrative and other expenses	(21,431.1)	(18,148.8)
Depreciation and amortization	(2,229.7)	(1,970.1)
NET OPERATING MARGIN	46,524.8	31,090.3
Provisions for loan losses	(5,573.1)	(3,172.7)
OPERATING INCOME	40,951.7	27,917.6
OTHER INCOME AND EXPENSES:		
Non-operating income	1,518.2	1,666.0
Non-operating expenses	(2,445.1)	(828.1)
Earnings from permanent investments	107.9	84.2
Monetary correction	(7,579.9)	(2,300.1)
INCOME BEFORE INCOME TAX	32,552.8	26,539.6
INCOME TAXES	(5,284.5)	(4,519.4)
INCOME BEFORE MINORITY INTEREST	27,268.3	22,020.2
MINORITY INTEREST	(17.9)	(5.3)
NET INCOME FOR THE YEAR	27,250.4	22,014.9

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(In millions of Chilean pesos)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:	MCh$	MCh$
Net income for the year	27,250.4	22,014.9
Charges (credits) to income that do not represent cash flows:		
Depreciation and amortization	2,229.7	1,970.1
Provisions for loan losses	5,573.1	3,172.7
Equity in income of related companies	(107.9)	(84.2)
Minority interest	17.9	5.3
Monetary correction	7,579.9	2,300.1
Other charges (credits) that do not represent cash flows	(3,567.3)	(2,849.0)
Net variation in the interest, indexation and commissions accrued on assets and liabilities	10,499.7	4,981.3
Net cash provided by operating activities	49,475.5	31,511.2
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Net increase in loans	(210,014.1)	(181,712.5)
Net increase in other credit operations	(33,973.2)	(45,876.6)
Net increase in investments	(186,501.9)	(90,920.9)
Increase in accounts receivable	29,087.8	(17,878.2)
Decrease (increase) in leasing assets	(2,316.4)	1,418.9
Purchase of fixed assets	(2,598.5)	(2,392.7)
Sale of fixed assets	11.1	278.9
Sale of other investments	-	112,198.0
Sale of assets received in settlement of loans	3,158.7	352.4
Net (decrease) increase in other assets and liabilities	(35,721.5)	50,318.2
Net cash used in investing activities	(438,868.0)	(174,214.5)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in checking accounts	31,057.8	3,586.9
Net increase in deposits and savings	302,989.5	121,207.8
Net (decrease) increase in other time and demand liabilities	12,150.7	10,703.3
Net increase in other liabilities arising from trading activities	(3,383.3)	7,737.1
Decrease in short-term foreign loans	2,803.1	(71,314.9)
Increase (decrease) in letters of credit	(9,173.5)	8,107.1
Bond issues	71,691.1	37,496.1
Liabilities from future operations	12,409.7	13,200.6
Accounts payable	(48,522.2)	2,901.9
(Decrease) increase in long-term foreign borrowings	37,601.1	(14,939.2)
Increase in other short-term liabilities	9,394.2	13,510.6
Ordinary borrowings	-	98,458.7
Payment of long-term borrowings	-	(98,425.4)
Taxes payable	1,225.0	698.1
Dividends paid	(22,014.9)	(21,946.8)
Dividends earned	5.3	44.2
Net cash provided by financing activities	398,233.6	111,026.1
NET NEGATIVE CASH FLOWS FOR THE YEAR	8,841.1	(31,677.2)
EFFECT OF INFLATION ON CASH AND CASH EQUIVALENT DURING THE YEAR	4,416.3	4,480.2
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	13,257.4	(27,197.0)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	59,680.9	86,877.9
CASH AND CASH EQUIVALENTS AT END OF YEAR	72,938.3	59,680.9

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(En millones de pesos)

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

b. Basis of consolidation - The consolidated group (hereinafter "the Bank") includes Banco Security and the following subsidiaries:

	OWNERSHIP INTEREST	
	2007 %	2006 %
Valores Security S.A. Corredores de Bolsa	99.76	99.76
Administradora General Fondos Security S.A.	99.90	99.90

The joint assets of the subsidiaries represent 5.98% of the consolidated balance sheet (4.4% in 2006), whereas such subsidiaries' revenue represents 15.89% of the consolidated income (9.0% in 2006).
Intercompany transactions have been eliminated in consolidation.

The 2006 Chilean peso amounts have been price level restated for changes in the Consumer Price Index (CPI) used for monetary correction (7.4%).

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

d. Monetary correction - Shareholders' equity, fixed assets, and other non-monetary balances have been monetarily corrected, using the change in the Chilean Consumer Price Index (CPI). The application of monetary correction resulted in a net charge to income of MCh$7,579.9 (MCh$2,300.1 in 2006).

The income statements of the Bank are not monetarily corrected.

e. Conversion - Assets and liabilities denominated in Unidades de Fomento (inflation index-linked units of account) are stated at the year-end rate: Ch$19,622.66 (Ch$18,336.38 in 2006)

f. Financial investments - Before January 1, 2006, the Bank's financial investments were classified as trading or permanent in accordance with the regulations of the Superintendency of Banks with unrealized gains and losses on trading investments included in Other operating income (expenses), and unrealized gains and losses on permanent investments included in a separate component of Shareholders' equity, "Fluctuation in value of financial investments".

The remaining investments in financial instruments were stated at cost plus accrued interest and indexation.

Effective January 1, 2006 the accounting for financial instruments acquired for trading or investment purposes are classified as follows:

•**Trading Instruments -** Instruments for trading are securities acquired for which the Bank has the intent to generate earnings from short-term price fluctuations or through brokerage margins, or that are included in a portfolio created for such purposes.

Instruments for trading are valued at their fair value according to market prices on the closing date of the balance sheet. Mark to market adjustments, as well as realized gains/losses from trading, are included in the Income Statement under "Earnings (losses) from trading activities". Interest income and indexation adjustments are reported as "Interest revenue".

All purchases and sales of instruments for negotiation, which must be delivered within the deadline stipulated by market regulations and conventions, are recognized on the date of trade, which is the date on which the commitment is made to purchase or sell the asset. Any other purchase or sale is treated as a forward until it is liquidated.

•**Investment instruments -** As of January 1, 2006, investment instruments are classified into two categories: Held to maturity investments and Instruments available for sale. Held to maturity investments only include those instruments for which the Bank has the intent and ability to hold to maturity. Investment instruments not classified as held to maturity or trading are considered available for sale.

Investment instruments are recognized initially at cost, which includes transaction costs.

Instruments available for sale are subsequently valued at their fair value according to market prices or valuations obtained by using models. Mark to market adjustments are reported in a separate component of Shareholders' equity. When these investments are sold or become impaired, the amount of the adjustments to fair value accumulated in Shareholders' equity is reclassified to the income statement and reported under "Gain from trading activities" or "Losses from trading activities", as applicable.

Held to maturity investments are recorded at their cost value plus accrued interest and adjustments, less provisions for impairment recorded when the book value is higher than its estimated return. The bank does no maintain in its portfolio any investment held to maturity.

Interest and indexation adjustments of held to maturity investments and available for sale investments are included under "Interest and indexation income" or "Interest and indexation expenses".

Investment instruments designated as hedges are accounted for under the appropriate derivative accounting rules.

All purchases and sales of investment instruments, to be delivered within the deadline stipulated by market regulations and conventions, are recognized on the commitment date, which is the date on which the commitment is made to purchase or sell the asset. Other purchases or sales are treated as forwards until they are liquidated.

Prior to January 1, 2006, permanent financial investments were stated mark to market, in accordance with specific instructions of the Superintendence of Banks and Financial Institutions or the Superintendence of Insurance and Securities Such instructions allowed these adjustments to be made directly against the "Fluctuation in the value of financial investments" equity account.

g. Derivative activities - Prior to January 1, 2006, according to instructions of the Superintendency of Banks and Financial Institutions, derivative instruments were recorded in asset accounts and their corresponding offset accounts; at year-end their net balance is presented under Other Assets or Other Liabilities. Initial differences from these kinds of operations were amortized during the term of the respective contracts

The Bank valued forward currency contracts at the daily observed exchange rate and the resulting income or loss were recognized in income on an accrual basis.

The bank valued interest rate SWAP contracts (IRS) at each month-end according to the accrual of agreed interest rates, crediting or charging differences to income.

Effective January 1, 2006, under the requirements of Circular No.3,345 of the Superintendency of Banks financial derivative contracts including forwards in foreign currency and unidades de fomento (inflation index-linked units of account), interest rate futures, currency and interest rate swaps, currency and interest rate options, and others, are recognized initially in the balance sheet at cost (including transaction fees) and, at subsequent period ends, at their fair value. The fair value is obtained from market quotes, discounted cash flow models and option valuation models, as applicable. The derivative contracts are reported as an asset when their fair value is positive and as liabilities

when it is negative, under "Financial derivative contracts".
Certain derivatives embedded in non-derivative financial instruments, may require their bifurcations and treatment as a separate derivative when their risk and economic characteristics are not clearly and closely related to the host contract that is not recorded at fair value and its unrealized changes are not recorded in Income.

When a derivative contract is signed, it must be designated by the Bank as a speculative derivative contract or a hedge.

Any changes in the fair value of speculative financial derivative contracts are recorded in Income under "Gains from trading activities" or "Losses from trading activities", as applicable.

If the derivative is classified as a hedge, it may be: (1) a fair value hedge, or (2) a cash flow hedge. To qualify as a hedge for accounting purposes, the instruments must fulfill all the following conditions: (a) the hedge must be formally documented at the start; (b) the hedge is expected to be highly effective; (c) the effectiveness of the hedge can be reasonably measured; and (d) the hedge is highly effective during its lifetime in relation to the risk being hedged.

Certain derivative transactions that do not classify as hedges are treated and reported as speculative, even though they may provide effective economic hedges for managing risk positions.

When a derivative hedges exposure to changes in the fair value of an existing asset or liability, the latter is recorded at its fair value. Earnings or losses from measuring the fair value of both the item hedged and the hedging derivative are recognized in income.

If the item hedged in a fair value hedge is a firm commitment, the changes in fair value of the commitment in relation to the hedged risk are recorded as assets or liabilities and recognized in income. Earnings or losses from measuring the fair value of the hedging derivative are recognized in income. When an asset or liability is acquired because of the commitment, the initial recognition of the acquired asset or liability is adjusted to fair value.

When a derivative hedges exposure to changes in the cash flows of existing assets or liabilities, or expected transactions, the effective portion of the changes in fair value with regard to the risk hedged is recorded in shareholders' equity. Any ineffective portion is recognized directly in the period's income. The amounts recorded directly in shareholders' equity are recorded in income in the same periods in which the offsetting changes in hedged assets or liabilities affect income.

When fair value hedge accounting is used for portfolio hedge of interest rate risk and the hedge item is designated as an amount of currency, the earnings or losses from measuring the fair value of both the portfolio hedged and the hedge are recognized in income, but the fair value measurement of the hedged portfolio is stated in Other Assets or Other Liabilities according to the hedged portfolio's position at that moment.

The bank does not have any financial derivate hedge contract.

h. Foreign currency - Assets and liabilities denominated in foreign currency are stated in Chilean pesos at the year-end exchange rate of Ch$497.55 per US$1 (Ch$532.39 per US$1 in 2006).
The net gain of MCh$1,962.3 (MCh$4,293.9 in 2006) shown in the income statement includes the net gains and losses on foreign exchange transactions, as well as the recognition of the effects of exchange rate variations on net assets or liabilities denominated in foreign currency

i. 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 estimated useful lives of the underlying assets.

j. Provisions for doubtful assets - The provisions required to cover the risk of loss on assets (Note 3) have been set up in accordance with the rules issued by the Superintendency of Banks and Financial Institutions. The assets are shown net of such provisions or, in the case of loans, as a deduction therefrom.

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, in conformity with Technical Bulletin N° 60 of the Chilean Institute of Accountants and its supplements, and instructions from the Superintendency of Banks and Financial Institutions.

l. Employee vacations - The annual cost of employee vacations and benefits is recognized on the accrual basis.

m. Cash and cash equivalents - For statement of cash flow purposes, cash and cash equivalents include the cash and banks balance, in accordance with the rules provided for in Chapter 18-1 of the Compendium of Standards of the Superintendency of Banks and Financial Institutions.

2. TRANSACTIONS WITH RELATED PARTIES

In accordance with the Chilean General Banking Law and the rules of the Superintendency of Banks and Financial Institutions, 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, 2007 and 2006, loans to related parties are as follows:

	DUE PORFOLIO		PAST-DUE PORFOLIO		TOTAL		GUARANTIES (*)	
	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$
To Operating companies	30,548.7	26,146.3	-	-	30,548.7	26,146.3	29,057.1	31,176.4
To Investment companies	17,505.6	11,882.1	-	-	17,505.6	11,882.1	12,067.6	6,340.7
To Individuals (**)	3,570.7	2,493.0	-	-	3,570.7	2,493.0	1,445.7	2,070.3
TOTALES	51,625.0	40,521.4	-	-	51,625.0	40,521.4	42,570.4	39,587.4

(*)Includes only those guarantees that are admitted by Article N°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 instructions of the Superintendency of Banks and Financial Institutions.

(**)Includes only those loans to individuals whose outstanding balances are not less than the equivalent of UF3,000.

b.Other transactions with related parties - During 2007 and 2006, the Bank entered into the following transactions in excess of UF1,000 with related parties:

		CREDITS TO INCOME		CHARGE TO INCOME	
FIRM NAME	DESCRIPTIÓN	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$
Inversiones Invest Security Ltda.	Provision of services contract	-	-	1,436.1	1,386.9
	Office rental	24.1	31.8	-	-
Travel Security S.A.	Office rental	120.8	125.3	-	-
Seguros Vida Security Previsión S.A.	Office rental	50.2	52.3	75.7	97.5
	Insurance	-	-	48.7	-
Asesorías Security S.A.	Advisory services	-	-	-	74.1
Global Mandatos Security S.A.	Provision of services contract	-	-	1,027.6	477.2
Global Security Gestión y Servicios Ltda.	Advisory services	-	-	812.4	1,395.7
Virtual Security S.A.	Provision of services contract	-	-	2,272.9	1,903.6
	Office rental	6.7	3.4	-	-
Inmobiliaria Security S.A.	Advisory services	-	-	278.2	287.7
	Loan	186.9	185.6	-	-
Grupo Security S.A.	Advisory services	28.8	-	-	4.6
Inmobiliaria Security Siete S.A.	Advisory services	33.3	-	-	-

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3. ALLOWANCE FOR LOAN LOSSES

At December 31, 2007, the Bank has recorded provisions for MCh$20,483.4 (MCh$19,246.9 in 2006) which correspond to the minimum provisions required by the Superintendency of Banks and Financial Institutions to cover possible losses.

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

	PROVISIONES SOBRE				
	LOANS MCh$	SOVEREIGN RISK MCh$	ASSETS RECEIVED IN PAYMENT MCh$	OTHRES ASSETS MCh$	TOTAL MCh$
Historical balances at December 31, 2005	19,512.3	-	176.0	-	19,688.3
Application of provisions	(4,115.3)	-	(176.0)	-	(4,291.3)
Recovery of written-off credits	(430.3)	-	-	-	(430.3)
Provisions made	1,470.2	-	395.9	1,088.0	2,954.1
Balances at December 31, 2006	16,436.9	-	395.9	1,088.0	17,920.8
Restated balances for comparison purposes	17,653.2	-	425.2	1,168.5	19,246.9
Historical balances at December 31, 2006	16,436.9	-	395.9	1,088.0	17,920.8
Application of provisions	(3,010.7)	-	-	-	(3,010.7)
Recovery of written-off credits	(1,025.1)	-	-	-	(1,025.1)
Release of provisions	-	-	(395.9)	(1,088.0)	(1,483.9)
Provisions made	6,667.8	180.0	334.5	900.0	8,082.3
Balances at December 31, 2007	19,068.9	180.0	334.5	900.0	20,483.4

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

4. SHAREHOLDERS' EQUITY

a. Changes in capital and reserves for each year are as follows:

	PAID IN CAPITAL MCh$	OTHER RESERVES MCh$	OTHER ACCOUNTS MCh$	OTHER ASSETS MCh$	TOTAL MCh$
Balances at December 31, 2005 - historical	99,108.9	29,677.0	1,473.1	20,014.3	150,273.3
Distribution 2005 profits	-	20,014.3	-	(20,014.3)	-
Dividends paid	-	(20,014.3)	-	-	(20,014.3)
Adjustment from valuation of investments available for sale (1)	-	-	1,037.7	-	1,037.7
Adjustment Circular 3,345	-	(1,375.5)	-	-	(1,375.5)
Monetary correction	2,081.3	543.1	-	-	2,624.4
Net income for the year	-	-	20,498.0	-	20,498.0
Balances at December 31, 2006	101,190.2	28,844.6	2,510.8	20,498.0	153,043.6
Restated balances for comparison purposes	108,678.3	30,979.1	2,696.6	22,014.9	164,368.9
Balances at December 31, 2006 - historical	101,190.2	28,844.6	2,510.8	20,498.0	153,043.6
Distribution 2006 profits	-	20,498.0	-	(20,498.0)	-
Dividends paid	-	(20,498.0)	-	-	(20,498.0)
Adjustment from valuation of investments available for sale (1)	-	-	(2,085.3)	-	(2,085.3)
Monetary correction	7,488.1	2,134.5	-	-	9,622.6
Net income for the year	-	-	-	27,250.4	27,250.4
Balances at December 31, 2007	108,678.3	30,979.1	425.5	27,250.4	167,333.3

(1)These balances are presented net of deferred taxes, generated by adjustments to fair value of the investments available for sale.

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

During March 2007 and 2006, 100% and 80% of net profits from 2006 and 2005 amounting to MCh$20,498.0 and MCh$20,014.3 (historical), were respectively distributed.

b. Minimum Basic Capital and Effective Equity - According to the Chilean 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, 2007, these parameters were 4.98% (6.36% en 2006) and 10.84% (10.00% in 2006), respectively.

BANCO security

5. INVESTMENTS

At December 31, 2007 and 2006, the Bank had the following investment balances:

a. Trading investments:

	BALANCES AT DECEMBER 31	
	2007 MCh$	2006 MCh$
Central Bank and Government Securities		
Central Bank Securities	126,429.3	17,159.2
Chilean Treasury Bonds	39,984.3	-
Other Securities	6,002.1	1,920.3
SUBTOTAL	172,415.7	19,079.5
Other financial Securities		
Time deposit in Chilean Financial Institutions	145,373.4	160,916.1
Mortgage finance bonds	31,321.5	81,009.5
Chilean bank bonds	2,055.9	-
Chilean company bonds	-	5,480.6
Other Chilean Securities	6,009.7	16,444.0
SUBTOTAL	184,760.5	263,850.2
TOTAL	357,176.2	282,929.7

Central Bank and Government Securities include repurchase agreement sold to customers and financial institutions for MCh$78,502.5 (MCh$55,008.6 in 2006). The repurchase agreements have an average maturity of 9 days at year-end (11 days in 2006).

b. Alvailable for sale investments:

	BALANCES AT DECEMBER 31	
	2007 MCh$	2006 MCh$
Central Bank and Government Security		
Central Bank Securities	-	-
Chilean Treasury Bonds	-	-
Others Securities	-	-
SUBTOTAL		
Other financial Securities		
Time deposit in Chilean Financial Institutions	90,679.2	-
Mortgage Finance Bonds	2,074.6	-
Chilean financial institutions bonds	-	-
Chilean Corporate bonds	-	37,751.4
Chilean Other Securities	35,045.7	-
Central Bank and Goverment	43,661.7	-
Other foreing securities	-	14,455.5
SUBTOTAL	171,461.2	52,206.9
TOTAL	171,461.2	52,206.9

Available for sale investment do not include transactions with repurchase agreements at December 31, 2007 and 2006

At December 31, 2007 and 2006, instruments available for sale included net unrealized profits (loss) of Mch $ 425.5 (Mch $ 2,696.6 in 2006).

At December 31, 2006, the Bank does not have any investments held to maturity

6. TRANSACTIONS WITH DERIVATIVE INSTRUMENTS

The bank uses the following derivative instruments for hedging and trading purpose

2007

	CASH FLOW (F) OR FAIR VALUE (VR) HEDGE	NOTIONAL AMOUNT OF CONTRACT EXPIRING IN			FAIR VALUE	
		LESS THAN 3 MONTHS MCh$	BETWEEN 3 MONTHS AND ONE YEAR MCh$	MORE THAN ONE YEAR MCh$	ASSETS MCh$	LIABILITIES MCh$
Derivative maintained for trading purpose						
Currency forwards	(VR)	2,033,803.7	1,916,422.1	46,204.9	43,537.9	(32,859.2)
Interest rate swaps	(VR)	-	68.4	359.9	5,657.2	(5,228.8)
Currency swap	-	137,753.6	160,716.7	666,935.5	10,436.3	(4,547.4)
Currency and Interest rate swaps	-	-	-	-	-	-
Currency Call Options	-	-	-	-	-	-
Interest rate call options	-	-	-	-	-	-
Interest rate put options	(VR)	-	-	-	-	(57.2)
Interest rate futures	(VR)	77,265.8	-	-	-	(46.9)
Total assets/(liabilities) from derivatives held for trading purpose		2,248,823.1	2,077,207.2	713,500.3	59,631.4	(42,739.5)
Total Activos /(pasivos) por derivado financiero financial derivatives		941,879.0	978,640.6	46,564.8	59,631.4	(42,739.5)

2006

		NOTIONAL AMOUNT OF CONTRACT EXPIRING IN			FAIR VALUE (*)	
		LESS THAN 3 MONTHS MCh$	BETWEEN 3 MONTHS AND ONE YEAR MCh$	MORE THAN ONE YEAR MCh$	ASSE MCh$	LIABILITIES MCh$
Derivative maintained for trading purpose						
Currency forwards	(VR)	522,600.9	533,170.0	16,593.1	4,688.4	(2,609.2)
Interest rate swaps	(VR)	-	-	6,227.6	34.4	-
Currency swap	-	25,858.8	45,702.4	141,062.9	763.8	(838.8)
Currency and Interest rate swaps	-	-	-	-	-	-
Currency Call Options	-	-	-	-	-	-
Interest rate call options	-	-	-	-	-	-
Interest rate put options	(VR)	-	-	-	-	(728.3)
Interest rate futures	(VR)	24,137.9	-	-	308.6	(197.6)
Total assets/(liabilities) from derivatives held for trading purpose		572,597.6	578,872.4	163,883.6	5,795.2	(4,373.9)
Total Activos /(pasivos) por derivado financiero financial derivatives		572,597.5	578,872.4	163,883.6	5,795.2	(4,373.9)

7. ASSET AND LIABILITY MATURITIES

a. Maturities of loans and financial investments - The following is a breakdown of loans and financial investments classified by maturity. Balances include accrued interest at December 31, 2007 and 2006, respectively.

	UP TO ONE YEAR		MORE THAN 1 YEAR UP TO 3 YEARS		MORE THAN 3 YEARS UP TO 6 YEARS		MORE THAN 6 YEARS		TOTAL	
	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$
Loans (1):										
Commercial loans and othres	774,583.4	852,630.1	138,589.5	121,462.7	175,937.6	156,432.0	376,802.3	219,868.1	1,465,912.8	1,350,392.9
Home mortage loands	125.7	34.4	690.2	665.0	8,649.1	9,171.5	93,554.3	108,777.5	103,019.3	118,648.4
Consumer loans	26,028.8	18,926.1	16,470.5	9,909.3	19,208.0	8,686.1	1,778.7	1,297.2	63,486.0	38,818.7
Other credit operations:										
Loans to financial institutions	88,237.1	68,457.7	-	-	-	-	-	-	88,237.1	68,457.7
Security trading credits	8,570.3	-	-	-	-	-	-	-	8,570.3	-
Instruments held for trading	191,087.3	241,318.8	74,029.2	2,502.7	12,265.4	4,655.7	-	34,452.5	357,176.2	282,929.7
Investment Instruments										
Available for sale	89,738.4	2,995.3	14,152.0	5,976.9	17,174.1	18,161.1	50,396.7	25,073.6	171,461.2	52,206.9
Financial derivative contracts:	47,885.3	5,733.8	10,290.4	61.4	1,455.7	-	-	-	59,631.4	5,795.2

(1) Considers only those loans outstanding at year-end that fall due within the indicated periods. Consequently, contigent loans transferred to the past-due portfolio, as well as delinquent debts that have not bee transferred to the past-due portfolio amounting to Mch$2,046.5 (Mch$1,691.4 in 2006), of which Mch$106.5 (Mch$954.7 in 2006) have been delinquent less than 30 days, have been excluded.

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b. Maturity of deposits, borrowings and other financing operations

The Information detailed below shows deposits, borrowings and other liabilities according to their maturity. Balances include interest accrued at December 31, 2007 and 2006

	UP TO ONE YEAR		MORE THAN 1 YEAR UP TO 3 YEARS		MORE THAN 3 YEAR UP TO 6 YEARS		MORE THAN 6 YEARS		TOTAL	
	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$
Borrowings and other (*):										
Liabilities										
Deposits and savings	1,313,480.2	1,083,254.0	126,260.0	118,473.4	25,618.6	26,651.0	-	-	1,465,358.8	1,228,378.4
Other time and demand liabilities	2,637.3	-	-	-	-	-	-	-	2,637.3	
investments sold under agreements										
to purchase	3,691.0	7,470.2	-	-	-	-	-	-	3,691.0	7
Mortgage notes	172.2	42.7	763.9	730.3	9,132.9	9,650.7	98,579.8	109,842.5	108,648.8	120,266.2
Bonds	2,818.0	2,408.9	78,490.6	836.8	58,868.0	78,773.1	82,321.2	67,259.4	222,497.8	149,278.2
Borrowings from										
financial entilies and										
Chile's Central Bank										
Lines of credits for renegotiation	-	-	-	-	-	-	-	-	-	-
Other liabilities with										
the Central Bank	-	-	-	-	-	-	-	-	-	-
Borrowings from domestic	-	-	-	-	-	-	-	-	-	-
Financial Institucions	7,454.7	8,742.8	-	-	-	-	-	-	7,454.7	8,742.8
Borrowings from abroad	105,839.1	63,784.8	27,365.3	-	19,902.0	57,163.6	-	-	153,106.4	120,948.4
Othres Borrowings	1,640.0	1,160.6	4,319.7	3,250.0	11,294.1	9,618.0	14,143.9	10,971.9	31,397.7	25,000.5
Financial derivative contracts	34,572.2	3,604.8	5,092.4	41.5	3,017.7	-	57.2	727.6	42,739.5	4,373.9

(*) Excludes all demand notes and contingent obligations

8. FOREIGN CURRENCY POSITION

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

	PAYABLE IN					
	FOREIGN CURRENCY		CHILEAN CURRENCY (*)		TOTAL	
	2007 US$ (thousands)	2006 US$ (thousands)	2007 US$ (thousands)	2006 US$ (thousands)	2007 US$ (thousands)	2006 US$ (thousands)
ASSETS						
Available funds	59,861	52,186	-	-	59,861	52,186
Effective loans	388,611	354,803	38,411	30,448	427,022	385,251
Contingent loans	125,298	91,282	23,214	21,733	148,512	113,015
Investments instruments	87,753	25,071	-	-	87,753	25,071
Other assets	123,048	107,842	-	-	123,048	107,842
TOTAL ASSETS	784,571	631,184	61,625	52,181	846,196	683,365
LIABILITIES						
Time deposits and savings	290,479	226,078	-	-	290,479	226,078
Contingent liabilities	127,222	93,176	26,937	23,785	154,159	116,961
Other on demand or time liabilities	8,268	62,709	33,653	-	41,921	62,709
Liabilities with foreign banks	307,721	211,508	-	-	307,721	211,508
Other liabilities	69,976	60,230	-	21,513	69,976	81,743
TOTAL LIABILITIES	803,666	653,701	60,590	45,298	864,256	698,999

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

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9. CONTINGENCES, COMMITMENTS AND RESPONSIBILITIES

a. Commitments and responsibilities booked in memorandum accounts - The Institution has the following memorandum account balances related to normal business commitments or responsibilities:

	2007 MCh$	2006 MCh$
Securities in safekeeping	1,165,966.0	94,191.3
Collections abroad	24,028.4	24,455.3
Credits approved but not paid out	148,673.5	127,004.5
Mortgages and liens	1,030,403.9	1,063,663.7
Securities and notes in guarantee	395,324.4	323,788.2
Lines of credit obtained	140,229.3	258,270.7

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

b. Direct commitments of the subsidiary Valores Security S.A. Corredores de Bolsa - Overdraft guarantees: At December 31, 2007, the Company has approved overdraft agreements with the following banks: Bice, Citibank, Security and Santander-Santiago, for which promissory notes have been signed for MCh$1,000,000, MUS$2,500, MCh$5,000,000, MCh$1,500,000 and MCh$11,800,000, respectively.

10. OTHER OPERATING INCOME

Details of operating income are as follows:

	2007 MCh$	2006 MCh$
Mutual fund remuneration	7,323.3	4,767.2
Income in mutual fund installments	1,535.9	792.3
Earnings from sale of leased assets	223.2	186.2
Financial advisory services	-	168.5
Recovery of mutual fund expenses	322.8	160.1
Income from portfolio management	-	93.2
Sale of assets received in payment	46.8	-
Income from lease contract management	191.5	86.6
Recovery of the year's lease income	-	73.1
Expenses recovered from leasing clients	192.2	-
Delinquent interest for past due installments	52.6	73.6
Penalty interest for delinquent payment mutual funds	28.8	29.9
Others	544.5	82.6
TOTAL	10,461.6	6,513.3

11. OTHER OPERATING EXPENSES

Details of operating expenses are as follows:

	2007 MCh$	2006 MCh$
Expenses abroad Circular 3,818	271.4	443.2
Loss on stock exchange options	90.9	101.9
Contributions of assets received in payment	11.0	87.7
Maintenance and repair of goods received in payment	17.2	37.4
Advisory services for goods received in payment	74.9	15.8
Services/goods received in payment accounts	30.4	-
Other operating expenses	142.2	68.8
TOTAL	638.0	754.8

12. COMMISSIONS

Commission income and expenses are as follows:

	INCOME		EXPENSES	
	2007 MCh$	2006 MCh$	2007 MCh$	2006 MCh$
Credit commissions	-	1,159.9	83.5	66.7
Checking accounts	1,802.1	1,342.1	137.1	-
Stock exchange transactions	1,282.3	948.7	-	-
Stock Exchange Brokers	-	-	297.6	150.6
Mutual fund management with third parties	-	16.4	-	-
Commission for insurance collection	1,677.7	628.2	-	-
Note collection	562.8	650.0	-	-
Credit cards	1,516.6	660.7	-	-
Security cash	261.8	219.6	-	-
International rebates	522.3	408.8	-	-
Prepayment commissions	298.7	300.1	-	-
Lines of credit	336.3	246.3	-	-
Demand deposits	120.3	104.3	-	-
Trading commissions	-	-	302.6	-
Branch services	288.8	186.3	-	-
Automatic teller cards	57.4	55.1	230.3	446.9
Letters of credit, warranty bonds, sureties and other loans	1,053.6	1,474.9	-	-
Others	940.1	229.3	52.9	30.0
Totales	10,720.8	8,630.7	1,104.0	694.2

The commissions earned on letters of credit transactions are included in “Interest and indexation income” in the statement of income.

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13.NON-OPERATING INCOME

Details of non-operating income are as follows:

	2007 MCh$	2006 MCh$
Recovered expenses	320.5	1,077.4
Recovered written off assets received in payment	734.3	134.0
Rentals received	287.9	275.2
Income tax difference	50.0	43.3
Sales of fixed assets	-	-
Others	125.5	136.1
TOTAL	1,518.2	1,666.0

14. NON-OPERATING EXPENSES

	2007 MCh$	2006 MCh$
Write-off of assets received in payment	1,216.7	644.1
Loss from sale of assets received in payment	206.0	25.7
Loss from assets recovered in leasing	269.,0	146.7
Others	753.4	11.6
TOTAL	2,445.1	828.1

15.INCOME TAXES

The Bank and subsidiaries have made provision of MCh$4,600.2 (MCh$2,824.8 in 2006) for First Category Income Tax.

16. DEFERRED TAXES

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

The deferred taxes on temporary differences are presented below:

2007

	BALANCE AT	
	JANUARY 1, 2007 MCh$	DECEMBER 31 2007 MCh$
Assets:		
Allowance for loan losses	1,765.0	1,964.5
Assets received in lieu of payment	11.0	7.6
Allowance for lease contracts	188.6	200.3
Leasing tax assets	18,677.7	19,888.6
Others	3,629.4	3,436.0
Subtotal	24,271.7	25,497.0
Less: Complementary liability balance to be amortized	(3,119.1)	(2,233.3)
Net difference	21,152.6	23,263.7
Liabilities:		
Lease contracts	(18,179.0)	(20,385.9)
Depreciation fixed assets	(844.1)	(1,103.4)
Others	(4,891.7)	(3,831.4)
Subtotal	(23,914.8)	(25,320.7)
Less: Complementary assets balance to be amortized	4,892.4	3,502.9
Net difference	(19,022.4)	(21,817.8)

2006

CONCEPTO	BALANCE AT JANUARY 1 2006 MCh$	BALANCE AT DECEMBER 31 2007 MCh$
Assets		
Allowance for loan losses	2,563.9	1,895.6
Assets received in lieu of payment	14.3	11.8
Allowance for lease contracts	-	202.6
Leasing tax assets	15,805.0	20,059.8
Adjustment from valuation of investments available for sale	144.9	-
Assets received in lieu of payment previously charged - off	9.2	-
Others	2,082.4	3,898.0
Subtotal		
	20,619.7	26,067.8
Less: Complementary liability balance to be amortized	(3,601.6)	(3,349.9)
Net difference	17,018.1	22,717.9
Liabilities		
Lease contracts	(17,750.6)	(19,524.2)
Depreciation fixed assets	(799.5)	(906.6)
Others	(122.2)	(5,253.7)
Subtotal	(18,672.3)	(25,684.5)
Less: Complementary assets balance to be amortized	5,636.7	5,254.4
Net difference	(13,035.6)	(20,430.1)

Details tax expense effects in 2007 and 2006 are as follows:

	2007 MCh$	2006 MCh$
Income taxes - current	(4,600.2)	(2,824.8)
Effect on assets and liabilities from deferred income tax fluctuations for the year	(180.6)	(1,564.0)
Effect on amortization of complementary accounts of assets and	-	-
liabilities from deferred taxes for the year	(503.7)	(130.6)
Income tax expense	(5,284.5)	(4,519.4)

17. LOAN PORTFOLIO PURCHASES, SALES, SUBSTITUTIONS OR TRADES

In 2007 and 2006, the Bank purchased and sold loans as follows:

2007

PURCHASE MCh$	SALE MCh$	EFFECT ON INCOME MCh$	EFFECT ON PROVISIONS MCh$
3,442.1	1,200.0	-	0.8

2006

PURCHASE MCh$	SALE MCh$	EFFECT ON INCOME MCh$	EFFECT ON PROVISIONS MCh$
8,274.4	11,981.9	(645.9)	(4,227.7)

18. DIRECTORS' REMUNERATIONS AND EXPENSES

During 2007 and 2006, the Bank paid and charged to income the following directors' remunerations and expenses:

	2007 MCh$	2006 MCh$
Per diem allowances	103.0	71.4
Fees for advisory services	506.7	431.9
TOTAL	609.7	503.3

19. SUBSEQUENT EVENTS

From January 1 to January 16, 2008, the date of issue of these financial statements, there have been no subsequent events that would materially affect them.

HORACIO SILVA C.
Accounting Officer

RAMON ELUCHANS O.
General Manager

BANCO security

summarized financial statments

VALORES SECURITY S.A. CORREDORES DE BOLSA

CONSOLIDATED BALANCE SHEET

December 31, 2007 and 2006

ASSETS	2007 MCh$	2006 MCh$
Current	3,178,060.3	888,929.0
Premises & equipment	217.7	179.0
Other Assets	1,322.6	1,116.9
TOTAL ASSETS	3,179,600.6	890,224.9
LIABILITIES		
Current	3,151,328.2	869,180.5
Capital & reserves	21,044.5	18,839.7
Net income for the year	7,227.9	2,204.7
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	3,179,600.6	890,224.9
STATEMENT OF INCOME		
Operatin g income	9,905.7	2,908.6
Non-operating income	(1,257.5)	(236.3)
INCOME BEFORE TAXES	8,648.2	2,672.3
Income tax	(1,420.3)	(467.6)
NET INCOME FOR THE YEAR	7,227.9	2,204.7

ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

CONSOLIDATED BALANCE SHEET

December 31, 2007 and 2006.

ASSETS	2007 MCh$	2006 MCh$
Current	8,259.0	10,683.6
Premises & equipment	58.6	92.8
TOTAL ASSETS	8,317.6	10,776.4
LIABILITIES		
Current	1,335.3	529.3
Capital & reserves	1,398.6	1,398.6
Retained earnings	3,513.5	7,301.7
Net income for the year	2,070.2	1,546.8
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	8,317.6	10,776.4
STATEMENT OF INCOME		
Operating income	2,551.7	1,504.9
Non-operating income	(59.1)	350.3
INCOME BEFORE TAXES	2,492.6	1,855.2
Income tax	(422.4)	(308.4)
NET INCOME FOR THE YEAR	2,070.2	1,546.8

BANCO security

ADDRESSES BANCO SECURITY AND SUBSIDIARIES

Main Switchboard: (56-2) 584 4000
Security Customers Attention Service: (56-2) 584 4060

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Fax: (56-2) 584 4058
Web: www.security.cl
e-mail: banco@security.cl

Agustinas Branch
Agustinas 621, Santiago
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Fax: (56-2) 584 4012

Providencia Branch
Av. 11 de Septiembre 2289, Providencia
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Vitacura Branch
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Los Cobres Branch
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La Dehesa Branch
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El Cortijo Branch (ex Panamericana Norte)
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Santa Elena Branch
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Quilicura Branch
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