

GRUPO

security

annual report 2002



# 2002 annual report

GRUPO

security

- banco security & subsidiaries
- valores security, corredores de bolsa
- administradora de fondos mutuos security
- factoring security
- inmobiliaria security
- asesorías security and subsidiary
- securitizadora security
- inversiones seguros security and subsidiaries
- seguros de vida security previsión
- seguros security previsión generales
- servicios security and subsidiaries
- corredores de seguros security
- inversiones invest security and subsidiaries
- travel security and subsidiaries
- global security
- virtual security and subsidiary

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

As in earlier years, during 2002 the Chilean economy showed modest increases in its activity levels and in the domestic demand, with rather weak recuperation signs. Thus, the main economic achievements of 2002 were the low inflation rate and controlled fluctuations of the main financial variables, the foreign exchange and the interest rates. The free trade agreements negotiated with the United States, the European Union and South Korea must be added to these positive results. However, the uncertainty that prevails in the region and the sluggish world economy determined a depressed domestic demand, with output growth rates well below expectations and high unemployment. Although probabilities exist of future complications because of the war in Iraq and, to a lesser degree, in relation to the performance of the Brazilian economy, at the beginning of 2003 prospects are better than they were a year ago, while we hope that some internal decisions such as measures to increase the labor market's flexibility, together with clear and stable rules to stimulate investment and employment in the country, will take a leading role in achieving the long awaited recovery of the national economy.

In this economic scenario, the activities of Grupo Security focused again on more cautious business growth, stronger spending control at the companies, and prudent portfolio management to face the higher risks of the market. This meant reorganizing some of the companies in the Group, reinforcing some of the businesses and redefining others in order to achieve the goal of adding value for shareholders from a long term perspective. It also meant incurring some one-time adjustment costs that reflected in lower results during the period.

Overall, Grupo Security's profits amounted to US\$ 10.2 million in 2002, a return on equity of 8.3%, that is explained by the contribution of the subsidiaries and, in particular, considers the effect of the restructuring measures already mentioned.

In the financial area, Banco Security yielded net income of US\$ 14.0 million in 2002, that is, a return on equity of 12.9%. These figures are the result of the good performance of the various business areas of the Bank, where worth singling out were the high returns of the investment banking area, the growth and profitability-oriented efforts of the corporate banking area and the good progress of the personal banking area. It should be noted that Banco Security's loans at December of 2002 amounted to US\$1.19 billion, showing a significant growth of 9.6% in real terms, a figure that stands out when compared to the modest 1.6% growth rate for the financial system in general. Thus, Banco Security ended the year with a market share of 2.7% of the banking industry loans. Its two subsidiaries, namely the stock broker Valores Security Corredores de Bolsa and the mutual fund Administradora de Fondos Mutuos Security continued to contribute significantly to Banco Security's activities and results, with returns on investments of these companies of US\$4.3 million, accounting for 30.4% of the Bank's consolidated income. Also, Factoring Security showed net income of US\$1.3 million, with a return on equity of 11.0%, that considers a large amount of provisions and write-offs.

The Investment Area concentrated a good part of the reorganizing efforts of Grupo Security, as it redirected the merchant banking businesses toward financial advisory and assets management in domestic and international markets, sheltered by Asesorías Security and its subsidiary Securitizadora Security.

In the Insurance Area, there were also some changes aimed at strengthening the existing business lines. The managerial staff in the insurance brokerage business was renewed and reinforced, and the life and non-life insurance operations were organized into a common management as a way of optimizing the synergies that exist in these two businesses. Worth noting were the favorable results obtained by Seguros Vida Security Previsión with US\$1.4 million, that were partly offset by losses of US\$0.8 million in Seguros Security Previsión Generales and US\$1.6 million in Corredora de Seguros Security.

Finally, in the Service areas, Inmobiliaria Security showed profits amounting to US\$ 0.5 million, while Travel Security reached a net income of US\$0.4 million, from a remarkable growth in sales that positioned it among the top three travel agencies in the market.

The results and advances of the year 2002 allow us to sustain that Grupo Security is on a good stand to succeed in its businesses within a complex scenario, based on the expertise and solvency it has gained in the past years. We are proud to have relied on, as in previous years, the ongoing efforts and the humane and professional quality of all the staff of Grupo Security, whose commitment with the organization and its goals have been essential in building what is contained in this Annual Report.

A handwritten signature in dark blue ink, consisting of a large, stylized 'F' followed by a series of loops and a final flourish.

Francisco Silva S.  
Chairman

**BALANCE SHEET**

US\$ as of December 2002 (000s omitted)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Cash and Equivalents	53	95	214	1.616	30.102	28.945	30.329	25.447	18.329	9.864	9.788	<b>11.372</b>
Fixed assets	0	0	0	0	1.186	1	41	30	108	202	184	122
Investment in related Companies	36.051	35.102	36.725	63.814	86.948	91.507	100.808	121.227	126.349	151.840	158.401	<b>159.616</b>
Goodwill	11.288	10.102	0	1.441	28.090	25.280	22.421	928	868	808	749	<b>689</b>
Other assets	0	0	0	0	121	1.525	1.382	1.243	1.096	953	810	<b>667</b>
Total other assets	47.340	45.203	36.725	65.255	115.159	118.312	124.610	123.397	128.313	153.601	159.959	<b>160.971</b>
<b>TOTAL ASSETS</b>	<b>47.392</b>	<b>45.298</b>	<b>36.939</b>	<b>66.871</b>	<b>146.447</b>	<b>147.258</b>	<b>154.980</b>	<b>148.875</b>	<b>146.750</b>	<b>163.667</b>	<b>169.931</b>	<b>172.465</b>
Current Liabilities	1.762	2.854	3.850	6.900	34.909	5.493	12.687	9.109	7.087	9.220	7.621	<b>9.104</b>
Long term assets	32.956	26.628	24.538	16.238	13.791	33.886	29.975	26.180	21.074	30.383	32.395	<b>29.848</b>
Equity	12.675	15.815	8.551	43.732	97.748	107.879	112.319	113.585	118.590	124.064	129.914	<b>133.514</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>47.392</b>	<b>45.298</b>	<b>36.939</b>	<b>66.871</b>	<b>146.447</b>	<b>147.258</b>	<b>154.980</b>	<b>148.875</b>	<b>146.750</b>	<b>163.667</b>	<b>169.931</b>	<b>172.465</b>

**INCOME STATEMENT**

US\$ as of December 2002 (000s omitted)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Gross Margin	9	18	18	108	52	26	-1	0	0	0	0	<b>0</b>
General & Administrative Expenses	102	58	149	144	940	825	1.277	2.635	2.346	2.581	1.767	<b>2.421</b>
<b>NET OPERATING INCOME</b>	<b>-94</b>	<b>-39</b>	<b>-131</b>	<b>-36</b>	<b>-887</b>	<b>-799</b>	<b>-1.278</b>	<b>-2.635</b>	<b>-2.346</b>	<b>-2.581</b>	<b>-1.767</b>	<b>-2.421</b>
<b>NON OPERATING INCOME &amp; EXPENSES</b>												
Financial Income	0	106	0	0	655	160	50	2.008	1.698	712	591	<b>455</b>
Income from Investment	3.722	3.297	4.627	6.926	11.525	13.618	16.297	12.901	15.132	16.922	16.728	<b>13.832</b>
Other Income	0	0	5	126	47	4.115	2.641	12.077	1.704	1.132	165	<b>607</b>
Amortization of Goodwill	-594	-1.188	-10.103	-71	-376	-2.855	-2.858	-400	-60	-60	-59	<b>-60</b>
Financial Expenses	-1.581	-2.434	-1.704	-1.423	-1.343	-2.980	-2.570	-2.329	-1.773	-1.706	-2.570	<b>-2.227</b>
Monetary Correction	882	3.613	41	3.131	684	226	184	-900	-148	-179	-398	<b>-57</b>
<b>NON OPERATING RESULTS</b>	<b>2.428</b>	<b>3.393</b>	<b>-7.135</b>	<b>8.690</b>	<b>11.192</b>	<b>12.284</b>	<b>13.743</b>	<b>23.375</b>	<b>16.553</b>	<b>16.820</b>	<b>14.457</b>	<b>12.549</b>
Net Income before Taxes	2.334	3.354	-7.267	8.653	10.305	11.485	12.465	20.722	14.208	14.240	12.690	<b>10.128</b>
Taxes	0	216	0	294	0	179	0	1.207	8	21	2	<b>-92</b>
<b>NET INCOME</b>	<b>2.334</b>	<b>3.139</b>	<b>-7.267</b>	<b>8.359</b>	<b>10.305</b>	<b>11,306</b>	<b>12.465</b>	<b>19.515</b>	<b>14.200</b>	<b>14.218</b>	<b>12.688</b>	<b>10.220</b>

<b>1. board of directors and management</b>	<b>6</b>
Endorsement	
<b>2. company identification</b>	<b>8</b>
<b>3. activities and operations of grupo security.</b>	<b>10</b>
Business Strategy	
Some History	
Stock Performance	
2002 Results of Grupo Security	
Dividend Policy	
Ownership Structure	
Grupo Security Staff and Compensation	
<b>4. activities &amp; results of grupo security's business areas</b>	<b>24</b>
Financing	
Investment	
Insurance	
Services	
<b>5. description of grupo security companies</b>	<b>34</b>
Identification, Boards of Directors and Management	
Organizational Structure	
<b>6. 2002 financial statements of grupo security</b>	<b>53</b>
Individual Financial Statements	
Consolidated Financial Statements	
Summarized Financial Statements of Subsidiaries	

# 1. board of directors and management



## board of directors and management

---

### CHAIRMAN

#### **Francisco Silva S.**

Civil Engineer, Universidad Católica de Chile  
Engineer, Stanford University  
Master of Science in Engineering, Stanford University  
ID # 4.103.064-5



### DIRECTORS

#### **Claudio Berndt C.**

Auditor Accountant, Universidad de Chile  
ID # 4.775.620-0



#### **Andrés Concha R.**

Business Administrator, Universidad de Chile  
ID # 4.773.967-5



#### **Jaime Correa H.**

Civil Engineer, Universidad de Chile  
ID # 5.892.161-0



#### **Jorge Marín C.**

Business Administrator  
ID # 7.639.707-4



#### **Naoshi Matsumoto T.**

Business Administrator, Universidad Católica de Chile  
ID # 3.805.153-9



#### **Horacio Pavez G.**

Civil Constructor, Universidad Federico Santa María  
ID # 3.899.021-7



#### **Juan Cristóbal Pavez R.**

Business Administrator, Universidad Católica de Chile  
Master in Business Administration,  
Massachusetts Institute of Technology  
ID # 9.901.478-4



#### **Alvaro Vial G.**

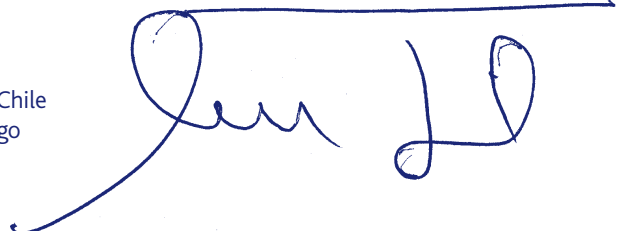
Business Administrator, Universidad de Chile  
Master of Arts in Economics, University of Chicago  
ID # 5.759.348-2



### PRESIDENT

#### **Renato Peñafiel M.**

Business Administrator, Universidad Católica de Chile  
Master of Arts in Economics, University of Chicago  
ID # 6.350.390-8



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

## 2. company identification

## company identification

---

**NAME** GRUPO SECURITY S.A.  
**COMPANY** Open Stock Corporation.  
**DESCRIPTION**

**CORPORATE PURPOSE** Financial group engaged in a wide range of financial services both domestically and abroad.  
**TAXPAYER ID** 96.604.380-6  
**LEGAL ADDRESS** Miraflores 178, Piso 6, Santiago, Chile.  
**PHONE NUMBER** (56-2) 270 4000  
**FAX NUMBER** (56-2) 270 4001  
**E-MAIL ADDRESS** grupo@security.cl  
**WEBSITE** www.security.cl

### DEEDS OF INCORPORATION

The investment company Grupo Security was duly incorporated by means of a public deed dated February 8, 1991, signed before the Notary Public Mr. Enrique Morgan Torres. The abstract thereof was published in the Official Daily Newspaper issue of February 22 of 1991. The Company was registered in the Santiago Registry of Commerce on page 5720, item 2820 on February 19, 1991.

Grupo Security is an open stock corporation. It became listed in the Securities Registry under number 0499 of January 30, 1995 and is therefore subject to the provisions and regulations of the Superintendence of Securities and Insurance.

At the Special Shareholders' Meeting held on October 20, 1997, it was agreed to rename the Company, changing the former Security Holding to the current name Grupo Security.

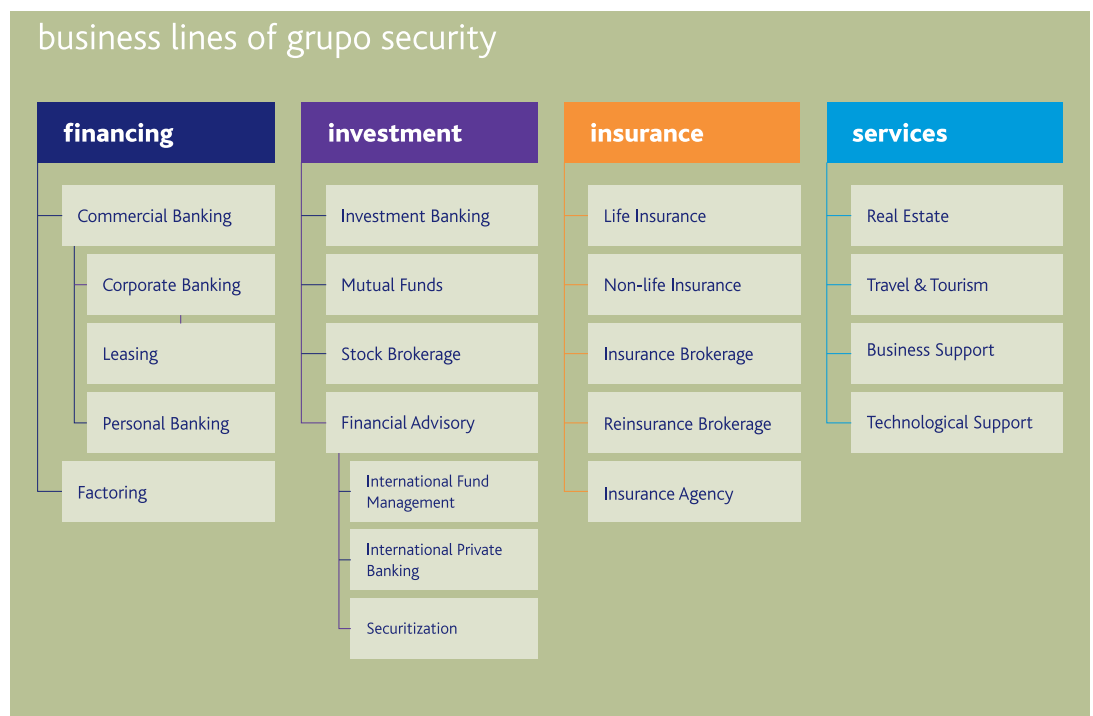
### 3. activities and operations of **grupo security**

- business strategy
- some history
- relevant facts
- stock performance
- stock market indicators
- 2002 results of grupo security
- financial indicators
- ownership structure
- dividend policy
- dividends paid by grupo security
- grupo security staff and compensation
- directors' committee
- directors' compensation
- risk rate

# business strategy

**G**rupo Security was created in 1991 with the purpose of acquiring Banco Security and developing the company in the financial scene. Since its creation to this day, Grupo Security has consolidated as a diversified financial conglomerate. Consistently with its defined objective of adding value for its shareholders, its business strategy promotes fast growth for its current businesses and continues diversifying into new financial activities. The services provided by Grupo Security companies are oriented at satisfying the clients' overall needs, by including a diversity of financial services with high efficiency standards and low risk.

During the year 2002 Grupo Security continued the process of restructuring the business areas of the Company and its subsidiaries, with appointed persons responsible for each area with defined tasks in order to ensure easier management control, increased efficiency and profitability. Thus, the financial services provided by the various companies in Grupo Security are grouped into four business areas, as shown below:



In 1981, Banco Urquijo de Chile was created as a subsidiary of Banco Urquijo of Spain.

In 1987, Security Pacific Corp., a subsidiary of Security Pacific National Bank of Los Angeles, California, acquired 100% of the shares of Banco Urquijo de Chile, which was then renamed Banco Security Pacific. That same year, Security Pacific National Bank created a stock and securities brokerage agency that was subsequently sold to Banco Security in 1991, which today operates with the name of Valores Security Corredores de Bolsa.

In 1990, the leasing subsidiary Compañía de Leasing Security was created; which was ultimately merged into Banco Security in April of 2001.

In 1991, Grupo Security was created with the purpose of operating a financial group. In June of the same year, Security Pacific Overseas Corporation sold to the current controlling shareholders of Grupo Security a 60% stake of the Bank, which then took the name of Banco Security.

In 1992, the Mutual Fund Administradora de Fondos Mutuos Security was created as a subsidiary of Banco Security while Factoring Security was created as a subsidiary of Grupo Security.

In 1993, the subsidiary Asesorías Security was created. It is the representative in Chile of the company Dean Witter Reynolds & Co. from the United States, and provides derivative products and advisory services in international asset management.

In 1994, Bank of America, the successor of Security Pacific National Bank, sold the remaining 40% of the Bank's shares to Grupo Security.

In July of 1995, Grupo Security went public and was listed in the Stock Exchange where it began trading its shares, as a means of increasing the capital base of Banco Security and its subsidiaries.

In December of that year, and after a second capital increase for the Company, the Group purchased a majority stake of the Pension Fund AFP Protección and of the insurance companies Previsión Vida (life) and Previsión Generales (non-life). This purchase was materialized jointly with the company Inversiones, Seguros y Pensiones, with which a joint venture agreement was entered into, with the purpose of developing the newly acquired operations.

In 1996, two new companies were incorporated to the financial conglomerate through the creation of Merchant Security and Inmobiliaria Security, dedicated to merchant banking and financial advising, and real estate businesses, respectively. Subsequently, a 29.35% stake of the insurance company Previsión Generales was purchased from Inversiones, Seguros y Pensiones whereby Grupo Security's share in said insurance company increased to 62.69%.

In July of 1997, a stock split was made with Grupo Security shares, whereby 1 share was replaced by 7 new ones. In addition, in October a new corporate image was implemented for the Group, with a change of name of all the companies, while keeping the same activities. Subsequently, also in October the new company Securitizadora Security was incorporated to the Group, dedicated to securitizing assets, debt and other certificates, as a subsidiary of Merchant Security.

In March of 1998, Grupo Security sold out its share in AFP Protección and in December of the same year it transferred the insurance companies Previsión Vida and Previsión Generales to the parent company

Inversiones Seguros Security, a Grupo Security subsidiary that concentrates the conglomerates insurance-related businesses.

During 1999, the Group acquired a majority stake in the travel agency Travel Security and decided to create a new subsidiary through the parent company Inversiones Seguros Security, the new insurance brokerage company Corredora de Seguros Security, which began operating in the first quarter of 2000.

Also during the year 2000 the company Global Security was created, which concentrates the sales forces of all products and services provided by Grupo Security.

Since 2001, the subsidiary Invest Security provides centralized accounting, control and corporate culture development services to all the subsidiaries of Grupo Security, while Virtual Security provides technological services and develops technological projects for all of the companies in the conglomerate. In addition, two subsidiaries of Servicios Security were created (this company is in turn a subsidiary of Inversiones Seguros Security), namely Corredora de Reaseguros Security and Agencia de Seguros Security, with the purpose of supplementing the businesses performed by the subsidiary Corredora de Seguros Security.

In 2002, and continuing with the reordering process of Grupo Security's companies, Merchant Security absorbed the business of international asset management formerly performed by Asesorías Security, and the private international banking operation formerly in Banco Security, adopting the name of Asesorías Security. In the insurance area, Inversiones Seguros Security acquired a percentage of Servicios Security, the main office of the companies engaged in insurance brokerage, thereby completing a 73.69% stake. Also, the insurance companies Previsión Vida and Previsión Generales had their names changed to Seguros Vida Security Previsión, and Seguros Security Previsión Generales, respectively.

## relevant facts

---

**A**fter the closing of the accounting period, some relevant facts have taken place in Grupo Security, as detailed below:

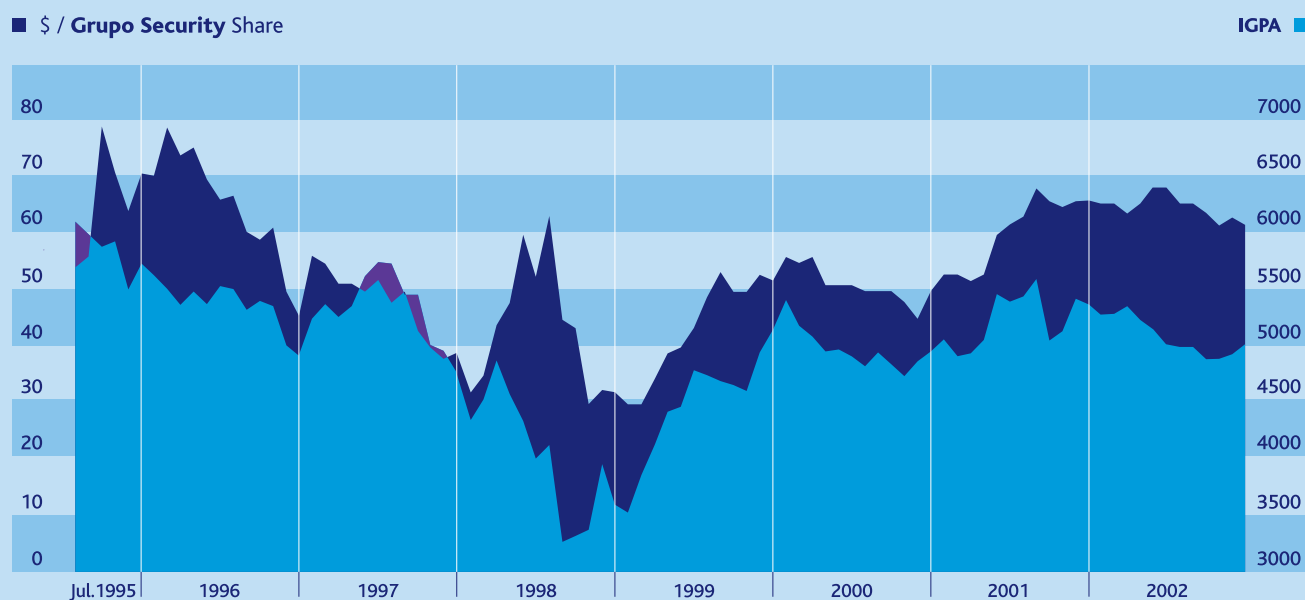
1. In accordance with the shareholder's pact currently in force in Seguros Vida Security Previsión, Inversiones Seguros Security exercised the right to acquire a total of 3,823,286 of the Company's shares, which represent a 19.12% of the total shares, for an amount of US\$3.1 million.
2. Subsequently, in a public offering of shares of Seguros Vida Security Previsión, Inversiones Seguros Security acquired 1,505,709 additional shares of the Company, for an amount of US\$0.85 million.
3. Additionally, Grupo Security materialized, through its subsidiary Inversiones Seguros Security, a capital contribution of US\$1.95 million to Servicios Security, with the purpose of enhancing the capital base of Corredora de Seguros Security.

The Stock Exchange and the prices of shares continued to perform modestly in 2002, as in previous years, in tandem with the Chilean economy. Total deals amounted to US\$3.29 billion, with a market capitalization of US\$48.46 billion. Local stock market transactions declined by 15.8% from the previous year. The prices of the stocks included in the IPSA (the selected stock price index) dropped in 2002 by 18.33% in real terms, while the IGPA, the index that includes the prices of all listed stocks, recorded an overall fall of 10.37% during the year, yielding a price-earnings ratio estimated at 20.51 times, compared to 16.06 times in 2001.

Consistently with the local market's evolution, Grupo Security's price per share went from Ch\$50 in December 2000 to Ch\$66 by the end of 2001, to Ch\$61 in December 2002. At last year's end, the price to earnings ratio of the Security share was 13.74, compared with 12.34 in 2001.

The graph below shows the evolution of Grupo Security's share price, contrasted with the behavior of the general stock price index IGPA during the year.

### evolution of the security share and igpa





## stock market indicators

The following table shows some stock market indicators for Grupo Security at year-end from 1998 through 2002.

grupo security stock market indicators					
	december 1998	december 1999	december 2000	december 2001	december 2002
Stock price (Ch\$)	32.1	52.0	50.0	66.0	61.0
Earnings per share (Ch\$)	7.45	5.55	5.81	5.35	4.44
Price/Earnings ratio	4.32%	9.38%	8.60%	12.34%	13.74%
Stock Market Presence	92.4%	86.9%	50.0%	50.2%	35.6%

The table below shows the number of Security shares and total volume traded at the Stock Exchange and the shares' average price for the past three years:

transactions of security shares			
Period	N° of shares (thousands)	Amount traded (thousands of Ch\$)	Average price (Ch\$ per share)
I quarter 2000	10.912	601.589	55,13
II quarter 2000	35.604	1.815.467	50,99
III quarter 2000	10.822	542.692	50,15
IV quarter 2000	5.244	249.322	47,54
<b>Year 2000</b>	<b>62.582</b>	<b>3.209.070</b>	<b>51,50</b>
I quarter 2001	3.158	166.135	52,61
II quarter 2001	13.636	759.840	55,72
III quarter 2001	32.093	2.116.940	65,96
IV quarter 2001	8.832	578.315	65,48
<b>Year 2001</b>	<b>57.719</b>	<b>3.621.230</b>	<b>61,35</b>
I quarter 2002	3.135	204.685	65,28
II quarter 2002	14.210	919.018	64,67
III quarter 2002	26.528	1.732.352	65,30
IV quarter 2002	24.210	1.499.778	61,95
<b>Year 2002</b>	<b>68.083</b>	<b>4.355.833</b>	<b>63,98</b>

The table below shows the transactions made by shareholders of Grupo Security:

transactions of grupo security shares during the year 2002								
Date Transaction	Seller// Relationship	ID	Buyer// Relationship	ID	Number of Shares	Price	Amount	Type of Transaction
07.01.2002	Dominguez Barros José Hugo // Other	173.212-9	Valores Security S.A. Corredores de Bolsa // None	96.515.580-5	110.469	62	6.849.078	Financial Invest.
19.04.2002	Inversiones Nine Limitada // Other	78.440.880-9	I.M.Trust S.A. Corredores de Bolsa // None	96.489.000-5	100.000	64	6.400.000	Financial Invest.
03.05.2002	Inversiones Nine Limitada // Management Related	78.440.880-9	I.M.Trust S.A. Corredores de Bolsa // None	96.489.000-5	100.000	64	6.400.000	Financial Invest.
10.05.2002	Santiago Corredores de Bolsa Ltda. // None	96.524.180-9	Inmobiliaria Villuco Ltda. // Management Related	79.652.720-K	243.902	64	15.609.728	Financial Invest.
24.05.2002	Santiago Corredores de Bolsa Ltda. // None	96.524.180-9	Inmobiliaria Villuco Ltda. // Management Related	79.652.720-K	402.524	65	26.164.060	Financial Invest.
28.06.2002	Santiago Corredores de Bolsa Ltda. // None	96.524.180-9	Inmobiliaria Villuco Ltda. // Management Related	79.652.720-K	120.000	65	7.800.000	Financial Invest.
11.07.2002	Inversiones Circulo Financiero S.A. // Other	87.019.500-1	Valores Security S.A. Corredores de Bolsa // None	96.515.580-5	2.191.695	66	144.651.870	Financial Invest.
11.07.2002	Inversiones Circulo Financiero S.A. // Other	87.019.500-1	Valores Security S.A. Corredores de Bolsa // None	96.515.580-5	14.819.322	66	978.075.252	Financial Invest.
26.07.2002	Valores Security S.A. Corredores de Bolsa // None	96.515.580-5	Paclama S.A. // Other	96.704.730-9	1.800.000	66	118.800.000	Financial Invest.
08.08.2002	Valores Security S.A. Corredores de Bolsa // None	96.515.580-5	San León Inversiones y Servicios Ltda. // Relate Company	78.538.290-0	414.780	66	27.375.480	Financial Invest.
21.08.2002	Inversiones Peralillo Limitada // None	79.091.270-7	Paclama S.A. // Relate Company	96.704.730-9	35.000	66	2.310.000	Financial Invest.
21.08.2002	Inversiones Peralillo Limitada // None	79.091.270-7	Sociedad de Inversiones Montecasino // Relate Company	78.604.920-2	17.608	66	1.162.128	Financial Invest.
21.08.2002	Valores Security S.A. Corredores de Bolsa // None	96.515.580-5	Vial Gaete Alvaro // Director	5.759.348-2	135.000	65	8.775.000	Financial Invest.
22.08.2002	Valores Security S.A. Corredores de Bolsa // None	96.515.580-5	Sociedad de Inversiones Montecasino // Relate Company	78.604.920-2	391.695	66	25.851.870	Financial Invest.
22.08.2002	Inversiones Peralillo Limitada // None	79.091.270-7	Alzerreca Bascuñan Carmen // Executive Husband	5.221.147-6	500	66	33.000	Financial Invest.
07.10.2002	Euroinversiones S.A. // None	96.687.980-7	Paclama S.A. // Other	96.704.730-9	700.000	64	44.800.000	Financial Invest.
07.10.2002	Paclama S.A. // Relate Company	96.704.730-9	Valores Security S.A. Corredores de Bolsa // None	96.515.580-5	21.608.249	62	1.339.711.438	Financial Invest.

## 2002 results of grupo security

---

**G**rupo Security's net income in 2002 amounted to US\$10.22 million, showing a return on equity ratio of 8.3%. As shown in the financial statements in this Annual Report, this net income originates mainly in the earnings of related companies.

The non consolidated Balance Sheet of Grupo Security shows total assets amounting to US\$ 172.46 million, of which current assets account for US\$11.37 million (6.59% of total assets) showing a comfortable liquidity situation for the Company. The most important entry in the assets is Investments in related companies with US\$159.62 million that, with goodwill included, accounts for 92.55% of total assets. As for the US\$9.1 million of current liabilities and US\$29.85 million of long-term liabilities, the main items are Obligations with banks and financial institutions with US\$24.91 million and the balance of the bond issue of January 1996 that amounted to a total of US\$13.20 million. Finally, Grupo Security's equity amounts to US\$133.51 million, accounting for 77.41% of total assets as of December 2002. Worth mentioning is the decline in Grupo Security's borrowing figures in recent years, down to 29.17% in 2002.

## financial indicators

---

**T**he table below shows the main financial indicators in the Balance Sheet of Grupo Security over the past five years:

financial indicators of grupo security					
	december 1998	december 1999	december 2000	december 2001	december 2002
Current assets/Current liabilities	2.79 times	2.50 times	1.07 times	1.28 times	<b>1.25 times</b>
Total liabilities/equity	31.07%	23.75%	31.93%	30.80%	<b>29.17%</b>
Total borrowing/total assets	23.70%	19.19%	24.20%	23.55%	<b>22.59%</b>
Earnings/Return on equity*	20.74%	13.60%	12.94%	10.82%	<b>8.29%</b>

*\*Equity is shown net of period's earnings.*

In July of 1995, Grupo Security became public and has been actively traded in the local stock exchanges ever since.

Grupo Security’s shareholders are a mix of qualified bankers, businesspeople and professionals with a long history in the financial sector, which shapes a very unique conjunction of common long-term objectives, generating the proper incentives that ensure an agile and efficient organization as well as long lasting relationships with clients.

At December 31 of 2002, Grupo Security’s 1,654,721,054 shares were owned by 634 shareholders. The 12 largest shareholders have entered into a formal joint agreement that controls 83.64% of the shares of Grupo Security. Below is the list of the 12 largest shareholders and the names of the individuals that act on their behalf:

12 largest grupo security shareholders at december 31, 2002						
Company name	ID	N° of shares	% Share	Representative	%	ID
Soc. Com. de Servicios e Inv. Ltda.	79.553.600-0	209.246.192	12,6454%	Gustavo Pavez Rodríguez	93,00%	4.609.215-5
Inmobiliaria Villuco Ltda.	79.652.720-K	153.855.359	9,2980%	Horacio Pavez García	95,45%	3.899.021-7
Inversiones Matyco Ltda.	96.512.100-5	152.648.930	9,2251%	Naoshi Matsumoto Takahashi	95,00%	3.805.153-9
Inversiones Hidroeléctricas Ltda.	79.884.660-4	141.733.577	8,5654%	Inversiones Llascahue Ltda.	42,24%	79.884.060-6
				(Francisco Silva S.)		4.103.064-5
				Inversiones Los Cactus Ltda.	38,71%	79.884.050-9
				(Renato Peñafiel M.)		6.350.390-8
				Inversiones Los Chilcos Ltda.	19,05%	79.884.030-4
				(Ramón Eluchans O.)		6.464.460-2
Inversiones Hemaco S.A.	96.647.170-0	119.925.663	7,2475%	Familia Marín Correa	100,00%	
Inversiones Llascahue Ltda.	79.884.060-6	69.220.128	4,1832%	Francisco Silva Silva	17,92%	4.103.064-5
Inversiones Los Cáctus Ltda.	79.884.050-9	64.158.626	3,8773%	Renato Peñafiel Muñoz	45,00%	6.350.390-8
Inversiones Círculo Financiero S.A.	87.019.500-1	53.473.356	3,2316%	Empleados y Ejecutivos Grupo Security		
Paclama S.A.	96.704.730-9	50.276.751	3,0384%	Claudio Berndt Cramer	88,82%	4.775.620-0
Compañía de Inversiones Río Bueno S.A.	96.519.130-5	49.856.906	3,0130%	Andrés Concha Rodríguez	50,00%	4.773.967-5
				Bruno Philippi Irrarázabal	50,00%	4.818.243-7
Inversiones San Ignacio Ltda.	78.063.360-3	37.003.354	2,2362%	Fehrman y Ruiz y Cía. Ltda.	85,00%	79.686.800-7
				(Gonzalo Ruiz U.)		5.321.309-K
Inversiones El Rocío Ltda.	78.256.070-0	35.323.465	2,1347%	Luis Esteban Montalva Rodríguez	50,00%	4.035.429-8
Sub-total 12 largest shareholders		1.136.722.307	68,6957%			
Total 634 Shareholders		1.654.721.054	100,0000%			

## dividend policy

---

It is the intention of the Board of Directors of Grupo Security to propose the shareholders to maintain the Company's permanent dividend policy as was approved at the Regular Shareholders' Meeting of 2002. That is, to pay out around 50% of the Company's net earnings from its subsidiaries during the period. These dividends may be paid against either net income of the year or withheld income from previous years. Payment will be distributed into two dividends, one interim and one final.

Accordingly, an interim dividend will be proposed, to be paid between October and November of each year, amounting to no more than 20% of the Company's accrued earnings between January and June of the same year. The Board will also propose a second and final dividend between April and May of the following year, to complete no less than 50% of the Company's net earnings from its subsidiaries in the year, provided that it does not hinder compliance with any of the Company's financial obligations, current or future.

Therefore, Grupo Security's Board of Directors will propose at the upcoming Regular Shareholders' Meeting to pay out a final dividend of Ch\$2.60 per share, which added to the interim dividend of Ch\$0.27 and the additional dividend of Ch\$0.33 per share already distributed in October of 2002 amounts to a combined total of Ch\$3.20 per share. These dividends amount to a total of US\$7.37 million, that account for 72.1% of net income of 2002.

Below is a reconciliation between net income of the year and payable dividends, with a detail of the percentage of net income paid out as dividends.

grupo security income and dividends		
(figures in millions of Ch\$)	december 2001	december 2002
Withheld income from previous year	19.169	<b>14.069</b>
Net Income of the year	8.852	<b>9.919</b>
Distributable Income	28.021	<b>23.981</b>
Interim and Final Dividends	5.295	<b>5.378</b>
% Dividends/Distributable Income	18.9%	<b>22.4%</b>

Finally, the table below shows the history of dividends paid by Grupo Security to its shareholders since the Company went public in July of 1995:

dividends paid by grupo security			
Dividend N°	Date	Ch\$ per share	Amount (Ch\$ million)
1	march 3, 1995	1,766	2.922
2	may 9, 1996	1,571	2.600
3	may 8, 1997	2,000	3.309
4	november 20, 1997	1,000	1.655
5	may 11, 1998	1,500	2.482
6	october 14, 1998	4,500	7.446
7	october 14, 1998	1,000	1.655
8	april 12, 1999	2,000	3.309
9	october 20, 1999	1,000	1.655
10	october 20, 1999	0,500	827
11	april 17, 2000	2,750	4.550
12	october 27, 2000	0,250	414
13	october 27, 2000	1,000	1.655
14	april 30, 2001	2,000	3.309
15	october 23, 2001	1,000	1.655
16	october 23, 2001	0,600	993
17	may 7, 2002	2,200	3.640
18	october 17, 2002	0,330	546
19	october 17, 2002	0,270	447

## grupo security staff and compensation

The table below shows the staff working with Grupo Security at December 31 of 2002:

grupo security staff • number of persons				
	Executives	Professionals	Workers	Total
Grupo Security	3	—	2	5
Banco Security & Subsidiaries	15	124	212	351
Factoring Security	3	18	54	75
Inmobiliaria Security	2	2	2	6
Asesorías Security & Subsidiaries	2	5	5	12
Invest Security & Subsidiaries	13	62	243	318
Seguros Security & Subsidiaries	47	27	1,139	1,213
Total Grupo Security & Subsidiaries	85	236	1,659	1,980

Total compensation paid to chief officers and managers during the year amounted to US\$0.34 million.

Grupo Security and its subsidiaries participate in an incentive plan for executives, managers and directors based on the achievement of income-related goals and compliance with the budget established for each year. Each company incurs the associated expenses directly.

## directors' committee

The Directors' Committee is made up by the following directors of Grupo Security:

- Andrés Concha R., business administrator, University of Chile, ID # 4.773.967-5
- Naoshi Matsumoto T., business administrator, Catholic University of Chile, ID # 3.805.153-9
- Alvaro Vial G., business administrator, University of Chile, Master of Arts in Economics, University of Chicago, ID # 5.759.348-2

The secretary to the Directors' Committee is the Chief Executive Officer of Grupo Security:

- Renato Peñafiel M., business administrator, Catholic University of Chile, Master of Arts in Economics, University of Chicago, ID # 6.350.390-8

The functions of the Committee are those provided by the Law. The Directors' remuneration was set at the Shareholder's Meeting at a fee of US\$350 per session for each director with a maximum of six sessions during the year. Additionally, the Board agreed to set the 2002 annual budget item for the Director's Committee at US\$14,000.

At the Shareholders’ Meeting held in April of 2002, it was agreed to set a fee for each attended Grupo Security Board session in 2002, amounting to US\$815 for Board members and US\$1,165 for the Chairman, with a maximum of one paid session per month.

board’s compensation in 2002 and 2001 (in UF)				
	Grupo	2002 Sudsiidiaries	Grupo	2001 Sudsiidiaries
Francisco Silva S.	539,14	13.334,85	590,52	13.697,49
Oswaldo Barzelatto S.	392,57	104,11	753,43	-
Claudio Berndt C.	309,62	783,61	-	1.142,22
Andrés Concha R.	642,81	-	930,66	-
Jaime Correa H.	377,40	58,10	413,37	354,38
Jorge Marín C.	377,40	1.019,77	344,40	1.180,87
Naoshi Matsumoto T.	430,23	667,38	388,10	822,08
Juan Cristóbal Pavez R.	309,62	-	-	-
Gustavo Pavez R.	67,78	1.019,77	208,42	1.180,87
Horacio Pavez G.	307,76	701,58	379,38	822,08
Alvaro Vial G.	465,23	1.789,28	487,37	1.932,97

Note: Directors Mr. Oswaldo Barzelatto S. and Mr. Gustavo Pavez R. left the Board on March 31, 2002, and were replaced by Mr. Claudio Brendt C. and Mr. Juan Cristóbal Pavez R. on April 25, 2002.



# risk rate

---

**G**rupo Security's shares have been rated in First Class, Level 3 by the private risk rating institutions Feller & Rate and Fitch Chile. See table below:

risk rate as december 2002		
	Common Shares	Bonds N° 188 series A1, A2
Fitch Chile Clasificadora de Riesgo	First Class, Level 3	A+
Feller & Rate Clasificadora de Riesgo	First Class, Level 3	A
Risk Rating Commission	Approved	A

## 4. activities and results of **grupo security's** business areas

- financing
- investment
- insurance
- services

Activities and results of Grupo Security companies during 2002 have been arranged around the four lines of business where they participate, namely: Financing, Investment, Insurance, and Services.

## financing

---

**G**rupo Security finances business projects through its companies Banco Security and Factoring Security. Total loans from the various operations, namely bank loans, leasing and factoring where Grupo Security companies participate, amounted to a combined total of US\$1.29 billion by the end of December 2002. In this figure, Banco Security's loans accounted for US\$1.2 billion, showing a growth of 9.0% in real terms, significantly larger than the 1.6% increase of the overall banking industry. It is worth mentioning that this growth was accomplished thanks to strict risk control measures at every unit, with no hidden risks present in any of them. The Bank's risk levels were the lowest in the industry.

### **Banco Security**

Within an industry that has been characterized by rapid concentration and numerous mergers, leading the system to be dominated by a handful of large-sized banks, Banco Security stands out as a different, medium-sized bank that operates in a clearly defined niche, with high levels of efficiency and good technological support.

Thus, Banco Security's business strategy is oriented at servicing its target market of large and medium-sized companies together with a select group of affluent individuals. The wide variety of financial products and services provided by the Bank is marked by strong client orientation that results in customized, integral, flexible and timely services. Banco Security has organized its activities around three business areas, namely the Corporate Banking, Personal Banking and Investment Banking divisions.

The **Corporate Banking** division is the most traditional area of Banco Security, and it essentially defines the preferential niche to which it orients its businesses, accounting for 85% of all credits. It is made up of the following groups:

- Large corporations, focusing on the larger private enterprises and state-owned companies with annual sales of US\$25 million or more, also including real estate companies.
- Medium-sized companies, to service enterprises with annual sales between US\$5 and US\$25 million, through its branches in Santiago and other Regions.
- The Leasing Module, which provides its services directly through the Corporate Banking Division.

The **Personal Banking** division is directed at high-income individuals, and today it accounts for 14% of the Bank's loans. It is made up of the Personal Banking and Mortgage Businesses areas, which include the Preferential Banking and the Private Banking units, that focus on managing private investors' personal finances. An aggressive sales campaign has allowed for a rapid development of the Personal Banking division in the past

three years, with a total of 9,100 clients owning checking accounts by the end of 2002.

Finally, the **Investment Banking** division operates both domestically and internationally. It includes the International Executive Office dedicated to explore foreign financial markets and find financing for foreign trade operations, where Banco Security has kept a significant market share over the years.

### **Banco Security Results**

In spite of the complex economic scenery already described, the consolidated income of Banco Security and its subsidiaries reached US\$14.0 million, which represents a return on equity of 12.92%. These figures are the result of the good performance of the investment banking area, the growth and profitability efforts of the corporate banking area, and the favorable development of the businesses carried out at the personal banking area.

Total loans of Banco Security as of December 2002 amounted to US\$1.2 billion (including interbank loans), showing a substantial real growth rate of 9.0% in 12 months, significantly higher than the 1.6% increase of the banking industry as a whole. With this, Banco Security ended the year with a market share of 2.71% of total loans, ranking 10th among the 26 banks operating in the market at the end of 2002.

Throughout the year, Banco Security has maintained its traditional strengths in terms of client portfolio quality, together with high efficiency and productivity standards. In fact, according to figures at October 2002, Banco Security's risk index is 1.21%, which makes it the domestic bank with the lowest risk among medium and large sized banks that operate in the local market, and occupying a prominent ninth place when also foreign banks are considered. Available risk indicators at October 2002 indicate that risk levels in the financial system have remained stable, with an average of 1.95% of loans, compared with a peak of 2.14% in June of 2000 and 1.90% in October of 2001. Banco Security's past-due portfolio at the end of 2002 was 0.89%, also a good figure if compared with the average of 1.83% of total loans of the overall banking industry. It is worth noting that the Chilean financial system's risk is relatively low by international standards, and is duly backed by provisions, that amount to 2.57% of total loans as of October of 2002.

In addition, the Bank has continued striving to control expenses, both administrative and labor-related, to maintain its strict efficiency standards. An important effort in matters of control and rationalization of general and administrative expenses during 2002 allowed these to increase by only 2.1% over the previous year; the actual growth rate can be explained mainly because of larger depreciation and amortization related with technological innovations. Overall, Banco Security's efficiency indicators, that measure G&A expenses over gross margin, showed significant progress at 51.8% in 2002, compared to 55.2% in 2001, which is below the market's average (estimated in 55.2%). On the other hand, Banco Security maintained its traditional first place in the industry in terms of productivity, as measured by the ratio of loans to number of employees (US\$3.78 million per employee in the year 2002).

Regarding solvency, Banco Security's Basle indexes -that measure effective equity over risk-weighted assets- showed significant leeway above the 10% level required by the law to qualify as a first-rate bank. Thus, Banco Security's Basle index is 11.42% as of November 2002, somewhat lower than the system's 13.89% average, showing a comfortable margin over the minimum required of 8%. In turn, base capital accounts for 6.54% of total assets, above the legal minimum of 3% set forth by the General Banking Law.

Presently, the Group's subsidiaries are the stockbroker Valores Security Corredores de Bolsa and the mutual fund Administradora de Fondos Mutuos Security, whose activities and businesses are described below. As in earlier years, these two companies made substantial contributions to the Bank's results and activities. In fact, the returns on investments in related companies amounted to US\$4.26 million at December 2002, with an increase of 64.4% over the previous year, and accounted for 30.4% of the Bank's consolidated net income.

For the second time, in 2002 Banco Security made the «honor role of 25 best places to work in Chile.» Thus, the Bank has continued along its path of achievements since the creation of Banco Urquijo de Chile in 1981, which over the years was transformed into the current Banco Security. An important group of people that have participated since the beginning are still working with the Bank, forming -with new collaborators- a work team which has been singled out among more than 3,000 companies analyzed in Chile through surveys and studies to determine the best places to work in the country. The results were published in Capital magazine, and the studies were performed by Marketing Meter, the representative for the country of the «Great Place to Work Institute».

### **Factoring Security**

Factoring Security began operating in December of 1992, as one of the pioneer companies in the national factoring industry.

A couple of years ago the Company began an aggressive marketing strategy with eight new points of sale opened throughout the country, extending its geographical coverage from Iquique in the north to Puerto Montt in the south. The great breakthroughs of the Company in the past few years have begun to pay off, with the Company being one of the leading firms in the factoring market.

During 2002, Factoring Security's net income amounted to US\$1.34 million, 15.4% above one year earlier, with a return on equity of 10%.

Recently, the high market risk made it advisable to keep the factoring industry's activity levels in low key. In this scenario, the Company kept throughout 2002 average loans in the range of US\$60 to US\$75 million, to recover only in the last month and close the year with an average credit level of US\$76.4 million in December 2002, that is, 18.6% above that of December 2001.

The risk of the economy reflected on Factoring Security's loan provisions at December 2002 amounting to US\$5.07 million, that account for 5.6% of the Company's net factoring loans, compared with 7.15% of net factoring-related loans the year before.

## investment

---

**G**rupo Security participates in the asset management and investment businesses through Banco Security's Investment Banking division, the mutual fund administrator Administradora de Fondos Mutuos Security, the stockbroker office Valores Security Corredores de Bolsa and Asesorías Security with its subsidiary Securitizadora Security.

### Investment Banking

Banco Security takes active part in financial asset management and investment through its Investment Banking division, which has been traditionally important in the Bank's operations through an active money desk that operates both domestically and in international markets. It also includes the international office, engaged in foreign trade operation financing, where Banco Security has participated substantially over the years. During 2002, the Investment Banking division contributed US\$10.78 million to Banco Security's gross income, mainly through its money desk operations and the international area, accounting for 22.9% of the Bank's gross income.

### Administradora de Fondos Mutuos Security

The Company was created as a Banco Security subsidiary in May of 1992, and has grown steadily since, incorporating new funds. As of December 2002, the Company manages nine mutual funds. Administradora de Fondos Mutuos Security showed very satisfactory results with a net income for 2002 amounting to US\$1.43 million, which represents a 19.7% increase over the previous year, showing a return on equity ratio of 47.7%.

The net worth managed by the industry increased 43% to nearly US\$6.8 billion, with a number of participants of roughly 383.000 persons.

Among the most outstanding events of the year was the creation, in March, of the Voluntary Pension Fund Savings (APV) system, with the participation of mutual funds, that have captured an important amount of resources (nearly US\$3.48 million in the first six months).

At December 2002, Administradora de Fondos Mutuos Security was managing an average equity of US\$328 million, almost doubling the managed worth at the closing of the previous year. Thus, the market share of Administradora de Fondos Mutuos Security increased from 3.56% in 2001 to 4.84% at the end of 2002, ranking ninth among 19 mutual fund managers operating in the market. The Company's strategy of having attractive returns on all the various funds it manages and orienting its sales force to higher-income individuals and companies has resulted in a large number of participants, specifically 8,902 clients out of an estimated total of 383,000 in the industry. It is also worth noting that AFM Security was capable of capturing a total of US\$0.64 million in APV funds at December 2002, which add to the B series funds that exist for these purposes.

The table below shows the evolution of Mutual Funds during the past six years:

mutual funds						
millions of US dollars of December 2002 purchasing power	1997	1998	1999	2000	2001	2002
Mutual Fund Industry	3,347	2,199	3,289	3,939	4,864	6,779
Administradora de Fondos Mutuos Security	96.2	91.6	141.3	151.2	173.2	327.9
AFM Security´s market share	2,9%	4,2%	4,3%	3,8%	3,6%	4,8%

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

During the year 2002, Valores Security Corredores de Bolsa showed very satisfactory results, with net income of US\$2.83 million, more than doubling the results of the previous year (a real increase of 156%), and showing a return on equity of 54.94%.

The Company had favorable results that challenged the sluggish local stock exchanges, in a market that continued deteriorating during 2002 despite the capital market reforms that were introduced at the end of 2001, and despite the recovery of international markets, with a total traded volume US\$3.29 billion, over an overall market capitalization of US\$48,46 billion. Total amounts traded in the local exchanges declined by 15.8% in one year. The prices of the stocks included in the IPSA (Selected Stock Price Index) fell by 18.33% in real terms in 2002, while the IGPA, the index that measures the prices of all the stocks traded in the Stock Exchange, showed an overall drop of 10.37%.

Valores Security traded shares worth US\$186 million during 2002, about half the amount of the previous year, consistently with the deteriorated local stock market, but kept its 10th place among the 38 stockbroker firms that operate in it. Its average market share for the year was 2.0%, considering the shares traded in the two exchanges where the Company operates, namely the Santiago Stock Exchange and the Chilean Electronic Exchange.

#### Asesorías Security

During 2002, the businesses that had been traditionally performed through Merchant Security, and its subsidiaries Securitizadora Security and Asesorías Security were restructured. As a way of strengthening the asset management activities abroad and taking advantage of synergies, Asesorías Security took over the whole international investment counseling operation, for both institutional and private investors. These activities were sponsored by Morgan Stanley Dean Witter & Co., a leading company throughout the world.

Because of a combination of effects, among which are the expenses associated to the above mentioned restructuring, the Company showed a loss of US\$0.83 million in the year.

### **Securitizadora Security**

Securitizadora Security was created on October 21 of 1997 as a subsidiary of Asesorías Security, with the purpose of securitizing a variety of assets and debt certificates in general. In a highly competitive industry, Securitizadora Security successfully placed in 2002 its fourth issue of securitized bonds, for an amount of US\$22 million worth of senior bonds, at a 22 year maturity. The securitized assets are housing leasing contracts granted and managed by Inmobiliaria Mapsa. Additionally, the Company is preparing its fifth issue, with several projects in mind. The senior bond debt outstanding at December 2002, on account of the four separate managed issues, is US\$52 million.

At December 2002, the results of Securitizadora Security show a loss of US\$0.13 million.

## **insurance**

---

### **Inversiones Seguros Security**

In December of 1998, Grupo Security amended the bylaws of the company Inversiones, Seguros y Pensiones, whereby it was renamed Inversiones Seguros Security and its capital was increased through the shares that Grupo Security owned in the insurance companies Compañía de Seguros Previsión Vida (life) and Compañía de Seguros Previsión Generales (non-life). Subsequently, by late 1999, Grupo Security created a new subsidiary under the parent company Inversiones Seguros Security engaged in insurance brokerage, with the name of Servicios Security, which in turn includes the insurance broker Corredores de Seguros Security that began operating in January of 2000.

It must be mentioned that the two «Previsión» Insurance Companies, have taken part in the country's insurance industry for more than 70 years. Their history dates back to the time of the creation of the state-owned Banco del Estado de Chile, when in September of 1928 a social security organization was created for the Bank's employees, under the name of «La Previsión Compañía Chilena de Seguros.» The present companies Seguros Vida Security Previsión (life) and Seguros Security Previsión Generales (non life) were created in 1980, when a new law ruled that life and non life operations be handled separately. During 2002, these insurance companies were renamed, and became Seguros Vida Security Previsión and Seguros Security Previsión Generales, respectively.

### **Seguros Vida Security Previsión**

The activities performed by the Company in 2002 resulted in net income of US\$1.41 million, with a return on equity of 14.3%.

The results are partly explained by the 13.9% real growth in direct premiums to US\$27.9 million at December of 2002. Considering ceded portfolio, withheld premiums grew 13.7% in the year to US\$23.95 million.



One important entry that determines the Company's results is Proceeds from investments, that grew by 3.1% in the year to US\$5.57 million. Despite the lower earnings and interests observed during this year, the interest rates arbitrage policies applied since 2001 still showed good results in 2002. Operating costs (i.e. losses, intermediation and administrative expenses) showed moderate growth in real terms of 7.4% as a proportion of direct premiums sold, causing a positive effects on the results.

### **Seguros Security Previsión Generales**

The Company is an active participant in a very competitive industry, where a significant adjustment process is under way that has reflected on a number of successive falls in the average prices of non-life policies, with the resulting deterioration in the industry's results and profitability.

The insurance company Security Generales lost US\$0.83 million in 2002, compared with losses of US\$0.78 million in 2001. The results are explained mainly by the lower retained premiums of the year 2002, a higher loss ratio and larger adjuster costs than in the previous year. Once the adjustment process was completed in September 2002, the Company began generating profits at the fourth quarter.

The Company's main lines of business include motor vehicles, fire, the mandatory personal insurance related to car accidents, and other property casualty policies. As for the Company's risk exposure, the loss related costs declined by 9.6% in the year, while the loss ratio (over earned withheld premiums) was 73.7% at December 2002, compared with 64.3% the year before.

### **Corredora de Seguros Security**

Founded by late 1999, this company began operating in January of 2000 and has shown a strong growth from the start, also capturing a good share of the insurance brokerage market. Thus, during 2002, Corredora de Seguros Security positioned itself as the third company in the market and first among local companies, with a growth in sales of 8% in real terms.

It should be pointed out that during the year the Company had to make a significant managerial and administrative reorganization, that generated losses of US\$1.65 million.

Grupo Security is contemplating making a capital contribution of US\$2.0 million in early 2003, with the purpose of reinforcing the Company's financial position.

It is worth mentioning that by late 2001 the companies Corredora de Reaseguros Security and Agencia de Seguros Security were created, with the purpose of complementing the businesses performed by Corredora de Seguros Security, that began operating during 2002. Through the related company Agencia de Seguros Security there has been strong market penetration in the insurance assistance business, which is largely related with the present customers and with the different insurance companies operating in the market.

## services

---

**G**rupo Security's service area includes real estate brokerage, a travel agency, and other services particularly aimed at complementing Grupo Security's companies. Thus, Invest Security provides, since 2001, a number of services such as Accounting, Auditing and Development of Corporate Culture, while Virtual Security supplies the technological development and support required by all the companies that make up Grupo Security.

### **Inmobiliaria Security**

This real estate company was created in December of 1995 as a subsidiary of Grupo Security, with the purpose of complementing Banco Security's activities and participating in financial aspects related with the real estate business. Inmobiliaria Security's marketing strategy considers the development of its own projects as well as the association with third parties through investors needing real estate management. It provides all types of real estate services, including project management, real estate brokerage, technical inspections, appraisals and asset management in general, both to third parties and to the different companies in Grupo Security.

The Company had net income of US\$0.50 million in 2002 and its net worth amounted to US\$1.44 million. It has continued working during the year on its outstanding projects, where worth singling out are the completion of the Alto El Parque building in the east side of Santiago, and the start up of an office building in the El Golf sector.

### **Travel Security S.A.**

This company was incorporated into the Group in mid 1999, with the purpose of extending the services offered to Banco Security's clients.

The Company had net income of US\$0.44 million in 2002, which is 7.5% higher than in the previous year. It is estimated that the overall industry had a slight increase of 0.6% in international air fare sales during 2002. In this scenario, Travel Security's sales have shown a strong growth, positioning itself among the three largest travel agencies operating in the local market. Accumulated sales amounted to US\$42.4 million in 2002, up 19.2% in real terms from the year before. According to preliminary figures for 2002, Travel Security's market share was near 8.3%, favorably compared with 7.2% a year earlier.

### **Invest Security**

The Company was created in late 2001 with the purpose of providing centralized services in matters of Accounting, Corporate Image and Auditing to all the subsidiaries of Grupo Security. It is intended to optimize the use of professional resources, to standardize and enhance the quality of support services and, in particular, to achieve a material reduction of costs associated to these services. Although Invest

Security is a non-profit company, it has improved the efficiency standards in the companies and has generated economies of scale in their operations, providing an integral service to each subsidiary of Grupo Security in their respective businesses.

### **Virtual Security**

Virtual Security was created in early 2002, based on the Development and Information Technology division of Banco Security, with the purpose of concentrating Grupo Security's technological assets in a specialized unit that could manage data processing, and the development, integration and upgrading of software, exclusively for Grupo Security's companies. The objectives that were set are shown below:

- To establish a common and organized technological platform for Grupo Security that provides cost-effective quality services with ensured safety.
- To contribute to increase the value of each company of Grupo Security, granting the proper technology to each business unit.
- To help improve customers satisfaction at each company, as well as the working environment of employees. During 2002, contracts were made in relation to data processing, pricing and quality service within each company, which allowed to finance Virtual's operations. This granted companies access to more advantageous conditions than those prevailing in the market. Additionally, the Company purchased all the corporate technological assets of Banco Security that were being used by Virtual, in order to attain the proper allocation of resources within the organization.

## 5. description of **grupo security** companies

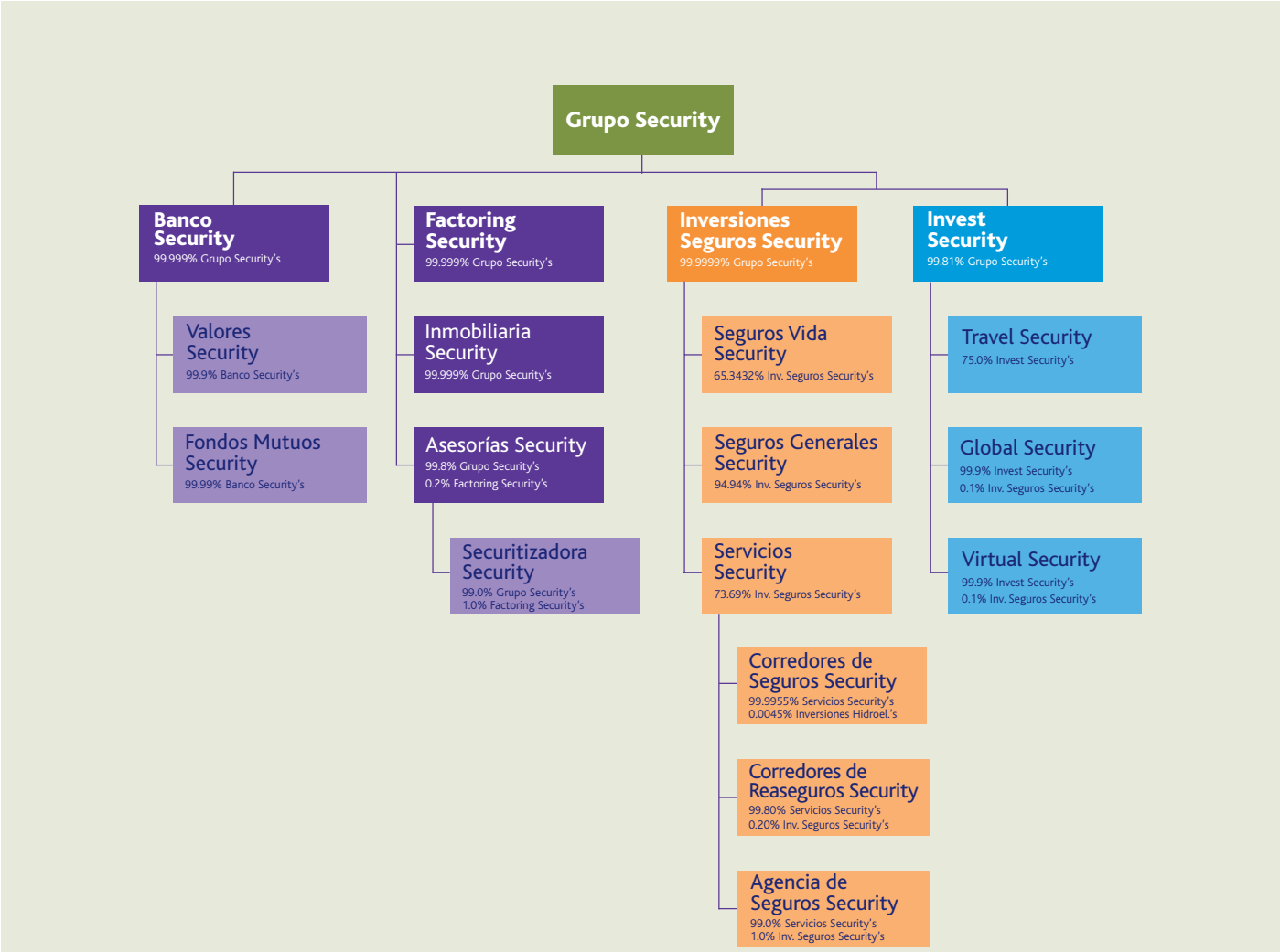
- organizational structure
- identification, boards of directors  
and management

# organizational structure

Although management and control of the financial operations of Grupo Security companies are handled according to the respective business areas, the Group's ownership structure is organized according to the arrangement shown in the chart below.

Grupo Security includes: Banco Security and its subsidiaries (Administradora de Fondos Mutuos Security and Valores Security Corredores de Bolsa); Factoring Security; Inmobiliaria Security; Asesorías Security and its subsidiary (Securitizadora Security.); Inversiones Seguros Security and its subsidiaries (Seguros Vida Security Previsión, Seguros Security Previsión Generales and Servicios Security with its subsidiaries Corredores de Seguros Security, Corredora de Reaseguros Security and Agencia de Seguros Security); and Invest Security with its subsidiaries (Travel Security, Global Security and Virtual Security).

Grupo Security's organizational structure is depicted below:



**BOARDS 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.

**PRESIDENT:**

Ramón Eluchans O.

**BANCO SECURITY****Company Description:**

Banking Stock Corporation.

**Corporate Purpose:**

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

**Deeds of Incorporation:**

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

**Relevant Information:**

On April 1 of 2001, Leasing Security was merged into Banco Security at book value, with no effect on the results.

**Paid-in Capital and Reserves:**

Paid-in capital and reserves amounts to US\$104.43 million at December 31, 2002, including own capital revaluation pursuant to the provisions in Article 10 of Law N° 18046.

**Results:**

Net income after taxes is US\$14.01 million as of December 31, 2002.

**Direct and Indirect Ownership:**

Grupo Security owns 99.999% of the shares.

**VALORES SECURITY CORREDORES DE BOLSA**

**Company Description:**

Stock corporation, a subsidiary of Banco Security.

**Corporate Purpose:**

It is involved in two business areas, including stock brokerage and money desk with operations in fixed-income securities, US dollars and other instruments.

**Deeds of Incorporation:**

The Company was incorporated by means of a public deed dated April 10, 1987. In accordance to effective legal provisions that rule the securities market and corporations, the Company is registered in the Santiago Registry of Commerce under N° 3630 of 1987. It is also registered in the Registry of Stock Brokers and Securities Agents under Number 0111 of June 2, 1987. At the Special Shareholders' Meeting of October 16 of 1997, the shareholders agreed to rename the Company as Valores Security Corredores de Bolsa.

**Paid-in Capital and Reserves:**

Paid-in Capital and Reserves at December 31 of 2002 amounts to US\$5.16 million and its net worth is US\$7.99 million.

**Results:**

Net income is US\$2.83 million at December 31, 2002.

**Direct and Indirect Ownership:**

Banco Security owns 99.900% of the Company's shares.

**BOARD OF DIRECTORS:**

**CHAIRMAN:**

Ramón Eluchans O.

**DIRECTORS:**

Bonifacio Bilbao H.

Javier Gómez C.

Enrique Menchaca O.

Luis Esteban Montalva R.

**PRESIDENT:**

Nicolás Ugarte B.

**BOARD OF DIRECTORS:****CHAIRMAN:**

Francisco Silva S.

**DIRECTORS:**

Carlos Budge C.

Felipe Larraín M.

Renato Peñafiel M.

Gonzalo Ruiz U.

**PRESIDENT:**

Alfredo Reyes V.

**ADMINISTRADORA DE FONDOS MUTUOS SECURITY****Company Description:**

Stock corporation, a subsidiary of Banco Security.

**Corporate Purpose:**

Mutual fund administration.

**Deeds of Incorporation:**

The Company was incorporated by means of a public deed dated May 26 of 1992, and its existence was approved by the Superintendence of Securities and Insurance on June 2 of the same year, upon exempt resolution N° 0112.

**Relevant Information:**

Today, the Company manages nine mutual funds, listed below:

- Security Check, approved upon exempt resolution N°0112 of June 2, 1992.
- Security First, approved upon exempt resolution N°228 of October 14, 1992.
- Security Premium, approved upon exempt resolution N°142 of June 23, 1993.
- Security Acciones, approved upon exempt resolution N°184 of August 14, 1993.
- Security Global Investment, approved upon exempt resolution N°0235 of October 1, 1996.
- Security Gold, approved upon exempt resolution N°54 of February 12, 1998.
- Security Explorer, approved upon exempt resolution N°174 of June 4, 2000.
- Security Bond, approved upon exempt resolution N°353 of October 31, 2001.
- Security Plus, approved by exempt resolution N°403 of September 27, 2002.

The Company is governed by the Superintendence of Securities and Insurance and is subject to the Decree-Law DL 1328 and its regulations.

**Paid-in Capital and Shareholders' Equity:**

At December 31 of 2002 the Company's paid-in capital is US\$1.65 million and its net worth is US\$4.42 million.

**Results:**

Net income was US\$1.43 million at December 31 of 2002.

**Direct and Indirect Ownership:**

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



**FACTORING SECURITY**

**Company Description:**

Closed Stock Company.

**Corporate Purpose:**

To perform factoring operations, that is, to purchase or finance, whether with or without liability, any kind of corporate or individually owned receivables, or to provide credit with receivables as collateral, or to administer accounts receivable. Also to purchase or invest in any kind of intangible goods, as well as to manage investments and collect proceeds or rents thereof.

**Deeds of Incorporation:**

The Company was incorporated by means of a public deed dated November 26, 1992, signed before the Notary Public Mr. Enrique Morgan Torres. The abstract thereof was published in the Official Daily of December 12, 1992 and was registered in the Santiago Registry of Commerce. By a public deed dated October 20 of 1997, the Company was renamed Factoring Security.

**Paid-in Capital and Shareholders' Equity:**

At December 31 of 2002, the Company's paid-in capital was US\$7.05 million and its net worth is US\$13.55 million.

**Results:**

Net income recorded at December 31 of 2002 is US\$1.34 million.

**Direct and Indirect Ownership:**

At year end, Grupo Security owns 99.999% of the Company's shares.

**BOARD OF DIRECTORS:**

**CHAIRMAN:**

Francisco Silva S.

**DIRECTORS:**

Francisco Juanicotena S.

Renato Peñafiel M.

Gonzalo Ruiz U.

Mario Weiffenbach O.

**PRESIDENT:**

Alan Lolic Z.

**BOARD OF DIRECTORS:**

**CHAIRMAN:**

Francisco Silva S.

**DIRECTORS:**

Luis Montalva R.

Gustavo Pavez R.

Renato Peñafiel M.

Gonzalo Ruiz U.

**PRESIDENT:**

Jaime Correa H.

**INMOBILIARIA SECURITY**

**Company Description:**

Closed Stock Company.

**Corporate Purpose:**

Real Estate counseling, investment, and brokerage.

**Deeds of Incorporation:**

The Company was created as a closed stock company by means of a public deed dated December 14 of 1995, signed before the Notary Public Mr. Enrique Morgan Torres, with an opening capital of Ch\$1,000 million with the purpose of performing permanent and rental investments in any kind of fixed or movable goods. On April 19, 1996 the first Special Shareholders' Meeting was held where the Company's purpose was extended into performing any kind of real estate operations and the capital was increased to Ch\$1,600 million. The shares were subscribed by Grupo Security that holds 99.999% of the share capital.

**Paid-in Capital and Shareholders' Equity:**

At December 31 of 2002, the Company's paid-in capital is US\$2.79 million and its net worth is US\$1.44 million.

**Results:**

The Company recorded net income of US\$0.50 million at December 31, 2002.

**Direct and Indirect Ownership:**

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

ASESORIAS SECURITY AND SUBSIDIARY

Company Description:

Closed Stock Company

Corporate Purpose:

The Company’s purpose is to provide financial, economic, business, accounting, legal, corporate and debt restructuring, to carry out all kinds of studies related with the above and to make permanent or rental investments in all kinds of tangible and intangible movable goods.

Deeds of Incorporation:

The Company was incorporated as a closed stock company by means of a public deed dated August 30, 1996. During the year 2002 Merchant Security’s businesses were restructured along with its subsidiaries Securitizadora Security and Asesorías Security. Asesorías Security took over the totality of the businesses related to advising in international investments and the decision was taken to discontinue the financial counseling activity performed by Merchant Security. This meant to undergo process of closing of activities and fulfillment of obligations and commitments in effect, which was completed in the last months of 2002. Additionally, Merchant Security acquired the totality of the shares it did not own in its subsidiary Asesorías Security, becoming the owner of 100% of the share capital of said subsidiary through a merger by absorption. After this was completed, the name Merchant Security was changed to Asesorías Security

Paid-in Capital and Shareholders’ Equity:

At December 31 of 2002 the Company’s capital was US\$2.23 million and its net worth was US\$1.40 million.

Results:

The Company recorded losses of US\$0.83 million at December 31, 2002.

Direct and Indirect Ownership:

Grupo Security owns 99.8% of the Company’s shares and the remaining 0.2% is owned by Factoring Security.

BOARD OF DIRECTORS:

CHAIRMAN:

Francisco Silva S.

DIRECTORS:

Carlos Budge C.

Renato Peñafiel M.

PRESIDENT:

Carlos Budge C.

**BOARD OF DIRECTORS:****CHAIRMAN:**

Francisco Silva S.

**DIRECTORS:**

Jaime Correa H.

Ramón Eluchans O.

Renato Peñafiel M.

Mario Weiffenbach O.

**PRESIDENT:**

Juan Crocco A.

**SECURITIZADORA SECURITY****Company Description:**

Closed Stock Company, a subsidiary of Asesorías Security.

**Corporate Purpose:**

The Company's exclusive corporate purpose is to acquire the credits referred to by article N° 135 of Law 18045 of 1981 and supplementary legal regulations, as well as issuing short and long term debt certificates.

**Deeds of Incorporation:**

The Company was created as a closed stock Company by means of a public deed dated October 21, 1997 signed before the Notary Public Mr. Alvaro Bianchi Rosas. Upon exempt resolution N°369 of December 12 of 1997 from the Superintendence of Securities and Insurance, the Company was authorized to exist and its bylaws were approved. The Superintendence's certificate containing a summary of the Company's bylaws was registered on page 31310 item 25367 of the Registry of Commerce of the Santiago Real Estate Registrar of 1997 and was published in the Official Daily Newspaper on December 23 of the same year. The Company was registered in the Superintendence of Securities and Insurance Registry with number 640 of April 1, 1998.

**Paid-in Capital and Shareholders' Equity:**

At December 31 of 2002 the Company's paid-in capital is US\$0.58 million and its net worth is US\$0.45 million.

**Results:**

The Company recorded losses of US\$0.13 million at December 31, 2002.

**Direct and Indirect Ownership:**

Asesorías Security owns 99.0% of the Company's shares and Factoring Security owns the remaining 1.0%.

## INVERSIONES SEGUROS SECURITY

### Company Description:

Limited liability company

### Corporate Purpose:

To administer all kinds of businesses, either on its own behalf or that of a third party; to provide business administration services, including acquiring and maintaining all kinds of goods on a permanent basis, to sell and operate the civil or natural proceeds of the goods acquired by the Company.

### Deeds of Incorporation:

The Company Inversiones Seguros y Pensiones was incorporated by means of a public deed dated November 28, 1995, signed before the Notary Public Mr. Raúl Undurraga Laso. It was registered in the Santiago Registry of Commerce on that same date on page 29562, item 23698 and the abstract thereof was published in the Official Daily of December 5 of 1995. By a public deed dated December 29, 1998, whose abstract was published in the Official Daily newspaper of January 4, 1999, the Company was renamed as Inversiones Seguros Security and its capital was increased.

### Paid- in Capital and Stockholders' Equity:

At December 31 of 2002 the Company's paid-in capital and reserves is US\$18.90 million and its net worth is US\$17.52 million.

### Results:

The Company recorded a loss of US\$1.37 at December 31 of 2002.

### Ownership:

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

### ATTORNEYS:

Renato Peñafiel M.

Francisco Silva S.

**BOARD OF DIRECTORS:****CHAIRMAN:**

Francisco Silva S.

**DIRECTORS:**

Luis Alcalde O.

Victor Larraguibel H.

Luis Montalva R.

Renato Peñafiel M.

Alvaro Santa Cruz G.

Andrés Tagle D.

**PRESIDENT:**

Alejandro Alzérreca L.

**SEGUROS VIDA SECURITY PREVISION****Company Description:**

Open Stock Corporation

**Corporate Purpose:**

Life Insurance

**Deeds of Incorporation:**

The Company was incorporated by means of a public deed dated August 24, 1981 signed before the Notary Public Mr. Eduardo Avello Arellano and its existence was approved by Resolution N° 561-S of September 29, 1981. It was registered in the Santiago Registry of Commerce on October 31, 1981 on page 18847 item N°10385. The abstract of the deed was published in the Official Daily Newspaper issue of October 10, 1981. On January 16 of 1998 the amendment to the bylaws whereby the Company was renamed «Seguros Previsión Vida» was recorded in the Registry of Commerce, and an abstract thereof was published in the Official Daily Newspaper issue of January 20, 1998. The Company is registered in the Registry of Securities under number 022 and is subject to the regulations of the Superintendence of Securities and Insurance. On March 11 of 2002, the Special Shareholder's Meeting agreed to change the firm's name to Seguros Vida Security Previsión, effective in May of 2002.

**Paid-in Capital and Shareholders' Equity:**

At December 31 of 2002, the Company's paid-in capital and reserves amounts to US\$9.80 million and its net worth is US\$11.21 million.

**Results:**

The Company recorded net income of US\$1.41 million at December 31, 2002.

**Direct and Indirect Ownership:**

Grupo Security owns 65.3482% of the Company's shares through Inversiones Seguros Security at December 31 of 2002.

**SEGUROS SECURITY PREVISION GENERALES**

**Company Description:**

Open Stock Corporation.

**Corporate Purpose:**

Non-life Insurance.

**Deeds of Incorporation:**

The Company was incorporated by means of a public deed dated August 24, 1981, signed before the Notary Public Mr. Eduardo Avello Arellano. Its existence was approved upon Resolution N° 561-S of September 29, 1981. It was registered in the Santiago Registry of Commerce on October 8 of 1981 on page 18837 item N°10325 and an abstract thereof was published in the Official Daily Newspaper issue of October 10, 1981. The Company is registered in the Registry of Securities and is subject to the regulations of the Superintendence of Securities and Insurance. The Special Shareholder’s Meeting that took place on March 11 of 2002 agreed to change the firm’s name to Seguros Security Previsión Generales.

**Paid-in Capital and Shareholders’ Equity:**

At December 31, 2002, the Company’s paid-in capital is US\$3.80 million and its net worth is US\$4.10 million.

**Results:**

The Company recorded a net loss of US\$0.83 million at December 31, 2002.

**Direct and Indirect Ownership:**

Grupo Security, owns 96.29% of the Company’s shares, through Inversiones Seguros Security.

**BOARD OF DIRECTORS:**

**CHAIRMAN:**

Renato Peñafiel M.

**DIRECTORS:**

Ramón Eluchans O.

Gonzalo Ruiz U.

Francisco Silva S.

Andrés Tagle D.

Alvaro Vial G.

Mario Weiffenbach O.

**PRESIDENT:**

Alejandro Alzérreca L.

**BOARD OF DIRECTORS:**

**CHAIRMAN:**

Francisco Silva S.

**DIRECTORS:**

Claudio Berndt C.

Ignacio Fuenzalida de la M.

Alejandro Mandiola P.

Horacio Pavez G.

Renato Peñafiel M.

Cristián Solís de Ovando

**PRESIDENT:**

Alejandro Mandiola P.

**SERVICIOS SECURITY**

**Company Description:**

Closed stock company

**Corporate Purpose:**

To invest in all kinds of businesses, enterprises or activities, in either fixed or movable goods, tangible or intangible, and to provide consulting and advisory services regarding financial, economic and commercial matters.

**Deeds of Incorporation:**

Servicios Security was incorporated by means of a public deed dated January 17, 2000, signed before the Notary Public of Santiago Mr. Alvaro Bianchi Rosas. The Company's management was granted to a Board of Directors of seven members elected at the Shareholders' Meeting.

**Paid-in Capital and Shareholders' Equity:**

At December 31, 2002 the Company's paid-in capital and reserves is US\$5.34 million and its net worth is US\$3.77 million.

**Results:**

The Company recorded a net loss of US\$1.56 million at December 31, 2002

**Direct and Indirect Ownership:**

Grupo Security owns 73.69% of the Company's shares through Inversiones Seguros Security.



## **CORREDORES DE SEGUROS SECURITY**

### **Company Description:**

Limited liability company

### **Corporate Purpose:**

Insurance brokerage

### **Deeds of Incorporation:**

Corredores de Seguros Security was incorporated by means of a public deed dated December 3, 1999, signed before the Notary Public of Santiago Mr. Enrique Morgan Torres. The Company's in- and out-of-court administration and representation, as well as the use of the name were granted to its shareholder Servicios Security.

### **Paid-in Capital and Shareholders' Equity:**

At December 31, 2002 the Company's paid-in capital is US\$5.43 million and its net worth is US\$3.78 million.

### **Results:**

The results of the year at December 31, 2002, show losses for US\$1.65 million.

### **Direct and Indirect Ownership:**

Grupo Security participates in the Company through Inversiones Seguros Security, with 73.69% of the shares of Servicios Security, which in turn owns 99.9955% of the shares of Corredores de Seguros Security.

### **PRESIDENT:**

Alejandro Mandiola P.

**ATTORNEY:**

Renato Peñafiel M.

**INVERSIONES INVEST SECURITY****Company Description:**

Limited liability company

**Corporate Purpose:**

To make all types of investments in tangible and intangible movable goods, to exploit them, sell them, receive and invest their proceeds; invest, acquire and sell in any capacity and exploit in any way real estate properties; to manage all kinds of movable and immovable goods, tangible or intangible, on its own capacity or in that of third parties; to provide all kinds of financial, marketing, economic, accounting and management advice, consulting and services and, in general, to perform any acts and businesses that have direct or indirect relation to the Company's purpose.

**Deeds of Incorporation:**

The Company was incorporated by means of a public deed dated July 12 of 2000, signed before the Notary Public Mr. Enrique Morgan Torres.

**Paid-in Capital and Shareholders' Equity:**

At December 31, 2002 the Company's paid-in capital and reserves is US\$3.09 million and its net worth is US\$3.27 million.

**Results:**

The Company recorded net income after taxes of US\$0.18 million at December 31, 2002.

**Direct and Indirect Ownership:**

Grupo Security owns 99.9% of the Company's shares.

**TRAVEL SECURITY S.A.**

**Company Description:**

Closed stock company

**Corporate Purpose:**

Travel Agency that provides all kinds of tourism services, and performs other related or non related services, as defined by the shareholders, that may include investing the Company's surplus funds.

**Deeds of Incorporation:**

The Company was created as a limited liability Company by means of a public deed dated July 3 of 1987, signed before the Notary Public Mr. Victor Manuel Correa Valenzuela. In 1989, it extended its scope to include the sale of personal air transportation, with the accreditation as a IATA agent. On September 16, 1993 it changed from limited liability to stock corporation, and its capital was increased. In early 1995, the air freight division was divested. In April 1997 new shareholders were brought into the Company, who professionalized the Company's management and contributed Ch\$120 million of additional capital. In September of 1999, Grupo Security was incorporated as a new shareholder through Inversiones Seguros Security, acquiring 75% of the Company's shares and renaming the Company as Travel Security.

**Paid-in Capital and Shareholders' Equity:**

At December 31, 2002 the Company's paid-in capital and reserves US\$0.48 million and its net worth is US\$2.15 million.

**Results:**

The Company recorded net worth of US\$0.44 million at December 31 of 2002.

**Direct and Indirect Ownership:**

Grupo Security owns 75.0% of the Company's shares, through Inversiones Invest Security.

**BOARD OF DIRECTORS:**

**CHAIRMAN:**

Guillermo Correa S.

**DIRECTORS:**

Osvaldo Barzelatto S.

Naoshi Matsumoto T.

Renato Peñafiel M.

Francisco Silva S.

**PRESIDENT:**

Eduardo Correa S.

**PRESIDENT**

Alfredo Reyes V.

**GLOBAL SECURITY****Company Description:**

Limited liability company

**Corporate Purpose:**

To execute civil mandates relating to obtaining information on third parties and to carry out the administrative formalities aimed at preparing requests for the preliminary evaluation of said information, such that it permits mandators to enter into contracts and acts directly with said third parties without the subsequent intervention of the Company; and generally perform all acts and businesses that relate directly or indirectly with the Company's purpose and that may be agreed on by the shareholders.

**Deeds of Incorporation:**

Global Security Mandatos was created by means of a public deed dated October 5, 2000, signed before the Notary Public of Santiago Mr. Enrique Morgan Torres. The administration and use of the name of the Company was granted to its shareholder Inversiones Invest Security.

**Paid-in Capital and Shareholders' Equity:**

At December 31, 2002 the Company's paid-in capital and reserves was US\$0.15 million and its net worth was US\$0.21 million.

**Results:**

The Company recorded losses of US\$0.03 million at December 31, 2002.

**Direct and Indirect Ownership:**

Grupo Security owns 99.9% of the Company's shares through Inversiones Invest Security and the remaining 0.1% through Inversiones Seguros Security.

## VIRTUAL SECURITY

### Company Description:

Closed stock company

### Corporate purpose:

To provide services in data processing, software and hardware development and integration project management for other companies, preferably for each of the companies of Grupo Security, with the purpose of improving business processes at lower cost and better service, using the best of existing technology, ensuring project quality with its methodology, ultimately contributing to improve client satisfaction in each of Grupo Security's companies, their suppliers and employees.

### Deeds of Incorporation:

Virtual Security was incorporated by means of a public deed dated July 19, 2000, signed before the Notary Public of Santiago, Mr. Enrique Morgan Torres.

### Paid-in Capital and Shareholders' Equity:

At December 31, 2002, the Company's paid-in capital and reserves was US\$0.23 million and its net worth was US\$0.24 million.

### Results:

The Company's net income after taxes at December 31, 2002 was US\$0.01 million.

### Direct and Indirect Ownership:

Grupo Security owns 99.9% of the Company's shares through Inversiones Invest Security and 0.1% through Inversiones Seguros Security.

#### BOARD OF DIRECTORS:

##### CHAIRMAN:

Renato Peñafiel M.

##### DIRECTORS:

Francisco Silva S.

Ramón Eluchans O.

##### PRESIDENT:

Francisco Silva S.

##### CORPORATE TI OFFICER:

Pedro de Tezanos Pinto D.



## 6. 2002 financial statements of **grupo security**

- individual financial statements
- consolidated financial statements
- summarized financial statements  
of the subsidiaries

## 6.1 individual financial statements

at December 31, 2002 and 2001. Includes Independent Auditors' Report

### contents

• independent auditors' report	55
• balance sheets	56
• statements of income	58
• statements of cash flows	59
• notes to the financial statements	60

ThCh\$ = Thousands of Chilean pesos

MCh\$ = Millions of Chilean pesos

UF = Indexed unit of account

US\$ = US dollar



# independent auditors' report

---

## Deloitte & Touche

To the Shareholders of  
Grupo Security S.A.

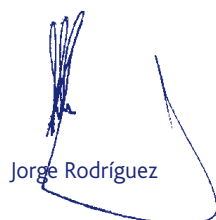
We have audited the accompanying balance sheets of Grupo Security S.A. as of December 31, 2002 and 2001, and the related statements of income and cash flows for the years then ended. These financial statements (including the related notes) are the responsibility of the management of Grupo Security S.A.. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements at December 31, 2001 of Seguros Security Previsión Generales S.A., Seguros Vida Security Previsión S.A. and Corredora de Seguros Security Ltda. (indirect subsidiaries of the Company) which represent 11,74% of the Company's total assets and 18,38% of the Company's net income for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

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

The present financial statements have been prepared to reflect the individual financial position of Grupo Security S.A. on the basis of the criteria described in Note 2 to the financial statements, before consolidating the financial statements of the subsidiaries detailed in Note 8 to the financial statements. Therefore, in order for these individual financial statements to be correctly understood, they should be read and analyzed together with the consolidated financial statements of Grupo Security S.A. and subsidiaries, which are required by accounting principles generally accepted in Chile.

In our opinion, the individual financial statements as of December 31, 2002 present fairly, in all material respects, the financial position of Grupo Security S.A., and the results of its operations and its cash flows for the year then ended and, based on our audit and the reports of the other auditors, the individual financial statements as of December 31, 2001 present fairly, in all material respects, the financial position of Grupo Security S.A., and the results of its operations and its cash flows for the year then ended, in conformity with the criteria described in Note 2 to the financial statements.

The translation of the financial statements into English has been made solely for the convenience of our English - speaking readers.



Jorge Rodríguez

*Deloitte & Touche*  
February 24, 2003

## balance sheets

For the years ended December 31, 2002 and 2001 (In thousands of Chilean pesos - ThCh\$)

	2002	2001
<b>Assets</b>	<b>ThCh\$</b>	<b>ThCh\$</b>
<b>Current assets:</b>		
Cash and banks	3,124	5,377
Time deposits	439,431	131,367
Marketable securities	6,278,355	5,840,593
Other receivables	45,577	148,917
Due from related companies	1,083,311	667,259
Recoverable taxes	8,026	17,031
Deferred taxes	65,425	3,643
Other current assets	248,799	219,378
<b>Total current assets</b>	<b>8,172,048</b>	<b>7,033,565</b>
<b>Fixed assets:</b>		
Machinery and equipment	11,434	11,434
Other fixed assets	109,383	149,508
Accumulated depreciation	(33,209)	(28,990)
<b>Total fixed assets - net</b>	<b>87,608</b>	<b>131,952</b>
<b>Other assets:</b>		
Investments in related companies	114,701,313	113,828,558
Goodwill	495,028	537,951
Other	479,257	581,956
<b>Total other assets</b>	<b>115,675,598</b>	<b>114,948,465</b>
<b>Total assets</b>	<b>123,935,254</b>	<b>122,113,982</b>

The accompanying notes are an integral part of these financial statements

	2002	2001
	ThCh\$	ThCh\$
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities:</b>		
Current portion of long-term liabilities with banks and financial institutions	3,893,952	3,271,254
Current portion of bonds	2,042,774	2,080,035
Due to related companies	76,803	79,108
Accounts payable	4,775	–
Accruals	30,413	22,770
Withholdings	12,501	13,263
Deferred taxes	1,798	10,107
Other current liabilities	478,908	–
<b>Total current liabilities</b>	<b>6,541,924</b>	<b>5,476,537</b>
<b>Long-term liabilities:</b>		
Liabilities with banks and financial institutions	14,007,113	13,973,835
Bonds payable	7,441,829	9,305,854
<b>Total long-term liabilities</b>	<b>21,448,942</b>	<b>23,279,689</b>
<b>Shareholders' equity:</b>		
Paid-in capital	43,741,042	43,741,042
Share premium	19,648,906	19,648,906
Other reserves	3,384,851	3,032,244
<b>Accumulated results:</b>		
Retained earnings	23,272,130	19,133,293
Net income	7,344,463	9,117,804
Interim dividends	(455,498)	(682,427)
Deficit in development stage	(991,506)	(633,106)
<b>Total shareholders' equity - net</b>	<b>95,944,388</b>	<b>93,357,756</b>
<b>Total liabilities and shareholders' equity</b>	<b>123,935,254</b>	<b>122,113,982</b>

The accompanying notes are an integral part of these financial statements

## statements of income

For the years ended December 31, 2002 and 2001 (In thousands of Chilean pesos - ThCh\$)

	2002 ThCh\$	2001 ThCh\$
Sales	—	—
Administrative and selling expenses	(1,740,081)	(1,269,477)
<b>Operating loss</b>	<b>(1,740,081)</b>	<b>(1,269,477)</b>
<b>Other income and expenses:</b>		
Financial income	326,644	424,915
Equity in income of related companies	11,520,010	12,020,974
Other non-operating income	204,264	18,145
Equity in losses of related companies	(1,580,154)	—
Amortization of goodwill	(42,923)	(42,585)
Financial expenses	(1,600,085)	(1,846,545)
Price-level restatement	(41,300)	(286,315)
Exchange differences	231,686	100,352
<b>Other income</b>	<b>9,018,142</b>	<b>10,388,941</b>
<b>Income before income taxes</b>	<b>7,278,061</b>	<b>9,119,464</b>
Income tax	66,402	(1,660)
<b>Net income</b>	<b>7,344,463</b>	<b>9,117,804</b>

The accompanying notes are an integral part of these financial statements

# statements of cash flows

For the years ended December 31, 2002 and 2001 (In thousands of Chilean pesos - ThCh\$)

	2002 ThCh\$	2001 ThCh\$
<b>Cash flows from operating activities:</b>		
Net income for the year	7,344,463	9,117,804
<b>Charges (credits) to income that do not represent cash flows:</b>		
Depreciation for the year	36,253	36,175
Equity in income of related companies	(11,520,010)	(12,020,974)
Equity in losses of related companies	1,580,154	–
Amortization of goodwill	42,923	42,585
Price–level restatement – net	41,300	286,315
Exchange differences – net	(231,686)	(100,352)
Other credits to income that do not represent cash flows	(66,408)	–
Other charges to income that do not represent cash flows	–	1,660
<b>Decreases (increases) in assets, affecting cash flows:</b>		
Other assets	14,507,770	10,402,757
<b>Increases (decreases) in liabilities, affecting cash flows:</b>		
Accounts payable related to operating results	–	42,023
Interest payable	750,041	–
Other accounts payable related to non–operating results	–	(5,588)
<b>Net cash provided by operating activities</b>	<b>12,484,800</b>	<b>7,802,405</b>
<b>Cash flows from financing activities:</b>		
Proceeds from loans	3,251,982	1,960,250
Payment of dividends	(4,414,173)	(5,113,088)
Repayment of loans	(2,437,144)	(1,674,080)
Payment of bonds	(1,728,248)	(2,778,618)
<b>Net cash used in financing activities</b>	<b>(5,327,583)</b>	<b>(7,605,536)</b>
<b>Cash flows from investing activities:</b>		
Permanent investments	–	(268,079)
Documented loans to related companies	(500,000)	–
Other investment disbursements	–	(698,740)
<b>Net cash used in investing activities</b>	<b>(500,000)</b>	<b>(966,819)</b>
<b>Total net cash provided (used) during the year</b>	<b>6,657,217</b>	<b>(769,950)</b>
Effect of inflation on cash and cash equivalents	8,420	(126,103)
Net increase (decrease) in cash and cash equivalents	6,665,637	(896,053)
<b>Cash and cash equivalents at beginning of year</b>	<b>293,175</b>	<b>1,189,228</b>
<b>Cash and cash equivalents at end of year</b>	<b>6,958,812</b>	<b>293,175</b>

The accompanying notes are an integral part of these financial statements

**Note 1. Company formation and registration**

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

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

**Note 2. Summary of significant accounting policies****a. Reporting periods**

These financial statements cover the years ended December 31, 2002 and 2001.

**b. General**

The individual financial statements of Grupo Security S.A. as of December 31, 2002 and 2001, have been prepared in accordance with accounting principles generally accepted in Chile, and standards and instructions issued by the Superintendence of Securities and Insurance which have precedence over the former, except for the investments in certain affiliates, which are reported on a single line in the balance sheet under the equity method, and therefore are not consolidated line-by-line. This treatment does not modify the net income for the periods or the equity.

The financial statements have been issued only for the purpose of making an individual analysis of the Company and, accordingly, should be read in conjunction with the consolidated financial statements, which are required by accounting principles generally accepted in Chile.

**c. Basis of presentation**

Amounts for 2001 included in the financial statements and notes have been price-level restated by the year's CPI variation 3.0%, to allow comparison with the 2002 amounts.

**d. Price-level restatement**

In order to report the effects of the change in the purchasing power of the currency during the period, non-monetary assets and liabilities, shareholders' equity and income statement accounts have been restated for the change in the Consumer Price Index (CPI), which was 3.0% between January 1 and December 31, 2002 (3.1% in 2001).

**e. Foreign currency**

Assets and liabilities in foreign currencies are shown at their Chilean peso equivalent, converted at the exchange rate of Ch\$718.61 = US\$1 at December 31, 2002 (Ch\$654.79 = US\$1 at December 31, 2001).

Amounts expressed in inflation index-linked units of account (UF) have been converted at the rate of Ch\$16,744.12 = UF1 at December 31, 2002 (Ch\$16,262.66 = UF1 at December 31, 2001).

**f. Time deposits**

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

**g. Marketable securities**

These are bonds issued by companies and mutual funds, which are stated at the lower of price-level restated cost plus accrued interest, or market value, and at year-end unit value, respectively.

**h. Resale agreements**

Resale agreements are valued at purchase cost plus accrued interest on the basis of the interest rate determined between the purchase cost and the value of the sale at the committed date of sale. Resale agreements are shown under Other current assets.

**i. Recoverable taxes**

These correspond to estimated monthly payments after deducting the annual income tax payable.

**j. Fixed assets**

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

**k. Depreciation of fixed assets**

The year's depreciation of ThCh\$36,253 (ThCh\$36,175 in 2001) has been calculated on the price-level restated fixed asset values over the remaining useful lives assigned to the assets. Depreciation is calculated using the straight-line method.

**l. Investments in related companies**

These investments are valued under the equity method of accounting.

**m. Goodwill**

At December 31, 2002 and 2001 the balance of this item represents the goodwill in the purchase of 99.99% of Banco Security and 99.99% of Factoring Security S.A., and is being amortized over 20 years.

**n. Bonds payable**

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

**o. Income taxes and deferred taxes**

The Company recognizes its tax obligations in accordance with current laws.

Deferred taxes arising from items that have a tax treatment other than the book treatment are recorded in accordance with Technical Bulletin No. 60 of the Chilean Accountants Association, as amended. The income tax rate applied is that of the year in which the temporary difference that gave rise to the deferred tax is reversed.

**p. Employee vacations**

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

**q. Revenue recognition**

The Company recognizes as revenue the cost of the services when these have been rendered.

**r. Software**

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

**s. Cash equivalents**

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

**Note 3. Accounting changes**

At December 31, 2002 no accounting changes with respect to 2001 have occurred that might significantly affect the interpretation of these financial statements.

**Note 4. Marketable securities**

The detail of marketable securities accounted for as described in Note 2.g. is as follows:

<b>Security</b>	<b>Book value</b>	
	<b>2002</b>	<b>2001</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Security Check mutual funds	3,270,846	—
International mutual funds	3,007,509	—
General Electric Corp bond	—	5,840,593
<b>Total</b>	<b>6,278,355</b>	<b>5,840,593</b>



## Note 5. Significant balances and transactions with related parties

During 2002 and 2001, balances and transactions with related parties are basically to consulting services rendered to the subsidiaries and mercantile current accounts kept with them. They mature every 30 days and bear interest at an annual rate of 5.5%.

### a. Notes and accounts receivable:

Taxpayer ID N°	Company	Short-term	
		2002 ThCh\$	2001 ThCh\$
78.769.870-0	Inversiones Seguros Security Limitada	541,890	154,500
96.849.320-5	Servicios Security S.A.	34,325	32,656
77.371.990-K	Corredora de Seguros Security Limitada	385,047	365,224
77.461.880-5	Inversiones Invest Security Limitada	120,923	113,719
96.803.620-3	Merchant Security S.A.	1,126	1,160
<b>Total</b>		<b>1,083,311</b>	<b>667,259</b>

### b. Notes and accounts payable:

Taxpayer ID N°	Company	Short-term	
		2002 ThCh\$	2001 ThCh\$
78.769.870-0	Inversiones Seguros Security Limitada	4,775	—
<b>Total</b>		<b>4,775</b>	<b>—</b>

## c. Transactions

Company	Taxpayer ID N°	Relationship	Transaction	2002		2001	
				Amount	Effect on income (charges/credits)	Amount	Effect on income (charges/credits)
				ThCh\$	ThCh\$	ThCh\$	ThCh\$
Banco Security	97.053.000-2	Direct subsidiary	Time deposits	18,421,021	184,542	13,225,530	121,664
Administradora de Fondos Mutuos							
Security S.A.	96.639.280-0	Indirect subsidiary	Mutual funds	3,270,846	37,421	927,000	9,208
Valores Security S.A. Corredores de Bolsa	96.515.580-5	Indirect subsidiary	Financial investments	7,854,121	16,484	4,764,100	43,579
Merchant Security S.A.	96.803.620-3	Direct subsidiary	Mercantile current account	1,126	—	1,160	—
Servicios Security S.A.	96.849.320-5	Indirect subsidiary	Mercantile current account	34,325	5,124	32,656	3,940
Inversiones Seguros Security Limitada	78.769.870-0	Direct subsidiary	Mercantile current account	541,890	20,125	154,500	—
Corredora de Seguros Security Ltda.	77.371.990-K	Indirect subsidiary	Mercantile current account	385,047	12,421	365,224	4,305
Inversiones Invest Security Limitada	77.461.880-5	Direct subsidiary	Mercantile current account	120,923	3,341	113,719	2,997
Seguros Previsión Generales S.A.	99.302.000-1	Indirect subsidiary	Services	39,465	39,465	—	—
Banco Security	97.053.000-2	Direct subsidiary	Services	106,989	106,989	—	—
Seguros Security Vida Previsión S.A.	99.301.000-6	Indirect subsidiary	Insurance policies	1,724	(1,724)	—	—

## Note 6. Income tax and deferred taxes

At December 2002, the Company established an income tax provision amounting to ThCh\$3,689 (ThCh\$5,390 in 2001) which is shown in Current assets net of estimated monthly payments amounting to ThCh\$21,768 (ThCh\$22,421 in 2001). The effect on income of the application of deferred taxes was a credit of ThCh\$70,091 (ThCh\$3,730 in 2001).

## a. The detail of the taxable profits ledger is as follows:

Taxable profits ledger (FUT)	Without credit	With credit 9%	With credit 10%	With credit 15%	Totals
Grupo Security S.A.	Ch\$	Ch\$	Ch\$	Ch\$	Ch\$
FUT balance at December 31, 2001	1,889,414,452	121,375,852	678,410,308	6,830,925,215	9,520,125,827
FUT balance at December 31, 2002	1,946,096,886	125,017,128	698,762,617	323,130,285	3,093,006,916

b. At December 31, 2002 and 2001 the detail of the accumulated balances is as follows:

Description	Deferred taxes							
	2002				2001			
	Asset		Liability		Asset		Liability	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
<b>Temporary differences:</b>								
Vacation provision	5,018	—	—	—	3,643	—	—	—
Deferred credits tax	—	—	1,798	—	—	—	10,107	—
Other provisions	60,407	—	—	—	—	—	—	—
<b>Total</b>	<b>65,425</b>	<b>—</b>	<b>1,798</b>	<b>—</b>	<b>3,643</b>	<b>—</b>	<b>10,107</b>	<b>—</b>

The charge to income for income tax is as follows:

Item	2002 ThCh\$	2001 ThCh\$
Current tax expense (income tax provision)	(3,689)	(5,390)
Effect of the year's deferred taxes on assets and liabilities	70,091	3,730
<b>Total</b>	<b>66,402</b>	<b>(1,660)</b>

**Note 7. Information on purchase agreements, sale agreements, repurchase agreements and resale agreements on securities.**

The Company does not have balances for this type of operation at December 31, 2002 and 2001.

## Note 8. Investments in related companies

On March 28, 2001 the Company made a capital contribution amounting to ThCh\$270,600 (historic) to Inversiones Invest Security Limitada, maintaining an ownership of 99.81% of the latter's total capital.

The detail of these investments is as follows:

Taxpayer ID N°	Company	Country of origin	Control currency of investment	Number of shares	Ownership percentage		Equity of companies		Results for the year		Accrued results		Equity value		Book value of investment	
					2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
					%	%	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
97.053.000-2	Banco Security	Chile	Ch\$	62,093,192	99.99900	99.99900	87,984,541	86,695,371	10,068,598	10,012,533	10,068,497	10,012,533	87,983,661	86,694,506	87,983,661	86,694,506
78.769.870-0	Inversiones Seguros															
	Security Limitada	Chile	Ch\$	–	99.99900	99.99900	12,593,375	13,568,567	(985,089)	880,180	(985,079)	880,180	12,593,249	13,568,432	12,593,249	13,568,432
96.655.860-1	Factoring															
	Security S.A.	Chile	Ch\$	204,405,655	99.99999	99.99999	9,738,449	8,777,094	961,356	858,158	961,356	858,158	9,738,448	8,777,094	9,738,448	8,777,094
96.803.620-3	Merchant															
	Security S.A.	Chile	Ch\$	2,994	99.80010	99.80010	1,008,269	1,604,538	(596,267)	55,535	(595,075)	55,535	1,006,253	1,601,330	1,006,253	1,601,330
96.786.270-3	Inmobiliaria															
	Security S.A.	Chile	Ch\$	1,599,999,998	99.99990	99.99990	1,035,640	970,880	362,412	134,324	362,412	134,324	1,035,639	970,879	1,035,639	970,879
77.461.880-5	Inversiones Invest															
	Security Limitada.	Chile	Ch\$	–	99.81000	99.81000	2,348,525	2,220,537	127,988	80,244	127,745	80,244	2,344,063	2,216,317	2,344,063	2,216,317
<b>Totals</b>													<b>114,701,313</b>	<b>113,828,558</b>	<b>114,701,313</b>	<b>113,828,558</b>

## Note 9. Goodwill

At December 31, 2002 and 2001 the detail of the goodwill, recorded in accordance with the criteria described in Note 2m., is as follows:

Taxpayer ID N°	Company	2002		2001	
		Amount	Balance	Amount	Balance
		amortized in the period ThCh\$	of goodwill ThCh\$	amortized in the period ThCh\$	of goodwill ThCh\$
97.053.000-2	Banco Security	17,356	201,008	17,353	218,364
96.655.860-1	Factoring Security S.A.	25,567	294,020	25,232	319,587
<b>Total</b>		<b>42,923</b>	<b>495,028</b>	<b>42,585</b>	<b>537,951</b>

## Note 10. Short-term liabilities with banks and financial institutions

At December 31, 2002 and 2001 the detail of short-term liabilities with banks is as follows:

Taxpayer ID N°	Bank or financial institution	Currency or indexation				Totals	
		US\$		UF		2002	2001
		2002 ThCh\$	2001 ThCh\$	2002 ThCh\$	2001 ThCh\$		
	<b>Largo Plazo - Corto Plazo</b>						
97.004.000-5	Banco de Chile	–	–	1,206,772	1,462,422	1,206,772	1,462,422
97.041.000-7	Bank Boston	1,108,845	1,061,597	–	–	1,108,845	1,061,597
97.023.000-9	Corpbanca	–	–	895,691	747,235	895,691	747,235
97.006.000-6	Banco de Crédito e Inversiones	–	–	682,644	–	682,644	–
	<b>Totals</b>	<b>1,108,845</b>	<b>1,061,597</b>	<b>2,785,107</b>	<b>2,209,657</b>	<b>3,893,952</b>	<b>3,271,254</b>
	<b>Total outstanding principal</b>	<b>1,041,985</b>	<b>977,929</b>	<b>2,461,498</b>	<b>1,505,269</b>	<b>3,503,483</b>	<b>2,483,198</b>
	Average annual interest rate	3.95%	8.75%	4.01%	5.75%		
	Percentage of liabilities in foreign currency	28.48%					
	Percentage of liabilities in local currency	71.52%					

## Note 11. Long-term liabilities with banks and financial institutions

At December 31, 2002 and 2001 the detail of long-term liabilities with banks is as follows:

Taxpayer ID N°	Bank or financial institution	Currency or indexation	Years to maturity			Closing date current period		Closing date prior period
			More than 1 up to 2 ThCh\$	More than 2 up to 3 ThCh\$	More than 3 up to 5 ThCh\$	Total long-term at close of financial statements ThCh\$	Average annual interest rate %	Total long-term at close of financial statements ThCh\$
97.041.000-7	Bank Boston	US\$	1,041,985	1,041,985	–	2,083,970	3.95	2,933,786
97.004.000-5	Banco de Chile	UF	2,038,462	2,038,462	1,017,608	5,094,532	4.24	6,116,108
97.023.000-9	Corpbanca	UF	1,545,004	1,545,004	1,059,544	4,149,552	5.12	4,923,941
97.006.000-6	Banco Crédito e Inversiones	UF	1,339,530	1,339,529	–	2,679,059	1.95	–
<b>Totals</b>			<b>5,964,981</b>	<b>5,964,980</b>	<b>2,077,152</b>	<b>14,007,113</b>		<b>13,973,835</b>
	Percentage of liabilities in foreign currency:			14.8779%				
	Percentage of liabilities in local currency:			85.1221%				

## Note 12. Short- and long-term bonds payable

At December 31, 2002 and 2001 the detail of the bonds payable recorded on the basis of the criteria described in Note 2n., is as follows:

Registration number or identification of the instrument	Series	Outstanding	Indexation	Interest	Final	Payment date		Par value		Placed in	
		nominal				Interest	Amortization	2002	2001	Chile or	
		amount									maturity
		placed									
Long-term bonds - current portion											
188-20-11-95	BSECU-A1	88.889	UF	5.9	09.12.2007	Half-yearly	Half-yearly	1,634,223	1,664,031	Chile	
188-20-11-95	BSECU-A2	22.222	UF	5.9	09.12.2007	Half-yearly	Half-yearly	408,551	416,004	Chile	
Total - current portion								2,042,774	2,080,035		
Long-term bonds											
188-20-11-95	BSECU-A1	344.445	UF	5.9	09.12.2007	Half-yearly	Half-yearly	5,767,433	7,444,700	Chile	
188-20-11-95	BSECU-A2	99.999	UF	5.9	09.12.2007	Half-yearly	Half-yearly	1,674,396	1,861,154	Chile	
Total long-term								7,441,829	9,305,854		

## Note 13. Accruals and write-offs

The balance relates to the employee vacation accrual for ThCh\$30,413 (ThCh\$22.770 in 2001) recorded on the basis of the criteria described in note 2.p..

At December 31, 2002 and 2001 no accruals have been deducted from assets nor has the Company made write-offs.

## Note 14. Shareholders' equity

At December 31, 2002 and 2001 the movements in capital and reserve accounts were as follows:

	<b>Paid-in capital ThCh\$</b>	<b>Share premium ThCh\$</b>	<b>Other reserves ThCh\$</b>	<b>Retained earnings ThCh\$</b>	<b>Interim dividends ThCh\$</b>	<b>Development stage deficit ThCh\$</b>	<b>Results for the year ThCh\$</b>	<b>Total ThCh\$</b>
Opening balances at January 1, 2001	41,190,137	18,503,015	2,183,505	13,046,164	(417,403)	(177,771)	9,620,825	83,948,472
Transfer of prior year income	—	—	—	9,620,825	—	—	(9,620,825)	—
Prior year final dividend	—	—	—	(3,309,442)	—	—	—	(3,309,442)
Development stage accumulated deficit	—	—	—	—	—	(412,994)	—	(412,994)
Subsidiary matching reserve adjustment	—	—	342,373	—	—	—	—	342,373
Adjustment to reserve for fluctuation in investment in subsidiary	—	—	227,000	—	—	—	—	227,000
Interim dividends	—	—	—	(419,073)	419,073	—	—	—
Final dividends	—	—	—	(992,834)	—	—	—	(992,834)
Price-level restatement of capital	1,276,894	573,593	191,048	630,372	(2,332)	(23,901)	—	2,645,674
Income for the year	—	—	—	—	—	—	8,852,237	8,852,237
Interim dividends	—	—	—	—	(661,888)	—	—	(661,888)
<b>Balances, December 31, 2001</b>	<b>42,467,031</b>	<b>19,076,608</b>	<b>2,943,926</b>	<b>18,576,012</b>	<b>(662,550)</b>	<b>(614,666)</b>	<b>8,852,237</b>	<b>90,638,598</b>
<b>Price-level restatement</b>	<b>1,274,011</b>	<b>572,298</b>	<b>88,318</b>	<b>557,281</b>	<b>(19,877)</b>	<b>(18,440)</b>	<b>265,567</b>	<b>2,719,158</b>
<b>Balances, December 31, 2001</b>								
<b>restated by 3.0%</b>	<b>43,741,042</b>	<b>19,648,906</b>	<b>3,032,244</b>	<b>19,133,293</b>	<b>(682,427)</b>	<b>(633,106)</b>	<b>9,117,804</b>	<b>93,357,756</b>
Opening balances at January 1, 2002	42,467,031	19,076,608	2,943,926	18,576,012	(662,550)	(614,666)	8,852,237	90,638,598
Transfer of prior year income	—	—	—	8,852,237	—	—	(8,852,237)	—
Prior year final dividend	—	—	—	(3,640,385)	—	—	—	(3,640,385)
Development stage accumulated deficit	—	—	—	—	—	(358,400)	—	(358,400)
Subsidiary matching reserve adjustment	—	—	84,860	—	—	—	—	84,860
Adjustment to reserve for fluctuation in investment in subsidiary	—	—	314,577	—	—	—	—	314,577
Interim dividends	—	—	—	(666,525)	666,525	—	—	—
Final dividends	—	—	—	(546,058)	—	—	—	(546,058)
Price-level restatement of capital	1,274,011	572,298	41,488	696,849	(11,149)	(18,440)	—	2,555,057
Income for the year	—	—	—	—	—	—	7,344,463	7,344,463
Interim dividends	—	—	—	—	(448,324)	—	—	(448,324)
<b>Balances, December 31, 2002</b>	<b>43,741,042</b>	<b>19,648,906</b>	<b>3,384,851</b>	<b>23,272,130</b>	<b>(455,498)</b>	<b>(991,506)</b>	<b>7,344,463</b>	<b>95,944,388</b>

## a. Number of shares

Series	Number of subscribed shares	Number of paid-in shares	Number of voting shares
Single	1,654,721,054	1,654,721,054	1,654,721,054

## b. Capital (Amount in ThCh\$)

Series	Subscribed capital	Paid-in capital
Single	43,741,042	43,741,042

c. The balance of ThCh\$3,384,851 (ThCh\$3,032,244 in 2001), reported in "Other reserves", corresponds basically to the Company's percentage share in the matching reserve as of December 31, 2002 and 2001, in the indirect subsidiary Seguros Vida Security Previsión S.A., the fluctuation in the indirect subsidiary Seguros Security Previsión Generales S.A., and in the reserve for fluctuations in investments during, 2002 and 2001, in the subsidiary Banco Security.

d. The Company reports a balance of ThCh\$991,506 (ThCh\$633,106 in 2001), resulting from the accumulated deficit in development stage of its subsidiaries Inmobiliaria Security S.A. and Seguros Security Ltda. This deficit must be absorbed by retained earnings.

## e. Dividend distribution

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

## f. Final dividends:

- In October 2002, final dividends of ThCh\$546,058 were paid and charged to retained earnings.
- In October 2001, final dividends of ThCh\$992,834 (historical) were paid and charged to retained earnings.
- In April 2002, final dividends of ThCh\$3,640,385 were paid and charged to retained earnings.
- In April 2001, final dividends of ThCh\$3,309,442 (historical) were paid and charged to retained earnings.

## g. Interim dividends:

- In September 2002, the Board of Directors agreed to pay an interim dividend of ThCh\$448,324.
- In October 2001, the Board of Directors agreed to pay an interim dividend of ThCh\$661,888 (historical).



• Development stage subsidiaries accumulated deficit:

Taxpayer ID N°	Company	Amount		Notes
		Year	Accumulated	
96.786.270-3	Inmobiliaria Security S.A.	(297,653)	(930,759)	Direct subsidiary deficit
78.769.870-0	Inversiones Seguros Security Ltda.	(74,969)	(74,969)	Direct subsidiary deficit
96.803.620-3	Merchant Security	14,222	14,222	Subsidiary surplus

In 2002 and 2001 share transactions carried out by the majority shareholders, the Chairman, Directors and management, according to the Shareholders' Register, were as follows:

Shareholders	Number of shares			
	2002		2001	
	Purchases	Sales	Purchases	Sales
Inversiones Peralillo Ltda.	—	52,608	—	716,771
Soc. Inversiones Montecasino	409,303	—	50,697	—
Inversiones Rododendros Ltda.	—	—	31,967	—
Vial Gaete, Alvaro	135,000	—	727	—
Inversiones Matyco Ltda.	—	—	1,251,674	—
Inversiones Nine Ltda	—	200,000	250,000	—
San León Inversiones y Servicios Ltda.	414,780	—	51,500	—
Paclama S.A.	2,535,000	21,608,249	1,374,459	—
Castillo Ruiz Tagle, Eduardo	—	—	—	303,506
Inversiones La Pinta Ltda.	—	—	—	2,500,000
Roman Figueroa, Gonzalo	—	—	—	320,000
Fernandez Oyarce Jaime Andrés	—	—	—	91,028
Euroinversiones S. A.	—	700,000	—	650,000
Vega Maldonado, Carlos German	—	—	—	222,747
Dominguez Barros, José Hugo	—	110,469	—	—
I.M. Trust S.A. Consultores de Bolsa	200,000	—	—	—
Santiago Corredores de Bolsa Ltda.	—	766,426	—	—
Inmobiliaria Villuco Ltda.	766,426	—	8,126,560	—
Inversiones Círculo Financiero	—	17,011,017	—	—
<b>Total</b>	<b>4,460,509</b>	<b>40,448,769</b>	<b>11,137,584</b>	<b>4,804,052</b>

**Note 15. Other non-operating income and expenses**

Other non-operating income, amounting to ThCh\$146,454 (ThCh\$18,145 in 2001), includes basically the interest on credit operations and the rendering of services by the Company to its direct subsidiaries.

**Note 16. Price-level restatement**

The application of the price-level restatement accounting policy described in Note 2d, resulted in a charge of ThCh\$41,300 to income in 2002 (ThCh\$286,315 in 2001), as follows:

	<b>Indexation</b>	<b>2002 ThCh\$</b>	<b>2001 ThCh\$</b>
<b>Assets (charges) / credits:</b>			
Fixed assets	CPI	3,846	1,922
Investments in related companies	CPI	3,061,076	3,075,008
Goodwill	CPI	15,668	17,466
Expense and cost accounts	CPI	59,624	16,888
Total credits		3,140,214	3,111,284
<b>Liabilities (charges) / credits:</b>			
Shareholders' equity	CPI	(2,555,057)	(2,725,044)
Non-monetary liabilities	UF	(615,920)	(672,555)
Revenue accounts		(10,537)	—
Total charges		(3,181,514)	(3,397,599)
Loss from price-level restatement		(41,300)	(286,315)

**Note 17. Exchange differences**

At December 31, 2002 and 2001 the detail of exchange differences is as follows:

	<b>Currency</b>	<b>2002 ThCh\$</b>	<b>2001 ThCh\$</b>
<b>Assets (charges) / credits</b>			
Investments in US dollars	US\$	385,644	299,035
<b>Liabilities (charges) / credits</b>			
Due to Bank Boston	US\$	(153,958)	(198,683)
Income from exchange differences	US\$	231,686	100,352

### Note 18. Statement of cash flows

The Company has considered as cash equivalents all those investments made as part of the normal management of cash flows that mature in less than 90 days in conformity with Technical Bulleting No. 50 issued by the Chilean Accountants Association, as follows:

	<b>2002</b>	<b>2001</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Cash	3,124	5,377
Time deposits	439,431	131,367
Resale agreements on promissory notes issued by Banco Central de Chile (1)	237,902	156,431
Security Check mutual funds	3,270,846	—
International mutual funds	3,007,509	—
<b>Total</b>	<b>6,958,812</b>	<b>293,175</b>

(1) These amounts are included in "Other current assets".

Pursuant to Circular No. 1,312 of the Superintendency of Securities and Insurance, there are no financing or investing activities affecting future cash flows which are not disclosed in the notes to the financial statements.

### Note 19. Contingencies and covenants

At December 31, 2002 and 2001 the Company is not aware of any contingencies and covenants that might affect the interpretation of these financial statements.

### Note 20. Third party guarantees

At December 31, 2002 and 2001 the Company had not received guarantees from third parties.

**Note 21. Local and foreign currency**

Foreign currency assets detailed in the note about marketable securities, and short- and long-term liabilities with financial institutions in 2002 and 2001 arising from a loan provided by Banco Boston, are accounted for as indicated in note 2e.

**Assets**

Item	Currency	Amount	
		2002 ThCh\$	2001 ThCh\$
Current assets:			
Cash	Non-indexed Ch\$	3,124	5,377
Time deposits	Non-indexed Ch\$	40,452	—
Time deposits	US\$	300,600	90,719
Time deposits	UF	98,379	40,648
Marketable securities	Non-indexed Ch\$	6,278,355	5,840,593
Other receivables	Non-indexed Ch\$	45,577	148,917
Due from related companies	Non-indexed Ch\$	1,083,311	667,259
Refundable taxes	Indexed Ch\$	8,026	17,031
Other current assets	Indexed Ch\$	248,799	219,378
Deferred taxes	Indexed Ch\$	65,425	3,643
Fixed assets:			
Net fixed assets	Indexed Ch\$	87,608	131,952
Other assets:			
Investments in related companies	Indexed Ch\$	114,701,313	113,828,558
Goodwill	Indexed Ch\$	495,028	537,951
Discount on bond placemant	UF	479,257	581,956
Total assets	Non-indexed Ch\$	7,450,819	6,662,146
	US\$	300,600	90,719
	UF	577,636	622,604
	Indexed Ch\$	115,606,199	114,738,513

## Current liabilities

Item	Currency	Up to 90 days				90 days to 1 year			
		2002		2001		2002		2001	
		Amount	Average annual interest	Amount	Average annual interest	Amount	Average annual interest	Amount	Average annual interest
			rate		rate		rate		rate
		ThCh\$	%	ThCh\$	%	ThCh\$	%	ThCh\$	%
Accounts payable	Indexed Ch\$	76,803	—	79,108	—	—	—	—	—
Accruals and withholdings	Indexed Ch\$	42,914	—	36,033	—	—	—	—	—
Deferred taxes	Indexed Ch\$	1,798	—	10,107	—	—	—	—	—
Liabilities with banks and financial institutions	UF	—	—	—	—	2,785,107	4.01	2,209,657	6.75
Liabilities with banks and financial institutions	US\$	—	—	—	—	1,108,845	3.95	1,061,597	8.75
Bonds payable	UF	—	—	—	—	2,042,774	5.90	2,080,035	5.90
Due to related companies	Indexed Ch\$	4,775	—	—	—	—	—	—	—
Other current liabilities	Indexed Ch\$	478,908	—	—	—	—	—	—	—
<b>Total current liabilities</b>									
	Indexed Ch\$	605,198		125,248		—		—	
	UF	—		—		4,827,881		4,289,692	
	US\$	—		—		1,108,845		1,061,597	
<b>Total</b>		<b>605,198</b>		<b>125,248</b>		<b>5,936,726</b>		<b>5,351,289</b>	

## Long-term liabilities

2002

Item	Currency	1 to 3 years		3 to 5 years		5 to 10 years		More than 10 years	
		Amount ThCh\$	Average annual interest	Amount ThCh\$	Average annual interest	Amount ThCh\$	Average annual interest	Amount ThCh\$	Average annual interest
			rate		rate		rate		rate
			%		%		%		%
Liabilities with banks and									
financial institutions	UF	9,845,991	4.01	2,077,152	4.01	—	—	—	—
Liabilities with banks and									
financial institutions	US\$	2,083,970	3.95	—	—	—	—	—	—
Bonds payable	UF	5,581,374	5.90	1,860,455	5.90	—	—	—	—
<b>Total long-term liabilities</b>									
	UF	15,427,365		3,937,607		—		—	
	US\$	2,083,970		—		—		—	
<b>Total</b>		17,511,335		3,937,607		—		—	

## Long-term liabilities

2001

Item	Currency	1 to 3 years		3 to 5 years		5 to 10 years		More than 10 years	
		Amount ThCh\$	Average annual interest	Amount ThCh\$	Average annual interest	Amount ThCh\$	Average annual interest	Amount ThCh\$	Average annual interest
			rate		rate		rate		rate
			%		%		%		%
Liabilities with banks and									
financial institutions	UF	5,014,724	6.75	3,017,172	6.75	1,017,999	6.75	—	—
Liabilities with banks and									
financial institutions	US\$	2,461,979	6.75	1,641,319	6.75	820,642	6.75	—	—
Bonds payable	UF	5,583,513	5.90	3,722,341	5.90	—	—	—	—
<b>Total long-term liabilities</b>									
	UF	10,598,237		6,739,513		1,017,999		—	
	US\$	2,461,979		1,641,319		820,642		—	
<b>Total</b>		13,060,216		8,380,832		1,838,641		—	

**Note 22. Sanctions**

In 2002 and 2001 no sanctions were imposed on the Company, its Directors and its Management by the Superintendency of Securities and Insurance or by any other administrative authorities.

**Note 23. Subsequent events**

From January 1 to February 24, 2003, the date these financial statements are issued, there have been no subsequent events that would materially affect them.

**Note 24. Environment**

Being a completely financial entity, the Company has not made disbursements in connection with environmental activities.

RENATO PEÑAFIEL M.  
President

GABRIEL BECERRA T.  
General Accountant

## 6.2 consolidated financial statements

at December 31, 2002 and 2001. Includes Independent Auditors' Report

### contents

• independent auditors' report	79
• balance sheets	80
• statements of income	82
• statements of cash flows	83
• notes to the financial statements	84

ThCh\$ = Thousands of Chilean pesos

MCh\$ = Millions of Chilean pesos

UF = Indexed unit of account

US\$ = US dollar



# independent auditors' report

---



To the Shareholders  
Grupo Security S.A.

We have audited the accompanying consolidated balance sheets of Grupo Security S.A. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income and cash flows for the years then ended. These consolidated financial statements (including the related notes) are the responsibility of the management of Grupo Security S.A.. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements at December 31, 2001 of Seguros Security Previsión Generales S.A., Seguros Vida Security Previsión S.A. and Corredora de Seguros Security Ltda. (indirect subsidiaries of the Company) which represent 10.29% of the Company's total assets and 14.96% of the Company's net income for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

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

In our opinion, the consolidated financial statements as of December 31, 2002 present fairly, in all material respects, the financial position of Grupo Security S.A. and subsidiaries, and the consolidated results of their operations and their cash flows for the year then ended and, based on our audit and the reports of the other auditors, the consolidated financial statements as of December 31, 2001 present fairly, in all material respects, the financial position of Grupo Security S.A. and subsidiaries, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Chile.

The translation of the financial statements into English has been made solely for the convenience of our English - speaking readers.



Jorge Rodríguez R.



Deloitte & Touche  
Febrero 24, 2003

## consolidated balance sheets

For the years ended December 31, 2002 and 2001 (In thousands of Chilean pesos - ThCh\$)

	2002	2001
	ThCh\$	ThCh\$
<b>Assets</b>		
<b>Current:</b>		
Cash and banks	1,280,565	798,225
Time deposits	1,908,252	1,036,096
Marketable securities	6,943,728	6,689,759
Trade accounts receivable, net	62,344,623	47,890,343
Notes receivable	7,457,250	7,343,420
Other receivables	818,808	432,603
Due from related companies	1,331,128	2,382,113
Inventories	4,354,588	26,018
Recoverable taxes	367,196	306,715
Deferred taxes	937,132	478,897
Other current liabilities	3,670,019	3,514,228
<b>Total current assets</b>	<b>91,413,289</b>	<b>70,898,417</b>
<b>Fixed assets:</b>		
Buildings and infrastructure	556,897	451,131
Machinery and equipment	790,859	738,134
Other fixed assets	1,926,163	1,078,856
Accumulated depreciation	(1,259,755)	(607,994)
<b>Total fixed assets - net</b>	<b>2,014,164</b>	<b>1,660,127</b>
<b>Other assets:</b>		
Investments in related companies	96,084,660	94,400,105
Goodwill	4,220,344	4,483,604
Other receivables - long-term	—	1,540,603
Due from related companies	—	146,422
Intangibles	295,713	263,603
Other	10,569,775	9,439,297
<b>Total other assets</b>	<b>111,170,492</b>	<b>110,273,634</b>
<b>Total assets</b>	<b>204,597,945</b>	<b>182,832,178</b>

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

	<b>2002</b>	<b>2001</b>
<b>Liabilities and Shareholders' equity</b>	<b>ThCh\$</b>	<b>ThCh\$</b>
<b>Current:</b>		
Short-term liabilities with banks and financial institutions	64,120,980	50,640,995
Current portion of long-term liabilities with banks and financial institutions	3,893,952	3,271,254
Current portion of bonds	2,042,774	2,080,035
Accounts payable	3,814,662	3,871,537
Notes payable	35,918	1,844
Other payables	352,061	107,060
Due to related companies	1,426,143	320,103
Accruals	1,774,746	1,310,885
Withholdings	327,533	—
Other current liabilities	5,847,235	111,774
<b>Total current liabilities</b>	<b>83,636,004</b>	<b>61,715,487</b>
<b>Long-term liabilities:</b>		
Liabilities with banks and financial institutions	15,680,857	15,552,279
Bonds payable	7,441,829	9,305,854
Notes payable	108,249	409,329
Other payables - long-term	49,899	61,765
Deferred taxes	166,207	394,331
Other long-term liabilities	370,165	755,954
<b>Total long-term liabilities</b>	<b>23,817,206</b>	<b>26,479,512</b>
<b>Minority interest</b>	<b>1,200,347</b>	<b>1,279,423</b>
<b>Shareholders' equity:</b>		
Paid-in capital	43,741,042	43,741,042
Share premium	19,648,906	19,648,906
Other reserves	3,384,851	3,032,244
Retained earnings	23,272,130	19,133,293
Interim dividends	(455,498)	(682,427)
Accumulated deficit in development stage	(991,506)	(633,106)
Net income	7,344,463	9,117,804
<b>Total shareholders' equity - net</b>	<b>95,944,388</b>	<b>93,357,756</b>
<b>Total liabilities and shareholders' equity</b>	<b>204,597,945</b>	<b>182,832,178</b>

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

## consolidated statements of income

For the years ended December 31, 2002 and 2001 (In thousands of Chilean pesos - ThCh\$)

	2002 ThCh\$	2001 ThCh\$
Sales	22,815,607	21,126,546
Cost of sales	(8,757,041)	(7,360,447)
<b>Gross margin</b>	<b>14,058,566</b>	<b>13,766,099</b>
Administrative and selling expenses	(15,390,187)	(12,040,509)
<b>Operating results</b>	<b>(1,331,621)</b>	<b>1,725,590</b>
<b>Other income (expenses):</b>		
Financial income	496,419	908,681
Equity in income of related companies	10,728,370	10,817,364
Other non-operating income	424,871	194,049
Equity in losses of related companies	(572,967)	(530,314)
Amortization of goodwill	(269,702)	(268,635)
Financial expenses	(2,387,893)	(2,270,603)
Other non-operating expenses	(358,519)	(88,416)
Price-level restatement	(324,307)	(633,535)
Exchange differences	420,751	65,871
<b>Other income</b>	<b>8,157,023</b>	<b>8,194,462</b>
<b>Income before income taxes, and minority interest</b>	<b>6,825,402</b>	<b>9,920,052</b>
Income tax	301,939	(361,190)
Income before minority interest	7,127,341	9,558,862
<b>Minority interest</b>	<b>217,122</b>	<b>(441,058)</b>
<b>Net income</b>	<b>7,344,463</b>	<b>9,117,804</b>

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

# consolidated statements of cash flows

For the years ended December 31, 2002 and 2001 (In thousands of Chilean pesos - ThCh\$)

	2002 ThCh\$	2001 ThCh\$
<b>Cash flows from operating activities:</b>		
Net income for the year	7,344,463	9,117,804
Results from sale of assets	–	6,185
<b>Charges (credits) to income that do not represent cash flows:</b>		
Depreciation for the year	521,190	294,882
Amortization of intangibles	91,967	13,882
Accruals and write-offs	1,927,548	2,342,672
Equity in income of related companies	(10,728,370)	(10,817,364)
Equity in losses of related companies	572,967	530,314
Amortization of goodwill	269,702	268,635
Price-level restatement - net	324,307	633,535
Exchange differences - net	(420,751)	(65,871)
Minority interest	(217,122)	441,058
Other charges (credits) to income that do not represent cash flows	(137,283)	364,238
<b>Decreases (increases) in assets, affecting cash flows:</b>		
Trade accounts receivable	(17,713,983)	4,416,754
Inventories	2,569,183	339,053
Other assets	14,555,171	13,443,813
<b>Increases (decreases) in liabilities, affecting cash flows:</b>		
Accounts payable related to operating results	5,277,738	(527,501)
Interest payable	750,041	–
Income tax payable	(26,728)	(1,247,800)
Other accounts payable related to non-operating results	114,818	–
VAT and other similar taxes payable	104,152	–
<b>Net cash provided by operating activities</b>	<b>5,179,010</b>	<b>19,554,289</b>
<b>Cash flows from financing activities:</b>		
Loans obtained	61,888,225	52,704,875
Other sources of financing	165,247	–
Payment of dividends	(4,414,173)	(5,217,108)
Repayment of loans	(48,681,424)	(60,429,288)
Repayment of bonds	(1,728,248)	(2,778,619)
<b>Net cash provided by (used in) financing activities</b>	<b>7,229,627</b>	<b>(15,720,140)</b>
<b>Cash flows from investing activities:</b>		
Sale of other investments	154	–
Purchases of fixed assets	(952,821)	(661,531)
Permanent investments	(1,030,363)	(269,077)
Investments in financial instruments	–	(698,740)
Documented loans to related companies	(563,555)	–
Other investment disbursements	(2,255,857)	(2,473,057)
<b>Net cash used in investing activities</b>	<b>(4,802,442)</b>	<b>(4,102,405)</b>
<b>Total net cash provided (used) during the year</b>	<b>7,606,195</b>	<b>(268,256)</b>
Effect of inflation on cash and cash equivalents	(75,250)	(79,092)
Net increase (decrease) in cash and cash equivalents	7,530,945	(347,348)
<b>Cash and cash equivalents at beginning of year</b>	<b>2,839,502</b>	<b>3,186,850</b>
<b>Cash and cash equivalents at end of year</b>	<b>10,370,447</b>	<b>2,839,502</b>

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

**Note 1. Company formation and registration**

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

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

**Note 2. Summary of significant accounting policies****a. Reporting periods**

These consolidated financial statements cover the years ended December 31, 2002 and 2001.

**b. General**

The consolidated financial statements of Grupo Security S.A. and subsidiaries as of December 31, 2002 and 2001 have been prepared in accordance with accounting principles generally accepted in Chile, except, as explained in Note 2d, for the investments in certain direct or indirect subsidiaries which, according to an authorization of the Superintendency, are reported on a single line in the balance sheet under the equity method, and therefore are not consolidated line-by-line. This treatment does not modify the net income for the years or the equity.

**c. Basis of presentation**

Amounts for 2001 included in the financial statements and notes have been price-level restated by 3.0% to allow comparison with the 2002 amounts (after certain reclassifications).

**d. Principles of consolidation**

The consolidated financial statements include assets, liabilities, results and cash flows of the Parent Company and its subsidiaries. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements for 2002 and 2001, and recognition has been given to minority interest.

Due to the dissimilarity of their business lines, the financial statements of Banco Security and its subsidiaries, of which Grupo Security S.A. owns 99.99%, have not been consolidated, nor Seguros Vida Security Previsión S.A., nor Seguros Security Previsión Generales S.A., which in 2002 and 2001 are indirect subsidiaries of Grupo Security S.A. as they are currently owned by Inversiones Seguros Security Ltda. Due to the significance of the investment in these companies for Grupo Security S.A., Note 9 includes the balance sheets and income statements of these companies for 2002 and 2001. Also, some indirect subsidiaries have not been consolidated as they are in a development stage.

At December 31, 2002 and 2001, the consolidated Group comprises:

Taxpayer ID N°	Company	Ownership percentage			2001
		2002			
		Direct %	Indirect %	Total %	Total %
96.655.860-1	Factoring Security S.A.	99.9999	0.0000	99.9999	99.9999
78.769.870-0	Inversiones Seguros Security Limitada y filiales	99.9990	0.0000	99.9990	99.9990
96.803.620-3	Asesorías Security S.A. y filiales (Ex - Merchant Security S.A.)	99.8001	0.1999	100.0000	100.0000
96.786.270-3	Inmobiliaria Security S.A. y filiales	99.9999	0.0000	99.9999	99.9999
77.461.880-5	Inversiones Invest Security Limitada y filiales	99.8100	0.0000	99.8100	99.8100

#### e. Price-level restatement

In order to report the effects of the change in the currency's purchasing power during the period, non-monetary assets and liabilities, shareholders' equity and income statement accounts have been restated for the change in the Consumer Price Index (CPI), which was 3.0% between January 1 and December 31, 2002 (3.1% in 2001).

#### f. Foreign currency

Assets and liabilities in foreign currencies are shown at their Chilean peso equivalent, converted at the exchange rate of Ch\$718.61 = US\$1 at December 31, 2002 (Ch\$654.79 = US\$1 at December 31, 2001).

Amounts expressed in inflation indexed units of account (UF) have been converted at the rate of Ch\$16,744.12 = UF1 at December 31, 2002 (Ch\$16,262.66 = UF1 at December 31, 2001).

#### g. Time deposits

Time deposits are valued at face value plus monetary correction and accrued interest at each year's end.

#### h. Marketable securities

These are basically bonds issued by companies and mutual funds, which are stated at the lower between price-level restated cost plus accrued interest, and market value, and at year-end unit value, respectively.

#### i. Commissions receivable

These are included in trade accounts receivable and relate to commissions on insurance policies brokered for the insurance companies of the indirect subsidiary Corredora de Seguros Security Ltda..

#### j. Allowance for uncollectible accounts

This allowance relates basically to the indirect subsidiary Travel Security S.A., and is calculated on the basis of the age of accounts receivable.

**k. Factoring**

Loans for factoring are shown in trade accounts receivable at the acquisition cost of the invoices and documentation, which relates to their face value after deducting the retention and the unearned price difference.

**l. Recognition of price difference**

The price difference arising from factoring loans is recognized as revenue on the basis of the maturities of the acquired papers.

**m. Allowance for assets at risk**

The direct subsidiary Factoring Security S.A. has accrued at each year end an allowance to cover the risks of losses on assets of doubtful recovery which has been calculated on the basis of a risk analysis performed by management.

**n. Inventories**

These are departments, parking lots and warehouses in the buildings owned by the subsidiary Inmobiliaria Security S.A., which are now completed and available for sale. They are valued at their price-level restated construction cost.

**o. Fixed assets**

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

**p. Depreciation of fixed assets**

The year's depreciation has been calculated on the price-level restated fixed asset values in accordance with the remaining useful life years assigned to the assets. Depreciation is calculated using the straight-line method.

**q. Capital leases**

Real estate and chattel under capital leases are accounted for as purchases of fixed assets, with the total liability and the related interest being recorded on the accrual basis. These assets are not legally owned by the Company and its subsidiaries until they exercise their purchase option, after which they may freely dispose of them.

**r. Client portfolio**

This relates to the payment for the rights acquired in the purchase by the indirect subsidiary Corredora de Seguros Security Ltda. of the portfolio of clients from a number of insurance brokers. These rights are shown in "Other assets" (Note 11) and are amortized over 15 years.

**s. Investments in related companies**

These investments are valued under the equity method of accounting. Where appropriate, the subsidiaries' equity deficit is recognized in long-term liabilities.

**t. Goodwill**

At December 31, 2002 and 2001 the balance of this item represents the goodwill in the purchase of 99.999% of Banco Security, 99.99% of Factoring Security S.A., and indirect subsidiaries Seguros Vida Security Previsión S.A. (65.3482%), Seguros Security Previsión Generales S.A. (94.935%), Travel Security S.A. (75%), Agencias Security S.A. (99.00%) and Asesoría Security S.A. (99.90%), and which is being amortized over 20 years.



**u. Goodwill in securitization of debt securities - separate equity -**

Corresponds to goodwill on placement of securitization of debt securities of a separate equity, compared to par value. This goodwill is shown in "Other assets" and is amortized using the straight-line method over the term of the debt security.

**v. Intangibles**

These are rights over trademarks of the indirect subsidiary Travel Security S.A. and are amortized over a maximum period of 20 years.

**w. Resale agreements**

Resale agreements are valued at purchase cost plus accrued interest on the basis of the interest rate determined between the purchase cost and the value of the sale at the committed date of sale. Resale agreements are shown under Other current assets.

**x. Recoverable taxes**

This comprises the balance of estimated monthly payments after deducting the annual income tax payable, plus training credits and other taxes recoverable. It also includes the VAT credit that can be used in subsequent years.

**y. Bonds payable**

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

**z. Accounts payable**

The obligation from acquiring the portfolio of the subsidiary Corredora de Seguros Security is recorded under short and long term liabilities, and its valuation has been estimated considering the contracts' provisions.

**aa. Income taxes and deferred taxes**

The Company recognizes its tax obligations in accordance with current laws.

Deferred taxes arising from items that have a tax treatment other than the book treatment are recorded in accordance with Technical Bulletin No. 60 of the Chilean Institute of Accountants, as amended. The income tax rate applied is that of the year in which the temporary difference that gave rise to the deferred tax reverses.

**ab. Capital leases**

The direct subsidiary Factoring Security S.A.'s capital leases consist of lease contracts with a clause giving the lessee a purchase option over the leased asset at the end of the related contract. Outstanding lease operations at December 31, 2002 and 2001 include terms of up to 168 months (180 months in 2001).

These operations are valued in accordance with generally accepted accounting principles in Chile and are included in current and long-term assets. Amounts receivable are net of unearned interest, of not due value-added tax and of accruals for losses on contracts.

**ac. Revenue recognition**

The Company recognizes as revenue the cost of the services when these have been rendered.

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

The indirect subsidiary Corredora de Seguros Security Limitada's revenue relates to commissions earned on documented policies and paid to the Company.

**ad. Forward contracts**

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

**ae. Employee vacations**

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

**af. Software**

Software has been acquired as packages and, is accounted for in "Other fixed assets" and is amortized over 4 years in accordance with Circular No. 981 of the Superintendency of Securities and Insurance.

**ag. Cash equivalents**

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

**Note 3. Accounting changes**

At December 31, 2002 no accounting changes with respect to 2001 have occurred that might affect the interpretation of these financial statements.

#### Note 4. Marketable securities

The detail of marketable securities accounted for as described in Note 2.h. is as follows:

	2002 ThCh\$	2001 ThCh\$
Fixed income mutual fund units	6,916,194	849,166
General Electric Corp. bonds	—	5,840,593
Mortgage notes in BCI	27,534	—
<b>Total</b>	<b>6,943,728</b>	<b>6,689,759</b>

#### Note 5. Short and long-term receivables

At December 31, 2002 and 2001, the detail is as follows:

Item	Current							Total	
	Up to 90 days		More than 90 days up to 1 year		Subtotal	current (net)		Long-term	
	2002 ThCh\$	2001 ThCh\$	2002 ThCh\$	2001 ThCh\$	2002 ThCh\$	2002 ThCh\$	2001 ThCh\$	2002 ThCh\$	2001 ThCh\$
Trade accounts receivable	24,274,269	4,734,491	41,755,565	46,029,514	66,029,834	62,344,623	47,890,343	—	1,540,603
Allowance for uncollectible accounts	—	—	—	—	(3,685,211)	—	—	—	—
Notes receivable	7,457,250	960,014	—	6,386,546	7,457,250	7,457,250	7,343,420	—	—
Allowance for uncollectible accounts	—	—	—	—	—	—	—	—	—
Other receivables	818,808	432,603	—	—	818,808	818,808	432,603	—	—
Allowance for uncollectible accounts	—	—	—	—	—	—	—	—	—
								—	1,540,603

#### Note 6. Significant balances and transactions with related parties

During 2002 and 2001, balances and transactions with related parties relate basically to consulting services rendered to the subsidiaries and mercantile current accounts kept with them. They mature every 30 days and bear interest at an annual rate of 5.5%.

At December 31, 2002 and 2001, balances and transactions with related parties are as follows:

**a. Notes and accounts receivable:**

Taxpayer ID N°	Company	Short-term		Long-term	
		2002 ThCh\$	2001 ThCh\$	2002 ThCh\$	2001 ThCh\$
99.302.000-1	Seguros Security Previsión Generales S.A.	2,010	50,790	—	—
77.611.170-8	Inmobiliaria Security Once Limitada	435,601	—	—	—
77.441.660-9	Inmobiliaria Security Nueve Limitada	304,542	264,031	—	—
77.464.540-3	Inmobiliaria Security Diez Limitada	399,063	337,666	—	—
97.053.000-2	Banco Security	67,752	142,231	—	—
96.639.280-0	Administradora de Fondos Mutuos Security S.A.	67,682	26,758	—	—
96.515.580-5	Valores Security S.A. Corredores de Bolsa	30,108	36,050	—	—
77.395.580-8	Inmobiliaria Security Ocho Limitada	—	1,519,563	—	—
96.847.360-3	Patrimonio Separado BSECS-1	5,022	5,024	—	—
96.847.360-3	Patrimonio Separado BSECS-4	19,348	—	—	—
77.666.140-6	Corredora de Reaseguros Security Limitada	—	—	—	65,013
86.166.600-K	Inversiones Jaime Donoso y Cía. Limitada	—	—	—	81,409
<b>Total</b>		<b>1,331,128</b>	<b>2,382,113</b>	<b>—</b>	<b>146,422</b>

**b. Notes and accounts payable:**

Taxpayer ID N°	Company	Short-term	
		2002 ThCh\$	2001 ThCh\$
97.053.000-2	Banco Security	317,888	—
86.166.600-K	Inversiones Jaime Donoso y Cía. Limitada	—	320,103
99.302.000-1	Seguros Security Previsión Generales S.A.	34,199	—
96.889.990-2	Inmobiliaria Ventisquero Oeste S.A.	1,074,056	—
<b>Total</b>		<b>1,426,143</b>	<b>320,103</b>

### c. Transactions

Company	Taxpayer ID N°	Relationship	Transaction	2002		2001	
				Amount	Effects on	Amount	Effects on
					income		income
				ThCh\$	ThCh\$	ThCh\$	ThCh\$
Banco Security	97.053.000-2	Direct subsidiary	Time deposits	18,421,021	184,542	13,225,530	121,664
Banco Security	97.053.000-2	Direct subsidiary	Loans	1,755,954	(277,887)	9,226,523	1,314
Banco Security	97.053.000-2	Direct subsidiary	Purchase of lease contract	—	—	46,680	—
Banco Security	97.053.000-2	Direct subsidiary	Consulting and brokerage				
			of real estate	163,636	160,636	1,183,080	1,183,080
Banco Security	97.053.000-2	Direct subsidiary	Commissions	—	—	9,580	(9,580)
Banco Security	97.053.000-2	Direct subsidiary	Other	—	8	—	—
Banco Security	97.053.000-2	Direct subsidiary	Sales	—	36,563	36,563	36,563
Banco Security	97.053.000-2	Direct subsidiary	Services	106,989	106,989	—	—
Banco Security	97.053.000-2	Direct subsidiary	Consulting	3,073,808	2,494,504	—	—
Banco Security	97.053.000-2	Direct subsidiary	Rental	9,039	(9,039)	3,348	(3,348)
Banco Security	97.053.000-2	Direct subsidiary	Commissions	7,045	(7,045)	—	—
Banco Security	97.053.000-2	Direct subsidiary	Purchase of fixed assets	—	—	900,900	—
Valores Security S.A. Corredores de Bolsa	96.515.580-5	Indirect subsidiary	Financial investments	7,854,121	16,484	4,764,100	43,579
Valores Security S.A. Corredores de Bolsa	96.515.580-5	Indirect subsidiary	Sales	—	2,531	—	—
Valores Security S.A. Corredores de Bolsa	96.515.580-5	Indirect subsidiary	Consulting	318,331	36,050	36,050	36,050
Seguros Security Previsión Generales S.A.	99.302.000-1	Indirect subsidiary	Invoices receivable	957	957	—	—
Seguros Security Previsión Generales S.A.	99.302.000-1	Indirect subsidiary	Services	39,465	39,465	—	—
Seguros Security Previsión Generales S.A.	99.302.000-1	Indirect subsidiary	Consulting	139,540	11,125	108,196	(108,196)
Seguros Security Previsión Generales S.A.	99.302.000-1	Indirect subsidiary	Commissions	415,194	(415,194)	247,301	(247,301)
Seguros Security Previsión Generales S.A.	99.302.000-1	Indirect subsidiary	Sales	—	—	11,250	(11,250)
Seguros Vida Security Previsión S.A.	99.301.000-6	Indirect subsidiary	Consulting	148,371	148,371	—	8,187
Seguros Vida Security Previsión S.A.	99.301.000-6	Indirect subsidiary	Commissions	130,720	(130,720)	108,696	108,696
Seguros Vida Security Previsión S.A.	99.301.000-6	Indirect subsidiary	Insurance policy hired	1,724	(1,724)	—	—
Inmobiliaria Security Ocho Limitada	77.395.580-8	Indirect subsidiary	Consulting	—	—	74,650	74,650
Inmobiliaria Security Ocho Limitada	77.395.580-8	Indirect subsidiary	Mercantile current account	—	—	1,519,562	114,032
Inmobiliaria Security Nueve Limitada	77.441.660-9	Indirect subsidiary	Mercantile current account	85,977	29,477	264,031	22,422
Inmobiliaria Security Nueve Limitada	77.441.660-9	Indirect subsidiary	Interest write-off provision	37,776	(37,776)	—	—
Inmobiliaria Security Diez Limitada	77.464.540-3	Indirect subsidiary	Mercantile current account	121,728	37,728	337,666	28,269
Inmobiliaria Security Diez Limitada	77.464.540-3	Indirect subsidiary	Interest write-off provision	50,496	(50,496)	—	—
Inmobiliaria Security Once Limitada	77.611.170-8	Indirect subsidiary	Mercantile current account	421,747	11,747	359,870	12,632

**Note 7. Inventories**

At December 31, 2002 and 2001, the detail is as follows:

	Quantity	2002 ThCh\$	2001 ThCh\$
<b>a. Inmobiliaria SH Uno Ltda.</b>			
Parking lots	7	26,018	26,018
<b>b. Inmobiliaria Security Ocho Ltda.</b>			
Departments	63	3,818,004	—
Parking lots	89	426,307	—
Warehouses	63	84,259	—
<b>Totals</b>		<b>4,354,588</b>	<b>26,018</b>

**Note 8. Income tax and deferred taxes****a. Recoverable taxes:**

At December 31, 2002 and 2001 the detail of recoverable taxes is as follows:

	2002 ThCh\$	2001 ThCh\$
Corporate income tax	(261,595)	(299,078)
Subtotal	(261,595)	(299,078)
Estimated monthly payments	203,902	589,822
Recoverable from tax loss	131,553	—
VAT credit	81,044	—
Other credits	212,292	15,971
<b>Total recoverable taxes</b>	<b>367,196</b>	<b>306,715</b>

**b. Accumulated tax results:**

At December 31, 2002 and 2001, the detail of the Parent Company's accumulated tax results is as follows:

Taxable profits ledger (FUT)	No credit	With credit 9%	With credit 10%	With credit 15%	Totals
Grupo Security S.A.	Ch\$	Ch\$	Ch\$	Ch\$	Ch\$
FUT balance at December 31, 2001	1,889,414,452	121,375,852	678,410,308	6,830,925,215	9,520,125,827
FUT balance at December 31, 2002	1,946,096,886	125,017,128	698,762,617	323,130,285	3,093,006,916

c. At December 31, 2002 and 2001, the detail of the income tax and deferred taxes is as follows:

Items	Deferred taxes							
	2002				2001			
	Asset	Liability	Asset	Liability	Short-term	Long-term	Short-term	Long-term
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
<b>Temporary differences:</b>								
Vacations accrual	36,006	—	—	—	18,050	—	—	—
Leased assets	—	—	32,318	637,788	—	—	97,448	787,705
Depreciation of fixed assets	—	—	3,340	11,531	—	—	3,087	11,061
Accrual for consulting	29,621	—	—	—	—	—	—	—
Allowance for uncollectible accounts	630,081	—	—	—	459,521	—	—	—
Accrual for bonuses	8,250	—	—	—	7,725	—	—	—
Miscellaneous accruals	142,433	—	—	—	101,088	—	—	—
Tax losses	4,108	223,832	—	—	10,444	107,405	—	—
Capital leases	1,935	606,872	—	—	—	631,621	—	—
Valuation of portfolio	—	—	—	—	—	—	7,288	90,332
Tax credits	—	—	1,798	—	—	—	10,108	—
Other accruals	138,471	—	—	—	—	—	—	—
Tax value of leased asset	—	—	—	—	—	—	—	—
Deferred expenses	—	—	12,465	218,335	—	—	—	—
Other events	—	—	3,852	82,027	—	—	—	—
<b>Total deferred taxes</b>	<b>990,905</b>	<b>830,704</b>	<b>53,773</b>	<b>949,681</b>	<b>596,828</b>	<b>739,026</b>	<b>117,931</b>	<b>889,098</b>
Complementary accounts balance	—	—	—	(24,556)	—	(27,248)	—	(9,944)
Valuation allowance	—	(71,786)	—	—	—	(22,325)	—	—
<b>Net balance per balance sheet</b>	<b>990,905</b>	<b>758,918</b>	<b>53,773</b>	<b>925,125</b>	<b>596,828</b>	<b>689,453</b>	<b>117,931</b>	<b>879,154</b>

## Income tax:

Item	2002 ThCh\$	2001 ThCh\$
Current tax expense (income tax accrual)	(261,595)	(299,078)
Tax expense adjustment (prior year)	(20)	11,376
Effect of the year's deferred taxes on assets and liabilities	489,330	(34,645)
Tax benefit from tax losses	131,553	110,058
Amortization of complementary accounts of deferred assets and liabilities	41,860	(127,159)
Effect of change of valuation provision on deferred tax assets and liabilities	(49,461)	(22,325)
Other charges or credits	(49,728)	583
<b>Total net credit (charge) to income</b>	<b>301,939</b>	<b>(361,190)</b>

**Note 9. Investments in related companies**

As of December 31, 2002 and 2001, these investments are valued as explained in Note 2s, and are detailed as follows:

Company	Ownership percentage		Equity in company		the year		Results for (losses)		Equity in earnings Equity value		Book value of investment	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	%	%	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Banco Security	99.9990	99.9990	87,984,541	86,695,373	10,068,598	10,012,633	10,068,497	10,012,533	87,983,661	86,694,506	87,983,661	86,694,506
Seguros Previsión Generales S.A.	96.2930	94.9350	2,944,830	2,503,370	(595,023)	(558,609)	(572,967)	(530,314)	2,835,665	2,376,574	2,835,665	2,376,574
Seguros Vida Security Previsión S.A.	65.3480	65.3482	8,052,418	8,148,732	1,009,783	1,231,603	659,873	804,831	5,262,094	5,325,050	5,262,094	5,325,050
Inmobiliaria Security Nueve Limitada	99.0000	99.0000	(156,544)	(106,715)	—	—	—	—	—	—	—	—
Inmobiliaria Security Ocho Limitada	60.0000	60.0000	(140,369)	(381,868)	—	—	—	—	—	—	—	—
Inmobiliaria Security Diez Limitada	99.0000	99.0000	(198,699)	(130,874)	—	—	—	—	—	—	—	—
Inmobiliaria Security Once Limitada	99.0000	99.0000	(14,921)	(13,649)	—	—	—	—	—	—	—	—
Besec-12 Separate equity	0.0000	0.0000	—	—	—	—	—	—	3,240	3,975	3,240	3,975
									<b>96,084,660</b>	<b>94,400,105</b>	<b>96,084,660</b>	<b>94,400,105</b>



The balance sheets of the non-consolidated companies are also included as described in Note 2.d.

#### BANCO SECURITY

	2002	2001		2002	2001
<b>Assets</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>Liabilities and shareholders' equity</b>	<b>MCh\$</b>	<b>MCh\$</b>
Cash	93,585	87,519	Deposits and other liabilities	874,719	751,217
Net loans	845,535	773,451	Bonds payable	46,549	48,341
Other credit operations	7,747	7,937	Loans from financial institutions	113,529	136,936
Investments	172,300	144,823	Other liabilities	29,592	23,165
Other assets	20,787	20,306	Voluntary allowances	33	—
Fixed assets	12,461	12,325	Minority interest	8	6
			Capital and reserves	76,040	75,074
			Other equity accounts	1,877	1,609
			Income for the year	10,068	10,013
<b>Total assets</b>	<b>1,152,415</b>	<b>1,046,361</b>	<b>Total liabilities and shareholders' equity</b>	<b>1,152,415</b>	<b>1,046,361</b>

**Consolidated Statements of Income**

For the years ended December 31, 2002 and 2001 (In millions of Chilean pesos - MCh\$)

	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Operating revenue	95,129	101,552
<b>Less:</b>		
Interest and indexation expenses	(47,364)	(59,170)
Loss in intermediation of securities	(4,283)	(2,930)
Expenses for commissions	(44)	(167)
Other operating expenses	(322)	(1,261)
<b>Gross margin</b>	<b>43,116</b>	<b>38,024</b>
Employee salaries and expenses	(9,315)	(10,303)
Administrative and other expenses	(10,091)	(9,421)
Depreciation and amortization	(2,143)	(1,285)
<b>Net margin</b>	<b>21,567</b>	<b>17,015</b>
Provisions for assets at risk	(7,555)	(6,849)
Recovery of written-off loans	240	262
<b>Operating results</b>	<b>14,252</b>	<b>10,428</b>
Non-operating results	1,686	2,055
Other expenses	(1,970)	(616)
Income from permanent investments	44	276
Price-level restatement	(1,836)	(1,824)
<b>Income before taxes</b>	<b>12,176</b>	<b>10,319</b>
Income taxes	(2,073)	(305)
<b>Income before minority interest and voluntary provisions</b>	<b>10,103</b>	<b>10,014</b>
Minority interest	(2)	(1)
Voluntary provisions	(33)	—
<b>Income for the year</b>	<b>10,068</b>	<b>10,013</b>

**SEGUROS VIDA SECURITY PREVISION S.A.**

Balance Sheets at December 31 of 2002 and 2001

(In millions of Chilean pesos - MCh\$)

	<b>2002</b>	<b>2001</b>		<b>2002</b>	<b>2001</b>
<b>Assets</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>Liabilities and share- holders' equity</b>	<b>MCh\$</b>	<b>MCh\$</b>
Investments	52,684	54,722	Reserve for claims	45,989	46,345
Receivables for premiums	1,335	1,293	Other liabilities	3,581	2,807
Reinsurance	1,850	476	Capital and reserves	7,042	6,917
Other assets	1,753	810	Results for the year	1,010	1,232
<b>Total assets</b>	<b>57,622</b>	<b>57,301</b>	<b>Total liabilities and shareholders' equity</b>	<b>57,622</b>	<b>57,301</b>

**Statements of Income**

For the years ended December 31, 2002 and 2001

(In millions of Chilean pesos - MCh\$)

	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Operating revenue	16,126	14,865
Operating costs	(18,676)	(17,381)
<b>Operating results</b>	<b>(2,550)</b>	<b>(2,516)</b>
Revenue from investments	4,001	3,879
Financial expenses	(1)	(16)
Other expenses	(327)	(7)
<b>Non-operating results</b>	<b>3,673</b>	<b>3,856</b>
<b>Subtotal</b>	<b>1,123</b>	<b>1,340</b>
Price-level restatement	(143)	(66)
Other income	189	156
Income tax	(159)	(198)
<b>Results for the year</b>	<b>1,010</b>	<b>1,232</b>

**SEGUROS SECURITY PREVISION GENERALES S.A.**

Balance Sheets at December 31 of 2002 and 2001

(In millions of Chilean pesos - MCh\$)

	<b>2002</b>	<b>2001</b>		<b>2002</b>	<b>2001</b>
<b>Assets</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>Liabilities and share- holders' equity</b>	<b>MCh\$</b>	<b>MCh\$</b>
Investments	3,097	3,559	Reserve for claims	9,006	9,846
Receivables for premiums	7,793	8,206	Technical liabilities	1,053	1,249
Reinsurance	1,786	1,418	Other liabilities	713	658
Other assets	1,041	1,073	Capital and reserves	3,540	3,062
			Results for the year	(595)	(559)
<b>Total assets</b>	<b>13,717</b>	<b>14,256</b>	<b>Total liabilities and shareholders' equity</b>	<b>13,717</b>	<b>14,256</b>

**Statements of Income**

For the years ended December 31, 2002 and 2001

(In millions of Chilean pesos - MCh\$)

	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Operating results:</b>		
Revenue from earned premiums	8,248	10,017
Cost of claims	(5,995)	(6,632)
Intermediation results	364	(785)
<b>Gross margin</b>	<b>2,617</b>	<b>2,600</b>
Administrative cost	(3,785)	(3,894)
<b>Operating results</b>	<b>(1,168)</b>	<b>(1,294)</b>
Revenue from investments	121	199
Other income and expenses	267	448
Price-level restatement	(36)	(58)
<b>Operating results</b>	<b>(816)</b>	<b>(705)</b>
Non-operating results	106	18
Results before income tax	(710)	(687)
Income tax	115	128
<b>Results for the year</b>	<b>(595)</b>	<b>(559)</b>

## Note 10. Goodwill

At December 31, 2002 and 2001 the detail of the goodwill, recorded in accordance with the criteria described in Note 2t., is as follows:

Taxpayer ID N° Company	2002		2001	
	Amount	Balance	Amount	Balance
	amortized during the year	of goodwill	amortized during the year	of goodwill
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
97.053.000-2 Banco Security	17,356	201,008	17,353	218,364
96.655.860-1 Factoring Security S.A.	25,567	294,020	25,232	319,587
99.302.000-1 Seguros Security Previsión Generales S.A.	67,050	1,075,669	67,050	1,142,719
99.301.000-6 Seguros Vida Security Previsión S.A.	103,357	1,645,161	103,356	1,748,518
79.740.720-8 Travel Security S.A.	52,379	934,092	52,379	986,471
96.710.680-1 Agencias Security S.A.	2,530	44,063	1,802	40,151
96.654.738-3 Asesorías Security S.A.	1,463	26,331	1,463	27,794
<b>Total</b>	<b>269,702</b>	<b>4,220,344</b>	<b>268,635</b>	<b>4,483,604</b>

## Note 11. Other assets

At December 31, 2002 and 2001 the detail of the other long-term assets is as follows:

	2002	2001
	ThCh\$	ThCh\$
Discount on placement of bonds	479,257	581,956
Accounts receivable for lease and others	92,141	—
Lease contracts	3,603,884	3,203,422
Long-term receivables	—	21,248
Accrued margin (1)	136,076	—
Acquired portfolio (insurance broker)	6,159,297	5,632,631
Loss on placement of securitization debt securities	76,047	—
Others	23,073	40
<b>Total</b>	<b>10,569,775</b>	<b>9,439,297</b>

(1) Corresponds to the accrued margin on 20 apartments sold in the Alto del Parque project. To date, the buyers have signed promises to purchase but the final public deeds have yet to be written and signed.

**Note 12. Short-term liabilities with banks and financial institutions**

At December 31, 2002 and 2001 the detail of short-term liabilities with banks is as follows:

Bank or financial institution	US dollar		UF		Non-indexed Ch\$		Totals	
	2002 ThCh\$	2001 ThCh\$	2002 ThCh\$	2001 ThCh\$	2002 ThCh\$	2001 ThCh\$	2002 ThCh\$	2001 ThCh\$
<b>Short-term</b>								
Banco de Chile	—	—	5,963,390	5,233,552	—	—	5,963,390	5,233,552
Corpbanca	—	—	3,785,999	733,674	—	—	3,785,999	733,674
Banco Estado	—	—	10,717,382	7,512,374	—	—	10,717,382	7,512,374
Banco de A. Edwards	—	—	536,419	3,783,895	—	394,951	536,419	4,178,846
Banco de Crédito e Inversiones	—	—	9,619,470	7,097,281	200,310	—	9,819,780	7,097,281
Banco BICE	—	—	2,065,357	—	393,993	—	2,459,350	—
Banco Santiago	—	—	4,987,892	5,431,443	—	257,500	4,987,892	5,688,943
Banco BHIF	—	—	—	1,946,086	—	—	—	1,946,086
Dresdner Nationale Banque de Paris	—	—	—	324,317	—	—	—	324,317
Scotiabank	—	—	4,199,865	4,042,059	—	—	4,199,865	4,042,059
Banco Internacional	—	—	339,511	611,280	—	—	339,511	611,280
Banco Santander	—	—	5,017,146	4,814,040	350,687	—	5,367,833	4,814,040
Citibank N.A	—	—	—	—	590,576	869,413	590,576	869,413
Bank of America	1,614,795	—	—	1,144,836	—	—	1,614,795	1,144,836
Banco Security	—	—	5,099,094	2,553,687	621,148	103,000	5,720,242	2,656,687
Banco Sudameris	—	—	845,385	811,105	—	—	845,385	811,105
Bank Boston	—	—	4,047,908	2,976,502	—	—	4,047,908	2,976,502
First Union Bank	3,124,653	—	—	—	—	—	3,124,653	—
<b>Total</b>	<b>4,739,448</b>	<b>—</b>	<b>57,224,818</b>	<b>49,016,131</b>	<b>2,156,714</b>	<b>1,624,864</b>	<b>64,120,980</b>	<b>50,640,995</b>
<b>Outstanding principal</b>	<b>4,625,322</b>	<b>—</b>	<b>56,830,090</b>	<b>47,812,932</b>	<b>2,151,391</b>	<b>1,277,530</b>	<b>63,606,803</b>	<b>49,090,462</b>
Average annual interest rate	6.25		5.98	6.25	6.32	7.10		
<b>Long term - Short term portion</b>								
Bank Boston	1,108,845	1,061,597	—	—	—	—	1,108,845	1,061,597
Banco de Chile	—	—	1,206,772	1,462,422	—	—	1,206,772	1,462,422
Corpbanca	—	—	895,691	747,235	—	—	895,691	747,235
Banco de Crédito e Inversiones	—	—	682,644	—	—	—	682,644	—
<b>Total</b>	<b>1,108,845</b>	<b>1,061,597</b>	<b>2,785,107</b>	<b>2,209,657</b>	<b>—</b>	<b>—</b>	<b>3,893,952</b>	<b>3,271,254</b>
<b>Outstanding principal</b>	<b>1,041,985</b>	<b>977,929</b>	<b>2,461,498</b>	<b>1,505,269</b>	<b>—</b>	<b>—</b>	<b>3,503,483</b>	<b>2,483,198</b>
Average annual interest rate	3.95	8.75	4.01	5.75				

### Note 13. Long-term liabilities with banks and financial institutions

At December 31, 2002 and 2001 the detail of long-term liabilities with banks is as follows:

Banks or financial institutions	Currency or indexation	Years to maturity			Closing date current period		Closing date prior period
		More than 1 up to 2 ThCh\$	More than 2 up to 3 ThCh\$	More than 3 up to 5 ThCh\$	Total long-term at close of financial statements ThCh\$	Average annual interest rate %	Total long-term at close of financial statements ThCh\$
Bank Boston	US\$	1,041,985	1,041,985	–	2,083,970	3.95	2,933,786
Banco de Chile	UF	2,038,462	2,038,462	1,017,608	5,094,532	4.24	6,116,108
Corpbanca	UF	1,545,004	1,545,004	1,059,544	4,149,552	5.12	4,923,941
Banco Crédito e Inversiones	UF	1,339,530	1,339,529	–	2,679,059	1.95	–
Banco Security	UF	1,673,744	–	–	1,673,744	6.00	1,578,444
<b>Total</b>		<b>7,638,725</b>	<b>5,964,980</b>	<b>2,077,152</b>	<b>15,680,857</b>		<b>15,552,279</b>

### Note 14. Short- and long-term bonds payable

At December 31, 2002 and 2001 the detail of the bonds payable recorded on the basis of the criteria described in Note 2y., is as follows:

Registration number or identification of the instrument	Outstanding							Par value		Placed in Chile or abroad		
	nominal amount	Indexation	Interest	Final	Payment date							
					Series	placed	unit	rate	maturity		Interest	Amortization
2002	2001											
ThCh\$	ThCh\$											
Long-term bonds - current portion												
188-20-11-95	BSECU-A1	88,889	UF	5.90	09.12.2007	Half-yearly	Half-yearly	1,634,223	1,664,031	Chile		
188-20-11-95	BSECU-A2	22,222	UF	5.90	09.12.2007	Half-yearly	Half-yearly	408,551	416,004	Chile		
Total - current portion								2,042,774	2,080,035			
Long-term bonds												
188-20-11-95	BSECU-A1	344,445	UF	5.90	09.12.2007	Half-yearly	Half-yearly	5,767,433	7,444,700	Chile		
188-20-11-95	BSECU-A2	99,999	UF	5.90	09.12.2007	Half-yearly	Half-yearly	1,674,396	1,861,154	Chile		
Total long-term								7,441,829	9,305,854			

Nota 15. Accruals

At December 31, 2002 and 2001, the detail of the accruals is as follows:

	2002	2001
	ThCh\$	ThCh\$
Vacations	232,989	113,232
Consulting	143,700	75,099
Prizes	290,513	—
Profit	246,103	—
Bonuses	50,000	—
Municipal expenses	74,183	—
Statement for payment	26,886	—
Bonds	3,338	48,935
Miscellaneous	313,886	369,278
Other	393,148	704,341
Total	1,774,746	1,310,885

Allowances deducted from assets are shown in Note 5.



## Note 16. Minority interest

At December 31, 2002 and 2001, the detail of the minority interest is as follows:

Subsidiary	Ownership %	Ownership		Results	
		2002 ThCh\$	2001 ThCh\$	2002 ThCh\$	2001 ThCh\$
Factoring Security S.A	0.001	2	1	–	–
Inmobiliaria Security S.A.	0.001	1	1	1	1
Seguros Security S.A.	0.001	127	122	9	5
Inversiones Invest Security Limitada	0.199	4,461	3,125	(234)	(112)
Ejecutivo Net Limitada	0.100	7	4	30	(22)
Servicios Virtual Security S.A	0.100	172	158	(5)	3
Representaciones Security Limitada	1.000	118	110	(162)	102
Travel Security S.A.	25.000	386,713	309,283	(78,517)	(73,703)
Global Security S.A.	0.230	355	277	45	15
Securitizadora Security S.A.	0.100	2,807	3,738	793	840
Asesorías Security S.A.	1.000	–	131	–	25
Servicios Security S.A.	26.305	804,884	962,053	295,479	(367,908)
Inmobiliaria Security Siete Limitada	0.001	3	3	(1)	(3)
Inmobiliaria SH Uno Limitada	0.001	1	1	–	1
Corredora de Seguros Security Limitada	0.005	136	37	59	(10)
Agencias Security S.A.	1.000	666	379	(287)	(292)
Corredora de Reaseguros Security Limitada	0.200	(106)	–	(88)	–
<b>Total</b>		<b>1,200,347</b>	<b>1,279,423</b>	<b>217,122</b>	<b>(441,058)</b>

**Note 17. Shareholders' equity**

At December 31, 2002 and 2001 the movements in capital and reserve accounts were as follows:

<b>Item</b>	<b>Paid-in capital ThCh\$</b>	<b>Share premium ThCh\$</b>	<b>Other reserves ThCh\$</b>	<b>Retained earnings ThCh\$</b>	<b>Interim dividends ThCh\$</b>	<b>Development stage deficit ThCh\$</b>	<b>Results for the year ThCh\$</b>	<b>Total ThCh\$</b>
Opening balances at January 1, 2001	41,190,137	18,503,015	2,183,505	13,046,164	(417,403)	(177,771)	9,620,825	83,948,472
Transfer of prior year income	—	—	—	9,620,825	—	—	(9,620,825)	—
Prior year final dividend	—	—	—	(3,309,442)	—	—	—	(3,309,442)
Development stage accumulated deficit	—	—	—	—	—	(412,994)	—	(412,994)
Subsidiary matching reserve adjustment	—	—	342,373	—	—	—	—	342,373
Adjustment to reserve for fluctuation in investment in subsidiary	—	—	227,000	—	—	—	—	227,000
Interim dividends	—	—	—	(419,073)	419,073	—	—	—
Final dividends	—	—	—	(992,834)	—	—	—	(992,834)
Price-level restatement of capital	1,276,894	573,593	191,048	630,372	(2,332)	(23,901)	—	2,645,674
Income for the year	—	—	—	—	—	—	8,852,237	8,852,237
Interim dividends	—	—	—	—	(661,888)	—	—	(661,888)
<b>Balances, December 31, 2001</b>	<b>42,467,031</b>	<b>19,076,608</b>	<b>2,943,926</b>	<b>18,576,012</b>	<b>(662,550)</b>	<b>(614,666)</b>	<b>8,852,237</b>	<b>90,638,598</b>
<b>Price-level restatement</b>	<b>1,274,011</b>	<b>572,298</b>	<b>88,318</b>	<b>557,281</b>	<b>(19,877)</b>	<b>(18,440)</b>	<b>265,567</b>	<b>2,719,158</b>
<b>Balances, December 31, 2001</b>								
<b>restated by 3.0%</b>	<b>43,741,042</b>	<b>19,648,906</b>	<b>3,032,244</b>	<b>19,133,293</b>	<b>(682,427)</b>	<b>(633,106)</b>	<b>9,117,804</b>	<b>93,357,756</b>
Opening balances at January 1, 2002	42,467,031	19,076,608	2,943,926	18,576,012	(662,550)	(614,666)	8,852,237	90,638,598
Transfer of prior year income	—	—	—	8,852,237	—	—	(8,852,237)	—
Prior year final dividend	—	—	—	(3,640,385)	—	—	—	(3,640,385)
Development stage accumulated deficit	—	—	—	—	—	(358,400)	—	(358,400)
Subsidiary matching reserve adjustment	—	—	84,860	—	—	—	—	84,860
Adjustment to reserve for fluctuation in investment in subsidiary	—	—	314,577	—	—	—	—	314,577
Interim dividends	—	—	—	(666,525)	666,525	—	—	—
Final dividends	—	—	—	(546,058)	—	—	—	(546,058)
Price-level restatement of capital	1,274,011	572,298	41,488	696,849	(11,149)	(18,440)	—	2,555,057
Income for the year	—	—	—	—	—	—	7,344,463	7,344,463
Interim dividends	—	—	—	—	(448,324)	—	—	(448,324)
<b>Balances, December 31, 2002</b>	<b>43,741,042</b>	<b>19,648,906</b>	<b>3,384,851</b>	<b>23,272,130</b>	<b>(455,498)</b>	<b>(991,506)</b>	<b>7,344,463</b>	<b>95,944,388</b>

a. Number of shares

Series	Subscribed shares	Paid-in shares	Voting shares
Single	1,654,721,054	1,654,721,054	1,654,721,054

b. Capital (Amount in ThCh\$)

Series	Subscribed capital	Paid-in capital
Single	43,741,042	43,741,042

c. The balance of ThCh\$3,384,851 (ThCh\$3,032,244 in 2001), reported in "Other reserves", corresponds basically to the Company's percentage participation in the matching reserve as of December 31, 2002 and 2001, in the indirect subsidiary Seguros Vida Security Previsión S.A., the fluctuation in the indirect subsidiary Seguros Previsión Security Generales S.A., and in the reserve for fluctuations in investments arising during, 2002 and 2001, in the subsidiary Banco Security.

d. The Company reports a balance of ThCh\$991,506 (ThCh\$633,106 in 2001), resulting from the accumulated deficit in development stage of its subsidiaries Inmobiliaria Security S.A. and Seguros Security Ltda. This deficit must be offset by retained earnings.

e. Dividend distribution

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

f. Final dividends:

- In October 2002, final dividends of ThCh\$546,058 were paid and charged to retained earnings.
- In October 2001, final dividends of ThCh\$992,834 (historical) were paid and charged to retained earnings.
- In April 2002, final dividends of ThCh\$3,640,385 were paid and charged to retained earnings.
- In April 2001, final dividends of ThCh\$3,309,442 (historical) were paid and charged to retained earnings.

**g. Interim dividends:**

- In September 2002, the Board of Directors agreed to pay an interim dividend of ThCh\$448,324.
- In October 2001, the Board of Directors agreed to pay an interim dividend of ThCh\$661,888 (historical).

Development stage subsidiary's accumulated déficit:

Taxpayer ID N°	Company	Amount		Observations
		Year	Accumulated	
96.786.270-3	Inmobiliaria Security S.A.	(297,653)	(930,759)	Direct subsidiary deficit
78.769.870-0	Inversiones Seguros Security Limitada	(74,969)	(74,969)	Direct subsidiary deficit
96.803.620-3	Asesoría Security S.A. (Ex - Merchant Security S.A.)	14,222	14,222	Subsidiary surplus

In 2002 and 2001 share transactions carried out by the majority shareholders, the Chairman, Directors and management, according to the Shareholders' Register, were as follows:

Shareholders	Number of shares			
	2002		2001	
	Purchases	Sales	Purchases	Sales
Inversiones Peralillo Ltda.	—	52,608	—	716,771
Soc. Inversiones Montecasino	409,303	—	50,697	—
Inversiones Rododendros Ltda.	—	—	31,967	—
Vial Gaete Alvaro	135,000	—	727	—
Inversiones Matyco Ltda.	—	—	1,251,674	—
Inversiones Nine Ltda	—	200,000	250,000	—
San León Inversiones y Servicios Ltda.	414,780	—	51,500	—
Paclama S.A.	2,535,000	21,608,249	1,374,459	—
Castillo Ruiz Tagle Eduardo	—	—	—	303,506
Inversiones La Pinta Ltda.	—	—	—	2,500,000
Román Figueroa Gonzalo	—	—	—	320,000
Fernandez Oyarce Jaime Andrés	—	—	—	91,028
Euroinversiones S. A.	—	700,000	—	650,000
Vega Maldonado Carlos Germán	—	—	—	222,747
Dominguez Barros José Hugo	—	110,469	—	—
I.M. Trust S.A. Consultores de Bolsa	200,000	—	—	—
Santiago Corredores de Bolsa Ltda.	—	766,426	—	—
Inmobiliaria Villuco Ltda.	766,426	—	8,126,560	—
Inversiones Círculo Financiero	—	17,011,017	—	—
<b>Total</b>	<b>4,460,509</b>	<b>40,448,769</b>	<b>11,137,584</b>	<b>4,804,052</b>

## Note 18. Price-level restatement

The application of the price-level restatement accounting policy described in Note 2e, resulted in a net charge to income broken down as follows:

		(Charges) / credits	
		2002	2001
	Indexation	ThCh\$	ThCh\$
<b>Assets:</b>			
Inventories	CPI	143,091	3,425
Fixed assets	CPI	57,117	38,456
Investments in related companies	CPI	2,536,883	2,782,387
Goodwill	CPI	44,400	48,701
Other non-monetary assets	CPI	286,934	63,434
Other non-monetary assets	UF	44,262	—
Expense and cost accounts	CPI	40,798	—
<b>Total credits</b>		<b>3,153,485</b>	<b>2,936,403</b>
<b>Liabilities and Shareholders' Equity:</b>			
Shareholders' equity	CPI	(2,555,057)	(2,725,045)
Non-monetary liabilities	CPI	(870,024)	(790,355)
Non-monetary liabilities	UF	(29,201)	(15,151)
Revenue accounts	CPI	(23,510)	(39,387)
<b>Total charges</b>		<b>(3,477,792)</b>	<b>(3,569,938)</b>
<b>Net charge to income</b>		<b>(324,307)</b>	<b>(633,535)</b>

**Note 19. Exchange differences**

At December 31, 2002 and 2001 the detail of exchange differences is as follows:

		<b>(Charges) / credits</b>	
	<b>Currency</b>	<b>2002 ThCh\$</b>	<b>2001 ThCh\$</b>
<b>Assets:</b>			
Cash	US\$	156,260	11,803
Investments in US dollars and General Electric bonds	US\$	385,644	299,035
<b>Total credits</b>		<b>541,904</b>	<b>310,838</b>
<b>Liabilities:</b>			
Debt payable to Bank Boston	US\$	(153,958)	(198,683)
Other debts in US dollars	US\$	32,805	(46,284)
Total charges		(121,153)	(244,967)
<b>Net credit to results</b>		<b>420,751</b>	<b>65,871</b>

**Note 20. Statement of cash flows**

The Parent Company and its subsidiaries have considered as cash equivalents all those investments made as part of the normal management of cash flows that mature in less than 90 days in conformity with Technical Bulleting No. 50 issued by the Chilean Accountants Association, as follows:

At December 31, 2002 and 2001 the detail of cash and cash equivalents is as follows:

	<b>2002 ThCh\$</b>	<b>2001 ThCh\$</b>
Cash	1,280,565	798,225
Time deposits	1,908,252	1,036,096
Resale agreements on promissory notes issued by Banco Central de Chile (1)	237,902	156,015
Mutual fund units	6,943,728	849,166
<b>Total</b>	<b>10,370,447</b>	<b>2,839,502</b>

(1) These amounts are included in "Other current assets".

Pursuant to Circular No. 1,501 of the Superintendency of Securities and Insurance, there are no financing or investing activities affecting future cash flows which are not disclosed in the notes to the financial statements.

## Note 21. Forward contracts

At December 31, 2002 the detail of forward contracts is as follows:

Type of derivative	Type of contract	Value of contract	Maturity date	Position  Specific purchase/ item sale	Amount or transaction		Value of amount  hedged	Book accounts affected				
					hedged			Asset / Liability		Effect on income		
					Name	Amount		Name	Amount	Realized	Unrealized	
						ThCh\$			ThCh\$			
FR	CCPE	500,000	1st Quart.2003	Exchange rate	P	BSP payable	352,750	359,305	Other current liabilities	6,400	–	6,400
FR	CCPE	500,000	1st Quart.2003	Exchange rate	P	BSP payable	347,750	359,305	Other current liabilities	11,745	–	11,745
FR	CCPE	150,000	1st Quart.2003	Exchange rate	S	BSP payable	106,857	707,739	Other current liabilities	882	(882)	–

## Note 22. Contingencies and covenants

At December 31, 2002 and 2001 the Parent Company and its subsidiaries are not aware of any contingencies and covenants that might affect the interpretation of these consolidated financial statements.

## Note 23. Third party guarantees

At December 31, 2002 and 2001 the Parent Company and its subsidiaries had not received guarantees from third parties.

**Note 24. Local and foreign currency****Assets**

Item	Currency	Amount	
		2002 ThCh\$	2001 ThCh\$
<b>Current assets:</b>			
Cash	Non-indexed Ch\$	1,155,145	627,890
Cash	US\$	125,420	170,335
Time deposits	US\$	—	769,379
Time deposits	Non-indexed Ch\$	1,607,652	175,998
Time deposits	Indexed Ch\$	300,600	90,719
Marketable securities	Non-indexed Ch\$	89,495	343,314
Marketable securities	Indexed Ch\$	6,854,233	6,346,445
Trade accounts receivable	Indexed Ch\$	1,117,576	2,138,522
Trade accounts receivable	Non-indexed Ch\$	61,227,047	45,751,821
Other receivables	Non-indexed Ch\$	818,808	432,603
Due from related companies	Non-indexed Ch\$	1,331,128	2,332,279
Due from related companies	Indexed Ch\$	—	49,834
Notes receivable	Non-indexed Ch\$	6,454,292	6,916,042
Notes receivable	Indexed Ch\$	1,002,958	427,378
Inventories	Indexed Ch\$	4,354,588	26,018
Refundable taxes	Indexed Ch\$	367,196	306,715
Deferred taxes	Indexed Ch\$	937,132	478,897
Other current assets	Non-indexed Ch\$	3,670,019	3,514,228
<b>Fixed assets:</b>			
Net fixed assets	Indexed Ch\$	2,014,164	1,660,127
<b>Other assets:</b>			
Due from related companies	Indexed Ch\$	—	146,422
Investments in related companies	Indexed Ch\$	96,084,660	94,400,105
Intangibles	Indexed Ch\$	295,713	263,603
Goodwill	UF	4,194,013	1,572,543
Goodwill	Indexed Ch\$	26,331	2,911,061
Long-term receivables	Indexed Ch\$	—	1,540,603
Other	UF	479,257	664,711
Other	Non-indexed Ch\$	109,958	204,870
Other	UF	4,004,065	4,413,251
Other	Indexed Ch\$	5,976,495	4,156,465
<b>Total assets</b>	<b>UF</b>	<b>8,677,335</b>	<b>6,650,505</b>
	<b>Non-indexed Ch\$</b>	<b>76,463,544</b>	<b>60,299,045</b>
	<b>Indexed Ch\$</b>	<b>119,331,646</b>	<b>114,942,914</b>
	<b>US\$</b>	<b>125,420</b>	<b>939,714</b>



### Current liabilities

Item	Currency	Up to 90 days				90 days to 1 year			
		2002		2001		2002		2001	
		Amount	Average annual interest	Amount	Average annual interest	Amount	Average annual interest	Amount	Average annual interest
			rate		rate		rate		rate
		ThCh\$	%	ThCh\$	%	ThCh\$	%	ThCh\$	%
Liabilities with banks and financial institutions	Indexed Ch\$	–		1,372,691	9.60	–		–	
Liabilities with banks and financial institutions	UF	64,120,980	6.25	47,746,440	9.60	–		747,236	6.75
Liabilities with banks and financial institutions	US\$	–		–		3,893,952	5.80	1,061,596	8.75
Liabilities with banks and financial institutions	Non-indexed Ch\$	–		1,521,864	9.60	–		1,462,422	6.75
Bonds payable	UF	–		–		2,042,774	5.90	2,080,035	6.75
Accounts payable	Non-indexed Ch\$	3,814,662		1,797,794		–		–	
Accounts payable	Indexed Ch\$	–		1,055,376		–		–	
Accounts payable	US\$	–		1,018,367		–		–	
Due to related companies	Non-indexed Ch\$	1,426,143	5.50	15,761	5.50	–		–	
Due to related companies	Indexed Ch\$	–		190,520	5.50	–		–	
Due to related companies	UF	–		113,822	5.50	–		–	
Notes payable	Non-indexed Ch\$	35,918		1,844		–		–	
Other payables	Indexed Ch\$	352,061		107,060		–		–	
Accruals	Non-indexed Ch\$	1,624,908		872,136		–		–	
Accruals	Indexed Ch\$	149,838		438,749		–		–	
Withholdings	Indexed Ch\$	327,533		–		–		–	
Other current liabilities	Non-indexed Ch\$	5,819,977		111,774		–		–	
Other current liabilities	Indexed Ch\$	27,258		–		–		–	
<b>Total current liabilities:</b>	<b>UF</b>	<b>64,120,980</b>		<b>47,860,262</b>		<b>2,042,774</b>		<b>2,827,271</b>	
	<b>Non-indexed Ch\$</b>	<b>12,721,608</b>		<b>4,321,173</b>		<b>–</b>		<b>1,462,422</b>	
	<b>Indexed Ch\$</b>	<b>856,690</b>		<b>3,164,396</b>		<b>–</b>		<b>–</b>	
	<b>US\$</b>	<b>–</b>		<b>1,018,367</b>		<b>3,893,952</b>		<b>1,061,596</b>	

## Long-term liabilities

2001

Item	Currency	1 to 3 years		3 to 5 years		5 to 10 years		More than 10 years	
		Amount	Average	Amount	Average	Amount	Average	Amount	Average
			annual interest rate		annual interest rate		annual interest rate		annual interest rate
		ThCh\$	%	ThCh\$	%	ThCh\$	%	ThCh\$	%
Liabilities with banks and financial institutions	UF	11,519,735	6.75	2,077,152	6.75	—		—	
Liabilities with banks and financial institutions	US\$	2,083,970	3.95	—		—		—	
Bonds payable	UF	5,581,374	5.90	1,860,455	5.90	—		—	
Notes payable - long term	Non-indexed Ch\$	108,249		—		—		—	
Other payables - long term	Non-indexed Ch\$	49,899		—		—		—	
Deferred taxes - long term	Indexed Ch\$	166,207		—		—		—	
Other current liabilities	Non-indexed Ch\$	370,165		—		—		—	
<b>Total long-term liabilities</b>	<b>UF</b>	<b>17,101,109</b>		<b>3,937,607</b>		<b>—</b>		<b>—</b>	
	<b>US\$</b>	<b>2,083,970</b>		<b>—</b>		<b>—</b>		<b>—</b>	
	<b>Non-indexed Ch\$</b>	<b>528,313</b>		<b>—</b>		<b>—</b>		<b>—</b>	
	<b>Indexed Ch\$</b>	<b>166,207</b>		<b>—</b>		<b>—</b>		<b>—</b>	

2001

Item	Currency	1 to 3 years		3 to 5 years		5 to 10 years		More than 10 years	
		Amount	Average	Amount	Average	Amount	Average	Amount	Average
			annual interest rate		annual interest rate		annual interest rate		annual interest rate
		ThCh\$	%	ThCh\$	%	ThCh\$	%	ThCh\$	%
Liabilities with banks and financial institutions	Non-indexed Ch\$	4,637,309	6.75	2,039,243	6.75	—		—	
Liabilities with banks and financial institutions	UF	2,461,980	6.75	1,641,319	6.75	1,838,642	6.75	—	
Liabilities with banks and financial institutions	US\$	1,955,859	8.75	977,927	8.75	—		—	
Bonds payable	UF	5,583,512	5.90	3,722,342	5.90	—		—	
Deferred taxes	Indexed Ch\$	355,856		—		38,475		—	
Notes payable	Non-indexed Ch\$	409,329		—		—		—	
Other payables	Non-indexed Ch\$	61,765		—		—		—	
Other long-term liabilities	Non-indexed Ch\$	755,954		—		—		—	
<b>Total:</b>	<b>UF</b>	<b>8,045,492</b>		<b>5,363,661</b>		<b>1,838,642</b>		<b>—</b>	
	<b>US\$</b>	<b>1,955,859</b>		<b>977,927</b>		<b>—</b>		<b>—</b>	
	<b>Non-indexed Ch\$</b>	<b>5,864,357</b>		<b>2,039,243</b>		<b>—</b>		<b>—</b>	
	<b>Indexed Ch\$</b>	<b>355,856</b>		<b>—</b>		<b>38,475</b>		<b>—</b>	

**Note 25. Sanctions**

In 2002 and 2001 no sanctions were imposed on the Parent Company, its subsidiaries, their Directors and their Management by the Superintendency of Securities and Insurance.

**Note 26. Subsequent events**

From January 1 to February 24, 2003, the date these financial statements are issued, there have been no significant financial or accounting events that would materially affect them.

**Note 27. Environment**

In 2002 and 2001, the Parent Company and its subsidiaries did not make significant disbursements for investments or expenses required in connection with the environment.

Renato Peñafiel M.  
President

Gabriel Becerra T.  
General Accountant



# 6.3 summarized financial statements of subsidiaries

at December 31 of 2002 and 2001 (in millions of Chilean pesos-MCh\$)

contents	
• banco security and subsidiaries	115
• valores security s.a. corredores de bolsa	116
• administradora de fondos mutuos security s.a.	117
• factoring security s.a.	118
• inmobiliaria security s.a.	119
• asesorías security s.a. and subsidiaries	120
• securitizadora security s.a.	121
• inversiones seguros security ltda. and subsidiaries	122
• seguros vida security previsión s.a.	123
• seguros security previsión generales s.a.	124
• servicios security s.a. and subsidiaries	125
• corredores de seguros security ltda.	126
• inversiones invest security ltda. and subsidiaries	127
• travel security s.a. and subsidiaries	128
• global security ltda.	129
• virtual security s.a. and subsidiaries	130

# banco security and subsidiaries

Consolidated Financial Statement as of December 31, 2002 and 2001.

	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current Assets	93,584.6	87,519.1
Net Loans	845,534.9	773,450.9
Investments	172,299.5	144,822.8
Fixed Assets	12,460.9	12,324.6
Other Assets	28,533.6	28,244.1
<b>Total Assets</b>	<b>1,152,413.5</b>	<b>1,046,361.5</b>
<b>Liabilities</b>		
Time Deposits and Others	874,718.5	751,217.4
Loans from Financial Institutions	113,528.5	136,936.0
Subordinated Bonds	46,549.0	48,341.4
Other Liabilities	29,633.0	23,171.1
Capital & Reserves	77,915.9	76,681.9
Net Income	10,068.6	10,013.7
<b>Total Liabilities &amp; Equity</b>	<b>1,152,413.5</b>	<b>1,046,361.5</b>
<b>Income Statements</b>		
Operating Income	14,252.1	10,428.1
Non Operating Income	(2,075.7)	(108.1)
<b>Net Income Before Taxes</b>	<b>12,176.4</b>	<b>10,320.0</b>
Taxes	(2,072.5)	(305.2)
Minority Interest	(2.3)	(1.1)
Voluntary Provisions	(33.0)	
<b>Net Income</b>	<b>10,068.6</b>	<b>10,013.7</b>
<b>Cash Flow</b>		
Cash flow from operating activities	22,579.8	20,926.4
Cash flow from investment activities	(90,677.4)	(31,133.4)
Cash flow from financing activities	73,933.8	10,492.6
<b>Net Cash flow</b>	<b>5,836.2</b>	<b>285.6</b>
Monetary correction	229.4	991.5
<b>Net Variation in Cash and Cash Equivalents</b>	<b>6,065.6</b>	<b>1,277.1</b>

	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current Assets	95,778.8	74,439.1
Fixed Assets	96.1	79.3
Other Assets	395.1	401.5
<b>Total Assets</b>	<b>96,270.0</b>	<b>74,919.9</b>
<b>Liabilities</b>		
Current Liabilities	90,529.8	71,215.2
Capital & Reserves	3,704.7	2,909.7
Net Income	2,035.5	795.0
<b>Total Liabilities &amp; Equity</b>	<b>96,270.0</b>	<b>74,919.9</b>
<b>Income Statement</b>		
Operating Income	2,396.6	881.4
Non Operating Income	14.7	41.7
<b>Net Income Before Taxes</b>	<b>2,411.3</b>	<b>923.1</b>
Taxes	(375.8)	(128.1)
<b>Net Income</b>	<b>2,035.5</b>	<b>795.0</b>
<b>Cash Flow</b>		
Cash flow from operating activities	2,039.5	(3,594.2)
Cash flow from investment activities	26.3	69.9
Cash flow from financing activities	(1,529.5)	4,208.7
<b>Net Cash flow</b>	<b>536.3</b>	<b>684.4</b>
Monetary correction	(28.4)	(39.2)
<b>Net Variation in Cash and Cash Equivalents</b>	<b>507.9</b>	<b>645.2</b>

# administradora de fondos mutuos security s.a.

Financial Statements as of December 31, 2002 and 2001.

	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current Assets	3,503.2	2,199.3
Other Assets	83.3	60.0
<b>Total Assets</b>	<b>3,586.5</b>	<b>2,259.3</b>
<b>Liabilities</b>		
Current Liabilities	407.5	107.4
Capital & Reserves	1,189.2	1,189.2
Accumulated Income	962.8	104.8
Net Income	1,027.0	857.9
<b>Total Liabilities &amp; Equity</b>	<b>3,586.5</b>	<b>2,259.3</b>
<b>Income Statement</b>		
Operating Income	1,038.6	838.7
Non Operating Income	173.4	163.9
<b>Net Income Before Taxes</b>	<b>1,212.0</b>	<b>1,002.6</b>
Taxes	(185.0)	(144.7)
<b>Net Income</b>	<b>1,027.0</b>	<b>857.9</b>
<b>Cash Flow</b>		
Cash flow from operating activities	1,379.4	860.7
Cash flow from investment activities	(1,896.4)	(1,204.1)
Cash flow from financing activities	97.7	(861.8)
<b>Net Cash flow</b>	<b>(419.3)</b>	<b>(1,205.2)</b>
Monetary correction	(28.7)	(53.0)
<b>Net Variation in Cash and Cash Equivalents</b>	<b>(448.0)</b>	<b>(1,258.2)</b>



	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current Assets	69,417.8	51,846.3
Fixed Assets	123.8	211.8
Other Assets	3,700.5	4,339.8
<b>Total Assets</b>	<b>73,242.1</b>	<b>56,397.9</b>
<b>Liabilities</b>		
Current Liabilities	63,503.7	47,578.5
Long Term Liabilities		42.3
Capital & Reserves	8,777.1	7,918.9
Net Income	961.3	858.2
<b>Total Liabilities &amp; Equity</b>	<b>73,242.1</b>	<b>56,397.9</b>
<b>Income Statement</b>		
Operating Income	1,156.6	883.1
Non Operating Income	(311.2)	(159.4)
<b>Net Income Before Taxes</b>	<b>845.4</b>	<b>723.7</b>
Taxes	115.9	134.5
<b>Net Income</b>	<b>961.3</b>	<b>858.2</b>
<b>Cash Flow</b>		
Cash flow from operating activities	(11,022.6)	12,583.2
Cash flow from investment activities	(106.7)	(155.7)
Cash flow from financing activities	12,111.2	(12,408.4)
<b>Net Cash flow</b>	<b>981.9</b>	<b>19.1</b>
Monetary correction	(11.5)	(13.2)
<b>Net Variation in Cash and Cash Equivalents</b>	<b>970.4</b>	<b>5.9</b>

# inmobiliaria security s.a.

Financial Statements as of December 31, 2002 and 2001.

	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current Assets	8,363.3	4,387.1
Fixed Assets	8.3	9.4
Other Assets	167.9	66.9
<b>Total Assets</b>	<b>8,539.5</b>	<b>4,463.4</b>
<b>Liabilities</b>		
Current Liabilities	5,459.9	1,281.0
Long Term Liabilities	2,043.9	2,211.5
Capital & Reserves	2,007.6	2,007.6
Subsidiary Start-up Deficit	(930.7)	(633.1)
Accumulated Income	(403.6)	(537.9)
Net Income	362.4	134.3
<b>Total Liabilities &amp; Equity</b>	<b>8,539.5</b>	<b>4,463.4</b>
<b>Income Statement</b>		
Operating Income	726.3	33.6
Non Operating Income	(376.3)	53.6
<b>Net Income Before Taxes</b>	<b>350.0</b>	<b>87.2</b>
Taxes	12.4	47.1
<b>Net Income</b>	<b>362.4</b>	<b>134.3</b>
<b>Cash Flow</b>		
Cash flow from operating activities	2,141.6	(1,071.2)
Cash flow from investment activities	(606.2)	(534.9)
Cash flow from financing activities	(1,526.5)	1,448.6
<b>Net Cash flow</b>	<b>8.9</b>	<b>(157.5)</b>
Monetary correction	1.3	0.3
<b>Net Variation in Cash and Cash Equivalents</b>	<b>10.2</b>	<b>(157.2)</b>

	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current Assets	1,307.1	1,582.9
Fixed Assets	20.0	27.7
Other Assets	104.4	109.6
<b>Total Assets</b>	<b>1,431.5</b>	<b>1,720.2</b>
<b>Liabilities</b>		
Current Liabilities	399.2	73.3
Long term Liabilities	21.3	38.5
Minority Interest	2.8	3.9
Capital & Reserves	1,604.5	1,548.9
Net Income	(596.3)	55.6
<b>Total Liabilities &amp; Equity</b>	<b>1,431.5</b>	<b>1,720.2</b>
<b>Income Statement</b>		
Operating Income	(737.3)	(3.4)
Non Operating Income	27.9	62.5
<b>Net Income Before Taxes</b>	<b>(709.4)</b>	<b>59.1</b>
Minority Interest	0.8	(0.3)
Taxes	112.3	(3.2)
<b>Net Income</b>	<b>(596.3)</b>	<b>55.6</b>
<b>Cash Flow</b>		
Cash flow from operating activities	(127.9)	187.2
Cash flow from investment activities	(8.1)	(15.8)
Cash flow from financing activities		(104.0)
<b>Net Cash flow</b>	<b>(136.0)</b>	<b>67.4</b>
Monetary correction	(42.2)	(33.3)
<b>Net Variation in Cash and Cash Equivalents</b>	<b>(178.2)</b>	<b>34.1</b>

# securitizadora security s.a.

Financial Statements as of December 31, 2002 and 2001.

	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current Assets	288.3	332.6
Fixed Assets	12.5	12.1
Other Assets	76.0	79.7
<b>Total Assets</b>	<b>376.8</b>	<b>424.4</b>
<b>Liabilities</b>		
Current Liabilities	32.8	12.3
Long Term Liabilities	21.4	38.4
Capital & Reserves	413.7	346.4
Net Income	(91.1)	27.3
<b>Total Liabilities &amp; Equity</b>	<b>376.8</b>	<b>424.4</b>
<b>Income Statement</b>		
Operating Income	(110.3)	29.6
Non Operating Income	2.9	6.0
<b>Net Income Before Taxes</b>	<b>(107.4)</b>	<b>35.6</b>
Taxes	16.3	(8.3)
<b>Net Income</b>	<b>(91.1)</b>	<b>27.3</b>
<b>Cash Flow</b>		
Cash flow from operating activities	(178.6)	163.5
Cash flow from investment activities	(8.3)	(6.3)
Cash flow from financing activities	40.0	(102.0)
<b>Net Cash flow</b>	<b>(146.9)</b>	<b>55.2</b>
Monetary correction	(5.0)	(5.0)
<b>Net Variation in Cash and Cash Equivalents</b>	<b>(151.9)</b>	<b>50.2</b>

Financial Statements as of December 31, 2002 and 2001.

	2002	2001
	MCh\$	MCh\$
<b>Assets</b>		
Current Assets	2,635.5	2,787.5
Fixed Assets	431.5	445.4
Other Assets	17,025.2	16,706.3
<b>Total Assets</b>	<b>20,092.2</b>	<b>19,939.2</b>
<b>Liabilities</b>		
Current Liabilities	6,366.6	4,908.5
Long Term Liabilities	326.6	499.7
Minority Interest	805.6	962.5
Capital & Reserves	13,578.5	12,688.3
Net Income	(985.1)	880.2
<b>Total Liabilities &amp; Equity</b>	<b>20,092.2</b>	<b>19,939.2</b>
<b>Income Statement</b>		
Operating Income	(829.4)	1,504.6
Non Operating Income	(483.2)	(6.5)
<b>Net Income Before Taxes</b>	<b>(1,312.6)</b>	<b>1,498.1</b>
Minority Interest	32.3	(250.3)
Taxes	295.2	(367.6)
<b>Net Income</b>	<b>(985.1)</b>	<b>880.2</b>
<b>Cash Flow</b>		
Cash flow from operating activities	1,120.2	(464.2)
Cash flow from investment activities	(3,332.7)	(2,206.3)
Cash flow from financing activities	2,100.3	3,142.0
<b>Net Cash flow</b>	<b>(112.2)</b>	<b>471.5</b>
Monetary correction	(15.5)	(3.4)
<b>Net Variation in Cash and Cash Equivalents</b>	<b>(127.7)</b>	<b>468.1</b>

# seguros vida security previsión s.a.

Financial Statements as of December 31, 2002 and 2001.

	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Investments	52,684.1	54,722.1
Premius Receivable & Reinsurance	3,185.4	1,768.9
Other Assets	1,752.1	809.8
<b>Total Assets</b>	<b>57,621.6</b>	<b>57,300.8</b>
<b>Liabilities</b>		
Underwriting Reserves	45,988.8	46,344.7
Outstanding Debt with Banks	563.6	202.0
Other Liabilities	3,016.8	2,605.4
Capital & Reserves	7,042.6	6,917.1
Net Income	1,009.8	1,231.6
<b>Total Liabilities &amp; Equity</b>	<b>57,621.6</b>	<b>57,300.8</b>
<b>Income Statement</b>		
Operating Income	1,168.4	1,270.9
Non Operating Income	0.0	158.5
<b>Net Income Before Taxes</b>	<b>1,168.4</b>	<b>1,429.4</b>
Taxes	(158.6)	(197.8)
<b>Net Income</b>	<b>1,009.8</b>	<b>1,231.6</b>
<b>Cash Flow</b>		
Cash flow from operating activities	(4,319.6)	(1,303.6)
Cash flow from investment activities	5,570.0	1,828.7
Cash flow from financing activities	(1,071.4)	(466.3)
<b>Net Cash flow</b>	<b>179.0</b>	<b>58.8</b>
Monetary correction	(13.2)	(16.0)
<b>Net Variation in Cash and Cash Equivalents</b>	<b>165.8</b>	<b>42.8</b>

	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Investments	3,096.6	3,559.3
Premius Receivable & Reinsurance	9,579.7	9,664.0
Other Assets	1,040.7	1,032.6
<b>Total Assets</b>	<b>13,717.0</b>	<b>14,255.9</b>
<b>Liabilities</b>		
Underwriting Reserves	9,005.9	9,846.2
Outstanding Debt with Banks	1,053.2	1,249.3
Other Liabilities	713.1	657.0
Capital & Reserves	3,539.8	3,062.0
Net Income	(595.0)	(558.6)
<b>Total Liabilities &amp; Equity</b>	<b>13,717.0</b>	<b>14,255.9</b>
<b>Income Statement</b>		
Operating Income	(815.3)	(704.5)
Non Operating Income	105.7	18.4
<b>Net Income Before Taxes</b>	<b>(709.6)</b>	<b>(686.1)</b>
Taxes	114.6	127.5
<b>Net Income</b>	<b>(595.0)</b>	<b>(558.6)</b>
<b>Cash Flow</b>		
Cash flow from operating activities	(1,151.5)	(232.3)
Cash flow from investment activities	523.8	219.8
Cash flow from financing activities	834.3	80.8
<b>Net Cash flow</b>	<b>206.6</b>	<b>68.3</b>
Monetary correction	18.9	(6.1)
<b>Net Variation in Cash and Cash Equivalents</b>	<b>225.5</b>	<b>62.2</b>

# servicios security s.a. and subsidiaries

Financial Statements as of December 31, 2002 and 2001.

	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Investments	2,225.9	2,478.8
Fixed Assets	431.5	445.4
Other Assets	6,203.4	6,098.6
<b>Total Assets</b>	<b>8,860.8</b>	<b>9,022.8</b>
<b>Liabilities</b>		
Current Liabilities	5,822.1	4,753.6
Long Term Liabilities	326.6	499.7
Minority Interest	0.7	0.4
Capital & Reserves	3,834.7	2,656.1
Net Income	(1,123.3)	1,113.0
<b>Total Liabilities &amp; Equity</b>	<b>8,860.8</b>	<b>9,022.8</b>
<b>Income Statement</b>		
Operating Income	(783.4)	1,431.9
Non Operating Income	(371.8)	(86.4)
<b>Net Income Before Taxes</b>	<b>(1,155.2)</b>	<b>1,345.5</b>
Minority Interest	32.3	(232.2)
Taxes	(0.3)	(0.3)
<b>Net Income</b>	<b>(1,123.2)</b>	<b>1,113.0</b>
<b>Cash Flow</b>		
Cash flow from operating activities	500.4	(647.9)
Cash flow from investment activities	(2,302.5)	(2,328.7)
Cash flow from financing activities	1,742.6	3,142.1
<b>Net Cash flow</b>	<b>(59.5)</b>	<b>165.5</b>
Monetary correction	(4.1)	0.6
<b>Net Variation in Cash and Cash Equivalents</b>	<b>(63.6)</b>	<b>166.1</b>



	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current Assets	2,261.5	2,457.0
Fixed Assets	431.5	445.4
Other Assets	6,159.3	6,058.5
<b>Total Assets</b>	<b>8,852.3</b>	<b>8,960.9</b>
<b>Liabilities</b>		
Current Liabilities	5,807.1	4,722.6
Long Term Liabilities	326.6	499.6
Capital & Reserves	3,903.9	2,652.3
Net Income	(1,185.3)	1,086.4
<b>Total Liabilities &amp; Equity</b>	<b>8,852.3</b>	<b>8,960.9</b>
<b>Income Statement</b>		
Operating Income	(855.0)	1,399.7
Non Operating Income	(365.7)	(83.2)
<b>Net Income Before Taxes</b>	<b>(1,220.7)</b>	<b>1,316.5</b>
Taxes	35.4	(230.1)
<b>Net Income</b>	<b>(1,185.3)</b>	<b>1,086.4</b>
<b>Cash Flow</b>		
Cash flow from operating activities	495.1	(662.0)
Cash flow from investment activities	(2,318.2)	(2,328.7)
Cash flow from financing activities	1,728.7	3,142.0
<b>Net Cash flow</b>	<b>(94.4)</b>	<b>151.3</b>
Monetary correction	(3.8)	0.6
<b>Net Variation in Cash and Cash Equivalents</b>	<b>(98.2)</b>	<b>151.9</b>

# inversiones invest security ltda. and subsidiaries

Financial Statements as of December 31, 2002 and 2001.

	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current Assets	4,703.7	4,921.6
Fixed Assets	1,343.0	833.9
Other Assets	1,289.9	1,286.4
<b>Total Assets</b>	<b>7,336.6</b>	<b>7,041.9</b>
<b>Liabilities</b>		
Current Liabilities	4,550.8	4,306.9
Long Term Liabilities	49.9	205.7
Minority Interest	387.4	308.8
Capital & Reserves	2,220.6	2,140.1
Net Income	127.9	80.4
<b>Total Liabilities &amp; Equity</b>	<b>7,336.6</b>	<b>7,041.9</b>
<b>Income Statement</b>		
Operating Income	92.1	325.5
Non Operating Income	151.9	(136.3)
<b>Net Income Before Taxes</b>	<b>244.0</b>	<b>189.2</b>
Minority Interest	(37.5)	(35.8)
Taxes	(78.6)	(73.0)
<b>Net Income</b>	<b>127.9</b>	<b>80.4</b>
<b>Cash Flow</b>		
Cash flow from operating activities	582.7	(116.0)
Cash flow from investment activities	(748.5)	(222.7)
Cash flow from financing activities	372.3	454.0
<b>Net Cash flow</b>	<b>206.5</b>	<b>115.3</b>
Monetary correction	(16.2)	(14.2)
<b>Net Variation in Cash and Cash Equivalents</b>	<b>190.3</b>	<b>101.1</b>

	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current Assets	4,210.5	4,192.2
Fixed Assts	702.8	653.8
Other Assets	313.7	300.0
<b>Total Assets</b>	<b>5,227.0</b>	<b>5,146.0</b>
<b>Liabilities</b>		
Current Liabilities	3,611.4	3,772.7
Long Term Liabilities	68.6	140.5
Minority Interest	0.1	
Capital & Reserves	1,232.8	940.7
Net Income	314.1	292.1
<b>Total Liabilities &amp; Equity</b>	<b>5,227.0</b>	<b>5,146.0</b>
<b>Income Statement</b>		
Operating Income	159.4	459.0
Non Operating Income	198.5	(113.9)
<b>Net Income Before Taxes</b>	<b>357.9</b>	<b>345.1</b>
Minority Interest	(43.6)	(52.9)
Taxes	(0.2)	(0.1)
<b>Net Income</b>	<b>314.1</b>	<b>292.1</b>
<b>Cash Flow</b>		
Cash flow from operating activities	878.9	(38.0)
Cash flow from investment activities	(169.4)	(182.7)
Cash flow from financing activities	(380.3)	185.8
<b>Net Cash flow</b>	<b>329.2</b>	<b>(34.9)</b>
Monetary correction	4.0	1.9
<b>Net Variation in Cash and Cash Equivalents</b>	<b>333.2</b>	<b>(33.0)</b>

# global security ltda.

Financial Statements as of December 31, 2002 and 2001.

	2002	2001
	MCh\$	MCh\$
<b>Assets</b>		
Current Assets	256.9	329.4
Other Assets	0.7	0.5
<b>Total Assets</b>	<b>257.6</b>	<b>329.9</b>
<b>Liabilities</b>		
Current Liabilities	103.2	155.9
Capital & Reserves	106.7	106.7
Accumulated Income	67.3	10.0
Net Income	(19.6)	57.3
<b>Total Liabilities &amp; Equity</b>	<b>257.6</b>	<b>329.9</b>
<b>Income Statement</b>		
Operating Income	(25.4)	37.3
Non Operating Income	5.4	28.6
<b>Net Income Before Taxes</b>	<b>(20.0)</b>	<b>65.9</b>
Taxes	0.4	(8.6)
<b>Net Income</b>	<b>(19.6)</b>	<b>57.3</b>
<b>Cash Flow</b>		
Cash flow from operating activities	(132.9)	85.5
Cash flow from investment activities	107.4	(127.8)
Cash flow from financing activities	0.0	0.0
<b>Net Cash flow</b>	<b>(25.5)</b>	<b>(42.3)</b>
Monetary correction	(10.0)	(6.4)
<b>Net Variation in Cash and Cash Equivalents</b>	<b>(35.5)</b>	<b>(48.7)</b>

	<b>2002</b>	<b>2001</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current Assets	281.9	154.5
Fixed Assets	550.0	28.6
Other Assets	0.0	0.0
<b>Total Assets</b>	<b>831.9</b>	<b>183.1</b>
<b>Liabilities</b>		
Current Liabilities	659.7	15.6
Capital & Reserves	167.4	243.8
Net Income	4.8	(76.3)
<b>Total Liabilities &amp; Equity</b>	<b>831.9</b>	<b>183.1</b>
<b>Income Statement</b>		
Operating Income	(1.4)	(82.9)
Non Operating Income	12.2	7.3
<b>Net Income Before Taxes</b>	<b>10.8</b>	<b>(75.6)</b>
Minority Interest	(6.0)	(0.9)
Taxes		0.2
<b>Net Income</b>	<b>4.8</b>	<b>(76.3)</b>
<b>Cash Flow</b>		
Cash flow from operating activities	606.6	(190.8)
Cash flow from investment activities	(600.8)	(32.3)
Cash flow from financing activities	0.0	236.9
<b>Net Cash flow</b>	<b>5.8</b>	<b>13.8</b>
Monetary correction	5.4	(3.8)
<b>Net Variation in Cash and Cash Equivalents</b>	<b>11.2</b>	<b>10.0</b>





# directory

---

**GRUPO SECURITY S.A.**

Miraflores 178, 6° Piso - Santiago  
Phone: (56-2) 2704000  
Fax: (56-2) 2704010  
www.security.cl  
e-mail: grupo@security.cl

**BANCO SECURITY**

**Head Office:** Agustinas 621 - Santiago  
Phone: (56-2) 2704000  
Fax: (56-2) 2704001  
www.security.cl  
wab.security.cl  
e-mail: banco@security.cl  
SecurityPhone (56-2) 2704040

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

Miraflores 178, 6° Piso - Santiago  
Phone: (56-2) 2704000  
Fax: (56-2) 2704657  
www.security.cl  
wab.security.cl  
e-mail: valores@security.cl  
SecurityPhone (56-2) 2704040

**ADMINISTRADORA DE FONDOS MUTUOS SECURITY S.A.**

Miraflores 178, 6° Piso - Santiago  
Phone: (56-2) 2704000  
Fax: (56-2) 2704015  
www.security.cl  
wab.security.cl  
e-mail: fmutuos@security.cl  
SecurityPhone (56-2) 2704040

**FACTORING SECURITY S.A.**

Miraflores 178, 9° Piso - Santiago  
Phone: (56-2) 2704000  
Fax: (56-2) 2704006  
www.security.cl  
e-mail: factoring@security.cl

**ASESORIAS SECURITY S.A.**

Miraflores 178, 5° Piso - Santiago  
Phone: (56-2) 2704000  
Fax: (56-2) 2704009  
www.security.cl  
e-mail: asesorias@security.cl

**SECURITIZADORA SECURITY S.A.**

Miraflores 178, 5° Piso - Santiago  
Phone: (56-2) 2704000  
Fax: (56-2) 2704009  
www.security.cl  
e-mail: securitizadora@security.cl

**INMOBILIARIA SECURITY S.A.**

Av. Apoquindo 3669, Of. 301 - Santiago  
Phone: (56-2) 2704000  
Fax: (56-2) 2704159  
www.security.cl  
e-mail: inmobiliaria@security.cl

**SEGUROS VIDA SECURITY PREVISION S.A.**

**Head Office:** Hundaya 60, 7° Piso - Santiago  
Phone: (56-2) 7502400  
Fax: (56-2) 7502440  
www.security.cl  
www.prevision.cl  
e-mail: seguros@prevision.cl

**SEGUROS SECURITY PREVISION GENERALES S.A.**

**Head Office:** Hundaya 60, 6° Piso - Santiago  
Phone: (56-2) 7502300  
Fax: (56-2) 7502330  
www.security.cl  
www.prevision.cl  
e-mail: seguros@prevision.cl

**CORREDORES DE SEGUROS SECURITY LTDA.**

Isidora Goyenechea 3621, 4° Piso - Santiago  
Phone: (56-2) 4331000  
Fax: (56-2) 4331190  
www.security.cl

**GLOBAL SECURITY LTDA.**

Miraflores 178, 6° Piso - Santiago  
Phone: (56-2) 2704000  
Fax: (56-2) 2704015  
www.security.cl

**TRAVEL SECURITY S.A.**

**Head Office:** Isidora Goyenechea 3365,  
10° Piso - Santiago  
Phone: (56-2) 2413400  
Fax: (56-2) 2456469  
www.security.cl





## branches

---

### BANCO SECURITY

**Head Office** • Agustinas 621, Santiago - Phone: (56-2) 2704000

**Providencia** • Av. 11 de Septiembre 2289, Providencia, Santiago - Phone: (56-2) 2331580

**El Golf** • Hundaya 30, Las Condes, Santiago - Phone: (56-2) 2328735

**Panamericana Norte** • Av. Eduardo Frei Montalva 3016, Renca, Santiago - Phone: (56-2) 6416055

**Santa Elena** • Santa Elena 2400, San Joaquín, Santiago - Phone: (56-2) 5550081

**Quilicura** • Av. Presidente Eduardo Frei Montalva 9950, Quilicura, Santiago - Phone: (56-2) 7386650

**Ciudad Empresarial** • Av. Santa Clara 354, Santiago - Phone: (56-2) – 7384310

**Vitacura** • Nueva Costanera 3750, Santiago – Phone: (56-2) 2070719

**La Dehesa** • Av. La Dehesa 1744, Santiago – Phone: (56-2) 2168701

**Temuco** • Bulnes 701 - Phone: (56-45) 200700

**Concepción** • O'Higgins 428 - Phone: (56-41) 226801

**Antofagasta** • Av. San Martín 2511 - Phone: (56-55) 282824

**Puerto Montt** • Guillermo Gallardo 132 - Phone: (56-65) 294000

### FACTORING SECURITY

**Antofagasta** • San Martín 2511 - Phone: (56-55) 251846

**La Serena** • Prat 525 - Phone: (56-51) 228760

**Viña del Mar** • Arlegui 646, Of. 406 - Phone: (56-32) 686610

**Talca** • 1 Norte 963, Of. 321 - Phone: (56-71) 213006

**Concepción** • O'Higgins 420, Of. 101 - Phone: (56-41) 520120

**Temuco** • Varas 920, Of. 201 - Phone: (56-45) 200707

**Puerto Montt** • Benavente 405, Of. 605 - Phone: (56-65) 434310

### SEGUROS VIDA SECURITY PREVISION

**Customer Service: toll-free line (56 – 2) 800222100**

**Iquique** • Tarapacá 465, Of. 401 y 402 - Phone: (56-57) 411615

**Antofagasta** • Baquedano 399, 1<sup>er</sup> Piso - Phone: (56-55) 268145

**Copiapó** • Atacama 541, 2° Piso, Of. 1 - Phone: (56-52) 216739

**La Serena** • Prat 525, 2° Piso - Phone: (56-51) 226305

**Viña del Mar** • 8 Norte 579 - Phone: (56-32) 994559

**Santiago** • Hundaya 90 - Phone: (56-2) 7502600

**Santiago** • Marchant Pereira 221, 3<sup>er</sup> - 4° y 5° Piso - Phone (56-2) 7502619 – 7502620 - 7502621

**Talca** • 3 Oriente 1169 - Phone: (56-71) 228300

**Concepción** • O'Higgins 420, 3<sup>er</sup> Piso - Phone: (56-41) 242292

**Temuco** • Bulnes 721 - Phone: (63-45) 404090

**Valdivia** • Independencia 521, 3<sup>er</sup> Piso - Phone: (56-63) 224434

**Osorno** • Freire 624 Of. 308 - Phone: (56-64) 235070

**Puerto Montt** • Guillermo Gallardo 132, 2° Piso - Phone: (56-65) 252823

**Punta Arenas** • Roca 935 - Phone: (56-61) 229957

### SEGUROS SECURITY PREVISION GENERALES

**Antofagasta** • Baquedano 399 – Phone: (56-55) 251758

**La Serena** • Prat 525, 2° Piso - Phone: (56-51) 224900

**Viña del Mar** • 8 Norte 579: (56-32) 994565

**Talca** • 3 Oriente 1169 – Phone (56-71) 236133

**Concepción** • O'Higgins 420, 3<sup>er</sup> Piso – Phone: (56-41) 240272

**Temuco** • Bulnes 721 – Phone: (56-45) 212967

**Santiago** • Nueva York 53, Of. 43 – Phone: (56-2) 6966113

### TRAVEL SECURITY

**Santiago** • Isidora Goyenechea 3365, Santiago – 10° Piso - Phone: (56-2) 2413400

**Concepción** • O'Higgins 420, Of. 21 - Phone: (56-41) 227753





