



## BANCO DE A. EDWARDS

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### FOR IMMEDIATE RELEASE

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### Banco de A. Edwards Announces 2001 First-Quarter Results

**Santiago, Chile, May 3, 2001 -- Banco de A. Edwards (NYSE: AED)**, a Chilean commercial bank focused on providing a broad range of financial services to corporations and individuals, today announced results for the first quarter ended March 31, 2001. The results have been prepared in accordance with Chilean GAAP on an unaudited, consolidated basis. All figures are expressed in constant Chilean pesos as of March 31, 2001, unless otherwise stated. Therefore, all growth is in real terms.

Net income for the first quarter of 2001 was Ch\$6,032 million (Ch\$0.82/share or US\$0.23/ADS), an increase of 46.2% compared with the Ch\$4,125 million reported during the same quarter of 2000, or an increase of 51.4% related to the previous quarter.

#### 2001 First-Quarter Selected Financial Data

	1Q00	4Q00	1Q01	% Change	
				1Q01/1Q00	1Q01/4Q00
<b>Income Statement</b> (Millions, Chilean pesos)					
Operating Revenues	32,811	36,281	36,089	10.0%	(0.5)%
Provision for loan losses	(6,073)	(6,828)	(8,995)	48.1%	31.7%
Operating Expenses	(18,794)	(24,139)	(21,562)	14.7%	(10.7)%
Net Income	4,125	3,984	6,032	46.2%	51.4%
<b>Earning per Share</b> (Chilean pesos)					
Net income per Share	0.56	0.54	0.82	46.2%	51.4%
Book value per Share	30.5	30.4	31.0	1.6%	2.0%
<b>Balance Sheet</b> (Millions, Chilean pesos)					
Loan Portfolio	2,086,738	2,275,627	2,261,351	8.4%	(0.6)%
Total Assets	2,598,071	2,830,899	2,761,098	6.3%	(2.5)%
Shareholders' Equity	225,251	224,316	228,761	1.6%	2.0%
<b>Total Capital / Risk Adjusted Assets</b>	11.8%	10.8%	12.0%	-	-
<b>Profitability Ratios</b>					
ROAA	0.65%	0.57%	0.86%	-	-
ROAE	7.5%	7.2%	10.7%	-	-
Net Interest Margin	4.3%	4.5%	4.7%	-	-
Efficiency ratio	57.3%	66.5%	59.7%	-	-
<b>Asset Quality Ratios</b>					
Past Due Loans / Total Loans	3.34%	2.82%	3.08%	-	-
Allowances for Loan Losses / Total Loans	3.72%	3.41%	3.37%	-	-
Allowances for Loan Losses / Past Due Loans	111.2%	120.9%	109.4%	-	-

## First Quarter 2001 Highlights

### The Bank

- **Loan Portfolio.** At the end of March 2001, the Bank's loan portfolio, net of interbank loans, reached Ch\$2,236,349 million, a 1.3% decrease over the previous quarter ended December 31, 2000. Accordingly, the Bank reached a market share of 8.1% as of March 31, 2001.
- **Strong Net Income Increase.** Net income totaled Ch\$6,032 million in the first quarter of 2001, increasing 46.2% compared to the same period of 2000 or 51.4% with respect to the fourth quarter of 2000.
- **Improvement in Loan Portfolio Classification.** During February 2001, the Bank was classified in Category I as a result of the satisfactory examination and evaluation made by the Superintendency of Banks of its credit management process. It is worth mentioning that this category is reserved for institutions that fully comply with the loan classification guidelines.
- **Positive Results of New Consumer Loan Campaign.** During this quarter Banco Edwards launched successfully once again a campaign promoting its consumer loan known as "Protección Total", which offers competitive interest rates and free short-term life insurance. This campaign, oriented to high-income individuals, has allowed the Bank to increase the number of consumer loans by 4.8% during the first quarter of 2001, compared to the previous quarter and by 13.4% relative to the first quarter of 2000.
- **Local Subordinated Debt Issuance.** During the first quarter of 2001, the Bank issued two series of subordinated bonds (series A6 and A7) denominated in UF for an aggregate amount of approximately Ch\$31,627 million (US\$53.3 million), a real interest rate of 7.0% and maturity in years 2020 and 2022, respectively. This issuance contributed to the strengthening of the Bank's capital base in order to support the expected loan growth.
- **Annual Shareholders' Meeting.** At the Bank's annual shareholder's meeting, held on March 22, 2001, it was agreed that 50% of 2000 net income would be distributed as dividends (Ch\$0.215128 per share) and that the remaining part would be capitalized.

Also Banco Edward's General Shareholders meeting authorized the transitory article N°10 of law N°19,705 be applied to the Bank's present controlling shareholders. In other words, Banco Edwards shareholders approved the use of the holding period the tender offer law includes. This is a term of three years during which the controlling shareholders of an Open Stock Corporation would be authorized to sell directly their controlling shares to a third party without being the buyer forced to issue a Tender offer to all shareholders.

- **Banco Edwards Board of Directors.** During the board of directors' meeting held on March 22, 2001, the following five members of the board of directors presented their resignation: Mr. Guillermo Luksic C., Mr. Rodrigo Manubens M., Mr. Sergio Melnick I., Mr. Gonzalo Menéndez D. and Mr. Francisco Pérez M. The Bank's current board of director is as follows: Mr. Andrónico Luksic C. (Chairman), Mr. Jacob Ergas E. (Vice Chairman), Mr. Jorge Diaz V., Mr.

Andrés Ergas H., Mr. Edmundo Eluchans U, Mr. Victor Larraguibel H., Mr. Luis Hernán Paul F., Mr. Juan Pablo Ureta P. and Mr. Erick Haindl R. Also, Mr. Fernando Silva L. (alternate director), Mr. Martín Rodríguez G. (alternate director) and Mr. Arturo Majlis A. (advisor) are members of the board of directors.

- **Subsidiaries.** Total net income from subsidiaries, net of minority interest, amounted to Ch\$916 million (US\$1.5 million) in the first quarter of 2001 showing an increase of 38.0% compared to the previous quarter. As a whole, subsidiaries' contribution represented 15.2% of the Bank's total net income during the mentioned period.

### **Financial System.**

- **Loan portfolio expansion.** At the end of March 2001, the financial system's loan portfolio, net of interbank loans, reached US\$46,383 million, representing a 5.7% increase over the last twelve-month period, and 0.6% growth in comparison to December 31, 2000. These expansions were mainly related to an increase in commercial loans, foreign trade loans and mortgage loans.
- **Slight Deterioration in Credit Quality.** The ratio of past due loans to total loans has worsened to 1.83% as of March 2001 from 1.79% as of March 31, 2000 or 1.73% as of December 2000. In addition, the ratio of allowances to total loans reached 2.57% as of March 31, 2001 compared to 2.58% as of March 31, 2000 or 2.54% as of December 2000. At the same time, the coverage ratio decreased to 140% as of March 31, 2001 from 144% as of March 31, 2000 or 146% as of December 31, 2000.
- **Increase in net income.** The financial system's net income increased 110.5%, to US\$291.0 million as of March 31, 2001 compared to US\$138.2 million as of March 31, 2000. As a result, the annualized return on average shareholder's equity reached 19.8% while the annualized return on average assets increased to 1.64% during the first quarter of 2001; both figures compare to the 10.3% and 0.83% registered in the first quarter of 2000, respectively.
- **Higher net interest revenues.** The net income growth was mainly a consequence of an increase in net interest revenue due to an expansion in both net interest margin (from 3.9% in 1Q00 to 5.0% in 1Q01) and average interest earning assets. This expansion more than offset the increase in provisions for loan losses and operating expenses.
- **Improvement in the Efficiency Ratio.** The financial system's efficiency ratio improved to 51.1% in the first quarter of 2001 from 61.5% in the same quarter of 2000 or from 62.2% in the fourth quarter of 2000, principally due to a significant increase in operating revenues which more than offset the higher operating expenses.

### **Chilean Economy**

- **Central Bank cuts rates again.** Economic indicators available for February 2001 have confirmed the weak growth picture for Chile's economy. Also, the less favorable external environment and lower inflation expectations (around 3.0% for the year), led the Central Bank to cut its target interbank rate ("Tasa de Instancia Monetaria") by 25 basis points on April 2001

to a 3.75%. This move represents the fourth rate cut in the year and the current level is at its lowest level in the last 15 years.

- **GDP growth estimation.** The economic activity registered an increase of 3.7% in February 2001 compared to same month of 2000, accumulating a growth of 3.6% in the first two months compared to 5.1% registered in the same period last year. For the first quarter of the year, the market is expecting an economy growth around 3.6% compared to the 5.5% in the first quarter of 2000. These figures reflect the negative effects of the deterioration in the international scenario, which has led to reduce the private GDP growth expectation for the year to 4.0% - 4.5%.
- **Lower trade surplus in March.** Imports declined 1.1% in March 2001 compared to the same month of 2000 (totaling US\$1,466 millions) while exports declined 8.8% between the same periods (amounting to US\$1,682 millions). As a consequence, the trade surplus in March 2001 accrued US\$216 millions and US\$560 in the first quarter of the year, 35.9% below the surplus registered in the first quarter of 2000. For the full year 2001, and according to the market consensus, the higher increased in imports than exports (mainly as a consequence of a lower copper price) will boost the current account deficit to around 2.1% from 1.4% registered in the last year.
- **Persistent high unemployment.** In the first quarter of 2001, unemployment rate rose to 8.8% compared to 8.2% registered in the same period last year. Official projections as well as private projections expect that the unemployment rate will remain high during year 2001.
- **Capital reforms for Capital markets.** On April 17, 2001 the Central Bank announced economic reforms in order to help speed recovery of the Chilean economy. The entity decided to lift several restrictions on foreign exchange operations, which should allow for easier foreign exchange transactions and encourage foreign investment in the Chilean economy, contributing thus the creation of new jobs within the medium term. Among these measures, the Central Bank eliminated the “encaje” on foreign loans and the requirement of previous authorization for inflows of foreign currency through bonds, ADRs and guarantees.

Also, as part of the measures to reactivate the economy, the Finance Minister announced several amendments to the capital market laws, comprising among other measures: (i) reduction of the tax rate foreign investors are charged for the interests they earn on local fixed income securities, (ii) elimination of capital gains' tax for local and foreign investors, and; (iii) deregulation of the insurance, pension funds and mutual funds industries.

## 2001 First-Quarter Consolidated Results

### NET INCOME

Net income for the first quarter of 2001 totaled Ch\$6,032 million (US\$10.2 million), an increase of 46.2% over net income of Ch\$4,125 million (US\$7.0 million) in the first quarter of 2000. This higher result was mainly explained by an increase in operating revenues and lower provisions and charged off on assets received in lieu of payment, which more than offset the raise observed in operating expenses and provisions for loan losses. Also the first quarter net income increased 51.4% compared to net income reported in the previous quarter, reflecting primarily a decrease in operating expenses.

Net income for the first quarter of 2001 resulted in a 0.86% annualized return on average assets (ROAA) and a 10.7% annualized return on average shareholders' equity (ROAE). Both ratios compared favorably to the respective 0.65% and 7.5% registered in equal period of 2000, and to the 0.57% and 7.2% registered in the previous quarter.

Net Income (in millions of Chilean pesos, except for percentages)					
	1Q00	4Q00	1Q01	% Change	
				1Q01/1Q00	1Q01/4Q00
Bank (excluding subsidiaries) <sup>1</sup>	2,652	3,320	5,116	92.9%	54.1%
Leasing <sup>1</sup>	691	-	-	-	-
Stock Brokerage	733	257	406	(44.6)%	58.0%
Mutual Fund	276	233	257	(6.9)%	10.3%
Insurance Brokerage	36	201	134	272.2%	(33.3)%
Investment Fund	(5)	(7)	(8)	60.0%	14.3%
Financial Advisory	29	30	39	34.5%	30.0%
Factoring	(8)	(52)	101	-	-
Securitization	-	2	(13)	-	-
Minority interest	(279)	-	-	-	-
<b>Total Net Income</b>	<b>4,125</b>	<b>3,984</b>	<b>6,032</b>	<b>46.2%</b>	<b>51.4%</b>

<sup>1</sup> Since the third quarter of 2000, leasing operations were granted by the Bank.

During the first quarter of 2001, total net income from subsidiaries totaled Ch\$916 million, up 38.0% from Ch\$664 million recorded in the previous quarter or 13.7% down from Ch\$1,061 million reported in the first quarter of 2000 (in this case excluding the leasing company and the minority interest).

The 38.0% increase during this quarter, compared to the fourth quarter of 2000, was largely the result of higher incomes obtained from the Stock Brokerage and Factoring subsidiaries. The Stock Brokerage subsidiary lowered its operating expenses and improved slightly its fee income. The Factoring Company, as expected, showed a positive performance during the first quarter of the current year, revealing higher operating revenues and lower provisions for loan losses. It is worth

mentioning that this subsidiary initiated its operations during the second quarter of 2000 and as of March 31, 2001 its loan portfolio had reached approximately Ch\$9,100 million. Also, during the first quarter of 2001, the Mutual Fund and the Corporate Finance Advisory subsidiaries improved slightly their results, as lower operating expenses more than offset the decline in fee income. The insurance brokerage subsidiary's lower result was mainly explained by a decline in income from services.

The decline of 13.7% observed in Subsidiaries' net income during the first quarter of 2001, compared to the year earlier quarter was mainly driven by a decrease in the Stock Brokerage net income. This decrease was mostly explained by higher gains on sales of financial instruments registered in the first quarter of 2000, and, to a lesser extent, to the decline of approximately 27.3% in the trading volume in the Santiago Stock Exchange (influenced by a capital increase in AntarChile during the first quarter of 2000).

### **NET INTEREST REVENUE**

<b>Net Interest Revenue</b> (in millions of Chilean pesos, except for percentages)					
	<b>1Q00</b>	<b>4Q00</b>	<b>1Q01</b>	<b>% Change</b>	
				<b>1Q01/1Q00</b>	<b>1Q01/4Q00</b>
Interest revenue	66,586	82,864	61,362	(7.8)%	(25.9)%
Interest expense	(41,599)	(55,175)	(32,322)	(22.3)%	(41.4)%
<b>Net Interest Revenue</b>	<b>24,987</b>	<b>27,689</b>	<b>29,040</b>	<b>16.2%</b>	<b>4.9%</b>
Avg.interest earning assets	2,304,619	2,485,126	2,475,360	7.4%	(0.4)%
Net Interest Margin	4.3%	4.5%	4.7%	-	-

Net interest revenue for the first quarter of 2001 totaled Ch\$29,040 million (US\$49.0 million), showing an increase of 16.2% compared to the Ch\$24,987 million (US\$42.1 million) recorded in the same period of 2000. This increase was the result of mainly two factors: (i) the expansion of 7.4% in average interest earning assets and, (ii) the lower accounting cost attributable to the management of the Bank's foreign currency position through forward contracts and assets/liabilities denominated in local currency, readjusted in accordance with changes in the US exchange rate (which increased the net interest margin by approximately 5 basis points in 1Q01 and reduced the same figure by 47 basis points in 1Q00). (See Other Operating Income)

The expansion in average interest earning assets was attributable to the 9.9% increase in average loan portfolio, which more than offset the decline of 11.3% in the average investment portfolio.

Excluding the effects of the accounting asymmetry associated to the forward contracts, the net interest margin registered a decline of approximately 16 basis points between first quarter 2001 and same period of year 2000, largely as result of the following factors:

- Lower inflation rate (from 1.5% in the first quarter of 2000 to 0.5% in the first quarter of 2001), which implied that the Bank earned lower nominal interest rates on the portion of interest earning assets financed by non-interest bearing liabilities.
- Lower proportion of interest earning assets financed by non-interest bearing liabilities.

It is worth mentioning that the negative effects aforementioned were partially lessened by:

- The increment in the matched spreads that increased the net interest margin in approximately 58 basis points between the first quarter of 2000 and 2001. This improvement was associated to a change in the interest earning assets mix towards higher yielding products and the stricter pricing policy followed by the Bank varying by segment, which has resulted in higher spreads mainly in high income individuals and middle market companies.
- A lower proportion of financial investments and higher proportion of consumer loans and commercial loans denominated in Chilean pesos (which are high yielding loans versus UF denominated loans) during the first quarter of 2001.
- The positive effect of the significant decline in nominal interest rates during the first quarter of 2001, since the Bank's interest bearing liabilities have a shorter repricing period than the interest earning assets (average nominal interest paid decreased from 10.7% in 4Q00 to 6.3% in 1Q01).

Regarding the 4.9% increase in net interest revenue between the first quarter of 2001 and the previous quarter, it responded mainly to an increase of 23 basis points in the net interest margin, which more than offset the decrease of 0.4% in interest earning assets.

## **LOAN PORTFOLIO**

### **Loan Portfolio by Type of Credit**

<b>Loan Portfolio</b> (in millions of Chilean pesos, except for percentages)					
	<b>March.00</b>	<b>Dec.00</b>	<b>March.01</b>	<b>% Change</b>	
				<b>12-months</b>	<b>1Q01/4Q00</b>
Commercial Loans	1,064,521	1,116,921	1,118,964	5.1%	0.2%
Mortgage Loans	398,105	432,101	435,518	9.4%	0.8%
Consumer Loans	126,801	152,040	157,741	24.4%	3.7%
Foreign trade Loans	129,917	185,946	174,709	34.5%	(6.0)%
Contingent Loans	93,949	123,248	89,373	(4.9)%	(27.5)%
Others Outstanding Loans	140,537	141,624	127,862	(9.0)%	(9.7)%
Lease Contracts	50,655	50,510	62,472	23.3%	23.7%
Past-due Loans	69,750	64,211	69,710	(0.1)%	8.6%
<b>Total Loans, net</b>	<b>2,074,235</b>	<b>2,266,601</b>	<b>2,236,349</b>	<b>7.8%</b>	<b>(1.3)%</b>
Interbank Loans	12,503	9,026	25,002	100.0%	177.0%
<b>Total Loans</b>	<b>2,086,738</b>	<b>2,275,627</b>	<b>2,261,351</b>	<b>8.4%</b>	<b>(0.6)%</b>

## Loan Portfolio by Market Segment<sup>1</sup>

Loan Portfolio (in millions of Chilean pesos, except for percentages)					
	March.00	Dec.00	March.01	% Change	
				12-months	1Q01/4Q00
<b>Individual Banking</b>	<b>574,275</b>	<b>635,539</b>	<b>634,282</b>	<b>10.4%</b>	<b>(0.2)%</b>
High Income	472,611	525,651	520,763	10.2%	(0.9)%
Lower Middle Income	101,664	109,888	113,519	11.7%	3.3%
<b>Corporate Banking</b>	<b>1,499,960</b>	<b>1,631,062</b>	<b>1,602,067</b>	<b>6.8%</b>	<b>(1.8)%</b>
Middle market	1,228,615	1,225,598	1,176,621	(4.2)%	(4.0)%
Large corporations <sup>2</sup>	271,345	405,464	425,446	56.8%	4.9%
<b>Total Loans, net</b>	<b>2,074,235</b>	<b>2,266,601</b>	<b>2,236,349</b>	<b>7.8%</b>	<b>(1.3)%</b>
<b>Interbank Loans</b>	<b>12,503</b>	<b>9,026</b>	<b>25,002</b>	<b>100.0%</b>	<b>177.0%</b>
<b>Total Loans</b>	<b>2,086,738</b>	<b>2,275,627</b>	<b>2,261,351</b>	<b>8.4%</b>	<b>(0.6)%</b>

<sup>1</sup> For purposes of this table, clients were categorized in accordance of internal segment definitions.

<sup>2</sup> Large Corporations include commercial and foreign trade loans granted to foreign Banks.

The Bank's loan portfolio reached Ch\$2,261,351 million as of March 31, 2001, showing a contraction of 0.6% compared to Ch\$2,275,627 million registered as of December 31, 2000 or an expansion of 8.4% relative to Ch\$2,086,738 million posted as of March 31, 2000.

The quarterly loan contraction was mainly fueled by a decrease in contingent loans, and to a lesser extent, by a decline in other outstanding loans and in foreign trade loans. However, this decline was partially offset by the recovery experienced by lease contracts and the increase observed in interbank loans. Also, the positive performance showed by consumer, commercial and mortgage loans mitigated the aforementioned contraction.

Regarding contingent loans' drop, it was principally explained by stand-by letters of credits with low spread of two corporate clients of the transport-storage sector, which were not renovated. Foreign trade loans decreased mainly in middle market companies of the import and export sector. For their part, the decrease in other outstanding loans was attributable to the sale of approximately Ch\$13,041 million in mortgages financed by the Bank's general borrowings oriented to high income individuals, which implied a benefit of approximately Ch\$934 million. The reduction in mortgages financed by general borrowings more than offset the 0.8% expansion in mortgage loans (coming from both segments high income and lower middle income individuals).

Consumer loans growth was mainly associated with credit cards and consumer loans oriented to high income individuals, supported by the successful Mundo Edwards loyalty program, encouraging credit card use, and the consumer loan campaign launched during the first quarter of this year. Commercial loans' expansion was influenced by an increase in syndicated loans granted to large corporations and a further increase in loans related to financial services' large corporations.

In terms of segments, the Bank continued growing importantly in large corporations, a lower risk segment. However, during the first quarter of 2001, loans coming from lower-middle income individuals also experienced a positive growth as a consequence of the increase in mortgage loans. Loans to high income individuals experienced a slight decline mainly associated with the aforementioned decrease in other outstanding loans (sale of mortgages financed by the Banks' general borrowings).

In line with the Bank's diversification objective, as of March 31, 2001 the Bank's Retail, Construction and Manufacturing sectors reduced its concentration, as a whole, to 35.3% of the total loan portfolio, compared to the 40.2% as of March 31, 2000 and 35.9% as of December 31, 2000.

### Past Due Loans by Type of Credit

Past Due Loans (in millions of Chilean pesos, except for percentages)					
	March.00	Dec.00	March.01	% Change	
				12-months	1Q01/4Q00
Commercial loans	68,451	61,893	66,031	(3.5)%	6.7%
Consumer loans	1,046	1,065	1,272	21.6%	19.4%
Residential mortgage loans	253	1,253	2,407	851.4%	92.1%
<b>Total Past Due Loans</b>	<b>69,750</b>	<b>64,211</b>	<b>69,710</b>	<b>(0.1)%</b>	<b>8.6%</b>

#### Ratios

<b>Allowance / Past Due Loans</b>	<b>111.2%</b>	<b>120.9%</b>	<b>109.4%</b>	-	-
<b>Past Due Loans / Total Loans</b>	<b>3.34%</b>	<b>2.82%</b>	<b>3.08%</b>	-	-

Past-due loans totaled Ch\$69,710 million as of March 31, 2001, an 8.6% increase compared to Ch\$64,211 million recorded as of December 31, 2000. The quarterly increase in past due loans was mainly related to higher commercial past due loans coming principally from middle market companies, and, to a lesser extent, to an increase in residential mortgage loans ( it is important to note that the ratio of past due to total loans of residential mortgage loans is 1.2% below the 3.08% Banks' ratio). As a consequence, past due loans to total loans ratio rose to 3.08% on March 31, 2001, from 2.82% on December 31, 2000.

## FUNDING

Funding (in millions of Chilean pesos, except for percentages)					
	March.00	Dec.00	March.01	% Change	
				12-months	1Q01/4Q00
<b>Non-interest Bearing Liabilities</b>					
Current Accounts	203,551	227,327	232,516	14.2%	2.3%
Bankers drafts and other deposits	138,427	124,469	114,812	(17.1)%	(7.8)%
Other Liabilities	129,792	179,794	174,722	34.6%	(2.8)%
<b>Total</b>	<b>471,770</b>	<b>531,590</b>	<b>522,050</b>	<b>10.7%</b>	<b>(1.8)%</b>
<b>Interest Bearing Liabilities</b>					
Savings & Time Deposits	1,203,957	1,346,794	1,322,964	9.9%	(1.8)%
Central Bank Borrowings	5,863	2,366	2,269	(61.3)%	(4.1)%
Repurchase agreements	94,589	88,528	58,476	(38.2)%	(33.9)%
Mortgage Finance Bonds	414,869	458,847	467,600	12.7%	1.9%
Subordinated Bonds	53,147	51,648	84,035	58.1%	62.7%
Other Bonds	14,949	11,237	10,751	(28.1)%	(4.3)%
Borrowings from Domestic Inst.	64,221	40,524	17,010	(73.5)%	(58.0)%
Foreign Borrowings	25,161	41,829	23,008	(8.6)%	(45.0)%
Other Obligations	20,272	33,220	24,174	19.2%	(27.2)%
<b>Total</b>	<b>1,897,028</b>	<b>2,074,993</b>	<b>2,010,287</b>	<b>6.0%</b>	<b>(3.1)%</b>
<b>Total Liabilities</b>	<b>2,368,798</b>	<b>2,606,583</b>	<b>2,532,337</b>	<b>6.9%</b>	<b>(2.8)%</b>

During the first quarter of 2001, the balance of both non-interest bearing liabilities and interest bearing liabilities dropped 1.8% and 2.8%, respectively relative to the previous quarter. Nevertheless, in terms of average balances, non-interest bearing liabilities showed an increase of 2.8%, mainly driven by a 9.5% hike in current accounts deposits coming principally from high income individuals.

Concerning total interest bearing liabilities, the decline recorded during this quarter was mainly reflected in the decrease of borrowings from domestic institutions, foreign borrowings and repurchase agreements, as a consequence of the Bank's decision of reduce its investment portfolio. However, this decline was partially offset by the increase in subordinated bonds, due to the issuance of two series of these bonds for an aggregate amount of approximately Ch\$31,627 million.

## INVESTMENT PORTFOLIO

As of March 31, 2001, the Bank's investment portfolio reached Ch\$197,033 million, a 33.1% decrease compared to Ch\$294,702 million as of December 31, 2000. This decline was attributable mainly to the Bank's decision to reduce exposure to Central Bank securities, as the expected decrease in interest rates was materialized during the first quarter of 2001. Also, the Bank reduced its exposure to Latin American investment grade securities (Yankee Bonds) in order to reduce potential risks.

At the end of March of 2001, the investment portfolio maintained by the Bank was mainly comprised of instruments issued by the Chilean Central Bank (33.2%), international investment

grade securities (30.5%), time deposits issued by domestic institutions (15.3%), and investment purchased under agreements to resell (9.6%).

### **ASSETS RECEIVED IN LIEU OF PAYMENT**

During the first quarter of 2001, the Bank's assets received in lieu of payment, net of provisions, decreased 15.2%, to Ch\$11,088 million on March 31, 2001, from Ch\$13,075 million on December 31, 2000, mainly as a consequence of the sale of one agriculture property during January 2001. On March 31, 2001 the Bank's gross assets received in lieu of payment reached Ch\$11,962 million and provisions for assets received in lieu of payment amounted to Ch\$874 million.

### **PROVISIONS FOR LOAN LOSSES**

<b>Allowances and Provision for Loans Losses</b> (in millions of Chilean pesos, except for percentages)					
	1Q00	4Q00	1Q01	% Change	
				1Q01/1Q00	1Q01/4Q00
Allowances at the beginning of each period	<b>76,053</b>	<b>80,941</b>	<b>77,662</b>	<b>2.1%</b>	<b>(4.1)%</b>
Price-level restatement	(754)	(1,242)	(109)	(85.5)%	(91.2)%
Charge-off	(3,797)	(8,865)	(10,306)	171.4%	16.3%
Provisions established, net	6,073	6,828	8,995	48.1%	31.7%
Allowances at the end of each period	<b>77,575</b>	<b>77,662</b>	<b>76,242</b>	<b>(1.7)%</b>	<b>(1.8)%</b>
Provisions for Loans Losses	<b>(6,073)</b>	<b>(6,828)</b>	<b>(8,995)</b>	<b>48.1%</b>	<b>31.7%</b>

### ***Ratios***

Allowance for loan losses / Total loans	3.72%	3.41%	3.37%
Risk Index	3.37%	2.89%	2.91%
Provisions for loan losses / Avg. Loans	1.19%	1.23%	1.60%
Charge-offs / Avg. Loans	0.74%	1.61%	1.83%
Recoveries / Avg. Loans	0.14%	0.26%	0.19%

Provisions for loan losses increased to Ch\$8,995 million in the first quarter of 2001, from Ch\$6,073 million in the four quarter of 2000. The increase observed during this quarter responded mainly to higher provisions for loan losses on commercial loans, and, to a lesser extent, to higher provisions associated to consumer loans, mainly related to lower income individuals.

In terms of economic sectors, provisions for loan losses increased mainly in the financial services (due to one financial company related to the retail business), construction and manufacturing sectors during the first quarter of 2001 compared to the previous quarter.

The Bank's risk index stood at 2.91%, slightly above the 2.89% as of December 31, 2000, while provisions for loan losses as percentage of average total loans (on an annualized basis) increased to 1.60% during the first quarter of 2001 from 1.23% in the previous quarter.

## INCOME FROM SERVICES, NET

Income from Services (in millions of Chilean pesos, except for percentages)					
	1Q00	4Q00	1Q01	% Change	
				1Q01/1Q00	1Q01/4Q00
<i>Composition by Company</i>					
Bank <sup>1</sup>	1,091	3,298	3,775	246.0%	14.5%
Finandes	302	314	376	24.5%	19.7%
Mutual Fund	767	798	693	(9.6)%	(13.2)%
Financial Advisory	151	164	146	(3.3)%	(11.0)%
Insurance Brokerage	413	589	453	9.7%	(23.1)%
Stock Brokerage	481	327	349	(27.4)%	6.7%
Investment Fund	33	1	0	(100.0)%	(100.0)%
Factoring	-	40	31	-	(22.5)%
Leasing <sup>2</sup>	0	-	-	-	-
<b>Total Income from services, net</b>	<b>3,238</b>	<b>5,531</b>	<b>5,823</b>	<b>79.8%</b>	<b>5.3%</b>
<b>Adjusted fee income<sup>3</sup></b>	<b>3,728</b>	<b>5,572</b>	<b>6,020</b>	<b>61.5%</b>	<b>8.0%</b>

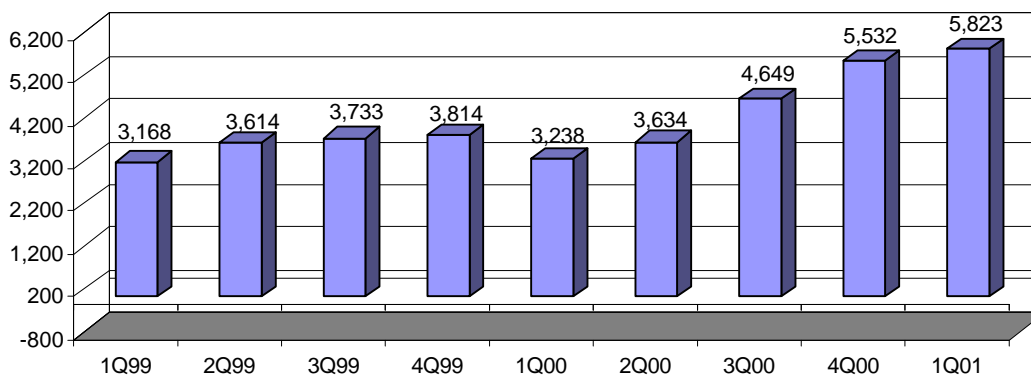
<sup>1</sup> Considers fees from high income individuals, middle market and large companies.

<sup>2</sup> Since the third quarter of 2000, leasing operations were granted by the Bank.

<sup>3</sup> Adjusted fee income line shows fees in a cash basis and is presented here only for comparative purposes.

Income from services continued expanding importantly during the first quarter of 2001, mainly as a result of the further implementation of the pricing strategy, contemplated in the fee income plan carried out since the second half of 2000. Fee income revealed a quarterly growth of 5.3% with respect to the fourth quarter of 2000, and an outstanding 79.8% compared to the first quarter of 2000. Both increases were mainly due to higher checking accounts and credit lines fees as a consequence of the increase in overdraft fees and fees associated with the maintenance of lower volumes in current accounts. It is worth mentioning that higher fees obtained in checking accounts during the first quarter of 2001 compared to the fourth quarter of 2000 came principally from corporations, as the change in the price policy associated to the maintenance of lower balances in current accounts was made extensive to this segment. This line increased approximately 5 times between the first quarter of 2001 and 2000, and 27% in comparison to the first quarter of 2001.

**Fee Income Evolution by Quarter**  
(millions of constant Chilean pesos)



In addition, during the first quarter of 2001, a better performance was observed in fees associated with credit cards and consumer loans, which increased by approximately 43.5% and 6.5%, respectively, with respect to the fourth quarter of 2000. Higher credit card fees were a consequence of the implementation of our fee income plan regarding the charges for credit card administration (which effects are being reflected since this quarter) and also to an increase in volumes of transactions of this product. On the other hand, consumer loans' fees were positively impacted by the consumer loan campaign launched during the first quarter of 2001, which implied an increase in the number of consumer loans during such period.

As we have been mentioning in previous releases, since year 2000, the Bank has been recognizing fee income on an accrued basis<sup>1</sup>, which affected mainly those fees originated in the use of ATMs, credit lines and sight accounts. This regulation has led to a deferral of approximately Ch\$197 million in fee income in the first quarter of 2001, Ch\$41 million in the fourth quarter of 2000, and Ch\$490 million in the first quarter of 2000. Excluding this effect, income from services (in a cash basis) would have increase by 61% and 8% in the first quarter of 2001 in comparison to the year-earlier comparable period and the previous quarter, respectively.

#### **OTHER OPERATING INCOME, NET**

<b>Other operating income</b> (in millions of Chilean pesos, except for percentages)					
	<b>1Q00</b>	<b>4Q00</b>	<b>1Q01</b>	<b>% Change</b>	
				<b>1Q01/1Q00</b>	<b>1Q00/4Q00</b>
Gain on sales of financial instruments, net	916	476	2,743	199.5%	476.3%
Foreign exchange transactions, net	3,670	2,585	(1,517)	-	-
<b>Total other operating income</b>	<b>4,586</b>	<b>3,061</b>	<b>1,226</b>	<b>(73.3)%</b>	<b>(59.9)%</b>

The Bank's Other Operating Income dropped to Ch\$1,226 million during the first quarter of 2001 from Ch\$4,586 million in the first quarter of 2000. This decrease was mainly due to the decline experienced by Foreign Exchange Transactions, which was partially offset by higher Gains on Sales of financial instruments.

Gains on Sales of Financial Instruments increased during the first quarter of 2001 in comparison to the first quarter of 2000, mainly as a result of higher mark to market earnings obtained from Central Bank securities, as a consequence of a decline in the interest rates during the quarter, and to the important gains recorded from the sale of mortgages financed by the Bank's general borrowings.

The sharp decline in foreign exchange transactions during the first quarter of 2001, compared to the same quarter of 2000, was principally a result of:

- (i) the Bank's decision to maintain a higher net liability position in US dollars<sup>2</sup>, in a context of depreciation of the Chilean peso against the US dollar (on the contrary, during the first

<sup>1</sup> The application of this regulation was optional during year 2000 and obligatory since year 2001.

<sup>2</sup> It is worth mentioning that any asset / liability position in foreign currency that the Bank takes is usually hedged, totally or partially, with assets/ liabilities denominated in Chilean pesos and readjusted in accordance with changes in the US exchange rate (this readjustment is accounted in the interest revenues line).

- quarter of 2000, there was an appreciation of the Chilean peso against the US dollar), which produced a greater impact over the mentioned position, and,
- (ii) lower accrual earnings experienced by the UF-US\$ forward contracts due to the lower inflation rate, and;
  - (iii) to a lesser extent, to lower earnings generated by foreign currency trading.

As we already mentioned in the Net Interest Revenue explanation, the management of the Bank's foreign currency financial position through forward contracts and assets/liabilities denominated in local currency, readjusted in US accordance with changes in US exchange rate, originates accounting asymmetries which distort both the net interest revenue and the foreign exchange transaction line. Therefore, the amount showed in this line does not reflect adequately the financial results associated with the management of the foreign exchange position, since it does not include the cost of carry or the mentioned accounting asymmetry.

In accordance with the Bank's internal profitability methodology, the financial results associated with the management of the foreign exchange positions reached an amount of approximately Ch\$605 million during the first quarter of 2001 and approximately Ch\$1,083 million in the first quarter of 2000.

## **OTHER INCOME AND EXPENSES**

The Bank's other income and expenses for the first quarter of 2001 amounted to Ch\$1,698 million, compared to Ch\$(1,409) million in the first quarter of 2000 or Ch\$1,245 million for the fourth quarter of 2000. Higher other income and expenses recorded in the first quarter of 2001, with respect to the year earlier quarter, was mostly explained by: (i) significant provisions and charge-off on assets received in lieu of payment established during the first quarter of 2000, and; (ii) higher incomes obtained from the sale of assets received in lieu of payment, previously charged off, during the first quarter of 2001. In addition, during the first quarter of 2001, higher recoveries of loans previously charged off coming mainly from the Bank's consumer loan Division (Finandes) were registered. Regarding the higher figure of the first quarter of 2001 in comparison to the fourth quarter of 2000, it was mainly the result of both higher incomes obtained from the sale of assets received in lieu of payment and lower provisions on assets received in lieu of payment.

## **OPERATING EXPENSES**

<b>Operating expenses</b> (in millions of Chilean pesos, except for percentages)					
	<b>1Q00</b>	<b>4Q00</b>	<b>1Q01</b>	<b>% Change</b>	
				<b>1Q01/1Q00</b>	<b>1Q01/4Q00</b>
Personnel salaries and expenses	(9,336)	(10,390)	(10,067)	7.8%	(3.1)%
Administrative and other expenses	(8,141)	(11,704)	(9,260)	13.7%	(20.9)%
Depreciation and amortization	(1,317)	(2,045)	(2,235)	69.7%	9.3%
<b>Total operating expenses</b>	<b>(18,794)</b>	<b>(24,139)</b>	<b>(21,562)</b>	<b>14.7%</b>	<b>(10.7)%</b>
<b>Operating expenses / Operating revenues</b>	<b>57.3%</b>	<b>66.5%</b>	<b>59.7%</b>	-	-

The Bank's operating expenses amounted to Ch\$21,562 million (US\$36.4 million) during the first quarter of 2001, an increase of 14.7% compared to year-earlier comparable period or a 10.7% decrease relative to the fourth quarter of 2000. The 14.7% increase was driven by a raise in its three components: personnel salaries, and administrative and depreciation expenses.

Personnel salaries and expenses increased by 7.8% during the first quarter of 2001 compared to the same quarter of 2000. This growth was closely related to the increase in headcount of 224 employees (from 2,712 as of March 31, 2000 to 2,936 as of March 31, 2001), mainly related to commercial areas associated to new branches and the strengthening of the corporate business.

Regarding administrative and other expenses, the expansion of 13.7% observed during the first quarter of 2001 with respect to the same period of 2000, was mainly explained by higher:

- (i) Expenses related to the Bank's and to the Consumer Division sale force, which has allowed the Bank to increase the sales of checking accounts, credit cards, consumer credits and mortgage loans.
- (ii) Rental expenses associated principally to the installation of 137 new ATMs and to the opening of new branches.
- (iii) Maintenance expenses related to fixed assets.
- (iv) Telecommunication expenses, and,
- (v) Technology advisories' expenses.

Higher depreciation and amortization expenses was registered during the first quarter of 2001, compared to the year-earlier quarter, mainly due to an increase in depreciation of computer equipment, associated to the purchase and upgrade of ATMs, servers and personal computers, and amortization of software development, related to the Bank's web site. In addition, higher depreciation expenses associated with re-furbish and modernization of rented branches were recorded during the analyzed period.

Concerning the reduction of 10.7% in operating expenses during the first quarter of the current year in comparison to the previous quarter, it was mostly explained by lower administrative and other expenses, and to a lesser extent, to a decline in personnel salaries expenses. These effects more than offset the increase observed in depreciation and amortization expenses.

The decline in personnel salaries expenses was primarily explained by the seasonal effect of the release of vacation provisions during the first quarter of 2001, while lower administrative expenses was mainly driven by a decrease in expenses related to: (i) software and computer advisories (in part associated to the Bank's web site), (ii) advertising and corporate marketing campaigns, (iii) sales force, and; (iv) office supplies within others.

It is worth mentioning that the net effect of deferral costs (related to the origination of consumer loans and sales of other products due to the change in the accounting principles dictated by the Superintendency of Banks) was a reduction in the quarterly expenses for an amount of approximately Ch\$55 million in the first quarter of 2001, Ch\$207 million in the first quarter of 2000, and Ch\$363 million in the fourth quarter of 2000.

In terms of efficiency ratio, it reached 59.7% in the first quarter of 2001, compared to 57.3% in the first quarter of 2000, or 66.5% in the fourth quarter of 2000. The ratio of operating expenses to

average total assets showed a slight increase to 3.1% in the first quarter of 2001 from 2.9% in the year-earlier quarter or a decrease compared to the 3.4% in the previous quarter.

### **LOSS FROM PRICE- LEVEL RESTATEMENT**

Loss from price-level restatement decreased to Ch\$168 million (US\$0.3 million) in the first quarter of 2001 from Ch\$1,558 million (US\$2.6 million) in the same quarter of 2000. This decline resulted largely from the drop experienced by the inflation rate during the first quarter of 2001 (the inflation rate used for adjustment purposes declined to 0.1% in the first quarter of 2001 from 1.0% in the first quarter of 2000).

### **INCOME TAXES**

The Bank's income taxes increased to Ch\$1,030 million during the first quarter of 2001 from Ch\$566 million during the first quarter of 2000, representing 14.6% and 12.1% of income before taxes, respectively. It is worth mentioning that the increase in income taxes paid in the first quarter of 2001, compared to the same quarter of the last year also responded to the change in the accounting principle related to the recording of deferred income taxes, mentioned in previous releases. The application of this regulation decreased the charge for income taxes by Ch\$42 million during the first quarter of 2001 and Ch\$233 million during the first quarter of 2000. It is important to note that these amounts corresponded mainly to the tax credit originated from the application of this new guideline for the periods prior to 1999.

### **SHAREHOLDER'S EQUITY**

As of March 31, 2001, the Bank's shareholder's equity totaled Ch\$228,761 million (US\$386 million), a 1.6% increase in comparison to the Ch\$225,251 million (US\$380 million) recorded as of March 31, 2000, reflecting the higher net income registered during the first quarter of 2001. During the first quarter of 2001, the Bank issued subordinated bonds for an amount of approximately UF2 million (Ch\$31,627 million). Consequently, as of March 31, 2001 the Bank's Total Capital to Risk-Adjusted Assets ratio (BIS ratio) increased to 12.0%, while the Basic Capital to Total Asset ratio reached 8.2%, both figures well above the 8% and 3% respective minimum requirements.

*Note: All figures expressed in US dollars (except earnings per ADR) were converted using the exchange rate of Ch\$592.91 for US\$1.00 as of March 31, 2001. Earnings per ADR were calculated considering the nominal net income and the exchange rate existing at the end of each period.*

## **FORWARD-LOOKING INFORMATION**

The information contained herein incorporates by reference statements which constitute “forward-looking statements,” in that they include statements regarding the intent, belief or current expectations of our directors and officers with respect to our future operating performance. Such statements include any forecasts, projections and descriptions of anticipated cost savings or other synergies. You should be aware that any such forward-looking statements are not guarantees of future performance and may involve risks and uncertainties, and that actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, without limitations, the actions of competitors, future global economic conditions, market conditions, foreign exchange rates, and operating and financial risks related to managing growth and integrating acquired businesses), many of which are beyond our control. The occurrence of any such factors not currently expected by us would significantly alter the results set forth in these statements.

Factors that could cause actual results to differ materially and adversely include, but are not limited to:

- changes in general economic, business or political or other conditions in Chile or changes in general economic or business conditions in Latin America;
- changes in capital markets in general that may affect policies or attitudes toward lending to Chile or Chilean companies;
- unexpected developments in certain existing litigation;
- increased costs;
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and

You should not place undue reliance on such statements, which speak only as of the date that they were made. Our independent public accountants have not examined or compiled the forward-looking statements and, accordingly, do not provide any assurance with respect to such statements. These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may issue in the future. We do not undertake any obligation to release publicly any revisions to such forward-looking statements after completion of this offering to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

**-- Financial Tables Follow --**

**BANCO DE A. EDWARDS**  
**CONSOLIDATED STATEMENTS OF INCOME (Under Chilean GAAP)**  
(Expressed in millions of constant Chilean pesos (MCh\$) as of March 31, 2001 and millions of US dollars (MUS\$))

	Quarters				% Change		Year to Date			% Change
	1Q00 MCh\$	4Q00 MCh\$	1Q01 MCh\$	1Q01 MUS\$	1Q01-1Q00	1Q01-4Q00	Dec 99 MCh\$	Dec 00 MCh\$	Dec 00 MUS\$	Dec 00-Dec 99
<b>Interest revenue and expense</b>										
Interest revenue	66,586	82,864	61,362	103.5	(7.8) %	(25.9) %	268,897	294,772	497.2	9.6 %
Interest expense	(41,599)	(55,175)	(32,322)	(54.5)	(22.3) %	(41.4) %	(162,108)	(189,859)	(320.2)	17.1 %
Net interest revenue	24,987	27,689	29,040	49.0	16.2 %	4.9 %	106,789	104,913	177.0	(1.8) %
Provision for loan losses	(6,073)	(6,828)	(8,995)	(15.2)	48.1 %	31.7 %	(66,984)	(35,381)	(59.7)	(47.2) %
<b>Income from services, net</b>										
Income from services	4,339	6,704	7,145	12.0	64.7 %	6.6 %	18,386	21,445	36.2	16.6 %
Services expenses	(1,101)	(1,173)	(1,322)	(2.2)	20.1 %	12.7 %	(4,197)	(4,656)	(7.9)	10.9 %
Income from services, net	3,238	5,531	5,823	9.8	79.8 %	5.3 %	14,189	16,789	28.3	18.3 %
<b>Other operating income, net</b>										
Gains on financial instruments, net	916	476	2,743	4.6	199.5 %	476.3 %	1,884	2,298	3.9	22.0 %
Foreign exchange transactions, net	3,670	2,585	(1,517)	(2.5)	n/a	n/a	4,684	6,652	11.2	42.0 %
Total other operating income, net	4,586	3,061	1,226	2.1	(73.3) %	(59.9) %	6,568	8,950	15.1	36.3 %
<b>Other income and expenses</b>										
Recovery of loans previously charged-off	700	1,454	1,047	1.8	49.6 %	(28.0) %	3,709	3,585	6.0	(3.3) %
Non-operating income	530	788	1,047	1.8	97.5 %	32.9 %	2,271	2,612	4.4	15.0 %
Non-operating expenses	(2,617)	(1,016)	(434)	(0.7)	(83.4) %	(57.3) %	(4,396)	(7,314)	(12.3)	66.4 %
Participation in earnings of equity investments	(22)	19	38	0.0	n/a	100.0 %	74	4	0.0	(94.6) %
Total other income and expenses	(1,409)	1,245	1,698	2.9	n/a	36.4 %	1,658	(1,113)	(1.9)	n/a
<b>Operating expenses</b>										
Personnel salaries and expenses	(9,336)	(10,390)	(10,067)	(17.0)	7.8 %	(3.1) %	(35,241)	(40,296)	(68.0)	14.3 %
Administrative and other expenses	(8,141)	(11,704)	(9,260)	(15.6)	13.7 %	(20.9) %	(28,461)	(38,072)	(64.2)	33.8 %
Depreciation and amortization	(1,317)	(2,045)	(2,235)	(3.8)	69.7 %	9.3 %	(5,247)	(6,258)	(10.5)	19.3 %
Total operating expenses	(18,794)	(24,139)	(21,562)	(36.4)	14.7 %	(10.7) %	(68,949)	(84,626)	(142.7)	22.7 %
Loss from price-level restatement	(1,558)	(2,388)	(168)	(0.3)	(89.2) %	(93.0) %	(2,453)	(6,993)	(11.8)	185.1 %
Minority interest in consolidated subsidiaries	(286)	0	0	0.0	(100.0) %	n/a	(519)	(354)	(0.6)	(31.8) %
Income before income taxes	4,691	4,171	7,062	11.9	50.5 %	69.3 %	(9,701)	2,185	3.7	n/a
Income taxes	(566)	(187)	(1,030)	(1.7)	82.0 %	450.8 %	2,781	996	1.7	(64.2) %
Net income	4,125	3,984	6,032	10.2	46.2 %	51.4 %	(6,920)	3,181	5.4	n/a

**BANCO DE A. EDWARDS**  
**CONSOLIDATED BALANCE SHEETS (Under Chilean GAAP)**  
(Expressed in millions of constant Chilean pesos (MCh\$) as of March 31, 2001 and millions of US dollars (MUS\$))

<u>ASSETS</u>	Dec 99	Mar 00	Dec 00	Mar 01	Mar 01	<u>% Change</u>		
	MCh\$	MCh\$	MCh\$	MCh\$	MUS\$	Dec 00-Dec 99	Mar 01-Mar 00	Mar 01-Dec 00
<b>Cash and due from banks</b>								
Noninterest bearing	129,499	201,382	193,634	205,205	346.1	49.5 %	1.9 %	6.0 %
Interest bearing	35,394	674	391	27,075	45.7	(98.9) %	3917.1 %	6824.6 %
<b>Total cash and due from banks</b>	<b>164,893</b>	<b>202,056</b>	<b>194,025</b>	<b>232,280</b>	<b>391.8</b>	<b>17.7 %</b>	<b>15.0 %</b>	<b>19.7 %</b>
<b>Financial investments</b>								
Government securities	65,579	31,198	60,744	36,569	61.7	(7.4) %	17.2 %	(39.8) %
Investments purchase under agreements to resell	27,902	27,927	31,755	18,872	31.8	13.8 %	(32.4) %	(40.6) %
Investment collateral under agreements to repurchase	53,574	77,629	76,206	48,439	81.7	42.2 %	(37.6) %	(36.4) %
Other investments	129,935	145,362	125,997	93,153	157.1	(3.0) %	(35.9) %	(26.1) %
<b>Total financial investments</b>	<b>276,990</b>	<b>282,116</b>	<b>294,702</b>	<b>197,033</b>	<b>332.3</b>	<b>6.4 %</b>	<b>(30.2) %</b>	<b>(33.1) %</b>
<b>Loans, Net</b>								
Commercial loans	1,083,045	1,064,521	1,116,921	1,118,964	1,887.2	3.1 %	5.1 %	0.2 %
Consumer loans	126,215	126,801	152,040	157,741	266.0	20.5 %	24.4 %	3.7 %
Mortgage loans	381,357	398,105	432,101	435,518	734.5	13.3 %	9.4 %	0.8 %
Foreign trade loans	122,231	129,917	185,946	174,709	294.7	52.1 %	34.5 %	(6.0) %
Interbank loans	13,685	12,503	9,026	25,002	42.2	(34.0) %	100.0 %	177.0 %
Lease contracts	54,242	50,655	50,510	62,472	105.4	(6.9) %	23.3 %	23.7 %
Other outstanding loans	138,051	140,537	141,624	127,862	215.7	2.6 %	(9.0) %	(9.7) %
Past due loans	57,260	69,750	64,211	69,710	117.6	12.1 %	(0.1) %	8.6 %
Contingent loans	109,912	93,949	123,248	89,373	150.7	12.1 %	(4.9) %	(27.5) %
<b>Total loans</b>	<b>2,085,998</b>	<b>2,086,738</b>	<b>2,275,627</b>	<b>2,261,351</b>	<b>3,814.0</b>	<b>9.1 %</b>	<b>8.4 %</b>	<b>(0.6) %</b>
Allowance for loan losses	(76,053)	(77,575)	(77,662)	(76,242)	(128.6)	2.1 %	(1.7) %	(1.8) %
<b>Total loans, net</b>	<b>2,009,945</b>	<b>2,009,163</b>	<b>2,197,965</b>	<b>2,185,109</b>	<b>3,685.4</b>	<b>9.4 %</b>	<b>8.8 %</b>	<b>(0.6) %</b>
<b>Other assets</b>								
Assets received in lieu of payment	10,275	11,852	13,075	11,088	18.7	27.3 %	(6.4) %	(15.2) %
Bank premises and equipment	47,480	50,145	61,776	61,285	103.4	30.1 %	22.2 %	(0.8) %
Investments in other companies	1,376	1,258	1,358	1,398	2.3	(1.3) %	11.1 %	2.9 %
Other	31,888	41,481	67,998	72,905	123.0	113.2 %	75.8 %	7.2 %
<b>Total other assets</b>	<b>91,019</b>	<b>104,736</b>	<b>144,207</b>	<b>146,676</b>	<b>247.4</b>	<b>58.4 %</b>	<b>40.0 %</b>	<b>1.7 %</b>
<b>Total assets</b>	<b>2,542,847</b>	<b>2,598,071</b>	<b>2,830,899</b>	<b>2,761,098</b>	<b>4,656.9</b>	<b>11.3 %</b>	<b>6.3 %</b>	<b>(2.5) %</b>

**BANCO DE A. EDWARDS**  
**CONSOLIDATED BALANCE SHEETS (Under Chilean GAAP)**  
(Expressed in millions of constant Chilean pesos (MCh\$) as of March 31, 2001 and millions of US dollars (MUS\$))

**LIABILITIES & SHAREHOLDERS' EQUITY**

	Dec 99	Mar 00	Dec 00	Mar 01	Mar 01	% Change		
	MCh\$	MCh\$	MCh\$	MCh\$	MUS\$	Dec 00-Dec 99	Mar 01-Mar 00	Mar 01-Dec 00
<b>Deposits</b>								
Current accounts	211,189	203,551	227,327	232,516	392.2	7.6 %	14.2 %	2.3 %
Bankers drafts and other deposits	63,042	138,427	124,469	114,812	193.6	97.4 %	(17.1) %	(7.8) %
Saving accounts and time deposits	1,266,082	1,203,957	1,346,794	1,322,964	2,231.3	6.4 %	9.9 %	(1.8) %
<b>Total deposits</b>	<b>1,540,313</b>	<b>1,545,935</b>	<b>1,698,590</b>	<b>1,670,292</b>	<b>2,817.1</b>	<b>10.3 %</b>	<b>8.0 %</b>	<b>(1.7) %</b>
<b>Borrowings</b>								
Central Bank borrowings	2,874	5,863	2,366	2,269	3.8	(17.7) %	(61.3) %	(4.1) %
Securities sold under agreements to repurchase	66,387	94,589	88,528	58,476	98.6	33.4 %	(38.2) %	(33.9) %
Mortgage finance bonds	398,879	414,869	458,847	467,600	788.7	15.0 %	12.7 %	1.9 %
Subordinated bonds	53,029	53,147	51,648	84,035	141.7	(2.6) %	58.1 %	62.7 %
Other bonds	15,379	14,949	11,237	10,751	18.1	(26.9) %	(28.1) %	(4.3) %
Borrowings from domestic financial institutions	72,113	64,221	40,524	17,010	28.7	(43.8) %	(73.5) %	(58.0) %
Foreign borrowings	20,455	25,161	41,829	23,008	38.8	104.5 %	(8.6) %	(45.0) %
Other obligations	21,723	20,272	33,220	24,174	40.8	52.9 %	19.2 %	(27.2) %
<b>Total borrowings</b>	<b>650,839</b>	<b>693,071</b>	<b>728,199</b>	<b>687,323</b>	<b>1,159.2</b>	<b>11.9 %</b>	<b>(0.8) %</b>	<b>(5.6) %</b>
<b>Other liabilities</b>								
Contingent liabilities	109,694	93,785	123,056	89,344	150.7	12.2 %	(4.7) %	(27.4) %
Other	17,135	36,007	56,738	85,378	144.1	231.1 %	137.1 %	50.5 %
<b>Total other liabilities</b>	<b>126,829</b>	<b>129,792</b>	<b>179,794</b>	<b>174,722</b>	<b>294.8</b>	<b>41.8 %</b>	<b>34.6 %</b>	<b>(2.8) %</b>
<b>Minority interest in consolidated subsidiaries</b>	<b>3,736</b>	<b>4,022</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>(100.0) %</b>	<b>(100.0) %</b>	<b>n/a</b>
<b>Shareholders' equity</b>								
Capital	138,912	138,909	218,391	218,392	368.3	57.2 %	57.2 %	0.0 %
Reserves	89,138	82,215	2,745	4,337	7.3	(96.9) %	(94.7) %	58.0 %
Net income for the year	(6,920)	4,127	3,180	6,032	10.2	(146.0) %	46.2 %	89.7 %
<b>Total shareholders' equity</b>	<b>221,130</b>	<b>225,251</b>	<b>224,316</b>	<b>228,761</b>	<b>385.8</b>	<b>1.4 %</b>	<b>1.6 %</b>	<b>2.0 %</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>2,542,847</b>	<b>2,598,071</b>	<b>2,830,899</b>	<b>2,761,098</b>	<b>4,656.9</b>	<b>11.3 %</b>	<b>6.3 %</b>	<b>(2.5) %</b>

**BANCO DE A. EDWARDS**  
**SELECTED CONSOLIDATED FINANCIAL INFORMATION**

	Quarters			Year to Date	
	1Q00	4Q00	1Q01	Dec 99	Dec 00
<b>Earnings per Share</b>					
Net income per Share (Ch\$) <sup>(1)</sup>	0.56	0.54	0.82	-0.94	0.43
Net income per ADS (Ch\$) <sup>(1)</sup>	92.3	89.1	134.8	-154.7	71.1
Net income per ADS (US\$) <sup>(2)</sup>	0.18	0.16	0.23	-0.28	0.12
Book value per Share (Ch\$) <sup>(1)</sup>	30.5	30.4	31.0	30.0	30.4
Shares outstanding (Millions)	7,381.4	7,381.5	7,381.5	7,381.4	7,381.5
<b>Profitability Ratios</b>					
Net interest margin <sup>(3)(4)</sup>	4.3%	4.5%	4.7%	4.9%	4.4%
Global Spread	2.8%	2.7%	3.6%	3.8%	2.8%
Avg. Nominal Interest earned	11.6%	13.3%	9.9%	12.3%	12.5%
Avg. Nominal Interest paid	8.8%	10.7%	6.3%	8.5%	9.6%
Fees / Avg. Interest Earnings Assets	0.6%	0.9%	0.9%	0.65%	0.71%
Other Operating Revenues / Avg. Interest Earnings Assets	0.8%	0.5%	0.2%	0.3%	0.4%
Operating Revenues / Avg. Interest Earnings Assets	5.7%	5.8%	5.8%	5.8%	5.5%
Return on average total assets <sup>(3)(4)</sup>	0.65%	0.57%	0.86%	-0.28%	0.12%
Return on average shareholders' equity <sup>(3)(4)</sup>	7.5%	7.2%	10.7%	-4.2%	1.5%
<b>Capital Ratios</b>					
Shareholders equity / total assets	8.7%	7.9%	8.3%	8.7%	7.9%
Basic capital / risk-adjusted assets <sup>(5)</sup>	10.8%	9.7%	9.9%	11.2%	9.7%
Total capital / risk-adjusted assets <sup>(5)</sup>	11.8%	10.8%	12.0%	12.5%	10.8%
<b>Credit Quality Ratios</b>					
Past due loans / total loans	3.34%	2.82%	3.08%	2.74%	2.82%
Allowance for loan losses / past due loans	111.2%	120.9%	109.4%	132.8%	120.9%
Allowance for loans losses / total loans	3.72%	3.41%	3.37%	3.65%	3.41%
Provision for loan losses/Avg.Loans	1.19%	1.23%	1.60%	3.35%	1.70%
Recovery /Avg.Loans	0.14%	0.26%	0.19%	0.19%	0.17%
Charge-off / Avg. Loans	0.74%	1.61%	1.83%	1.25%	1.46%
Risk index	3.37%	2.89%	2.91%	3.28%	2.89%
<b>Operating and Productivity Ratios</b>					
Operating expenses / operating revenue	57.3%	66.5%	59.7%	54.1%	64.8%
Operating expenses / average total assets <sup>(3)</sup>	2.9%	3.4%	3.1%	2.8%	3.2%
Loans per employee (million Ch\$) <sup>(1)</sup>	769	774	770	794	774
<b>Average Balance Sheet Data <sup>(1)(3)</sup></b>					
Avg. Interest earnings assets (million Ch\$)	2,304,619	2,485,126	2,475,360	2,190,082	2,364,592
Avg. Assets (million Ch\$)	2,548,452	2,800,619	2,805,566	2,489,771	2,657,133
Avg. Shareholders equity (million Ch\$)	221,272	220,277	226,126	164,183	214,524
Avg. Loans	2,048,300	2,211,776	2,250,357	2,000,586	2,084,981
Avg. Interest bearing liabilities (million Ch\$)	1,889,401	2,071,153	2,055,570	1,914,143	1,972,819
<b>Other Data</b>					
Inflation Rate	1.5%	1.1%	0.50%	2.3%	4.5%
Exchange rate (Ch\$)	501.41	572.68	592.91	527.70	572.68
Employees	2,712	2,939	2,936	2,626	2,939
Branches	78	86	87	75	86

**Notes**

(1) These figures were expressed in constant Chilean pesos as of March 31, 2001.

(2) These figures were calculated considering the nominal net income, the shares outstanding and the exchange rates existing at the end of each period.

(3) The ratios were calculated as an average of daily balances.

(4) Annualized data.

(5) These Basle ratios are calculated according to the Banking Bill's proposition and to the non-consolidated financial statements.