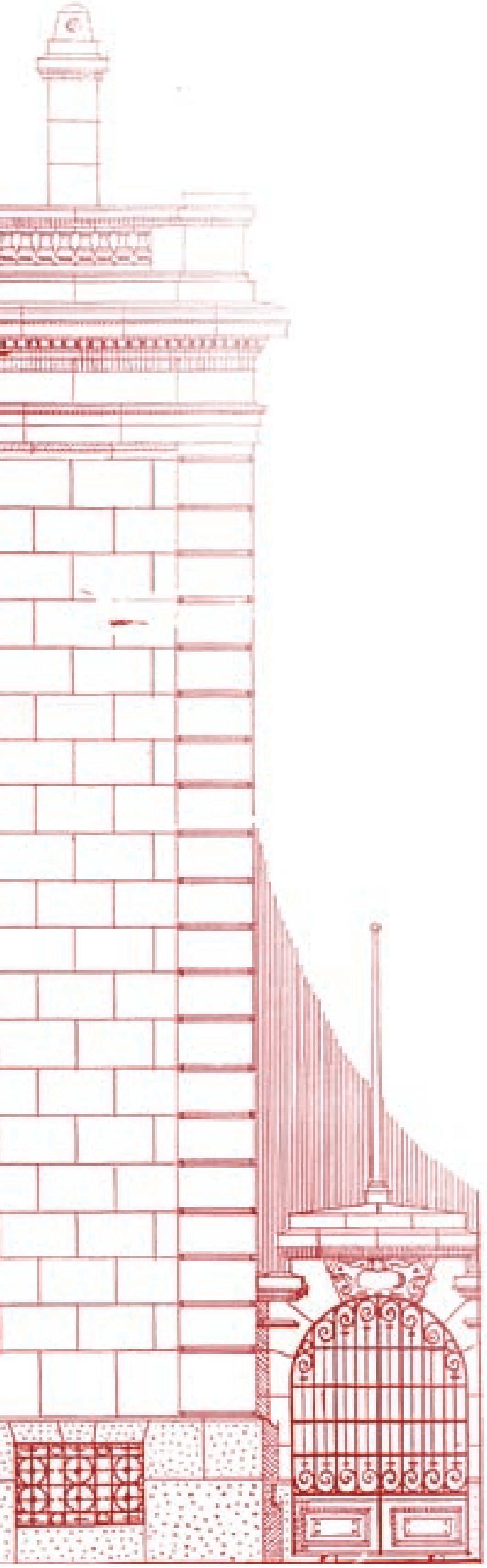
III. Financial Statements of Central Bank of Chile



Balance Sheets as of 31 December 2009 and 2008

(Ch$ million)

ASSETS	NOTE	31.DEC.09	31.DEC.08	01.JAN.08
Foreign assets		12,975,910.6	14,575,229.6	9,069,916.3
Reserve assets	11 y 12	12,849,409.6	14,422,065.4	8,937,779.3
Monetary gold		4,446.9	4,295.5	3,472.1
Special drawing rights (SDR)		579,052.2	35,134.6	28,177.1
Reserve position in the IMF		144,891.5	103,214.7	46,633.7
Correspondent banks abroad		9,656.5	24,669.2	3,880.4
Investments in foreign currency:		12,068,153.6	14,203,468.1	8,819,690.1
Instruments at fair value with effect on net income		7,055,273.7	10,801,377.6	4,609,078.8
Available-for-sale securities		1,871,316.7	-	424,874.6
Held-to-maturity securities		3,141,563.2	3,402,090.5	3,785,736.7
Reciprocal loan agreements		43,014.6	51,002.3	35,670.1
Other assets		194.3	281.0	255.8
Other foreign assets		126,501.0	153,164.2	132,137.0
Shares of and contributions to the IDB		93,234.6	113,156.3	97,119.0
Shares of Bank for International Settlements (BIS)		33,266.4	40,007.9	35,018.0
Domestic assets		5,209,790.4	2,807,140.6	2,567,082.9
Domestic loans	13	3,359,585.3	936,235.0	606,439.2
Loans to banks and financial institutions		3,359,585.3	936,235.0	606,439.2
Operations Under Specific Legal Regulation	14	1,850,205.1	1,870,905.6	1,960,643.7
General Treasury transfers (Laws 18,267 and 18,401)		238,413.4	238,833.5	311,088.5
Loan for subordinated liabilities of financial institutions (Laws 18,041 and 19,396)		914,374.2	967,451.8	1,018,084.4
Sinap Liquidation Law 18,900		696,385.9	663,579.5	630,434.1
Securities receivable Corfo Law 18,401		1,031.6	1,040.8	1,036.7
Other assets		426,386.5	645,000.3	47,958.4
Premises and equipment	15	44,404.9	44,736.3	43,725.8
Other securities		4,598.1	5,579.1	4,149.4
Temporary assets		93.1	194.6	83.2
Repurchase agreements		377,290.4	594,490.3	-
Total Assets		18,612,087.5	18,027,370.5	11,684,957.6

Accompanying notes from 1 to 29 are an integral part of these financial statements.

Balance Sheets as of 31 December 2009 and 2008

(Ch$ million)

(Continued)

LIABILITIES	NOTE	31.DEC.09	31.DEC.08	01.JAN.08
Foreign liabilities	16	721,461.3	212,439.4	190,729.4
Reciprocal loan agreements		1,865.9	7,273.1	6,716.9
Accounts with international organizations		73,138.8	88,953.3	81,883.9
Special drawing rights (SDR) allocations		646,456.6	116,213.0	102,128.6
Domestic liabilities		19,463,646.1	16,376,075.4	13,778,113.0
Monetary base	17	4,582,203.6	4,132,501.7	3,906,998.5
Banknotes and coins in circulation		4,189,634.9	3,600,978.4	3,527,893.2
Deposits from financial institutions (in Chilean pesos)		392,568.7	531,523.3	347,186.7
Deposits for technical reserves		-	-	31,918.6
Deposits and obligations	18	3,302,270.7	1,860,080.0	1,595,270.6
Deposits and obligations with the General Treasury		302,719.7	132,399.7	219,551.5
Other deposits and obligations		2,999,551.0	1,727,680.3	1,375,719.1
Documents issued by Central Bank of Chile	19	11,579,171.8	10,383,493.7	8,275,843.9
Central Bank bonds in UF (BCU)		4,782,123.6	5,411,652.7	2,837,797.1
Central Bank discountable promissory notes (PDBC)		3,603,398.4	1,098,702.3	901,001.3
Central Bank bonds in Chilean pesos (BCP)		1,939,862.4	2,212,432.6	2,144,900.5
Indexed-promissory notes payable in coupons (PRC)		773,201.1	1,133,766.1	1,608,306.0
Optional indexed coupons (CERO) in UF		480,565.2	522,061.5	572,962.0
Central Bank bonds in U.S. dollars (BCD)		-	2,803.1	210,854.6
Central Bank indexed-promissory notes (PRBC)		-	2,054.7	-
Other		21.1	20.7	22.4
Other liabilities	20	387,193.1	635,421.6	17,331.5
Provisions		13,737.7	12,966.9	16,272.8
Other securities		451.7	284.9	1,058.7
Repurchase agreements		373,003.7	622,169.8	-
Net equity	21	(1,960,213.0)	803,434.1	(2,301,216.3)
Capital		803,434.1	(1,875,748.0)	(2,000,779.2)
Valuation accounts		3,126.8	-	84.6
Surplus (deficit) for the year		(2,766,773.9)	2,679,182.1	(300,521.7)
Total Liabilities and Equity		18,612,087.5	18,027,370.5	11,684,957.6

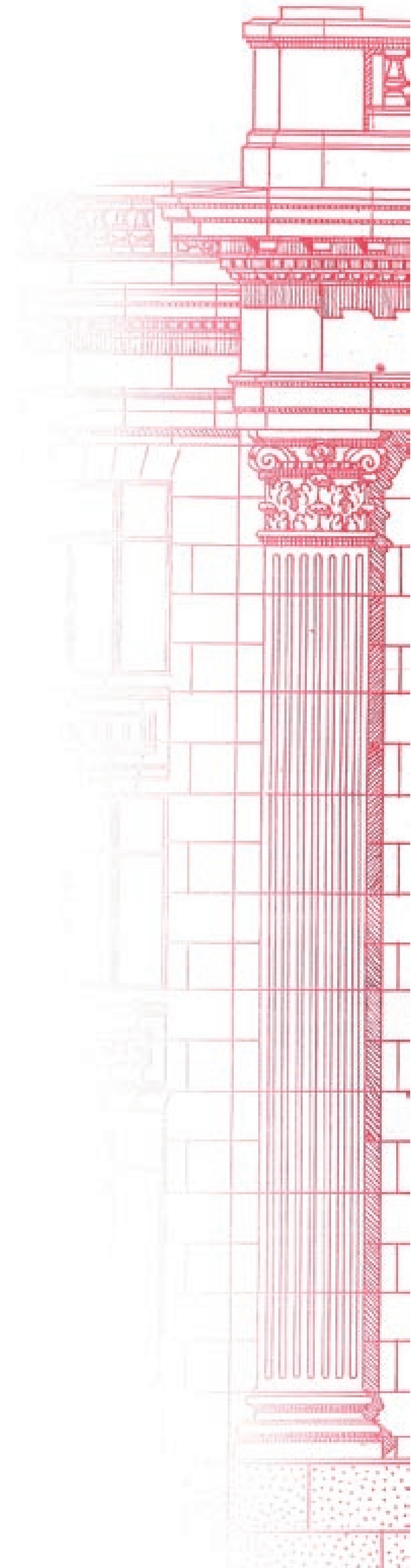
Accompanying notes from 1 to 29 are an integral part of these financial statements.

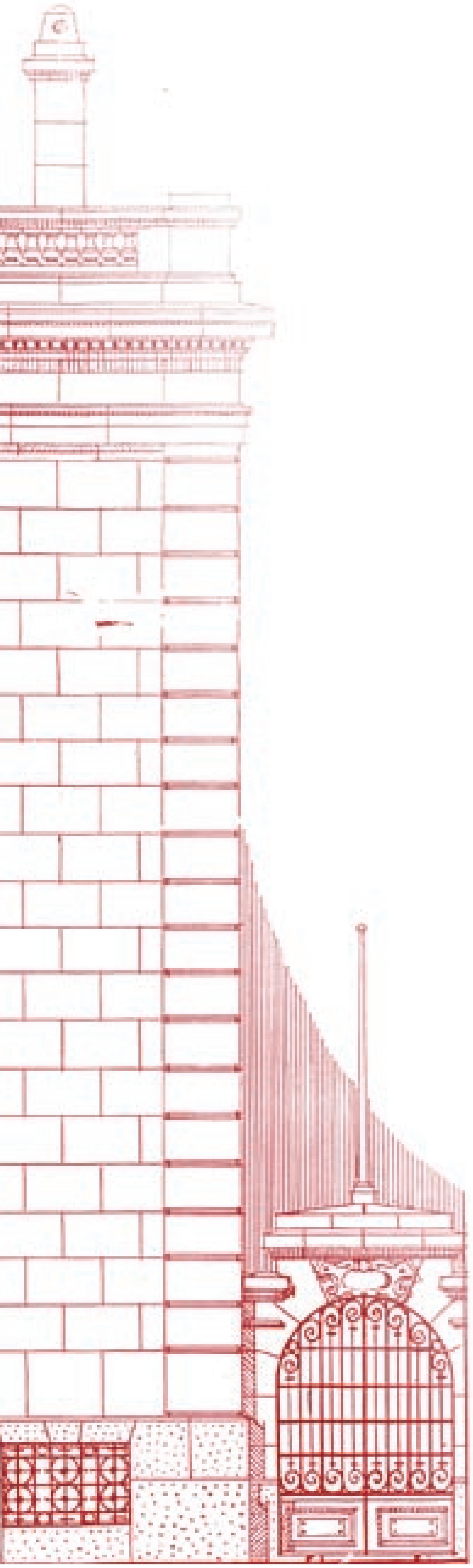
Statements of Income years ended 31 December 2009 and 2008

(Ch$ million)

	NOTE	31 DEC. 09	31 DEC. 08
Net income for international reserves	7	231,735.7	711,448.4
Income		532,375.0	854,015.6
Interest income		212,335.2	334,176.3
Gain on sale of instruments at fair value with effect on net income		314,160.6	312,476.6
Gain on sale of available-for-sale securities		4,437.9	5,325.3
Adjustments at fair value		-	198,955.6
Other		1,441.3	3,081.8
Expenses		(300,639.3)	(142,567.2)
Interest expenses		(38.3)	(25.7)
Loss on sale of instruments at fair value with effect on net income		(181,552.0)	(127,454.3)
Loss on sale of available-for-sale securities		-	(12.2)
Adjustments at fair value		(119,049.0)	(15,075.0)
Income net of other foreign operations		10,656.2	(27,893.4)
Income		12,156.9	1,750.4
Other income		12,156.9	1,750.4
Expenses		(1,500.7)	(29,643.8)
Interest expenses		(899.9)	(3,167.4)
Other expenses		(600.8)	(26,476.4)
Net income for domestic operations	8	(184,947.0)	(785,790.0)
Income		86,240.0	322,145.3
Interest income and adjustments		51,373.9	314,541.5
Other income		34,866.1	7,603.8
Expenses		(271,187.0)	(1,107,935.3)
Interest expenses and adjustments		(268,364.9)	(1,104,946.0)
Other expenses		(2,822.1)	(2,989.3)
Net (loss) gain on foreign exchange transactions	9	(2,776,156.6)	2,666,120.5
Gain on foreign exchange transactions		71,532.7	2,783,775.1
Loss on foreign exchange transactions		(2,847,689.3)	(117,654.6)
Issuance and distribution costs	10	(28,478.8)	(30,178.5)
Banknotes		(10,019.5)	(10,308.0)
Coins		(17,902.2)	(19,627.1)
Distribution		(557.1)	(243.4)

Accompanying notes from 1 to 29 are an integral part of these financial statements.





Statements of Income years ended 31 December 2009 and 2008

(Ch$ million)

(Continued)

	NOTE	31 DEC. 09	31 DEC. 08
Personnel and administrative expenses		(35.311,7)	(37.614,3)
Personnel expenses		(22.570,3)	(22.398,5)
Administrative expenses		(10.651,2)	(10.776,9)
Provision for post-employment benefits		(2.090,2)	(4.438,9)
Other expenses		(2.628,2)	(3.330,2)
Depreciation and amortization		(2.067,5)	(2.846,4)
Taxes and contributions		(560,7)	(483,8)
Operating income		(2.785.130,4)	2.492.762,5
Price-level adjustment	2 (e)	18.356,5	186.419,6
(Deficit) surplus for the year		(2.766.773,9)	2.679.182,1

Notes to the Financial Statements 31 December 2009 and 2008

Note 1

Description of business

Central Bank of Chile was established on 21 August 1925, by Decree Law 486. The Bank is an autonomous entity of technical nature, full legal capacity, its own assets and indefinite duration, created in accordance with Sections 108 and 109 of the Political Constitution of Chile and ruled by the Basic Constitutional Act contained in Article One of Law 18,840 and its modifications.

The Bank's objective is to look after the stability of both the Chilean currency and the normal functioning of domestic and foreign payments.

In order to meet its objectives, the Bank regulates the amount of money and credit in circulation and executes credit operations and international exchange, such as, dictating regulations on monetary credit, and financial and international exchange matters. Additionally, the Bank is exclusively empowered to issue banknotes and to mint coins.

The Bank is domiciled in *Santiago de Chile*, and its main office is located in *Agustinas* 1180.

Note 2

Summary of Significant Accounting Policies

(a) Basis of Preparation of the Financial Statements

These financial statements have been prepared in conformity with the "Policies of presentation and preparation of financial reports of Central Bank of Chile " approved by the Bank's Board, pursuant to Resolution 1456-01 dated 15 January 2009, upon the favorable report of the Superintendence of Banks and Financial Institutions, pursuant to Section 75 of the Bank's Basic Constitutional Act. The policies approved by the Board are consistent with International Financial Reporting Standards (IFRS), agreed by the International Accounting Standards Board (IASB), in everything in which the application of these international accounting standards does not affect legal specific provisions that govern the Bank or the compliance of its public duties. Should there be any disagreement; the standards issued by the Board of the Bank shall prevail as it is the case of:

a.i The credits related to the liquidation of the Sinap governed by Law 18,900 stated in the caption "Operations Under Specific Legal Regulation" and explained in notes 2(k) and 14(b) are valued at amortized cost with effect on net income. The Bank's Board has decided to maintain the accounting treatment this asset had at the original accounting date, as it corresponds to operations arising from specific legal clauses inherent to the Bank's institutional duties.

a.ii Accounting treatment of premises and equipment, see note 2(l). Measurement at acquisition cost plus price-level adjustment based on the variation of the CPI less accumulated depreciation. Depreciation is calculated using the straight-line method over the assets' estimated useful lives up to the residual value of the goods. The useful life will be reviewed on an annual basis since 2010.

a.iii Application of comprehensive price-level adjustment. Pursuant to note 2(e), price-level adjustment has been applied based on the variation of the CPI to the equity and premises and equipment during 2009 and 2008.

a.iv Provisions, assets and contingent liabilities. The Board decided to adopt the criterion of the international standards, however, it will be able to use the power granted by the Bank's Basic Constitutional Act to record global or individual provisions as per the risk that may be estimated for some investing or credit operations. During 2009 and 2008, no provisions were recorded in this regard.

a.v The statement of changes in equity is not presented. Instead, note 21 Capital and reserves is included; containing the capital movements during 2009 and 2008.

a.vi A statement of cash flows is not presented as defined by the international standard, instead, as part of the notes to the financial statements, a statement of variations in monetary base and a statement of variations of international reserves is presented in note 22.

a.vii The statements of comprehensive income are not presented, instead, the statements of income for 2009 and 2008 are presented.

The presentation of these financial statements is framed within an economic and accounting framework that allows reflecting the financial position of the Bank, and at the same time, contributes to the economic analysis of the Bank's operations by clearly identifying whether they are undertaken by domestic or foreign agents. From this information it is possible to determine the Bank's share in the domestic supply of monetary assets and credit and the related effects on the Bank's foreign creditor position. For this reason, the economic concepts of international reserves and currency issuance are shown under the captions reserve assets and monetary base liabilities, respectively.

The financial statements have been prepared on the historical cost basis. The abovementioned excludes operations corresponding to foreign investments in financial instruments at fair value with effect on net income and available-for-sale securities, which basis of measurement has been performed taking the fair value as reference.

The methods used to measure fair values are presented in note 3.

For comparative purposes, the 2008 figures have been price-level adjusted based on changes in Chilean consumer price index for the period from 30 November 2008 to 30 November 2009, which was -2.3%.

Note 6 includes a reconciliation between the Bank's balance sheet results as of 1 January 2008 and as of 31 December 2008, the Bank's financial statements for 2008 and the corresponding balances of that year ended in conformity with the new criteria.

(b) Functional and presentation currency

As the Bank's main objective is to look after the stability of the Chilean currency, which implies that open-market operations play a significant role in the development of the monetary policy, being its main characteristic the issuance of banknotes and coins, the Chilean peso has been defined as the financial statement's functional and presentation currency. The figures of such statements are stated in millions of Chilean pesos, while the figures of these notes are stated in millions of Chilean pesos or U.S. dollars, as applicable.

(c) Transactions in foreign currency and foreign currency translation

The Bank's functional currency is the Chilean peso. Consequently, all balances and transactions denominated in currencies other than the Chilean peso are considered as denominated in "foreign currency". The balances of the financial statements expressed in this currency are translated into Chilean pesos as follows:

c.i U.S. dollars are translated into Chilean pesos at the "observed U.S. dollar" exchange rate pursuant to Section 44 of the Basic Constitutional Act, that governs the Bank, referred to under No.6 of Chapter I in the "General Provisions" of the Compendium of Foreign Exchange Regulations (*Compendio de Normas de Cambios Internacionales*).

c.ii Assets and liabilities stated in Chilean minted gold, are valued at the average London morning quotation of the "Gold Fixing" rate (U.S. dollars per fine troy ounce), for all business days.

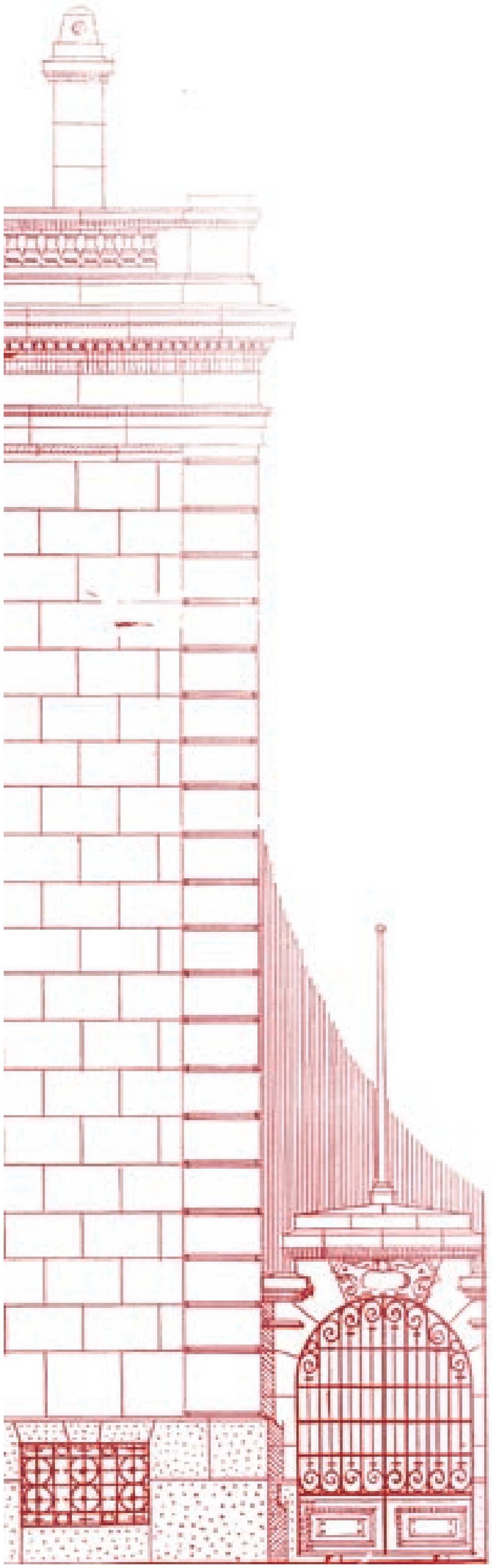
c.iii Translation of foreign currencies other than U.S. dollars is made at the exchange rates published daily by Central Bank of Chile in the *Official Gazette*, which are always based upon the "observed U.S. dollar" rate.

c.iv Special Drawing Rights (SDR) are adjusted at the exchange rates for each of the business days of the month, reported by Central Bank of Chile, except for the last business day of the month in which the exchange rate reported by the International Monetary Fund (IMF) is considered.

The results from the purchase and sale of foreign currency, as well as the differences arisen from the update of the belongings in foreign currency, as a result of the variation of the exchange rates of such foreign currencies compared to the Chilean peso, are recorded as profits or losses for the year.

The main exchange rates to the Chilean peso used as of each year-end are as follows:

	2009 Ch$	2008 Ch$
United States dollar (observed exchange rate)	506.43	629.11
Pound Sterling	806.03	913.74
Euro	727.21	889.33
Special Drawing Rights (SDR)	791.04	973.74



(d) General principles used in the preparation of the financial statements

The financial statements have been prepared taking as a base the recognition of assets, liabilities and results when the flow of future economic benefits is probable from or towards the Bank and it is possible to determine a cost reliably, considering for such purpose, the following accounting principles:

d.i Accrual basis
The determination of operating results and the financial position must take into account all the resources and obligations of the period, whether or not they are received or paid, in order for costs and expenses to be properly matched to the revenues they generate. In this regard, the effects of the transactions must be recognized to the extent they generate the right to receive revenues or the obligation to pay for a cost or disbursement rather than when the payment is made or received.

d.ii Going Concern
The financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or significantly curtail the scale of its operations.

d.iii Materiality
The relevance of information is affected by its nature and relative importance. Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Of course, there is not a boundary line setting the limits of what is significant or not, and the best criterion should be applied to resolve the issues in each case according to the circumstances, taking into account factors such as the relative effects on assets, liabilities, equity, or on earnings for the year.

d.iv Substance over form
If information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance and economic reality and not merely their legal form.

d.v Prudence
Prudence is the inclusion of a degree of caution in the exercise of the judgements needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

(e) Price-level adjustment

Section 5 of the Bank's Basic Constitutional Act, establishes the paid-in capital of the Bank and refers to its increase through the capitalization of reserves, in addition to its adjustment for price-level adjustment. In conformity with such legal provision, the Board decided to adjust equity and premises and equipment based on the variation of CPI in 2009, which reached -2.3% (8.9% in 2008). Notwithstanding the above, the Board decided for 2010, upon the approval of the Superintendence of Banks and Financial Institutions, and the following years to cease the application of price-level adjustment in order to adapt the Bank's financial statements to IFRS, with the condition to protect the application in relation to its equity, from the specific legal regime governing the Bank as a public law entity, as well as regarding the payment of paid-in capital and the distribution of the annual surplus to the General Treasury covered by Sections 5, 75, 77, and transitory Section 2 of the abovementioned legislation.

Revenues and expenses in local currency, except for depreciation and price-level adjustment, have not been adjusted. The application of this adjustment resulted in a net credit to net income of Ch$18,356.5 million in 2009 (Ch$186,419.6 million in 2008).

The effect of variations in the exchange rates for assets and liabilities in foreign currencies and indexation on loans and liabilities is included within the Operating income, separate from price-level adjustment.

(f) Interest income and expenses, adjustments and commissions

Interest income and expenses, adjustments and commissions are recognized as net income for the year when earned. Interests are recognized based on their effective rate.

(g) International reserve measurement criteria

International reserves are liquid assets in foreign currency held by Central Bank of Chile. They are an instrument supporting monetary and foreign exchange policies, in order to meet the Bank's objective of safeguarding currency stability and the normal functioning of internal and external payment systems. Reserve assets comprise those external assets under the control of the monetary authority, which can dispose of them immediately in order to fund the imbalances of the balance of payments and to indirectly regulate the magnitude of those imbalances.

Investments in foreign financial instruments are measured and classified in accordance with IFRS, in the following categories and composition:

g.i Investments at fair value with effect on net income
Includes bonds issued by foreign governments, institutions and banks, mid-term bonds issued by Bank for International Settlements (BIS), treasury bills, discount notes, notes payable in coupons, indexed bonds, secured bonds from public institutions issued by German banks, agency prepayable bonds, agency notes, agency discount notes.

The considerations held to classify the documents already mentioned in this level focus on their high liquidity. They are recorded at fair value and their changes are recognized directly in earnings. The methods used to measure fair values are described in note 3.

g.ii Available-for-sale securities
Includes floating-rate notes, deposit certificates, floating-rate certificates, commercial papers, bank acceptances, discount term-deposits issued by BIS, negotiable with BIS, term-deposits at interest rates issued by BIS, negotiable with BIS, BIS floating-rate notes.

They are investments in financial assets that under some market considerations may become effective before their maturity, they are recorded at fair value and the changes in value are recognized directly in equity until the investment is sold or impaired, whereupon, the cumulative gains and losses previously recognized in equity are recognized in earnings. The methods used to measure fair values are described in note 3.

g.iii Held-to-maturity securities
Includes mostly term and night deposits and are investments in financial assets that the entity has the positive intent and ability to hold until maturity; they are valued at amortized cost using the effective interest method. These financial assets are not affected by transaction costs.

g.iv Other financial assets

g.iv.i Reserve position in the IMF: represents the net difference between the assets (installments paid to the IMF for subscription and the net of purchases and repurchases of SDR) and liabilities (deposits made by the IMF) and is classified as a held-to-maturity investment, measured at the cost indexed to Special Drawing Rights (SDR).

g.iv.ii Reciprocal loan agreements: represent the amount owed to Central Bank of Chile by the central banks comprising Aladi's Agreement on Reciprocal Payments and Credits for the exports made by Chilean entities. Their classification corresponds to non-derivative held-to-maturity financial instruments, measured at amortized cost.

(h) Shares and contributions to the Inter-American Development Bank (IDB) and contributions to the International Monetary Fund (IMF)

Shares issued by and contributions made to the IDB, and to the IMF, on behalf of the Chilean General Treasury, are stated at acquisition or contribution cost plus adjustments, where applicable.

The accounting treatment of the previously mentioned shares and contributions conformity with Article 3 of DL 2943 dated 1979, published in the *Official Gazette* on 16 November of the same year, according to which such shares and contributions as well as the documents evidencing them, must be recorded for the Bank's accounting purposes as investments with a charge to its own resources.

Shares and contributions to IDB are shown under "Other foreign assets". Contributions to the IMF are recorded under "Reserve position in the IMF" in "Foreign reserve assets".

(i) Bank for International Settlements (BIS) Shares

During 2003, Board Resolutions 1073-04 dated 10 July 2003 and 1084-02 dated 16 September 2003, authorized the incorporation of Central Bank of Chile as a member of the Bank for International Settlements (BIS). On 26 September 2003, in accordance with these resolutions, Central Bank of Chile acquired 3,000 shares of the BIS for SDR42,054 million which are valued at acquisition cost and are shown under "Other Foreign Assets". During 2009 dividends were received in the amount of US$1.2 million (US$1.3 million in 2008).

(j) Domestic loans

Domestic loans are non-derivative financial assets that correspond to loans granted in the country, classified as held-to-maturity securities, stated with interests and adjustments accrued at year-end and measured at amortized cost pursuant to the effective interest rate method, and are not affected by transaction costs.

Non-adjustable loans are shown at original value or at their latest renewal value and adjustable balances or denominated in foreign currency include the related exchange rate adjustments at the balance date.

(k) Operations under specific legal regulation

Correspond to non-derivative financial assets subject to specific regulatory and legal restrictions such as the loans related to the *Sinap* Liquidation governed by Law 18,900 and Receivables from *Corfo* in conformity with Law 18,401 of General Treasury Transfer covered in Article 13 of such law, they are classified as held-to-maturity securities and are measured at amortized cost pursuant to the effective interest rate method, and are not affected by transaction costs.

(l) Premises and equipment

Premises and equipment are measured at acquisition cost plus price-level adjustment, based on the variation of CPI, net of accumulated depreciation. The goods that have met their useful life are stated at their residual value considering market reference prices.

Depreciation for 2009 is recognized as expense and has been calculated considering the following estimated useful lives:

	Years
Buildings	100
Furniture and office equipment	10
Computer equipment	5
Vehicles	3

(m) Monetary base

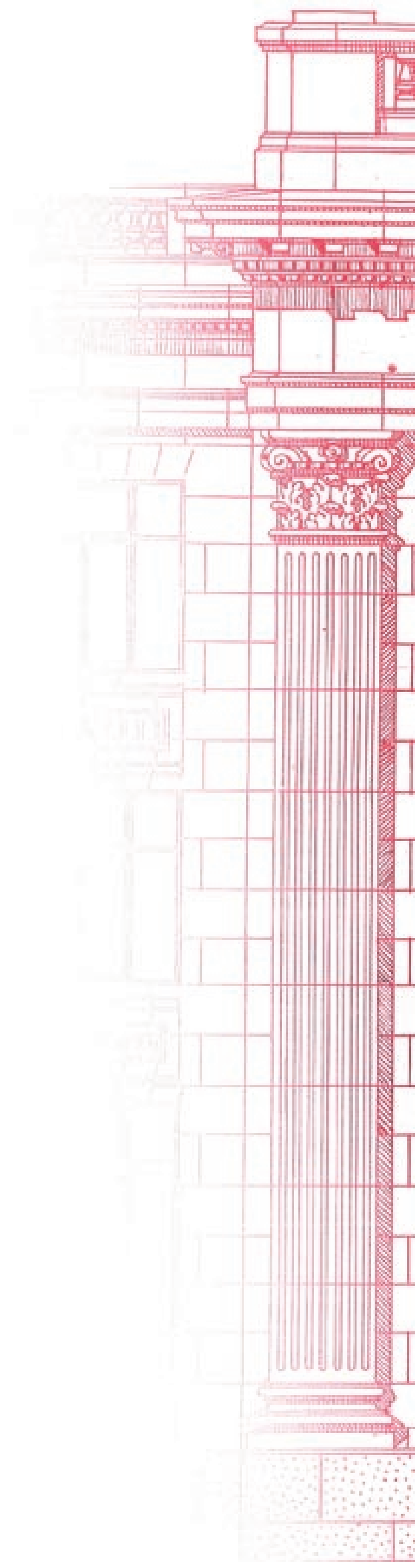
Mostly include liabilities of Central Bank of Chile that are part of money, or otherwise contribute to the formation of monetary aggregates including freely-circulating banknotes and coins, plus deposits made by the financial system in Central Bank of Chile and the banknotes and coins held on cash by banks. It is recorded at its nominal value.

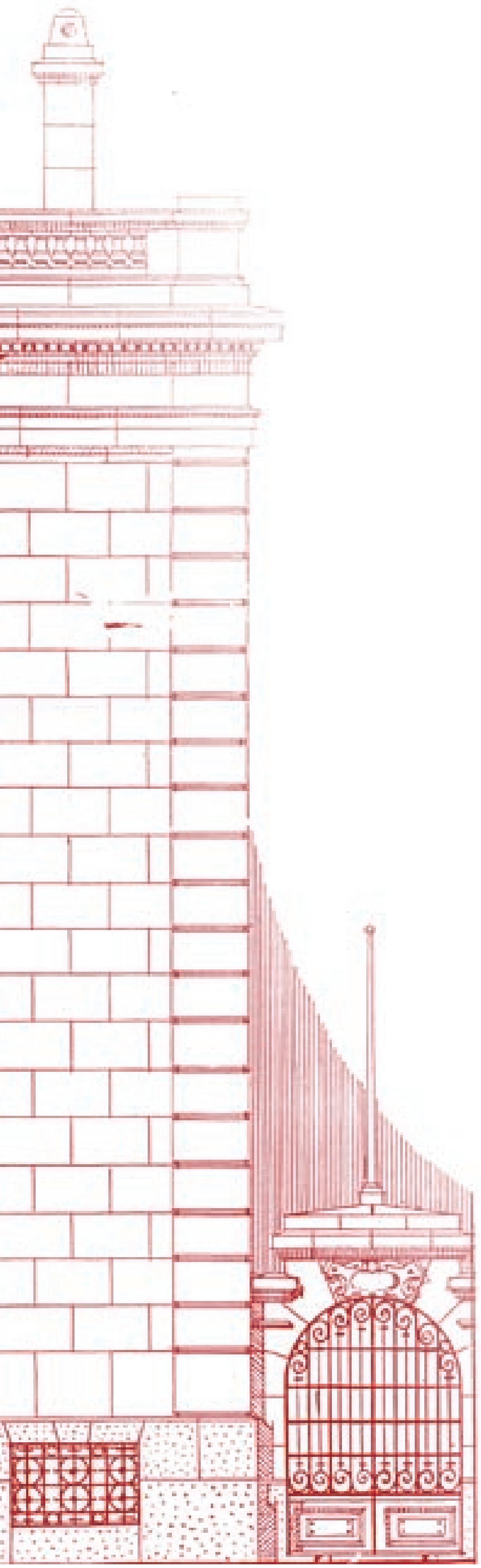
(n) Deposits and obligations

Deposits and obligations are financial liabilities for deposits and other operations made with the General Treasury and financial institutions, initially measured at fair value, and which are not affected by transaction costs. Subsequently, they are measured at amortized cost pursuant to the effective interest rate method with effect in earnings. Unadjustable balances are stated at nominal value. Adjustable balances or denominated in foreign currency include the related exchange rate adjustments at the balance date.

(o) Documents issued by Central Bank of Chile.

The documents issued by Central Bank of Chile are financial liabilities issued in order to adopt the decisions of monetary policy, initially measured at fair value, and are not affected by transaction costs. Subsequently, they are measured at amortized cost pursuant to the effective interest rate method with effect in earning. Unadjustable balances are stated at nominal value. Adjustable balances or denominated in foreign currency include the related exchange rate adjustments at the reporting date.





The following is the detail of held-to-maturity securities: Central Bank bonds in UF (BCU), Central Bank bonds in Chilean pesos (BCP), Central Bank discountable promissory notes (PDBC), Indexed-promissory notes payable in coupons (PRC), Optional indexed coupons (CERO) in UF, Central Bank bonds in U.S. dollars (BCD) and Central Bank indexed promissory notes (PRBC).

(p) Value impairment of financial assets at amortized costs

Regardless of the classification or reclassification of the instruments, in the event it is determined that the recoverable value (fair value) is lower than the earning value recorded in accounting, their impairment shall be recognized with a debit to earning. Pursuant to this policy, during 2009 and 2008, the Bank has not recognized any impairment of these financial assets.

(q) Employee benefits

q.i Post-employment benefits
Post-employment benefits are employee benefits which are payable after the completion of employment in the Bank, as stipulated in: collective contract between Central Bank of Chile and the Labor Union of Central Bank of Chile, signed on
29 June 2007; for special resolutions approved by the Board and for special benefits delivered to retired employees of the Former Association of Retired Employees and Beneficiaries of Pensions of Public Officials of Central Bank of Chile. These benefits include: severance indemnities, special indemnity Resolution 1414-01 dated 5 June 2008 special benefits to retired employees of the Former Association of Retired Employees and Beneficiaries of Pensions of Public Officials of Central Bank of Chile.
This recognition is made through an actuarial calculation that considers in both cases demographic and financial variables. It is measured at the current value of all future payments using an annual discount effective interest rate, affected by the expected employment duration and expected lives of beneficiaries, in conformity with note 2(t).

q.ii Accrued vacations
The annual cost of employee vacations is recognized in the financial statements on an accrual basis.

(r) Provisions and contingent liabilities

Provisions are liabilities of uncertain timing or amount. These are recognized in the balance sheet when the following requirements are met:

- is a present obligation arising from past events and,
- to the date of the financial statements it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation

A contingent liability is an obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Bank.

(s) Financial derivative instruments

Financial derivative contracts corresponding to forward exchange contracts and currency swaps are initially recognized in the balance sheet at cost and subsequently measured at fair value. Derivative contracts are reported as an asset when their fair value is positive and as a liability when is negative and are included in the captions “Other securities” and “Other deposits and obligations", respectively, in the case of forward exchange contracts and in the case of currency swaps are included in "Purchase of U.S. dollars with agreements to resale" and "Creditors for the purchase of U.S. dollars with agreements to repurchase", respectively.

When signing a derivative contract, this is designated by the Bank as a derivative security held for trading, as it is not used for hedge accounting purposes.

(t) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis by the Bank's senior management in order to quantify some assets, liabilities, income, expenses and uncertainties. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

- Note 2 (l) Premises and equipment, determination of useful life, depreciation and residual value

- Note 3 Determination of the fair value of international reserves

- Note 20(a) Provision for post-employment benefits, which estimate has been performed based on the actuarial calculation considering the following assumptions:

• Mortality rate: Mortality charts M-95 were used to determine survival probabilities in the calculation of severance indemnity payments, and mortality charts RV-2004 for the calculation of survival probabilities of post-employment benefits related to the healthcare plan of the retirement plan and the benefits of the Former Association of Retired Employees and Beneficiaries of Pensions of Public Officials of Central Bank of Chile.

• Labor turnover: Chart ESA-77 was used to calculate the probabilities of permanence of the Bank's officials in the determination of the provision for severance indemnity payments.

• Discount rate: The annual average of the nominal rate of BCP securities at 10 years was used. For 2009, the discount rate was 6.35% (7.56% in 2008).

• Salary growth rate: The annual average of the salary growth rate was calculated in a period of five years. For 2009 and 2008, the growth rate was 4.76%.

Note 3

Methodology applied for the measurement of fair values

The methodology for the calculation of fair values is applied to financial instruments held as foreign investments, classified as securities at fair value with effect on net income or available-for-sale securities with value changes through equity.

The management of international reserves is performed through a world class computer system that includes a methodology for the calculation of fair value. The methodology distinguishes two types of calculation to establish the fair value: priced and non-priced securities.

I. Priced securities (source: Bloomberg)

The system uses the prices obtained from Bloomberg at the closing of the markets of the current day. The price corresponds to PX Mid = (PX Bid + PX Last)/2.

Where:
- PX Mid: Average price
- PX Bid: The last purchase price available for an issuance in a particular day
- PX Last: The last price at which an issuance has been measured in a particular day

On the other hand, the system calculates the gains and losses from investments on a daily basis considering the following formula:

IR Profit/Loss = Total Gain Loss - Accrued Interest - Accrued IR Profit/Loss – FX Gain/Loss

Where:
- IR Profit/Loss: Interest gain/loss
- Total Gain Loss: Total gains and losses
- Accrued Interest: Portion over the next coupon payment accrued from the last coupon until the calculation date
- Accrued IR Profit/Loss: Portion over the reward/discount accrued from the beginning of the transaction until the calculation date
- FX Gain/Loss: Gain/Loss due to the effects of foreign currency exchange differences

II. Non-priced securities (reference rate)

In regards to the purposes of compliance control, the change in the market value of those securities that do not have any reference prices, it will only have to reflect the straight-line accrual of the reward/discount over the life of the transaction.

The abovementioned, completely removes the effect in the measurement resulting from the changes in the rates (Libid or Libor) and the effect is similar to what it happens with the treatment of deposits.

The fair value of international reserve securities is classified per levels as shown in note 11:

- Level 1, market value
- Level 2, measurement with market price
- Level 3, measurement without reference to market price

Note 4
Segment reporting

In order to meet its objectives, Central Bank of Chile has a number of operating functions and attributions related to the regulation of the money and credits in circulation, the regulation of the financial system and the capital market, the attributions to look after the stability of the financial system, the issuance of banknotes and coins, the functions as fiscal agent, the attributions on international matters and related to operations of international changes and statistic functions.

The Bank's primary function is the implementation of the monetary policy in Chile. Over 95% of the reserve assets of Central Bank of Chile are managed by the Bank's Financial Operations Division. Additional information on the composition of international reserve assets is presented in note 5.

Note 5
Financial instrument risks

The assets of Central Bank of Chile are mainly comprised of financial instruments from international reserves that are traded and kept in custody abroad such as bonds and government notes, bank deposits, among others. On the other hand, liabilities are comprised of financial instruments related to the management of debt and open-market operations made by the Bank with institutions of the local market through the issuance of notes and time deposits received, among others.

(a) International reserves

International reserves are liquid assets in foreign currency held by Central Bank of Chile to support its monetary and exchange policies. They constitute one of the instruments that the Bank has in order to be able to meet the permanent objective of looking after the stability of the currency and normal functioning of domestic and foreign payments.

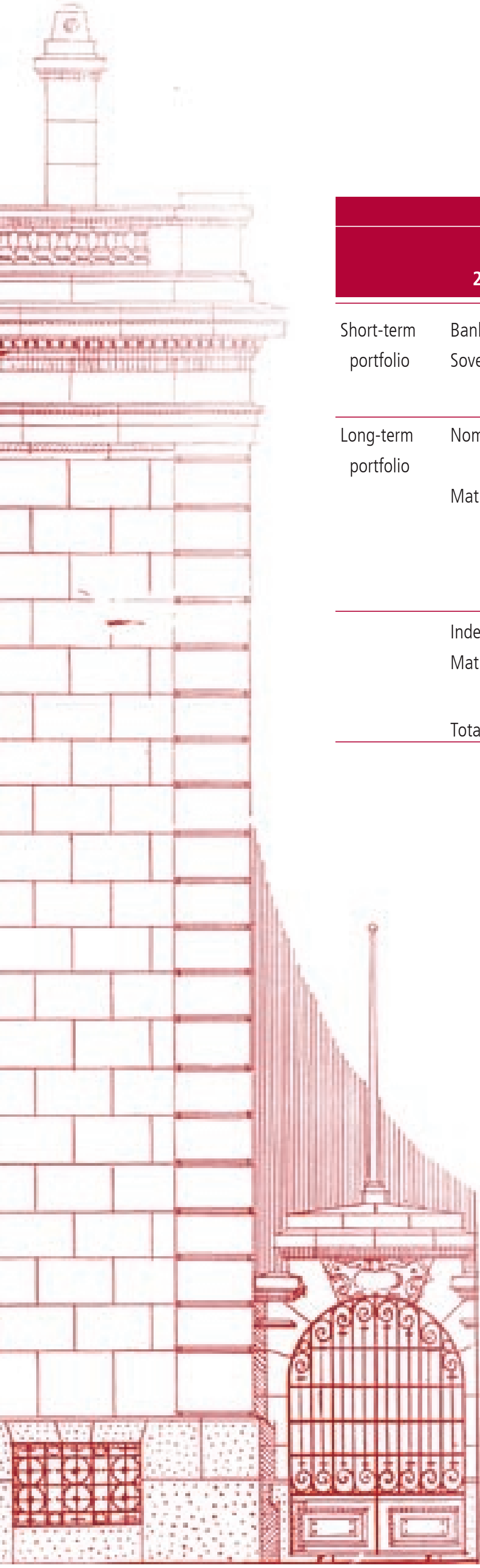
Consistently with the function of international reserves, as well as with its benefits and costs, the objective of its management aims to provide efficiently a secure access to international liquidity and look after the financial equity of the Bank. To achieve this, it acts in conformity with the institutional framework set out in Section 38 of its Basic Constitutional Act, where it is explicitly empowered to manage, maintain and dispose of its international reserves.

a.i Investment policy and referential structure

The investment policy of international reserves considers liquid financial assets meeting the legal requirements established for its administration. It is designed based on its impact on the earnings and risks of the Bank's financial balance sheet and on the characteristics of the potential foreign currency liquidity needs searching for the preservation of capital in case of possible market fluctuations.

International reserves are grouped in two main portfolios: the investment and liquidity portfolio.

The Investment Portfolio includes short- and long-term assets in foreign currency that are held to face unforeseen contingencies and long-term requirements. The referential structure of this portfolio considers 60% of U.S. dollars, 40% of euros, and an average maturity of 17 months.



The Liquidity Portfolio is intended to cover the forecasted requirements of funds in the short-term. The referential structure of this portfolio is matched in currencies and terms in respect to the forecasted disbursements. The referential structure of the currencies of the liquidity portfolio is defined according to the effective composition of the currencies and the forecasted disbursements and the deposits and withdrawals made by commercial or public sector banks.

Currency structure, period terms and maturity of the referential portfolio

2009			US$		€		Total	
			Ownership (%)	Maturity	Ownership (%)	Maturity	Ownership (%)	Maturity
Short-term	Banking		12.00	3.0	8.00	3.0		
portfolio	Sovereign, Agency. Supranational		24.00	3.5	16.00	4.8	60	3.7
			36.00	**3.3**	**24.00**	**4.2**		
Long-term	Nominal bonds							
portfolio		1 – 3 years	11.42	22.4	7.62	21.3		
	Maturity tiers	3 – 5 years	4.90	46.8	3.26	42.8		
		5 – 7 years	2.04	64.3	1.36	63.6		
		7 – 10 years	2.04	84.8	1.36	84.5		
			20.40	**38.7**	**13.60**	**37.0**		
	Indexed bonds						40	36.5
	Maturity tiers	1 – 10 years	3.60	28.6	2.40	26.4		
			3.60	28.6	2.40	26.4		
	Total portfolio		**60.00**	**16.9**	**40.00**	**16.7**	**100**	**16.8**

Benchmark – 2009 investment policy

Structure			Benchmark
Short-term portfolio	Banking Risk Sovereign, Agency. Supranational		Libid at 6 months average Merrill Lynch Government Bills Merrill Lynch (%)
Long-term	**Total Return**		
portfolio		1 – 3 years	56
	Maturity tiers	3 – 5 years	24
	for JP Morgan bonds	5 – 7 years	10
		7 – 10 years	10
	Total Return		
	Maturity tiers		
	Indexed bonds incepted		
	by Barclays Capital	1 – 10 years	

a.ii Risk policy and management

The risk management policy defines a number of admissible deviations in respect of the referential structure in terms of maturity, periods, currency and limits over the different types of investment. This policy delimits liquidity, market and credit risks. The operational risk is controlled through the segregation of duties and responsibilities, the application of controls, and internal and external audit exercises over permanent and regular basis. The Departments of International Desk and International Treasury of the Management of International Investments are responsible for the investments and its enhancement, respectively, while the Department of Management and Risk Evaluation which reports to the General Management measures the performance and risks and verifies the compliance with investment limits.

a.iii Management of liquidity risk

To reduce liquidity risk, a portfolio is managed which is comprised only by short-term deposits in international commercial banks, with different due dates and by fixed income securities traded in secondary markets of high liquidity and depth.

a.iv Management of market risk

Market risk implies possible losses due to variations in the price of investments. The investment policy limits the market risk arising from variations on interest rates and parities by establishing maturity and composition margins of currencies around referential parameters of the portfolios and through the diversification of currencies, securities and investment periods. Market risk is monitored through the daily measurement of the maturity and composition of currencies, and by the follow-up of VaR and Tracking Error. The international reserve management monthly report, prepared by the Department of Management and Risk Evaluation, includes the measurements of performance and risk in an absolute manner and as compared to a benchmark, and presents an evaluation of the implemented investment strategy.

a.v Management of credit risk

The policies on credit risk refer, on one hand, to the level of diversification allowed among the types of risk, and on the other, to the standards setting the transactions that can be performed by the Bank and the way to perform them. The current policy defines the securities, issuers and counterparties, among other eligible, over which international reserves can be invested.

Credit risk implies possible losses due to the noncompliance with financial operations by the issuers and/or counterparties of the Bank.

The investment policy limits the exposures to credit risk of countries, counterparties and issuers, setting amounts and maximum investment maturities that rely on risk ratings reported by rating agencies Moody's, Standard & Poor's and Fitch, and of other criteria such as equity and debt, among others. Similar with market risk, the Department of Management and Risk Evaluation monitors the credit risk on a daily basis by measuring the exposures to different countries, counterparties and issuers and updating regularly risk ratings and other criteria that determine the limits and investment margins. The table below shows that the sovereign, supranational and agency risks are concentrated in risk rating category AAA, while the securities issued by bank institutions are concentrated in the AA- category.

Composition of international reserves as per credit risk (1) (2) (3)

(percent as of 31 December 2009)

Credit risk	Credit rating							
	AAA	AA+	AA	AA-	A+	A	BBB+(4)	Total
Agency	2.2	0.0	0.0	0.0	0.0	0.0	0.0	2.2
Banking	0.6	0.0	1.9	11.3	4.4	4.6	0.0	22.8
Sovereign	64.5	1.0	4.2	2.4	0.0	0.0	0.6	72.7
Supranational	2.3	0.0	0.0	0.0	0.0	0.0	0.0	2.3
Total	**69.6**	**1.0**	**6.1**	**13.7**	**4.4**	**4.6**	**0.6**	**100.0**

(1) Banking risk is related to the investment in bank financial instruments (deposits, arbitrations and future arbitrations, secured bonds from public institutions issued by German banks).
Sovereign risk consists of the investment in securities from sovereign states (deposits, bills, floating rate notes, nominal and indexed bonds).
Agency risk is related to the investment in securities from U.S. government agencies (bills, nominal bonds, securities secured with mortgages).
Supranational risk is related to the investment in multilateral official issuer securities (deposits, bills, floating rate notes and nominal bonds).
(2) Credit rating corresponds to the average of the ratings obtained from the agencies Fitch, Moody's and Standard and Poor's.
(3) Excludes investments in portfolios of external administrators and liquidity, gold possessions and positions in IMF.
(4) On 16 December 2009, the average classification of Greece went down from A- to BBB+, thus becoming a counterparty not eligible for investments by the international reserves of Central Bank of Chile as it has a credit rating below the one requested.

a.vi Settlement of operations
The Department of International Treasury is in charge of this process and corresponds to the stage at which the transactions of financial instruments are enhanced. It includes the instruction of transfer of funds from and to other checking accounts of Central Bank of Chile held abroad.

a.vii Compliance control
The compliance control function is carried out by the Department of Management and Risk Evaluation and consists of verifying the compliance with the limits established in the investment policy. The aspects monitored include: composition of currencies, duration and exposure to credit risk, among others.

a.viii Custody of securities
The Bank operates with the custodians of the following institutions that qualify in accordance with the policies established by the Board of: JP Morgan Chase, State Street Bank and Bank for International Settlement (BIS).

a.ix External administrators
The Bank has three external administrators: Pimco, Wellington and BlackRock, in order to add value to the currency portfolio, obtain knowledge transfer and technology, and constitute an active comparison or benchmark for the Bank's portfolio. JP Morgan Chase was engaged to perform consistent control functions in the monitoring of the financial risk of the externalized portfolio and compliance control.

(b) Open-market operations

Central Bank of Chile implements its monetary policy through the definition of an objective level for the nominal inter-bank interest rate, known as the Monetary Policy Rate (*Tasa de Política Monetaria*, *TPM* in Spanish). In order for the inter-bank rate to be located in this level, Central Bank of Chile must regulate the liquidity (or reserves) of the financial system through the use of several instruments: open-market operations, permanent liquidity and deposit facilities. Cash positions over time deposits are also included in the tools of the Bank, although Central Bank of Chile does not use them as an active instrument of monetary policy. Open-market operations are mainly performed through periodical biddings of promissory notes issued by Central Bank of Chile, forward purchase and sale contracts for promissory notes and bonds, purchases of debt securities from banks with agreements to resale (REPO), liquidity deposits and foreign currency swaps. In these biddings or auctions the following institutions can participate: banks and financial institutions, pension fund administrators, insurance companies, mutual funds, brokers and security agents, which operate through the Open-market Operation System (*Soma* in Spanish).

The injection of liquidity is generally performed through purchases of promissory notes with overnight agreements to resale (REPO). In the opposite situation, where there is excess of liquidity and the inter-bank rate falls below the objective rate, the transitory excess is withdrawn through the opening of the liquidity deposit window. Other instruments used by Central Bank of Chile correspond to the line of credit for liquidity in local currency for secured banks and to the line of credit for liquidity used in special situations.

In order to adequately regulate the liquidity of the financial system, Central Bank of Chile prepares a cash program detailing the cash position requirement covering the period of measurement.

b.i Management of credit risk

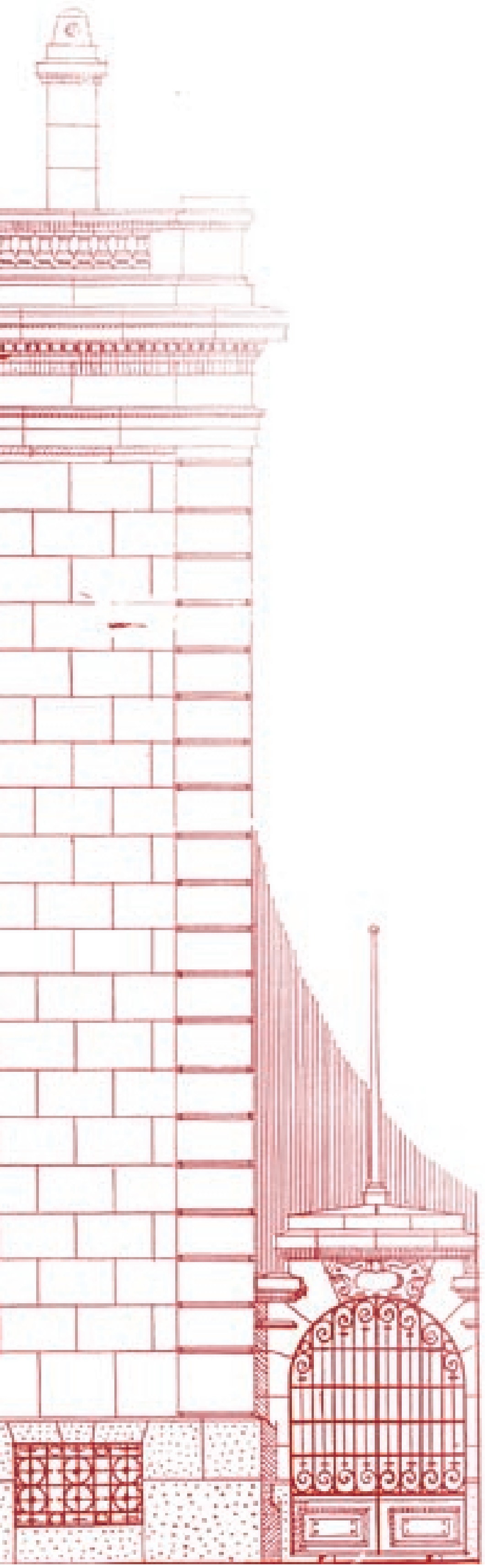
To reduce the risk of open-market operations performed by Central Bank of Chile with financial institutions there is a payment system called Gross Settlement System in Real Time (*Sistema de Liquidación Bruta en Tiempo Real* - *LBTR* in Spanish), which eliminates the risk of settlement, when processing the payments only to the extent that there are sufficient funds in the corresponding account, placing them in a waiting queue in case of any insufficiency of funds. Additionally, open-market operations are performed under the principles of delivery versus payment (DVP), eliminating the main risk. When financial institutions do not have sufficient funds, Central Bank of Chile permanently offers an inter-day liquidity facility, through which banks can apply for inter-day credits without interests in exchange of the delivery of collaterals, such as debt securities issued by Central Bank of Chile, letters of credit and time deposits, which can be converted into a permanent liquidity option that bears interests.

b.ii Management of operational risk

The management of operational risk is a key activity in the Bank which is controlled through the identification of operational risk scenarios and their impact on resources and support for each activity seen as critical, including the definition of recovery activities. Additionally, there are contingency plans to provide operational continuity to the services that have an impact on the *LBTR* and *Soma* systems, which are tested on a regular basis.

Note 6
Changes in accounting policies

As stated in the Bank's Basic Constitutional Act, title VI, the Board shall, with a prior favorable report from the Superintendence of Banks and Financial Institutions, issue the regulations containing the requirements and general conditions to which the financial statements of the Bank shall conform, to be prepared for periods of one year ending on 31 December of each year. Based on the above, the Bank's Board, in accordance with Resolution 1456-01 dated 15 January 2009, approved new



policies for the presentation and preparation of the Bank's financial statements, which also have been approved by the Superintendence of Banks and Financial Institutions.

These criteria consider the adoption of IFRS during 2009, in all matters in which the application of these international accounting standards do not affect specific provisions or the compliance with their functions. Should there be any disagreement; the standards issued by the Bank's Board shall prevail.

(a) Balance Sheet: reconciliation as of 1 January 2008 – assets, liabilities and net equity

The following is an explanation of how the transition from the previous accounting principles to the ones mentioned in the policies of presentation and preparation of the Bank's financial statements already mentioned in note 2(a), has affected the main captions of the Bank's financial statements.

1. Effects on equity as of 1 January 2008

Central Bank of Chile–Balance Sheet as of 1 January 2008

(Ch$ million as of 1 January 2008)

Assets	Former GAAP balances as of 1. Jan. 2008	IFRS application adjustments	New accounting balances as of 1. Jan. 2008
Foreign assets	**8,508,562.5**	**16,171.5**	**8,524,734.0**
Reserve assets	8,384,368.1	16,171.5	8,400,539.6
Investments in foreign currency			
Instruments at fair value with effect on net income	4,316,515.4	15,516.9	4,332,032.3
Available-for-sale securities	399,256.5	79.4	399,335.9
Held-to-maturity securities	3,558,180.4	-	3,558,180.4
Other reserve assets	107,727.6	-	107,727.6
Monetary gold	2,688.2	575.2	3,263.4
Other foreign assets	124,194.4	-	124,194.4
Domestic assets	**2,412,778.4**	**-**	**2,412,778.4**
Domestic loan	569,986.8	-	569,986.8
Operations under specific legal regulation	1,842,791.6	-	1,842,791.6
Other asset accounts	**19,088.6**	**25,987.0**	**45,075.6**
Premises and equipment	15,223.1	25,874.3	41,097.4
Other assets	3,865.5	112.7	3,978.2
Total assets	**10,940,429.5**	**42,158.5**	**10,982,588.0**

Central Bank of Chile–Balance Sheet as of 1 January 2008

(Ch$ million as of 1 January 2008)

Liabilities	Former GAAP balances as of 1. Jan. 2008	IFRS application adjustments	New accounting balances as of 1. Jan. 2008
Foreign liabilities	**179,264.8**	**-**	**179,264.8**
Domestic liabilities	**12,929,221.8**	**20,704.6**	**12,949,926.4**
Monetary base	3,672,153.3	-	3,672,153.3
Deposits and obligations	1,499,301.3	79.4	1,499,380.7
Instruments issued	7,757,767.2	20,625.2	7,778,392.4
by Central Bank of Chile	2,653,.924.2	13,296.1	2,667,220.3
BCCh bonds in UF (BCU)	2,004,741.9	11,231.1	2,015,973.0
Other	3,099,101.1	(3,902.0)	3,095,199.1
Other liability accounts	**8,769.5**	**7,520.2**	**16,289.7**
Provisions	7,887.3	7,407.3	15,294.6
Other securities	882.2	112.9	995.1
Capital and reserves	**(2,176,826.6)**	**13,933.7**	**(2,162,892.9)**
Capital	(1,894,368.8)	-	(1,894,368.8)
Reserves for equity effect for change of standards	-	13,854.2	13,854.2
Valuation accounts	-	79.5	79.5
(Deficit)	(282,457.8)	-	(282,457.8)
Total liabilities	**10,940,429.5**	**42,158.5**	**10,982,588.0**

(b) Notes to the reconciliation of net equity as of 1 January 2008

Until 2007, the valuation of investments considered the criterion of the lower of cost or market, therefore, in the opening balance sheet as of 1 January 2008 the effects on equity for the application of new accounting criteria are presented, resulting in a higher value of international investments of Ch$15,596.3 million for the adjustment at positive market value, Ch$15,516.9 million of securities at fair value with effect on net income and Ch$79.4 million from available-for-sale securities.

On the other hand, note 2(o) states that the documents issued by Central Bank of Chile are classified as "Held-to-maturity securities", at amortized cost using the effective interest rate method and as "Instruments at fair value with effect on net income". Until 2007, these instruments were recorded at their nominal value and their premium or discount granted in each transaction is reflected in transitory asset and liability accounts, and were amortized straight-line over the term of the document. The change from nominal to effective rate provoked negative effects on equity as of 1 January 2008, amounting to Ch$20,625.2 million.

Due to the application of the new criteria, other changes that also affect equity as of 1 January 2008 are presented as follows:

- Change of valuation of gold, equity increase by Ch$575.2 million for the elimination of a 10% discount of the market value of the moving quarterly average, replaced by the market value of gold in London at year-end.

- Determination of residual values of premises and equipment with a positive impact on equity of Ch$25,874.3 million for the items with accumulated depreciation higher than their assigned residual value assigned at year-end, and

- Actuarial calculation and recognition of provisions for post-employment benefits with a negative effect on equity of Ch$7,407.3 million.

(c) Balance Sheet: reconciliation as of 31 December 2008 – assets, liabilities and net equity

Central Bank of Chile – Balance Sheet as of 31 December 2008

(Ch$ million as of 31 December 2008)

Assets	Former GAAP balances as of 31. Dec. 2008	IFRS application adjustments	New accounting balances as of 31. Dec. 2008
Foreign assets	**14,728,435.1**	**189,916.5**	**14,918,351.6**
Reserve assets	14,571,665.2	189,916.5	14,761,581.7
Investment in foreign currencies	14,354,313.9	183,524.5	14,537,838.4
Other reserve assets	213,756.2	5,590.5	219,346.7
Monetary gold	3,595.1	801.5	4,396.6
Other foreign assets	156,769.9	-	156,769.9
Domestic assets	**2,873,224.7**	**-**	**2,873,224.7**
Domestic loan	958,275.3	-	958,275.3
Operations under specific legal regulation	1,914,949.4	-	1,914,949.4
Other asset accounts	**665,536.4**	**(5,351.7)**	**660,184.7**
Premises and equipment	17,043.1	28,746.4	45,789.5
Other assets	648,493.3	(34,098.1)	614,395.2
Total assets	**18,267,196.2**	**184,564.8**	**18,451,761.0**
Foreign liabilities	**217,440.5**	**-**	**217,440.5**
Domestic liabilities	**16,786,220.0**	**(24,628.0)**	**16,761,592.0**
Monetary base	4,229,786.8	-	4,229,786.8
Deposits and obligations	1,903,849.9	19.1	1,903,869.0
Documents issued by BCCh	10,652,583.3	(24,647.1)	10,627,936.2
BCCh bonds in UF (BCU)	5,484,696.2	54,354.7	5,539,050.9
BCCh bonds in Chilean pesos (BCP)	2,232,432.5	32,084.0	2,264,516.5
Indexed-promissory notes payable in coupons (PRC)	1,140,524.1	19,932.5	1,160,456.6
Central Bank discountable promissory notes (PDBC)	1,144,250.0	(19,682.7)	1,124,567.3
Optional indexed coupons (CERO) in UF	645,572.4	(111,220.8)	534,351.6
Other	5,108.1	(114.8)	4,993.3
Other liability accounts	**645,837.0**	**4,543.4**	**650,380.4**
Provisions	8,728.7	4,543.4	13,272.1
Other securities	637,108.3	-	637,108.3
Capital and reserves	**617,698.7**	**204,649.4**	**822,348.1**
Capital	(1,934,992.9)	-	(1,934,992.9)
Reserves for equity effect for change of standards	-	15,087.2	15,087.2
Surplus	2,552,691.6	189,562.2	2,742,253.8
Total liabilities	**18,267,196.2**	**184,564.8**	**18,451,761.0**

Central Bank of Chile– Statement of Income for the year ended 31 December 2008

(Ch$ million as of 31 December 2008)

	More/less adjustments, reclassifications	Net income for the year ended 31. Dec. 2008
Surpluses for 2008 according to former GAAP		2,552,691.6
Increases for change of regulation		
Securities at fair value marked-to-market	175,827.5	
Premises and equipment (net)	2,464.8	
Provisions	2,863.9	
Documents issued by Central Bank of Chile	9,639.0	
Price-level adjustment of reserve for equity effects	(1,233.0)	
IFRS application results		189,562.2
Surpluses for 2008 new accounting basis		2,742,253.8

(d) Effect on net income for the year ended 31 December 2008

During 2008, the valuation of investments considered the criterion of the lower of cost or market, therefore, when applying the new criteria, a positive effect arises in net income for a market cost adjustment of Ch$175,827.4 million.

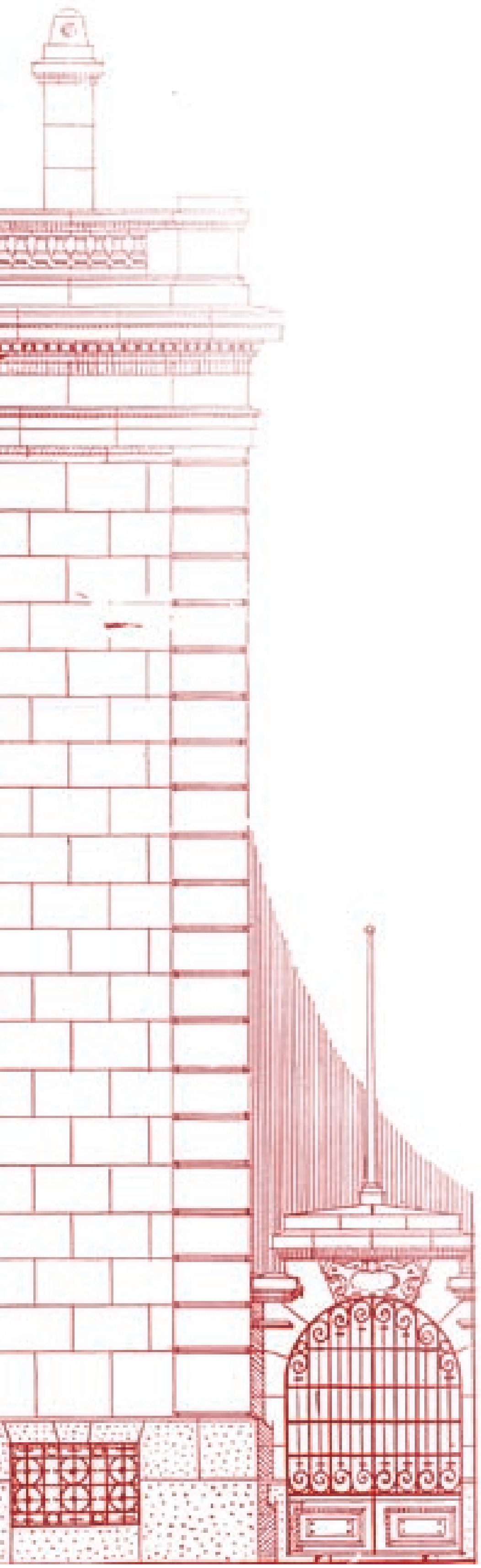
The documents issued by Central Bank of Chile are measured at amortized cost at the respective nominal rate recognizing a premium or discount, which is amortizable over the term of the document. With the new criteria, these documents are valued at amortized cost at the effective rate, which produces a positive effect on net income of Ch$9,639.0 million.

Due to the application of the new criteria, other changes that also affect net income for the year ended 31 December 2008 are presented as follows:

- Determination of residual values of premises and equipment with a positive impact on income of Ch$2,464.8 million for the items with accumulated depreciation higher than their assigned residual value at year-end, and.
- Actuarial calculation and recognition of provisions for post-employment benefits with a positive effect on income of Ch$2,863.9 million.

(e) Change in the format of presentation of the financial statements starting in 2009

Chapter IX covers the criteria regarding the presentation format for the financial statements of Central Bank of Chile. The change observed, compared to the financial statements for 2008, is related to the caption "Domestic loan" included in "Domestic assets" and is explained as all financial assets subject to specific regulatory and legal restrictions such as the *Sinap* liquidation Law 18,900, Securities receivable from *Corfo* Law 18,401, Fiscal Transfer Artcicle 13 Law 18,401, which are valued at amortized cost and recognized in income, have been separated under a new caption called "Operations under specific legal regulations".



Note 7

Net income for international reserves

For the years ended 31 December 2009 and 2008, this caption is composed of the following:

	(Ch$ million) 2009	2008
(a) Net interests and commissions on:		
- Foreign correspondents	2.3	151.2
- Securities at fair value with effect on income	163,358.8	176,827.5
- Available-for-sale securities	443.6	1,460.2
- Held-to-maturity securities	49,214.9	155,711.6
Subtotal for net interests and commissions	213,019.6	334,150.5
(b) Sales of securities:		
- At fair value with effect on income	132,849.6	185,022.3
- Available-for-sale	4,323.5	5,313.2
Subtotal for sales of securities	137,173.1	190,335.5
(c) Gain (loss) on adjustments at fair value	(119,898.3)	183,880.6
(d) On other income	1,441.3	3,081.8
Total income for international reserves	231,735.7	711,448.4

Note 8

Net income for domestic operations

For the years ended 31 December 2009 and 2008, this caption is composed of the following:

	(Ch$ million) 2009	2008
(a) Income for domestic loan		
Interests	16.366,0	15.483,1
Adjustments	(84,0)	409,6
Other	2.248,3	7.603,8
Total income for domestic loan	18.530,3	23.496,5
(b) Income for operations under specific legal regulations		
Interests	66.733,7	106.161,5
Adjustments	(34.249,2)	125.418,3
Total income for operations under specific legal regulations	32.484,5	231.579,8
(c) Income for deposits and obligations held by Central Bank of Chile		
Interests	(24.929,2)	(87.936,8)
Adjustments	31.165,2	(2.933,9)
Total income for deposits and obligations held by Central Bank of Chile	6.236,0	(90.870,7)
(d) Income for documents issued by Central Bank of Chile		
Interests	(416.561,0)	(443.392,0)
Adjustments	174.363,2	(506.603,6)
Total income for documents issued by Central Bank of Chile	(242.197,8)	(949.995,6)
Total net income for domestic operations	(184.947,0)	(785.790,0)

Note 9
Net Gain (Loss) on Foreign Exchange Operations

For the years ended 31 December 2009 and 2008, this caption is composed of the following:

	(Ch$ million) 2009	2008
Gain on foreign exchange operations	71,532.7	2,783,775.1
Loss on foreign exchange operations	(2,847,689.3)	(117,654.6)
Total	(2,776,156.6)	2,666,120.5

Net gain (loss) on foreign exchange operations for each year ended, result mainly from the effect of exchange rate differences in foreign currency assets, as follows:

	(Ch$ million) 2009	2008
U.S. dollar	(1,762,331.2)	1,722,027.5
Euro	(1,014,662.1)	910,166.8
SDR	(27,862.6)	27,806.2
Pound Sterling	328.8	2,108.3
Other currency	(17,163.3)	3,706.4
Subtotal net (loss) gain on foreign exchange operations	(2,821,690.4)	2,665,815.2
Arbitrage and other	45,533.8	305.3
Total net (loss) gain on foreign exchange operations	(2,776,156.6)	2,666,120.5

Note 10
Issuance and distribution costs

For the years ended 31 December 2009 and 2008, this caption is composed of the following:

	(Ch$ million) 2009	2008
Banknotes	10,019.5	10,308.0
Coins	17,902.2	19,627.1
Distribution	557.1	243.4
Total	28,478.8	30,178.5

Note 11
Reserve assets

This caption includes international reserves held by Central Bank of Chile and is detailed as follows:

	(Ch$ million) 2009	2008
Monetary gold	8.8	7.0
Special drawing rights (SDR)	1,143.4	57.2
Reserve position in the IMF	286.1	167.9
Correspondent banks abroad	19.1	40.1
Investments in foreign currency:	23,829.9	23,108.6
Instruments at fair value with effect on net income	13,931.3	17,573.5
Level 1 market value	13,604.8	15,615.6
Level 2 measurement with market price	326.5	1,957.9
Level 3 measurement without reference to market price	-	-
Available-for-sale securities	3,695.1	-
Level 1 market value	352.1	-
Level 2 measurement with market price	-	-
Level 3 measurement without reference to market price	3,343.0	-
Held-to-maturity securities	6,203.5	5,535.1
Reciprocal loan agreements	84.9	83.0
Other assets	0.3	0.5
Total reserve assets	25,372.5	23,464.3

As of 31 December 2009, monetary gold amounted to US$8.8 million (US$7.0 million in 2008), equivalent to 7,940 fine gold troy ounces valued at US$1,106 per ounce (US$719.77 in 2008). There was no change in the amount of troy ounces compared to 2008.

Special Drawing Rights (SDR) correspond to reserve assets, equivalent to foreign currencies, assigned by the International Monetary Fund (IMF) to the member countries proportionally to the installment paid and valued in Chilean pesos considering the current parity reported by the International Monetary Fund.

Reciprocal Loan Agreements (debits) represent the amount payable to Central Bank of Chile from the central banks comprising Aladi's Agreements on Reciprocal Payments and Credits for the exports performed. Its classification corresponds to non derivative held-to-maturity securities, valued at amortized cost at effective rate.

The increase observed in reserve assets for the year ended 31 December 2009 in the amount of US$1,908.2 million, compared to 2008, is mainly explained by an increase in the assignments of SDRs equivalent to US$1,084.4 million, portfolio profitability for US$414.5 million and in price and parity changes for US$561.0 million.

Investments in foreign currencies at each year-end are detailed as follows:

	(Ch$ million) 2009	2008
U.S. dollars	14,969.1	14,293.1
Euro	8,735.1	8,862.7
Other currencies	1,668.3	308.5
Total	25,372.5	23,464.3

Note 12
Reserve Position in the International Monetary Fund (IMF)

The reserve position balance in the IMF at each year-end is detailed as follows:

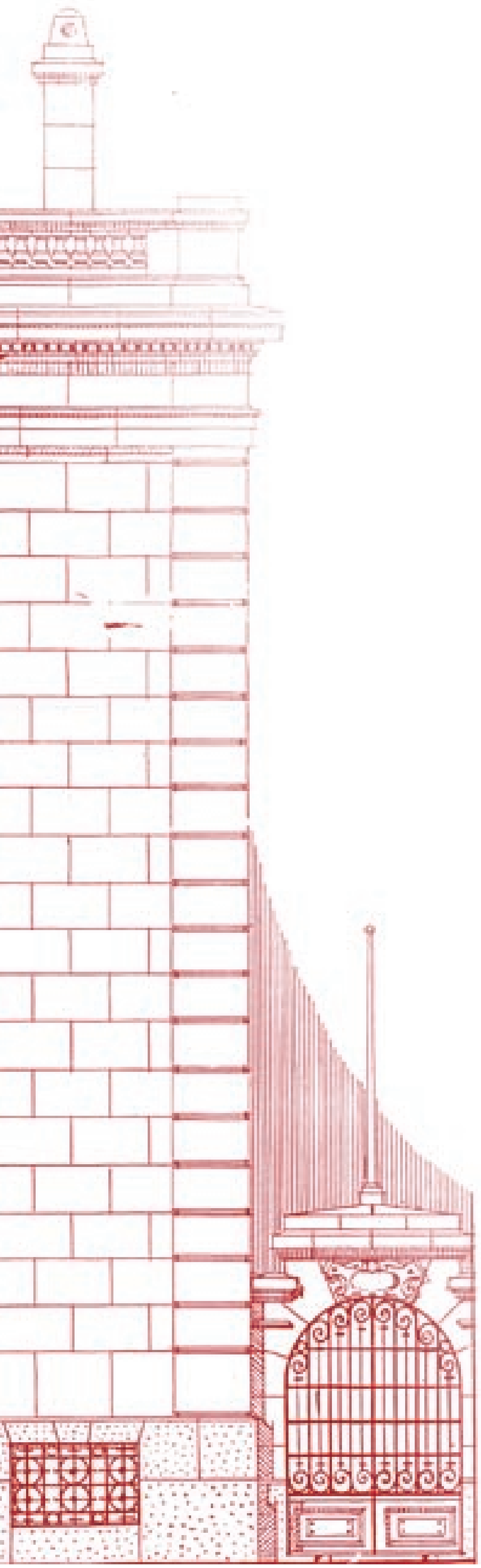
	(Ch$ million) 2009	2008
Subscription installment, contribution	677,208.8	814,444.4
Loan. account No.1	44.3	79.6
Deposits	(532,361.6)	(711,309.3)
Total position in the IMF	144,891.5	103,214.7

Note 13
Loans to banks and financial institutions

This caption includes the following operations, which are defined as non-derivative financial instruments held-to-maturity, valued at amortized cost through the effective rate:

	(Ch$ million) 2009	2008
Secured liquidity line of credit	64,765.2	-
Line of credit on debt restructuring	2,667.9	4,169.0
Central Bank promissory notes acquired with resale agreement	3,292,152.2	932,066.0
Total	3,359,585.3	936,235.0

The average interest rate of the credit line during 2009 was 0.96% (during 2008, there were no operations of this line). The average discount rate for Central Bank promissory notes acquired with resale agreement was 1.69% in 2009 (7.33% in 2008).



Note 14

Operations under specific legal regulations

This caption mainly includes the following operations from specific laws that are defined as non-derivative financial instruments held-to-maturity, valued at amortized cost recognized in net income through the effective rate and which have not been subject to any impairment tests.

(a) Accounts Receivable from *Corporación de Fomento de la Producción (Corfo)*

Balances receivable from *Corfo*, in accordance with Law 18,401 dated 1985 and its modifications, and Law 18,577 dated 1986, relate to loans granted to financial institutions that were sold by Central Bank of Chile to *Corfo* in order to finance the acquisition, on behalf of third parties, of shares of these financial institutions.

Corfo amortized its debt by transferring securities that it recovered from shareholders, for the assignment of shares of the corresponding financial institutions. As of 31 December 2009, accounts receivable from *Corfo* amount to Ch$1,031.6 million (Ch$1,040.8 million in 2008).

In accordance with Article 13 of Law 18,401, differences produced in the recovery, as a result of discounts granted to shareholders of up to UF15 million, will be covered by the General Treasury through future transfers which as of 31 December 2009, amount to Ch$238,413.4 million, equivalent to UF11.4 million (Ch$238,833.5 million in 2008, equivalent to UF11.4 million). Based on the available information, the maximum transfer amount established by law is deemed adequate to absorb the discounts.

In conformity with this law, General Treasury transfers will be completed in a period not exceeding 30 years, with a 10-year grace period, beginning on the date of final determination of the total amount. To date, the amounts corresponding to *Banco Internacional* (UF697,630.8054) and former *Banco Concepción*, currently *Corp Banca* (UF4,435,114.9515) have been determined and reviewed by external auditors appointed by the Superintendence of Banks and Financial Institutions, the amounts corresponding to *Banco de Chile* (UF3,983,509.6105) are under the final review process and the Superintendence has been requested the previous report corresponding to former *Banco de Santiago*, currently *Banco Santander Chile* (UF2,267,728.1037).

(b) *Caja Central de Ahorros y Préstamos* and *Asociación Nacional de Ahorro y Préstamo*

In accordance with Law 18,900 dated 16 January 1990, *Caja Central de Ahorros y Préstamos (CCAP)* and *Asociación Nacional de Ahorro y Préstamo (Anap)* ceased to exist and a procedure was established through which the respective equity would be liquidated and used to pay shareholders and the obligations of the institutions.

Article 3 of the law establishes *Caja Central de Ahorros y Préstamos* shall cease its operations and shall justify them, whether it has settled the liquidations required by the law or not, and shall include an inventory of all its rights, obligations and equity and those of the *Asociación de Ahorro y Préstamo*. This account will be submitted to the review of the President of the Republic through the Ministry of Finance. This Article also stipulates the President of the Republic will approve such account through executive decree issued by the Ministry of Finance published in the *Official Gazette*.

Article 5 of the aforementioned law establishes that the General Treasury shall be responsible for any obligations of the *CCAP* and the *Anap* that are not covered upon liquidating shareholders' equity, the funds for which should be requested from the national budget, in conformity with Article 21 of Decree Law 1263 of 1975.

This loan arises from the grant of refinancing credit lines by Central Bank of Chile to the *Sinap* which had express legal recognition prior to the *Sinap* liquidation set out by Law 18,900 and as included in the operations as of the closing of business on the day before the Bank's Basic Constitutional Act was enforced, as established in the transitory Section 2 of the law. Consequently, such operations are the opening capital of Central Bank of Chile referred to in Section 5 of such law. The Board has determined to continue applying the accounting treatment this asset had at the date of its initial recognition, as these operations arise from legal specific provisions.

As of 31 December 2009, the amount payable to the Bank from the liquidation of these institutions, including accrued interest as of such date, was Ch$696,385.9 million (this amount includes interest accrued for Ch$436,760.3 million to that date), of which Ch$640,398.0 million relate to direct loans granted by the Bank and Ch$55,987.9 million with credit lines for international organizations programs (Ch$663,579.5 million in 2008, of which Ch$610,093.9 million relate to direct credits granted by Central Bank of Chile and Ch$53,485.6 million to credit lines for international bodies programs).

The recovery of such amounts depends on the determination of a specific date for the payment of that loan, from the General Treasury in favor of the Bank which is the reason why a specific date and other conditions under which the General Treasury collateral shall be enforced cannot be determined.

(c) General Treasury transfers

"General Treasury transfers", included within Domestic Loans, are the following:

	(Ch$ million)	
	2009	2008
General Treasury promissory notes Law 18,401	238,413.4	238,833.5

The balance of this account relates to discounts of up to UF15 million, as indicated in Article 13 of Law 18,401, that have been granted to shareholders who are subject to the aforementioned law.

(d) Loan for subordinated liability

The balances as of each year-end represent a subordinated liability of *Banco de Chile* with Central Bank of Chile as established in the agreement amending payment terms dated
8 November 1996, in accordance with the provisions of Law 19,396.

On that date, the parent company *Sociedad Matriz del Banco de Chile*, previously referred to as *Banco de Chile*, agreed to transfer the liability to *SAOS S.A.* (*Sociedad Administradora de la Obligación Subordinada*), based on paragraphs three and five of the aforementioned law. Consequently, the liability must be paid in 40 annual, consecutive and equal installments beginning in April 1997.

During 2009, *Sociedad Administradora de la Obligación Subordinada SAOS S.A.* paid UF4,678,656.6013 to Central Bank of Chile, of which UF2,262,691.0487 were allocated to the payment of interests of the debt and UF2,415,965.5526 to the credit amortization for subordinated liability (in 2008 UF4,909,338.5553 of which UF2,320,178.0464 corresponded to interest and UF2,589,160.5089 to amortization).

As of 31 December 2009, the balance amounts to Ch$914,374.2 million (Ch$967,451.8 million in 2008).

Note 15
Premises and equipment

As of 31 December 2009 and 2008, this caption is comprised of the following:

	(Ch$ million)					
	Balances as of 31.Dec.08 (históricos)	Price-level adjustment	Acquisitions	Disposals	Depreciation	Balances as of 31.Dec.09
Real estate and facilities	33,660.9	(774.0)	258.9	-	(139.5)	33,006.3
Furniture and equipment	7,501.1	(173.0)	791.2	(869.0)	(283.7)	6,966.6
Transport material	249.3	(6.0)	-	(42.5)	(46.0)	154.8
Collection of banknotes and coins	2,675.4	(62.0)	-	-	-	2,613.4
Works of art	1,687.3	(39.0)	0.1	-	-	1,648.4
Other	15.5	-	-	-	(0.1)	15.4
Premises and equipment. net	45,789.5	(1,054.0)	1,050.2	(911.5)	(469.3)	44,404.9

As of 31 December 2009 and 2008 the caption depreciation and amortization include Ch$2,067.5 million and Ch$2,846.4 million, corresponding to depreciations and write-offs recognized in each year.

Note 16
Foreign liabilities

This caption includes the following operations:

	(Ch$ million) 2009	2008
Reciprocal loan agreements	1,865.9	7,273.1
Accounts with international bodies	73,138.8	88,953.3
Special drawing rights (SDR) allocations	646,456.6	116,213.0
Total foreign liabilities	721,461.3	212,439.4

Reciprocal Loan Agreements (credits) represent the amount owed by Central Bank of Chile to the central banks comprising *Aladi's* Agreements on Reciprocal Payments and Credits for the imports performed. Its classification corresponds to non derivative held-to-maturity securities, valued at amortized cost at effective rate.

Accounts with international bodies correspond to resources held in local currency by such organizations for its drawing and to obligations of Central Bank of Chile acting as a fiscal agent, with IDB, for promissory notes subscribed in foreign currency in payment of the subscription of shares and capital increases. They do not bear interests, but they do pay for the maintenance of value for the variations of SDR (IMF) and U.S. dollar for the other organizations.

This caption is composed of the following:

	(Ch$ million)	
	2009	2008
International Bank for Reconstruction and Development (IBRD)	20,921.5	20,438.7
Inter-American Development Bank (IDB)	5,708.7	12,289.4
International Development Association (AID)	901.1	880.4
Multilateral Investment Guarantee Agency (MIGA)	33.0	32.2
Promissory note obligations with IDB	45,574.5	55,312.6
Total accounts with international organizations	73.,138.8	88,953.3

The assignments of Special Drawing Rights (SDRs) correspond to SDR 816,891,579 assigned to Chile through Central Bank of Chile, by the International Monetary Fund, which are subject to a possible restitution; they accrue interests based on a rate determined by the IMF on a weekly basis.

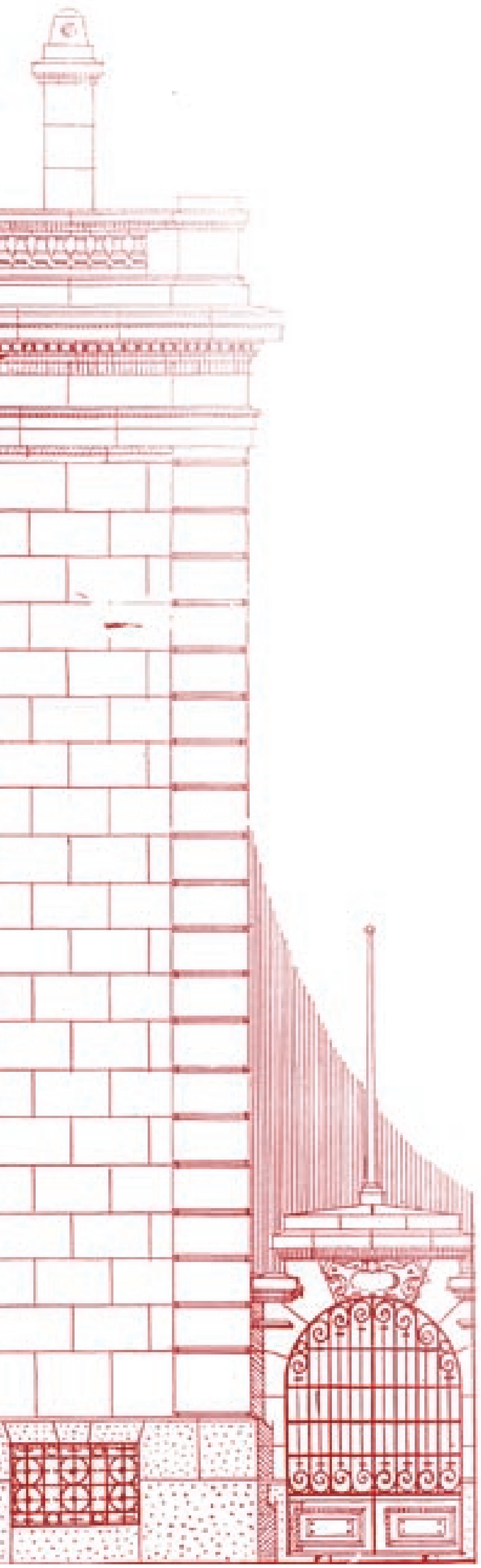
Note 17
Monetary base

This caption is composed of the following:

	(Ch$ million)	
	2009	2008
Banknotes and coins in circulation	4,189,634.9	3,600,978.4
Deposits from financial institutions	392,568.7	531,523.3
Total monetary base	4,582,203.6	4,132,501.7

(a) Banknotes and coins in circulation

Includes the amount of banknotes and coins of legal course issued by Central Bank of Chile held by third parties, resulting from the total banknotes and coins received from our suppliers and recorded as liabilities at their face value, less the banknotes and coins that are in the Cash of Central Bank of Chile and in its vault.



Banknotes and coins in circulation are recorded at face value. The costs of printing and coining are recorded as operating expenses.

The distribution of banknotes and coins in circulation as of 31 December of each year is as follows:

	(Ch$ million)	
Denomination	**2009**	**2008**
$ 20,000	1,027,388.4	882,059.8
$ 10,000	2,391,585.3	2,036,327.4
$ 5,000	341,895.3	295,740.6
$ 2,000	95,311.3	87,292.8
$ 1,000	129,139.7	120,001.0
$ 500	4,772.5	4,675.5
Other	251.4	-
Coins	199,291.0	174,881.3
Total	4,189,634.9	3,600,978.4

(b) Deposits from financial institutions

Deposits from financial institutions reflect the movements in drafts and deposits in local currency resulting from the operations performed by financial institutions with Central Bank of Chile. Their balance represents the funds or resources in favor of financial institutions and is useful for the constitution of cash positions.

Note 18
Deposits and obligations

Deposits and obligations correspond to financial liabilities, defined to the maturity, for deposits held in Central Bank of Chile, by the General Treasury, as well as by financial institutions and are composed of the following:

	(Ch$ million)	
	2009	**2008**
Deposits and obligations with the General Treasury	302,719.7	132,399.7
Other deposits and obligations	2,999,551.0	1,727,680.3
Total	3,302,270.7	1,860,080.0

(a) "Deposits and Obligations with the General Treasury" include:

	(Ch$ million) 2009	2008
General Treasury current accounts	143,526.8	65,649.4
Other	159,192.9	66,750.3
Total	302,719.7	132,399.7

(b) "Other Deposits and Obligations" include:

	(Ch$ million) 2009	2008
Liquidity deposits of financial institutions	2,743,819.1	1,141,878.2
Current accounts in foreign currency	247,577.0	225,906.7
Short-term deposits from banking companies	-	342,354.8
Other	8,154.9	17,540.6
Total	2,999,551.0	1,727,680.3

Note 19

Documents issued by Central Bank of Chile

The issuance of documents of Central Bank of Chile constitutes the main supporting element for the implementation of the monetary policy in order to provide liquidity to the market in an efficient manner. These financial liabilities are defined to the maturity and are valued at amortized cost through the effective rate.

Maturities of these instruments as of 31 December 2009 and 2008 are as follows:

				(Ch$ million)			
	Up to 90 days	91 to 180 days	181 days to 1 year	Over 1 year to 3 years	Over 3 years	Total 2009	Total 2008
Central Bank bonds in UF (BCU)	-	270,488.7	664,651.3	1,002,065.0	2,844,918.6	4,782,123.6	5,411,652.7
Central Bank discountable promissory notes (PDBC)	3,292,690.0	271,058.8	39,649.6	-	-	3,603,398.4	1,098,702.3
Central Bank bonds in Chilean pesos (BCP)	200,578.5	-	414,618.8	434,308.1	890,357.0	1,939,862.4	2,212,432.6
Indexed promissory notes payable in coupons (PRC)	22,326.7	19,365.8	46,995.5	186,170.4	498,342.7	773,201.1	1,133,766.1
Optional Indexed coupons (CERO) in UF	15,863.3	17,937.5	60,081.9	208,006,.9	178,675.6	480,565.2	522,061.5
Central Bank bonds in U,S, dollars (BCD)	-	-	-	-	-	-	2,803.1
Central Bank indexed promissory notes (PRBC)	-	-	-	-	-	-	2,054.7
Other	21.1	-	-	-	-	21.1	20.7
Total as of 31 December	3,531,479.6	578,850.8	1,225,997,1	1,830,550.4	4,412,293.9	11,579,171.8	10,383,493.7

Balances include interest and adjustments accrued as of 31 December 2009 and 2008.

The increase for 2009 of these liabilities for Ch$1,195,678.1 million, compared to 2008, is explained mainly by an increase in the issuance of PDBC for monetary adjustment purposes, offset by: (i) the maturity of debt securities of Central Bank of Chile, (ii) the decision of Central Bank of not issuing new bonds during the second semester of 2009 and (iii) the repurchase program for Central Bank bonds in UF (BCU) developed during the third quarter of 2009.

Note 20
Other liability accounts

This caption is composed of the following:

	(Ch$ million) 2009	2008
Provisions	13,737.7	12,966.9
Other securities	451.7	284.9
Repurchase agreements	373,003.7	622,169.8
Total	387,193.1	635,421.6

(a) Provisions

Central Bank of Chile has recorded provisions for severance indemnity, a benefit established in the Collective Labor Agreement in force for the period 2007-2011 in accordance with the actuarial method of projected cost. At the same time, the benefits granted to the former Association of Retired Employees and Beneficiaries of Pensions of Public Officials of Central Bank of Chile and healthcare benefits for retirement plans are also included and detailed as follows:

	(Ch$ million) 2009	2008
Balance at the beginning of the year	11,795.2	14,926.4
Provision for the year:		
- Severance indemnity	103.5	(2,334.2)
- Benefits to the former Association of Retired Employees and Beneficiaries of Pensions of Public Officials of Central Bank of Chile	420.0	(1,068.3)
- Healthcare benefits for retirement plans	9.3	-
Post-employment benefit provision balance	12,328.0	11,523.9
Pending accrued vacations of personnel	1,405.3	1,437.8
Special indemnity Resolution 572-05-961226	4.4	5.2
Balance at the end of the year	13,737.7	12,966.9

(b) Other securities

This item corresponds mainly to minor amounts related to operations with the Bank's Country Club and Seaside Resort.

(c) Foreign Currency Repurchase Agreement

As of 31 December 2009, Central Bank of Chile maintains the right to repurchase US$745.0 million, as it has been established in Chapter IV D 1.2 of the Compendium of Financial Regulations, equivalent to Ch$377,290.4 million (Ch$594,490.3 million in 2008). The obligation of Ch$373,003.7 million (Ch$622,169.8 in 2008) arising from these operations is shown in liabilities. The abovementioned values are shown under "Repurchase agreements", in assets as well as in liabilities. At year-end, these contracts are valued according to the U.S. observed dollar exchange rate. They are settled using the agreed exchange rate at liquidation.

Note 21
Capital and reserves

Changes in capital and reserves during 2009 and 2008 were as follows:

	(Ch$ million)			
	Capital	Valuation accounts	Net income (loss)	Total
Balances as of 1 January 2008	(1,880,514.6)	79.5	(282,457.7)	(2,162,892.8)
Distribution of 2007 surplus	(282,457.7)	-	282,457.7	-
General Treasury contribution 3rd, installment	428,199.1	-	-	428,199.1
Price-level adjustment	(192,504.5)	-	-	(192,504.5)
Price-level adjustment of General Treasury contribution	7,372.0	-	-	7,372.0
Valuation account recovery	-	(79.5)	-	(79.5)
Adjustment for IFRS application	-	-	189,562.2	189,562.2
Surplus for the year	-	-	2,552,691.6	2,552,691.6
Balances as of 31 December 2008	(1,919,905.7)	-	2,742,253.8	822,348.1
Balances as of 31 December 2008 adjusted for comparative purposes	(1,875,748.0)	-	2,679,182.1	803,434.1
Balances as of 1 January 2009	(1,919,905.7)	-	2,742,253.8	822,348.1
Distribution of 2008 deficit	2,742,253.8	-	(2,742,253.8)	-
Price-level adjustment	(18,914.0)	-	-	(18,914.0)
Valuation accounts	-	3,126.8	-	3,126.8
Deficit for the year	-	-	(2,766,773.9)	(2,766,773.9)
Balances as of 31 December 2009	803,434.1	3,126.8	(2,766,773.9)	(1,960,213.0)

Section 5 of the Basic Constitutional Act of Central Bank of Chile established a paid-in capital for the Bank at Ch$500,000 million (Ch$1,936,142.6 million adjusted as of 31 December 2009), to be paid according to Transitory Section 2 of Law 18,840.

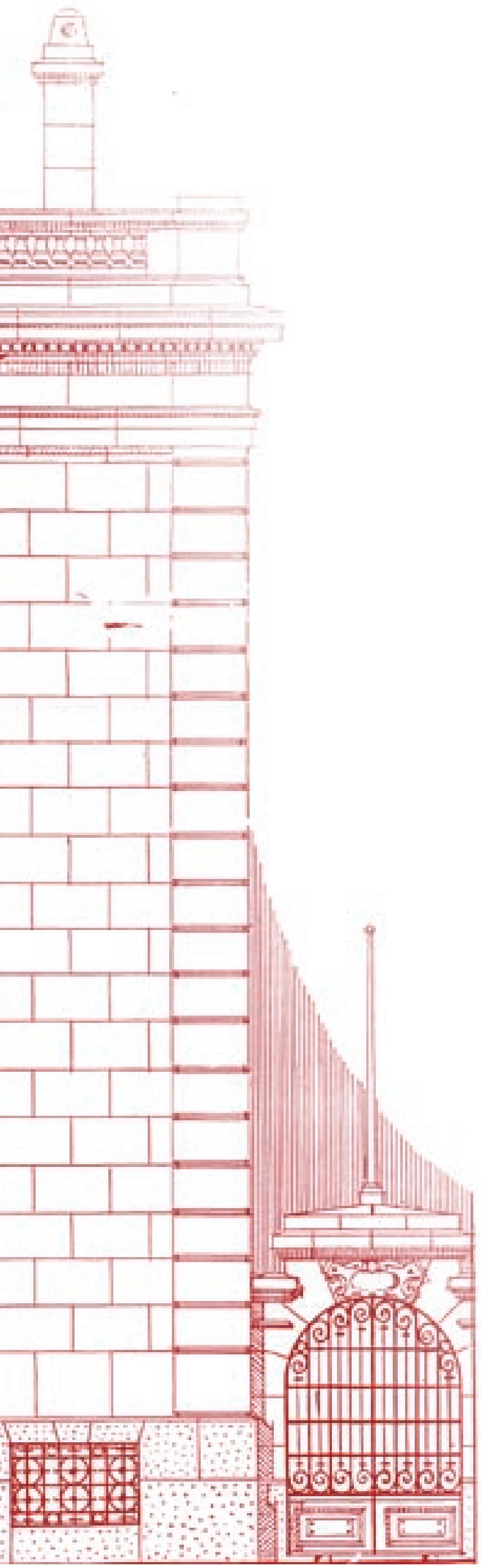
In accordance with Section 77 of the Basic Constitutional Act of Central Bank of Chile, the deficit produced in any year will be absorbed with a debit to constituted reserves.

When there are no reserves or they are insufficient, the deficit produced in any period will be absorbed with a debit to paid-in capital.

As of 31 December 2009, the Bank presents a negative equity of Ch$1,960,213.0 million (equity of Ch$803,434.1 million as of 31 December 2008), which are mainly originated from the decrease in exchange rate variations of assets in foreign currencies.

Article 11 of Law 20,128 published in the *Official Gazette* dated 30 September 2006, stated that the General Treasury may make capital contributions to the Bank through the Ministry of Finance, under the conditions established in such law.

During 2009, the General Treasury did not make any contributions to the Bank equity (in 2008, the General Treasury contributed US$730.7 million, in conformity with Executive Decree 600 of the Ministry of Finance, dated 25 April 2008).



Note 22

Monetary base and international reserve asset changes

According to note 2.a.vi and in consideration of the Bank's unique operations, beginning in 2001, instead of preparing a statement of cash flows, the Bank discloses a statement of variations in monetary base and a statement of variations in international reserves, further defined as follows:

Variations in the monetary base	(Ch$ million) 2009	2008
Initial balance of monetary base	**4,132,501.7**	**3,906,998.5**
Increase		
Foreign exchange operations	15,634.7	2,788,795.3
Interest and indexation paid	740,246.9	751,675.2
Domestic loans	2,316,836.4	345,835.4
Operating support expenses	28,051.2	28,734.9
Operations with international bodies	4,677.4	2,207.2
Accounts receivable for future currency sales	225,477.5	-
Other liabilities	48.2	37.4
Other assets	31,183.4	-
Total increase	**3,362,155.7**	**3,917,285.4**
Decrease		
Deposits and obligations	(686,990.9)	(118,310.4)
Interest and indexation received for domestic operations	(123,179.7)	(170,641.7)
U,S, dollar sale with repurchase agreement	-	(604,041.6)
Securities issued	(2,196,097.4)	(2,476,553.3)
Other minor foreign exchange changes	(3,470.6)	-
Other assets	-	(2,930.6)
Total decrease	**(3,009,738.6)**	**(3,372,477.6)**
Variation of monetary base for the year	352,417.1	544,807.8
Effect of inflation on the initial balance of monetary base	97,284.8	(319,304.6)
Final balance of monetary base	**4,582,203.6**	**4,132,501.7**

Variations in international reserve assets	(US$ million) 2009	2008
Initial reserve balance	**23,464.3**	**16,910.1**
Increase		
Foreign exchange operations	30.2	5,830.5
Capitalization of General Treasury contribution	-	730.7
Deposits and obligations	-	252.1
U.S. dollars sale with agreement to repurchase	221.9	-
Operations with international bodies	963.4	-
Other liabilities	66.0	-
Interests received for deposits and other investment instruments abroad	1,095.4	1.015.2
Total increase	**2,376.9**	**7,828.5**
Decrease		
U.S. dollars sale with agreement to repurchase	-	(969.9)
Deposits and obligations	(271.2)	-
Other assets	(46.0)	-
Interest paid for foreign liabilities	(486.0)	(18.0)
Total decrease	**(803.2)**	**(987.9)**
Variation in reserves for the year	1,573.7	6,840.6
Effect of exchange rate	334.5	(588.3)
Adjustment at fair value	-	301.9
Final balance	**25,372.5**	**23,464.3**

Monetary Base: Bank liabilities that form part of money, or otherwise contribute to the formation of monetary aggregates including freely circulating banknotes, coins and checks issued by the Bank, plus deposits made by the financial system in the Bank.

International Reserves: Foreign assets that are readily available and controlled by monetary authorities for directly financing unbalances, indirectly regulating such unbalances through exchange market intervention and/or for other purposes.

Note 23
Foreign currency balances

The balance sheets include assets and liabilities payable in foreign currencies, which balances as of 31 December 2009 and 2008 are as follows:

	(US$ million)	
Assets	**2009**	**2008**
Foreign assets	**25,622.3**	**23,713.5**
Reserves	25,372.5	23,464.3
Other foreign assets	249.8	249.2
Other asset accounts	**749.5**	**925.2**
Total assets	26,371.8	24,638.7

	(US$ million)	
Liabilities	**2009**	**2008**
Foreign liabilities	**1,370.2**	**290.9**
Other foreign liabilities	93.7	101.8
Special drawing rights (SDR) allocations	1,276.5	189.1
Domestic liabilities	**946.6**	**1,051.3**
Deposits and General Treasury liabilities	453.2	124.4
Other deposits and obligations	493.4	926.9
Other liability accounts	**745.5**	**907.4**
Total liabilities	**3,062.3**	**2,249.6**
Net assets	**23,309.5**	**22,389.1**

Note 24
Contingencies and commitments

There are lawsuits currently in process against Central Bank of Chile, whose outcomes according to the Bank's legal department are not expected to have a material effect on equity.

Note 25
Income taxes

Pursuant to Article 7 of Decree Law 3345 dated 1980, the Bank is exempt from income taxes.

Note 26

Fiscal Agency

Law 20,128 related to General Treasury Liability published in the *Official Gazette* as of 30 September 2006, created the "Economic and Social Stabilization Fund" (FEES) and the "Pension Reserve Fund" (FRP)". In conformity with the provisions of the aforementioned law, the Minister of Finance through Executive Decree 1383, dated 11 December 2006, appointed Central Bank of Chile as Fiscal Agent, for the administration of resources referred to such funds, in conformity with the procedures, conditions, methods and other standards established in the aforementioned Executive Decree.

In accordance with Article 5 of the abovementioned Executive Decree 1383, investments of public resources managed by the Bank, as Fiscal Agent, have been carried out in accordance with the guidelines established for these effects by the Minister of Finance. These investments have been recorded in off balance sheet accounts.

Through Resolution 1406 of the Board, dated 24 April 2008, *KPMG Auditores y Consultores Ltda.* was assigned as the auditor of the "Economic and Social Stabilization Fund" (FEES) and the "Pension Reserve Fund" (FRP) for 2009 and 2008.

Note 27

Transactions with related parties

(a) Central Bank of Chile does not have related companies.

(b) Remunerations of the Board and key executives:

According to the Bank's Basic Constitutional Act, the remunerations of the Board are proposed by a commission comprised of former governors and deputy governors of the entity, appointed for such purposes by the President of the Republic. In order to propose the remunerations, the act requires the consideration of remuneration assigned to the highest-ranked executive positions in the bank institutions of the private sector.

The remunerations corresponding to the General Manager, the General Counsel and General Auditor of Central Bank of Chile, are at level 1 of the remuneration structure, as they are positions established in Sections 24 through 26 of the Basic Constitutional Act.

The total gross remunerations paid to the Board and key executives during 2009 amounted to Ch$1,156.4 million (Ch$1,094.5 million in 2008).

Note 28
Relevant events

Pursuant to Resolution 1456 dated 15 January 2009, the Board approved new policies for the presentation and preparation of the financial statements of Central Bank of Chile, upon approval of the Superintendence of Banks and Financial Institutions as established in Section 75 of the Bank's Basic Constitutional Act.

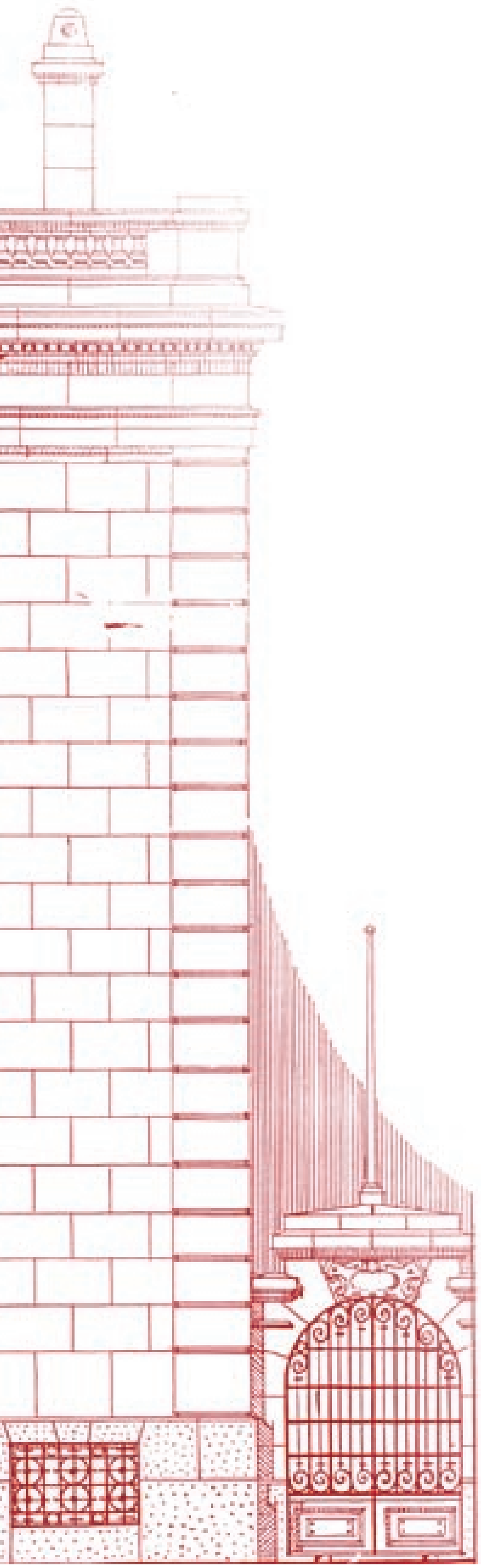
Executive Decree 1619 of the Ministry of Finance, dated 28 November 2009, the President of the Republic appointed Mr. Rodrigo Vergara Montes as Member of the Bank's Board for a 10-year term, starting on that date.

Similarly, through Resolution 1517E-01, dated 7 January 2010, the Bank's Board decided to designate Mr. Manuel Marfán Lewis as Deputy Governor of the Bank effective since 7 January 2010 through 9 December 2011, included. Such Resolution was published in the *Official Gazette* on 9 January 2010.

Note 29
Subsequent events

(a) New policies for the presentation and preparation of financial statements

Through Resolution 1519-01, dated 14 January 2010, the Board approved new policies for the presentation and preparation of the Bank's financial statements, which have also been approved by the Superintendence of Banks and Financial Institutions pursuant to Section 75 of the Bank's Basic Constitutional Act which states that starting in 2010, price-level adjustment will no longer be presented in the financial statements, reflecting the annual adjustment of equity in order accounts, for the purposes of the provision contained in Section 5 of the Bank's Basic Constitutional Act , which states "The capital may be increased by decision of the majority of the Board Members, through capitalization of reserves and adjusted by means of price-level adjustment", as well as stated in Title VI of the same legislation, regarding the distribution of the Bank's surpluses included in Section 77, and the payment of the initial capital referred to in transitory Section 2, therefore, starting in 2010, a specific note will be included in the financial statements in relation to the adjustment for price-level adjustment and the distribution of surpluses to the General Treasury in conformity with the special legal regime governing the Bank as a public entity. Once the initial capital, properly adjusted as stated in the terms of Section 5 is paid, the resulting surplus for each year, will be determined and calculated for the purposes of surplus distribution to the General Treasury as contained in Section 77, considering the annual adjustment to the equity recorded in order accounts.



(b) Approval of the financial statements

The financial statements as of and for the year ended 31 December 2009 were presented by the General Manager to the Board on 28 January 2010 obtaining the favorable pronouncement for its release in Session 1521.

ALEJANDRO ZURBUCHEN SILVA
General Manager

JUAN CARLOS SALAZAR TAPIA
General Accountant

SILVIA QUINTARD FLEHAN
General Auditor

Independent Auditors' Report

The Governor and Board Members
of Central Bank of Chile:

1. We have audited the accompanying balance sheets of Central Bank of Chile ("the Bank") as of 31 December 2009 and 2008 and the related statements of income for the years then ended. The preparation of these financial statements (including their notes) is the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.
2. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform an 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 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.
3. As discussed in note 2 to the financial statements, the Bank prepares its financial statements in accordance with standards issued by the Bank's Board, as approved by the Chilean Superintendence of Banks and Financial Institutions, as established in Section 75 of the Bank's Basic Constitutional Act. These standards are consistent with International Financial Reporting Standards (IFRS). Should there be any discrepancy, the standards issued by the Bank's Board shall prevail, as discussed in note 2(a) to the financial statements in relation to the following matters: a) Accounting treatment of the Sinap Liquidation Account Law 18,900 dated 16 January 1990, which is presented within the caption Operations Under Specific Legal Regulation and explained in note 14(b) to the financial statements; b) Accounting treatment of premises and equipment; c) Application of comprehensive price-level adjustment, as discussed in note 2(e) to the financial statements; and d) Omission of the Statements of Changes in Equity, Cash Flows and Comprehensive Income.
4. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Bank of Chile as of 31 December 2009 and 2008 and the results of its operations for the years then ended, in conformity with the accounting principles described in note 2 to the financial statements.
5. As discussed in note 6 to the financial statements, in accordance with Resolution 1456-01 dated 15 January 2009, the Bank's Board approved new policies for the presentation and preparation of the Bank's financial statements, which also have been approved by the Superintendence of Banks and Financial Institutions pursuant to Section 75 of the Bank's Basic Constitutional Act. The purpose of these new policies is for the preparation and presentation of the Bank's financial statements to comply with the requirements established by IFRS as applicable to the Bank, as well as the guidelines prepared by the technical organizations in Chile and the Bank's Board own policies. In that sense, the Bank's financial statements have been modified retroactively since 1 January 2008.

6. In accordance with Article 11 of Law 20,128, the General Treasury through the Ministry of Finance will be able to make capital contributions to Central Bank of Chile, under the conditions established in such law. During 2009, the General Treasury did not make any contributions (Ch$425,553 million in 2008).

7. As discussed in note 21 to the financial statements, as of 31 December 2009 Central Bank of Chile has a net equity deficit in the amount of Ch$1,960,213 million (net equity of Ch$803,434.1 million in 2008), which is explained by decreases resulting from variations in the exchange rates of assets denominated in foreign currency.

8. The above translation of the auditors' report is provided as a free translation from the Spanish language original, which is the official and binding version. Such translation has been made solely for the convenience of non-Spanish readers.

Alejandro Cerda G. KPMG Ltda.

Santiago, 28 January 2010