

Letter from Chairman

Dear Shareholders: It is my pleasure to present the Annual Report and Financial Statements of Banco de Chile and Affiliates for the year 2001, a period marked by the advent of a new controlling group and the subsequent merger agreements, events that I consider of major importance for the future of our corporation.

In this period, characterized by a complex economic scenario, results achieved by Banco de Chile were again very good. The Bank's net income for 2001 amounted to Ch\$ 86,968 million, a 2.9 percent increase in comparison with year 2000, representing a return on capital and reserves of 27.9 percent, far above the average return of 17.7 percent posted by the financial system as a whole.

These results were achieved in a year that was greatly influenced by the negotiation and preparation process for the merger of Banco de Chile with Banco de A. Edwards. In fact, after many analyses and evaluations carried out by our Bank and by prestigious consulting firms specialized in this type of operations, the Boards of Directors of both Banks resolved, on August 7, 2001, to propose the merger of said entities to their respective Shareholders' Meetings.

Later, on October 3, the Superintendency of Banks and Financial Institutions, following a favorable report issued by the Central Bank, gave its authorization to call said Meetings. At the Extraordinary Shareholders' Meeting of Banco de Chile, held on December 6, 2001, 82.5 percent of total shares issued approved the merger and only 0.2 percent, did not.

As a consequence of this merger, Banco de Chile becomes the largest financial institution in the country, with a capital of approximately US\$ 800 million, managing US\$ 12,000 million in assets and having around 20 percent

market share in loans, deposits, current accounts and bank credit cards. These figures place our bank among the most important ones in Latin America, and attractively enhances its international projection.

Based on the above-mentioned analyses and studies, the Board of Directors is confident that this merger will add significant value to our shareholders, given the higher levels of business and synergies we aim to achieve.

Furthermore, it is important to highlight the relevance of having successfully completed the ADR registration process with the Securities and Exchange Commission, under which Banco de Chile's ADSs may now be traded in the New York Stock Exchange. The possibility of offering our titles, representing Banco de Chile shares, in much larger and deeper markets, undoubtedly adds liquidity, and thus value, to our shares.

After ending a complex year 2001 for the Bank's executives and employees in general, I wish to express my sincere thanks to each of them, for once again showing their strong commitment to our Institution. With effort, professionalism and efficiency, they have made it possible not only to achieve the above mentioned results, but also to successfully complete the highly demanding stages involved in a merger process.

Lastly, I wish to thank our Shareholders for the support and trust shown to the Board and this Chairman. I would also like to reiterate our strong commitment to pursue our mission of further making Banco de Chile a larger, efficient and successful Institution, thus assuring our shareholders of an adequate reward on their investments.

Segismundo Schulín-Zeuthen S., Chairman.

