

Notes to the Consolidated Financial Statements

as of December 31, 2001 and 2000 (Expressed in millions of Chilean pesos)

A free translation from the original in Spanish

1. Summary of Significant Accounting Principles:

(a) Principles of consolidation:

The financial statements of Banco de Chile as of December 31, 2001 and 2000 have been consolidated with those of its Chilean subsidiaries and Branches in New York and Miami, based on the following ownership percentages of subscribed and paid-in capital:

	Participation	
	2001	2000
	%	%
Banco de Chile - New York Branch	100.00	100.00
Banco de Chile-Miami Agency	100.00	100.00
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 Asesoria Financiera S.A.	99.00	99.00

The subsidiaries' assets and operating income represent 13.3% and 12.9% (13.3% and 12.6% in 2000) of the corresponding consolidated totals. Related party transactions and their effects on the consolidated financial statements have been eliminated. Minority interest is shown as a separate item in the consolidated balance sheet and statement of income.

For the purposes of the consolidation, the Financial Statements of the New York and Miami branches have been translated into Chilean pesos at the closing exchange rate of Chilean pesos 656.20 to US\$ 1 (Chilean pesos 572.68 to US\$ 1 in 2000), in accordance with the accounting rules related to foreign investments in countries in a stable economic environment as set out in Technical Bulletin N° 64 (issued by the Chilean Accountant Association).

(b) Accounting principles applied:

The Bank, its subsidiaries and branches abroad, prepare their financial statements according to Generally Accepted Accounting Principles in Chile and specific accounting regulations from the different regulatory bodies in each field of business: Superintendency of Banks and Financial Institutions, Superintendency of Insurance Companies and regulations for American banking entities.

The use of different regulations causes non significant differences in the consolidated financial statements, mainly in areas such as accounting for foreign investments and in the use of price level restatement.

(c) Interest and readjustments:

Loans, investments and liabilities are stated including their corresponding interest and readjustments accrued as of the Balance Sheet date. However, a conservative criteria has been applied of suspending interest accruals and readjustments of overdue loans, and of outstanding current loans which are considered irrecoverable.

(d) Price-level restatement:

Non monetary assets, liabilities and equity in Chilean pesos have been restated according to the change in the consumer price index (CPI) for the year 3.1% (4.7% in 2000). The application of this method resulted in a net charge to income of MCh\$ 5,776.8 (MCh\$ 9,421.9 in 2000).

The amounts for the year 2000 have been price-level restated to reflect the charges of the CPI (3.1%).

(e) Foreign currencies:

Foreign currency assets and liabilities of Bank and subsidiaries have been translated into Chilean pesos at the closing exchange rate of Chilean pesos 656.20 to US\$1 (Chilean pesos 572.68 to US\$ 1 in 2000).

The balance of MCh\$ 1,641.4, corresponding to the net gain on foreign exchange (MCh\$ 4,227.0 in 2000), shown in the Consolidated Income Statement, includes both the results of foreign exchange transactions as well as recognition of the effects that fluctuation in the exchange rates had on assets and liabilities stated in foreign currencies.

(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 state that such adjustments should be recognized against income, except in the case of the permanent portfolio, when an equity account, "Change in unrealized gains (losses) on permanent financial investments", may be directly charged or credited.

The application of this adjustment generated a net credit to income for the year amounting to MCh\$ 3,029.6 (net charge of MCh\$ 39.1 in 2000), which was included under operating income under "Gains from trading activities". The adjustment of the permanent portfolio, generated a net charge to equity in the amount of MCh\$ 1,824.7 (net credit MCh\$ 464.4 in 2000).

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 value.

(g) Property, premises and equipment:

Property, premises and equipment are stated at acquisition cost plus price-level restatement (except New York and Miami Branches), and net of accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the related assets.

(h) Investments in other companies:

Shares or rights in other companies, with 10% or more of equity participation or where the Bank has the right to elect one member to the Board of Directors or management of such companies, are accounted for using the equity method.

(i) Derivatives:

The Bank values forward currency contracts on a daily basis based on the observed exchange rate, and the resulting gain or loss is recognized in income on an accrued basis in accordance with instructions of the Superintendency of Banks. The initial gain or loss corresponding to the difference between the spot and future rate is deferred and amortized to income over the duration of the respective contracts.

Interest rate swaps are valued on a monthly basis, based on the difference between the contracted interest rates, recognizing the resulting gain or loss as credit or debit to income respectively.

(j) Allowance for loan losses:

Allowances required to cover the risk of assets losses have been set up in conformity with regulations issued by the Superintendency of Banks and Financial Institutions. Assets are shown net of these provisions, and in the case of loans the deduction is disclosed.

(k) Voluntary allowances for loan losses:

In accordance with regulations of the General Banks' Act, financial institutions are entitled to set up special allowances, known as "voluntary allowances for loan losses", which can be included as current equity for the compliance of the various regulations contained in the Act.

The amounts set up as of the periods closing date and its effect on income are shown in the Consolidated Balance Sheets and Consolidated Income Statements.

(l) Deferred taxes:

Effects of deferred taxes are accounted for, in conformity with Technical Bulletins N° 60, 69 and 71, issued by the Association of Chilean Public Accountants, as explained in Note 15.

(m) Staff vacations:

The annual cost of vacations and staff benefits are recognized on an accruals basis.

(n) Employees' severance compensation:

The Bank has agreed to compensate certain employees who retire after 30 years of service. This liability includes the accrued proportion in respect of those employees entitled to the compensation, but have not yet received it as of December 31, 2001 and 2000.

As of December 31, 2001 and 2000, this liability has been calculated using the present value method, discounting at a rate of 7% per annum.

(o) Cash and cash equivalents:

In conformity with specific provisions applicable to financial institutions, the Bank has considered as cash and cash equivalents only the cash and due from bank balance in the Consolidated Balance Sheet. The Consolidated Statement of Cash Flows has been prepared according to the indirect method.

2. Accounting Changes:

(a) In accordance with regulations issued by the Superintendency of Banks and Financial Institutions, during 2001, the Bank has begun to apply the policy of deferring certain amounts of loan income, according to the term of loans to which they relate, and the period that the services are performed. Until the prior year, these fees were recognized in income as the fees were received. This change resulted in a decrease in income as of December 31, 2001 of MCh\$ 2,114.2.

(b) According to Circular N° 3061 issued on June 28, 2000, the Superintendency of Banks and Financial Institutions extended to 18 months the period of write down of assets received or awarded in lieu of payment. This change in policy resulted in a lower expenses for the Bank of December 31, 2001 of MCh\$ 1,418.3.

3. Relevant Events:

(a) Banco de Chile Control:

Due to the purchase of shares in Banco de Chile and its Parent Company SM-Chile S.A., made by "LO Inversiones Financieras S.A.", a subsidiary of "Quifrenco S.A.", LO Inversiones Financieras S.A. gained control of 52.7% of the Banks voting rights.

At an Extraordinary Meeting of the Board of Directors held on March 29, 2001, due to the change in ownership mentioned above, the composition of the Bank's Board of Directors is as follows:

Chairman: Sagisnundo Schulin-Zuñen Serrano; Vice-president: Guillermo Luksis Craig; Directors: Jorge Awad Mehech, Rodrigo Mandubis Mollado, Gonzalo Merendéz Duque, Máximo Pacheco Matte, Francisco Pérez Mackenna, Máximo Silva Bafalluy and Manuel Sobral Fraile.

(b) At an Extraordinary Meeting of the Board of Directors held on August 7, 2001, the J.P. Morgan Securities Inc., delivered its conclusions on their valuations of Banco de Chile and Banco de A. Edwards, performed for the eventual merger of the banks.

As a consequence of the above valuations, the Board agreed to propose the merger of both institutions, in the proportion of 66% for the shareholders of Banco de Chile and 34% for the shareholders of Banco de A. Edwards, remaining Banco de Chile as the surviving entity.

Dividends relating to the net income of each bank before the merger will be distributed separately to the shareholders of Banco de Chile and the shareholders of Banco de A. Edwards, proposal that must also be approved by the referenced Extraordinary Shareholders' Meeting.

(c) At an Extraordinary Shareholders' Meeting held on October 3, 2001, it was agreed to disclose the conditions set-out by the Council of the Chilean Central Bank in order that they could issue their favorable report, in conformity with Law No. 19.396, regarding the proposed merger of Banco de Chile and Banco de A. Edwards.

The conditions established for Banco de Chile are as follows:

- i) That the Bank should not increase its amount of the voluntary allowances for loan losses, in excess of these held at September 30, 2001, provided that during 2001, it agrees to release MCh\$ 4,250.0, of the voluntary allowances for loan losses in order to increase the annual surplus by this same amount.
- ii) That, the amount of voluntary allowances for loan losses of the merged bank should be maintained during 2002 to 2004, as the equivalent in Unidades de Fomento (U.F.) to that in the financial statements of the Banco de Chile as of September 30, 2001. This limitation will not be applied to 2004, if the annual surplus is enough so that the shareholder SAOS S.A. pays to the Central Bank the fixed installment of the Subordinated Debt that becomes due on April 30, 2005.
- iii) These conditions should be approved at an Extraordinary Shareholders' Meetings which must approve the aforementioned merger.

At an Extraordinary Board of Directors' Meeting held on October 3, 2001, it was unanimously agreed to accept the conditions established by the Central Bank of Chile.

(d) By means of Resolution No. 113 dated October 3, 2001, the Superintendency of Banks and Financial Institutions gave prior authorization to call the Extraordinary Shareholders' Meetings of Banco de Chile and Banco de A. Edwards to agree upon their merger, in conformity with Article 35 of the General Bank Law and Article 25 of Law No. 19,396.

(e) At an Extraordinary Meeting of the Board of Directors' of Banco de Chile, held on October 9, 2001, the resignation of Mr. René Lohueué Fuenzalida as General Manager was presented and was accepted effective as of October 16, 2001.

At the same meeting, the board agreed to designate Mr. Pablo Granifo Lavín as General Manager of Banco de Chile, effective as of October 16, 2001, and named Mr. René Lohueué Fuenzalida as Consultant to the Board.

(f) At an Extraordinary Shareholders' Meeting of the Bank, held on December 6, 2001, the following agreements were approved:

The merger by incorporation of Banco de A. Edwards and Banco de Chile, with the latter acquiring all the assets and assuming all the liabilities of the former, incorporating all equity and shareholders of Banco de A. Edwards into Banco de Chile. The merger will be effective as of January 1, 2002, subject to the suspension condition that the Extraordinary Shareholders' Meeting of Banco de A. Edwards also approves it, requiring, in addition, the corresponding resolution from the Superintendency of Banks and Financial Institutions.

For that purpose, the Meeting agreed that the merged Bank should issue 23,147,126,425 shares, without par value denominated "Banco de Chile - F", that will be distributed to the shareholders of Banco de A. Edwards at a rate of 3.135826295 Banco de Chile shares for each Banco de A. Edwards share. It was agreed that 2001 income would be distributed separately to the shareholders of each bank. The mentioned "Banco de Chile - F" shares, once dividends for 2001 have been distributed, will automatically convert to Banco de Chile shares and will be no different than the rest of the shares issued by the merged Bank.

Registration of Banco de Chile in the American Depository Shares (ADS) program in the Securities and Exchange Commission (SEC) and in the New York Stock Exchange (NYSE). In order to cash the Banco de A. Edwards ADSs for the new Banco de Chile ADSs:

There were various modifications, additions and suppressions of the Banks by-laws, due to the approved merger.

As a consequence of applying the aforementioned agreement, the Bank and its subsidiaries have charged MCh\$ 3,861.5 to "Personnel salaries and expenses" for staff severance indemnities and other expenses related to laying off employees. In addition, the Bank and its subsidiaries have had to recognize other expenses inherent to the merger in the amount of MCh\$ 3,217.8 in income.

New, rearranged, coordinated and systemized wording of Bank by-laws were agreed upon.

(g) On December 7, 2001, as per Official Letter No. 8,581, the Superintendency of Securities and Insurance authorized the transfer of the administration of all funds administered by Banedwards S.A. Administradora de Fondos Mutuos to Administradora Banchile de Fondos Mutuos S.A., which was subsequently agreed upon at an Extraordinary General Shareholders' Meeting of Banedwards S.A. Administradora de Fondos Mutuos held on December 11, 2001, and effective as of January 1, 2002.

(h) The Board of Directors' Meeting of the Banco de Chile, held on December 13, 2001, agreed to issue the previously mentioned 23,147,126,425 Banco de Chile-F shares. The issuance was registered at the Securities Registry of the Superintendency of Banks under No. 04/2001 dated December 21, 2001.

(i) On December 17, 2001, as per Exempt Resolution No. 10,343 of the Superintendency of Banks and Financial Institutions, the merger by incorporation of the subsidiaries of Banco de A. Edwards, Banedwards S.A. Corredores de Bolsa, Banedwards Factoring S.A., Banedwards S.A. Asesoria Financiera and Banedwards Corredora de Seguros Limitada with the subsidiaries of Banco de Chile, Banchile Corredores de Bolsa S.A., Banchile Factoring S.A., Banchile Asesoria Financiera S.A. and Banchile Corredores de Seguros Limitada was approved.

At Extraordinary General Shareholders' Meetings whose details are indicated below, it was agreed to merge the mentioned subsidiaries, effective as of January 1, 2002.

Name of Absorbed Company	Date of Shareholders' Meeting
Banedwards S.A. Corredores de Bolsa	December 19, 2001
Banedwards Factoring S.A.	December 19, 2001
Banedwards S.A. Asesoria Financiera	December 24, 2001
Name of Absorbing Company	Date of Shareholders' Meeting
Banchile Corredores de Bolsa S.A.	December 19, 2001
Banchile Factoring S.A.	December 19, 2001
Banchile Asesoria Financiera S.A.	December 20, 2001

(j) At an Extraordinary Shareholders' Meeting of Banedwards Securitizadora S.A. held on December 20, 2001 it was agreed to change the name of the company to Banchile Securitizadora S.A. effective as of January 1, 2002.

(k) By Resolution No. 147 dated December 21, 2001, the Superintendency of Banks and Financial Institutions approved the merger agreed upon by Banco de Chile and Banco de A. Edwards at Extraordinary Shareholders' Meetings held on December 6 and 18, 2001, respectively. In addition the anticipated dissolution of Banco de A. Edwards as of January 1, 2002 and the reforms of the Banco de Chile by-laws were approved.

(l) At a Board of Directors' Meeting held on December 27, 2001, it was agreed to set January 4, 2002 as the date for the conversion of Banco de A. Edwards shares for the previously mentioned new Banco de Chile-F shares.

(m) At an Extraordinary General Shareholders' Meeting of Banedwards Administradora de Fondos de Inversión S.A. held on December 27, 2001 it was agreed to change the name of the company to Banchile Administradora de Fondos de Inversión S.A., effective as of January 1, 2002.

4. Related Party Transactions:

Pursuant to the General Banking Law and Superintendency's instructions, related party transactions are defined as those which are carried out with a person or entity, connected directly or indirectly with the ownership or management of the Bank.

(a) Loans to related parties:

As of December 31, 2001 and 2000 loans granted to related parties are as follow:

	Loans		Past due loans		Total		Collateral (*)	
	2001 MCh\$	2000 MCh\$	2001 MCh\$	2000 MCh\$	2001 MCh\$	2000 MCh\$	2001 MCh\$	2000 MCh\$
Productive companies	49,050.6	73,460.7	-	9.1	49,050.6	73,469.8	15,803.8	31,926.8
Investment companies	4,154.3	12,169.6	-	-	4,154.3	12,169.6	52.6	63.9
Personal loans (**)	3,436.9	1,023.4	-	-	3,436.9	1,023.4	834.9	820.9
Total	56,641.8	86,653.7	-	9.1	56,641.8	86,662.8	16,691.3	32,811.6

(*) Includes only those guarantees computable towards individual credit limits as established in Article N° 84 of the General Banking Law, valued in accordance with instructions of the Superintendency.

(**) Includes only those obligations of individuals whose debts are equal to or greater than U.F. 3,000 (MCh\$ 48.8).

(b) Other related party transactions:

The Bank has undertaken the following related party transactions greater than U.F. 5,000 (MCh\$ 81.3) during 2001 and 2000:

	Expenses		Income	
	2001 MCh	2000 MCh\$	2001 MCh\$	2000 MCh\$
Transbank S.A.:				
Service expenses	2,219.8	2,255.9	-	-
Redbanc S.A.:				
Expenses for electronic funds transfers of the automated teller machines	1,467.0	1,326.5	-	-
Empresa Nacional de Telecomunicaciones S.A.:				
Telephone expenses	1,103.9	1,238.0	-	-
Operadora de Tarjetas de Crédito Nexus S.A.:				
Service expenses	1,114.9	999.2	-	-
Entel Telefonía Local S.A.:				
Telephone expenses	149.1	129.9	-	-
Hoteles Carrera S.A.:				
Service expenses	92.1	-	-	-
Línea Aérea Nacional Chile S.A.:				
Office rental income	-	-	100.6	100.0
Subtotal	6,146.8	5,949.5	100.6	100.0
Transactions lower than U.F. 5,000 (MCh\$ 81.3):				
Service expenses	171.6	206.6	-	-
Telephone expenses	98.6	80.7	-	-
Rental expense	-	68.6	-	-
Rental income	-	-	42.9	45.8
Total	6,417.0	6,305.4	143.5	145.8

Related party transactions were carried out at normal market prices prevailing at the date on which they were made.

5. Investment in Other Companies:

This caption includes investments in other companies for MCh\$ 3,416.6 (MCh\$ 2,442.1 in 2000), as follows:

Company	Shareholder	Investment							
		Interest		Equity		Investment value		Income	
		2001 %	2000 %	2001 MCh\$	2000 MCh\$	2001 MCh\$	2000 MCh\$	2001 MCh\$	2000 MCh\$
Arifkos S.A.	Banco de Chile	50.00	-	1,293.3	-	646.7	-	(95.4)	-
Servipag Ltda.	Banco de Chile	50.00	50.00	1,293.2	1,240.1	646.6	620.0	26.5	(38.5)
Ritubare S.A.	Banco de Chile	12.71	12.71	3,388.4	3,520.2	430.7	447.5	79.6	96.0
Soc. Oper. de Tarjetas de Crédito Nexus S.A.	Banco de Chile	12.90	12.90	3,105.8	1,065.4	400.7	137.5	(212.0)	(121.7)
Transbank S.A.	Banco de Chile	8.72	8.72	3,940.1	3,339.1	343.5	291.2	52.4	(48.5)
Bolsa de Valores de Chile	Banchile Corredores de Bolsa S.A.	2.50	2.50	2,355.4	2,324.6	311.0	58.0	57.8	(7.6)
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	408.9	499.3	136.3	166.4	30.4	17.1
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	12.38	12.38	1,097.2	791.9	135.9	98.0	37.8	26.3
Empresas de Tarjetas Inteligentes S.A.	Banco de Chile	13.33	13.33	510.8	474.3	68.1	63.2	(21.2)	2.2
Bolsa de Comercio	Banchile Corredores de Bolsa S.A.	2.08	2.08	14,980.7	15,450.7	58.9	321.9	0.7	77.8
Subtotal						3,178.4	2,203.7	(43.4)	3.1
Shares or rights in other subsidiaries						238.2	238.4	-	-
Total						3,416.6	2,442.1	(43.4)	3.1

6. Allowances:

(a) Allowances for possible loan losses:

As of December 31, 2001, the Bank, its Chilean subsidiaries and foreign branches had made allowances for a total of MCh\$ 102,562.9 (MCh\$ 81,042.2 in 2000) to cover eventual losses.

The changes experienced by these allowances during the year were as follows:

	Allowances for			
	Loans MCh\$	Assets received in payment MCh\$	Other assets MCh\$	Total MCh\$
Balance as of 12-31-1999	71,981.5	-	876.7	72,858.2
Charge-offs	(26,763.5)	(206.7)	(909.5)	(27,879.7)
Allowances established	32,747.4	206.7	368.6	33,322.7
Exchange rate of beginning balance of Foreign Branches	304.2	-	-	304.2
Balance as of 12-31-2000	78,269.6	-	335.8	78,605.4
Restatement of Dec 31, 2000 balances to Dec 31, 2001 constant Chilean pesos	80,696.0	-	346.2	81,042.2
Balance as of 12-31-2000	78,269.6	-	335.8	78,605.4
Charge-offs	(27,046.3)	(173.5)	(955.3)	(28,175.1)
Allowances established	47,023.2	173.5	4,340.7	51,537.4
Exchange rate of beginning balance of Foreign Branches	595.2	-	-	595.2
Balance as of 12-31-2001	98,841.7	-	3,721.2	102,562.9

Management is of the opinion that allowances are sufficient to cover any possible losses arising from irrecoverable assets, on the basis of the information examined by the Bank and its subsidiaries.

(b) Voluntary allowances for loan losses:

In addition to the allowance to cover risky assets listed in (a) above, the Bank, its Chilean subsidiaries and foreign branches has set up voluntary allowances for loan losses for a total of MCh\$ 33,529.9 (MCh\$ 35,741.0 in 2000), crediting income by MCh\$ 1,136.4 (charging income by MCh\$ 5,720.9 in 2000).

7. Shareholders' Equity:

(a) Equity for accounting purposes:

The Bank's paid-in capital is divided into 44,932,657,180 shares, of the same series and with no nominal value.

Shareholders' equity changes were as follows:

	Paid-in Capital MCh\$	Other reserves MCh\$	Other accounts MCh\$	Income for the year MCh\$	Total MCh\$
Balance as of December 31, 1999	221,415.7	82,729.9	(1,873.3)	64,092.9	366,365.2
Dividends paid	-	(17,409.7)	-	(64,092.9)	(81,502.6)
Price-level restatement	10,406.5	3,914.6	-	-	14,321.1
Change in unrealized gains (losses) on permanent financial investments (*)	-	-	382.8	-	382.8
Net adjustment for translation differences (*)	-	-	952.5	-	952.5
Net income for the year	-	-	-	81,957.5	81,957.5
Balance as of December 31, 2000	231,822.2	69,234.8	(538.0)	81,957.5	382,476.5
Balance as of December 31, 2000, restated in constant Chilean pesos as of December 31, 2001	239,008.7	71,381.1	(554.7)	84,498.1	394,333.2
Balance as of December 31, 2000	231,822.2	69,234.8	(538.0)	81,957.5	382,476.5
Dividends paid	-	-	-	(81,957.5)	(81,957.5)
Price-level restatement	7,186.5	2,230.6	-	-	9,417.1
Change in unrealized gains (losses) on permanent financial investments (*)	-	-	(1,550.9)	-	(1,550.9)
Net adjustment for translation differences (*)	-	-	2,915.3	-	2,915.3
Net income for the year	-	-	-	86,968.0	86,968.0
Balance as of December 31, 2001	239,008.7	71,465.4	826.4	86,968.0	398,268.5

(*) These balances are carried net of the deferred taxes originating from adjustments to market value of the permanent investment portfolio and valuation of subsidiaries abroad.

(b) Base Capital and Actual Equity, for regulatory purposes:

In conformity with the General Banks' Act, the minimum base capital of a financial institution cannot be less than 3% of total assets, while actual equity cannot be less than 8% of the risk-weighted assets. As of December 31, 2001, the Bank has calculated these ratios to be 5.93% and 12.02% (6.12% and 11.29% in 2000).

8. Investments:

(a) Financial investments:

Instruments*	Portfolio				Market adjustment				Total				
	Permanent**		Non-permanent		Sub-total		Charged to income		Charged to equity				
	2001 MCh\$	2000 MCh\$	2001 MCh\$	2000 MCh\$	2001 MCh\$	2000 MCh\$	2001 MCh\$	2000 MCh\$	2001 MCh\$	2000 MCh\$			
Central Bank securities	-	-	994,233.7	758,522.3	994,233.7	758,522.3	(6,896.4)	(13,809.3)	-	-	987,337.3	744,713.0	
Chilean Treasury and other government securities	18,887.1	-	8,114.4	3,086.7	27,001.5	3,086.7	(111.1)	-	30.8	-	26,970.2	3,086.7	
Local financial institutions	-	-	59,173.0	44,767.9	59,173.0	44,767.9	(36.2)	19.6	-	-	59,136.8	44,787.5	
Other local investments	-	-	30,281.1	14,306.0	30,281.1	14,395.0	17.2	47.4	-	-	30,455.3	14,442.4	
Foreign investments	338,613.2	188,411.6	33,527.6	309,030.7	372,140.8	497,442.3	3,170.8	361.7	(5,673.6)	(4,010.0)	369,638.0	493,794.0	
Self-issued mortgage notes	-	-	2,841.4	138,482.2	72,346.7	138,482.2	75,188.1	122.8	178.5	-	73.4	138,650.0	75,400.0
Total	357,500.3	191,253.0	1,271,812.0	1,202,067.3	1,629,372.3	1,993,320.3	(3,578.9)	(13,202.1)	(6,442.8)	(6,936.6)	1,620,096.6	1,376,181.6	

(*) Classification according to issuers and parties committed to pay. This schedule includes a total of MCh\$ 140,323.4 (MCh\$ 132,499.2 in 2000), securities sold under repurchase agreements.

(**) Permanent portfolio includes securities whose market value adjustment are booked against "Change in unrealized gains (losses) on permanent financial investment", as described in Note 1 (f).

(b) Other investments:

	2001 MCh\$	2000 MCh\$
Assets held for leasing	2,832.8	7,797.0
Assets received in lieu of payment (*)	8,462.8	3,454.1
Other non financial investments	2.0	2.3
Total	11,297.6	11,253.4

(*) In addition to assets received or awarded in payment, shown above, there are also certain assets which have not been disposed of and which were written-off according to the rules of the Superintendency. It is estimated that these written off assets could be sold for approximately MCh\$ 2,645.9 (MCh\$ 2,821.8 in 2000).

9. Maturity of Assets and Liabilities:
(a) Maturity of loans and financial investments:

The loans and investments below are grouped according to their maturity period. Balances include the interest accrued up to December 31.

	2001				
	Less than 1 year	Over 1 year/ less than 3	Over 3 years/ less than 6	Over 6 years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Loans (1):					
Commercial loans and others	1,503,309.3	434,149.4	346,423.1	247,568.0	2,531,449.8
Mortgages	36,091.8	69,463.1	107,755.0	358,582.6	571,892.5
Consumer loans	111,862.8	70,615.9	20,657.9	3,468.3	206,604.9
Leasing contracts	39,334.7	53,775.1	36,395.4	36,764.4	166,269.6
Other loans:					
Interbank loans	19,459.8	3,622.2	658.8	–	23,740.8
Investments purchased under agreements to resell	29,623.2	–	–	–	29,623.2
Financial investments:					
Permanent (2)	246,683.8	50,570.7	39,920.7	20,325.1	357,500.3
Non permanent (3)	1,268,233.1	–	–	–	1,268,233.1
Total	3,254,598.5	682,196.4	551,810.9	666,708.4	5,155,314.2

	2000				
	Less than 1 year	Over 1 year/ less than 3	Over 3 years/ less than 6	Over 6 years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Loans (1):					
Commercial loans and others	1,593,916.5	468,725.6	291,546.8	243,123.8	2,597,312.7
Mortgages	32,934.5	64,804.9	97,708.0	333,610.3	529,057.7
Consumer loans	109,649.2	61,336.5	18,671.7	4,029.0	193,686.4
Leasing contracts	43,667.1	54,069.5	39,678.7	34,394.5	171,809.8
Other loans:					
Interbank loans	22,836.5	3,507.5	1,589.8	–	27,933.8
Investments purchased under agreements to resell	10,023.2	–	–	–	10,023.2
Financial investments:					
Permanent (2)	82,558.1	35,581.2	29,451.1	43,662.6	191,253.0
Non permanent (3)	1,188,865.2	–	–	–	1,188,865.2
Total	3,084,450.3	688,025.2	478,646.1	658,820.2	4,909,941.8

(1) Includes only the credits effective at year-end and maturing in the stated periods. Consequently contingent loans and past due loans are not included, nor are the overdue credits not yet transferred to past due loans (90 days of delay over maturity), which amounted to MCh\$ 23,357.9 (MCh\$ 22,263.4 in 2000), of which MCh\$ 16,976.1 (MCh\$ 12,463.0 in 2000) were overdue by less than 30 days.

(2) Includes the total amount of permanent investments as described in Note 1(f), without considering the adjustment to market value and also includes non transferable investments.

(3) Includes the remaining investments, including its adjustment to market value.

(b) Maturity of deposits, borrowings and other financial obligations:

The following details deposits, borrowings and other obligations grouped according to their maturity dates. The balances include interest accrued as of December 31, 2001 and 2000.

	2001				
	Less than 1 year	Over 1 year/ less than 3	Over 3 years/ less than 6	Over 6 years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Borrowings and other liabilities (*):					
Time deposits	2,511,253.7	25,859.0	11,046.5	–	2,548,159.2
Other term liabilities	14,746.6	–	–	–	14,746.6
Securities sold under agreements to repurchase	158,016.9	–	–	356.0	158,372.9
Mortgage finance bonds	83,292.9	144,786.7	204,855.8	428,351.9	861,287.3
Bonds issued	5,242.4	13,300.6	24,978.3	135,013.7	178,535.0
Borrowings from financial Institutions and Central Bank:					
Central Bank credit lines from renegotiation of loans	2,396.2	–	–	–	2,396.2
Other Central Bank borrowings	32,727.2	–	–	–	32,727.2
Borrowings from domestic financial institutions	24,947.3	11.9	–	–	24,959.2
Foreign borrowings	191,010.5	94,583.9	4,956.3	–	290,550.7
Other liabilities	21,943.4	10,183.1	8,389.7	4,519.5	45,035.7
Total	3,045,577.1	288,725.2	254,226.6	568,241.1	4,156,770.0

	2000				
	Less than 1 year	Over 1 year/ less than 3	Over 3 years/ less than 6	Over 6 years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Borrowings and other liabilities (*):					
Time deposits	2,442,494.9	2,205.8	592.8	–	2,445,293.5
Other term liabilities	108,915.4	–	–	–	108,915.4
Securities sold under agreements to repurchase	137,901.4	–	–	411.8	138,313.2
Mortgage finance bonds	77,800.4	138,523.2	197,306.2	397,854.7	811,484.5
Bonds issued	2,927.8	4,251.9	11,790.2	87,296.1	106,266.0
Borrowings from financial Institutions and Central Bank:					
Central Bank credit lines from renegotiation of loans	2,873.9	–	–	–	2,873.9
Other Central Bank borrowings	–	–	–	–	–
Borrowings from domestic financial institutions	16,886.3	81.3	–	–	16,967.6
Foreign borrowings	131,644.0	233,551.1	9,444.5	–	374,639.6
Other liabilities	21,421.9	12,315.2	11,316.9	5,530.2	50,584.2
Total	2,942,866.0	390,928.5	230,450.6	491,092.8	4,055,337.9

(*) Excluding all demand deposits, saving accounts and contingent liabilities.

10. Foreign Currency Balances:

The Balance Sheets includes assets and liabilities in foreign currencies and readjusted according to the exchange rate, in the following amounts:

The Bank, its subsidiaries and branches keep record in memorandum accounts the balances for commitments and responsibilities related with their lines of business:

	2001 MCh\$	2000 MCh\$
Securities in custody	2,530,980.1	1,486,372.2
Domestic documents for collection	80,017.3	84,931.7
Foreign documents for collection	224,162.9	251,110.2
Undisbursed approved loans	395,360.3	334,218.9
Leasing contracts	10,690.2	17,801.6
Administration of assets	37.3	38.1
Total	3,241,248.1	2,174,472.7

The above list includes only the major items. Contingent loans and liabilities are shown in the Consolidated Balance Sheet.

13. Commissions:

The income and expenses for commissions shown in the Income Statement refers to the following items:

	Income		Expense	
	2001 MCh\$	2000 MCh\$	2001 MCh\$	2000 MCh\$
Demand deposits and overdrafts	12,604.2	10,238.9	-	-
Credit cards and automated teller cards	12,481.2	10,013.1	1,897.4	1,605.9
Mutual funds and stock brokerage	9,352.1	8,052.0	-	-
Collection and payment of services	6,239.7	5,796.2	2,608.5	2,508.4
Letters of credit, guarantees, collaterals and other contingent loans	2,455.7	2,349.6	-	-
Collection services	2,302.7	2,372.0	-	-
Insurance	2,101.2	1,451.1	-	-
Credit lines	2,074.3	2,439.8	-	-
Bancuenta Crediclite Administration	1,253.3	1,134.3	-	-
Financial services	799.1	1,401.3	60.5	31.0
Consumer loans - Crediclite	-	-	1,945.8	1,601.1
Commissions paid for insurance brokerage	-	-	648.4	621.0
Correspondent banks and commercial reports	-	-	461.4	283.1
Others	5,427.3	3,993.8	338.1	461.6
Total	57,090.8	50,242.1	7,960.1	7,112.1

Commissions on letter of credit operations are shown in the Consolidated Income Statement under the heading "Interest revenue".

14. Non Operating Income:

The breakdown of non-operating income is as follows:

	2001 MCh\$	2000 MCh\$
Rent	2,599.8	2,716.1
Gains on sales of goods received in lieu of payments	2,755.9	1,507.7
Insurance refunds	1,384.7	467.9
Release of overestimated provision	523.0	134.8
Reimbursement of expenses	473.1	209.7
Expired checks from foreign banks	379.2	-
Gains on sales of banks premises and equipment	130.2	1,835.0
Collection of leasing expenses	117.0	223.3
Other income from investment in companies and stocks	83.8	100.0
Other	910.2	508.5
Total	9,356.9	7,703.0

15. Deferred Taxes and Income Tax:

The Bank has recorded in the Financial Statements the effects of deferred taxes and amortization of its supplementary accounts, as provided by the standards of Technical Bulletins No. 60, 69 and 71 of the Association of Chilean Public Accountants. The movements and effects from deferred taxes are shown on the following table:

	Payable in				Total	
	Foreign currency		Chilean pesos (*)		2001	2000
	2001 ThUS\$	2000 ThUS\$	2001 ThUS\$	2000 ThUS\$	2001 ThUS\$	2000 ThUS\$
Assets:						
Cash and due from banks	222,358.6	201,287.2	-	-	222,358.6	201,287.2
Loans	816,388.0	936,676.5	84,096.8	91,040.9	900,484.8	1,027,717.4
Contingent loans	236,680.4	255,609.3	204.4	275.9	236,884.8	255,885.2
Loans to other Chilean banks	35,799.8	45,640.0	-	-	35,799.8	45,640.0
Financial Investments:						
- In Chile	83,120.8	81,394.2	287,166.2	48,191.0	370,287.0	129,585.2
- Notes issued by banks abroad	563,302.0	836,330.3	-	-	563,302.0	836,330.3
Leasing contracts	-	-	79,700.5	87,767.2	79,700.5	87,767.2
Other assets	36,058.1	76,609.9	-	-	36,058.1	79,382.5
Total assets	1,993,707.7	2,433,547.4	451,167.9	229,747.6	2,444,875.6	2,663,295.0
Liabilities:						
Deposits	1,167,242.4	1,264,547.2	35.4	42.9	1,167,277.8	1,264,590.1
Contingent liabilities	237,097.8	256,077.0	-	-	237,097.8	256,077.0
Liabilities with Chilean Banks	-	-	-	-	-	-
Liabilities with foreign banks	442,090.1	631,123.2	687.4	3,393.3	442,777.5	634,516.5
Other liabilities	486,441.3	467,636.0	739.8	10,814.0	487,181.1	478,450.0
Total liabilities	2,332,871.6	2,619,383.4	1,462.6	14,250.2	2,334,334.2	2,633,633.6

(*) Includes operations denominated in foreign currencies and payable in Chilean pesos or operations whose value depends on the exchange rate.

11. Transactions with Derivative Products:

The following is a summary of the foreign currency purchase/sale contracts, future/arbtrage operations and other operations with derivative products held at year-end.

(a) Contracts on foreign currency and interest rates:

Description of transaction	Number of operations		Contract amounts			
			Less than 3 months		Over 3 months	
	2001	2000	2001 ThUS\$	2000 ThUS\$	2001 ThUS\$	2000 ThUS\$
Local market:						
Foreign currency futures with Chilean currency	437	195	265,308	297,265	645,105	384,879
Foreign currency forward contracts	23	20	-	-	6,181	7,758
Foreign markets:						
Foreign currency forward contracts	33	24	1,627	364	6,237	9,049
Foreign currency futures sold	138	137	14,166	15,576	-	-
Interest rate swaps	16	-	-	-	61,000	-

The amounts refer to United States dollar amounts purchased or sold, or the equivalent in United States dollars of the foreign currency purchased or sold or the future amount, or the amount on which interest rate contracts are agreed. The period refers to the contract maturity from the date of the transaction.

(b) Contracts on the value of authorized readjustment systems (A.R.S.) and on interest rates in Chilean currency.

Description of transaction	Number of operations		Contract amounts			
			Less than 3 months		Over 3 months	
	2001	2000	2001 MCh\$	2000 MCh\$	2001 MCh\$	2000 MCh\$
UF/pesos forward contracts purchased	1	-	813.1	-	-	-
UF/pesos forward contracts sold	1	-	813.1	-	-	-
Interest rate swaps	3	-	-	-	32,525.3	-

(c) Options:

As of December 31, 2001 and 2000 no balances were outstanding for these transactions.

12. Contingencies, Commitments and Responsibilities:

Contingencies and responsibilities recorded in memorandum accounts:

	Balance as of 12.31.2000	Amortizations 2001	Deferred taxes 2001	Balance as of 12.31.2001
	MCh\$	MCh\$	MCh\$	MCh\$
• Debit differences				
Leasing equipment	1,473.8	–	755.8	2,229.6
Obligations with repurchase agreements	7,741.4	–	(712.9)	7,028.5
Global allowances for loan losses	7,491.1	–	2,546.7	10,037.8
Voluntary allowances for loan losses	5,199.9	–	(170.5)	5,029.4
Assets at market value	2,539.0	–	(989.7)	1,549.3
Other adjustments	6,314.0	–	411.0	6,725.0
Total	30,759.2	–	1,840.4	32,599.6
Complementary account balance	(9,897.3)	3,533.9	–	(6,363.4)
Net assets	20,861.9			26,236.2
• Credit differences				
Investments with repurchase agreements	7,688.3	–	(649.5)	7,038.8
Depreciation and price-level restatement of fixed assets	1,635.8	–	74.7	1,710.5
Severance indemnities	505.8	–	(107.1)	398.7
Other adjustments	1,090.8	–	582.4	1,673.2
Total	10,920.7	–	(99.5)	10,821.2
Complementary account balance	(3,600.5)	790.6	–	(2,809.9)
Net liabilities	7,320.2			8,011.3

In accordance with the Technical Bulletin Nº 71 of the Association of Chilean Public Accountants, and as result of the modification in the tax rate established in Law Nº 19,753 (as of September 28, 2001), the Bank and Subsidiaries have recognized the effect of the modification in determining the deferred taxes balances as of December 31, 2001.

As of December 31, 2001, the Income Tax balance in the income statement shows a net credit amounting to MCh\$ 1,345.6 (net charge MCh\$ 1,550.1 in 2000), detailed as follows:

	2001 MCh\$	2000 MCh\$
Tax expense	(3,035.8)	(4,223.5)
Amortization of deferred tax beginning balance	2,743.3	3,819.4
Deferred tax effect for the year	1,939.9	2,290.8
Income tax (reassessment of previous years)	(233.9)	(3,359.6)
Non deductible expenses Art. 21	(67.9)	(77.2)
Total income tax	1,345.6	(1,550.1)

16. Directors' Expenses and Remunerations:

As agreed at the Shareholders Meeting, during 2001 the Bank and its subsidiaries has paid, and charged to income, remunerations to the Directors amounting to MCh\$ 1,197.4 (MCh\$ 826.2 in 2000).

17. Subsequent Events:

(a) Effective January 1, 2002, Banco de A. Edwards merged with and into Banco de Chile, being Banco de Chile the surviving entity. As a consequence of the merger, Banco de Chile acquired the assets and assumed the liabilities of Banco de A. Edwards, succeeding said bank in all of its rights and obligations, and incorporating the equity of Banco de A. Edwards into Banco de Chile.

(b) At the Extraordinary Board of Directors held on January 2, 2002, and as a consequence of the increase in the number of directors, the Board agreed to Mr. Andrónico Luksic Craig and Mr. Jacob Ergas Ergas as Directors. The Board also agreed to ratify Mr. Segismundo Schulín-Zeuthen Serrano as President and to nominate Mr. Andrónico Luksic Craig as Vice-President in substitution of Mr. Guillermo Luksic Craig.

Héctor Hernández G.
General Accounting Manager

Pablo Granifo L.
Chief Executive Officer