

1 9 2 ^{N D} A N N U A L R E P O R T**Information on Merger**

The Banco de Chile – Banco de A. Edwards merger became effective on January 1, 2002, whereon the former acquired the assets and liabilities of the latter. As of such date, Banco de Chile is the legal continuator of Banco de A. Edwards.

The integration process began in March 2001, when the Luksic Holding Group reached a 52.7 percent ownership interest in Banco de Chile and became its majority shareholder. During the second half of said year, the boards of directors of Banco de Chile and Banco de A. Edwards approved the merger of both institutions. In December, 82.5 percent of Banco de Chile shareholders approved the takeover merger at a Special Meeting.

Banco de A. Edwards ceased to exist as of January 1, 2002, becoming part of Banco de Chile.

Profits and Dividends

Fiscal year profits, according to the Balance Sheet attached, amounted to Ch\$ 52,635,130,913. The Shareholders' Meeting will decide about the allocation of the same.

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Shareholders' Equity Account

As of December 31, 2002, the Shareholders' Equity Account is as follows:

| | |
|--------------------------------------|------------------------|
| Paid-in Capital _____ | \$ 477,726,734,596 |
| Other Reserves _____ | \$ 77,697,120,985 |
| Other Assets Accounts _____ | \$ 10,170,673,417 |
| Total Shareholders' Equity _____ | \$ 565,594,528,998 |

Paid-in capital as of December 31, 2002 is represented by 68,079,783,605 registered shares of stock, without par value and of a single series.

Expenses and Compensation of the Board of Directors

As decided by the Regular Shareholders' Meeting, during the 2002 fiscal year, the Bank has paid and charged to income Ch\$ 1,471.1 million in Directors' compensation.

Committee of Directors

Pursuant to applicable legislation, in 2002 the Committee of Directors of Banco de Chile was formed by the Directors Messrs. Jorge Awad Mehech, who chairs the Committee, Gonzalo Menéndez Duque, and Manuel Sobral Fraile. The following also participated at Committee meetings: Chief Executive Officer Mr. Pablo Granifo Lavín, General Legal Counsel Mr. Ricardo Dell'Orto Benard, and Risk Control Manager Mr. Pedro Bolados Morales.

In the course of the 2002 fiscal year, the Committee held sixteen meetings to discuss, among other, the following matters:

- Report on operations related to different enterprises, namely Promarket S.A., Banedwards Compañía de Seguros S.A., Banedwards S.A. Administradora de Fondos Mutuos, Banchile Seguros de Vida S.A., Empresa Nacional de Telecomunicaciones (Entel), Banchile Asesoría Financiera S.A., Telefónica del Sur, and Banchile Corredores de Seguros Ltda.
- Review and discussion of financial statements pertaining to the Bank and its subsidiaries.
- Proposal of external auditors and private risk rating agencies.
- Review of annual external auditing plan and of the internal control system assessment performed by external auditors.
- Review of the annual internal auditing plan and of observations made by internal auditors concerning control.
- Discussion of Senior Executives and Managers compensation structure.
- Review of special cases that have an impact on internal control systems.
- Discussion of Money Laundering Prevention Policies and compliance therewith.
- Review of accounting policies and impact thereof at the closing of the fiscal year.
- Review and discussion of the Bank management self-evaluation process.
- Presentations by customers submitted through the Superintendency of Banks and Financial Institutions.

Relevant Events

1. Acquisition of Promarket S.A.

Under public instrument dated June 12, 2002, granted at the office of the Santiago Notary Public Mr. René Benavente Cash, Banco de Chile jointly with Banchile Asesoría Financiera S.A. acquired 100 percent of the shares of PROMARKET S.A., a closed corporation, the purpose of which, in the capacity of supporting enterprise, shall be to promote and sell the products and services offered by Banco de Chile and its subsidiaries and supporting enterprises, as well as to provide of legal advice services to the bank, subsidiaries and supporting enterprises.

2. Acquisition of Baned Servicios Especializados S.A.

Under public instrument dated June 27, 2002, granted at the office of the Santiago Notary Public Mr. René Benavente Cash, Banco de Chile jointly with Banchile Asesoría Financiera S.A. acquired 100 percent of the shares of Baned Servicios Especializados S.A., a closed corporation, which shall act as a Banco de Chile subsidiary. Its corporate purpose shall be to collect, judicially or extra-judicially, effective or past due loans on its own behalf or on behalf of third parties.

3. Banedwards Administradora de Fondos Mutuos S.A.

Under public instrument dated June 27, 2002, granted at the office of the Santiago Notary Public Mr. René Benavente Cash, Banco de Chile acquired from Banchile Asesoría Financiera S.A. 132 shares of stock issued by Banedwards S.A. Administradora de Fondos Mutuos, thus holding 100 percent of shares in this latter corporation. The result of said acquisition was the early winding-up of Banedwards S.A. Administradora de Fondos Mutuos by operation of the law. Mutual Funds managed by Banedwards S.A. Administradora de Fondos Mutuos were transferred to Administradora Banchile de Fondos Mutuos S.A. as of January 1.

4. Buy-Sale Agreement

Banco de Chile, in the capacity of promisor buyer, and Inversiones Vita S.A., Inersa S.A. and Sociedad Inmobiliaria del Norte Limitada, in the capacity of promisor sellers, amended the Buy-Sale Agreement concerning Shares of Stock of the insurance company "Banchile Seguros de Vida S.A.", entered into by said corporations and Banco de A. Edwards on November 9, 2000, agreeing to (1) extend the term provided for the execution of the promised agreement until December 31, 2011, and (b) the manner in which the sale price of stock is to be determined.

5. Framework Agreement and other Agreements

Banco de Chile, Banchile Corredores de Seguros Limitada, and Banchile Seguros de Vida S.A. agreed upon different amendments to the Framework Agreement, Distribution Agreement and Collection Agreement entered into with Banco de A. Edwards, Banedwards Corredora de Seguros Limitada, and Banedwards Compañía de Seguros de Vida S.A. on November 9, 2000, extending the life of such agreements until December 31, 2011. Banedwards Compañía de Seguros de Vida S.A. changed its corporate name to Banchile Seguros de Vida S.A.

6. Banchile Administradora General de Fondos S.A.

On August 30, 2002, the Superintendency of Securities and Insurance approved the take-over merger of Banchile Administradora de Fondos Mutuos S.A. by Banchile Administradora de Fondos de Inversión S.A., both subsidiaries of Banco de Chile, and the change of corporate name to "Banchile Administradora General de Fondos S.A.". It was further approved a capital stock increase in the new corporation, from Ch\$ 598,352,907, divided into 455,276 registered shares of stock, without par value, to Ch\$ 2,554,614,813 divided into 11,181,138 registered shares of stock, without par value, of which 99.98 percent are held by Banco de Chile.

7. Listing of Banco de Chile stock in the Madrid Stock Exchange, Spain

Banco de Chile listed its stock in the Latin American Stock Exchange of the Madrid Stock Exchange LATIBEX, and trading thereof started on October 8, 2002, under the code XBCH, grouped in contract units of 600 shares.

8. Agreement with Entel

On November 22, 2002, Banco de Chile and Empresa Nacional de Telecomunicaciones S.A. subscribed Annex No. 2 to Agreement No. 26,622 on data services, private telephony, and other additional services for regional and metropolitan branches of Banco de Chile, adjusting services and rates according to the new requirements and structure of Banco de Chile, following its merger with Banco de A. Edwards. The original agreement is dated September 1, 2000.

9. ADRs registration with the United Kingdom Listing Authority

As of December 20, 2002, Banco de Chile ADRs are listed with the United Kingdom Listing Authority (UKLA). Listing permits such securities to be traded at the London Stock Exchange. Each ADR represents 600 shares of Banco de Chile. JP Morgan Chase Bank shall act as depository bank.