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Ch\$ = Chilean pesos

MCh\$ = Millions of Chilean pesos

US\$ = United States dollars

ThUS\$ = Thousands of United States dollars

UF = "Unidades de Fomento", an inflation-indexed, peso denominated monetary unit. The UF rate is set daily based on changes in the Chilean Consumer Price Index.

Application of Constant Chilean Pesos

The December 31, 1998, 1999 and 2000 consolidated financial statements have been restated for general price-level changes and expressed in constant Chilean pesos of December 31, 2000 purchasing power. The interim consolidated financial statements as of and for the six-month periods ended June 30, 2000 and 2001 have also been restated for general price-level changes, but are expressed in constant Chilean pesos of June 30, 2001. The effect of not updating the financial statements as of December 31, 1999 and 2000 and for each of the three years in the period ended December 31, 2000 to constant Chilean pesos of June 30, 2001 is not significant. The change in the inflation index applicable for the restatement of the financial statements for the six-month period ended June 30, 2001 was only 1.5%.

If the restatement by an additional 1.5% had been made it would have been applied to all amounts and disclosures shown in the December 31, 1998, 1999 and 2000 financial statements and accordingly there would be no changes in the relationship among the amounts and disclosures in those financial statements.

REPORT OF THE INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Banco de Chile and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Banco de Chile and Subsidiaries (the "Bank") as of December 31, 1999 and 2000 and the related consolidated statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2000, all expressed in millions of Chilean pesos. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the Bank's Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Accounting practices used by the Bank in preparing the accompanying consolidated financial statements conform with accounting principles generally accepted in Chile, but do not conform with accounting principles generally accepted in the United States of America. Note 30 presents reconciliations of shareholders' equity and net income, as revised, under Chilean generally accepted accounting principles to the corresponding amounts that would be reported in accordance with accounting principles generally accepted in the United States of America as of December 31, 1999 and 2000 and for each of the two years in the period ended December 31, 2000, except for the omission, as allowed pursuant to item 18 of Form 20-F of the Securities and Exchange Commission, of adjustments necessary to eliminate the effect of price-level changes and the translation of non-Chilean operations described in notes 1 (b) and 1(o).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Banco de Chile and Subsidiaries as of December 31, 1999 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in Chile.

As described in Note 2, on January 1, 1999, the Bank prospectively recorded the tax effects of temporary differences adopted using the liability method in accordance with Technical Bulletins No. 60 and No. 69 issued by the Chilean Association of Accountants and Circular No. 2,984 issued by the Chilean Superintendency of Banks and Financial Institutions.

ARTHUR ANDERSEN - LANGTON CLARKE

Santiago, Chile, January 24, 2001

(except for Notes 22, 23 and the translation to US dollars described in Note 1(n)
for which the date is July 28, 2001 and Note 30 for which the date is October 30, 2001).

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2000 and thousands of U.S. dollars)

ASSETS	NOTE	As of December 31,		
		1999 MCh\$	2000 MCh\$	2000 ThUS\$ (Note 1(n))
CASH AND DUE FROM BANKS				
Non-interest bearing.....	3	418,308	474,748	757,597
Interbank deposits-interest bearing.....		1,105	6,013	9,595
Total cash and due from banks.....		419,413	480,761	767,192
FINANCIAL INVESTMENTS				
Government securities.....	4	531,658	639,265	1,020,131
Investments under agreements to resell.....		2,258	9,722	15,514
Other financial investments.....		408,672	567,023	904,848
Investment collateral under agreements to repurchase		159,268	128,515	205,083
Total financial investments.....		1,101,856	1,344,525	2,145,576
LOANS, NET				
Commercial loans.....	5	1,488,053	1,590,833	2,538,631
Consumer loans.....		179,732	189,378	302,207
Mortgage loans.....		713,762	749,178	1,195,529
Foreign trade loans.....		372,976	367,993	587,238
Interbank loans.....		17,865	27,094	43,236
Leasing contracts.....	6	186,136	168,244	268,482
Other outstanding loans.....		266,131	342,841	547,101
Past due loans.....		39,193	50,767	81,013
Contingent loans.....		261,612	251,187	400,841
Allowance for loan losses.....	7	(105,851)	(112,936)	(180,222)
Total loans, net.....		3,419,609	3,624,579	5,784,056
OTHER ASSETS				
Bank premises and equipment, net.....	8	85,301	81,682	130,347
Investments in other companies.....	9	2,389	2,369	3,780
Assets received in lieu of payment.....		1,550	3,350	5,346
Other.....	10 (a)	92,830	92,997	148,403
Total other assets.....		182,070	180,398	287,876
TOTAL ASSETS		5,122,948	5,630,263	8,984,700

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2000 and thousands of U.S. dollars)

	NOTE	As of December 31,		
		1999 MCh\$	2000 MCh\$	2000 ThUS\$ (Note 1(n))
LIABILITIES AND SHAREHOLDERS' EQUITY				
DEPOSITS				
Non-interest bearing				
Current accounts		537,500	603,390	962,882
Bankers' drafts and other deposits.....		319,716	395,564	631,236
Total non-interest bearing		857,216	998,954	1,594,118
Interest bearing				
Savings accounts and time deposits.....		2,075,039	2,454,655	3,917,107
Total deposits.....		2,932,255	3,453,609	5,511,225
OTHER INTEREST BEARING LIABILITIES				
Central Bank credit lines for renegotiations of loans	11	3,378	2,788	4,449
Other Central Bank borrowings.....		-	-	-
Total Central Bank borrowings.....		3,378	2,788	4,449
Investments under agreements to repurchase		160,073	134,155	214,081
Mortgage finance bonds.....		747,163	787,085	1,256,021
Bonds.....		1,084	380	606
Subordinated bonds.....		78,342	102,690	163,871
Borrowings from domestic financial institutions.....		12,255	16,457	26,262
Foreign borrowings		436,061	363,375	579,869
Other obligations.....		41,453	49,063	78,294
Total other interest bearing liabilities.....		1,479,809	1,455,993	2,323,453
OTHER LIABILITIES				
Contingent liabilities.....	10 (c)	262,038	250,937	400,442
Other.....	10 (b)	65,259	87,244	139,223
Minority interest.....		3	3	5
Total other liabilities.....		327,300	338,184	539,670
Commitments and contingencies	24			
SHAREHOLDERS' EQUITY				
Capital and reserves	15	316,479	300,519	479,564
Net Income for the year		67,105	81,958	130,788
Total shareholders' equity		383,584	382,477	610,352
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,122,948	5,630,263	8,984,700

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2000 and thousands of U.S. dollars)

	NOTE	Years ended December 31,			
		1998	1999	2000	2000
		MCh\$	MCh\$	MCh\$	ThUS\$ (Note 1(n))
INTEREST REVENUE AND EXPENSE					
Interest revenue		588,855	492,069	548,589	875,431
Interest expense		(391,027)	(296,447)	(344,637)	(549,967)
Net interest revenue.....		197,828	195,622	203,952	325,464
ALLOWANCE FOR LOAN LOSSES	7	(36,202)	(49,458)	(38,296)	(61,112)
FEES AND INCOME FROM SERVICES					
Income from fees and other services	17	48,568	51,740	56,927	90,843
Other services expenses		(11,475)	(11,039)	(9,765)	(15,583)
Total fees and income from services, net		37,093	40,701	47,162	75,260
OTHER OPERATING INCOME (LOSS)					
Gains from trading activities.....		14,093	21,014	13,088	20,886
Losses from trading activities.....		(23,109)	(8,681)	(6,258)	(9,986)
Foreign exchange transactions, net		10,124	4,681	4,100	6,543
Total other operating income (loss), net		1,108	17,014	10,930	17,443
OTHER INCOME AND EXPENSES					
Loan loss recoveries	19	13,091	8,884	8,810	14,059
Non-operating income.....	17	5,076	5,557	7,472	11,924
Non-operating expenses	17	(3,923)	(9,423)	(5,842)	(9,323)
Equity participation in net income (loss) in investments in other companies					
Minority interest	9	135	(54)	3	5
Total other income and expenses		(464)	(1)	(1)	(2)
		13,915	4,963	10,442	16,663
OPERATING EXPENSES					
Personnel salaries and expenses		(77,112)	(76,033)	(79,671)	(127,138)
Administrative and other expenses.....		(47,689)	(49,623)	(53,153)	(84,821)
Depreciation and amortization		(9,274)	(8,720)	(8,766)	(13,989)
Total operating expenses.....		(134,075)	(134,376)	(141,590)	(225,948)
NET LOSS FROM PRICE-LEVEL RESTATEMENT	1(b)	(8,625)	(5,419)	(9,139)	(14,584)
INCOME BEFORE INCOME TAXES		71,042	69,047	83,461	133,186
INCOME TAXES		(3,108)	(1,942)	(1,503)	(2,398)
NET INCOME		67,934	67,105	81,958	130,788

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Restated for general price-level changes and expressed in millions of constant
 Chilean pesos as of December 31, 2000 and thousands of U.S. dollars)

	Years ended December 31,			
	1998 MCh\$	1999 MCh\$	2000 MCh\$	2000 ThUS\$ (Note 1(n))
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	67,934	67,105	81,958	130,788
Items that do not represent cash flows:				
Depreciation and amortization.....	9,274	8,720	8,766	13,989
Allowance for loan losses.....	36,202	49,458	38,296	61,112
Provisions for assets received in lieu of payment	78	185	207	330
Net change in trading investments	(54,052)	(51,480)	(261,181)	(416,789)
Equity participation in net (income) loss in investments in other companies	(135)	54	(3)	(5)
(Gain) loss on sales of goods received in lieu of payment.....	3	(134)	80	128
(Gain) loss on sales of bank premises and equipment	(312)	(560)	(1,607)	(2,564)
Net loss from price-level restatement.....	8,625	5,419	9,139	14,584
Minority interest	464	1	1	2
Other charges (credits) not representing cash flows	8,609	(13,600)	1,673	2,670
Net change in interest accruals	(16,855)	24,180	(14,181)	(22,631)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	59,835	89,348	(136,852)	(218,386)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (increase) decrease in loans.....	(297,824)	(140,259)	(327,789)	(523,081)
Net decrease (increase) in investments purchased under agreements to resell.....	16,868	28,032	(18,758)	(29,934)
Purchases of Bank premises and equipment.....	(9,503)	(7,230)	(5,685)	(9,072)
Proceeds from sale of Bank premises and equipment.....	299	416	3,702	5,908
Investments in other companies		(13,120)	(144)	(230)
Sale of investments in other companies		125		-
Dividends received from investments in other companies.....	319	159	161	257
Proceeds from sale of assets received in lieu of payment.....	746	3,002	1,919	3,062
Net changes in other assets and liabilities.....	(4,880)	(3,553)	(20,483)	(32,687)
NET CASH USED IN INVESTING ACTIVITIES	(293,975)	(132,428)	(367,077)	(585,777)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in current accounts.....	(994)	59,009	89,842	143,369
Net increase (decrease) in savings accounts and time deposits	427,602	238,163	465,983	743,610
Net increase (decrease) in bankers drafts and other deposits	107,953	(19,210)	88,294	140,898
Net increase (decrease) in investments sold under agreements to repurchase.....	(62,861)	47,903	(18,412)	(29,382)
Increase in mortgage finance bonds.....	78,791	112,238	130,955	208,976
Repayment of mortgage finance bonds.....	(65,918)	(59,748)	(71,004)	(113,307)
Proceeds from bond issues	5,515	31,370	23,325	37,222
Repayments of bond issues	(3,223)	(42,775)	(696)	(1,111)
Net increase (decrease) in short-term borrowings.....	(52,866)	(131,676)	(8,222)	(13,121)
Proceeds from issuance of long-term borrowings	254,602	152,922	228,098	363,996
Repayment of long-term borrowings	(171,653)	(293,464)	(262,325)	(418,615)
Dividends paid	(75,764)	(49,670)	(81,503)	(130,061)
NET CASH PROVIDED BY FINANCING ACTIVITIES.....	441,184	45,062	584,335	932,474
EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND DUE FROM BANKS.....	(17,261)	(10,281)	(19,058)	(30,413)
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS.....	189,783	(8,299)	61,348	97,898
CASH AND DUE FROM BANKS AT BEGINNING OF YEAR	237,929	427,712	419,413	669,294
CASH AND DUE FROM BANKS AT END OF YEAR	427,712	419,413	480,761	767,192
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Interest paid.....	285,286	231,135	243,346	388,328
Income taxes paid.....	3,208	8,484	7,313	11,670

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

BANCO DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Restated for general price-level changes and expressed in millions of constant
Chilean pesos as of December 31, 2000 and thousands of U.S. dollars)

	Number of shares	Paid in share capital	Reserves	Other Accounts	Net Income	Total
	Millions	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Balance as of January 1, 1998.....	44,932.7	206,908	60,414	-	71,652	338,974
Retained earnings.....	-	-	1,108	-	(1,108)	-
Price-level restatement.....	-	8,897	3,156	-	-	12,053
Dividends paid.....	-	-	-	-	(70,544)	(70,544)
Change in unrealized gains (losses) on permanent Investments.....	-	-	-	(10,613)	-	(10,613)
Net adjustment for translation differences.....	-	-	-	140	-	140
Net Income for the year.....	-	-	-	-	63,253	63,253
Balance as of December 31, 1998.....	44,932.7	215,805	64,678	(10,473)	63,253	333,263
Balance as of December 31, 1998 restated in constant Chilean pesos as of December 31, 2000.....	-	231,775	69,464	(11,248)	67,934	357,925
Balance as of January 1, 1999.....	44,932.7	215,805	64,678	(10,473)	63,253	333,263
Retained earnings.....	-	-	15,813	-	(15,813)	-
Price-level restatement.....	-	5,611	2,238	-	-	7,849
Dividends paid.....	-	-	-	-	(47,440)	(47,440)
Change in unrealized gains (losses) on permanent financial investments.....	-	-	-	6,675	-	6,675
Net adjustment for translation differences.....	-	-	-	1,925	-	1,925
Net Income for the year.....	-	-	-	-	64,093	64,093
Balance as of December 31, 1999.....	44,932.7	221,416	82,729	(1,873)	64,093	366,365
Balance as of December 31, 1999 restated in constant Chilean pesos as of December 31, 2000.....	-	231,823	86,617	(1,961)	67,105	383,584
Balance as of January 1, 2000.....	44,932.7	221,416	82,729	(1,873)	64,093	366,365
Price-level restatement.....	-	10,406	3,915	-	-	14,321
Dividends paid.....	-	-	(17,410)	-	(64,093)	(81,503)
Change in unrealized gains (losses) on permanent financial investments.....	-	-	-	383	-	383
Net adjustment for translation differences.....	-	-	-	953	-	953
Net Income for the year.....	-	-	-	-	81,958	81,958
Balance as of December 31, 2000.....	44,932.7	231,822	69,234	(537)	81,958	382,477

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

1. Summary of Significant Accounting Policies

(a) Basis of presentation

Banco de Chile (“Banco de Chile”) is a corporation organized under the laws of the Republic of Chile which provides a broad range of general banking services to customers ranging from individuals to major corporations.

Banco de Chile and its subsidiaries operate in a single industry sector. Within this industry, the Bank offers a broad range of banking services to customers ranging from individuals to large corporations. The services are managed in the following segment areas for internal reporting purposes: large corporate banking, middle market corporate banking, retail and personal banking services, international banking services and treasury banking services. The Bank's subsidiaries provide other services including securities brokerage, mutual fund management factoring, insurance brokerage and financial advisory services. The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Chile and regulations of the Superintendencia de Bancos e Instituciones Financieras (the “Superintendency of Banks”). For the convenience of the reader, the consolidated financial statements have been translated into English, certain reclassifications have been made and certain subtotals and clarifying account descriptions have been added. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The consolidated financial statements include the financial position and results of operations of the Bank and its majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidation. The majority-owned subsidiaries of the Bank as of December 31, 1999 and 2000 are as follows:

<u>Subsidiary</u>	<u>Interest Owned</u>	
	<u>%</u>	
	<u>1999</u>	<u>2000</u>
Banchile Administradora de Fondos Mutuos S.A.....	99.99	99.99
Banchile Factoring S.A.	99.99	99.99
Banchile Corredores de Seguros Ltda.	99.99	99.99
Banchile Corredores de Bolsa S.A.	99.98	99.98
Banchile Asesoría Financiera S.A.	99.00	99.00

(b) Price-level restatement

The consolidated financial statements are prepared on the basis of general price level accounting in order to reflect the effect of changes in the purchasing power of the Chilean peso for the Bank and its Chilean subsidiaries during each year. At the end of each reporting period, the consolidated financial statements are stated in terms of the general purchasing power of the Chilean peso using changes in the Chilean consumer price index (“CPI”) as determined by the Chilean National Institute of Statistics as follows:

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2000)

1. Summary of Significant Accounting Policies (continued)

(b) Price-level restatement (continued)

- Non-monetary assets, liabilities, and shareholders' equity accounts are restated in terms of year-end purchasing power using the "prior month rule", as described below.
- Consistent with general banking practices in Chile, no specific purchasing power adjustments are made to the income statement accounts.
- Monetary items are not restated, as such items are, by their nature, stated in terms of current purchasing power in the consolidated financial statements.
- The price-level restatement debit or credit in the income statement represents the monetary loss or gain in purchasing power from holding monetary assets and liabilities exposed to the effects of inflation.
- The consolidated financial statements for periods through December 31, 1999 have been restated in Chilean pesos of general purchasing power as of December 31, 2000 ("constant pesos"), to reflect changes in the CPI from the financial statement dates to December 31, 2000. This updating does not change the prior year's financial statements or information in any way except to update the amounts therein to constant pesos of similar purchasing power. Amounts previously presented in constant Chilean pesos as of each balance sheet date have been adjusted by the percentage changes in the CPI to December 31, 2000, as follows:

Year	Change in Index
1998	7.4% (1)
1999	4.7% (2)

- (1) Equivalent to the amounts for 1998 multiplied by the change in the CPI for 1999, then by the change in the CPI for 2000.
 (2) Equivalent to the amounts for 1999 multiplied by the change in the CPI for 2000.

The general price-level restatements are calculated using the CPI, and are based on the "prior month rule", in which the inflation adjustments are based on the CPI at the close of the month preceding the close of the respective period or transaction. The CPI is considered by the business community, the accounting profession, and the Chilean government to be the index which most closely complies with the technical requirement to reflect the variation in the general level of prices in the country and, consequently, is widely used for financial reporting purposes in Chile.

The values of the CPI used for price-level restatement purposes are as follows:

Year	Index *	Change in Index
1998.....	99.49	4.3%
1999.....	102.04	2.6%
2000.....	106.82	4.7%

* Index as of November 30, of each year under prior month rule described above.

The price-level adjusted consolidated financial statements do not purport to represent appraised values, replacement cost, or any other current value of assets at which transactions would take place currently and are only intended to restate all non-monetary financial statement components in terms of local currency of a single purchasing power

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2000)

and to include in the net result for each year the gain or loss in purchasing power arising from the holding of monetary assets and liabilities exposed to the effects of inflation.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2000)

1. Summary of Significant Accounting Policies (continued)

(b) Price-level restatement (continued)

The net charge to income for price-level restatement is comprised of the following restatements of non-monetary assets and liabilities. These figures are expressed in constant Chilean pesos of December 31, 2000.

	Year ended December 31,		
	1998	1999	2000
	MCh\$	MCh\$	MCh\$
Shareholders' equity	(12,945)	(8,218)	(14,321)
Bank premises and equipment	3,523	2,064	3,612
Investment in other companies	1,558	717	759
Other	(761)	18	811
Net loss from price-level restatement.....	(8,625)	(5,419)	(9,139)

(c) Index-linked assets and liabilities

Certain of the Bank's interest-bearing assets and liabilities are expressed in index-linked units of account.

The principal index-linked unit used in Chile is the Unidad de Fomento ("UF"), a unit of account which changes daily to reflect changes in the CPI. The carrying amounts of such assets and liabilities change with the respective changes in the UF and serve to offset the monetary gains or losses from holding such assets and liabilities. As the Bank's UF-denominated assets exceed its UF denominated liabilities, any increase in the CPI results in a net gain on indexation. Values for the UF are as follows (historical Chilean pesos per UF).

Year	December 31, Ch\$
1998.....	14,685.39
.	
1999.....	15,066.96
.	
2000.....	15,769.92
.	

The UF daily indexation adjustments from the 10th day of the month in question to the 9th day of the subsequent month are determined based on the previous month's changes in the Chilean CPI. The effect of changes in the UF index on interest earning assets and interest bearing liabilities is reflected in the income statement as an increase or decrease in interest income or expense.

(d) Interest revenue and expense recognition

Interest revenue and expense are recognized on an accrual basis using the effective interest method. Loans, investments and liabilities are stated at their cost, adjusted for accrued interest and the indexation adjustment applicable to such balances that are index-linked.

The Bank suspends the accrual of interest and principal indexation adjustments on loans beginning on the first day that such loans are overdue. Accrued interest remains on the Bank's books and is considered a part of the loan balance when determining the provisions for loan losses. Payments received on overdue loans are recognized as income, after reducing the balance of accrued interest, if applicable.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

1. Summary of Significant Accounting Policies (continued)

(e) Foreign currency activities

The Bank enters into forward foreign exchange contracts and spot exchange contracts for its own account and the accounts of its customers. The Bank's forward contracts are marked to market monthly with gains and losses recognized in income. The initial premium or discount on these contracts is deferred and included in determining net income over the life of the contract. In addition to forward contracts, the Bank enters into foreign exchange futures contracts. Futures contracts are marked to market on a daily basis, with the gains and losses recognized in income.

In addition, the Bank makes loans and accepts deposits in amounts denominated in foreign currencies. Such assets and liabilities which are principally denominated in U.S. dollars are translated at the applicable rate of exchange at the balance sheet date.

The amount of net gains and losses on foreign exchange includes the recognition of the effects that variations in the exchange rates have on assets and liabilities denominated in foreign currencies and their gains or losses on foreign exchange spot and forward transactions undertaken by the Bank. The results of such foreign exchange transactions undertaken by the Bank's subsidiaries are included as other non-operating income (for gross gains) and other non-operating expenses (for gross losses).

(f) Financial investments

Financial investments traded on a secondary market are shown adjusted to market value, following specific instructions from the Superintendency of Banks and Financial Institutions. These instructions provide for the recognition of such adjustments against income except in the case of a permanent portfolio, where an equity account, "Unrealized gains (losses) on permanent financial investments", may be directly adjusted subject to certain restrictions. The application of this adjustment to market value generated a net charge to income for the year amounting to MCh\$ 38 (net credit of MCh\$ 3,330 in 1999). This amount was included under operating income in "gains from trading activities". The adjustment of the permanent portfolio, on the other hand, generated a net credit to equity in the amount of MCh\$ 450 (net credit of MCh\$ 6,931 in 1999).

As of December 31, 1999, market value adjustments were performed only for those investments with maturities greater than one year. The effect of this change in methodology was not significant.

Other investments in securities are shown at purchase cost plus adjustments and accrued interest, except for those securities without a secondary market (transferable only among financial institutions), which are valued at market price.

The Bank enters into security repurchase agreements as a form of borrowing. In this regard, the Bank's investments that are sold subject to a repurchase obligation and that serve as collateral for borrowing are reclassified as "investment collateral under agreements to repurchase". The liability to repurchase the investment is classified as "investments under agreements to repurchase".

The Bank also enters into resale agreements as a form of investment. Under these agreements the Bank purchases securities, which are included as assets under the caption "investments under agreements to resell".

(g) Bank premises and equipment

Bank premises and equipment are stated at acquisition cost net of accumulated depreciation and have been restated for price-level changes. Depreciation is calculated using the straight-line method over the estimated useful lives of the underlying assets. Maintenance and repair costs are charged to income. The cost of significant renovations and improvements is capitalized.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

1. Summary of Significant Accounting Policies (continued)

(h) Leasing contracts

The Bank leases certain property that meets the criteria for direct financing leases. At the time of entering into a direct financing lease transaction, the Bank records the minimum lease payments receivable as unearned income. Generally, the lessee acquires the leased asset by remitting all lease payments due. There are no significant residual values assumed by the Bank. Unearned income represents the excess of the minimum lease payments receivable plus any estimated residual value over the cost of the property acquired.

Unearned income is recognized in such a manner as to produce a constant periodic rate of return on the net investment in the direct financing lease. The net investment in financing leases is classified as "leasing contracts" in the accompanying consolidated balance sheets.

(i) Investments in other companies

Shares or rights in companies which are integral to the operations of the Bank and where the Bank holds a less than majority interest but has significant influence over the operating activities of the invested are accounted for under the equity method. Other minority investments are carried at cost restated for price-level changes.

(j) Allowance for loan losses

The Bank has set up reserves to cover possible loan losses in accordance with the instructions issued by the Superintendency of Banks, as follows:

Global loan loss allowance

A global loan loss allowance is calculated by multiplying the Bank's outstanding loans by the greater of its "risk index" or 0.75%. The Bank's risk index calculation is based upon a classification of a portion of its customers' outstanding loans into five categories based upon risk of loss for commercial loans and overdue status for consumer and residential mortgage loans. The classifications for risk index calculation purposes must include the largest commercial loans and represent at least 75% of the commercial loan portfolio, and 100% of consumer and residential mortgage loans.

Once the customers' outstanding loans have been classified into the loan risk categories specified by the Superintendency of Banks, defined loan loss allowance reserve factors are applied to the relevant categories. The resulting weighted average allowance rate is the risk index utilized in the calculation of the global loan loss reserve.

Individual loan loss allowance

Once a loan becomes overdue for more than 90 days, a specific allowance is calculated for 100% of the uncollateralized portion of the loan. Individual loan loss reserves are required only to the extent that, in the aggregate, they exceed the global loan loss reserve.

Voluntary loan loss allowance

The Bank has made a provision for voluntary allowance in addition to those required by the rules of the Superintendency of Banks. Such voluntary reserves cover additional risk inherent in the portfolio.

Charge-offs

Loans are written-off when the collection efforts have been exhausted but not later than the maximum periods prescribed by the Superintendency of Banks, which is as follows:

- 24 months past due (6 months for consumer loans) for loans without collateral

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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- 36 months past due for loans with collateral.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

1. Summary of Significant Accounting Policies (continued)

(j) Allowance for loan losses (continued)

Loan loss recoveries

Cash recoveries on written-off loans including loans which were reacquired from the Central Bank, recorded in memorandum accounts (see Note 19), are recorded directly to income.

(k) Deferred taxes and Income taxes

Effects of deferred taxes are recorded in conformity with Technical Bulletins N° 60 and 69, issued by the Chilean Association of Accountants (see Note 21).

Income taxes are recognized in an amount that approximates the amount due on the income tax return under Chilean tax legislation.

(l) Consolidated statements of cash flows

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks. For the years ended December 31, 1998, 1999 and 2000 the consolidated statements of cash flows have been prepared in accordance with Technical Bulletin No. 65 of the Chilean Association of Accountants.

(m) Staff severance indemnities

The Bank has recorded a liability for long-term severance indemnities in accordance with employment contracts it has with certain employees. The liability, which is payable to specified retiring employees with more than 30 years of service is recorded at the present value of the accrued benefits, which are calculated by applying a real discount rate to the benefit accrued as of year-end over the estimated average remaining service period. For the years ended December 31, 1998, 1999 and 2000, the obligation has been discounted using the real interest rates of 8.0%, 8.0% and 7.0%, respectively

(n) Convenience translation to U.S. dollars

The Bank maintains its accounting records and prepares its consolidated financial statements in Chilean pesos. The U.S. dollar amounts disclosed in the accompanying financial statements are presented solely for the convenience of the reader at the observed exchange rate for June 30, 2001 of Ch\$626.65 per US\$1.00. This translation should not be construed as representing that the Chilean peso amounts actually represent or have been, or could be, converted into U.S. dollars at such a rate or at, any other rate.

(o) Translation of financial statements of foreign bank branches

The Bank translates the accounting records of its branch in New York, USA and its agency in Miami, USA to Chilean pesos from US dollars in accordance with guidelines established by the Superintendency, which are consistent with Technical Bulletin N°64, "Accounting for investments Abroad", issued by the Chilean Association of Accountants. All income statement and balance sheet amounts are translated into Chilean pesos as of the exchange rate in effect as of the applicable balance sheet date. Under this standard the foreign investment is price-level restated, the effects of which are reflected in income, while any foreign exchange gains or losses between the Chilean peso and the US Dollar is recorded in shareholders' equity in the account "Other Reserves".

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

2. Changes in Accounting Principles

Deferred taxes

Beginning January 1, 1999, the Bank began recording the tax effects of temporary differences, tax benefits generated by tax losses and other events that create differences between tax and accounting bases of assets and liabilities in accordance with Technical Bulletin No. 60, issued by the Chilean Association of Accountants, and Circular No. 2,984, issued by the Superintendency of Banks. The effect of this change resulted in the recognition of net deferred assets in the amount of MCh\$13,257 as of January 1, 1999, a net credit to income from the amortization of accumulated balances at the beginning of each period amounting to MCh\$ 2,993 and MCh\$ 3,704 for the years ended December 31, 1999 and 2000, respectively, and a net credit to income in the amount of MCh\$ 4,301 and MCh\$ 2,221 arising from the temporary differences generated during each period, as described in Note No. 21. Both effects are included under the caption "Income taxes" in the Consolidated statements of Income.

3. Cash and Due from Banks

Included in cash and due from banks are amounts maintained by the Bank with various foreign and local banks, including the Chilean Central Bank ("Central Bank").

In accordance with guidelines established by the Superintendency of Banks, the Bank must maintain certain non-interest bearing balances in its account with the Central Bank. The required balances are based upon specified financial criteria, including the level of the Bank's deposits, the amounts of its foreign borrowings and its average liabilities. These restricted cash amounts totaled MCh\$ 104,329 and MCh\$ 94,552 as of December 31, 1999 and 2000, respectively.

4. Financial Investments

A summary of financial investments is as follows:

	As of December 31,		Weighted Average Nominal Rate as of December 31, 2000
	1999	2000	
	MCh\$	MCh\$	%
Central Bank and Government securities			
Marketable debt securities	164,483	266,567	5.11
Marketable debt securities with limited secondary market	364,462	370,829	5.00
Chilean government securities	2,713	1,869	6.78
Investments purchased under agreements to resell	2,258	9,722	6.03
Investments collateral under agreements to repurchase	110,647	85,973	8.00
Subtotal	644,563	734,960	5.41
Corporate securities and Other Financial Investments			
Investments in Chilean financial institutions	20,884	4,584	6.97
Mortgage finance bonds issued by the Bank	53,075	73,172	7.43
Foreign government notes	84,457	63,964	2.72
Other financial investments	250,256	425,303	7.48
Investments collateral under agreements to repurchase	48,621	42,542	8.02
Subtotal	457,293	609,565	7.01
Total	1,101,856	1,344,525	6.13

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

5. Loans

The loans included in the accompanying consolidated balance sheets are segregated into subcategories as described below.

Commercial loans are long-term and short-term loans made to companies or businesses. These loans are principally granted in Chilean pesos or UF on an adjustable or fixed rate basis to finance working capital or investments.

Consumer loans are loans to individuals granted principally in Chilean pesos or UF, generally on a fixed rate basis, to finance the purchase of consumer goods or to pay for services. Credit card balances subject to interest charges are also included in this category.

Mortgage loans are inflation indexed, fixed rate, long-term loans with monthly payments of principal and interest collateralized by a real property mortgage. These loans are financed through both the issuance of mortgage finance bonds and *mutuos hipotecarios* which are financed using the Bank's own funds. At the time of its issuance the amount of a mortgage loan cannot be more than 75% of the value of the property if the loan is financed by mortgage finance bonds and more than 80% if the loan is financed by *mutuos hipotecarios*.

Foreign trade loans are fixed rate, short-term loans granted in foreign currencies (principally U.S. dollars) to finance imports and exports.

Interbank loans are fixed rate, short-term loans to financial institutions that operate in Chile.

Leasing contracts are agreements for financing leases of capital equipment and other property.

Other outstanding loans principally include current account overdrafts, bills of exchange and mortgage loans which are financed by the Bank's general borrowings.

Past due loans represent loans that are overdue as to any payment of principal or interest by 90 days or more.

Contingent loans consist of open and unused letters of credit together with guarantees granted by the Bank in Ch\$, UF and foreign currencies (principally U.S. dollars).

The following table summarizes the most significant loan concentrations expressed as a percentage of total loans, excluding contingent loans and before reserves for loan losses:

	As of December 31,	
	1999	2000
	%	%
Financial Services	18.35	18.87
Residential mortgage loans.....	16.52	16.97
Manufacturing.....	13.59	13.25
Commerce.....	12.72	12.20
Agriculture, livestock, agribusiness, fishing..	11.97	12.02
Consumer credits.....	10.06	9.32

Substantial portions of the Bank's loans are to borrowers doing business in Chile.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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6. Leasing Contracts

The Bank's amounts receivable from leasing contracts have the following maturities as of December 31, 2000:

<u>Maturity</u>	<u>As of December 31, 2000</u>		
	<u>Total</u>	<u>Unearned</u>	<u>Net lease</u>
	<u>Receivable</u>	<u>income</u>	<u>Receivable</u>
	<u>MCh\$</u>	<u>MCh\$</u>	<u>MCh\$</u>
Due within one year.....	57,738	(13,784)	43,954
Due after 1 year but within 2 years.....	40,236	(10,824)	29,412
Due after 2 years but within 3 years.....	31,244	(8,212)	23,032
Due after 3 years but within 4 years.....	24,379	(6,174)	18,205
Due after 4 years but within 5 years.....	16,728	(4,635)	12,093
Due after 5 years.....	56,987	(15,439)	41,548
Total leasing contracts.....	227,312	(59,068)	168,244

Leased assets consist principally of real estate, industrial machinery, vehicles, and computer equipment. The accumulated allowance for uncollectible minimum lease payments receivable was MCh\$ 6,894 as of December 31, 2000 (MCh\$ 7,675 as of December 31, 1999), which forms part of the allowance for loan losses. As of December 31, 2000 the unguaranteed residual value of leases was immaterial.

7. Allowance for Loan Losses

The changes in the allowance for loan losses for the periods indicated are as follows:

	<u>Years ended December 31,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
	<u>MCh\$</u>	<u>MCh\$</u>	<u>MCh\$</u>
Balance as of January 1,.....	78,464	89,658	105,851
Price-level restatement (1).....	(1,270)	(1,886)	(4,447)
Charge-offs.....	(23,738)	(31,379)	(26,764)
Allowances established.....	37,566	51,501	39,420
Allowances released.....	(1,364)	(2,043)	(1,124)
Balance as of December 31,.....	89,658	105,851	112,936

- (1) Reflects the effect of inflation and exchange rate changes of branches abroad on the allowance for loan losses at the beginning of each period, adjusted to constant pesos of December 31, 2000.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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7. Allowance for Loan Losses, (continued)

The allowance for loan losses included in the results of operations for the periods indicated is as follows:

	Years ended December 31,		
	1998	1999	2000
	MCh\$	MCh\$	MCh\$
Allowances established	(37,566)	(51,501)	(39,420)
Allowances released.....	1,364	2,043	1,124
Net income charge.....	(36,202)	(49,458)	(38,296)

8. Bank Premises and Equipment, net

The major categories of Bank premises and equipment net of accumulated depreciation are as follows:

	As of December 31,	
	1999	2000
	MCh\$	MCh\$
Land and buildings	60,379	59,266
Furniture and fixtures	13,156	13,832
Machinery and equipment	9,360	7,182
Vehicles	375	390
Others	2,031	1,012
Total bank premises and equipment, net....	85,301	81,682

In accordance with rules of the Superintendency of Banks, bank premises and equipment are presented net of accumulated depreciation.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

9. Investments in other companies

As of December 31, 1998, 1999 and 2000, investments in other companies and the Bank's participation in such companies' results of operations for each of the periods indicated, consist of the following:

	As of and for the years ended December 31,						Ownership Interest 2000 %
	1998		1999		2000		
	Investment MCh\$	Income (Loss) MCh\$	Investment MCh\$	Income (Loss) MCh\$	Investment MCh\$	Income (Loss) MCh\$	
Servipag Ltda.	776	38	639	(137)	602	(37)	50.00
Redbanc S.A.	431	90	433	93	434	93	12.71
Bolsa de Comercio de Santiago (Stock Exchange)	296	52	308	83	312	75	2.08
Transbank S.A.	342	(23)	329	(13)	283	(47)	8.72
Centro de Compensación Automatizado S.A. (CCA S.A.)	129	15	145	16	162	17	33.33
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	90	(34)	170	(90)	133	(118)	12.90
Sociedad Interbancaria de Depósito de Valores S.A.	65	1	70	5	95	26	12.38
Empresa de Tarjetas Inteligentes S.A.	-	-	-	-	61	2	13.33
Bolsa de Valores de Chile (Stock Exchange)	81	(4)	64	(11)	56	(8)	2.50
Total investments in other companies accounted for under the equity method	2,210	135	2,158	(54)	2,138	3	
Other investments carried at cost	231	-	231	-	231	-	
Total investments in other companies	2,441	135	2,389	(54)	2,369	3	

Acquisition of greater percentage of investments in affiliated company:

On April 23, 1999 Banco de Chile acquired together with Banchile Asesorías Financieras S.A., all shares owned by Orix Corporation in Leasing Andino S.A. Consequently, Banco de Chile and its subsidiary Banchile Asesorías Financieras S.A. became the sole owners of Leasing Andino S.A., with a 99.8985% owned by Banco de Chile.

On July 1, 1999, Banco de Chile acquired from Banchile Asesorías Financieras S.A. the remaining 6,380 shares from Leasing Andino S.A. at book values equivalent to 0.1015% of the Leasing Andino S.A. share capital. Under Chilean Law Leasing Andino S.A. was then automatically dissolved and Banco de Chile assumed all its rights and responsibilities, as a consequence of Banco de Chile acquiring all the outstanding shares issued by Leasing Andino.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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10. Other Assets and Other Liabilities

(a) Other assets

	As of December 31,	
	1999	2000
	MCh\$	MCh\$
Amounts receivable under spot foreign exchange transactions	5,976	26,867
Deferred income taxes (Note 21)	16,088	20,109
Credit cards charges in process	12,271	14,058
Transitory assets	6,531	9,988
Assets purchased to be leased	19,515	7,563
Balances with branches	1,944	4,159
Transactions in process	17,095	2,320
Other	13,410	7,933
Total other assets	92,830	92,997

(b) Other liabilities

	As of December 31,	
	1999	2000
	MCh\$	MCh\$
Amounts payable under spot foreign exchange transactions	25,178	43,111
Transitory liabilities	9,021	18,259
Deferred income taxes (Note 21)	8,132	6,585
Accrued staff vacation expense	5,343	5,399
Accrued severance indemnities	4,572	5,004
Amounts payable under forward contracts, net	423	2,858
Income tax provision	3,185	3,574
Other	9,405	2,454
Total other liabilities	65,259	87,244

c) Contingent Liabilities

Contingent liabilities consist of open and unused letters of credit, together with guarantees by the Bank in Chilean pesos, UF and foreign currencies (principally U.S. dollars). The liability represents the Bank's obligations under such agreements. The Bank's rights under these agreements are recognized as assets on the Bank's balance sheets under the caption "Contingent loans". See Note 5.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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11. Other Interest Bearing Liabilities

The Bank's long-term and short-term borrowings are summarized below. In accordance with the guidelines established by the Superintendency of Banks, the Bank does not present a classified balance sheet. Borrowings are described as short-term when they have original maturities of less than one year or are due on demand. All other borrowings are described as long-term, including the amounts due within one year on such borrowings.

	As of December 31, 1999			As of December 31, 2000		
	Long-term MCh\$	Short-term MCh\$	Total MCh\$	Long-term MCh\$	Short-term MCh\$	Total MCh\$
Central Bank Credit lines for renegotiation of loans	3,378	-	3,378	2,788	-	2,788
Mortgage finance bonds	747,163	-	747,163	787,085	-	787,085
Bonds	1,084	-	1,084	380	-	380
Subordinated bonds	78,342	-	78,342	102,690	-	102,690
Borrowings from domestic financial institutions	-	12,255	12,255	79	16,378	16,457
Foreign borrowings	399,972	36,089	436,061	349,712	13,663	363,375
Investments under agreements to repurchase	-	160,073	160,073	399	133,756	134,155
Other obligations	29,249	12,204	41,453	35,020	14,043	49,063
Total other interest bearing liabilities	1,259,188	220,621	1,479,809	1,278,153	177,840	1,455,993

(a) Central Bank borrowings

Credit lines for renegotiation of loans are as follows:

	As of December 31,	
	1999 MCh\$	2000 MCh\$
Renegotiation of mortgage loans	3,378	2,788
Total	3,378	2,788

These credit lines were provided by the Central Bank for the renegotiation of loans due to the need to refinance debts as a result of the economic recession and crisis of the banking system from 1982 to 1985. The lines for the renegotiations of mortgage loans also are linked to the UF index and carry a real annual interest rate of 3.00%. The maturities of the outstanding amounts due under these credit lines, which are considered long-term, are as follows:

	As of December 31, 2000 MCh\$
Due within 1 year	2,788
Due after 1 year but within 2 years	-
Due after 2 years but within 3 years	-
Due after 3 years but within 4 years	-
Due after 4 years but within 5 years	-
Due after 5 years	-
Total credit lines for the renegotiation of loans ..	2,788

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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11. Other Interest Bearing Liabilities (continued)

(b) Mortgage finance bonds

These bonds are used to finance the granting of mortgage loans. The outstanding principal amounts of the bonds are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. The bonds are linked to the UF index and carry a weighted average annual rate of interest of 6.11 % as of December 31, 2000.

The maturities of outstanding mortgage bond amounts as of December 31, 2000 are as follows:

	As of December 31, 2000
	MCh\$
Due within 1 year	75,571
Due after 1 year but within 2 years.....	66,874
Due after 2 years but within 3 years	67,473
Due after 3 years but within 4 years	66,136
Due after 4 years but within 5 years	63,977
Due after 5 years.....	447,054
Total mortgage finance bonds.....	787,085

(c) Bonds

	As of December 31,	
	1999	2000
	MCh\$	MCh\$
Total Bonds	1,084	380

Bonds are linked to the UF Index and carry an average real annual interest rate of 6.90% as of December 31, 2000, with interest and principal payments due semi-annually. The bonds are intended to finance loans that have a maturity of greater than one year.

The maturities of the bonds outstanding as of December 31, 2000 are as follows:

	As of December 31, 2000
	MCh\$
Due within 1 year.....	380
Due after 1 year but within 2 years.....	-
Due after 2 years but within 3 years	-
Due after 3 years but within 4 years	-
Due after 4 years but within 5 years	-
Due after 5 years.....	-
Total	380

(d) Subordinated bonds:

In 2000 the Bank issued 6.50% Bonds totaling UF 1,580,000 ("6.50% Bonds") at a discount of UF 98,670. The 6.50% Bonds are linked to the UF index with interest and principal payments due semi-annually. The discount on

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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the issuance of the 6.5% Bonds is amortized over the life of the bond. As of December 31, 2000, the effective real interest rate is 7.27%, taking into consideration the discount on issuance.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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11. Other Interest Bearing Liabilities (continued)

(d) Subordinated bonds (continued)

The 6.50% Bonds are intended for the financing of loans having a maturity of greater than one year. As of December 31, 2000 the outstanding maturities of these bonds, which are considered long-term, are as follows:

	As of December 31, 2000
	MCh\$
Due within 1 year.....	2,594
Due after 1 year but within 2 years.....	1,011
Due after 2 years but within 3 years	3,409
Due after 3 years but within 4 years	3,631
Due after 4 years but within 5 years	3,867
Due after 5 years.....	88,178
Total subordinated bonds.....	102,690

The value of the subordinated bonds that can be considered in the “effective equity” should decrease by 20% per year beginning six years prior to maturity.

(e) Borrowings from domestic financial institutions

Borrowings from domestic financial institutions are used to fund the Bank’s general activities, and direct finance leasing contracts carry a weighted average annual nominal interest rate of 9.25% in Chilean pesos and a weighted average annual real interest rate of 5.42% in UF and have the following outstanding maturities as of December 31, 2000.

	As of December 31, 2000
	MCh\$
Due within 1 year.....	79
Due after 1 year but within 2 years.....	-
Due after 2 years but within 3 years	-
Due after 3 years but within 4 years	-
Due after 4 years but within 5 years	-
Due after 5 years	-
Total long-term	79
Short-term	16,378
Total	16,457

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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11. Other Interest Bearing Liabilities (continued)

(f) Foreign borrowings

The Bank has short-term and long-term borrowings from foreign banks. The outstanding maturities of these borrowings as of December 31, 2000 are as follows:

	As of December 31, 2000
	MCh\$
Due within 1 year.....	115,017
Due after 1 year but within 2 years.....	149,507
Due after 2 years but within 3 years	76,450
Due after 3 years but within 4 years	4,369
Due after 4 years but within 5 years	4,369
Due after 5 years	-
Total long-term	349,712
Short-term	13,663
Total foreign borrowings	363,375

All of these loans are denominated in U.S. dollars, are principally used to fund the Bank's foreign trade loans and carry an average, annual nominal interest rate of 6.7% as of December 31, 2000.

(g) Other obligations

	As of December 31,	
	1999	2000
	MCh\$	MCh\$
Other long-term obligations	29,249	35,020
Other short-term obligations	12,204	14,043
	41,453	49,063
	41,453	49,063

As of December 31, 2000, other obligations had the following maturities:

	As of December 31, 2000
	MCh\$
Due within 1 year.....	6,924
Due after 1 year but within 2 years.....	6,099
Due after 2 years but within 3 years	5,658
Due after 3 years but within 4 years	4,889
Due after 4 years but within 5 years	3,237
Due after 5 years	8,213
Total long-term	35,020
Short-term	14,043
Total	49,063

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

12. Obligations Arising From Lease Commitments

The Bank leases certain premises under operating leases. The following table shows the future minimum payments under the terms of the lease commitments, expressed in constant Chilean pesos as of December 31, 2000.

	As of December 31, 2000
	MCh\$
Due within 1 year.....	2,134
Due after 1 year but within 2 years.....	1,918
Due after 2 years but within 3 years	1,870
Due after 3 years but within 4 years	1,844
Due after 4 years but within 5 years	1,615
Due after 5 years.....	4,560
Total obligations arising from lease commitments ...	13,941

The rental expense on premises was MCh\$ 2,463 MCh\$ 2,235 and MCh\$ 2,482 for the years ended December 31, 1998, 1999 and 2000, respectively, and is included in the Consolidated Statements of Income under “Administrative and other expenses”.

13. Derivative Financial Instruments

(a) Derivative activities

The Bank takes positions in the foreign exchange market by the use of forward exchange contracts and spot exchange contracts. These activities constitute proprietary trading business and help the Bank to provide customers with capital markets products.

(b) Market risk and risk management activities

All derivative instruments are subject to market risk. This is defined as the risk that future changes in market conditions may make an investment more or less valuable. As most of these instruments are recognized at market value for the purposes of Chilean GAAP, these changes directly affect reported income. The Bank manages exposure to market risk in accordance with risk limits set by senior management by buying or selling instruments or entering into off-setting positions.

The amount of credit risk to which the Bank was exposed during 2000, in the event of the nonperformance by counterparties under these agreements, is shown at the fair values of the sum of the net receivables on individual contracts in the table below.

The Central Bank requires that foreign exchange forward contracts be made only in U.S. dollars and other major foreign currencies. In the case of the Bank, most forward contracts are made in U.S. dollars against the Chilean peso or the UF. Occasionally, forward contracts are also made in other currencies, but only when the Bank acts as an intermediary. Unrealized gains, losses, premiums and discounts arising from foreign exchange forward contracts are shown on a net basis under “Other assets” and “Other liabilities” (note 10).

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

13. Derivative Financial Instruments (continued)

(b) Market risk and risk management activities (continued)

The notional amounts of these contracts as of December 31, 1999 and 2000 are as follows:

	Number of operations		Contract amounts			
			Less than 3 months		Over 3 months	
	1999	2000	1999 ThUS\$	2000 ThUS\$	1999 ThUS\$	2000 ThUS\$
Local Market:						
- Foreign currency future purchase contracts with Chilean currency.....	34	60	8,321	127,607	31,189	38,124
- Foreign currency future sale contracts with Chilean currency.....	102	135	39,563	169,658	284,817	346,755
- Foreign currency forward contracts.....	2	20	-	-	4,104	7,758
Foreign Markets:						
- Foreign currency forward contracts.....	5	24	55	364	5,854	9,049
- Foreign currency futures sold	112	137	14,028	15,576	-	-

(c) Fair value of traded instruments

The table below sets forth the fair value of derivative financial instruments held or issued by the Bank for trading purposes as of December 31, 1999 and 2000. Fair values have been determined using the spot price.

	Fair value as of December 31,	
	1999 MCh\$	2000 MCh\$
Contracts to purchase foreign exchange.....	(99)	(51)
Contracts to sell foreign exchange	1,058	352

Generally, quoted market prices have been used as the fair values of derivative financial instruments held or issued for trading purposes.

14. Minimum Capital Requirements

In accordance with the Chilean Banking Law, Chilean Banks are required to maintain a minimum equity level of UF800,000, equivalent to MCh\$ 12,616 as of December 31, 2000. In addition, Chilean Banks are required to maintain a minimum “net capital base” (capital and reserves net of investments in subsidiaries) of at least 3% of their total assets net of provisions, and an “effective equity” of not less than 8% of their “risk-weighted assets”. The “effective equity” is defined as “net capital base” plus subordinated bonds, up to 50% of the capital and reserves, plus voluntary provisions of up to 1.25% of their risk-weighted assets. The value of the subordinated bonds that can be considered in the “effective equity” should decrease by 20% per year beginning six years prior to maturity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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14. Minimum Capital Requirements, (continued)

The Bank's actual qualifying "net capital base" and "effective equity" used to support its "risk-weighted assets" as of December 31, 2000, are set forth in the following table:

	As of December 31, 2000
	MCh\$
Basic Capital	300,519
3% of total assets net of provisions	(147,415)
Excess over minimum required equity	153,104
Net capital base as a percentage of the total assets, net of provisions.....	6.12%
 Effective equity	 377,209
8% of risk-weighted assets.....	(267,339)
Excess over minimum required equity	109,870
Effective equity as a percentage of the risk-weighted assets.....	11.29%

15. Shareholders' Equity

The Bank's paid-in capital consists of 44,932,657,180 authorized shares of no fixed nominal value, issued and outstanding as of December 31, 1999 and 2000.

Dividends are declared and paid during the year subsequent to that in which the related net income was earned.

Dividends declared and paid in 1998, 1999 and 2000 in constant Chilean pesos as of December 31, 2000 are as follows:

	Paid during the year ended		
	December 31,		
	1998	1999	2000
	MCh\$	MCh\$	MCh\$
Dividends relating to prior year net income	75,764	49,670	81,503

16. Transactions with Related Parties

In accordance with the rules of the Superintendency of Banks, related parties are defined as individuals or companies who are directors, officers, or shareholders who own more than 1% of the Bank's shares.

Entities in which a director, officer or shareholder of the Bank holds more than a 5% interest as well as entities that have directors in common with the Bank are also considered to be related parties. In the following tables, trading and manufacturing companies are defined as operating companies, and companies whose purpose is to hold shares in other companies are defined as investment companies.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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16. Transactions with Related Parties (continued)

(a) Loans granted to related parties

Loans to related parties, all of which are current, are as follows:

	As of December 31,					
	1998		1999		2000	
	Loans MCh\$	Collateral Pledged MCh\$	Loans MCh\$	Collateral Pledged MCh\$	Loans MCh\$	Collateral Pledged MCh\$
Operating companies..	63,201	23,051	53,537	13,421	71,260	30,967
Investment companies .	20,948	314	17,760	-	11,804	62
Individuals (1).....	782	671	1,267	942	993	796
Total	84,931	24,036	72,564	14,363	84,057	31,825

(1) Includes only debt obligations that are equal to or greater than UF 3,000, equivalent to MCh\$ 47 as of December 31, 2000.

(b) Other transactions with related parties.

During the years ended December 31, 1998, 1999 and 2000, the Bank incurred the following expenses and income as a result of transactions with related parties (equal to or greater than UF 5,000 equivalent to MCh\$ 79 as of December 31, 2000).

	Years ended December 31,					
	1998		1999		2000	
	Expense MCh\$	Revenue MCh\$	Expense MCh\$	Revenue MCh\$	Expense MCh\$	Revenue MCh\$
Transbank S.A.....	1,046	-	1,081	-	2,188	-
Redbanc S.A.....	1,067	-	1,252	-	1,287	-
Compañía de Seguros de Vida Consorcio Nacional de Seguros S.A.....	1,118	-	1,250	455	1,229	-
Empresa Nacional de Telecomunicaciones S.A.	-	-	-	-	1,201	-
Operadora de Tarjetas de Crédito Nexus S.A.	674	-	744	-	969	-
Italmod S.A.	329	-	295	-	392	-
Entel Telefonía Local S.A.....	-	-	-	-	126	-
Farmacías Ahumada S.A.	-	-	-	-	-	129
Cía. de Seguros Generales Las Américas S.A.	-	-	-	-	105	-
Línea Aérea Nacional Chile S.A.....	-	-	-	-	-	97
Servipag Ltda.	83	167	78	93	6	45
Bruhalla International Chile S.A.	83	-	-	-	-	-
Subtotal	4,400	167	4,700	548	7,503	271
Transactions between 1,000 and 5,000 UF:						
Services expenses	117	-	240	-	200	-
Rental expenses	53	-	58	-	67	-
Business advisory services	120	-	84	-	-	-
Insurance	46	-	44	-	-	-
Telephone expenses.....	-	-	-	-	78	-
Rental Revenue.	-	69	-	51	-	44
Subtotal	336	69	426	51	345	44
Total	4,736	236	5,126	599	7,848	315

These expense and income items are for services received by the Bank from related parties at market rates. Article 89 of the Chilean Corporations Law requires that the Bank's transactions with related parties be carried out on a market basis or on terms similar to those prevailing in the market.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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17. Fees and income from services and non-operating income and expenses

The Bank's fees and income from services and non-operating income and expenses for the years ended December 31, 1998, 1999 and 2000 are summarized as follows:

	Years ended December 31,					
	1998		1999		2000	
	Income MCh\$	Expenses MCh\$	Income MCh\$	Expenses MCh\$	Income MCh\$	Expenses MCh\$
Income from fees and other services						
Checking accounts, overdrafts and current accounts	5,356	-	9,333	-	9,931	-
Mutual fund fees	6,556	-	6,700	-	7,963	-
Credit cards	6,092	729	4,962	353	6,042	401
Receipts, services and payments	4,667	2,160	4,818	2,390	5,622	2,433
ATMS.....	3,387	594	3,797	810	3,670	1,157
Lines of credit.....	2,917	-	3,145	-	3,336	-
Collection of accounts.....	2,477	-	2,210	-	2,301	-
Letters of credit, guarantees and other						
Contingent operations.....	2,301	-	2,934	-	2,279	-
Financial advisory services	2,157	-	2,002	-	2,143	30
Reimbursement from medical insurance companies and excess of allowance for vacations.....	2,188	-	2,070	-	1,408	-
Commissions received by insurance company representatives (Banco de Chile affiliate) from insurance companies.....	-	-	1,036	-	1,408	-
Credichile services commissions.....	3,397	-	1,862	-	1,100	-
Revenue from sales of previously – leased goods.....	803	-	230	-	1,376	-
Custody and trust services.....	711	-	640	-	484	-
Foreign trade and foreign currency transactions	1,100	-	1,445	-	1,067	-
Credichile sales commissions.....	-	2,392	-	1,537	-	1,553
Expenses collection leasing.....	-	743	-	172	-	463
Transfer expenses	-	321	-	264	-	332
Commissions paid to foreign banks for services	-	260	-	492	-	275
Expenses from the maintenance of goods received in lieu of payment.....	-	166	-	321	-	331
Paying-off external credits.....	-	-	-	756	-	21
Other fees, net	4,459	4,110	4,556	3,944	6,797	2,769
Total	48,568	11,475	51,740	11,039	56,927	9,765
Non-operating income and expenses						
Rent.....	3,075	-	2,881	-	2,921	-
Gain on sales of bank premises and equipment	363	-	209	-	1,780	-
Gains on sales of assets received in lieu of payments previously charged-off.....	-	-	828	-	1,462	-
Recoveries of expenses	1,111	-	401	-	553	-
Charge-off of assets received in lieu of payment.....	-	1,485	-	3,362	-	1,576
Reduction in interest charged to clients	-	844	-	1,465	-	798
Amortization of goodwill	-	-	-	1,010	-	-
Database acquisition.....	-	-	-	719	-	1,122
Other	527	1,594	1,238	2,867	756	2,346
Total	5,076	3,923	5,557	9,423	7,472	5,842

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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18. Board of Directors Compensation

The following fees were paid to members of the Board of Directors as remuneration for their services, as established at the general shareholders' meetings, and for attendance fees:

	Years ended December 31,		
	1998	1999	2000
	MCh\$	MCh\$	MCh\$
Remuneration and attendance fees.....	738	804	801
	738	804	801

19. Loan Loss Recoveries

	Years ended December 31,		
	1998	1999	2000
	MCh\$	MCh\$	MCh\$
Loan portfolio previously charged-off.....	7,217	7,622	7,006
Loans reacquired from Central Bank.....	5,874	1,262	1,804
Total	13,091	8,884	8,810
	13,091	8,884	8,810

Recovery of loans reacquired from the Central Bank includes payments received on such loans which at the date of their repurchase from the Central Bank were deemed to have no value and were recorded in memorandum accounts.

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20. Foreign Currency Position

The consolidated balance sheets include assets and liabilities denominated in foreign currencies, which have been translated to Chilean pesos at the Observed Exchange Rates as of December 31, 1999 and 2000 and assets and liabilities that are denominated in foreign currencies but payable in Chilean pesos, as follows:

	As of December 31, 1999			As of December 31, 2000		
	Denominated in Foreign Currency			Denominated in Foreign Currency		
	Payable in Foreign Currency MCh\$	Payable in Pesos MCh\$	Total MCh\$	Payable in Foreign Currency MCh\$	Payable In Pesos MCh\$	Total MCh\$
ASSETS						
Cash and due from banks	168,878	-	168,878	115,273	-	115,273
Loans	531,608	62,115	593,723	536,416	52,137	588,553
Contingent loans	149,513	184	149,697	146,382	158	146,540
Interbank loans.....	39,370	-	39,370	26,137	-	26,137
Financial investments.....	328,716	28,852	357,568	525,562	27,598	553,160
Leasing contracts.....	-	49,409	49,409	-	50,263	50,263
Other assets.....	13,346	1,258	14,604	43,873	1,416	45,289
Total assets.....	1,231,431	141,818	1,373,249	1,393,643	131,572	1,525,215
LIABILITIES						
Deposits	528,025	610	528,635	724,181	25	724,206
Contingent liabilities	150,192	-	150,192	146,650	-	146,650
Borrowings from domestic financial institutions.....	2,142	-	2,142	-	-	-
Foreign borrowings	433,664	2,396	436,060	361,432	1,943	363,375
Other liabilities	211,804	5,791	217,595	267,806	6,193	273,999
Total liabilities.....	1,325,827	8,797	1,334,624	1,500,069	8,161	1,508,230
NET (LIABILITIES) ASSETS	(94,396)	133,021	38,625	(106,426)	123,411	16,985

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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21. Income Taxes

The Bank has recorded in the accompanying Consolidated Financial Statements the effects of deferred taxes and amortization of its complementary accounts, as provided by the standards of Technical Bulletins No. 60 and 69 of the Chilean Association of Accountants.

As described in these accounting standards, beginning January 1, 1999, the Bank recognized the consolidated tax effects generated by the temporary differences between financial and tax values of assets and liabilities. At the same date, the net deferred tax determined was completely offset against a net "complementary" account. Such complementary deferred tax balances are being amortized over the estimated reversal periods corresponding to the underlying temporary differences as of January 1, 1999. In accordance with Technical Bulletin No. 60, the net deferred tax balance is presented net of unamortized complementary account balances in the balance sheet, the corresponding movements and effects of which are as follows:

	Balance as of December 31, 1999 (1)	2000 Amortizations	2000 Deferred taxes	Balance as of December 31, 2000
	MCh\$	MCh\$	MCh\$	MCh\$
• Deferred income tax assets				
<u>Short-Term</u>				
Obligations with repurchase agreement.....	11,486	-	(3,745)	7,741
Other adjustments.....	1,842	-	(1,068)	774
Subtotal	<u>13,328</u>	<u>-</u>	<u>(4,813)</u>	<u>8,515</u>
<u>Long Term</u>				
Global allowance for loan losses	6,829	-	662	7,491
Assets at market value	3,524	-	(985)	2,539
Voluntary loan loss allowance	4,368	-	832	5,200
Other adjustments.....	4,695	-	1,565	6,260
Sub-total	<u>19,416</u>	<u>-</u>	<u>2,074</u>	<u>21,490</u>
Total	<u>32,744</u>	<u>-</u>	<u>(2,739)</u>	<u>30,005</u>
Complementary Account Balance	<u>(17,378)</u>	7,482	-	<u>(9,896)</u>
Net Assets.....	<u>15,366</u>			<u>20,109</u>
• Deferred income tax liabilities				
<u>Short Term</u>				
Investments with repurchase agreement.....	11,371	-	(3,683)	7,688
Other adjustments.....	161	-	97	258
Subtotal	<u>11,532</u>	<u>-</u>	<u>(3,586)</u>	<u>7,946</u>
<u>Long Term</u>				
Leasing equipment.....	872	-	(1,609)	(737)
Depreciation and Price- level restatement				
Of fixed assets.....	1,379	-	257	1,636
Severance indemnities.....	541	-	(35)	506
Other adjustments.....	819	-	13	832
Sub-total	<u>3,611</u>	<u>-</u>	<u>(1,374)</u>	<u>2,237</u>
Total	<u>15,143</u>	<u>-</u>	<u>(4,960)</u>	<u>10,183</u>
Complementary Account Balance	<u>(7,376)</u>	3,778	-	<u>(3,598)</u>
Net Liabilities.....	<u>7,767</u>			<u>6,585</u>

(1) For presentation purposes, deferred income tax balances as of December 31, 1999 are presented on a historical basis.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

21. Income Taxes (continued)

“Income taxes” as presented in the Consolidated Statements of Income for the years ended December 31, 1998, 1999 and 2000 are summarized as follows:

	Years ended December 31,		
	1998 MCh\$	1999 MCh\$	2000 MCh\$
Tax expense.....	(2,66	(7,10	(4,09
Amortization of deferred tax beginning balance.....		2,993	3,704
Deferred tax effect for the year.....	-	4,301	2,221
Income tax (reassessment of previous year).....	(322)	(2,051)	(3,25
Non deductible expenses Art. 21	(126)	(82)	(72)
Total income taxes	<u>(3,108)</u>	<u>(1,942)</u>	<u>(1,50</u>

22. Estimated Fair Value of Financial Instruments and Derivative Financial Instruments

The accompanying tables provide disclosure of the estimated fair value of financial instruments owned by the Bank. Various limitations are inherent in the presentation, including the following.

- The data excludes non-financial assets and liabilities, such as bank premises and equipment and excludes values attributable to deposit and credit card relationships.
- While the data represents management’s best estimates, the data is subjective, involving significant estimates regarding current economic and market conditions and risk characteristics.

The methodologies and assumptions used depend upon the terms and risk characteristics of the various instruments and include the following:

- Cash and due from banks represents cash and short-term deposits which approximate fair value because of the short-term maturity of these instruments.
- Most of the Bank’s securities are considered as trading and therefore are generally carried at quoted market prices. Interest earning assets and liabilities with an original maturity of less than one year are considered to have a fair value which is not materially different from their book value.
- For interest earning assets and interest bearing liabilities which are contracted at variable interest rates, their book value is considered to be equivalent to their fair value.
- For performing loans with an original maturity of greater than one year, the fair values were calculated by discounting contractual cash flows, using the Bank’s current origination rates for loans with similar terms and similar risk characteristics.
- For loans where the Bank’s management believes that the amounts outstanding will not be paid in accordance with contractual terms, the estimated cash flows arising from the liquidation of collateralized assets and other expected flows have been discounted at an estimated discount rate commensurate with the risk in the collection of these amounts.
- For interest-bearing liabilities with an original contractual maturity, of greater than one year, the fair values are calculated by discounting contractual cash flows at current market origination rates with similar terms.
- For foreign exchange contracts the fair values are calculated by using the Observed Exchange Rate at the end of the year (included in derivative financial instruments in the table below).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

22. Estimated Fair Value of Financial Instruments and Derivative Financial Instruments (continued)

The estimated fair values of financial instruments and derivatives financial instruments are as follows:

	As of December 31,			
	1999		2000	
	Book value MCh\$	Estimated fair value MCh\$	Book value MCh\$	Estimated fair value MCh\$
ASSETS				
Cash and due from banks	419,413	419,413	480,761	480,761
Accounts receivable under spot foreign exchange transactions.....	5,976	5,976	26,867	26,867
Financial investments	1,101,856	1,101,856	1,344,525	1,344,525
Loans, net (1)	3,157,997	3,195,031	3,373,392	3,379,246
LIABILITIES				
Deposits	2,932,255	2,942,749	3,453,609	3,430,531
Central Bank borrowings.....	3,378	3,302	2,788	2,725
Accounts payable under spot foreign exchange transactions.....	25,178	25,178	43,111	43,111
Investments under agreements to repurchase.....	160,073	160,073	134,155	134,155
Mortgage finance bonds	747,163	744,232	787,085	776,726
Other borrowings.....	490,853	485,912	429,275	429,494
Subordinated bonds.....	78,342	74,310	102,690	102,150
Derivative instruments	423	(959)	2,858	(301)

(1) The carrying amounts of loans in the above table excludes contingent loans since they represent undisbursed amounts under undrawn letters of credit and other credit guarantees granted by the Bank.

23. Article 9 Presentation of Income Statements and Balance Sheets

The presentation of the consolidated financial statements differs significantly from the format required by the Securities and Exchange Commission under Rules 210.9 to 210.9-07 of Regulation S-X ("Article 9"). The following Chilean GAAP financial statements were restated in constant Chilean pesos of December 31, 2000 purchasing power using the adjustment factor arising from the CPI and are presented in a format that complies with the requirements of Article 9 of Regulation S-X. The *Income Statements* presented for the years ended December 31, 1998, 1999 and 2000 disclose the Bank's Chilean GAAP income statements in a format that complies with the requirements of Article 9 of regulation S-X.

The principal reclassifications which were made to the basic Chilean GAAP consolidated financial statements in order to present them in the Article 9 format are as follows:

1. Elimination of contingent assets and liabilities from the balance sheet.
2. Elimination of investments in mortgage finance bonds issued by the Bank and held for future sale against the related liability.
3. Presentation of recoveries of loans previously charged-off as a reduction of the provision for loan losses instead of as other income.
4. Reclassification of fees relating to contingent loans from interest income under Chilean GAAP to non-interest income under Article 9.
5. Elimination of the cash clearing account from cash and due from banks.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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23. Article 9 Presentation of Income Statements and Balance Sheets (continued)

The following income statements presented for the years ended December 31, 1998, 1999 and 2000 have been prepared in accordance with Chilean GAAP, but are presented to disclose the Bank's consolidated income statement in accordance with the requirements of Article 9:

Income Statements

	Years ended December 31,		
	1998 MCh\$	1999 MCh\$	2000 MCh\$
INTEREST INCOME:			
Interest and fees on loans	484,613	414,063	446,795
Interest on investments	105,268	87,941	109,977
Interest on investments purchased under agreements to resell	11,954	7,970	11,692
Interest on mortgage finance bonds.....	2,211	1,099	131
Interest on deposits with banks	2,738	4,623	3,693
Total interest income.....	606,784	515,696	572,288
INTEREST EXPENSE:			
Interest on deposits	(218,250)	(179,252)	(201,779)
Interest on investments sold under agreements to purchase	(20,484)	(10,765)	(16,069)
Interest on short-term debt.....	(20,904)	(18,201)	(11,543)
Interest on long-term debt	(118,955)	(85,828)	(111,682)
Interest on other borrowed funds.....	(7,827)	(285)	(903)
Price-level restatement (1)	(8,625)	(5,419)	(9,139)
Total interest expense.....	(395,045)	(299,750)	(351,115)
Net interest income.....	211,739	215,946	221,173
ALLOWANCE FOR LOAN LOSSES (2).....	(36,202)	(49,458)	(38,296)
LOAN LOSS RECOVERIES (2).....	13,091	8,884	8,810
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES AND LOAN LOSS RECOVERIES	188,628	175,372	191,687
OTHER INCOME:			
Fees and commissions	14,557	16,029	20,802
Brokerage and securities income net gain on trading activities	(9,016)	13,090	6,830
Net gains (losses) on foreign exchange.....	10,124	4,681	4,100
Other revenue	5,533	6,250	7,475
Total other income	21,198	40,050	39,207
OTHER EXPENSES:			
Salaries	(77,112)	(76,033)	(79,671)
Net premises and equipment expenses.....	(11,737)	(10,956)	(11,248)
Administration expenses	(45,226)	(47,290)	(50,671)
Other expenses.....	(4,245)	(12,095)	(5,842)
Minority interest.....	(464)	(1)	(1)
Total other expenses.....	(138,784)	(146,375)	(147,433)
INCOME BEFORE INCOME TAXES	71,042	69,047	83,461
INCOME TAXES	(3,108)	(1,942)	(1,503)
NET INCOME	67,934	67,105	81,958

In connection with the preparation of the Article 9 income statement:

- (1) The price-level restatement includes the effect of inflation primarily resulting from interest earning assets and interest bearing liabilities. As the Bank does not maintain the price-level adjustment for separate categories of assets and liabilities, such adjustment is presented as a component of interest expense.
- (2) Article 9 requires loan recoveries to be netted against loan loss provisions. However, due to the magnitude of recoveries, the amounts have been disclosed separately.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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23. Article 9 Presentation of Income Statements and Balance Sheets (continued)

The following balance sheets presented as of December 31, 1999 and 2000 have been prepared in accordance with Chilean GAAP, but are presented to disclose the Bank's consolidated balance sheets in accordance with the requirements of Article 9:

Balance Sheets

	<u>As of December 31,</u>	
	1999	2000
	MCh\$	MCh\$
ASSETS		
Cash and due from banks	230,389	203,184
Interest bearing deposits in other banks	129,201	311,261
Investments under agreements to resell.....	2,258	9,722
Trading investments	385,493	400,963
Available-for-sale investments.....	102,634	133,910
Held-to-maturity investments.....	430,300	421,510
Subtotal.....	1,280,275	1,480,550
Loans	3,337,201	3,559,454
Unearned income	(61,082)	(59,068)
Reserve for loan losses.....	(105,851)	(112,936)
Loans, net.....	3,170,268	3,387,450
Premises and equipment, net	105,528	89,719
Other assets.....	64,271	76,621
TOTAL ASSETS	4,620,342	5,034,340
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	669,297	727,390
Interest bearing	2,075,039	2,454,655
Total deposits	2,744,336	3,182,045
Short-term borrowings.....	60,548	44,084
Investments sold under agreements to repurchase	160,073	134,155
Other liabilities	65,685	86,994
Long-term debt.....	1,206,113	1,204,582
TOTAL LIABILITIES	4,236,755	4,651,860
Minority interest.....	3	3
Common stock	231,822	231,822
Other shareholders' equity.....	151,762	150,655
TOTAL SHAREHOLDERS' EQUITY	383,584	382,477
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,620,342	5,034,340

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

23. Article 9 Presentation of Income Statements and Balance Sheets (continued)

The following is a reconciliation of total assets presented in accordance with guidelines established by the Superintendency of Banks and the presentation prescribed by Article 9:

	As of December 31,	
	1999	2000
	MCh\$	MCh\$
Total assets as per Chilean GAAP presentation	5,122,948	5,630,263
Elimination of assets offset by liabilities:		
Contingent loans	(261,612)	(251,187)
Cash clearing account.....	(187,919)	(271,564)
Repurchased mortgage finance bonds issued by the Bank	(53,075)	(73,172)
Total assets as per Article 9 presentation	4,620,342	5,034,340

24. Commitments and contingencies

The Bank is party to transactions with off-balance sheet risk in the normal course of its business. These transactions expose the Bank to credit risk in addition to amounts recognized in the consolidated financial statements. These transactions include commitments to extend credit not otherwise accounted for as contingent loans. These commitments include such items as overdrafts and credit card lines of credit. Such commitments are agreements to lend to a customer at a future date, subject to compliance with the contractual terms. Since a substantial portion of these commitments is expected to expire without being drawn on, the total commitment amounts do not necessarily represent actual future cash requirements of the Bank. The amounts of these loan commitments are MCh\$ 293,498 and MCh\$ 324,170 as of December 31, 1999 and 2000, respectively.

25. Fiduciary Activities

The following items are recorded in memorandum accounts by the Bank and represent fiduciary safekeeping and custody services:

	As of December 31,	
	1999	2000
	MCh\$	MCh\$
Securities held in safe custody	1,252,651	1,441,680
Amounts to be collected on behalf of domestic third parties	94,794	82,378
Amounts to be collected on behalf of foreign third parties.....	273,398	243,560
Total fiduciary activities.....	1,620,843	1,767,618

26. Concentrations of Credit Risk

Concentrations of credit risk (whether on or off-balance sheet) arising from financial instruments exist in relation to certain groups of customers. A group concentration arises when a number of parties have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank does not have a significant exposure to any customer or counterparty.

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26. Concentrations of Credit Risk (continued)

Counterparty risk

The Bank maintains a series of deposits, investments purchased under agreements to resell, forward contract agreements and other financial instruments with institutions in the Chilean banking sector. The principal counterparties within the Chilean banking sector, excluding the Central Bank, and the Bank's related exposure to credit risk, as of December 31, 1999 and 2000 are as follows:

<u>Bank</u>	Credit Risk	
	As of December 31,	
	1999	2000
	MCh\$	MCh\$
Banco Sud Americano.....	500	1,348
Banco del Estado de Chile.....	63	1,041
Corpbanca.....	-	1,011
Banco de A. Edwards.....	-	682
Citibank N.A.....	-	187
BBVA Banco Bhif.....	-	147
Bank of America N.T. AND S.A.....	344	18
Banco del Desarrollo.....	380	-
Others.....	6	372

The Bank maintains a policy of placing deposits with a number of different financial institutions and does not believe that any one of these banks represents an unacceptable credit risk. The Bank does not usually require collateral from these counterparties.

27. Sales and purchases of loans

From time to time, the Bank does sell and purchase loans based on specific requirements from customers. During the years ended December 31, 1998, 1999 and 2000, the Bank sold loans totaling MCh\$ 25,591, MCh\$ 4,146 and MCh\$ 21,721 respectively, however, the Bank does not originate loans for future sale. The Bank did not retain servicing or any other interest in the loans sold or retains any risks in the event of non-collection by the purchaser. The Bank did not purchase any loans during the years ended December 31, 1998, 1999 and 2000. Any gains or losses on such transactions are recognized in results of operations at the time of the transactions.

The aggregate gains on sales of loans were MCh\$ 120, MCh\$ 27 and MCh\$ 2,148 for the years ended December 31, 1998, 1999 and 2000, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

28. Maturity of Assets and Liabilities

The maturity dates of assets and liabilities are shown inclusive of accrued interest as of December 31, 2000.

	As of December 31, 2000					
	Due after 1		Due after 3		Total	Total
	Due within	but within	But within	Due after 6		
	1 year	3 years	6 years	years	2000	1999
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
ASSETS						
Loans (1).....	1,748,791	632,826	435,689	596,661	3,413,967	3,188,675
Securities.....	1,239,098	34,511	28,566	42,350	1,344,525	1,101,856
Total	2,987,889	667,337	464,255	639,011	4,758,492	4,290,531
LIABILITIES						
Deposit and other obligations (2).....	2,397,852	2,140	575	-	2,400,567	2,012,249
Mortgage finance bonds	75,461	134,358	191,374	385,892	787,085	747,163
Bonds.....	2,840	4,124	11,436	84,670	103,070	79,426
Chilean Central Bank borrowings:						
Credit lines for renegotiations of loans	2,788	-	-	-	2,788	3,378
Borrowings from domestic financial						
Institutions	16,378	79	-	-	16,457	12,255
Foreign borrowings	127,686	226,528	9,161	-	363,375	436,061
Other obligations.....	20,777	11,945	10,977	5,364	49,063	41,453
Total	2,643,782	379,174	223,523	475,926	3,722,405	3,331,985

(1) Excludes contingent loans, overdue loans (1-89 days) and past due loans (90 days or more).

(2) Excludes demand deposit accounts, saving accounts, investments sold under agreements to repurchase and contingent liabilities.

29. Subsequent Events

No further events have occurred subsequent to the closing of the financial statements on December 31, 2000, which could materially affect the economic and financial position of the Bank.

30. Differences between Chilean and United States Generally Accepted Accounting Principles

The following is a description of the significant differences between accounting principles as prescribed by the Superintendency of Banks and Chilean generally accepted accounting principles (collectively "Chilean GAAP"), and generally accepted accounting principles in the United States of America ("U.S. GAAP").

References below to "SFAS" are to United States Statements of Financial Accounting Standards. Pursuant to Chilean GAAP, the Bank's financial statements recognize certain effects of inflation. The inclusion of price-level adjustments in the accompanying consolidated financial statements is considered appropriate under the prolonged inflationary conditions affecting the Chilean economy even though the cumulative inflation rate for the last three years does not exceed 100%. In addition, the Bank translates the accounting records of its branch in New York, USA and its agency in Miami, USA to Chilean pesos from US dollars in accordance with guidelines established by the Superintendency, which are consistent with Technical Bulletin N°64, "Accounting for investments Abroad", issued by the Chilean Association of Accountants. In the opinion of the Bank, this foreign currency translation methodology forms part of the comprehensive basis of preparation of price-level adjusted financial statements required by Chilean GAAP. Inclusion of inflation and the effects of translation under the Chilean accounting standard in the financial statements is considered appropriate under the inflationary conditions that have

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historically affected the Chilean economy and, accordingly have not been eliminated in the reconciliation to U.S. GAAP included under paragraph (p) below.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(a) Loan Origination Commissions and Fees

The Bank recognized origination fees on credit card loans, lines of credit and letters of credit when collected and recorded the related direct costs when incurred. Under SFAS No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Origination of Acquiring Loans and Initial Direct Costs of Leases", loan origination fees and certain direct loan origination costs should be recognized over the term of the related loan as an adjustment to yield. The effect of accounting for net loan origination fees in accordance with U.S. GAAP is included in the reconciliation of consolidated net income and shareholders' equity in paragraph (p) below.

(b) Deferred Income taxes

Under Chilean GAAP, prior to 1999, the Bank did not record the effects of deferred income taxes. Effective January 1, 1999, and in accordance with the new accounting standard under Chilean GAAP, the Bank was required to record the effects of deferred tax assets and liabilities based on the liability method, with deferred tax assets and liabilities established for temporary differences between the financial reporting basis and the tax basis of the Bank's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized. As a transitional provision to reduce the impact of adoption of this standard, the Bank was permitted to record a contra ("complementary") asset or liability as of the date of implementation of the new accounting standard, January 1, 1999, related to the effects of deferred income taxes from prior years. These complementary assets and liabilities are to be amortized over the estimated period of reversal of the temporary differences that generate the future income tax asset or liability.

Under SFAS No. 109, "Accounting for Income Taxes", income taxes are recognized using the liability method in a manner similar to Chilean GAAP. The effects of recording deferred income taxes for the year ended December 31, 1998 and the elimination of the complementary assets and liabilities and their respective amortization are included in the reconciliation of consolidated net income and shareholders' equity in paragraph (p) below.

Additional disclosures required under SFAS No. 109 are further described in paragraph (r) below.

(c) Investments in other companies

As shown in Note 9, the Bank has a series of investments, each of which represents an ownership interest of less than 20% in a particular company. Under Chilean GAAP, these investments have been accounted for under the equity method. As these investments are long-term in nature and are not traded, under U.S. GAAP these investments would generally be accounted for at cost less any non-temporary impairment in value. The effect of recording these assets in accordance with U.S. GAAP is included in the reconciliation of consolidated net income and shareholders' equity in paragraph (p) below.

(d) Repurchase agreements

The Bank enters into repurchase agreements as a source of finance. In this regard, under Chilean GAAP the Bank's investments, which are sold subject to repurchase agreements, are reclassified from their investment category to investment collateral under agreements to repurchase. Under U.S. GAAP, no such reclassification is made since, in substance, the investment securities serve only as collateral on the borrowing. For purposes of the Article 9 consolidated balance sheets included in Note 23 above, investments that collateralize such borrowings are shown as trading investments.

(e) Interest income recognition on non-accrual loans

The Bank suspends the accrual of interest on loans on the first day that such loans are overdue. Previously accrued but uncollected interest on overdue loans is not reversed at the time the loan ceases to accrue interest.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(e) Interest income recognition on non-accrual loans, (continued)

Under U.S. GAAP, recognition of interest on loans is generally discontinued when, in the opinion of management, there is an indication that the borrower may be unable to meet payments as they become due. As a general practice, this occurs when loans are 90 days or more past due. Any accrued but uncollected interest is reversed against interest income at that time.

In addition, under Chilean GAAP, any payment received on overdue loans is treated as income to the extent of interest earned but not recorded, after reducing any recorded accrued interest receivable. Any remaining amount is then applied to reduce the outstanding principal balance. Under U.S. GAAP, any payment received on loans when the collectibility of the principal is in doubt is treated as a reduction of the outstanding principal balance of the loan until such doubt is removed. The effect of the difference in interest recognition on nonaccrual loans is not material to the Bank's financial position and results of its operations.

(f) Contingent loans

Under Chilean GAAP the Bank recognizes rights and obligations with respect to contingent loans as contingent assets and liabilities. Under U.S. GAAP, such contingent amounts are not recognized on the balance sheet. If U.S. GAAP had been followed, the total assets and liabilities of the Bank would have been lower by MCh\$ 261,612 and MCh\$ 251,187 as of December 31, 1999 and 2000, respectively. This reclassification is included in the Article 9 consolidated financial statements in note 23 above.

(g) Allowance for loan losses

The determination of loan losses under U.S. GAAP differs from that under Chilean GAAP in the following respects:

1) Allowance for loan losses

Under Chilean GAAP, the allowance for loan losses is calculated according to specific guidelines set out by the rules of the Superintendency of Banks.

Under U.S. GAAP allowances for loan losses should be in amounts adequate to cover inherent losses in the loan portfolio at the respective balance sheet dates. Under U.S. GAAP, the Bank has estimated its required reserve in the following manner:

- All loans of the Bank were classified in accordance with the rules of the Superintendency of Banks. Allowances for commercial loans and leasing operations were classified in loan risk category A or B, which were not considered impaired under SFAS No. 114, "Accounting by Creditors for Impairment of a Loan" ("SFAS No. 114"), were analyzed and adjusted, if necessary, to reflect the estimated losses not identified based on individual credit analysis. The estimations were performed using historical loan data, in order to estimate the inherent losses in the Bank's loan portfolio, using patterns and trends based upon historical loan movements ("migration analyses").
- In addition, specific additional provisions were determined for loans on the following basis:
 - i) Commercial loans and leasing operations greater than MCh\$ 75, which were considered impaired in accordance with the criteria established by SFAS No. 114, were valued at the present value of the expected future cash flows discounted at the loan's effective contractual interest rate, or at market rates in the case of those loans were considered to be collateral dependent.

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- ii) Allowances for commercial loans and leasing operations which were under MCh\$ 75 (i.e. those loans which were not considered in the above SFAS No. 114 analysis), were calculated using the weighted average loan provision, by loan classification, as determined in i). In addition, estimated incurred losses were adjusted based on results of a migration analysis referred to above.

30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(g) Allowance for loan losses (continued)

- iii) Allowance for loan losses for mortgage and consumer loans were determined based on historical loan charge-offs, after considering the recoverability of the underlying collateral.

Based on the preceding calculations the Bank determined that under U.S. GAAP the allowance for loan losses are lower than loan loss allowances required in accordance with the guidelines established by the Superintendency of Banks.

The voluntary loan loss allowance was then deducted from the additional reserve requirements under U.S. GAAP to arrive at a cumulative U.S. GAAP adjustment, as follows:

	<u>As of December 31,</u>	
	<u>1999</u>	<u>2000</u>
	<u>MCh\$</u>	<u>MCh\$</u>
U.S. GAAP loan loss reserve	81,223	84,744
Less: Chilean GAAP loan loss allowance as required by the Superintendency of Banks.....	75,365	78,270
Chilean GAAP voluntary loan loss allowance	30,486	34,666
U.S. GAAP adjustment	<u>24,628</u>	<u>28,192</u>

2) Recognition of income

As of December 31, 1999 and 2000 the recorded investment in loans for which impairment had been recognized in accordance with SFAS No. 114 totaled MCh\$ 202,523 and MCh\$ 215,024, respectively, with a corresponding valuation allowance of MCh\$55,945 and MCh\$59,414, respectively. For the years ended December 31, 1999 and 2000 the average recorded investment in impaired loans was MCh\$157,540 and MCh\$184,458 respectively. For the years ended December 31, 1999 and 2000, the Bank recognized of interest on impaired loans of MCh\$ 30,754 and MCh\$ 35,131, respectively. The Bank recognizes interest on impaired loans on an accrual basis, except for past due loans for which the Bank recognizes interest as described in paragraph (e) above. As of December 31, 1999 and 2000, the Bank had made provisions against all loans which it considered to be impaired.

3) Loan loss recoveries

Under U.S. GAAP recoveries of loans previously charged-off are presented as a reduction of the provision for loan losses; under Chilean GAAP such recoveries are recognized as other income.

The effects of adopting SFAS No. 114 are included in the reconciliation included in paragraph (p) below.

The following presents an analysis under U.S. GAAP of the changes in the allowance for loan losses during the periods presented:

	<u>As of December 31,</u>	
	<u>1999</u>	<u>2000</u>
	<u>MCh\$</u>	<u>MCh\$</u>
Allowance for loan losses in accordance with U.S. GAAP, as of January 1,	60,633	81,223
Price-level restatement (1)	(1,886)	(4,447)
Charge-offs	(31,379)	(26,764)
Loan loss recoveries	8,884	8,810
Allowances established	47,014	27,046
Allowances released	(2,043)	(1,124)

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Balances as of December 31,	<u><u>81,223</u></u>	<u><u>84,744</u></u>
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- (1) Reflects the effect of inflation and exchange rate changes of branches abroad on the allowance for loan losses under Chilean GAAP at the beginning of each period, adjusted to constant pesos of December 31, 2000.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(g) Allowance for loan losses (continued)

4) Charge-offs

As discussed in note 1 (j) of these financial statements, under Chilean GAAP the Bank charges-off loans when collection efforts have been exhausted. Under the rules and regulations established by the Superintendency of Banks, charge-offs must be made within the following maximum prescribed limits:

- 24 months after a loan is past due (6 months for consumer loans) for loans without collateral;
- 36 months after a loan is past due for loans with collateral.

Under U.S. GAAP, loans should be written-off in the period that they are deemed uncollectible. The Bank believes that the charge-off policies it applies in accordance with Chilean GAAP are substantially the same as those required under U.S. GAAP, and therefore that differences are not significant to the presentation of its financial statements.

(h) Mortgage Finance Bonds Issued by the Bank

Under Chilean GAAP, other financial investments include mortgage finance bonds issued by the Bank and held for future sale. Under U.S. GAAP, mortgage finance bonds issued by the Bank would be offset against the corresponding liability. Under U.S. GAAP, other financial investments and the liability for mortgage finance bonds as of December 31, 1999 and 2000 would have been lower by MCh\$ 53,075 and MCh\$ 73,172, respectively. This reclassification is included in the Article 9 consolidated financial statements in note 23 above.

As instructed by the Superintendency of Banks, mortgage finance bonds issued by the Bank are carried at market value. As mentioned, under U.S. GAAP, such mortgage finance bonds are offset against the corresponding liability, consequently, had U.S. GAAP been applied, no such adjustment would have been made. The effects of this difference between Chilean and U.S. GAAP have been included in the reconciliation to U.S. GAAP in paragraph (p) below.

(i) Investment securities

Under Chilean GAAP the Bank classifies certain investments as permanent. These investments are stated at fair market value with unrealized gains and losses included in a separate component of shareholders' equity, with realized gains and losses included in other operating results. Investments with a secondary market are carried at market value, and all other financial investments are carried at acquisition cost plus accrued interest and UF indexation adjustments. As of December 31, 1999, market value adjustments were performed only for those investments with maturities greater than one year.

Under U.S. GAAP, SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"), requires that debt and equity securities be classified in accordance with the Bank's intent and ability to hold the security, as follows:

- Debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are reported at amortized cost.
- Debt and equity securities that are bought and held by the Bank, principally for the purpose of selling them in the near term, are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings.
- Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity.

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30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(i) Investment securities (continued)

Based upon these criteria, the Bank has determined that under U.S. GAAP, its investments should be classified as "trading", "available-for-sale" and "held-to-maturity". Consequently, investments classified as permanent are considered to be "available-for-sale" and all other investments are considered to be "trading", with the exception of certain Central Bank securities and other investments, maintained by the Bank's branches in the United States of America, included in both categories, which are classified as "held-to-maturity".

Certain investment securities maintained by the Bank's branches abroad and Central Bank securities classified as "held-to-maturity" are stated at fair market value. Under U.S. GAAP, held-to-maturity investments are stated at amortized cost. The effect of eliminating the market value adjustment for these investments is included in the reconciliation of consolidated net income and shareholders' equity in paragraph (p) below.

Investment securities maintained by the Bank's subsidiaries are carried at the lower of price-level restated cost or market value and are classified as "trading" for U.S. GAAP purposes. The effect of the difference in the valuation criteria for these investments is not material to the Bank's financial position and results of its operations.

1) Under Chilean GAAP, the unrealized holdings gains (losses) related to investments classified as permanent have been included in equity, which does not differ from the treatment of "available-for-sale" investments under U.S. GAAP, except for the elimination of mortgage finance bonds issued by the Bank, as discussed in paragraph (h) above.

The following are required disclosures for investments classified as available-for-sale in accordance with SFAS N°115 and the presentation requirements of Article 9, and have been prepared using amounts determined in accordance with Chilean GAAP:

Realized gains and losses are determined using the proceeds from sales less the cost of the investment identified to be sold. Gross gains and losses realized on the sale of available-for-sale securities for the year ended December 31, 1999 and 2000 are as follows:

	Years ended December 31,	
	1999	2000
	MCh\$	MCh\$
Proceeds on sale of investments resulting in gains	31,624	28,934
Realized gains	3,133	2,858
Proceeds on sale of investments resulting in losses.....	15,746	22,328
Realized losses.....	1,747	329

The carrying value and market value of securities available for sale as of December 31, 1999 and 2000 are as follows:

Available-for-sale Instruments:	Years ended December 31,							
	1999				2000			
	Carrying Value (1)	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Carrying Value (1)	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Foreign private sector debt securities	83,024	-	(4,520)	78,504	3,710	2	(53)	3,659
Foreign financial institutions debt securities	-	-	-	-	101,393	274	(4,120)	97,547
Latin American Brady Bonds	23,871	791	(532)	24,130	32,779	46	(121)	32,704
Total.....	106,895	791	(5,052)	102,634	137,882	322	(4,294)	133,910

(1) For the purpose of this table, carrying values are based upon the historical cost of each investment including applicable adjustments for price-level restatement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(i) Investment securities (continued)

The contractual maturities of securities, classified by the Bank as available-for-sale, are as follows:

	As of December 31, 2000				
	Within one year	After one year but within five years	After five years but within 10 years	After 10 years	Total
Available-for-sale Instruments:	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Foreign private sector debt securities.....	34,484	49,286	17,623	-	101,393
Foreign financial institutions debt securities.....	1,172	2,538	-	-	3,710
Latin American Brady Bonds	-	-	18,726	14,053	32,779
Total.....	35,656	51,824	36,349	14,053	137,882

2) The following disclosures, in addition to those required under Chilean GAAP, are required disclosures for investments classified as held-to-maturity in accordance with SFAS No. 115:

	Years ended December 31,					
	1999			2000		
	Amortized Cost	Unrealized Gains (Losses)	Estimated Fair Value	Amortized Cost	Unrealized Gains (Losses)	Estimated Fair Value
Held-to-maturity Instruments:	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Chilean Central Bank securities.....	384,001	(19,540)	364,461	384,326	(13,497)	370,829
U.S. Government debt securities.....	59,886	-	59,886	31,260	-	31,260
Foreign financial institutions debt securities.....	5,953	-	5,953	13,605	83	13,688
Foreign private sector debt securities.....	-	-	-	5,733	-	5,733
Total.....	449,840	(19,540)	430,300	434,924	(13,414)	421,510

The contractual maturities of securities classified by the Bank as held-to-maturity are as follows:

	December 31, 2000			
	Within one year	After one year but within five years	After five years	Total
Held-to-maturity Instruments:				
Chilean Central Bank securities.....	-	384,326	-	384,326
U.S. Government debt securities.....	31,260	-	-	31,260
Foreign financial institutions debt securities.....	12,048	1,557	-	13,605
Foreign private sector debt securities.....	5,733	-	-	5,733
Total.....	49,041	385,883	-	434,924

(3) Under U.S. GAAP, the Bank is required to disclose the amounts of unrealized holding gains and losses included in income on securities classified as trading. For the years ended December 31, 1998, 1999 and 2000, the Bank recognized in income unrealized holding gains of MCh\$ (406), MCh\$ (495) and MCh\$ 215, respectively, on these securities.

(j) Forward exchange contracts

Under Chilean GAAP, forward contracts between the U.S. dollar and the Chilean peso are valued at the closing spot exchange rate of each balance sheet date, with the initial discount or premium being amortized over the life of the contract in accordance with Chilean hedge accounting criteria. As these contracts are operational in nature, under U.S. GAAP such contracts would not qualify for hedge accounting treatment, and would therefore be valued at the fair value based on the forward exchange rate. Using forward exchange rates, the losses associated with these contracts for the years ended December 31, 1999 and 2000 were MCh\$ 2,613 and MCh\$ 6,321, respectively. The effects of the adjustments with respect to foreign exchange contracts on the net income and net equity of the Bank are included in paragraph (p) below.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(k) Mandatory dividend

As required by Chile's General Banking Law, unless otherwise decided by a two-thirds vote of its issued and subscribed shares, the Bank must distribute a cash dividend in an amount equal to at least 30% of its net income for each year as determined in accordance with Chilean GAAP, unless and except to the extent the Bank has unabsorbed prior year losses.

Since the payment of these dividends is a legal requirement in Chile, an accrual for U.S. GAAP purposes is made to recognize the corresponding decrease in equity at each balance sheet date. The Bank's liabilities would have been greater by MCh\$ 20,132 and MCh\$ 24,587 as of December 31, 1999 and 2000, respectively, under U.S. GAAP. The effects of these adjustments on the net equity of the Bank are included in paragraph (p) below.

(l) Fees on automated teller machines (ATM) and other services

The Bank recognizes fees and costs on ATM cards and other services on a cash basis. Under U.S. GAAP, recognition of these items should be recorded on an accrual basis unless the effect is not material. The effect of the difference in the recognition of income and costs on the ATM cards is not significant to the income of the Bank, and has consequently been omitted from the reconciliation to U.S. GAAP included under paragraph (p) below.

(m) Assets received in lieu of payment

Under Chilean GAAP, assets received in lieu of payment are carried at cost and have been restated for price-level changes, less a global valuation allowance if the total of the market value of those assets is lower than the carrying amount. Market value is determined based on appraiser valuations, as required by the Superintendency of Banks. Beginning January 1, 2000, if the asset is not sold within one year, then recorded asset amounts must be written-off on at least a straight-line basis over the following 18-month period. In general, the Bank continues to apply the previous Superintendency of Banks regulation requiring that such assets not sold within one year be completely written-off within one year.

Under U.S. GAAP, assets received under lieu of payment should be carried at the lower of fair value less any estimated costs to sell or cost, on an individual asset basis. The effect of recording these assets in accordance with U.S. GAAP is included in the reconciliation of consolidated net income and shareholders' equity in paragraph (p) below.

(n) Acquisition of Leasing Andino

As described in note 9, on April 23, 1999, the Bank and its subsidiary Banchile Asesorías Financieras S.A. acquired the remaining 35% of shares of Leasing Andino that it did not already own from Orix Corporation for MCh\$ 12,973. Under Chilean GAAP, the Bank recorded goodwill in the amount of MCh\$ 1,141 based on the differences between the investment purchase price and the amount of the underlying equity in the carrying value of the investee's net assets. As permitted by Chilean GAAP, goodwill can be amortized on an accelerated basis to the extent of the Bank's net income. Accordingly the Bank completely amortized the goodwill recorded as a result of this transaction during the year ended December 31, 1999.

Under U.S. GAAP, the difference between the cost of an investment and the amount of underlying equity in net assets is allocated to the underlying assets and liabilities based on their respective fair values at the time of the acquisition. Any excess of the cost of the investment over such fair value is treated as goodwill. Under U.S. GAAP, the Bank is amortizing the resulting goodwill over an estimated useful life of 10 years on a straight-line basis.

The effect of the differences in purchase accounting and the amortization of goodwill is included in the reconciliation of consolidated net income and shareholders' equity in paragraph (p) below.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(o) Staff severance indemnities

The provision for staff severance indemnities, included in the account "Other Liabilities" (see note 10), relates a benefit payable to a defined number of employees, upon their retirement from the Bank, conditional upon having completed 30 years of continuous service. The Bank makes indemnity payments upon termination of the applicable employees, and has not set aside assets to fund its benefit obligation. Under Chilean GAAP, the corresponding liability is calculated by discounting the benefit accrued using real interest rates, as described in Note 1 (m), considering current salary levels of all employees eligible under the plan.

An analysis of the changes in the accrued amounts for staff severance indemnities under Chilean GAAP during each of the three years ended December 31, 2000 is as follows:

	As of December 31,		
	1998	1999	2000
	MCh\$	MCh\$	MCh\$
Opening balance as of January 1.....	4,528	4,522	4,572
Price-level restatement (1).....	(487)	(312)	(205)
Severance indemnities provision.....	1,641	1,277	1,810
Payments during the period.....	(1,160)	(915)	(1,173)
Balance as of December 31,	4,522	4,572	5,004

(1) Reflects the effect of inflation on the provision for staff severance indemnities at the beginning of each period, adjusted to constant pesos of December 31, 2000.

Under U.S. GAAP, termination indemnity employee benefits have been accounted for in accordance with SFAS No. 87 consistent with that of a defined benefit pension plan, measuring the liability by projecting the future expected severance payments using an assumed salary progression rate net of inflation adjustments, mortality and turnover assumptions, and discounting the resulting amounts to their present value using real interest rates.

The following data are presented under U.S. GAAP for Company's termination indemnity benefit plans during each of the two years ended December 31, 2000.

Changes in Benefit (obligations)	As of December 31,	
	1999	2000
	MCh\$	MCh\$
Obligation as of January 1.....	5,377	5,205
Price level restatement (1).....	(409)	(359)
Service cost.....	126	128
Interest cost.....	430	355
Actuarial gain (loss).....	596	1,177
Benefits paid.....	(915)	(1,173)
Obligation as of December 31,	5,205	5,333

(1) Reflects the effect of inflation on the provision for staff severance indemnities at the beginning of each period, adjusted to constant pesos of December 31, 2000.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(o) Staff severance indemnities (continued)

Components of net periodic benefit expenses	Years ended December 31,	
	1999	2000
	MCh\$	MCh\$
Service cost	126	128
Interest cost	430	355
Actuarial gain (loss)	596	1,177
Total.....	<u>1,152</u>	<u>1,660</u>

Assumptions used as of December 31,

Real discount rate	8%	7%
Real Rate of salary progression	2.50%	2.50%
Mortality (1).....	RV85	RV85
Turnover (2).....	280% of ESA77	280% of ESA77

- (1) The mortality tables used in the determination of the benefit obligation are the same as those used by Chilean Insurance Companies to calculate insurance life reserves, in accordance with Circular No. 491 issued March 29, 1985 by the Superintendency of Insurance and Securities.
- (2) The turnover table used in the determination of the benefit obligation is based on the American labor turnover "ESA77", adjusted by a factor of 280%. This represents an annual labor turnover of approximately 8%, which is consistent with the actual experience of the Bank, observed since May, 1996.

The effects of accounting for termination indemnity benefits under U.S. GAAP have been presented in paragraph (p),

below.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(p) Summary of Income Statement and Shareholders' Equity differences

The following is a reconciliation of consolidated net income under Chilean GAAP to the corresponding U.S. GAAP amounts:

	Years ended December 31,		
	1999	2000	2000
	MCh\$	MCh\$	ThUS\$ (Note 1(n))
	Restated	Restated	Restated
Net income in accordance with Chilean GAAP	67,105	81,958	130,788
U.S. GAAP adjustments:			
Loan origination commissions and fees (Note 30 (a))	(1,006)	(728)	(1,162)
Deferred income taxes (Note 30 (b))	(2,993)	(4,174)	(6,661)
Investments in other companies (Note 30 (c))	101	134	214
Allowance for loan losses (Note 30 (g))	(4,398)	3,564	5,687
Mortgage finance bonds issued by the Bank (Note 30 (h))	(3,905)	(239)	(381)
Investments held-to-maturity (Note 30 (i))	(7,458)	(6,043)	(9,643)
Forward exchange contracts (Note 30 (j))	1,546	1,776	2,834
Assets received in lieu of payment (Note 30 (m))	1,761	(688)	(1,098)
Acquisition of Leasing Andino (Note 30 (n))	2,221	(238)	(380)
Staff severance indemnities (Note 30 (o))	222	304	485
Deferred tax effect of the above U.S. GAAP adjustments	1,988	307	490
Net income in accordance with U.S. GAAP	55,184	75,933	121,173
Other comprehensive income, net of tax:			
Unrealized holding gains (losses) on available-for-sale			
Securities	5,836	74	118
Adjustment for translation differences	2,015	953	1,521
Comprehensive income in accordance with U.S. GAAP	63,035	76,960	122,812

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
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30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(p) Summary of Income Statement and Shareholders' Equity differences (continued)

The following is a reconciliation of consolidated shareholders' equity differences under Chilean GAAP to the corresponding amounts under U.S. GAAP:

	As of December 31,		
	1999	2000	2000
	MCh\$	MCh\$	ThUS\$(Note 1(n))
	Restated	Restated	Restated
Shareholders' Equity in accordance with Chilean GAAP	383,584	382,477	610,352
U.S. GAAP adjustments:			
Loan origination commissions and fees (Note 30 (a))	1,946	1,218	1,944
Deferred income taxes (Note 30 (b))	10,472	6,298	10,050
Investments in other companies (Note 30 (c))	181	315	503
Allowance for loan losses (Note 30 (g))	24,628	28,192	44,988
Mortgage finance bonds issued by the Bank (Note 30 (h))	275	(244)	(389)
Investments held-to-maturity (Note 30 (i))	19,540	13,414	21,406
Forward exchange contracts (Note 30 (j))	1,383	3,159	5,041
Mandatory dividend (Note 30 (k))	(20,132)	(24,587)	(39,236)
Assets received in lieu of payment (Note 30 (m))	1,902	1,214	1,937
Acquisition of Leasing Andino (Note 30 (n))	2,221	1,983	3,164
Staff severance indemnities (Note 30 (o))	(633)	(329)	(525)
Deferred tax effect of the above U.S. GAAP adjustments	(7,355)	(6,994)	(11,161)
Shareholders' equity in accordance with U.S. GAAP	418,012	406,116	648,074

The following summarizes the changes in shareholders' equity under U.S. GAAP during the years ended December 31, 1999 and 2000:

	Years ended December 31,		
	1999	2000	2000
	MCh\$	MCh\$	ThUS\$ (Note 1(n))
Balance as of January 1	405,176	418,012	667,058
Dividends paid	(50,450)	(84,401)	(134,686)
Accrual for mandatory dividends, previous year	20,383	20,132	32,126
Accrual for mandatory dividends, closing date	(20,132)	(24,587)	(39,236)
Unrealized holding gains (losses) on available-for-sale investments, net of tax	5,836	74	118
Adjustments from translation differences, net of tax	2,015	953	1,521
Net income in accordance with U.S. GAAP	55,184	75,933	121,173
Balance as of December 31	418,012	406,116	648,074

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(q) Net income per share

The following disclosure of net income per share information is not generally required for presentation in the financial statements under Chilean GAAP but is required under U.S. GAAP. Earnings per share are determined by dividing consolidated net income by the weighted average number of total shares outstanding.

	Years ended December 31,	
	1999	2000
	Ch\$	Ch\$
Earnings per share (based on U.S. GAAP) (1)	1.23	1.69
Earnings per share (based on Chilean GAAP) (1).....	1.49	1.82
Weighted average number of total shares outstanding (in millions) ...	44,932.7	44,932.7

(1) Basic and diluted earnings per share have been calculated by dividing net income by the weighted average number of common shares outstanding during the year. The Bank has not issued convertible debt or equity securities. Consequently, there are no potentially dilutive effects on the earnings of the Bank.

(r) Income taxes

The reconciliation of the provision for income taxes charged to income under Chilean GAAP to the corresponding amounts under U.S. GAAP is as follows:

	Years ended December 31,	
	1999	2000
	MCh\$	MCh\$
Charge for the period under Chilean GAAP	(1,942)	(1,503)
U.S. GAAP Adjustments:		
Deferred tax effect of applying SFAS No. 109	(2,993)	(4,174)
Deferred tax effect of U.S. GAAP adjustments.....	1,988	307
Charge for the period under U.S. GAAP.....	(2,947)	(5,370)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(r) *Income taxes (continued)*

Deferred tax assets (liabilities) are summarized as follows:

	Year ended December 31, 1999			Year ended December 31, 2000		
	SFAS No.109 applied to Chilean GAAP	SFAS No.109 applied to U.S. GAAP adjustments	SFAS No.109 U.S. GAAP Balance	SFAS No.109 applied to Chilean GAAP	SFAS No.109 applied to U.S. GAAP adjustments	SFAS No.109 U.S. GAAP Balance
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Deferred Tax Assets:						
Obligations with repurchase agreement...	11,486	-	11,486	7,741	-	7,741
Global allowance for loan losses.....	6,829	(3,694)	3,135	7,491	(4,229)	3,262
Assets at market value.....	3,524	(2,972)	552	2,539	(1,975)	564
Voluntary loan loss	4,368	-	4,368	5,200	-	5,200
Other Adjustments.....	6,537	(784)	5,753	7,034	(839)	6,195
Total Deferred Assets.....	32,744	(7,450)	25,294	30,005	(7,043)	22,962
Deferred Tax Liabilities:						
Investments with repurchase agreement	11,371	-	11,371	7,688	-	7,688
Leasing equipment	872	-	872	(737)	-	(737)
Depreciation and price-level restatement of fixed assets.....	1,379	-	1,379	1,636	-	1,636
Severance indemnities.....	541	(95)	446	506	(49)	457
Other adjustments.....	980	-	980	1,090	-	1,090
Total Deferred Tax Liabilities	15,143	(95)	15,048	10,183	(49)	10,134
NET DEFERRED TAX ASSETS	17,601	(7,355)	10,246	19,822	(6,994)	12,828

The provision for income taxes under U.S. GAAP differs from the amount of income tax determined by applying the applicable Chilean statutory income tax rate to pretax income as a result of the following differences:

	Years ended December 31,	
	1999 MCh\$	2000 MCh\$
Chilean taxes due at the applicable statutory rate (1)	8,294	12,186
Increase (decrease) in rates resulting from:		
Non-deductible expenses	311	948
Non-taxable income.....	(6,271)	(7,642)
Effect on tax and financial equity restatement (2)	(479)	(1,459)
Other.....	1,092	1,337
At effective tax rate	2,947	5,370

- (1) The Chilean statutory first category (corporate) income tax rate was 15% for 1999 and 2000, and is scheduled to be 15% thereafter in accordance with currently enacted tax legislation.
- (2) This item corresponds to the difference in the basis used for the price-level restatement calculation of equity for financial and tax purposes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(s) Pro Forma Information (Unaudited)

The following unaudited pro forma financial information for the Bank gives effect to the acquisition of Leasing Andino S.A. from Orix Corporation (see Note 9) as if it had occurred on January 1 of each year presented below. These pro forma results from operations have been prepared for informational purposes only and do not purport to be indicative of the results of operations that may result in the future. The pro forma results, under Chilean GAAP, are as follows:

	Years ended December 31,	
	1998	1999
	MCh\$	MCh\$
Interest revenue	588,855	492,069
Net income	67,248	67,105
Earnings per share (Ch\$) (1)	1.50	1.49

(1) Basic and diluted earnings per share have been calculated by dividing net income by the weighted average number of common shares outstanding during the year (44,932.7 millions as of December 31, 1998 and 1999). The Bank has not issued convertible debt or equity securities. Consequently, there are no potentially dilutive effects on the earnings of the Bank.

(t) Comprehensive Income

The Bank presents comprehensive income and its components with the objective to report a measure of all changes in shareholders' equity that result from transactions and other economic events of the period other than transactions with owners ("comprehensive income"). Comprehensive income is the total net income and other non-owner equity transactions that result in changes in net equity.

The following represents accumulated other comprehensive income balance, net of tax, for the years ended December 31, 1999 and 2000:

	Year ended December 31, 2000		
	Before-tax	Tax (expense)	Net-of-tax
	amount	or benefit	amount
	MCh\$	MCh\$	MCh\$
Beginning balance	(3,581)	467	(3,114)
Price-level restatement (1).....	161	(21)	140
Unrealized gains on securities available for sale:			
Unrealized gains arising during the period.....	2,993	(390)	2,603
Less: reclassification adjustment for gains included in net income	(2,908)	379	(2,529)
Net unrealized gains.....	85	(11)	74
Adjustment for translation differences	1,096	(143)	953
Ending balance	(2,239)	292	(1,947)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(t) Comprehensive income (continued)

	Year ended December 31, 1999		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	MCh\$	MCh\$	MCh\$
Beginning balance	(12,935)	1,687	(11,248)
Price-level restatement (1).....	325	(42)	283
Unrealized gains on securities available for sale:			
Unrealized losses arising during the period.....	8,305	(1,083)	7,222
Less: reclassification adjustment for gains included in income	(1,594)	208	(1,386)
Net unrealized gains	6,711	(875)	5,836
Adjustment for translation differences	2,317	(302)	2,015
Ending balance	(3,582)	468	(3,114)

(1) Reflects the effect of inflation on the comprehensive income at the beginning of each period, adjusted to constant pesos of December 31, 2000.

(u) Segment information

The Bank presents information in accordance with SFAS No.131 “Disclosure about Segments of an Enterprise and Related Information”, which establishes standards for reporting information about operating segments and related disclosures about products and services and geographic areas. Operating segments are defined as components of an enterprise about which separate financial information is available that is regularly used by the Chief operating decision maker in deciding how to allocate resources and in assessing performance.

As mentioned in note 1, the Bank manages and measures the performance of its operations by business segment. The Bank manages these segments using an internal profit based system of management reporting and control. The internally reported segments are as follows:

Large Corporate Banking

The Large Corporate Banking segment provides services to domestic companies with annual sales in excess of Ch\$12,000 million, multinational corporations, financial institutions, governmental entities and companies affiliated with Chile’s largest economic groups. Services provided include deposit taking and lending in both Chilean pesos and foreign currency, trade and project financing, working capital financing, foreign trade financing, lines of credit, commercial mortgage loans and various non-credit services, such as collection, supplier payments, payroll management and a wide range of treasury and risk management products.

Middle Market Corporate Banking

The middle market corporate banking segment provides services to companies with annual sales less than Ch\$ 12,000 million. Services provided include working capital financing, mortgage loans and debt rescheduling as well as alternative financing arrangements such as leasing operations and factoring.

Retail Banking,

The Retail-banking segment primarily provides individual customers with credit cards, residential mortgage, auto and consumer loans as well as traditional deposit services such as checking and savings accounts and time deposits.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(u) Segment information (continued)

International Banking.

The International Banking segment includes services offered through the Bank's New York branch and its agency in Miami, representative offices in Buenos Aires, São Paulo and Mexico City and a worldwide network of correspondent banks.

Treasury

The Treasury segment offers financial services to other segments and external customers such as currency intermediation, instruments developed for currency and interest rate risk hedging, transactions under repurchase agreements and investment products based on bonds, mortgage notes and deposits. The Treasury segment is also responsible for monitoring compliance with regulatory deposit limits, technical reserves and maturity and rate matches.

Subsidiaries

The Subsidiaries segment includes non-banking financial services offered through separate legal entities including securities brokerage, mutual fund management, financial advisory services, factoring and insurance brokerage.

The financial information used to measure the performance of the Bank's business segments is not necessarily comparable with similar information from any other financial institution and is based on internal reporting policies. The accounting policies, which differ in certain significant respects from accounting principles generally accepted in Chile, are the same as those described in note 1, except as noted below:

- Corporate loans are measured based on the difference between the effective customer rate and the Bank's cost of providing capital;
- Deposits are measured with respect to the difference between the rate provided to the customer and the Bank's cost of providing funds;
- All operating costs are calculated at marginal cost and do not necessarily reflect the actual cost to the Bank;
- A theoretical rental cost is allocated to the segments based on perceived market rental values for branches;
- The matching of interest rates and ensuring that adequate hedging activities have been carried out is performed within Treasury Operations;
- An interest income is assigned to each deposit account based on nominal interest rates and the average balance of the account;

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(u) Segment information (continued)

The following tables show the results of the Bank by operating segments for the three years ended December 31, 2000:

	Year ended December 31, 2000							Total
	Large Corporate	Middle Market	Retail Banking	International Banking	Treasury	Subsidiaries	Other (1)	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Net interest revenue	31,810	57,647	53,027	14,659	26,782	3,957	16,070	203,952
Allowances for loan losses	(5,486)	(10,048)	(13,422)	(208)	-	(376)	(8,756)	(38,296)
Net non-Interest income-expense	(3,378)	(18,571)	(24,019)	(2,432)	(3,383)	4,182	(34,594)	(82,195)
Net Income before taxes ...	22,946	29,028	15,586	12,019	23,399	7,763	(27,280)	83,461

	Year ended December 31, 1999							Total
	Large Corporate	Middle Market	Retail Banking	International Banking	Treasury	Subsidiaries	Other (1)	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Net interest revenue	30,254	53,465	50,454	15,702	25,773	14,053	5,921	195,622
Allowances for loan losses	(12,844)	(13,201)	(16,513)	(486)	-	(9,707)	3,293	(49,458)
Net non-Interest income-expense	(3,768)	(23,885)	(25,152)	(2,244)	(3,511)	(1,960)	(16,597)	(77,117)
Net income before taxes ...	13,642	16,379	8,789	12,972	22,262	2,386	(7,383)	69,047

	Year ended December 31, 1998							Total
	Large Corporate	Middle Market	Retail Banking	International Banking	Treasury	Subsidiaries	Other (1)	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Net interest revenue	34,787	71,316	59,820	15,037	10,550	15,732	(9,414)	197,828
Allowances for loan losses	(471)	(14,004)	(16,548)	(34)	-	(5,070)	(75)	(36,202)
Net non-Interest income-expense	(4,355)	(20,511)	(20,125)	(13,298)	(2,175)	(5,326)	(24,794)	(90,584)
Net Income before taxes ...	29,961	36,801	23,147	1,705	8,375	5,336	(34,283)	71,042

(1) "Other" includes the elimination and/or adjustments of inter segment transactions, the effect of conforming management accounting policies to accounting principles generally accepted in Chile and a number of non-allocated costs, such as human resources, voluntary provisions and depreciation costs. Also included within other are amounts of miscellaneous income that are not earned by one specific segment, including all external rental income.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of December 31, 2000)

30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(u) Segment information (continued)

Information about geographic areas

The financial information presented below by the Bank has been classified by the country in which the related transactions originated. Those transactions which originated in the United States of America, through Banco de Chile's operations in New York and Miami, U.S.A., are primarily completed with Chilean and Argentine citizens and enterprises, and are principally denominated in U.S. dollars.

A summary of activities by geographic area is as follows:

	December 31,		
	1998	1999	2000
	MCh\$	MCh\$	MCh\$
Total Interest Revenues			
Republic of Chile.....	542,874	448,479	503,288
U.S.A.	45,981	43,590	45,301
Total Net Income			
Republic of Chile.....	65,381	54,990	68,582
U.S.A.	2,553	12,115	13,376
Mortgage Loans			
Republic of Chile.....	688,304	713,762	749,178
U.S.A.	-	-	-
Commercial Loans			
Republic of Chile.....	1,305,607	1,328,975	1,444,193
U.S.A.	205,052	159,078	146,640
Income Taxes			
Republic of Chile.....	(3,108)	(1,993)	(1,496)
U.S.A.	-	51	(7)
Bank Premises and equipment			
Republic of Chile.....	85,178	82,247	80,533
U.S.A.	2,035	3,054	1,149
Total Assets			
Republic of Chile.....	4,474,986	4,545,737	4,998,214
U.S.A.	595,637	577,211	632,049

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) (Restated for general price - level changes and expressed in millions of constant Chilean pesos as of December 31, 2000)

30. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(v) Recent accounting pronouncements

- SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133", is effective as of January 1, 2001, and establishes comprehensive accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The Standard requires that all derivative instruments be recorded in the balance sheet at fair value. However, the accounting for changes in fair value of the derivative instrument depends on whether the derivative instrument qualifies as a hedge. If the derivative instrument does not qualify as a hedge, changes in fair value are reported in earnings when they occur. If the derivative instrument qualifies as a hedge, the accounting treatment varies based on the type of risk being hedged. Due to current accounting for most derivative financial instruments on a fair value basis, the Bank does not expect SFAS 133 to have a material impact upon adoption.
- In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No.140, which replaces SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," provides accounting and reporting standards for securitizations and other transfers of assets. The Standard is based on the application of a financial components approach that focuses on control, and provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. The Standard requires disclosure of information about securitized assets, including principal outstanding of securitized and other managed assets, accounting policies, key assumptions related to the determination of the fair value of retained interests, delinquencies and credit losses. The accounting requirements of the Standard are effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001, and must be applied prospectively. The Bank is currently assessing the impact of adopting this statement on its financial statements.

BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of June 30, 2001 and thousands of U.S. dollars)

ASSETS	NOTE	As of June 30,		
		2000 MCh\$	2001 MCh\$	2001 ThUS\$
CASH AND DUE FROM BANKS				
Non-interest bearing.....		433,533	520,880	831,214
Interbank deposits-interest bearing.....		2,234	1,880	3,000
Total cash and due from banks.....		435,767	522,760	834,214
FINANCIAL INVESTMENTS				
Government securities.....	3	487,761	804,957	1,284,541
Investments under agreements to resell.....		21,075	10,024	15,996
Other financial investments.....		422,000	521,673	832,479
Investment collateral under agreements to repurchase.....		157,335	192,030	306,439
Total financial investments.....		1,088,171	1,528,684	2,439,455
LOANS, NET				
Commercial loans.....	4	1,531,342	1,625,131	2,593,363
Consumer loans.....		189,627	200,412	319,815
Mortgage loans.....		749,930	775,495	1,237,525
Foreign trade loans.....		374,782	422,416	674,086
Interbank loans.....		21,115	40,473	64,586
Leasing contracts.....		172,204	165,441	264,009
Other outstanding loans.....		295,521	315,508	503,484
Past due loans.....		42,269	50,351	80,349
Contingent loans.....		255,642	278,454	444,353
Allowance for loan losses.....	5	(120,342)	(127,285)	(203,120)
Total loans, net.....		3,512,090	3,746,396	5,978,450
OTHER ASSETS				
Bank premises and equipment.....		84,938	81,842	130,602
Investments in other companies.....	6	2,512	3,082	4,918
Assets received in lieu of payment.....		3,048	7,714	12,310
Other.....		86,724	134,078	213,960
Total other assets.....		177,222	226,716	361,790
TOTAL ASSETS.....		5,213,250	6,024,556	9,613,909

The accompanying notes 1 to 8 are an integral of the interim financial statements

BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of June 30, 2001 and thousands of U.S. dollars)

	NOTE	As of June 30,		
		2000 MCh\$	2001 MCh\$	2001 ThUS\$
LIABILITIES AND SHAREHOLDERS' EQUITY				
DEPOSITS				
Non-interest bearing				
Current accounts		522,969	603,299	962,737
Bankers' drafts and other deposits.....		299,909	433,011	690,993
Total non-interest bearing deposits		822,878	1,036,310	1,653,730
Interest bearing				
Savings accounts and time deposits.....		2,198,808	2,622,803	4,185,435
Total deposits.....		3,021,686	3,659,113	5,839,165
OTHER INTEREST BEARING LIABILITIES				
Central Bank credit lines for renegotiations of loans	7	3,081	2,582	4,120
Other Central Bank borrowings.....		-	-	-
Total Central Bank borrowings.....		3,081	2,582	4,120
Investments under agreements to repurchase		175,620	197,639	315,390
Mortgage finance bonds.....		784,784	817,982	1,305,325
Bonds.....		750	-	-
Subordinated bonds.....		91,203	129,716	206,999
Borrowings from domestic financial institutions.....		42,795	54,315	86,675
Foreign borrowings.....		349,829	347,944	555,245
Other obligations.....		44,304	46,387	74,024
Total other interest bearing liabilities		1,492,366	1,596,565	2,547,778
OTHER LIABILITIES				
Contingent liabilities.....		257,240	278,097	443,783
Other.....		95,342	137,166	218,888
Minority interest.....		3	3	5
Total other liabilities		352,585	415,266	662,676
Commitments and contingencies				
SHAREHOLDERS' EQUITY				
Capital and reserves		304,087	308,120	491,694
Net Income for the period		42,526	45,492	72,596
Total shareholders' equity.....		346,613	353,612	564,290
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,213,250	6,024,556	9,613,909

The accompanying notes 1 to 8 are an integral of the interim financial statements

BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of June 30, 2001 and thousands of U.S. dollars)

	NOTE	For the six months ended June 30,		
		2000 MCh\$	2001 MCh\$	2001 ThUS\$
INTEREST REVENUE AND EXPENSE				
Interest revenue		275,969	263,468	420,439
Interest expense		(174,201)	(154,750)	(246,948)
Net interest revenue.....		101,768	108,718	173,491
ALLOWANCE FOR LOAN LOSSES	5	(28,111)	(25,808)	(41,184)
FEES AND INCOME FROM SERVICES				
Income from fees and other services		28,941	31,268	49,897
Other services expenses.....		(4,545)	(5,180)	(8,266)
Total fees and income from services, net		24,396	26,088	41,631
OTHER OPERATING INCOME (LOSS)				
Gains from trading activities.....		7,047	5,444	8,688
Losses from trading activities.....		(2,153)	(2,742)	(4,376)
Foreign exchange transactions, net		3,862	(4,641)	(7,406)
Other operating income (loss), net		8,756	(1,939)	(3,094)
OTHER INCOME AND EXPENSES				
Loan loss recoveries		4,534	4,754	7,586
Non-operating income		3,717	3,777	6,027
Non-operating expenses		(2,150)	(3,148)	(5,023)
Equity participation in net income (loss) in investments in other companies.....		-	84	134
Minority interest		-	(1)	(2)
Total other income and expenses		6,101	5,466	8,722
OPERATING EXPENSES				
Personnel salaries and expenses		(36,152)	(33,680)	(53,746)
Administrative and other expenses.....		(26,288)	(26,310)	(41,985)
Depreciation and amortization		(3,996)	(3,870)	(6,176)
Total operating expenses.....		(66,436)	(63,860)	(101,907)
NET LOSS FROM PRICE-LEVEL RESTATEMENT		(4,947)	(2,841)	(4,534)
INCOME BEFORE INCOME TAXES		41,527	45,824	73,125
INCOME TAXES		999	(332)	(529)
NET INCOME FOR THE PERIOD		42,526	45,492	72,596

The accompanying notes 1 to 8 are an integral of the interim financial statements

BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of June 30, 2001 and thousands of U.S. dollars)

	For the six months ended June 30,		
	2000 MCh\$	2001 MCh\$	2001 ThUS\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	42,526	45,492	72,596
Items that do not represent cash flows:			
Depreciation and amortization	3,996	3,870	6,176
Allowance for loan losses.....	28,111	25,808	41,184
Provisions for assets received in lieu of payment.....	78	96	153
Net change in trading investments	34,308	(174,406)	(278,315)
Equity participation in net income (loss) in investments in other companies.....	-	(84)	(134)
(Gain) loss on sales of goods received in lieu of payment.....	8	66	105
(Gain) loss on sales of Bank premises and equipment.....	(18)	(70)	(112)
Net loss from price-level restatement	4,947	2,841	4,534
Minority interest	-	1	2
Other charges (credits) not representing cash flows.....	1,654	2,013	3,212
Net changes in interest accruals	(14,208)	(11,508)	(18,365)
NET CASH PROVIDED BY OPERATING ACTIVITIES	101,402	(105,881)	(168,964)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net (increase) decrease in loans	(124,907)	(92,081)	(146,942)
Net (increase) decrease in investments purchased under agreements to resell.....	(22,099)	(13,668)	(21,811)
Purchases of Bank premises and equipment	(2,617)	(3,565)	(5,689)
Proceeds from sale of Bank premises and equipment.....	119	340	543
Investments in other companies	-	(753)	(1,202)
Dividends received from investments in other companies.....	132	163	260
Proceeds from sale of assets received in lieu of payment	938	957	1,527
Net change in other assets and liabilities	22,016	(11,008)	(17,566)
NET CASH USED IN INVESTING ACTIVITIES.....	(126,418)	(119,615)	(190,880)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in current accounts.....	(9,396)	(91)	(145)
Net increase (decrease) in savings accounts and time deposits	136,342	188,294	300,477
Net increase (decrease) in bankers drafts and other deposits.....	(12,725)	23,295	37,174
Net increase (decrease) in investments sold under agreements to repurchase.....	17,062	63,460	101,269
Increase in mortgage finance bonds	72,391	68,717	109,658
Repayments of mortgage finance bonds.....	(36,974)	(39,072)	(62,351)
Proceeds from bond issues.....	11,077	24,879	39,702
Repayments of bond issues.....	(351)	(340)	(543)
Net increase (decrease) in short-term borrowing	6,211	40,867	65,215
Proceeds from issuance of long-term borrowing.....	143,172	234,045	373,486
Repayment of long-term borrowings.....	(196,805)	(255,059)	(407,020)
Dividends paid.....	(84,514)	(81,958)	(130,788)
NET CASH PROVIDED BY FINANCING ACTIVITIES.....	45,490	267,037	426,134
EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND DUE FROM BANKS	(10,083)	(6,753)	(10,776)
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS.....	10,391	34,788	55,514
CASH AND DUE FROM BANKS AT BEGINNING OF THE PERIOD	425,376	487,972	778,700
CASH AND DUE FROM BANKS AT END OF THE PERIOD	435,767	522,760	834,214
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest paid	127,862	140,257	223,820
Income taxes paid.....	3,360	4,001	6,385

The accompanying notes 1 to 8 are an integral of the interim financial statements

BANCO DE CHILE AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)

(Restated for general price - level changes and expressed in millions of constant
Chilean pesos as of June 30, 2001 and thousands of U.S. dollars)

	Number of Shares	Paid in share capital	Reserves	Other Accounts	Net Income	Total
	Millions	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Balance as of January 1, 2000.....	44,932.7	221,416	82,729	(1,873)	64,093	366,365
Price-level restatement.....		5,314	2,394	-	-	7,708
Dividends paid.....		-	(17,409)	-	(64,093)	(81,502)
Change in unrealized gain (losses) on permanent financial investments.....		-	-	(294)	-	(294)
Net adjustment from translation differences.....		-	-	960	-	960
Net income for the period.....		-	-	-	41,009	41,009
Balance as of June 30, 2000.....	44,932.7	226,730	67,714	(1,207)	41,009	334,246
Balance as of June 30, 2000 restated in constant Chilean pesos as of June 30, 2001.....		235,120	70,219	(1,252)	42,526	346,613
Balance as of January 1, 2001.....	44,932.7	231,822	69,234	(537)	81,958	382,477
Price-level restatement.....		3,477	1,123	-	-	4,600
Dividends paid.....		-	-	-	(81,958)	(81,958)
Change in unrealized gain (losses) on permanent financial investments.....		-	-	1,016	-	1,016
Net adjustment from translation differences.....		-	-	1,985	-	1,985
Net income for the period.....		-	-	-	45,492	45,492
Balance as of June 30, 2001.....	44,932.7	235,299	70,357	2,464	45,492	353,612

The accompanying notes 1 to 8 are an integral of the interim financial statements

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. Summary of significant Accounting Policies

The accompanying interim consolidated financial statements are unaudited. In the opinion of the Bank's management, all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of such interim financial statements have been made. Certain information and note disclosures normally included in the annual audited consolidated financial statements prepared in accordance with generally accepted accounting principles have been omitted. However, the Bank believes that the disclosures made are adequate to make information presented not misleading. The results of these interim periods are not necessarily indicative of results for the entire year.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reported period. Actual results could differ from those estimates.

All significant accounting policies followed in the preparation of these interim unaudited financial statements are described in Note 1 to the accompanying audited financial statements for each of the three years ended December 31, 2000, with the exception of the following:

- The net adjustment of non-monetary assets, liabilities and equity accounts was made on the basis of the variation of 1.5% in the CPI applicable for the six months ended June 30, 2001 (2.4% for the corresponding period in 2000) and was included in the price-level restatement account in the statements of income presented herein.
- The Bank's interest rate and foreign currency swap agreements are treated as off-balance-sheet financial instruments and the net interest effect, which corresponds to the difference between interest income and interest expense arising from such agreements, is recorded in net income in the period that such differences originate.
- The interim unaudited consolidated financial statements and their respective notes have been restated in constant Chilean pesos of June 30, 2000, as follows:

Six-month period ended:	Index*	Change in Index
June 30, 2000.....	104,53	4.6%
June 30, 2001.....	108,44	3.7%

* Index as of May 31, of each year under prior month rule.

Values for the UF are as follows (historical Chilean pesos per UF):

Year	June 30, Ch\$
2000.....	15,447.10
...	
2001.....	16,002.32
....	

As of June 30, 2001, the Bank's paid in capital consisted of 44,932,657,180 authorized, issued and outstanding shares with no fixed nominal value.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

2. Change in Accounting Principles

In accordance with Circular No. 3,029 issued by the Superintendency of Banks, dated October 27, 1999, beginning January 1, 2001 certain loan origination fees, as well as fees for services rendered, are deferred and recognized in income over the term of the loans to which they relate, or over the period that the services are performed, as applicable. Prior to January 1, 2001, these fees and expenses were recognized in results of operations as incurred. This change resulted in a lower income of MCh\$ 1,559 for the six-month period ended June 30, 2001.

3. Convenience Translation to U.S. Dollars

The Bank maintains its accounting records and prepares its financial statements in Chilean pesos. The U.S. dollar amounts disclosed in the accompanying interim consolidated financial statements are presented solely for the convenience of the reader at the observed exchange rate for June 30, 2001 of Ch\$ 626.65 per US\$1.00. This translation should not be construed as a representation that Chilean pesos amounts actually represent U.S. dollars or have been or could be converted into U.S. dollars at such rate or at any other rate.

4. Financial Investments

A summary of financial investments is as follows:

	<u>As of June 30,</u>		Weighted Average Nominal Rate as of June 30, 2001 (1)
	2000	2001	%
Central Bank and Government Securities			
Marketable debt securities	113,898	426,233	8.53
Marketable debt securities with limited secondary market.....	373,374	378,076	4.31
Chilean government securities.....	489	648	5.95
Investments purchased under agreements to resell.....	21,075	10,024	6.04
Investments collateral under agreements to repurchase.....	99,094	147,998	6.98
Subtotal.....	<u>607,930</u>	<u>962,979</u>	6.61
Corporate Securities and Other Financial Investments			
Investments in Chilean financial institutions	4,430	3,267	7.28
Mortgage finance bonds issued by the Bank.....	49,943	106,966	7.15
Foreign government notes	53,010	70,515	7.93
Other financial investments.....	314,617	340,925	6.56
Investments collateral under agreements to repurchase.....	58,241	44,032	6.42
Subtotal.....	<u>480,241</u>	<u>565,705</u>	6.34
Total	<u>1,088,171</u>	<u>1,528,684</u>	6.69

5. Loans

The loans on the accompanying balance sheets are broken down into subcategories as described below.

Commercial loans are long-term and short-term loans made to companies or businesses. These loans are principally granted in Chilean pesos or UF on an adjustable or fixed rate basis to finance working capital or investments. Consumer loans are loans to individuals granted principally in Chilean pesos or UF, generally on a fixed rate basis, to finance the purchase of consumer goods or to pay for services. Credit card balances subject to interest charges are also included in this category.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

5. Loans (continued)

Mortgage loans are inflation indexed, fixed rate, long-term loans with monthly payments of principal and interest collateralized by a real property mortgage. These loans are financed through both the issuance of mortgage finance bonds and *mutuos hipotecarios* which we financed using the Bank's own funds. At the time of its issuance the amount of a mortgage loan cannot be more than 75% of the value of the property if the loan is financed by mortgage finance bonds and more than 80% if the loan is financed by *mutuos hipotecarios*.

Foreign trade loans are fixed rate, short-term loans granted in foreign currencies (principally U.S. dollars) to finance imports and exports.

Interbank loans are fixed rate, short-term loans to financial institutions that operate in Chile.

Leasing contracts are agreements for financing leases of capital equipment and other property.

Other outstanding loans principally include current account overdrafts, bills of exchange and mortgage loans that are financed by the Bank's general borrowings.

Past due loans represent loans that are overdue as to any payment of principal or interest by 90 days or more.

Contingent loans consist of open and unused letters of credit together with guarantees granted by the Bank Chilean pesos, UF and foreign currencies (principally U.S. dollars).

The following table summarizes the most significant loan concentration, expressed as a percentage of total loans, excluding contingent loans and before the reserve for loan losses:

	As of June 30,	
	2000	2001
	%	%
Manufacturing.....	13.98	12.74
Commerce.....	11.99	11.60
Financial Services	18.29	19.09
Residential mortgage loans.....	17.28	17.27
Agriculture, livestock, agribusiness, fishing.....	11.96	12.03
Consumer credits.....	9.57	9.38

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

6. Allowance for Loan Losses

The changes in the Allowance for loan losses are as follows:

	For the six months ended June 30,	
	2000	2001
	MCh\$	MCh\$
Balance as of January 1.....	101,282	112,936
Price-level restatement (1)	3,824	384
Charge-offs.....	(12,875)	(11,843)
Provisions established.....	29,113	27,408
Provisions released	(1,002)	(1,600)
Balance as of June 30,	120,342	127,285

(1) Reflects the effect of inflation on the reserve for possible loan losses at the beginning of each period, adjusted to constant pesos of June 30, 2001.

The provision for loan losses included in the result of operations for each period is detailed as follows:

	For the six months ended June 30,	
	2000	2001
	MCh\$	MCh\$
Provisions established.....	(29,113)	(27,408)
Provisions released	1,002	1,600
Net (credit to) income	(28,111)	(25,808)

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

7. Investments in Other Companies

Investments in other companies as of June 30, 2000 and 2001 consist of the following:

	As of June30,				Ownership interest %
	2000		2001		
	Investment MCh\$	Income (loss) MCh\$	Investment MCh\$	Income (loss) MCh\$	
Artikos Chile S.A.....	-	-	728	-	40.00
Servipag Ltda.....	655	7	571	(40)	50.00
Redbanc S.A.....	396	50	421	75	12.71
Bolsa de Comercio de Santiago (Stock Exchange).....	305	28	308	30	2.08
Transbank S.A.....	304	(30)	309	22	8.72
Centro de Compensación Automatizado S.A. (CCA S.A.).....	165	18	148	14	33.33
Sociedad Interbancaria de Depositos de Valores S.A.....	84	12	111	15	12.38
Soc. Oper. de Tarjetas de Crédito Nexus S.A.....	88	(85)	108	(28)	12.90
Empresa de Tarjetas Inteligentes S.A.....	-	-	85	(4)	13.33
Bolsa de Valores de Chile (Stock Exchange).....	61	-	58	-	2.50
Total investments in other companies accounted for under the equity method.....	2,058	-	2,847	84	
Other investments carried at cost.....	454	-	235	-	
Total investments in other companies.....	2,512	-	3,082	84	

8. Other Interest Bearing Liabilities

The Bank's long-term and short-term borrowings are summarized below. In accordance with guidelines established by the Superintendency of Banks, the Bank does not present a classified balance sheet. Borrowings are described as short-term when they have original maturities of less than one year or are due on demand. All other borrowings are described as long-term, including amounts due within one year.

	As of June 30, 2000			As of June 30, 2001		
	Long-term MCh\$	Short-term MCh\$	Total MCh\$	Long-term MCh\$	Short-term MCh\$	Total MCh\$
Credit lines for renegotiation of loans.....	3,081	-	3,081	2,582	-	2,582
Mortgage finance bonds.....	784,784	-	784,784	817,982	-	817,982
Bonds.....	750	-	750	-	-	-
Subordinated bonds.....	91,203	-	91,203	129,716	-	129,716
Borrowings from domestic financial institutions.....	-	42,795	42,795	45	54,270	54,315
Foreign borrowings.....	338,285	11,544	349,829	328,312	19,632	347,944
Investments under agreements to repurchase.....	-	175,620	175,620	-	197,639	197,639
Other obligations.....	32,629	11,675	44,304	35,367	11,020	46,387
Total other interest bearing liabilities.....	1,250,732	241,634	1,492,366	1,314,004	282,561	1,596,565

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

8. Other Interest Bearing Liabilities (continued)

(a) Central Bank borrowings

Borrowings under credit lines for renegotiation of loans for the periods indicated are as follows:

	As of June 30,	
	2000	2001
	MCh\$	MCh\$
Renegotiation of commercial loans	-	-
Renegotiation of mortgage loans.....	3,081	2,582
Total Central Bank borrowings	3,081	2,582
	3,081	2,582

These credit lines were provided by the Central Bank for renegotiation of loans incurred during the economic recession and crisis of the banking system in the early 1980s. The credit lines for the renegotiation of commercial loans are linked to the UF index and carry a real annual interest rate of 5.00%. The credit lines for the renegotiation of mortgage loans are linked to the UF index and carry a real annual interest rate of 3.00%. The maturities of the outstanding amounts due under these credit lines as of June 30, 2001, which are considered long-term, are as follows:

	As of June 30, 2001
	MCh\$
Due within 1 year.....	2,582
Due after 1 year but within 2 years	-
Due after 2 years but within 3 years.....	-
Due after 3 years but within 4 years.....	-
Due after 4 years but within 5 years.....	-
Due after 5 years	-
Total credit lines for the renegotiation of loans.....	2,582
	2,582

(b) Mortgage finance bonds

These bonds are used to finance the granting of mortgage loans. The outstanding principal amounts of the bonds are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years.

The maturities of outstanding mortgage bonds due as of June 30, 2001 are as follows:

	As of June 30, 2001
	MCh\$
Due within 1 year	79,301
Due after 1 year but within 2 years	69,669
Due after 2 years but within 3 years.....	69,468
Due after 3 years but within 4 years.....	68,129
Due after 4 years but within 5 years.....	66,045
Due after 5 years	465,370
Total mortgage finance bonds	817,982
	817,982

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

8. Other Interest Bearing Liabilities (continued)

(c) Bonds

	As of June 30,	
	2000	2001
	MCh\$	MCh\$
Bonds.....	750	-
	750	-

Bonds are linked to the UF Index and carry an average real annual interest rate of 5.39%, with interest and principal payments due semi-annually. The bonds are intended to finance loans that have a maturity of greater than one year.

(d) Subordinated Bonds

In 2000 the Bank issued 6.50% Bonds totaling UF 2,500,000 (the “6.50% Bonds”) at a discount of UF 48,136. These bonds are linked to the UF index with interest and principal payments due semi-annually. The discount on the issuance of the 6.50% Bonds is amortized over the life of the Bond. The effective real interest rate, taking into consideration the discount on issuance, is 6.85%.

The 6.50% Bonds are intended to finance loans having a maturity greater than one year. As of June 30, 2001, the outstanding maturities of the 6.50% Bonds, which are considered long-term are as follows:

	As of June 30,
	2001
	MCh\$
Due within 1 year	3,225
Due after 1 year but within 2 years	2,973
Due after 2 years but within 3 years.....	4,315
Due after 3 years but within 4 years.....	4,613
Due after 4 years but within 5 years.....	4,931
Due after 5 years	109,659
Total other borrowings: subordinated bonds.....	129,716

(d) Subordinated Bonds (continued)

As noted in Note 16 to the accompanying audited financial statements, as of December 31, 2000, and 2001 and for each of the three years in the period ended December 31, 2001, subsequent to January 24, 2001, Chilean banks are permitted to include only principal subordinated bond amounts of up to 50% of basic capital in the calculation of effective net equity. Prior to this change Chilean banks were permitted to include up to 85% of the principal amounts due on subordinated bonds after two years is included in the calculation of the Bank’s capital limit for regulatory purposes.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

8. Other Interest Bearing Liabilities (continued)

(e) Borrowings from domestic financial institutions

	As of June 30,	
	2000	2001
	MCh\$	MCh\$
Long-term*	-	45
Short-term	42,795	54,270
Total borrowings from domestic financial institutions	42,795	54,315

* Represents the amount of other interest bearing liabilities, outstanding as of June 30, with originally contracted maturities in excess of one year.

	As of June 30, 2001	
	MCh\$	
Due within 1 year	45	
Due after 1 year within 2 years	-	
Due after 2 years but within 3 years	-	
Due after 3 years but within 4 years	-	
Due after 4 years but within 5 years	-	
Due after 5 years	-	
Total long-term*	45	
Short-term	54,270	
Total borrowings from domestic financial institutions	54,315	

* Represents the amount of other interest bearing liabilities outstanding as of June 30, 2001 with originally contracted maturities in excess of one year.

(f) Foreign borrowings

The Bank has short-term and long-term borrowings from foreign banks. The outstanding maturities of these borrowings as of June 30, 2001 are as follows:

	As of June 30, 2001
	MCh\$
Due within 1 year	129,068
Due after 1 year but within 2 years	149,394
Due after 2 years but within 3 years	40,338
Due after 3 years but within 4 years	4,756
Due after 4 years but within 5 years	4,756
Due after 5 years	-
Total long-term *	328,312
Short-term	19,632
Total foreign borrowings	347,944

* Represents the amount of other interest bearing liabilities outstanding as of June 30, 2001 with originally contracted maturities in excess of one year.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

8. Other Interest Bearing Liabilities (continued)

(g) *Other obligations*

	As of June 30,	
	2000	2001
	MCh\$	MCh\$
Other long-term obligations.....	32,629	35,367
Other short-term obligations.....	11,675	11,020
	44,304	46,387

As of June 30, 2001, other obligations have the following maturities:

	As of June 30, 2001
	MCh\$
Due within 1 year.....	7,055
Due after 1 year but within 2 years	6,345
Due after 2 years but within 3 years.....	5,821
Due after 3 years but within 4 years.....	4,522
Due after 4 years but within 5 years.....	3,462
Due after 5 years	8,162
Total long-term *	35,367
Short-term	11,020
Total other obligations	46,387

* Represents the amount of other interest bearing liabilities outstanding as of June 30, 2001 with originally contracted maturities in excess of one year.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

9. Differences between Chilean and United States Generally Accepted Accounting Principles

A description of the significant differences between accounting principles generally accepted in Chile (“Chilean GAAP”) and accounting principles generally accepted in the United States (“U.S. GAAP”) as they apply to the Bank is included in Note 30 to the audited consolidated financial statements as of December 31, 1999 and 2000 and for each of the two years in the period ended December 31, 2000. In addition to the differences described and quantified therein, as of June 30, 2001, the following differences between Chilean GAAP and U.S. GAAP existed:

(a) Derivatives

The use of derivatives in Chile is regulated by the Chilean Central Bank, which requires that all foreign exchange forward contracts be made only in U.S. dollars and other major foreign currencies. Currently, Chilean banks are permitted to use foreign exchange forward contracts (covering either foreign currencies against the U.S. dollar, the UF against the Chilean peso or the UF and the Chilean peso against the U.S. dollar), forward rate agreements and interest rate swaps.

All derivative instruments are subject to market risk, which is defined as the risk that future changes in market conditions may make an investment more or less valuable. The Bank manages exposure to market risk on a global basis in accordance with risk limits set by senior management by buying or selling instruments or entering into off-setting foreign exchange and interest rate positions.

The Bank enters into derivative transactions for its own account and to meet customers’ risk management needs. Generally the Bank enters into forward contracts in U.S. dollars against the Chilean peso or the UF, however, occasionally, forward contracts are also made in other currencies, but only when the Bank acts as an intermediary. In the recent years prior to January 1, 2001, the Bank had not entered into interest rate and foreign currency swaps agreements. However, during the six-month period ended June 30, 2001, the Bank entered into interest rate and foreign currency swaps agreements as a means of hedging the Bank’s short-term deposits against its long-term loans.

In order to manage any credit risk associated with its derivative products, the Bank grants lines of credit to transaction counterparties, in accordance with its credit policies, for each derivative transaction. The counterparty risk exposure is a function of the type of derivative, the term to maturity of the transaction and the volatility of the risk factors that affect the derivative’s market value, which are managed by the Bank on an on-going basis as market conditions warrant.

Under Chilean GAAP, the Bank accounts for forward contracts between foreign currencies and U.S. dollars at fair value with realized and unrealized gains and losses on these instruments recognized in other income. Forward contracts between the U.S. dollar and the Chilean peso are valued at the closing spot exchange rate of each balance sheet date, with the initial discount or premium being amortized over the life of the contract in accordance with Chilean hedge accounting criteria.

As described in Note 1, under Chilean GAAP the Bank records differences between interest income and interest expense on interest rate swaps transactions, in net income in the period that such differences originate.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

9. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(a) Derivatives (continued)

Beginning January 1, 2001, the Bank adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133" (collectively "SFAS 133"), which establishes comprehensive accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The Standard requires that all derivative instruments be recorded in the balance sheet at fair value. However, the accounting for changes in fair value of the derivative instrument depends on whether the derivative instrument qualifies as a hedge. The standards also require formal documentation procedures for hedging relationships and effectiveness testing when hedge accounting is to be applied. If the derivative instrument does not qualify as a hedge, changes in fair value are reported in earnings when they occur. If the derivative instrument qualifies as a hedge, the accounting treatment varies based on the type of risk being hedged.

Under US GAAP, the Bank records its swap agreements at their estimated fair value and forward contracts between the U.S. dollar and the Chilean peso are valued at the fair value based on the forward exchange rate. Under the previous accounting standard, forward contracts were also recorded at fair value as they were considered operational in nature, and did not qualify for hedge accounting treatment.

While the Bank enters into derivatives for the purpose of mitigating its global interest and foreign currency risks, these operations do not meet the requirements to qualify for hedge accounting under U.S. GAAP. Therefore changes in the respective fair values of all derivative instruments are reported in earnings when they occur.

Current Chilean accounting rules do not consider the existence of derivative instruments embedded in other contracts and therefore they are not reflected in the financial statements. For U.S. GAAP purposes, certain implicit or explicit terms included in host contracts that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument, must be separated from the host contract and accounted for at fair value. The Bank separately measures embedded derivatives as freestanding derivative instruments at their estimated fair values recognizing changes in earnings when they occur. Currently the only host contracts that the Bank has, which have implicit or explicit terms that must be separately accounted for at fair value, are service type contracts related to computer services agreements.

The effect of adopting the SFAS 133 as of January 1, 2001, resulted in a cumulative effect on net income of MCh\$ 2, which is presented net of deferred taxes of MCh\$ 0.3 under the caption "Cumulative effect of change in accounting principles". The effects of the adjustments with respect to foreign exchange contracts, interest rate and foreign currency swaps agreements and certain derivative instruments embedded in other contracts on the net income and net equity of the Bank for the six-month periods ended June 30, 2000 and 2001 are included in paragraph (b) below.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

9. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(b) Summary of Income Statement and Shareholders' Equity differences

The following is a reconciliation of consolidated net income under Chilean GAAP to the corresponding U.S. GAAP amounts:

	Six-month period ended June 30,		
	2000	2001	2001
	MCh\$	MCh\$	ThUS\$
Net income in accordance with Chilean GAAP	42,526	45,492	72,596
U.S. GAAP adjustments:			
Loan origination commissions and fees	(351)	1,365	2,178
Deferred income taxes	(2,059)	(1,482)	(2,365)
Investments in other companies	156	(2)	(3)
Allowance for loan losses	9,941	6,894	11,001
Mortgage finance bonds issued by the Bank.....	(3,964)	123	196
Investments held-to-maturity	(3,000)	(3,153)	(5,031)
Derivatives (Note 9 (a)).....	(2,647)	10,123	16,154
Assets received in lieu of payment.....	(1,220)	(1,270)	(2,027)
Acquisition of Leasing Andino.....	(121)	(121)	(193)
Staff severance indemnities	(480)	79	126
Deferred tax effect of the above U.S. GAAP adjustments	258	(2,125)	(3,391)
Net income in accordance with U.S. GAAP before cumulative effect of change in accounting principles.....	39,039	55,923	89,241
Cumulative effect of change in accounting principles, net of taxes of MCh\$ 0.3.....	-	2	3
Net income in accordance with U.S. GAAP.....	39,039	55,925	89,244
Other comprehensive income, net of tax:			
Unrealized holding gains (losses) on available-for-sale Securities, net of taxes of MCh\$ 213 and MCh\$ (10), respectively	(1,514)	1,075	1,715
Adjustment for translation differences	996	1,985	3,167
Comprehensive income in accordance with U.S. GAAP	38,521	58,985	94,126

The following is a reconciliation of consolidated shareholders' equity differences under Chilean GAAP to the corresponding amounts under U.S. GAAP:

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

9. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(b) Summary of Income Statement and Shareholders' Equity differences (continued)

	<u>As of June 30,</u>		
	2000 MCh\$	2001 MCh\$	2001 ThUS\$
Shareholders' Equity in accordance with Chilean GAAP	346,613	353,612	564,290
U.S. GAAP adjustments:			
Loan origination commissions and fees	1,624	2,601	4,151
Deferred income taxes	8,571	4,910	7,835
Investments in other companies	340	318	507
Allowance for loan losses	34,938	35,509	56,665
Mortgage finance bonds issued by the Bank	279	144	230
Investments held-to-maturity	16,788	10,262	16,376
Derivatives (Note 9 (a))	(1,243)	13,331	21,273
Mandatory dividend	(12,758)	(13,648)	(21,779)
Assets received in lieu of payment	711	(38)	(61)
Acquisition of Leasing Andino	2,133	1,892	3,019
Staff severance indemnities	(1,122)	(255)	(407)
Deferred tax effect of the above U.S. GAAP adjustments	(7,798)	(9,233)	(14,734)
Shareholders' equity in accordance with U.S. GAAP	389,076	399,405	637,365

The following summarizes the changes in shareholders' equity under U.S. GAAP during the six-month periods ended June 30, 2000 and 2001:

	<u>Six-month periods ended June 30,</u>		
	2000 MCh\$	2001 MCh\$	2001 ThUS\$
Balance as of January 1	428,821	412,207	657,795
Dividends paid	(85,942)	(83,095)	(132,602)
Accrual for mandatory dividends, previous year	20,434	24,956	39,825
Accrual for mandatory dividends, closing date.....	(12,758)	(13,648)	(21,779)
Unrealized holding gains (losses) on available-for-sale investments, net of tax.....	(1,514)	1,075	1,715
Adjustments from translation differences, net of tax	996	1,985	3,167
Net income in accordance with U.S. GAAP.....	39,039	55,925	89,244
Balance as of June 30	389,076	399,405	637,365

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

9. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(c) Net income per share

The following disclosure of net income per share information is not generally required for presentation in the financial statements under Chilean GAAP but is required under U.S. GAAP. Earnings per share are determined by dividing consolidated net income by the weighted average number of total shares outstanding.

	Six-month periods ended	
	June 30,	
	2000	2001
	Ch\$	Ch\$
Earnings per share (based on U.S. GAAP) (1)	0.87	1.24
Earnings per share (based on Chilean GAAP) (1).....	0.95	1.01
Weighted average number of total shares outstanding (in millions) ...	44,932.7	44,932.7

(1) Basic and diluted earnings per share have been calculated by dividing net income by the weighted average number of common shares outstanding during the period. The Bank has not issued convertible debt or equity securities. Consequently, there are no potentially dilutive effects on the earnings of the Bank.

(d) Recent accounting pronouncements

- On July 20, 2001, the Financial Accounting Standards Board issued Statements No. 141 Business Combinations ("SFAS No. 141") and No. 142, Goodwill and Other Intangible Assets ("SFAS No. 142"). SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Poolings initiated prior June 30, 2001 are grandfathered. SFAS No. 142 replaces the requirements to amortize intangible assets with indefinite lives and goodwill with a requirement for an impairment test. SFAS No. 142 also requires an evaluation of intangible assets and their useful lives and a transitional impairment test for goodwill and certain intangible assets. After transition, the impairment tests are to be performed annually. The Bank is required to adopt SFAS No. 142 on January 1, 2002. Under SFAS No. 142, the Bank will cease to amortize existing goodwill related to the 1999 acquisition of Leasing Andino beginning on January 1, 2002. The effect of not amortizing goodwill will be to increase annual net income determined under US GAAP by MCh\$ 242. Notwithstanding any future transactions, the adoption of SFAS Nos. 141 and 142 is not expected to have a significant effect on the results of operations, financial position or cash flows of the Bank other than described above.
- In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset, except for certain obligations of lessees. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002 (with earlier application being encouraged). The Bank does not expect the adoption of SFAS 143 to have a material impact on its financial condition, results of operations or cash flows.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

9. Differences between Chilean and United States Generally Accepted Accounting Principles (continued)

(d) Recent accounting pronouncements (continued)

- In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 supersedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business (as previously defined in that opinion). SFAS 144 requires that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and broadens the presentation of discontinued operations to include more disposal transactions than were included under the previous standards. For the Bank and other calendar-year companies, SFAS No. 144 is effective beginning January 1, 2002. The Bank does not expect the adoption of SFAS 144 to have a material impact on its results of operations, financial position or cash flows.