

annual report 2003

security

GRUPO security



# ANNUAL REPORT 2003

GRUPO

security

- BANCO SECURITY AND SUBSIDIARIES
- VALORES SECURITY S.A. CORREDORES DE BOLSA
- ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.
- FACTORING SECURITY S.A.
- INMOBILIARIA SECURITY S.A.
- ASESORIAS SECURITY S.A. AND SUBSIDIARIES
- SECURITIZADORA SECURITY S.A.
- INVERSIONES SEGUROS SECURITY LTDA. AND SUBSIDIARIES
- SEGUROS VIDA SECURITY PREVISION S.A.
- SEGUROS SECURITY PREVISION GENERALES S.A.
- SERVICIOS SECURITY S.A. AND SUBSIDIARIES
- CORREDORES DE SEGUROS SECURITY LTDA.
- INVERSIONES INVEST SECURITY LTDA. AND SUBSIDIARIES
- TRAVEL SECURITY S.A. AND SUBSIDIARIES
- GLOBAL SECURITY S.A.
- VIRTUAL SECURITY S.A. AND SUBSIDIARIES

## CHAIRMAN'S LETTER TO SHAREHOLDERS

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I have pleasure in presenting to you the Annual Report of Grupo Security for the year just ended.

While the international economic environment on the first quarter of 2003 was marked by uncertainties deriving from the conflict in Iraq, global, regional and local economic conditions became more favorable and in fact came close to the levels of 1997.

Chile's economic performance was characterized by this improved international scenario, coupled with a moderate reactivation, balanced external accounts, a firmer stock market, peso revaluation and reduced inflation.

Chile's trade agreements with the European Union and United States and the recovery of consumer confidence managed to offset the slow progress of the Pro Growth Agenda. Monetary policy supported this process, stimulating the recovery in private spending and inventory accumulation. In fact, the high degree of credibility of macro policies, based on a strategy of inflation targets with floating exchange rates and fiscal solvency, allowed the Central Bank to further reduce the reference interest rate to 2.25% at the end of the year, the lowest of any emerging economy.

Although the fall in potential growth and overcapacity have limited the level and speed of the recovery, most of the trends seen last year should continue into 2004. With the wind in favor, growth could exceed the revised potential rate of 4%, as the Central Bank has suggested.

The recovery in the Chilean economy permitted a more favorable scenario for the development of the different business areas in which Grupo Security is involved, covering credit and financing, investments and asset management, insurance and other financial services.

The adjustment process introduced by the Group and its subsidiaries during 2003 was also completed. This is designed to take advantage of the high growth potential of each of its companies and to add them long-term value.

The positive performance of the subsidiary companies was reflected in the success of a bond placement by Grupo Security for US\$ 28 million in September 2003.

All this has enabled Grupo Security to produce a net income of US\$ 23 million, reflecting an increase of 90% over the previous year and a return on equity of 15.5%.

In the financing area, Banco Security, one of the basic pillars of the Group's development, produced a net income of US \$ 22,4 million in 2003, with a return on capital and reserves of 16.5%. This is the result of prudent levels of expenses and risk apart from the good performance of the various business areas of the Bank. Notable were the high returns produced by Investment Banking, the growth of Corporate Banking and the great development of Personal Banking.

At December 2003, the loans of Banco Security showed an increase of 10.6% over 2002 to US\$ 1.617 million, while the banking sector as whole increased by 4.6% . Banco Security was thus in 9th place in the ranking by loan assets, with a market share of 2.87%.

The subsidiaries Valores Security S.A., Corredores de Bolsa and Administradora General de Fondos Security continue to make significant contributions to the results of Banco Security as the income from the investment in these two companies was US\$ 6 million, representing 26.4% of the Bank's consolidated net income. For its part, Security Factoring produced a net income of US\$ 3 million, with a return on capital and reserves of 20.3% and representing an 85.9% increase over the year before.

Asesorías Security in 2003 concentrated a good part of the efforts of Grupo Security in reorganizing its business. It produced a net income of US\$ 55.1 thousand which compensated the loss in the subsidiary Securitizadora Security of US\$ 168.9 thousand.

In the Insurance area, the results for 2003 showed a sharp turn compared to 2002. Notable were the favorable results of Seguros Vida Security Previsión of US\$ 1.71 million while those of Seguros Security Previsión Generales were US\$ 286.5 thousand. The Corredora de Seguros Security produced a net income of US\$ 707.5 thousand.

Lastly, in the area of Services, Inmobiliaria Security generated profits of US\$ 760.4 thousand while Travel Security generated US\$ 488.9 thousand, maintaining its leadership position as one of the three largest travel agencies in Chile.

Grupo Security today is the parent of a group of companies in the financial sector that coordinates and controls performance, and investment aspects, through a light, agile, flexible and low cost structure. Its experience, solvency and the results obtained in 2003 allow us to state that this is an enviable position with which to successfully face the different challenges of a market that is increasingly more complex and competitive.

At the same time, it can be seen that the niche strategy presents important development prospects for the future. The shareholders of the Group therefore approved a capital increase of US\$ 50.5 million last December to be used to support the subsidiaries and strengthen the Bank's growth over the next three years.

Closer relations with Security customers, increased efficiency, high growth rates and the provision of a service of excellence are key factors in Grupo Security's development plan which is focused on making it an integrated financial conglomerate for its customers, in line with global trends in financial services.

To achieve these objectives, we have a team of which we are proud, for their constant efforts and their human and professional qualities. The commitment of Grupo Security's personnel with the organization has been fundamental in obtaining the achievements that are reflected in this Annual Report for 2003.

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

Francisco Silva S.  
Chairman

FINANCIAL INDICATORS **GRUPO SECURITY S.A.**

<b>BALANCE</b> US\$ as of December 2003 (000s omitted)												
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Cash and Equivalents	116	262	1,975	36,800	35,372	37,065	31,097	22,401	12,056	11,963	13,897	<b>16,821</b>
Fixed Assets	0	0	0	1,450	1	50	37	132	247	224	149	<b>95</b>
Investment in Related Companies	42,900	44,878	77,987	106,294	111,827	123,196	148,141	154,413	185,580	193,612	195,097	<b>215,525</b>
Goodwill	12,346	0	1,761	34,340	30,894	27,400	1,134	1,061	988	915	842	<b>769</b>
Other Assets	0	0	0	148	1,863	1,689	1,519	1,339	1,165	990	815	<b>1,215</b>
Total other Assets	55,247	44,878	79,749	140,782	144,584	152,285	150,794	156,814	187,732	195,517	196,754	<b>217,509</b>
Total Assets	55,362	45,140	81,724	179,032	179,958	189,399	181,928	179,346	200,035	207,705	210,800	<b>234,424</b>
Current Liabilities	3,489	4,705	8,433	42,676	6,713	15,504	11,132	8,661	11,269	9,315	11,124	<b>8,712</b>
Long Term Assets	32,544	29,986	19,845	16,859	41,411	36,631	31,993	25,754	37,135	39,597	36,483	<b>48,509</b>
Equity	19,329	10,449	53,446	119,497	131,834	137,263	138,803	144,930	151,632	158,793	163,193	<b>177,204</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>55,362</b>	<b>45,140</b>	<b>81,724</b>	<b>179,032</b>	<b>179,958</b>	<b>189,399</b>	<b>181,928</b>	<b>179,346</b>	<b>200,035</b>	<b>207,705</b>	<b>210,800</b>	<b>234,424</b>
<b>INCOME STATEMENT</b> US\$ as of December 2003 (000s omitted)												
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Gross Margin	24	22	132	64	31	-2	0	0	0	0	0	<b>0</b>
General & Administrative Expenses	71	182	176	1,149	1,008	1,560	3,220	2,867	3,154	2,159	2,960	<b>2,232</b>
<b>Net Operating Income</b>	<b>-47</b>	<b>-161</b>	<b>-44</b>	<b>-1,085</b>	<b>-977</b>	<b>-1,562</b>	<b>-3,220</b>	<b>-2,867</b>	<b>-3,154</b>	<b>-2,159</b>	<b>-2,960</b>	<b>-2,232</b>
<b>NON OPERATING INCOME &amp; EXPENSES:</b>												
Financial Income	130	0	0	800	195	62	2,454	2,075	870	723	556	<b>316</b>
Income From Investments	4,029	5,654	8,465	14,089	16,642	19,916	15,766	18,493	20,682	20,447	16,907	<b>27,545</b>
Other Income	0	6	154	58	5,029	3,228	14,758	2,082	1,383	202	742	<b>493</b>
Amortization of Goodwill	-1,452	-12,346	-86	-460	-3,489	-3,493	-489	-73	-73	-72	-73	<b>-73</b>
Financial Expenses	-2,975	-2,083	-1,739	-1,642	-3,642	-3,141	-2,846	-2,166	-2,085	-3,141	-2,722	<b>-2,519</b>
Monetary Correction	4,416	50	3,826	836	276	224	-1,100	-181	-219	-487	-70	<b>120</b>
Non Operating Results	4,147	-8,719	10,620	13,682	15,012	16,796	28,543	20,230	20,558	17,671	15,339	<b>25,882</b>
Net Income Before Taxes	4,100	-8,880	10,576	12,597	14,035	15,234	25,322	17,363	17,404	15,511	12,379	<b>23,650</b>
Taxes	264	0	359	0	219	0	1,475	9	26	3	-113	<b>-112</b>
<b>Net Income</b>	<b>3,836</b>	<b>-8,880</b>	<b>10,216</b>	<b>12,597</b>	<b>13,816</b>	<b>15,234</b>	<b>23,847</b>	<b>17,354</b>	<b>17,378</b>	<b>15,509</b>	<b>12,492</b>	<b>23,762</b>

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# 1.

## BOARD OF DIRECTORS AND MANAGEMENT

- . BOARD OF DIRECTORS
- . MANAGEMENT
- . MANAGEMENT ORGANIZATION



## BOARD OF DIRECTORS

### CHAIRMAN

**Francisco Silva Silva**

Civil Engineer, Catholic University of Chile  
Engineer, Stanford University  
Master of Science, Stanford University  
Tax No 4.103.061-5

### DIRECTORS

**Claudio Berndt Cramer**

Accountant, University of Chile  
Tax No 4.775.620-0

**Andrés Concha Rodríguez**

Commercial Engineer, University of Chile  
Tax No 4.773.967-5

**Jaime Correa Hogg**

Civil Engineer, University of Chile  
Tax No 5.892.161-0

**Jorge Marín Correa**

Business Administrator  
Tax No 7.639.707-4

**Naoshi Matsumoto Takahashi**

Commercial Engineer, Catholic University of Chile  
Tax No 3.805.153-9

**Horacio Pavez García**

Civil Constructor, Federico Santa María University  
Tax No 3.899.021-7

**Juan Cristóbal Pavez Recart**

Commercial Engineer, Catholic University of Chile  
Master in Business Administration, Massachussets Institute of Technology  
Tax No 9.901.478-4

**Alvaro Vial Gaete**

Commercial Engineer, University of Chile  
Master of Arts in Economics, University of Chicago  
Tax No 5.759.348-2

## MANAGEMENT

### PRESIDENT

**Renato Peñafiel Muñoz**

Commercial Engineer, University of Chile  
Master of Arts in Economics, University of Chicago  
Tax No 6.350.390-8

### FINANCIAL BUSINESS OFFICER

**Carlos Roberto Budge Carvallo**

Agronomist, Catholic University of Chile  
Master of Arts in Applied Economics & PHD, Stanford University  
Tax No 7.011.490-9

### ASSISTANT RESEARCH OFFICER

**Fernando Salinas Pinto**

Commercial Engineer, Catholic University of Chile  
Tax No 8.864.773-4

## MANAGEMENT ORGANIZATION

The management of Grupo Security is based on a light structure that coordinates and supervises the performance of each of its subsidiaries and associates. The presidents of each company report to the president of Grupo Security and he in turn to the board. The financial business officer supervises matters related to the financial areas of the different companies. The assistant research officer acts as a support area to the president, mainly oriented to planning and performance control.

2.

THE COMPANY

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## THE COMPANY

NAME : GRUPO SECURITY S.A.  
TYPE OF COMPANY : Open corporation  
OBJECTS : Financial group whose object is to offer the widest range of financial services, in Chile and abroad.  
TAX N° : 96.604.380-6  
DOMICILE : Miraflores 178, Piso 6, Santiago de Chile  
TELEPHONE : (562) 270 4000  
FAX : (562) 270 4001  
MAIL : grupo@security.cl  
WEB : www.security.cl

### CONSTITUTION

DOCUMENTS : The investment company GRUPO SECURITY S.A. was formed under public deed dated February 8, 1991 before the notary Enrique Morgan Torres. Its extract was published in the Official Gazette on February 22, 1991 and was inscribed in the Santiago Trade Register for 1991(folio 5720, No.2820) on February 19, 1991. Grupo Security S.A. is an open corporation. On January 30, 1995, the company was inscribed in the Securities Register (No.0499) and is therefore subject to the regulatory authority of the Superintendency of Securities and Insurance.  
The extraordinary shareholders' meeting held on October 20, 1997 agreed to change the company's name to the present Grupo Security S.A..

# 3.

## ACTIVITIES AND BUSINESSES OF **GRUPO SECURITY**

- BUSINESS STRATEGY
- BRIEF HISTORIC SUMMARY
- MATERIAL INFORMATION
- STOCK MARKET PERFORMANCE
- STOCK MARKET INDICATORS & SHARE TRANSACTIONS
- RESULTS OF GRUPO SECURITY IN 2003
- FINANCIAL INDICATORS
- OWNERSHIP
- DIVIDEND POLICY
- DIVIDENDS PAID
- GRUPO SECURITY PERSONNEL & REMUNERATION
- DIRECTORS' COMMITTEE
- DIRECTORS' REMUNERATION
- CREDIT RATING

## BUSINESS STRATEGY

Grupo Security is the parent company of a conglomerate of companies that have presences in important sectors of the Chilean economy like banking, insurance and financial investments.

Founded in 1991 by the shareholders of the Sigdo Koppers group and the Company's present executives, Grupo Security has expanded its business base gradually within the financial sector, implementing a strategy of segmentation and innovation that has allowed it to diversify its income sources and broaden its service range.

Since the Group's origins, the founding shareholders have been known for their commitment and for being closely involved in the management of the Company. They actively take part in its decisions, are members of the boards of directors and committees of each of its businesses and run the Company under a shareholders' agreement that controls more than 83% of the share capital.

Grupo Security is structured around four business areas: financing, investments, insurance and other services. The subsidiaries and divisions that share business objectives are grouped together and integrate in each of these areas.

The following illustrates the business structure of Grupo Security, identifying the subsidiaries and divisions making up each area:

Financing	Banco Security: <ul style="list-style-type: none"> <li>▶ Corporate banking</li> <li>▶ Personal banking</li> <li>▶ Leasing</li> </ul> Factoring
Investments	Mutual funds Stockbroker Asset management Securitization
Insurance	General insurance Life insurance Insurance broker Reinsurance broker
Other services	Travel Security Inmobiliaria Security Businesses support services Technological services

In this context, the Grupo Security companies seek to provide an integral attention to customers through diversified financial services, high standards of efficiency and low risk.

During 2003, Grupo Security ensured that the companies in each area met their agreed budgets, some even exceeding them. The Group's good results are due to a strong increase in the profits of its subsidiaries, thanks to the consolidation of the adjustments made in 2002 when a reordering of the Group's business structure was made in order to facilitate control of these areas and achieve greater efficiency and profitability.

## BRIEF HISTORICAL SUMMARY

**1981:** Creation of Banco Urquijo de Chile, a subsidiary of Banco Urquijo, Spain.

**1987:** Security Pacific Corporation, a subsidiary of Security Pacific National Bank, Los Angeles, California, acquires all the share capital of Banco Urquijo de Chile, which then changed its name to Banco Security Pacific. The same year, Security Pacific National Bank forms a securities agency and stockbrokers which, four years later, is sold to Banco Security. It is today called Valores Security, stockbroker.

**1990:** Leasing Security is formed which is later incorporated into Banco Security in April 2001.

**1991:** Security Pacific Overseas Corporation sells 60% of the Bank to the present controlling shareholders of Grupo Security, and then becomes known as Banco Security. This gives birth to Grupo Security whose objects are to develop a financial group.

**1992:** Administradora de Fondos Mutuos Security is formed as a subsidiary of Banco Security, and Factoring Security as a subsidiary of Grupo Security.

**1993:** The subsidiary Asesorías Security is created to represent Dean Witter Reynolds & Co., USA in Chile and offer derivative products and consultancy services in managing international assets.

**1994:** Bank of America, the successor to Security Pacific National Bank, sells to Grupo Security the remaining 40% of the share capital of Bank.

**1995:** Grupo Security starts quoting its shares on the stock exchange in order to obtain funds for increasing the capital base of Banco Security and its subsidiaries. At the end of this year, following a second capital increase, a majority shareholding is acquired in AFP Protección and the insurance companies Previsión Vida and Previsión Generales. The purchase is made with Inversiones, Seguros y Pensiones Limitada with which a shareholders' agreement is signed to develop the acquired companies.

**1996:** Two new companies are added to the financial conglomerate: Merchant Security, dedicated to merchant banking and consultancy services, and Inmobiliaria Security, oriented to the real estate business. Grupo Security also increases its holding to 62.69% in the insurance company Previsión Generales following the purchase of a 29.35% holding from Inversiones, Seguros y Pensiones Limitada.

**1997:** Grupo Security makes a share swap, issuing seven new ones for each old one. In October, a change in the corporate image of Grupo Security is launched, with new names for the participating companies while retaining the current businesses. At the same time, Securitizadora Security is added to the Group as a subsidiary of Merchant Security, dedicated to the business of asset, instrument and debt securitization.

**1998:** In March, Grupo Security sells its holding in AFP Protección and in December transfers the insurance companies Previsión Vida and Previsión Generales to Inversiones Seguros Security Limitada, a Group company that manages the conglomerate's insurance businesses.

**1999:** Grupo Security acquires a majority interest in the travel agency Travel Security and forms a new subsidiary, through Inversiones Seguros Security Limitada., called Corredora de Seguros Security which begins to operate in the first quarter of 2000. Global Security is also formed this year to concentrate the sales force of Grupo Security's products and services.

**2001:** The subsidiary Invest security centralizes the provision of accounting, control and corporate cultural development services of all the subsidiaries of the Grupo Security. Virtual Security starts to offer services and to develop technological products for all Group companies. Two subsidiaries of Servicios Security S.A. (a subsidiary of Inversiones Seguros Security Limitada) are also formed: Corredora de Reaseguros Security and Agencia Security, whose objects are to complement the businesses of Corredores de Seguros Security.

**2002:** The restructuring of the Group companies continues. Merchant Security absorbs the international asset management businesses of Asesorías Security and the international private banking services of Banco Security, under the

name of Asesorías Security S.A. Inversiones Seguros Security Limitada also acquires a holding in Servicios Security, the parent company of the companies dedicated to insurance broking, giving it a shareholding of 73.69%. The insurance companies Previsión Vida and Previsión Generales change their names to Seguros Vida Security Previsión S.A. and Seguros Security Previsión Generales S.A

**2003:** During the first quarter, Seguros Security increases its holding in Seguros Vida Security Previsión S.A to 92% after exercising a purchase option for 19.116%, and later acquires a further 7.5% shareholding in a public share purchase offering.

The same year, Grupo Security successfully places a bond issue for US\$ 284 million through IM Trust S.A. Corredores de Bolsa. This transaction generated strong market interest, with the offer being three-times oversubscribed. This translated into a placement rate of 5.14%, equivalent to a spread of 225 basis points over the Central Bank's 8-year PRC.

On December 19, 2003, an extraordinary shareholders' meeting approved a capital increase of US\$ 50,5 million to be made in 2004. The proceeds will be used to support the Group subsidiaries and the growth of Banco Security over the next three years. With this capital increase, the equity of Grupo Security will amount to US\$ 225 million.

## MATERIAL INFORMATION

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There have been no significant events of a financial-accounting nature occurring between January 1 and February 20, 2004 that might affect an interpretation of these financial statements.

## STOCK MARKET PERFORMANCE

The stock market and share prices last year showed important changes in contrast to the moderate performance in 2002.

2003 was a very good year for the local stock market. Apart from Chile's incipient economic recovery, the principal Chilean stock market indicators showed returns not seen for ten years stimulated by greater market optimism. IPSA, the selective stock price index, ended the month of December with a rise of 1.81% to provide an accumulated 48.5% for the year (46.6% in real terms) and close at 1,484.80 points.

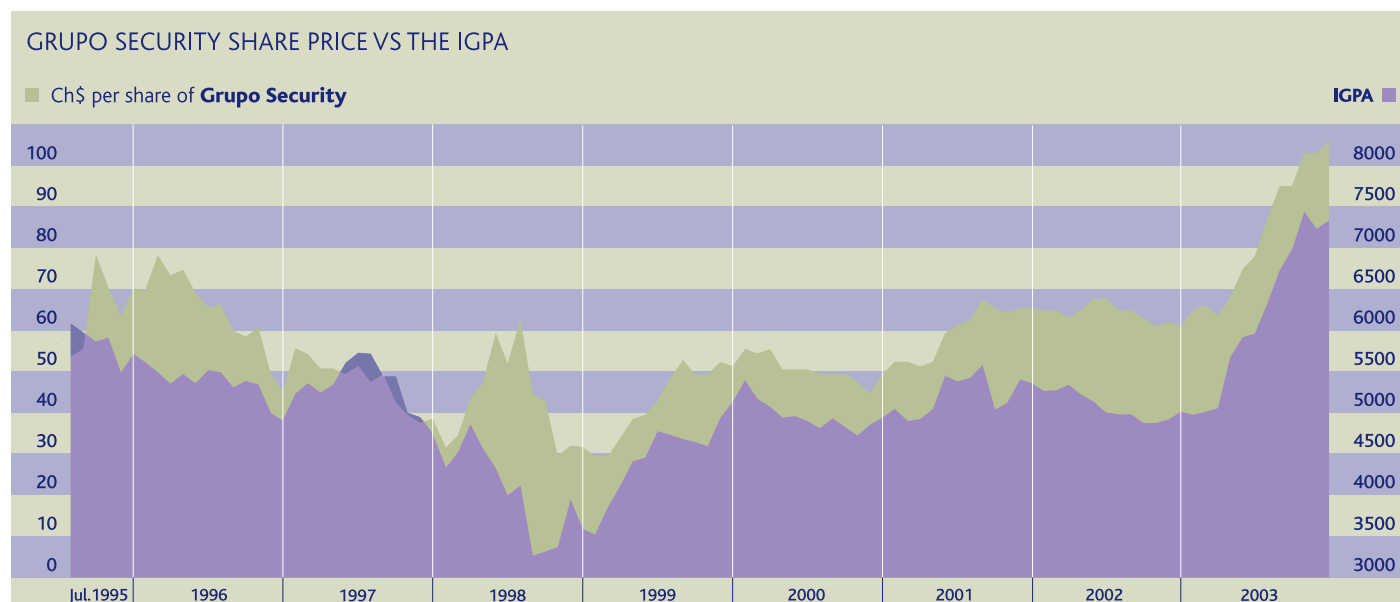
The IGPA (the general stock price index) showed a similar performance, rising 1.3% in December to make an accumulated gain for the year of 46.2%.

Trading volumes reached US\$7,228 million, 75.8% more than in the year before.

It was also the good Chilean stock market performance that led market capitalization to grow by US\$27,465 million to US\$85,676.2 million. The performance of Grupo Security's shares beat the market's overall performance. The Group's share price rose 75.4% from Ch\$61.0 per share in December 2002 to Ch\$107.0 at the end of 2003. The price-earnings ratio at that date was 12.25, compared to 13.74 in 2002.

This change is basically explained by the strong increase in the profits of Grupo Security compared to the year before.

The following graph shows the share price movement of Grupo Security compared to the performance of the IGPA.





## STOCK MARKET INDICATORS AND TRADING VOLUMES

The following table shows some market indicators of Grupo Security at the end of each year from 1998 to 2003.

GRUPO SECURITY STOCK MARKET INDICATORS						
Indicator	December 98	December 99	December 2000	December 2001	December 2002	December 2003
Share price	32.1	52.0	50.0	66.0	61.0	107.0
Earnings per share (Ch\$ per share)	7.43	5.55	5.81	5.35	4.44	8.53
Price-earnings ratio	4.32	9.38	8.60	12.34	13.74	12.55
Market presence	92.4%	86.9%	50.0%	50.2%	35.6%	42.9%

The following shows the number of shares traded, the real amount traded and the average share price over the last four years:

"SECURITY" SHARE TRADING			
Period	N° of shares (thousands)	Volume traded ThCh\$	Average price (Ch\$ per share)
1st quarter 2000	10,912	601,589	55.13
2nd quarter 2000	35,604	1,815,467	50.99
3rd quarter 2000	10,822	542,692	50.15
4th 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>
1st quarter 2001	3,158	166,135	52.61
2nd quarter 2001	13,636	759,840	55.72
3rd quarter 2001	32,093	2,116,940	65.96
4th 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>
1st quarter 2002	3,135	204,685	65.28
2nd quarter 2002	14,210	919,018	64.67
3rd quarter 2002	26,528	1,732,352	65.30
4th quarter 2002	24,210	1,499,778	61.95
<b>Year 2002</b>	<b>68,083</b>	<b>4,355,833</b>	<b>63.98</b>
1st quarter 2003	103,990	6,659,068	63.75
2nd quarter 2003	11,620	758,908	70.26
3rd quarter 2003	10,084	852,752	86.95
4th quarter 2003	4,388	428,501	100.22
<b>Year 2003</b>	<b>130,082</b>	<b>8,699,229</b>	<b>81.03</b>

**STOCK MARKET INDICATORS AND TRADING VOLUMES (from previous page...)**

The following table shows transactions between parties related to Grupo Security during 2003:

GRUPO SECURITY S.A. SHARE TRANSACTIONS MADE DURING 2003											
Date	Seller/relationship	Tax No.	Buyer/relationship	Tax No.	Shares traded	Series	Transaction price	Market closing price	Volume traded		
09.Jan.2003	Rojas García Carolina // none	8.825.536-4	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	95,004	Sole	61.50	61.50	5,842,746		
09.Jan.2003	Lira Eyzaguirre María Teresa // none	12.456.470-0	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	24,248	Sole	61.50	61.50	1,491,252		
22.Jan.2003	Paclama S.A. // none	96.704.730-9	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	48,276,751	Sole	64.01	64.16	3,090,194,832		
22.Jan.2003	Paclama S.A. // none	96.704.730-9	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	2,000,000	Sole	64.16	64.16	128,320,000		
22.Jan.2003	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	Inmobiliaria Cab S.A. // Related co.	96.941.680-8	2,000,000	Sole	64.16	64.16	128,320,000		
22.Jan.2003	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	Inmobiliaria Cab S.A. // Related co.	96.941.680-8	48,276,751	Sole	64.01	64.16	3,090,194,832		
31.Jan.2003	Cruz González Jaime Manuel // none	10.047.342-9	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	26,733	Sole	64.00	64.00	1,710,912		
13.Feb.2003	Laso Crichton Roberto // none	7.175.643-2	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	8,272	Sole	66.00	66.00	545,952		
14.Feb.2003	Silva Venegas Domingo Bernardo // none	7.811.431-2	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	10,647	Sole	66.00	66.00	702,702		
04.Mar.2003	De Groote Pérez Patricio José // none	4.706,241-1	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	578,144	Sole	66.00	66.00	38,157,504		
12.Mar.2003	Pavez Mella Erica Fernanda // none	8.819.659-7	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	14,259	Sole	65.00	65.05	926,835		
21.Mar.2003	Hinrichsen Ramirez Juan Carlos // none	5.307.925-3	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	100,000	Sole	63.00	63.00	6,300,000		
01.Apr.2003	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	Inversiones Cerro La Campana Ltda // none	79.868.170-2	1,881,033	Sole	63.50	63.50	119,445,596		
01.Apr.2003	Inversiones Pérez Blas Ltda. // none	78.185.550-2	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	189,637	Sole	63.50	63.50	12,041,950		
10.Apr.2003	Larraín Vial S.A. Corr. de Bolsa // none	80.537.000-9	Soc. Comercial de Servicios e Inv. Ltda. // Related co.	79.553.600-0	656,732	Sole	63.50	63.50	41,702,482		
21.Apr.2003	Errázuriz Palacios Matías // none	8.603.779-3	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	18,032	Sole	65.00	65.00	1,172,080		
15.May.2003	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	Inmobiliaria Cab S.A. // Related co.	96.941.680-8	96,712	Sole	69.00	69.00	6,673,128		
16.May.2003	Yrrazaval Llona Vicente // none	6.359.355-9	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	370,000	Sole	69.00	69.00	25,530,000		
16.May.2003	Bilbao Hormaeche Bonifacio // none	9.218.210-K	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	275,000	Sole	69.00	69.00	18,975,000		
02.Jul.2003	Murasso Rizzo Jorge // none	2.312.301-0	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	106,918	Sole	80.00	80.00	8,553,440		
02.Jul.2003	Bustos Medina María Angelica // none	5.822.826-5	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	52,000	Sole	80.00	80.00	4,160,000		
02.Jul.2003	Guzmán Martínez María Del Pilar // none	7.049.526-0	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	3,876	Sole	80.00	80.00	310,080		
11.Jul.2003	Larraín Vial S.A. Corr. de Bolsa // none	80.537.000-9	Soc. Comercial de Servicios e Inv. Ltda. // Related co.	79.553.600-0	1,286,053	Sole	80.00	80.00	102,884,240		
15.Jul.2003	Mujica Piwonka Beatriz // none	5.710.144-K	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	68,600	Sole	82.00	82.00	5,625,200		
28.Jul.2003	Pirazzoli Labarca Alberto // none	8.526.490-7	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	212,149	Sole	87.00	87.00	18,456,963		
04.Ago.2003	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	Polo Sur Socde Rentas Ltda // Related co.	79.685.260-7	75,118	Sole	87.00	88.00	6,535,266		
04.Ago.2003	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	Sociedad de Rentas Don Ernesto Ltda // none	79.944.150-0	250,000	Sole	87.00	88.00	21,750,000		
04.Ago.2003	Velasquez Urrutia Arturo // none	7.101.240-9	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	8,219	Sole	88.00	88.00	723,272		
04.Ago.2003	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	Inversiones Hemaco S.A. // Related co.	96.647.170-0	74,337	Sole	87.00	88.00	6,467,319		
04.Ago.2003	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	Don Guillermo S.A. // none	96.721.490-6	648,450	Sole	87.00	88.00	56,415,150		
07.Ago.2003	Larraín Vial S.A. Corr. de Bolsa // none	80.537.000-9	Inversiones Llacahue Limitada // Related co.	79.884.060-6	1,500,000	Sole	87.00	87.00	130,500,000		
08.Ago.2003	Soc. de Inv. Camino Interior El Pangue // Related co.	78.539.370-8	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	10,000	Sole	87.00	87.00	870,000		
08.Ago.2003	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	Inmobiliaria Cab S.A. // Soc. Relacionada	96.941.680-8	500,000	Sole	87.00	87.00	43,500,000		
12.Ago.2003	Inversiones La Almena Ltda // Related co.	96.711.120-1	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	100,000	Sole	87.00	87.00	8,700,000		
13.Ago.2003	Inversiones La Almena Ltda // Related co.	96.711.120-1	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	100,000	Sole	90.00	90.00	9,000,000		
09.Sep.2003	Inmobiliaria Santa Carmen Ltda // none	79.858.500-2	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	850,000	Sole	95.00	95.00	80,750,000		
10.Sep.2003	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	Karmy Salah José Eduardo Antonio // none	3.408.798-9	20,000	Sole	95.00	96.00	1,900,000		
03.Oct.2003	Castro Becker Isabel Margarita // none	6.371.710-K	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	71,505	Sole	95.00	95.00	6,792,975		
16.Oct.2003	Soto González Miguel Angel // none	15.638.821-1	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	2,470	Sole	95.00	95.00	234,650		
24.Oct.2003	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	Inversiones El Huerto Limitada Soc. // Relacionada	78.115.620-5	5,000	Sole	101.50	101.50	507,500		
24.Oct.2003	Soc. de Inv. Camino Interior El Pangue // Related co.	78.539.370-8	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	140,000	Sole	87.00	101.50	12,180,000		
27.Oct.2003	Inversiones El Huerto Limitada // Related co.	78.115.620-5	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	1,000,000	Sole	87.00	87.00	87,000,000		
04.Nov.2003	Wagner San Martín Pablo G. // none	10.853.258-0	Valores Security S.A. Corredores de Bolsa // Associate	96.515.580-5	18,181	Sole	101.50	101.50	1,845,372		
24.Dec.2003	Inversiones Peralillo Limitada // Related co.	78.091.270-7	Silva Silva Francisco // Director	4.103.061V5	1,973	Sole	102.00	102.00	201,246		
24.Dec.2003	Inversiones Peralillo Limitada // Related co.	78.091.270-7	Alzérreca Bascuán Carmen // Spouse	5.221.147-6	769	Sole	102.00	102.00	78,438		
24.Dec.2003	Inversiones Peralillo Limitada // Related co.	78.091.270-7	Vial Gaete José Alvaro // Director	5.759.348-2	496	Sole	102.00	102.00	50,592		
24.Dec.2003	Inversiones Peralillo Limitada // Related co.	78.091.270-7	Eluchans Olivares Ramón // Manager	6.464.460-2	1,378	Sole	102.00	102.00	140,556		
24.Dec.2003	Inversiones Peralillo Limitada // Related co.	78.091.270-7	San León Inversiones y Servicios Ltda // Related co.	78.538.290-0	16,300	Sole	102.00	102.00	1,662,600		
24.Dec.2003	Inversiones Peralillo Limitada // Related co.	78.091.270-7	Sociedad de Inversiones Montecasino // Related co.	78.604.920-2	25,600	Sole	102.00	102.00	2,611,200		
24.Dec.2003	Inversiones Peralillo Limitada // Related co.	78.091.270-7	Soc. Comercial de Servicios e Inv. Ltda. // Related co.	79.553.600-0	212,353	Sole	102.00	102.00	21,660,006		
24.Dec.2003	Inversiones Peralillo Limitada // Related co.	78.091.270-7	Inmobiliaria Villucu Ltda. // Related co.	79.652.720-K	154,705	Sole	102.00	102.00	15,779,910		
24.Dec.2003	Inversiones Peralillo Limitada // Related co.	78.091.270-7	Inversiones Los Rododendros Limitada // Related co.	79.680.160-3	9,359	Sole	102.00	102.00	954,618		
24.Dec.2003	Inversiones Peralillo Limitada // Related co.	78.091.270-7	Polo Sur Soc. de Rentas Ltda // Related co.	79.685.260-7	20,212	Sole	102.00	102.00	2,061,624		
24.Dec.2003	Inversiones Peralillo Limitada // Related co.	78.091.270-7	Inversiones Hidroeléctricas Ltda // Related co.	79.884.660-4	309,063	Sole	102.00	102.00	31,524,426		
24.Dec.2003	Inversiones Peralillo Limitada // Related co.	78.091.270-7	Inversiones Matyco Ltda // Related co.	96.512.100-5	153,493	Sole	102.00	102.00	15,656,286		
24.Dec.2003	Inversiones Peralillo Limitada // Related co.	78.091.270-7	Inversiones Hemaco S.A. // Related co.	96.647.170-0	120,663	Sole	102.00	102.00	12,307,626		
24.Dec.2003	Inversiones Peralillo Limitada // Related co.	78.091.270-7	Inmobiliaria Cab S.A. // Related co.	96.941.680-8	73,636	Sole	102.00	102.00	7,510,872		

NOTE: Associate: an associate company of Grupo Security. Spouse: spouse of some Grupo Security executive. Director: director of Grupo Security.

Manager: executive of Grupo Security, subsidiary or associate. None: no relationship with the company. Related co.: company related to Grupo Security.

In accordance with Superintendency circular 585, a form showing share transactions of majority shareholders, directors, president, executives, liquidators and other related persons or entities.

## GRUPO SECURITY RESULTS FOR 2003

Grupo Security in 2003 produced earnings of US\$ 23.7 million, representing a return on capital and reserves of 15.5%.

The unconsolidated balance sheet of Grupo Security shows total assets of US\$ 234 million of which current assets represent 7.18%, or US\$ 17 million, providing the company with ample liquidity.

The most important component of assets is the Investment in related companies of US\$ 215 million, which represents 91.9% of assets including goodwill.

On the other hand, out of current liabilities of US\$ 8.7 million and long-term liabilities of US\$ 48.5 million, the principal components are borrowings from banks and financial institutions of US\$ 10.5 million and bonds issued in 2003 to provide a total of bonds payable of US\$ 38 million

Finally, Grupo Security's shareholders' equity amounts to US\$177.15 million and represents 75.6% of total assets at December 2003.

## FINANCIAL INDICATORS

The variations in the most relevant financial indicators of the Grupo Security balance sheet over the last five years are shown below:

GRUPO SECURITY FINANCIAL INDICATORS						
	1998	999	2000	2001	2002	2003
Current Assets/Current Liabilities (times)	2.79	2.59	1.07	1.28	1.25	<b>1.93</b>
Total Debt / Equity	31.07%	23.75%	31.92%	30.80%	29.17%	<b>32.29%</b>
Total Debt / Total Assets	23.70%	19.19%	24.20%	23.55%	22.58%	<b>24.41%</b>
Earnings / Equity *	20.74%	13.60%	12.94%	10.82%	8.29%	<b>15.49%</b>

\* Equity less net income for the year

## OWNERSHIP

Grupo Security S.A. has been an open corporation since July 1995 and has maintained an active presence in the local stock market.

The shareholders in Grupo Security S.A., composed of businessmen, bankers and professionals of long experience in the financial sector, make up a singular and positive combination of common long-term objectives which generate proper incentives for making an agile and efficient organization and lasting customer relations.

At December 31, 2003, Grupo Security had 587 shareholders holding 1,654,721,054 shares. The controlling shareholders are parties to a shareholders' agreement that controls 83.74% of the share capital of Grupo Security.

SHAREHOLDERS REGISTER AT DECEMBER 31, 2003							
Detail of controlling shareholders of Grupo Security							
Direct Controller	Tax No.	Number of shares	% direct holding	% accum. holding	Persons	Tax No.	% indirect holding
SOC. COMERCIAL DE SERVICIOS E INV. LTDA.	79.553.600-0	211,401,330	12.7756 %	12.7756 %	Gustavo Pavez Rodríguez	4.609.215-5	11.8813522%
					Jacqueline Recart Ossa	4.527.171-4	0.8942953%
INMOBILIARIA VILLUCO LTDA.	79.652.720-K	154,010,064	9.3073%	22.0830%	Horacio Pavez García	3.899.021-7	8.6148487%
					María Marta Aro Pavissich	4.589.964-0	0.5333090%
					Carolina Pavez Aro	10.492.635-5	0.0530517%
					Horacio Pavez Aro	9.737.844-4	0.0530517%
					Gonzalo Pavez Aro	9.417.024-9	0.0530517%
INVERSIONES MATYCO LTDA.	96.512.100-5	152,802,423	9.2343%	31.3173%	Naoshi Matsumoto Takahashi	3.805.153-9	8.7726147%
					Jeanette Eugenia Courdurier F	4.105.674-6	0.4617166%
INVERSIONES HIDROELECTRICAS LTDA.	79.884.660-4	142,042,640	8.5841%	39.9014%	Francisco Silva Silva	4.103.061-5	0.6497353%
					Teresita Domínguez Valdés	5.197.802-1	2.9761816%
					Renato Arturo Peñafiel Muñoz	6.350.390-8	1.4953045%
					Ana María Castillo Errázuriz	6.534.153-0	1.8275943%
					Ramón Eluchans Olivares	6.464.460-2	1.4717411%
					María Teresa Errázuriz Orrego	6.370.011-8	0.1635268%
INVERSIONES HEMACO S.A.	96.647.170-0	120,120,663	7.2593%	47.1606%	María Josefina Marín Correa	7.678.118-4	0.8892605%
					Marta Eugenia Marín Correa	8.131.765-8	0.8892605%
					Cristián José Marín Correa	6.337.693-0	0.8892605%
					María Luz Marín Correa	7.205.867-4	0.8892605%
					María Loreto Marín Correa	7.678.119-2	0.8892605%
					Jorge Eduardo Marín Correa	7.639.707-4	0.8892605%
					Carlos José Marín Correa	7.203.992-0	0.8892605%
					Guillermo Marín Correa	6.337.692-2	0.8892605%
					Guillermo Marín Estévez	2.127.624-3	0.0725927%
					María Luz Correa Salas	2.903.022-7	0.0725927%
INMOBILIARIA CAB S.A.	96.941.680-8	73,305,348	4.4301%	51.5907%	Claudio Berndt Cramer	4.775.620-0	2.2150364%
					Carmen Alzérrecu Bascuñán	5.221.147-6	2.2150364%
INVERSIONES LLASCAHUE LTDA.	79.884.060-6	70,720,128	4.2738%	55.8646%	Francisco Silva Silva	4.103.061-5	0.7658379%
					Teresita Domínguez Valdés	5.197.802-1	3.5080019%
INVERSIONES LOS CACTUS LTDA.	79.884.050-9	64,248,975	3.8828%	59.7473%	Renato Arturo Peñafiel Muñoz	6.350.390-8	1.7472455%
					Ana María Castillo Errázuriz	6.534.153-0	2.1356222%

(from previous page...) SHAREHOLDERS REGISTER AT DECEMBER 31, 2003

Direct Controller	Tax No.	Number of shares	% direct holding	% accum. holding	Persons	Tax No.	% indirect holding
INVERSIONES CIRCULO FINANCIERO S.A.	87.019.500-1	53,473,356	3.2316%	62.9786%	María Luisa del N. Domínguez Valdés	6.061.378-8	0.8763003%
					Jaime José Correa Hogg	5.892.161-0	0.0093223%
					Jaime José Correa Domínguez	13.232.521-9	0.0233059%
					María Luisa Correa Domínguez	13.435.339-2	0.0233059%
					María del Pilar Irrarázabal Ferrada	15.311.573-7	0.0046879%
					María Jesús Irrarázabal Ferrada	12.058.795-1	0.0046879%
					Juan José Irrarázabal Llona	6.549.462-0	0.3140910%
					Leonor Pilar Ferrada Valenzuela	6.832.211-1	0.1406378%
					María Dolores Irrarázabal Ferrada	12.058.794-3	0.0046879%
					Luz Ximena León Ossa	6.624.940-9	0.1891442%
					Pedro Antonio Barroso Vivaldi	6.720.933-8	0.0630481%
					Luz Ximena León Ossa	6.624.940-9	0.0630481%
					Pedro Antonio Barroso Vivaldi	6.720.933-8	0.0999398%
					Enrique Carlos Menchaca Olivares	6.944.388-5	0.0960206%
					Tomás Eduardo Menchaca Olivares	8.566.620-7	0.1527836%
					Mónica del Pilar Guasp Sotomayor	5.435.380-4	0.0015433%
					Raúl Alfonso Lopez Vargas	4.759.730-7	0.1364256%
					María Soledad Montero Pérez	8.414.479-7	0.0013780%
					Gonzalo Rafael Van Wersch Calderón	6.987.391-K	0.0396739%
					María Victoria Mujica Piwonka	5.892.498-9	0.0925723%
					Beatriz Mujica Piwonka	5.710.144-K	0.0944630%
					Karin Becker Schmidt	5.360.901-5	0.0000946%
					Hernán Henríquez Hurtado	5.209.839-4	0.0942045%
					Ingrid Schweiger Lagos	5.860.991-9	0.0645596%
					Andrea Henríquez Schweiger	10.074.668-9	0.0080700%
					Pamela Henríquez Schweiger	10.074.659-K	0.0040350%
					Cristina Sepúlveda Garese	7.454.724-9	0.0665820%
					Other: 55 shareholders	78.558.440-6	0.6219633%
COMPAÑIA DE INVERSIONES RIO BUENO S.A.	96.519.130-5	51,773,298	3.1288%	66.1077%	Andrés Concha Rodríguez	4.773.967-5	1.564417%
					Bruno Philippi Irrarázabal	4.818.243-7	1.564417%
INVERSIONES SAN IGNACIO LTDA.	78.063.360-3	37,003,354	2.2362%	68.3439%	Gonzalo Ruiz Undurraga	5.321.309-K	1.8817868%
					Isabel Margarita Fehrman Riofrio	5.330.097-9	0.3320800%
					Isabel Margarita Fehrman Riofrio	5.330.097-9	0.0223623%
INVERSIONES EL ROCIO LTDA.	78.256.070-0	35,323,465	2.1347%	70.4786%	Luis Esteban Montalva Rodríguez	4.035.429-8	0.5336770%
					Juan Pablo Montalva Rodríguez	4.880.979-0	0.5336770%
					María Gloria Herreros Freire	4.467.512-9	0.5336770%
					María Cecilia Brahm Moura	5.540.157-8	0.5336770%
INVERSIONES LOS CHILCOS LTDA.	79.884.030-4	30,752,113	1.8584%	72.3371%	Ramón Eluchans Olivares	6.464.460-2	1.6726023%
					María Teresa Errázuriz Orrego	6.370.011-8	0.1858447%

(from previous page...) SHAREHOLDERS REGISTER AT DECEMBER 31, 2003

Direct Controller	Tax No.	Number of shares	% direct holding	% accum. holding	Persons	Tax No.	% indirect holding
SOCIEDAD DE INVERSIONES MONTECASINO	78.604.920-2	25,525,600	1.5426%	73.8797%	Osvaldo Barzelatto	2,300,044-K	1.5041201%
					Patricia Menz Guzmán Barros	4.661.090-3	0.0384723%
INVERSIONES D Y V S.A.	78.090.210-8	21,286,625	1.2864%	75.1661%	Luis Alvaro Donoso	5.421.318-2	1.2543345%
					Lucía del Pilar Vergara	6.963.731-0	0.0320833%
POLO SUR SOC DE RENTAS LTDA.	79.685.260--7	20,120,212	1.2159%	76.3820%	Jorge Eduardo Marín Correa	7.639.707-4	0.0294255%
					Bernardita González Morandé	7.053.754-0	0.0294255%
					Jorge José Marín González	16.609.358-9	0.1928461%
					Samuel José Marín González	17.089.037-K	0.1928461%
					Bernardita María Marín González	17.698.099-0	0.1928461%
					María Magdalena Marín González	18.024.036-5	0.1928461%
					María del Carmen Marín González	19.243.811-K	0.1928461%
					Sebastián José Marín González	19.635.924-9	0.1928461%
JUAN OEHNINGER MOURGUES	752.764--0	18,900,000	1.1422%	77.5242%	Juan Oehninger Mourgues	752.764-0	1.1421865%
INVERSIONES RIO RAHUE S.A.	96.560.010-8	16,886,772	1.0205%	78.5447%	Claudio Valdés González	4.032.414-3	1.0195002%
					Patricio Alejandro Valdés Valenzuela	7.041.947-5	0.0010205%
SAN LEON INVERSIONES Y SERVICIOS LTDA.	78.538.290-0	17,367,729	1.0496%	79.5943%	José Alvaro Vial Gaete	5.759.348-2	1.0180989%
					María Ximena Sheherd Guevara	6.155.738-5	0.0314876%
SOC DE INV CAMINO INTERIOR EL PANGUE	78.539.370-8	13,867,549	0.8381%	80.4324%	Juan Enrique Silva Silva	3.973.918-6	0.0419030%
					María Angélica Gaete Costabal	4.775.595-6	0.7961566%
INVERSIONES LOS RODODENDROS LTDA.	79.680.160-3	9,316,248	0.5630%	80.9954%	Mario Weiffenbach Oyarzún	4.868.153-0	0.2815051%
					Isabel Margarita Ferrer Artigas	3.998.545-4	0.2815051%
INVERSIONES ARIZCUN LTDA.	78.073.510-4	9,158,633	0.5535%	81.5489%	Francisco Juanicotena Sanzberro	5.201.352-6	0.2767425%
					Miren Aintzane Uriarte	7.208.227-3	0.2767425%
GOMEZ Y COBO LTDA.	78.071.220-1	8,929,015	0.5396%	82.0885%	Francisco Javier Gómez Cobo	4.878.296-5	0.2698042%
					María Inés Cobo Fernández	8.193.852-0	0.2698042%
INVERSIONES PARSEC LTDA.	78.071.210-4	8,305,818	0.5019%	82.5904%	Cristián Brinck Mizón	5.128.442-9	0.2509734%
					Patricia Dolores Labbe Achondo	5.548.439-2	0.2509734%
INVERSIONES SANTA TERESA S.A.	96.666.290-5	8,289,407	0.5010%	83.0914%	Gonzalo Ruiz Undurraga	5.321.309-K	0.2128931%
					Isabel Margarita Fehrman Riofrio	5.330.097-9	0.0375694%
					Nora Schacht Angelbeck	3.639.247-9	0.0861016%
					Silvia Jahn Schacht	7.040.563-6	0.0817959%
					Claus Jahn Wehrhahn	2.533.858-8	0.0825799%
					Gonzalo Ruiz Undurraga	5.321.309-K	0.0000126%
					Isabel Margarita Fehrman Riofrio	5.330.097-9	0.0000022%
					Isabel Margarita Fehrman Riofrio	5.330.097-9	0.0000002%
Enrique Fiora del Fabro Bartual	3.641.591-6	2,400,000	0.1450%	83.2364%	Enrique Fiora Del Fabro Bartual	3.641.591-6	0.1450396%
Francisco Silva Silva	4.103.061-5	1,963,653	0.1187%	83.3551%	Francisco Silva Silva	4.103.061-5	0.1186697%
Renato Arturo Peñafiel Muñoz	6.350.390-8	1,961,680	0.1186%	83.4737%	Renato Arturo Peñafiel Muñoz	6.350.390-8	0.1185505%
INVERSIONES PERALILLO LTDA.	78.091.270-7	1,900,000	0.1148%	83.5885%	Alvaro Santa Cruz Goecke	3.557.209-0	0.0803761%
					Blanca Ugarte Perez de Arce	5.548.473-2	0.0344469%

(from previous page...) SHAREHOLDERS REGISTER AT DECEMBER 31, 2003

Direct Controller	Tax No.	Number of shares	% direct holding	% accum. holding	Persons	Tax No.	% indirect holding
Ramón Eluchans Olivares	6.464.460-2	1,371,768	0.0829%	83.6714%	Ramón Eluchans Olivares	6.464.460-2	0.0829003%
Luis Alvaro Donoso Barros	5.421.318-2	1,115,436	0.0674%	83.7388%	Luis Alvaro Donoso Barros	5.421.318-2	0.0674093%
Francisco Ramón Juanicotena Sanzberro	5.201.352-6	917,070	0.0554%	83.7942%	Francisco Ramón Juanicotena Sanzberro	5.201.352-6	0.0554214%
Francisco Javier Gomez Cobo	4.878.296-5	822,696	0.0497%	83.8439%	Francisco Javier Gomez Cobo	4,878,296-5	0.0497181%
José Alvaro Vial Gaete	5.759.348-2	494,483	0.0299%	83.8738%	José Alvaro Vial Gaete	5.759.348-2	0.0298832%
Cristián Alfonso Brinck Mizón	5.128.442-9	485,751	0.0294%	83.9032%	Cristián Alfonso Brinck Mizón	5.128.442-9	0.0293555%
Gonzalo Ruiz Undurraga	5.321.309-K	280,000	0.0169%	83.9201%	Gonzalo Ruiz Undurraga	5.321.309-K	0.0169213%
Mario Weiffenbach Oyarzún	4.868.153-0	231,938	0.0140%	83.9341%	Mario Weiffenbach Oyarzún	4.868.153-0	0.0140167%
Other: 550 shareholders		265,845,814	16.0659%	100.00%	Other: 550 accionistas		16.0658990%

## DIVIDEND POLICY

The intention of the board is to propose to the shareholders' meeting the maintenance of the present dividend policy approved at the ordinary shareholders' meeting of 2002, which corresponds to Grupo Security's permanent policy. In other words, it is proposed to distribute about 50% of the income that the company has received from its subsidiaries during the year. This distribution could be made against the income for 2003 or retained earnings from previous years. The payment will be split into two dividends, an interim and a final one.

It is therefore proposed to distribute an interim dividend between October and November each year representing no more than 20% of the income accrued to the company between January and June that year. A final dividend is then contemplated in April or May of the following year in order to reach no less than 50% of the income that Grupo Security has received from its subsidiaries in the respective year, provided this does not impede or make difficult compliance with the company's financial obligations or those it assumes in the future.

The board of Grupo Security S.A. will therefore propose to the ordinary shareholders' meeting the payment of a final dividend of Ch\$3.15 per share which, added to the interim dividend of Ch\$0.758 per share and the additional dividend of Ch\$0.742 paid in October 2003, make a total of Ch\$4.65 per share. These dividends represent a total amount of US\$ 13 million which means the distribution of dividends for 54.5% of the net income for 2003.

EARNINGS AND DIVIDENDS OF GRUPO SECURITY S.A.		
	December 2002	December 2003
Previous years' retained earnings	32.7	41.4
Net income for the year	10.3	23.8
Interim & final dividends	6.5	11.4



## DIVIDENDS PAID

The following table shows the history of dividends paid by Grupo Security to its shareholders since its initial quotation on the stock exchange in 1995.

GRUPO SECURITY DIVIDENDS PAID			
Dividend N°	Date	Ch\$ per share	Amount (millions of Ch\$)
1	April 03, 1995	1.766	2,922
2	May 09, 1996	1.571	2,600
3	May 08, 1997	2.000	3,009
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 07, 2002	2.200	3,640
18	October 17, 2002	0.330	546
19	October 17, 2002	0.270	447
20	May 05, 2003	2.600	4,302
21	October 16, 2003	0.742	1,228
22	October 16, 2003	0.758	1,254

Grupo Security has a total of **1,654,721,054** shares issued and paid at december 12, 2003.

## GRUPO SECURITY PERSONNEL AND REMUNERATION

The number of personnel of Grupo Security and subsidiaries at December 31, 2003 is as follows:

GRUPO SECURITY PERSONNEL - NUMBER OF EMPLOYEES				
Company	Executives	Professionals	Staff	Total
Grupo Security	2	1	2	5
Banco Security & subsidiaries	16	134	202	352
Factoring Security	3	27	49	79
Inmobiliaria Security	2	2	2	6
Asesorías Security & Filiales	2	5	6	13
Inversiones Seguros Security & Filiales	23	63	678	764
Invest Security	8	54	227	289
<b>Total Grupo Security &amp; subsidiaries</b>	<b>56</b>	<b>286</b>	<b>1.166</b>	<b>1.508</b>

The total remuneration received by executives of Grupo Security during the year was US\$ 554.725.

Grupo Security and subsidiaries have an incentive plan consisting of an annual bonus for its executives, officers and directors based on compliance with targeted returns on capital and reserves and with the annual budget. Every company directly incurs the related costs.

## DIRECTORS' COMMITTEE

The directors' committee is composed of the following directors of Grupo Security:

DIRECTORS' COMMITTEE			
POSITION	NAME	PROFESSION	TAX N°
Directors	Andrés Concha Rodríguez	Commercial Engineer, University of Chile	4.773.967-5
	Naoshi Matsumoto Takahashi	Commercial Engineer, Catholic University of Chile	3.805.153-9
	Alvaro Vial Gaete	Commercial Engineer, University of Chile	
Secretary	Renato Peñafiel Muñoz	Master of Arts in Economics, University of Chicago	5.759.348-2
		Commercial Engineer, Catholic University of Chile	
		Master of Arts in Economics, University of Chicago	6.350.390-8

The committee, whose functions are those set out by law, held six meeting during 2003.

Its remuneration was set by the shareholders' meeting at UF 15 per meeting for each director, with a ceiling of six meetings a year. The shareholders' meeting also agreed its annual budget for 2003 totaling UF 600.

No administration or consultancy expenses were incurred by the directors' committee.

During 2003, the directors' committee discussed the following:

- \* Revision of the report of the independent accountants addressed to the shareholders of Grupo Security and its subsidiaries at December 31, 2002.
- \* Revision of the audit program of the external auditors of Grupo Security and its subsidiaries for 2003 and the committed timetable for revisions and reports.
- \* Revision of new regulations affecting the different companies of Grupo Security, especially the Bank like those relating to audit committees, Basle II and its coming into effect in January 2005.
- \* The study requested from the firm Deloitte concerning tax aspects in order to optimize and prevent tax contingencies in the different companies of Grupo Security. The committee took note of and agreed to the making of this study.
- \* Revision of the detail of transactions between related companies of Grupo Security.
- \* Revision of compensation and bonus systems for the officers and principal executives of Grupo Security.
- \* Revision of information with respect to credit-rating agencies. It was agreed to propose to the Group's board the retention of the agencies Feller-Rate and Duff & Phelps for a period.
- \* Revision and approval of the formal financial statements of Grupo Security for September 2003.

## DIRECTORS' REMUNERATION

The shareholders' meeting held in April 2003 set the directors' remuneration for 2003 on the basis of 19.91 UTM per director for attending a meeting and 28.45 UTM for the chairman, limited to one remunerated meeting per month. The total amount of fees paid to directors during the year was 16,546.45 UTM.

FEES 2003									
		(figures in UTM)					Seguros	Seguros	
		Grupo Security			Banco Security		Vida Security	Generales Security	Inmobiliaria Security
NAME	TAX N°	Attendance fees	Directors' committee fees	Fees	Attendance fees	Fees	Attendance fees	Attendance fees	Salary
FRANCISCO SILVA SILVA	4.103.061-5	283.98	0.00	0.00	340.71	6,860.63	173.01	190.64	0.00
CLAUDIO BERNDT CRAMER	4.775.620-0	218.65	0.00	0.00	0.00	321.51	0.00	0.00	0.00
ANDRES CONCHA RODRIGUEZ	4.773.967-5	218.67	25.54	142.50	0.00	0.00	0.00	0.00	0.00
JAIME CORREA HOGG	5.892.161-0	238.64	0.00	0.00	0.00	0.00	0.00	0.00	4,308.18
JORGE MARIN CORREA	7.639.707-4	218.72	0.00	0.00	340.71	189.99	0.00	0.00	0.00
NAOSHI MATSUMOTO TAKAHASHI	3.805.153-9	139.04	25.54	0.00	0.00	361.40	0.00	0.00	0.00
JUAN CRISTOBAL PAVEZ RECART	9.901.478-4	238.64	0.00	142.50	0.00	0.00	157.46	0.00	0.00
HORACIO PAVEZ GARCIA	3.899.021-7	218.72	0.00	0.00	0.00	341.48	0.00	0.00	0.00
ALVARO VIAL GAETE	5.759.348-2	238.64	25.54	142.50	0.00	112.31	157.46	173.16	0.00
Total		2,013.69	76.62	427.49	681.43	8,187.33	487.92	363.80	4,308.18

UTM at 12/31/2003 = Ch\$29,739 / Source: Servicio de Impuestos Internos

FEES 2002										
		(figures in UTM)					Seguros	Seguros	Inmobiliaria	Merchant
		Grupo Security			Banco Security		Vida Security	Generales Security	Security	Security
NAME	TAX N°	Attendance fees	Directors' committee fees	Fees	Attendance fees	Fees	Attendance fees	Attendance fees	Salary	Salary
FRANCISCO SILVA SILVA	4.103.061-5	307.17	0.00	0.00	334.28	6,877.96	200.85	184.33	0.00	0.00
CLAUDIO BERNDT CRAMER	4.775.620-0	176.40	0.00	0.00	0.00	380.23	66.22	0.00	0.00	0.00
ANDRES CONCHA RODRIGUEZ	4.773.967-5	156.31	24.88	185.05	0.00	0.00	0.00	0.00	0.00	0.00
JAIME CORREA HOGG	5.892.161-0	215.02	0.00	0.00	0.00	0.00	0.00	33.10	3,908.15	0.00
JORGE MARIN CORREA	7.639.707-4	215.02	0.00	0.00	334.28	246.73	0.00	0.00	0.00	0.00
NAOSHI MATSUMOTO TAKAHASHI	3.805.153-9	195.08	50.04	0.00	0.00	380.23	0.00	0.00	0.00	0.00
JUAN CRISTOBAL PAVEZ RECART	9.901.478-4	176.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
HORACIO PAVEZ GARCIA	3.899.021-7	175.35	0.00	0.00	0.00	399.72	0.00	0.00	0.00	0.00
ALVARO VIAL GAETE	5.759.348-2	215.02	50.04	0.00	0.00	668.55	0.00	184.33	0.00	166.54
Totales		1,831.77	124.97	185.05	668.55	8,953.42	267.07	401.76	3,908.15	166.54

UTM at 12/31/2002 = Ch\$29,389 / Source: Servicio de Impuestos Internos

## CREDIT RATING

The shares of Grupo Security S.A. have been rated as First Class Level 3 by the private credit-rating agencies Feller-Rate and Fitch Chile. The details are as follows:

CREDIT RATINGS AT DECEMBER 2003		
	Common shares	Bonds No.188 Series A1, A2 and Bonds No.340 Series B
Fitch Chile Clasificadora de Riesgo Limitada	First Class Level 3	A+
Feller - Rate Clasificadora de Riesgo	First Class Level 3	A
Risk Classification Commission	Approved	A

# 4.

## ACTIVITIES AND RESULTS OF THE BUSINESS AREAS OF **GRUPO SECURITY**

- FINANCING
- INVESTMENTS
- INSURANCE
- SERVICES

## FINANCING

The object of the Financing Area is to be the financial partner of medium and large companies as well as high-income individuals, fully satisfying their credit and financing needs.

Grupo Security is involved in financing businesses through Banco Security and Factoring Security. The total assets of the different businesses, whether by bank credit, leasing or factoring, of Grupo Security reached US\$1,719.5 million at December 2003.

### Banco Security

Within an industry characterized for its rapid concentration and mergers, in which certain large institutions predominate, Banco Security stands out as a different middle-sized bank that operates in a clearly-defined niche with high levels of efficiency and good technological support.

There have been numerous changes in the Chilean financial sector in recent years and 2003 was no exception. The most notable events of the year were:

- *Entry of new players:* Banco Conosur, previously a finance company, started to operate early in the year, and Banco Monex opened its doors in August. In the middle of the year, the Banking Superintendency gave its provisional approval to Banco París and received a request for a license from Banco Penta, part of the group of that name.
- *Changes of ownership:* Banco de Desarrollo bought Banco Sudameris in 2003 while BCI acquired Conosur and Banco Santiago Express was sold to Almacenes París.
- *Amendments to the sector's regulatory framework:* Banks were authorized to offer customers incentives other than interest, while discussions about the Capital Markets Reform II continued to progress.
- *Consolidation:* The merged banks began to show improvements in their efficiency and profitability indicators.
- *Technology:* Constant increase in the number of users of electronic channels and large investments by some banks in new equipment and systems. Customers linked to internet exceeded 600 thousand (practically trebling the 220 thousand in 2001), and electronic transactions represented over 50% of the total.

In this context, Banco Security has made considerable efforts to improve its efficiency without affecting service quality, which has enabled it to hold its market position clearly differentiated from its competitors.

The strategy of Banco Security is to offer personalized, integral, competitive and timely solutions according to the financial needs of its customers, providing them with a service of excellence so that a long-term relationship can be maintained. The Bank has a full range of financial products and services, with top-level technological support in all its channels and all the support necessary to fully satisfy its customers. In order to correctly implement this strategy, Banco Security has organized its activities into three business areas: Corporate Banking, Personal Banking and Investment Banking.

**Corporate Banking** is Banco Security's most traditional business area, concentrating some 83% of its total assets at December 2003 and contributing around 63% of net income.

This area is in turn divided into:

- *Corporate Banking*: focused on Chile's largest private and public-sector companies with annual sales of over US\$ 25 million, and including real-estate companies.
- *Middle Market Companies*: dedicated to companies with annual sales of between US\$5 and US\$25 million, through its branches in Santiago and the regions.

**Personal Banking** is oriented to attracting and attending high-income customers, today concentrating a little less than 17% of the Bank's assets and contributing some 20% of earnings.

This area is structured as follows.

- *Preferential Banking*: specialized in attending high-income customers who require an optimum quality of service.
- *Private Banking*: for managing the personal finances of private investors.
- *Mortgage Business*: concentrated on attracting and attending preferential customers with mortgage finance.

This area continued to expand aggressively during 2003, attracting customers and business thanks to its recognized quality of service and the wide range of products offered. Its stock of assets grew by 33% compared to the year before while its account holders rose to 11,120.

**Investment Banking** is an area that has traditionally been of great relevance to the business and results of the Bank, complementing the service provided by the commercial areas. It comprises:

- *A Money Desk*: actively operates in trading currencies and securities in both the local and international markets, and manages the Bank's exposure to currencies, maturities and interest rates.
- *International Management*: explores the external financial markets to seek finance for foreign trade transactions in which Banco Security has held an important share for years.

In recent years, Banco Security has made great efforts in the development and implementation of new products and the introduction of the latest technological advances in the industry, in order to offer its business and personal customers all the necessary tools for an optimal management of their resources. This has placed Banco Security in a privileged position and led Personal Banking to have one of the most «technologized» customer portfolios in Chilean banking.

A large investment was made in 2003 in replacing the Bank's principal hardware with latest-generation technology. Great efforts were made to introduce numerous innovations in the information and communications systems which have significantly improved the capacity, reliability and response times of the Bank's different systems and electronic channels (internet, web and telephonic banking).

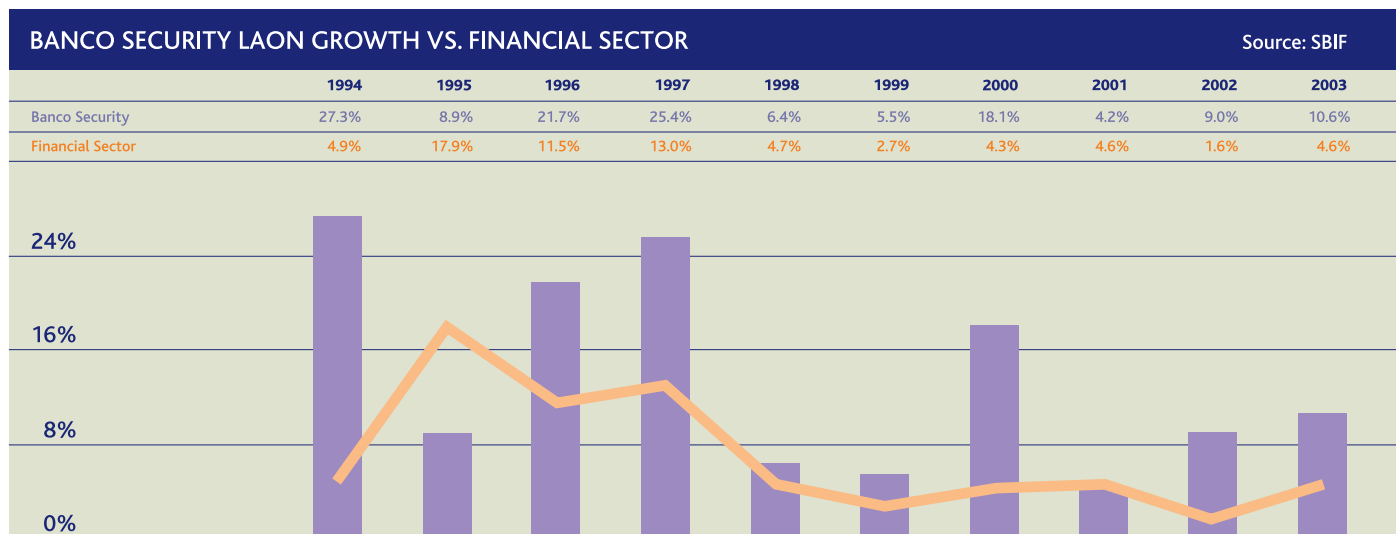


This has enabled it to continue advancing in the process of structural change initiated in 2002 which points to transforming the branches into «transaction centers» and creating centralized «business platforms» from which commercial executives provide the personalized attention and financial support required by its customers that characterize Banco Security.

### Loans

Total loans of Banco Security at December 31, 2003 were US\$ 1,603.5 million, a real increase of 10.6% over the previous year. This change is significantly greater than that of the banking sector as a whole which saw loan growth of 4.6%.

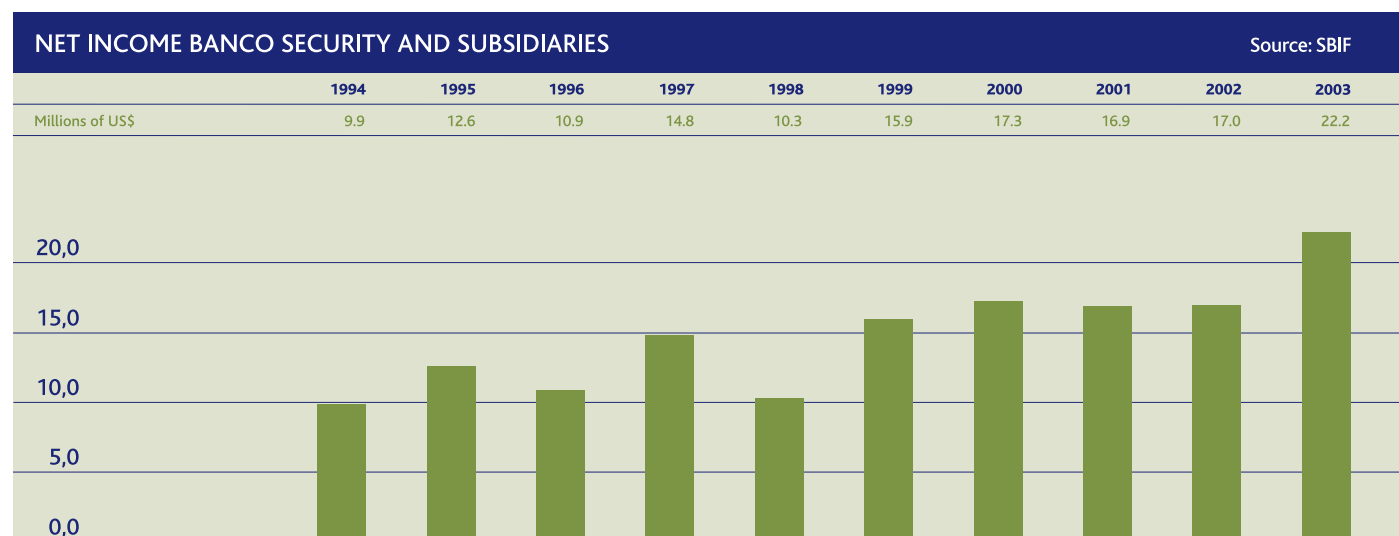
With this, Banco Security achieved a market share of 2.87% in total loans and was placed ninth out of the 26 banks operating in Chile at the end of 2003.



### Results

The results of Banco Security in 2003 were most satisfactory, reflecting the strength and maturity reached over the years. The Bank's consolidated net income was US\$ 22.2 million which represents real growth of over 30% compared to 2002 and a return on capital and reserves of 16.5%.

These figures are the result of a good performance by all the Bank's three business areas, particularly the good results of matching currencies and maturities, and the growth of Personal Banking. The latter has passed its breakeven point and made an important contribution to the Bank's results. This is not to ignore the usual good performance of Corporate Banking which provides the major part of the Bank's revenues and thus provides a degree of stability.



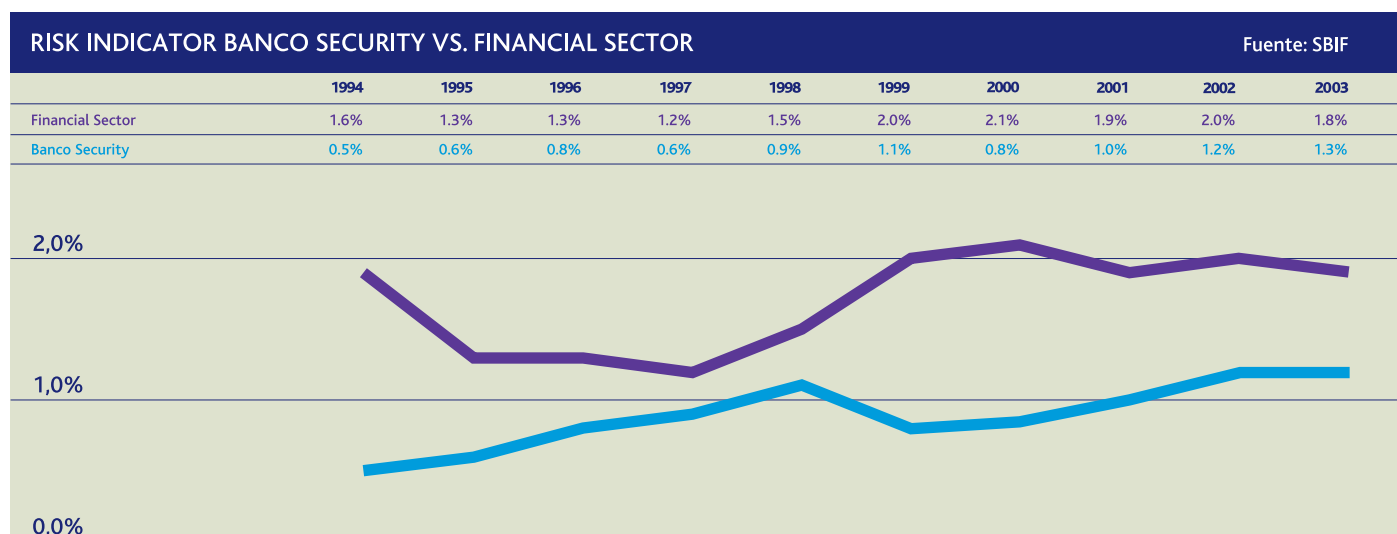
The gross margin shows real growth of 8.3% compared to 2002. The following factors were relevant in this:

- The growth in total loans of Banco Security which reached US\$ 1.618 million in December 2003, real growth of 10.6%.
- The prudent matching of currencies and maturities enabled us to take advantage of some opportunities occurring during the year related mainly to rate differentials appearing at times due to unusual phenomena like the war in Iraq, the Inverlink case and six months of negative inflation.
- Fee income showed real growth of over 50%. Because of the difference in our fee income in 2002 compared the sector average, the fee structure was modified completely and a campaign was begun to increase this. It should be noted however that Banco Security continues to be one of the cheapest banks in Chile in terms of commissions. Regarding operating expenses, the Bank has continued to make great efforts to improve its efficiency and thus maintain its competitiveness. These expenses in 2003 showed a real increase of 6.7% due mainly to:
  - Higher personnel costs due to the restructuring costs made early in the year and the adjustment to the global provision for vacations held at December 2002.
  - Increase in depreciation as a result of the numerous investments made in recent years in the technological field.

The challenge of improving the efficiency indicator is increasingly complex, basically because of problems of scale. The efficiency indicator (operating expenses over gross margin) of 51.1% achieved by the Bank in 2003 is therefore highly positive as it represents an improvement over the 51.8% achieved the year before, and compares favorably with the industry average of 53.8%. Banco Security also maintained its first place in terms of productivity, measured as loans divided by the number of employees, achieving an average of US\$ 5.2 million of loans per employee at December 31, 2003.

### Risk indicators

Another of the traditional strengths of Banco Security is the good quality of its loan portfolio which was maintained in 2003. According to the latest figures published by the Superintendency of Banks and Financial Institutions for the month of October 2003, Banco Security showed a risk indicator of 1.30%, being the lowest of all the medium and large banks and comfortably exceeding the industry average of 1.82%. This and the positive evolution of the country's economy during the year, explains the lower losses (provisions for doubtful assets less recoveries of loans written off) suffered by the Bank in 2003 which amounted to US\$ 5.9 million a real fall of 16.4% compared to 2002.



In terms of solvency, the Basle ratio (effective equity over risk-weighted assets) of Banco Security maintained a comfortable margin over the 10% level required by current local regulations for qualifying as a first-category bank and, even more so, over the minimum of 8%. For Banco Security, this ratio was 11.15% at November 2003, below the average of 14.14% for the banking sector. The Bank's basic capital at the same time represented 6.56% of its total assets, higher than the minimum of 3% required by the General Banking Law.

The subsidiaries of Banco Security, Valores Security Corredores de Bolsa and Administradora General de Fondos Security, were important contributors to the Bank's results as in previous years. Income from its investments in related companies amounted to US\$ 5.9 million at December 2003, an increase of 14.0% over 2002 and representing 26.4% of the Bank's consolidated net income.

**Factoring Security S.A.**

The Chilean factoring industry in the last three years has shown average growth of over 33.43% in terms of the volume of documents acquired, amounting to US\$2,372 million in 2003. The stock of documents acquired in 2003 totaled US\$ 748.8 compared to US\$ 632.4 million in 2002.

Despite these high growth rates, figures of the Chilean Factoring Companies Association (ACHEF) show that the volume traded represents 3.5% of GDP which compares with rates of around 7% in developed countries.

The business has positioned itself in the last few years as a fast and efficient form of financing. It arrived in Chile in 1986 with the Financo finance company project. Then in 1989, Banco Pacífico entered the market and, in 1990, Inco Factor S.A. was born, now Banderarrollo Factoring

Factoring Security began operating in December 1992, being one of the pioneers in the Chilean factoring sector.

By 1994, there were various companies in Chile dedicated to this business, particularly those already mentioned but with the addition of Finersa (today HNS), Santander Factoring, and FactorLine (ex Bifactoring). The industry is thus consolidating and is today one of the businesses with the best prospects in Chile and internationally.

This year, the factoring industry will face several challenges:

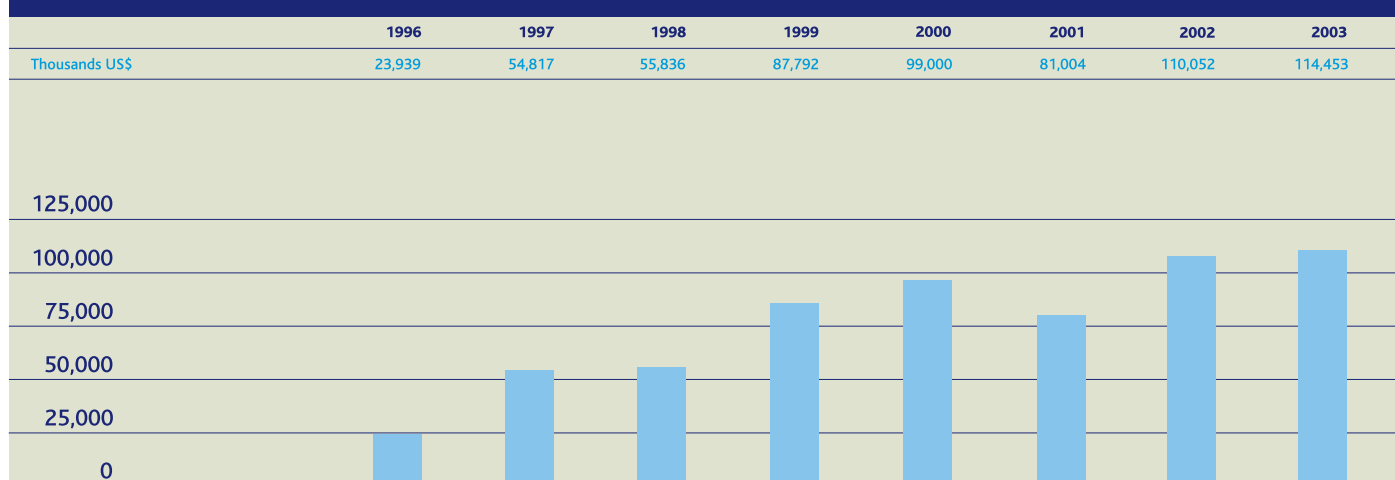
- The bill before parliament for making the invoice an executable collection instrument.
- The electronic invoice as a transaction means validated by the Internal Tax Service.
- International factoring, facing the new free trade agreements signed by Chile recently.

***Assets, market share and earnings of Factoring Security***

Factoring Security began some years ago an active commercial strategy, opening up eight sales points throughout the country, widening its geographic coverage from Iquique to Puerto Montt. The great progress made by the company in those years has borne fruit, making it today one of the leaders in the factoring market.

At December 2003, the assets of Factoring Security amounted to US\$ 109.8 million which gives it third place in ACHEF with a 17% market share.

### LOANS - FACTORING SECURITY

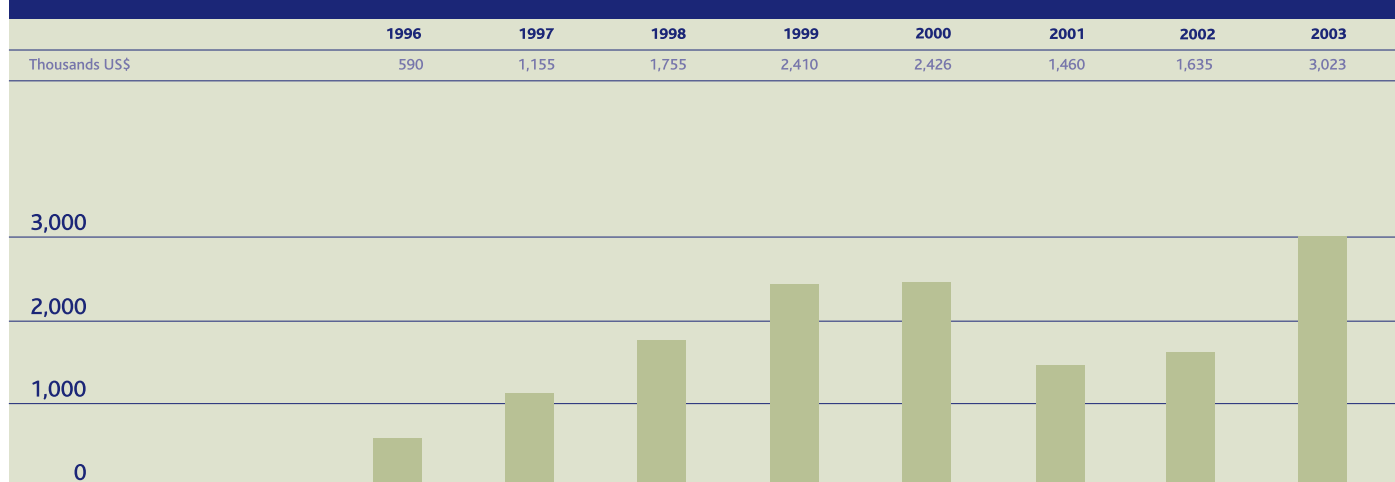


Factoring Security has a diversified asset portfolio in which the Chilean production and service sectors concentrate over 50% of the total documents acquired (of which more than half are invoices).

The economic risk is reflected in the provisions made by Factoring Security in recent years. Its provisions at December 2003 amounted to US\$ 4.2 million, corresponding to 3.5% of the company's factored assets, compared to 5.6% the year before.

The net income of Factoring Security was US\$ 3 million, 85.9% higher than the previous year and reflecting a return on capital and reserves of 20.3%.

### NET INCOME - FACTORING SECURITY



The object of the Investments Area of Grupo Security is to provide an integral solution for managing assets on domestic and international markets through Administradora General de Fondos Security, Valores Security Corredores de Bolsa and Asesorías Security with its subsidiary Securitizadora Security.

### **Administradora General de Fondos Security (formerly Administradora de Fondos Mutuos Security S.A.)**

The Chilean mutual funds industry is highly competitive. There are 17 companies of which eleven are bank subsidiaries, two are related to stockbrokers and four are related to insurance companies.

The industry has shown high growth rates over the past four years. This trend was broken in March 2003 when the Inverlink case occurred and affected the whole financial system, particularly mutual funds given the uncertainty generated by the court's precautionary measures, assets managed fell by around 16.9% between February and April (20.0% compared to December 2002).

But the industry managed to overcome this episode and increased the number of participants in 2003, recovered its managed assets (the year closed 5% up on 2002) and resumed the growth pattern of recent years. The good moments the sector has enjoyed are due to the performance of the stock market, the implementation of the Voluntary Pension Savings scheme, better economic prospects, portfolio diversification and the production of tailor-made mutual funds.

According to the latest figures of the Chilean fund managers association at December 2003, total funds managed by the industry rose to US\$8,408 million while the number of participants rose to 428,287, an increase of 11.8% for the year.

The participation of mutual funds in the Voluntary Pension Savings scheme has been consolidating, attracting an important volume of funds. At November 2003, mutual funds had a share of 5.4% in this business and had total assets of this kind amounting to US\$ 847 million.

The types of funds showing the greatest growth were variable income (equities), directly reflecting the reactivation and stock market returns.

Administradora General de Fondos Security S.A. was formed in May 1992 as a mutual funds manager and a subsidiary of Banco Security, widening its business and changing its name in September 2003. It has grown consistently since its formation in terms of number of funds, assets managed (US\$ 323 million at December 2003) and number of participants.

The funds and their assets managed at the end of 2003 are:

- *Security Check*: a short-term fixed-income fund designed for medium and large companies. Assets managed at December 31, 2003: US\$ 56.3 million.
- *Security First*: a medium and long-term fixed-income fund with assets managed at December 31, 2003 of US\$47 million.
- *Security Premium*: a short-term fixed-income fund designed for individuals and small companies, with assets managed at December 31, 2003 of US\$ 16.0 million
- *Security Acciones*: an equity fund with Series A and B, and assets managed at December 31, 2003 of US\$ 27.7 million
- *Security Global Investment*: a fund, also with Series A and B, that can invest all its resources abroad. Assets managed at December 31, 2003 are US\$ 2.1 million.
- *Security Gold*: a fixed-income fund designed for people with a medium and long-term investment horizon. Assets managed at December 31, 2003 are US\$ 77.8 million.

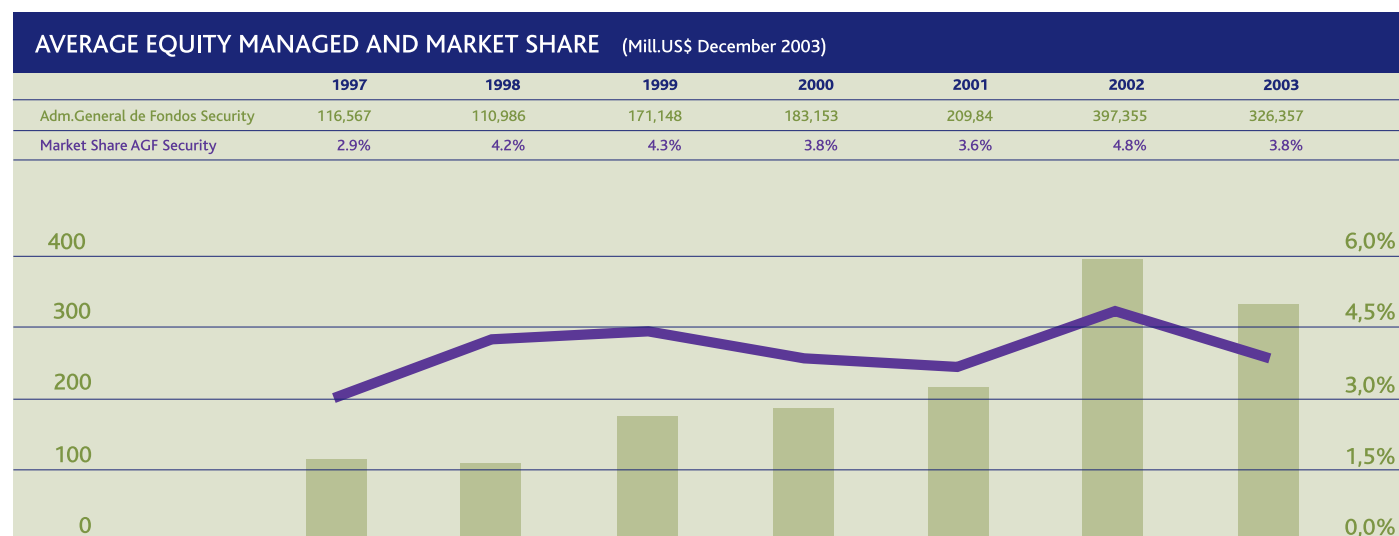
- *Security Explorer*: an international equity fund, with Series A and B, and with assets managed at December 31, 2003 of US\$ 1.5 million
- *Security Bond*: a fund invested in Chilean and foreign long-term bonds, with assets managed at December 31, 2003 of US\$ 47.8 million
- *Security Plus*: a short-term fund focused on businesses and individuals, with assets managed at December 31, 2003 of US \$ 49.4 million

Administradora General de Fondos Security obtained very satisfactory results in 2003, with a net income of US\$ 1.9 million, representing a real increase of 8.5% over 2002 and a return on equity of 35.1%. In terms of assets managed, the average at December 2003 was US\$ 326 million, a fall of 17.0% with respect to the year before and representing a market share of 3.8% and 7th place out of the 17 managers operating in the market. The good yields obtained on the different funds managed gave the 10,453 participants growth of 17.4%, which was above the industry average.

It is important to note that Administradora General de Fondos Security attracted US\$ 5.5 million assets under the Voluntary Pensions Savings scheme at November, representing 11.7% of the total managed by mutual funds.

Changes in total assets managed by the mutual funds industry and the market share of Administradora General de Fondos Security over the last seven years are shown in the following table:

MUTUAL FUNDS							
Mill.US\$ December	1997	1998	1999	2000	2001	2002	2003
System	4,055.4	2,663.5	3,984.8	4,772.1	5,893.9	8,203.2	8,537.2
Adm.General de Fondos Security	116.6	111.0	171.1	183.2	209.8	397.4	326.4
Market Share AGF Security	2.9%	4.2%	4.3%	3.8%	3.6%	4.8%	3.8%



The company's strategy is to achieve attractive yields for the different funds managed and to orient its sales force to companies and especially high-income individuals.

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

The year 2003 was a very good one for Valores Security S.A., Corredores de Bolsa in terms of results. With a record net income of US\$ 4 million, it exceeded the good results obtained the previous year with an increase of 16.8%. This represents a return of 41.4% on the company's capital and reserves.

Valores Security operates in two business areas: fixed income and variable income. The first corresponds basically to managing its own positions, securities trading, foreign currency trading and US dollar futures contracts. The variable income operations, for their part, cover share trading.

The performance of both areas in 2003 was as follows:

- *The fixed-income area:* generated net revenues of US\$ 6.6 million, 64% above budget. This was notable considering that 2003 was a quite special year with respect to interest rate behavior both in Chile and abroad, added to which there was a prudent management of positions and money-desk trading producing excellent results. This reflects the commercial strategy of intensifying treasury business in fixed income securities and foreign exchange, for which both teams were strengthened.

- *The variable-income area:* generated revenues of US\$ 403.5 thousand, representing 5.9% of the company's income but exceeding its budget by 30%.

The year 2003 will be remembered among other things for the vigorous reactivation of the stock market, provoked by a greater market optimism concerning future economic expectations. Following an extensive period of low and even negative returns with successive falls in trading volumes, 2003 ended with increases of 46.2% in the General Stock Price Index (IGPA) and 48.5% in the Selective Stock Price Index (IPSA). Trading volumes increased by 60% in real terms. As a result, the market capitalization of companies traded on the exchange reached US\$ 84,002 million, surpassing GDP.

Valores Security could not ignore what was happening on the stock market and increased its share trading by almost 40% to US\$ 311.5 million and its variable-income revenues by a real 33.3%. The company thus occupied 13<sup>th</sup> place out of the 38 stockbrokers operating on the local market, with a 1.14% participation in the volumes traded on the Santiago Stock



Exchange and the Chilean Electronic Exchange. The number of stockbrokers remained constant throughout the year but with a high concentration of trading as the fourteen leaders controlled 85.9% of the market.

#### **Asesorías Security S.A.**

The restructuring and adjustment process begun in 2002 was consolidated in 2003, concentrating on Asesorías Security all advisory services on international investment for both institutional and private clients.

Asesorías Security has the important backing of Morgan Stanley, a leading global firm, with which institutional clients have investments of over US\$ 300 million at December 2003, almost double the amount the year before.

As a result of a combination of factors, including the costs of restructuring made in 2002, the unconsolidated earnings at December 2003 were US\$ 55.1 thousand. Its subsidiary Securitizadora Security showed a loss of US\$ 168.9 thousand, leaving a loss of US\$ 119,003 at the consolidated level.

#### **Securitizadora Security S.A.**

Securitizadora Security S.A. was constituted on October 21, 1997 as a subsidiary of Asesorías Security in order to securitize different assets and debt instruments in general. This is a business that has shown dynamic growth and which is notably very competitive. The company has around 10% of the market which is made up of ten active companies.

Securitizadora Security S.A. placed its in 2003 fifth issue of securitized bonds in the institutional market (senior, rated AA) amounting to UF320,000 for a term of 24 years. The assets securitized were housing mortgage loans granted and managed by Penta Hiptecario S.A.

The debt issued in securitized bonds at December 2003, for five separately managed capitals, amounts to UF 2.9 million.

As a result of the still insufficient volume of assets under management, the results of Securitizadora Security showed a loss of US\$168.9 thousand for 2003.

The strategic plan 2004-2007 of Securitizadora Security contemplates substantial increases in its scale of operations and diversification by type of underlying assets. Following these objectives, the company in 2004 is structuring its sixth bond issue backed by mortgage loans and is developing various projects backed by non-mortgage assets.

### **Inversiones Seguros Security Limitada**

The insurance area of Grupo Security complements the financing and investments areas by providing a wide range of products. These offer risk protection and integral savings for persons and companies, using the commercial advantages of Corredores Security and its reinsurance alliances.

In December 1998, Grupo Security amended the bylaws of the company Inversiones, Seguros y Pensiones Limitada, changing its name to Inversiones Seguros Security Limitada. It also increased its capital, for which Grupo Security contributed the shares it held in Compañía de Seguros Previsión Vida S.A. and Compañía de Seguros Previsión Generales S.A.

The history of both companies dates back to 1928 when Banco del Estado de Chile created La Previsión Compañía Chilena de Seguros, a pension entity for its staff. In 1980, legislation forced the separation of life and general insurance businesses, thus giving birth to the present companies Compañía de Seguros Previsión Vida S.A. and Compañía de Seguros Previsión Generales S.A. Their names were changed in 2002 to Seguros Vida Security Previsión S.A. and Seguros Security Previsión Generales S.A.

At the end of 1999, Grupo Security formed Servicios Security S.A., a new subsidiary under the parent Inversiones Seguros Security Limitada. The new company, dedicated to insurance broking, together with Corredores de Seguros Security Limitada, started operating in January 2000.

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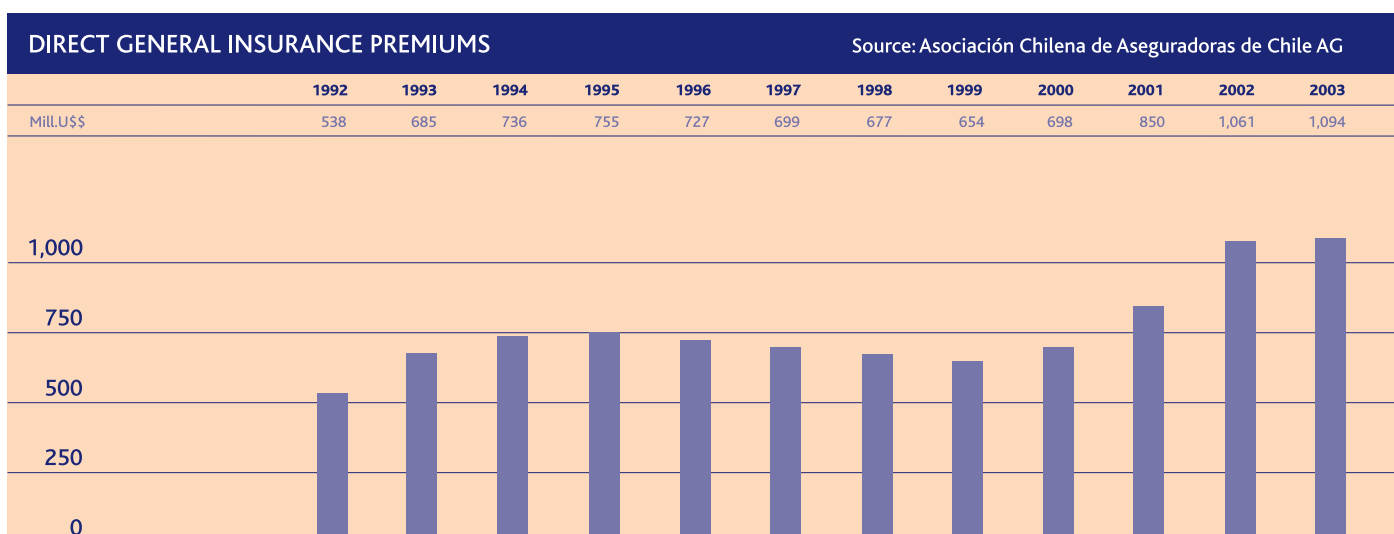
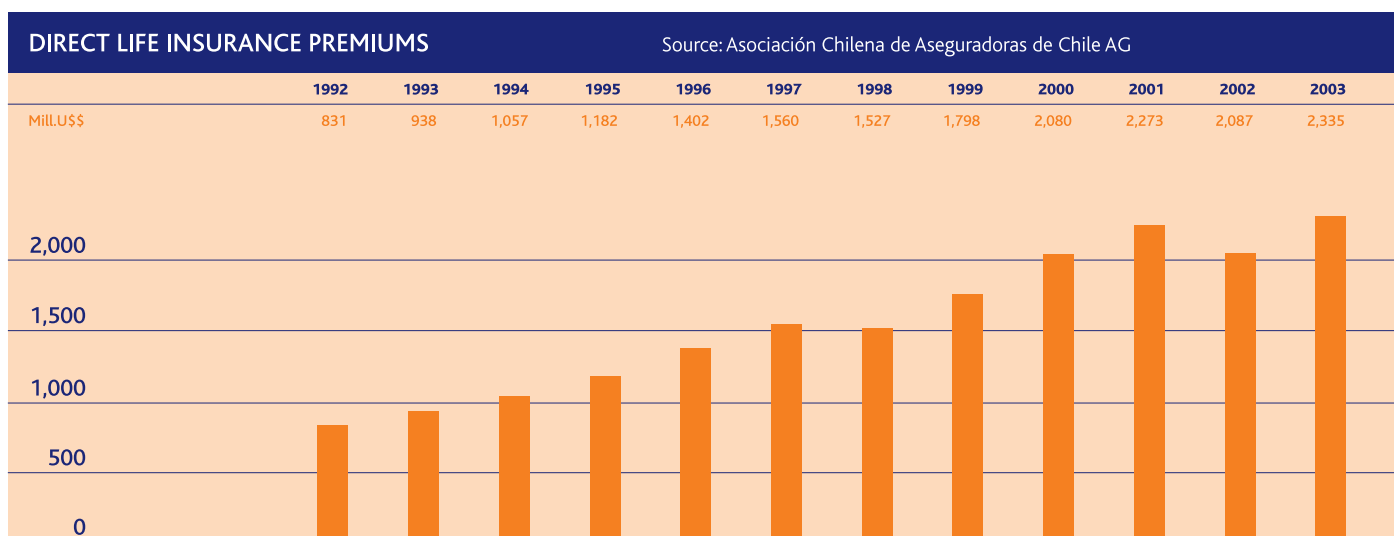
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### **Insurance Industry**

The Chilean insurance industry is made up of the two branches, life and general, which are differentiated by regulations and the different products offered. There are 32 life insurance and 22 general insurance companies at December 2003.

Both industries have shown positive results in terms of gross premiums since 1991. The premium income of life companies grew by a real annual average of 9.5% during the period 1993-2003 to a total US\$ 2,333 million in 2003.

The real average annual growth for general insurance companies over the same period was 4.8%, to US\$ 1.1 thousand in 2003.



The number of players in the insurance industry in recent years has increased considerably and shown an important degree of concentration.

In terms of profitability, life and general insurance companies show very contrasting results related to the characteristics of their businesses.

In the case of life companies, their results are strongly affected by the return on the instruments comprising their investment portfolios and the characteristics of the pension business.

The profitability of general insurance companies is related to the efficiency of operating costs and a proper management of claims in the high-retention areas.

### **Vida Security (Seguros Vida Security Previsión S.A.)**

Vida Security is oriented to the traditional life insurance market: individual, family and group. Life and health insurance are directed to all segments of the population while voluntary pension savings (VPS) are focused on the high-income group.

The market share of Vida Security in traditional insurance reached 3.6% (September 2003), occupying tenth position out of 30 companies in this area. Its market share in individual insurance is 1.6%, occupying 16th place.

Special attention is drawn to the company's share of voluntary pension savings where it has a market share of around 5% and occupies fourth place among life companies.

In 2003, the company produced a net income of US\$ 1.7 million, similar to the year before despite a 15% fall in direct premiums. This is exclusively related to a mortgage-protection insurance account of a financial institution which will be reversed in 2004, as all the other business lines obtained growth rates above that of the market.

The results obtained are based on a net claim rate slightly above 53% and an administrative and selling expense to direct premiums ratio of 49%, eight percentage points lower than in 2002. The return on its investments was 7.7% in real terms.

The year 2004 offers growth expectations for the insurance market of between 15% and 20%, but with a high level of competition. The industry is seeking a greater product diversification by entering the credit cards and consumer lending markets while the offer of guaranteed-income products is restricted.

There are also new prospects for the VPS market with the approval of the Capital Markets II Bill which introduces group plans which could reduce the growth potential of individual VPS products.

### **Seguros Security (Seguros Security Previsión Generales S.A.)**

The principal business lines in which Seguros Security Previsión Generales participates include motorized vehicle insurance, fire, obligatory automobile insurance and other general insurance.

The restructuring process begun in 2002 with respect to commercial and subscription policies, as well as administrative and operating aspects, started to generate the expected benefits in 2003. The company produced a net income of US\$ 286.5 thousand in 2003, accompanied by a 7.6% growth in direct premiums, twice the industry rate of around 3%.

Both the retained claim rate and the expenses to premium rate showed important progress in 2003. Claims fell by 10.3 percentage points to 57.6% while the expense rate fell from 22.8% to 18.1%.

The business strategy will be deepened in 2004, focused on personal insurance (vehicles, SOAP, fire and home theft) and small and medium businesses (fire, engineering, civil liability), while maintaining strict subscription policies. This strategy, combined with the continuous improvement in operating processes and customer service, should continue to contribute to growth in premium income and to earnings in future years, reinforcing our position in a highly-competitive market with increasingly tight margins.

### **Corredores de Seguros Security Limitada**

Formed in late 1999, the company started operating in January 2000 and has shown constant growth ever since, capturing an attractive market share among insurance brokers.

In late 2001, the companies Corredora de Reaseguros Security and Agencia de Seguros Security were formed to complement the businesses of Corredores de Seguros Security. These companies began operating in 2002. Through the related Agencia de Seguros Security, a strong penetration has also been made into the assistance market which is mostly related to current insurers and different insurance companies in the market.

During 2003, Corredores de Seguros Security increased its capital by US\$ 3 million. An improvement in the company's performance was achieved, optimizing the accounting systems, promoting the production, claims and collections services, and introducing risk inspection services. Efforts were also concentrated in 2003 on strengthening the Security brand image in broking, which helped to maintain a good market position.

The insurance broker has also consolidated itself as an efficient commercial channel for the insurance companies of Grupo Security and is developing an insurance sales program for corporate customers of the Bank, noting broadly satisfactory response levels.

All this contributed to the company obtaining positive results of US\$ 753.8 thousand for 2003, following a year 2002 of important adjustments, positioning itself in fourth place in the market and second among locally-owned companies.

The objectives of this area are to offer products and services that are complementary to the principal businesses of Grupo Security, broadening the offer to increase customer loyalty and business opportunities.

The business lines of Grupo Security's services sector are those dedicated to real estate and tourism, plus others especially oriented to support the companies of Grupo Security. Invest Security has thus been providing various services since 2001 like accountancy, auditing and corporate culture development. Virtual Security provides the development and technological support required by all the companies of Grupo Security.

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

Formed in December 1995 as a subsidiary of Grupo Security, this company's objects are to complement the business of Banco Security and participate in financial aspects of the real-estate sector.

The commercial strategy of Inmobiliaria Security takes in the development of its own projects and/or associations with other parties through investors that require real-estate management. It provides all kinds of real-estate services including project management, brokerage, works progress statements, technical inspections, appraisals and asset management in general, both for third parties and for different companies of Grupo Security.

The company produced a net income of US\$ 760.4 thousand in 2003, satisfactorily meeting its budget. It has continued to develop its projects which include the El Golf office building which is progressing to plan and is 79% progressed. The Rodrigo de Quiroga building ended the year with 43% of its apartments sold and construction will begin in 2004 of the El Vergel building which has already been contracted.

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

Four years after its creation as a subsidiary, Travel Security in 2003 completed the technological and administrative integration with Grupo's support companies.

The company closed the year with net income of US\$ 488.9 thousand. While rather less than in 2002, it is very important to stress that this was achieved within an industry with negative international effects like the war in Iraq, the Sars virus and terrorism. In addition, the local market was practically stagnant and with the exchange rate only falling in the last three months.

Sales in 2003 were US\$43.8 million, more than 2.3% higher than in 2002. Directly operated products showed an increasing share of these.

Travel occupied third place in the market in 2003, making itself a relevant player in the corporate segment.

### **Invest Security**

Created in late 2001, Invest provides support services for all the subsidiaries of Grupo Security in accountancy, corporate image and auditing. The company is non-profit making, its object being to optimize the use of professional services, unify and raise the quality of support services and achieve a significant reduction in the costs of these services.

Over that time, it has managed to improve the standards of efficiency in the companies and generate economies of scale in their operation, providing an integral service of advice and support to each of the subsidiaries in their respective businesses.

### **Virtual Security**

Virtual Security is the center of information technology services that exclusively serves Grupo Security and its subsidiaries, including:

- Development, integration and maintenance of software.
- Operation of the technological platform
  - Data center operation.
  - Help and support desk for users
  - PC and communications services
  - Platform administrator
- Consultancy
- Technology purchases management
- Training

Virtual Security seeks to provide a higher level of service and at lower cost than the market in order to help improve the end-customer satisfaction of each company and the employees working in them.

### **Properties and assets of Grupo Security**

As Grupo Security is a parent company of subsidiaries and associates, it has no properties or equipment or other similar assets that are important to its activities and business.

### **Trademarks and patents**

Grupo Security owns the trade-name «Security» in the class corresponding to the activities of the parent, subsidiaries and associates.

# 5.

## INVESTMENT AND **FINANCING** POLICIES

- INVESTMENT AND FINANCING POLICY
- RISK FACTORS



## INVESTMENT AND FINANCING POLICY

### INVESTMENT POLICY

Grupo Security does not currently have a defined investment policy in its bylaws. However, its strategy has mainly been to make investments in the financial sector or in complementary areas.

### FINANCING POLICY

Grupo Security does not currently have a defined financing policy in its bylaws. Its funds are mainly provided by capital increases, bond issues, own resources and traditional borrowing sources like bank loans.

#### Restrictions related to creditors of Grupo Security

##### **Series A Bonds**

Date: Sept.12, 1995, modified on Sept 25, 1995.

- *Debt level*: defined as the ratio of liabilities (short and long-term liabilities) to equity (equity less net income for the year and interim dividends) based on the unconsolidated balance sheets, not to exceed:
  - 0.50:1 at December 31, 1995 and 1996.
  - 0.45:1 at December 31, 1997
  - 0.40:1 from December 31, 1998 onward, calculated quarterly.

• *Current ratio*: Assets maturing within six months should be at least equal to liabilities maturing with six months.

• *Ownership of Banco Security*: the company should maintain a shareholding of at least 51% of the subscribed and paid shares of Banco Security.

##### **Series B Bonds**

This issue is subject to the obligations and restrictions set out in section 5.5. «Bond-holder protection rules». The principle ratio for this issue is:

- *Debt*: as from the financial statements at September 30, 2003, maintain a debt ratio no higher than 0.40:1 on a quarterly basis measured on the unconsolidated balance sheet. Debt is defined as the ratio of total liabilities to shareholders' equity.

For determining the debt level in the unconsolidated financial statements, the company's liabilities shall include all guarantees and collateral given to cover the obligations of third parties, including of its subsidiaries.

##### **Creditor banks**

Date: Feb.1, 2001

- *Debt level*: defined as the ratio of liabilities (short and long-term liabilities) to equity (equity less net income for the year and interim dividends) based on the unconsolidated balance sheets, not to exceed 0.40:1.
- *Current ratio*: Assets maturing within six months should be at least equal to liabilities maturing with six months.
- *Ownership of Banco Security*: the company should maintain a shareholding of at least 51% of the subscribed and paid shares of Banco Security.

### **Dependence on dividends from subsidiaries**

Grupo Security is a conglomerate of companies that receives its revenues in the form of dividends distributed by its subsidiaries. The results it obtains therefore depend basically on the performance of its subsidiaries.

More than 90% of the share capital of each of its subsidiaries is controlled by Grupo Security. This allows it to set the dividend policies of these companies according to its requirements. This is strengthened by the diversification of income as the Group has subsidiaries in different sectors of the finance industry.

The most important asset of Grupo Security is Banco Security which provides it with close to 90% of the dividends received in 2003. The credit rating of Banco Security at December last year was AA-, with stable prospects.

The second largest contributor of dividends for Grupo Security in 2003 was Factoring Security. This company still does not have a credit rating but its risk management and solvency criteria are similar to those of the Bank.

The Group's insurance companies are rated as A for Seguros Vida Security Previsión and A- for Seguros Security Previsión Generales. However, these subsidiaries still do not represent a relevant source of dividends for Grupo Security.

### **Risks related to the financing business**

#### **Credit Risk**

The banking system in recent years has experienced a fall in credit quality in some segments with the consequent generalized impact on the loan portfolio. However, there has been a recovery in 2003 in the system's portfolio quality, reflected in lower risk and past-due loan indicators and in provisions for risk assets. Banco Security stands out for maintaining risk levels below the system average.

With respect to the Group's subsidiaries, the provisions for risk assets increased in 2003, especially in its factoring business, in order to reflect the economic situation and maintain its risk levels under control.

#### **Market Risks**

The effects of inflation and interest rate fluctuations are the principal market risks faced by the Chilean banking system. The Finance Committee of Banco Security has therefore developed policies, procedures and market risk limits for managing its exposures to maturities and currencies according to its objectives and current regulations.

The Bank and its subsidiaries also have a special system for controlling interest rate risks which, combined with a constant monitoring of its medium and long-term investments, provides an active control of its portfolio.

### **Risks related to the insurance business**

#### **Local financial risks**

The reduction in long and medium-term interest rates could affect the yield on the assets supporting annuities and investment accounts at guaranteed rates when it is time to make investments on the maturities of shorter-term paper, generating a medium-term operating deficit.

**Mortality and sickness rate**

An increase in sickness rates can bring related increases in claims under catastrophic illness policies in the medium term and increases in claims under policies for the reimbursement of medical expenses in the short term. A fall in adult mortality rates can reduce expected results for the annuities area if companies do not adjust to the new mortality curve structure.

**Industry Structure**

The large number of players in the industry can lead to closures and mergers in order to change the current industry structure, producing adjustments to sales strategies and operating margin structures

**Reinsurance Industry**

The present trend to the concentration of reinsurance companies could have an effect on the variety of cover offered by no longer reinsuring risks that are currently covered thanks to the strong competition that existed until recently in this market.

**Internal competition**

Technical margins of high-retention areas of general insurance could keep falling due to the tough price competition in the market.

# 6.

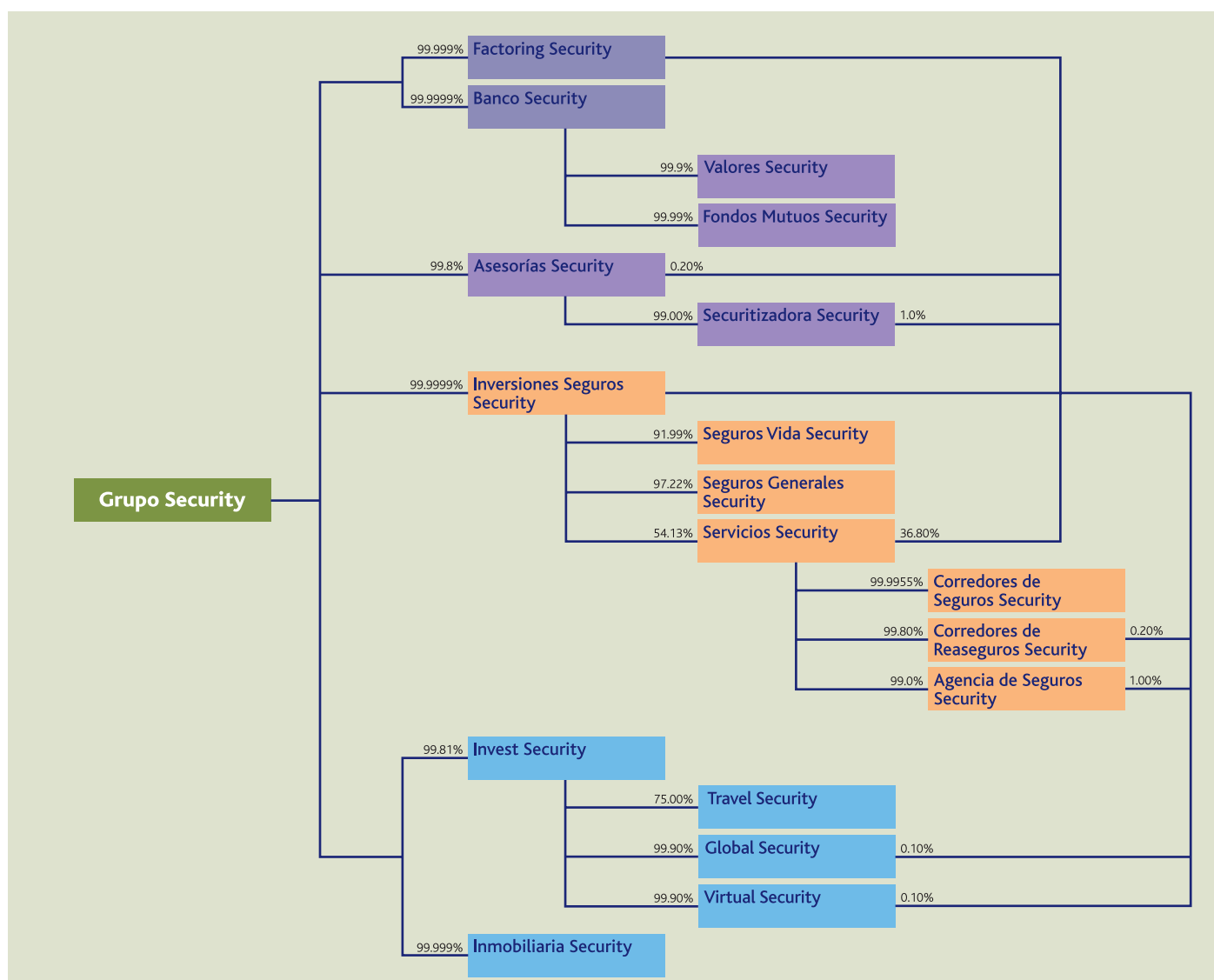
## THE SUBSIDIARIES OF **GRUPO SECURITY**

- ORGANIZATIONAL STRUCTURE

## ORGANIZATIONAL STRUCTURE

Grupo Security comprises Banco Security and subsidiaries (Administradora General de Fondos Security S.A. and Valores Security S.A., Corredores de Bolsa), Factoring Security S.A., Inmobiliaria Security S.A., Asesorías Security S.A. and subsidiary (Securitizadora Security S.A.), Inversiones Seguros Security Limitada and subsidiaries (Seguros Vida Security Previsión S.A., Seguros Security Previsión Generales S.A. and Servicios Security S.A. with its subsidiaries Corredores de Seguros Security Limitada, Corredora de Reaseguros Security Limitada and Agencia de Seguros Security S.A.) and Invest Security Limitada and subsidiaries (Travel Security S.A., Global Security S.A. and Virtula Security).

While the management and performance control of the financial businesses in which the Group companies participate are carried out as a function of the business areas, the organizational structure of the companies of Grupo Security is as follows:





# 7.

## FINANCIAL STATEMENTS 2003 OF **GRUPO SECURITY**

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# 7.1

## FINANCIAL STATEMENTS

At December 31, 2003 and 2002, including the Report of the Independent Accountants

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• STATEMENTS OF INCOME	58
• STATEMENTS OF CASH FLOW	59
• NOTES TO THE FINANCIAL STATEMENTS	60

ThCh\$ = Thousands of Chilean pesos

MCh\$ = Millions of Chilean pesos

UF = Unidad de fomento (an official inflation-index monetary unit)

US\$ = United States dollars

ThUS\$ = Thousands of US dollars



## INDEPENDENT AUDITORS' REPORT

The Deloitte logo, consisting of the word "Deloitte." in a bold, blue, sans-serif font.

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To the Shareholders of  
Grupo Security S.A.

We have audited the accompanying balance sheets of Grupo Security S.A. as of December 31, 2003, and 2002 and the related statements of income and of cash flows for the years then ended. These financial statements (including the related notes) are the responsibility of the management of Grupo Security S.A.. Our responsibility is to express an opinion on these financial statements based on our audits.

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

The present financial statements have been prepared to reflect the stand-alone financial position of Grupo Security S.A., on the basis of the criteria described in Note 2 to the financial statements before consolidating the financial statements of the subsidiaries detailed in Note 9 to the financial statements. Therefore, in order for these 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, such stand-alone financial statements present fairly, in all material respects, the financial position of Grupo Security S.A. at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in conformity with the basis of accounting described in Note 2 to the financial statements.

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

A stylized, handwritten-style signature of the word "Deloitte." in blue ink.

February 20, 2004

## BALANCE SHEETS AS OF DECEMBER 31, 2003 AND 2002

(In thousands of Chilean pesos - ThCh\$)

	2003 ThCh\$	2002 ThCh\$
<b>Assets</b>		
<b>Current assets:</b>		
Cash	12,174	3,155
Time deposits	5,083,329	443,825
Marketable securities	956,484	6,341,139
Other receivables	40,562	46,034
Due from related companies	166,884	1,094,144
Recoverable taxes	2,539	8,106
Deferred taxes (net)	139,888	64,263
Other current assets	3,586,593	251,287
<b>Total current assets</b>	<b>9,988,453</b>	<b>8,251,953</b>
<b>Fixed assets:</b>		
Machinery and equipment	18,721	11,548
Other fixed assets	72,559	110,477
Accumulated depreciation	(35,134)	(33,541)
<b>Total fixed assets - net</b>	<b>56,146</b>	<b>88,484</b>
<b>Other assets:</b>		
Investments in related companies	127,978,730	115,848,326
Goodwill	456,629	499,978
Others	721,272	484,050
<b>Total other assets</b>	<b>129,156,631</b>	<b>116,832,354</b>
<b>Total assets</b>	<b>139,201,230</b>	<b>125,172,791</b>

The accompanying notes are an integral part of these financial statements

	2003	2002
	ThCh\$	ThCh\$
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities:</b>		
Current portion of long-term liabilities with banks and financial institutions	1,848,770	3,932,892
Current portion of long-term bonds payable	2,393,535	2,063,202
Accounts payable	91,637	77,571
Due to related companies	4,775	4,823
Accruals	822,869	30,717
Withholdings	11,475	12,626
Other current liabilities	—	483,697
<b>Total current liabilities</b>	<b>5,173,061</b>	<b>6,605,528</b>
<b>Long-term liabilities:</b>		
Liabilities with banks and financial institutions	6,244,689	14,147,184
Bonds payable	22,559,997	7,516,247
<b>Total long-term liabilities</b>	<b>28,804,686</b>	<b>21,663,431</b>
<b>Shareholders' equity:</b>		
Paid-in capital	44,178,453	44,178,453
Share premium	19,845,395	19,845,395
Other reserves	4,488,645	3,418,700
Retained earnings	24,593,949	23,504,850
Interim dividends	(1,248,007)	(460,053)
Development stage subsidiaries accumulated deficit	(744,826)	(1,001,421)
Net income for the year	14,109,874	7,417,908
<b>Total shareholders' equity – net</b>	<b>105,223,483</b>	<b>96,903,832</b>
<b>Total liabilities and Shareholders' equity</b>	<b>139,201,230</b>	<b>125,172,791</b>

The accompanying notes are an integral part of these financial statements

## STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

(In thousands of Chilean pesos - ThCh\$)

	<b>2003</b>	<b>2002</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Administrative and selling expenses	(1,325,078)	(1,757,482)
<b>Operating result</b>	<b>(1,325,078)</b>	<b>(1,757,482)</b>
<b>Non-operating result:</b>		
Financial income	187,737	329,910
Equity in income of related companies	16,427,071	11,635,210
Other income	208,126	206,307
Equity in losses of related companies	(71,046)	(1,595,955)
Amortization of goodwill	(43,352)	(43,352)
Financial expenses	(1,496,056)	(1,616,086)
Price-level restatement	71,131	(41,713)
Exchange differences	84,849	234,003
<b>Non-operating result</b>	<b>15,368,460</b>	<b>9,108,324</b>
<b>Income before income taxes</b>	<b>14,043,382</b>	<b>7,350,842</b>
Income tax	66,492	67,066
<b>Net income for the year</b>	<b>14,109,874</b>	<b>7,417,908</b>

The accompanying notes are an integral part of these financial statements

# STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

(In thousands of Chilean pesos - ThCh\$)

	2003 ThCh\$	2002 ThCh\$
<b>Cash flows from operating activities:</b>		
Net income for the year	14,109,874	7,417,908
<b>Charges (credits) to income that do not represent cash flows:</b>		
Depreciation for the year	33,864	36,616
Equity in income of related companies	(16,427,071)	(11,635,210)
Equity in losses of related companies	71,046	1,595,955
Amortization of goodwill	43,352	43,352
Price-level restatement	(71,131)	41,713
Exchange differences	(84,849)	(234,003)
Other credits to income that do not represent cash flows	(66,547)	(67,074)
<b>Changes in assets, affecting cash flows:</b>		
Other assets	10,440,044	14,652,848
<b>Changes in liabilities, affecting cash flows:</b>		
Interest payable	117,975	757,541
<b>Net cash provided by operating activities</b>	<b>8,166,557</b>	<b>12,609,646</b>
<b>Cash flows from financing activities:</b>		
Proceeds from loans	—	3,284,502
Bonds payable	16,946,030	—
Payment of dividends	(6,784,357)	(4,458,315)
Repayment of loans	(9,225,342)	(2,461,515)
Payment of bonds	(1,867,271)	(1,745,530)
<b>Net cash used in financing activities</b>	<b>(930,940)</b>	<b>(5,380,858)</b>
<b>Cash flows from investing activities:</b>		
Permanent investments	(4,948,982)	—
Purchase of fixed assets	(7,189)	—
Loans to related companies	—	(505,000)
Collection of loans to related companies	390,734	—
<b>Net cash used in investing activities</b>	<b>(4,565,437)</b>	<b>(505,000)</b>
<b>Total net cash provided during the year</b>	<b>2,670,180</b>	<b>6,723,788</b>
<b>Effect of inflation on cash and cash equivalents</b>	<b>(60,000)</b>	<b>8,505</b>
Net increase in cash and cash equivalents	2,610,180	6,732,293
<b>Cash and cash equivalents at beginning of year</b>	<b>7,028,400</b>	<b>296,107</b>
<b>Cash and cash equivalents at end of year</b>	<b>9,638,580</b>	<b>7,028,400</b>

The accompanying notes are an integral part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS

(In thousands of Chilean pesos - ThCh\$)

### 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, 2003 and 2002.

#### b. General

The stand-alone financial statements of Grupo Security S.A. as of December 31, 2003 and 2002, 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 year or the shareholders' equity.

#### c. Basis of presentation

Amounts for 2002 included in the financial statements and notes have been price-level restated by 1.0% to allow comparison with the 2003 amounts.

#### d. Price-level restatement

In order to report the effects of the change in the purchasing power of the currency during the year, the financial statements have been restated for the change in the Consumer Price Index (CPI), which amounted to 1.0% between January 1 and December 31, 2003 (3.0% in 2002).

#### e. Foreign currency

Assets and liabilities stated in Unidades de Fomento (index-linked units of account) and U.S. dollars are expressed at their corresponding year-end value as follows:

	2003	2002
	\$	\$
Unidad de fomento (UF)	16,920.00	16,744.12
U.S. dollar (US\$)	593.80	718.61

#### f. Time deposits

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

**g. Marketable securities**

Fixed income mutual fund units are stated at each year-end unit value.

**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. Fixed assets**

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

**j. Depreciation of fixed assets**

Depreciation expense has been calculated using the straight-line method, based on the estimated remaining useful life of the assets.

**k. Investments in related companies**

These investments are valued under the equity method of accounting.

**l. Goodwill**

At December 31, 2003 and 2002, 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.

**m. Bonds payable**

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

**n. Income taxes and deferred taxes**

Incomes taxes are provided on taxable income, as computed for tax purposes. 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 and its supplements. The income tax rate applied is that of the year in which the temporary difference that gave rise to the deferred tax reverses.

**ñ. Employee vacations**

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

**o. Revenue recognition**

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

**p. 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.

**q. Cash equivalents**

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

**Note 3. Accounting changes**

At December 31, 2003, no accounting changes with respect to 2002 have occurred that might significantly affect the interpretation of these stand-alone financial statements.

**Note 4. Time deposits**

At December 31, 2003 and 2002, the detail of time deposits is as follows:

	<b>2003</b>	<b>2002</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Banco Security	5,083,329	443,825

**Note 5. Marketable securities**

At December 31, 2003 and 2002, the detail of marketable securities is as follows:

<b>Security</b>	<b>2003</b>	<b>2002</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Security Plus mutual funds	940,229	—
Security Check mutual funds	—	3,303,554
Money Market Funds	16,255	3,037,585
<b>Totals</b>	<b>956,484</b>	<b>6,341,139</b>



## Note 6. Balances and Transactions with related parties

The breakdown of balances and transactions with related companies at December 31, 2003 and 2002 is as follows:

### a. Short-term notes and accounts receivable:

	2003	2002
Company	ThCh\$	ThCh\$
Inversiones Seguros Security Ltda.	—	542,486
Servicios Security S.A.	36,242	34,668
Corredora de Seguros Security Ltda.	—	394,857
Inversiones Invest Security Ltda.	129,516	122,133
Asesorias Security S.A.	1,126	—
<b>Totals</b>	<b>166,884</b>	<b>1,094,144</b>

### b. Short-term notes and accounts payable:

	2003	2002
Company	ThCh\$	ThCh\$
Inversiones Seguros Security Ltda.	4,775	4,823

## c. Transactions:

Company	Relationship	Transaction	2003		2002	
			Amount	Effect on	Amount	Effect on
				income		income
			ThCh\$	(charges/credits)	ThCh\$	(charges/credits)
Banco Security	Direct subsidiary	Time deposits	10,810,431	68,321	18,605,231	186,387
Administradora General de Fondos Security S.A.	Indirect subsidiary	Mutual funds	9,687,000	47,024	3,303,554	37,795
Valores Security S.A. Corredores de Bolsa	Indirect subsidiary	Financial investments	12,498,902	72,559	7,932,662	16,649
Asesorías Security S.A.	Direct subsidiary	Current account	1,126	—	1,137	—
Servicios Security S.A.	Indirect subsidiary	Mercantile current account	36,242	2,329	34,668	2,647
Inversiones Seguros Security Limitada	Direct subsidiary	Mercantile current account	4,948,982	199,071	547,309	20,326
Inversiones Invest Security Ltda.	Direct subsidiary	Mercantile current account	129,516	7,323	122,132	3,374
Seguros Previsión Generales S.A.	Indirect subsidiary	Services	—	—	39,860	39,860
Banco Security	Direct subsidiary	Services	—	—	108,059	108,059
Seguros Security Vida Previsión S.A.	Indirect subsidiary	Insurance policies	2,405	2,405	1,741	(1,741)

Mercantile current accounts between related companies mature every 30 days and bear interest at an annual rate of 5.5%.

## Note 7. Income taxes and deferred taxes

## a. Recoverable taxes:

At December 31, 2003 and 2002, the detail of recoverable taxes is as follows:

	2003	2002
	ThCh\$	ThCh\$
Provision for first category income tax	(9,133)	(3,726)
Estimated monthly payments	11,672	11,832
<b>Totals</b>	<b>2,539</b>	<b>8,106</b>

## b. Accumulated tax results:

At December 31, 2003, the Company calculated net taxable income of ThCh\$53,724 (ThCh\$22,582 in 2002), for which it has recorded a provision for income tax of ThCh\$9,133 (ThCh\$3,726 in 2002).

c. Deferred taxes:

At December 31, 2003 and 2002, the detail of deferred taxes is as follows:

	Deferred taxes		
	2003	2002	
	Asset Short-term ThCh\$	Asset Short-term ThCh\$	Liability Short-term ThCh\$
<b>Temporary differences:</b>			
Vacation provision	5,898	5,068	—
Deferred credit tax	—	—	1,816
Other provisions	133,990	61,011	—
<b>Totals</b>	<b>139,888</b>	<b>66,079</b>	<b>1,816</b>

d. At December 31, 2003 and 2002, the net credit to income for income tax is as follows:

Item	2003 ThCh\$	2002 ThCh\$
<b>Current tax expense:</b>		
Provision for first category income tax	(9,133)	(3,726)
<b>Deferred taxes:</b>		
Effect of the year's deferred taxes	75,625	70,792
<b>Totals</b>	<b>66,492</b>	<b>67,066</b>

**Note 8. Other current assets**

At December 31, 2003 and 2002, the detail of other current assets is as follows:

	2003 ThCh\$	2002 ThCh\$
Banco Central de Chile (agreements)	3,586,593	240,281
Others	—	11,006
<b>Totals</b>	<b>3,586,593</b>	<b>251,287</b>

## Note 9. Investments in related companies

The balances of investments in related companies at December 31, 2003 and 2002, are as follows:

Company	Ownership percentage		Equity in company		Results for the year		Accrued results		Book value of investment	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	%	%	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Banco Security	99.99	99.99	93,932,037	88,864,386	13,326,254	10,169,284	13,326,121	10,169,182	93,931,097	88,863,498
Inversiones Seguros										
Security Limitada.	99.99	99.99	18,636,019	12,719,309	818,716	(994,940)	818,708	(994,930)	18,635,833	12,719,181
Factoring Security S.A.	99.99	99.99	10,685,095	9,835,833	1,804,848	970,970	1,804,848	970,970	10,685,094	9,835,832
Asesorías Security S.A.	99.80	99.80	947,163	1,018,352	(71,188)	(602,230)	(71,046)	(601,025)	945,269	1,016,316
Inmobiliaria Security S.A.	99.99	99.99	1,388,000	1,045,996	451,451	366,036	451,447	366,036	1,387,986	1,045,995
Inversiones Invest Security Ltda. (1)	99.81	99.81	2,398,007	2,372,010	25,996	129,268	25,947	129,022	2,393,451	2,367,504
<b>Totals</b>									<b>127,978,730</b>	<b>115,848,326</b>

(1) On March 28, 2002, the Company made a capital contribution of ThCh\$270,600 (historical) to Inversiones Invest Security Ltda., and owns 99,81% of the latter's total capital.

## Note 10. Goodwill

At December 31, 2003 and 2002, the detail of the goodwill is as follows:

Company	2003		2002	
	Amount	Balance	Amount	Balance
	amortized in the year ThCh\$	of goodwill ThCh\$	amortized in the year ThCh\$	of goodwill ThCh\$
Banco Security	17,528	185,491	17,528	203,018
Factoring Security S.A.	25,824	271,138	25,824	296,960
<b>Totals</b>	<b>43,352</b>	<b>456,629</b>	<b>43,352</b>	<b>499,978</b>

## Note 11. Liabilities with banks and financial institutions

At December 31, 2003 and 2002, the detail of liabilities with banks is as follows:

### a. Current portion of long-term liabilities:

Bank or financial institution	Currency or indexation				Totals	
	US\$		UF		2003	2002
	2003 ThCh\$	2002 ThCh\$	2003 ThCh\$	2002 ThCh\$		
Banco de Chile	—	—	610,981	1,218,840	610,981	1,218,840
Bank Boston	—	1,119,933	—	—	—	1,119,933
Corpbanca	—	—	544,171	904,648	544,171	904,648
Banco de Crédito e Inversiones	—	—	693,618	689,471	693,618	689,471
<b>Totals</b>	<b>—</b>	<b>1,119,933</b>	<b>1,848,770</b>	<b>2,812,959</b>	<b>1,848,770</b>	<b>3,932,892</b>

### b. Long-term liabilities with banks:

Bank or financial institution	Currency or indexation	Years to maturity			Closing date current period		Closing date prior period
					Total		Total
					long-term at close of financial statements	Average annual interest rate	long-term at close of financial statements
		Over 1 up to 2 ThCh\$	Over 2 up to 3 ThCh\$	Over 3 up to 5 ThCh\$	ThCh\$	%	ThCh\$
Bank Boston	US\$	—	—	—	—	8.75	2,104,810
Banco de Chile	UF	563,436	563,436	1,125,181	2,252,053	2.21	5,145,477
Corpbanca	UF	490,559	490,559	981,118	1,962,236	4.47	4,191,047
Banco de Crédito e Inversiones	UF	676,800	676,800	676,800	2,030,400	3.15	2,705,850
<b>Totals</b>		<b>1,730,795</b>	<b>1,730,795</b>	<b>2,783,099</b>	<b>6,244,689</b>		<b>14,147,184</b>

Liabilities with banks accrue interest at an annual average rate of 4.6% (6.4% in 2002).

## Note 12. Bonds payable

At December 31, 2003 and 2002, the detail of the bonds payable is as follows:

Registration number or identification of the instrument	Outstanding					Payment date			
	Series	nominal	Indexation unit	Interest rate %	Final maturity	Interest	Amortization	Par value	
		amount							
		placed							
								2003	2002
								ThCh\$	ThCh\$
Long-term bonds - current portion									
188-20-11-95	BSECU-A1	88.889	UF	5.9	12.09.2007	Half-yearly	Half-yearly	1,621,260	1,650,565
188-20-11-95	BSECU-A2	22.222	UF	5.9	12.09.2007	Half-yearly	Half-yearly	405,315	412,637
340-13-08-03	BSECU-B	–	UF	4.75	15.07.2010	Half-yearly	Half-yearly	366,960	–
Total porción corto plazo								2,393,535	2,063,202
Long-term bonds									
188-20-11-95	BSECU-A1	266,667	UF	5.9	12.09.2007	Half-yearly	Half-yearly	4,511,998	5,825,107
188-20-11-95	BSECU-A2	66,666	UF	5.9	12.09.2007	Half-yearly	Half-yearly	1,127,999	1,691,140
340-13-08-03	BSECU-B	1,000,000	UF	4.75	15.07.2010	Half-yearly	Half-yearly	16,920,000	–
Total long-term								22,559,997	7,516,247

## Note 13. Accruals and write-offs

This item includes the accrual for employee vacations and other accruals amounting to ThCh\$822,869 (ThCh\$30,717 in 2002).

At December 31, 2003 and 2002 no allowances have been deducted from assets nor has the Company made write-offs.

## Note 14. Shareholders' equity

At December 31, 2003 and 2002, the movements in capital and reserve accounts were as follows:

	Paid-in capital ThCh\$	Share premiums ThCh\$	Other reserves ThCh\$	Retained earnings ThCh\$	Interim dividends ThCh\$	Development stage subsidiaries- accumulated deficit ThCh\$	Net income for the year ThCh\$	Total ThCh\$
Balances, 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	—	—	—	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	1,274,011	572,298	41,488	696,849	(11,149)	(18,440)	—	2,555,057
Net 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>
<b>Price-level restatement</b>	<b>437,411</b>	<b>196,489</b>	<b>33,849</b>	<b>232,720</b>	<b>(4,555)</b>	<b>(9,915)</b>	<b>73,445</b>	<b>959,444</b>
<b>Balances, December 31, 2002</b>								
<b>restated by 1.0%</b>	<b>44,178,453</b>	<b>19,845,395</b>	<b>3,418,700</b>	<b>23,504,850</b>	<b>(460,053)</b>	<b>(1,001,421)</b>	<b>7,417,908</b>	<b>96,903,832</b>
Balances, January 1, 2003	43,741,042	19,648,906	3,384,851	23,272,130	(455,498)	(991,506)	7,344,463	95,944,388
Transfer	—	—	—	7,344,463	—	—	(7,344,463)	—
Prior year final dividend	—	—	—	(455,498)	455,498	—	—	—
Development stage accumulated deficit	—	—	—	(367,030)	—	246,680	—	(120,350)
Matching reserve adjustment and adjustment to reserve for fluctuation in investment in subsidiary	—	—	1,085,596	—	—	—	—	1,085,596
Final dividends	—	—	—	(5,530,078)	—	—	—	(5,530,078)
Price-level restatement	437,411	196,489	18,198	329,962	6,272	—	—	988,332
Net income for the year	—	—	—	—	—	—	14,109,874	14,109,874
Interim dividends	—	—	—	—	(1,254,279)	—	—	(1,254,279)
<b>Balances, December 31, 2003</b>	<b>44,178,453</b>	<b>19,845,395</b>	<b>4,488,645</b>	<b>24,593,949</b>	<b>(1,248,007)</b>	<b>(744,826)</b>	<b>14,109,874</b>	<b>105,223,483</b>

**Paid-in capital**

In accordance with Article N°10 of Law N°18,046, paid-in capital includes its proportional amount of monetary correction.

At December 31, 2003 and 2002, the capital amounted to ThCh\$44,178,453 represented by 1,654,721,054 no par-value shares, which are fully subscribed and paid.

**Other reserves**

These are basically the Company's percentage participation in the matching reserve in the indirect subsidiary Seguros Vida Security Previsión S.A., the fluctuation in the indirect subsidiary Seguros Previsión Security Generales S.A., and in the reserve for fluctuations in investments in the subsidiary Banco Security.

**Development stage accumulated deficit**

This is the percentage participation in the development stage deficit of the direct subsidiary Inmobiliaria Security S.A. and Seguros Security Ltda.. This deficit will be absorbed by future income.

**Dividend distribution**

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

In 2003, final dividends of ThCh\$5,985,576 (ThCh\$4,186,443 (historical) in 2002) were paid and charged to retained earnings.

In 2003, the Board of Directors agreed to pay an interim dividend of ThCh\$1,254,279 (ThCh\$448,324 (historical) in 2002).

**Note 15. Price-level restatement**

At December 31, 2003 and 2002, the detail of the net credit (charge) to income for price-level restatement is as follows:

	<b>(Charge)/Credit to income</b>	
	<b>2003</b>	<b>2002</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Price-level restatement of:		
Equity	(988,332)	(2,580,608)
Non-monetary liabilities	(63,870)	(622,079)
Investments in related companies	1,034,979	3,091,687
Non-monetary assets	88,446	19,709
Subtotal	71,223	(91,291)
Income statement accounts	(92)	49,578
<b>Totals</b>	<b>71,131</b>	<b>(41,713)</b>



## Note 16. Exchange differences

At December 31, 2003 and 2002, the detail of the net credit to income for exchange differences is as follows:

	Currency	2003 ThCh\$	2002 ThCh\$
<b>Price-level restatement of:</b>			
Non-permanent investments	US\$	(192,097)	389,500
Liabilities with banks and financial institutions	US\$	276,946	(155,497)
<b>Totals</b>		<b>84,849</b>	<b>234,003</b>

## Note 17. Statement of cash flows

At December 31, 2003 and 2002, the detail of cash and cash equivalents is as follows:

	2003 ThCh\$	2002 ThCh\$
Cash	12,174	3,155
Time deposits (Note 4)	5,083,329	443,825
Resale agreements on promissory notes issued by Banco Central de Chile (Note 8)	3,586,593	240,281
Mutual funds (Note 5)	956,484	6,341,139
<b>Totals</b>	<b>9,638,580</b>	<b>7,028,400</b>

At December 31, 2003 and 2002, there are no financing or investing activities affecting future cash flows which are not disclosed in the notes to the financial statements.

## Note 18. Contingencies and covenants

At December 31, 2003 and 2002 the Company is not aware of any contingencies and covenants that might affect the interpretation of these stand-alone financial statements.

## Note 19. Third party guarantees

At December 31, 2003 and 2002, the Company had not received guarantees from third parties.

**Note 20. Local and foreign currency**

Assets:

Item	Currency	Amount	
		2003 ThCh\$	2002 ThCh\$
Current assets:			
Cash	Non-indexed Ch\$	12,174	3,155
Time deposits	Non-indexed Ch\$	5,083,329	40,857
Time deposits	US\$	–	303,606
Time deposits	Indexed Ch\$	–	99,362
Marketable securities	Non-indexed Ch\$	956,484	6,341,139
Other receivables	Non-indexed Ch\$	40,562	46,034
Due from related companies	Non-indexed Ch\$	166,884	1,094,144
Recoverable taxes	Indexed Ch\$	2,539	8,106
Deferred taxes (net)	Indexed Ch\$	139,888	64,263
Other current assets	Indexed Ch\$	3,586,593	251,287
Total current assets		9,988,453	8,251,953
Fixed assets - net		56,146	88,484
Other assets:			
Investments in related companies	Indexed Ch\$	127,978,730	115,848,326
Goodwill	Indexed Ch\$	456,629	499,978
Others	Indexed Ch\$	721,272	484,050
Total other assets		129,156,631	116,832,354

## Current liabilities:

Item	Currency	Up to 90 days		90 days to 1 year			
		2003	2002	2003		2002	
		Amount ThCh\$	Amount ThCh\$	Amount ThCh\$	Average annual interest rate %	Amount ThCh\$	Average annual interest rate %
Liabilities with banks and financial institutions	Indexed Ch\$	—	—	1,848,770	3.42	2,812,958	5.56
Liabilities with banks and financial institutions	US\$	—	—	—	—	1,119,934	8.75
Bonds payable	Indexed Ch\$	—	—	2,393,535	5.52	2,063,202	5.90
Accounts payable	Indexed Ch\$	91,637	77,571	—	—	—	—
Due to related companies	Indexed Ch\$	4,775	4,823	—	—	—	—
Accruals	Indexed Ch\$	822,869	30,717	—	—	—	—
Withholdings	Indexed Ch\$	11,475	12,626	—	—	—	—
Other current liabilities	Non-indexed Ch\$	—	483,697	—	—	—	—
<b>Total current liabilities</b>		<b>930,756</b>	<b>609,434</b>	<b>4,242,305</b>		<b>5,996,094</b>	

## Long-term liabilities:

## 2003

Item	Currency	2 to 3 years		3 to 5 years		5 to 10 years	
		Amount	Average annual interest	Amount	Average annual interest	Amount	Average annual interest
		ThCh\$	%	ThCh\$	%	ThCh\$	%
Liabilities with banks and financial institutions	Indexed Ch\$	3,455,590	3.28	2,789,099	3.28	—	—
Bonds payable	Indexed Ch\$	7,144,001	5.52	12,031,996	5.52	3,384,000	4.75
<b>Total long-term liabilities</b>	<b>Indexed Ch\$</b>	<b>10,599,591</b>		<b>14,821,095</b>		<b>3,384,000</b>	

2002

Item	Currency	2 to 3 years		3 to 5 years	
		Amount	Average annual interest rate	Amount	Average annual interest rate
		ThCh\$	%	ThCh\$	%
Liabilities with banks and financial institutions	Indexed Ch\$	9,944,454	5.56	2,097,920	5.56
Liabilities with banks and financial institutions	US\$	2,104,810	8.75	—	—
Bonds payable	Indexed Ch\$	5,637,187	5.90	1,879,060	5.90
<b>Total long-term liabilities</b>		<b>17,686,451</b>		<b>3,976,980</b>	

**Note 21. Sanctions**

In 2003 and 2002, no sanctions were imposed on the Company, its Directors and its Management by the Superintendence of Securities and Insurance or by other administrative authorities.

**Note 22. Environment**

In 2003 and 2002, the Company has not made disbursements in connection with environmental activities.

**Note 23. Subsequent events**

From January 1 to February 20, 2004, the date these stand-alone financial statements are issued, there have been no subsequent events that would materially affect them.

Renato Peñafiel Muñoz  
President

Miguel Morales Cáceres  
General Accountant



# 7.2

## CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2003 and 2002, including the Report of the Independent Accountants

### CONTENTS:

• REPORT OF THE INDEPENDENT ACCOUNTANTS	77
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• NOTES TO THE FINANCIAL STATEMENTS	82

ThCh\$ = Thousands of Chilean pesos

MCh\$ = Millions of Chilean pesos

UF = Unidad de fomento (an official inflation-index monetary unit)

US\$ = United States dollars

ThUS\$ = Thousands of US dollars

## INDEPENDENT AUDITORS' REPORT

**Deloitte.**

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To the Shareholders of  
Grupo Security S.A.

We have audited the consolidated balance sheets of Grupo Security S.A. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income and of cash flows for the years then ended. These consolidated financial statements (including the related notes) are the responsibility of the management of Grupo Security S.A.. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Grupo Security S.A. and subsidiaries as of December 31, 2003 and 2002 and the results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles in Chile.

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

The Deloitte logo, featuring the word "Deloitte" in a stylized, cursive script.

February 20, 2004

## CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2003 AND 2002

(In thousands of Chilean pesos - ThCh\$)

	2003 ThCh\$	2002 ThCh\$
<b>Assets</b>		
<b>Current assets:</b>		
Cash	3,195,739	2,491,783
Time deposits	5,631,442	1,927,335
Marketable securities	3,761,597	7,013,165
Trade accounts receivable, net	66,493,042	62,968,069
Notes receivable	3,644,633	7,531,823
Other receivables	505,773	826,996
Due from related companies	1,366,702	1,344,439
Inventories	24,829,361	4,398,134
Recoverable taxes	259,983	370,868
Prepaid expenses	87,215	—
Net deferred taxes	891,851	946,503
Other current assets	8,487,332	3,706,719
<b>Total current assets</b>	<b>119,154,670</b>	<b>93,525,834</b>
<b>Fixed assets:</b>		
Buildings and infrastructure	319,027	562,466
Machinery and equipment	741,875	798,768
Other fixed assets	2,248,836	1,945,425
Accumulated depreciation	(1,594,439)	(1,272,353)
<b>Total fixed assets - net</b>	<b>1,715,299</b>	<b>2,034,306</b>
<b>Other assets:</b>		
Investments in related companies	105,628,375	97,045,507
Goodwill	4,725,908	4,262,547
Intangibles	288,012	298,670
Others	12,646,479	10,675,473
<b>Total other assets</b>	<b>123,288,774</b>	<b>112,282,197</b>
<b>Total assets</b>	<b>244,158,743</b>	<b>207,842,337</b>

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



	2003	2002
	ThCh\$	ThCh\$
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities:</b>		
Short-term liabilities with banks and financial institutions	63,644,279	65,960,602
Current portion of long-term liabilities with banks and financial institutions	1,862,257	3,932,891
Bonds payable	2,393,535	2,063,202
Accounts payable	3,903,648	3,852,809
Notes payable	27,139	36,277
Sundry creditors	11,438	355,582
Due to related companies	7,497,311	1,440,404
Accruals	2,545,283	1,792,493
Withholdings	316,664	330,808
Other current liabilities	23,040,374	5,905,708
<b>Total current liabilities</b>	<b>105,241,928</b>	<b>85,670,776</b>
<b>Long-term liabilities:</b>		
Liabilities with banks and financial institutions	7,906,276	15,837,666
Bonds payable	22,559,997	7,516,247
Notes payable	1,575,784	109,333
Sundry creditors	36,933	50,398
Deferred taxes - net	160,560	167,868
Other long-term liabilities	483,312	373,866
<b>Total long-term liabilities</b>	<b>32,722,862</b>	<b>24,055,378</b>
<b>Minority interest</b>	<b>970,470</b>	<b>1,212,350</b>
<b>Shareholders' equity:</b>		
Paid-in capital	44,178,453	44,178,453
Share premium	19,845,395	19,845,395
Other reserves	4,488,645	3,418,700
Retained earnings	24,593,949	23,504,851
Interim dividends	(1,248,007)	(460,053)
Accumulated deficit in development stage	(744,826)	(1,001,421)
Net income for the year	14,109,874	7,417,908
<b>Total shareholders' equity - net</b>	<b>105,223,483</b>	<b>96,903,833</b>
<b>Total liabilities and shareholders' equity</b>	<b>244,158,743</b>	<b>207,842,337</b>

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

## CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

(In thousands of Chilean pesos - ThCh\$)

	2003 ThCh\$	2002 ThCh\$
Sales	24,796,723	23,043,763
Cost of sales	(7,795,144)	(8,844,611)
<b>Gross margin</b>	<b>17,001,579</b>	<b>14,199,152</b>
Administrative and selling expenses	(15,012,592)	(15,544,089)
<b>Operating result</b>	<b>1,988,987</b>	<b>(1,344,937)</b>
<b>Non-operating result:</b>		
Financial income	406,033	501,383
Equity in income of related companies	14,442,065	10,835,654
Other income	531,543	429,120
Equity in losses of related companies	—	(578,697)
Amortization of goodwill	(305,145)	(272,399)
Financial expenses	(2,403,434)	(2,411,772)
Other expenses	(190,263)	(362,104)
Price-level restatement	(18,314)	(327,550)
Exchange differences	151,164	424,959
<b>Non-operating result</b>	<b>12,613,649</b>	<b>8,238,594</b>
<b>Income before income taxes and minority interest</b>	<b>14,602,636</b>	<b>6,893,657</b>
Minority interest	(95,906)	219,293
Income before income taxes	14,506,730	7,112,950
<b>Income tax</b>	<b>(396,856)</b>	<b>304,958</b>
<b>Net income for the year</b>	<b>14,109,874</b>	<b>7,417,908</b>

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

(In thousands of Chilean pesos - ThCh\$)

	2003 ThCh\$	2002 ThCh\$
<b>Cash flows from operating activities:</b>		
Net income for the year	14,109,874	7,417,908
<b>Charges (credits) to income that do not represent cash flows:</b>		
Depreciation and amortization	1,055,723	619,289
Accruals and write-offs	1,254,629	1,946,823
Equity in income of related companies	(14,442,065)	(10,835,654)
Equity in losses of related companies	—	578,697
Amortization of goodwill	305,145	272,399
Price-level restatement	18,314	327,550
Exchange differences	(151,164)	(424,959)
Minority interest	95,906	(219,293)
Dividends	913,493	—
Other charges (credits) to income that do not represent cash flows	(255,985)	(138,656)
<b>Changes in assets, affecting cash flows:</b>		
Trade accounts receivable	(8,295,924)	(16,692,711)
Inventories	(1,064,235)	2,594,875
Other assets	11,745,143	14,700,723
<b>Changes in liabilities, affecting cash flows:</b>		
Accounts payable	(95,687)	5,330,515
Interest payable	117,975	757,541
Other accounts payable	(197,475)	88,971
Other liabilities	6,168,800	105,194
<b>Net cash provided by operating activities</b>	<b>11,282,467</b>	<b>6,429,212</b>
<b>Cash flows from financing activities:</b>		
Placement of registered shares	7,425,962	—
Loans obtained	60,318,697	62,507,107
Other sources of financing	16,946,030	166,899
Payment of dividends	(7,865,045)	(4,458,315)
Repayment of loans	(67,861,851)	(49,168,238)
Repayment of bonds	(1,867,271)	(1,745,530)
<b>Net cash provided by financing activities</b>	<b>7,096,522</b>	<b>7,301,923</b>
<b>Cash flows from investing activities:</b>		
Sale of other investments	—	156
Purchase of fixed assets	(822,419)	(962,349)
Permanent investments	(11,459,377)	(1,040,667)
Recovery of documented loans to related companies	390,734	—
Documented loans to related companies	(695,297)	(569,191)
Other investment disbursements	(1,166,536)	(2,278,416)
<b>Net cash used in investing activities</b>	<b>(13,752,895)</b>	<b>(4,850,467)</b>
<b>Total net cash provided during the year</b>	<b>4,626,094</b>	<b>8,880,668</b>
Effect of inflation on cash and cash equivalents	(123,287)	(76,001)
Net increase in cash and cash equivalents	4,502,807	8,804,667
<b>Cash and cash equivalents at beginning of year</b>	<b>11,672,564</b>	<b>2,867,897</b>
<b>Cash and cash equivalents at end of year</b>	<b>16,175,371</b>	<b>11,672,564</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of Chilean pesos - ThCh\$)

### 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 consolidated financial statements cover the years ended December 31, 2003 and 2002.

#### b. General

The consolidated financial statements of Grupo Security S.A. and subsidiaries as of December 31, 2003 and 2002 have been prepared in accordance with accounting principles generally accepted in Chile, except for the investments in certain direct or indirect subsidiaries which, following the standards of Superintendence, 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 year or the shareholders' equity.

#### c. Basis of presentation

Amounts for 2002 included in the financial statements and notes have been price-level restated by 1.0% to allow comparison with the 2003 amounts (after certain reclassifications).

#### d. Principles of consolidation

The consolidated financial statements include the assets, liabilities, results and cash flows of the Parent Company and its subsidiaries. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements for 2003 and 2002, 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 2003 and 2002 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 2003 and 2002. Also, some indirect subsidiaries have not been consolidated as they are in a development stage.

At December 31, 2003 and 2002, the consolidated Group comprises:

ID N°	Company	Ownership percentage			
		2003			2002
		Direct %	Indirect %	Total %	Total %
96.655.860-1	Factoring Security S.A.	99.9999	–	99.9999	99.9999
78.769.870-0	Inversiones Seguros Security Limitada and subsidiaries	99.9990	–	99.9990	99.9990
96.803.620-3	Asesorías Security S.A. (Ex - Merchant Security S.A.) and subsidiaries	99.8001	0.1999	100.0000	100.0000
96.786.270-3	Inmobiliaria Security S.A. and subsidiaries	99.9999	–	99.9999	99.9999
77.461.880-5	Inversiones Invest Security Limitada and subsidiaries	99.8100	–	99.8100	99.8100

#### e. Price-level restatement

In order to report the effects of the change in the purchasing power of the currency during the year, the financial statements have been restated for the change in the Consumer Price Index (CPI), which amounted to 1.0% between January 1 and December 31, 2003 (3.0% in 2002).

#### f. Foreign currency

Assets and liabilities stated in Unidades de Fomento (index-linked units of account) and U.S. dollars are expressed at their corresponding year-end value as follows:

	2003 \$	2002 \$
Unidad de fomento (UF)	16,920.00	16,744.12
U.S. dollar (US\$)	593.80	718.61

#### g. Time deposits

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

#### h. Marketable securities

Mutual fund units are stated at each year-end unit value.

#### i. Commissions receivable

These are included in trade accounts receivable and relate to commissions on insurance policies brokered for the insurance companies by 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.

**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».

**o. Fixed assets**

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

**p. Depreciation of fixed assets**

Depreciation has been calculated using the straight-line method, based on the estimated remaining useful life of the assets.

**q. Capital leases**

Real estate and chattel under leases, with the characteristics of a finance lease, 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 20 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, 2003 and 2002, 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. 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.

**x. Bonds payable**

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

**y. Accounts payable**

This corresponds basically to the liabilities due by the indirect subsidiary Travel Security S.A. for the purchase of air tickets.

**z. Income taxes and deferred taxes**

Incomes taxes are provided on taxable income, as computed for tax purposes. 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 and its supplements. The income tax rate applied is that of the year in which the temporary difference that gave rise to the deferred tax reverses.

**aa. Capital leases**

The 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, 2003 and 2002 include terms of up to 168 months (180 months in 2002).

These operations are valued in accordance with accounting principles generally accepted 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.

**ab. Revenue recognition**

The Company recognizes the services as revenue 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 is from commissions earned on documented policies and paid to the Company.

**ac. Forward contracts**

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

**ad. Employee vacations**

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

**ae. Software**

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

**af. Cash equivalents**

In accordance with Technical Bulletin No. 50 of the Chilean Institute of Accountants, the Company has considered as cash equivalents all investments made as part of the normal management of cash surpluses, with maturities of less than 90 days (Note 21).

**Note 3. Accounting changes**

At December 31, 2003, no accounting changes with respect to 2002 have occurred that might significantly affect the interpretation of these consolidated financial statements.

**Note 4. Marketable securities**

At December 31, 2003 and 2002, the detail of marketable securities is as follows:

	<b>2003</b>	<b>2002</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Fixed income mutual fund units	3,761,597	6,985,356
Mortgage note	—	27,809
<b>Totals</b>	<b>3,761,597</b>	<b>7,013,165</b>



## Note 5. Short and long-term receivables

At December 31, 2003 and 2002, the detail is as follows:

Item	Current						
	Up to 90 days		Over 90 days up to 1 year		Subtotal	Total current (net)	
	2003	2002	2003	2002		2003	2002
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Trade accounts receivable	29,215,634	24,517,012	39,866,585	42,173,121	69,082,219	66,493,042	62,968,069
Allowance for uncollectible accounts	(2,589,177)	(3,722,064)	—	—	(2,589,177)	—	—
Notes receivable	3,644,633	7,531,823	—	—	3,644,633	3,644,633	7,531,823
Other receivables	505,773	826,996	—	—	505,773	505,773	826,996

## Note 6. Balances and transactions with related parties

The breakdown of balances and transactions with related companies at December 31, 2003 and 2002 is as follows:

a) Notes and accounts receivable:

	2003	2002
Related companies	ThCh\$	ThCh\$
Seguros Security Previsión Generales S.A.	12,456	2,030
Inmobiliaria Security Once Limitada	7,127	439,957
Inmobiliaria Security Nueve Limitada	384,015	307,587
Inmobiliaria Security Diez Limitada	796,196	403,054
Banco Security	38,534	68,430
Administradora de Fondos Mutuos Security S.A.	78,646	68,359
Valores Security S.A. Corredores de Bolsa	27,918	30,409
Patrimonio Separado BSECS-1	1,692	5,072
Patrimonio Separado BSECS-2	1,692	—
Patrimonio Separado BSECS-3	1,692	—
Patrimonio Separado BSECS-4	2,961	19,541
Patrimonio Separado BSECS-5	13,773	—
<b>Total short-term notes receivable</b>	<b>1,366,702</b>	<b>1,344,439</b>

## b) Notes and accounts payable:

	2003	2002
Company	ThCh\$	ThCh\$
Banco Security	5,118,698	321,067
Seguros Security Previsión Generales S.A.	34,942	34,541
Inmobiliaria Ventisquero Oeste S.A.	740,024	1,084,796
Seguros Vida Security Previsión S.A.	1,603,647	–
<b>Total short-term accounts payable</b>	<b>7,497,311</b>	<b>1,440,404</b>

## c) Transactions:

Company	Relationship	Transaction	2003		2002	
			Amount	Effects on	Amount	Effects on
				income (charge/credit)		income (charge/credit)
			ThCh\$	ThCh\$	ThCh\$	ThCh\$
Banco Security	Direct subsidiary	Time deposits	10,810,431	68,321	18,605,231	186,387
Banco Security	Direct subsidiary	Loans	3,376,557	(140,031)	1,773,514	(280,666)
Banco Security	Direct subsidiary	Consulting and brokerage of real estate	–	–	165,272	162,242
Banco Security	Direct subsidiary	Others	15,801	(15,801)	–	8
Banco Security	Direct subsidiary	Price balance	4,805,186	(49,949)	–	–
Banco Security	Direct subsidiary	Sales	–	–	–	36,929
Banco Security	Direct subsidiary	Services	–	–	108,059	108,059
Banco Security	Direct subsidiary	Consulting	13,977,026	4,280,680	3,104,546	2,519,449
Banco Security	Direct subsidiary	Rental	16,217	(16,217)	9,129	(9,129)
Banco Security	Direct subsidiary	Commissions	–	–	7,115	(7,115)
Valores Security S.A. Corredores de Bolsa	Indirect subsidiary	Financial investments	12,512,782	86,439	7,932,662	16,649
Valores Security S.A. Corredores de Bolsa	Indirect subsidiary	Sales	–	–	–	2,556
Valores Security S.A. Corredores de Bolsa	Indirect subsidiary	Commissions	46,469	(39,957)	–	–
Valores Security S.A. Corredores de Bolsa	Indirect subsidiary	Consulting	260,247	260,247	321,514	36,411
Seguros Security Previsión Generales S.A.	Indirect subsidiary	Invoices receivable	–	–	967	967
Seguros Security Previsión Generales S.A.	Indirect subsidiary	Services	–	–	39,860	39,860
Seguros Security Previsión Generales S.A.	Indirect subsidiary	Consulting	133,684	123,516	140,935	11,236
Seguros Security Previsión Generales S.A.	Indirect subsidiary	Commissions	461,776	(461,776)	419,346	(419,346)
Seguros Security Previsión Generales S.A.	Indirect subsidiary	Securities	624,500	4,040	–	–
Seguros Vida Security Previsión S.A.	Indirect subsidiary	Securities	7,360,838	5,518	–	–
Seguros Vida Security Previsión S.A.	Indirect subsidiary	Consulting	–	–	149,855	149,855
Seguros Vida Security Previsión S.A.	Indirect subsidiary	Commissions	147,563	(147,563)	132,027	(132,027)
Seguros Vida Security Previsión S.A.	Indirect subsidiary	Insurance policy hired	–	–	1,741	(1,741)
Seguros Vida Security Previsión S.A.	Indirect subsidiary	Price balance	1,603,647	–	–	–
Inmobiliaria Security Nueve Limitada	Indirect subsidiary	Mercantile current account	421,791	22,428	86,837	29,772
Inmobiliaria Security Nueve Limitada	Indirect subsidiary	Interest write-off provision	–	–	38,154	(38,154)
Inmobiliaria Security Diez Limitada	Indirect subsidiary	Mercantile current account	791,966	32,240	122,945	38,105
Inmobiliaria Security Diez Limitada	Indirect subsidiary	Interest write-off provision	–	–	51,001	(51,001)
Inmobiliaria Security Diez Limitada	Indirect subsidiary	Consulting	38,031	38,031	–	–
Inmobiliaria Security Once Limitada	Indirect subsidiary	Mercantile current account	–	–	425,964	11,864

## Note 7. Inventories

At December 31, 2003 and 2002, the detail of inventories is as follows:

	Quantity	2003 ThCh\$	2002 ThCh\$
<b>Inmobiliaria SH Uno Ltda.</b>			
Parking lots	7	26,279	26,278
<b>Inmobiliaria Security Ocho Ltda.</b>			
Departments	22	1,457,117	3,856,184
Parking lots	32	158,720	430,570
Warehouses	22	29,718	85,102
<b>Inmobiliaria Security Once Ltda.</b>			
Building under construction (1)		11,150,398	—
<b>Securizadora Security S.A.</b>			
Portfolio of residential leasing contracts (2)		12,007,129	—
<b>Totals</b>		<b>24,829,361</b>	<b>4,398,134</b>

(1) Building of offices under construction, 78.4% completed at December 31, 2003.

(2) At December 31, the balance corresponds to the acquisition of residential leasing contracts, which will be part of the separate equity Bsecs-6.

## Note 8. Income taxes and deferred taxes

### a) Recoverable taxes:

At December 31, 2003 and 2002, the detail of recoverable taxes is as follows:

	2003 ThCh\$	2002 ThCh\$
Provision for first category income tax	(361,439)	(264,211)
Article 21 tax	(798)	—
<b>Subtotal</b>	<b>(362,237)</b>	<b>(264,211)</b>
Estimated monthly payments	408,733	205,941
Income tax recoverable on tax loss	148,481	132,869
VAT credit	8,374	81,854
Other credits	56,632	214,415
<b>Totals</b>	<b>259,983</b>	<b>370,868</b>

## b) Deferred taxes:

At December 31, 2003 and 2002, the detail of the income tax and deferred taxes is as follows:

	Deferred taxes							
	2003				2002			
	Asset		Liability		Asset		Liability	
	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Temporary differences:	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Vacation provision	64,780	—	—	—	36,366	—	—	—
Leased assets	—	834,081	105,201	808,429	—	—	32,641	644,166
Depreciation of fixed assets	—	—	2,046	7,244	—	—	3,373	11,646
Accrual for consulting	15,172	—	20,718	331,833	29,917	—	—	—
Allowance for uncollectible accounts	440,500	—	—	—	636,382	—	—	—
Accrual for bonuses	—	—	—	—	8,333	—	—	—
Accrual for expenses	58,579	—	—	—	—	—	—	—
Miscellaneous accruals	234,155	—	—	—	143,857	—	—	—
Tax losses	358	276,938	—	—	4,149	226,070	—	—
Capital leases	2,292	6,278	—	—	1,954	612,941	—	—
Credit taxes	—	—	—	—	—	—	1,816	—
Other accruals	86,514	12,604	—	—	139,856	—	—	—
Unearned interest	172,485	—	—	—	—	—	—	—
Interest receivable	—	—	49,833	—	—	—	—	—
Deferred expenses	—	—	—	—	—	—	12,590	220,518
Other events	—	—	5,186	103,089	—	—	3,891	82,847
<b>Total deferred taxes</b>	<b>1,074,835</b>	<b>1,129,901</b>	<b>182,984</b>	<b>1,250,595</b>	<b>1,000,814</b>	<b>839,011</b>	<b>54,311</b>	<b>959,177</b>
Complementary accounts	—	—	—	(19,399)	—	—	—	(24,802)
Valuation allowance	—	(59,265)	—	—	—	(72,504)	—	—
<b>Balance per balance sheet</b>	<b>1,074,835</b>	<b>1,070,636</b>	<b>182,984</b>	<b>1,231,196</b>	<b>1,000,814</b>	<b>766,507</b>	<b>54,311</b>	<b>934,375</b>

c) At December 31, 2003 and 2002, the net (charge) credit to income for income tax is as follows:

	2003 ThCh\$	2002 ThCh\$
<b>Current tax expense:</b>		
Provision for first category income tax	(361,439)	(264,211)
Tax benefit from tax losses	15,612	132,869
Tax expense adjustment (prior year)	(4,597)	(20)
Article 21 tax	(798)	–
<b>Deferred taxes:</b>		
Effect of the year's deferred taxes	(55,180)	494,223
Amortization of complementary accounts	(5,403)	42,278
Valuation allowance	13,239	(49,956)
Other charges or credits	1,710	(50,225)
<b>Total net (charge) credit to income</b>	<b>(396,856)</b>	<b>304,958</b>

#### Note 9. Investments in related companies

The balances of investments in related companies at December 31, 2003 and 2002, are as follows:

Company	Ownership percentage		Equity in company		Results for the year		Equity in income (losses)		Equity value	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	%	%	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Banco Security	99.99	99.99	93,932,037	88,864,386	13,326,254	10,169,284	13,326,121	10,169,182	93,931,097	88,863,498
Seguros Previsión Generales S.A.	97.22	96.29	4,128,547	2,974,278	170,178	(600,973)	165,447	(578,697)	4,013,905	2,864,022
Seguros Vida Security Previsión S.A.	91.99	65.34	8,348,144	8,132,942	1,033,261	1,019,881	950,497	666,472	7,679,726	5,314,715
Inmobiliaria Security Nueve Limitada (1)	99.00	99.00	(208,640)	(158,109)	–	–	–	–	–	–
Inmobiliaria Security Ocho Limitada (3)	60.00	60.00	(32,598)	(141,773)	–	–	–	–	–	–
Inmobiliaria Security Diez Limitada (1)	99.00	99.00	(279,072)	(200,686)	–	–	–	–	–	–
Inmobiliaria Security Once Limitada (2)	99.00	99.00	207,448	(15,070)	–	–	–	–	–	–
Besec-12 Separate equity	–	–	–	–	–	–	–	–	3,647	3,272
<b>Totals</b>									<b>105,628,375</b>	<b>97,045,507</b>

(1) In 2003 and 2002, these subsidiaries have not been consolidated as they are in development stage and start-up, in accordance with Circular N°981 of the Superintendencia. In addition, the full provision for the shareholders' equity deficit in these subsidiaries was recorded and included in long-term liabilities.

(2) Inmobiliaria Security Once Ltda. was in development stage and start-up until March 2003. Consequently, from April 1, 2003, the related Company has been consolidated in the financial statements of the Parent Company.

(3) Inmobiliaria Security Ocho Ltda. was in development stage and start-up until May 2002. Consequently, from June 1, 2002, the related Company has been consolidated.

The detail of assets and liabilities of the non-consolidated companies is as follows:

	2003 ThCh\$	2002 ThCh\$
<b>Inmobiliaria Security Nueve Ltda. (1)</b>		
Assets	733,137	697,288
Liabilities	941,777	855,397
<b>Inmobiliaria Security Diez Ltda. (1)</b>		
Assets	2,527,473	932,154
Liabilities	3,566,231	1,132,840
<b>Inmobiliaria Security Once Ltda. (2)</b>		
Assets	—	7,356,079
Liabilities	—	7,371,150

(1) In 2003 and 2002, these subsidiaries have not been consolidated as they are in development stage and start-up, in accordance with Circular N°981 of the Superintendencia. In addition, the full provision for the shareholders' equity deficit in these subsidiaries was recorded and included in long-term liabilities.

(2) Inmobiliaria Security Once Ltda. was in development stage and start-up until March 2003. Consequently, from April 1, 2003, the related Company has been consolidated in the financial statements of the Parent Company.

The balance sheets of the non-consolidated companies, as described in Note 2.d, are as follows:

#### BANCO SECURITY

Consolidated Balance Sheets at December 31 of:

(In millions of Chilean pesos - MCh\$)

ASSETS	2003 MCh\$	2002 MCh\$	LIABILITIES AND SHARE- HOLDERS' EQUITY	2003 MCh\$	2002 MCh\$
Cash	85,052	94,520	Deposits and other liabilities	967,179	883,466
Net loans	949,222	853,957	Bonds payable	45,302	47,014
Other credit operations	1,273	7,824	Loans from financial institutions	117,767	114,664
Investments	170,421	174,022	Other liabilities	15,241	29,888
Other assets	18,283	20,995	Minority interest	9	8
Fixed assets	15,179	12,586	Capital and reserves	77,791	76,801
			Other equity accounts	2,815	1,894
			Income for the year	13,326	10,169
<b>Total assets</b>	<b>1,239,430</b>	<b>1,163,904</b>	<b>Total liabilities and shareholders' equity</b>	<b>1,239,430</b>	<b>1,163,904</b>

**Consolidated Statements of Income**

For the years ended December 31, 2003 and 2002

(In millions of Chilean pesos - MCh\$)

	<b>2003</b>	<b>2002</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Operating revenue	83,757	96,080
<b>Less:</b>		
Interest and indexation expenses	(27,942)	(47,838)
Loss in intermediation of securities	(7,016)	(4,326)
Expenses for commissions	(299)	(44)
Other operating expenses	(1,297)	(325)
<b>Gross margin</b>	<b>47,203</b>	<b>43,547</b>
Employee salaries and expenses	(11,014)	(9,408)
Administrative and other expenses	(10,521)	(10,192)
Depreciation and amortization	(2,164)	(2,164)
<b>Gross margin</b>	<b>23,504</b>	<b>21,783</b>
Allowances for assets at risk	(6,551)	(7,663)
Recovery of written-off loans	368	242
<b>Operating results</b>	<b>17,321</b>	<b>14,362</b>
Other income	1,363	1,703
Other expenses	(1,608)	(1,990)
Income from permanent investments	42	44
Price-level restatement	(580)	(1,854)
Income before taxes	16,538	12,265
Income taxes	(3,211)	(2,094)
<b>Income after income taxes</b>	<b>13,327</b>	<b>10,171</b>
Minority interest	(1)	(2)
Income for the year	13,326	10,169



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

Balance Sheets at December 31 of

(In millions of Chilean pesos - MCh\$)

	<b>2003</b>	<b>2002</b>		<b>2003</b>	<b>2002</b>
<b>ASSETS</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>LIABILITIES AND SHARE- HOLDERS' EQUITY</b>	<b>MCh\$</b>	<b>MCh\$</b>
Investments	52,151	53,211	Reserve for claims	46,886	46,449
Receivables for premiums	1,468	1,349	Other liabilities	2,497	3,628
Reinsurance	1,045	1,869	Capital and reserves	7,315	7,113
Other assets	3,067	1,781	Results for the year	1,033	1,020
<b>Total assets</b>	<b>57,731</b>	<b>58,210</b>	<b>shareholders' equity Total liabilities and</b>	<b>57,731</b>	<b>58,210</b>

**Statements of Income**

For the years ended December 31, 2003 and 2002

(In millions of Chilean pesos - MCh\$)

	<b>2003</b>	<b>2002</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Operating revenue	13,461	16,287
Operating costs	(15,977)	(18,863)
Operating results	(2,516)	(2,576)
Revenue from investments	3,648	4,041
Financial expenses	(1)	(1)
Other expenses	(40)	(330)
Non-operating results	3,607	3,710
Subtotal	1,091	1,134
Price-level restatement	(123)	(144)
Other income	284	191
Income tax	(219)	(161)
<b>Results for the year</b>	<b>1,033</b>	<b>1,020</b>

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

Balance Sheets at December 31 of

(In millions of Chilean pesos - MCh\$)

<b>ASSETS</b>	<b>2003 MCh\$</b>	<b>2002 MCh\$</b>	<b>LIABILITIES AND SHARE- HOLDERS' EQUITY</b>	<b>2003 MCh\$</b>	<b>2002 MCh\$</b>
Investments	4,199	3,128	Reserve for claims	8,844	9,096
Receivables for premiums	7,627	7,871	Technical liabilities	732	1,064
Reinsurance	1,111	1,804	Other liabilities		720
Other assets	767	1,051	Capital and reserves	3,958	3,575
			Results for the year	170	(601)
<b>Total assets</b>	<b>13,704</b>	<b>13,854</b>	<b>Total liabilities and shareholders' equity</b>	<b>13,704</b>	<b>13,854</b>

**Statements of Income**

For the years ended December 31, 2003 and 2002

(In millions of Chilean pesos - MCh\$)

	<b>2003 MCh\$</b>	<b>2002 MCh\$</b>
<b>Operating results:</b>		
Revenue from earned premiums	8,231	8,330
Cost of claims	(5,032)	(6,055)
Intermediation results	(324)	368
<b>Gross margin</b>	<b>2,875</b>	<b>2,643</b>
Administrative cost	(3,328)	(3,823)
<b>Operating results</b>	<b>(453)</b>	<b>(1,180)</b>
Revenue from investments	136	122
Other income and expenses	341	270
Price-level restatement	122	(36)
<b>Operating results</b>	<b>146</b>	<b>(824)</b>
Non-operating results	73	107
<b>Results before income tax</b>	<b>219</b>	<b>(717)</b>
Income tax	(49)	116
<b>Results for the year</b>	<b>170</b>	<b>(601)</b>

## Note 10. Goodwill

At December 31, 2003 and 2002, the detail of goodwill is as follows:

Tax Id	Company	2003		2002	
		Amount amortized during the year ThCh\$	Balance of goodwill ThCh\$	Amount amortized during the year ThCh\$	Balance of goodwill ThCh\$
97.053.000-2	Banco Security	17,528	185,491	17,530	203,018
96.655.860-1	Factoring Security S.A.	25,824	271,138	25,823	296,960
96.849.320-5	Servicios Security S.A.	—	52,130	—	—
99.302.000-1	Seguros Security Previsión Generales S.A.	67,721	1,018,705	67,721	1,086,426
99.301.000-6	Seguros Vida Security Previsión S.A.	137,137	2,240,849	104,391	1,661,613
79.740.720-8	Travel Security S.A.	52,903	890,531	52,903	943,433
96.710.680-1	Agencias Security S.A.	2,555	41,948	2,555	44,504
96.654.730-8	Asesorías Security S.A.	1,477	25,116	1,476	26,593
<b>Totals</b>		<b>305,145</b>	<b>4,725,908</b>	<b>272,399</b>	<b>4,262,547</b>

## Note 11. Other assets

At December 31, 2003 and 2002, the detail of other long-term assets is as follows:

	2003 ThCh\$	2002 ThCh\$
Discount on placement of bonds	721,272	484,050
Accounts receivable for lease and others	—	93,062
Lease contracts	4,609,926	3,639,923
Rental guarantees	14,490	—
Margin earned (1)	236,746	137,437
Acquired portfolio (insurance broker)	6,665,525	6,220,890
Loss on placement of securitization debt securities	73,070	76,807
Others	325,450	23,304
<b>Totals</b>	<b>12,646,479</b>	<b>10,675,473</b>

(1) Corresponds to the accrued margin earned on apartments sold in the Oficina Apoquindo El Golf y Edificio Alto del Parque projects. To date, the buyers have signed promises to purchase them but the final public deeds have yet to be drawn up and signed. In 2002, this was the margin earned on 19 apartments sold in the Alto El Parque project.

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

At December 31, 2003 and 2002, the detail of short-term liabilities with banks is as follows:

Bank or financial institution	US dollar		UF		Non-indexed Ch\$		Totals	
	2003 ThCh\$	2002 ThCh\$	2003 ThCh\$	2002 ThCh\$	2003 ThCh\$	2002 ThCh\$	2003 ThCh\$	2002 ThCh\$
<b>Short-term</b>								
Banco de Chile	—	—	341,043	541,783	9,923,072	6,023,024	10,264,115	6,564,807
Corpbanca	—	—	—	698,687	3,088,985	3,125,172	3,088,985	3,823,859
Banco Estado	—	—	—	1,247,211	12,717,733	9,577,345	12,717,733	10,824,556
Banco de Crédito e Inversiones	—	—	—	906,774	12,333,724	9,011,204	12,333,724	9,917,978
Banco BICE	—	—	—	242,759	—	2,241,185	—	2,483,944
Banco BBVA BHIF	—	—	—	—	2,445,868	—	2,445,868	—
Dresdner Nationale Banque de Paris	—	—	—	—	1,300,295	—	1,300,295	—
Scotiabank	—	—	—	183,538	3,716,083	4,058,326	3,716,083	4,241,864
Banco Internacional	—	—	—	39,597	—	303,309	—	342,906
Banco Santander Santiago	—	—	—	955,765	9,033,271	9,503,517	9,033,271	10,459,282
Citibank N.A	—	—	—	—	275,558	596,482	275,558	596,482
Bank of America	—	1,630,943	—	—	—	—	—	1,630,943
Banco Security	—	—	1,214,971	3,882,619	1,756,277	3,093,237	2,971,248	6,975,856
Banco Sudameris	—	—	—	92,970	—	760,869	—	853,839
Bank Boston	—	—	—	470,984	3,123,534	3,617,403	3,123,534	4,088,386
First Union Bank	2,373,865	3,155,900	—	—	—	—	2,373,865	3,155,900
<b>Totals</b>	<b>2,373,865</b>	<b>4,786,843</b>	<b>1,556,014</b>	<b>9,262,687</b>	<b>59,714,400</b>	<b>51,911,073</b>	<b>63,644,279</b>	<b>65,960,602</b>
<b>Outstanding principal</b>	<b>2,429,610</b>	<b>4,671,575</b>	<b>1,214,971</b>	<b>8,659,640</b>	<b>57,756,813</b>	<b>49,586,656</b>	<b>61,401,394</b>	<b>62,917,871</b>
Average annual interest rate	1.80	6.25	3.90	5.98	3.52	6.32		
<b>Long term - Short term portion</b>								
Bank Boston	—	1,119,933	—	—	—	—	—	1,119,933
Banco de Chile	—	—	624,468	1,218,840	—	—	624,468	1,218,840
Corpbanca	—	—	544,171	904,648	—	—	544,171	904,648
Banco de Crédito e Inversiones	—	—	693,618	689,470	—	—	693,618	689,470
<b>Totals</b>	<b>—</b>	<b>1,119,933</b>	<b>1,862,257</b>	<b>2,812,958</b>	<b>—</b>	<b>—</b>	<b>1,862,257</b>	<b>3,932,891</b>
<b>Outstanding principal</b>	<b>—</b>	<b>1,052,405</b>	<b>1,730,795</b>	<b>2,486,113</b>	<b>—</b>	<b>—</b>	<b>1,730,795</b>	<b>3,538,518</b>
Average annual interest rate		8.75	3.42	5.75				

### Note 13. Other current liabilities

At December 31, 2003 and 2002, the detail of other current liabilities is as follows:

	2003 ThCh\$	2002 ThCh\$
Corporación de Fomento de la Producción	5,006,493	5,050,982
Edificio Alto El Parque	59,429	233,109
Proyecto oficina Apoquindo El Golf	5,892,073	—
Obligación Inmobiliaria Mapsa (1)	12,007,129	—
Other current liabilities	75,250	621,617
<b>Totals</b>	<b>23,040,374</b>	<b>5,905,708</b>

(1) At December 31, the balance corresponds to the acquisition of residential leasing contracts, which will be part of the separate equity Bsecs-6.

### Note 14. Long-term liabilities with banks and financial institutions

At December 31, 2003 and 2002, the detail of long-term liabilities with banks is as follows:

Banks or financial institutions	Currency or indexation	Years to maturity			Closing date current year		Closing date prior year
					Total long-term	Average	Total long-term
					at close of financial statements	annual interest rate	at close of financial statements
		Over 1 up to 2	Over to up to 3	Over 3 up to 5	ThCh\$	%	ThCh\$
Bank Boston	US\$	—	—	—	—	8.75	2,104,810
Banco de Chile	UF	563,436	563,436	1,125,181	2,252,053	2.21	5,145,477
Corpbanca	UF	490,559	490,559	981,118	1,962,236	4.47	4,191,048
Banco de Crédito e Inversiones	UF	676,800	676,800	676,800	2,030,400	3.15	2,705,850
Banco Security	UF	1,661,587	—	—	1,661,587	4.30	1,690,481
<b>Totals</b>		<b>3,392,382</b>	<b>1,730,795</b>	<b>2,783,099</b>	<b>7,906,276</b>		<b>15,837,666</b>

## Note 15. Bonds payable

At December 31, 2003 and 2002, the detail of the bonds payable is as follows:

Registration number or identification of the instrument	Outstanding									Local or foreign loan
	Series	nominal amount placed	Indexation unit	Interest rate %	Final maturity	Payment date		Par value		
						Interest	Amortization	2003 ThCh\$	2002 ThCh\$	
Long-term bonds - current portion										
188-20-11-95	BSECU-A1	88.889	UF	5.9	12.09.2007	Half-yearly	Half-yearly	1,621,260	1,650,565	Chile
188-20-11-95	BSECU-A2	22.222	UF	5.9	12.09.2007	Half-yearly	Half-yearly	405,315	412,637	Chile
188-20-11-95	BSECU-B	–	UF	4.75	15.07.2010	Half-yearly	Half-yearly	366,960	–	Chile
Total - porción corto plazo								2,393,535	2,063,202	
Long-term bonds										
188-20-11-95	BSECU-A1	266,667	UF	5.9	12.09.2007	Half-yearly	Half-yearly	4,511,998	5,825,107	Chile
188-20-11-95	BSECU-A2	66,666	UF	5.9	12.09.2007	Half-yearly	Half-yearly	1,127,999	1,691,140	Chile
340-13-08-03	BSECU-B	1,000,000	UF	4.75	15.07.2010	Half-yearly	Half-yearly	16,920,000	–	Chile
Total long-term								22,559,997	7,516,247	

## Note 16. Accruals

At December 31, 2003 and 2002, the detail of accruals is as follows:

	2003 ThCh\$	2002 ThCh\$
Vacations	381,060	235,319
Consulting	132,875	145,137
Prizes	154,131	293,418
Profit	107,021	248,564
Bonuses	–	50,500
Municipal expenses	–	74,925
Progress billings	7,376	27,155
Bonuses	–	3,371
Miscellaneous	1,377,382	317,025
Others	367,438	397,079
Employee benefits	18,000	–
<b>Totals</b>	<b>2,545,283</b>	<b>1,792,493</b>

The allowances deducted from assets are shown in Note 5.

### Note 17. Minority interest

At December 31, 2003 and 2002, the detail of the minority interest is as follows:

Subsidiary	Ownership percentage %	Ownership		Results	
		2003 ThCh\$	2002 ThCh\$	2003 ThCh\$	2002 ThCh\$
Factoring Security S.A	0.001	1	2	–	–
Inmobiliaria Security S.A.	0.001	14	1	(5)	1
Seguros Security S.A.	0.001	187	128	(8)	9
Inversiones Invest Security Limitada	0.199	4,556	4,506	(49)	(236)
Ejecutivo Net Limitada	0.100	19	7	237	30
Servicios Virtual Security S.A	0.100	178	174	(4)	(5)
Representaciones Security Limitada	1.000	(5)	119	124	(164)
Travel Security S.A.	25.000	336,825	390,580	(72,595)	(79,302)
Global Security S.A.	0.230	235	359	(124)	45
Securitizadora Security S.A.	0.100	1,963	2,835	872	801
Asesorías Security S.A.	1.000	1,894	–	–	–
Servicios Security S.A.	9.070	621,226	812,933	(21,830)	298,434
Inmobiliaria Security Siete Limitada	0.001	2	3	–	(1)
Inmobiliaria SH Uno Limitada	0.001	3	1	–	–
Inmobiliaria Security Once Limitada	1.000	2,074	–	(2,020)	–
Corredora de Seguros Security Limtada	0.005	127	137	(8)	60
Agencias Security S.A.	1.000	1,171	672	(498)	(290)
Corredora de Reaseguros Security Limitada	0.200	–	(107)	2	(89)
<b>Totals</b>		<b>970,470</b>	<b>1,212,350</b>	<b>(95,906)</b>	<b>219,293</b>

## Note 18. Shareholders' equity

At December 31, 2003 and 2002, the movements in capital and reserve accounts were as follows:

	Paid-in capital ThCh\$	Share premium ThCh\$	Other reserves ThCh\$	Retained earnings ThCh\$	Interim dividends ThCh\$	Development stage subsidiaries accumulated deficit ThCh\$	Net income for the year ThCh\$	Total ThCh\$
Balances, 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	—	—	—	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	1,274,011	572,298	41,488	696,849	(11,149)	(18,440)	—	2,555,057
Net 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>
<b>Price-level restatement</b>	<b>437,411</b>	<b>196,489</b>	<b>33,849</b>	<b>232,721</b>	<b>(4,555)</b>	<b>(9,915)</b>	<b>73,445</b>	<b>959,445</b>
<b>Balances, December 31, 2002</b>								
<b>restated by 1.0%</b>	<b>44,178,453</b>	<b>19,845,395</b>	<b>3,418,700</b>	<b>23,504,851</b>	<b>(460,053)</b>	<b>(1,001,421)</b>	<b>7,417,908</b>	<b>96,903,833</b>
Balances, January 1, 2003	43,741,042	19,648,906	3,384,851	23,272,130	(455,498)	(991,506)	7,344,463	95,944,388
Transfer	—	—	—	7,344,463	—	—	(7,344,463)	—
Prior year final dividend	—	—	—	(455,498)	455,498	—	—	—
Development stage accumulated deficit	—	—	—	(367,030)	—	246,680	—	(120,350)
Matching reserve adjustment and adjustment to reserve for fluctuation in investment in subsidiary	—	—	1,085,596	—	—	—	—	1,085,596
Final dividends	—	—	—	(5,530,078)	—	—	—	(5,530,078)
Price-level restatement	437,411	196,489	18,198	329,962	6,272	—	—	988,332
Net income for the year	—	—	—	—	—	—	14,109,874	14,109,874
Interim dividends	—	—	—	—	(1,254,279)	—	—	(1,254,279)
<b>Balances, December 31, 2003</b>	<b>44,178,453</b>	<b>19,845,395</b>	<b>4,488,645</b>	<b>24,593,949</b>	<b>(1,248,007)</b>	<b>(744,826)</b>	<b>14,109,874</b>	<b>105,223,483</b>



**Paid-in capital**

In accordance with Article N°10 of Law N°18,046, paid-in capital includes its proportional amount of monetary correction.

At December 31, 2003 and 2002, the capital amounted to ThCh\$44,178,453 represented by 1,654,721,054 no par-value shares, which are fully subscribed and paid.

**Other reserves**

These are basically the Company's percentage participation in the matching reserve in the indirect subsidiary Seguros Vida Security Previsión S.A., the fluctuation in the indirect subsidiary Seguros Previsión Security Generales S.A., and in the reserve for fluctuations in investments in the subsidiary Banco Security.

**Development stage accumulated deficit**

This is to the percentage participation in the development stage deficit of the direct subsidiary Inmobiliaria Security S.A. and Seguros Security Ltda.. This deficit will be absorbed by future income.

**Dividend distribution**

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

In 2003, final dividends of ThCh\$5,985,576 (ThCh\$4,186,443 (historical) in 2002) were paid and charged to retained earnings.

In 2003, the Board of Directors agreed to pay an interim dividend of ThCh\$1,254,279 (ThCh\$448,324 (historical) in 2002).

**Note 19. Price-level restatement**

At December 31, 2003 and 2002, the detail of the net charge to income for price-level restatement is as follows:

	<b>(Charges) / credits</b>	
	<b>2003</b>	<b>2002</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
<b>Price-level restatement of:</b>		
Equity	(988,332)	(2,580,608)
Non-monetary liabilities	(202,309)	(908,217)
Inventories	41,597	144,522
Fixed assets	12,388	57,688
Investments in related companies	881,670	2,562,252
Non-monetary assets	247,629	379,352
Total charges	(7,357)	(345,011)
Income statement accounts	(10,957)	17,461
<b>Totals</b>	<b>(18,314)</b>	<b>(327,550)</b>

**Note 20. Exchange differences**

At December 31, 2003 and 2002, the detail of exchange differences is as follows:

	<b>(Charges) / credits</b>	
	<b>2003</b>	<b>2002</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
<b>Price-level restatement of:</b>		
Cash	20,253	157,823
Non-permanent investments	(192,097)	389,500
<b>Total credits</b>	<b>(171,844)</b>	<b>547,323</b>
<b>Liabilities:</b>		
Liabilities with banks and financial institutions	276,946	(155,498)
Other debts in US dollars	46,062	33,134
Total charges	323,008	(122,364)
<b>Net credit to results</b>	<b>151,164</b>	<b>424,959</b>

**Note 21. Statement of cash flows**

At December 31, 2003 and 2002, the detail of cash and cash equivalents is as follows:

	<b>2003</b>	<b>2002</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Cash	3,195,739	2,491,783
Time deposits	5,631,442	1,927,335
Resale agreements on promissory notes		
issued by Banco Central de Chile (1)	3,586,593	240,281
Mutual fund units	3,761,597	7,013,165
<b>Totals</b>	<b>16,175,371</b>	<b>11,672,564</b>

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

At December 31, 2003 and 2002, there are no financing or investing activities affecting future cash flows which are not disclosed in the notes to the financial statements.

## Note 22. Forward contracts

At December 31, 2003, the detail of forward contracts is as follows:

					Position	Amount or transaction		Value of	Book accounts affected			
Type of derivative	Type of contract	Value of contract	Maturity date	Specificpurchase/ item sale	hedged		amount hedged	Asset / Liability		Effect on income		
					Name	Amount		Name	Amount	Realized	Unrealized	
					US\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$		
FR	CCPE	400,000	1st Quart.2004	Exchange rate	C	BSP payable	237,520	237,520	Other current liabilities	2,360		2,360
FR	CCPE	300,000	1st Quart.2004	Exchange rate	C	BSP payable	180,450	237,520	Other current liabilities	2,310		2,310

## Note 23. Contingencies and covenants

At December 31, 2003 and 2002, the Company and its subsidiaries are not aware of any contingencies and covenants that might affect the interpretation of these consolidated financial statements.

## Note 24. Third party guarantees

At December 31, 2003 and 2002, the Parent Company and its subsidiaries had not received guarantees from third parties.

**Note 25. Local and foreign currency****Assets**

		Amount	
	Currency	2003 ThCh\$	2002 ThCh\$
<b>Current assets:</b>			
Cash	Non-indexed Ch\$	3,123,994	2,365,108
Cash	US\$	71,745	126,675
Time deposits	Non-indexed Ch\$	4,962,263	1,623,729
Time deposits	Indexed Ch\$	669,179	303,606
Marketable securities	Non-indexed Ch\$	3,110,754	90,390
Marketable securities	US\$	16,255	–
Marketable securities	Indexed Ch\$	634,588	6,922,775
Trade accounts receivable	Indexed Ch\$	2,055,600	1,128,752
Trade accounts receivable	Non-indexed Ch\$	64,437,442	61,839,317
Other receivables	Non-indexed Ch\$	505,773	826,996
Due from related companies	Non-indexed Ch\$	1,144,067	1,344,439
Due from related companies	Indexed Ch\$	222,635	–
Notes receivable	Non-indexed Ch\$	3,246,086	6,518,835
Notes receivable	Indexed Ch\$	398,547	1,012,988
Inventories	Non-indexed Ch\$	12,007,129	–
Inventories	Indexed Ch\$	12,822,232	4,398,134
Recoverable taxes	Indexed Ch\$	259,983	370,868
Prepaid expenses	Non-indexed Ch\$	87,215	–
Net deferred taxes	Indexed Ch\$	891,851	946,503
Other current assets	Indexed Ch\$	1,403,450	–
<b>Other current assets</b>	<b>Non-indexed Ch\$</b>	<b>7,083,882</b>	<b>3,706,719</b>
Total current assets		119,154,670	93,525,834
<b>Total net fixed assets</b>	<b>Indexed Ch\$</b>	<b>1,715,299</b>	<b>2,034,306</b>
<b>Other assets:</b>			
Investments in related companies	Indexed Ch\$	105,628,375	97,045,507
Intangibles	Indexed Ch\$	288,012	298,670
Goodwill	Indexed Ch\$	4,725,908	4,262,547
Long-term receivables	Indexed Ch\$	–	–
Others	Indexed Ch\$	–	484,050
Others	Non-indexed Ch\$	440,418	111,058
Others	Indexed Ch\$	–	4,044,105
Others	Indexed Ch\$	12,206,061	6,036,260
<b>Total other assets</b>		<b>123,288,774</b>	<b>112,282,197</b>

## Current liabilities

Item	Currency	Up to 90 days				90 days to 1 year			
		2003		2002		2003		2002	
		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\$	1,556,014	7.73	–	6.25	1,862,257	3.42	–	–
Liabilities with banks and financial institutions	US\$	–	–	–	–	2,373,865	–	3,932,891	5.80
Liabilities with banks and financial institutions	Non-indexed Ch\$	59,714,400	5.31	65,960,602	6.25	–	–	–	–
Bonds payable	Indexed Ch\$	–	–	–	–	2,393,535	5.52	2,063,202	5.90
Accounts payable	Non-indexed Ch\$	3,903,648	–	3,852,809	–	–	–	–	–
Due to related companies	Non-indexed Ch\$	7,497,311	–	1,440,404	5.50	–	–	–	–
Notes payable	Non-indexed Ch\$	27,139	–	36,277	–	–	–	–	–
Sundry creditors	Indexed Ch\$	11,438	–	355,582	–	–	–	–	–
Accruals	Non-indexed Ch\$	781,299	–	1,641,157	–	–	–	–	–
Accruals	\$ Reajustables	1,763,984	–	151,336	–	–	–	–	–
Withholdings	\$ Reajustables	316,664	–	330,808	–	–	–	–	–
Other current liabilities	Non-indexed Ch\$	17,958,631	–	5,878,177	–	5,006,493	–	–	–
Other current liabilities	Indexed Ch\$	75,250	–	27,531	–	–	–	–	–
Totals		93,605,778		79,674,683		11,636,150		5,996,093	

## Long-term liabilities:

## 2003

Item	Currency	2 to 3 years		3 to 5 years		5 to 10 years	
		Amount	Average annual interest	Amount	Average annual interest	Amount	Average annual interest
			rate		rate		rate
		ThCh\$	%	ThCh\$	%	ThCh\$	%
Liabilities with banks and							
financial institutions	Indexed Ch\$	5,123,178	3.28	2,783,098	3.28	—	—
Bonds payable	Indexed Ch\$	7,144,001	4.61	12,031,996	5.52	3,384,000	4.75
Notes payable	Non-indexed Ch\$	1,575,784	—	—	—	—	—
Sundry creditors	Non-indexed Ch\$	36,933	—	—	—	—	—
Net deferred taxes	Indexed Ch\$	160,560	—	—	—	—	—
Accruals	Non-indexed Ch\$	483,312	—	—	—	—	—
<b>Totals</b>		<b>14,523,768</b>		<b>14,815,094</b>		<b>3,384,000</b>	

## 2002

Item	Currency	2 to 3 years		3 to 5 years	
		Amount	Average annual interest	Amount	Average annual interest
			rate		rate
		ThCh\$	%	ThCh\$	%
Liabilities with banks and					
financial institutions	Indexed Ch\$	11,634,932	6.75	2,097,924	6.75
Liabilities with banks and					
financial institutions	US\$	2,104,810	8.75	—	—
Bonds payable	Indexed Ch\$	5,637,187	5.90	1,879,060	5.90
Long-term notes payable	Non-indexed Ch\$	109,333	—	—	—
Sundry creditors – long-term	Non-indexed Ch\$	50,398	—	—	—
Net deferred taxes	Indexed Ch\$	167,868	—	—	—
Other current liabilities	Non-indexed Ch\$	373,866	—	—	—
<b>Totals</b>		<b>20,078,394</b>		<b>3,976,984</b>	

## Note 26. Sanctions

In 2003 and 2002, no sanctions were imposed on the Parent Company, its subsidiaries, their Directors and their Management by the Superintendence of Securities and Insurance or by other administrative authorities.

**Note 27. Subsequent events**

From January 1 to February 20, 2004, the date these consolidated financial statements are issued, there have been no significant financial or accounting events that would materially affect them.

**Note 28. Environment**

In 2003 and 2002, the Parent Company and its subsidiaries did not make significant disbursements for investments or expenses required in connection with the environment.

Renato Peñafiel Muñoz  
President

Miguel Morales Cáceres  
General Accountant

# 7.3

## MANAGEMENT'S ANALYSIS OF THE FINANCIAL STATEMENTS

At December 31, 2003

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## MANAGEMENT'S ANALYSIS OF THE FINANCIAL STATEMENTS

At December 31, 2003

The net income of Grupo Security S.A. for 2003 was US\$23.8 million, representing an increase 90.2% in real terms over the previous year and a return on capital and reserves of 15.5%. The Group's adjustment process begun the previous year was completed in 2003 for taking advantage of the high growth potential of the companies and to add value in the long term.

The positive performance of the subsidiaries was also reflected in the successful placement of a bond issue by Grupo Security for UF 1 million in October.

Regarding the financial statements, the unconsolidated balance sheet of Grupo Security shows total assets of US\$234.4 million (11.21% higher than at December 2002) of which current assets represent US\$16.8 million (7.18% of the total) which reflects the Company's good liquidity position. The most important asset item is the investment in related companies amounting to US\$215. million and representing 91.94% of total assets.

Short and long-term liabilities of US\$57.2 million increased by 20.19%, compared to US\$47.6 million at December 2002. These comprise current liabilities of US\$8.7 million (15.22% of the total) and long-term liabilities of US\$48.5 million (84.78%), the main items being bank borrowings of US\$13.6 million and the balance of bonds A and B of US\$42.0 million. The debt/equity ratio

of Grupo Security at December 2003 is 32.29%, compared to 29.17% in 2002 due to the recent bond placement.

The equity of Grupo Security amounts to US\$177.2 million, representing 75.59% of total assets at December 2003, compared to 77.42% in 2002.

Banco Security, the principal asset of Grupo Security, produced a net income of US\$22.4 million for 2003, an increase of 31.0% over the previous year. This is mainly explained by the favorable operating income, the results of its subsidiaries and prudent cost levels. The bank produced a return on capital and reserves of 16.5% in 2003.

### Unconsolidated statement of cash flows

Description and analysis of net cash flow components:

	<b>2003</b>	<b>2002</b>
	<b>ThCh\$</b>	<b>ThCh\$</b>
Cash flow from operating activities	8,166,557	12,609,646
Cash flow from financing activities	(930,940)	(5,380,858)
Cash flow from investment activities	(4,565,437)	(505,000)
Net cash flow for the year	2,670,180	6,723,788
Effect of inflation on cash & cash equivalents	(60,000)	8,505
Net change in cash & cash equivalents	2,610,180	6,732,293
Opening balance of cash & cash equivalents	7,028,400	296,107
Closing balance of cash & cash equivalents	9,638,580	7,028,400

The positive cash flow from operating activities of US\$13.8 million in 2003 (US\$21.2 million in 2002) reflects mainly the dividends received from the subsidiary Banco Security of US\$15.3 million. This heading also includes the income generated by related companies of US\$27.7 million.

The net negative cash flow from financing activities of US\$1.6 million in 2003 (US\$9.1 million in 2002) mainly comprises Bonds of US\$28.5 million due to the placement made by the Company. It also includes the payment of dividends (Nos.20, 21 and 22) of Grupo Security S.A. amounting to US\$11,4 million, loan repayments of US\$15.5 million and bond repayments of US\$3.1 million.

The negative cash flow from investment activities of US\$7.7 million in 2003 (US\$0.9 million in 2002) mainly reflects permanent investments made by the Company of US\$8.3 million.

#### Financial indicators

The most relevant financial indicators of the unconsolidated financial statements of Grupo Security at December 2003 and 2002 are as follows:

<b>GRUPO SECURITY</b>	<b>Unit</b>	<b>December 2002</b>	<b>December 2003</b>
Current Assets/Total Assets	%	6.59	7.18
Fixed Assets/Total Assets	%	0.07	0.04
Other Assets/Total Assets	%	93.34	92.78
Current Liabilities/Total Liabilities	%	5.28	3.72
Long-Term Liabilities/Total Liabilities	%	17.31	20.69
Shareholders' Equity/Total Liabilities	%	77.42	75.59
Current Assets/Current Liabilities	times	1.25	1.93
Total Liabilities/Shareholders' Equity	times	1.29	1.32
Total Debt/Total Liabilities	%	22.58	24.41
Net Income /Shareholders' Equity (1)	%	8.29	15.49
Financial Expense Coverage (2)	%	16.10	9.15
Return on Total Assets (3)	annual. %	5.93	10.14
Return on Operating Assets (4)	annual. %	89.89	141.26
Earnings per Share (6)	Ch\$ per share p.a	4.44	8.49
Dividend Yield	% per share	4.42	3.83
EBITDA (5)	MCh\$	7.394	14.087

(1) Equity less annualized income for the year

(2) Financial expenses covered by net income from investments in related companies.

(3) Net income/Total Assets

(4) Net Income /Current Assets

(5) Income before tax, interest, depreciation, amortization & extraordinary items

(6) Annualized earnings per share.

## MANAGEMENT'S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2003

The consolidated financial statements of Grupo Security and subsidiaries at December 2003 exclude from the consolidation Banco Security and the companies Seguros Vida Security Previsión and Seguros Security Previsión Generales because of the accounting differences that relate to their businesses. The consolidation process of Grupo Security and subsidiaries therefore includes Factoring Security, Asesorías Security and subsidiary, Inmobiliaria Security and subsidiaries, Inversiones Seguros Security and subsidiaries and Invest Security and subsidiaries.

Because of this, while the final results are the same as those shown in the unconsolidated financial statements, their composition changes due to the incorporation of items from the subsidiaries and the business growth of the different companies making up Grupo Security.

As can be seen in the consolidated financial statements, the balance sheet of Grupo Security shows total assets of US\$411.2 million or which current assets represent US\$200.7 million (48.80% of the total), being mainly trade accounts receivable, notes receivable and inventories which are normal for the businesses that are consolidated.

The most important asset item is the investment in related companies amounting to US\$ 177.9 million and representing 43.26% of total assets.

With respect to short and long-term liabilities (US\$232.3 million), current liabilities amounted to US\$177.2 million (43.10% of the total) and long-term liabilities to US\$55.1 million (13.40%). The main items were bank borrowings at short and long term of US\$130.6 million and the balance of bonds issued by the Company of US\$42.0 million.

The equity of Grupo Security amounts to US\$177.2 million, representing 43.10% of total consolidated assets at December 2003, compared to 46.62% in 2002.

### Consolidated statement of cash flows

Description and analysis of net cash flow components:

	2003 ThCh\$	2002 ThCh\$
Cash flow from operating activities	11,282,467	6,429,212
Cash flow from financing activities	7,096,522	7,301,923
Cash flow from investment activities	(13,752,895)	(4,850,467)
Net cash flow for the year	4,626,094	8,880,668
Effect of inflation on cash & cash equivalents	(123,287)	(76,001)
Net change in cash & cash equivalents	4,502,807	8,804,667
Opening balance of cash & cash equivalents	11,672,564	2,867,897
Closing balance of cash & cash equivalents	16,175,371	11,672,564

The net positive cash flow from operating activities of US\$19.0 million in 2003 (US\$10.8 million in 2002) reflects mainly the dividends received from the subsidiary Banco Security of US\$15.2 million.

The net positive cash flow from financing activities of US\$11.9 million in 2003 (US\$12.3 million in 2002) reflects loans drawn, the bond placement made in October 2003 and the capital increase (of US\$101.4 million, US\$28.5 million and US\$12.5 million respectively), funds which were mainly used to repay loans for US\$114.1 million and of bonds for US\$3.1 million. It also includes the payment of dividends for US\$13.2 million.

The negative cash flow from investment activities of US\$23.1 million in 2003 (US\$8.2 million in 2002) mainly reflects permanent investments of US\$19.4 million.

#### Financial indicators

The most relevant financial indicators of the consolidated financial statements of Grupo Security at December 2003 and 2002 are as follows:

<b>GRUPO SECURITY</b>	<b>Unit</b>	<b>December 2002</b>	<b>December 2003</b>
Current Assets/Total Assets	%	45.00	48.80
Fixed Assets/Total Assets	%	0.98	0.70
Other Assets/Total Assets	%	54.02	50.50
Current Liabilities/Total Liabilities	%	41.22	43.10
Long-Term Liabilities/Total Liabilities	%	11.57	13.40
Shareholders' Equity/Total Liabilities	%	46.62	43.10
Current Assets/Current Liabilities	Times	1.09	1.13
Total Liabilities/Shareholders' Equity	Times	2.14	2.32
Total Debt/Total Liabilities	%	53.38	56.90
Net Income /Shareholders' Equity (1)	%	8.29	15.49
Financial Expense Coverage (2)	%	23.51	16.64
Return on Total Assets (3)	annual. %	3.57	5.78
Return on Operating Assets (4)	annual. %	7.93	11.84
Earnings per Share (6)	Ch\$ per share	4.32	8.82
Dividend Yield	% per share	4.42	3.83
EBITDA. (5)	MCh\$	7.166	14.908

(1) Equity less annualized income for the year

(2) Financial expenses covered by net income from investments in related companies.

(3) Net income/Total Assets

(4) Net Income /Current Assets

(5) Income before tax, interest, depreciation, amortization & extraordinary items

(6) Annualized earnings per share.

With respect to credits ratings, these are:

<b>Current Rating Agency</b>	<b>December 2003</b>	
	<b>Common Shares</b>	<b>Bonds N°188 Series A1 &amp; A2 &amp; N° 240 Series B</b>
Fitch IBCA, Duff & Phelps	First class, Level 3	A+
Feller & Rate	First class, Level 3	A
Classification Commission	Approved	A

# 7.4

## SUMMARIZED FINANCIAL STATEMENTS OF THE **SUBSIDIARIES**

At December 31, 2003

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## BANCO SECURITY AND SUBSIDIARIES

Summarized financial statements at December 31, 2003 and 2002

**Balance Sheet**

	<b>2003</b>	<b>2002</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Cash & banks	85,051.6	94,520.4
Net loans	949,222.3	853,956.9
Investments	170,421.0	174,022.4
Fixed assets	15,179.6	12,585.5
Other assets	19,555.6	28,819.2
<b>Total assets</b>	<b>1,239,430.1</b>	<b>1,163,904.4</b>
<b>Liabilities &amp; shareholders' equity</b>		
Deposits & other obligations	967,179.4	883,465.7
Borrowings from financial institutions	117,767.4	114,663.9
Bonds payable	45,302.2	47,014.5
Other liabilities	15,249.3	29,895.9
Capital & reserves	80,605.7	78,695.1
Net income for the year	13,326.1	10,169.3
<b>Total liabilities &amp; shareholders' equity</b>	<b>1,239,430.1</b>	<b>1,163,904.4</b>
<b>Statement of Income</b>		
Operating income	17,321.1	14,361.3
Non-operating result	(782.3)	(2,096.5)
Surplus before tax	16,538.8	12,264.8
Income tax	(3,211.4)	(2,093.2)
Minority interest	(1.3)	(2.3)
<b>Net income for the year</b>	<b>13,326.1</b>	<b>10,169.3</b>
<b>Cash flow</b>		
Cash flow from operating activities	24,807.8	22,805.5
Cash flow from investment activities	(92,256.7)	(91,584.1)
Cash flow from financing activities	57,486.7	74,673.2
Net cash flow for the year	(9,962.2)	5,894.6
Effect of price-level restatements	493.4	231.6
<b>Net change in cash &amp; cash equivalents</b>	<b>(9,468.8)</b>	<b>6,126.2</b>

# VALORES SECURITY S.A. CORREDORES DE BOLSA

Summarized financial statements at December 31, 2003 and 2002

## Balance Sheet

	2003 MCh\$	2002 MCh\$
<b>Assets</b>		
Current assets	156,752.2	96,736.6
Fixed assets	90.2	97.1
Other assets	376.8	399.1
<b>Total assets</b>	<b>157,219.2</b>	<b>97,232.8</b>
<b>Liabilities &amp; shareholders' equity</b>		
Current liabilities	149,020.3	91,435.1
Capital & reserves	5,797.7	3,741.8
Net income for the year	2,401.2	2,055.9
<b>Total liabilities &amp; shareholders' equity</b>	<b>157,219.2</b>	<b>97,232.8</b>
<b>Statement of Income</b>		
Operating income	2,818.1	2,420.6
Non-operating result	32.7	14.9
Income before tax	2,850.8	2,435.5
Income tax	(449.6)	(379.6)
<b>Net income for the year</b>	<b>2,401.2</b>	<b>2,055.9</b>
<b>Cash flow</b>		
Cash flow from operating activities	1,971.0	2,059.9
Cash flow from investment activities	85.6	26.6
Cash flow from financing activities	(3,263.7)	(1,544.8)
Net cash flow for the year	(1,207.1)	541.7
Effect of price-level restatements	0.8	(28.6)
<b>Net change in cash &amp; cash equivalents</b>	<b>(1,206.3)</b>	<b>513.1</b>

## ADMINISTRADORA GENERAL DE FONDOS SECURITY S.A.

Summarized financial statements at December 31, 2003 and 2002

**Balance Sheet**

	<b>2003</b>	<b>2002</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current assets	4,542.9	3,538.3
Other assets	88.2	84.1
<b>Total assets</b>	<b>4,631.1</b>	<b>3,622.4</b>
<b>Liabilities &amp; shareholders' equity</b>		
Current liabilities	294.7	411.6
Capital & reserves	1,201.1	1,201.1
Retained earnings	2,009.7	972.4
Net income for the year	1,125.6	1,037.3
<b>Total liabilities &amp; shareholders' equity</b>	<b>4,631.1</b>	<b>3,622.4</b>
<b>Statement of Income</b>		
Operating income	1,140.5	1,049.0
Non-operating result	199.1	175.2
Income before tax	1,339.6	1,224.2
Income tax	(214.0)	(186.9)
<b>Net income for the year</b>	<b>1,125.6</b>	<b>1,037.3</b>
<b>Cash flow</b>		
Cash flow from operating activities	1,049.1	1,393.2
Cash flow from investment activities	(1,059.7)	(1,915.4)
Cash flow from financing activities	(99.1)	98.7
Net cash flow for the year	(109.7)	(423.5)
Effect of price-level restatements	(18.3)	(29.0)
<b>Net change in cash &amp; cash equivalents</b>	<b>(128.0)</b>	<b>(452.5)</b>



## FACTORING SECURITY S.A.

Summarized financial statements at December 31, 2003 and 2002

### Balance Sheet

	2003 MCh\$	2002 MCh\$
<b>Assets</b>		
Current assets	69,858.5	67,101.9
Fixed assets	298.3	125.0
Other assets	7,258.4	3,737.5
<b>Total assets</b>	<b>77,415.2</b>	<b>70,964.4</b>
<b>Liabilities &amp; shareholders' equity</b>		
Current liabilities	66,730.2	61,128.6
Long-term liabilities		
Capital & reserves	8,880.2	8,864.9
Net income for the year	1,804.8	970.9
<b>Total liabilities &amp; shareholders' equity</b>	<b>77,415.2</b>	<b>70,964.4</b>
<b>Statement of Income</b>		
Operating income	2,083.5	1,168.2
Non-operating result	18.4	(314.4)
Income before tax	2,101.9	853.8
Income tax	(297.1)	117.1
<b>Net income for the year</b>	<b>1,804.8</b>	<b>970.9</b>
<b>Cash flow</b>		
Cash flow from operating activities	(1,869.5)	(7,684.5)
Cash flow from investment activities	(2,782.3)	(107.8)
Cash flow from financing activities	4,613.7	9,228.3
Net cash flow for the year	(38.1)	1,436.0
Effect of price-level restatements	(46.2)	(41.8)
<b>Net change in cash &amp; cash equivalents</b>	<b>(84.3)</b>	<b>1,394.2</b>

## INMOBILIARIA SECURITY S.A. AND SUBSIDIARIES

Summarized financial statements at December 31, 2003 and 2002

**Balance Sheet**

	<b>2003</b>	<b>2002</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current assets	18,335.0	8,446.9
Fixed assets	7.7	8.3
Other assets	258.0	169.6
<b>Total assets</b>	<b>18,600.7</b>	<b>8,624.8</b>
<b>Liabilities &amp; shareholders' equity</b>		
Current liabilities	15,063.5	5,514.5
Long-term liabilities	2,147.1	2,064.4
Minority interest	2.1	0.0
Capital & reserves	2,027.7	2,027.7
Accumulated deficit development period subsidiary	(683.5)	(940.1)
Accumulated losses	(407.7)	(407.7)
Net income for the year	451.5	366.0
<b>Total liabilities &amp; shareholders' equity</b>	<b>18,600.7</b>	<b>8,624.8</b>
<b>Statement of Income</b>		
Operating income	548.6	733.5
Non-operating result	(70.5)	(380.1)
Income before tax	478.1	353.4
Minority interest	(2.0)	0.0
Income tax	(24.6)	12.6
<b>Net income for the year</b>	<b>451.5</b>	<b>366.0</b>
<b>Cash flow</b>		
Cash flow from operating activities	4,381.5	2,163.0
Cash flow from investment activities	(359.4)	(612.3)
Cash flow from financing activities	(2,346.3)	(1,541.8)
Net cash flow for the year	1,675.8	8.9
Effect of price-level restatements	6.6	1.4
<b>Net change in cash &amp; cash equivalents</b>	<b>1,682.4</b>	<b>10.3</b>

## ASESORIAS SECURITY S.A. AND SUBSIDIARY

Summarized financial statements at December 31, 2003 and 2002

### Balance Sheet

	2003 MCh\$	2002 MCh\$
<b>Assets</b>		
Current assets	13,236.5	1,320.2
Fixed assets	16.0	20.2
Other assets	102.1	105.5
<b>Total assets</b>	<b>13,354.6</b>	<b>1,445.9</b>
<b>Liabilities &amp; shareholders' equity</b>		
Current liabilities	12,401.2	403.1
Long-term liabilities	4.3	21.6
Minority interest	1.9	2.8
Capital & reserves	1,018.4	1,620.6
Loss for the year	(71.2)	(602.2)
<b>Total liabilities &amp; shareholders' equity</b>	<b>13,354.6</b>	<b>1,445.9</b>
<b>Statement of Income</b>		
Operating income	(139.6)	(744.6)
Non-operating result	52.9	28.2
Income before tax	(86.7)	(716.4)
Minority interest	0.9	0.8
Income tax	14.6	113.4
<b>Loss for the year</b>	<b>(71.2)</b>	<b>(602.2)</b>
<b>Cash flow</b>		
Cash flow from operating activities	92.7	(129.1)
Cash flow from investment activities	(12.7)	(8.3)
Cash flow from financing activities		
Net cash flow for the year	80.0	(137.4)
Effect of price-level restatements	(9.2)	(42.6)
<b>Net change in cash &amp; cash equivalents</b>	<b>70.8</b>	<b>(180.0)</b>

## SECURITIZADORA SECURITY S.A.

Summarized financial statements at December 31, 2003 and 2002

**Balance Sheet**

	<b>2003</b>	<b>2002</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current assets	12,186.4	291.1
Fixed assets	4.1	12.6
Other assets	73.1	76.8
<b>Total assets</b>	<b>12,263.6</b>	<b>380.5</b>
<b>Liabilities &amp; shareholders' equity</b>		
Current liabilities	12,034.0	33.4
Long-term liabilities	4.0	21.3
Capital & reserves	325.9	417.8
Loss for the year	(100.3)	(92.0)
<b>Total liabilities &amp; shareholders' equity</b>	<b>12,263.6</b>	<b>380.5</b>
<b>Statement of Income</b>		
Operating income	(116.3)	(111.4)
Non-operating result	(0.2)	2.9
Income before tax	(116.5)	(108.5)
Income tax	16.2	16.5
<b>Loss for the year</b>	<b>(100.3)</b>	<b>(92.0)</b>
<b>Cash flow</b>		
Cash flow from operating activities	(58.9)	(180.3)
Cash flow from investment activities	–	(8.4)
Cash flow from financing activities	–	40.4
Net cash flow for the year	(58.9)	(148.3)
Effect of price-level restatements	(1.7)	(5.1)
<b>Net change in cash &amp; cash equivalents</b>	<b>(60.6)</b>	<b>(153.4)</b>

# INVERSIONES SEGUROS SECURITY LTDA. AND SUBSIDIARIES

Summarized financial statements at December 31, 2003 and 2002

## Balance Sheet

	2003 MCh\$	2002 MCh\$
<b>Assets</b>		
Current assets	2,862.7	2,657.9
Fixed assets	285.6	435.8
Other assets	21,794.9	17,195.4
<b>Total assets</b>	<b>24,943.2</b>	<b>20,289.1</b>
<b>Liabilities &amp; shareholders' equity</b>		
Current liabilities	1,293.0	6,430.3
Long-term liabilities	1,858.6	325.9
Minority interest	3,155.6	813.6
Capital & reserves	17,817.3	13,714.2
Net income (loss) for the year	818.7	(994.9)
<b>Total liabilities &amp; shareholders' equity</b>	<b>24,943.2</b>	<b>20,289.1</b>
<b>Statement of Income</b>		
Operating income	558.9	(837.6)
Non-operating result	486.7	(488.0)
Income before tax	1,045.6	(1,325.6)
Income tax	(116.0)	32.6
Minority interest	(110.9)	298.1
<b>Net income (loss) for the year</b>	<b>818.7</b>	<b>(994.9)</b>
<b>Cash flow</b>		
Cash flow from operating activities	860.2	1,131.4
Cash flow from investment activities	(5,629.2)	(3,366.0)
Cash flow from financing activities	4,986.6	2,121.3
Net cash flow for the year	217.6	(113.3)
Effect of price-level restatements	(12.8)	(15.7)
<b>Net change in cash &amp; cash equivalents</b>	<b>204.8</b>	<b>(129.0)</b>

## SEGUROS VIDA SECURITY PREVISION S.A.

Summarized financial statements at December 31, 2003 and 2002

### Balance Sheet

	2003 MCh\$	2002 MCh\$
<b>Assets</b>		
Investments	52,151.5	53,211.0
Premiums & reinsurance due	2,512.0	3,217.0
Other assets	3,067.2	1,769.6
<b>Total assets</b>	<b>57,730.7</b>	<b>58,197.9</b>
<b>Liabilities &amp; shareholders' equity</b>		
Technical reserves	46,885.7	46,448.6
Other liabilities	2,496.9	3,616.9
Capital & reserves	7,314.9	7,113.0
Net income for the year	1,033.2	1,019.0
<b>Total liabilities &amp; shareholders' equity</b>	<b>57,730.7</b>	<b>58,197.9</b>
<b>Statement of Income</b>		
Operating income	1,136.6	1,465.4
Non-operating result	123.2	(285.3)
Income before tax	1,254.8	1,180.1
Income tax	(221.6)	(160.2)
<b>Net income for the year</b>	<b>1,033.2</b>	<b>1,019.9</b>
<b>Cash flow</b>		
Cash flow from operating activities	(545.9)	(4,362.8)
Cash flow from investment activities	1,343.6	5,625.7
Cash flow from financing activities	(1,025.6)	(1,082.1)
Net cash flow for the year	(227.9)	180.8
Effect of price-level restatements	(4.1)	(13.3)
<b>Net change in cash &amp; cash equivalents</b>	<b>(232.0)</b>	<b>167.5</b>

# SEGUROS SECURITY PREVISION GENERALES S.A.

Summarized financial statements at December 31, 2003 and 2002

## Balance Sheet

	2003 MCh\$	2002 MCh\$
<b>Assets</b>		
Investments	4,198.4	3,127.5
Premiums & reinsurance due	8,738.2	9,675.5
Other assets	768.0	1,051.1
<b>Total assets</b>	<b>13,704.6</b>	<b>13,854.1</b>
<b>Liabilities &amp; shareholders' equity</b>		
Reserve for claims	8,843.1	9,095.9
Other liabilities	733.1	1,784.0
Capital & reserves	3,958.3	3,575.2
Net income (loss) for the year	170.1	(601.0)
<b>Total liabilities &amp; shareholders' equity</b>	<b>13,704.6</b>	<b>13,854.1</b>
<b>Statement of Income</b>		
Operating income	(453.3)	(1,179.6)
Non-operating result	672.7	462.8
Income before tax	219.4	(716.8)
Income tax	(49.3)	115.8
<b>Net income (loss) for the year</b>	<b>170.1</b>	<b>(601.0)</b>
<b>Cash flow</b>		
Cash flow from operating activities	1,298.1	(1,163.0)
Cash flow from investment activities	376.8	529.0
Cash flow from financing activities	(78.8)	842.7
Net cash flow for the year	1,596.1	208.7
Effect of price-level restatements	(47.4)	19.1
<b>Net change in cash &amp; cash equivalents</b>	<b>1,548.7</b>	<b>227.8</b>

## SERVICIOS SECURITY S.A. AND SUBSIDIARIES

Summarized financial statements at December 31, 2003 and 2002

**Balance Sheet**

	<b>2003</b>	<b>2002</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Investments	2,841.9	2,244.3
Fixed assets	268.1	435.8
Other assets	6,838.1	6,265.4
<b>Total assets</b>	<b>9,948.1</b>	<b>8,945.5</b>
<b>Liabilities &amp; shareholders' equity</b>		
Current liabilities	1,211.6	5,880.4
Long-term liabilities	1,858.6	325.9
Minority interest	1.3	0.7
Capital & reserves	6,635.9	3,873.0
Net income (loss) for the year	240.7	(1,134.5)
<b>Total liabilities &amp; shareholders' equity</b>	<b>9,948.1</b>	<b>8,945.5</b>
<b>Statement of Income</b>		
Operating income	666.3	(791.3)
Non-operating result	(309.1)	(375.5)
Income before tax	357.2	(1,166.8)
Income tax	(116.0)	32.6
Minority interest	(0.5)	(0.3)
<b>Net income (loss) for the year</b>	<b>240.7</b>	<b>(1,134.5)</b>
<b>Cash flow</b>		
Cash flow from operating activities	59.5	673.4
Cash flow from investment activities	(1,576.4)	(2,428.3)
Cash flow from financing activities	1,948.9	1,760.0
Net cash flow for the year	432.0	5.1
Effect of price-level restatements	(14.9)	(4.1)
<b>Net change in cash &amp; cash equivalents</b>	<b>417.1</b>	<b>1.0</b>



## CORREDORES DE SEGUROS SECURITY LTDA.

Summarized financial statements at December 31, 2003 and 2002

**Balance Sheet**

	<b>2003</b>	<b>2002</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current assets	2,116.8	2,284.1
Fixed assets	268.1	435.8
Other assets	7,464.8	6,220.9
<b>Total assets</b>	<b>9,849.7</b>	<b>8,940.8</b>
<b>Liabilities &amp; shareholders' equity</b>		
Current liabilities	1,581.9	5,865.2
Long-term liabilities	1,905.4	329.9
Capital & reserves	5,942.3	3,942.9
Net income (loss) for the year	420.1	(1,197.2)
<b>Total liabilities &amp; shareholders' equity</b>	<b>9,849.7</b>	<b>8,940.8</b>
<b>Statement of Income</b>		
Operating income	764.5	(863.6)
Non-operating result	(195.4)	(369.4)
Income before tax	569.1	(1,233.0)
Income tax	(149.0)	35.8
<b>Net income (loss) for the year</b>	<b>420.1</b>	<b>(1,197.2)</b>
<b>Cash flow</b>		
Cash flow from operating activities	383.2	500.1
Cash flow from investment activities	(1,187.5)	(2,341.4)
Cash flow from financing activities	1,187.5	1,746.0
Net cash flow for the year	383.2	(95.3)
Effect of price-level restatements	(4.7)	(3.8)
<b>Net change in cash &amp; cash equivalents</b>	<b>378.5</b>	<b>(99.1)</b>

## INVERSIONES INVEST SECURITY LTDA. AND SUBSIDIARIES

Summarized financial statements at December 31, 2003 and 2002

**Balance Sheet**

	<b>2003</b>	<b>2002</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current assets	5,194.0	4,750.7
Fixed assets	1,051.5	1,356.4
Other assets	1,428.2	1,302.9
<b>Total assets</b>	<b>7,673.7</b>	<b>7,410.0</b>
<b>Liabilities &amp; shareholders' equity</b>		
Current liabilities	4,901.5	4,596.4
Long-term liabilities	36.9	50.4
Minority interest	337.3	391.2
Capital & reserves	2,372.0	2,242.7
Net income for the year	26.0	129.3
<b>Total liabilities &amp; shareholders' equity</b>	<b>7,673.7</b>	<b>7,410.0</b>
<b>Statement of Income</b>		
Operating income	262.4	93.1
Non-operating result	(123.9)	153.4
Income before tax	138.5	246.5
Income tax	(40.1)	(37.8)
Minority interest	(72.4)	(79.4)
<b>Net income for the year</b>	<b>26.0</b>	<b>129.3</b>
<b>Cash flow</b>		
Cash flow from operating activities	(415.3)	1,343.4
Cash flow from investment activities	(403.8)	(778.5)
Cash flow from financing activities	773.4	(384.1)
Net cash flow for the year	(45.7)	180.8
Effect of price-level restatements	(1.6)	(16.4)
<b>Net change in cash &amp; cash equivalents</b>	<b>(47.3)</b>	<b>164.4</b>

# TRAVEL SECURITY S.A. AND SUBSIDIARIES

Summarized financial statements at December 31, 2003 and 2002

## Balance Sheet

	2003 MCh\$	2002 MCh\$
<b>Assets</b>		
Current assets	4,230.5	4,252.6
Fixed assets	630.0	709.8
Other assets	490.6	316.8
<b>Total assets</b>	<b>5,351.1</b>	<b>5,279.2</b>
<b>Liabilities &amp; shareholders' equity</b>		
Current liabilities	3,966.9	3,647.6
Long-term liabilities	36.9	69.2
Minority interest	0.1	0.1
Capital & reserves	1,056.9	1,245.1
Net income for the year	290.3	317.2
<b>Total liabilities &amp; shareholders' equity</b>	<b>5,351.1</b>	<b>5,279.2</b>
<b>Statement of Income</b>		
Operating income	401.1	160.9
Non-operating result	(74.1)	200.5
Income before tax	327.0	361.4
Income tax	(36.8)	(44.1)
Minority interest	0.1	(0.1)
<b>Net income for the year</b>	<b>290.3</b>	<b>317.2</b>
<b>Cash flow</b>		
Cash flow from operating activities	(176.1)	887.5
Cash flow from investment activities	(519.2)	(171.1)
Cash flow from financing activities	624.3	(384.1)
Net cash flow for the year	(71.0)	332.5
Effect of price-level restatements	(0.9)	4.0
<b>Net change in cash &amp; cash equivalents</b>	<b>(71.9)</b>	<b>336.5</b>

## GLOBAL SECURITY S.A.

Summarized financial statements at December 31, 2003 and 2002

**Balance Sheet**

	<b>2003</b>	<b>2002</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current assets	197.5	259.4
Other assets	0.9	0.7
<b>Total assets</b>	<b>198.4</b>	<b>260.1</b>
<b>Liabilities &amp; shareholders' equity</b>		
Current liabilities	96.4	104.1
Capital & reserves	107.8	107.8
Retained earnings	48.2	67.9
Loss for the year	(54.0)	(19.7)
<b>Total liabilities &amp; shareholders' equity</b>	<b>198.4</b>	<b>260.1</b>
<b>Statement of Income</b>		
Operating income	(48.8)	(25.6)
Non-operating result	3.5	5.4
Income before tax	(45.3)	(20.2)
Income tax	(8.6)	0.4
<b>Loss for the year</b>	<b>(53.9)</b>	<b>(19.8)</b>
<b>Cash flow</b>		
Cash flow from operating activities	(11.4)	(134.2)
Cash flow from investment activities	27.8	108.5
Cash flow from financing activities	0.0	0.0
Net cash flow for the year	16.4	(25.7)
Effect of price-level restatements	(0.1)	(10.1)
<b>Net change in cash &amp; cash equivalents</b>	<b>16.3</b>	<b>(35.8)</b>

## VIRTUAL SECURITY S.A. AND SUBSIDIARY

Summarized financial statements at December 31, 2003 and 2002

**Balance Sheet**

	<b>2003</b>	<b>2002</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Assets</b>		
Current assets	409.3	284.7
Fixed assets	403.8	555.5
Other assets	20.5	0.0
<b>Total assets</b>	<b>833.6</b>	<b>840.2</b>
<b>Liabilities &amp; shareholders' equity</b>		
Current liabilities	655.7	666.3
Capital & reserves	174.0	169.1
Net income for the year	3.9	4.8
<b>Total liabilities &amp; shareholders' equity</b>	<b>833.6</b>	<b>840.2</b>
<b>Statement of Income</b>		
Operating income	(26.9)	(1.5)
Non-operating result	11.5	12.4
Income before tax	(15.4)	10.9
Income tax	19.3	(6.1)
Minority interest	–	–
<b>Net income for the year</b>	<b>3.9</b>	<b>4.8</b>
<b>Cash flow</b>		
Cash flow from operating activities	163.7	711.0
Cash flow from investment activities	(156.6)	(703.8)
Cash flow from financing activities	0.0	–
Net cash flow for the year	7.1	7.2
Effect of price-level restatements	1.4	4.1
<b>Net change in cash &amp; cash equivalents</b>	<b>8.5</b>	<b>11.3</b>



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## ADDRESSES OF COMPANIES OF GRUPO SECURITY S.A.

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**BANCO SECURITY**

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

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**FACTORING SECURITY S.A.**

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**ASESORIAS SECURITY S.A.**

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**SECURITIZADORA SECURITY S.A.**

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

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## BRANCHES OF COMPANIES OF GRUPO SECURITY S.A.

### BANCO SECURITY

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**Concepción** • O'Higgins 420, office 21 - Telephone: (56-41) 227 753

## DECLARATION OF RESPONSIBILITY

The undersigned, as directors and president of Grupo Security, domiciled at Miraflores Street 178, 6th floor, Santiago, Chile, swear that the information contained in this annual report is a faithful representation of the truth and we therefore assume the corresponding legal responsibility.

**Francisco Silva Silva**

Chairman

RUT: 4.103.064-5



**Claudio Berndt Cramer**

Director

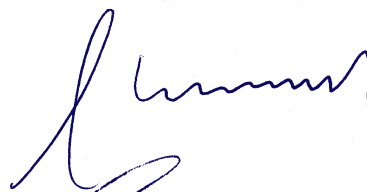
RUT: 4.775.620-0



**Andrés Concha Rodríguez**

Director

RUT: 4.773.967-5



**Jaime Correa Hogg**

Director

RUT: 5.892.161-0



**Jorge Marín Correa**

Director

RUT: 7.639.707-4



**Naoshi Matsumoto Takahashi**

Director

RUT: 3.805.153-9



**Horacio Pavez García**

Director

RUT: 3.899.021-7



**Juan Cristóbal Pavez Recart**

Director

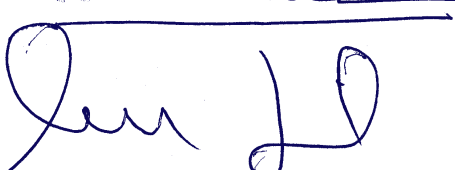
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**Alvaro Vial Gaete**

Director

RUT: 5.759.348-2



**Renato Peñafiel Muñoz**

President

RUT: 6.350.390-8

