

1997:

job

well

done

# TABLE OF CONTENTS

Letter from the President .....	2
Board of Directors and Administration of Banco Security .....	4
Commercial Area Assistant Managers	
Financial Summary .....	6
Economic Commentary .....	8
Banco Security and the Chilean Banking Industry .....	12
The Results and Business Activities of Banco Security .....	18
The Affiliates of Banco Security .....	27
Board of Directors and Administration of the Affiliates under Banco Security	
Results and Business Activities of the Affiliated Companies	
Financial Statements .....	33
Individual Financial Statements of Banco Security .....	35
Consolidated Financial Statements of Banco Security and the Affiliates .....	53
Summary of Financial Statements of the Affiliates .....	69




It is my pleasure to present to you the Annual Report of Banco Security for the recently concluded year of operations.

In general terms, a series of important events took place during 1997 that influenced the development of financial activity within Chile. The economy has demonstrated a strong level of growth as evidenced by the 7.1% real growth in GDP, accompanied by a lower inflation level of 6% for the year, while the country's external accounts reflected a solid international situation. Among the positive elements of 1997, emphasis needs to be placed on the recently approved modifications to the Banking Law towards the end of the year. This opened possibilities for new business opportunities to be realized by banks and included steps to develop the internationalization of the banking business, the incorporation of Basle norms and the activation of certain criteria required for authorization of new banking activities. On the other hand, towards the end of the year, diverse Asian economies experienced serious difficulties, that produced volatility in the principal economic variables, especially in the exchange rate, and introduced a degree of uncertainty about the economic situation that was to be experienced in 1998.

Within this state of the economy, Banco Security continued to have an excellent year in 1997. Net income amounted to Ch\$7,382 million (US\$16.78 million), which represents an increase of 36.0% in real terms over the prior year and a return on equity of 18.4%. This growth in net income represents the highest increase among all domestic banks and compares favorably with the 13.7% average return on equity experienced by the industry for the same period.

These results are directly related to the strong growth within the Bank's loan portfolio, which increased 25.2% in real terms compared to the 13.0% average growth experienced by the industry. As of December 1997, total loans of the Bank amounted to Ch\$476 billion (US\$1.08 billion), while total consolidated loans of the Bank and its affiliates rose to Ch\$516 billion (US\$1.17 billion). These figures represent a 2.2% market participation in terms of loans by Banco Security, which positions the Banks well within its market objective. In regards to total loans and net income experienced within the industry, Banco Security ranks 13th and 9th, respectively, among 32 banking and financial institutions that operate in the local market. Along with the growth experienced during 1997, Banco Security has maintained its traditional strengths of excellent quality within its loan portfolio, as well as high standards of



efficiency and productivity. Banco Security holds the lead position among domestic banks in terms of low risk and ranks 6th among all banks, domestic and foreign, that operate in the market. Moreover, the portfolio of Banco Security received a risk coefficient of 0.62% in October of 1997, which compared favorably to the industry average of 1.23%. Also, the Bank traditionally maintains a lead position within the industry in terms of productivity, which can be measured by comparing Loans Outstanding to Number of Employees.

With respect to solvency during 1997, Banco Security maintained an Equity to Risk Weighted Assets position of approximately 10%. However, the strong growth of productive earning assets, brought the Basle coefficient to 9.7% at December 31, 1997. In November of 1997, the Bank issued a new series of subordinated bonds in the amount of 500,000 UF, strengthening its capital base in order to support future growth.

Banco Security maintains a branch network consisting of 10 offices, including the corporate headquarters located in downtown Santiago. The strategic placement of these branch offices in developing regions supports the Bank's marketing objective towards medium and large corporate entities, as well as select individuals. Accordingly, four of the branches are located in exterior regions of Chile (Temuco, Concepción, Antofagasta, and Puerto Montt), with the remainder situated within the metropolitan area of Santiago (Providencia, El Golf, Panamericana, Quilicura and Santa Elena).

Finally, it is worth mentioning that the affiliated companies of Banco Security provide a significant level of contribution to the overall business activities and, in turn the net income of the Bank. The income from invested companies during 1997 increased 13.9% over the prior year and represented 27.5% of the Bank's total net income.

Finally, in the execution of our tasks, we are proud to remain dedicated towards the quality and professional development of all personnel employed by Banco Security. Their commitment to the organization and its objectives has been fundamental in building what exists today.



Francisco Silva S.  
President



## Board of Directors

---

President	Francisco Silva S.
Board of Directors	Hernán Felipe Errázuriz C. Jorge Marín C. Gustavo Pavez R. Renato Peñafiel M. Gonzalo Ruiz U. Mario Weiffenbach O.

## Senior Level Administration

---

General Manager	Ramón Eluchans O.
Support Division Manager	Pedro Barroso V.
Financial Division Manager	Bonifacio Bilbao H.
Risk Manager	José Miguel Bulnes Z.
Advisor to the General Manager	Margarita Hepp K.
Corporate Banking Manager	Cristián Valdés B.
Branch and Private Banking Manager	Adolfo Tocornal R-T.
Private Banking and Real Estate Manager	Gonzalo Baraona B.
Administration Manager	Manuel José Balmaceda A.
Corporate Manager	Gonzalo Gormaz D.
Corporate Manager	Cristián Sinclair M.
Private Banking Manager	Miguel Angel Soto N.
International Manager	Roland Jacob D.
Operations Manager	Sergio Candia A.
Development Manager	Pedro de Tezanos Pinto D.
Comptroller	Víctor Torres V.



## Commercial Area Assistant Managers

---

Assistant Branch Manager - Concepción

Assistant Branch Manager - Temuco

Assistant Branch Manager - Santa Elena

Branch Agent - Providencia

Branch Agent - El Golf

Branch Agent - Panamericana

Branch Agent - Quilicura

Branch Agent - Antofagasta

Branch Agent - Puerto Montt

Money Desk Assistant Manager

Real Estate Agent

Marcial Letelier O.

Rene Melo B.

Jorge Contreras W.

Ignacio Prado R.

Juan Carlos Ruiz V.

Hernán Besa D.

Humberto Grattini F.

Guillermo Delgado G.

Alberto Apel O.

Ricardo Turner O.

Ignacio Lecanda R.

# FINANCIAL SUMMARY OF BANCO SECURITY (INDIVIDUAL)

In millions of Chilean pesos as of December 1997

year end results	1992	1993	1994	1995	1996	1997
Gross Operating Results (Gross Margin)	9,378	12,379	12,179	14,023	14,857	16,229
Administrative Expenses	3,838	4,933	5,764	7,031	8,271	8,863
Net Operating Results (Net Margin)	5,540	7,446	6,415	6,992	6,586	7,366
Net Income	3,368	4,652	4,934	6,271	5,426	7,382
closing balances for the year						
Loans	172,705	224,275	288,679	314,254	380,370	476,371
Financial Investments	154,103	176,227	72,864	133,537	86,839	119,194
Productive Assets	326,808	400,502	361,543	447,791	467,209	595,565
Fixed Assets and Investment in Affiliates	11,229	13,708	14,988	15,688	18,209	18,657
Total Assets	373,911	476,376	444,078	525,328	607,000	652,857
Checking Accounts	11,299	14,657	17,128	15,828	23,768	22,228
Deposits and Other Term Obligations	162,061	199,137	223,923	276,117	352,911	344,689
Foreign Obligations	41,833	58,789	59,484	56,337	61,724	33,198
Provision for Risk Assets	1,671	2,717	3,113	3,103	3,943	3,832
Capital and Reserves	31,921	32,275	32,749	37,947	38,447	40,139
Equity	35,289	36,926	37,683	44,218	43,873	47,521
financial indicators						
Productive Assets/Total Assets	87.40%	84.07%	81.41%	85.24%	76.97%	91.22%
Net Income/Equity	10.55%	14.41%	15.07%	16.53%	14.11%	18.39%
Net Income/Productive Assets	1.03%	1.16%	1.36%	1.40%	1.16%	1.24%
Administrative Expenses/Productive Assets	1.17%	1.23%	1.59%	1.57%	1.77%	1.49%
Productive Assets/Number of Employees	2,005	2,519	2,078	2,296	2,225	2,545
(Millions of pesos as of Dec 97)						
Loans/Number of Employees	1,060	1,411	1,659	1,612	1,811	2,036
(Millions of pesos as of Dec 97)						
Leverage	11.87	14.59	14.2	13.7	14.7	N.I.
Number of Employees	163	159	174	195	210	234

# FINANCIAL SUMMARY OF BANCO SECURITY (CONSOLIDATED)

In millions of Chilean pesos as of December 1997

year end results	1995	1996	1997
Gross Operating Results (Gross Margin)	19,356	19,930	21,342
Administrative Expenses	9,441	11,168	11,538
Net Operating Results (Net Margin)	9,916	8,762	9,804
Net income	6,271	5,426	7,382
closing balances for the year			
Loans	343,573	416,092	515,861
Financial Investments	140,826	93,918	133,345
Productive Assets	484,398	510,010	649,207
Fixed Assets and Investment in Affiliates	7,226	10,077	8,939
Total assets	553,784	642,524	697,996
Checking Accounts	18,803	23,768	22,228
Deposits and Other Term Obligations	278,092	355,193	354,801
Foreign Obligations	43,441	61,724	33,198
Provision for Risk Assets	3,103	3,943	3,832
Capital and Reserves	37,947	38,447	40,139
Equity	44,218	43,873	47,521
financial indicators			
Productive Assets/Total Assets	87.47%	79.38%	93.01%
Net Income/Equity	16.53%	14.11%	18.39%
Net Income/Productive Assets	1.29%	1.06%	1.14%
Administrative Expenses/Productive Assets	1.95%	2.19%	1.78%
Productive Assets/Number of Employees (Millions of pesos as of Dec 97)	2,484	2,429	2,774
Loans/Number of Employees (Millions of pesos as of Dec 97)	1,762	1,981	2,205
Number of Employees	195	210	234





# ECONOMIC COMMENTARY

After the 8.1% average growth between the years 1988 and 1996, the Chilean economy experienced another favorable year in 1997. Gross Domestic Product (GDP) increased by 7.1% in real terms with respect to the prior year, while inflation maintained a declining trend from 6.6% in 1996 to 6.0% in 1997. In addition, employment and related salaries grew by 2.1% and 2.5%, respectively. The increase in the labor force of 1.7% drove the rate of unemployment to fall to 6.1% of the labor force, the lowest rate in over 20 years. Without incurring an excessive level of indebtedness, this excellent performance represents only a continuation of what has been experienced and maintained over many years. The external debt, net of international reserves, finished 1997 with a balance of around US\$9,000 million, representing approximately 12% of GDP for that year and 68% of all exports (FOB). In order to evaluate the financial solvency represented by this external indebtedness, consideration needs to



be given to the smooth performance of the Chilean economy, which has maintained historical debt levels of approximately twice that of exports. An increase in liabilities from abroad has been experienced within the local market of Chile as a consequence of strong inflows of foreign investment. This, however, has generally been seen as a stable source of resources and an important factor in the technological development of the economy.

The notion that Chile has experienced a favorable economic performance and maintains strong expectations for future development is widely shared. Together, the attention of authorities, managers, and analysts centers on certain topics of interest. The first point of interest is the apparent trend towards an increase in the current account deficit relating to the balance of payments. Effectively, over the last ten years, the economy utilized external savings amounting to 2.5% of average annual GDP. The years 1996 and

1997, however, the deficit relating to the current account of the balance of payments reached 5.8% and 5.5%, respectively, while projections anticipate the deficit to be greater than 6.0% of GDP for 1998. Considering this greater use of external resources in recent years and the anticipated projections, there exists an apparent fall in the rate of internal savings as well as an increase in the rate of physical capital invested. Although the increase in the investment rate is a positive aspect, the lower rate of internal savings could hinder a problem of measuring the effects on the economy when considering certain forms of investment and consumption. This topic leads to discussions concerning possible policy measures that may be adopted to maintain a low level of external indebtedness.

The second item of interest focuses on the short term and relates to the deterioration of certain external conditions, partly resulting from the difficulties

## COMMUNICATIONS SECTOR



experienced within the Asian economies. Consideration needs to be given to the fact that these events led to a return to normal exchange terms, similar to average levels over the last fifteen years. In addition, the widespread deflation of international traded goods represents a higher burden of external debt in real terms, but is of little relevance due to the low level of external debt in Chile. Accordingly, the Asian crisis signified a problem of uncertainty in the exchange rate and volatility in local interest rates as the Chilean economy adapts to the demands of an international economy in a process of deflation.

Beyond the mentioned difficulties, the authorities have adopted policies to control existing growth levels of GDP and aggregate demand, which are thought to be excessive. In general, in spite of the disorders in the international economy, the Chilean system managed to maintain strength based on a solid financial system and attractive expectations of improvements in the economic and social

indicators. It is worth emphasizing that through these circumstances, the Central Government continued to maintain its internal savings rate.

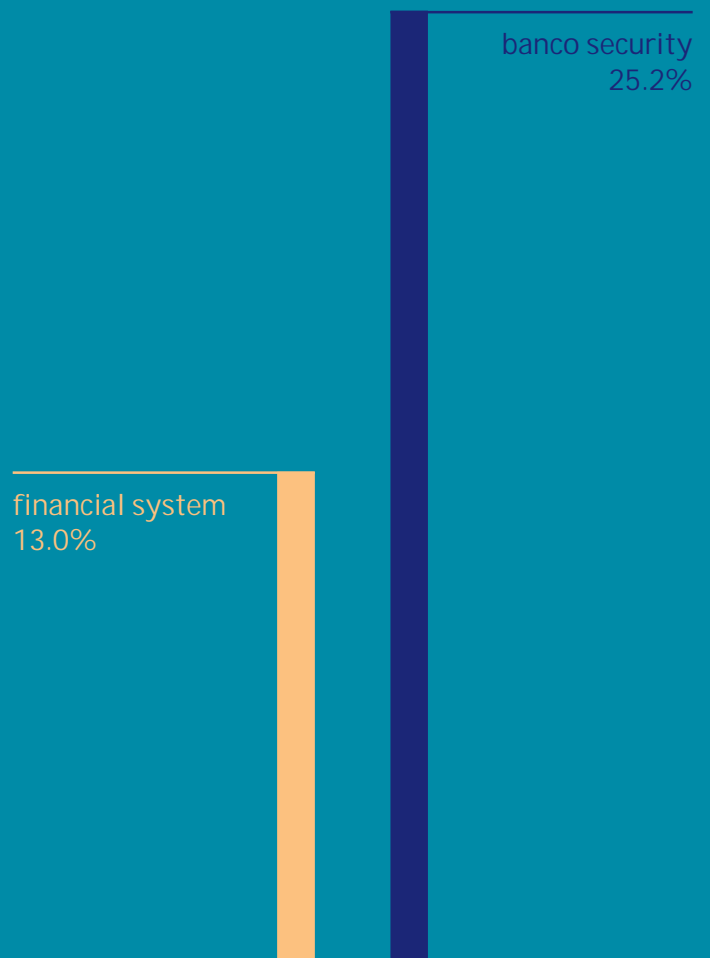
Considering the above developments, the most common expectation is of a transitory moderation in growth levels, while authorities work to ensure favorable growth in the long term. The authorities believe that there might be a dilemma to be faced again in the near future, which will involve either, allowing for excessive growth to run its course, or accepting the excessive accumulation of international reserves by taking certain actions to control the growth of spending and level of activity within the economy. In this optimistic environment, indications exist that the rate of investment should grow at a percentage equal to that of GDP in 1998, which prompted the authorities and analysts to assign priority in attempting to take measures that will ensure national savings with prolonged growth levels.

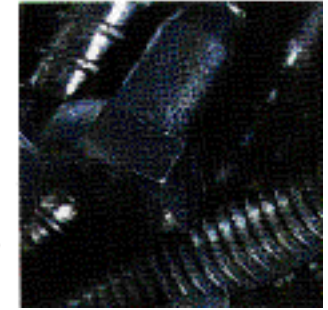
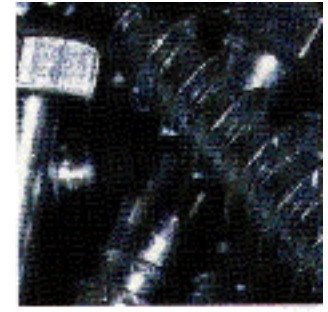
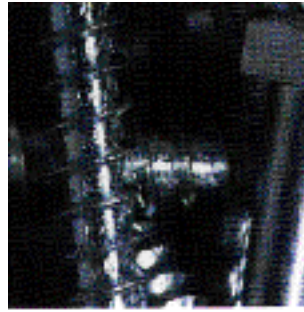
# growth of loans

# 25.2%

Banco Security took advantage of many opportunities in 1997. The Bank demonstrated one of the highest growth rates in loans, in spite of increased competition within the industry and large banking mergers observed during 1997. Total loans of Banco Security increased by

25.2% in real terms, almost doubling the growth of 13.0% experienced within the industry for the same period. In regard to market participation, Banco Security maintained 2.2% of total loans held within the financial system as of December 1997.





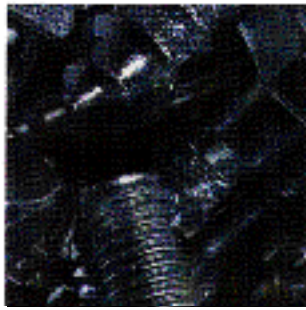
# BANCO SECURITY AND THE CHILEAN BANKING INDUSTRY

Before commenting on the activities and achievements of Banco Security in 1997, a brief description of the events that characterize the evolution of the Chilean Banking Industry follows.

## GLOBAL VISION OF THE BANKING INDUSTRY

A significant level of growth in assets held characterized the financial system during 1997, as evidenced by the 13.0% increase in loans for the period, a figure in line with prior years. This increase in assets was not accompanied by a similar trend in earnings, however, as evidenced by the decline in surplus by 8.9% with respect to 1996.

The lower than anticipated results are mostly attributable to the continued fall in financial margins within the industry, the losses associated with the valuation methods of financial investments that were impacted by higher interest rates, and the increase in provisioning expenses. These effects also negatively influenced the level of



non-operational income, which due to extraordinary revenues was unusually elevated in 1996. The efficiency of the financial system, measured by comparing administrative expenses to total loans or total assets, continued to improve for the third consecutive year and remained stable in terms of expenses over gross operating margin. During the last quarter of 1997, the diverse Asian economies experienced serious problems, which negatively influenced the growth of economic activity in Chile through expense restrictions and an increasing current account deficit. Accordingly, projections for the financial system in 1998 aim to reduce the pace at which the economy expands especially in regard to loan growth and additional declines in results. The lower level of net income anticipated in 1998 is due to additional provisioning requirements in place due to the increased risk in those sectors related to the Asian crisis and the effects of an interest rate increase imposed by the Central Bank in order to slow down spending,

influencing the valuation of financial investments. In December of 1997, the Central Bank published the modifications to the Banking Law, which are anticipated to have diverse effects on the banking industry in both the short and long term. Included in the short term are the capital requirements that exist under the Basle Agreement, as well as new norms that allow banks to operate in the business of insurance brokerage. In the long term, the banks are able to realize a wide range of opportunities, directly or through affiliates that were previously restricted from banking operations. Examples of these previously restricted operations include factoring, trust services, and underwriting. At the same time, but with only a marginal effect, norms have been established that permit banks to conduct lines of business that were previously restricted to affiliates only. These norms also make it feasible for Chilean banks to operate in foreign markets, including the possibility of opening branches abroad. On another note, but also important with regards to the eventual effect in the

## FOREIGN TRADE SECTOR



Chilean financial system, regulations have been put into place to simplify the establishment of new participants.

### LEVELS OF ACTIVITY

Total assets of the industry increased by 11.4% during 1997. The expansion was principally a result of the 13.0% increase in total loans and the 15.8% growth of interbank loans. The increase in the different categories of credit, except those linked to foreign trade that decreased for the second consecutive year, explains the growth of non-interbanking loans. Among the differing types of loans, a connection can be made to the rate of consumer loans, which increased by 17.5% in volume. This increase indicates a significant contraction with respect to growth over recent years.

The expected losses relating to charge-offs within the loan portfolio of the system amounted to slightly above 1.2%, signifying a continued decreasing trend over the last few years. This decline in losses also explains the decrease in portfolio risk by the Banco del Estado.

The increase in assets was financed by deposits, which experienced an increase of close to 10%, while liabilities experienced a similar percentage and capital increased by 11.5%. Subordinated bonds experienced a strong increase within the market of 130%.

Among short term deposits, time deposits, letters of credit, financial instruments through the Central Bank, and interbanking loans, all show similar growth, while liabilities held by the Central bank and loans from abroad continue to diminish in a significant manner. In regards to loans from abroad, the decreasing level reflects the effects of reserve requirements put into place by the Central Bank on these resources, foreign currencies captured in the local market, and the access to direct foreign financing of a growing number of companies in Chile that operate in foreign trade.

### RESULTS

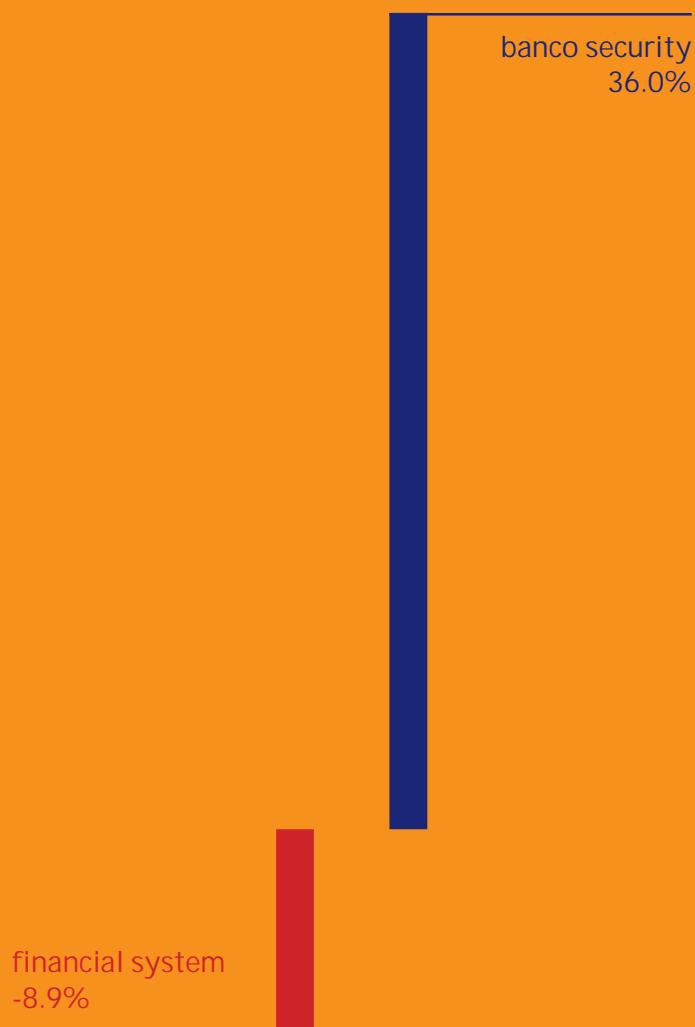
The net income, before payment of subordinated debt, decreased by 8.9% in 1997, compared to the prior year,

# growth of net income

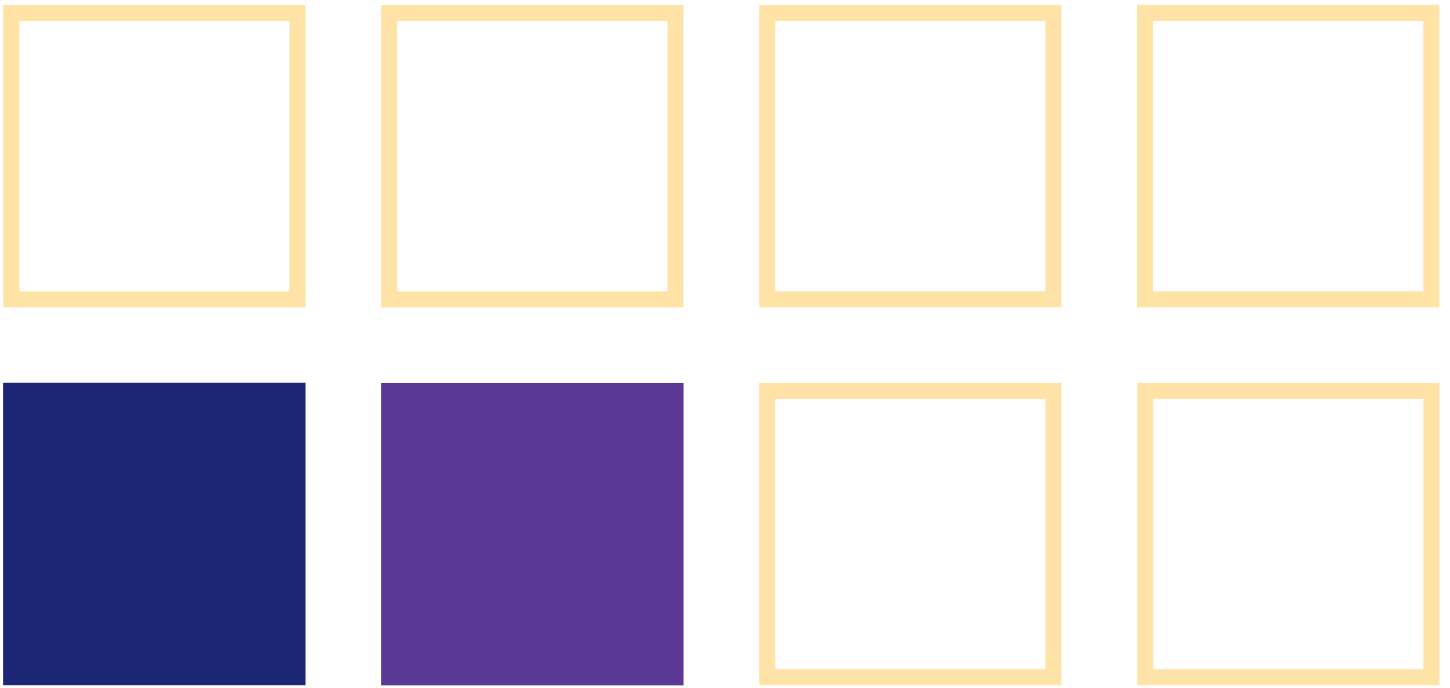
# 36.0%

Banco Security demonstrated excellent results in 1997. Net income of Ch\$7,382 million (US\$16.78 million) represented an increase of 36.0% in real terms, which compares favorably to the

decline of 8.9% experienced by the industry. It is worth noting that this figure represents the highest level of growth among national banks that operate in the market.







which represents the second consecutive year that the economy experienced a decline in the results of the financial system. Even with the above-mentioned trends, return on equity was 13.7%, which represents a more than acceptable level for the industry in the medium term.

The factors that explain the decrease in results are diverse. There are permanent factors, such as the continued fall in margins among financial instruments, in particular, those instruments linked to credit, due to increased competition. In addition, there has been an increase in provisions due to higher credit risks within the consumer portfolio. Other short-term factors include the loss produced by the intermediation of funds, which was negatively impacted by a significantly higher rate of interest, as well as the reduction in other non-operational income. These negative effects are partially offset by an increase in portfolio expenses proportionately inferior to asset growth. Also, other favorable operating results include the income generated

from foreign currency exchange negotiations that took place during the last quarter of 1997 due to high levels of volatility, the increase in loan commissions and other operational income.

Special interest should be placed on the evident decrease in administrative expenses experienced by the industry on a whole from 5.7% in 1994 to 4.9% in 1997, in terms of total assets. In conjunction with this, a change in the composition of expenses began to take place. Before 1997, salaries experienced a similar if not greater expansion to asset volume, while 1997 actually reported marginal growth. This slowed growth is a result of the changes that are taking place in the market place in terms of merging institutions, automation of banking procedures, and the outsourcing of some services.

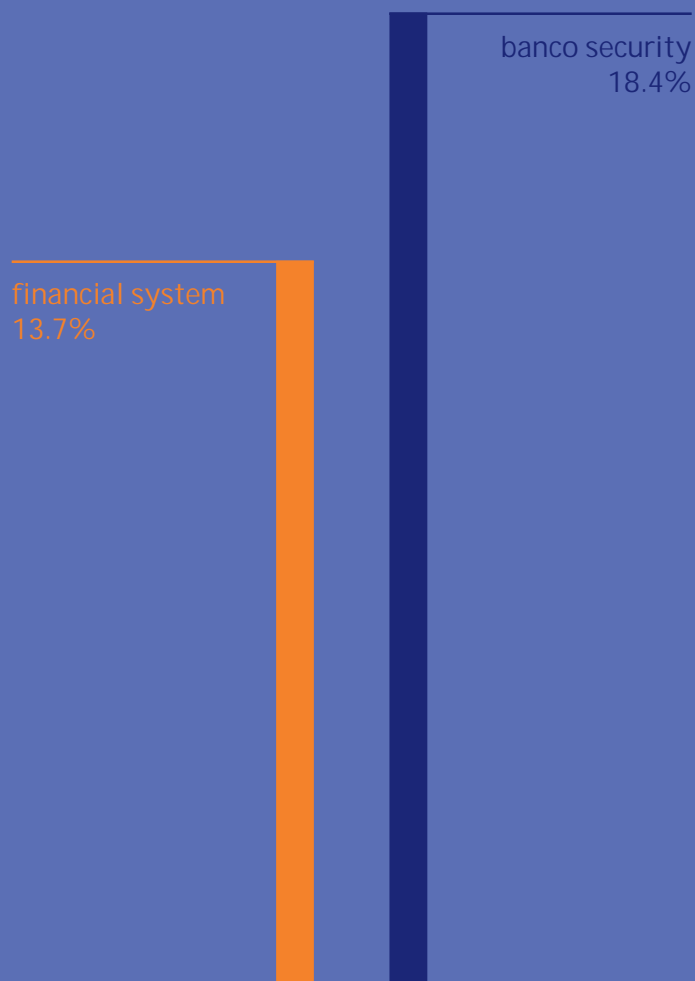
The net expense in provisions and charges increased by more than 33.3% during the year, which almost in its entirety relates to the growth in consumption loans for the same period.

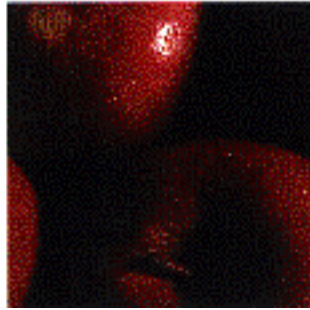
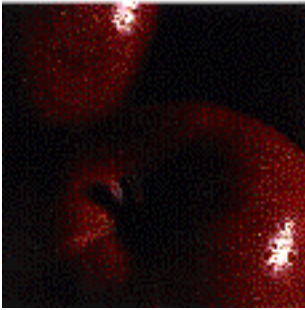
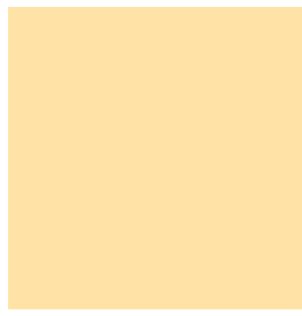
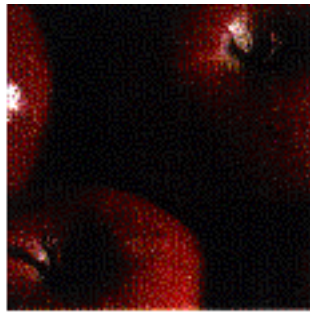
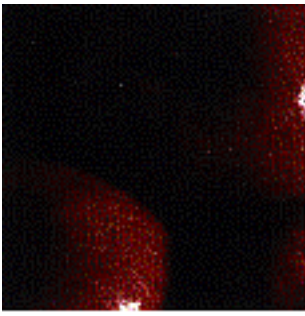
# profitability

# 18.4%

Return on equity for Banco Security was 18.4% in 1997, which represents one of the highest observed in an industry that averaged 13.7% for the same period. This performance is of special significance,

considering that Banco Security is a niche bank oriented towards companies that operate with lower interest margins and maintains a traditionally low level of risk within its portfolio.



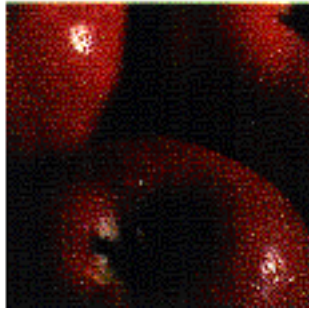
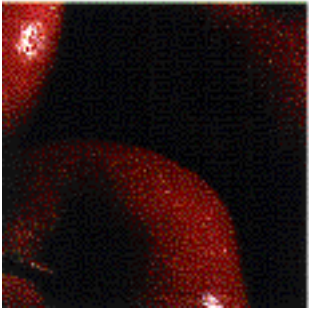
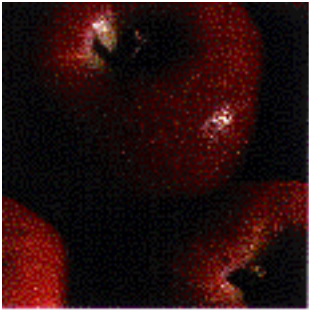


# THE RESULTS AND BUSINESS ACTIVITIES OF BANCO SECURITY

## RESULTS

Banco Security experienced a favorable year in 1997 with some important achievements, including a strong growth in loans which increased by 25.2% and net income after taxes, which increased by 36.0% with respect to 1996.

The expansion of the loan portfolio led to an increase in market participation by Banco Security from 2.0% at the end of 1996 to 2.2% in 1997. This growth represented all lines of business, which are consistent with the Bank's focus, including a significant increase of 65.6% in home mortgage loans. Although market participation reached 1.0% within this specific industry, this growth in mortgage lending represents the Bank's desire to capture more business associated with personal banking services. At the same time, however, the traditional areas of the Bank also experienced significant increases as evidenced by the growth in market participation of Banco Security in foreign trade from 3.2% in 1996 to 3.4% in 1997,



while commercial loans grew from 2.37% in 1996 to 2.64% in 1997.

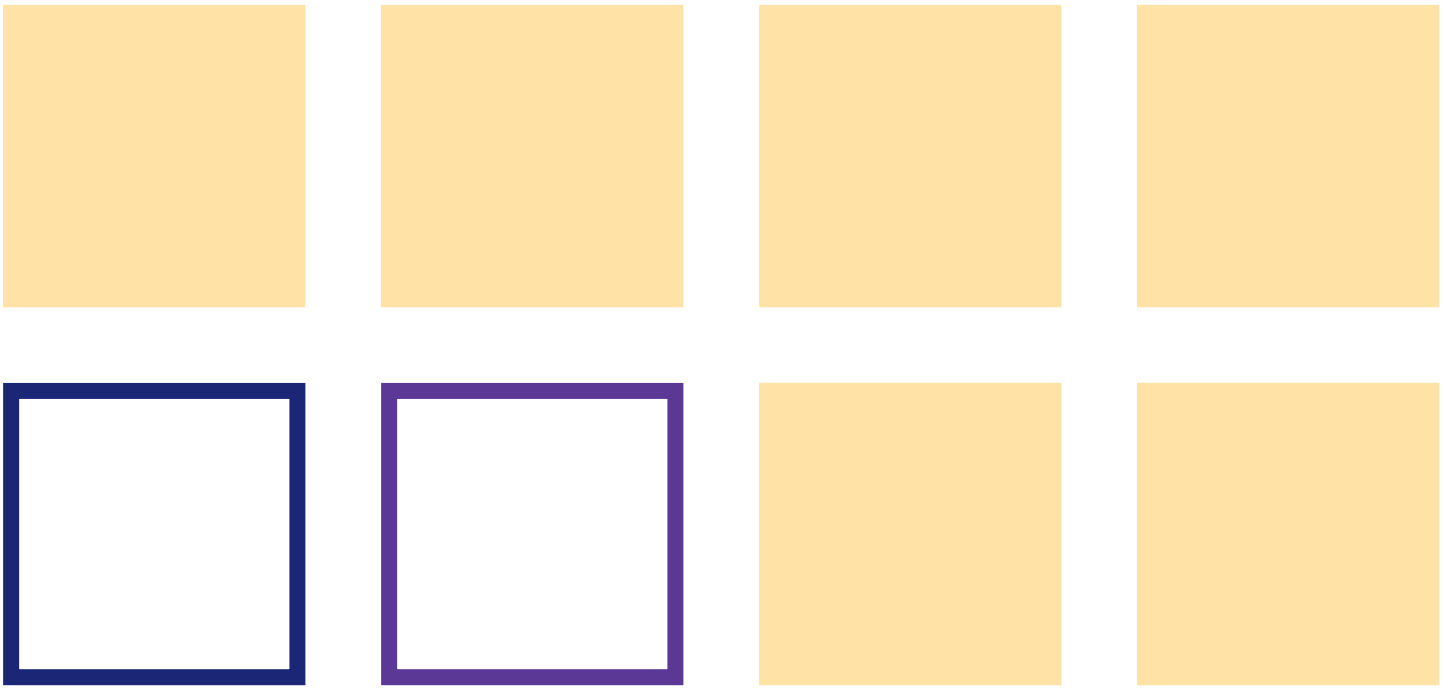
Financial investments also experienced significant developments. The balance reported for financial investments at the end of the year rose by almost 40% over the prior year, which was considered particularly low due to the financial circumstances during that time. The lower cost of capital to be maintained by Basle norms permits an increase in potential opportunities within the area of treasury management.

After high levels of investment efforts in 1996, reflected by a growth in fixed asset levels of more than 50% during that year, consolidation efforts in 1997 caused these fixed asset levels to slightly decrease in comparison.

From the liabilities perspective, specifically with respect to demand deposits, Banco Security made some important achievements. In prior years, the market participation overcame levels of around 1.0%, while

towards the end of 1997, the Bank's market participation in regards to total volume of funds held in demand deposits, net of cash reserve, represented a level of 3.0%. In accordance with the policies established by the Board of Directors to maintain the Basle Index at levels greater than 10%, Banco Security maintained the relationship of effective equity to risk weighted assets above this level. However, the strong level of growth among productive assets experienced in December of 1997 brought the Bank's Basle coefficient to 9.7%. In the month of November of the same year, the Bank placed a new issuance of subordinated bonds in the amount of UF 500,000 in order to strengthen its capital base and sustain future growth.

The strategy of the Bank proved successful in 1997, which placed emphasis on the development of its target market consisting of medium and large size companies, as well as high net worth individuals. The growth within the loan portfolio enabled the Bank to make up for the



lost income from decreasing margins over the last two years without sacrificing risk quality. Operational financial results experienced increases in similar proportions to existing loan and asset levels. This growth combined with improvements in efficiency overshadowed the negative impact that resulted from less income received through the financial intermediation process, which was a result of the aforementioned rise in interest rates and their accompanying impact on financial investment valuations and other non credit revenue sources. In sum, the overall effect was positive, indicating an increase of almost 20% to the net operational results. Regarding the performance of Banco Security, a lower level of expenses associated with provisions and charge-offs in general combined with greater contributions from affiliates helped result in the aforementioned 36% increase in net income. In addition, return on equity of 18.4% for the Bank in 1997 compares favorably to the

industry average of 13.7% for the same period. Of particular relevance is the improvement of the competitive position of the Bank within the industry. In order to absorb the fall in margins that have characterized the industry in recent years, Banco Security managed to improve efficiencies relating to its level of operating expenses, which decreased from 2.5% of average loans in 1996 to 2.1% in 1997, while the industry maintained a level of 4.9%. In addition, another measure of performance considers expenses to gross operating results, in which Banco Security was able to decrease to a level slightly below 60% compared to the 66.4% experienced within the industry. The loan portfolio of the Bank continues to represent one of the lowest risk levels among both domestic banks and the banking industry as a whole. This low level of anticipated losses within the loan portfolio is evident in the Bank's risk coefficient of 0.62%, compared to the industry average of 1.23% and past due loans equivalent

# portfolio risk

# 0.62%

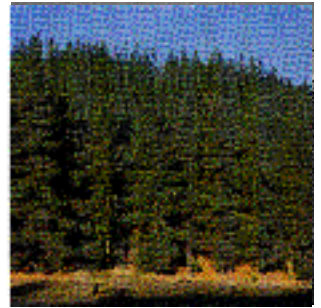
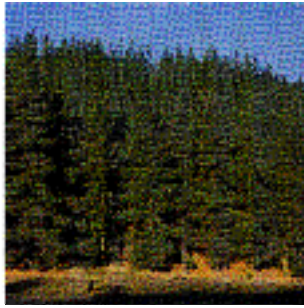
The low level of risk within the portfolio of Banco Security is a result of an efficient credit administration system that has been one of the most notable strengths of Banco Security over the years. In

fact, as of October 1997, Banco Security was noted for having the lowest risk coefficient among national banks or 0.62% of existing loans, compared to the 1.23% industry average for the same period.

financial system  
1.23%

banco security  
0.62%

## FORESTRY SECTOR



of 0.1% of total loans. Also, net expenses relating to provisions and charge-offs rose slightly to 0.2% of average loans, or 0.37%, including the expenses associated with voluntary reserves, compared to the 1.0% industry average.

### BUSINESS ACTIVITIES

In a competitive and demanding industry, Banco Security has faced various new challenges, through which the company's dedication to corporate banking, personal banking to select individuals and international business development is evident. All of this has been made possible through steps taken to utilize the synergies that exist among affiliates to further the Bank's goal of offering agile service, opportune concepts, and integral assistance to its clients.

Each of the business areas made important contributions to the growth and year-end results of Banco Security. Thanks to new products and financing arrangements now

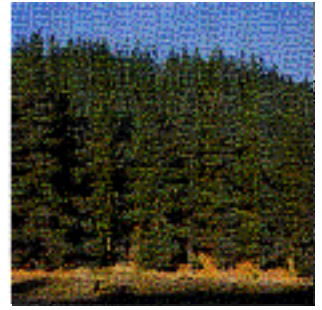
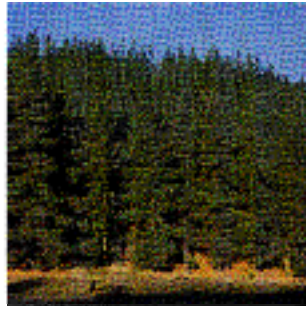
available, the Commercial Area expanded operations through financing arrangements with foreign affiliates of Chilean companies. In addition to the growth in loans and business of the Bank noted above, the Real Estate Area experienced favorable results similar in terms of credit risk and profitability. Also, the Bank began to realize the benefits of combining mortgage products with personal banking services through financing arrangements made with real estate companies and prospective buyers.

### Opening of Additional Branches

During 1997, Banco Security opened two additional branches in Quilicura and Puerto Montt bringing the total number of offices to ten, including the Corporate Headquarters.

### The Money Desk

The money desk administration experienced a successful year in 1997, generating Ch\$680 million (US\$1.55 million)



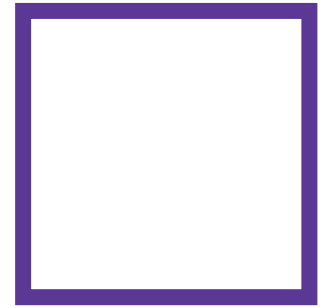
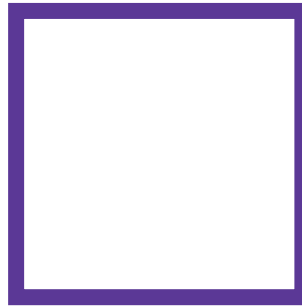
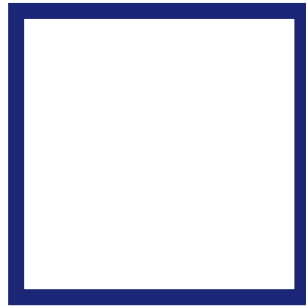
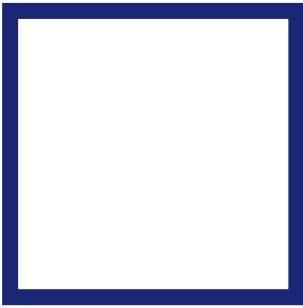
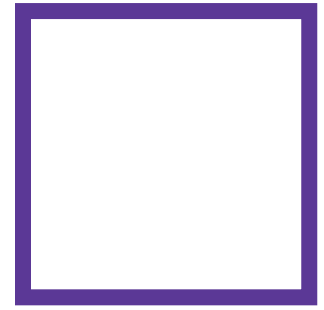
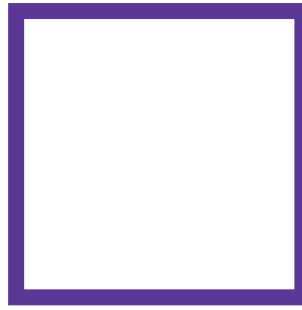
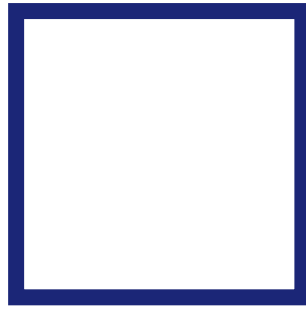
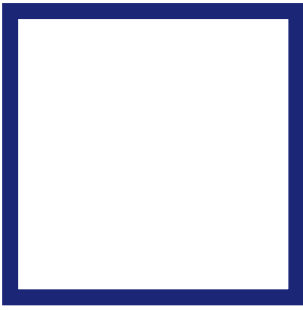
in gross income during a complicated period of handling short term fixed and US dollar positions. Also, in May, the money desk successfully placed 500,000 UF in banking bonds among diverse institutional investors and an additional 500,000 UF in subordinated bonds in November. The money desk managed fixed income positions in the amount of Ch\$15,000 million (US\$34.11 million) resulting in income of approximately Ch\$480 million (US\$1.09 million), while the area of the money desk responsible for handling exchange rate fluctuations, mostly related to U.S. dollars, generated Ch\$200 million (US\$0.45 million) in income.

### The International Area

During 1997, Banco Security continued in its active participation in commercial activity from abroad, increasing the volume of its operations with Latin America and Asia. Also, the administration continued to develop

important relations with other banking institutions in those regions of increased client activity. Also in 1997, the Bank took a special position to help support the export operations of its clients by offering the facilities needed by external buyers. By means of specially structured operations, the Bank has been able to offer adequate financing to its exporting clients, so that they are able to effectively compete in the foreign market. In terms of external financing for international business activity, Banco Security did not need short term financing arrangements from corresponding banks in the second half of 1997 due to the attractive alternatives from within a well performing local market. However, in the case of medium term financing, Banco Security has placed the needed resources in dollars in order to satisfy the term requirements of funds held for more than one year. It is important to note that, in May of 1997, Banco Security committed to a syndicated credit facility that allows for financing arrangements to be made by the





Bank to clients who operate in the external market. The arrangement provided by Bank of America amounts to US\$50 million with a five-year term and a balloon payment due at maturity.

**Personnel Area**

The well being of the employees and their families has always been of the utmost importance to Banco Security. Relevant activities relating to the personnel of Banco Security during 1997 include:

- **Life Insurance Benefits**

A new life insurance in the amount of 24 monthly gross salaries, additional to the Cigna insurance of 700 U.F. was arranged in 1997. This new life insurance product is now available through the Compañía de Seguros Previsión Vida with the monthly premium shared 50/50 by the employee and the Bank. Also, Bank benefits have been extended to the personnel of the affiliates companies.

- **Training**

In July of 1997, the Bank implemented an informative workshop in the Casapiedra Convention Center in Santiago, Chile to further the professional development of all executives under Grupo Security.

In addition, the Bank continued to develop its personnel through training sessions in computer programs, foreign languages, as well as classes in finance and accounting to ensure a level of proficiency needed in the business environment. In fact, Banco Security assisted a group of business professionals in completing their graduate degrees on a part time basis through a tuition reimbursement plan that exists for all full time employees.

In 1997, a group of supervisors and agents of the Bank and its affiliates attended a seminar by the name of «Integration and Continual Improvement» in which 3 days of instruction was provided in Punta Verde in Rapel. During this time, executives and qualified

# productivity and efficiency

# 4.5 times

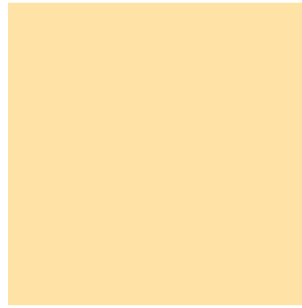
The productivity of Banco Security, measured by loans per employees, is 4.5 times higher than that of the financial system and almost double that of the closest bank. This high level of productivity is also a reflection of the efficiency that characterizes the quality of service to clients

of the Bank. In fact, the efficiency of Banco Security, measured in terms of operating expenses over gross margin, is one of the highest within the financial system, particularly in regard to the national banks that operate in the market.

financial system  
1 time

banco security  
4.5 times

## REAL ESTATE SECTOR



personnel gathered to consider a change in Grupo Security's image and develop the process needed to ensure a successful implementation of ideas within the organization.

- **Evaluations**

As in prior years, evaluations of personnel continue to take place on a semi-annual basis.

- **Recreational Activities**

A summer event called «Securitylandia» allows the children of the Bank's employees to enjoy a day of recreational activities, which include classes in tennis, swimming, and other extracurriculars.

During the winter season, the Bank organized a walk at the Stadium of Universidad Católica, in which the children competed with the athletes and players of the University teams.

During the year, the Bank also participated in the

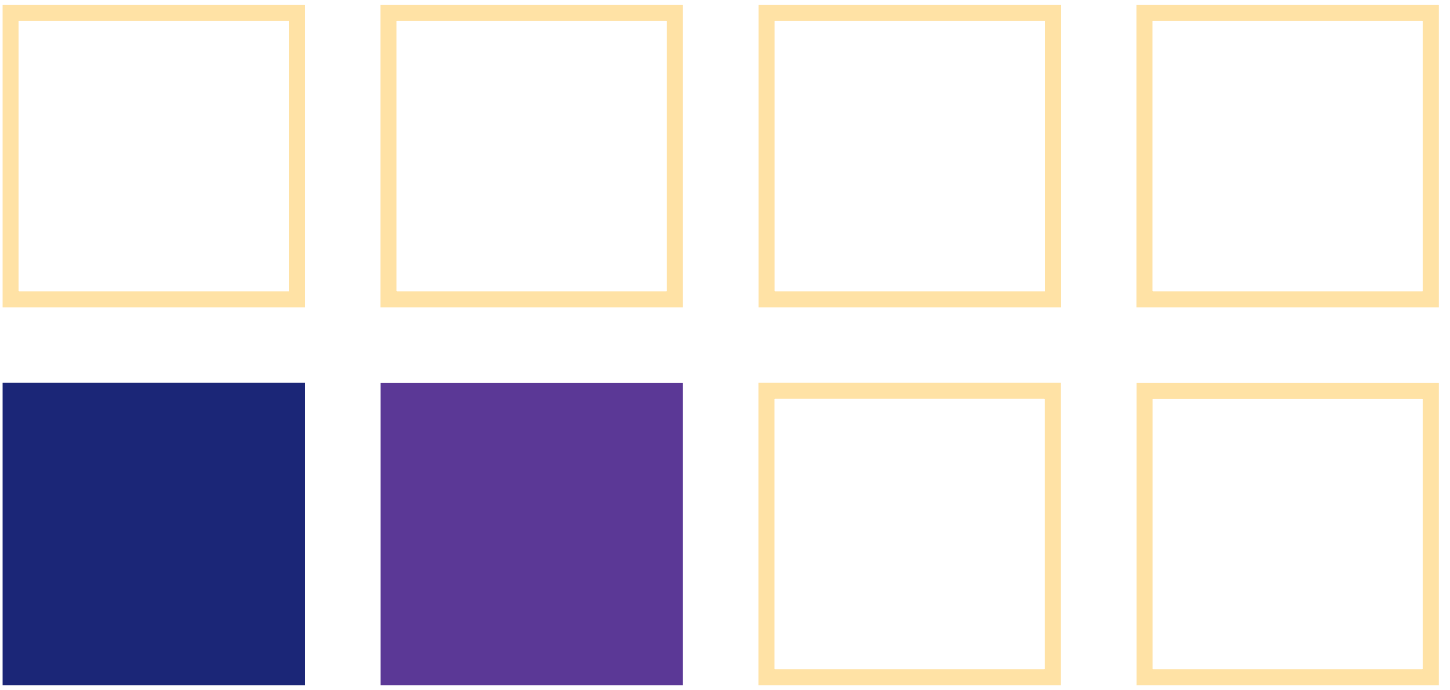
Championship of the Banking Sport Association through two soccer teams and carried out championships in baby soccer and tennis.

- **Career Fair with Universidad Católica**

For the third year, the Bank participated in the Expoempresa, which is a career fair organized by the School of Economic Science and Administration from Universidad Católica of Chile. This event allows contact to be made with students in their last years of study who are required to obtain practical business experience as part of their formal education.

- **New Corporate Image for Security**

In the month of October, a new corporate image was launched by Grupo Security. All executives from the Security companies participated in this event, while another ceremony was held later for the personnel of the Organization.



# THE AFFILIATES OF BANCO SECURITY

- BOARD OF DIRECTORS AND ADMINISTRATION OF THE AFFILIATES UNDER BANCO SECURITY
- ACTIVITIES AND RESULTS OF THE AFFILIATES

## LEASING SECURITY S.A.



### Board of Directors:

---

President	Renato Peñafiel M.
Directors	Claudio Berndt C. Ramón Eluchans O. Naoshi Matsumoto T. Luis Montalva R. Horacio Pavez G. Gonzalo Ruiz U.

### Administration:

---

General Manager	Guillermo Correa S.
Commercial Manager	Alan Lolic Z.
Finance Manager	Thomas de la Mare P.
Assistant Commercial Manager	Patricio Sepúlveda

This affiliate of Banco Security provides leasing services related to machinery and equipment, commercial vehicles, lease-back arrangements of new and used goods, as well as real estate leasing of offices and industrial properties. The company's marketing objective focuses on medium and large corporations, emphasizing the specific needs of the client through utilization of available synergies within the Bank and the other affiliates.

Leasing Security S.A. finished 1997 with net income after taxes of Ch\$1,091 (US\$2.48 million) resulting in a return on equity of 18.9%. This figure represents an increase of 21.9% in real terms over the prior year and can be attributed to a 13.1% increase in total operating income. Within the same period, contracts held and assets leased increased to Ch\$39,475 million (US\$89.75 million) from Ch\$35,014 million (US\$79.61 million) the year before, accounting for 749 contracts in December 1997 and 596 in December 1996.

In order to strengthen the capital base and sustain

increased levels of activity, Banco Security made a capital contribution to Leasing Security S.A. in the amount of Ch\$1,608.7 million (US\$3.66 million) in January of 1997. At the end of the year, the company's leverage position was 5.1x measured by Debt to Worth.

Moreover, Leasing Security maintains a strong equity position accompanied by low risk levels in its credit operations. These low risk levels help ensure the receipt of timely payments from clients involved in a variety of economic activities, which contribute to a diversified portfolio of goods and contracts. This source of financing, along with a conservative policy regarding provisions, allows for a favorable level of growth by the company in the future.

As of December 1997, a total of 16 leasing companies operate within the Chilean market, consisting of approximately US\$2,770 million in assets and US\$2,590 million in contracts. These figures give Leasing Security a market share of 3.5% in terms of lease contracts held and a ranking of 9th in the industry.

## ADMINISTRADORA DE FONDOS MUTUOS SECURITY S.A.



### Board of Directors:

---

President	Rodrigo Muñoz V.
Directors	Miguel Angel Soto N. Francisco Juanicotena S Gonzalo Ruiz U. Adolfo Tocornal R-T.

---

### Administration:

General Manager	Alfredo Reyes V.
Assistant Commercial Manager	Juan Pablo Lira T.

Banco Security created this affiliate in May 1992 to provide mutual fund administration. As of December 1997, Administradora de Fondos Mutuos Security S.A. maintained a total of five mutual funds: «Security Check», a short term fixed income fund aimed at the corporate market; «Security First», a medium to long term fixed income fund aimed at individuals and small businesses; «Security Premium», a short term fixed income fund aimed at individuals and small businesses; «Security Acciones», a variable income fund and «Fondo Mutuo Security Global Investment», an equity fund able to fully invest in international securities.

The company maintains an internal sales force consisting of 30 highly qualified agents with at least one assigned to each operating branch of Banco Security. The branches of Banco Security were responsible for 25% of total revenues in 1997. It is important to emphasize the high level of stability that characterizes the labor force, which has

allowed the company to retain agents with sales expertise and a working knowledge of the clients' investment needs. Operations during 1997 resulted in net income after taxes of Ch\$423 million (US\$0.96 million), slightly less in real terms from the prior year with a return on equity of 39.7%. This represents an important achievement when compared to the industry results, which reported an average return on equity of 25%. As of December 1997, Administradora de Fondos Mutuos Security ranked 6th in terms of reported net income out of a total of 14 companies that compete within the industry. Total equity managed through the five mutual funds increased in December of 1997 to Ch\$57,583 million (US\$130.93 million) representing a market participation of 2.9%. During 1997, the number of participants increased to 4,940 from 3,664 in the prior year, representing a 34.8% growth and a market participation of 2.4%.



## Board of Directors:

---

President	Ramón Eluchans O.
Directors	Claudio Berndt C. Guillermo Correa S. Javier Gómez C. Luis Montalva R. Juan Oehninger M. Mario Weiffenbach O.

## Administration:

---

General Manager	Nicolás Ugarte B.
Commercial Manager	José Miguel Rodríguez C.
Operations Manager	Juan Adell S.

During 1997, Valores Security S.A. Corredores de Bolsa reported favorable results within a period of decreased trading activity in the market. The amount of trades that took place within the year fell by 18.6% in real terms over the prior year.

Net income for the company reached Ch\$371.2 million (US\$0.84 million), a 37.9% increase from 1996. This gave Valores Security S.A. a ranking of 9th in terms of net income for the year among a total of 54 other companies that offer securities brokerage services in the country.

Return on Equity was 18.7% for 1997.

The diversified areas of business offered by the company reflected the following performance:

- The area of business related to non-fixed income (shares) generated gross income of approximately Ch\$600 million (US\$1.36 million), representing a 55% increase with respect to 1996. The market participation

increased from 2.1% in 1996 to 5.7% in 1997, improving the company's relative position from 15th place to 6th in a twelve-month period. During 1997, Valores Security processed transactions in the amount of Ch\$495,500 million (US\$1,127 million).

- The money desk generated gross income of Ch\$680 million (US\$1.55 million) during 1997, which is an important achievement in a complex period for fixed incomes and exchange rate positions. In May and November of 1997, the money desk placed UF 500,000 in banking bonds and UF 500,000 in subordinated banking bonds up to 20 years in maturity, all distributed among different institutional investors.
- The total held in Consumer Deposits for the clients of Valores de Security reached US\$172 million, which reflects consumer confidence in the company's administration.



### Board of Directors:

---

President	Ramón Eluchans O.
Directors	Bonifacio Bilbao H. Cristián Valdés B. Adolfo Tocornal R-T.
Executive Director	José Gabriel Palma A.

### Administration:

---

General Manager	Claudio Izzo B.
-----------------	-----------------

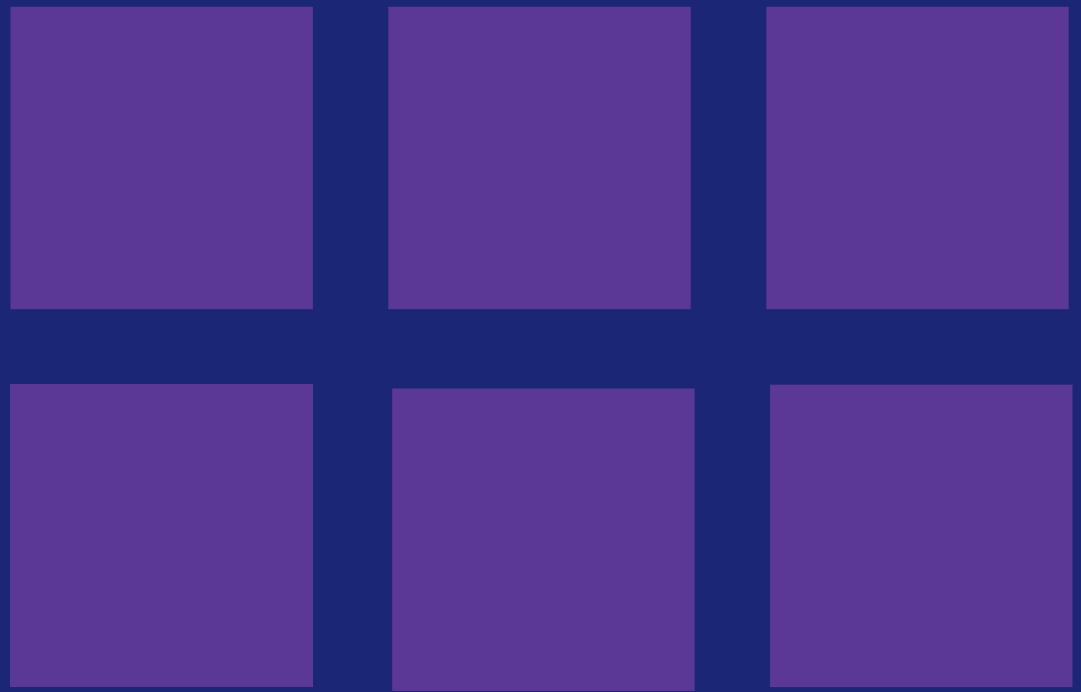
This affiliate of Banco Security provides financial consulting services in the area of international asset administration and risk management. For these services, the company maintains associations with the recently merged Morgan Stanley Dean Witter Discover & Co., allowing Asesorías Security to operate as the representation agent in Chile for one of the largest companies in the industry.

The company experienced a favorable year during 1997, reporting net income in the amount of Ch\$156.1 million (US\$0.35 million), which was in line with the prior year. In the area of risk management, the most significant event during the past year was the incorporation of the Derivatives Department of Morgan Stanley, a result of the

merger with Dean Witter. This enabled the company to add a new range of products in regards to interest rates and long term financing arrangements and signified the first time that Asesorías Security was able to participate in money swaps. As in prior years, the main products offered by the company continue to revolve around foreign currency operations.

The company continues to advise the pension fund and mutual fund administrators, as well as insurance companies in the area of international asset management. Although the flow of assets for investment abroad has been slow from the company's perspective, Asesorías Security maintains confidence that the situation will improve in the future.





FINANCIAL  
STATEMENTS  
1997



# INDIVIDUAL FINANCIAL STATEMENTS

December 31, 1997 and 1996  
With Independent Auditors' Report Therein

## Table of Contents

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

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

# INDEPENDENT AUDITORS' REPORT



The Stockholders and Directors  
Banco Security:

We have audited the accompanying balance sheets of Banco Security as of December 31, 1997 and 1996, and the related statements of income for the years then ended. These financial statements are the responsibility of the management of the Bank. Our responsibility is to express an opinion on these financial statements based on our audits.

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

The accompanying financial statements have been prepared to reflect the parent company only financial position of Banco Security, based on the criteria described in note 1 a), before the line by line consolidation of the subsidiaries, detailed in note 3. As a result, for an adequate understanding, these parent company only financial statements should be read and analyzed in conjunction with the consolidated financial statements of Banco Security and its subsidiaries, which are required by generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco Security at December 31, 1997 and 1996, and the results of its operations for the years then ended, in conformity with generally accepted accounting principles and specific instructions issued by the Chilean Superintendency of Banks and Financial Institutions.

A handwritten signature in blue ink, appearing to read 'Michael Leighton I.', written over a horizontal line.

Michael Leighton I.

A handwritten signature in blue ink that reads 'KPMG Peat Marwick'.

January 9, 1998

## BALANCE SHEETS

December 31, 1997 and 1996

(Expressed in millions of Ch\$ - MMCh\$)

Assets	1997 MMCh\$	1996 MMCh\$
Cash and bank	41,632.8	124,068.3
Loans:		
Commercial	288,302.5	226,913.3
Foreign trade	63,846.7	64,339.2
Consumer	1,196.0	624.4
Letters of credit	-	-
Contingent	71,857.0	52,843.6
Other	50,794.6	34,682.7
Past-due	374.2	966.7
Total loans	476,371.0	380,369.9
Less:		
Allowance for loan losses	(3,601.4)	(2,871.8)
Net loans	472,769.6	377,498.1
Other credit operations:		
Loans to financial institutions	3,601.5	2,529.6
Brokerage	-	11,525.6
Total other credit operations	3,601.5	14,055.2
Investments:		
Banco Central de Chile and Tesorería General de la República instruments	15,882.5	5,915.6
Other financial investments	32,417.3	40,200.5
Brokerage	59,809.6	24,399.7
Deposits in Banco Central de Chile	7,385.1	2,267.7
Properties received in payment or foreclosed	98.1	-
Other non-financial investments	-	-
Total investments	115,592.6	72,783.5
Other assets	603.8	386.0
Fixed assets:		
Premises and equipment	7,725.3	8,824.3
Investments in affiliated companies	10,931.2	9,384.3
Total fixed assets	18,656.5	18,208.6
Total assets	652,856.8	606,999.7

See accompanying notes to financial statements,

Liabilities and Equity	1997 MMCh\$	1996 MMCh\$
<b>Liabilities:</b>		
<b>Deposits and other obligations:</b>		
Checking accounts	22,228.3	23,768.0
Deposits-savings and time	324,917.2	242,893.8
Other on demand or term obligations	19,771.4	110,017.1
Obligations for brokerage	59,950.8	24,402.1
Letters of credit obligations	-	-
Contingent obligations	71,636.0	52,703.2
<b>Total deposits and other obligations</b>	<b>498,503.7</b>	<b>453,784.2</b>
<b>Bonds:</b>		
Debenture bonds	6,504.0	-
Subordinated bonds	20,632.7	13,924.6
<b>Total bonds</b>	<b>27,136.7</b>	<b>13,924.6</b>
<b>Loans from financial institutions and</b>		
<b>Banco Central de Chile:</b>		
Banco Central de Chile - rescheduling lines of credit	-	2.3
Other obligations - Banco Central de Chile	1,154.3	11,776.8
Loans from local financial institutions	20,055.7	12,240.2
Foreign obligations	33,197.9	61,724.3
Other obligations	15,039.7	6,752.0
<b>Total loans from financial institutions</b>	<b>69,447.6</b>	<b>92,495.6</b>
<b>Other liabilities</b>	<b>10,017.4</b>	<b>1,851.7</b>
<b>Total liabilities</b>	<b>605,105.4</b>	<b>562,056.1</b>
<b>Voluntary provisions</b>	<b>230.7</b>	<b>1,070.8</b>
<b>Equity:</b>		
Capital and reserves	40,139.2	38,447.2
Net income for the year	7,381.5	5,425.6
<b>Total equity</b>	<b>47,520.7</b>	<b>43,872.8</b>
<b>Total liabilities and equity</b>	<b>652,856.8</b>	<b>606,999.7</b>

# STATEMENTS OF INCOME

Years ended December 31, 1997 and 1996  
(Expressed in millions of Ch\$ - MMCh\$)

	1997 MMCh\$	1996 MMCh\$
<b>Operating results:</b>		
Income from interest and inflation adjustment	62,346.5	51,299.5
Gain from brokerage	1,098.7	1,115.0
Commissions income	1,060.3	1,258.9
Foreign exchange income, net	1,308.7	1,490.3
Other operating income	10.0	97.2
<b>Total operating revenue</b>	<b>65,824.2</b>	<b>55,260.9</b>
<b>Less:</b>		
Interest and inflation adjustment expense	48,478.1	39,511.8
Loss from brokerage	1,007.8	743.8
Commissions expenses	60.8	1.1
Other operating expenses	48.6	146.8
<b>Gross margin</b>	<b>16,228.9</b>	<b>14,857.4</b>
Salary and employee benefits	4,877.9	4,698.7
Administration and other expense	3,368.9	2,966.5
Depreciation and amortization	615.9	607.9
<b>Net operating margin</b>	<b>7,366.2</b>	<b>6,584.3</b>
Provisions and write-offs of doubtful assets	(895.2)	(1,089.0)
Loan loss recoveries	6.2	2.1
<b>Operating results</b>	<b>6,477.2</b>	<b>5,497.4</b>
<b>Non-operating income (expense):</b>		
Non-operating income	909.8	323.5
Non-operating expense	(0.1)	-
Equity in income of subsidiaries	2,030.3	1,781.9
Price-level adjustment	(1,392.8)	(1,582.7)
Voluntary provisions	-	-
<b>Income before income taxes</b>	<b>8,024.4</b>	<b>6,020.1</b>
Income taxes	(642.9)	(594.5)
<b>Net income</b>	<b>7,381.5</b>	<b>5,425.6</b>

See accompanying notes to financial statements,

# NOTES TO FINANCIAL STATEMENTS

December 31, 1997 and 1996

## (1) Summary of Significant Accounting Policies

### (a) General

The financial statements have been prepared in accordance with the accounting standards issued by the Superintendency of Banks and Financial Institutions (SBIF), and which concur with generally accepted accounting principles, except for investments in affiliates, which are recorded on a single line on the balance sheet at their equity value, and which therefore have not been consolidated on a line by line basis. This treatment does not alter the net earnings for the period or the equity. Another exception is the accounting treatment accorded to the agreement reached in the Special Shareholder's Meeting on December 30, 1996, which is explained in note 5.

These financial statements have been issued solely for the purpose of making a non-consolidated analysis of the Bank, and therefore should be read in conjunction with the consolidated financial statements which are required by generally accepted accounting principles.

The figures for 1996 are shown as restated, off-the-books, for the effect of the variation in the Consumer Price Index (CPI), used for calculating the price-level adjustment (6.3%).

### (b) Interest and Inflation Adjustments

Loans, investments and liabilities are presented with interest and inflation adjustments earned and accrued through the balance sheet date.

However, in the case of the past-due loans and those which are current but with a high risk of becoming irrecoverable, the Bank has followed the conservative policy of suspending the recognition of interest and adjustments.

### (c) Price-level Adjustment

The Bank's equity, property and equipment and other non-monetary assets and liabilities have been restated for the change in the Consumer Price Index (CPI). This restatement represented a net charge to results of MMCh\$1,392.8 (MMCh\$1,582.7 in 1996).

The statements of income accounts are not price-level adjusted.

### (d) Foreign Currency

Assets and liabilities in foreign currencies are shown at their Chilean peso equivalent, converted at the exchange rate of Ch\$439.81=US\$1, (Ch\$424.97=US\$1 in 1996).

The balance of MMCh\$1,308.7 (MMCh\$1,490.3 in 1996), corresponding to the net income on foreign exchange, includes both transaction gains and losses, as well as recognition of the effects of exchange rate fluctuations on net assets and liabilities in foreign currencies.

### (e) Financial Investments

The investments in long-term financial instruments with a secondary market and maturities at more than one year are presented at their market value, in accordance with specific instructions issued by the SBIF. Such adjustment represented a charge to the provision set up in prior years amounting to MMCh\$16.3 (MMCh\$290.1 in 1996).

Other investments represented by financial instruments are presented at purchase cost, plus their respective price-level adjustment and accrued interest.

### (f) Fixed Assets - Premises and Equipment

Premises and equipment are valued at cost, plus price-level adjustments, and are presented net of depreciation calculated on the straight-line basis, over the estimated useful lives of the corresponding assets.

### (g) Investments in Affiliates

The shares or rights in affiliated companies which represent more than 10% of the invested capital, are valued using the Chilean equity method of accounting.

(h) Provisions on Risk Assets

The Bank has established all provisions required to cover loss risks in assets, in accordance with the rules established by the Superintendency of Banks and Financial Institutions. In the balance sheet, the corresponding assets are presented net of these provisions.

Starting in 1997, provisions set up to cover consumer credits are based on debtor performance. Until 1996, these provisions were based on individual delinquencies.

Amounts provided by the Bank in excess of the minimum required by the Superintendency are shown as a liability in the caption "Voluntary provisions", and the effect on period results is reported in the income statement.

(i) Deferred Taxes

In accordance with instructions issued by the SBIF, deferred income taxes are not recognized on timing differences.

(j) Vacations

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

## (2) Transactions with Related Parties

In conformity with the General Banking Law and the instructions issued by the Superintendency of Banks and Financial Institutions, related parties are considered to be those persons or entities which are related to the ownership or management of the institution, directly or through third parties.

(a) Loans to Related Parties

At December 31, 1997 and 1996, the loans granted to related parties are analyzed as follows, (amounts in millions of pesos):

	Current portfolio		Past-due portfolio		Total		Guarantees *	
	1997	1996	1997	1996	1997	1996	1997	1996
Productive companies	4,370.5	2,877.5	-	-	4,370.5	2,877.5	1,918.9	1,471.7
Investment companies	1,475.7	2,570.2	-	-	1,475.7	2,570.2	63.5	66.2
<b>Total</b>	<b>5,846.2</b>	<b>5,447.7</b>	<b>-</b>	<b>-</b>	<b>5,846.2</b>	<b>5,447.7</b>	<b>1,982.4</b>	<b>1,537.9</b>

\* Includes only those guarantees recognized for the purposes of individual credit limits in Article 84 of the General Banking Law, and valued in accordance with instructions issued by the Superintendency of Banks and Financial Institutions.



(b) Other Operations with Related Parties

During each year, the Bank has carried out the following operations with related parties for amounts that exceeded U.F.1,000:

Name of the Company	Description	Credit to results	
		1997 MMCh\$	1996 MMCh\$
Valores Security S.A.			
Corredores de Bolsa	Office rental and consulting	14.8	46.7
Administradora de Fondos			
Mutuos Security S.A.	Office rental	3.9	28.7
Grupo Security S.A.	Effect on fixed assets of sale of a property	-	1,033.7
Inmobiliaria Security S.A.	Sale of fixed assets	474.0	-

These transactions were carried out at the market prices prevailing at the date of the operation.

(3) Investments in Affiliates Companies

(a) Participation in the Companies

Under the heading of fixed assets, there are investments in affiliates amounting to MMCh\$10,931.2 (MMCh\$9,384.3 in 1996), the detail of which is as follows (in millions of Chilean pesos):

Companies	% Ownership		Equity		Value of investment		Investment Results	
	1997 %	1996 %	1997 MMCh\$	1996 MMCh\$	1997 MMCh\$	1996 MMCh\$	1997 MMCh\$	1996 MMCh\$
Valores Security S.A.								
Corredores de Bolsa	99.900	99.900	2,354.9	2,590.9	2,352.5	2,588.3	370.8	269.0
Leasing Security S.A.	99.999	99.999	6,851.4	4,934.3	6,851.3	4,934.2	1,090.9	895.2
Administradora de Fondos								
Mutuos Security S.A.	99.990	99.990	1,487.5	1,514.7	1,487.3	1,514.5	422.9	459.2
Asesorías Security S.A.	95.000	95.000	171.0	284.0	162.4	269.9	145.7	158.5
Subtotal					10,853.5	9,306.9	2,030.3	1,781.9
Shares and rights in other companies					77.7	77.4	-	-
Total					10,931.2	9,384.3	2,030.3	1,781.9

(b) Information about Affiliated Companies

Companies	Assets				Liabilities			
	Totals		% with the bank		Totals		% with the bank	
	1997	1996	1997	1996	1997	1996	1997	1996
	MMCh\$	MMCh\$			MMCh\$	MMCh\$		
Valores Security S.A.								
Corredores de Bolsa	41,734.4	19,218.6	-	-	39,379.5	16,627.9	-	-
Leasing Security S.A.	42,115.4	37,192.2	-	1.1	35,264.1	32,257.9	-	-
Administradora de Fondos								
Mutuos Security S.A.	1,588.5	1,596.2	-	-	100.9	81.5	-	-
Asesorías Security S.A.	181.7	308.7	-	-	10.7	24.6	-	-

(4) Reserves

(a) Reserves to Cover Risk Assets

At December 31, 1997, the Bank maintains a reserve for potential losses for MMCh\$3,601.4 (MMCh\$2,871.8 in 1996) representing the minimum provision required by the Superintendency of Banks and Financial Institutions.

The movement in the provision accounts during the years was as follows:

	Loans MMCh\$
Balances as of December 31, 1995	2,217.5
Provisions used	(540.4)
Provisions set up	1,024.5
Balances as of December 31, 1996	2,701.6
Restated balances for comparative purposes	2,871.8
Historical balances as of December 31, 1996	2,701.6
Provisions used	(722.7)
Provisions set up	895.2
Transfer from voluntary provisions	727.5
Balances as of December 31, 1997	3,601.6

In management's judgement, the provisions established are sufficient to cover any eventual losses for the non-recovery of the assets, based on information examined by the Bank.

(b) Voluntary Reserves

In addition to the provisions to cover risk assets indicated in a) above, the bank maintains voluntary provisions for a total of MM\$230.7 (MM\$1,070.8 in 1996) of which MM\$27.5 (MM\$46.5 en 1996) correspond to the difference in market value of long term financial instruments traded in the secondary market.

In the Special Shareholders' Meeting on December 30, 1996, it was agreed to set up MM\$800 in voluntary reserves, from reserves for dividend payments.

Movement registered in the voluntary provision accounts during the periods is as follows:

	Loans MMCh\$	Financial investments MMCh\$	Total MMCh\$
Balances as of December 31, 1995	206.8	316.7	523.5
Provisions used	(43.3)	(272.9)	(316.2)
Provisions set up	-	-	-
Transfer from other reserves	800.0	-	800.0
Balances as of December 31, 1996	963.5	43.8	1,007.3
Restated balances for comparative purposes	1,024.3	46.5	1,070.8
Historical balances as of December 31, 1996	963.5	43.8	1,007.3
Provisions used	(32.8)	(16.3)	(49.1)
Transfer to minimum provisions	(727.5)	-	(727.5)
Balances as of December 31, 1997	203.2	27.5	230.7

## (5) Capital, Reserves and Net Income for Year

The Bank's paid-in capital and reserves amounted to MMCh\$40,139.2 at December 31, 1997, and include the price-level adjustment, in accordance with Article 10 of Law 18,046. At the preceding year-end, paid-in capital and reserves, including the corresponding price-level adjustment, amounted to MMCh\$38,447.2.

The changes in the capital and reserve accounts during each year, were as follows:

	Paid in Capital MMCh\$	Legal Reserve MMCh\$	Other Reserves MMCh\$	Total MMCh\$
Balances at December 31, 1995	30,178.9	3,031.0	312.0	33,521.9
Net income 1995	-	553.9	4,985.6	5,539.5
Dividends paid	-	-	(4,431.7)	(4,431.7)
Transfer to provisions	-	-	(800.0)	(800.0)
Restatement of equity	1,991.8	236.7	110.4	2,338.9
Balances at December 31, 1996	32,170.7	3,821.6	176.3	36,168.6
Restated balances as of December 31, 1996	34,197.4	4,062.4	187.4	38,447.2
Balances at December 31, 1996	32,170.7	3,821.6	176.3	36,168.6
Net income 1996	-	510.4	4,593.6	5,104.0
Dividends paid	-	-	(3,572.8)	(3,572.8)
Restatement of equity	2,026.8	272.9	139.7	2,439.4
Balances at December 31, 1997	34,197.5	4,604.9	1,336.8	40,139.2

The net income for 1997, after providing for income taxes, amounted to MMCh\$7,381.5 (MMCh\$5,425.6 in 1996).

Pursuant to Article 10 of Law 18,046, the price-level adjustment of the paid-in capital has been incorporated into the same paid-in capital, and, as a result, it is represented by 62,093,192 shares of no-par value, with the reserves being given the same treatment.

In February 1997 and 1996, dividends amounting to MMCh\$3,572.8 and MMCh\$4,431.7 (historical) were paid to stockholders out of 1996 and 1995 net income, respectively.

The Special Shareholders' Meeting held on December 30, 1996, agreed to set up MM\$800 in voluntary provisions, from reserves for dividend payments, included in the Other Reserves account.

Law 19,528 dated November 4, 1997, repealed Article 73 of the General Banking Law, which required that at least 10% of the year's net income had to be apportioned to the Legal Reserve, until the balance on such account reached 25% of the Bank's paid-in capital. The Bank apportioned MM\$510.4 of the net income for 1996 to the Legal Reserve, which showed an accumulated balance of MM\$4,604.9.

## (6) Investments

At December 31, 1997 and 1996, the Bank had the following amounts included as investments (in millions of Chilean Pesos):

### (a) Financial Investments

Instruments	Non-transferable		Transferable		Sold with pacts		Subtotal		Mark to market		Total	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$
Banco Central de Chile	-	-	15,878.7	5,911.9	59,793.4	24,384.1	75,672.1	30,296.0	20.0	44.4	75,692.1	30,340.4
Local financial institutions	-	-	32,409.3	39,874.2	-	-	32,409.3	39,874.2	8.0	2.1	32,417.3	39,876.3
Other financial investments	-	-	-	299.1	-	-	-	299.1	-	-	-	299.1
<b>Total</b>	-	-	<b>48,288.0</b>	<b>46,085.2</b>	<b>59,793.4</b>	<b>24,384.1</b>	<b>108,081.4</b>	<b>70,469.3</b>	<b>28.0</b>	<b>46.5</b>	<b>108,109.4</b>	<b>70,515.8</b>

### (b) Other investments

Deposits in the Banco Central de Chile *	7,385.1	2,267.7
Properties received in payment **	98.1	-
<b>Total</b>	<b>7,483.2</b>	<b>2,267.7</b>
<b>Total investments</b>	<b>115,592.6</b>	<b>72,783.5</b>

(\*) Represent deposits which have to be held in the Banco Central de Chile to comply with exchange regulations

(\*\*) Properties received in payment are reported net of provisions set up for \$- million. The amount reported in the balance sheet represents the estimated realization value of these properties taken as a whole.

## (7) Maturities of Assets and Liabilities

### (a) Maturities of loans and financial investments

The following table shows the remaining term to maturity of loans and financial investments. The balances include accrued interest to December 31, 1997 and 1996.

	Within one year		More than 1 year up to 3 years		More than 3 years up to 6 years		More than 6 years		Total	
	1997 MMCh\$	1996 MMCh\$	1997 MMCh\$	1996 MMCh\$	1997 MMCh\$	1996 MMCh\$	1997 MMCh\$	1996 MMCh\$	1997 MMCh\$	1996 MMCh\$
Loans (1):										
Commercial loans and others	298,904.7	248,681.6	36,605.4	27,178.7	22,048.3	16,297.3	10,812.2	12,655.0	368,370.6	304,812.6
Personal mortgage loans	1,536.6	1,312.3	3,043.8	2,294.5	5,218.9	3,994.9	24,340.8	13,268.3	34,140.1	20,870.0
Consumer loans	631.6	329.1	341.7	264.4	202.5	26.8	2.5	0.7	1,178.3	621.0
Other lending operations:										
Brokerage	-	11,525.6	-	-	-	-	-	-	-	11,525.6
Loans to financial institutions	3,601.5	2,529.6	-	-	-	-	-	-	3,601.5	2,529.6
Financial investments:										
Marketable securities (2)	83,322.9	45,418.5	18,893.6	24,627.6	5,571.1	459.9	321.8	9.8	108,109.4	70,515.8
Investment instruments (3)	7,483.2	2,267.7	-	-	-	-	-	-	7,483.2	2,267.7

(1) Include only credits existing at the end of the period with due dates as indicated in the above table. Therefore, amounts do not include contingent loans and loans transferred to past-due portfolio, as well as the past-due loans which have not as yet been transferred to the past-due portfolio, amounting to MMCh\$450.8 (MMCh\$256.0 in 1996) of which MMCh\$201.7 (MMCh\$154.4 in 1996) were past-due by less than 30 days.

(2) Includes the total of all marketable securities available for sale, whether or not they have been sold with a repurchase agreement at the end of the period.

(3) Includes non-transferable instruments and investments in instruments that are not held for sale.

(b) Maturities of deposits, loans and other financing operations

The following table shows the deposits, loans and other obligations grouped in accordance with their remaining term. The balances include accrued interest up to December 31, 1997 and 1996.

	Due within one year		More than 1 year up to 3 years		More than 3 years up to 6 years		More than 6 years		Total	
	1997 MMCh\$	1996 MMCh\$	1997 MMCh\$	1996 MMCh\$	1997 MMCh\$	1996 MMCh\$	1997 MMCh\$	1996 MMCh\$	1997 MMCh\$	1996 MMCh\$
Deposits and other obligations(*):										
Deposits-savings and time	322,369.8	239,837.6	2,547.4	3,056.2	-	-	-	-	324,917.2	242,893.8
Obligations on brokerage	59,950.8	24,402.1	-	-	-	-	-	-	59,950.8	24,402.1
Bonds issued	207.6	903.1	693.9	2,709.5	6,113.6	3,359.2	20,121.6	6,952.8	27,136.7	13,924.6
Loans from financial institutions and Banco Central de Chile:										
Rescheduling lines of credit	-	-	-	2.3	-	-	-	-	-	2.3
Other obligations with the Banco Central de Chile	769.5	10,809.8	312.5	967.0	72.3	-	-	-	1,154.3	11,776.8
Loans from local financial institutions	20,055.7	12,204.2	-	-	-	-	-	-	20,055.7	12,204.2
Foreign obligations	6,125.2	54,192.8	195.5	2,999.9	26,681.7	4,531.6	195.5	-	33,197.9	61,724.3
Other obligations	11,380.1	6,752.0	2,840.9	-	818.7	-	-	-	15,039.7	6,752.0

(\*) Excludes all sight obligations and contingent obligations.

## (8) Foreign Currency Balances

The balance sheet, includes assets and liabilities denominated in foreign currencies or which are adjusted in accordance with the variation of the foreign currency parity for amounts as shown below:

	Payable in foreign currencies		Payable in pesos (*)		Total	
	1997 MUS\$	1996 MUS\$	1997 MUS\$	1996 MUS\$	1997 MUS\$	1996 MUS\$
<b>Assets</b>						
Funds available **	33,990	51,349	-	-	33,990	51,349
Loans	145,177	143,008	16,423	12,848	161,600	155,856
Contingent loans	121,316	67,987	-	-	121,316	67,987
Loans to local banks	-	-	-	1,020	-	1,020
Financial investments:						
Domestic	-	-	-	3,206	-	3,206
Deposits in the Banco Central de Chile	15,000	5,004	-	-	15,000	5,004
Other assets	317,734	124,576	-	-	317,734	124,576
<b>Total assets</b>	<b>633,217</b>	<b>391,924</b>	<b>16,423</b>	<b>17,074</b>	<b>649,640</b>	<b>408,998</b>
<b>Liabilities</b>						
Sight deposits	5,388	2,731	-	-	5,388	2,731
Contingent obligations	121,316	67,987	-	-	121,316	67,987
Obligations with the Banco Central de Chile	-	23,511	-	-	-	23,511
Term deposits	9,116	7,519	18,009	14,098	27,125	21,617
Obligations with foreign banks	74,097	136,489	-	-	74,097	136,489
Other liabilities	414,355	149,829	-	-	414,355	149,829
<b>Total liabilities</b>	<b>624,272</b>	<b>388,066</b>	<b>18,009</b>	<b>14,098</b>	<b>642,281</b>	<b>402,164</b>

(\*) Includes operations denominated in foreign currencies and repayable in pesos and others which readjust based on exchange rate changes.

(\*\*) Includes MUS\$2,000 (MUS\$33,500 in 1996) of special deposits held in connection with foreign obligations, in accordance with the regulations issued by the Board of the Banco Central de Chile.

As of the close of business the balance of officially available foreign currency amounted to MUS\$90,871 (MUS\$11,241 in 1996). In addition, the Bank maintains foreign currency authorized as reserves by the Banco Central de Chile in the amount of MUS\$95.6 (MUS\$95.6 in 1996).



## (9) Operations with Derivative Instruments

During each year, the Bank has carried out the following operations with derivative instruments:

### (a) Currency and interest contracts

Type of operations	Number of operations		Amounts			
			Up to 3 months		More than 3 months	
	1997	1996	1997 MUS\$	1996 MUS\$	1997 MUS\$	1996 MUS\$
<b>Local market:</b>						
Purchase of Chilean Peso futures	54	24	5,455	7,441	73,715	16,476
Sales of Chilean Peso futures	53	12	12,855	12,765	115,450	22,323
Sales of foreign currency forward	11	19	-	4,788	15,700	11,785
<b>Foreign market:</b>						
Purchase of foreign currency forward	11	19	-	4,781	15,860	11,856

The amounts refer to dollars bought or sold or the equivalent in dollars of the foreign currency bought or sold in the future or the amount in dollars as specified in the interest contracts. Amounts have been classified according to the duration of the contracts as of the date of the transaction.

## (10) Commitments, Contingencies and Responsibilities

### (a) Commitments and Responsibilities Recorded in memorandum accounts

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

	MMCh\$	
	1997	1996
Mortgage guarantees	221,999	139,371
Credit lines obtained	145,686	146,561
Securities and drafts in guarantee	104,266	116,938
Custody of securities	54,606	44,278
Loans approved but not disbursed	13,805	5,427
Foreign collections	9,048	9,395

The above includes only the most significant balances. Loans and contingent obligations are shown in the balance sheet.

## (11) Commissions

Commission revenue and expense recorded in the Statements of Income is as follows:

	Income		Expenses	
	1997	1996	1997	1996
	MMCh\$	MMCh\$	MMCh\$	MMCh\$
Commissions earned for:				
Letter of credit, guarantees, securities and other contingent loans	409.9	419.7	-	-
Others	272.2	405.1	-	-
Foreign operations	163.3	160.9	-	-
Collection of documents	150.1	212.8	-	-
Lines of credit	26.8	17.8	-	-
Current accounts	21.4	27.0	-	-
Credit cards	16.6	11.2	-	-
NSF checks	-	4	60.8	1.1
<b>Total</b>	<b>1,060.3</b>	<b>1,258.9</b>	<b>60.8</b>	<b>1.1</b>

Commission earned on operations with letters of credit is presented in the Statement of Income under the heading "Interest and inflation adjustment".

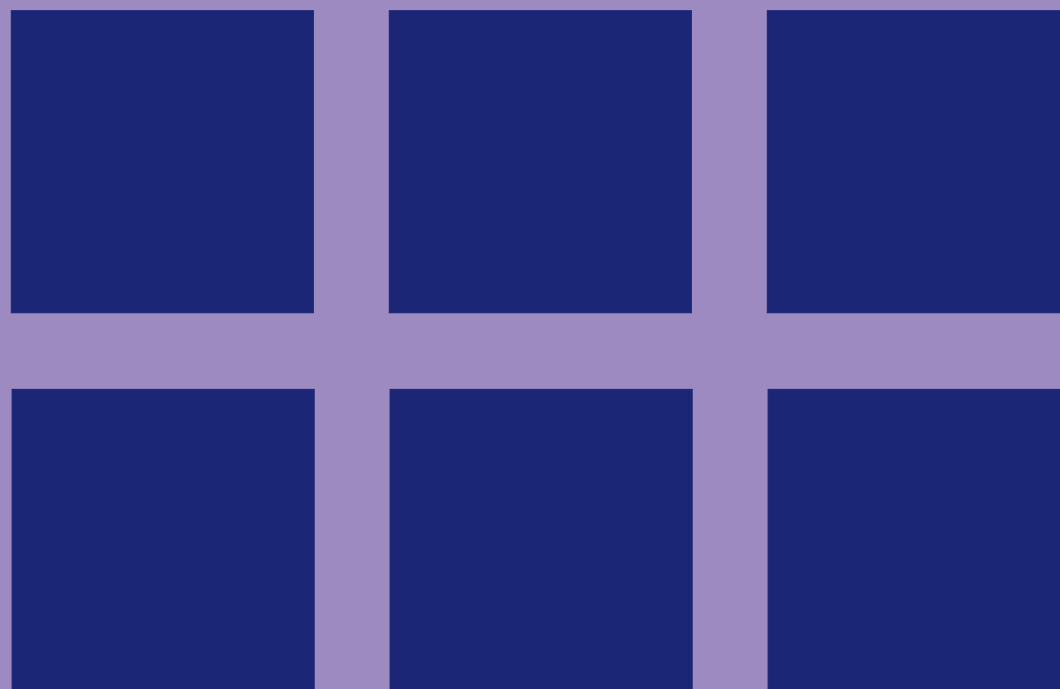
## (12) Income Taxes

The Bank has provided for its taxes on income in accordance with the current tax legislation and charged MMCh\$642.9 (MMCh\$594.5 in 1996) to results.

## (13) Directors Expenses and Fees

During the years the Bank has paid the following concepts for directors fees and expenses:

	MMCh\$	
	1997	1996
Per diems	49.1	49.9
Advisory fees	244.3	209.7
<b>Total</b>	<b>293.4</b>	<b>259.6</b>



# CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1997 and 1996  
with Independent Auditors' Report Therein

## Table of Contents

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

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

# INDEPENDENT AUDITORS' REPORT



The Stockholders and Directors  
Banco Security:

We have audited the accompanying consolidated balance sheets of Banco Security and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income for the years then ended. These consolidated financial statements are the responsibility of the management of the Bank. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Security and subsidiaries at December 31, 1997 and 1996, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles and specific instructions issued by the Chilean Superintendency of Banks and Financial Institutions.

A handwritten signature in blue ink, appearing to read 'Michael Leighton I.', written over a horizontal line.

Michael Leighton I.

A handwritten signature in blue ink that reads 'KPMG Peat Marwick'.

January 9, 1998

# CONSOLIDATED BALANCE SHEETS

December 31, 1997 and 1996

(Expressed in millions of Ch\$ - MMCh\$)

Assets	1997 MMCh\$	1996 MMCh\$
Cash and due from banks	42,146.1	124,451.7
Loans:		
Commercial loans	288,302.5	226,916.7
Foreign trade loans	63,846.7	64,339.2
Consumer loans	1,196.0	621.1
Contingent loans	71,857.0	52,843.6
Other outstanding loans	51,155.9	35,505.5
Past-due loans	374.2	966.7
Leasing contracts	39,129.1	34,898.8
Total loans	515,861.4	416,091.6
Less:		
Allowance for loan losses	3,601.4	2,871.8
Loans, net	512,260.0	413,219.8
Other credit operations:	2,330	1,625
Loans to financial institutions	3,601.5	2,529.6
Brokerage	-	11,525.6
Total other credit operations	3,601.5	14,055.2
Investments:		
Banco Central de Chile and Tesorería General de la República instruments	15,882.5	5,915.6
Other financial investments	36,760.9	45,657.3
Brokerage	69,617.3	26,022.6
Deposits in Banco Central de Chile	7,385.1	2,267.7
Assets received in lieu of payment or foreclosed	98.1	-
Total investments	129,743.9	79,863.2
Other assets	1,305.7	857.0
Fixed assets:		
Premises and equipment	8,479.4	9,607.6
Investments in affiliated companies	459.2	469.8
Total fixed assets	8,938.6	10,077.4
Total assets	697,995.8	642,524.3

See accompanying notes to financial statements.

Liabilities and Equity	1997 MMCh\$	1996 MMCh\$
<b>Liabilities:</b>		
<b>Deposits and other obligations:</b>		
Checking accounts	22,228.3	23,768.0
Deposits - savings and time	324,796.7	242,893.8
Other on demand or term obligations	30,004.2	112,299.5
Obligations for brokerage	59,950.8	24,402.1
Contingent obligations	71,636.0	52,703.2
<b>Total deposits and other obligations</b>	<b>508,616.0</b>	<b>456,066.6</b>
<b>Bonds:</b>		
Debenture bonds	16,199.8	7,990.5
Subordinated bonds	20,632.7	13,924.6
<b>Total bonds</b>	<b>36,832.5</b>	<b>21,915.1</b>
<b>Loans from financial institutions and</b>		
<b>Banco Central de Chile:</b>		
Banco Central de Chile - rescheduling lines of credit	-	2.3
Other obligations - Banco Central de Chile	1,154.3	11,776.8
Loans from local financial institutions	37,636.5	31,501.0
Foreign obligations	33,197.9	61,724.3
Other obligations	22,436.1	12,452.2
<b>Total loans from financial institutions</b>	<b>94,424.8</b>	<b>117,456.6</b>
<b>Other liabilities</b>	<b>10,343.3</b>	<b>2,125.5</b>
<b>Total liabilities</b>	<b>650,216.6</b>	<b>597,563.8</b>
<b>Voluntary allowance</b>	<b>230.7</b>	<b>1,070.8</b>
<b>Minority interest in consolidated subsidiaries</b>	<b>27.8</b>	<b>16.9</b>
<b>Shareholders' equity:</b>		
Capital and reserves	40,139.2	38,447.2
Net income for the year	7,381.5	5,425.6
<b>Total equity</b>	<b>47,520.7</b>	<b>43,872.8</b>
<b>Total liabilities and equity</b>	<b>697,995.8</b>	<b>642,524.3</b>

# CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 1997 and 1996

(Expressed in millions of Ch\$ - MMCh\$)

	1997 MMCh\$	1996 MMCh\$
<b>Operating results:</b>		
Income from interest and inflation adjustment	69,764.8	56,992.1
Gain from brokerage	1,098.7	1,163.2
Commission income	2,018.5	2,128.1
Foreign exchange income, net	1,308.7	1,490.4
Other operating income	1,565.6	2,959.0
<b>Total operating revenue</b>	<b>75,756.3</b>	<b>64,732.8</b>
<b>Less:</b>		
Interest and inflation adjustment expense	52,601.6	43,276.6
Loss from brokerage	1,007.8	743.8
Commission expense	234.2	170.7
Other operating expense	570.4	612.2
<b>Gross margin</b>	<b>21,342.3</b>	<b>19,929.5</b>
Salaries and personnel benefits	4,877.9	4,698.6
Administration and other expense	6,027.3	5,831.5
Depreciation and amortization	632.7	637.9
<b>Net operating margin</b>	<b>9,804.4</b>	<b>8,761.5</b>
Provisions and write-offs of doubtful assets	(1,015.0)	(1,189.2)
Loan loss recoveries	6.2	2.1
<b>Operating results</b>	<b>8,795.6</b>	<b>7,574.4</b>
<b>Non-operating income (expense):</b>		
Non-operating income	1,408.0	586.8
Non-operating expenses	(112.5)	(1.2)
Price-level adjustment	(1,899.8)	(2,019.2)
<b>Income before income taxes and minority interest</b>	<b>8,191.3</b>	<b>6,140.8</b>
Income taxes	(798.9)	(707.3)
Income before minority interest	7,392.4	5,433.5
Minority interest in consolidated subsidiaries	(10.9)	(7.9)
<b>Net income</b>	<b>7,381.5</b>	<b>5,425.6</b>

See accompanying notes to financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1997 and 1996

## (1) Summary of Significant Accounting Policies

### (a) General

The financial statements have been prepared in accordance with the accounting standards issued by the Superintendency of Banks and Financial Institutions (SBIF), and which concur with generally accepted accounting principles, except for the accounting treatment accorded to the agreement reached in the Special Shareholders' Meeting on December 30, 1996, which is explained in note 3.

Banco Security consolidates the financial statements of the following subsidiaries:

	1997 Participation	1996 Participation
Leasing Security S.A	99.999%	99.999%
Valores Security S.A. Corredores de Bolsa	99.900%	99.900%
Administradora de Fondos Mutuos Security S.A.	99.990%	99.990%
Asesorías Security S.A.	95.000%	95.000%

The total assets and revenues of the subsidiary companies represent 6.467% and 13.111%, respectively, of the consolidated totals.

Significant transactions with subsidiary companies have been eliminated in consolidation.

The figures for 1996 are shown as restated, off-the-books, for the effect of the variation in the Consumer Price Index (CPI), used for calculating the price-level adjustment (6.3%).

### (b) Interest and Inflation Adjustments

Loans, investments and liabilities are presented with interest and inflation adjustments earned and accrued through the balance sheet date.

However, in the case of the past-due loans and those which are current but with a high risk of becoming irrecoverable, the Bank has followed the conservative policy of suspending the recognition of interest and inflation adjustments.

### (c) Price-level Adjustment

The Bank's equity, property and equipment and other non-monetary assets and liabilities have been restated for the change in the Consumer Price Index (CPI). This restatement represented a net charge to results of MMCh\$1,899.8 (MMCh\$2,019.2 in 1996).

The Banks' income statement accounts are not price-level adjusted. Income statement accounts of consolidated subsidiaries are price-level adjusted.

### (d) Foreign Currency

Assets and liabilities in foreign currencies are shown at their Chilean peso equivalent, converted at the exchange rate of \$439.81 = US\$1 (\$424.97 = US\$1 in 1996).

The balance of MMCh\$1,308.7 (MMCh\$1,490.4 in 1996), corresponding to the net income on foreign exchange, includes both transaction gains and losses, as well as recognition of the effects of exchange rate fluctuations on net assets and liabilities in foreign currencies.

### (e) Leasing Contracts

These operations are presented, for all purposes, net of provisions and deferred interest, in accordance with applicable accounting standards issued by the Superintendency of Banks and Financial Institutions.

### (f) Financial Investments

The investments in long-term financial instruments with a secondary market and maturities at more than one year are presented at their



market value, in accordance with specific instructions issued by the SBIF. Such adjustment represented a charge to the provision set up in prior years amounting to MMCh\$16.3 (MMCh\$290.1 in 1996).

Other investments represented by financial instruments are presented at purchase cost, plus their respective price-level adjustment and accrued interest.

(g) Fixed Assets - Premises and Equipment

Premises and equipment are valued at cost, plus price-level adjustments, and are presented net of depreciation calculated on the straight-line basis, over the estimated useful lives of the corresponding assets.

(h) Provisions on Risk Assets

The Bank has established all provisions required to cover loss risks in assets, in accordance with the rules established by the Superintendency of Banks and Financial Institutions. In the balance sheet, the corresponding assets are presented net of these provisions.

Amounts provided by the Bank in excess of the minimum required by the Superintendency are shown as a liability in the caption "Voluntary provisions", and the effect on period results is reported in the income statement.

(i) Deferred Taxes

In accordance with instructions issued by the SBIF, deferred income taxes are not recognized on timing differences.

(j) Vacations

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

## (2) Transactions with Related Parties

In conformity with the General Banking Law and the instructions issued by the Superintendency of Banks and Financial Institutions, related parties are considered to be those individuals or entities which are related to the ownership or management of the institution, directly or through third parties.

(a) Loans to Related Parties

At December 31, 1997 and 1996, the loans granted to related parties are analyzed as follows, (amounts in millions of pesos):

	Current Portfolio		Past-due portfolio		Total		Guarantees *	
	1997	1996	1997	1996	1997	1996	1997	1996
Productive companies	4,370.5	2,877.5	-	-	4,370.5	2,877.5	1,918.9	1,471.7
Investment companies	1,475.7	2,570.2	-	-	1,475.7	2,570.2	63.5	66.2
<b>Total</b>	<b>5,846.2</b>	<b>5,447.7</b>	<b>-</b>	<b>-</b>	<b>5,846.2</b>	<b>5,447.7</b>	<b>1,982.4</b>	<b>1,537.9</b>

\* Includes only those guarantees recognized for the purposes of individual credit limits in Article 84 of the General Banking Law, and valued in accordance with instructions issued by the Superintendency of Banks and Financial Institutions.

(b) Other Operations with Related Parties

During each year, the Bank has carried out the following operations with related parties for amounts that exceeded U.F. 1,000:

Name of the Company	Description	Amount		Credit to results	
		1997 MMCh\$	1996 MMCh\$	1997 MMCh\$	1996 MMCh\$
Grupo Security S.A.	Purchase of property	-	1,033.7	-	-
Inmobiliaria Security S.A.	Sale of fixed assets	845.0	-	474.0	-
<b>Total</b>		<b>845.0</b>	<b>1,033.7</b>	<b>474.0</b>	<b>-</b>

These transactions were carried out at the market prices prevailing at the date of the operation.

(3) Reserves

(a) Reserves to Cover Risk Assets

At December 31, 1997, the Bank maintains a reserve for potential losses for MMCh\$3,601.4 (MMCh\$2,871.8 in 1996) representing the minimum provision required by the Superintendency of Banks and Financial Institutions.

The movement in the provision accounts during the years was as follows:

	Loans MMCh\$
Balances as of December 31, 1995	2,217.5
Provisions used	(540.4)
Provisions set up	1,024.5
<b>Balances as of December 31, 1996</b>	<b>2,701.6</b>
<b>Restated balances for comparative purposes</b>	<b>2,871.8</b>
Historical balances as of December 31, 1996	2,701.6
Provisions used	(722.9)
Provisions set up	895.2
Transfer from voluntary provisions	727.5
<b>Balances as of December 31, 1997</b>	<b>3,601.4</b>

In management's judgement, the provisions established are sufficient to cover any eventual losses for the non-recovery of the assets, based on information examined by the Bank.

(b) Voluntary Reserves

In addition to the provisions to cover risk assets indicated in a) above, the Bank maintains voluntary provisions for a total of MMCh\$230.7 (MMCh\$1,070.8 in 1996) of which MMCh\$27.5 (MMCh\$46.5 in 1996) correspond to the difference in market value of long term financial instruments traded in the secondary market.

In the Special Shareholders' Meeting held on December 30, 1996, it was agreed to set up MMCh\$800 in voluntary reserves, from reserves which were available for dividends.

The movement registered in the voluntary provision accounts during the periods is as follows:

	Loans MMCh\$	Financial Investments MMCh\$	Total MMCh\$
Balances as of December 31, 1995	206.8	316.7	523.5
Provisions used	(43.3)	(272.9)	(316.2)
Provisions set up	–	–	–
Transfer from other reserves	800.0	–	800.0
Balances as of December 31, 1996	963.5	43.8	1,007.3
Restated balances for comparative purposes	1,024.3	46.5	1,070.8
Historical balances as of December 31, 1996	963.5	43.8	1,007.3
Provisions used	(32.8)	(16.3)	(49.1)
Transfer to minimum provisions	(727.5)	–	(727.5)
Balances as of December 31, 1997	203.2	27.5	230.7

(c) Reserves for leasing contracts were MMCh\$416.8 for the period (MMCh\$379.6 in December, 1996).

#### (4) Capital, Reserves and Net Income for the Year

The Bank's paid-in capital and reserves amounted to MMCh\$40,139.2, at December 31, 1997, and include the price-level adjustment, in accordance with Article 10 of Law 18,046. At the preceding year-end, paid-in capital and reserves, including the corresponding price-level adjustment, amounted to MMCh\$38,447.2.

The changes in the capital and reserve accounts during each year, were as follows:

	Paid-in Capital MMCh\$	Legal Reserve MMCh\$	Other Reserves MMCh\$	Total MMCh\$
Balances at December 31, 1995	30,178.9	3,031.0	312.0	33,521.9
Net income 1995	–	553.9	4,985.6	5,539.5
Dividends paid	–	–	(4,431.7)	(4,431.7)
Transfer to provisions	–	–	(800.0)	(800.0)
Restatement of equity	1,991.8	236.7	110.4	2,338.9
Balances at December 31, 1996	32,170.7	3,821.6	176.3	36,168.6
Restated balances as of December 31, 1996	34,197.4	4,062.4	187.4	38,447.2
Balances at December 31, 1996	32,170.7	3,821.6	176.3	36,168.6
Net income 1996	–	510.4	4,593.6	5,104.0
Dividends paid	–	–	(3,572.8)	(3,572.8)
Restatement of equity	2,026.8	272.9	139.7	2,439.4
Balances at December 31, 1997	34,197.5	4,604.9	1,336.8	40,139.2

The net income for 1997, after providing for income taxes, amounted to MMCh\$7,381.5 (MMCh\$5,425.6 in 1996).

Pursuant to Article 10 of Law 18,046, the price-level adjustment of the paid-in capital has been incorporated into the same paid-in capital and, as a result, it is represented by 62,093,192 shares of no-par value, with the reserves being given the same treatment.

In February 1997 and 1996, dividends amounting to MMCh\$3,572.8 and MMCh\$4,431.7 (historical) were paid to stockholders out of 1996 and 1995 net income, respectively.

The Special Shareholders' Meeting held on December 30, 1996, agreed to set up MMCh\$800 in voluntary provisions, from reserves which were available for dividend distribution, included in the Other Reserves account.

Law 19,528 dated November 4, 1997, repealed Article 73 of the General Banking Law, which required that at least 10% of the year's net income had to be apportioned to the Legal Reserve, until the balance on such account reached 25% of the Bank's paid-in capital. The Bank apportioned MMCh\$510.4 of the net income for 1996 to the Legal Reserve, which showed an accumulated balance of MMCh\$4,604.9.

## (5) Investment

At December 31, 1997 and 1996, the Bank had the following amounts included as investments (in millions of Chilean Pesos):

### (a) Financial Investments

Instruments	Non-transferable		Transferable		Sold with pacts		Subtotal		Mark to market		Total	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$
Banco Central de Chile	-	-	15,862.5	5,911.9	69,617.3	26,288.3	85,479.8	32,200.2	20.0	44.4	85,499.8	32,244.6
Local financial institutions	-	-	36,752.9	44,887.9	-	-	36,752.9	44,887.9	8.0	0.6	36,760.9	44,888.5
Other financial investments	-	-	-	465.6	-	-	465.6	-	(3.2)	-	462.4	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>52,615.4</b>	<b>51,265.4</b>	<b>69,617.3</b>	<b>26,288.3</b>	<b>122,232.7</b>	<b>77,553.7</b>	<b>28.0</b>	<b>41.8</b>	<b>122,260.7</b>	<b>77,595.5</b>

### (b) Other Investments

Deposits in the Banco Central de Chile *	7,385.1	2,267.7
Assets received in lieu of payment **	98.1	-
<b>Total</b>	<b>7,483.2</b>	<b>2,267.7</b>
<b>Total investments</b>	<b>129,743.9</b>	<b>79,863.2</b>

(\*) Represent deposits which have to be held in the Banco Central de Chile to comply with exchange regulations.

(\*\*) Assets received in payment are reported net of provisions set up for \$-million. The amount reported in the balance sheet represents the estimated realizable value of these properties taken as a whole.

## (6) Maturities of Assets and Liabilities

### (a) Maturities of Loans and Financial Investments

The following table shows the remaining term to maturity of loans and financial investments. The balances include accrued interest through December 31, 1997 and 1996.

	Within one year		More than 1 year up to 3 years		More than 3 years up to 6 years		More than 6 years		Total	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$
<b>Loans (1):</b>										
Commercial loans and others	299,266.0	249,504.3	36,605.4	27,178.7	22,048.3	16,297.3	10,812.2	12,655.2	368,731.9	305,635.5
Personal mortgage loans	1,536.6	1,312.3	3,043.8	2,294.5	5,218.9	3,994.9	24,340.8	13,268.3	34,140.1	20,870.0
Consumer loans	631.6	329.1	341.7	264.4	202.5	26.8	2.5	0.7	1,178.3	621.0
Leasing contracts	11,350.8	10,365.3	13,335.0	11,957.8	14,443.3	12,575.7	-	-	39,129.1	34,898.8
<b>Other lending operations:</b>										
Brokerage	-	11,525.6	-	-	-	-	-	-	-	11,525.6
Loans to financial institutions	3,601.5	2,529.6	-	-	-	-	-	-	3,601.5	2,529.6
<b>Financial investments:</b>										
Marketable securities (2)	97,474.2	52,489.4	18,893.6	24,627.6	5,571.1	459.8	321.8	9.7	122,260.7	77,586.5
Investment instruments (3)	7,483.2	2,267.7	-	-	-	-	-	-	7,483.2	2,267.7

(1) Include only credits existing at the end of the period with due dates as indicated in the above table. Therefore, amounts do not include contingent loans and loans transferred to past-due portfolio, as well as the past-due loans which have not as yet been transferred to the past-due portfolio, amounting to MMCh\$450.8 (MMCh\$256.0 in 1995), of which MMCh\$201.7 (MMCh\$256.0 in 1995) were past-due by less than 30 days.

(2) Includes the total of all marketable securities available for sale, whether or not they have been sold with a repurchase agreement at the end of the period.

(3) Includes non-transferable instruments and investments in instruments that are not held for sale.

(b) Maturities of deposits, loans and other financing operations

The following table shows the deposits, loans and other obligations grouped in accordance with their remaining term. The balances include accrued interest up to December 31, 1997 and 1996.

	Within one year		More than 1 year up to 3 years		More than 3 years up to 6 years		More than 6 years		Total	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$	MMCh\$
<b>Deposits and other obligations (*):</b>										
Deposits - savings and time	322,249.5	239,837.6	2,547.2	3,056.2	-	-	-	-	324,796.7	242,893.8
Obligations on brokerage	59,950.8	24,402.1	-	-	-	-	-	-	59,950.8	24,402.1
Bonds issued	1,972.4	3,777.1	4,575.6	5,733.2	8,613.6	5,452.0	21,670.9	6,952.8	36,832.5	21,915.1
<b>Loans from financial institutions and Banco Central de Chile:</b>										
Rescheduling lines of credit	-	-	-	2.3	-	-	-	-	-	2.3
Other obligations with the Banco Central de Chile	769.5	10,809.8	312.5	967.0	72.3	-	-	-	1,154.3	11,776.8
Loans from local financial institutions	32,298.0	26,960.9	5,234.9	3,996.6	103.6	543.5	-	-	37,636.5	31,501.0
Foreign obligations	6,125.2	54,192.8	195.5	2,999.9	26,681.7	4,531.6	195.5	-	33,197.9	61,724.3
Other obligations	13,144.9	11,459.4	8,472.5	992.8	818.7	-	-	-	22,436.1	12,452.2

(\*) Excludes all sight obligations and contingent obligations.

## (7) Foreign Currency Balances

The balance sheet includes assets and liabilities denominated in foreign currencies or which are adjusted in accordance with the variation of the foreign currency parity for amounts as shown below:

	Payable in					
	Foreign currency		Chilean pesos (*)		Total	
	1997 US\$ (thousands)	1996 US\$ (thousands)	1997 US\$ (thousands)	1996 US\$ (thousands)	1997 US\$ (thousands)	1996 US\$ (thousands)
<b>Assets</b>						
Funds available **	33,990	51,349	-	-	33,990	51,349
Loans	145,177	143,008	16,423	12,848	161,600	155,856
Contingent loans	121,316	67,987	-	-	121,316	67,987
Loans to local banks	-	-	-	1,020	-	1,020
Financial investments:						
Domestic	-	-	-	3,206	-	3,206
Deposits in the						
Banco Central de Chile	15,000	5,004	-	-	15,000	5,004
Other assets	317,734	124,576	-	-	317,734	124,576
<b>Total assets</b>	<b>633,217</b>	<b>391,924</b>	<b>16,423</b>	<b>17,074</b>	<b>649,640</b>	<b>408,998</b>
<b>Liabilities</b>						
Sight deposits	5,388	2,731	-	-	5,388	2,731
Contingent obligations	121,316	67,987	-	-	121,316	67,987
Obligations with the Banco						
Central de Chile	-	23,511	-	-	-	23,511
Term deposits	9,116	7,519	18,009	14,098	27,125	21,617
Obligations with foreign banks	74,097	136,489	-	-	74,097	136,489
Other liabilities	414,355	149,829	-	-	414,355	149,829
<b>Total liabilities</b>	<b>624,272</b>	<b>388,066</b>	<b>18,009</b>	<b>14,098</b>	<b>642,281</b>	<b>402,164</b>

(\*) Includes operations denominated in foreign currencies and repayable in pesos and others which readjust based on exchange rate changes.

(\*\*) Includes MUS\$2,000 (MUS\$33,500 in 1996), of special deposits held in connection with foreign obligations, in accordance with the regulations issued by the Board of the Banco Central de Chile.

As of the close of business, the balance of officially available foreign currency amounted to MUS\$90,871 (MUS\$11,241 in 1996). In addition, the Bank maintains foreign currency authorized as reserves by the Banco Central de Chile in the amount of MUS\$95.6 (MUS\$95.6 in 1996).

## (8) Operations with Derivative Instruments

During each year, the Bank has carried out the following operations with derivative instruments:

### (a) Currency and interest contracts

Type of operations	Number of operations		Amounts			
			Up to 3 months		More than 3 months	
	1997	1996	1997 MUS\$	1996 MUS\$	1997 MUS\$	1996 MUS\$
<b>Local market:</b>						
- Purchase of Chilean Peso futures	54	24	5,455	7,441	73,715	16,476
- Sales of Chilean Peso futures	53	12	12,855	12,765	115,450	22,323
- Sales of foreign currency forward	11	19	-	4,788	15,700	11,785
<b>Foreign market:</b>						
- Purchase of foreign currency forward	11	19	-	4,781	15,860	11,856

The amounts refer to dollars bought or sold or the equivalent in dollars of the foreign currency bought or sold in the future or the amount in dollars as specified in the interest contracts. Amounts have been classified according to the duration of the contracts as of the date of the transaction.

## (9) Commitments, Contingencies and Responsibilities

### (a) Commitments and Responsibilities Recorded in Memorandum Accounts

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

	MMCh\$	
	1997	1996
Mortgage guarantees	221,999	139,371
Credit lines obtained	152,626	150,886
Custody of securities	165,114	90,756
Securities and drafts in guarantee	104,266	116,938
Loans approved but not disbursed	13,805	5,427
Foreign collections	9,048	9,395
Signed and other contracts	610	1,250
Customs and other duties	279	699

The above includes only the most significant balances. Loans and contingent obligations are shown in the balance sheet.



## (10) Commissions

Commission revenue and expense recorded in the Statements of Income are as follows:

	Income		Expense	
	1997 MMCh\$	1996 MMCh\$	1997 MMCh\$	1996 MMCh\$
Commissions earned for:				
Leasing contracts	191.7	350.1	-	-
Exchange operations	761.1	519.2	173.4	169.6
Letters of credit, guarantees, securities and other contingent loans	409.9	419.6	-	-
Foreign operations	272.2	405.1	-	-
Collection of documents	150.1	212.8	-	-
Lines of credit	26.8	17.8	-	-
Current accounts	21.4	27.0	-	-
Credit cards	16.6	11.2	-	-
NSF checks	-	4.4	60.8	1.1
Other	168.7	160.9	-	-
<b>Total</b>	<b>2,018.5</b>	<b>2,128.1</b>	<b>234.2</b>	<b>170.7</b>

Commissions earned on operations with letters of credit are presented in the Statement of Income under the heading "Interest and inflation adjustment".

## (11) Income Taxes

The Bank and its subsidiaries have provided for taxes on income in accordance with the current tax legislation and charged MMCh\$798.9 (MMCh\$707.3 in 1996) to results.

## (12) Directors Expenses and Fees

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

	MMCh\$	
	1997	1996
Per diems	49.1	49.8
Advisory fees	267.6	235.7
<b>Total</b>	<b>316.7</b>	<b>285.5</b>

## (13) Subsequent Events

There are no subsequent events which would have significant effect on these consolidated financial statements.



# SUMMARY OF FINANCIAL STATEMENTS

as of December 31, 1997 and 1996

## Table of Contents

1. Leasing Security S.A.
2. Administradora de Fondos Mutuos Security S.A.
3. Valores Security S.A. Corredores de Bolsa
4. Asesorías Security S.A.

MCh\$ = Thousands of Chilean pesos

# LEASING SECURITY S.A.

Financial Statement Summary as of December 31, 1997 and 1996

## Balance Sheet

Assets		1997	1996
Current Assets	MCh\$	13,758,374	12,053,175
Long Term Assets		27,780,909	24,536,589
Fixed Assets		576,141	602,468
<b>Total Assets</b>	<b>MCh\$</b>	<b>42,115,424</b>	<b>37,192,232</b>

## Liabilities

Current Liabilities	MCh\$	15,906,552	18,176,823
Long Term Debt		19,357,503	14,081,112
Equity		6,851,369	4,934,297
<b>Total Liabilities and Equity</b>		<b>42,115,424</b>	<b>37,192,232</b>

## Income Statement

Operating Results	MCh\$	1,338,494	998,751
Non Operating Income (Loss)		(246,788)	(103,565)
Net Income Before Taxes		1,091,706	895,186
Taxes		734	-
<b>Net Income</b>	<b>MCh\$</b>	<b>1,090,972</b>	<b>895,186</b>

# ADMINISTRADORA DE FONDOS MUTUOS SECURITY S.A.

Financial Statement Summary as of December 31, 1997 and 1996

## Balance Sheet

Asset		1997	1996
Current Assets	MCh\$	1,531,264	1,540,715
Other Assets		57,187	55,450
Fixed Assets		-	-
<b>Total Assets</b>	<b>MCh\$</b>	<b>1,588,451</b>	<b>1,596,165</b>

## Liabilities

Current Liabilities	MCh\$	100,962	81,503
Equity		1,487,489	1,514,662
<b>Total Liabilities and Equity</b>	<b>MCh\$</b>	<b>1,588,451</b>	<b>1,596,165</b>

## Income Statement

Operating Results	MCh\$	431,371	465,733
Non Operating Income		66,254	74,531
Net Income before Taxes		497,625	540,264
Taxes		74,644	81,039
<b>Net Income</b>	<b>MCh\$</b>	<b>422,981</b>	<b>459,225</b>

# VALORES SECURITY S.A. CORREDORES DE BOLSA

Financial Statement Summary as of December 31, 1997 and 1996

## Balance Sheet

Assets		1997	1996
Current Assets	MCh\$	41,165,752	18,674,249
Fixed Assets		118,198	125,382
Other Assets		450,473	419,033
<b>Total Assets</b>	<b>MCh\$</b>	<b>41,734,423</b>	<b>19,218,664</b>

## Liabilities

Current Liabilities	MCh\$	39,379,505	16,627,849
Equity		2,354,918	2,590,815
<b>Total Liabilities and Equity</b>	<b>MCh\$</b>	<b>41,734,423</b>	<b>19,218,664</b>

## Income Statement

Operating Results	MCh\$	379,038	200,991
Non Operating Income		44,608	79,368
Net Income Before Taxes		423,646	280,359
Taxes		52,463	11,097
<b>Net Income</b>	<b>MCh\$</b>	<b>371,183</b>	<b>269,262</b>

# ASESORIAS SECURITY S.A.

Financial Statement Summary as of December 31, 1997 and 1996

## Balance Sheet

Assets		1997	1996
Current Assets	MCh\$	179,207	308,688
Fixed Assets		2,528	–
Other Assets		–	–
<b>Total Assets</b>	<b>MCh\$</b>	<b>181,735</b>	<b>308,688</b>

## Liabilities

Current Liabilities	MCh\$	10,701	24,642
Capital and Reserves		14,921	117,257
Equity		171,034	284,046
<b>Total Liabilities and Equity</b>	<b>MCh\$</b>	<b>181,735</b>	<b>308,688</b>

## Income Statement

Operating Results	MCh\$	169,630	174,396
Non Operating Income		14,681	21,008
Net Income Before Taxes		184,311	195,404
Taxes		28,198	28,615
<b>Net Income</b>	<b>MCh\$</b>	<b>156,113</b>	<b>166,789</b>

## LOCATIONS OF BANCO SECURITY AND AFFILIATES

Corporate Headquarters - Agustinas 621 - Santiago - Telephone: (56-2) 270 4000 - Fax: (56-2) 270 4001

Providencia Office - Av. 11 de Septiembre 2289 - Providencia - Telephone: (56-2) 233 1580 - Fax: (56-2) 251 5925

El Golf Office - Av. Apoquindo 3150 - Las Condes - Telephone: (56-2) 232 8735 - Fax: (56-2) 232 8739

Panamericana Norte Office - Av. Presidente E. Frei M. 3016 - Renca - Telephone: (56-2) 641 6055 - Fax: (56-2) 641 5640

Santa Elena Office - Santa Elena 2400 - San Joaquín - Telephone: (56-2) 555 0081 - Fax: (56-2) 555 7798

Quilicura Office - Panamericana Norte 9950 L. 4 - Quilicura - Telephone: (56-2) 738 6650 - Fax: (56-2) 738 6654

Antofagasta Office - Av. San Martín 2511 - Antofagasta - Telephone: (56-55) 28 2824 - Fax: (56-55) 22 1771

Concepción Office - Aníbal Pinto 299 - Concepción - Telephone: (56-41) 22 6801 - Fax: (56-41) 22 4237

Temuco Office - Manuel Bulnes 721 - Temuco - Telephone: (56-45) 23 6300 - Fax: (56-45) 21 1359

Puerto Montt Office - Guillermo Gallardo 132 - Puerto Montt - Telephone: (56-65) 29 4000 - Fax: (56-65) 29 4001

## AFFILIATED COMPANIES

Leasing Security S. A.

Miraflores 178 5th Floor - Santiago - Telephone: (56-2) 270 4000 - Fax : (56-2) 270 4010

Administradora de Fondos Mutuos Security S. A.

Miraflores 178 6th Floor - Santiago - Telephone: (56-2) 270 4000 - Fax : (56-2) 270 4015 / 270 4016 / 270 4017

Valores Security S.A., Corredores de Bolsa

Miraflores 178 6th Floor - Santiago - Telephone: (56-2) 270 4000 - Fax : (56-2) 270 4010

Asesorías Security S. A.

Agustinas 621 5th Floor - Santiago - Telephone: (56-2) 270 4000 - Fax : (56-2) 638 4034