

191st Annual Report

In compliance with corporate bylaws, the Board of Directors has the pleasure of submitting to the consideration of Shareholders the General Balance Sheet and the Profit-and-Loss Statement for the January 1 - December 31, 2001 fiscal year.

Earnings and Dividend

Fiscal year earnings, as per the attached balance sheet, amounted to Ch\$ 86,967,977,742.

The Shareholders' Meeting is called to decide about the allocation of said earnings.

Capital and Reserves Accounts

As of December 31, 2001, the Capital and Reserves accounts are as follows:

- Paid-in capital _____	Ch\$ 239,008,899,510
- Other reserves _____	Ch\$ 71,465,153,024
- Other equity accounts _____	Ch\$ 826,362,871
Total Capital and Reserves _____	Ch\$ 311,300,415,405

Paid-in capital as of December 31, 2001 is represented by 44,932,657,180 non-par-value shares of a single common series.

Expenses and Compensation of Board of Directors

During the 2001 fiscal year, according to resolutions adopted by the Shareholders' Meeting, Banco de Chile has paid or made provisions against earnings for Board of Directors allowances or compensation amounting to Ch\$ 1,022,802,025.

Committee of Directors

Pursuant to the legal provisions in force, in 2001 Banco de Chile Committee of Directors was comprised of the Directors Messrs. Jorge Awad Mehech, Manuel Sobral Fraile, and Gonzalo Menéndez Duque, who chairs the committee. Committee Meetings were also attended by the General Manager, Mr. Pablo Granifo Lavín; Legal Counsel, Mr. Ricardo Dell'Orto Benard; and Risk Control Manager, Mr. Arturo Tagle Quiroz, who acted as secretary.

During this fiscal year, the Committee held 18 meetings, incurring in expenses amounting to Ch\$ 8,154,420, concerning external consulting services.

Among the main issues discussed in the course of 2001, we may note the following:

- Operations report concerning Baned Servicios Especializados S.A. and Banedwards Compañía de Seguros de Vida S.A.
- Review and analysis of reports prepared by the Superintendency of Banks and Financial Institutions.
- Review of annual external auditing plan and evaluation of internal control systems made by external auditors.
- Review of internal auditing annual plan and control observations raised by internal auditors.
- Analysis of personnel compensation and incentive schemes.
- Review of special cases that may affect internal control systems.
- Discussion of the Money Laundering Prevention Policies Manual.
- Review of accounting policies and effects thereof at the closing of the fiscal year.
- Review and discussion of the Bank's self-evaluation process performance, to be presented to and approved by the Board of Directors.

Relevant Events

(a) Controlling Interest

As a result of several purchases of Banco de Chile shares and of shares in its Parent Company SM-Chile S.A. made by "LQ Inversiones Financieras S.A.", affiliate of "Quiñenco S.A.", "LQ Inversiones Financieras S.A." acquired a controlling interest in Banco de Chile, representing 52.7 percent of voting shares.

At an Extraordinary Board of Directors' Meeting held on March 29, 2001, and based on the ownership change referred to above, the Board of Directors of Banco de Chile was constituted by the following members:

Chairman: Segismundo Schulín-Zeuthen Serrano; Vice-chairman: Guillermo Luksic Craig; Directors: Jorge Awad Mehech, Rodrigo Manubens Moltedo, Gonzalo Menéndez Duque, Máximo Pacheco Matte, Francisco Pérez Mackenna, Máximo Silva Bafalluy, and Manuel Sobral Fraile.

(b) At an Extraordinary Board of Directors' Meeting held on August 7, 2001, the investment bank J.P. Morgan presented the conclusions of its study on assessment and valuation of Banco de Chile and Banco de A. Edwards, in the context of an eventual merger of both entities.

Consequently, the Board of Directors resolved to propose, to an Extraordinary Shareholders Meeting, the merger of both institutions, with 66 percent of the property of the resulting entity for Banco de Chile's shareholders and 34 percent for Banco de A. Edwards' shareholders, being Banco de Chile the legal surviving entity.

Dividends on earnings obtained by each bank prior to the merger would be distributed separately to Banco de Chile and Banco de A. Edwards shares, a proposal that would also require the approval at said Shareholders' Meeting.

(c) At an Extraordinary Board of Directors' Meeting held on October 3, 2001, a resolution was adopted to disclose the terms established by the Council of the Central Bank of Chile for the issuance of a favorable report, pursuant to Law No. 19,396, in respect of the proposed merger of Banco de Chile and Banco de A. Edwards.

The terms established in respect of Banco de Chile were as follows:

- i) That Banco de Chile should not increase the voluntary provisions made as of September 30, 2001, notwithstanding, in addition, that it should release during the present fiscal year the amount of Ch\$ 4,250 million from those already established, so as to increase in an equivalent amount the annual surplus.
- ii) That in respect of voluntary provisions for the merged Bank, it should keep during the 2002 - 2004 fiscal years, inclusive, an amount equivalent, in Unidades de Fomento, to that reported in Banco de Chile's financial statements as of September 30, 2001. In any case, said limitation shall not apply to the 2004 fiscal year if the annual surplus is sufficient for the SAOS S.A. shareholder to pay to the Central Bank the fixed installment of the Subordinated Obligations due April 30, 2005.
- iii) That said terms be approved by Extraordinary Shareholders' Meetings entitled to decide the referred merger. The Special Board Meeting held on October 3, 2001 unanimously agreed to accept the terms established by the Central Bank of Chile.

(d) By Resolution No. 113 dated October 3, 2001, the Superintendency of Banks and Financial Institutions granted prior authorization to call the Special Shareholders' Meetings of Banco de Chile and Banco de A. Edwards for purposes of accepting the merger, in accordance with Article 35 bis of the General Banking Law and Article 25 of Law No. 19,396.

(e) At Extraordinary Board of Directors' Meeting of Banco de Chile, held on October 9, 2001, the Board accepted the resignation tendered by the General Manager Mr. René Lehuedé Fuenzalida, effective as of October 16, 2001. At the same Meeting, the Board resolved to appoint Mr. Pablo Granifo Lavín as General Manager of Banco de Chile, effective as of October 16, 2001, and Mr. René Lehuedé Fuenzalida as Advisor to the Board.

(f) At Extraordinary Shareholders' Meeting of Banco de Chile, held on December 6, 2001, the following resolutions were adopted:

- Merger by incorporation of Banco de A. Edwards to Banco de Chile, whereunder the latter would acquire all assets and assume all liabilities of the former, incorporating to Banco de Chile the capital and shareholders of Banco de A. Edwards in their entirety. Said merger shall be effective as from January 1, 2002, subject to the precedent condition that the Shareholders' Meeting of Banco de A. Edwards should also approve the merger, being furthermore required the resolution issued by the Superintendency of Banks and Financial Institutions.
- For purposes thereof, the Meeting resolved that the merged Bank should issue 23,147,126,425 registered non-par-value shares, denominated "Banco de Chile-F", to be delivered to Banco de A. Edwards shareholders in a ratio of 3.135826295 shares of Banco de Chile to one share of Banco de A. Edwards. It was further resolved that the 2001 fiscal year profits would be separately distributed to shareholders of the respective Banks. The referred to "Banco de Chile-F" shares, after distribution of 2001 fiscal year dividends, shall be automatically converted into shares of Banco de Chile and shall have no difference whatsoever with the rest of the merged Bank's shares.
- The registration by Banco de Chile of the American Depository Shares (ADS) program with the Securities and Exchange Commission (SEC) and with the New York Stock Exchange (NYSE) in order to exchange Banco de A. Edwards ADSs for the new Banco de Chile ADSs.
- Several amendments, additions and suppressions were introduced to the bylaws of Banco de Chile as a result of the approved merger, and a restated and consolidated text thereof was fixed.

As a result of the implementation of the above-mentioned resolution, Banco de Chile has debited to the account "Personnel Remuneration and Expenses" severance payments and other expenses related to personnel lay-offs, amounting to Ch\$ 3,755.9 million. In addition, Banco de Chile has recognized in fiscal year results other expenses inherent to the merger, amounting to \$ 3,161.5 million.

(g) The Board of Directors of Banco de Chile at meeting held on December 13, 2001, decided to issue the 23,147,126,425 "Banco de Chile-F" shares, as indicated above. Said issuance was recorded in the Registry of Securities of the Superintendency of Banks and Financial Institutions under No. 04/2001, on 21 December 2001.

(h) By resolution No. 147, dated December 21, 2001, the Superintendency of Banks and Financial Institutions approved the merger agreed by Banco de Chile and Banco de A. Edwards at Extraordinary Shareholders' Meetings held on December 6 and 18, 2001, respectively. It also approved the early dissolution of Banco de A. Edwards,

effective as from January 1, 2002, and the relevant amendments to the bylaws of Banco de Chile.

(i) At meeting held on December 27, 2001, the Board of Directors resolved to set January 4, 2002 as the date for the exchange of shares of Banco de A. Edwards for "Banco de Chile-F" shares.

Later events

(a) On January 1, 2002, the merger of Banco de Chile and Banco de A. Edwards became effective, thus assuming the former the assets and liabilities of the latter. Consequently, as of said date, Banco de Chile is the legal continuator of Banco de A. Edwards.

(b) At special meeting held on January 2, 2002, the Board of Directors, for purposes of increasing the number of members thereto, resolved to appoint Messrs. Andrónico Luksic Craig and Jacob Ergas Ergas to the offices of director. On like date, the Board ratified the appointment of Mr. Segismundo Shulin-Zeuthen Serrano as President of the Bank and elected Mr. Andrónico Luksic Craig as Vice-President, in the place of Mr. Guillermo Luksic Craig.