INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2000 and 2001 consolidated financial statements have been restated for general price-level changes and expressed in constant Chilean pesos of December 31, 2002 purchasing power.

ERNST & YOUNG

Huérfanos 770, 5°Piso
Santiago, Chile

Teléfono : (56-2) 676 1000
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Report of Independent Auditors

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, 2001 and 2002 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, 2002. 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.

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, 2001 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in Chile and the regulations issued by the Chilean Superintendency of Banks and Financial Institutions.

Accounting principles generally accepted in Chile vary in certain significant respects from accounting principles generally accepted in the United States of America. Application of accounting principles generally accepted in the United States of America would have affected shareholders' equity as of December 31, 2001 and 2002, and the net income for each of the two years in the period ended December 31, 2002 to the extent summarized in Note 28 to the consolidated financial statements.

As more fully described in Note 2 to these consolidated financial statements, during the year ended December 31, 2002 the Bank modified the accounting treatment of financial investments in mortgage finance bonds issued by the Bank, in accordance with regulations issued by the Chilean Superintendency of Banks and Financial Institutions.

In addition, as also explained in Note 2 to these consolidated financial statements, during the year ended December 31, 2001 the Bank modified the accounting treatment of assets received in lieu of payment and fees and costs related to the origination of loans, in accordance with regulations issued by the Chilean Superintendency of Banks and Financial Institutions.

ERNST & YOUNG LIMITADA

Ernst + Young

Santiago, Chile, January 22, 2003
(except for Notes 1(o) and 28 for which the date is May 30, 2003)

PRICEWATERHOUSECOOPERS

Av. Andrés Bello 2711
Torre de la Costanera
Las Condes
Santiago de Chile
Teléfono (56) 2 940-0000
Facsimile (56) 2 940-0504

To the Board of Directors and Shareholders of
Banco de A. Edwards

We have audited the consolidated statement of income of Banco de A. Edwards and its subsidiaries (the "Bank") for the year ended December 31, 2000, expressed in millions of constant Chilean pesos. This financial statement (not presented separately herein) is the responsibility of the Bank's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in both Chile and the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit of the consolidated statement of income provides a reasonable basis for our opinion.

In our opinion, the consolidated statement of income (not presented separately herein) of Banco de A. Edwards and its subsidiaries audited by us presents fairly, in all material respects, the consolidated results of their operations for the year ended December 31, 2000, in conformity with accounting principles generally accepted in Chile and the rules of the regulatory agencies referred to in Note 1 (not presented separately herein).

As discussed in Note 2 to the consolidated financial statements (not presented separately herein), in 2000 the Bank changed the method of accounting for interest rate swap agreements, loan origination fees and costs and assets received in lieu of payment.

Accounting principles generally accepted in Chile vary in certain important respects from accounting principles generally accepted in the United States and as allowed by Item 18 to Form 20-F. The application of the latter would have affected the determination of net income expressed in constant Chilean pesos to the extent summarized in Note 28 to the consolidated financial statements (not presented separately herein). The presentation of the income statement for banks prepared in accordance with the requirements of the Chilean regulatory authorities also differs significantly from the format required by the United States Securities and Exchange Commission ("SEC"). Consolidated statement of income for the year ended December 31, 2000, prepared in accordance with generally accepted accounting principles in Chile but using the format for bank financial statements specified by the SEC, is shown in Note 27 to the financial statements (not presented separately herein).

PricewaterhouseCoopers

Santiago, Chile
January 26, 2001 (except for the updating
to December 31, 2001 currency, as
to which the date is May 30, 2002)

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, 2002 and thousands of U.S. dollars)

		As of December 31,		
	NOTE	2001	2002	2002
		MCh$	MCh$	ThUS$ (Note 1 (o))
ASSETS				
CASH AND DUE FROM BANKS	3			
Non-interest bearing		512,697	661,748	928,926
Interbank deposits—interest bearing		31,091	14,675	20,600
Total cash and due from banks		**543,788**	**676,423**	**949,526**
FINANCIAL INVESTMENTS	4			
Government securities		965,654	869,351	1,220,347
Investments under agreements to resell		30,512	32,177	45,168
Other financial investments		558,506	420,915	590,857
Investment collateral under agreements to repurchase		144,534	276,457	388,075
Total financial investments		**1,699,206**	**1,598,900**	**2,244,447**
LOANS, NET	5			
Commercial loans		1,667,520	2,517,319	3,533,674
Consumer loans		214,480	412,757	579,406
Mortgage loans		832,181	1,187,271	1,666,626
Foreign trade loans		388,439	611,671	858,630
Interbank loans		24,453	54,818	76,951
Leasing contracts	6	172,172	249,093	349,663
Other outstanding loans		329,771	601,880	844,886
Past due loans		48,936	144,937	203,455
Contingent loans		296,633	381,767	535,904
Allowance for loan losses	7	(136,343)	(215,994)	(303,201)
Total loans, net		**3,838,242**	**5,945,519**	**8,345,994**
OTHER ASSETS				
Bank premises and equipment, net	8	87,659	139,343	195,602
Investments in other companies	9	3,520	4,777	6,706
Assets received in lieu of payment, net		8,717	18,997	26,667
Other	10 (a)	88,945	212,072	297,694
Total other assets		**188,841**	**375,189**	**526,669**
TOTAL ASSETS		**6,270,077**	**8,596,031**	**12,066,636**

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, 2002 and thousands of U.S. dollars)

	NOTE	As of December 31, 2001	2002	2002
		MCh$	MCh$	ThUS$ (Note 1 (o))
LIABILITIES AND SHAREHOLDERS' EQUITY				
DEPOSITS				
Non-interest bearing				
Current accounts		675,465	1,072,183	1,505,072
Bankers' drafts and other deposits		403,641	568,632	798,214
Total non-interest bearing		**1,079,106**	**1,640,815**	**2,303,286**
Interest bearing				
Savings accounts and time deposits		2,723,726	3,497,451	4,909,530
Total deposits		**3,802,832**	**5,138,266**	**7,212,816**
OTHER INTEREST BEARING LIABILITIES	11			
Central Bank credit lines for renegotiations of loans		2,468	3,763	5,282
Other Central Bank borrowings		33,709	—	—
Total Central Bank borrowings		**36,177**	**3,763**	**5,282**
Investments under agreements to repurchase		163,124	276,675	388,381
Mortgage finance bonds		887,126	1,084,041	1,521,717
Bonds		—	4,593	6,447
Subordinated bonds		183,891	277,654	389,755
Borrowings from domestic financial institutions		25,708	50,488	70,872
Foreign borrowings		299,268	510,344	716,393
Other obligations		46,735	76,770	107,766
Total other interest bearing liabilities		**1,642,029**	**2,284,328**	**3,206,613**
OTHER LIABILITIES				
Contingent liabilities	10 (c)	296,380	380,992	534,816
Other	10 (b)	118,616	174,212	244,550
Minority interest		3	3	4
Total other liabilities		**414,999**	**555,207**	**779,370**
Commitments and contingencies	22			
SHAREHOLDERS' EQUITY	15			
Capital and reserves		320,640	565,595	793,951
Net Income for the year		89,577	52,635	73,886
Total Shareholders' equity		**410,217**	**618,230**	**867,837**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6,270,077**	**8,596,031**	**12,066,636**

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, 2002 and thousands of U.S. dollars)

	NOTE	Years ended December 31, 2000	2001	2002	2002
		MCh$	MCh$	MCh$	ThUS$ (Note 1 (o))
INTEREST REVENUE AND EXPENSE					
Interest revenue		583,855	531,020	689,713	968,181
Interest expense		(365,980)	(309,716)	(322,117)	(452,170)
Net interest revenue		**217,875**	**221,304**	**367,596**	**516,011**
ALLOWANCE FOR LOAN LOSSES	7	**(40,668)**	**(47,264)**	**(100,644)**	**(141,279)**
FEES AND INCOME FROM SERVICES	17				
Income from fees and other services		56,952	63,249	103,832	145,754
Other services expenses		(10,415)	(10,882)	(17,146)	(24,069)
Total fees and income from services, net		**46,537**	**52,367**	**86,686**	**121,685**
OTHER OPERATING INCOME (LOSS)					
Gains from trading activities		13,899	17,427	23,251	32,638
Losses from trading activities		(6,426)	(12,541)	(22,359)	(31,386)
Foreign exchange transactions, net		4,354	1,691	(30,917)	(43,400)
Total other operating income (loss), net		**11,827**	**6,577**	**(30,025)**	**(42,148)**
OTHER INCOME AND EXPENSES					
Loan loss recoveries	19	9,356	9,935	11,914	16,724
Non-operating income	17	7,778	8,210	6,783	9,522
Non-operating expenses	17	(6,424)	(6,328)	(23,022)	(32,317)
Equity participation in net income (loss) in investments in other companies	9	3	(44)	(970)	(1,362)
Minority interest		(1)	(1)	(1)	(1)
Total other income and expenses		**10,712**	**11,772**	**(5,296)**	**(7,434)**
OPERATING EXPENSES					
Personnel salaries and expenses		(83,110)	(83,652)	(134,189)	(188,367)
Administrative and other expenses		(55,534)	(58,643)	(101,115)	(141,940)
Depreciation and amortization		(9,309)	(8,320)	(21,935)	(30,791)
Total operating expenses		**(147,953)**	**(150,615)**	**(257,239)**	**(361,098)**
NET LOSS FROM PRICE-LEVEL RESTATEMENT	1(b)	**(9,705)**	**(5,950)**	**(9,596)**	**(13,470)**
INCOME BEFORE INCOME TAXES		**88,625**	**88,191**	**51,482**	**72,267**
INCOME TAXES	21	**(1,591)**	**1,386**	**1,153**	**1,619**
NET INCOME		**87,034**	**89,577**	**52,635**	**73,886**

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, 2002 and thousands of U.S. dollars)

	Years ended December 31,			
	2000	2001	2002	2002
	MCh$	MCh$	MCh$ (Note 1 (l))	ThUS$ (Note 1 (o))
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	87,034	89,577	52,635	73,886
Items that do not represent cash flows:				
Depreciation and amortization	9,309	8,320	21,935	30,791
Allowance for loan losses	40,668	47,264	100,644	141,279
Provisions for assets received in lieu of payment	220	179	2,243	3,149
Net change in trading investments	(277,356)	(294,424)	195,122	273,902
Equity participation in net (income) loss in investments in other companies	(3)	44	970	1,362
Net (gain) loss on sales of assets received in lieu of payment	85	(165)	(2,932)	(4,116)
Net gain on sales of bank premises and equipment	(1,707)	(92)	(350)	(491)
Net loss from price-level restatement	9,705	5,950	9,596	13,470
Minority interest	1	1	1	1
Other charges not representing cash flows	1,776	9,347	38,103	53,486
Net change in interest accruals	(15,060)	(3,200)	157	220
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(145,328)**	**(137,199)**	**418,124**	**586,939**
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (increase) decrease in loans	(348,089)	(88,267)	(155,515)	(218,303)
Net decrease (increase) in investments purchased under agreements to resell	(19,919)	(17,625)	17,758	24,928
Purchases of bank premises and equipment	(6,037)	(10,113)	(11,997)	(16,841)
Proceeds from sale of bank premises and equipment	3,932	461	1,292	1,814
Investments in other companies	(153)	(1,258)	(648)	(910)
Dividends received from investments in other companies	171	227	260	365
Proceeds from sale of assets received in lieu of payment	2,037	2,792	24,851	34,884
Net changes in other assets and liabilities	(21,751)	(26,580)	(126,534)	(177,621)
NET CASH USED IN INVESTING ACTIVITIES	**(389,809)**	**(140,363)**	**(250,533)**	**(351,684)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in current accounts	95,406	53,973	161,160	226,227
Net increase (decrease) in savings accounts and time deposits	494,842	205,850	(468,706)	(657,944)
Net increase in bankers drafts and other deposits	93,762	11,455	62,826	88,192
Net increase (decrease) in investments sold under agreements to repurchase	(19,552)	24,961	28,788	40,411
Increase in mortgage finance bonds	139,065	168,068	122,831	172,423
Repayment of mortgage finance bonds	(75,401)	(92,939)	(189,125)	(265,483)
Proceeds from bond issues	24,769	73,073	10,658	14,961
Repayments of bond issues	(740)	(350)	(10,655)	(14,957)
Net increase (decrease) in short-tem borrowings	(8,731)	41,661	69,560	97,646
Proceeds from issuance of long-term borrowings	242,224	292,341	610,753	857,342
Repayment of long-term borrowings	(278,571)	(367,350)	(561,314)	(787,942)
Dividends paid	(86,551)	(84,417)	(97,068)	(136,260)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**620,522**	**326,326**	**(260,292)**	**(365,384)**
EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH AND				

DUE FROM BANKS	**(20,238)**	**(15,510)**	**(25,844)**	**(36,278)**
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	**65,147**	**33,254**	**(118,545)**	**(166,407)**
CASH AND DUE FROM BANKS AT BEGINNING OF YEAR	**445,387**	**510,534**	**543,788**	**763,340**
CASH ACQUIRED IN MERGER WITH BANCO EDWARDS	**—**	**—**	**251,180**	**352,593**
CASH AND DUE FROM BANKS AT END OF YEAR	**510,534**	**543,788**	**676,423**	**949,526**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Interest paid	258,416	313,554	427,206	599,688
Income taxes paid	7,766	20,846	28,593	40,137
Non-cash investing transaction during the year for:				
Issuance of stock for net assets of Banco de A. Edwards, as follows:				
Cash acquired	—	—	251,180	352,593
Financial investments and loans, net	—	—	2,558,987	3,592,166
Bank premises and equipment	—	—	61,214	85,929
Other assets	—	—	102,880	144,417
Liabilities	—	—	(2,727,709)	(3,829,008)
Sub-Total	—	—	246,552	346,097
Stock issued	—	—	(246,552)	(346,097)
Total	—	—	—	—

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, 2002 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
Transfer to retained earnings	—	—	64,093	—	(64,093)	—
Price-level restatement	—	10,406	3,915	—	—	14,321
Dividends paid	—	—	(81,503)	—	—	(81,503)
Net 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
Balance as of December 31, 2000 restated in constant Chilean pesos as of December 31, 2002		246,179	73,521	(570)	87,034	406,164
Balance as of January 1, 2001	44,932.7	231,822	69,234	(537)	81,958	382,477
Transfer to retained earnings	—	—	81,958	—	(81,958)	—
Price-level restatement	—	7,187	2,231	—	—	9,418
Dividends paid	—	—	(81,958)	—	—	(81,958)
Net change in unrealized gains (losses) on permanent financial investments	—	—	—	(1,552)	—	(1,552)
Net adjustment for translation differences	—	—	—	2,915	—	2,915
Net Income for the year	—	—	—	—	86,968	86,968
Balance as of December 31, 2001	44,932.7	239,009	71,465	826	86,968	398,268
Balance as of December 31, 2001 restated in constant Chilean pesos as of December 31, 2002		246,179	73,609	852	89,577	410,217
Balance as of January 1, 2002	44,932.7	239,009	71,465	826	86,968	398,268
Capital increase due to merger (Note 15)	23,147.1	224,804	4,464	—	10,103	239,371
Transfer to retained earnings	—	—	97,068	—	(97,068)	—
Price-level restatement	—	13,914	1,873	—	—	15,787
Retained earnings	—	—	3	—	(3)	—
Dividends paid	—	—	(97,068)	—	—	(97,068)
Absorption of subsidiaries companies	—	—	(108)	—	—	(108)
Net change in unrealized gains (losses) on permanent financial investments	—	—	—	7,620	—	7,620
Net adjustment for translation differences	—	—	—	1,725	—	1,725
Net Income for the year	—	—	—	—	52,635	52,635
Balance as of December 31, 2002	**68,079.8**	**477,727**	**77,697**	**10,171**	**52,635**	**618,230**

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, 2002)

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, regulated by the Chilean Superintendencia de Bancos e Instituciones Financieras (the "Superintendency of Banks") and from 2001 also regulated by the United States Securities and Exchange Commission ("SEC") as a result of the merger with Banco de A. Edwards, a Chilean Bank previously listed on the New York Stock Exchange ("NYSE"). Banco de Chile's shares are also listed on the Madrid Stock Exchange to be traded on the Latinamerican securities market ("LATIBEX") and the London Stock Exchange through its ADR program.

Banco de Chile and its subsidiaries (collectively "the Bank") 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 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.

As a result of the merger with Banco de A. Edwards (see Note 15), as of January 1, 2002, the Bank increased its capital and recognized all the Banco de A. Edwards' assets and liabilities, after the elimination of intercompany transactions. The table below presents the subsidiaries of Banco de A. Edwards and its related participation as of December 31, 2001, that were dissolved or absorbed by Banco de Chile's subsidiaries with the same line of business:

Subsidiary	Interest Owned
	%
Banedwards S.A. Corredores de Bolsa(*)	99.16
Banedwards S.A. Asesoría Financiera(*)	99.90
Banedwards S.A. Administradora de Fondos Mutuos(**)	99.00
Banedwards Administradora de Fondos de Inversión S.A.(*)	99.51
Banedwards Corredora de Seguros Ltda.(*)	99.00
Banedwards Factoring S.A.(*)	99.00

(*) Subsidiary absorbed by Banchile companies of the same line of business.
(**) Dissolved company as stated in Note 30 (c).

In accordance with accounting principles generally accepted in Chile, the consolidated financial statements do not give retroactive effect to the merger. Note 28 presents the most significant differences between Chilean GAAP and United States Generally Accepted Accounting Principles. As more fully explained in that note, under United States' accounting rules the consolidated financial statements give retroactive effect to accounting for the merger in a manner similar to a pooling of interests due to the fact that at the time of the merger both entities were under common control, with all periods presented as if Banco de Chile and Banco de A. Edwards had been combined since the date that common control existed.

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, 2002)

1. Summary of Significant Accounting Policies (continued)

(a) Basis of presentation (continued)

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. In certain cases generally accepted accounting principles require that assets or liabilities be recorded or disclosed at their fair values. The fair value is the amount at which an asset could be bought or sold or in the case of a liability could be incurred or settled in a current transaction between willing parties, other than in a forced or liquidation sale. Where quoted markets are not available the Bank has estimated such values based on the best information available, including using modeling and other valuation techniques.

The consolidated financial statements include the financial position and results of operations of Banco de Chile and its majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidation. The majority-owned subsidiaries of Banco de Chile as of December 31, 2001 and 2002 are as follows:

	Interest Owned %	
Subsidiary	2001	2002
Banchile Administradora General de Fondos S.A.	99.99	99.98
Banchile Factoring S.A.	99.99	99.52
Banchile Corredores de Seguros Ltda.	99.99	99.75
Banchile Corredores de Bolsa S.A.	99.98	99.68
Banchile Asesoría Financiera S.A.	99.00	99.52
Banchile Securitizadora S.A.	99.00	99.00
Socofin S.A.	—	99.00
Promarket S.A.	—	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:

- 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.

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, 2002)

1. Summary of Significant Accounting Policies (continued)

(b) Price-level restatement (continued)

- For comparative purposes, the consolidated financial statements for periods through December 31, 2001 have been restated in Chilean pesos of general purchasing power as of December 31, 2002 ("constant pesos"), to reflect changes in the CPI from the financial statement dates to December 31, 2002. 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 Chilean CPI to December 31, 2002, as follows:

Year	Change in Index
2000	6.2%(1)
2001	3.0%(2)

(1) Equivalent to the amounts for 2000 multiplied by the change in the CPI for 2001, then by the change in the CPI for 2002.
(2) Equivalent to the amounts for 2001 multiplied by the change in the CPI for 2002.

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
2000	106.82	4.7%
2001	110.10	3.1%
2002	113.36	3.0%

* 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 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.

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, 2002.

	Year ended December 31,		
	2000	2001	2002
	MCh$	MCh$	MCh$
Shareholders' equity	(15,208)	(9,701)	(15,787)
Bank premises and equipment	3,836	2,520	4,529
Investment in other companies	806	571	1,002
Other, net	861	660	660
Net loss from price-level restatement	**(9,705)**	**(5,950)**	**(9,596)**

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, 2002)

1. Summary of Significant Accounting Policies (continued)

(c) Index-linked assets and liabilities

Certain of the Bank's interest-bearing assets and liabilities are denominated 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 Chilean CPI results in a net gain on indexation. Values for the UF are as follows (historical Chilean pesos per UF).

December 31,	Ch$
2000	15,769.92
2001	16,262.66
2002	16,744.12

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 when it is determined to be a loss or when it becomes past due. 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 past due loans are recognized as income, after reducing the balance of accrued interest, if applicable.

(e) Foreign currency and derivative 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 accounts for forward contracts between foreign currencies 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 the U.F. 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 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).

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, 2002)

1. Summary of Significant Accounting Policies (continued)

(e) Foreign currency and derivative activities (continued)

The Bank's interest rate 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, except for interest rate and cross currency swaps designated as a hedge of the foreign investment portfolio, which are recorded at their estimated fair market values.

(f) Financial investments

Financial investments traded on a secondary market are shown adjusted to market value, following specific instructions from the Superintendency of Banks. 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 of MCh$5,687, MCh$9,493 and MCh$15,572, in 2000, 2001 and 2002 respectively, which was included in operating income under "Gains from trading activities". The adjustment of the permanent portfolio, generated a net credit to equity of MCh$479, a net debit of MCh$1,879 and a net credit of MCh$9,083, in 2000, 2001 and 2002, respectively.

Other investments without a secondary market (transferable only among financial institutions), are also 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 borrowings 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.

(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.

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, 2002)

1. Summary of Significant Accounting Policies (continued)

(i) Investments in other companies

Shares or rights in other 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. Commercial and consumer loans are classified based on risk in categories denominated A, B, B -, C or D, while residential mortgage loans are classified only as A, B or B-. The total exposure of the bank to each of its customers and the classification of such customer's loans are continuously reviewed by the commercial officers of the bank and by the control risk division. The provisions required for each category of loans, which are established by the Chilean Superintendency of Banks, are as follows:

Category	Provisions as a percentage of aggregate exposure
A	0%
B	1
B-	20
C	60
D	90

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 risks inherent in the portfolio.

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, 2002)

1. Summary of Significant Accounting Policies (continued)

(j) Allowance for loan losses(continued)

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 are as follows:

- 24 months past due (3 months past due for consumer loans) for loans without collateral.
- 36 months past due for loans with collateral.

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) Income taxes

Effects of deferred income taxes are recorded in conformity with Technical Bulletins No. 60, 69 and 71, 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, 2000 and 2001 the consolidated statements of cash flows have been prepared in accordance with Technical Bulletin No.65 of the Chilean Association of Accountants. For the year ended December 31, 2002, the consolidated statements of cash flows have been prepared using the post-merger consolidated financial statements of Banco de Chile.

(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, 2000, 2001 and 2002, the obligation has been discounted using the real interest rate of 7.0% per annum.

(n) Fees and expenses related to loans

Fees and expenses related to loans are deferred and recognized in income over the term of the loans to which they relate, and to the period that the services are performed.

(o) 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 December 31, 2002 of Ch$712.38 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, any other rate.

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, 2002)

1. Summary of Significant Accounting Policies (continued)

(p) Translation of financial statements of the Bank's foreign 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 of Banks which are consistent with Technical Bulletin No. 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 recorded in the parent company's books 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, net of the effects of Chilean inflation, is recorded in shareholders' equity in the account "Net adjustment for translation differences".

(q) Reclassifications

Certain minor reclassifications have been made to balances in the 2000 and 2001 financial statements in order to conform with the 2002 presentation.

(r) Assets received in lieu of payment

Assets received in lieu of payment are recorded at restated cost less regulatory charge-offs and presented net of a global valuation allowance if the total of the fair value of those assets is lower than restated cost. Regulatory charge-offs are required by the Superintendency of Banks if the asset is not sold within one year from foreclosure. As instructed, charge-offs are recorded on a straight-line basis over the following 18-month period.

2. Changes in Accounting Principles

(a) In accordance with Circular No. 3,196 issued by the Superintendency of Banks, effective October 31, 2002 the Bank modified its accounting treatment of financial investments in mortgage finance bonds issued by the Bank. This change consisted in reducing from assets the amount recorded for mortgage finance bonds issued by the Bank, and from liabilities, the respective mortgage finance bonds obligation. Likewise, the difference between the amount deducted from related assets and liabilities, was recognized under other assets, and is amortized using the straight-line method based on the term of the obligation. As of October 31, 2002 the effect of the indicated change resulted in a decrease of MCh$202,630 from "other financial investments", a decrease of MCh$200,766 from "mortgage finance bonds", and recognizing a net amount of MCh$1,864 under "other assets". As of December 31, 2002 the Bank records a net amount of MCh$1,898 under "Other assets".

From that date the market value adjustment on financial investments in mortgage finance bonds issued by the Bank was suspended, recognizing the purchase value and interest and accrued readjustments in memorandum accounts.

(b) In accordance with Circular No. 3,061, dated June 27, 2000, and Circular letter No. 3 related to banking subsidiaries, dated June 14, 2000, issued by Superintendency of Banks, if assets received or awarded in lieu of payment, and assets recovered from leasing operations, are 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. The previous Superintendency of Banks regulation required that such assets not sold within one year be completely written-off at that date. This change in policy, applied by the Bank from January 1, 2001, resulted in a lower expense of MCh$1,418 for the year ended December 31, 2001.

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, 2002)

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$124,096 and MCh$237,383 as of December 31, 2001 and 2002, respectively.

4. Financial Investments

A summary of financial investments is as follows:

	As of December 31,		Weighted Average Nominal Rate as of December 31, 2002
	2001	2002	
	MCh$	MCh$	%
Central Bank and Government Securities			
Marketable debt securities	541,803	593,136	2.85
Marketable debt securities with limited secondary market	396,903	270,739	3.50
Chilean government securities	26,948	5,476	5.74
Investments purchased under agreements to resell	30,512	32,177	4.05
Investments collateral under agreements to repurchase	79,033	195,033	3.42
Subtotal	1,075,199	1,096,561	3.16
Corporate Securities and Other Financial Investments			
Investments in Chilean financial institutions	6,428	45,044	4.50
Mortgage finance bonds issued by the Bank	142,763	—	—
Foreign government notes	254,216	188,948	2.77
Investments in foreign countries	126,511	139,277	6.24
Other financial investments	28,588	47,646	6.14
Investments collateral under agreements to repurchase	65,501	81,424	4.72
Subtotal	624,007	502,339	4.52
Total	**1,699,206**	**1,598,900**	**3.59**

Financial investments are classified at the time of the purchase, based on management's intentions, as either trading or permanent. The related amounts are as follows:

	As of December 31,	
	2001	2002
	MCh$	MCh$
Permanent	362,413	276,422
Trading	1,336,793	1,322,478
Total	**1,699,206**	**1,598,900**

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, 2002)

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. 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.

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 other 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 allowance for loan losses:

	As of December 31,	
	2001	2002
	%	%
Financial Services	18.98	19.65
Residential mortgage loans	18.35	17.93
Manufacturing	12.54	10.21
Commerce	12.02	11.85
Agriculture, livestock, agribusiness, fishing	11.46	8.43
Consumer loans	9.80	13.97

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)
(Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2002)

6. Leasing Contracts

The Bank's scheduled cash flows to be received from leasing contracts have the following maturities as of December 31, 2002:

Maturity	As of December 31, 2002 Total Receivable	Unearned Income	Net lease Receivable
	MCh$	MCh$	MCh$
Due within one year	99,816	(22,854)	76,962
Due after 1 year but within 2 years	54,049	(11,671)	42,378
Due after 2 years but within 3 years	39,694	(8,965)	30,729
Due after 3 years but within 4 years	26,922	(6,955)	19,967
Due after 4 years but within 5 years	22,307	(5,498)	16,809
Due after 5 years	76,101	(13,853)	62,248
Total leasing contracts	**318,889**	**(69,796)**	**249,093**

Leased assets consist principally of real estate, industrial machinery, vehicle, and computer equipment. The allowance for uncollectible lease receivable was MCh$10,611 as of December 31, 2002 (MCh$9,865 as of December 31, 2001), which forms part of the allowance for loan losses.

7. Allowance for Loan Losses

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

	2000	2001	2002
	MCh$	MCh$	MCh$
Balance as of January 1,	112,406	119,930	136,343
Banco de A. Edwards balances as of January 1, 2002	—	—	96,404
Price-level restatement(1)	(4,723)	(2,994)	(6,435)
Charge-offs	(28,421)	(27,857)	(110,962)
Allowances established	41,862	48,434	125,127
Allowances released	(1,194)	(1,170)	(24,483)
Balance as of December 31,	**119,930**	**136,343**	**215,994**

(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, 2002.

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

	Years ended December 31, 2000	2001	2002
	MCh$	MCh$	MCh$
Allowances established	(41,862)	(48,434)	(125,127)
Allowances released	1,194	1,170	24,483
Net income charge	**(40,668)**	**(47,264)**	**(100,644)**

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, 2002)

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, 2001	As of December 31, 2002
	MCh$	MCh$
Land and buildings	62,058	99,369
Furniture and fixtures	13,329	19,454
Machinery and equipment	10,798	17,738
Vehicles	300	530
Others	1,174	2,252
Bank premises and equipment, net	**87,659**	**139,343**

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

9. Investments in other companies

As of December 31, 2000, 2001 and 2002, 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,						
	2000		2001		2002		
	Investment	Income (Loss)	Investment	Income (Loss)	Investment	Income (Loss)	Ownership Interest 2002
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	%
Artikos S.A.	—	—	666	(98)	(68)	(1,244)	50.00
Servipag Ltda.	639	(39)	666	27	716	50	50.00
Redbanc S.A.	461	99	444	82	872	151	25.42
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	142	(126)	413	(218)	874	48	25.81
Transbank S.A.	300	(49)	353	54	835	128	17.44
Bolsa de Valores de Chile (Stock Exchange)	60	(8)	320	60	122	1	5.00
Centro de Compensación Automatizado S.A. (CCA S.A.)	171	18	140	31	152	12	33.33
Sociedad Interbancaria de Depósito de Valores S.A.	101	27	140	39	243	43	17.60
Empresa de Tarjetas Inteligentes S.A.	65	2	70	(22)	155	(144)	26.67
Bolsa de Comercio de Santiago (Stock Exchange)	332	79	61	1	636	93	4.17
Total investments in other companies accounted for under the equity method	2,271	3	3,273	(44)	4,537	(862)	
Other investments carried at cost	245	—	247	—	240	(108)	
Total investments in other companies	**2,516**	**3**	**3,520**	**(44)**	**4,777**	**(970)**	

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, 2002)

10. Other Assets and Other Liabilities

(a) Other assets

	As of December 31,	
	2001	2002
	MCh$	MCh$
Deferred income tax assets	27,023	70,034
Amounts receivable under spot foreign exchange transaction	11,669	29,950
Credit card charges in process	16,719	27,471
Assets for leasing	2,918	23,531
Dividends receivable	—	6,474
Transactions in process	7,550	19,136
Accounts receivable for assets received in lieu of payment sold	91	3,432
Accounts receivable for financial investments	21	3,339
Deferred loan origination and service costs	—	3,213
Transitory assets	1,252	—
Deferred software cost	976	3,148
Recoverable taxes	1,739	2,763
Deferred asset related to mortgage finance bonds issued by the bank	—	1,898
VAT fiscal credit	935	1,284
Brokerage operations	670	1,254
Materials and supplies	730	956
Prepaid advertising expenses	951	863
Other deferred expenses	529	643
Derivative instruments, net	5,939	—
Other	9,233	12,683
Total other assets	**88,945**	**212,072**

(b) Other liabilities

	As of December 31,	
	2001	2002
	MCh$	MCh$
Accounts payable	13,685	35,533
Deferred income tax liabilities	8,251	29,986
Amounts payable under spot foreign exchange transaction	41,594	28,200
Documents in transit	27,230	22,537
Accrued staff vacation expense	5,645	8,611
Derivative instruments, net	—	8,481
Accrued severance staff indemnities	4,451	7,648
Deferred loan origination and service fees	5,472	6,381
Transactions in process	2,017	2,710
Administration and credit card contract provision	1,487	2,213
VAT fiscal debit	1,434	2,171
Legal contingencies provision	127	1,088
Other	7,223	18,653
Total other liabilities	**118,616**	**174,212**

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, 2002)

10. Other Assets and Other Liabilities (continued)

(c) Contingent Liabilities

Contingent liabilities consist of open and unused letters of credit, together with guarantees granted 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).

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, 2001			As of December 31, 2002		
	Long-term	Short-term	Total	Long-term	Short-term	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Central Bank Credit lines for renegotiation of loans	2,468	—	2,468	3,763	—	3,763
Other Central Bank borrowings	—	33,709	33,709	—	—	—
Mortgage finance bonds	887,126	—	887,126	1,084,041	—	1,084,041
Bonds	—	—	—	4,593	—	4,593
Subordinated bonds	183,891	—	183,891	277,654	—	277,654
Borrowings from domestic financial institutions	12	25,696	25,708	126	50,362	50,488
Foreign borrowings	288,491	10,777	299,268	331,770	178,574	510,344
Investments under agreements to repurchase	—	163,124	163,124	—	276,675	276,675
Other obligations	29,722	17,013	46,735	45,861	30,909	76,770
Total other interest bearing liabilities	**1,391,710**	**250,319**	**1,642,029**	**1,747,808**	**536,520**	**2,284,328**

(a) Central Bank borrowings

Central Bank borrowings include credit lines for the renegotiation of loans and other Central Bank borrowings. Credit lines were provided by the Central Bank for the renegotiation of mortgage loans due to the need to refinance debts as a result of the economic recession and crisis of the Chilean banking system from 1982 to 1985. The credit lines for the renegotiations of mortgage loans are linked to the UF index and carry a real annual interest rate of 3.0%. The maturities of the outstanding amounts, are as follows:

	As of December 31, 2002
	MCh$
Due within 1 year	3,763
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 (Credit lines for renegotiation of loans)	**3,763**
Total short-term (Other Central Bank borrowings)	**—**
Total Central Bank borrowings	**3,763**

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, 2002)

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 6.7% as of December 31, 2002.

The maturities of outstanding mortgage bond amounts as of December 31, 2002 are as follows:

	As of December 31, 2002
	MCh$
Due within 1 year	124,031
Due after 1 year but within 2 years	109,062
Due after 2 years but within 3 years	109,282
Due after 3 years but within 4 years	108,468
Due after 4 years but within 5 years	104,913
Due after 5 years	528,285
Total mortgage finance bonds	**1,084,041**

(c) Bonds

The maturities of outstanding bonds amounts as of December 31, 2002 are as follows:

	As of December 31, 2002
	MCh$
Due within 1 year	1,563
Due after 1 year but within 2 years	844
Due after 2 years but within 3 years	844
Due after 3 years but within 4 years	844
Due after 4 years but within 5 years	498
Due after 5 years	—
Total bonds	**4,593**

Bonds are linked to the UF Index and carried an average real annual interest rate of 6.8% as of December 31, 2002, with interest and principal payments due semi-annually. The bonds were originally intended to finance loans that had a maturity of greater than one year.

(d) Subordinated bonds

In 2001 the Bank issued Bonds totaling UF 1,580,000 (known as “6.5% Bonds”) at a discount of UF 98,670. The 6.5% Bonds are linked to the UF index with interest and principal payments due semi-annually. The discount on the issuance of the “6.5% Bonds” is amortized over the life of the bond. As of December 31, 2002, the effective real interest rate is 7.0%, taking into consideration the discount on issuance.

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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, 2002)

11. Other Interest Bearing Liabilities (continued)

(d) Subordinated bonds (continued)

The 6.5% Bonds are intended for the financing of loans having a maturity of greater than one year. As of December 31, 2002 the outstanding maturities of these bonds, which are considered long-term, are as follows:

	As of December 31, 2002
	MCh$
Due within 1 year	16,039
Due after 1 year but within 2 years	11,098
Due after 2 years but within 3 years	12,241
Due after 3 years but within 4 years	13,329
Due after 4 years but within 5 years	14,937
Due after 5 years	210,010
Total subordinated bonds	**277,654**

Subordinated bonds are considered in the calculation of “effective equity” for the purpose of determining the Bank’s minimum capital requirements (See Note 14).

(e) Borrowings from domestic financial institutions

Borrowings from domestic financial institutions are used to fund the Bank’s general activities, carry a weighted average annual real interest rate of 2.38% and have the following outstanding maturities as of December 31, 2002.

	As of December 31, 2002
	MCh$
Due within 1 year	126
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	**126**
Total short-term	**50,362**
Total borrowings from domestic financial institutions	**50,488**

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, 2002)

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, 2002 are as follows:

	As of December 31, 2002
	MCh$
Due within 1 year	273,579
Due after 1 year but within 2 years	52,596
Due after 2 years but within 3 years	5,469
Due after 3 years but within 4 years	126
Due after 4 years but within 5 years	—
Due after 5 years	—
Total long-term	**331,770**
Total short-term	**178,574**
Total foreign borrowings	**510,344**

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 4.73% as of December 31, 2002.

(g) Other obligations

	As of December 31,	
	2001	2002
	MCh$	MCh$
Other long-term obligations:		
Payable accounts	348	874
Obligations with Chilean government	29,374	44,987
Total other long-term obligations	**29,722**	**45,861**
Other short-term obligations	17,013	30,909
Total other obligations	**46,735**	**76,770**

As of December 31, 2002, other obligations had the following maturities:

	As of December 31, 2002
	MCh$
Due within 1 year	11,572
Due after 1 year but within 2 years	9,234
Due after 2 years but within 3 years	6,529
Due after 3 years but within 4 years	5,618
Due after 4 years but within 5 years	4,302
Due after 5 years	8,606
Total long-term	**45,861**

Total short-term	**30,909**
Total other obligations	**76,770**

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, 2002)

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, 2002.

	As of December 31, 2002
	MCh$
Due within 1 year	4,637
Due after 1 year but within 2 years	4,177
Due after 2 years but within 3 years	3,353
Due after 3 years but within 4 years	2,540
Due after 4 years but within 5 years	1,723
Due after 5 years	4,327
Total obligations arising from lease commitments	**20,757**

The rental expense on premises was MCh$2,979, MCh$2,825 and MCh$6,556 for the years ended December 31, 2000, 2001 and 2002, 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 Bank is exposed to credit related losses in the event of non-performance by counterparties to these financial instruments, risk that is monitored on an ongoing basis. In order to manage the level of credit risk, the Bank enters into transactions with counterparties whom it believes have a good credit standing and, when appropriate, obtains collateral.

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”. (See 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, 2002)

13. Derivative Financial Instruments (continued)

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

The notional amounts of these contracts as of December 31, 2001 and 2002 are as follows:

			Notional contract amounts			
	Number of operations		Less than 3 months		Over 3 months	
Description of transaction	2001	2002	2001	2002	2001	2002
			ThUS$	ThUS$	ThUS$	ThUS$
Local Market:						
- Foreign currency future purchase contracts with Chilean currency	109	588	64,493	242,234	225,578	867,936
- Foreign currency future sale contracts with Chilean currency	328	521	200,815	265,838	419,527	822,707
- Foreign currency forward contracts	23	75	—	4,351	6,181	4,537
Foreign Markets:						
- Foreign currency forward contracts	33	70	1,627	48,286	6,237	7,936
- Foreign currency futures sold	138	175	14,166	—	—	17,588
- Interest rate swaps	16	78	—	—	61,000	635,798

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.

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

			Contract amounts			
	Number of operations		Less than 3 months		Over 3 months	
Description of transaction	2001	2002	2001	2002	2001	2002
			MCh$	MCh$	MCh$	MCh$
UF/pesos forward contracts purchased	1	17	837	1,674	—	34,325
UF/pesos forward contracts sold	1	5	837	—	—	2,547
Interest rate swaps	3	—	—	—	33,501	—

(d) Fair value of traded instruments

The table below sets forth the estimated fair value of derivative financial instruments held or issued by the Bank for trading purposes as of December 31, 2001 and 2002.

	Fair value as of December 31,	
	2001	2002
	MCh$	MCh$
Contracts to purchase foreign exchange	(2,305)	(7,603)
Contracts to sell foreign exchange	5,448	12,449

For those instruments held by the Bank where no quoted market prices are available, fair values have been estimated using modeling and other valuation techniques.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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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$ 13,395 as of December 31, 2002. In addition, Chilean Banks are required to maintain a minimum "capital" (capital and reserves) 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.

The Bank's actual qualifying "net capital base" and "effective equity" used to support its "risk-weighted assets" as of December 31, 2002, are set forth in the following table:

	As of December 31, 2002
	MCh$
Basic Capital	565,595
3% of total assets net of provisions	(259,031)
Excess over minimum required equity	306,564
Net capital base as a percentage of the total assets, net of provisions	6.55%
Effective equity	822,928
8% of risk-weighted assets	(481,026)
Excess over minimum required equity	341,902
Effective equity as a percentage of the risk-weighted assets(*)	13.69%

(*) This ratio has been determined on total assets adjusted by risk on a consolidated basis, as established by Circular No.3,178 dated June 7, 2002, from the Superintendency of Banks.

15. Shareholders' Equity

(a) The merger

At the Extraordinary Shareholders' Meeting of Banco de Chile, held on December 6, 2001, the merger by incorporation of Banco de A. Edwards and Banco de Chile, with the later acquiring all assets an assuming all liabilities of the former, incorporating all equity, which includes net income for the year ended December 31, 2001, and shareholders of Banco de A. Edwards into Banco de Chile was approved. Later, on December 18, 2001 at Banco de A. Edwards' Extraordinary Shareholders' Meeting the merger was approved on the same terms, also obtaining the approval from the Superintendency of Banks and Financial Institutions on December 21, 2001. The merger became effective as of January 1, 2002.

For this purpose the Shareholders' meeting agreed that the merged bank issue 23,147,126,425 registered shares, without par value, to be given to Banco de A. Edwards' shareholders in a proportion of 3.135826295 Banco de Chile shares for each Banco de A. Edwards' share. Consequently, Banco de Chile's paid in capital was divided between a total of 68,079,783,605 shares.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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15. Shareholders' Equity (continued)

(b) Dividends

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

Dividends declared and paid in 2000, 2001 and 2002 in constant Chilean pesos of December 31, 2002 are as follows:

	Paid during the year ended December 31,		
	2000	2001	2002
	MCh$	MCh$	MCh$
Dividends relating to prior year net income	86,551	84,417	97,068

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.

(a) Loans granted to related parties

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

	As of December 31,					
	2000		2001		2002	
	Loans	Collateral Pledged	Loans	Collateral Pledged	Loans	Collateral Pledged
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Operating companies	75,673	32,885	50,523	16,278	96,424	23,019
Investment companies	12,535	66	4,279	55	6,944	2,208
Individuals(1)	1,055	846	3,540	860	1,754	1,373
Total	**89,263**	**33,797**	**58,342**	**17,193**	**105,122**	**26,600**

(1) Includes only debt obligations that are equal to or greater than UF 3,000, equivalent to approximately MCh$50 as of December 31, 2002.

The activity in the balances of loans to related parties are as follows:

	2001	2002
	MCh$	MCh$
Balance as of January 1	89,263	58,342
Banco de A. Edwards balances as of January 1, 2002	—	31,068
New loans	131,206	74,508
Repayments	(159,443)	(56,191)
Price-level restatement(1)	(2,684)	(2,605)
Balance as of December 31	58,342	105,122

(1) Reflects the effect of restatement of beginning balances to constant pesos of December 31, 2002.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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16. Transactions with Related Parties (continued)

(b) Other transactions with related parties.

During the years ended December 31, 2000, 2001 and 2002, 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 approximately MCh$84 as of December 31, 2002.

	Years ended December 31,					
	2000		2001		2002	
	Expense	Revenue	Expense	Revenue	Expense	Revenue
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Transbank S.A.	2,324	—	2,287	—	3,384	—
Empresa Nacional de Telecomunicaciones S.A.	1,275	—	1,137	—	2,617	—
Redbanc S.A.	1,367	—	1,511	—	2,217	—
Operadora de Tarjetas de Crédito Nexus S.A.	1,029	—	1,148	—	1,592	—
Sociedad y Promoción y Eventos Mundo Edwards S.A.	—	—	—	—	414	—
Corporación Cultural de la Ilustre Municipalidad de Santiago	—	—	—	—	350	—
Entel PCS Telecomunicaciones S.A.	—	—	—	—	333	—
Depósito Central de Valores S.A.	—	—	—	—	192	—
Banedwards Cía de Seguros de Vida S.A.	—	—	—	—	156	—
Empresa de Servicios Especializados S.A.	—	—	—	—	155	—
Hoteles Carrera S.A.	—	—	—	—	150	—
Entel Telefonía Local S.A.	134	—	153	—	113	—
Telefónica del Sur Carrier S.A.	—	—	—	—	101	—
Compañía Nacional de Teléfonos Telefónica del Sur S.A.	—	—	—	—	100	—
Empresa de Tarjetas Inteligentes S.A.	—	—	—	—	91	—
Editorial Trineo S.A.	—	—	—	—	23	—
Línea Aérea Nacional Chile S.A.	—	103	—	104	—	103
Subtotal	**6,129**	**103**	**6,236**	**104**	**11,988**	**103**
Transactions between 1,000 and 5,000 UF:						
Services expenses	212	—	177	—	330	—
Telephone expenses	82	—	102	—	33	—
Rental expense	71	—	—	—	—	—
Rental income.	—	46	—	44	—	—
Subtotal	**365**	**46**	**279**	**44**	**363**	**—**
Total	**6,494**	**149**	**6,515**	**148**	**12,351**	**103**

These expense and revenue items are for services received and rendered 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.

During the course of 2002, the Bank entered into the following related party transactions, all of which were reported to the Chilean Superintendency of Banks:

- In June 2002, the Bank acquired 100% of the shares of Promarket from Inmobiliaria El Rosal S.A. and Sociedad Inmobiliaria del Norte Limitada for Ch$282,285 per share. The total aggregate purchase price was Ch$279 million of which Ch$141 million was paid to Sociedad Inmobiliaria del Norte Limitada and Ch$138 million was paid to Inmobiliaria El Rosal S.A. At the time of the purchase, Inmobiliaria El Rosal was owned by Mr. Jacob Ergas, a member of the Bank's Board of Directors, and Sociedad Inmobiliaria del Norte Limitada, which was owned by Quiñenco.

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, 2002)

16. Transactions with Related Parties (continued)

(b) Other transactions with related parties (continued)

- In June 2002, the Bank acquired 100% of the shares in Baned Servicios Especializados S.A. from Inmobiliaria El Rosal, Sociedad Inmobiliaria del Norte Limitada and Inversiones El Norte y Inmobiliaria El Rosal for Ch$30,900 per share. The total aggregate purchase price was Ch$309 million, of which Ch$1.5 million was paid to Inmobiliaria El Rosal, Ch$1.5 million was paid to Sociedad Inmobiliaria del Norte Limitada and Ch$306 million was paid to Inversiones El Norte y Inmobiliaria El Rosal. Baned Servicios Especializados subsequently changed its name to Socofin. At the time of the purchase, Inmobiliaria El Rosal was owned by Mr. Jacob Ergas, a member of the Bank's Board of directors. Inmobiliaria del Norte Limitada was owned by Quiñenco and Inversiones El Norte y Inmobiliaria El Rosal was owned by Quiñenco and Mr. Jacob Ergas;
- In August 2002, the Bank, as successor of Banco de A. Edwards, and Inversiones Vita S.A., Inersa S.A. and Sociedad Inmobiliaria del Norte Limitada, amended a preliminary purchase agreement dated November 9, 2000, which had been entered into in connection with the purchase of 100% of the shares of Banchile Seguros de Vida. According to this Agreement, the Bank will be allowed to purchase such shares at market conditions if the General Banking Law is amended in the future to allow Banks to own Insurance Companies. Inversiones Vita is beneficially owned by Mr. Jacob Ergas, a member of the Bank's Board of directors. Inersa is beneficially owned by Mr. Andronico Luksic, the Vice Chairman of the Bank's Board of directors; Sociedad Inmobiliaria del Norte Limitada is owned by Quiñenco.
- In August 2002, the Bank, along with Banchile Corredores de Serguros Limitada and Banchile Seguros de Vida, amended several provisions of a master agreement, distribution agreement and the collection agreement executed by Banco de A. Edwards, Banedwards Corredora de Seguros Limitada and Banedwards Compañia de Seguros S.A., respectively. Under the terms of the amendment, the parties agreed to extend the term of the agreements until December 31, 2011. Banchile Seguros de Vida is beneficially owned by Mr. Jacob Ergas, a member of the Bank's Board of directors, and by Mr. Andronico Luksic, the Vice Chairman of the Bank's Board of directors;
- In November 2002, the Bank executed an amendment to the agreement with Empresa Nacional de Telecomunicaciones S.A. relating to data transmission, private telephone communication services and other additional services for branch network. The amendment amended the description of services and amount of fees according to the Bank's new requirements and structure following the merger with Banco de A. Edwards. Quiñenco has a passive investment interest in Empresa Nacional de Telecomunicaciones, which is beneficially owned by Mr. Andronico Luksic, the Vice Chairman of the Bank's Board of directors.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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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, 2000, 2001 and 2002 are summarized as follows:

	Years ended December 31,					
	2000		2001		2002	
	Income	Expenses	Income	Expenses	Income	Expenses
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Fees and income from services						
Demand deposits and overdrafts	10,546	—	12,982	—	17,736	—
Mutual funds and stock brokerage	9,705	889	11,599	923	16,180	1,755
Credit cards	6,089	450	8,098	653	14,677	745
Collection services	2,448	—	2,293	—	8,919	—
Automated teller machines	4,225	1,229	4,758	1,354	8,001	2,576
Credit lines	3,543	—	2,137	—	7,544	—
Collection and payment of services	5,970	2,584	6,427	2,687	5,868	2,738
Letters of credit guarantees, collaterals and other contingent loans	3,142	—	3,343	—	4,041	—
Income and expense from goods received in lieu of payment	135	430	343	686	2,932	1,713
Insurance brokerage	1,629	571	2,401	707	2,750	712
Financial services	1,163	7	1,000	62	1,910	19
Foreign trade services	1,234	—	1,518	—	1,749	—
Bancuenta Credichile Administration	1,067	—	1,291	—	1,716	—
Leasing collections	3,497	1,655	717	892	1,668	479
Custody and trust services	550	—	631	—	589	—
Fees from sales force	—	1,649	—	2,004	—	5,014
Other	2,009	951	3,711	914	7,552	1,395
Total	**56,952**	**10,415**	**63,249**	**10,882**	**103,832**	**17,146**
Non-operating income and expenses						
Rental income	3,092	—	2,983	—	2,686	—
Recoveries of expenses	449	—	688	—	967	—
Gains on sales of assets received in lieu of payment	1,553	—	2,846	—	902	—
Income from correspondent banks	102	—	654	—	578	—
Income from sale of fixed assets	1,889	—	134	—	519	—
Securities in companies and shares	97	—	84	—	295	—
Miscellaneous gains on exchange	140	—	185	—	233	—
Overestimated provision	139	—	426	—	142	—
Charge-offs and provision of assets received in lieu of payment	—	1,894	—	1,265	—	8,290
Charge-offs and provision related to fixed assets due to the merger	—	—	—	—	—	4,348
Administration and credit card contracts	—	1,191	—	2,613	—	3,042
Charge-offs of transaction in process related to the merger	—	—	—	—	—	2,016
Charge-offs	—	734	—	560	—	1,302
Legal contingencies provision	—	—	—	127	—	962
Delivery services of bank products	—	343	—	571	—	638
Indemnity for termination of rental contracts	—	—	—	—	—	582
Leasing expenses	—	559	—	478	—	7
Other	317	1,703	210	714	461	1,835
Total	**7,778**	**6,424**	**8,210**	**6,328**	**6,783**	**23,022**

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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,		
	2000	2001	2002
	MCh$	MCh$	MCh$
Remuneration and attendance fees	851	1,233	1,667

19. Loan Loss Recoveries

	Years ended December 31,		
	2000	2001	2002
	MCh$	MCh$	MCh$
Loan portfolio previously charged-off	7,440	8,917	11,196
Loans reacquired from Central Bank	1,916	1,018	718
Total	**9,356**	**9,935**	**11,914**

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.

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, 2001 and 2002 and assets and liabilities denominated in Chilean pesos but that contain repayment terms linked to changes in foreign currency exchange rates, detailed below:

	As of December 31, 2001			As of December 31, 2002		
	Payable in Foreign Currency	Payable in Chilean Pesos	Total	Payable in Foreign Currency	Payable in Chilean Pesos	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
ASSETS						
Cash and due from banks	150,289	—	150,289	161,350	—	161,350
Loans	564,256	56,840	621,096	863,456	52,918	916,374
Contingent loans	159,969	138	160,107	201,099	—	201,099
Interbank loans	11,726	—	11,726	6,306	—	6,306
Financial investments	436,908	194,091	630,999	375,019	424,851	799,870
Leasing contracts	—	53,868	53,868	—	58,348	58,348
Other assets	24,371	—	24,371	104,044	—	104,044
Total assets	**1,347,519**	**304,937**	**1,652,456**	**1,711,274**	**536,117**	**2,247,391**
LIABILITIES						
Deposits	788,922	24	788,946	1,261,851	1,188	1,263,039
Contingent liabilities	160,252	—	160,252	201,337	—	201,337
Borrowings from domestic financial institutions	—	—	—	8,852	—	8,852
Foreign borrowings	298,803	465	299,268	510,310	—	510,310
Other liabilities	332,914	500	333,414	185,940	5,084	191,024
Total liabilities	**1,580,891**	**989**	**1,581,880**	**2,168,290**	**6,272**	**2,174,562**

NET (LIABILITIES) ASSETS	**(233,372)**	**303,948**	**70,576**	**(457,016)**	**529,845**	**72,829**

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, 2002)

21. Income Taxes

The Bank has recorded the effects of deferred taxes on its consolidated financial statements in accordance with Technical Bulletin No.60 and the complementary technical bulletins there to issued by 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. The net balance to be amortized as of December 31, 2001 was MCh$3,660, and as of December 31, 2002 was MCh$803. In accordance with Technical Bulletin N° 60, deferred tax asset and liability amounts are presented on the balance sheet net of the related unamortized complementary account balances in the balance sheet. The corresponding movements and effects of which are as follows:

	Balance as of December 31, 2001 (1)	Incorporation of Banco de A. Edwards (1)	Total (1)	2002 Amortizations	2002 Deferred taxes	Balance as of December 31, 2002
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Deferred tax assets						
Obligations with repurchase agreements	7,029	—	7,029		18,364	25,393
Global allowances for loan losses	10,038	9,615	19,653		2,080	21,733
Leasing equipment	2,230	921	3,151		2,047	5,198
Voluntary allowances for loan losses	5,029	638	5,667		(2,275)	3,392
Charge-offs from financial investment	—	—	—		2,312	2,312
Accrued interests and readjustments from risky loan portfolio	1,433	429	1,862		(188)	1,674
Staff vacations	766	391	1,157		164	1,321
Accruals interest and readjustments from past due loans	247	—	247		813	1,060
Personnel provisions	257	—	257		651	908
Assets at market value	1,549	(162)	1,387		(614)	773
Staff severance indemnities	719	—	719		(49)	670
Other adjustments	3,302	915	4,217		4,118	8,335
Total	32,599	12,747	45,346	—	27,423	72,769
Complementary account balance	(6,363)	513	(5,850)	3,115	—	(2,735)
Net assets	26,236	13,260	39,496			70,034
Deferred tax liabilities						
Investments with repurchase agreements	7,039	—	7,039		17,509	24,548
Depreciation and price-level restatement of fixed assets	1,711	1,958	3,669		362	4,031
Transitory assets	414	2,608	3,022		(1,676)	1,346
Other adjustments	1,657	43	1,700		293	1,993
Total	10,821	4,609	15,430	—	16,488	31,918
Complementary account balance	(2,810)	—	(2,810)	878	—	(1,932)
Net liabilities	8,011	4,609	12,620			29,986

(1) For presentation purposes, deferred income tax balances as of December 31, 2001 are presented on a historical basis.

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, 2002)

21. Income Taxes (continued)

"Income taxes" as presented in the Consolidated Statements of Income for the years ended December 31, 2000, 2001 and 2002 are summarized as follows:

	Years ended December 31,		
	2000	2001	2002
	MCh$	MCh$	MCh$
Current income tax provision	(4,346)	(3,126)	(8,290)
Amortization of complementary accounts	3,934	2,825	2,237
Deferred tax effect for the year	2,360	1,998	8,202
Deferred taxes from previous years	—	—	2,734
Income tax (reassessment of previous year)	(3,461)	(241)	(3,235)
Non deductible expenses Art. 21	(78)	(70)	(428)
Tax benefit related to absorption of tax losses carry forwards	—	—	(67)
Income taxes (expense) benefit	**(1,591)**	**1,386**	**1,153**

22. Commitments and contingencies

In the ordinary course of business, the Bank acts as defendant or co-defendant in various litigation matters. Although there can be no assurances, the Bank believes, based on information currently available, that the ultimate resolution of these legal proceedings would not be likely to have a material adverse effect on its results of operations, financial condition, or liquidity.

The Bank is party to transactions with off-balance sheet risk in the normal course of its business, which exposes 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, such 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$407,221 and MCh$428,589 and the amounts of subscribed leasing contracts are MCh$11,011 and MCh$41,433 as of December 31, 2001 and 2002, respectively.

23. Fiduciary Activities

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

	As of December 31,	
	2001	2002
	MCh$	MCh$
Securities held in safe custody	1,853,135	3,716,925
Amounts to be collected on behalf of domestic third parties	82,418	152,176
Amounts to be collected on behalf of foreign third parties	230,888	343,889
Administration of assets	39	37
Total fiduciary activities	**2,166,480**	**4,213,027**

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, 2002)

24. 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.

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, 2001 and 2002 are as follows:

Bank	Credit Risk As of December 31,	
	2001	2002
	MCh$	MCh$
Banco Santander-Chile(*)	742	14,638
Banco del Estado de Chile	712	13,064
BBVA Banco Bhif	472	11,109
Corpbanca	201	6,137
BankBoston N.A.	1,384	4,568
JP Morgan Chase Bank	336	3,753
ABN Amro Bank (Chile)	—	3,165
Banco Security	—	2,331
Banco del Desarrollo	—	665
HSBC Bank USA	—	640
Citibank N.A.	730	480
Scotiabank Sud Americano	190	313
Banco de A. Edwards(**)	917	—
Others	304	13,296

(*) Merged with Banco Santiago.
(**) Absorbed by Banco de Chile.

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.

25. 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, 2000, 2001 and 2002, the Bank sold loans totaling MCh$23,066, MCh$1,303 and MCh$11,543, 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. During the year ended December 31, 2002, the Bank purchased loans amounting to MCh$17,725. During prior years the Bank did not purchased loans. 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$2,281, MCh$6 and MCh$85 for the years ended December 31, 2000, 2001 and 2002, respectively.

BANCO DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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26. Maturity of Assets and Liabilities

The maturity dates of assets and liabilities are shown in the following table including accrued interest as of December 31, 2002.

	As of December 31, 2002					
	Due within 1 year	Due after 1 year but within 3 years	Due after 3 years but within 6 years	Due after 6 years	Total 2002	Total 2001
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
ASSETS						
Loans(1)	2,929,418	977,559	666,857	1,012,521	5,586,355	3,604,956
Securities(2)	1,517,462	75,694	2,305	—	1,595,461	1,705,018
Total	**4,446,880**	**1,053,253**	**669,162**	**1,012,521**	**7,181,816**	**5,309,974**
LIABILITIES						
Deposit and other obligations(3)	3,075,559	154,829	93,312	—	3,323,700	2,639,793
Mortgage finance bonds	124,031	218,344	313,129	428,537	1,084,041	887,126
Bonds	17,602	25,027	46,498	193,120	282,247	183,891
Chilean Central Bank borrowings:						
Central Bank credit lines for renegotiations of loans	3,763	—	—	—	3,763	2,468
Other Central Bank borrowings	—	—	—	—	—	33,709
Borrowings from domestic financial institutions	50,488	—	—	—	50,488	25,708
Foreign borrowings	452,153	58,065	126	—	510,344	299,268
Other obligations	42,481	15,763	13,218	5,308	76,770	46,735
Total	**3,766,077**	**472,028**	**466,283**	**626,965**	**5,331,353**	**4,118,698**

(1) Excludes contingent loans, overdue loans (1-89 days) and past due loans (90 days or more).
(2) Excludes unrealized gains/losses on permanent financial investments included in equity in the credit amounts of MCh$5,812 and debit of MCh$3,439 for years ended December 31, 2001 and 2002 respectively. In accordance with Superintendency of Banks trading investments are classified as due within 1 year.
(3) Excludes demand deposit accounts, saving accounts, investments sold under agreements to repurchase and contingent liabilities.

27. Subsequent Events

In the opinion of Bank's Management as of the date in which these consolidated financial statements were issued there are no significant subsequent events that affect or that could affect the consolidated financial statements of the Bank as of December 31, 2002.

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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, 2002)

28. 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 accounting principles generally accepted in Chile (collectively "Chilean GAAP"), and accounting principles generally accepted in the United States of America ("U.S. GAAP").

As explained in Notes 1 (a) and 15, effective January 1, 2002, the Bank merged with Banco de A. Edwards, an entity under the common control of Quiñenco S.A. ("Quiñenco"), a Chilean holding company. In accordance with merger accounting under Chilean GAAP, the financial statements as of December 31, 2001 and for each of the two years in the period then ended that have been presented are those of Banco de Chile, the acquiring bank, giving no retroactive effect to the merger. Following the accounting requirements under U.S. GAAP, information presented in this note has been restated to reflect the merger with Banco de A. Edwards as from March 27, 2001, the first date in which control of both of these banks was held by the common parent. U.S. GAAP information for the year ended December 31, 2000 and for the period between January 1, 2001 and March 27, 2001 reflects the financial information of Banco de A. Edwards, the bank previously controlled by Quiñenco. Paragraph (a) below provides a description of the merger with Banco de A. Edwards and provides combined financial statement information based on the respective consolidated financial statements of the individual consolidated banks prepared under Chilean 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. 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 of Banks, which are consistent with Technical Bulletin Nº64, "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 in the accompanying consolidated financial statements under the Chilean accounting standard in the financial statements is considered appropriate under the inflationary conditions that have historically affected the Chilean economy even though the cumulative inflation rate for the last three years does not exceed 100% and, accordingly have not been eliminated in the reconciliation to U.S. GAAP included under paragraph (s) below.

(a) Merger of entities under common control

Under Chilean GAAP, the merger between Banco de Chile and Banco de A. Edwards was accounted for as a "pooling of interests" on a prospective basis. As such, the historical financial statements for periods prior to the merger are not restated and Banco de Chile is considered to be the continuing entity for legal and accounting purposes. Under U.S. GAAP, the merger of the two banks is accounted for as a merger of entities under common control. As LQ Inversiones Financieras, a holding company beneficially owned by Quiñenco has controlled both Banco de Chile and Banco de A. Edwards since March 27, 2001, Banco de Chile was required to restate its previously issued U.S. GAAP historical financial statements to retroactively reflect the merged bank as if Banco de Chile and Banco de A. Edwards (Hereafer referred to as the "Merged Bank") had been combined throughout the periods during which common control existed. Therefore from the period from March 27, 2001 to January 1, 2002, U.S. GAAP reflects the merger as if it had already happened, incorporating two banks, while under Chilean GAAP for the same period only the historical financial information of Banco de Chile is presented in the income statement. Furthermore, under U.S. GAAP, for periods prior to March 27, 2001, the information presented in the financial statements is that of Banco de A. Edwards, as it had been under Quiñenco's control since September 2, 1999.

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, 2002)

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

(a) Merger of entities under common control (continued)

As discussed above, information presented under Chilean GAAP as of December 31, 2001 and for each of the two years in the period then ended includes only Banco de Chile, while under U.S. GAAP the Bank is required to present the historical financial statement information of Banco de A. Edwards for the year ended December 31, 2000 and for the period between January 1, 2001 and March 26, 2001. Furthermore for the period between March 27, 2001 and December 31, 2001 and as of December 31, 2001 under U.S. GAAP the banks are presented on a combined basis. The effect of combining the banks using the respective consolidated financial statements prepared in accordance with Chilean GAAP, in order to present comparable initial shareholders' equity balances and results from operations of the applicable entities prior to the inclusion of any adjustments to U.S. GAAP of the combined bank, is included in paragraph (t) below.

(b) Push Down Accounting

As described above, under Chilean GAAP, the merger of Banco de Chile and Banco de A. Edwards is accounted for as a pooling of interests beginning January 1, 2002 with no retroactive restatement of historical financial statements or carrying values prior to the merger.

Under U.S. GAAP, when accounting for a merger of entities under common control, the book values of the merging entities that are held in the books of the common parent must be pushed down to the merged entity. This means that goodwill previously created in the books of Quiñenco, the transferring entity, at the time that it acquired each bank and also any fair value differences created from those purchases must be included in the U.S. GAAP accounting records of the Merged Bank. In practice this means that the goodwill and fair value adjustments created from Quiñenco's purchases of Banco de A. Edwards during September and October, 1999 and from Quiñenco's purchases of Banco de Chile made during 1999, 2000 and March 2001 are pushed down to the merged entity. As this treatment does not apply in Chilean GAAP, there is a significant difference in the asset and liability bases under each body of accounting principles.

Quiñenco acquired Banco de A. Edwards, through step acquisitions between September 2, 1999 and October 26, 1999. There were no additional share transactions between 1999 and the date of the merger. Similarly, Quiñenco acquired Banco de Chile through step acquisitions between October 1999 and March 27, 2001.

Under U.S. GAAP, acquisitions that are accounted for using the purchase method of accounting result in the identifiable assets and liabilities of the acquired bank being adjusted to their fair values in the consolidated financial statements of the acquirer. Adjustments to assets acquired and liabilities assumed to fair value and recording the fair values of unrecognized intangible assets are generically referred to as purchase accounting adjustments. As a result of its acquisitions of Banco de Chile and Banco de A. Edwards, the Quiñenco recorded purchase accounting adjustments to reflect differences related to:

- the fair value of intangible assets, including brand names and long-term customer-relationship intangible (core deposit intangibles);
- the fair values of loans, excluding any adjustments in the acquiree's historical allowance for loan losses or other contingent liabilities;
- the accounting for staff severance liabilities;
- the fair value of bank premises and equipment and other

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, 2002)

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

(b) Push Down Accounting (continued)

Such purchase accounting adjustments and goodwill and any equity method investments or equity participation in the results of operations of the acquired banks recorded by the common parent, must be recorded in the U.S. GAAP accounting records of the Merged Bank. The effects of accounting for the push down of these purchase accounting adjustments, goodwill and any equity participation in the results of operations of the acquired banks into the accounting records of the Merged Bank and their subsequent effects on net income is included in paragraphs (t) and (u), below.

(c) Acquisition of Banco de A. Edwards

The pooling of interests method under Chilean GAAP is based on summing the two banks together using their historical book values and eliminating any inter-bank balances. Under U.S. GAAP, to the extent that the banks were under common control, the assets and liabilities of Banco de A. Edwards were transferred into Banco de Chile using the U.S. GAAP carrying values of such assets and liabilities included in the records of the common parent. However, as Quiñenco only owned 51.18% of Banco de A. Edwards, to the extent that the minority interest of Banco de A. Edwards was acquired, through the issuance of Banco de Chile shares, Banco de Chile is considered to be the acquirer.

Therefore, Banco de Chile must calculate goodwill based on the difference between the purchase price (i.e. the market value of the shares issued by Banco de Chile) and the fair value of the proportion of assets and liabilities acquired at the date of the merger. As part of this process, under U.S. GAAP, Banco de Chile was also required to value the interest acquired of previously unrecorded intangible assets, such as the Banco de Edwards brand name and core deposit intangibles, and to include these assets in the financial records of the merged bank. Such assets are not required to be recorded under Chilean GAAP.

As a consequence of the merger between Banco de Chile and Banco de A. Edwards, Banco de Chile issued 23,147,126,425 shares in exchange for all the outstanding common shares of Banco de A. Edwards using an exchange ratio of 3.135826295 Banco de Chile shares for each Banco de A. Edwards share. Under U.S. GAAP Banco de Chile is considered to have acquired 48.82% of the outstanding shares in Banco de A. Edwards, which correspond to those shares that Quiñenco did not own as of that date. The acquisition of these shares has been accounted for using purchase accounting as described in the preceding paragraph. The consideration paid has been determined using an average of the market value of the publicly traded Banco de Chile shares, which at January 1, 2002 was Ch$ 25.11017 per share, and merger expenses as described in paragraph (s) below.

In connection with the determination and accounting for such assets and liabilities under U.S. GAAP, Banco de Chile is required to record the fair value of the proportion of assets and liabilities acquired at the date of the merger. As part of this process, under U.S. GAAP, Banco de Chile was also required to value the interest acquired of previously unrecorded intangible assets, such as the Banco de Edwards brand name, and to include these assets in the financial records of the merged bank. Such assets were not required to be recorded under Chilean GAAP.

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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, 2002)

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

(c) Acquisition of Banco de A. Edwards (continued)

Under U.S. GAAP, purchase allocation of the 48.82% participation acquired from shareholders other than Quiñenco and its subsidiaries as of January 1, 2002 was as follows:

	MCh$
Net book value of Banco de A. Edwards	120,367
Incremental fair value of identified intangible assets(1)(2)	31,147
Fair value decrement of identified net assets acquired	(44,914)
Fair value of Banco de A. Edwards	106,600
Purchase price	
Market value of Banco de Chile shares issued	292,269
Direct costs of acquisition	1,175
Goodwill	186,844

(1) Core deposit intangibles resulting from the acquisition amounted to MCh$27,737 and are being amortized over the estimated run-off period by product of the acquired customer base at the date of purchase.
(2) Brand name intangibles resulting from the acquisition amounted to MCh$3,410 and are being amortized over 10 years.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	As of January 1, 2002
	MCh$
Cash and due from banks	122,655
Financial investments	181,224
Loans, net	1,050,999
Intangibles	31,147
Other	84,182
Total assets acquired	**1,470,207**
Deposits	833,606
Other interest bearing liabilities	457,347
Other liabilities	72,654
Total liabilities assumed	**1,363,607**
Net assets acquired	**106,600**

Of the MCh$ 31,147 of acquired intangible assets, MCh$27,737 was assigned to core deposits that is subject to amortization (using an estimated rate that the bank's customers are expected to leave the bank in future years, based on a historical analyses performed by the Bank), and MCh$3,410 has been assigned to a registered trademark that is being amortized over a 10 year useful life.

The Bank does not amortize goodwill related to the acquisition of Banco de A. Edwards, following the provisions of SFAS No. 142, as described in paragraph (d) 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, 2002)

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

(d) Amortization of Goodwill and Intangible Assets

The Bank adopted Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets", ("SFAS 142") as of January 1, 2002. SFAS 142 applies to all goodwill and identified intangible assets acquired in a business combination. Under the new standard, beginning January 1, 2002, all goodwill, including that acquired before initial application of the standard, and indefinite-lived intangible assets are not amortized, but must be tested for impairment at least annually. Under the transitional provisions of SFAS 142 goodwill generated in purchase transactions subsequent to June 30, 2001 were not amortized during the year ended December 31, 2001

The Bank has performed the impairment test of goodwill required by the standard, which did not result in any impairment. Under Chilean GAAP, the Bank does not present any goodwill as of December 31, 2002. Under U.S. GAAP, the carrying value of goodwill, net of accumulated amortization, related to the 1999 acquisitions of Leasing Andino, Banco de A. Edwards and the push-down of goodwill from Quiñenco, described in paragraphs (q), (c) and (b) to this note, respectively, were MCh$ 1,853, MCh$186,844 and MCh$ 357,925, respectively.

The table below presents the allocation of the total carrying value of goodwill by segments of the Bank:

Business Segments	MCh$
Large Corporate	205,047
Middle Market	116,802
Retail Banking	152,892
International Banking	38,625
Treasury	10,520
Subsidiaries	22,736
Total goodwill	**546,622**

The table below presents the reported net income and adjusted earnings per share amounts that would have been for the years ended December 31, 2000 and 2001 if amortization expense recognized in those periods related to goodwill is excluded:

	Years ended December 31,	
	2000	2001
	MCh$	MCh$
Reported net (loss) income	(94)	49,764
Add back: Goodwill amortization	5,484	12,333
Adjusted net (loss) income	**5,390**	**62,097**
Earnings per share, adjusted	**0.23**	**1.08**

(e) Loan Origination Commissions and Fees

Under Chilean GAAP, as from January 1, 2000, Banco de A. Edwards began recognizing loan origination and service fees and costs over the term of loans to which they relate, and the period that the services are performed. Banco de Chile began applying this accounting treatment during 2001 for loan origination and service fees and certain costs, and from January 1, 2002 for those related costs previously not considered. Prior to this accounting change, loan origination and service fees were recognized when collected and related direct costs when incurred.

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

(e) Loan Origination Commissions and Fees (continued)

Under Statement of Financial Accounting Standard 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. As of December 31, 2002, the accounting treatment applied under Chilean GAAP is considered similar to U.S. GAAP.

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 (t) below.

(f) Deferred Income taxes

Under Chilean GAAP, prior to 1999, the Merged 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 Merged 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 Merged 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 banks were 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 Statement of Financial Accounting Standard 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 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 (t) below.

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

(g) Investments in other companies

As shown in Note 9, certain long-term investments of less than 20% of the outstanding shares in other companies have been recorded using the equity method of accounting. 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 (t) and (u) below. For 2001, in those cases where each individual bank held less than 20% of an investment but on a combined basis the Merged Bank held more than 20%, such investments have been restated and retroactively accounted for under the equity method.

BANCO DE CHILE AND SUBSIDIARIES

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(Restated for general price-level changes and expressed in millions of constant Chilean pesos as of December 31, 2002)

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

(h) Repurchase agreements

The Bank enters into repurchase agreements as a source of finance. In this regard, under Chilean GAAP the Bank's investments that have been 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 paragraph (v) below, investments that collateralize such borrowings are shown as trading investments.

(i) Interest income recognition on non-accrual loans

The Bank suspends the accrual of interest on loans when it is determined to be a loss or when it becomes past due. Previously accrued but uncollected interest is not reversed at the time the loan ceases to accrue interest.

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

In addition, under Chilean GAAP, any payment received on past due loans is treated as income to the extent that accrued interest is due, but has not been recorded because the status of the loan, 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 non-accrual loans is not material to the Bank's financial position and results of its operations.

(j) 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 Merged Bank would have been lower by MCh$382,421 and MCh$381,767 as of December 31, 2001 and 2002, respectively. This reclassification is included in the Article 9 consolidated financial statements in paragraph (v) below.

(k) Allowance for loan losses

The determination of the allowance for loan losses and disclosure requirements 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, as described in Note 1 (j).

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, 2002)

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

(k) Allowance for loan losses (continued)

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. The Bank has estimated its required reserve under U.S. GAAP in the following manner:

- Allowances for commercial loans and leasing operations classified in loan risk category A or B, which were not considered impaired under Statement of Financial Accounting Standard 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 changes in loan classifications ("migration analysis").
- In addition, specific allowances were determined for loans on the following basis:
  - i) Commercial loans and leasing operations greater than MCh$84, 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 that were considered to be collateral dependent.
  - ii) Allowances for commercial loans and leasing operations which were under MCh$84 (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).
  - 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 estimation process the Bank computed its allowance for loan losses under U.S. GAAP, and compared this estimate with the reported allowance for the combined banks determined in accordance with the guidelines established by the Superintendency of Banks. The voluntary loan loss allowance for the combined banks, permitted under Chilean GAAP, was then deducted from the reserve requirements under U.S. GAAP to arrive at a cumulative U.S. GAAP adjustment, as follows:

	As of December 31,	
	2001	**2002**
	MCh$	**MCh$**
U.S. GAAP loan loss reserve	193,437	194,545
Less: Chilean GAAP loan loss allowance as required by the Superintendency of Banks	(193,834)	(195,437)
Chilean GAAP voluntary loan loss allowance	(38,913)	(20,557)
U.S. GAAP adjustment	**(39,310)**	**(21,449)**

The effects of adopting SFAS No. 114 are included in the reconciliation included in paragraph (s) 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, 2002)

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

(k) Allowance for loan losses (continued)

2) Recognition of income

As of December 31, 2000, 2001 and 2002 the recorded investment in loans for which impairment had been recognized in accordance with SFAS No.114 totaled MCh$162,694, MCh$399,033 and MCh$412,027, respectively, with a corresponding valuation allowance of MCh$49,679, MCh$136,690 and MCh$159,995, respectively. For the years ended December 31, 2000, 2001 and 2002 the average recorded investment in impaired loans was MCh$158,255, MCh$356,658 and MCh$393,861 respectively. For the year ended December 31, 2002, the Bank recognized interest on impaired loans of MCh$59,803, comparative information for the years ended December 31, 2000 and 2001 is not available. The Bank recognizes interest on impaired loans on an accrual basis, except for past due loans for which the Bank recognizes interest on a cash basis, as described in paragraph (i) above. As of December 31, 2001 and 2002, 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 added to the allowance when received; under Chilean GAAP such recoveries are recognized as other income.

The following presents an analysis under U.S. GAAP of the changes in the allowance for loan losses during the periods presented. As described above under U.S. GAAP all information presented as of and for the periods prior to March 27, 2001 has been recast to that of Banco de A. Edwards as a result of the merger of entities under common control.

	2000	2001	2002
	MCh$	MCh$	MCh$
Allowance for loan losses in accordance with U.S. GAAP, as of January 1,	80,647	84,734	193,437
Price-level restatement(1)	(3,605)	(5,137)	(6,435)
Incorporation of Banco de Chile, as of March 27, 2001.	—	99,225	—
Charge-offs	(32,206)	(52,347)	(110,962)
Loan loss recoveries	3,802	13,601	11,914
Allowances for loan losses established	50,405	61,675	131,074
Allowances for loan losses released	(14,309)	(8,314)	(24,483)
Balances as of December 31,	**84,734**	**193,437**	**194,545**

(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, 2002.

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 (3 months after past due 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.

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, 2002)

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

(l) Mortgage Finance Bonds Issued by the Bank

Until October 31, 2002, other financial investments include mortgage finance bonds issued by the Bank and held for future sale. Effective October 31, 2002 the Bank modified its accounting treatment of financial investments in mortgage finance bonds issued by the Bank in accordance with the instructions of the Superintendency of Banks, reducing from assets the amount recorded for mortgage finance bonds issued by the Bank, including a market value adjustment, and from liabilities, the respective mortgage finance bond obligation.

Under U.S. GAAP, this accounting treatment would have been always applied, therefore, other financial investments and the liability for mortgage finance bonds as of December 31, 2001 would have been lower by MCh$157,158. This reclassification is included in the Article 9 consolidated financial statements.

In addition, as under U.S. GAAP mortgage finance bonds are offset against the corresponding liability for periods before 2002, the market value adjustment applied under Chilean GAAP before the accounting change would not have been made under U.S. GAAP. The effects of this difference between Chilean and U.S. GAAP have been included in the reconciliation to U.S. GAAP in paragraph (t) below.

(m) 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 and with realized gains and losses included in other operating results.

Under U.S. GAAP, Statement of Financial Accounting Standard 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.

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".

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 (t) 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 included in the reconciliation of consolidated net income and shareholder's equity in paragraph (t) 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, 2002)

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

(m) Investment securities (continued)

(1) Under Chilean GAAP, the unrealized holdings gains (losses) related to investments classified as permanent have been included in Shareholders' 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 for 2000 and 2001, as discussed in paragraph (l) 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 (See note 28(v)), and have been prepared using amounts determined in accordance with U.S. 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, 2000, 2001 and 2002 are as follows:

	Years ended December 31,		
	2000	2001	2002
	MCh$	MCh$	MCh$
Proceeds on sale of investments resulting in gains	30,726	33,673	68,865
Realized gains	531	1,513	1,489
Proceeds on sale of investments resulting in losses	23,711	11,935	56,128
Realized losses	2	202	2,000

The carrying value and market value of securities available-for-sale as of December 31, 2001 and 2002 are as follows:

	Years ended December 31,							
	2001				2002			
Available-for-sale Instruments:	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	82,131	1,334	(6,434)	77,031	39,715	3,255	(628)	42,342
Foreign financial institutions debt securities	4,225	—	(2,602)	1,623	1,286	808	—	2,094
Latin American Brady Bonds	22,097	1,748	—	23,845	—	—	—	—
Government securities	19,454	108	(76)	19,486	—	—	—	—
Chilean Central Bank securities	12,352	1	—	12,353	—	—	—	—
Credit linked investments	—	—	—	—	68,929	—	—	68,929
Other marketable securities	5,189	—	(12)	5,177	—	—	—	—
Chilean financial institutions debt securities	256	—	—	256	—	—	—	—
Total	**145,704**	**3,191**	**(9,124)**	**139,771**	**109,930**	**4,063**	**(628)**	**113,365**

(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.

BANCO DE CHILE AND SUBSIDIARIES

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

(m) Investment securities (continued)

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

	As of December 31, 2002			
Available-for-sale Instruments:	**Within one year**	**After one year but within five years**	**After five years but within 10 years**	**Total**
	MCh$	**MCh$**	**MCh$**	**MCh$**
Foreign private sector debt securities	21,062	18,653	—	39,715
Foreign financial institutions debt securities	1,286	—	—	1,286
Credit linked investments	11,449	57,480	—	68,929
Amortized cost	**33,797**	**76,133**	**—**	**109,930**
Unrealized gains/(losses)	1,570	1,865	—	3,435
Estimated fair value	**35,367**	**77,998**	**—**	**113,365**

(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,					
	2001			2002		
Held-to-maturity Instruments:	**Amortized Cost**	**Unrealized Gains (Losses)**	**Estimated Fair Value**	**Amortized Cost**	**Unrealized Gains (Losses)**	**Estimated Fair Value**
	MCh$	**MCh$**	**MCh$**	**MCh$**	**MCh$**	**MCh$**
Foreign private sector debt securities	8,107	—	8,107	—	—	—
Foreign financial institutions debt securities	1,842	38	1,880	—	—	—
U.S. Government debt securities	37,026	72	37,098	39,060	5	39,065
Chilean Central Bank securities	408,917	(7,407)	401,510	274,462	5	274,467
Government securities	—	—	—	295	—	295
Total	**455,892**	**(7,297)**	**448,595**	**313,817**	**10**	**313,827**

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

	As of December 31, 2002			
Held-to-maturity Instruments:	**Within one year**	**After one year but within five years**	**After five years**	**Total**
	MCh$	**MCh$**	**MCh$**	**MCh$**
U.S. Government debt securities	39,060	—	—	39,060
Chilean Central Bank securities	271,754	2,708	—	274,462
Government securities	99	196	—	295
Total carrying value	**310,913**	**2,904**	**—**	**313,817**

Unrealized gains/(losses)	10	—	—	10
Estimated fair value	**310,923**	**2,904**	**—**	**313,827**

(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, 2000, 2001 and 2002, the Bank recognized in income unrealized holding gains of MCh$243, MCh$3,059 and MCh$10,750 respectively, on these securities.

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

(m) Investment securities (continued)

During the third quarter of 2002, the Bank determined that its Argentine available-for-sale securities had declines in value that were other than temporary recording a charge to net income of MCh$13,642 to record these securities at their market values at that date. Since that date, the market prices of some securities have improved; the resulting unrealized gains have been recorded in other comprehensive income.

(n) Derivatives

The Bank enters into derivative transactions for its own account and to meet customers' risk management needs. These transactions are mainly foreign exchange forward contracts, which are made in the most cases in US dollars against the Chilean peso or the UF and, from time to time, in other currencies but only when the Bank acts as an intermediary, in accordance with the requirements of the Central Bank that requires that foreign exchange forward contracts be made only in US dollars and other major foreign currencies. Other derivative transactions include primarily interest rate swaps (paid fixed-received floating) and rate lock. These are used for hedging purposes in order to manage, among other risks, U.S. interest rate risk related to the Yankee bonds of Chilean companies bought by the Bank.

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.

As explained in Note 1 (e), 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 or the U.F. 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. The losses recognized in income associated with these contracts for the years ended December 31, 2000, 2001 and 2002 were MCh$10,439, MCh$40,842 and MCh$24,329, respectively. The Bank's interest rate 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, except for interest rate and cross currency swaps designated as a hedge of the foreign investment portfolio, which are recorded at their estimated fair market values.

Beginning January 1, 2001, the Bank adopted Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by Statement of Financial Accounting Standard No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities—an amendment of FASB Statement No. 133" (collectively "SFAS 133"), which established comprehensive accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The Standard required 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.

BANCO DE CHILE AND SUBSIDIARIES

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

(n) Derivatives (continued)

Under U.S. GAAP, the Bank records its entire portfolio of swap agreements at their estimated fair value and forward contracts between the U.S. dollar and the Chilean peso or UF 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 strict documentation 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 and instruments 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 and credit linked instruments.

The effect of adopting the provisions of 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 differences in accounting for derivative instruments between Chilean and U.S. GAAP on the consolidated net income and shareholders’ equity of the Bank are included in paragraph (t) below.

(o) Mandatory dividend

As required by the Chilean 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$29,995 and MCh$15,791 as of December 31, 2001 and 2002, respectively, under U.S. GAAP. The effects of these adjustments on the shareholders’ equity of the Bank are included in paragraph (t) below.

BANCO DE CHILE AND SUBSIDIARIES

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

(p) 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, 2001, 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.

Under U.S. GAAP, assets received in lieu of payment are initially recorded at fair value less any estimated costs to sell at the date of foreclosure, 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 (t) below.

(q) Acquisition of Leasing Andino

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$13,776. Under Chilean GAAP, the Bank recorded goodwill in the amount of MCh$1,211 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, 2002.

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, prior to 2002, the Bank amortized the resulting goodwill over an estimated useful life of 10 years on a straight-line basis. Beginning January 1, 2002, the Bank ceases to amortize goodwill related to the acquisition of Leasing Andino, following the provisions of SFAS No. 142, as described in paragraph (d) above.

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 (s) below.

(r) 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 and the estimated average remaining service period. Under U.S. GAAP the corresponding liability is recorded using the shutdown method, consistent with the accounting criteria applied by its parent company, Quiñenco.

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

BANCO DE CHILE AND SUBSIDIARIES

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

(s) Merger expenses

Under Chilean GAAP, the Bank recorded certain expenses related to the merger with Banco de A. Edwards representing primarily severance costs and professional expenses. Under U.S. GAAP, such expenses would be deferred until the effective date of the merger. The effect of this difference has been presented in paragraph (t), below.

(t) 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,			
	2000	2001	2002	2002
	MCh$ Restated (See Note 28(a))	MCh$ Restated (See Note 28(a))	MCh$	ThUS$
Net income in accordance with Chilean GAAP	**87,034**	**89,577**	**52,635**	**73,886**
U.S. GAAP adjustments:				
Merger of entities under common control (Note 28 (a))	(83,662)	(13,948)	—	—
Push Down accounting (Note 28(b))				
Goodwill amortization (Note 28 (d))	(5,484)	(12,143)	—	—
Fair value of intangibles	(3,224)	(13,465)	(14,637)	(20,547)
Fair value of loans	3,131	883	(1,299)	(1,823)
Fair value of staff severance indemnities	—	426	4,259	5,979
Fair value of premises	—	(166)	(221)	(309)
Fair value of other	(1,502)	(194)	(57)	(80)
Equity participation in Banco de Chile	5,705	1,410	—	—
Acquisition of Banco Edwards (Note 28(c))				
Fair value of intangibles	—	—	(5,954)	(8,358)
Fair value of loans	—	—	11,327	15,901
Fair value of other interest bearing liabilities	—	—	12,382	17,381
Fair value of deposits	—	—	(27,561)	(38,689)
Fair value of premises	—	—	(9)	(13)
Fair value of other	—	—	236	331
Loan origination commissions and fees (Note 28 (e))	31	(656)	(1,016)	(1,426)
Investments in other companies (Note 28 (g))	91	27	(318)	(446)
Deferred income taxes (Note 28 (f))	(1,172)	(2,477)	(2,329)	(3,269)
Allowance for loan losses (Note 28 (k))	(2,378)	12,924	(17,861)	(25,072)
Mortgage finance bonds (Note 28 (l))	—	43	(1,771)	(2,486)
Derivatives (Note 28 (n))	(1,344)	(9,795)	8,564	12,022
Held-to-Maturity investments (Note 28 (m))	274	(5,137)	(7,302)	(10,250)
Assets received in lieu of payment (Note 28 (p))	2,133	510	(1,721)	(2,416)
Goodwill—Leasing Andino Acquisition (Note 28 (q))	—	(190)	—	—
Staff severance indemnities (Note 28 (r))	—	831	4,452	6,249
Merger expenses (Note 28 (s))	—	2,408	(1,233)	(1,731)
Deferred tax effect of the above U.S. GAAP adjustments (Note 28 (f))	273	(1,106)	6,388	8,968
Net income in accordance with U.S. GAAP before cumulative effect of change in accounting principles	**(94)**	**49,762**	**16,954**	**23,802**
Cumulative effect of change in accounting principles, net of taxes	—	2	—	—
Net income in accordance with U.S. GAAP	**(94)**	**49,764**	**16,954**	**23,802**
Other comprehensive income, net of tax (Note 28(x))	**126**	**28**	**9,341**	**13,112**
Unrealized holding gains (losses) on available-for-sale securities, net of tax	126	(1,695)	7,616	10,691
Adjustment for translation differences	—	1,723	1,725	2,421
Comprehensive income in accordance with U.S. GAAP	**32**	**49,792**	**26,295**	**36,914**

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, 2002)

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

(t) 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:

	Years ended December 31,		
	2001	2002	2002
	MCh$ Restated (See Note 28(a))	MCh$	ThUS$
Shareholders' Equity in accordance with Chilean GAAP	**410,217**	**618,230**	**867,837**
U.S. GAAP adjustments:			
Merger of entities under common control (Note 28 (a))	246,552	—	—
Push Down accounting (Note 28(b))			
Goodwill	376,513	376,513	528,528
Goodwill accumulated amortization (Note 28(d))	(18,588)	(18,588)	(26,093)
Fair value of intangibles	158,013	143,377	201,265
Fair value of loans	5,466	4,167	5,849
Fair value of staff severance indemnities	(4,259)	—	—
Fair value of premises	10,799	10,577	14,847
Fair value of other	232	175	246
Acquisition of Banco Edwards (Note 28 (c))			
Goodwill	—	186,844	262,281
Fair value of intangibles	—	25,193	35,364
Fair value of loans	—	(6,178)	(8,672)
Fair value of other interest bearing liabilities	—	(41,900)	(58,817)
Fair value of deposits	—	259	363
Fair value of premises	—	76	107
Fair value of other	—	(798)	(1,120)
Loan origination commissions and fees (Note 28 (e))	1,478	462	649
Investments in other companies (Note 28 (g))	719	401	563
Deferred income taxes (Note 28 (f))	3,132	803	1,127
Allowance for loan losses (Note 28 (k))	39,310	21,449	30,109
Mortgage finance bonds (Note 28 (l))	(127)	(1,898)	(2,664)
Derivatives (Note 28 (n))	(4,929)	3,635	5,103
Held-to-Maturity investments (Note 28 (m))	7,297	(10)	(14)
Assets received in lieu of payment (Note 28 (p))	2,330	609	853
Minimum Dividend (Note 28 (o))	(29,995)	(15,791)	(22,167)
Goodwill—Leasing Andino Acquisition (Note 28 (q))	1,853	1,853	2,601
Staff severance indemnities (Note 28 (r))	(8,299)	(3,847)	(5,400)
Merge expenses (Note 28(s))	2,408	—	—
Deferred tax effect of the above U.S. GAAP adjustments (Note 28 (f))	(34,480)	(25,653)	(36,008)
Shareholders' Equity in accordance with U.S. GAAP	**1,165,642**	**1,279,960**	**1,796,737**

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, 2002)

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

(t) Summary of Income Statement and Shareholders' Equity differences (continued)

The following summarizes the changes in shareholders' equity under U.S. GAAP during the years ended December 31, 2001 and 2002:

	Years ended December 31,		
	2001	2002	2002
	MCh$	MCh$	ThUS$
Balance as of January 1	411,477	1,165,642	1,636,264
Incorporation of Banco de Chile	378,159	—	—
Capital increase due to merger with Banco de A. Edwards	—	174,338	244,726
Dividends paid	(1,729)	(100,411)	(140,953)
Mandatory dividends, previous date	8,315	29,995	42,105
Mandatory dividends, closing date	(29,995)	(15,791)	(22,167)
Unrealized gains on Available-for-sale investments, net of taxes	(1,695)	7,616	10,691
Absorption of subsidiaries	—	(108)	(152)
Cumulative translation adjustment	1,723	1,725	2,421
Net income in accordance with U.S. GAAP	49,764	16,954	23,802
Push down of carrying values from common parent	349,623	—	—
Balance as of December 31	**1,165,642**	**1,279,960**	**1,796,737**

(u) 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 is determined by dividing combined net income by the weighted average number of total shares outstanding.

	Years Ended December 31,		
	2000	2001	2002
	Ch$	Ch$	Ch$
Chilean GAAP(1)			
Earnings per share	1.94	1.99	0.77
Weighted average number of total shares outstanding (in millions)	44,932.7	44,932.7	68,079.8
U.S. GAAP(1)			
Earnings per share before Cumulative effect of accounting change	(0.00)	0.86	0.25
Cumulative effect of accounting change per share	—	—	—
Earnings per share	(0.00)	0.86	0.25
Weighted average number of total shares outstanding (in millions)(2)	23,147.1	57,587.3	68,079.8

(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. There are no potentially dilutive effects on the earnings of Banco de Chile as it had not issued convertible debt or equity securities.

(2) Common shares outstanding are presented giving effect to the weighted average shares outstanding during the year for the Merged Bank, based on the exchange ratio of 3.135826295 shares of Banco de Chile for each outstanding share of Banco de A. Edwards, which had 7,381.41 million shares outstanding immediately prior to the merger.

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, 2002)

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

(v) 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 financial statements are presented in constant Chilean pesos of December 31, 2002 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, 2000, 2001 and 2002 disclose the Bank's U.S. GAAP income statements in a format that complies with the requirements of Article 9 of regulation S-X.

The principal reclassifications and adjustments 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 other income under Article 9.
5. Elimination of the cash clearing account from cash and due from banks.(1)
6. Presentation of forward contracts classified based on legal right to offset.
7. Reclassification of assets under lease from Other assets under Chilean GAAP to Bank premises and equipment under Article 9.
8. Inclusion of adjustments to U.S. GAAP described in Note 28(s).

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(1) In accordance with regulations issued by the Superintendency of Banks, Chilean banks include under the caption "Cash and due from banks" amounts related to checks from other banks that have been deposited in their clients' checking accounts that are pending settlement. As no cash is involved in the transaction, these amounts should not be recorded under U.S. GAAP until the cash is received, which normally occurs the following business day.

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, 2002)

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

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

The following income statements presented for the years ended December 31, 2000, 2001 and 2002 have been prepared in accordance with U.S. GAAP to disclose the Bank's consolidated income statement in accordance with the requirements of Article 9:

Income Statements

	Years ended December 31,		
	2000	2001	2002
	MCh$	MCh$	MCh$
INTEREST INCOME:			
Interest and fees on loans	291,681	605,657	597,423
Interest on investments	27,365	101,489	129,473
Interest on mortgage finance bonds	529	393	—
Interest on deposits with banks	792	4,951	3,920
Interest under agreements to resell	1,321	9,381	238
Total interest income	**321,688**	**721,871**	**731,054**
INTEREST EXPENSE:			
Interest on deposits	(124,805)	(233,493)	(150,751)
Interest on investments sold under agreements to purchase	(11,186)	(15,527)	(10,364)
Interest on short-term debt	(9,958)	(18,376)	(43,790)
Interest on long-term debt	(54,352)	(132,862)	(128,555)
Interest on other borrowed funds	(756)	(320)	—
Price-level restatement(1)	(7,415)	(10,075)	(9,596)
Total interest expense	**(208,472)**	**(410,653)**	**(343,056)**
Net interest income	**113,216**	**311,218**	**387,998**
PROVISION FOR LOAN LOSSES	(36,096)	(53,361)	(106,591)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**77,120**	**257,857**	**281,407**
OTHER INCOME:			
Fees and commissions	11,640	37,947	50,521
Brokerage and securities income net gain (losses) on trading activities	470	(9,473)	619
Net gains (losses) on foreign exchange	7,054	5,090	(30,917)
Other revenue	10,309	11,627	6,783
Total other income	**29,473**	**45,191**	**27,006**
OTHER EXPENSES:			
Salaries	(42,732)	(116,779)	(134,189)
Net premises and equipment expenses	(10,144)	(22,213)	(28,721)
Goodwill amortization	(5,484)	(12,333)	—
Administration expenses	(34,928)	(78,066)	(85,848)
Other expenses	(13,179)	(21,466)	(47,912)
Minority interest	(378)	(1)	(1)
Total other expenses	**(106,845)**	**(250,858)**	**(296,671)**
INCOME BEFORE INCOME TAXES	**(252)**	**52,190**	**11,742**

INCOME TAXES	**158**	**(2,428)**	**5,212**
NET INCOME	**(94)**	**49,762**	**16,954**
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES, NET OF TAXES	**—**	**2**	**—**
NET INCOME	**(94)**	**49,764**	**16,954**

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

(1) The price-level restatement includes the effect of inflation primarily resulting from the loss in purchasing power on interest earning assets and interest bearing liabilities due to inflation. 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.

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, 2002)

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

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

The following balance sheets presented as of December 31, 2001 and 2002 have been prepared in accordance with U.S. GAAP to disclose the Bank's consolidated balance sheets in accordance with the requirements of Article 9:

Balance Sheets

	As of December 31,	
	2001	**2002**
	MCh$	**MCh$**
ASSETS		
Cash and due from banks	339,940	273,443
Term Federal Funds	185,288	114,000
Interest bearing deposits in other banks	60,437	33,269
Investments under agreements to resell	51,463	32,177
Trading investments	1,079,073	1,006,937
Available-for-sale investments	139,771	113,365
Held-to-maturity investments	455,892	313,817
Subtotal	**2,311,864**	**1,887,008**
Loans	5,987,945	5,875,002
Unearned income	(80,078)	(69,796)
Reserve for loan losses	(193,437)	(194,545)
Loans, net	**5,714,430**	**5,610,661**
Premises and equipment, net	168,180	173,727
Goodwill	359,778	546,622
Other assets	353,782	381,876
TOTAL ASSETS	**8,908,034**	**8,599,894**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	1,056,584	1,252,510
Interest bearing	4,108,037	3,497,192
Total deposits	**5,164,621**	**4,749,702**
Short-term borrowings	194,988	259,845
Investments sold under agreements to repurchase	255,275	276,675
Other liabilities	263,908	244,001
Long-term debt	1,863,597	1,789,708
TOTAL LIABILITIES	**7,742,389**	**7,319,931**
Minority interest	3	3
Shareholder's equity:		
Common stock	477,727	477,727
Other Shareholders' equity	687,915	802,233
TOTAL SHAREHOLDERS' EQUITY	**1,165,642**	**1,279,960**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**8,908,034**	**8,599,894**

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, 2002)

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

(v) 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,	
	2001	2002
	MCh$	MCh$
Total assets of merged Bank under Chilean GAAP	9,244,337	8,596,031
Elimination of assets offset by liabilities:		
Reclassification of forward contracts	22,926	21,216
Contingent loans	(382,305)	(381,767)
Cash clearing account	(402,647)	(388,305)
Repurchased mortgage finance bonds issued by the Bank	(157,158)	—
U.S. GAAP adjustments, net	582,881	752,719
Total assets as per Article 9 presentation	**8,908,034**	**8,599,894**

(w) 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,		
	2000	2001	2002
	MCh$	MCh$	MCh$
Benefit for the period under Chilean GAAP	1,057	1,155	1,153
U.S. GAAP Adjustments:			
Deferred tax effect of applying SFAS No. 109	(1,172)	(2,477)	(2,329)
Deferred tax effect of U.S. GAAP adjustments	273	(1,106)	6,388
Benefit (Charge) for the period under U.S. GAAP	**158**	**(2,428)**	**5,212**

BANCO DE CHILE AND SUBSIDIARIES

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

(w) Income taxes (continued)

Deferred tax assets (liabilities) are summarized as follows:

	As of December 31,	
	2001	2002
	MCh$	MCh$
Deferred Tax Assets:		
Leasing equipment	3,246	5,198
Obligations with repurchase agreement	7,240	25,393
Global allowance for loan losses	14,346	18,087
Voluntary loan loss allowance	5,837	3,392
Charge-offs from financial investment	—	2,312
Accrued interests and readjustments from risky loan portfolio	1,918	1,595
Staff vacations	1,192	1,321
Accruals interest and readjustments from past due loans	254	1,060
Personnel provisions	265	908
Assets at market value	353	1,097
Staff severance indemnities	1,986	1,324
Other adjustments	4,150	8,404
Deferred income taxes related to purchase accounting of Banco de A. Edwards	—	4,005
Total Deferred Tax Assets	**40,787**	**74,096**
Deferred Tax Liabilities:		
Investments with repurchase agreement	7,250	24,548
Depreciation and price-level restatement of bank premises and equipment	3,779	4,031
Transitory assets	3,113	1,346
Deferred income taxes related to push down accounting adjustments	28,560	26,980
Other adjustments	1,751	1,993
Total Deferred Tax Liabilities	**44,453**	**58,898**
NET DEFERRED TAX ASSETS (LIABILITIES)	**(3,666)**	**15,198**

BANCO DE CHILE AND SUBSIDIARIES

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

(w) Income taxes (continued)

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,		
	2000	2001	2002
	MCh$	MCh$	MCh$
Chilean taxes due at the applicable statutory rate(1)	121	8,002	2,063
Increase (decrease) in rates resulting from:			
Non-deductible expenses	137	3,096	2,067
Non-taxable income	—	(6,009)	(3,525)
Effect on tax and financial equity restatement(2)	(297)	(930)	(1,192)
Effect of income tax rate change on net deferred tax assets	—	—	(2,070)
Income tax recovery	—	(1,063)	—
Other	(119)	(668)	(2,555)
At effective tax rate	**(158)**	**2,428**	**(5,212)**

(1) The Chilean statutory first category (corporate) income tax rate was 15% for 2000 and 2001, and 16% for 2002. Enacted income tax rates are scheduled to be 16.5% and 17%, for the taxation years ended December 31, 2003, 2004 and thereafter, respectively.

(2) This item corresponds to the difference in the basis used for the price-level restatement calculation of shareholder's equity for financial and tax purposes.

(x) 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, 2000, 2001 and 2002:

	Year ended December 31, 2002		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	MCh$	MCh$	MCh$
Beginning balance	(2,179)	355	(1,824)
Price-level restatement(1)	63	(10)	53
Unrealized gains on securities available for sale:			
Unrealized gains arising during the period	9,577	(1,532)	8,045
Less: reclassification adjustment for gains included in income	(511)	82	(429)
Net unrealized gains	9,066	(1,450)	7,616
Adjustment for translation differences	2,054	(329)	1,725
Ending balance	9,004	(1,434)	7,570

BANCO DE CHILE AND SUBSIDIARIES

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

(x) Comprehensive Income (continued)

	Year ended December 31, 2001		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	MCh$	MCh$	MCh$
Beginning balance	194	(30)	164
Incorporation of Banco de Chile as of March 2001	(2,432)	365	(2,067)
Price-level restatement(1)	61	(10)	51
Unrealized losses on securities available for sale:			
Unrealized losses arising during the period	(3,344)	535	(2,809)
Less: reclassification adjustment for losses included in net income	1,311	(197)	1,114
Net unrealized losses	(2,033)	338	(1,695)
Adjustment for translation differences	2,031	(308)	1,723
Ending balance	(2,179)	355	(1,824)

	Year ended December 31, 2000		
	Before-tax amount	Tax (expense) or benefit	Net-of-tax amount
	MCh$	MCh$	MCh$
Beginning balance	48	(8)	40
Price-level restatement(1)	(2)	—	(2)
Unrealized losses on securities available for sale:			
Unrealized losses arising during the period	(381)	57	(324)
Less: reclassification adjustment for losses included in net income	529	(79)	450
Net unrealized losses	148	(22)	126
Adjustment for translation differences	—	—	—
Ending balance	194	(30)	164

(1) Reflects the effect of inflation on the comprehensive income at the beginning of each period, adjusted to constant pesos of December 31, 2002.

(y) Segment information

The Bank presents information in accordance with Statement of Financial Accounting Standard 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.

The Bank has strategically aligned its operations into six major segments of business based on its market segmentation and the needs of its clients and trading partners. The Bank manages and measures the performance of its operations through these business segments using an internal profitability reporting system. The internally reported segments are as follows:

BANCO DE CHILE AND SUBSIDIARIES

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

(y) Segment information (continued)

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.

International Banking,

The International Banking segment includes services offered principally 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 is responsible for the management of the Bank's assets and liabilities and also 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 and investment fund management, financial advisory services, factoring, insurance brokerage, securitization, collection and sales services.

The financial information used to measures the performance of the Bank's business segments is not necessarily comparable with similar information from other financial institutions and is based on internal reporting policies. The accounting policies are the same as those applied under Chilean GAAP, described in Note 1, except as noted below:

- The net interest margin of loans and deposits is measured on an individual transaction and client basis, based on the difference between the effective customer rate and the related Bank's fund transfer price in terms of maturity, re-pricing and currency;
- The matching of interest rates and the insurance of adequate hedging activities are performed within Treasury Operations. The results associated to the gap management has been allocated among different segments in accordance to the amount of interest earning assets in each segment;
- The internal performance profitability system considers capital allocation in each segment in accordance to Basle guidelines.
- Provisions for loan losses in each segment are measured on a client basis.

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, 2002)

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

(y) Segment information (continued)

- In terms of costs, the Bank's management model used considers the allocation of costs that are directly related and not the overhead expenses of corporate and support departments, voluntary allowances, taxes and certain other non-operating income and expenses;
- Certain operating costs are allocated to each segment based on the type and amount of transactions. In addition, the Bank allocates theoretical rental costs to each property-owned branch based on market rental values so that the results of these branches are comparable to rental-property branches.

The following tables show the results of the Bank by operating segments for the three years ended December 31, 2002:

Year ended December 31, 2002(1)

	Large Corporate	Middle Market	Retail Banking	International Banking	Treasury	Subsidiaries	Other (2)	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Operating Revenues	90,662	109,911	153,881	2,589	25,135	42,112	(33)	424,257
Provisions	(47,200)	(30,408)	(37,469)	(318)	(227)	(1,613)	16,591	(100,644)
Operating Expenses	(15,164)	(37,458)	(72,050)	(8,968)	(1,493)	(24,106)	(98,000)	(257,239)
Other income and expenses	(9,374)	(3,260)	1,978	(201)	(361)	(2,896)	(778)	(14,892)
Net income before taxes	18,924	38,785	46,340	(6,898)	23,054	13,497	(82,220)	51,482

Year ended December 31, 2001(1)

	Large Corporate	Middle Market	Retail Banking	International Banking	Treasury	Subsidiaries	Other (2)	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Operating Revenues	61,371	85,360	93,406	18,381	17,079	26,116	(21,465)	280,248
Provisions	(29,125)	(4,825)	(16,159)	381	(1,092)	(59)	3,615	(47,264)
Operating Expenses	(12,941)	(32,820)	(51,864)	(7,998)	(4,086)	(9,944)	(30,962)	(150,615)
Other income and expenses	(1,561)	(1,360)	2,949	105	(299)	(6,120)	12,108	5,822
Net income before taxes	17,744	46,355	28,332	10,869	11,602	9,993	(36,704)	88,191

Year ended December 31, 2000(1)

	Large Corporate	Middle Market	Retail Banking	International Banking	Treasury	Subsidiaries	Other (2)	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Operating Revenues	63,240	97,535	89,840	19,525	12,151	4,188	(10,240)	276,239
Provisions	(5,825)	(10,676)	(14,275)	(215)	(392)	(399)	(8,886)	(40,668)
Operating Expenses	(13,326)	(36,974)	(51,416)	(8,281)	(3,593)	(8,821)	(25,542)	(147,953)
Other income and expenses	(4,337)	(1,814)	1,764	(30)	(453)	11,746	(5,869)	1,007
Net income before taxes	39,752	48,071	25,913	10,999	7,713	6,714	(50,537)	88,625

(1) Segment information disclosed above is based on internal reporting policies and does not conform to Chilean or U.S. GAAP.
(2) "Other" includes the effect of conforming management accounting policies to accounting principles generally accepted in Chile and a number of non-allocated costs, such as corporate overhead expenses, voluntary provisions and depreciation costs. Also included within other are amounts of miscellaneous income or expenses that are not earned or incurred 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, 2002)

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

(y) Segment information (continued)

Information about geographic areas.

The financial information presented below has been classified considering the country in which the related transactions were 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:

	As of December 31,		
	2000	2001	2002
	MCh$	MCh$	MCh$
Total Interest Revenues			
Republic of Chile	535,749	489,998	668,304
U.S.A.	48,106	41,022	21,409
Total Net Income			
Republic of Chile	72,830	79,724	58,175
U.S.A.	14,204	9,853	(5,540)
Mortgage Loans			
Republic of Chile	795,575	832,181	1,187,271
U.S.A.	—	—	—
Commercial Loans			
Republic of Chile	1,533,632	1,548,588	2,401,988
U.S.A.	155,721	118,932	115,331
Income Taxes			
Republic of Chile	(1,583)	1,195	976
U.S.A.	(8)	191	177
Bank Premises and equipment			
Republic of Chile	85,522	86,058	137,784
U.S.A.	1,219	1,601	1,559
Total Assets			
Republic of Chile	5,307,754	5,617,008	7,992,073
U.S.A.	671,192	653,069	603,958

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, 2002)

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

(z) 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 fixed-rates and 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 fixed rates and 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.
- The estimated fair value of foreign exchange forward contracts was determined using quoted market prices of financial instruments with similar characteristics.
- The fair value of interest rate swaps represents the estimated amount the Bank would expect to receive or pay to terminate the contracts or agreements, taking into account current interest rates. As no quoted market prices are available for the interest rate swap and forward rate instruments held by the Bank, such estimates have been estimated using modeling and other valuation techniques.

BANCO DE CHILE AND SUBSIDIARIES

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

(z) 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,			
	2001		2002	
	Carrying Amount	Estimated fair value	Carrying Amount	Estimated fair value
	MCh$	MCh$	MCh$	MCh$
ASSETS				
Cash and due from banks	339,940	339,940	273,443	273,443
Interest bearing deposits in other banks	60,437	60,437	33,269	33,269
Term federal funds	185,288	185,288	114,000	114,000
Accounts receivable under spot foreign exchange transactions(1)	22,606	22,606	29,950	29,950
Financial investments	1,726,199	1,718,902	1,466,296	1,466,306
Loans, net(2)	5,714,430	5,751,915	5,610,661	5,735,765
LIABILITIES				
Deposits	5,164,621	5,054,706	4,749,702	4,751,351
Accounts payable under spot foreign exchange transactions(1)	66,108	66,108	28,200	28,200
Investments under agreements to repurchase	255,275	255,275	276,675	276,675
Short term and long term borrowings	2,058,585	2,196,798	2,049,553	2,124,014
Derivative instruments	3,809	3,809	4,846	4,846

(1) Included under the captions Other assets and Other liabilities.
(2) 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.

(aa) Price-level restatement

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, 2002.

	Year ended December 31,		
	2000	2001	2002
	MCh$	MCh$	MCh$
Shareholders' equity	(10,493)	(16,364)	(15,787)
Bank premises and equipment	2,498	4,474	4,529
Investment in other companies	66	581	1,002
Other, net	514	1,234	660
Net loss from price-level restatement	**(7,415)**	**(10,075)**	**(9,596)**

BANCO DE CHILE AND SUBSIDIARIES

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

(ab) Leasing contracts

The Bank's scheduled cash flows to be received from leasing contracts have the following maturities as of December 31, 2002:

Maturity	As of December 31, 2002 Net lease Receivable
	MCh$
Due within one year	76,962
Due after 1 year but within 2 years	42,378
Due after 2 years but within 3 years	30,729
Due after 3 years but within 4 years	19,967
Due after 4 years but within 5 years	16,809
Due after 5 years	62,248
Total leasing contracts	**249,093**

Leased assets consist principally of real estate, industrial machinery, vehicle, and computer equipment. The allowance for uncollectible lease receivable was MCh$10,611 as of December 31, 2002 (MCh$12,535 as of December 31, 2001), which forms part of the allowance for loan losses.

(ac) 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, 2002.

	As of December 31, 2002
	MCh$
Due within 1 year	4,637
Due after 1 year but within 2 years	4,177
Due after 2 years but within 3 years	3,353
Due after 3 years but within 4 years	2,540
Due after 4 years but within 5 years	1,723
Due after 5 years	4,327
Total obligations arising from lease commitments	**20,757**

The rental expense on premises was MCh$6,352, MCh$6,589 and MCh$6,556 for the years ended December 31, 2000, 2001 and 2002, respectively, and is included in the Consolidated Statements of Income under "Administrative and other expenses".

BANCO DE CHILE AND SUBSIDIARIES

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

(ad) Investments in other companies

As of December 31, 2000, 2001 and 2002, 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,					
	2000	2001		2002		
	Income (Loss)	Investment	Income (Loss)	Investment	Income (Loss)	Ownership Interest 2002
	MCh$	MCh$	MCh$	MCh$	MCh$	%
Artikos S.A.	—	666	(98)	(68)	(1,244)	50.00
Servipag Ltda.	—	666	83	716	50	50.00
Redbanc S.A.	—	919	162	872	151	25.42
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	—	832	(414)	874	48	25.81
Centro de Compensación Automatizado S.A. (CCA S.A.)	—	140	34	152	12	33.33
Empresa de Tarjetas Inteligentes S.A.	—	146	(44)	155	(144)	26.67
Equity participation in Banco de Chile	5,705	—	1,410	—	—	
Total investments in other companies accounted for under the equity method	5,705	3,369	1,133	2,701	(1,127)	
Other investments carried at cost	95	2,712	278	2,477	(161)	
Total investments in other companies	**5,800**	**6,081**	**1,411**	**5,178**	**(1,288)**	

(ae) Bank premises and equipment, net

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

	As of December 31,	
	2001	2002
	MCh$	MCh$
Land and buildings	116,365	110,146
Furniture and fixtures	22,258	19,454
Machinery and equipment	20,165	17,738
Vehicles	489	530
Assets under lease	7,727	23,531
Others	1,176	2,328
Bank premises and equipment, net	**168,180**	**173,727**

In accordance with rules of the Superintendency of Banks, bank premises and equipment are presented net of accumulated depreciation. As a result no information is available for either accumulated depreciation or total bank premises and equipment.

BANCO DE CHILE AND SUBSIDIARIES

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

(af) Other assets and other liabilities

(1) Other assets

	As of December 31,	
	2001	2002
	MCh$	MCh$
Intangibles	158,013	168,570
Deferred income tax assets	40,787	74,096
Amounts receivable under spot foreign exchange transaction	22,606	29,950
Derivative instruments	32,910	24,851
Assets received in lieu of payment	36,171	19,605
Dividends receivable	—	6,474
Transactions in process	10,576	19,136
Investments in other companies	6,081	5,178
Deferred loan origination and service costs	4,399	3,675
Accounts receivable for assets received in lieu of payment sold	5,324	3,432
Accounts receivable for financial investments	21	3,339
Deferred software cost	4,806	3,148
Recoverable taxes	1,709	2,763
VAT fiscal credit	1,159	1,284
Brokerage operations	1,946	1,254
Materials and supplies	1,096	956
Prepaid advertising expenses	999	863
Other deferred expenses	3,988	643
Other	21,191	12,659
Total other assets	**353,782**	**381,876**

(2) Other liabilities

	As of December 31,	
	2001	2002
	MCh$	MCh$
Accounts payable	16,859	35,533
Deferred income tax liabilities	44,453	58,898
Derivative instruments	36,719	29,697
Amounts payable under spot foreign exchange transaction	66,108	28,200
Documents in transit	27,230	22,537
Provision for minimum dividend	29,995	15,791
Accrued severance staff indemnities	12,749	11,495
Accrued staff vacation expense	8,134	8,611
Deferred loan origination and service fees	5,643	6,381
Transactions in process	2,373	2,710
Administration and credit card contract provision	1,488	2,213
VAT fiscal debit	1,896	2,171
Legal contingencies provision	127	1,088
Other	10,134	18,676
Total other liabilities	**263,908**	**244,001**

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, 2002)

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

(af) Other assets and other liabilities, (continued)

(3) Contingent Liabilities

Contingent liabilities consist of open and unused letters of credit, together with guarantees granted 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.

(ag) 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, 2001			As of December 31, 2002		
	Long-term	Short-term	Total	Long-term	Short-term	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Central Bank Credit lines for renegotiation of loans	4,521	—	4,521	3,763	—	3,763
Other Central Bank borrowings	—	74,754	74,754	—	—	—
Mortgage finance bonds	1,238,185	—	1,238,185	1,125,941	—	1,125,941
Bonds	8,171	—	8,171	4,593	—	4,593
Subordinated bonds	271,528	—	271,528	277,654	—	277,654
Borrowings from domestic financial institutions	11	46,247	46,258	126	50,362	50,488
Foreign borrowings	288,491	47,625	336,116	331,770	178,574	510,344
Investments under agreements to repurchase	—	255,275	255,275	—	276,675	276,675
Other obligations	52,690	26,362	79,052	45,861	30,909	76,770
Total other interest bearing liabilities	**1,863,597**	**450,263**	**2,313,860**	**1,789,708**	**536,520**	**2,326,228**

(1) Central Bank borrowings

Central Bank borrowings include credit lines for the renegotiation of loans and other Central Bank borrowings. Credit lines were provided by the Central Bank for the renegotiation of mortgage loans due to the need to refinance debts as a result of the economic recession and crisis of the Chilean banking system from 1982 to 1985. The lines for the renegotiations of mortgage loans are linked to the UF index and carry a real annual interest rate of 3.0%. The maturities of the outstanding amounts are as follows:

	As of December 31, 2002
	MCh$
Due within 1 year	3,763
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 (Credit lines for renegotiation of loans)	**3,763**
Total short-term (Other Central Bank borrowings)	**—**
Total Central Bank borrowings	**3,763**

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, 2002)

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

(ag) Other Interest Bearing Liabilities (continued)

(2) 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 6.7% as of December 31, 2002.

The maturities of outstanding mortgage bond amounts as of December 31, 2002 are as follows:

	As of December 31, 2002
	MCh$
Due within 1 year	124,031
Due after 1 year but within 2 years	109,062
Due after 2 years but within 3 years	109,282
Due after 3 years but within 4 years	108,468
Due after 4 years but within 5 years	104,913
Due after 5 years	570,185
Total mortgage finance bonds	**1,125,941**

(3) Bonds

The maturities of outstanding bonds amounts as of December 31, 2002 are as follows:

	As of December 31, 2002
	MCh$
Due within 1 year	1,563
Due after 1 year but within 2 years	844
Due after 2 years but within 3 years	844
Due after 3 years but within 4 years	844
Due after 4 years but within 5 years	498
Due after 5 years	—
Total bonds	**4,593**

Bonds are linked to the UF Index and carried an average real annual interest rate of 6.8% as of December 31, 2002, with interest and principal payments due semi-annually. The bonds were originally intended to finance loans that had a maturity of greater than one year.

(4) Subordinated bonds

In 2001 the Bank issued Bonds totaling UF 1,580,000 ("known as 6.5% Bonds") at a discount of UF 98,670. The 6.5% Bonds are linked to the UF index with interest and principal payments due semi-annually. The discount on the issuance of the "6.5% Bonds" is amortized over the life of the bond. As of December 31, 2002, the effective real interest rate is 7.0%, taking into consideration the discount on issuance.

BANCO DE CHILE AND SUBSIDIARIES

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

(ag) Other Interest Bearing Liabilities (continued)

(4) Subordinated bonds (continued)

The 6.5% Bonds are intended for the financing of loans having a maturity of greater than one year. As of December 31, 2002 the outstanding maturities of these bonds, which are considered long-term, are as follows:

	As of December 31, 2002
	MCh$
Due within 1 year	16,039
Due after 1 year but within 2 years	11,098
Due after 2 years but within 3 years	12,241
Due after 3 years but within 4 years	13,329
Due after 4 years but within 5 years	14,937
Due after 5 years	210,010
Total subordinated bonds	**277,654**

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.

(5) Borrowings from domestic financial institutions

Borrowings from domestic financial institutions are used to fund the Bank's general activities, carry a weighted average annual real interest rate of 2.38% and have the following outstanding maturities as of December 31, 2002.

	As of December 31, 2002
	MCh$
Due within 1 year	126
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	**126**
Total short-term	**50,362**
Total borrowings from domestic financial institutions	**50,488**

BANCO DE CHILE AND SUBSIDIARIES

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(Restated for general price—level changes and expressed in millions of constant Chilean pesos as of December 31, 2002)

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

(ag) Other Interest Bearing Liabilities (continued)

(6) Foreign borrowings

The Bank has short-term and long-term borrowings from foreign banks. The outstanding maturities of these borrowings as of December 31, 2002 are as follows:

	As of December 31, 2002
	MCh$
Due within 1 year	273,579
Due after 1 year but within 2 years	52,596
Due after 2 years but within 3 years	5,469
Due after 3 years but within 4 years	126
Due after 4 years but within 5 years	—
Due after 5 years	—
Total long-term	**331,770**
Total short-term	**178,574**
Total foreign borrowings	**510,344**

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 4.73% as of December 31, 2002.

(7) Other obligations

	As of December 31,	
	2001	2002
	MCh$	MCh$
Other long-term obligations:		
Payable accounts	1,057	874
Obligations with Chilean government	51,633	44,987
Total other long-term obligations	**52,690**	**45,861**
Other short-term obligations	26,362	30,909
Total other obligations	**79,052**	**76,770**

As of December 31, 2002, other obligations had the following maturities:

	As of December 31, 2002
	MCh$
Due within 1 year	11,572
Due after 1 year but within 2 years	9,234
Due after 2 years but within 3 years	6,529
Due after 3 years but within 4 years	5,618
Due after 4 years but within 5 years	4,302
Due after 5 years	8,606

Total long-term	**45,861**
Total short-term	**30,909**
Total other obligations	**76,770**

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, 2002)

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

(ah) Commitments and contingencies

In the ordinary course of business, the Bank acts as defendant or co-defendant in various litigation matters. Although there can be no assurances, the Bank believes, based on information currently available, that the ultimate resolution of these legal proceedings would not be likely to have a material adverse effect on its results of operations, financial condition, or liquidity.

The Bank is party to transactions with off-balance sheet risk in the normal course of its business, which 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, such 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$934,946 and MCh$428,589 and the amounts of subscribed leasing contracts are MCh$11,011 and MCh$41,433 as of December 31, 2001 and 2002, respectively.

(ai) Shareholders' Equity

The Bank's paid-in capital consists of 68,079,783,605 authorized shares of no fixed nominal value, issued and outstanding as of December 31, 2002. Dividends related to the year ended December 31, 2001 were paid-out based on the legal entities in existence as of the year end.

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

Dividends were declared and paid to the respective shareholders of each of the merging banks based on prior year net income determined under Chilean GAAP for the years ended December 31, 2000, 2001 and 2002 (presented in constant Chilean pesos as of December 31, 2002) are as follows:

	Paid during the year ended December 31,		
	2000	2001	2002
	MCh$	MCh$	MCh$
Dividends relating to Banco de Chile	n/a	n/a	89,925
Dividends per share relating to Banco de Chile	n/a	n/a	2.00
Dividends relating to Banco de A. Edwards(1)(2)	—	1,685	10,442
Dividends per share relating to Banco de A. Edwards	0.00	0.07	0.45

(1) On January 1, 2002 Banco de A. Edwards merged with Banco de Chile
(2) Dividends per share of Banco de A. Edwards are calculated with common shares outstanding during the year, based on the exchange ratio of 3.135826295 shares of Banco de Chile for each outstanding share of Banco Edwards, which had 7,381.41 million shares and outstanding shares immediately prior to the merger.

(aj) 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 Chilean pesos as of December 31, 2002)

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

(aj) Transactions with Related Parties (continued)

(1) Loans granted to related parties

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

	As of December 31,					
	2000		2001		2002	
	Loans	Collateral Pledged	Loans	Collateral Pledged	Loans	Collateral Pledged
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Operating companies	35,041	13,617	80,571	26,227	96,424	23,019
Investment companies	505	444	4,749	476	6,944	2,208
Individuals(1)	1,007	692	4,090	1,183	1,754	1,373
Total	**36,553**	**14,753**	**89,410**	**27,886**	**105,122**	**26,600**

(1) Includes only debt obligations that are equal to or greater than UF 3,000, equivalent to approximately MCh$50 as of December 31, 2002.

The activity in the balances of loans to related parties are as follows:

	As of December 31,		
	2000	2001	2002
	MCh$	MCh$	MCh$
Balance as of January 1	31,275	36,553	89,410
Incorporation of Banco de Chile as of March 31, 2001	—	81,533	—
New loans	15,684	118,033	74,508
Repayments	(8,104)	(143,596)	(56,191)
Price-level restatement(1)	(2,302)	(3,113)	(2,605)
Balance as of December 31	**36,553**	**89,410**	**105,122**

(1) Reflects the effect of restatement of beginning balances to constant pesos of December 31, 2002.

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, 2002)

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

(aj) Transactions with Related Parties (continued)

(2) Other transactions with related parties.

During the years ended December 31, 2000, 2001 and 2002, 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 approximately MCh$84 as of December 31, 2002.

	Years ended December 31,					
	2000		2001		2002	
	Expense	Revenue	Expense	Revenue	Expense	Revenue
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Transbank S.A.	1,846	—	3,246	—	3,384	—
Empresa Nacional de Telecomunicaciones S.A.	222	—	1,758	—	2,617	—
Redbanc S.A.	1,766	—	2,749	—	2,217	—
Operadora de Tarjetas de Crédito Nexus S.A.	811	—	1,746	—	1,592	—
Sociedad y Promoción y Eventos Mundo Edwards S.A	—	—	1,082	—	414	—
Corporación. Cultural de la Ilustre Municipalidad de Santiago	—	—	—	—	350	—
Entel PCS Telecomunicaciones S.A.	—	—	—	—	333	—
Depósito Central de Valores S.A	—	—	—	—	192	—
Banedwards Cía de Seguros de Vida S.A.	—	—	—	—	156	—
Empresa de Servicios Especializados S.A	285	—	933	—	155	—
Hoteles Carrera S.A.	—	—	95	—	150	—
Entel Telefonía Local S.A.	—	—	153	—	113	—
Telefónica del Sur Carrier S.A.	—	—	—	—	101	—
Compañía Nacional de Teléfonos Telefónica del Sur S.A.	—	—	—	—	100	—
Empresa de Tarjetas Inteligentes S.A	22	—	85	—	91	—
Editorial Trineo S.A	92	—	138	—	23	—
Promarket S.A	212	—	180	—	—	—
Baned Servicios Legales Ltda.	588	—	544	—	—	—
Baned Servicios Especializados Ltda.	269	—	1,423	—	—	—
Línea Aérea Nacional Chile S.A.	—	—	—	104	—	103
Subtotal	**6,113**	**—**	**14,132**	**104**	**11,988**	**103**
Transactions between 1,000 and 5,000 UF:						
Services expenses	—	—	177	—	330	—
Telephone expenses	—	—	61	—	33	—
Other services and rentals	876	22	392	23	—	—
Rental income	—	—	—	(15)	—	—
Subtotal	**876**	**22**	**630**	**8**	**363**	**—**
Total	**6,989**	**22**	**14,762**	**112**	**12,351**	**103**

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 Chilean pesos as of December 31, 2002)

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

(ak) Fees and income from services

The Bank's fees and income from services and non-operating income and expenses for the years ended December 31, 2000, 2001 and 2002 are summarized as follows:

	Years ended December 31,					
	2000		2001		2002	
	Income	Expenses	Income	Expenses	Income	Expenses
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Fees and income from services						
Mutual funds and stock brokerage	4,997	181	13,576	876	16,180	1,755
Collection services	1,006	—	2,933	—	8,919	—
Credit lines	2,562	—	5,587	—	7,544	—
Collection and payment of services	740	—	5,570	2,083	5,868	2,738
Contingent fees	1,343	—	4,718	—	3,245	—
Income and expense from goods received in lieu of payment	90	547	598	2,021	2,932	1,713
Insurance brokerage	2,047	—	3,941	596	2,750	712
Financial services	598	—	1,731	3	1,910	19
Foreign trade services	712	—	1,959	—	1,749	—
Letters of credit guarantees, collaterals and other contingent loans	214	—	1,167	—	1,725	—
Bancuenta Credichile Administration	68	—	1,062	—	1,716	—
Leasing collection	—	—	404	666	1,668	479
Custody and trust services	82	—	632	—	589	—
Fees from sales force	—	1,937	—	2,829	—	5,014
Other	1,051	1,205	4,961	1,818	7,552	1,396
Total	**15,510**	**3,870**	**48,839**	**10,892**	**64,347**	**13,826**

(al) Non-operating income and expense

	Years ended December 31,					
	2000		2001		2002	
	Income	Expenses	Income	Expenses	Income	Expenses
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Non-operating income and expenses						
Rental income	232	—	2,424	—	2,686	—
Recoveries of expenses	—	—	620	—	967	—
Gains on sales of assets received in lieu of payment	595	—	4,323	—	902	—
Income from correspondent banks	160	—	1,003	—	578	—
Income from sale of fixed assets	101	—	199	—	519	—
Securities in companies and shares	—	—	84	—	295	—
Miscellaneous gains on exchange	—	—	134	—	233	—
Overestimated provision	—	—	(12)	—	142	—
Amortization of intangibles	—	3,224	—	13,465	—	20,590
Charge-offs and provision of assets received in lieu of payment	—	7,116	—	4,258	—	8,290
Charge-offs and provision related to fixed assets due to the merger	—	—	—	61	—	4,348
Administration and credit card contracts	—	—	—	1,626	—	3,042
Charge-offs of transaction in process related to the merger	—	—	—	—	—	2,016
Asset received in lieu of payment	2,133	—	510	—	—	1,722

Charge-offs	—	271	—	310	—	1,302
Legal contingencies provision	70	—	—	127	—	962
Delivery services of bank products	—	—	—	432	—	638
Indemnity for termination of rental contracts	—	—	—	—	—	582
Merge expenses	—	—	—	—	—	1,233
Income (losses) attributable to investments in other companies	5,800	—	1,437	26	—	1,288
Other	1,218	2,568	905	1,161	461	1,899
Total	**10,309**	**13,179**	**11,627**	**21,466**	**6,783**	**47,912**

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, 2002)

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

(am) 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, 2001 and 2002 and assets and liabilities denominated in Chilean pesos but that contain repayment terms linked to changes in foreign currency exchange rates, detailed below:

	As of December 31, 2001			As of December 31, 2002		
	Payable in Foreign Currency	Payable in Chilean Pesos	Total	Payable in Foreign Currency	Payable in Chilean Pesos	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
ASSETS						
Cash and due from banks	218,353	—	218,353	161,350	—	161,350
Loans	839,965	103,279	943,244	863,456	52,918	916,374
Contingent loans	194,909	4,885	199,794	201,099	—	201,099
Interbank loans	11,726	—	11,726	6,306	—	6,306
Financial investments	469,469	283,685	753,154	375,019	424,851	799,870
Leasing contracts	—	53,868	53,868	—	58,348	58,348
Other assets	39,508	1	39,509	104,044	—	104,044
Total assets	**1,773,930**	**445,718**	**2,219,648**	**1,711,274**	**536,117**	**2,247,391**
LIABILITIES						
Deposits	1,038,363	4,585	1,042,948	1,261,851	1,188	1,263,039
Contingent liabilities	195,292	4,655	199,947	201,337	—	201,337
Borrowings from domestic financial institutions	—	—	—	8,852	—	8,852
Foreign borrowings	335,651	465	336,116	510,310	—	510,310
Other liabilities	565,338	11,152	576,490	185,940	5,084	191,024
Total liabilities	**2,134,644**	**20,857**	**2,155,501**	**2,168,290**	**6,272**	**2,174,562**
NET (LIABILITIES) ASSETS	**(360,714)**	**424,861**	**64,147**	**(457,016)**	**529,845**	**72,829**

(an) Fiduciary Activities

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

	As of December 31,	
	2001	2002
	MCh$	MCh$
Securities held in safe custody	2,198,306	3,716,925
Amounts to be collected on behalf of domestic third parties	102,072	152,176
Amounts to be collected on behalf of foreign third parties	250,688	343,889
Administration of assets	39	37
Total fiduciary activities	**2,551,105**	**4,213,027**

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, 2002)

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

(ao) Financial instruments with off-balance-sheet risk

(1) 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.

(2) 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 Bank is exposed to credit related losses in the event of non-performance by counterparties to these financial instruments, risk that is monitored on an ongoing basis. In order to manage the level of credit risk, the Bank enter into transactions whit counterparties whom it believes have a good credit standing and, when appropriate, obtains collateral.

Therefore, the risk of loss due to non-performance is believed to be minimal.

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”. (See note 10).

The notional amounts of these contracts as of December 31, 2001 and 2002 are as follows:

			Notional contract amounts			
	Number of operations		Less than 3 months		Over 3 months	
	2001	2002	2001	2002	2001	2002
			ThUS$	ThUS$	ThUS$	ThUS$
Local Market:						
- Foreign currency future purchase contracts with Chilean currency	266	588	318,709	242,234	807,827	867,936
- Foreign currency future sale contracts with Chilean currency	639	521	299,637	265,838	802,416	822,707
- Foreign currency forward contracts	33	75	2,238	4,351	8,186	4,537
Foreign Markets:						
- Foreign currency forward contracts	41	70	3,679	48,286	6,416	7,936
- Foreign currency futures sold	138	175	14,166	—	—	17,588
- Interest rate swaps	35	78	8,050	—	247,500	635,798

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.

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, 2002)

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

(ao) Financial instruments with off-balance-sheet risk (continued)

(3) 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		Contract amounts: Over 3 months	
	2001	2002	2001	2002	2001	2002
			MCh$	MCh$	MCh$	MCh$
UF/pesos forward contracts purchased	3	17	2,514	1,674	838	34,325
UF/pesos forward contracts sold	28	5	3,945	—	2,849	2,547
Interest rate swaps	3	—	—	—	33,501	—

(4) Fair value of traded instruments

The table below sets forth the estimated fair value of derivative financial instruments held or issued by the Bank for trading purposes as of December 31, 2001 and 2002.

	Fair value as of December 31, 2001	Fair value as of December 31, 2002
	MCh$	MCh$
Contracts to purchase foreign exchange	(9,257)	(7,603)
Contracts to sell foreign exchange	5,448	12,449

Fair values have been estimated using modeling and other valuation techniques for those instruments held by the Bank where no quoted market prices are available.

(ap) Sales and purchase of loans

From time to time, the Bank does sell and purchase loans based on specific requirements from customers. During the year ended December 31, 2002 the Bank sold loans totaling MCh$11,543, however, the Bank does not originate loans for future sale, comparative information for the years ended December 31, 2000 and 2001 is not available. 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. During the year ended December 31, 2002, the Bank purchased loans amounting to MCh$17,725. During prior years the Bank did not purchased loans. 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$85 for the year ended December 31, 2002, comparative information for the years ended December 31, 2000 and 2001 is not available.

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, 2002)

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

(aq) Loan concentration by economic activity (continued)

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,	
	2001	2002
	%	%
Financial Services	19.96	19.65
Residential mortgage loans	17.15	17.93
Manufacturing	11.35	10.21
Commerce	12.42	11.85
Agriculture, livestock, agribusiness, fishing	9.11	8.43
Consumer loans	10.03	13.97

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

(ar) Pro Forma Information related to the acquisition of Banco de Chile (Unaudited)

Following the accounting requirements under U.S. GAAP, the financial information for the year ended December 31, 2000 and for the period between January 1, 2001 and March 27, 2001 reflects the financial information of the predecessor bank, Banco de A. Edwards. On March 27, 2001, Quiñenco, the common parent of the two banks, purchased a controlling interest in Banco de Chile. The following unaudited pro forma financial information gives effect to Quiñenco’s acquisition of Banco de Chile 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 actual results of operations.

The pro forma results, under U.S. GAAP, are as follows:

	Years ended December 31,	
	2000	2001
	MCh$	MCh$
Interest revenue	920,321	846,195
Net income	55,567	64,157
Earnings per share (Ch$)(1)	0.82	0.94

(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 (68,089.8 millions as of December 31, 2000 and 2001). The Bank has not issued convertible debt or equity securities. Consequently, there are no potentially dilutive effects on the earnings of the Bank.

BANCO DE CHILE AND SUBSIDIARIES

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

(as) Pro Forma Information related to the merger of Banco de Chile with Banco de A. Edwards (Unaudited)

The financial information presented under U.S. GAAP, reflects the merger of Banco de Chile with Banco de A. Edwards from March 27, 2001, the first date in which control of the banks was held by the common parent, although legally, the merger took place on January 1, 2002. As a result of this accounting treatment, the financial information for the year ended December 31, 2002 reflects the effects of the merger for the whole year (see Note 28 (a) for an explanation of the accounting for the merger under U.S. GAAP). The following unaudited pro forma financial information gives effect to the merger of the banks as if it had occurred on January 1, 2001. These pro forma results from operations have been prepared for informational purposes only and do not purport to be indicative of the actual results of operations.

The pro forma results, under U.S. GAAP, are as follows:

	Year ended December 31, 2001
	MCh$
Interest revenue	857,522
Net income	81,114
Earnings per share (Ch$)(1)	1.19

(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 (68,089.8 millions as of December 31, 2000 and 2001). The Bank has not issued convertible debt or equity securities. Consequently, there are no potentially dilutive effects on the earnings of the Bank.

(at) Recent accounting pronouncements

In September 2002, the Chilean Superintendency of Banks issued Circular No. 3,189, which changed the method for calculating and accounting for the allowances related to credit risk. Under the new standard, Chilean banks are permitted to use the evaluation methods and models that each bank consider appropriate based on its specific kind of loan portfolio or transactions, following the general guidelines instructed by the Superintendency. Such models and further modifications have to be approved by the board of directors. The Bank is required to adopt the provisions as of January 1, 2004.

In June 2002, the FASB issued Statement of Financial Accounting Standard No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” (“SFAS No. 146”). This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).” SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred, not when it is “planned”. The Bank is required to adopt the provisions of SFAS No. 146 for exit or disposal activities that are initiated after December 31, 2002 and does not expect the adoption to have a material impact on the Bank’s results of operations or financial position.

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, 2002)

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

(at) Recent accounting pronouncements (continued)

In October 2002, the FASB issued Statement of Financial Accounting Standard No. 147, "Acquisition of Certain Financial Institutions". The provisions of the Statement relate the accounting for acquisitions of certain financial institutions and the impairment or disposal of certain long-term customer relationship intangible assets. The effective date of this statement applies to acquisitions for which the date of acquisition is on or after October 1, 2002. This statement may have an impact on the Bank's results of operations or financial position if a business combination would take place after that date.

In November 2002, the FASB issued FASB Interpretation No. 45: "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". This interpretation clarifies the recognition requirements of a liability for guarantors and expands the disclosure requirements for guarantee arrangements. It requires a guarantor to recognize, at inception of a guarantee, a liability for the fair value of an obligation undertaken in issuing a guarantee. Current treatment for guarantees requires recognition of a liability only when performance under the guarantee is probable. The recognition provisions are effective for guarantees that are entered into after December 31, 2002. Expanded disclosure requirements are effective as of December 31, 2002. The adoption is not expected to have a material impact on the Bank's consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities". The objective of this FASB Interpretation is to determine when a business enterprise should include the assets, liabilities, non controlling interests and results of a Variable Interest Entity in its consolidated financial statement. The standard will be effective on June 30, 2003. While the Bank is currently in the process of assessing the impact of this interpretation, it is not expected the adoption to have a material impact on its consolidated financial statements.

29. Merger Expenses

The Bank recorded MCh$30,884 in its consolidated statement of income as of December 31, 2002 for merger expenses that have been directly charged to income for the period, as follows:

	As of December 31, 2002
	MCh$
Staff severance indemnities	14,484
Charge-offs and provisions related to fixed assets	4,348
Charge-offs software development	3,870
Charge offs of other assets	2,134
Maintenance and remodeling of offices	1,263
Other personnel expenses	1,075
Consulting services	1,030
Marketing	584
Indemnity for termination of rental contracts	582
Other	1,514
Total	**30,884**

During the year 2001, the merger expenses charged to income amounted to MCh$14,589.

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, 2002)

30. Relevant Events

(a) Effective January 1, 2002, Banco de A. Edwards merged with and into Banco de Chile, with Banco de Chile as 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) Effective January 1, 2002, the merger by incorporation of the subsidiaries of Banco de A. Edwards, Banedwards S.A. Corredores de Bolsa, Banedwards S.A. Factoring, Banedwards S.A. Asesoría Financiera and Banedwards Corredora de Seguros Limitada with and into the subsidiaries of Banco de Chile, Banchile Corredores de Bolsa S.A, Banchile Factoring S.A., Banchile Asesoría Financiera S.A. and Banchile Corredores de Seguros Limitada was approved. The Banco de Chile's subsidiaries became the legal surviving entities. These mergers were agreed upon in the respective Extraordinary Shareholders' Meetings of these companies.

On the same date, the Superintendency of Securities and Insurance, in accordance with Exempt Resolution No. 401 dated December 17, 2001, authorized the transfer of the administration of all mutual funds administrated by Banedwards S.A. Administradora de Fondos Mutuos to Banchile Administradora General de Fondos S.A. (formerly Administradora Banchile de Fondos Mutuos S.A.).

(c) The Board of Directors Meeting held on February 28, 2002, decided to dissolve the subsidiary Banedwards S.A. Administradora de Fondos Mutuos, by placing all the shares of that company in Banco de Chile. For such purposes, on March 22, the Bank purchased from the subsidiary Banchile Asesoría Financiera S.A., 131 shares of Banedwards S.A. Administradora de Fondos Mutuos.

(d) In the Ordinary Shareholders Meeting of the Bank, held on March 21, 2002, it was agreed to re-elect the Bank's Board of Directors.

After the corresponding voting at the above mentioned meeting, the following persons were appointed as Directors for a three year term:

Directors:	Jorge Awad Mehech Jacob Ergas Ergas Andrónico Luksic Craig Guillermo Luksic Craig Rodrigo Manubens Moltedo Gonzalo Menéndez Duque Máximo Pacheco Matte Francisco Pérez Mackenna Segismundo Schulin-Zeuthen Serrano Máximo Silva Bafalluy Manuel Sobral Fraile
Alternate Directors:	Jorge Díaz Vial Edmundo Eluchans Urenda

(e) At the extraordinary Board of Directors meeting held after the aforementioned Ordinary Shareholders meeting, it was agreed to make the following appointments:

Board of Directors President:	Segismundo Schulin-Zeuthen Serrano
Board of Directors Vice-President:	Andrónico Luksic Craig

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, 2002)

30. Relevant Events (Continued)

(f) Effective June 12, 2002, Banco de Chile (99%) and Banchile Asesoría Financiera S.A. (1%), a wholly owned subsidiary, acquired 100% of the shares of Promarket S.A., a privately held Corporation ("Sociedad Anonima Cerrada"), from the Companies Sociedad Inmobiliaria del Norte Limitada and Inmobiliaria el Rosal S.A.. This investment was approved by the Board of Directors, with a favorable opinion from the Committee of Directors, based on a valuation made by an independent consulting company.

(g) On June 27, 2002, Banco de Chile, together with its subsidiary Banchile Asesoría Financiera S.A., acquired from Inversiones el Norte y el Rosal S.A. 10,000 shares of equal value of Baned Servicios Especializados S.A., today Socofin S.A.. As a consequence of the above, the participation of the Bank and Banchile Asesoría Financiera S.A. in Baned Servicios Especializados S.A. (Socofin S.A.) is 99.00% and 1.00% respectively. This investment was approved by the Board of Directors, with a favorable opinion from the Committee of Directors, based on a valuation made by independent consultants.

(h) *Purchase Promise Agreement:*

Banco de Chile, "the promising buyer", and Inversiones Vita S.A., Inersa S.A. and Sociedad Inmobiliaria del Norte Limitada, "the promising sellers", amended the Share Purchase Promise Contract of Banchile Seguros de Vida S.A., executed between said companies and Banco de A. Edwards on November 9, 2000, agreeing to: (1) to extend the term for the execution of the Purchase Promise Agreement, until December 31, 2011, and (2) new terms for the determination of the purchase price.

Master Agreement and Other Agreements:

Likewise Banco de Chile, Banchile Corredores de Seguros Limitada and Banchile Seguros de Vida S.A., amended several provisions of the Master Agreement, the Distribution Agreement and the Collection Agreement respectively executed by Banco de A. Edwards, Banedwards Corredora de Seguros Limitada and Banedwards Compañía de Seguros de Vida S.A., dated November 9, 2000. By these amendments, the parties agreed to extend the term of such agreements until December 31, 2011.

The previously mentioned Amendments to the Purchase Promise Contract, Master Agreement and other agreements in reference, and due to represent transactions with related parties were approved by the Bank's Board of Directors under the terms provided in Article 44 of Law No. 18,046 on Chilean Corporations Law, at Meeting No. 2,533 held on May 23, 2002, and No. 2,537, held on July 25, 2002, respectively, prior approval of the Bank's Committee of Directors.

(i) Through resolution N° 381 dated August 30, 2002, the Superintendency of Securities and Insurance approved the merger of Banchile Administradora de Fondos Mutuos S.A. with and into Banchile Administradora de Fondos de Inversión S.A., both subsidiaries of Banco de Chile, it also approved the amended name of Banchile Administradora General de Fondos S.A.

Likewise, the new Company's capital increase from Ch$598,352,907 divided into 455,276 ordinary shares without par value, to Ch$2,554,614,813, divided into 11,181,138 ordinary shares without par value was approved, 99.98% are owned by Banco de Chile.

(j) On October 8, 2002, Banco de Chile listed its shares on the Madrid Stock Exchange to be traded on the "Latinamerican Securities Market, LATIBEX". The shares will be traded in Euros under the code XBCH in blocks of 600 shares per unit.

(k) On December 20, 2002, Banco de Chile listed its ADRs with the United Kingdom Listing Authority (UKLA), to be traded on the London Stock Exchange. Each ADR represents 600 Banco de Chile's shares.

SIGNATURE

The registrant, Banco de Chile, hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.

BANCO DE CHILE

By /S/ PABLO GRANIFO

Name: Pablo Granifo
Title: Chief Executive Officer

Date: June 25, 2003

CERTIFICATION

I, Pablo Granifo, certify that:

1. I have reviewed this annual report on Form 20-F of Banco de Chile;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
    a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
    b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
    c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
    a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 25, 2003

/s/ PABLO GRANIFO

Name: Pablo Granifo
Title: Chief Executive Officer

CERTIFICATION

I, Arturo Tagle, certify that:

1. I have reviewed this annual report on Form 20-F of Banco de Chile;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
    a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
    b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
    c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
    a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 25, 2003

/s/ ARTURO TAGLE

Name: Arturo Tagle
Title: Manager—Planning and Research Division

INDEX TO EXHIBITS

Exhibit No.	Exhibit
1.1	*Estatutos* of Banco de Chile, which serve as our articles of incorporation and bylaws, together with an English translation (filed as an exhibit to our annual report on Form 20-F (File No. 001-15266) for the year ended December 31, 2001 and incorporated herein by reference).
2.1	Form of Deposit agreement among Banco de Chile, JPMorgan Chase Bank as depositary, and the holders from time to time of ADSs (incorporated by reference to our registration statement on Form F-4 (File No. 333-14020) filed on October 18, 2001).
2.2	Form of Foreign Investment Contract among Banco de A. Edwards, Citibank, N.A. and the Central Bank of Chile relating to the foreign exchange treatment of an investment in ADSs, together with an English translation thereof (incorporated by reference to Banco de A. Edwards' registration statement on Form F-1 (Registration No. 33-97594) filed on September 29, 1995).
2.3	Amendment to Foreign Investment Contract among Banco de Chile (as successor to Banco de A. Edwards), Morgan Guaranty Trust Company of New York and the Central Bank of Chile, dated January 2, 2002, together with an English translation thereof (filed as an exhibit to our annual report on Form 20-F (File No. 001-15266) for the year ended December 31, 2001 and incorporated herein by reference).
4.1	Merger Agreement between Banco de Chile and Banco de A. Edwards, dated October 3, 2001 (incorporated by reference to our registration statement on Form F-4 (File No. 333-14020) filed on October 18, 2001).
8.1	List of subsidiaries.
12.1	Certification under Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 8.1

LIST OF SUBSIDIARIES

1. — Banchile Administradora General de Fondos S.A.
2. — Banchile Corredores de Bolsa S.A.
3. — Banchile Asesoria Financiera S.A.
4. — Banchile Corredores de Seguros Limitada
5. — Banchile Factoring S.A.
6. — Banchile Securitizadora S.A.
7. — Socofin S.A.
8. — Promarket S.A.

All the subsidiaries have their jurisdiction of incorporation in the Republic of Chile.

Exhibit 12.1

Annual Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Banco de Chile (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the fiscal year ended December 31, 2002 (the "Form 20-F") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 25, 2003

/s/ PABLO GRANIFO

Name: Pablo Granifo
Title: Chief Executive Officer

Date: June 25, 2003

/s/ ARTURO TAGLE

Name: Arturo Tagle
Title: Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.