



**III. FINANCIAL STATEMENTS
OF THE CENTRAL BANK OF CHILE**

Background image showing a stack of 500 Chilean Pesos coins on a document with financial data.

187	283	910	5,003	238	4,705	0	14,117	040	12,677	800
4,633	3,475	3,487	3,865	3,431	615	2,816	5,173	4,4	3,339	526
99	448	488	526	615	615	2,816	3,431	4,4	3,339	526
64	3,027	2,999	3,339	2,816	2,816	2,816	3,431	4,4	3,339	526
35	3,027	2,999	3,339	2,816	2,816	2,816	3,431	4,4	3,339	526
1,158	1,367	1,586	1,74	1,74	1,74	1,74	1,586	725	1,74	3

BALANCE SHEETS

As of 31 December
(Millions of Chilean pesos)

ASSETS	2001	2000
OVERSEAS ASSETS	10,351,015.3	9,786,340.2
RESERVE	10,140,767.5	9,502,661.6
Gold	12,195.3	10,550.7
Demand deposits and accounts	89,098.5	20,902.5
Deposits and securities	9,039,034.2	8,484,361.9
Mutual loan agreements	7,855.1	35,532.7
Loans	378,016.1	336,003.8
IMF subscription	614,568.3	615,310.0
OTHER OVERSEAS ASSETS	210,247.8	283,678.6
Shares and contributions to the Interamerican Development Bank	104,745.7	101,365.9
Interest receivable	105,502.1	182,312.7
DOMESTIC ASSETS	6,711,394.8	5,790,627.5
DOMESTIC LOANS	6,711,394.8	5,790,627.5
Loans to state-owned companies	8,661.2	17,507.3
Loans to Banco del Estado de Chile	169,308.3	36,701.5
Loans to commercial banks	588,123.9	152,164.5
Loans to other institutions	365,825.6	348,103.8
Treasury transfers (Laws 18,267, 18,401, and 18,768)	4,699,342.1	4,344,996.5
Loans for subordinated obligation of financial institutions (Law 18,401)	880,133.7	891,153.9
OTHER ASSETS	1,505,978.3	1,659,040.9
Fixed assets	15,790.3	16,520.2
Temporary assets	426,642.5	408,571.6
Other securities	1,063,545.5	1,233,949.1
TOTAL ASSETS	18,568,388.4	17,236,008.6

The accompanying notes 1 to 14 form an integral part of these financial statements.

LIABILITIES	2001	2000
OVERSEAS LIABILITIES	1,029,742.0	1,028,047.7
RESERVE LIABILITIES	805,738.3	798,874.6
Mutual loan agreements	8,679.1	35,483.7
IMF deposits	797,059.2	763,390.9
OTHER OVERSEAS LIABILITIES	224,003.7	229,173.1
Loans	1,161.7	1,235.4
Accounts with other international organizations	121,573.8	132,610.5
Allocations of Special Drawing Rights	100,458.1	93,793.8
Interest payable	810.1	1,533.4
DOMESTIC LIABILITIES	17,280,258.8	16,924,047.7
CURRENCY ISSUANCE AND DEPOSITS	1,884,061.2	1,766,471.1
Bank notes and coins in circulation	1,689,024.2	1,546,123.9
Deposits from financial institutions (local currency)	195,037.0	220,347.2
DEPOSITS AND OBLIGATIONS	1,386,733.2	1,665,764.5
Deposits and obligations with the Treasury	1,097,620.5	1,366,042.9
Other deposits and obligations	289,112.7	299,721.6
NOTES ISSUED BY THE CENTRAL BANK	14,009,464.4	13,491,812.1
Indexed promissory notes payable in coupons (PRC)	5,568,907.1	6,257,179.1
Central Bank discountable promissory notes (PDBC)	2,772,000.0	1,657,332.5
Central Bank indexed promissory notes in US dollars (PRD)	2,548,247.0	880,528.6
Indexed coupons (CERO) in UF	1,595,319.2	1,319,804.5
Indexed coupons (CERO) in US dollars	578,627.5	4,621.8
Promissory notes stated in indexed units UF (Resolution 1836) arising from US dollar certificates	479,205.9	483,754.2
Central Bank indexed promissory notes (PRBC)	292,727.9	2,607,316.1
Commercial notes from redenomination of foreign exchange securities	151,181.7	238,026.8
Floating interest rate promissory notes (PTF)	19,159.3	38,880.7
Deposit certificates stated in US dollars, Resolution 1649	4,067.2	4,338.5
Promissory notes issued for exchange-rate differential	21.6	29.3
OTHER LIABILITIES	8,286.0	21,563.1
Provisions	8,152.4	8,498.0
Other securities	133.6	13,065.1
CAPITAL AND RESERVES	250,101.6	(737,649.9)
Capital	(737,649.9)	(923,395.0)
Surplus during the period	987,751.5	185,745.1
TOTAL LIABILITIES	18,568,388.4	17,236,008.6

STATEMENTS OF INCOME

AS OF 31 DECEMBER

(Millions of Chilean pesos)

OPERATING RESULTS	2001	2000
OPERATING INCOME	2,705,490.8	1,718,090.4
Interest earned and accrued	885,234.5	943,101.3
Indexation earned and accrued	55,428.3	85,895.6
Income on price differences	59,216.0	9,393.2
Exchange earnings	1,704,781.3	679,386.2
Other operating income	830.7	314.1
OPERATING EXPENSES	(1,668,718.6)	(1,669,660.4)
Interest paid and accrued	854,584.7	927,444.1
Indexation paid and accrued	397,012.9	621,269.8
Loss due to price differences	180,643.2	59,644.6
Exchange losses	228,197.1	53,033.8
Other operating expenses	8,280.7	8,268.1
GROSS MARGIN	1,036,772.2	48,430.0
OTHER OPERATING EXPENSES	(20,329.8)	(20,729.3)
Personnel expenses	13,415.3	14,329.8
Administrative expenses	5,069.2	4,414.9
Depreciation, amortizations and write-offs	1,362.1	1,515.2
Taxes, rates and contributions	483.2	469.4
Income before provisions and write-offs	1,016,442.4	27,700.7
Provisions and write-offs from risky assets	(132,616.0)	-
NET MARGIN (TOTAL OPERATING INCOME)	883,826.4	27,700.7
NON-OPERATING INCOME AND EXPENSES	213.8	254.4
Non-operating income	248.0	255.9
Non-operating expenses	(34.2)	(1.5)
Income before price-level restatement	884,040.2	27,955.1
PRICE-LEVEL RESTATEMENT	103,711.3	157,790.0
SURPLUS DURING THE YEAR	987,751.5	185,745.1

The accompanying notes 1 to 14 form an integral part of these financial statements.

NOTES TO 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 the Central Bank of 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 the Central Bank of 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 the Central Bank of 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 the Central Bank of Chile the statement of cash flow is not presented, instead a statement with the Variations in the Monetary Base and another with the Variations in International Reserves (Note 11) are presented.

For comparative purposes, the figures for the 2000 period were restated according to changes in the consumer price index for the period between 30 November 2000 and 30 November 2001, amounting to 3.1%.

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*.

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 the Central Bank of 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:

	2001 Ch\$	2000 Ch\$
Minted Chilean gold coins	975.47	818.55
US Dollar (observed rate)	656.20	572.68
Pound Sterling	953.92	853.47
Deutsche Mark	296.36	271.17
Euro	579.63	530.36
Special Drawing Rights (SDR)	823.94	746.15

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.

D) FINANCIAL INVESTMENTS

Overseas financial investments are shown under Reserve Assets and basically include bonds and securities issued by governments, 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 at 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 Central Bank of 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, the Central Bank of Chile is entitled to allocate such surplus to set up provisions in order to absorb any such losses".

During 2001 a provision of Ch\$132,616.0 million was booked and charged to income for the same year, which was applied to this deferred loss.

Deferred losses amount to Ch\$557,510.1 million as of 31 December 2001 (Ch\$832,838.8 million in 2000) and are shown as "Other securities" under the caption "Other assets".

G) LOAN PROVISIONS

The Bank has not set up provisions in 2001 and 2000. The balance of provisions set up amounts to Ch\$11,035.1 million (Ch\$9,945.6 million in 2000) and is included by deducting related assets. The increase corresponds to the variation in the exchange rate of foreign currency provisions.

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\$6,944.5 million (Ch\$7,148.2 million in 2000).

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 Results, 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\$1,131,919.0 million (Ch\$554,477.1 million in 2000), includes mainly the following operations:

	(Millions of Ch\$)	
	2001	2000
Receivables from CORFO (Note 3)	2,059.5	9,440.8
Credit lines on debt rescheduling	42,497.7	53,899.4
Mortgage loan portfolio acquired	19,007.3	30,565.2
Liquidity lines of credit	39,327.8	36,626.2
Credit lines to finance the sale of mortgage portfolio of former ANAP	42,796.8	49,947.2
Credit lines for international organizations programs	5,536.1	6,774.1
Credit lines for deposits (Resolution 1686)	2,263.1	3,569.3
Former <i>Caja Central de Ahorros y Préstamos</i> and former ANAP (Note 4)	365,825.6	348,103.8
Price balances (Law 19,396)	0.0	13,826.8
Purchase of Central Bank of Chile promissory notes with resale agreement	611,244.8	0.0
Other	1,360.3	1,724.3
Total	1,131,919.0	554,477.1

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 the Central Bank of 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 31 December 2001, the balance of accounts receivable from CORFO

amounts to Ch\$2,059.5 million (Ch\$9,440.8 million in 2000), 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 31 December 2001, amount to Ch\$185,270.2 million equivalent to UF11.4 million (Ch\$183,598.9 million in 2000, equivalent to UF11.3 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 16 January 1990, terminated the legal existence of *Caja Central de Ahorros y Préstamos* and the authorization of existence of *Asociación Nacional de Ahorro y Préstamo* (ANAP), 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 ANAP 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 31 December 2001, the amount payable to Central Bank of Chile arising from the liquidation of these institutions, including accrued interest as of such date, amounted to Ch\$365,825.6 million (Ch\$348,103.8 million in 2000), 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\$)	
	2001	2000
Treasury promissory notes Law 18,267	375,923.8	425,272.1
Treasury promissory notes Law 18,768	4,138,148.1	3,736,125.5
Treasury transfers Law 18,401	185,270.2	183,598.9
Total	4,699,342.1	4,344,996.5

A) TREASURY PROMISSORY NOTES LAW (18,267)

In conformity with Law 18,267, the Treasury transferred Ch\$100,000 million to the Central Bank of 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. The last unit matures on 15 December 2008.

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 15 December 2014.

This year prepayment of interest was received in the amount of US\$123.8 million, (US\$127.8 million in 2000) shown in the caption "Other liabilities". Non-accrued interest amounts to US\$115.5 million (US\$119.4 million in 2000).

Law 19,774 on Public Sector Budgets was published in the Official Gazette on 4 December 2001. Article 21 of this law states the following: "The President of the Republic is authorized to substitute the promissory notes issued in virtue of Article 75 of Law 18,768, through one or more supreme decrees from the Ministry of Finance, for other documents issued by the Treasury, in pesos common national currency, which will maintain the bi-annual maturity dates set for the former. The substitution procedure, interest rate, capitalization regime and other characteristics, conditions and types of those promissory notes, will be determined in the respective decree".

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 the Central Bank of Chile deriving from the agreement amending payment terms for such obligation subscribed with *Banco de Chile* on 8 November 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.

7. SHARES RECEIVED IN PAYMENT

Pursuant to Law 19,396, the Central Bank of Chile received from *Banco Santiago* 35,090.5 million series E shares, in payment, of which, as of 31 December 2001, 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 13 May 1999, the Central Bank subscribed an agreement with *Banco Santander Central Hispano S.A.*, whereby, among other matters, the Central Bank of Chile was granted the irrevocable option to sell to *Banco Santander Central Hispano*, starting 15 May 2000 until 15 May 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 15 May 2000, based on changes in UF plus the deposit rate of indexed operations.

8. DEPOSITS AND OBLIGATIONS

The caption Other deposits and obligations includes the following items:

	2001	(Millions of Ch\$) 2000
Foreign currency current accounts	168,683.1	69,890.5
Deposits in foreign currency, Resolutions 1657 and 1686	1,745.8	2,355.4
Short-term deposits	108,678.8	227,475.7
Other deposits	10,005.0	-
Total	289,112.7	299,721.6

9. INSTRUMENTS ISSUED BY CENTRAL BANK, AS OF 31 DECEMBER 2001 AND 2000 BY PERIOD REMAINING TO MATURITY

Type of document	(Millions of Ch\$)					Total 2001	Total 2000
	Up to 90 days	91 to 180 days	181 days to 1 year	Over 1 year to 3 years	Over 3 years		
Indexed promissory notes payable in coupons (PRC)	269,932.0	224,031.7	385,368.1	1,419,343.7	3,270,231.6	5,568,907.1	6,257,179.1
Central Bank discountable promissory notes (PDBC)	1,925,000.0	466,000.0	381,000.0	-	-	2,772,000.0	1,657,332.5
Central Bank indexed promissory notes in US dollars (PRD)	66,900.6	43,432.2	218,383.4	1,836,638.3	382,892.5	2,548,247.0	880,528.6
Indexed coupons (CERO) in UF	41,611.0	45,965.8	85,343.2	298,903.3	1,123,495.9	1,595,319.2	1,319,804.5
Indexed coupons (CERO) in US dollars	9,272.8	5,184.4	19,181.9	408,421.0	136,567.4	578,627.5	4,621.8
Promissory notes stated in indexed units UF (Resolution 1836) arising from US dollars certificates	7,232.8	-	-	471,973.1	-	479,205.9	483,754.2
Central Bank Indexed promissory notes (PRBC)	-	-	292,727.9	-	-	292,727.9	2,607,316.1
Commercial notes from redenomination of foreign exchange securities	26,900.0	10,593.7	4,971.8	33,573.1	75,143.1	151,181.7	238,026.8
Floating interest rate promissory notes (PTF)	8,004.7	1,868.6	8,236.9	1,049.1	-	19,159.3	38,880.7
Deposit certificates stated in US dollars (Resolution 1649)	75.8	-	665.3	1,330.7	1,995.4	4,067.2	4,338.5
Promissory notes issued for exchange-rate differential	21.6	-	-	-	-	21.6	29.3
Total notes issued	2,354,951.3	797,076.4	1,395,878.5	4,471,232.3	4,990,325.9	14,009,464.4	13,491,812.1
Total 2000	3,437,853.2	658,075.3	1,937,490.5	2,677,347.5	4,781,045.6	13,491,812.1	

Balances include interest and accrued adjustments as of 31 December 2001 and 2000.

10. CAPITAL AND RESERVES

Changes in capital and reserves during 2001 and 2000 were as follows:

	(Millions of Ch\$)		
	Capital	Surplus (Deficit) in the period	Total
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)
Balances as of 31.12.2000 restated for comparison purposes	(923,395.0)	185,745.1	(737,649.9)
Balances as of 01.01.2001	(895,630.4)	180,160.1	(715,470.3)
Distribution of 2000 surplus	180,160.1	(180,160.1)	-
Equity revaluation	(22,179.6)	-	(22,179.6)
Surplus during the period	-	987,751.5	987,751.5
Balances as of 31.12.2001	(737,649.9)	987,751.5	250,101.6

Article 5 of the Constitutional Organic Law of the Central Bank set start-up capital for the Bank at Ch\$500,000 million (Ch\$1,502,251.6 million restated as of 31 December 2001) to be paid according to Interim Article 2 of said law.

The 2001 surplus will be used to absorb the equity deficit.

11. VARIATIONS IN MONETARY BASE AND INTERNATIONAL RESERVES

In conformity with Note 1 Letter a) and in consideration of the operating particularities of the Central Bank of Chile, as of 2001, instead of a Statement of Cash Flow, the Bank presents a Statement of Variation in Monetary Base and a Statement of Variations in International Reserves, understanding the following as Monetary Base and International Reserves:

Monetary Base: Central Bank of Chile liabilities that form part of the money, or otherwise contribute to the formation of monetary aggregates comprising bills, coins

and checks issued by the Bank that are freely circulating, plus deposits made by the financial system in the Central Bank of Chile.

International Reserves: Those external assets that are readily available to and controlled by monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitudes of such imbalances through intervention in exchange markets to affect the currency exchange rate, and /or for other purposes.

VARIATIONS IN THE MONETARY BASE (Millions of Ch\$)

PRICE-LEVEL RESTATED BEGINNING BALANCE OF ISSUANCE (31.12.2000)		1,766,471.1
CURRENCY ISSUANCE INCREASES		
Operations with International Organizations	9,169.2	
Domestic Loans	591,790.1	
Interest and indexation paid for notes issued	1,502,100.2	
Other operating expenses	5,093.7	
Other expenses	17,387.1	
TOTAL INCREASES		2,125,540.3
CURRENCY ISSUANCE DECREASES		
Notes issued by the Central Bank of Chile	(1,125,969.5)	
Interest and indexation received for internal credit	(181,390.6)	
Net sale of foreign currency	(562,046.8)	
Deposits and obligations	(80,691.5)	
Other assets	(4,737.7)	
TOTAL DECREASES		(1,954,836.1)
Variations in currency issuance for the year		170,704.2
Effect of inflation on beginning balance of currency issuance		(53,114.1)
ENDING BALANCE OF CURRENCY ISSUANCE (31.12.2001)		1,884,061.2

NET VARIATION IN INTERNATIONAL RESERVES
(Millions of US dollars)

BEGINNING RESERVES BALANCE (31.12.2000)		14,741.4
RESERVES INCREASES		
Domestic Loans	0.5	
Other assets	0.1	
Other liabilities	0.2	
Interest received for deposits and other investment instruments abroad	1,329.7	
TOTAL INCREASES		1,330.5
RESERVES DECREASES		
Deposits and obligations	(740.2)	
Other liabilities abroad	(2.2)	
Other operating expenses	(10.7)	
Other expenses	(1.0)	
Net sale of foreign currency	(791.5)	
TOTAL DECREASES		(1,545.6)
Variation in reserves for the year		(215.1)
Exchange rate effect		(300.4)
FINAL RESERVES BALANCE (31.12.2001)		14,225.9

12. BALANCES IN FOREIGN CURRENCY AND GOLD

Assets and liabilities denominated in foreign currency and included in the balance sheets as of 31 December 2001 and 2000 are as follows:

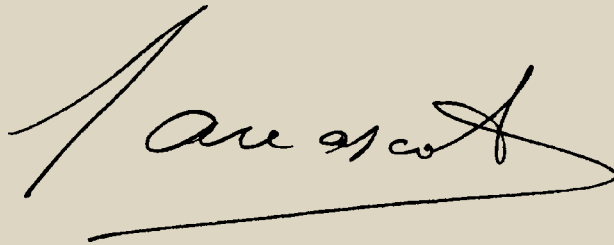
	(Millions of US dollars)	
	2001	2000
ASSETS		
OVERSEAS ASSETS	14,384.2	15,083.5
Reserve	14,186.7	14,738.0
Other overseas assets	197.5	345.5
DOMESTIC ASSETS	6,307.9	6,330.0
Domestic loan	6,307.9	6,330.0
OTHER ASSETS	1.4	5.1
Total assets	20,693.5	21,418.6
LIABILITIES		
OVERSEAS LIABILITIES	169.3	223.7
Reserve	13.2	60.1
Other overseas liabilities	3.0	4.7
SDR allocations	153.1	158.9
DOMESTIC LIABILITIES	1,549.6	2,309.6
Deposits and obligations	1,549.6	2,309.6
OTHER LIABILITY ACCOUNTS	115.9	119.9
Total liabilities	1,834.8	2,653.2
NET ASSETS	18,858.7	18,765.4

13. CONTINGENCIES AND COMMITMENTS

The 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.

14. INCOME TAX

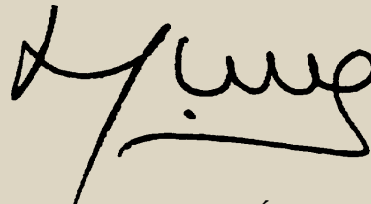
Pursuant to DL 3345, dated 24 April 1980, the Central Bank of Chile is exempt from income tax.



CAMILO CARRASCO ALFONSO
General Manager



FRANCISCO GARCÍA LETELIER
Accounting and Administration Manager



MARIO ULLOA LÓPEZ
General Auditor

INDEPENDENT AUDITORS' REPORT

To the Chairman and Board Members of the Central Bank of Chile

1. We have audited the accompanying balance sheets of Central Bank of Chile as of 31 December 2001 and 2000 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 that 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. Central Bank of 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\$557,510.1 million (Ch\$832,838.8 million in 2000), 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 in all material respects present fairly the financial position of the Central Bank of Chile as of 31 December 2001 and 2000, and the results of its operations for the years then ended, in conformity with accounting policies as described in Note 1.
5. As of 31 December 2001, Central Bank of Chile has shareholders' equity (Capital and Reserves) of Ch\$250,101.6 million (shareholders' equity deficit of Ch\$737,649.9 million as of 31 December 2000). The positive change in shareholders' equity as of 31 December 2001 in respect to the previous year, originates as a consequence of the surplus of Ch\$987,751.5 million obtained as of that date, due to the higher exchange rate of the dollar and other foreign currencies in 2001, which favorably affected the foreign currency asset position maintained by the Bank, generating exchange net income of Ch\$1,476,584.2 million.
6. As of 31 December 2001 and as explained in Note 1 f), the Bank's management decided to amortize, with a charge to income for the year, Ch\$132,616 million corresponding to deferred losses originated by modification of payment conditions of certain banks' subordinated obligation.



Alejandro Cerda G.

ARTHUR ANDERSEN - LANGTON CLARKE

Santiago, 15 January 2002