

III. Financial Statements of the Central Bank of Chile



Balance Sheet

As of December 31st. 2000 and 1999.

(Millions of Chilean pesos)

ASSETS	2000	1999
Overseas assets	9,492,086.9	9,089,462.9
Reserve	9,216,936.6	8,874,920.5
Gold	10,233.5	175,092.9
Demand deposits and accounts	20,274.0	25,678.5
Deposits and securities	8,229,255.0	7,707,011.5
Mutual loan agreements	34,464.3	10,369.6
Loans	325,900.9	336,357.8
IMF subscription	596,808.9	620,410.2
Other overseas assets	275,150.3	214,524.4
Shares and contributions to the Interamerican Development Bank	98,318.0	97,227.0
Interest receivable	176,830.9	117,313.9
Silver and other securities	1.4	1.5
Domestic assets	5,616,515.5	5,381,735.2
Domestic loans	5,616,515.5	5,381,735.2
Loans to state-owned companies	16,980.9	29,168.6
Loans to Banco del Estado de Chile	35,598.0	31,909.2
Loans to commercial banks	147,589.2	161,975.3
Loans to other institutions	337,637.0	321,467.8
Treasury transfers (Laws 18,267, 18,401 and 18,768)	4,214,351.6	3,960,821.2
Loans for subordinated obligation of financial institutions (Law 18,401)	864,358.8	876,393.1
Other assets	1,609,155.7	1,219,335.2
Fixed assets	16,023.5	16,645.3
Temporary assets	396,286.7	0.0
Other securities	1,196,845.5	1,202,689.9
Total assets	16,717,758.1	15,690,533.3

LIABILITIES	2000	1999
Overseas liabilities	997,136.5	979,976.4
Reserve liabilities	774,854.1	747,509.7
Mutual loan agreements	34,416.8	13,132.9
IMF deposits	740,437.3	734,376.8
Other overseas liabilities	222,282.4	232,466.7
Loans	1,198.3	1,334.0
Accounts with other international organizations	128,623.2	137,846.0
Allocations of Special Drawing Rights	90,973.6	92,351.6
Interest payable	1,487.3	935.1
Domestic liabilities	16,415,177.2	15,577,137.0
Currency issuance and deposits	1,713,357.0	1,870,924.3
Bank notes and coins in circulation	1,499,635.2	1,691,979.0
Deposits from financial institutions (Local Currency)	213,721.8	178,945.3
Deposits and obligations	1,615,678.5	1,890,449.5
Deposits and obligations with the Treasury	1,324,968.9	1,565,429.4
Other deposits and obligations	290,709.6	325,020.1
Notes issued by the Central Bank	13,086,141.7	11,815,763.2
Indexed promissory notes payable in coupons (PRC)	6,069,038.9	6,966,152.3
Central Bank indexed promissory notes (PRBC)	2,528,919.6	1,411,872.0
Central Bank discountable promissory notes (PDBC)	1,607,500.0	1,808,378.4
Indexed coupons (CERO) in indexed units UF	1,280,120.8	0.0
Central Bank indexed promissory notes in dollars (PRD)	854,053.0	827,895.5
Promissory notes stated in indexed units UF (Resolution 1836) arising from US dollar certificates	469,208.7	468,809.2
Commercial notes from redenomination of foreign exchange securities	230,869.8	230,851.3
Floating interest rate promissory notes (PTF)	37,711.6	56,647.9
Indexed coupons (CERO) in dollars	4,482.8	0.0
Deposit certificates stated in dollars, Resolution 1649	4,208.1	4,605.6
Promissory notes issued for exchange-rate differential	28.4	46.4
Securities issued on rescheduling of foreign debt, Chapter, XIX, of the Compendium of Foreign-Exchange Regulations	0.0	40,504.6
Other liabilities	20,914.7	29,050.3
Provisions	8,242.5	8,356.0
Temporary liabilities	0.0	20,649.5
Other securities	12,672.2	44.8
Capital and Reserves	(715,470.3)	(895,630.4)
Capital	(895,630.4)	(1,035,171.4)
Surplus during the period	180,160.1	139,541.0
Total liabilities	16,717,758.1	15,690,533.3

Income Statements

As of December 31st. 2000 and 1999.
(Millions of Chilean pesos)

	2000	1999
Operating income		
Operating income	1,666,431.0	1,904,376.5
Interest earned and accrued	914,744.2	705,353.5
Indexation earned and accrued	83,312.9	53,041.4
Income on price differences	9,110.8	12,663.9
Exchange earnings	658,958.5	1,129,018.9
Other operating income	304.6	4,298.8
Operating expenses	(1,619,457.2)	(1,805,262.1)
Interest paid and accrued	899,557.8	1,001,633.4
Indexation paid and accrued	602,589.5	358,819.6
Commissions paid and accrued	0.0	623.9
Loss due to price differences	57,851.2	27,954.1
Exchange losses	51,439.2	406,600.8
Other operating expenses	8,019.5	9,630.3
Gross margin	46,973.8	99,114.4
Other operating expenses	(20,106.0)	(20,148.4)
Personnel expenses	13,898.9	13,915.0
Administrative expenses	4,282.2	4,423.8
Depreciation, amortization and write-offs	1,469.6	1,310.3
Taxes, rates and contributions	455.3	499.3
Income before provisions and write-offs	26,867.8	78,966.0
Provisions and write-offs from risky assets	0.0	0.0
Net margin (Total operating income)	26,867.8	78,966.0
Non-operating income and expenses	246.7	232.4
Non-operating income	248.2	370.6
Non-operating expenses	(1.5)	(138.2)
Income before price-level restatement	27,114.5	79,198.4
Price-level restatement	153,045.6	60,342.6
Surplus during the year	180,160.1	139,541.0

Report on the Financial Statements

1. Summary of Significant Accounting Principles

A) BASIS FOR PREPARING FINANCIAL STATEMENTS

These financial statements have been prepared in conformity with generally accepted accounting principles in Chile and policies set forth by the Board of Banco Central de Chile, upon approval of the Superintendencia de Bancos e Instituciones Financieras (Superintendency of Banks and Financial Institutions in Chile), as established in Article 75 of Law 18,840 (Constitutional Organic Law of Banco Central de Chile). These policies are consistent with generally accepted accounting principles in Chile, except for the method used in recording losses on subordinated obligations, which is explained in letter (f) below.

The presentation of these balance sheets is within an economic and accounting framework which provides an understanding of the financial and accounting position of the Bank and, at the same time, contributes to the economic analysis of Banco Central de Chile's operations by clearly identifying whether they are undertaken by domestic or foreign agents. Thus, we can observe the Chilean Central Bank's share in the domestic supply of monetary assets and credit and how this affects the Bank's creditor position abroad. For this reason, the economic concepts of international reserves and currency issuance are shown under the captions Reserve Assets and Liabilities and Currency Issuance, accordingly. Due to the above and considering the particular operating features of Banco Central de Chile the statement of cash flow is not presented.

For comparative purposes, the figures for the 1999 period were restated according to changes in the Consumer Price Index for the period between

November 30, 1999 and November 30, 2000, amounting to 4.7%.

B) EXCHANGE RATES USED

Assets and liabilities stated in foreign currency are translated into Chilean Pesos at the "Observed Dollar" exchange rate referred to under N° 6, Chapter I in the "General Provisions" of Title I of the Compendium of Foreign Exchange Regulations"- Compendio de Normas de Cambios Internacionales. Excluded from this regulation are balances from transaction accounts which must be settled at a different exchange rate as duly specified in the respective regulations.

Assets and liabilities stated in minted Chilean gold coins are valued at the average London morning quotation "Gold Fixing" rate (US Dollars per ounce of fine troy), for all business days in the preceding quarter, less 10%.

Settlement of foreign currencies other than the US Dollar is made at the exchange rates published daily by Banco Central de Chile in the Official Gazette, however, always based upon the "Observed Dollar" rate.

The main exchange rates used as of each year-end are as follows:

	2000	1999
	Ch\$	Ch\$
Minted Chilean gold coins	818.550	844.761
US Dollar (Referential rate)	523.910	521.532
US Dollar (Observed rate)	572.680	552.502
Pound Sterling	853.470	894.452
Deutsche Mark	271.170	284.177
Special Drawing Rights (SDR)	746.150	757.452

C) SHARES AND CONTRIBUTIONS TO THE INTERAMERICAN DEVELOPMENT BANK (IDB) AND CONTRIBUTIONS TO THE INTERNATIONAL MONETARY FUND (IMF)

Shares issued by and contributions to the Interamerican Development Bank, and contributions to the International Monetary Fund, on behalf of the Chilean Treasury, are valued at purchase or contribution cost, plus restatements, where applicable.

Shares and contributions to IDB are shown under Other Overseas Assets. Contributions to the IMF are recorded under Overseas Reserve Assets. Shares and contributions to IDB and contributions to IMF are considered as investments in accordance with provisions established in DL 2,943 dated November 8, 1979.

As set forth by Law 19,603 dated January 15, 1999, Banco Central de Chile was authorized to subscribe an increase in the payment to the IMF from Chile. The latter corresponds to a contribution equivalent to 234.0 million in Special Drawing Rights which was made on February 10, 1999.

D) FINANCIAL INVESTMENTS

Overseas financial investments are shown under Reserve Assets and basically include bonds and securities issued by government, foreign institutions and banks, and are valued at the lower of cost or market value. Interests receivable are shown under Other Overseas Assets.

E) LOANS RECEIVABLE AND OBLIGATIONS

Non-indexed loans receivable and obligations are shown at original value or their latest renewal value, except for commercial instrument purchases and discounted notes, which are shown at nominal value upon maturity. Indexed balances include accrued adjustments as of the balance sheet date, and balances stated in foreign currency include related exchange adjustments.

Interest accrued at year-end on transactions with overseas residents are included under Other Overseas

Assets and Other Overseas Liabilities. Interest on transactions with domestic residents is included in Domestic Assets and Domestic Liabilities, accordingly.

Interest paid and not accrued arising from obligations is recorded under Other Assets. Interest earned and not accrued arising from loans is recorded under Other Liabilities.

F) SUBORDINATED OBLIGATIONS OF FINANCIAL INSTITUTIONS

The loan for the subordinated obligation included under Domestic Assets (Note 6) comprises restated balances as of each year-end of such obligation, governed by Law 19,396 including accumulated increases recorded and credited to income as accrued.

Accounting losses arising from changes in payment terms of the subordinated debt from the banks BHIF, Internacional, Concepción, and Santiago have been deferred in conformity with provisions under Article 19 of Law 19,396 which sets forth that: "... any losses incurred by the Banco Central de Chile in its capacity as creditor of a subordinated obligation may be deferred and absorbed by any surpluses generated in future periods. To this effect, Banco Central de Chile is entitled to allocate such surplus to set up provisions in order to absorb any such losses".

Deferred losses amount to Ch\$807,797.1 million as of December 31, 2000 (Ch\$804,908.1 million in 1999) and are shown as "Other securities" under the caption "Other assets".

G) LOAN PROVISIONS

The Bank has not set up provisions in 2000 and 1999. The balance of provisions set up amounts to Ch\$9,646.6 million (Ch\$9,312.1 million in 1999) and is included by deducting related assets.

H) FIXED ASSETS

Fixed assets at year-end are shown at cost plus price-level restatements, net of accumulated depreciation under "Other Assets". Depreciation has

been calculated using the straight-line method based on the estimated useful life of assets.

I) SEVERANCE INDEMNITIES

Severance indemnities have been determined based upon the present value method (accrued cost of the benefit), considering an annual 8% interest rate. The total provision amount as of year-end is Ch\$6,933.3 million (Ch\$7,078.2 million in 1999).

J) VACATION PROVISION

The annual cost of employee vacation provision is accounted for in the financial statements on an accrual basis.

K) PRICE-LEVEL RESTATEMENT

Capital and reserves, fixed assets and given assets and liabilities have been price-level restated in accordance with changes in the Consumer Price Index. Income statement account balances in local currency, except for depreciation and price-level restatement, have not been price-level restated.

The effect of exchange differences on assets and liabilities in foreign currency, and indexation on loans and liabilities are included under Operating Income, independently of price level restatement.

2. Domestic Loans to Banks, Financial Companies and Other Institutions or Companies

Total balance of these loans, amounting to Ch\$537,805.1 million (Ch\$544,520.9 million in 1999), includes mainly the following transactions:

	(Millions of Ch\$)	
	2000	1999
Receivables from CORFO (Note 3)	9,156.9	19,792.0
Credit lines on debt rescheduling	52,278.8	65,022.8
Mortgage loan portfolio acquired	29,646.2	41,507.9
Liquidity lines of credit	35,524.9	0.0
Credit lines to finance the sale of mortgage portfolio of former ANAP	48,445.4	55,015.6
Credit lines for international organizations programs	6,570.4	7,770.9
Credit lines for deposits (Resolution 1686)	3,462.0	4,867.9
Former Caja Central de Ahorros y Préstamos and former ANAP (Note 4)	337,637.0	321,467.8
Price balances (Law 19,396)	13,411.1	26,902.2
Other	1,672.4	2,173.8
Total	537,805.1	544,520.9

3. Loans Receivable from Corporación

de Fomento de la Producción

The balance receivable from Corporación de Fomento de la Producción (CORFO) derives from the provisions in Law 18,401 dated 1985, as amended, and Law 18,577 dated 1986, by which Banco Central de Chile sold financial institution loans to CORFO in order to finance the purchase of shares of these financial institutions by third parties.

CORFO serves its debt by transferring the amounts collected from its shareholders for the transfer of shares of the related financial institutions. As of December 31, 2000 the balance of accounts receivable from CORFO amounts to Ch\$9,156.9

million (Ch\$19,792.0 million in 1999), and is included under “Loans to state-owned companies”.

In accordance with Article 13 of Law 18,401, differences that are not recovered as a result of discounts granted to the shareholders, up to UF15 million, will be covered by the Treasury (Note 5) by future transfers, which as of December 31, 2000 amount to Ch\$178,078.5 million equivalent to UF 11.3 million (Ch\$175,409.7 million in 1999, equivalent to UF11.1 million). Based on available information, the legal maximum amount of transfer established by law is deemed adequate to absorb the discounts.

4. Caja Central de Ahorros y Préstamos and

Asociación Nacional de Ahorro y Préstamo

Law 18,900 dated January 16, 1990 terminated the legal existence of Caja Central de Ahorros y Préstamos and the authorization of existence of Asociación Nacional de Ahorro y Préstamo, and established the manner in which the respective assets would be liquidated. This liquidation is currently in the process of final approval.

In accordance with Article 5 of this law, the liabilities of Caja Central de Ahorros and of Asociación Nacional de Ahorro y Préstamo which are not covered

by the proceeds of their liquidations will be met by the Treasury by obtaining the necessary funds from the national budget, in conformity with provisions under Article 21 of Decree Law 1,263 dated 1975.

As of December 31, 2000, the amount payable to Banco Central de Chile arising from the liquidation of these institutions, including accrued interest as of such date, amounted to Ch\$ 337,637.0 million (Ch\$321,467.8 million in 1999), and is shown under “Loans to other institutions”.

5. Treasury Transfers

The item Treasury transfers includes the following amounts under Domestic Loans:

	(Millions of Ch\$)	
	2000	1999
Treasury promissory notes Law 18,267	412,485.1	459,602.3
Treasury promissory notes Law 18,768	3,623,788.0	3,325,809.2
Treasury transfers Law 18,401	178,078.5	175,409.7
Total	4,214,351.6	3,960,821.2

(A) TREASURY PROMISSORY NOTES LAW 18,267

In conformity with Law 18,267, the Treasury transferred Ch\$100,000 million to Banco Central de Chile by issuing 40 Treasury promissory notes over a 25-year term, stated in indexed units (UF) and at a 1% annual interest rate, capitalized and amortized on a 6-monthly basis with a five-year grace period.

B) TREASURY PROMISSORY NOTES (LAW 18,768)

This item corresponds to promissory notes denominated and payable in US Dollars, accruing an

annual LIBOR interest rate plus 0.5 points, of which 2% is payable half yearly and the balance is capitalized. The last installment matures on December 15, 2014.

This year prepayment of interest was received in the amount of US\$127.8 million, shown in the caption "Other liabilities". Non-accrued interest amounts to US\$119.4 million.

C) TREASURY TRANSFER LAW 18,401

The balance of this item corresponds to discounts granted to shareholders subject to the provisions under Law 18,401, amounting to a maximum of 15 million UF as stipulated in Article 13 of this law, and explained in Note 3.

In conformity with the above law, these Treasury transfers will be completed in a period not exceeding 30 years, with a ten-year grace period, effective from the date of the final determination of the total amount.

6. Subordinated Obligation

The balances as of each year-end account for the subordinated obligation with Banco Central de Chile deriving from the agreement amending payment terms for such obligation subscribed with Banco de Chile on November 8, 1996, in accordance with provisions in Law 19,396. On such date, the Sociedad Matriz del Banco de Chile, previously named Banco de Chile, agreed, based on paragraphs three and five of the

above-mentioned law, the assignment of the contract to Sociedad Administradora de la Obligación Subordinada SAOS S.A. Consequently, the obligation must be paid in 40 annual, consecutive and equal installments starting April 1997. In April 2000 the balance existing as of 1999 for uncovered differences was paid, corresponding to the annual installment for 1998 and 1999.

7. Shares Received in Payment

Pursuant to Law 19,396, Banco Central de Chile received from Banco de Santiago 35,090.5 million series E shares, in payment, of which, as of December 31, 2000, it holds 35,067.8 million shares, valued at market price and included as "Other Securities" under the caption "Other assets". The accounting loss generated by the holding of these shares is included under deferred loss as indicated in Note 1 (f). In accordance with Law 19,396, there is no fixed term for these shares to be disposed of.

With respect to the above, it is worth-mentioning that on May 13, 1999, Banco Central de Chile subscribed an agreement with Banco Santander Central Hispano S.A., whereby, among other matters, Banco Central de Chile was granted the irrevocable option to sell to Banco Santander Central Hispano, starting May 15, 2000 until May 15, 2002, the total or a portion of the shares that the latter holds in Banco Santiago, at Ch\$11.0 per share. This amount will be adjusted starting May 15, 2000, based on changes in Unidad de Fomento plus the deposit rate of indexed operations.

8. Deposits and obligations

The caption Other deposits and obligations includes the following items:

	(Millions of Ch\$)	
	2000	1999
Foreign currency current accounts	67,789.0	62,315.9
Deposits in foreign currency, Resolutions 1657 and 1686	2,284.6	3,011.0
Short-term deposits	220,636.0	259,693.2
Total	290,709.6	325,020.1

9. Instruments Issued by Central Bank,

as of December 31, 2000 and 1999 by Period Remaining to Maturity

Type of document	Up to 90 Days	91 to 180 Days	181 Days to 1 year	Over 1 año to 3 years	Over 3 years	Total 2000	Total 1999
Indexed promissory notes payable in coupons (PRC)	281,125.0	226,800.3	389,096.2	1,491,683.2	3,680,334.2	6,069,038.9	6,966,152.3
Central Bank Indexed promissory notes (PRBC)	2,528,919.6	-	-	-	-	2,528,919.6	1,411,872.0
Central Bank discountable promissory notes (PDBC)	410,500.0	362,000.0	835,000.0	-	-	1,607,500.0	1,808,378.4
Indexed coupons (CERO) in UF	34,498.7	38,003.8	71,666.5	263,166.3	872,785.5	1,280,120.8	-
Central Bank indexed promissory notes in US\$ (PRD)	13,270.8	2,951.4	541,182.6	296,648.2	-	854,053.0	827,895.5
Promissory notes stated in indexed units UF (Resolution 1836) arising from US\$ certificates.	11,535.9	-	-	457,672.8	-	469,208.7	468,809.2
Commercial notes from redenomination of foreign exchange securities	46,140.5	6,668.6	32,269.8	63,943.3	81,847.6	230,869.8	230,851.3
Floating interest rate promissory notes (PTF)	8,236.6	1,830.4	9,320.0	18,324.6	-	37,711.6	56,647.9
Indexed coupons (CERO) in US\$	84.6	33.9	118.5	4,245.8	-	4,482.8	-
Deposit certificates stated in US\$, (Resolution 1649)	144.1	-	580.6	1,161.1	2,322.3	4,208.1	4,605.6
Promissory notes issued for exchange-rate differential	28.4	-	-	-	-	28.4	46.4
Securities issued on rescheduling of foreign debt Chapter XIX, of the Compendium of Foreign-Exchange Regulations	-	-	-	-	-	-	40,504.6
Total notes issued	3,334,484.2	638,288.4	1,879,234.2	2,596,845.3	4,637,289.6	13,086,141.7	
Total 1999	3,447,151.7	340,150.9	571,196.4	2,532,649.4	4,924,614.8		11,815,763.2

Balances include interest and accrued adjustments as of December 31, 2000 and 1999.

10. Capital and Reserves

Changes in capital and reserves during 2000 and 1999 were as follows:

	(Millions of Ch\$)		
	Capital	Surplus (Deficit) in the period	Total
Balances as of 01.01.1999	(582.261,3)	(381.386,3)	(963.647,6)
Absorption of 1998 deficit	(381.386,3)	381.386,3	-
Equity revaluation	(25.054,8)	-	(25.054,8)
Surplus during the period	-	133.277,0	133.277,0
Balances as of 31.12.1999	(988.702,4)	133.277,0	(855.425,4)
Balances as of December 31, 1999 Restated for comparison purposes	(1.035.171,4)	139.541,0	(895.630,4)
Balances as of 01.01.2000	(988.702,4)	133.277,0	(855.425,4)
Distribution of 1999 surplus	133.277,0	(133.277,0)	-
Equity revaluation	(40.205,0)	-	(40.205,0)
Surplus during the period	-	180.160,1	180.160,1
Balances as of 31.12.2000	(895.630,4)	180.160,1	(715.470,3)

Article 5 of the Constitutional Organic Law of Central Bank set start-up capital for the Bank at Ch\$ 500,000 million to be paid according to Interim Article 2 of said law.

Pursuant to Article 77 of the Constitutional Organic Law of Central Bank, deficit generated in any one year shall be absorbed by charging reserves. In the event that there are no reserves or if they are insufficient, the deficit incurred in any one year shall be absorbed by charging paid-in capital.

As of December 31, 2000, the Bank shows an equity deficit of Ch\$715,470.3 million (Ch\$ 895,630.4 million in 1999).

The 2000 surplus will be used to partially absorb the equity deficit.

Even though the negative equity position is not foreseen in the near future as an obstacle that might prevent Banco Central de Chile from achieving its bank objectives, as further discussed in the Bank's report to the Senate, it appears appropriate from a medium-term perspective to improve and strengthen the Bank's equity, which has been requested to the Ministry of Finance, in conformity with Article 5 of the Constitutional Organic Law.

11. Balances in Foreign Currency and Gold

Assets and liabilities denominated in foreign currency and included in the balance sheets as of December 31, 2000 and 1999 are as follows:

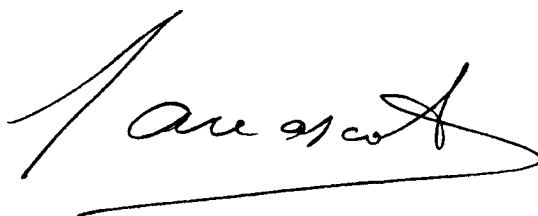
	(Millions of dollars)	
	2000	1999
Assets		
Overseas assets	15,083.5	14,848.6
Reserve	14,738.0	14,599.6
Other overseas assets	345.5	249.0
Domestic assets	6,330.0	6,022.5
Domestic loan	6,330.0	6,022.5
Other assets	5.1	8.2
Total assets	21,418.6	20,879.3
Liabilities		
Overseas liabilities	223.7	195.1
Reserve	60.1	23.8
Other overseas liabilities	4.7	4.1
SDR allocations	158.9	167.2
Domestic liabilities	2,309.6	3,213.9
Deposits and obligations	2,309.6	3,213.9
Other liability accounts	119.9	121.6
Total liabilities	2,653.2	3,530.6
Net assets	18,765.4	17,348.7

12. Contingencies and Commitments

Central Bank has pending lawsuits or claims, the final outcome of which (according to the Bank's Legal Department) are not expected to have a material effect on capital and reserves.

13. Income Tax

Pursuant to DL 3,345, dated April 24, 1980, Banco Central de Chile is exempt from Income Tax.



CAMILO CARRASCO ALFONSO
General Manager



FRANCISCO GARCÍA LETELIER
Accounting and Administration Manager



MARIO ULLOA LÓPEZ
General Auditor

Independent Auditors' Report

To the Chairman and Members of the Board of Banco Central de Chile

1. We have audited the accompanying balance sheets of Banco Central de Chile as of December 31, 2000 and 1999 and the related statements of income for the years then ended. The financial statements (and their notes) are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.
2. We have conducted our audits in accordance with generally accepted auditing standards in Chile. These standards require that we plan and perform the 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
3. Banco Central de Chile prepares its financial statements in conformity with accounting policies established by the Board, with prior approval of the Superintendencia de Bancos e Instituciones Financieras (Law 18,840). These policies are in accordance with generally accepted accounting principles, except for the deferral of accounting losses, amounting to Ch\$807,797.1 million (Ch\$804,908.1 million in 1999), arising from the amendments to subordinated obligation payment agreements of given banks, as set forth by Law 19,396 (Notes 1 f) and 7).
4. In our opinion, the above-mentioned financial statements present fairly, in all material respects, the financial position of Banco Central de Chile as of December 31, 2000 and 1999, and the results of its operations for the years then ended, in conformity with accounting policies as described in Note 1.
5. Banco Central de Chile shows an equity deficit of Ch\$715,470.3 million (Ch\$895,630.4 million in 1999), and is currently holding discussions with the Ministry of Finance to determine the manner in which such deficit shall be covered.



Alejandro Cerda G.

ARTHUR ANDERSEN - LANGTON CLARKE

Santiago, January 15, 2001