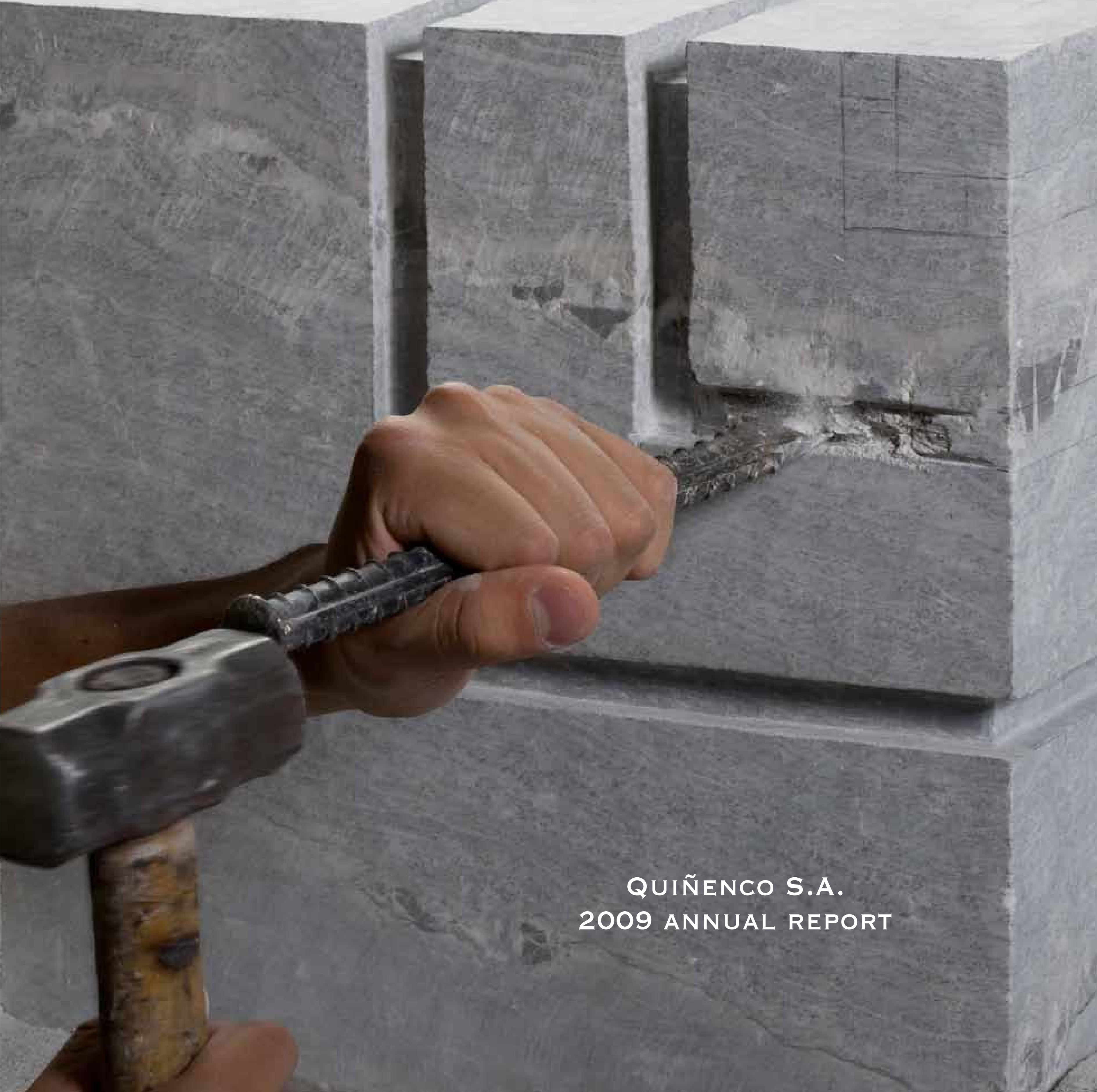


Quiñenco S.A.
2009 Annual Report

CORPORATE IDENTIFICATION

QUIÑENCO is an open stock company, which was incorporated as Forestal Quiñenco S.A. by public deed on January 28, 1957 and modified by public deed on April 15, 1957, both in the Valparaíso Notary Office of Mr. Carlos Calderón Cousiño. The company transferred its domicile to Santiago by a reform in its by-laws, which is set forth in public deed on March 25, 1966 granted before the Valparaíso Notary Office of Mr. Rafael Luis Barahona Stahr, modified by public deed on April 13, 1966 granted before the Santiago Notary Office of Mr. Eduardo González Abbott. An abstract of the reform was registered on page 3,787, number 1,952 of the Register of Commerce of Santiago of 1966 and published in the Official Gazette on June 11, 1966. The company changed its name to Quiñenco S.A. and agreed on a new revised text of its by-laws by a reform set forth in public deed on October 11, 1996 granted before the Santiago Notary Office of Mr. René Benavente Cash. An abstract of this reform was registered on page 26,437, number 20,473 of the Santiago Register of Commerce of 1996, and it was published in the Official Gazette on October 29, 1996. The last modification was set forth in public deed on May 11, 2007, granted before the Santiago Notary Office of Mr. Andrés Rubio Flores. An abstract of this reform was registered on page 20,649, number 15,082 of the Santiago Register of Commerce of 2007, and it was published in the Official Gazette on May 25, 2007.

In accordance with Law N°18,046, QUIÑENCO S.A. (Quiñenco), an open stock company registered in the Securities Register under number 0597, is subject to regulation by the Chilean Superintendency of Securities and Insurance (SVS).

Quiñenco S.A.

R.U.T.: 91.705.000-7
Enrique Foster Sur 20, 14th Floor
Las Condes,
Santiago, Chile
Telephone: (562) 750-7100
Fax: (562) 750-7101
Website:
www.quinenco.cl
www. quinencogroup.com

Shareholders Services

DCV Registros S.A.
Huérfanos 770, 22nd Floor
Santiago, Chile
Telephone: (562) 393-9003
atencionaccionistas@dcv.cl

Investor Relations

Contact Pilar Rodríguez
Investor Relations Manager
Telephone: (562) 750-7221
Fax: (562) 245-6241
prodriguez@lq.cl

Stock Exchanges (Quiñenco)

Bolsa de Comercio de Santiago
Bolsa de Comercio de Valparaíso
Bolsa de Valores de Chile

Auditors

Ernst & Young Ltda.
Huérfanos 770, 5th Floor
Santiago, Chile
Telephone: (562) 676-1000

5 YEAR FINANCIAL HIGHLIGHTS

		2009	2008	2007*	2006*	2005*
CONSOLIDATED RESULTS						
Industrial sector						
Ordinary revenues	MCh$	254,128	264,380	700,767	616,102	421,968
Gross margin		73,264	58,610	99,947	105,054	77,042
Net income industrial sector		74,066	170,267	105,241	57,043	51,080
Banking sector						
Total operating net revenues		793,326	949,178	-	-	-
Operating income		296,583	375,983	-	-	-
Net income banking sector		213,060	233,712	-	-	-
Consolidated net income		287,126	403,979	-	-	-
Net income attributable to minority participation		131,726	151,977	16,787	20,713	9,328
Net income attributable to controller		155,401	252,002	105,241	57,043	51,080
Earnings per share (attributable to controller)	Ch$	135.77	220.17	91.95	52.83	47.31
FINANCIAL POSITION						
Total assets industrial sector	MCh$	1,862,740	2,024,774	1,808,430	1,491,083	1,362,522
Total assets banking sector		17,459,202	18,585,569	-	-	-
Total assets		19,321,942	20,610,343	1,808,430	1,491,083	1,362,522
Total liabilities industrial sector		546,942	648,808	619,313	550,997	519,214
Total liabilities banking sector		16,501,380	17,751,185	-	-	-
Total liabilities		17,048,322	18,399,994	619,313	550,997	519,214
Equity attributable to controller		1,268,964	1,212,365	995,787	769,927	704,252
Minority holdings		1,004,655	997,985	193,330	170,159	139,055
Total net equity		2,273,620	2,210,350	1,189,117	940,086	843,307
Current ratio (current assets/current liabilities) (1)		1.90	1.61	2.55	3.01	2.69
Leverage (total liabilities/SH equity) (2)		0.43	0.54	0.62	0.72	0.74
EBITDA	MCh$	13,602	22,411	73,520	82,605	56,789

* *Historical figures prepared according to Chilean GAAP, which are therefore not totally comparable with 2008 and 2009 that were prepared according to IFRS. Further detail regarding the differences between Chilean GAAP and IFRS can be found in the Notes to the Consolidated Financial Statements.*

(1) *Excludes assets and liabilities of the banking sector.*

(2) *Corresponds to the industrial sector.*

OTHER INFORMATION

Number of shareholders	1,429	1,507	1,613	1,867	2,009
Number of shares outstanding	1,144,577,775	1,144,577,775	1,144,577,775	1,079,740,079	1,079,740,079

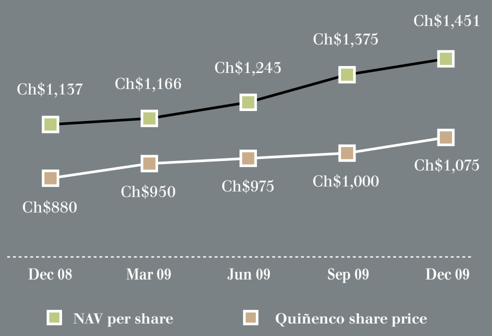
NAV/SHARE PRICE EVOLUTION

as of December 31, 2009

NAV MUS$3,275

Market Cap MUS$2,426

Share price in Ch$



26%

IS THE DISCOUNT BETWEEN QUIÑENCO'S NAV VALUE AND THE PRICE OF ITS SHARES AS OF DECEMBER 31, 2009.

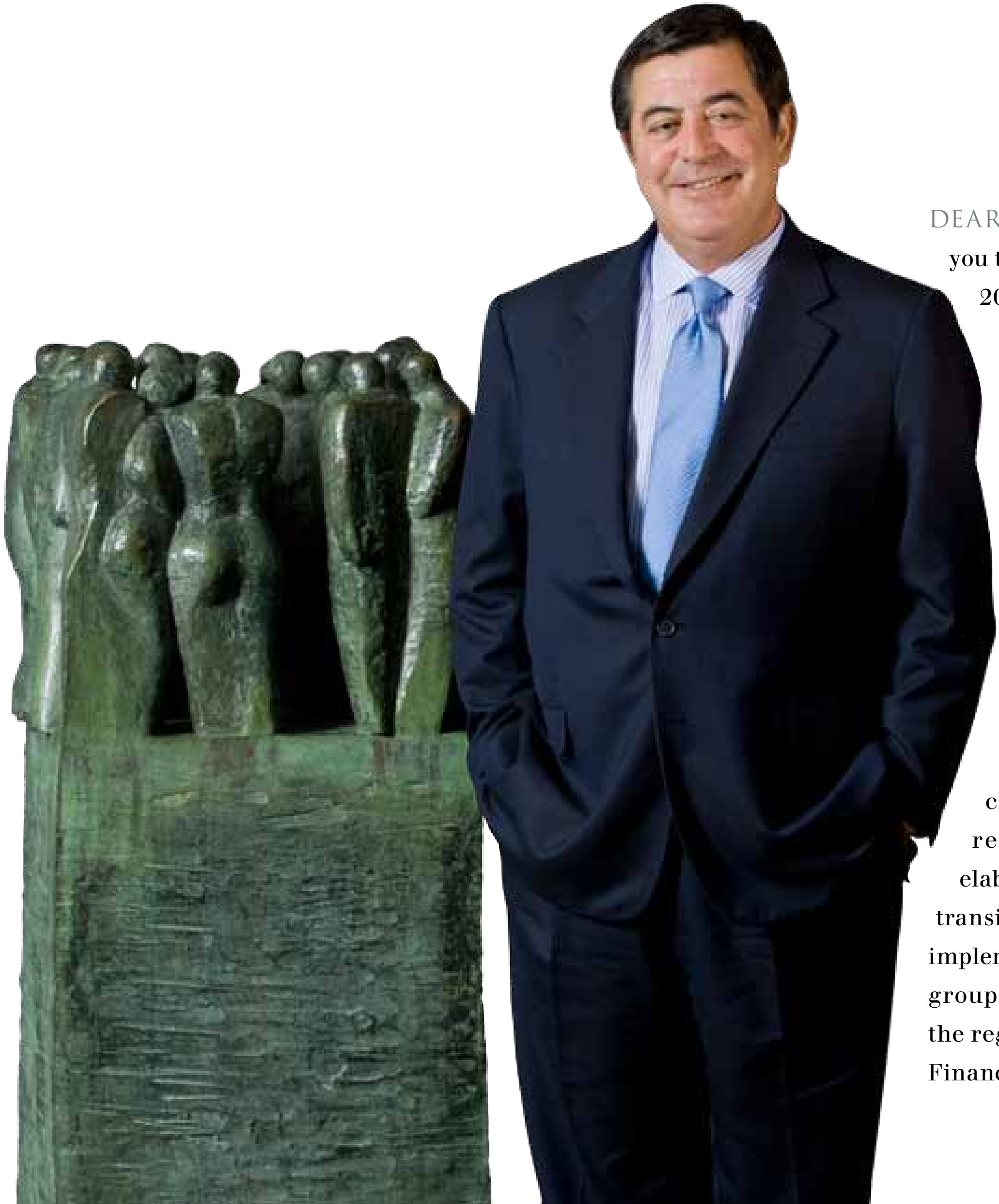
Contents

Quiñenco S.A.
2009 annual report

Entrepreneurial Vision

It takes talent, tenacity and effort to express what you have on your mind, to undertake the challenge of creation, of turning a blank canvas into a work of art. Quiñenco approaches its activities with this entrepreneurial vision, using its knowledge of the market, dynamism and persistence to build businesses that are profitable and sustainable for its shareholders.

Letter from the Chairman



DEAR SHAREHOLDERS, It is my pleasure to share with you the results obtained by the Quiñenco group during the 2009 fiscal year.

The year began with an international financial crisis in full bloom, which also had an impact on the local economy in the form of falling production and rising unemployment. The Group's companies were able to attain satisfactory levels of operational and financial performance in this complex scenario, proving their solidity to deal with adversity. These positive results, together with low levels of debt and high liquidity, allowed it to obtain a net profit of Ch$155,401 million.

Our companies also faced important administrative challenges in 2009, when international financial reporting standards (IFRS) were adopted for the elaboration of financial statements for the first time. This transition was successful and the new standards have been implemented to their fullest on all levels in every one of the group's industrial companies and partially according to the regulations of the SBIF (Superintendency of Banks and Financial Institutions), in the case of Banco de Chile.

At the end of the year the agreement reached with Grupo Teleductos S.A. (GTD) regarding the sale of Telefónica del Sur was announced, which was successfully completed via a Public Share Offering (OPA) on the part of GTD in January 2010. This transaction marked an important milestone for the Group, as Telsur had been a part of it for close to three decades. However, after analyzing the different possible scenarios it was decided that the best way to generate the greatest added value this time was to sell the company. On a Corporate level minority stock positions were also sold off, which contributed to boost results and shore up liquidity. All of this puts us in an excellent position to undertake new business opportunities, to actively contribute to the country's development, and to create value for our shareholders.

Likewise, I cannot fail to mention the important fact that, as part of the Framehold Agreement with Citigroup, that company exercised its purchase options on the second and third closing dates, whereby it will hold 50% of the property of LQIF, which currently owns 61.7% of Banco de Chile. I would like to highlight the fact that this will mean pre-tax profits in 2010 for approximately Ch$155,000 million for the purchase option on April 30, 2010 and an increase in equity of approximately Ch$155,000 million for exercising the purchase option of May 3, 2010.

Banco de Chile suffered significant impacts from the adverse economic scenario, as did the rest of the Chilean financial sector. However, it was capable of adjusting to the prevailing conditions. During 2009 the Bank increased its market share leadership in the demand deposit market, with 22.9%, while its share of total loans was 19.1%. In addition, the Bank currently has the best credit risk coverage indicators in the Chilean financial system, which provides a solid foundation for dealing with economic volatility and its effects on customers' risk profiles.

Banco de Chile also received important distinctions and for the fourth year running won the Revista Capital and Santander GMB award for the financial institution with the Best Wealth Creation in the system. For its part, Banchile Citi Global Markets was distinguished as the Best Local Investment Bank by the prestigious US magazine LatinFinance, thanks to its capacities, advantages and presence in the international investment bank and capital markets and as a brand that is recognized on both a national as well as an international level.

Banco de Chile earned net profits of Ch$257,885 million in 2009, 26% less than the previous year, due to the effects of the world financial crisis and its repercussions on the local economy. This reduction is mainly explained by the negative inflation rate and exceptionally low nominal rates, which had an adverse effect on revenues, together with the riskier economic scenario, which resulted in a significant increase in provisions and a reduction in the loan portfolio. This was accompanied by a reduction in operational costs through increased productivity and a focus on cost control. For its part, in LQIF, a subsidiary in the financial sector, the negative inflation rate had a favorable impact on the accrued interest expense of the subordinated debt to the Chilean Central Bank, which fell Ch$69,346 million compared to the previous period.

During 2009, CCU concentrated its efforts on its existing products, strengthening its brands and boosting their presence in the country. Thanks to a powerful campaign and the successful implementation of a Contingency Plan to deal with the projected drop in activity, CCU managed to break a new sales record with a total sales volume of 16.3 hectoliters, representing 3.7% growth compared to the previous year. In its turn, a year after its merger Viña San Pedro Tarapacá was capable of capturing 80% of the synergies that had been foreseen. CCU's flagship brand Cristal launched a new and modern image on the market aimed at strengthening its position of leadership as an iconic national brand.

CCU obtained net earnings of Ch$128,037 million in 2009, a 42% increase over 2008, boosted by increased revenues in all business segments, which led to an 11% increase in the operational result. In addition, non-recurring profits were generated from the sale of 29.9% of Aguas CCU Nestlé to Nestlé Waters Chile and the company also felt the positive impact of negative inflation on its financial liabilities denominated in Unidades de Fomento (UF).

In 2009 Telefónica del Sur deployed a pilot fiber optic network in parts of Concepción, bringing fiber optics directly to the home and in that way providing them with excellent telephone, broadband and WiTV services. Continuing with efforts to connect the most isolated regions and towns of southern Chile, Telsur digitally connected the Palena Province to the rest of the world using wireless broadband and Sky Pilot technology.

Telsur earned profits of Ch$3,212 million in 2009, a 3% increase compared to the year before, mainly boosted by the non-operational result that includes the positive effect of negative inflation in 2009 on financial liabilities denominated in UF. However, the operational result was down compared to 2008 due to the increased costs associated with winning over new customers and the new services provided, in addition to the depreciation of investments made on infrastructure and equipment, allowing the company to stand out in a highly competitive industry. The significant growth achieved in the customer base, especially with WiTV digital television and high-speed Internet, compensated the drop in average prices caused by the intense competition within the industry. It should be highlighted that, as mentioned above, in January 2010 Quiñenco's entire stake in Telsur was sold to GTD.

Madeco has continued to consolidate the regional leadership of its flexible packaging unit, introducing novel products like the new high-barrier packaging. In addition, it has made an effort to optimize the strategic orientation and operational efficiency of the brass mills business, as well as improving the door and window systems that the profile unit offers. Furthermore, 2009 saw the first dividends generated by the investment in Nexans, a French cable producer and a world leader in its field.

Madeco earned net profits of Ch$16,523 million in 2009, based on the recovery of the brass mills unit compared to the previous year and the positive performance of the packaging unit, compensating the setbacks in the profile unit, which was harshly affected by the drop in construction sector activity. Though revenues were down compared to the previous year due to lower sales volumes and average copper and aluminum prices, costs also fell as a result of cost-cutting plans implemented in the company. The brass mills unit also benefited from an improved export position, and the result of flexible packaging was favored by the positive performance of its Peruvian branch.

As a corporate center, Quiñenco has benefited from the positive results of its existing investments, in addition to the agreements reached and transactions made. Quiñenco maintains a solid financial position, which was strengthened even further over the last year, with a financial debt level of approximately Ch$167,000 million, which when the available funds of Ch$104,000 million are subtracted amounts to a net debt of only Ch$63,000 million at the end of 2009. The reduced level of debt and strengthened liquidity are the result of the conservative and cautious policy implemented over the last few years. The Group's companies have also shown solidity in their positive performance, guaranteeing a sustained flow of dividends to the parent company. All of this currently puts us in an excellent position to undertake new projects and to successfully deal with the dynamics of our businesses and surroundings.

I wish to express my sincerest appreciation to all of the members of Quiñenco's team for their valuable contribution, dedication and commitment, which have been fundamental to attaining the strong position we are in today.

Guillermo Luksic Craig
Chairman

As with the tools in the hands of an artist, whose solidity is capable of bringing out what only the sculptor's imagination can see, Quiñenco holds a variety of tools that, in the hands of the conglomerate's solid team, are capable of continually implementing projects that are consistent with its line of business and its commitment to the community.

Solidity

Board of Directors

Juan Andrés Fontaine Talavera
DIRECTOR
Commercial Engineer,
Universidad Católica de Chile
Master's degree in Economics,
University of Chicago, USA.
(Director through March 1, 2010)

Andrónico Luksic Craig
VICE CHAIRMAN
Company Director

Jean - Paul Luksic Fontbona
DIRECTOR
Company Director
B.Sc. Management and Science,
London School of Economics, England

Guillermo Luksic Craig*
CHAIRMAN
Company Director

Corporate Governance

Quiñenco's corporate governance practice is carried out by the Board of Directors, the Directors' Committee, and the Chief Executive Officer. Quiñenco's Board of Directors is comprised of seven members who are chosen for three years. The current Board was elected at the 2008 Annual Shareholders' Meeting. The resignation of director Juan Andrés Fontaine will require renewing the Board at the 2010 Annual Meeting.

Quiñenco has permanent commitment to the highest standards of corporate governance, according to the statutes and legal regulations in force in Chile, in particular the Law of Open Stock Corporations and the Securities Law. An ethics code has been adopted that is applicable to all employees, so as to promote honest and ethical behavior that avoids all types of conflicts of interest and transmits our principle of transparency and respect for the rights of others.

Gonzalo Menéndez Duque*
DIRECTOR
Commercial Engineer,
Universidad de Chile

Hernán Büchi Buc
DIRECTOR
Civil Mining Engineer,
Universidad de Chile

Matko Koljatic Maroevic*
DIRECTOR
Commercial Engineer,
Universidad Católica de Chile
ICAME Certificate in Marketing Management,
Stanford University,USA.

* Member of the Committee of Directors as of December 31, 2009

Quiñenco's profile

Quiñenco has forged itself a solid position as one of the most important and diversified business conglomerates in our country. Over the course of the years it has entered diverse areas, creating successful businesses and establishing strong relationships in the economic sector. Currently Quiñenco has investments in the financial, beverage and food, and manufacturing sectors, in addition to telecommunications up until early 2010. Together the group's companies generated US$ 4 billion in revenue in 2009. It should be noted that the two most important sectors for the group, finance and beverage and food, generated 88% of the aggregate revenues and represented 77% of the assets on a corporate level in 2009.

At the parent company we are concerned about strengthening the conglomerate's companies, guiding them along the path to sustainable development and practices that have been proven and effectively undertaken during this long and successful trajectory of over half a century. Our focus is on generating synergies between each of our businesses, fostering growth and the generation of value, achieving economies of scale and a high level of efficiency. We work together with the administration of each company to define long-term strategies, projecting annual targets, supervising operational and financial management and structuring major mergers and acquisitions.

Our investment criteria often privileges the development of brands and franchises for mass consumption, thus generating synergies among the different businesses and their distribution networks, economies of scale and improved efficiency. This strategy is focused on satisfying our customers, offering them top-notch products and services and in that way creating value over time and producing interesting returns for our shareholders.

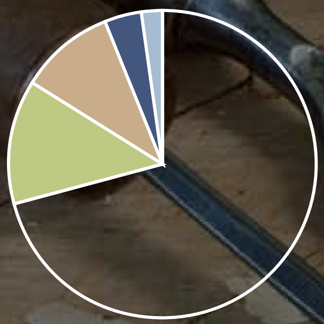
Our business model is based on developing each of the companies that we have invested in so as to increase their value and the return for Quiñenco in the form of dividends and eventual divestments. Our results speak for themselves, with revenues of over US$ 2.9 billion from divestments over the last 12 years. In 2009 we received over US$ 220 million in dividends on a corporate level. The generation of these resources is fundamental to the projection of new businesses, to reaching new goals, and to supporting the growth of our subsidiaries.

Quiñenco S.A.

- Financial Services
- Beverage and Food
- Telecommunications
- Manufacturing

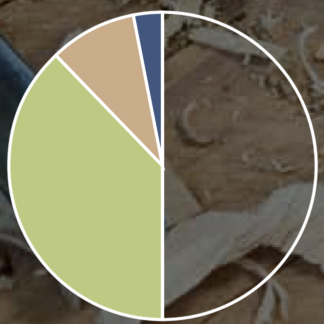
INVESTMENTS BY SECTOR

MCh$1,272,334 as of 12.31.09
(Book value at corporate level)



Financial Services	71%
Beverage and Food	13%
Manufacturing	10%
Telecommunications	4%
Other	2%

AGGREGATE SALES BY SECTOR



Financial Services	50%
Beverage and Food	38%
Manufacturing	9%
Telecommunications	3%

US$ 39.9 BILLION

Totalize the assets managed by Quiñenco, belonging to a select group of companies leaders in their industries.

17,362

People are employed by the group's companies in Chile and abroad.

60%

Reduction in net corporate debt, to MUS$125.

US$ 4.0 BILLION

Reached total aggregate sales of the group's companies in 2009.

1957

Sociedad Forestal Quiñenco S.A. is created to exploit eucalyptus forests to produce wood props for underground coal mines.

1960's

Sociedad Forestal Quiñenco S.A. incorporates Empresas Lucchetti S.A. and Forestal Colcura S.A, thus expanding the scope of its activities.

1970's

Hoteles Carrera S.A. is added to the Company, thus diversifying the business portfolio.

1980's

This decade marks Quiñenco's incursion into the financial sector with the purchase of shares in Banco O'Higgins and Banco Santiago.

Majority control of Madeco is acquired as part of the risk diversification policy.

Control over Compañía Cervecerías Unidas S.A. (CCU) is acquired together with the German Schörghuber group.

Finally, Quiñenco buys a majority stake in VTR S.A., thus entering the telecommunications sector.

1993

The union between Quiñenco and Banco Central Hispanoamericano produces OHCH, thus consolidating the group's presence in the financial sector.

1995

Quiñenco forms a strategic alliance with SBC Communications Inc. to give a boost to VTR in the telecommunications sector.

Banco Santiago comes under the control of OHCH.

1996

Quiñenco is divided and established as the financial and industrial parent company, while Antofagasta Holdings becomes the center of mining and railway investments.

1997

Quiñenco makes a Public Share Offering on the New York and Santiago stock exchanges, raising US$ 279 million.

CTC buys 100% of Startel S.A.

1998

VTR S.A. divests VTR Larga Distancia S.A.

Quiñenco forms Habitaria S.A. together with the Spanish construction firm Ferrovial Inmobiliaria, in this way entering the real estate development sector.

1999

Quiñenco sells its stake in the banking holding company OHCH and subsequently buys 51.2% of Banco de A. Edwards and 8% of Banco de Chile.

In the telecommunications sector Quiñenco sells its participation in VTR Hipercable S.A. to the UIH Latin America group. It then buys a 14.3% stake in Entel S.A.

2000

LQ Inversiones Financieras S.A. (LQIF) is born as a subsidiary of Quiñenco to shore up the group's financial activities.

2001

Quiñenco buys 52.7% of voting shares in Banco de Chile, thus becoming its controller.

Quiñenco divests an 8% stake in Entel S.A. At the same time, it sells 39.4% of shares in Plava Laguna d.d., a tourist resort on the Croatian coast.

2002

Banco de Chile merges with Banco de A. Edwards at the beginning of the year, creating what was the country's largest financial institution at the time.

2003

Heineken buys 50% of IRSA, the consortium in control of CCU, thus entering into a partnership with Quiñenco.

Quiñenco sells the Hotel Carrera in Santiago to the Chilean Foreign Ministry.

2004

In the food and beverage sector, Quiñenco sells off Lucchetti Chile S.A. At the same time the company buys Calaf through a joint venture with CCU.

Quiñenco buys 11.4% of Almacenes París.

2005

Quiñenco sells its participation in Almacenes París, earning significant profits.

2006

The process of delisting Quiñenco's shares from the NYSE begins, as does the termination of its ADR program, with the process coming to a conclusion in early 2007.

2007

Quiñenco and Citigroup announce their alliance in the financial sector.

Quiñenco increases its capital by Ch$65,000 million.

In the telecommunications sector, Quiñenco sells a 2.8% stake in Entel.

2008

Banco de Chile and Citibank Chile merge on January 1st.

The sale of Madeco's cable unit to the French cable producer Nexans is completed and Madeco becomes the largest single Nexans shareholder with an 8.9% stake.

2009

Quiñenco sells its remaining shares in Entel, equivalent to a 2.9% stake in the company.

At the end of the year Quiñenco announces an agreement to sell 100% of its stake in Telsur to GTD Manquehue for Ch$57,000 million. The sale was successfully concluded in January 2010.

Organization

Chief Executive Officer
Francisco Pérez Mackenna
Commercial Engineer,
Universidad Católica de Chile
MBA, University of Chicago, USA.

Strategy and Performance Appraisal Manager
Martín Rodríguez Guiraldes
Commercial Engineer,
Universidad Católica de Chile
MBA University of California,
Los Angeles (UCLA), USA.

Business Development Manager
Felipe Joannon Vergara
Commercial Engineer,
Universidad Católica de Chile
MBA, The Wharton School,
University of Pennsylvania, USA.

Chief Financial Officer
Luis Fernando Antúnez Bories
Industrial Civil Engineer,
Universidad Católica de Chile
MBA, Georgia State University, USA.



Investor Relations Manager
Pilar Rodríguez Alday
Commercial Engineer,
Universidad Católica de Chile

Chief Counsel
Manuel José Noguera Eyzaguirre
Attorney,
Universidad Católica de Chile

Attorney
Davor Domitrovic Grubisic
Attorney,
Universidad de Chile

General Accountant
Oscar Henríquez Vignes
Certified Public Accountant,
Universidad de Chile
Postgraduate degree in Tax Planning,
Universidad Católica de Chile
Master's degree in Tax Management
Universidad Adolfo Ibáñez

Performance Appraisal Manager and Internal Auditor
Pedro Marín Loyola
Commercial Engineer,
Universidad Católica de Chile
M.S. Finance, London School
of Economics, England

Board of Directors → Chief Executive Officer
Chief Executive Officer → Strategy and Performance Appraisal
Chief Executive Officer → Business Development
Chief Executive Officer → Finance, Administration and Human Resources
Chief Executive Officer → Legal Counsel
Board of Directors → Internal Auditor

2009 Financial Results

In 2009 Quiñenco began presenting its financial statements in compliance with IFRS. One of the main changes in terms of presentation consists in consolidation with the financial institutions Banco de Chile and SM Chile, in addition to the insurance firm Banchile Seguros de Vida. To better understand Quiñenco's results, the financial statements separate the results of banking activities from non-banking ones (industrial sector). In addition, in compliance with IFRS requirements, three business segments have been defined: Manufacturing, Financial, and Others.

Quiñenco includes the profits and losses of over 40 companies in its financial statements for each period. Though it consolidates its operations with the majority of its investments, with Banco de Chile and Madeco being its main operative companies, the profits and losses from other investments that are relevant to Quiñenco in terms of size and their impact on the financial results for any period, such as CCU for example, are not consolidated with the company. Quiñenco's proportional participation in the profits or losses in these cases is included in non-operational results. Telefónica del Sur, which was sold to the GTD group in January 2010, has been classified as a discontinued operation for 2008 and 2009.

Quiñenco earned Ch$155,401 million in net profits in 2009, down 38% compared to the year before. This variation is mainly due to the profits associated with two major transactions in 2008: the partnership with Citigroup in Banco de Chile's parent company and the sale of Madeco's cable unit to Nexans. In addition, the 2009 result was favored by profits on a corporate level that were generated from the liquidation of stock positions and a better result in CCU thanks to the sale of 29.9% of Aguas CCU Nestlé to Nestlé Waters Chile, as well as the company's positive operational performance. In addition, the negative inflation registered during the period in question and a lower level of debt reduced financial obligations and costs in UF, including the accrued interest expense of Banco de Chile's subordinated debt, which also had a positive effect on results.

Quiñenco reported consolidated revenues in the industrial sector for Ch$254,128 million in 2009, down 3.9% compared to 2008. This variation mainly

CONTRIBUTION TO EARNINGS BY SECTOR AND SEGMENT

(In millions of nominal Ch$)

	Quiñenco's ownership (1)	2009	2008
Industrial Sector			
Manufacturing Segment			
Madeco	47.7%	18,171	54,951
Financial Segment			
LQIF Holding	67.0%	(10,182)	(29,378)
Other			
CCU(2)	33.1%	42,324	29,887
Quiñenco and others(3)	-	20,429	111,512
Telsur	74.4% (4)	3,324	3,295
Subtotal Other		66,077	144,694
Consolidated Net Income Industrial Sector		74,066	170,267
Banking Sector			
Financial Segment			
Banco de Chile	27.4% (5)	257,887	347,439
Subordinated Debt	-	(44,749)	(114,095)
Other	-	(78)	368
Consolidated Net Income Banking Sector		213,060	233,712
Consolidated Net Income		287,126	403,979
Net income attributable to minority participation		131,726	151,977
Madeco		10,299	29,204
LQIF		118,847	118,940
Telsur		933	965
Other		1,647	2,868
Net income attributable to Controller		155,401	252,002

(1) Direct and/or indirect

(2) Corresponds to Quiñenco's proportionate share of CCU's net income, based on the equity method.

(3) Includes Banchile Seguros de Vida and Quiñenco and intermediate companies.

(4) Share maintained until January 20, 2010, when sold to GTD through a public offering.

(5) Corresponds to Quiñenco's economic rights. Voting rights held by LQIF were 61.7% as of December 31, 2009.

corresponds to Madeco's operations, where revenues were down 11.5%, to Ch$176,318 million due to a reduced sales volume in the brass mills unit and lower copper prices. In addition, the profile unit's revenues were down because of a drop in construction sector activity. For its part, the packaging unit obtained greater revenues thanks to higher average prices and a slight increase in sales volumes, thus partially compensating the drop in other units. For their part, the revenues of Banchile Seguros de Vida increased 19.7% to Ch$76,579 million in 2009.

The operational loss in the industrial sector was down by 60.6%, to Ch$3,919 million in 2009, mainly reflecting the increase in Madeco's operational result based on a recovery in the brass mills unit after an impairment applied to inventories the year before, in addition to the improved performance of the packaging unit. These increases more than compensated the drop in the profile unit's results, caused by reduced revenues and an impairment applied to inventories in 2009. For its part, Banchile Seguros de Vida registered a 29% increase in its operational result, which was mainly thanks to higher revenues.

CCU's contribution increased 41.6%, to a total of Ch$42,324 million thanks to improved performance in all business segments, as well as a non-recurring profit of Ch$24,416 million for the sale of its shares in Aguas CCU Nestlé.

In all, the industrial sector's profits were Ch$74,066 million, a 56.6% drop compared to the results obtained in 2008 due to a profit of Ch$130,520 million derived from not concurring to LQIF's capital increase, resulting from the partnership with Citigroup in 2008. In addition, 2008 includes profits of Ch$119,555 million from discontinued operations, which are mainly the product of the non-recurring profits obtained from the sale of Madeco's cable unit to Nexans.

The banking sector earned a profit of Ch$218,060 million in 2009, 8.8% less than the year before, thus reflecting Banco de Chile's reduced result for the period, which was mainly compensated by the lower accrued interest expense of the subordinated debt to the Central Bank.

The flow of dividends to the corporate level from the subsidiaries LQIF, IRSA, Madeco, Telefónica del Sur and other companies was Ch$111,591 million, which represents a 5% increase compared to the preceding period. Banco de Chile reduced its dividend payment ratio from 100% to 70% of cash profits in 2009. The sustained flow of dividends and the funds obtained from the sale of investments have allowed the level of debt to be reduced, thus strengthening Quiñenco's financial position by cutting the industrial sector's debt by 17% to Ch$301,238 million. This solid situation puts the company in a positive position to take advantage of new business opportunities.

COMPOSITION OF CONSOLIDATED DEBT

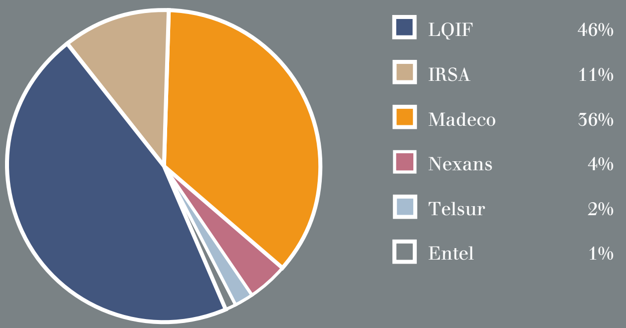
	2009	2008
Industrial sector	MCh$	MCh$
Corporate level (1)	68,606	82,156
Madeco	37,178	42,654
Telsur (2)	69,112	71,514
LQIF holding	126,342	166,602
Total debt Industrial sector	301,238	362,926

(1) Does not include the debt of the affiliate company IRSA, amounting to MCh$26,975 in 2009 (MCh$34,495 in 2008), in which Quiñenco's stake is 50%.

(2) Corresponds to current and non-current Interest-bearing loans of Telsur, classified as discontinued operations in Quiñenco's Consolidated financial statements in 2008 and 2009.

DIVIDEND INCOME

MCh$111,591 (corporate level)



MCh$ 155,401

Reached Quiñenco's net income in 2009.

Net income	:	*refers to net income attributable to equity holders of the controller.*
Consolidated net income	:	*includes net income attributable to equity holders of the controller and net income attributable to minority participation.*
Operating income	:	*is obtained by subtracting Operating expenses (Marketing costs, Distribution costs, Research and development, and Restructuring costs) and Cost of sales from Ordinary revenues.*
Non-operating results	:	*corresponds to the sum of Other operating income, Other various operating expenses, Financial costs, Proportionate share of equity method investments, Foreign exchange differences, Indexed units of account restatement, Gain on retirement of non-current assets, Goodwill bought, and Other gains (losses).*

Social Responsibility

In Quiñenco we believe that membership of a community must be accompanied by a long-term contribution to human development, to improving social capital and the quality of life for all of society's members. We work with a business vision that integrates business strategy with sustainable economic development and respect for the community and the environment.

For our group, Social Responsibility is a chance to give the benefits we have received back to the community. Along these lines, we consider Social Responsibility to be an initiative for integrating all those who participate actively in the country's improvement, worrying about social impact and the environment.

We channel our efforts toward specific areas to work more efficiently so we can make a contribution to both health and education, in addition to Chileans' standard of living.

Solidary action

As a group we are concerned about all members of our society and we pay special attention to the close to 2.5 million people who have some sort of disability.

For this reason our companies constantly participate in different campaigns and projects throughout the country, working and raising awareness on this issue. It is also worth highlighting our participation in the annual Teletón, not just with economic support, but also with joy, goodwill, time and teamwork.

Education

Given the importance of education it is worth mentioning that companies belonging to the Quiñenco group have an internal scholarship program that rewards the children of our employees who have outstanding grades, thus financing a percentage of their education.

Aware that the country's development and growth require better quality education, the companies in the Quiñenco group make economic contributions to different schools throughout Chile in the form of scholarships and equipment.

Sports

The group's companies are committed to supporting sports, holding events and sponsoring outstanding athletes and athletic groups in different disciplines.

Culture

We know that cultural expression and development are fundamental to fostering the growth of a strong and healthy society. For this reason, the Quiñenco group of companies gets involved with the community by participating in events that represent varied forms of expression and we are present in exhibitions, sculpture exhibits and stage theater presentations, operas, recitals and concerts all over the country.

Responsibility

It is fundamental for our group to raise social awareness of problems affecting society and to seek the ways to prevent them. For this reason, as a group we are continually developing public responsibility campaigns and programs on alcohol consumption.

Environment

All of our companies have a clear idea of the importance of living in a healthy and clean ecosystem, are concerned about their surroundings and about preserving nature and its balance. For this reason we make a major effort to promote the conservation of native forests and our country's national heritage and we try to make a difference with reforestation programs, holding diverse conservation workshops and programs to raise awareness on this subject.

Banco de Chile

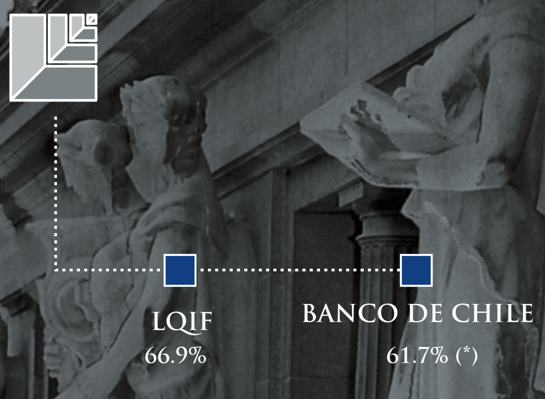
LQ Inversiones Financieras S.A. (LQIF), founded in 2000, channels Quiñenco's investments in the financial sector. Since 2001 its main investment has been a controlling stake in Banco de Chile, one of the country's largest financial institutions.

Citigroup became one of LQIF's partners in early 2008 with the purchase of a 32.96% stake, and Banco de Chile and Citibank Chile were successfully merged. In addition, a cooperation and connectivity contract with Citigroup allows Banco de Chile to give its customers access to Citibank's global network.

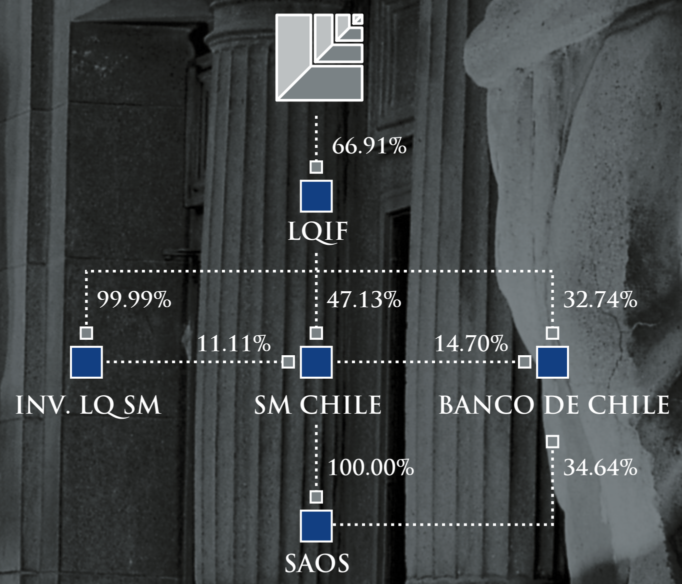
The group has had longstanding success in the Chilean financial sector, where the 1997 merger between Banco Santiago and Banco O'Higgins stands out; the sale of the merged company to Banco Santander Central Hispano (BSCH) in 1999; the acquisition of Banco Edwards in 1999 and Banco de Chile in 2001, subsequently merging them in 2002, and lastly the merger with Citibank Chile on January 1, 2008, thus forming the main bank controlled by Chilean capital in the country.

2009 Results

LQIF registered net profits of Ch$125,336 million in 2009, which represents a 1.6% drop compared to the previous year. This variation is mainly due to the 25.8% drop in Banco de Chile's results during the period, thus reflecting the adverse global and local scenarios. This reduction was mostly compensated by a significant drop in accrued interest expense of Banco de Chile's subordinated debt, product of the positive effect of the negative inflation that was registered during the year. In addition, in 2009 LQIF holding company registered lower amortization of intangibles and gains from restatement of indexed units, thus reflecting the effects of negative inflation on financial obligations expressed in UF. This more than compensated the higher revenues recognized in the preceding period from interest and dividend payments received.



(*) Voting rights



Quiñenco in the financial sector. Since 2001, its main investment is the controlling stake in Banco de Chile, one of the largest financial institutions in the country.

LQIF'S STAKE IN BANCO DE CHILE

As of December 31	2009
Voting rights	61.7%
Economic rights	40.8%
% of shares owned	
SM Chile	58.2%
Banco de Chile	32.7%

Banco de Chile

Banco de Chile, was founded in 1893 and leads the Chilean market as one of its largest and most successful banks. Currently it stands out as the largest bank with Chilean capitals and the second largest financial institution in the country, with a 19.1% share in the loan market. In terms of liabilities, the bank is the financial leader with Ch$3,718 billion in demand deposits, which represents 22.9% of the financial system, and it has close to 600,000 checking accounts, equivalent to a participation of 25%. At the end of December 2009 its total volume of assets was Ch$17,462 billion, while its net equity was Ch$1,393 billion.

Banco de Chile is a commercial bank that provides a complete range of financial products and services to a wide variety of clients via a national network of over 398 branches. Operations are organized around two major markets: the wholesale market attended to by the Corporate and Investment Banking Division and the Wholesaler and Large Companies and Real Estate Division; and the retail market, handled by the Commercial Division, which deals with individuals and small and medium enterprises, and the Consumption Division. The Corporate and Investments Division is the one in charge of handling the bank's international affairs, including acting as a correspondent, in addition to offering services to multinational corporations doing business in Chile. In addition, the bank's subsidiary companies complete

24.2%

Market share in current account balances in 2009, being the leader.

NET INCOME CONTRIBUTION BY BUSINESS AREA *

MCh$297,484 in 2009

Commercial Banking	26%
Banco Credichile	2%
Wholesale, Large Companies and Real Estate	3%
Corporate and Investments Banking Division	15%
Investment Banking and Capital Markets	2%
Treasury	36%
Subsidiaries	16%

(*) Before taxes

a range of financial services with operations involving securitization, securities brokerage, investments and mutual funds, insurance, financial consulting and factoring, among others.

In addition, Banco de Chile has representation offices in Mexico City, Beijing and Sao Paulo and the cooperation and connectivity contract with Citigroup will allow it to be integrated with the world via Citibank's global network, thus offering international products under competitive conditions that are appropriate to customers' needs.

To satisfy its expansion goals, Banco de Chile has penetrated the international markets by listing its shares on diverse stock exchanges around the world. Its ADS (American Depositary Shares) program on the New York Stock Exchange (NYSE) and its presence on the Madrid and London exchanges stand out.

For the fourth year running Revista Capital and Santander GMB distinguished Banco de Chile as the financial institution with the Best Value Creation in the system. In addition, the US magazine LatinFinance distinguished Banchile Citi Global Markets as the Best Local Investment Bank thanks to its capacities, advantages and presence in the investment banking and capital markets sector, in addition to having a brand that is recognized on a national as well as an international level.

2009 RESULTS

Banco de Chile reported net profits of Ch$256,885 million in 2009, which is 26% less than it earned in 2008, thus reflecting the effects of the global financial crisis and its repercussions on the local economy. The drop in the results is mainly explained by the negative inflation rate and exceptionally

19.1%

Market share in total loans as of December 31, 2009.

low nominal interest rates, which had an adverse effect on net financial revenues, together with a riskier economic scenario that resulted in a significant increase in provisions for risky loans and a smaller credit portfolio in 2009 compared to the previous year.

Operational revenues were down 8% to Ch$1,016,478 million in 2009. This drop is explained by a 6.9% drop in net financial revenues and approximately Ch$51,000 million in non-recurring profits registered in 2008 as other operational revenues, due to the sale of branches in other countries and the sale of the bank's shares in Visa Inc. This was partially compensated by a 6.5% increase in revenue from fees.

Net financial revenues were Ch$751,668 million, due to a net financial margin that fell from 5.6% in 2008 to 5.1% in 2009, which was more than enough to off-set the 2.8% increase experienced by average interest-earning assets. The net financial margin was down mainly due to the negative inflation rate, which reduced income associated with the management of positions in UF/Ch$ during the period, compared to a positive inflation rate the year before, and a lower contribution from demand deposits due to lower nominal interest rates. These factors were partially compensated by greater spreads in credits as a consequence of the atmosphere of greater credit risk and a better financing structure.

Revenues from commissions were up 6.5%, to Ch$242,071 million, mainly the result of stock brokerage activities, mutual funds, and collection subsidiaries, in addition to increased revenues from fees associated with traditional banking activities.

Provisions for loan losses rose to Ch$223,441 million, compared to the Ch$156,014 million that were reported in 2008. This significant increase is mainly due to the global and local economic slowdown, which increased the risk profiles of people and companies. In particular, a significant part of the increase is related to higher risk profiles among customers in the Chilean salmon industry, which had to face productive difficulties.

The operational expenses were down 13.3%, to Ch$496,393 million, compared to 2008, which is mainly explained by greater productivity, a focus on cost control alongside lower commercial activity and non-recurring expenses related to the merger with Citibank Chile in 2008, which totaled approximately Ch$45,000 million, and around Ch$13,000 million in once-off expenses related to the anticipated negotiation of collective bargaining agreements, which also took place in 2008.


BANCO DE CHILE

Compañia Cervecerias Unidas (CCU) is Chile's leading brewing firm and the second in Argentina. In the beverage and food products sector it is the country's second-largest wine exporter, its second-largest bottler of soft drinks, and the main bottler of mineral water and juices. Its main source of revenue comes from the production and sale of beer as the largest local producer with around 85% market share.

During 2009 the company concentrated its efforts on its existing products, strengthening its brands and promoting them in the country. After a powerful campaign, this year CCU managed to break a new sales record with a total volume of 16.3 million hectoliters, which represents a 3.7% increase compared to 2008.

In this context, in September 2009 CCU launched a new and modern image for its flagship brand Cristal, which included the creation of a logo, labels, bottles, porcelain beer pumps, proprietary glasses, packaging and items for sales points, all aimed at strengthening Cristal's leadership not only within the beer category, but as an iconic brand in the country.

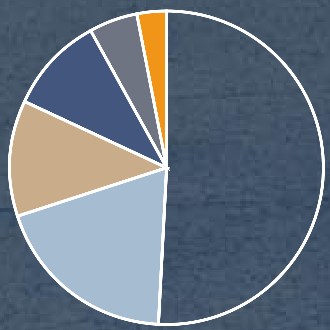
In the wine sector, and a year after its merger, Viña San Pedro Tarapacá has managed to capture 80% of expected synergies, which is expressed in a successful cut in spending representing 3.2% of sales. The group of vineyards has consolidated its position as a leader in the fine wine category and is the second-largest exporter with 12% participation by volume exported as of December 2009.

CCU
33.1%

THANKS TO A POWERFUL CAMPAIGN, THIS YEAR CCU MANAGED TO BREAK A NEW SALES RECORD WITH A TOTAL VOLUME OF 16.3 MILLION HECTOLITERS, WHICH REPRESENTS A 3.7% INCREASE COMPARED TO 2008.

EBITDA BY SEGMENT

MCh$181,513 in 2009



Beer in Chile	51%
Non-alcoholic beverages	19%
Beer in Argentina	12%
Wine	10%
Spirits	5%
Other	3%

Nestlé Waters Chile exercised its purchase option for an additional 29.9% of stock in Aguas CCU-Nestlé Chile S.A. in mid-2009. The materialization of this sale earned CCU significant profits and its participation in Aguas CCU-Nestlé Chile fell to 50.1%.

In the food sector, Foods Compañía de Alimentos CCU inaugurated the Calaf plant in Talca with a capacity to produce 600 tons per month. In addition, it installed a state-of-the-art puffed cereal plant in its facilities in La Reina, which allowed it to double production capacities. These investments will allow Foods to increase its presence in the snacks segment and also its share of the market.

2009 Results

CCU showed positive results in 2009, despite the difficult overall situation. Consolidated revenues increased by 9.3%, to Ch$776,544 million due to a 3.7% increase in sales volumes, in addition to higher average prices. The increase in sales volume was led by the beer segment in Argentina, export wines and soft drinks. The remaining business sectors (juices, water, and wine in Chile) also showed growth in sales volumes, with the exception of beers in Chile and the spirits segment.

The operational result was up 10.8%, for a total of Ch$137,382 million in 2009, which is mainly explained by the increase in sales, though higher direct costs partially counteracted this increase. For their part, sales and administrative expenses

+9.3%

THE TIMELY IMPLEMENTATION OF A CONTINGENCY PLAN ALLOWED THE COMPANY TO REACH CONSOLIDATED SALES OF 16.3 MILLION HECTOLITERS AND SALES GROWTH OF 9.3%.

were down slightly when expressed as a percentage of sales. EBITDA was Ch$181,513 million, up 10.7% compared to 2008.

In non-operational terms a non-recurring profit of Ch$24,416 million from the sale of 29.9% of Aguas CCU Nestlé to Nestlé Waters Chile should be highlighted. Negative inflation in 2009 had a favorable impact on financial liabilities denominated in UF, thus generating a profit per restatement of indexed units. For their part, financial costs increased, due mainly to the increased liabilities associated with the merger between Viña San Pedro and Viña Tarapacá.

CCU's net profit in 2009 was Ch$128,037 million, up 41.6% compared to the previous year thanks to improved operational performance, boosted by the positive non-operational result in the period.

Market Share

As of December 31	2009
Beer in Chile	85%
Beer in Argentina	22%
Soft drinks	24%
Mineral water	60%
Fruit juice	57%
Pisco	48%
Domestic wine (VSPT)	23%
Export wine (VSPT)	12%

Telefonica del Sur (Telsur) is the main telecommunications company in southern Chile with over 316,000 active services. Its customer base expanded in 2009 thanks to the combination of its services (telephone, internet, and WiTV), and offering products especially designed to cover new market segments. Thus, the total customer base increased 10% compared to 2008 and WiTV was the main source of growth with an 88% increase, followed by 20% for PHS and 18% for internet. This group of new businesses boosted the company's growth during 2009, reflecting a differentiated product portfolio that is truly attractive for the coverage area that the firm operates in.

A milestone for this 2009 was the consolidation of the product Uno Móvil, which was launched in late 2008. This product, which combines "super-wireless" telephony, which operates through PHS networks, with the mobile cellular phone services it operates via GSM networks, has been positioned as a highly convenient product for our customers. In addition, new Uno Móvil plans were launched on the market over the course of the year, making it more accessible to customers and thus increasing the community of users.

2009 was a fundamental year for the television business in Telefónica del Sur. The company relaunched its WiTV product and positioned itself as a major television service provider in southern Chile, with a customer base of 25,000 for the service.

+87.8%

Grew the client base of WiTV digital television, relaunched in 2009.

TELSUR
74.3%

A milestone for this 2009 was the consolidation of the product Uno Móvil, which was launched in late 2008. This product combines the service of wireless telephony with mobile telephony.

In addition, as part of the constant search for technological improvement, a pilot fiber optic network was deployed in different parts of Concepción to offer telephone, broadband internet and WiTV services with fiber optic cable direct to people's homes and a bandwidth of 100 Mbps, thus significantly improving services.

The communities in southern Chile are very isolated and far removed from each other. For this reason, starting in December Telefónica del Sur used Sky Pilot technology to digitally connect the Palena Province to the rest of the world and provided the region with wireless broadband services. This new service provides coverage to the areas of El Manzano, Puerto Hualaihué, El Amarillo, Pichicolo, Villa Santa Lucía, Puerto Cárdenas, El Malito, Puerto Ramírez, Frontera Palena, Valle California, El Azul, El Espolón and El Límite, as part of the final stage of a series of investments in the area, along with the installation of underwater fiber optic cables in the Los Lagos and Aysén Regions.

Telefónica del Sur
Siempre más cerca

In December 2009 Quiñenco announced that it had reached an agreement to sell GTD Grupo Teleductos its entire stake in Telsur for Ch$57,212 million. The agreement was concluded successfully via a public share offering on the part of GDT in January 2010. This important transaction came after diverse alternatives were explored, including the sale of Telsur's shares, to generate added value both for the parent company and for all of its shareholders.

2009 Results

Telefónica del Sur's revenues totaled Ch$62,650 million in 2009, practically the same amount as the year before. The crossover and packaging strategy (triple play) has significantly boosted growth in high-speed internet and WiTV digital television, which showed 18.3% and 87.8% increases in terms of the number of services provided, respectively. The increase in the customer base was also reflected in 13% higher revenue

from internet and an increase of 84% for digital television, thus mitigating the drop in revenues from basic telephone and long distance services, due to replacement by mobile telephone services and, in the case of long distance, the internet.

The operational result was down 52.1%, to Ch$5,229 million, due mainly to the higher marketing costs associated with growth in the number of digital television and internet customers, upgrades in broadband internet speeds, and higher programming costs for digital television. In addition, costs were affected by higher depreciation of investments on the wireless network, final users' equipment, and the infrastructure required for internet and digital television services.

The non-operational result went from a loss of Ch$6,665 million in 2008 to Ch$1,102 million in profits in 2009, where the negative inflation registered in 2009 had the main impact, thanks to its positive impact on liabilities indexed to the UF when compared to the previous period when inflation was positive.

The net profit in 2009 was Ch$3,212 million, which represents a 2.6% increase compared to the previous year. This variation reflects the positive non-operational result registered during the year, which compensated the lower performance in operational terms.

MADECO

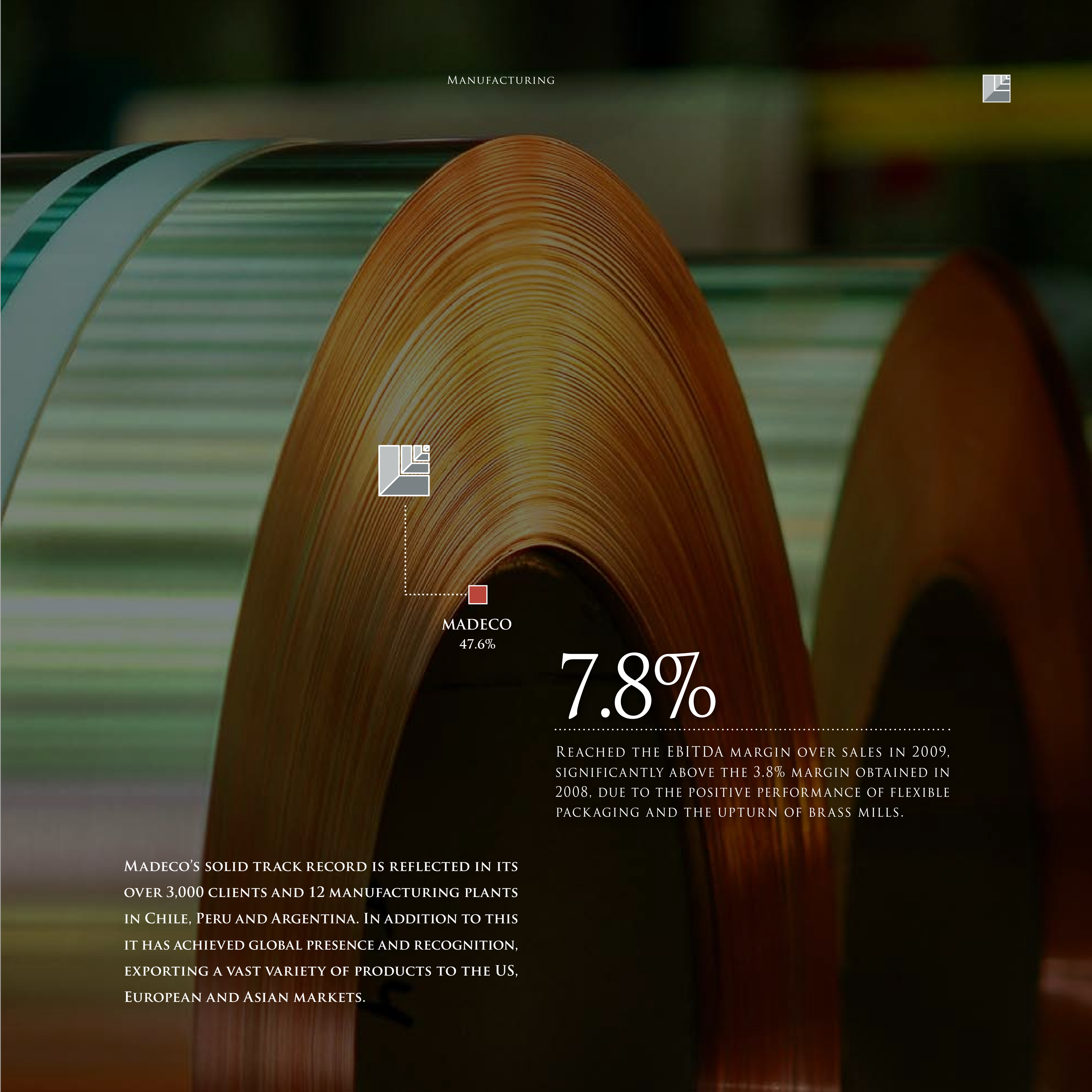
Madeco, with over six decades of experience in the manufacturing sector, mainly operates in three businesses: the manufacture of brass mills, flexible packaging and aluminum and PVC profiles. This has allowed Madeco to attain a presence in diverse areas of the Chilean and global economy, such as mining, construction, energy industry, and mass consumption.

In 2009 the first dividends were received from the investment in Nexans, after the sale of the cable unit was completed in 2008. Nexans, the world's largest cable producer, has given Madeco a global and diversified presence with access to more state-of-the-art products.

During the year Madeco continued to consolidate the regional leadership of the flexible packaging unit and to restructure the profile unit. At the same time, it concentrated on improving the strategic orientation and operational efficiency of the brass mills unit, in addition to improving and standardizing corporate practices, with the start of implementation of an ERP system at the flexible packaging unit standing out.

Madeco introduced new products during 2009, among which the new high-barrier packaging in the flexible packaging business should be noted, in addition to the development of products for the mining industry on the part of the brass mills unit and the improvement of the door and window systems that the profile business offers.

Madeco's solid track record is reflected in its over 3,000 clients and 12 manufacturing plants in Chile, Peru and Argentina. In addition to this it has achieved global presence and recognition, exporting a vast variety of products to the US, European and Asian markets.



MADECO
47.6%

7.8%

Reached the EBITDA margin over sales in 2009, significantly above the 3.8% margin obtained in 2008, due to the positive performance of flexible packaging and the upturn of brass mills.

Madeco's solid track record is reflected in its over 3,000 clients and 12 manufacturing plants in Chile, Peru and Argentina. In addition to this it has achieved global presence and recognition, exporting a vast variety of products to the US, European and Asian markets.

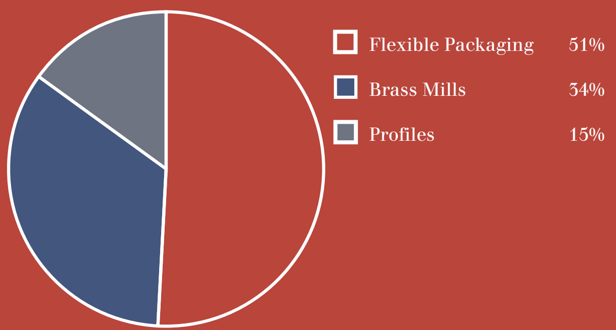
MADECO

2009 Results

Madeco's revenues were down 11.5% compared to 2008, reflecting an 8.8% drop in the consolidated volume together with lower average prices, especially for copper and aluminum. The drop in volume is mainly due to the reduced volumes produced by the profile and brass mills units, partially compensated by a slight increase in flexible packaging. The profile unit's performance was affected by reduced activity in the construction sector due to the economic crisis. Revenues from brass mills fell due to a significant drop in copper prices. In contrast, revenues from flexible packaging were up thanks to higher average prices and an increase in volume.

Sales Composition

MCh$176,318 in 2009



Market Share

As of December 31, 2009

Flexible Packaging	Chile	32%
	Peru	58%
	Argentina	8%
Brass Mills	Chile	58%
	Argentina	8%
	Coin blanks	6%
Profiles	Chile Aluminum	51%
	Chile PVC	22%

However, the operational result was substantially better than what was obtained in 2008, totaling Ch$6,091 million, mainly reflecting a higher gross margin obtained based on lower sales costs brought about by the smaller volumes sold, lower prices for raw materials and cost-cutting plans implemented by the company. In terms of business units, the increase in the margin was fueled by brass mills as well as by flexible packaging, which compensated the negative operational result in profiles.

The performance of the profile unit was diminished by the lower revenue levels and by the impairment applied to its aluminum inventories in the middle of the year. Sales and administrative expenses remained stable compared to the year before. The improved operational performance also had a positive effect on EBITDA, which was up 80.8%, to Ch$13,804 million.

In non-operational terms Madeco improved its result from a loss of Ch$60,357 million in 2008 to profits of Ch$10,946 million in 2009. This positive variation is mainly explained by an impairment of Ch$43,772 million to the investment in Nexans in 2008 and by a positive variation of Ch$24,608 million from exchange rate differences between the two periods. In addition, in 2009 Ch$4,181 million in dividends were earned from Nexans, and financial revenues were up.

Madeco's net 2009 profit was Ch$16,523 million, down 69.4% compared to 2008. However, 2008 profits include Ch$115,294 million from discontinued operations corresponding mainly to Madeco's cable unit, which was sold to Nexans in September 2008. In addition, Madeco registered an income tax credit in 2009.

Corporate Affairs

Dividend Policy

Quiñenco's Board will report to the Annual Shareholders' Meeting on its agreement to set a dividend policy of distributing at least 30% of cash profits during the period in question as a final dividend. In a session held on November 5, 2009 the Board agreed not to apply adjustments to the Profit (loss) attributable to the equity holders of the controller when calculating distributable cash profits.

Dividends Paid

Dividend Number	Payment Date	Dividend per Share*	Total Dividend	For the Year Ended December 31st
21 and 22	May 8, 2008	Ch$45.97372	ThCh$52,620,489	2007
23 and 24	May 8, 2009	Ch$61.00000	ThCh$69,819,244	2008

** Historic figures*

Shareholders

At the close of 2009, subscribed and paid-in capital was divided into 1,144,577,775 shares. The 12 largest shareholders as of December 31 are:

Corporate ID	Shareholder	Number of Shares	%
77.636.320-0	Andsberg Inversiones Ltda.*	391,308,877	34.19
59.039.730-k	Ruana Copper A.G. Agencia Chile*	255,946,677	22.36
78.306.560-6	Inmobiliaria e Inversiones Río Claro S.A.*	143,427,860	12.53
96.536.010-7	Inversiones Consolidadas S.A.*	129,988,779	11.36
84.177.300-4	Celfin Capital S.A.	84,463,765	7.38
76.645.030-k	Banco Itaú	32,684,196	2.86
96.871.750-2	Inversiones Salta S.A.*	19,121,268	1.67
96.684.990-8	Moneda S.A.	15,982,264	1.40
98.001.000-7	A.F.P. Cuprum S.A.	9,740,469	0.85
76.884.110-1	Inversiones Río Claro Ltda.*	8,934,508	0.78
98.000.400-7	A.F.P. Provida S.A.	5,417,883	0.47
96.571.220-8	Banchile Corredores de Bolsa S.A.	3,264,021	0.29
	Total	1,100,280,567	96.14

* *Companies related to the Luksic group*

Other information as of 12.31.2009

Number of outstanding shares	1,144,577,775
Number of shareholders	1,429

83.1% of Quiñenco's issued and paid-in shares belong to the companies Andsberg Inversiones Ltda., Ruana Copper A.G. Agencia Chile, Inversiones Orengo S.A., Inversiones Consolidadas S.A., Inversiones Salta S.A., Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. The Luksburg Foundation indirectly holds 100% of the social rights over Andsberg Inversiones Ltda., 100% of the social rights over Ruana Copper A.G. Agencia Chile and 99.76% of the shares in Inversiones Orengo S.A.

Andrónico Luksic Craig and family control 100% of the shares in Inversiones Consolidadas and Inversiones Salta S.A. Guillermo Luksic Craig and family control 100% of the shares in Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. The company's controllers do not have a joint action agreement.

Share Transactions by Majority Shareholders

The majority shareholders in the Company did not engage in share transactions during 2009.

Share Transactions by Officers and Executives of the Company

Year 2009	Shares		Transaction Amount (*)		Unit Price (*) (**)	
	Purchased #	Sold #	Purchased ThCh$	Sold ThCh$	Purchased Ch$	Sold Ch$
Francisco Pérez Mackenna (CEO)	329,017(1)	329,017(2)	312,880	322,997	950.95	981.70

(*) Historic figures (**) Average price
(1) Purchase as of May 12, 2009 that forms part of a simultaneous operation.
(2) Sale that forms part of a simultaneous operation.

During the year 2008, the managers and executives of the Company did not carry out share transactions.

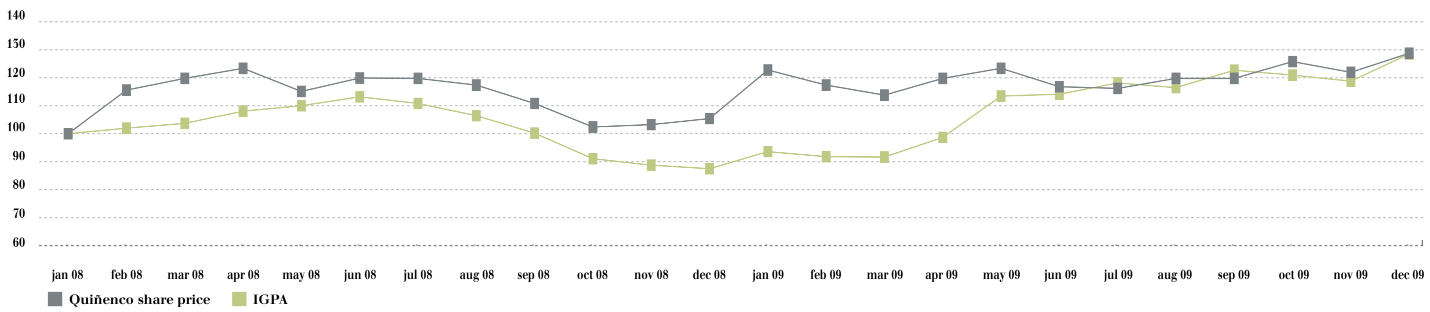
Stock Share Price and Volume Traded

The following table sets forth on a quarterly basis, the average share price and volume traded on the Santiago Stock Exchange during the last two years:

Period	Number of Shares	Transaction Amount (*) ThCh$	Average Price (*) Ch$
2009			
1st Quarter	4,565,315	4,247,552	930.40
2nd Quarter	3,123,935	3,176,421	1,016.80
3rd Quarter	3,853,162	3,771,281	978.75
4th Quarter	2,718,429	2,786,555	1,025.06
2008			
1st Quarter	4,207,315	3,970,462	943.70
2nd Quarter	4,916,500	4,935,905	1,003.95
3rd Quarter	51,988,870	52,072,569	1,001.61
4th Quarter	9,632,806	8,583,725	891.09

(*) Historic figures

Quiñenco Share Price vs IGPA*



Source: Monthly closing prices, Santiago Stock Exchange
** IGPA: General Share Price Index of the Santiago Stock Exchange*

Property

The Quiñenco group's headquarters are located in the El Golf sector of Santiago, on the street Enrique Foster Sur No. 20, Las Condes, where it owns approximately 2,500 square meters of offices.

Insurance

Quiñenco has insurance policies with first class insurance firms for all of its relevant assets, buildings, machinery and vehicles, among others. The policies cover damages from fire, earthquakes and other contingencies.

Investment Policy

The majority of Quiñenco's resources are allocated to companies under its control, either directly or indirectly with a strategic partner. This policy does not exclude the possibility of making investments in additional companies or adding businesses that are related to those it already runs, so as to strengthen the group's growth potential.

The parent company is continually seeking investment opportunities in companies oriented toward the consumer market with well-known brands and industries that it has experience in. In the past Quiñenco has formed alliances with strategic partners who contribute know-how, financing and experience to the business. The company has not approved an investment plan.

Financing Policy

Quiñenco finances its activities and investments with the dividends and profit distributions from the companies that it participates in and with the funds obtained from the sale of assets and/or the issue of debt and equity.

The Company privileges long-term financing to maintain a financial structure that is in keeping with the liquidity of its assets and whose expiry profiles are compatible with the generation of cash flow.

Risk Factors

Quiñenco, its subsidiary companies and affiliates face the inherent risks of the markets and the economies that they participate in, both in Chile as well as abroad. These risks are reflected in the prices, costs and sales volumes of the products and services provided and commercialized.

Quiñenco is exposed to product price risks related mainly to its subsidiaries' inventories.

The Company mainly develops its business in Chile. For this reason, its operational results and financial position are to a great degree dependent on the general level of domestic economic activity. The Chilean economy was estimated to have contracted by 1.7% in 2009. There is no certainty regarding whether or not the economy will grow in the future. The factors that could have an adverse effect on the Company's businesses and the results of their operations include future slowdowns in the Chilean economy, a return to high inflation and currency fluctuations.

In addition to its operations in Chile, some of the Company's industrial businesses also operate in and export to Argentina, Peru and other countries in Latin America and the rest of the world that have on various occasions been characterized by volatile economic, political and social conditions that are often unfavorable. The Company's business, results and assets can be affected in a significant and adverse way by events related to inflation, interest rates, currency fluctuations, taxes, expropriation, social instability and other political, economic

Personnel Quiñenco and Subsidiaries

As of December 31, 2009

Company	Executives	Professionals and Technicians	Other Workers	Total
Quiñenco	9	15	14	38
Banco de Chile	450	5,382	8,189	14,021
Madeco	40	559	1,771	2,370
Telefónica del Sur	19	500	327	846
Other subsidiaries	11	56	20	87
Total	**529**	**6,512**	**10,872**	**17,362**

Affiliates	Total employees
CCU	5,366
Habitaria	1

or diplomatic events that might affect the countries that the Company operates in.

It is Quiñenco's opinion that its businesses face significant competition in the industries that they operate in. This is reflected in the prices, costs, and sales volumes of the products and services produced and commercialized by Quiñenco's businesses. While the Company hopes, based on its past experience and its records, for its businesses to be capable of continuing to successfully compete in their respective fields there is no certainty that competition will not continue to grow in the future, including a potential continued trend toward consolidation in some industries. Increased competition could impact the profit margins and operational results of Quiñenco's businesses, which could as a result cause significant adverse effects on the flow of dividends that Quiñenco receives from its businesses.

The Company, its subsidiaries and affiliates have historically required significant amounts of capital to finance their operations and to expand their businesses, which means that the management and expansion of their current businesses is directly related to access to capital. In the past, Quiñenco and its subsidiaries have satisfied their needs for capital with flows generated internally and/or by issuing debt or capital. However, there is no certainty regarding future availability of capital for the needs and growth expectations of Quiñenco, its subsidiary companies and affiliates. The impossibility of raising capital would hinder Quiñenco's capacity to expand its existing businesses and to undertake additional business ventures, and it could have a significant adverse effect on the Company's financial position and results.

In its condition as a holding company, Quiñenco's profits and its capacity to fulfill obligations to service debt and pay dividends mainly depend on the reception of dividends and distributions from its subsidiary companies, its equity investments and related companies. The payment of dividends on the part of these subsidiaries is under certain circumstances subject to restrictions and contingencies. In addition, Quiñenco's level of profit has depended on the occasional sale of assets or investments. There is no certainty that Quiñenco will be able to continue counting on the dividends or distributions by its subsidiaries and affiliates, or that it will be able to generate profits from the sale of investments as it has done in the past.

Another risk factor has to do with interest rates. Part of the debt owed by Quiñenco and its subsidiaries is subject to variable interest rates, which could have a negative impact on the company during periods when said rates increase. There is also another risk involving foreign currency exchange rates, due to the fact that a percentage of the debt owed by the Company or its subsidiaries could be exposed to the risk of currency fluctuations.

A significant part of the Company's businesses are publicly traded companies whose capital value can vary depending on fluctuations in their market value. The equity value of Quiñenco's investments could be affected by drops in the Chilean and other countries' securities markets, such as the New York Stock Exchange, where CCU and Banco de Chile shares are traded. In addition, Quiñenco and its businesses could experience low transaction volumes, which could have a negative effect on the price and the liquidity of shares.

In addition, the market value of the Chilean companies' shares is to a certain degree affected by the economic and market conditions in other countries with emerging and developed markets. While the economic conditions in those countries could vary significantly from the economic conditions in Chile, investors' reactions to the events in any of these countries could have an adverse effect on the market value of Chilean securities. There cannot be any certainty regarding whether or not the Chilean stock market will grow, maintain its profits, and that the market value of the Company's shares might not suffer adverse effects from events elsewhere.

Directors' Committee

As of January 8, 2010, Quiñenco S.A.'s Directors' Committee was comprised of Messrs. Guillermo Luksic Craig, Gonzalo Menéndez Duque and Matko Koljatic Maroevic. Mr. Gonzalo Menéndez Duque presided over the committee, which met regularly once a month.

Its sessions were regularly attended by Chief Executive Officer Francisco Pérez Mackenna and Chief Financial Officer Luis Fernando Antúnez Bories.

During 2009 the Directors' Committee was informed of the matters set out in Article 50 bis of the Corporations Law, following a predetermined calendar and undertaking the following activities:

1. With regard to the operations referred to in Articles 44 and 89 of the Corporations Law, it examined the information pertaining to the following points:
   (a) Banchile Seguros de Vida S.A.'s hiring of consulting services to assess the possibility of participating in the process undertaken by ING S.A. to sell off its Chilean life insurance business.
   (b) The rental of the office on the 21st floor of the Itaú building located on Enrique Foster Sur No. 20 in Las Condes, Santiago, to the company Inmobiliaria e Inversiones Río Claro S.A., controlled by Chairman Guillermo Luksic Craig and family.
   (c) The sale of the subsidiary Inversiones Punta Brava S.A. to the company Minera Cerro Centinela S.A., owned by the Luksic family.
   (d) Providing administrative services for air operation and financial, accounting and tax services to Inversiones Punta Brava S.A.
   (e) The rental of the office on the 18th floor of the aforementioned Itaú building to the company Inversiones Consolidadas, S.A. controlled by Vice Chairman Andrónico Luksic Craig and family.
   (f) Rental of a 19m2 office on the 20th floor of the Itaú building to the company Inversiones Punta Brava S.A.
   (g) The subsidiary Inversiones Rio Grande S.A.'s hiring of Director Gonzalo Menéndez Duque to engage in financial consulting and administrative operation tasks.

   In all of the aforementioned operations the Committee decided that they were in keeping with similar conditions of equality as the ones that habitually prevail in the market for the type of operations in question and it recommended that the board of Quiñenco approve them, with the affected director's abstention when appropriate.

2. It examined the remunerations and compensation plans for the main managers and executives.

3. It examined reports by external auditors. During 2009 the Committee received the report by external auditors corresponding to the period ending on December 31, 2008, the balance, and other financial statements through that date that were supplied to them by the administration and regarding which it pronounced itself favorably prior to their presentation to shareholders for approval. Likewise, during 2009 the Committee received the Limited Review Report on the Consolidated Intermediate Financial Statement of Quiñenco S.A. and Subsidiaries as of June 30, 2009 and the Internal Control Report that the independent auditors send the administration.

4. It proposed the external auditors Ernst & Young Limitada to the Board so they could examine the accounting, inventory, balance sheet and other financial statements of the company corresponding to fiscal year 2009, and so they can give their professional and independent opinion of them. Likewise, in the event of not being able to reach an agreement with said company or if it is unable to provide its services, then the company Deloitte was proposed. The Committee also proposed hiring the following risk rating firms: (a) on a national level, Feller-Rate Clasificadores de Riesgo Limitada and Fitch Clasificadores de Riesgo; (b) the company Standard & Poor's on an international level.

The new Directors' Committee was appointed at the session of Quiñenco S.A.'s Board that was held on January 8, 2010, in compliance with the provisions of Article 50 bis of the Corporations Law, which was modified by Law No. 20.382, and the following people were a named: Mr. Matko Koljatic Maroevic, as an independent director, and Messrs. Gonzalo Menéndez Duque and Hernán Büchi Buc, who do not have that condition.

The Directors' Committee named Mr. Matko Koljatic Maroevic its chairman during the session held on January 21, 2010.

Board Remunerations

In keeping with the agreement reached at the Company's Annual Shareholder's Meeting, the amounts paid to Directors in 2009 with respect to per diem, profit sharing, and other remunerations, respectively, were as follows:
Guillermo Luksic Craig ThCh$6,187, ThCh$149,613 and ThCh$275,571; Andrónico Luksic Craig ThCh$221, ThCh$149,613 and ThCh$205,571; Jean-Paul Luksic Fontbona ThCh$1,997 and ThCh$149,613; Hernán Büchi Buc ThCh$3,541 and ThCh$149,613; Juan Andrés Fontaine Talavera ThCh$3,762 and ThCh$149,613; Gonzalo Menéndez Duque ThCh$3,983 and ThCh$149,613; and Matko Koljatic Maroevic ThCh$3,762 and ThCh$149,613. In addition, the directors Guillermo Luksic Craig, Gonzalo Menéndez Duque and Matko Koljatic Maroevic received remuneration in payment for their service on the Directors' Committee during 2009, for ThCh$6,307, ThCh$6,307 and ThCh$5,782, respectively.

Board Expenditures on Consulting Services

In 2009 the Board's expenses on consulting services totaled ThCh$43,333.

Remuneration of Managers and Main Executives

The remunerations paid to the company's managers and principal executives during 2009 for salaries and performance bonuses totaled ThCh$3,883,746.

Incentive Plan

As of December 31, 2009 there was no long-term incentive plan for the Company's executives.

Severance Compensation for Years of Service

In 2009 no severance compensation for years of service was paid to any of the Company's main executives.

Consolidated Financial Statements

Quiñenco S.A. and Subsidiaries

For the years ended December 31, 2009 and 2008.

(Translation of a report originally issued in Spanish – See Note 2)

Contents

Ernst & Young

Report of Independent Auditors

(Translation of a report originally issued in Spanish – See Note 2)

To the Shareholders and Directors of

Quiñenco S.A.:

1. We have audited the accompanying consolidated financial statements of Quiñenco S.A. and subsidiaries as of December 31, 2009 and 2008, the consolidated statement of opening financial position as of January 1, 2008 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2009 and 2008. These financial statements and their related notes are the responsibility of the management of Quiñenco S.A. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the indirect subsidiaries Compañía Cervecerías Unidas S.A. and Foods Compañía de Alimentos CCU S.A., which represent an investment in the financial statements under the equity method. These investments collectively represent a total asset of ThCh$166,547,264 and ThCh$159,650,357 as of December 31, 2009 and 2008 and ThCh$155,387,374 as of January 1, 2008, respectively, and a net income of ThCh$42,474,031 and ThCh$29,898,726 for the years then ended. These financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these companies, is based solely on the reports of the other auditors. The Relevant events presented in Note 35 do not form an integral part of these financial statements, and, as such, this report does not extend to them.

2. We conducted our audit in accordance with generally accepted auditing standards in Chile. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

3. The indirect subsidiary Banco de Chile is regulated by the Superintendency of Banks and Financial Institutions ("SBIF") which has established a plan of gradual transition from generally accepted accounting principles in Chile ("Chilean GAAP") and standards dictated by the regulatory body to International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Superintendency of Securities and Insurance ("SVS") has allowed companies which maintain investments in banking subsidiaries to use the information informed by the subsidiaries for the purpose of preparation of the companies' consolidated financial statements as of December 31, 2009 and 2008 and January 1, 2008 without that information being subject to adjustments for the purpose of complying with IFRS. Similarly, the Superintendency has instructed that the differences be quantified in the financial statements to the extent that it is possible to calculate them. In consideration of this, in Note 2 (b) of these consolidated financial statements, the differences between the standards of the SBIF and IFRS have been revealed but not quantified. As of December 31, 2009 and 2008 and January 1, 2008, we have audited the financial statements of Banco de Chile and have issued an opinion without reservations in accordance with the Compendium of Accounting Standards issued by the Superintendency of Banks and Financial Institutions.

4. In our opinion, except for the application of the accounting standards used in the preparation of the financial statements of subsidiary Banco de Chile as described in the previous paragraph, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Quiñenco S.A. and subsidiaries as of December 31, 2009 and 2008 and January 1, 2008 and the results of its operations and cash flows for the years ended December 31, 2009 and 2008, in conformity with Chilean Financial Reporting Standards and International Financial Reporting Standards.

Arturo Selle S.

ERNST & YOUNG LTDA.

Santiago, March 25, 2010

Consolidated Statement of Financial Position

(Translation of a report originally issued in Spanish – See Note 2)

Assets	Note	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Non-banking services assets				
Operating current assets				
Cash & cash equivalents	4	132,359,460	156,279,393	15,449,436
Financial assets held for sale	11	-	-	149,873
Other financial assets		1,697	30,351,023	132,592,964
Trade & other receivables, net	5	47,211,117	56,961,581	49,628,415
Accounts receivable from related entities	6	547,471	276,694	536,455
Inventories	7	30,612,932	48,399,010	40,367,743
Hedging assets	8	199,523	1,117,865	1,728,667
Prepayments		2,788,228	967,330	981,667
Recoverable taxes		7,709,897	13,138,233	5,260,226
Other assets	9	29,632,554	34,242,190	8,092,176
Total operating assets		**251,062,879**	**341,733,319**	**254,787,622**
Non-current assets & divestment groups held for sale	10	154,776,777	160,628,761	390,480,344
Total current assets		**405,839,656**	**502,362,080**	**645,267,966**
Non-current assets				
Financial assets held for sale	11	105,048,181	157,286,796	53,927,760
Other non-current financial assets		57,642,192	52,883,119	34,994,729
Trade & other receivables, net	5	1,007,342	1,155,635	1,096,301
Accounts receivable from related entities	6	536,604	549,665	589,966
Investments in associates recorded by equity method	12	175,698,216	162,849,260	136,863,275
Intangible assets, net	13	960,306,671	960,644,097	678,520,534
Property, plant & equipment, net	14	91,787,999	125,306,462	103,233,275
Investment properties	15	7,659,999	8,711,654	7,236,041
Deferred tax assets	16	46,090,676	44,073,839	22,960,643
Hedging assets	8	-	-	-
Prepayments		-	-	-
Other assets		11,122,448	8,951,216	3,170,425
Total non-current assets		**1,456,900,328**	**1,522,411,743**	**1,042,592,949**
Banking assets				
Cash & bank deposits	36.6	727,553,166	751,223,265	469,953,312
Operations pending settlement	36.6	526,051,506	807,626,217	577,688,004
Instruments for trading	36.7	431,828,046	679,843,440	1,532,461,629
Repurchase agreements	36.8	79,401,270	75,519,343	69,129,781
Financial derivative contracts	36.9	567,799,644	904,726,247	402,243,432
Due from banks	36.10	448,981,294	321,992,000	438,668,833
Credits & receivables from customers	36.11	12,859,285,819	13,421,842,301	11,459,772,247
Investment instruments held for sale	36.12	1,265,662,804	1,071,437,631	210,400,973
Investments in entities	36.13	12,606,623	13,407,023	10,790,157
Intangible assets	36.14	31,885,598	32,632,448	29,206,487
Property, plant & equipment	36.15	207,796,047	214,300,390	221,563,660
Deferred taxes	36.16	82,850,300	73,251,094	54,844,528
Other assets	36.17	217,499,508	217,767,834	339,738,500
Total banking services assets		**17,459,201,625**	**18,585,569,233**	**15,816,461,543**
Total assets		**19,321,941,609**	**20,610,343,056**	**17,504,322,458**

The accompanying notes 1-36 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

(Translation of a report originally issued in Spanish – See Note 2)

Liabilities & net equity	Note	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Non-banking services liabilities				
Current operating liabilities				
Interest-bearing loans	17	34,407,309	81,659,138	60,280,022
Other financial liabilities		1,263,437	1,427,891	1,081,214
Trade & other payables	18	33,665,267	31,228,351	26,679,087
Accounts payable to related entities	6	9,262	441,761	133,529
Provisions	19	8,777,596	9,541,352	6,696,012
Income tax payable		3,607,457	25,106,889	5,172,691
Other liabilities	20	51,023,699	76,814,013	40,817,110
Deferred income		415,341	496,726	1,366,895
Post-employment benefits obligation	21	245,949	410,011	881,415
Hedging liabilities	8	585,567	20,268	4,214
Total current operating liabilities		**134,000,884**	**227,146,400**	**143,112,189**
Liabilities included in divestment groups held for sale	10	79,702,459	84,011,306	152,134,047
Total current liabilities		**213,703,343**	**311,157,706**	**295,246,236**
Interest-bearing loans	17	191,173,197	201,737,242	332,405,450
Other financial liabilities		5,281,357	6,587,008	5,720,129
Trade & other payables	18	268,073	338,963	242,120
Provisions	19	8,905,906	8,774,728	8,783,848
Deferred tax liabilities	16	87,231,332	86,890,062	56,211,973
Other liabilities		35,740,849	28,842,363	18,927,135
Post-employment benefits obligation	21	4,328,952	3,811,091	2,927,031
Hedging liabilities, non-current	8	309,226	668,886	-
Total non-current liabilities		**333,238,892**	**337,650,343**	**425,217,686**
Banking services liabilities				
Deposits & other demand deposits obligations	36.18	3,674,155,514	2,966,639,736	3,014,786,240
Operations pending settlement	36.6	325,055,610	479,788,674	335,838,778
Repurchase agreements	36.8	307,995,719	420,652,319	370,997,839
Time deposits & other borrowings	36.19	7,425,972,963	8,470,758,756	7,336,172,806
Financial derivative contracts	36.9	538,239,951	862,798,985	436,300,389
Borrowings from banks	36.20	1,368,226,578	1,498,549,191	810,740,584
Debt instruments issued	36.21	1,587,999,271	1,900,086,728	1,646,674,858
Subordinated obligation with Banco Central de Chile		609,701,440	663,176,421	647,515,399
Other financial obligations	36.22	176,150,542	93,707,542	67,239,959
Income tax payable		39,003,065	9,032,627	2,329,539
Deferred taxes	36.16	13,931,978	32,989,454	31,843,654
Provisions	36.23	161,652,019	146,902,571	78,271,466
Other liabilities	36.24	273,294,970	206,102,464	234,438,807
Total banking services liabilities		**16,501,379,620**	**17,751,185,468**	**15,013,150,318**
Net equity attributable to net equity holders of the parent				
Capital issued	23	655,336,413	655,336,413	601,778,158
Other reserves	23	2,070,909	54,042,718	32,672,142
Retained earnings		611,557,104	502,985,616	341,646,988
Net equity attributable to net equity holders of the parent		**1,268,964,426**	**1,212,364,747**	**976,097,288**
Non-controlling interests		**1,004,655,328**	**997,984,792**	**794,610,930**
Total net equity		**2,273,619,754**	**2,210,349,539**	**1,770,708,218**
Total liabilities & net equity		**19,321,941,609**	**20,610,343,056**	**17,504,322,458**

The accompanying notes 1-36 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Translation of a report originally issued in Spanish – See Note 2)

Statement of comprehensive income	Note	01-01-2009 12-31-2009 ThCh$	01-01-2008 12-31-2008 ThCh$
Statement of non-banking services income			
Total ordinary revenues	24 a)	254,128,275	264,379,933
Cost of sales		(180,864,104)	(205,770,264)
Gross margin		73,264,171	58,609,669
Total other operating revenue		18,816,603	20,397,758
Marketing costs		(162,757)	(366,420)
Distribution costs		(3,634,141)	(3,498,032)
Research & development		(30,237)	(28,274)
Administrative expenses		(72,696,333)	(64,651,382)
Restructuring costs		(659,291)	-
Other operating expenses		(10,903,353)	(25,566,281)
Financial costs	24 b)	(13,839,072)	(22,595,145)
Participation in earnings of joint businesses recorded by equity method	12 b)	42,233,654	26,999,997
Exchange differences		8,806,521	(17,086,978)
Indexed units of account restatement		373,791	(11,756,224)
Gain on retirement of non-current assets not held for sale, total		51,055	527,363
Goodwill immediately bought		-	3,868,722
Other earnings	24 c)	29,202,639	83,321,145
Income before tax		**70,823,250**	**48,175,918**
Income tax (charge) recovery	16	(917,936)	2,536,191
Net income of on-going activities after tax		**69,905,314**	**50,712,109**
Net income of discontinued activities, net of tax	10	4,160,697	119,555,190
Income of non-banking services		**74,066,011**	**170,267,299**
Statement of income banking services			
Net interest & indexation revenue	36.26	670,412,183	773,561,692
Net fee revenue	36.27	242,070,984	227,371,613
Net gain from financial operations	36.28	(139,455,526)	387,862,884
Exchange gain (loss) net	36.29	221,000,842	(353,012,062)
Other operating revenue	36.34	22,738,712	69,407,471
Allowance for credit risk	36.30	(223,441,545)	(156,013,744)
Total net operating income		793,325,650	949,177,854
Staff remuneration & expenses	36.31	(257,074,290)	(305,838,051)
Administrative expenses	36.32	(167,215,218)	(176,564,346)
Depreciation & amortization	36.33	(32,026,719)	(34,650,660)
Other operating expenses	36.35	(40,425,996)	(56,141,889)
Total operating expenses		**(496,742,223)**	**(573,194,946)**
Operating income		**296,583,427**	**375,982,908**
Income from investments in companies	36.13	839,258	3,564,007
Interest on subordinated debt with Banco Central de Chile		(44,748,595)	(114,094,700)
Income before income tax		252,674,090	265,452,215
Income tax	36.16	(39,613,923)	(31,740,313)
Net income of on-going operations		**213,060,167**	**233,711,902**
Net income banking services		**213,060,167**	**233,711,902**
Consolidated net income		**287,126,178**	**403,979,201**
Net income attributable to equity holders of the parent		**155,400,504**	**252,002,433**
Net income attributable to non-controlling interests		131,725,674	151,976,768
Consolidated net income		**287,126,178**	**403,979,201**

The accompanying notes 1-36 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Translation of a report originally issued in Spanish – See Note 2)

Earnings per share	Note	01-01-2009 12-31-2009 ThCh$	01-01-2008 12-31-2008 ThCh$
Common shares			
Basic earnings per share	26	0.135771031	0.220170650
Basic earnings per share of discontinued operations		0.003635137	0.104453531
Basic earnings per share of on-going operations		0.132135894	0.115717119
Diluted common shares			
Diluted earnings per share	**26**	**0.135771031**	**0.220170650**
Diluted earnings per share of discontinued operations		0.003635137	0.104453531
Diluted earnings per share of on-going operations		0.132135894	0.115717119

Statement of other comprehensive income		Parent Participation ThCh$	Parent Participation ThCh$
Earnings		**155,400,504**	**252,002,433**
Financial assets held for sale		14,811,094	(3,519,205)
Translation adjustments		(46,133,956)	37,374,015
Revaluation adjustments		10,527,425	(7,371,184)
Other net equity adjustments		(895,860)	439,065
Total result of comprehensive income & expenses		**133,709,207**	**279,425,124**

		Non-controlling Interests ThCh$	Non-controlling Interests ThCh$
Earnings		131,725,674	151,976,768
Total result of comprehensive income & expenses		**131,725,674**	**151,976,768**

		Total Participation ThCh$	Total Participation ThCh$
Earnings		287,126,178	403,979,201
Financial assets available for sale		14,811,094	(3,519,205)
Translation adjustments		(46,133,956)	37,874,015
Revaluation adjustments		10,527,425	(7,371,184)
Other net equity adjustments		(895,860)	439,065
Total result of comprehensive income & expenses		**265,434,881**	**431,401,892**

Result of comprehensive income & expenses attributable to		ThCh$	ThCh$
Result of comprehensive income & expenses attributable to majority shareholders		133,709,207	279,425,124
Result of comprehensive income & expenses attributable to minority shareholders		131,725,674	151,976,768
Total result of comprehensive income & expenses		**265,434,881**	**431,401,892**

The accompanying notes 1-36 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(Translation of a report originally issued in Spanish – See Note 2)

Statement of cash flows	12-31-2009 ThCh$	12-31-2008 ThCh$
Net cash flow from operating activities, direct method		
Operating cash flow, direct method		
Non-banking services		
Amounts charged to customers	359,104,021	890,899,507
Payments to suppliers	(252,027,685)	(749,979,493)
Remuneration paid	(41,112,928)	(53,438,106)
Payments of restructuring disbursements	(359,453)	-
Payments received & remitted for value added tax	(4,017,395)	(5,485,689)
Other receipts	111,534	5,197,586
Total operating cash flow	**61,698,094**	**87,193,805**
Cash flows from other operating activities		
Amounts received in dividends classified as operational	17,426,792	15,529,203
Payments of dividends classified as operational	(140,171,153)	(97,785,151)
Amounts received in interest classified as operational	4,082,492	2,729,841
Payment of interest classified as operational	(4,933,256)	(12,168,836)
Amounts received in income tax refunds	2,895,917	(7,139,604)
Payments of income tax	(18,735,192)	(12,275,988)
Other receipts from other operating activities	(13,173,714)	15,941,506
Total cash flows from other operating activities	**(152,608,114)**	**(95,169,029)**
Cash flows net of non-banking services operating activities	**(90,910,020)**	**(7,975,224)**
Banking services		
Consolidated earnings for the year	257,808,762	347,806,598
Charges (credits) to income not representing cash movement:		
Depreciation & amortization	32,026,719	34,650,660
Allowances for credit risk	250,320,785	195,662,508
Fair value of trading instruments	5,668,826	(2,835,782)
Earnings on investment in companies	(575,258)	(3,324,007)
Net gain on sale of assets received in payment	(5,211,542)	(7,570,576)
Gain on sale of property, plant and equipment	(83,393)	118,284
Write-off of assets received in payment	3,838,351	4,188,068
Other credits not representing cash flow	(71,644,576)	(78,694,044)
Net change in interest, indexation & commissions accrued on assets & liabilities	31,126,592	(202,554,683)
Sub-total cash flows from banking services operating activities	**503,275,266**	**287,447,026**
Net cash flow from operating activities	**412,365,246**	**279,471,802**

The accompanying notes 1-36 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(Translation of a report originally issued in Spanish – See Note 2)

Net cash flow from investment activities	12-31-2009 ThCh$	12-31-2008 ThCh$
Non-banking services		
Proceeds from sale of property, plant & equipment	1,346,075	469,510
Proceeds from sale of subsidiaries, net of cash disposed	-	7,070,856
Proceeds from sale of associates	-	140,624
Proceeds from sale of other financial assets	5,347,122	56,322,205
Proceeds from sale of non-current assets held for sale & discontinued operations	65,174,405	181,464,613
Proceeds from sale of other assets	347,799	-
Other cash flows from investment activities	61,417,175	117,986,461
Interest received classified as investment	3,531	43,504
Purchase of property, plant & equipment	(31,093,505)	(55,004,094)
Purchase of investment properties	-	(851,066)
Purchase of intangible assets	(2,793,188)	(855,654)
Purchase of subsidiaries, net of cash acquired	(1,036,500)	(118,828,180)
Purchase of associates	2	(2,312,390)
Loans to related entities	(85,000)	-
Loans to non-related entities	83,845	-
Purchase of other financial assets	-	(86,783,642)
Purchase of non-current assets & disposal groups held for sale & operations	-	(12,924,743)
Other investment sales	-	(4,187)
Net cash flow from non-banking services investment activities	**98,711,761**	**85,933,817**
Banking services		
Net (increase) decrease in loans & receivables from customers	182,387,219	(1,311,853,110)
Net (increase) decrease in financial investments	46,572,674	(394,015,120)
Purchases of property, plant & equipment	(15,324,803)	(16,564,884)
Sales of property, plant & equipment	326,226	777,889
Investments in entities	169,399	(6,310,700)
Dividends received on investments in entities	1,001,674	1,015,147
Sale of assets received in payment	8,694,652	12,039,531
Net increase in other assets & liabilities	(189,454,200)	(45,163,023)
Sub-total cash flow from banking services investment activities	**34,372,841**	**(1,760,074,270)**
Net cash flow from investment activities	**133,084,602**	**(1,674,140,453)**

The accompanying notes 1-36 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(Translation of a report originally issued in Spanish – See Note 2)

Net cash flow from financing activities	Note	12-31-2009 ThCh$	12-31-2008 ThCh$
Proceeds from issuance of net equity instruments		-	118,221,540
Loans drawn		44,870,643	249,466,190
Proceeds from issuance of other financial liabilities		66,400,244	-
Loans from related entities		1,567,211	-
Loans repaid		(59,812,969)	(387,657,280)
Repayment of other financial liabilities		(100,093,851)	(22,554,701)
Repayment of financial leasing obligations		(762,302)	(1,616,403)
Payment of interest classified as financing		(1,859,625)	(276,017)
Payment of dividends to minority participations		(1,213,933)	(416,440)
Other cash flows from financing activities		(557,460)	(6,770,859)
Net cash flow from non-banking services financing activities		**(51,462,042)**	**(51,603,970)**
Banking services			
Increase in checking account balances		593,183,543	129,941,552
Increase (decrease) in deposits & borrowings		(919,617,262)	1,009,007,068
Increase (decrease) in other demand deposits or term obligations		118,142,418	(19,803,022)
Increase (decrease) in securities trading obligations		(112,602,304)	27,748,073
Increase in short-term loans from abroad		181,670,052	214,722,617
Issuance of mortgage-funding notes		416,194	3,487,193
Redemption of mortgage-funding notes		(60,095,478)	(96,438,539)
Increase (decrease) in other short-term liabilities		81,740,045	(86,427,114)
Loans received from Banco Central de Chile		130,109	470,301
Repayment of loans from Banco Central de Chile		(315,036)	(768,635)
Bond issues		21,136,850	211,126,115
Bond repayments		(154,823,103)	(21,777,627)
Long-term loans from abroad		905,831,086	1,666,426,094
Repayment of long-term loans from abroad		(1,165,973,199)	(1,176,749,534)
Other long-term loans drawn		30,201,256	40,970,419
Repayment of other long-term loans		(27,925,503)	(617,370)
Payment of subordinated obligation with Banco Central de Chile		(98,223,580)	(97,973,313)
Capital issued		-	17,370,109
Dividends paid		(45,052,714)	(70,092,537)
Net cash flows from banking services financing activities		**(652,176,626)**	**1,750,621,850**
Net cash flow from financing activities		**(703,638,668)**	**1,699,017,880**
Net increase (decrease) in cash & cash equivalents		(158,188,820)	304,349,229
Effect of changes in exchange rates on cash & cash equivalents		(17,857,229)	11,490,514
Cash & cash equivalents at January 1		1,543,004,678	1,227,164,935
Cash & cash equivalents at December 31	**4 c)**	**1,366,958,629**	**1,543,004,678**

The accompanying notes 1-36 form an integral part of these consolidated financial statements.

Statement of Changes in Equity

(Translation of a report originally issued in Spanish – See Note 2

	Common Shares		Other reserves							
	Issued capital ThCh$	Share premium ThCh$	Translation reserves ThCh$	Revaluation reserves ThCh$	Reserves of items available for sale ThCh$	Other reserves ThCh$	Retained earnings ThCh$	Net equity of the parent ThCh$	Non-controlling interest ThCh$	Total net equity ThCh$
Opening balance previous year 01/01/08	589,584,298	12,193,860	(19,801,575)	(6,741,032)	37,846,013	21,368,736	341,646,988	976,097,288	794,610,930	1,770,708,218
Increase in net equity resulting from business combinations	-	-	-	-	-	47,506,140	-	47,506,140	122,656,394	170,162,534
Cash dividends declared	-	-	-	-	-	-	(90,663,805)	(90,663,805)	-	(90,663,805)
Other increase (decrease) in net equity	52,473,002	1,085,253	-	-	-	(53,558,255)	-	-	(71,259,300)	(71,259,300)
Result of comprehensive income & expenses	-	-	37,874,015	(7,371,184)	(3,519,205)	439,065	252,002,433	279,425,124	151,976,768	431,401,892
Closing balance previous year 12/31/08	**642,057,300**	**13,279,113**	**18,072,440**	**(14,112,216)**	**34,326,808**	**15,755,686**	**502,985,616**	**1,212,364,747**	**997,984,792**	**2,210,349,539**
Opening balance present year 01-01-09	642,057,300	13,279,113	18,072,440	(14,112,216)	34,326,808	15,755,686	502,985,616	1,212,364,747	997,984,792	2,210,349,539
Increase in net equity resulting from business combinations	-	-	-	-	-	7,191,404	-	7,191,404	-	7,191,404
Cash dividends declared	-	-	-	-	-	-	(46,829,016)	(46,829,016)	-	(46,829,016)
Other decrease in net equity	-	-	-	-	(37,471,916)	-	-	(37,471,916)	(125,055,138)	(162,527,054)
Result of comprehensive income & expenses	-	-	(46,133,956)	10,527,425	14,811,094	(895,860)	155,400,504	133,709,207	131,725,674	265,434,881
Closing balance previous year 12-31-09	**642,057,300**	**13,279,113**	**(28,061,516)**	**(3,584,791)**	**11,665,986**	**22,051,230**	**611,557,104**	**1,268,964,426**	**1,004,655,328**	**2,273,619,754**

The accompanying notes 1-36 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

NOTE 1. Corporate information

a) Company information

Quiñenco S.A. (hereinafter "Quiñenco" or "the Company") is an open corporation, tax ID 91.705.000-7, domiciled at Enrique Foster Sur 20, Las Condes, Santiago. The Company is registered in the Securities Register under No. 0597 and is subject to the regulatory authority of the Superintendency of Securities and Insurance ("SVS").

These financial statements have been approved by the board of the Company at its meeting held on March 30, 2010.

b) Description of operations and principal activities

The Company mainly has investments in the industrial and financial services sectors in different areas of the Chilean economy. The Company provides banking and financial services through the subsidiary Banco de Chile (hereinafter "the Bank"); produces and sells drinks, wines, beer and other drinkable products through the associated company Compañía Cervecerías Unidas S.A. (hereinafter "CCU"), an investment recorded under the equity value method; manufactures copper and aluminum products and flexible packaging through the subsidiary Madeco S.A. (hereinafter "Madeco") and provides telecommunications services through the subsidiary Telefónica del Sur S.A. (hereinafter "Telsur").

The following is a detail of the industries where the Company operates:

Financial services: Quiñenco has an indirect shareholding in the Bank through the holding of 67.04% of the share capital of LQ Inversiones Financieras S.A. (hereinafter "LQIF"). LQIF is a company formed by Quiñenco in 2000 in order to channel its investments in the financial sector. Since 2001, its principal investment is its controlling shareholding in Banco de Chile, one of the largest financial institutions in Chile.

In 2007, Quiñenco signed an agreement with Citigroup for the joint development of their financial activities in Chile. In early 2008, Citigroup took a participation of 32.96% in LQIF, with the option of increasing this to 50% after 28 months from the closing of the transaction. The alliance contemplates the merger of Banco de Chile with Banco Citibank Chile, a process that was completed on January 1, 2008.

As of December 31, 2009 and 2008 LQIF is the holder of 32.74% and 32.11% respectively of Banco de Chile. As of December 31, 2009, LQIF is the holder of 58.24% of the holding company Sociedad Matriz del Banco de Chile S.A. (hereinafter "SM Chile"), a company that holds 14.70% directly and 34.64% indirectly through its subsidiary Sociedad Administradora de la Obligación Subordinada SAOS S.A. (hereinafter "SAOS") of Banco de Chile. As of December 31, 2008, LQIF was the holder of 58.24% of the holding company SM Chile, a company that held 15.01% directly and 35.35% indirectly through its subsidiary Sociedad Administradora de la Obligación Subordinada SAOS S.A. of Banco de Chile.

As a result of these purchases during 2008 and the merger with Citigroup, LQIF increased its direct and indirect shareholding in Banco de Chile from 52.46% to 61.68% as of December 31, 2008. As of December 31, 2009, this shareholding rose to 61.71%.

Drinks and foods: CCU is an investment held under the equity value method. The Company has an indirect shareholding in CCU through the ownership of 50% of Inversiones y Rentas S.A. ("IRSA"). IRSA is a joint venture with the Dutch brewery group Heineken Americas B.V. ("Heineken"). As a result, Heineken holds 50% of IRSA and is thus a partner of Quiñenco, being the joint controllers of 66.11% of CCU.

Telecommunications: Telsur, a subsidiary included in the consolidated financial statements as a discontinued operation, provides telephonic services in Chile's 8th, 9th, 10th and 11th regions. As of December 31, 2009, Quiñenco is holder of 74.43% of Telsur through the subsidiaries VTR S.A. (hereinafter "VTR") and Inversiones VTR Sur S.A.

Telsur is the principal supplier of telephonic services between the 8th and 11th regions. Apart from local telephonic services, Telsur supplies national and international long-distance services, internet and other non-regulated telephone services.

In January 2010 Quiñenco, together with its subsidiaries VTR S.A. and Inversiones Río Seco S.A. sold in a public share offering made by GTD Grupo Teleductos S.A., the sum of 167,512,343 shares in the subsidiary Telsur, equivalent to 74.43% of its share capital. As a result, as of December 31, 2009 and 2008 and of January 1, 2008, the investment in Telsur has been classified as a discontinued operation.

Manufacturing: Madeco, a subsidiary included in the consolidated financial statements, is a regional manufacturer of copper and aluminum based products such as brass mills, used mainly in the construction, mining, energy and industrial sectors. Madeco also makes flexible packaging for mass-consumed products through its subsidiaries in Chile and Argentina, Alusa S.A. ("Alusa") and Aluflex S.A. ("Aluflex").

On September 30, 2008, Madeco reached an agreement with the French company Nexans S.A., by which the whole of its cables unit was transferred. This business unit included Madeco's operations in Chile (Madeco Cables S.A.), Brazil (Ficap S.A.), Peru (Indeco S.A.), Colombia (Cedsa S.A.) and Argentina (Indelqui S.A.).

By this transaction, Madeco became the principal shareholder in Nexans, a leading global cables producer. Nexans thus acquired a presence in Latin America, and Madeco in turn forms part of this growing international network. As of December 31, 2009 and 2008, Quiñenco was the holder of 47.65% of Madeco.

c) Personnel

The following table shows the number of employees of Quiñenco and its subsidiaries as of December 31, 2009 and 2008:

December 31, 2009	No. of employees
Quiñenco	38
Banco de Chile	14,021
Madeco	2,370
Telsur	846
Other subsidiaries	87
Total employees	**17,362**
December 31, 2008	**No. of employees**
Quiñenco	35
Banco de Chile	14,575
Madeco	2,404
Telsur	826
Other subsidiaries	97
Total employees	**17,937**

NOTE 2. Principal Accounting Criteria Applied

a) Periods covered

These consolidated financial statements cover the following periods:

- Statement of financial position: as of December 31, 2009 and 2008, and January 1, 2008.
- Statements of comprehensive income, changes in equity and cash flows: for the years ended December 31, 2009 and 2008.

b) Preparation

The information contained in these consolidated financial statements is the responsibility of the Company's board of directors, which expressly states that the principles and criteria have all been fully applied as included in International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), which have been adopted in Chile as Financial Reporting Standards in Chile ("FRSCH") and represent the full and explicit adoption of these international standards, with the following exceptions:

The indirect subsidiaries(1) Banco de Chile and SM Chile are regulated by the standards established by the Superintendency of Banks and Financial Institutions ("SBIF") which have set a gradual convergence plan from accounting principles generally accepted in Chile and the standards and regulations of that regulator to IFRS/FRSCH. These banking subsidiaries have therefore only partially adopted the IFRS/FRSCH through the application of the Compendium of Accounting Standards ("Compendium of Standards") issued by the SBIF, thus generating the following deviations:

- **Allowances for credit risk:** The Bank currently considers in its allowances model both estimated and incurred losses, as established by the SBIF. This model established by the SBIF differs from IFRS/FRSCH as the latter only considers losses incurred; this could generate possible adjustments for this concept. Another aspect is that the SBIF considers the constitution of additional allowances and, effective in 2010, will require the constitution of allowances for credit exposures, for which it will have to be evaluated and analyzed whether these meet the specifications of IFRS/FRSCH.
- **Impaired loans:** The present SBIF treatment states that interest income can no longer accrue to results. Under IFRS/FRSCH, the financial asset is not written off, an allowance is made for impairment, and interest is generated based on the interest rate used for discounting the cash flows, not considering therefore the suspension of recording of revenue.
- **Assets received in payment (ARP):** The present treatment considers the lesser of their initial value plus any additions and their net realizable value. Assets that have not been disposed of within a year are written off gradually over an additional period established by the SBIF. Under IFRS/FRSCH the write-off of the assets is not considered while they have an economic value.
- **Business combinations - goodwill:** As established by the SBIF, assets arising until December 31, 2008 with respect to goodwill will maintain the original valuation criteria used in 2008, i.e. will be amortized until its extinction. Goodwill that has been extinguished will not return to assets.

(1) For the purposes of IFRS, a subsidiary is any company in which the parent company has more than 50% of the capital with voting rights or of the capital or can elect or appoint the majority of its directors or administrators. It is therefore the same as the concept of affiliate established in article 86 of the Corporations Law 18,046.

In view of the magnitude and complexity of the banking operations of the subsidiary Banco de Chile, the management of LQIF has adopted the provisions of Circular 506 of February 13, 2009 of the SVS which establishes that differences between the Compendium of Standards and IFRS/FRSCH shall only be quantified to the extent that it is possible to make the calculation.

The indirect subsidiary Banchile Seguros de Vida S.A. is regulated by the SVS which has established that the convergence plan to local IFRS for insurance companies is effective from 2011. The financial statements as of December 31, 2009 and 2008 and of January 1, 2008 of this indirect subsidiary included in the consolidated financial statements of Quiñenco have therefore been prepared using accounting principles generally accepted in Chile and the specific regulations issued by the SVS.

At the date of issue of these consolidated financial statements, there is no definitive regulatory framework applicable to insurance companies, as it is expected that the issue of IFRS 4 part II will be made in Europe in 2012. There are also relevant doubts related to the future treatment of the present gradual recording of the liability relating to the new mortality tables when the IFRS becomes effective for insurance companies. It is therefore not possible to quantify reliably the difference between accounting principles generally accepted in Chile and the regulations of the SVS applicable to insurance companies and IFRS.

As part of the implementation process of IFRS/FRSCH, the company and its subsidiaries have made minor reclassifications to the financial statements as of December 31, 2008 and January 1, 2008 that do not affect their interpretation.

At the date of the issue of these consolidated financial statements, amendments, improvements and interpretations have been published to existing regulations which have yet to become effective and that the Company and its subsidiaries have not adopted in advance. These will be of obligatory application from the dates shown below:

Improved IFRS 3	Combination of businesses	July 1, 2009
Improved IFRS 1	Initial adoption	July 1, 2009
IFRIC 17	Transfers of customers' assets	July 1, 2009
IFRIC 18	Extinction of financial debt with capital instruments	July 1, 2009
Improved IAS 27	Consolidated and separate financial statements	July 1, 2009
Amended IFRS 1	Exemptions on the initial adoption of IFRS	January 1, 2010
Amended IAS 1	Presentation of financial statements	January 1, 2010
Amended IFRS 2	Transactions with share-based payment and cash settlements between group companies	January 1, 2010
Improved IAS 38	Intangible assets	January 1, 2010
Amended IAS 39	Financial instruments: recording and measurement	January 1, 2010
Amended IAS 32	Classification of share rights issues	February 1, 2010
IFRIC 19	Cancellation of financial debt with equity instruments	July 1, 2010
Amended IFRIC 14	Prepayment of minimum financing requirements	January 1, 2011
Amended IAS 24	Related parties	January 1, 2011

For the convenience of the reader, these consolidated financial statements have been translated from Spanish to English.

c) Consolidation

These consolidated financial statements include the assets, liabilities, results and cash flows of the Company and its subsidiaries. The effects of significant transactions with the subsidiary companies have been eliminated and the participation of the minority investors is shown in the statement of financial position and statement of integral results in the account Non-controlling interests.

The subsidiaries whose financial statements have been included in the consolidation are the following:

Tax ID	Company	Percentage Participation			
		12-31-2009			12-31-2008
		Direct	Indirect	Total	Total
Foreign	Excelsa Establishment	99.9900	0.0100	100.0000	100.0000
96.611.550-5	VTR S.A. & subsidiary	99.9999	0.0001	100.0000	100.0000
76.077.048-5	VTR Sur S.A.	99.9999	0.0001	100.0000	-
95.987.000-4	Inversiones Río Grande S.A. & subsidiaries	99.9898	0.0102	100.0000	100.0000
91.527.000-K	Empresa El Peñón S.A. & subsidiary	94.9794	-	94.9794	94.9794
87.011.000-6	O'Higgins Punta Arenas Ltda. CPA	75.5579	-	75.5579	75.5579
96.929.880-5	LQ Inversiones Financieras S.A. & subsidiaries	43.9796	23.0648	67.0444	67.0444
91.021.000-9	Madeco S.A. & subsidiaries	11.6616	35.98820	47.6498	47.6498
91.000.000-4	Industria Nacional de Alimentos S.A. & subsidiary	71.9512	27.9751	99.9263	99.9263

The subsidiaries Madeco, Empresa El Peñón S.A. and LQIF are registered in the Securities Register under the numbers 251, 78 and 730, respectively, and are subject to the regulatory authority of the SVS.

The subsidiaries Banco de Chile and SM Chile are included in the consolidated financial statements of LQIF and are subject to the regulatory authority of the SBIF.

The subsidiary Banchile Seguros de Vida S.A., included in the consolidated financial statements of Inversiones Río Grande S.A., is subject to the regulatory authority of the SVS.

The subsidiary Madeco is included in the consolidated financial statements as Quiñenco controls the subsidiary by having a majority of the directors, a situation which the management believes should not change in the near future.

d) Use of estimates

Certain estimates have been used by the management of Quiñenco and its respective subsidiaries in the preparation of the consolidated financial statements, in order to quantify some of the assets, liabilities, revenues, expenses and commitments that appear in them. These estimates refer basically to:

- The valuation of assets and goodwill for determining any losses through impairment.
- The assumptions made in the actuarial calculation of liabilities and obligations with employees.
- The useful lives of property, plant and equipment and intangible assets. In the specific case of the subsidiaries, the determination of useful lives requires estimates with respect to the technological evolution expected and alternative uses of the assets. The assumptions with respect to the technological framework and its future development imply a significant degree of judgment, as the timing and nature of future technological changes are difficult to forecast.

- The assumptions used for the calculation of fair value of financial instruments.
- The assumptions used for calculating estimates of the recoverability of trade and other receivables from customers.
- The assumptions used for calculating estimates of inventory obsolescence.
- The probability of occurrence and the amount of liabilities of uncertain amount or that are contingent.
- The recoverability of deferred tax assets based on estimates of future results. This recoverability depends in the last instance on the Company's capacity to generate taxable income throughout the year in which the deferred tax assets are deductable. In the analysis, the year is taken into account of the reversal of deferred tax liabilities, and the estimates of taxable benefits, on the basis of internal projections that are updated to reflect the most recent trends. The determination of the suitable classification of taxable items depends on various factors, including the estimate of the time and realization of the deferred tax assets and the expected moment of the tax payments. The actual flows of receipts and payments of income tax may differ from the estimates made by the Company as a consequence of changes in fiscal legislation or unforeseen future transactions that might affect the tax balances.
- The subsidiary Telsur follows a policy of recording as operating revenue, in addition to the billing for the period, an estimate of the services provided and not billed at the close of the respective years. This estimate has been determined on the basis of the services actually provided, valued at the current tariffs prevailing in the corresponding period in which the service has been provided.

Although these estimates have been made as a function of the best available information at the time of the issue of these consolidated financial statements, it is possible that events may occur in the future that cause them to be modified (up or down) in following years, which would be done prospectively, recognizing the effects of the change of estimate in the corresponding future consolidated financial statements.

e) Presentation of the financial statements

Consolidated Statement of Financial Position

The Company and its subsidiaries have determined a mixed presentation format of their consolidated statement of position as follows:

(e.1) Quiñenco, its non-banking subsidiaries and principal associates operate in the businesses of food and drink, manufacturing and telecommunications in which there is a similar operating cycle between them. They have therefore chosen a presentation format based on present value (classified).

(e.2) The banking subsidiaries have no clearly-defined operating cycle and have chosen a liquidity format as required by the SBIF.

Statement of Comprehensive Income

Quiñenco and its subsidiaries show their classified statements of results by function. However, considering that the industrial sector and telecommunications businesses show differences in the classification of their operations with the business of the banking sector, the Company has opted to show the businesses of the industrial sector and telecommunications grouped, and of the banking entities separately.

Statement of Cash Flows

The SBIF requires banking institutions to prepare the statement of cash flows under the indirect method. Consequently, Quiñenco has chosen to show its consolidated statement of cash flow by a mixed presentation, direct method for the industrial sector and telecommunications and the indirect method for the banking sector.

f) Functional currency and foreign currency translation

The consolidated financial statements are shown in Chilean pesos which is the Company's functional and presentational currency.

Each subsidiary determines its own functional currency, and the items included in the consolidated financial statements are measured using that functional currency.

The functional currency of the operations of Telsur, CCU and Banco de Chile is the Chilean peso.

The functional currency of the operations of Madeco is the US dollar. At the date of this report, the assets and liabilities of this subsidiary are translated to Quiñenco's presentation currency (Chilean pesos) at the exchange rate on the date of the financial statements and its statements of results and cash flows are translated at the average exchange rate of each month. Exchange differences arising from the translation are taken directly to a separate component of equity under Other reserves.

Transactions in a currency other than the functional currency are considered to be in foreign currency, and are initially recorded at the exchange rate of the functional currency on the date of the transaction. Assets and liabilities in foreign currency are translated at the exchange rate of the functional currency on the date of the statement of financial position. All the differences are shown as a charge or credit to results.

Net differences in foreign currency arising from investment or hedging operations of a foreign entity are controlled directly in equity until the disposal of the investment when they are shown as a charge or credit to results. The results for taxes and credits attributable to these operations are shown as a charge or credit to equity until the disposal of the investment.

Any goodwill purchased and adjustment to fair value of the book value of assets and liabilities that arise from the acquisition of a foreign currency are treated as assets and liabilities of the foreign operation and are translated to Chilean pesos at the closing date. Non-monetary items measured in terms of historic cost in foreign currency are translated using the exchange rates on the date when the fair value was determined.

Assets and liabilities shown in Unidades de Fomento ("U.F.") are shown at the closing value of the U.F. on the date of the statement of financial position, as published by the National Institute of Statistics (I.N.E.).

g) Inventories

The subsidiary companies value inventories at the lower of cost and net realization value. The cost price (basically the weighted average cost) includes the costs of direct materials and, if appropriate, personnel costs, the indirect costs incurred in transforming the raw materials into finished products and general expenses incurred in transferring the inventories to their location and present conditions.

The net realization value represents the estimated sale price less all termination costs and the costs to be incurred in the marketing, sale and distribution processes.

Commercial discounts, rebates obtained and other similar items are deducted in the determination of the cost price.

The subsidiaries make an evaluation of the net realization value of inventories at the end of each year, recording an estimate as a charge to results when these are overvalued. When the circumstances that previously caused the reduction have ceased to exist, or when there is clear evidence of increase in the net realization value due to a change in economic circumstances or prices of the principal raw materials, the previously-made estimate is modified.

h) Property, plant and equipment

(h.1) Cost

The elements of Property, plant and equipment are valued initially at cost, which includes the purchase price, import duties and any cost directly attributable to placing the asset in an operating condition for its destined use.

The elements of Property, plant and equipment that are built (work in progress), during the construction period, may include the following accrued concepts:

(i) Financial expenses related to the external financing directly attributable to the acquisition or production, whether of a specific or generic nature.

Regarding generic financing, the capitalized financial expenses are obtained by applying a capitalization rate that will be determined with the weighted average of all the interest costs of the entity of the loans that have been outstanding during the year.

(ii) Personnel expenses and others of an operative nature effectively used in the construction of the property, plant and equipment.

After the initial recording, the elements of property, plant and equipment are reduced by accumulated depreciation and any accumulated loss of value.

The costs of expansion, modernization or improvements that represent an increase in productivity, capacity or efficiency or an increased useful life, are capitalized by increasing the value of the assets.

Expenses in repairs, conservation and maintenance are recorded as a charge or credit to results at the time they are incurred.

This heading also includes investments made in assets acquired under leasing agreements with an option to purchase, that comprise the characteristics of financial leasing. These do not legally belong to the Company and become so on exercising the purchase option.

The resultant gain or loss on the disposal or retirement of an asset is calculated as the difference between the proceeds of the disposal and the book value, which is charged or credited to results.

(h.2) Depreciation

Depreciation is calculated using the straight-line method, by the distribution of the cost of acquisition corrected by the estimated residual value between the estimated useful life of each of the elements, as follows:

Assets group	Estimated years of useful life
Buildings & infrastructure	20 to 70
Installations	5 to 33
Machinery & equipment	5 to 40
Engines & equipment	7
Other property, plant & equipment	2 to 10

Land is shown separately from the buildings or installations, and it is understood that it has an infinite useful life and is therefore not subject to depreciation.

The depreciation of property, plant and equipment under construction starts when the assets are ready to be used.

i) Investment properties

Investment properties are shown as the net value of land, buildings and other construction held for exploitation in rental or to obtain a gain on their sale as a consequence of future increases that may occur in the respective market prices. These assets are not used in the businesses and are not destined for own use.

They are initially valued at their cost, which includes the acquisition price or cost of production plus expenses incurred that are not directly assignable. They are later valued at cost less accumulated depreciation and possible accumulated allowances for impairment of value.

j) Assets available for sale and discontinued operations

Non-current assets whose book value is recovered through a sale transaction and not through their continual use are classified as available for sale and discontinued operations. This condition is considered to be met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

The sale is foreseen to be completed within a year from the date of classification.

These assets are valued at the lower of book value and fair value less the cost of the sale.

As of January 1, 2008, the subsidiary Madeco has classified as a discontinued operation the assets and liabilities related to the cable unit. On November 15, 2007, Madeco signed a framework agreement with the Nexans group for the transfer of the cable unit, which was formalized on February 21, 2008 for a sum of US$448 million plus 2.5 million shares in Nexans (shareholding of approximately 8.9%).

This transaction was completed on September 30, 2008, and the assets classified as discontinued operations were sold to Nexans.

On December 1, 2009, Quiñenco signed with GTD Grupo Teleductos S.A. a sale commitment over shares in the subsidiary Telsur, by which Quiñenco promised to sell, assign and transfer to Grupo GTD a total of 167,512,343 shares, equivalent to 74.43% of the share capital and voting rights of Telsur. The sale price was agreed at Ch$57,212,165,628, or Ch$341.54 for each Telsur share.

This sale commitment was carried out in January 2010 through a public share offer made by GTD Grupo Teleductos S.A.

The assets and liabilities of the subsidiary Telsur as of December 31, 2009 and 2008, and January 1, 2008, were therefore classified as discontinued operations.

k) Recognition of revenues

Revenues are recorded to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured. Revenues are measured at the fair value of the payment received, excluding discounts, rebates and other sales taxes or duties. The following specific criteria should also be followed before recording revenue:

(k.1) Sale of goods

The proceeds of the sale of goods are recorded when the risks and significant benefits of ownership of the goods has been transferred to the buyer, generally the delivery of the goods.

(k.2) Services revenue

Ordinary revenues related to the provision of services are shown considering the degree of completion of the service as of the date of the statement of financial position, provided the result of the transaction can be estimated reliably.

(k.3) Telephone services revenues

The subsidiary Telsur follows a policy of recognizing as operating revenue, in addition to that billed in the year, an estimate of the services provided and not billed to the date of closing of the respective year. This estimate has been determined on the basis of the service effectively provided, valued at the tariffs in effect in the corresponding period in which the service was provided.

(k.4) Interest income

The income is recorded as the interest is accrued as a function of the outstanding capital and the applicable interest rate.

(k.5) Dividends

Revenue is recorded when the Company and its subsidiaries have the right to receive the payment.

l) Investments in subsidiaries (business combinations)

Business combinations are adjusted using the purchase method. This involves recording the identifiable assets (including intangible assets not previously recorded) and liabilities (including contingent liabilities and excluding future restructurings) of the business acquired at its fair value.

The business combinations acquired prior to March 2001 are shown at their proportional value considering the book values of each subsidiary.

m) Investments in associates

The Company and its subsidiaries value their investments in associates(2) using the equity value method. An associate is an entity in which the Company has significant influence.

Under this method, the investment is recorded in the statement of financial position at cost plus changes following the acquisition in proportion to the net equity of the associate using for this the percentage participation in the capital of the associate. The associated goodwill is included in the book value of the investment and is not amortized. The charge or credit to results reflects the proportion in the results of the associate.

Equity changes of the associates are shown proportionately as a charge or credit to Other reserves and classified according to their origin and, if the case, shown in the statement of changes in equity.

The dates of the report and the accounting policies of the associate and of the Company are similar to equivalent transactions and events under similar circumstances.

Should the significant influence be lost or the investment be sold or become available for sale, the equity method is discontinued, suspending the recording of proportional results.

n) Investments in joint ventures

Joint ventures are contractual agreements whereby two or more parties (partners or shareholders) carry on an economic activity that is subject to a joint control. Joint control exists when decisions relating to operative and financial activities require the unanimous agreement of the parties. A joint-venture entity involves the establishment of a company or other entity in which the group of shareholders have a participation according to their ownership.

The results, assets and liabilities of the joint-venture entity (“the joint venture”) are incorporated in the consolidated financial statements using the equity-value method, producing an identical treatment to the investment in associates.

The investments which, due to their characteristics, have been defined as joint ventures are the following:

(i) Inversiones y Rentas S.A. (parent of CCU)

(ii) Habitaria S.A.

(iii) Foods Compañía de Alimentos CCU S.A.

(iv) Transportes y Servicios Aéreos S.A.

(v) Inmobiliaria El Norte y El Rosal S.A.

(2) For IFRS purposes, an associate relates to any investment in an entity in which the investor holds more than 20% of the capital with voting rights or of the capital or has a significant influence over the entity. It is therefore equivalent to the concept of “coligada” as defined in article 87 of the Corporations Law 18,046.

o) Financial instruments – initial recording and subsequent measurement

The management determines the classification of its financial assets when initially recorded. Financial assets within the scope of IAS 39 are classified as financial assets for trading (fair value through results), loans and accounts receivable, investments held to maturity or financial assets available for sale, as the case may be. The Company and its subsidiaries have defined and valued their financial assets in the following manner:

(o.1) Financial assets held to maturity

These are value at amortized cost and correspond to non-derivative financial assets with fixed and determinable payments and fixed maturity, whose intention and capacity is to hold them until their maturity. These assets are classified as current assets except for those whose maturity is over one year, which are shown as non-current assets. These investments in their initial recording are not designated as financial assets at fair value through results or as available for sale, and do not meet the definition of loans and accounts receivable.

The Company has no investments held to maturity for the years ended December 31, 2009 and 2008.

(o.2) Loans and accounts receivable

These are valued at amortized cost and correspond to non-derivative financial assets with fixed and determinable payments, which are not quoted on an active market. They arise from loans of money, goods or services directly to a debtor without the intention of negotiating the account receivable, and are also not within the following categories:

- Those which are intended to be sold immediately in a near future and which are held for their trading.
- Those designated in their initial recording as available for sale.
- Those by which the holder does not partially intend to recover substantially all their initial investment for reasons other than credit impairment, and therefore should be classified as available for sale.
- After the initial recording, these financial assets are measured at their amortized cost using the effective interest rate method, less their credit impairment. The amortization of the effective interest rate is included in financial income in the statement of results. Losses for impairment are shown in the statement of results under financial expenses.

These assets are classified as current assets except those whose maturity is over one year which are shown as non-current assets.

(o.3) Financial assets at fair value through results

These include all financial assets held for trading with the intention of being sold or repurchased in the short term.

They are valued at their fair value as a charge or credit to results. They are classified as either held for trading or designated on their initial recording as financial assets at fair value through results.

These assets are classified as current assets except for those whose realization is over one year which are shown in non-current assets.

This category also includes derivative financial instruments which the Company has not denominated as hedging instruments in accordance with IAS 39. Implicit derivatives are considered in this category, as trading instruments.

Financial assets for trading are shown in the statement of financial position as their fair value and their changes in fair value are shown in the statement of income in the financial income or expense accounts.

(o.4) Financial assets available for sale

These are valued at their fair value and correspond to non-derivative financial assets that are designated as available for sale or which are not classified in any of the three categories above. Variations in the fair value are shown as a charge or credit to Other equity reserves in the other integral income pending their realization.

These assets are classified as current assets except those whose realization estimated by the Company's management is over one year, which are shown in non-current assets.

(o.5) Impairment of financial assets

(o.5.1) Financial investments available for sale

At the date of closing of the statement of financial position, the Company and its subsidiaries evaluate whether there is objective evidence that an investment held for sale has become impaired.

In the case of financial investments classified as held for sale, evidence of impairment when there is a significant and prolonged decline in the fair value of the investment below their acquisition costs. Where there is an accumulated loss for impairment, measured as the difference between acquisition cost and its present fair value, less any loss for impairment recorded earlier in results, it is transferred from Other equity reserves (Other integral income) to results for the year.

Losses for impairment in investments available for sale are not reversed in the statement of income.

An increase in the fair value of investments, after having recorded an impairment, is classified in Other equity reserves (Other integral income).

(o.5.2) Financial assets at amortized cost (loans and accounts receivable)

Debtors are shown at their net value, i.e. less allowances for impairment (doubtful debtors).

The amount of the allowance is the difference between the book value of the asset and the present value of the estimated future cash flows, discounted by the effective interest rate.

This allowance is determined when there is evidence that the different group companies will not receive the payments according to the original terms of sale. Allowances are made when the customer arranges some judicial agreement in bankruptcy or cessation of payments, or when the group has exhausted all measures for the collection of the debt over a reasonable period of time, like collection calls, sending of electronic mail and letters. In the case of the subsidiaries, the allowances are estimated using a percentage of the accounts receivable determined case by case, depending on the internal classification of the customer risk and the age of the debt (days overdue).

(o.6) Financial debt

(o.6.1) Interest-bearing credits and loans

All credits and loans are initially recorded at the fair value of the payment received less the direct costs attributable to the transaction. The initial recording is later measured at amortized cost using the effective interest rate method.

Gains and losses are shown as a charge or credit to results when the debt is written off or amortized.

(o.6.2) Financial debt at fair value through results

Financial debt at fair value through results includes financial debt held for trading and financial debt designated on its initial recording as at fair value to results.

Financial debt is classified as that held for trading if acquired with the intention of being sold in the short term. Derivatives, including implicit derivatives, are also classified as held for trading unless it is designated as instruments for effective hedging. The gains or losses on liabilities held for trading are shown in results.

When a contract has one or more implicit derivatives, the whole hybrid contract may be designated as financial debt at fair value through results, except when the implicit derivative does not significantly modify the cash flows or it is clear that the separation of the implicit derivative is forbidden.

Financial debt may be designated in the initial recording at fair value through gains or losses if the following criteria are met:

(1) the designation eliminates or significantly reduces the inconsistent treatment which would otherwise arise by measuring the liabilities or recording gains or losses on them on a different basis;

(2) or the liabilities are part of a group of financial debt which is managed and its performance is measured on the basis of fair value, according to a documented risk-management strategy;

(3) or the financial debt contains an implicit derivative which would need to be recorded separately.

As of December 31, 2009 and 2008, no financial debt has been designated at fair value through results.

(o.7) Classification of financial instruments and financial debt

The classification of financial instruments and financial debt according to their category and valuation are reported in Note 23 Financial instruments.

p) Income tax and deferred taxes

(p.1) Income tax

Income tax assets and liabilities for the current year and previous years have been determined considering the amount that is expected to be recovered or paid in accordance with local legislation or that substantially promulgated at the date of the statement of financial position.

The effects are recorded as a charge to results except for Items directly recorded in equity accounts which are shown against Other reserves.

(p.2) Deferred taxes

Deferred taxes have been determined using the method of the liability on timing differences between the tax assets and liabilities and their respective book values.

Deferred tax liabilities are recorded considering all taxable timing differences, with the exception of the following transactions:

- The initial recording of goodwill.
- Assigned goodwill acquired whose amortization is not deductible for tax purposes.
- The initial recording of an asset or liability on a transaction that:
  (1) is not a business combination, and
  (2) at the time of the transaction does not affect the accounting or tax results.
- Tax timing differences associated with investments in subsidiaries, associates and participations in joint ventures, where the opportunity of reversal of the timing differences can be controlled and it is probable that the timing differences will not be reversed in the near future.

Deferred tax assets are recorded considering all deductible timing differences and tax credits for non-utilized tax losses, provided there is the probability that there will be taxable earnings available with which they can be used, with the following exceptions:

- The initial recording of an asset or liability in a transaction that:
  (1) is not a business combination, and
  (2) at the time of the transaction does not affect either the accounting results or the tax results.
- With respect to deductable timing differences associated with investments in subsidiaries, associates and participation in joint ventures, the deferred tax assets are only shown to the extent that there is a probability that the timing differences will be reversed in the near future and that there will be available taxable earnings with which they can be used.

As of the date of the consolidated statement of position, the book value of deferred tax assets was revised and reduced to the extent that it was probable that there were insufficient available taxable earnings to permit the recovery of all or part of the deferred tax asset.

As of the date of the statement of position, the unrecognized deferred tax assets were revalued and recognized to the extent that it is probable again that future taxable earnings will permit the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to be applicable in the year the asset is realized or liability liquidated, on the basis of the tax rates (and taxation laws) that have been promulgated or substantially promulgated at the date of the statement of financial position.

The deferred tax related to items recorded directly in equity is recorded against equity and not against results.

Deferred tax assets and liabilities are offset if there is a legal right to offset tax assets against tax liabilities and the deferred tax is related to the same entity and tax authority.

q) Intangible assets

- Goodwill

Goodwill represents the difference between the acquisition value of shares or corporate rights of subsidiaries and associates and the fair value of the identifiable assets and liabilities, including identifiable contingents, on the date of acquisition.

Goodwill arising from the acquisition of subsidiaries or associates with a functional currency other than the Chilean peso is valued in the functional currency of the company acquired, making the translation to Chilean pesos at the exchange rate current on the date of the statement of financial position.

The subsidiary LQIF has made a re-issue of the investment in the subsidiaries Banco de Chile and SM Chile acquired in March 2001, determining the difference between the acquisition value and the fair value of the identifiable assets and liabilities including the identifiable contingent liabilities.

With the exception of the above, goodwill generated prior to the transition date to IFRS/FRSCH and which corresponds to acquisitions made prior to March 2001, is maintained at the net value recorded at the date of transition from Accounting Principles Generally Accepted in Chile (hereinafter “Chilean GAAP”) to IFRS/FRSCH. Goodwill generated after March 2001 is valued at cost.

Goodwill is not amortized and at the close of the accounting period is estimated if there are indications of impairment that may reduce the recoverable value to an amount below the net cost recorded, in which case an adjustment for impairment is made.

At the date of these financial statements there was no indication of impairment that warranted making any adjustment.

- Other intangible assets

These mainly refer to trademarks rights for the acquisition of customer portfolios and computer software.

Assets with a defined useful life are valued at acquisition cost less accumulated amortization and impairment. The useful life has been determined as a function of the term in which it is expected to obtain economic benefits. The period and method of amortization are revised annually and any change is treated as a change in an estimate.

The subsidiary LQIF has assigned indefinite useful lives to the brands Banco de Chile, Atlas and the contract for the use of the Citibank brand, as it is expected that they will contribute to the generation of net cash flows to the business indefinitely.

Assets with an undefined useful life are valued at acquisition cost less accumulated amortization and impairment.

Computer software whose disbursements occurred prior to December 31, 2006 has been valued at its acquisition cost at the time of convergence of Chilean GAAP with IFRS/FRSCH and is amortized over a term of 4 years.

(r) Asset impairment

(r.1) Financial investments available for sale

At the date of the financial statements the Company and its subsidiaries evaluate whether there is objective evidence that an investment available for sale requires impairment.

In the case of equity investments classified as held for sale, if there is a significant and prolonged reduction in the fair value of the investment below their acquisition costs, this is evidence of impairment. Should there be an accumulated loss for impairment, measured as the difference between their cost of acquisition and their present fair value, less any impairment recorded previously to results, it is transferred from Other reserves to results for the year. The reversal of losses for impairment of this kind of instrument is shown directly in Other reserves.

(r.2) Non-financial assets

The Company and its subsidiaries periodically evaluate whether there are indications that any of its non-financial assets might be impaired. If there are such indications, the Company makes an estimate of the amount recoverable of the asset.

The amount recoverable of an asset is the higher of the fair value of an asset or cash-generation unit less the costs of sale and its value in use, and is determined for an individual asset unless the asset does not generate cash inflows that are clearly independent of other assets or groups of assets.

When the book value of an asset exceeds its recoverable amount the asset is considered impaired and its recoverable amount reduced.

In evaluating the value in use, the future estimated cash flows are discounted using a discount rate before tax that reflects current market conditions, the value of money over time and the specific risks of the asset.

For determining the fair value less sale costs, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, the market prices of the shares for publicly-quoted subsidiaries or other available indicators of fair value.

Losses for impairment of continued operations are shown against results in the categories of expenses associated with the function of the impaired asset, except for properties previously re-evaluated where the revaluation was carried out against equity. In this case, the impairment is also recorded as a charge to equity up to the amount of any previous revaluation.

For assets other than goodwill, an annual evaluation is made as to whether there are indications that the loss through impairment recorded previously may no longer exist or may have been reduced. The amount recoverable is estimated if such indications exist. A previously recorded loss for impairment is reversed only if there have been changes in the estimates used in determining the amount recoverable of the asset from the last time that a loss for impairment was recorded. If this is the case, the book value of the asset is increased to its recoverable amount. This increased amount cannot exceed the book value that had been previously determined, net of depreciation, if a loss for impairment had had not been recorded in previous years. This reversal is recorded as a credit to results unless an asset is recorded at the revalued amount, in which case the reversal is dealt with as a revaluation increase. The following criteria are also applied in the evaluation of impairment of specific assets:

(r.3) Goodwill

Goodwill is revised annually to determine whether indications of impairment exist or more often if events or changes in circumstances indicate that the book value may be impaired.

The impairment is determined by evaluating the amount recoverable of the cash-generating unit (or group of cash-generating units) related to the goodwill.

For these purposes, goodwill is assigned from the date of acquisition of each unit or groups of cash-generating units that it is expected will benefit from the synergies of the combination, notwithstanding that other assets or liabilities of the Company are assigned to these units or groups of units. Each unit or group of units to which goodwill is assigned:

(i) represents the lowest level within the Company to which the goodwill is monitored for internal management purposes, and

(ii) is no larger than a segment based on or the primary or secondary reporting format (IAS/ASCH 14).

A loss for impairment is recorded when the amount recoverable of the cash-generating unit (or group of cash-generating units) is lower than the book value of the cash-generating unit (or group of cash-generating units) to which the goodwill is assigned. Losses for impairment related to goodwill cannot be reversed in future years.

(r.4) Intangible assets of undefined useful lives

The impairment of intangible assets with undefined useful lives is tested annually at the individual level or the level of the cash-generating unit, as the case may be.

(r.5) Associates and joint ventures

Following the application of equity value, the Company and its subsidiaries determine whether it is necessary to recognize a loss for additional impairment of the investment in its associates and joint ventures. It is determined annually whether there is objective evidence that the investment in associates of joint ventures is impaired. If this were the case, the amount of impairment is calculated as the difference between the fair value of associate and joint venture and the cost of acquisition and, should the acquisition value be the greater, the difference is booked against results.

s) Provisions

(i) General

Provisions are recorded when:

- The Company has a present obligation with respect to a past event,
- It is probable that an outflow of resources will be required including economic benefits to settle the obligation,
- A reliable estimate can be made of the amount of the obligation.

Should the provision or part of it be reimbursed, the reimbursement is shown as a separate asset only if its collection is certain.

The charge for any provision is shown net of any reimbursement in the statement of results.

If the effect of the value of money over time is significant, the provisions are discounted using a discount rate before tax that reflects the specific risks of the liability. When a discount rate is used, the amount of the provision due to the passage of time is recorded as a financial cost.

(ii) Severance payments

Madeco and its subsidiaries are committed to make a payment of a fixed sum to every worker on the termination of their employment whether due to death, dismissal, resignation or retirement, under work contracts and collective bargaining agreements. The provision has been determined using the actuarial value which involves assumptions regarding discount rates, expected rate of return on assets, future wage increases, mortality rates and future pension increases. Because of the long-term nature of these plans, such estimates are subject to a significant degree of uncertainty.

The subsidiary Telsur has agreed with its unionized personnel the payment of a retirement bonus for employees with more than 5 years service, with a maximum limit. The provision has been calculated using the actuarial value method of this benefit with a discount rate of 3.88% annually for the years 2009 and 2008.

(iii) Personnel vacations

The Company and its subsidiaries have made provisions for personnel vacations on an accrual basis.

t) Technical reserves and claims payable

The subsidiary Banchile Seguros de Vida determines its technical reserves and claims in the following way:

- Reserve for current risk:

  This has been determined on the basis of the unearned net withheld Premium, which is calculated based on daily numerals on the duly restated net premium withheld.

- Mathematical life reserve:

  This is calculated on the actuarial base determined by a mathematical actuary in accordance with the instructions on this matter issued by the SVS.

- Reserve for claims payable:

  This is charged to results in the year in which these occur. Provisions are also made for claims in the process of liquidation and those that have occurred but not been reported at the end of the year.

u) Interest-bearing credits and loans

All credits and loans are initially recorded at the fair value of the payment received less the direct costs attributable to the transaction. Later they are measured at the amortized cost using the effective interest rate method.

Earnings and losses are shown as a charge or credit to results when the liabilities are written off or amortized.

v) Leasing agreements

The determination of whether an agreement is or contains a lease is based on the substance at its initial date and requires an evaluation of whether compliance depends on the use of the asset or specific assets or the agreement grants the right to use the asset. A re-evaluation is only made after the start of the lease if one of the following points is applicable:

(a) There is a change in the contractual terms that is not a renewal or extension of the agreement;

(b) A renewal option is exercised or an extension granted, unless the terms of the renewal or extension were included in the term of the lease;

(c) There is a change in the determination of whether compliance is dependent on a specific asset, or

(d) There is a substantial change in the asset.

When a re-evaluation is carried out, the recording of the lease will begin or cease from the date when the change in circumstances led to the re-evaluation of the scenarios a), c) or d) and the date of renovation or exercise of extension for scenario b).

Financial leases that transfer to the Company substantially all the risks and benefits incidental to the ownership of the item leased are capitalized at the start of the lease at the lesser of the fair value of the asset leased and the present value of the minimum lease payments. Lease payments are split between financing charges and the reduction in the leasing obligation to obtain a constant interest rate on the outstanding balance due. The financial expenses are shown as a charge to results on an accrual basis.

The capitalized leased assets are depreciated over the lesser of the estimated useful life of the asset and the term of the lease, in the case that there is no reasonable certainty that the Company will obtain ownership at the end of the term of the lease.

Operating lease payments are shown on a straight-line basis as a charge to results over the term of the lease.

w) Financial derivative instruments and accounting of hedges

The subsidiaries Madeco and Telsur use derivative financial instruments such as currency forward contracts, commodity price futures and interest rate swaps to hedge their risks related to fluctuations in interest rates, commodity prices and the exchange rate. Such instruments are initially recorded at fair value on the date on which the derivative contract is signed and are later corrected to fair value. The derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gain or loss arising from changes in the fair value of derivatives during the year which do not qualify for recording the hedge are taken directly to the income statement.

The fair value of currency forward contracts is calculated by reference to the current forward exchange rates with similar maturity profiles. The fair value of interest-rate swap contracts is determined by reference to the market values of similar instruments.

For hedge accounting purposes, hedges are classified as:

- Hedges of fair value when they cover exposure to changes in the fair value of a recorded asset or liability or a firm commitment not recorded (except in the case of foreign exchange risk), or
- Hedges of cash flows when they cover exposure to variations in cash flows that are either attributable to a particular risk associated with a recorded asset or liability or a highly-probable expected transaction or the foreign exchange risk of a firm commitment not recorded.

At the start of a hedge relation, the Company formally designates and documents the hedge relation to which the Company wishes to apply hedge accounting and the objective of risk management and the strategy for making the hedge. The documentation includes identification of the hedging instrument, the item or transaction hedged, the nature of the risk which is being hedged and how the entity will evaluate the effectiveness of the hedging instrument to offset the exposure to changes in the fair value of the item hedged or in the cash flows attributable to the risk hedged. It is expected that such hedges will be highly effective in offsetting changes in the fair value or cash flows and are evaluated continually to determine that they really have been highly effective during the periods of the financial report for which they were designated.

Hedges that meet the strict hedge accounting criteria are recorded as follows:

(w.1) Hedges of fair value

The change in fair value of hedging derivative is recorded as a charge or credit to results. The change in the fair value of the item hedged attributable to the risk hedged is recorded as part of the book value of the item hedged and is also recorded in results.

For hedges of fair value related to items recorded at amortized cost, the adjustment to book value is amortized against the result over the remaining period to its maturity. Any adjustment to book value of a hedged financial instrument for which the effective rate is used is amortized against results in its fair value attributable to the risk that is being hedged.

If once the item hedged is recorded it is reversed, the fair value not amortized is immediately recorded in the statement of results.

When a firm commitment not recorded is designated as a hedged item, the subsequent accumulated change in the fair value of the firm commitment attributable to the risk hedged is shown as an asset or liability with a corresponding gain or loss recorded in the statement of results. The changes in fair value of a hedging instrument are also recorded in the income statement.

(w.2) Hedges of cash flows

The effective portion of the gains or losses of the hedging instrument is initially recorded directly to equity while any ineffective portion is recorded immediately as a charge or credit to results.

The amounts taken to equity are transferred to the income statement when the transaction hedged affects the income statement, as when the financial income or charge hedged is recorded or when a projected sale occurs. When the item hedged is the cost of a non-financial asset or liability, the amounts taken to equity are transferred at the initial book value of the non-financial asset or liability.

If the expected transaction or firm commitment is no longer likely to occur, the amounts previously recorded in equity are transferred to the statement of results. If the hedging instrument matures, is sold, terminated, exercised without replacement or rolled over, or if its designation as a hedge is revoked, the amount previously recorded in equity remains in equity until the expected transaction or firm commitment occurs.

(w.3) Classification of derivative financial instruments and hedges

The classification of derivative financial instruments and hedges according to their category and valuation are reported in Note 23 Financial Instruments and Note 10 Hedging Assets and Liabilities.

(x) Cash and cash equivalents

Cash equivalents relate to short-term and highly-liquid investments that are easily convertible into known amounts of cash and subject to an insignificant risk of change in its value and which mature in no more than three months.

For the purposes of this Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and the cash equivalents as defined above, net of bank overdrafts.

The Statement of Cash Flows shows the movements of cash during the year, determined by the direct method. In this Statement of Cash Flows, the following expressions are understood to mean:

- Cash flows: cash inflows and outflows or of other equivalent means, these being investments with a term of less than three months, highly liquid and a low risk of changes in their value.
- Operating activities: activities that constitute the principal source of the group's ordinary revenues, plus other activities that cannot be classified as from investment or financing.
- Investment activities: those relating to the acquisition, disposal or arrangement by other means of non-current assets and other investments not included in cash and its equivalents.
- Financing activities: those producing changes in the size and composition of net equity and or liabilities of a financial nature.

y) Earnings per share

The basic earnings per share are calculated as ratio of earnings (loss) for the year attributable to the Parent to the weighted average number of common shares in circulation during that year, excluding the average number of shares of the Parent held by some subsidiary company, if such were the case. Quiñenco and subsidiaries have carried out no type of operation with a potential dilutive effect that supposes diluted earnings per share different to the basic earnings per share.

z) Current and non-current classification

In the consolidated statement of financial position, the balances are classified as a function of their maturities, i.e. as current those maturing in twelve months or less and as non-current those maturing in over one year. Should there be obligations maturing in less than twelve months but whose long-term refinancing is assured at the Company's discretion, under credit agreements available unconditionally with long-term maturities, these could be classified as long-term liabilities.

aa) Minimum dividend

Article 79 of the Chilean Corporations Law establishes that, unless otherwise agreed unanimously at the respective shareholders' meeting, open corporations should distribute annually as a cash dividend to their shareholders, pro rata to their shares or in the proportion established in the by-laws if there were preferred shares, at least 30% of the earnings of each year, except when accumulated losses from previous years have first to be absorbed. Considering that to achieve a unanimous agreement is practically impossible given the well-spread composition of the share capital of Quiñenco, the amount of the obligation to shareholders is determined at the end of each year, net of the interim dividends that may have been approved during the year, and are recorded under the heading Other current liabilities as a charge to an account included in net equity called Retained earnings. The interim and definitive dividends are recorded as a reduction to net equity at the time of their approval by the competent body, which in the first case is normally the board of the Company, while in the second the responsibility is that of the ordinary shareholders meeting.

bb) Information by segments

The operating segments are defined as the components of a company on which the information of the financial statements is available and is constantly evaluated by the principal organ, which takes decisions on the assignment of funds and evaluation of performance. The Company operates in three business segments: Manufacturing, Financial, and Others (Quiñenco and others). The associate CCU is shown at its equity value in the Others segment.

The following shows the principal accounting policies of the financial institutions regulated by the SBIF.

cc) Preparation

The General Banking Law authorizes the SBIF to set generally applicable accounting regulations for entities subject to its regulation. The Corporations Law, on the other hand, requires the following of generally accepted accounting principles.

Under this legislation, banks should use the accounting criteria of the SBIF and, in all matters not covered by these and which are not contradicted by its instructions, they should follow generally accepted accounting criteria as set out in the technical instructions issued by the Chilean Association of Accountants, coinciding with the international accounting and financial reporting standards agreed by the International Accounting Standards Board (“IASB”).

The Company and its subsidiaries prepare their financial statements in accordance with Generally Accepted Accounting Principles in Chile (“Chilean GAAP”) and specific accounting standards of the different regulatory bodies in each area of business: SBIF, SVS and the banking regulators of Hong Kong, as the case may be and in accordance with Law 19,396.

dd) Consolidation

The financial statements of SM del Banco de Chile as of December 31, 2009 and 2008 have been consolidated with those of its subsidiaries.

(dd.1) Subsidiaries

The subsidiaries are entities controlled by SM Chile. Control exists when the Company has the power to govern the financial and operational policies of the entity with the objective of obtaining benefits from its activities. In evaluating control, the potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control begins and until its termination. The financial statements have been prepared using uniform accounting policies for similar transactions and other events in equivalent circumstances.

(dd.2) Companies with significant influence

These are those over which SM Chile is able to exercise a significant influence, although not control. Normally this ability is seen with a participation of at least 20% of the entity's voting rights and is valued by the equity value method.

(dd.3) Shares or rights in other companies

These are companies in which SM Chile has no significant influence. They are shown at acquisition cost.

(dd.4) Special-purpose entities

Special-purpose entities ("SPE") are generally created to meet a specific and well-defined objective such as the securitization of specific assets or the carrying out of a specific loan transaction. An SPE is consolidated if, based on the evaluation of the basis of its relationship with the Company and the risks and advantages of the SPE, the Company concludes that it controls it. As of December 31, 2009 and 2008 the Company did not control nor had it created any special-purpose entity.

(dd.5) Funds management

The subsidiary Banco de Chile manages and administers assets held in mutual investment funds and other means of investment on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the subsidiary Banco de Chile controls the entity. The subsidiary Banco de Chile did not control any such fund as of December 31, 2009 and 2008.

(dd.6) Participation in companies

The following are the companies in which SM Chile has a direct and indirect participation and which form part of the consolidation of the financial statements:

Participation of SM-Chile S.A. in its subsidiaries:			Functional currency	Participation					
				Direct		Indirect		Total	
Tax ID	Company	Country		2009 %	2008 %	2009 %	2008 %	2009 %	2008 %
97.004.000-5	Banco de Chile	Chile	Ch$	14.70	15.01	34.64	35.35	49.34	50.36
96.803.910-5	Sociedad Administradora de la Obligación Subordinada SAOS S.A.	Chile	Ch$	100.00	100.00	—	—	100.00	100.00

Participacion del Banco de Chile en sus subsidiarias:			Functional Currency	Participation					
				Direct		Indirect		Total	
Tax ID	Company	Country		2009 %	2008 %	2009 %	2008 %	2009 %	2008 %
44.000.213-7	Banchile Trade Services Limited	Hong Kong	US$	100.00	100.00	—	—	100.00	100.00
96.767.630-6	Banchile Administradora General de Fondos S.A.	Chile	Ch$	99.98	99.98	0.02	0.02	100.00	100.00
96.543.250-7	Banchile Asesoría Financiera S.A.	Chile	Ch$	99.96	99.96	—	—	99.96	99.96
77.191.070-K	Banchile Corredores de Seguros Ltda.	Chile	Ch$	99.83	99.83	0.17	0.17	100.00	100.00
96.894.740-0	Banchile Factoring S.A.	Chile	Ch$	99.75	99.75	0.25	0.25	100.00	100.00
96.571.220-8	Banchile Corredores de Bolsa S.A. (*)	Chile	Ch$	99.70	99.68	0.30	0.32	100.00	100.00
96.932.010-K	Banchile Securitizadora S.A.	Chile	Ch$	99.00	99.00	1.00	1.00	100.00	100.00
96.645.790-2	Socofin S.A.	Chile	Ch$	99.00	99.00	1.00	1.00	100.00	100.00
96.510.950-1	Promarket S.A.	Chile	Ch$	99.00	99.00	1.00	1.00	100.00	100.00
96.942.770-2	Citibank Agencia de Valores S.A. (*)	Chile	Ch$	—	99.90	—	—	—	99.90

Significant intercompany transactions and balances for operations between SM-Chile S.A. and its subsidiaries and between subsidiaries have been eliminated in the consolidation process, and recognition has also been given to the minority participation which corresponds to the percentage participation in subsidiaries, which is shown separately in the consolidated equity.

The minority participation represents the portion of losses and earnings and net assets which SM Chile does not control, directly or indirectly. It is shown separately in the statement of comprehensive income and the Consolidated Statement of Financial Position, separately from the equity of the shareholders.

ee) Use of estimates and judgments

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

Relevant estimates and assumptions are revised regularly by senior management in order to quantify some assets, liabilities, revenues, expenses and uncertainties. The revisions of the accounting estimates are recorded in the year in which the estimate is revised and in any future year affected.

In particular, information on the most significant areas of estimates, uncertainties and critical judgments in the application of accounting policies which have the most important effect on the amounts shown in the financial statements are described in the following concepts:

- Allowance for credit risk
- The useful life of fixed and intangible assets
- The valuation of goodwill
- Commitments and contingencies
- Fair value of financial assets and liabilities

ff) Assets and liabilities valuation criteria

Measurement is the process of determination of the monetary amounts for which elements of the financial statements are shown and recorded for their inclusion in the statement of position and statement of results. The selection of a particular base or method of measurement is needed for this.

Different measurement bases are employed in the financial statements, with different grades and in different combinations of these. Such bases or methods are the following:

(ff.1) Accounting treatment

SM Chile and its subsidiaries initially book loans and accounts receivable from customers, instruments for trading and investment, deposits, debt instruments issued and subordinated liabilities on the date they originate. Purchases and sales of financial assets made regularly are shown on the date of trading in which SM Chile is committed to buy or sell the asset.

All the other assets and liabilities (including assets and liabilities designated to fair value with changes to results) are initially recorded on the date of trading in which the Company becomes party to the contractual terms of the instrument.

The financial asset or liability is valued initially at fair value trading costs which are directly attributable to its acquisition or issuance.

(ff.2) Classification

The classification of assets, liabilities and results has been made in accordance with the instructions of the SBIF.

(ff.3) Retirement of assets

SM Chile and its subsidiaries retire financial assets from their statement of position when the contractual rights expire over the cash flows of the financial asset or when they transfer the rights to receive contractual cash flow by the financial asset during a transaction in which all the risks and benefits of ownership of the financial asset are transferred. Every participation in financial assets transferred that is created or retained by SM Chile is recorded as a separate asset or liability.

SM Chile eliminates a financial liability (or part of it) from its statement of position only when it has been extinguished, i.e. when the obligation specified in the corresponding contract has been paid or cancelled, or has expired.

SM Chile eliminates a financial liability from its statement of position when its contractual obligations have been paid, cancelled or have expired.

When SM Chile transfers a financial asset, it evaluates to what degree it retains the risks and benefits inherent to its ownership. In this case:

- If the risks and advantages inherent in the ownership of the financial asset are substantially transferred, it is retired in accounts and any rights and obligations created or retained in the transfer will be shown separately, as assets or liabilities.
- If the risks and advantages inherent in the ownership of a financial asset are substantially retained, it will continue to account for it.
- If the risks and advantages inherent in the ownership of a financial asset are not substantially transferred or retained, it will determine whether control over the financial assets has been retained. In this case:
    - (i) If control has not been retained, the financial assets will be retired and any right or obligation created or retained through the transfer recorded separately, as assets or liabilities.
    - (ii) If the company has retained control, the financial asset will continue to be recorded according to its continued implication in the financial asset.

(ff.4) Compensation

Financial assets and liabilities are the object of compensation such that their net amount is shown in the statement of position only when SM Chile has the legal right to offset the amounts recorded and has the intention of settling the net amount, or to realize the assets and cancel the liability simultaneously.

The revenues and expenses are shown net only when permitted by accounting principles, or in the case of gains and losses arising from a group of similar transactions like the trading activity of SM Chile.

(ff.5) Valuation of amortized cost

The amortized cost of a financial asset or a financial liability is the initial measurement of that asset or liability less repayments of capital, plus or less accumulated amortization (calculated using the effective interest rate method) of any difference between the initial amount and the repayment amount at maturity, and less any reduction through impairment.

(ff.6) Measurement of fair value

Fair value is the amount at which an asset may be exchanged or liability cancelled between an interested and duly-informed buyer and seller, on conditions of mutual independence.

When available, SM Chile estimates the fair value of an instrument using prices quoted on an active market for that instrument. A market is called active if the prices quoted are easily and regularly available and represent real transactions and occur regularly on an independent basis.

If the market for a financial instrument were not active, SM Chile will determine the fair value using a valuation technique. The valuation techniques include the use of recent market transactions between interested and duly-informed parties acting in conditions of mutual independence, if available, and references to fair value of another substantially equal financial instrument, discounted cash flows and option price-setting models.

The valuation technique chosen will make the maximum use possible of information obtained in the market, using the least possible amount of data estimated by SM Chile, will incorporate all the factors that market participants would consider for setting the price, and will be coherent with the economic methodologies generally accepted for calculating the price of financial instruments. The variables used for the valuation technique fairly represent market expectations and reflect the risk-return factors inherent to the financial instrument. SM Chile will revise the valuation technique periodically and prove its validity by using prices of any other recent and observable market transaction in the same instrument or that are based on any observable and available market data.

The best evidence of fair value of a financial instrument, in recording it initially, is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument can be better shown through comparison with other real market transactions observed for the same instrument (i.e. without modifying or presenting a different form of it) or through a valuation technique whose variables include just observable market data. When the transaction price provides the best evidence of fair value at its initial recording, the financial instrument is initially valued at the transaction price and any difference between that price and the value obtained initially from the valuation model is shown later in results, depending on the individual facts and circumstances of the transaction, but not after the valuation is fully supported by observable market data or the transaction is terminated.

SM Chile generally has assets and liabilities that compensate market risks. In these cases, average market prices are used as a basis for establishing values. In the case of open positions, the Company applies the current offer or buyer price for the net open position, as is most suitable. The fair values reflect the credit risk of the instrument and include adjustments for taking into account the credit risk of the issuer, as is most suitable.

Estimates of fair value obtained based on models are adjusted by any other factor, like uncertainty in the risk or liquidity model, to the degree that the Company believes that another market participant takes them into account in determining the price of a transaction.

gg) Foreign Currency Transactions

(gg.1) Currency of presentation and functional currency

The items included in the financial statements of every one of the companies of SM Chile and its subsidiaries are valued using the currency of the principal economic environment in which the company operates (functional currency). The functional currency of SM Chile is the Chilean peso, which is also the currency of preparation of the company's consolidated financial statements.

(gg.2) Transactions and balances

Transactions in currency other than the functional currency are considered to be in foreign currency and are initially recorded at the exchange rate of the functional currency on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate of the functional currency on the date of the statement of position. All differences are shown as a charge or credit to results.

The foreign currency assets and liabilities are shown at their equivalent value in pesos, calculated at the exchange rate on December 31, 2009 of Ch$506.43 (Ch$629.11 in 2008) per US$1, Ch$5.51 (Ch$6.98 in 2008) per JPY 1, Ch$727.21 (Ch$889.33 in 2008) per EUR 1.

The balance of ThCh$221,000,842 relates to the net exchange gain (net exchange loss of ThCh$353,012,062 in 2008) and is shown in the Consolidated Statement of Comprehensive Income. It includes the effects of exchange rate variations on the assets and liabilities in foreign currency or indexed to the exchange rate, and the result of foreign exchange transactions.

hh) Business segments

The business segments of the subsidiary Banco de Chile are determined on the basis of the different business units, considering the following:

(i) It develops businesses that can produce revenues and incur expenses (including the revenues and expenses on transactions with other components of the same entity).

(ii) Whose operating results are revised regularly by the top level in the entity's taking of operating decisions, to decide on the funds that should be assigned to the segment and evaluate their return, and

(iii) In relation to which it has differentiated financial information.

ii) Cash and cash equivalents

Cash and cash equivalents relate to Cash and bank deposits plus (less) the net balance of operations pending settlement shown in the Consolidated Statement of Financial Position, plus highly-liquid instruments for trading and available for sale with little significant risk of changes in value, whose term to maturity does not exceed three months from the date of acquisition and repurchase agreements that are in that situation. It also includes investments in fixed-income mutual funds which are shown together with trading instruments.

jj) Instruments for trading

Instruments for trading correspond to securities acquired with the intention of generating gains from price fluctuations in the short term or through trading margins, or which are included in a portfolio in which there is a pattern of taking short-term gains.

Instruments for trading are valued at their fair value according to market prices at the closing date of the statement of position. Gains or losses arising from adjustments for their valuation to fair value, plus the results deriving from trading activities, and accrued interest and indexation are shown as net gain (loss) on financial operations in the Consolidated Statement of Comprehensive Income.

All purchases and sales of instruments for trading should be delivered within the term established by the regulations or market custom, and are recorded on the date of the trade which is the date on which the purchase or sale of the asset is committed. Any other purchase or sale is treated as a derivative (forward) until settlement.

kk) Repurchase operations and loans of securities

Repurchase agreements are transacted as a form of investment. Under these agreements, financial instruments are bought, which are included as assets in Repurchase agreements and loans of securities and are valued according to the agreed interest rate.

Repurchase agreements are also transacted as a form of financing. The investments that are sold are subject to an obligation to repurchase and serve as a guarantee for the loan forming part of their respective headings Instruments for trading or Investment instruments available for sale. The repurchase obligation of the investment is classified as the liability Repurchase agreements and loans of securities, which is valued according to the agreed interest rate.

ll) Financial derivative contracts

Financial derivative contracts, which include foreign currency and Unidades de Fomento forwards, interest-rate futures, currency and interest-rate swaps, currency and interest-rate options and other financial derivatives are initially recorded in the Statement of Financial Position at cost (including transaction costs) and later at their fair value.

Fair value is obtained from market quotes, discounted cash-flow models and options valuation models, as the case may be. Derivative contracts are recorded as an asset when the fair value is positive and as a liability when negative, under the heading Financial derivative contracts.

Certain derivatives incorporated in other financial instruments are treated as separate derivatives when their risk and characteristics are not closely related to those of the principal contract and these are not recorded at their fair value with their unrealized gains and losses included in results.

At the time of signing of a derivative contract, this should be designated as a derivative instrument for trading or for accounting hedge purposes.

Changes in fair value of the financial derivative contracts maintained for trading are included in Net income from financial operations in the Consolidated Statement of Comprehensive Income.

If the derivative instrument is classified for accounting hedge purposes, this can be:

(1) A hedge of the fair value of existing assets or liabilities of firm commitments, or

(2) A cash-flow hedge related to the fair value of existing assets or liabilities or expected transactions.

A hedge for accounting purposes should meet all the following conditions:

(a) at the time of starting the hedge, the relationship of the hedge has been formally documented;

(b) it is expected that the hedge will be highly effective;

(c) the effectiveness of the hedge can be fairly measured, and

(d) the hedge is highly effective in relation to the risk covered, continually over the whole term of cover.

Operations with derivatives that do not qualify to be recorded as derivatives for hedging purposes are treated and shown as derivatives for trading, even though they provide an effective hedge for the management of risk positions.

When a derivate hedges exposure to changes in the fair value of an existing asset or liability, the latter is recorded at its fair value in relation to the specific risk hedged. The gains or losses produced by measurement to fair value, both of the item hedged and the hedge derivative, are recorded against results for the year.

If the item covered in a hedge of fair value is a firm commitment, changes in the fair value of the commitment with respect to the risk hedged are shown as asset or liability with effect on the results for the year. The gains or losses deriving from measurement of the fair value of the hedge derivative are shown with effect on results for the year. When an asset or liability is acquired as a result of the commitment, the initial recording of the acquired asset or liability is adjusted to incorporate the accumulated effect of the valuation at fair value of the firm commitment that was shown in the Statement of Financial Position.

When a derivate hedges exposure to changes in the cash flows of existing assets or liabilities, or expected transactions, the effective portion of the changes in fair value with respect to the risk covered is recorded in equity. Any ineffective portion is recorded directly to the results for the year. Amounts recorded directly to equity are shown in results in the same years in which the assets or liabilities hedged affect the results.

When a hedge of fair value of interest rates is carried out for a portfolio, and the item hedged is an amount of currency instead of individualized assets or liabilities, the gains or losses from the measurement of fair value, both of the portfolio hedged and the hedge derivative, are shown against the results for the year, but the measurement to fair value of the portfolio hedged is shown in the statement of position under Other assets or Other liabilities, according to the position of the portfolio hedged at any one time.

mm) Loans and accounts receivable from customers

Originated and acquired loans and accounts receivable from customers are non-derivative financial assets with fixed or determined maturities that are not quoted on an active market and that the subsidiary Banco de Chile has no intention of selling immediately or in the short term.

(mm.1) Method of valuation

The loans are valued initially at their fair value plus incremental transaction costs and later measured at their amortized cost using the effective interest-rate method, except when the subsidiary Banco de Chile chooses to carry the loans at fair value with changes to results, as described in (al) of this Note.

(mm.2) Leasing agreements

Accounts receivable under leasing agreements, included in Loans and accounts receivable from customers, relate to the periodic rental payments of agreements that meet the requirements for being classified as financial leases and are shown net of non-accrued interest at the close of each year.

(mm.3) Factoring transactions

The subsidiary Banco de Chile and its subsidiary Banchile Factoring S.A. carry out factoring operations with their customers, by which they receive invoices and other commercial instruments representative of credit, with or without recourse to the customer, advancing a percentage of the total amounts receivable under the assigned documents.

The heading Loans and accounts receivable from customers includes ThCh$343,056,690 as of December 31, 2009 (ThCh$484,189,381 in 2008) corresponding to the amount advanced to the assignor plus accrued interest net of the payments received.

(mm.4) Allowances for credit risk

The allowances required to cover risks of losses of assets have been constituted according to the regulations of the SBIF. The assets are shown net of such allowances or showing the deduction, in the case of loans, and as a liability under the heading Provisions in the case of contingent loans.

As stipulated by the SBIF, models or methods are used based on the individual and grouped analysis of debtors, for constituting the allowances for loans.

Allowances by individual evaluation

The individual analysis of debtors is applied to segments of legal entity and individual customers that it is necessary to know in detail, due to their size, complexity or level of exposure with the entity. Every debtor and its respective loans also have to be assigned a risk category which should consider at least the following for the purpose of the individual analysis: industry or sector, partners and management, financial position, behavior and payment capacity.

One of the following categories should be assigned to each debtor with their credits after completing the analysis:

i. Categories A1, A2 and A3 correspond to debtors without appreciable risk, whose payment capacity will continue to be good in the face of unfavorable business, economic or financial situations.

ii. Category B corresponds to debtors who show some risk, but no signs of impairment, to the point where, in the face of foreseeable adverse business, economic or financial situations, the debtors analyzed would cease to repay any of their obligations.

iii. Categories C1, C2, C3, C4, D1 and D2 correspond to debtors with insufficient payment capacity.

For determining the allowances for debtors classified in A1, A2, A3 and B, the allowance percentages approved by the board are used. For debtors classified in C1, C2, C3, C4, D1 and D2, the following levels of allowances are applied:

Category	Estimated range of loss	Allowance
C1	Up to 3%	2%
C2	From 3% to 19%	10%
C3	From 19% to 29%	25%
C4	From 29% to 49%	40%
D1	From 49% to 79%	65%
D2	Over 79%	90%

Allowances by group evaluation

The group evaluation is used to analyze a large number of operations whose individual amounts are small. For these, the subsidiary Banco de Chile uses models based on the attributes of the debtors and their loans, and models based on the behavior of a group of loans. In group evaluations, the allowances will always be constituted according to the expected loss measured according to the models used.

Additional allowances

According to the regulations of the SBIF, additional allowances have been constituted over the loan portfolio evaluated individually, considering the expected impairment of each portfolio. The calculation of this allowance is made on the basis of historic experience and in consideration of possible adverse macroeconomic prospects or circumstances that might affect a sector, industry, groups of debtors or projects. During the present year, allowances were constituted for this concept, as a charge to results, amounting to ThCh$12,451,153 (ThCh$16,996,949 in 2008).

(mm.5) Write-offs of loans

The write-offs of loans and accounts receivable have to be computed from the start of the non-payment, i.e. made when the past-due period of an operation reaches the following term for their write-off:

Type of Loan	Term
Consumer loans with or without tangible security	6 months
Others operations without tangible security	24 months
Commercial loans with tangible security	36 months
Housing mortgage loans	48 months
Consumer leasing	6 months
Other non-real estate leasing operations	12 months
Real estate leasing (commercial or housing)	36 months

The term corresponds to the time from the date on which all or part of the overdue obligation became payable.

(mm.6) Recovery of loans written off

Recoveries of loans that were written off, including loans repurchased from Banco Central de Chile recorded in memorandum accounts, are shown directly as revenue in the consolidated statement of comprehensive income, under Allowance for credit risk.

nn) Investment instruments

Investment instruments are classified in two categories: Investments held to maturity and Instruments available for sale. Investments held to maturity include only those instruments for which there is the capacity and intention of holding them until their maturity. Other investment instruments are considered as available for sale.

Investment instruments are recorded initially at cost, which includes transaction costs.

Instruments available for sale are later valued at their fair value according to market prices or valuations obtained by the use of models. Unrealized gains or losses arising from changes in their fair value are shown as a credit or charge to equity accounts. When these investments are disposed of or impaired, the amount of the accumulated adjustments to fair value are transferred to results and reported under Net gain from financial operations.

Investments held to maturity are recorded at cost plus accrued interest and indexation and less allowances for impairment constituted when their book value is higher than the estimated recovery amount.

Interest and indexation of Investments held to maturity and of Instruments available for sale are included in Interest and indexation revenue.

Investment instruments that are the subject of accounting hedges are adjusted according to the rules for recording hedges.

Purchases and sales of investment instruments that should be delivered within the term established by regulations of market custom are shown on the date of trading, on which the purchase or sale of the asset is committed. Other purchases or sales are treated as derivatives (forwards) until their settlement.

There were no investments held to maturity as of December 31, 2009 and 2008.

oo) Intangible assets

(oo.1) Goodwill

Goodwill represents the excess of acquisition cost over the fair value of the Company’s participation in the net identifiable assets of the subsidiary or associate on the date of acquisition.

Goodwill shown as of December 31, 2009 and 2008 is recorded at cost less accumulated amortization according to its remaining useful life.

Goodwill acquired after January 1, 2009 is shown at its fair value less losses for impairment.

(oo.2) Software or computer programs

Computer programs acquired by the subsidiary Banco de Chile and its subsidiaries are recorded at cost less accumulated amortization and the accumulated amount of losses for impairment.

Subsequent expenses in programs are capitalized only when the future economic benefits integrated in the specific related asset increase. All other expenses are recorded as expenses as they are incurred.

The amortization is recorded to results using the straight-line method according to the estimated useful lives of the computer programs, from the date on which they are ready for use. The estimated useful lives of computer programs are a maximum of 6 years.

The cost of computer programs developed internally is recorded to the results for the year.

(oo.3) Other identifiable intangible assets

These refer to identified intangible assets whose asset cost can be measured reliably and it is probable that future economic benefits will be generated.

pp) Property, plant and equipment

As indicated in Note 36.3 First adoption, property, plant and equipment are valued as their historic cost or the fair value as attributed cost, less the corresponding accumulated depreciation and impairments to their value, with price-level restatement applied until December 31, 2009.

The cost includes expenses that have been attributed directly to the acquisition of the asset.

Depreciation is recorded in the statement of results on the basis of the straight-line method over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated average useful lives for the present year are:

Buildings	50 years
Plant & equipment	3 years
Fixtures & accessories	5 years

qq) Deferred taxes and income tax

The provision for income tax of the subsidiary Banco de Chile and its subsidiaries has been determined in accordance with current legislation.

The subsidiary Banco de Chile and its subsidiaries record, when appropriate, deferred tax assets and liabilities for the future estimate of the tax effects attributable to timing differences between the book values of assets and liabilities and their values for tax purposes. The measurement of deferred tax assets and liabilities is made on the basis of the tax rate which, under current taxation legislation, should be applied in the year in which deferred tax liabilities are realized or paid. The future effects of changes in tax legislation or taxation rates are recorded in deferred taxes from the date on which the law approving these changes is published.

The valuation of deferred tax assets and liabilities for their corresponding recording is determined on their book value on the date of measurement of the deferred taxes. Deferred tax assets are recorded only when it is believed probable that there will be sufficient tax earnings to recover the deductions for timing differences.

rr) Assets received in payment

Assets received in payment are classified in Other assets, are recorded at the lower of adjudication cost and fair value less regulatory write-offs, and are shown net of allowances. Regulatory write-offs are required by the SBIF if the asset is not sold within one year of its reception.

ss) Investment properties

Investment properties are properties held with the purpose of obtaining rental income or obtaining a gain on the investment or both things at the same time, but not for sale in the normal course of business or for administrative purposes. Investment properties are valued at the appraisal value calculated at January 1, 2008 less the corresponding accumulated depreciation and impairments and are shown in Other assets.

tt) Provisions and contingent liabilities

Provisions are liabilities in which there is uncertainty about their amount or due date. They are shown in the statement of financial position when meeting both the following requirements:

(i) it is a current obligation as a result of past events, and

(ii) at the date of the statement it is probable that the subsidiary Banco de Chile or its subsidiaries have to expend resources in cancelling the obligation and the mount of these resources can be measured reliably.

A contingent asset or liability is a right or obligation deriving from past events whose existence will only be confirmed if one or more uncertain future events occur and which are outside the control of the subsidiary Banco de Chile.

uu) Provision for minimum dividends

SM Chile shows in liabilities the part of the earnings for the year to be distributed in compliance with the Corporations Law or its dividend policies. A provision is therefore made to a complementary equity account of retained earnings.

vv) Personnel benefits

(vv.1) Personnel vacations

The annual cost of personnel vacations and benefits is shown on an accrual basis.

(vv.2) Short-term benefits

The subsidiary Banco de Chile and its subsidiaries contemplate for their employees an annual incentives plan for compliance with objectives and individual contribution to results, consisting of a certain number or portion of monthly salaries, and the provision is made on the basis of the estimated amount for distribution.

(vv.3) Severance payments

The subsidiary Banco de Chile has agreed with part of its staff the payment of an indemnity to those completing 30 or 35 years service in the case of those retiring from the institution. This obligation includes the accrued proportional part for those staff who will have access to exercising the right to this benefit and who have still not acquired it at the end of the year.

The obligations under this defined benefits plan are valued according to the projected credit unit method, including as variables the staff turnover rate, expected salary growth, and the probability of use of this benefit, discounted at the current rate for long-term operations (4.91% as of December 31, 2009 and 8.78% as of December 31, 2008).

The discount rate used corresponds to the financing rate given by the Bank's treasury area to the different segments for the estimated term as the balance for meeting the conditions required for this benefit. This is made based on the yield on bonds of the Banco Central de Chile in pesos (BCP) at 5 years.

ww) Earnings per share

Basic earnings per share are determined by dividing the earnings attributable to SM Chile for a year by the weighted average number of shares in circulation during that year.

Diluted earnings per share are determined in a similar way to basic earnings but the weighted average number of shares in circulation is adjusted to take into account the potential dilutive effect of share options, warrants and convertible debt. There were no concepts for adjustment at the end of the present year.

xx) Interest revenue and expense

Interest and indexation revenues and expenses are recorded in the statement of comprehensive income using the effective interest-rate method. The effective interest rate is the discount rate that exactly equates the estimated cash inflows and outflows over the expected life of the financial instrument (or, when appropriate, in a shorter period) with the net book value of the financial asset or liability. To calculate the effective interest rate, the subsidiary Banco de Chile determines the cash flows taking into account all the contractual conditions of the financial instrument without considering future credit losses.

The calculation of the effective interest rate includes all the commissions and other concepts paid or received that form part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

In the case of the impaired portfolio and the current portfolio with a high risk of non-payment, a prudent policy has been followed of suspending the accrual of interest and indexation in the results accounts; these are recorded as and when they are received.

yy) Fee income and expense

Fee income and expenses are shown in the consolidated results under different criteria depending on their nature. The most significant are:

- Those relating to a singular act, when the act producing it originates.
- Those that arise from transactions or services that extend over time, during the life of such transactions or services.

zz) Identification and measurement of impairment

(zz.1) Financial assets

A financial asset is revised throughout the year and fundamentally on the date of its closing to determine whether there is objective evidence to show that an event that causes the loss has occurred after the initial recording of the asset and that that event impacts the estimated future cash flows of the financial asset, which can be calculated reliably.

A loss for impairment relating to financial assets recorded at amortized cost is calculated as the difference between the book value of the asset and the present value of the estimated cash flows, discounted at the effective interest rate.

A loss for impairment relating to a financial asset available for sale is calculated by reference to its fair value.

Individually significant financial assets are examined individually to determine their impairment. Other financial assets are evaluated collectively in groups that share similar credit-risk characteristics.

All impairment losses are recorded against results. Any accumulated loss in relation to a financial asset available for sale recorded previously against equity is transferred to results.

The reversal of a loss for impairment only occurs when this can be related objectively to an event that occurred after it was recorded. In the case of financial assets recorded at amortized cost and for those available for sale which are securities, the reversal is recorded in results. In the case of financial assets which are variable-income securities, the reversal is recorded directly to equity.

(zz.2) Non-financial assets

The book value of the non-financial assets of SM Chile and its subsidiaries, excluding investment properties and deferred tax assets, is revised throughout the year and fundamentally on the date of its closing to determine whether there are indications of impairment. If there are, then the amount recoverable from the assets is estimated.

Losses for impairment recorded in previous years are evaluated on each date of presentation to find any indication as to whether the loss has diminished or disappeared. A loss for impairment is reversed if there has been a change in the estimates used to determine the amount recoverable. A loss for impairment is reversed only provided the book value of the assets does not exceed the book value that would have been determined, net of depreciation or amortization, if no loss for impairments had been recorded.

aaa) Operative leases

When the subsidiary Banco de Chile and its subsidiaries act as lessee and the agreement qualifies as an operative lease, all the payments are recorded in operating results.

On the termination of the operative lease, any payment of penalties under the agreement demanded by the lessor is recorded as expenses in the year in which the agreement terminates.

NOTE 3. First-time Adoption of International Financial Reporting Standards

a) Explanation of the principal differences

These are the first financial statements in which the Company adopts International Financial Reporting Standards. To do this, it has followed the pronouncements established in IFRS/FRSCH 1 “First-time adoption of International Financial Reporting Standards”, but making the following exemptions that affect the reconciliation of equity and the result, as detailed in Notes 3 (c) and 3 (d).

(i) Business combinations

The management of the subsidiary LQIF has decided to retroactively show the business combination for the direct and indirect acquisition of Banco de Chile in March 2001, applying retroactively the requirements of IFRS/FRSCH 3. This has permitted LQIF to show the intangible assets acquired and the subordinated obligation with the Banco Central de Chile at their fair values at the time of acquisition. The acquisitions of participations from minority interests made after March 2001 have been recorded at the cost of the investment (amortized fair value) at the date of acquisition. The effects deriving from the re-issue have been recorded as a charge or credit to equity.

The goodwill generated that meets the characteristics of a business combination under a common control, whether between the parent or its subsidiaries or between them, have been valued at their book values without assigning fair values.

The business combinations acquired prior to March 31, 2001 have not been re-expressed.

(ii) Property, plant and equipment

The subsidiary Telsur used the fair value of its principal land, buildings and some groups of technological assets as the attributed cost. For the other assets, the historic cost as of December 31, 2007 was used as the attributed cost.

The subsidiary Madeco used the fair value as attributed cost of property, plant and equipment.

Quiñenco used the historic cost as of December 31, 2007 as the attributed cost of property, plant and equipment.

(iii) Functional currency

The Company has determined that its functional currency is the Chilean peso and the functional currency of its subsidiaries has been determined by each of them as a function of their own characteristics. As a result, the functional currency of the subsidiaries Telsur and Banco de Chile is the Chilean peso and of Madeco the US dollar.

The studies supporting the determination of each functional currency were examined by our external auditors who confirmed their results and conclusions, in compliance with point 2e) of Circular 427 of December 28, 2007.

(iv) Capitalization of interest

Chilean GAAP required that all interest on debt directly related to construction projects be capitalized, including interest, price-level restatement and, with respect to foreign currency loans, the translation gains and losses. The capitalization of interest costs related to projects under construction is optional when incurred on debt that is not directly related to such projects. Under IFRS/FRSCH, the capitalization of interest is necessary for the interest that could have been avoided if the expense for the associated asset had not been incurred. The classification of assets under the criteria of the subsidiary Madeco require at least 6 months of preparation for their use or sale. The effects of interest recorded as described above are included in the reconciliation.

(v) Post-employment benefits IAS

Under the work contracts and collective bargaining agreements of the subsidiary Madeco, it has committed itself to paying a fixed sum to every worker on the termination of their employment, whether due to death, dismissal, resign or retirement.

Until December 31, 2007, Madeco determined these obligations using the present value method on the basis of current wages and an estimate of the average working life of each worker at the end of the year. Under IFRS/FRSCH the method to be used is the actuarial value which implies the consideration of more factors (mortality table, annual interest rate, voluntary retirement turnover rate, company needs turnover rate, wage increase and age of retirement) than those used under the previous standards. On January 1, 2008 therefore, Madeco evaluated the factors used for the actuarial calculations, generating as a result changes in some of these factors, which meant an increase in the liability for the purposes of IFRS/FRSCH, which was adjusted against Retained earnings in equity; this adjustment is included in the reconciliation.

(vi) Impairment of investments held for sale

This relates to the impairment of the subsidiary Madeco with respect to its investments in shares valued at acquisition cost under the previous standard and later classified under IFRS/FRSCH as investments held for sale, as their market value was significantly below their book value. This implied recording the effects of such impairment as a charge to results of 2008.

(vii) Minimum dividend

In accordance with the requirements of Law 18,046, the Company should distribute a minimum cash dividend equivalent to 30% of earnings. For the purposes of IFRS/FRSCH, an accrual should be made to recognize the corresponding reduction in equity at the date of the statement of financial position. Under the previous standards, these dividends were not recorded until they had been approved by the ordinary shareholders meeting held normally in April of the following year. The effects of this adjustment of these dividends on the consolidated equity are shown in the reconciliation.

b) Principal adjustments made

(b.1) Deferred taxes complementary accounts

Effective January 1, 2000, the Company and its subsidiaries recorded income tax according to the provisions of Technical Bulletin 60 of the Chilean Institute of Accountants and its amendments, recording under the liabilities method the effects of deferred taxes relating to timing differences between the financial and taxation values of assets and liabilities. As a transition provision, the effect of the deferred tax not recorded prior to January 1, 2000 was recorded against assets or liabilities. Such complementary assets and liabilities were amortized against results over the estimated years of reversal corresponding to the underlying timing differences to which the deferred tax assets and liabilities were related. The effects of the adjustments to the deferred tax complementary accounts as a result of the conversion are shown in the reconciliation.

(b.2) Deferred taxes on the IFRS/FRSCH adjustments

Under IFRS/FRSCH, companies should record deferred tax according to IFRS/FRSCH 12 “Taxes on earnings”, which requires an asset and liability focus for the accounting and reporting of income tax, under the following basic principles: (a) a deferred tax asset or liability is recorded for the estimated future tax effects attributable to timing differences and tax losses brought forward, (b) the measurement of deferred tax liabilities and assets is based on the provisions of the promulgated taxation law and the effects of future changes in the tax laws are not anticipated, and (c) the measurement of deferred tax assets is reduced by a valuation provision if, based on the weight of available evidence, it is most probable that some portion of the deferred tax assets will not be realized. The effects of the adjustments to the deferred tax assets and liabilities as a result of the conversion are included in the reconciliation.

(b.3) Goodwill and negative goodwill

Until December 31, 2003, the difference between the acquisition value and the proportional equity value in the equity of the issuer at the time of the acquisition was recorded as goodwill or negative goodwill.

Since January 1, 2004, the assets acquired and liabilities assumed are shown at fair value, and the excess of the investment purchase price over the fair value of the assets acquired and liabilities assumed is recorded as goodwill or negative goodwill.

Under both regulations, the goodwill that results from business combinations is amortized on a straight-line basis over a maximum term of 20 years. The adjustment shown in the reconciliation reverses the effects of the amortization not accepted under IFRS/FRSCH.

In the case of negative goodwill, which for IFRS/FRSCH purposes is recorded in the year in which generated, the treatment of the balances as of January 1, 2008 has been the following:

- In the event that there is no goodwill produced by acquisitions of an investment in a same entity, the negative goodwill has been eliminated by credit to Other reserves,
- Should there be a balance of goodwill produced by acquisitions of an investment in a same entity, the negative goodwill has been deducted from the balance of goodwill; if the resultant balance is a negative goodwill, this has been eliminated by credit to Other reserves. If the balance is goodwill, its amortization has been suspended.

The amortization of goodwill and negative goodwill has been suspended from January 1, 2008. The adjustment shown in the reconciliation of the result for the year reverses the effects of the amortization of goodwill and negative goodwill not accepted under IFRS/FRSCH.

(b.4) Property, plant and equipment

The subsidiary Madeco has followed the option of valuing property, plant and equipment at the transition date to IFRS/FRSCH at their fair value as of January 1, 2008 and using this value as their attributed cost.

The subsidiary Telsur at the date of transition to IFRS/FRSCH chose to measure its principal land, buildings and some technological assets at fair value, using this value as the attributed cost at that date.

(b.5) Exchange effects of implementation of IFRS/FRSCH

The previous accounting principles did not require a functional currency to be defined. Under IFRS/FRSCH the determination of the functional currency is based on the principal economic environment in which an entity operates, which is normally that where cash is generated and expended. The subsidiary Madeco, on the basis of the factors indicated in IAS/IASCH 21, has determined that its functional currency is the US dollar. This change has generated significant effects on the results determined as of December 31, 2008 compared with those under the previous principles. These effects plus the elimination of price-level restatement are included in the reconciliation of the result for that period.

(b.6) Impairment of investments held for sale

This relates to the impairment of investments in shares which were valued at cost under Chilean GAAP and were later classified under IFRS/FRSCH as Investments held for sale, as their market value was significantly below their book value. This implies recording the effects of this impairment as a charge to the results of 2008, as mentioned in Note 11.

(b.7) Combinations of business

The management of the subsidiary LQIF has decided to re-express retroactively the business combination for the direct and indirect acquisition of Banco de Chile in March 2001, applying retroactively the requirements of IFRS/FRSCH 3. This has permitted LQIF to show the intangible assets acquired and the subordinated obligation with the Banco Central de Chile at their fair values at the time of acquisition. The acquisitions of participations from minority interests made after March 2001 have been recorded at the cost of the investment (amortized fair value) at the date of acquisition. The effects deriving from the re-issue have been recorded as a charge or credit to equity.

The goodwill generated that meets the characteristics of a business combination under a common control, whether between the parent or its subsidiaries or between them, has been valued at its book value without assigning fair value.

The business combinations acquired prior to March 31, 2001 have not been re-expressed.

(b.8) Convergence to IFRS/FRSCH of Banco de Chile and SM Chile

In accordance with instructions issued by the SBIF, banks should present comparative financial statements during 2009 with the previous year. Just for the purpose of comparative presentation of the financial statements for 2008 under the new accounting standards, re-processes or estimates have been made to some items for the determination of the adjustments and reclassifications that have affected the balances reported in the financial statements published at the time, which are being shown in the reconciliations described in these consolidated financial statements in Note 36.3.

(b.9) Price-level restatement

Chilean GAAP required that the financial statements be adjusted to reflect the loss of purchasing power of the Chilean peso on the financial position and operating results of entities reporting. The following method is based on a model that required the calculation of the gain or loss due to net inflation attributed to monetary assets and liabilities exposed to changes in the purchasing power of the local currency. The historic costs of non-monetary assets and liabilities, equity accounts and results statement accounts were corrected to reflect changes in the CPI from the date of acquisition to the close of the year. The gain or loss of purchasing power included in the net earnings or losses reflects the effects of inflation on the monetary assets and liabilities of the Company and its subsidiaries.

IFRS/FRSCH do not consider indexation for inflation in countries that are not hyperinflationary, like Chile, so the results accounts and the statement of position are not adjusted for inflation and the variations are nominal. The effects of price-level restatement mainly affect assets, depreciation and equity. The effects of the application of price-level restatement described above are included in the reconciliation.

(b.10) Contingent Assets

Under IFRS/FRSCH, contingent assets comprise values whose enforceability or realization depends on a condition, or the value of assets that are in dispute and whose final possession is subject to the resolution or sentence of the judicial authorities. On this basis, the subsidiary Telsur shows against equity the amount owed by the Ministry of Public Works whose invoicing is related to the payment of investments in works ordered by organisms that are part of the Ministry and which were carried out in the city of Valdivia and on the Ruta 5 Sur highway, an amount that was demanded from the Chilean Treasury and is still subject to processing.

(b.11) Minimum dividend

In accordance with article 79 of the Corporations Law, and except with the unanimous approval of the shareholders to the contrary, the Company is obliged to distribute a minimum dividend equivalent to 30% of earnings.

The usual accounting practice in Chile has been to book this obligation at the time that the dividends are approved by the shareholders at the ordinary shareholders' meeting. Under IFRS/FRSCH, the recording of the obligation to the shareholders should be before the closing of the annual financial statements, with the consequent reduction in equity.

(b.12) Investments in other companies

At the date of transition, the Company and its subsidiaries hold permanent investments without significant influence and are shown at corrected cost. Under IFRS/FRSCH, the accounting treatment of these investments is as available for sale, valued at their fair value against equity. At the date of adoption of IFRS/FRSCH the net difference between the fair value and the corrected cost amount of these instruments has been recorded as credit or charge to equity.

c) Reconciliation of equity under Chilean GAAP and IFRS/FRS

		12-31-2008 ThCh$	01-01-2008 ThCh$
Equity under Chilean GAAP		**1,324,608,541**	**995,786,890**
Madeco	Deferred tax complementary accounts (b.1)	(1,561,613)	(1,579,215)
	Deferred taxes on IFRS/FRSCH adjustments (b.2)	1,478,913	(1,226,938)
	Goodwill (b.3)	(274,285)	(302,158)
	Negative goodwill (b.3)	937,788	805,291
	Property, plant & equipment (b.4)	(3,637,629)	(3,323,563)
	Severance payments	(1,270,920)	(1,115,237)
	Dollarized inventories	(472,508)	-
	Exchange rate effects in implementation IFRS/FRSCH (b.5)	14,343,135	-
	Impairment value Nexans S.A. shares (b.6)	(21,172,184)	-
	Hedges	(171,711)	(402,969)
	Non-controlling interests & other minor items	971,729	1,029,623
LQIF	Effects of goodwill & price-level restatement for re-issue of investment in Banco Chile under Chilean GAAP (b.7)	46,441,439	46,441,439
	Amortization of identified assets at fair value in purchase of Banco de Chile (b.7)	(74,214,055)	(74,214,055)
	Interest & indexation subordinated obligation with Banco Central de Chile 2007 (b.7)	(65,973,828)	(65,973,828)
	Effect equity variations for convergence GAAP to IFRS/FRSCH Banco de Chile & SM Chile (b.8)	25,695,367	25,695,367
	Increase in accrued results on investment in SM Chile for recording of subordinated obligation with Banco Central de Chile (b.7)	52,350,150	52,350,150
	Price-level restatement (b.9)	(68,539,774)	-
	Effect equity variations for convergence GAAP to IFRS/FRSCH Banco de Chile & SM Chile (b.8)	(8,165,460)	-
	Effect on results convergence GAAP to IFRS/FRSCH	43,327,488	-
Telsur	Price-level restatement (b.9)	(8,832,501)	(78,575)
	Deferred tax complementary accounts (b.1)	(4,084,637)	(3,754,472)
	Contingent assets (b.10)	(711,351)	(711,351)
	Property, plant & equipment (b.4)	(3,798,819)	(6,741,033)
	Deferred taxes for IFRS/FRSCH adjustments (b.2)	1,711,093	1,244,497
IRSA (adjustments from CCU) Initial convergence adjustment at 01.01.08		1,241,948	1,241,948
	Effect of IFRS/FRSCH adjustment 2008	(1,364,149)	-
	Effect on results convergence GAAP to IFRS/FRSCH	2,043,256	-
Holding	Negative equity IFRS/FRSCH 1 (b.3)	4,591,850	4,591,850
	Shares available for sale IFRS/FRSCH 1 (b.12)	37,905,929	37,905,929
	Adjustment to shares available for sale (b.12)	(3,519,205)	-
	Minimum dividend (b.11)	(69,615,609)	(31,572,302)
	Effect on results convergence GAAP to IFRS/FRSCH	(4,483,683)	-
	Translation reserve foreign companies	(1,437,456)	-
	Other	(1,982,502)	-
EQUITY UNDER IFRS/FRSCH		**1,212,364,747**	**976,097,288**

d) Reconciliation of result for the year under previous GAAP and IFRS/FRSCH

		12-31-2008 ThCh$
Result under Chilean GAAP		**232,052,031**
Madeco	Deferred tax complementary accounts (b.1)	475,996
	Deferred taxes on IFRS/FRSCH adjustments (b.2)	2,914,441
	Goodwill (b.3)	115,580
	Negative goodwill (b.3)	(101,252)
	Depreciation of property, plant & equipment	689,997
	Severance payments	204,434
	Dollarized inventories	(472,508)
	Exchange rate effects of implementation IFRS/FRSCH (b.5)	(13,290,896)
	Effect average monthly exchange rate by presentation currency (b.5)	(6,083,734)
	Reversal equity liquidation of translation adjustment discontinued operations	15,969,527
	Impairment value of Nexans S.A. shares (b.6)	(21,172,184)
	Hedging result adjustment IFRS/FRSCH (Brazil)	635,482
	Minority interest & other minor items	(171,485)
LQIF	Reversal amortization goodwill under Chilean GAAP (b.3)	31,131,286
	Price-level restatement (b.9)	(5,705,062)
	Amortization of assets at fair value identified in purchase of Banco de Chile (b.7)	(8,116,131)
	Increase in accrued results for 2008 on investment in SM Chile for recording the subordinated obligation with Banco Central de Chile (b.7)	38,726,770
	Interest & indexation subordinated obligation with Banco Central de Chile 2008 (b.7)	(43,462,949)
	Effect on result of IFRS/FRSCH adjustments Banco de Chile & SM Chile (b.8)	30,753,574
Telsur	Price-level restatement (b.9)	(3,724,507)
	Deferred taxes on IFRS/FRSCH adjustments (b.2)	132,245
	Property, plant & equipment (b.4)	2,942,214
IRSA (adjustments from CCU) Initial convergence adjustment at 01.01.08		2,043,256
Holding	Earnings difference for non-concurrence generated in LQIF	5,184,622
	Reversal share market adjustment	-
	Reversal amortization goodwill (b.3)	2,899,375
	Price-level restatement (b.9)	(14,913,487)
	Effect in income tax by changed standard	426,631
	Other	1,919,167
RESULT UNDER IFRS/FRSCH		**252,002,433**

NOTE 4. Cash and Cash Equivalents

a) Cash and cash equivalents are detailed as follows:

	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Cash	78,341	454,668	35,179
Bank balances	4,119,457	6,010,859	7,333,759
Short-term deposits	31,002,750	131,952,524	315,138
Other	97,158,912	17,861,342	7,765,360
TOTAL	**132,359,460**	**156,279,393**	**15,449,436**

As indicated in Note 2 (e), the consolidated statement of cash flows includes the banking subsidiaries which are shown separately in the statement. The above detail therefore does not include the cash and cash equivalents of the banking subsidiaries, nor does it include the balances of Quiñenco and its subsidiaries in checking accounts, time deposits and other investments with Banco de Chile whose total as of December 31, 2009 was ThCh$43,888,532.

b) The above cash and cash equivalents by currency are detailed as follows:

	Currency	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Cash & cash equivalents	CLP	100,954,744	103,157,662	9,402,599
Cash & cash equivalents	USD	30,316,799	50,738,336	4,638,103
Cash & cash equivalents	EUR	425,374	369,975	174,960
Cash & cash equivalents	ARS	191,921	1,559,308	1,110,244
Cash & cash equivalents	PEN	101,394	97,598	113,641
Cash & cash equivalents	BRL	369,228	356,514	9,889
TOTAL		**132,359,460**	**156,279,393**	**15,449,436**

c) Reconciliation of cash and cash equivalents in the statement of financial position and that shown in the statement of cash flows is as follows.

	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Cash & cash equivalents relating to non-banking services	132,359,460	156,279,393	15,449,436
Cash & cash equivalents relating to banking services			
Cash	257,091,499	223,102,309	216,744,905
Deposits with Banco Central de Chile	127,166,553	168,255,465	73,899,278
Deposits with national Banks	94,318,158	73,662,171	54,378,767
Foreign deposits	248,976,956	286,203,320	124,930,362
Operations pending settlement, net	200,995,896	327,837,543	241,849,226
Highly-liquid financial instruments	226,648,837	232,145,134	430,783,180
Repurchase agreements	79,401,270	75,519,343	69,129,781
CASH & CASH EQUIVALENTS SHOWN IN STATEMENT OF CASH FLOWS	**1,366,958,629**	**1,543,004,678**	**1,227,164,935**

d) Significant unavailable cash balances.

The subsidiary Madeco holds ThUS$13,000 in cash and cash equivalents not available for use as they are deposits in guarantee pending the final closing of the operation for the sale of the cables unit to Nexans.

Except for this item, the Company and its subsidiaries do not have significant amounts of cash and cash equivalents that cannot be used.

NOTE 5. Trade and Other Receivables

Trade and other receivables as of December 31, 2009 and 2008, and January 1, 2008 are detailed as follows:

	Current			Non-current		
	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Trade receivables	45,999,693	56,886,470	46,130,752	86,870	5,508	246,375
Other receivables	5,804,003	5,783,574	9,006,169	920,472	1,150,127	849,926
Allowance for doubtful accounts	(4,592,579)	(5,708,463)	(5,508,506)	-	-	-
TOTAL	**47,211,117**	**56,961,581**	**49,628,415**	**1,007,342**	**1,155,635**	**1,096,301**

NOTE 6. Balances and Transactions with Related Entities

a) Accounts receivable from related entities

Accounts receivable from related entities as of December 31, 2009 and 2008, and January 1, 2008 are detailed as follows:

Company	Tax ID	Relationship	Currency	Current			Non-Current		
				12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Habitaria S.A.	96.867.470-6	Associate	CLP	400,000	-	-	-	-	-
Embotelladoras Chilenas Unidas S.A.	99.501.760-1	Subsidiary of associate	CLP	81,659	131,002	138,163	-	-	-
Aguas CCU Nestlé Chile S.A.	76.003.431-2	Subsidiary of associate	CLP	55,934	66,980	-	-	-	-
Transportes y Servicios Aéreos S.A.	96.994.240-2	Associate	CLP	678	6,116	8,445	536,604	549,665	502,778
Minera Los Pelambres S.A.	96.790.240-3	Common shareholder	CLP	-	-	257,824	-	-	-
Cía. Inversiones Adriático S.A.	93.857.000-0	Common shareholder	CLP	-	49,262	52,340	-	-	87,188
Ferrocarril Antofagasta Bolivia	81.148.200-5	Common shareholder	CLP	-	10,604	-	-	-	-
Others				9,200	12,730	79,683	-	-	-
TOTAL				**547,471**	**276,694**	**536,455**	**536,604**	**549,665**	**589,966**

b) Accounts payable to related entities

Accounts payable to related entities as of December 31, 2009 and 2008, and January 1, 2008 are detailed as follows:

Company	Tax ID	Relationship	Currency	Current			Non-Current		
				12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Minera Michilla S.A.	91.840.000-1	Common shareholder	CLP	-	434,961	101,996	-	-	-
Others	-	-	CLP	9,262	6,800	31,533	-	-	-
TOTAL				**9,262**	**441,761**	**133,529**	**-**	**-**	**-**

c) Nature of the balances

The following is the nature of the relationship, transaction, currency, interest rate and maturity of the accounts with related entities as of December 31, 2009. There are no allowances for doubtful accounts.

Relationship	ThCh$	Transaction	Currency	Interest rate	Maturity
Current assets					
Associate	400,000	Capital reduction	CLP	-	Less than 90 days
Subsidiary of associate	137,593	Invoices	CLP	-	Less than 90 days
Common shareholders	9,878	Invoices	CLP	-	Less than 90 days
Total current assets	**547,471**				
Non-current assets					
Associate	536,604	Trade current account	U.F.	-	Indefinite
Total non-current assets	**536,604**				
Current liabilities					
Common shareholders	9,262	Invoices	CLP	-	Less than 90 days
Total current liabilities	**9,262**				

d) Significant transactions with related entities

The criterion of the Company is to classify the rights with its associate IRSA with respect to dividends as Other assets, in view of its nature but not its position as related.

Transactions between related entities are carried out at market prices. No security has been given or received with respect to accounts receivable and payable with related parties.

In showing the transactions with related entities, amounts exceeding the lesser of UF10,000 or 1% of equity have been considered as significant.

Tax ID	Company	Relationship	Transaction	(Charges) credits to income	
				12-31-2009 ThCh$	12-31-2008 ThCh$
99.501.760-1	Embotelladoras Chilenas Unidas S.A.	Subsidiary of associate	Sale of products	509,229	714,024
76.003.431-2	Aguas CCU Nestlé Chile S.A.	Subsidiary of associate	Sale of products	276,452	237,025
96.790.240-3	Minera Los Pelambres S.A.	Common shareholder	Sale of products	-	232,653
Total				**785,681**	**1,183,702**

e) Remuneration and benefits received by key personnel of the Company

This account is detailed as follows:

	Accumulated to	
	12-31-2009 ThCh$	12-31-2008 ThCh$
Wages & salaries	2,149,889	1,616,879
Fees (allowances & profit sharing)	1,089,107	830,825
Short-term benefits	2,215,000	1,966,000
Total	**5,453,996**	**4,413,704**

NOTE 7. Inventories

Inventories as of December 31, 2009 and 2008, and January 1, 2008 are detailed as follows:

	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Raw materials	9,465,814	16,115,489	14,058,890
Merchandise	4,863,110	12,403,178	3,311,971
Supplies for production	3,245,955	4,446,170	4,980,986
Work in progress	8,326,341	3,900,686	10,156,249
Finished goods	4,085,734	9,641,927	3,407,325
Other (1)	625,978	1,891,560	4,452,322
Total	**30,612,932**	**48,399,010**	**40,367,743**

(1) Mainly includes inventories in transit and materials for administrative use.

The following shows the amounts deducted from inventories mainly with respect to obsolescence and the adjustment to net realization value, generated in the subsidiary Madeco by variations in the prices of copper and aluminum.

	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Amounts deducted from inventories	1,182,336	5,813,728	1,782,278

The costs of inventories shown as expense in the consolidated statement of comprehensive income during 2009 and 2008 are as follows:

	Accumulated to	
	12-31-2009 ThCh$	12-31-2008 ThCh$
Costs of inventories shown as expense	147,307,855	175,676,635

NOTE 8. Hedging Assets and Liabilities

a) Hedging assets as of December 31, 2009 and 2008, and January 1, 2008 are detailed as follows:

Classification	Type of hedge	Risk covered	Item covered	Current			Non-Current			Fair value		
				12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Other derivatives	Fair value hedging instrument	Exposure to risk of copper price variations	Copper inventories	-	875,377	1,728,667	-	-	-	-	875,377	1,728,667
Other derivatives	Fair value hedging instrument	Exposure to risk of copper price variations	Expected sales	199,523	242,488	-	-	-	-	199,523	242,488	-
TOTAL HEDGING ASSETS				**199,523**	**1,117,865**	**1,117,865**	**-**	**-**	**-**	**199,523**	**1,117,865**	**1,728,667**

b) Hedging assets as of December 31, 2009 and 2008, and January 1, 2008 are detailed as follows:

Classification	Type of hedge	Risk covered	Item covered	Current			Non-Current			Fair value		
				12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Interest rate derivatives	Cash flows hedge (1)	Exposure to interest-rate risk	Floating-rate bank loan	-	20,268	-	309,226	668,886	-	309,226	689,150	-
Foreign currency derivatives	Fair value hedge	Exposure to foreign-exchange rate risk	Time deposit in Chilean pesos	145,759	-	-	-	-	-	145,759	-	-
Other derivatives	Fair value hedge	Exposure to variations in copper prices	Copper inventories	439,808	-	4,214	-	-	-	439,808	-	4,214
TOTAL HEDGING LIABILITIES				**585,567**	**20,268**	**4,214**	**309,226**	**668,886**	**-**	**894,793**	**689,150**	**4,214**

c) Other information

1. Cash flows hedging instruments

The subsidiary Madeco and its joint business Peruplast have a cash flow hedging liability to cover interest-rate risk on floating-rate bank loans.

The flows period for Madeco are quarterly and for Peruplast S.A. semi-annually.

The net accumulated variations of the hedging instrument (interest rate) and the item hedged have been recorded as a credit to equity of ThCh$155,109 for the year ended December 31, 2009 and a charge to equity of ThCh$492,356 for the year ended December 31, 2008, net of deferred taxes.

Madeco and Peruplast discounted from equity, net of deferred taxes, an amount of ThCh$96,273 and ThCh$58,836 respectively, affecting the result for 2008.

For both years, no initial cost has been re-classified of a non-financial asset or liability and with respect to the balance outstanding at December 31, 2009 in equity and the future variations in the hedging instrument (interest rate), it is expected that these will affect the results in 2011 for Madeco and in 2012 for Peruplast.

For the year ended December 31, 2009, no ineffectiveness has been determined of all or part of the hedging instrument.

2. Hedging instruments of fair value

The subsidiary Madeco has recorded a fair value hedging asset to cover its exposure to commodity (copper) price fluctuations, the principal raw material in its inventories and to exchange risk (US dollars to Chilean pesos) for time deposits.

The loss recorded for the fair value hedging instrument for its exposure to commodity (copper) prices for the year 2009 amounts to ThCh$179,068, recorded as cost of sales in the consolidated statement of comprehensive income. The gain on the item covered (copper) for 2009 amounts to ThCh$779,529, shown in cost of sales in the consolidated statement of comprehensive income.

The loss recorded for the fair value hedging instrument for its currency risk exposure (US dollar to Chilean pesos) for time deposits for the year 2009 is ThCh$1,182,971, shown in exchange differences in the consolidated statement of comprehensive income. The gain on the item hedged (time deposits) for 2009 amounts to ThCh$1,063,669, shown in exchange differences in the consolidated statement of comprehensive income.

NOTE 9. Other Current Assets

Other current assets as of December 31, 2009 and 2008, and January 1, 2008 are detailed as follows:

	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Nexans guarantees	16,856,971	26,512,024	-
Dividends receivable	12,664,311	7,689,704	7,441,492
Other	111,272	40,462	650,684
TOTAL	**29,632,554**	**34,242,190**	**8,092,176**

NOTE 10. Non-current Assets Held for Sale and Discontinued Operations

This account as of December 31, 2009 and 2008, and January 1, 2008 is detailed as follows:

	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Non-current assets held for sale	1,170,688	2,422,187	2,051,717
Discontinued operations	153,606,089	158,206,574	388,428,627
TOTAL	**154,776,777**	**160,628,761**	**390,480,344**

a) Non-current assets held for sale

These consisted of the following as of December 31, 2009 and 2008:

	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Buildings (1)	1,170,688	1,199,179	1,096,889
Machinery & equipment for sale (2)	-	1,223,008	954,828
TOTAL	**1,170,688**	**2,422,187**	**2,051,717**

(1) Relate to the office, warehouse and parking lots of Torre Vitacura, received in lieu of payment by the indirect subsidiary Indalum S.A.
(2) Machinery and equipment for the production of fiber optic of the indirect subsidiary Optel Brasil S.A.

b) Discontinued operations

(b.1) The balance of discontinued operations is detailed as follows:

	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Assets (1) (2) (3)	153,606,089	158,206,574	388,428,627
Liabilities (1) (2) (3)	79,702,459	84,011,306	152,134,047

(1) At January 1, 2008, includes the discontinued operations of the cables unit which were disposed of on September 30, 2008.
(2) As of December 31, 2009 and 2008, and January 1, 2008, includes the discontinued operations of Alufoil S.A., a subsidiary of Alusa S.A..
(3) As of December 31, 2009 and 2008, and January 1, 2008, includes the assets and liabilities of the subsidiary Telsur, which were disposed of in January 2010.

(b.2) The results of the discontinued operations for the years 2009 and 2008 are detailed as follows:

	Accumulated to	
	12-31-2009 ThCh$	12-31-2008 ThCh$
Revenues	64,229,267	506,201,887
Expenses	(59,265,666)	(355,971,143)
Result before tax	4,963,601	150,230,744
Charge for income tax	(802,904)	(30,675,554)
GAIN OF DISCONTINUED OPERATIONS NET OF TAX	**4,160,697**	**119,555,190**

(b.3) The net cash flows incurred by these operations in 2009 and 2008 are detailed as follows:

	Accumulated to	
	12-31-2009 ThCh$	12-31-2008 ThCh$
Operating activities	24,199,714	63,746,442
Investment activities	(21,942,541)	(51,202,260)
Financing activities	(2,300,024)	19,373,696
Total net cash flows	(42,851)	31,917,878

NOTE 11. Financial Assets Available for Sale

As of December 31, 2009 and 2008, and January 1, 2008, this account is detailed as follows:

	Current			Non-Current		
	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Equity instruments	-	-	149,873	105,048,181	157,286,796	53,927,760
TOTAL	**-**	**-**	**149,873**	**105,048,181**	**157,286,796**	**53,927,760**

Equity instruments as of December 31, 2009 and 2008, and January 1, 2008 are detailed as follows:

	Current			Non-Current		
	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Nexans S.A. (1)	-	-	-	104,216,020	96,632,028	-
Entel S.A.	-	-	-	-	47,617,057	53,379,895
Other	-	-	149,873	832,161	13,037,711	547,865
TOTAL	**-**	**-**	**149,873**	**105,048,181**	**157,286,796**	**53,927,760**

(1) Relates to 2.5 million shares in Nexans (France), received by the subsidiary Madeco as part of the sale price of the cables unit. These shares were received on September 30, 2008 for a market value of Ch$48,039.88 per share, equivalent to a total of ThCh$120,099,688.
Later, and in accordance with the instruction of the board of Madeco, on November 26 and 28, 2008, the company acquired 68,726 shares in Nexans (France) for a total cost of ThCh$2,524,859.
The initial total cost (fair value) of these investments amounted to ThCh$122,624,547, equivalent to a total of 2,568,726 shares.

Impairment of financial assets available for sale

The management of the subsidiary Madeco evaluated the risk of impairment in accordance with IAS/ASCH 39 paragraph 58 "An entity shall evaluate on each balance sheet date whether there is objective evidence that a financial assets or group of them is impaired". For the financial statements as of December 31, 2008, there was sufficient time from the date of acquisition of the shares to evaluate their market value, which was significantly below book value. This resulted in the recording of a loss for impairment and the translation effect as a charge to Other gains (losses) in the consolidated statement of comprehensive income for 2008 for ThCh$43,772,449, which is included in the detail of movement of these investments.

The movement of the investment in Nexans during 2009 and 2008 is detailed as follows:

	12-31-2009 ThCh$	12-31-2008 ThCh$
Initial balance	96,632,028	-
Additions	-	122,624,547
Increases in foreign exchange rate (2)	1,140,750	-
Recording of fair value of shares as of 09/30/2009 (2)	26,082,418	-
Loss for impairment and translation effect shown in the statement of results	-	(44,432,941)
Other increases (decreases)	(19,639,176)	18,440,422
CLOSING BALANCE	**104,216,020**	**96,632,028**

(2) Madeco's investment in equity instruments was treated as a non-monetary item, as indicated in IFRS/FRSCH 21 which states "For non-monetary financial assets classified as available for sale according to IAS/ASCH 21 (e.g. equity instruments), the gain or loss is recorded as part of equity in other comprehensive income for the year, which shall include any component related to the exchange rate fluctuations".

As indicated in IAS/ASCH 39 with respect to recording the impairment, the translation difference the change in fair value generated in 2009 has been recorded as a charge to equity by Madeco.

NOTE 12. Investments in Associates Recorded by the Equity Value Method and Joint Ventures

a) Summary of financial information of the significant subsidiaries

The summary of the financial information of the significant subsidiaries as of December 31, 2009 is as follows:

Company	Country of registration	Functional currency	Percentage participation	Current assets ThCh$	Non-current assets ThCh$	Banking assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Banking liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	Gain (net) ThCh$
Madeco	Chile	USD	47.65%	157,101,918	211,977,618	-	58,621,587	25,849,882	-	176,317,782	(147,307,855)	18,171,572
LQIF	Chile	CLP	67.04%	18,745,722	957,371,032	17,461,828,866	3,731,314	161,484,882	16,545,268,600	793,325,650	(496,742,223)	202,877,796
Total				**175,847,640**	**1,169,348,650**	**17,461,828,866**	**62,352,901**	**187,334,764**	**16,545,268,600**	**969,643,432**	**(644,050,078)**	**221,049,368**

The summary of the financial information of the significant subsidiaries as of December 31, 2008 is as follows:

Company	Country of registration	Functional currency	Percentage participation	Current assets ThCh$	Non-current assets ThCh$	Banking assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Banking liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	Gain (net) ThCh$
Madeco	Chile	USD	47.65%	296,578,912	228,142,131	-	89,895,393	40,979,145	-	199,242,977	(175,683,014)	54,950,695
LQIF	Chile	CLP	67.04%	26,340,615	958,063,470	18,596,442,201	51,091,514	155,893,456	17,756,153,887	949,177,854	(573,194,946)	204,334,091
Total				**322,919,527**	**1,186,205,601**	**18,596,442,201**	**140,986,907**	**196,872,601**	**17,756,153,887**	**1,148,420,831**	**(748,877,960)**	**259,284,786**

To determine the significant subsidiaries, the same criteria which was used to establish the Company's Operative segments (Note 30) has been followed.

b) Movement of investments in associates

The movement during 2009 is detailed as follows:

Company	principal activity	Country	Functional currency	Percentage Participation	Balance at 01-01-2009 ThCh$	Participation in earnings (loss) ThCh$	Dividends received ThCh$	Other increases (decreases) ThCh$	Balance at 12-31-2009 ThCh$
Inversiones y Rentas S.A.	Investments	Chile	CLP	50.00%	149,449,077	42,214,371	(12,729,180)	(17,334,463)	161,599,805
Habitaria S.A.	Real estate	Chile	CLP	50.00%	667,222	96,614	-	(398,211)	365,625
Foods Compañía de Alimentos CCU S.A.	Foods	Chile	CLP	50.00%	12,268,438	53,428	-	1,075,186	13,397,052
Transportes y Servicios Aéreos S.A.	Transport	Chile	CLP	50.00%	430,708	(131,506)	-	1,969	301,171
Inmobiliaria El Norte y El Rosal S.A.	Real estate	Chile	CLP	50.00%	33,815	747	-	1	34,563
TOTAL					**162,849,260**	**42,233,654**	**(12,729,180)**	**(16,655,518)**	**175,698,216**

The movement during 2008 is detailed as follows:

Company	principal activity	Country	Functional currency	Percentage Participation	Balance at 01-01-2008 ThCh$	Participation in earnings (loss) ThCh$	Dividends received ThCh$	Other increases (decreases) ThCh$	Balance at 12-31-2008 ThCh$
Inversiones y Rentas S.A.	Investments	Chile	CLP	50.00%	127,057,820	27,675,603	(12,200,225)	6,915,879	149,449,077
Habitaria S.A.	Real estate	Chile	CLP	50.00%	631,235	35,987	-	-	667,222
Foods Compañía de Alimentos CCU S.A.	Foods	Chile	CLP	50.00%	7,329,151	(603,023)	-	5,542,310	12,268,438
Transportes y Servicios Aéreos S.A.	Transport	Chile	CLP	50.00%	532,739	(102,032)	-	1	430,708
Inmobiliaria El Norte y El Rosal S.A.	Investments	Chile	CLP	50.00%	37,006	(6,485)	-	3,294	33,815
Jardín de Las Ursulinas S.A.	Real estate	Chile	CLP	50.00%	1,275,324	(53)	-	(1,275,271)	-
TOTAL					**136,863,275**	**26,999,997**	**(12,200,225)**	**11,186,213**	**162,849,260**

c) Participation in joint ventures

The Company's most significant participation in joint ventures relates to the investment in Compañía Cervecerías Unidas S.A. (hereinafter CCU), an investment held under the equity value method. The Company has an indirect holding in CCU through its ownership of 50% of Inversiones y Rentas S.A. (IRSA). IRSA is an investment in a joint venture with the Dutch brewery group Heineken Americas B.V. (Heineken). As a result, Heineken holds 50% of IRSA and is therefore a partner of Quiñenco, together forming the controllers of 66.11% of CCU.

In accordance with IAS/ASCH 31, paragraph 56, the following shows summarized information on the significant shareholdings in joint ventures as of December 31, 2009:

Company	Country of registration	Cost of investment	Percentage participation	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	Gain (loss), net ThCh$
Inversiones y Rentas S.A.	Chile	161,599,805	50.00%	408,104,759	723,270,785	235,534,518	305,023,823	776,544,195	(365,098,371)	84,428,741
Foods Compañía de Alimentos CCU S.A.	Chile	13,397,052	50.00%	7,685,436	25,476,647	6,348,967	72,441	18,533,542	(12,163,383)	106,855
Transportes y Servicios Aéreos S.A.	Chile	301,171	50.00%	1,600,267	78,969	3,684	1,073,210	106,007	(269,244)	(263,012)
TOTAL				**417,390,462**	**748,826,401**	**241,887,169**	**306,169,474**	**795,183,744**	**(377,530,998)**	**84,272,584**

The summarized information on the significant shareholdings in joint ventures as of December 31, 2008 is as follows:

Company	Country of registration	Cost of investment	Percentage participation	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	Gain (loss), net ThCh$
Inversiones y Rentas S.A.	Chile	149,449,077	50.00%	365,470,297	744,411,975	293,411,252	263,057,977	710,189,270	(335,578,823)	55,351,206
Foods Compañía de Alimentos CCU S.A.	Chile	12,268,438	50.00%	5,719,672	26,632,621	5,262,550	39,981	12,238,494	(9,506,925)	(1,206,047)
Transportes y Servicios Aéreos S.A.	Chile	430,708	50.00%	312,565	1,662,268	14,090	1,099,329	157,122	(280,322)	(204,064)
TOTAL				**371,502,534**	**772,706,864**	**298,687,892**	**264,197,287**	**722,584,886**	**(345,366,070)**	**53,941,095**

The method used to book holdings in jointly-controlled entities is the equity value method, giving an identical treatment to investments in associates.

There are no contingent liabilities or investment commitments relating to the participations in joint ventures.

NOTE 13. Intangible Assets

Class of intangible assets, net	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Goodwill, net	731,264,945	723,259,196	481,461,284
Intangible assets with finite life, net	49,325,075	57,071,831	33,442,250
Intangible assets with indefinite life, net (1)	179,716,651	180,313,070	163,617,000
INTANGIBLE ASSETS, NET	**960,306,671**	**960,644,097**	**678,520,534**

(1) Intangible assets with indefinite life correspond to the brand names Banco de Chile, Atlas and the contract to use the Citibank name, as it is expected that it will contribute to the generation of net cash flows indefinitely to the business. Intangible assets with indefinite life are valued at cost less accumulated impairments, and are not amortized.

Method used to express amortization of identifiable intangible assets	Useful life	Minimum useful life	Maximum useful life
Useful life for computer programs	Years	3	6
Useful life for other identifiable intangible assets	Years	4	10

a) Intangible assets as of December 31, 2009 and 2008, and January 1, 2008 are detailed as follows:

	Gross assets ThCh$	Accumulated amortization ThCh$	Net assets ThCh$
As of December 31, 2009			
Goodwill	731,264,945	-	731,264,945
Patents, registered trademarks & other rights	180,313,070	(596,419)	179,716,651
Computer programs	911,813	(39,519)	872,294
Other intangible assets	252,483,710	(204,030,929)	48,452,781
Total as of December 31, 2009	**1,164,973,538**	**(204,666,867)**	**960,306,671**
As of December 31, 2008			
Goodwill	723,259,196	-	723,259,196
Patents, registered trademarks & other rights	180,313,070	-	180,313,070
Computer programs	373,217	(36,343)	336,874
Other intangible assets	252,573,928	(195,838,971)	56,734,957
Total as of December 31, 2008	**1,156,519,411**	**(195,875,314)**	**960,644,097**
As of January 1, 2008			
Goodwill	481,461,284	-	481,461,284
Patents, registered trademarks & other rights	163,617,000	-	163,617,000
Computer programs	54,386	-	54,386
Other intangible assets	205,078,529	(171,690,665)	33,387,864
Total as of January 1, 2008	**850,211,199**	**(171,690,665)**	**678,520,534**

b) Identifiable intangible asset movement

The movement during 2009 is detailed as follows:

Movement	Patents, registered trademarks & other rights ThCh$	Computer programs ThCh$	Other intangible assets ThCh$	Total ThCh$
Initial balance at 01-01-2009	180,313,070	336,874	56,734,957	237,384,901
Additions through internal developments	-	202,593	-	202,593
Additions	-	578,745	-	578,745
Disposals	-	(142,507)	-	(142,507)
Amortization	(596,419)	(11,644)	(8,224,764)	(8,832,827)
Decrease in currency translation	-	(91,767)	(57,412)	(149,179)
Closing balance at 12-31-2009	**179,716,651**	**872,294**	**48,452,781**	**229,041,726**

The movement during 2008 is detailed as follows:

Movement	Patents, registered trademarks & other rights ThCh$	Computer programs ThCh$	Other intangible assets ThCh$	Total ThCh$
Initial balance at 01-01-2008	163,617,000	54,386	33,387,864	197,059,250
Additions	-	239,884	104,067	343,951
Acquisitions through business combinations	16,696,070	-	47,321,442	64,017,512
Disposals	-	(9,898)	-	(9,898)
Amortization	-	(29,865)	(24,153,409)	(24,183,274)
Increase in currency translation	-	82,367	74,993	157,360
Closing balance at 12-31-2008	**180,313,070**	**336,874**	**56,734,957**	**237,384,901**

The subsidiary Madeco books the amortization of identifiable intangible assets in Administration expenses in the consolidated statement of comprehensive income. The subsidiary LQIF records the amortization of its intangible assets in Other sundry operating expenses.

c) Movements in goodwill

As of December 31, 2009

Movement	Banco de Chile & SM Chile ThCh$	Merger Banco Chile - Banco Citibank ThCh$	Merger Citigroup Chile II S.A. LQIF ThCh$	Others ThCh$	Total ThCh$
Initial balance at 01-01-2009	536,478,047	142,242,057	42,604,349	1,934,743	723,259,196
Goodwill	8,173,972	-	-	-	8,173,972
Transfer to (from) non-current assets & groups held for sale	(53,747)	-	(16,751)	-	(70,498)
Adjustments for later recording of deferred tax assets	9,136	-	2,848	-	11,984
Decrease in currency translation	-	-	-	(109,709)	(109,709)
Closing balance net at 12-31-2009	**544,607,408**	**142,242,057**	**42,590,446**	**1,825,034**	**731,264,945**

As of December 31, 2008

Movement	Banco de Chile & SM Chile ThCh$	Merger Banco Chile - Banco Citibank ThCh$	Merger Citigroup Chile II S.A. LQIF ThCh$	Others ThCh$	Total ThCh$
Initial balance at 01-01-2008	464,886,287	-	-	16,574,997	481,461,284
Goodwill	86,515,853	142,242,057	75,309,473	-	304,067,383
Transfer to (from) non-current assets & groups held for sale	(17,980,836)	-	(39,403,764)	-	(57,384,600)
Adjustments for later recording of deferred tax assets	3,056,743	-	6,698,640	-	9,755,383
Write-off for disposal of business	-	-	-	(16,370,359)	(16,370,359)
Increase in currency translation	-	-	-	1,730,105	1,730,105
Closing balance net at 12-31-2008	**536,478,047**	**142,242,057**	**42,604,349**	**1,934,743**	**723,259,196**

NOTE 14. Property, Plant and Equipment

a) Composition

Property, plant and equipment as of December 31, 2009 and 2008, and January 1, 2008 is detailed as follows:

	Gross assets ThCh$	Accumulated depreciation ThCh$	Net assets ThCh$
As of december 31, 2009			
Construction in progress	2,172,892	-	2,172,892
Land	24,404,233	-	24,404,233
Buildings	26,081,651	(1,883,024)	24,198,627
Plant & equipment	46,256,586	(12,435,313)	33,821,273
Computer equipment	2,980,791	(2,554,753)	426,038
Fixed & accessory installations	6,842,476	(4,333,582)	2,508,894
Motor vehicles	1,290,907	(369,884)	921,023
Other property, plant & equipment	5,537,696	(2,202,677)	3,335,019
Total as of December 31, 2009	**115,567,232**	**(23,779,233)**	**91,787,999**
As of December 31, 2008			
Construction in progress	1,139,061	-	1,139,061
Land	28,620,668	-	28,620,668
Buildings	32,369,425	(1,589,733)	30,779,692
Plant & equipment	55,797,165	(9,569,831)	46,227,334
Computer equipment	3,435,522	(2,867,503)	568,019
Fixed & accessory installations	7,679,816	(4,128,930)	3,550,886
Motor vehicles	12,545,222	(1,014,397)	11,530,825
Other property, plant & equipment	4,794,884	(1,904,907)	2,889,977
Total as of December 31, 2008	**146,381,763**	**(21,075,301)**	**125,306,462**
As of January 1, 2008			
Construction in progress	535,842	-	535,842
Land	22,559,858	-	22,559,858
Buildings	25,061,021	(813,258)	24,247,763
Plant & equipment	41,530,869	(3,313,255)	38,217,614
Computer equipment	2,579,313	(2,071,570)	507,743
Fixed & accessory installations	5,924,328	(2,621,499)	3,302,829
Motor vehicles	12,186,162	(562,650)	11,623,512
Other property, plant & equipment	2,915,689	(677,575)	2,238,114
Total as of January 1, 2008	**113,293,082**	**(10,059,807)**	**103,233,275**

b) Movement

The movement during 2009 is detailed as follows:

		Construction in progress ThCh$	Land ThCh$	Buildings, net ThCh$	Plant & equipment net ThCh$	Computer equipment net ThCh$	Fixed installations & accessories, net ThCh$	Motor vehicles, net ThCh$	Other property, plant & equipment net ThCh$	Property, plant & equipment, net ThCh$
Initial balance at January 1, 2009		1,139,061	28,620,668	30,779,692	46,227,334	568,019	3,550,886	11,530,825	2,889,977	125,306,462
Movement	Additions	2,473,193	1,167,635	462,132	3,060,501	217,042	222,249	130,769	810,476	8,543,997
	Sales	-	-	-	(4,034)	(416)	-	(27,034)	(22,526)	(54,010)
	Transfers from investment properties	-	113,374	57,060	-	-	-	-	-	170,434
	Divestments through business disposals	-	-	(427,839)	-	-	(5,943)	(9,938,232)	(4,825)	(10,376,839)
	Retirements	-	-	(551,073)	-	-	-	(20,881)	-	(571,954)
	Depreciation	-	-	(745,101)	(5,711,507)	(259,883)	(680,400)	(546,752)	(744,470)	(8,688,113)
	Loss for impairment recorded in statement of results	-	-	-	-	(290)	-	-	-	(290)
	Currency translation reductions	(405,831)	(5,497,444)	(5,363,244)	(9,634,931)	(98,434)	(563,940)	(202,228)	(546,248)	(22,312,300)
	Other increases (decreases)	(1,033,531)	-	(13,000)	(116,090)	-	(13,958)	(5,444)	952,635	(229,388)
Closing balance at December 31, 2009		**2,172,892**	**24,404,233**	**24,198,627**	**33,821,273**	**426,038**	**2,508,894**	**921,023**	**3,335,019**	**91,787,999**

The movement during 2008 is detailed as follows:

		Construction in progress ThCh$	Land ThCh$	Buildings, net ThCh$	Plant & equipment net ThCh$	Computer equipment net ThCh$	Fixed installations & accessories, net ThCh$	Motor vehicles, net ThCh$	Other property, plant & equipment net ThCh$	Property, plant & equipment, net ThCh$
Initial balance at January 1, 2008		535,842	22,559,858	24,247,763	38,217,614	507,743	3,302,829	11,623,512	2,238,114	103,233,275
Movement	Additions	341,376	60,919	538,375	3,812,027	165,499	343,747	468,142	757,002	6,487,087
	Sales	-	-	-	-	-	-	(58,565)	-	(58,565)
	Retirements	-	-	(284,433)	-	-	-	(102,950)	-	(387,383)
	Depreciation	-	-	(767,684)	(5,084,437)	(247,390)	(757,593)	(618,974)	(685,623)	(8,161,701)
	Currency translation increases	161,642	5,950,961	5,859,653	10,124,479	142,651	661,903	230,117	607,458	23,738,864
	Other increases (decreases)	100,201	48,930	1,186,018	(842,349)	(484)	-	(10,457)	(26,974)	454,885
Closing balance at December 31, 2008		**1,139,061**	**28,620,668**	**30,779,692**	**46,227,334**	**568,019**	**3,550,886**	**11,530,825**	**2,889,977**	**125,306,462**

The subsidiary Madeco follows a policy of recording the costs of dismantling, retirement or renovation of property, plant and equipment according to the legal and contractual obligations of each country where it has production plants. As the countries where Madeco currently has investments have no legal or contractual requirements in this respect, Madeco has made no estimates for this concept.

The subsidiary Madeco believes that the book value of the property, plant and equipment does not exceed its recoverable value.

c) Financial leases

The companies Alusa and Peruplast, subsidiaries of Madeco, have contracts for the acquisition of land, buildings and equipment. The lessors are Banco Corpbanca, Banco de Crédito e Inversiones, Scotiabank, Crédito Leasing, Interbank and Citibank.

There are no restrictions on dividend distributions, additional borrowing or new leasing agreements under these contracts' commitments.

Property, plant and equipments as of December 31, 2009 and 2008, and January 1, 2008 is detailed as follows:

	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Land, net	3,607,421	4,527,594	3,469,196
Buildings, net	5,933,077	7,443,217	5,465,996
Plant & equipment, net	2,344,560	2,820,530	2,186,330
Motor vehicles, net	27,225	32,746	-
Total	**11,912,283**	**14,824,087**	**11,121,522**

The present value of future payments under financial leases as of December 31, 2009 and 2008, and January 1, 2008 is detailed as follows:

	12-31-2009		
	Gross ThCh$	Interest ThCh$	Present value ThCh$
Less than one year	1,515,585	282,991	1,232,594
One to five years	4,676,909	662,312	4,014,597
More than five years	1,326,379	59,619	1,266,760
Total	**7,518,873**	**1,004,922**	**6,513,951**

	12-31-2008		
	Gross ThCh$	Interest ThCh$	Present value ThCh$
Less than one year	1,774,955	370,850	1,404,105
One to five years	5,504,908	858,745	4,646,163
More than five years	2,011,490	70,645	1,940,845
Total	**9,291,353**	**1,300,240**	**7,991,113**

d) Operative leases

The most significant operative leases relate to Alumco, a subsidiary of Madeco, with agreements of between 1 and 5-year terms and automatic one-year renewals. There is an option to terminate these leases in advance, for which notice should be given to the lessor within the term and conditions established in each agreement.

Should it be decided to terminate in advance but the minimum term for giving notice is not met, the payments stipulated in the original agreement should be paid.

There are no restrictions contained in the operative leasing agreements.

Future payments under operative leases as of December 31, 2009 and 2008 are detailed as follows:	12-31-2009 ThCh$	12-31-2008 ThCh$
Less than one year	251,719	348,929
One to five years	431,884	800,380
Total	**683,603**	**1,149,309**

Leasing and sub-leasing payments shown in the consolidated statement of comprehensive income as of December 31, 2009 and 2008 are:	Accumulated to	
	12-31-2009 ThCh$	12-31-2008 ThCh$
Minimum payments under operative leases	497,927	443,571

NOTE 15. Investment Properties

a) As of December 31, 2009 and 2008, and January 1, 2008, this account is detailed as follows:

	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Land	3,071,743	3,614,065	2,111,733
Buildings	4,588,256	5,097,589	5,124,308
Total	**7,659,999**	**8,711,654**	**7,236,041**

b) Movement

The movement of investment properties during 2009 and 2008 is detailed as follows:

As of December 31, 2009	Land ThCh$	Buildings ThCh$	Total ThCh$
Movement			
Initial balance at 01-01-2009, net	3,614,065	5,097,589	8,711,654
Transfer to properties occupied by the owner	(113,374)	(57,060)	(170,434)
Depreciation	-	(124,657)	(124,657)
Decrease in currency translation	(428,948)	(306,800)	(735,748)
Other decreases	-	(20,816)	(20,816)
Total	**3,071,743**	**4,588,256**	**7,659,999**

As of December 31, 2008	Land ThCh$	Buildings ThCh$	Total ThCh$
Movement			
Initial balance at 01-01-2008, net	2,111,733	5,124,308	7,236,041
Additions	851,066	-	851,066
Depreciation	-	(122,753)	(122,753)
Increase in currency translation	700,196	243,353	943,549
Other decreases	(48,930)	(147,319)	(196,249)
Total	**3,614,065**	**5,097,589**	**8,711,654**

c) Rental income and direct operating expenses of properties for investment as of December 31, 2009 and 2008 are the following:

	Accumulated to	
	12-31-2009 ThCh$	12-31-2008 ThCh$
Rental income from investment properties	843,858	788,502
Direct operating expenses	(299,746)	(289,622)

d) The fair values of the investment properties do not differ significantly from their book values.

NOTE 16. Income Tax and Deferred Taxes

a) General

The positive Taxed Earnings Fund register (FUT) and its corresponding credits to the Company as of December 31, 2009 are detailed as follows:

Credit	ThCh$
17%	109,327,533
16,5%	28,087,832
16%	23,045,004
15%	48,632,965
10%	58
s/c	49,371,909

The positive Non-Taxed Earnings Fund register (FUNT) and its corresponding credits to the Company as of December 31, 2009 are detailed as follows:

	ThCh$
Exempt without credit	5,502,715
Non-taxed income	183,356,506
Exempt with 10% credit	1,899,783

b) Deferred taxes

Deferred tax assets and liabilities as of December 31, 2009 and 2008, and January 1, 2008 are detailed as follows:

Deferred taxes	12-31-2009		12-31-2008		01-01-2008	
	Asset ThCh$	Liability ThCh$	Asset ThCh$	Liability ThCh$	Asset ThCh$	Liability ThCh$
Depreciation	223,947	14,149,605	116,990	15,110,676	277,183	13,529,974
Amortization	6,117	2,042,838	3,956	52,144	911	-
Provisions	3,265,259	9,427	3,222,040	570,308	4,616,143	767,602
Foreign currency contract	101,239	-	-	-	-	-
Post-employment benefits	15,301	560,696	8,975	119,597	-	154,771
Revaluation plant & equipment	1,060,751	3,632,581	714,197	8,166,818	2,070,248	6,859,855
Revaluation investment properties	1,767	-	14,002	-	-	-
Intangible assets	-	30,551,831	-	30,653,221	-	27,944,659
Revaluation financial instruments	2,869,669	-	7,582,050	28,451	388,866	-
Fiscal losses	35,244,282	(2,738,672)	28,125,516	-	14,743,675	-
Fiscal credits	-	-	-	-	-	-
Other	3,302,344	39,023,026	4,286,113	32,188,847	863,617	6,955,112
Total	**46,090,676**	**87,231,332**	**44,073,839**	**86,890,062**	**22,960,643**	**56,211,973**

c) Charge (recovery) for income tax

Deferred tax assets and liabilities as of December 31, 2009 and 2008, and January 1, 2008, comprise the following concepts: As of December 31, 2009 and 2008, this concept is detailed as follows:

	Accumulated to	
	12-31-2009 ThCh$	12-31-2008 ThCh$
Current tax charge	(9,322,580)	(9,236,330)
Other taxes	-	-
Other tax credits	10,080,211	2,207,628
Other charges & credits to account	-	-
Adjustments to deferred tax assets and liabilities	(1,675,567)	9,564,893
Total net charge (recovery)	**(917,936)**	**2,536,191**

d) Reconciliation of applicable taxation

The reconciliation of the charge for taxes based on the financial result before tax as of December 31, 2009 and 2008 is detailed as follows:

	12-31-2009 ThCh$	12-31-2008 ThCh$
Tax charge using the legal rate	(12,039,953)	(8,189,906)
Tax effect of rates in other jurisdictions	(1,239,916)	(684,974)
Tax effect of non-taxed ordinary income	39,154,841	51,406,236
Tax effect of disallowed expenses for tax purposes	(9,761,583)	(22,375,348)
Tax effect of use of tax losses not previously recorded	(68,529)	-
Tax effect of fiscal credit not previously recorded in the statement of results	559,529	40,308
Tax effect of a new evaluation of deferred tax assets not recorded	(4,928,598)	422,344
Tax effect of taxes paid in excess in previous years	(806,799)	-
Other decreases in charges for legal taxes	(11,786,928)	(18,082,469)
Tax charge using the effective rate	**(917,936)**	**2,536,191**

NOTE 17. Interest-bearing Loans

a) Interest-bearing loans as of December 31, 2009 and 2008, and January 1, 2008 are detailed as follows:

	Current			Non-current		
	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Bank loans	23,285,967	28,590,133	44,308,404	7,347,335	27,799,993	113,584,180
Other loans	11,121,342	53,069,005	15,971,618	183,825,862	173,937,249	218,821,270
Totales	**34,407,309**	**81,659,138**	**60,280,022**	**191,173,197**	**201,737,242**	**332,405,450**

b) Interest-bearing loans as of December 31, 2009 are detailed as follows:

Bank creditor	Currency	Repayment	Total debt outstanding ThCh$	debt at 12-31-2009 ThCh$	Up to 1 month ThCh$	1 to 3 month ThCh$	3 to 12 month ThCh$	Non-current debt at 12-31-2009 ThCh$	1 to 5 years ThCh$	Effective rate	Nominal rate	Manurity
Banco BBVA	USD	Maturity	5,071,242	5,071,242	-	5,071,242	-	-	-	0.86%	0.86%	2010
Banco del Estado de Chile	CLP	Monthly	2,654,695	759,070	-	-	759,070	1,895,625	1,895,625	10.10%	10.10%	2013
Banco de Crédito	USD	Quarterly	2,502,429	676,869	115,499	66,947	494,423	1,825,560	1,825,560	5.61%	5.59%	2014
Banco del Estado de Chile	USD	Seni-annual	2,338,538	1,559,777	-	-	1,559,777	778,761	778,761	1.70%	1.70%	2011
Banco Security	USD	Quarterly	2,041,532	2,041,532	-	-	2,041,532	-	-	3.80%	3.76%	2010
Banco Corpbanca	USD	Seni-annual	1,769,747	610,660	-	320,889	289,771	1,159,087	1,159,087	5.09%	5.09%	2012
Banco Security	CLP	Monthly	1,564,083	1,564,083	259,831	1,304,252	-	-	-	2.73%	2.70%	2010
Banco Security	CLP	Quarterly	1,504,664	1,504,664	501,394	1,003,270	-	-	-	3.08%	3.04%	2010
Banco Itaú	CLP	Quarterly	1,350,094	1,350,094	1,350,094	-	-	-	-	2.43%	2.40%	2010
Banco Scotiabank	USD	Quarterly	1,230,370	419,010	-	114,750	304,260	811,360	811,360	6.10%	6.10%	2012
Bank Of America N.A.	USD	Quarterly	1,164,043	776,404	-	-	776,404	387,639	387,639	1.70%	1.70%	2011
Banco Santander Chile	USD	Annual	1,159,816	1,159,816	-	-	1,159,816	-	-	2.93%	2.93%	2010
Banco BBVA	USD	Quarterly	1,142,076	761,751	-	-	761,751	380,325	380,325	1.70%	1.70%	2011
Banco del Desarrollo	USD	Seni-annual	1,131,704	1,131,704	827,444	-	304,260	-	-	2.68%	2.67%	2010
Banco del Estado de Chile	USD	Quarterly	1,020,766	1,020,766	-	-	1,020,766	-	-	3.80%	3.76%	2010
Banco Security	CLP	Quarterly	421,524	421,524	-	421,524	-	-	-	2.76%	2.73%	2010
Banco Bice	CLP	Quarterly	402,011	402,011	-	402,011	-	-	-	3.16%	3.12%	2010
Banco Bice	CLP	Monthly	352,337	352,337	352,337	-	-	-	-	2.80%	2.76%	2010
Banco Security	CLF	Quarterly	330,844	330,844	-	165,422	165,422	-	-	4.68%	4.63%	2010
Banco del Estado de Chile	CLF	Annual	326,893	217,915	18,275	36,298	163,342	108,978	108,978	4.63%	4.63%	2011
Banco Citibank N.A.	USD	Seni-annual	306,153	306,153	-	-	306,153	-	-	3.50%	3.50%	2010
Banco del Estado de Chile	CLF	Quarterly	301,116	301,116	-	150,558	150,558	-	-	4.68%	4.63%	2010
Banco BCI	CLF	Quarterly	269,706	269,706	-	134,853	134,853	-	-	4.68%	4.63%	2010
Banco Patagonia	USD	Monthly	262,396	262,396	-	262,396	-	-	-	8.50%	8.50%	2010
Banco Patagonia	USD	Seni-annual	14,523	14,523	-	14,523	-	-	-	5.80%	5.80%	2010
				23,285,967				**7,347,335**				

This detail does not include bank loans granted by Banco de Chile to Quiñenco and its subsidiaries, which amounted to ThCh$2,627,241 at December 31, 2009.

c) Bonds payable as of December 31, 2009 are detailed as follows:

Series & issuer	Currency	Repayment	Total debt outstanding ThCh$	Current debt at 12-31-2009 ThCh$	3 to 12 months ThCh$	Non-current debt 12-31-2009 ThCh$	1 to 5 years ThCh$	5 years and more ThCh$	Effective Rate	Nominal Rate	Maturity
Series C (LQIF)	CLF	Annual	64,541,340	1,913,134	1,913,134	62,628,206	-	62,628,206	4.93%	4.85%	2039
Series B (LQIF)	CLF	Annual	61,800,635	1,691,381	1,691,381	60,109,254	16,029,134	44,080,120	5.48%	4.75%	2025
Series A (Quiñenco)	CLF	Annual	41,265,202	780,004	780,004	40,485,198	14,450,587	26,034,611	4.17%	4.17%	2026
Series D (Quiñenco)	CLF	Annual	27,340,027	6,736,823	6,736,823	20,603,204	20,603,204	-	4.58%	3.50%	2013
				11,121,342		**183,825,862**					

d) Interest-bearing loans as of December 31, 2008 are detailed as follows:

Bank creditor	Currency	Repayment	Total debt ThCh$	Current at 12-31-2008 ThCh$	Up to 1 months ThCh$	1 to 3 months ThCh$	3 to 12 months ThCh$	Non-current 12-31-2008 ThCh$	1 to 5 years ThCh$	5 years and more ThCh$	Effective Rate	Nominal Rate	Maturity
Banco BBVA	CLF	Annual	16,738,286	5,690,218	-	-	5,690,218	11,048,068	11,048,068	-	2.36%	2.36%	2011
Banco BBVA	CLF	Annual	5,012,822	5,012,822	5,012,822	-	-	-	-	-	11.54%	11.54%	2009
Banco del Estado de Chile	USD	Semi-annual	4,895,639	1,963,425	6,468	-	1,956,957	2,932,214	2,932,214	-	3.05%	3.05%	2011
Banco Security	CLP	Monthly	3,219,452	3,219,452	390,767	2,828,685	-	-	-	-	13.31%	12.66%	2009
Banco del Estado de Chile	CLP	Quarterly	3,033,852	852	-	-	852	3,033,000	2,274,750	758,250	10.10%	10.10%	2013
Banco Corpbanca	USD	Semi-annual	2,613,408	431,295	-	-	431,295	2,182,113	2,182,113	-	7.23%	7.23%	2012
Bank Of America N.A.	USD	Semi-annual	2,440,121	980,566	3,219	-	977,347	1,459,555	1,459,555	-	3.05%	3.05%	2011
Banco BBVA	USD	Semi-annual	2,391,954	959,940	3,158	-	956,782	1,432,014	1,432,014	-	3.05%	3.05%	2011
Banco del Desarrollo	USD	Semi-annual	2,216,711	816,521	434,651	-	381,870	1,400,190	1,400,190	-	6.38%	6.38%	2010
Banco Security	CLP	Quarterly	2,172,606	2,172,606	-	2,172,606	-	-	-	-	14.71%	13.96%	2009
Banco de Crédito	USD	Quarterly	2,057,325	529,845	147,975	-	381,870	1,527,480	1,527,480	-	6.10%	6.10%	2012
Banco Scotiabank	USD	Quarterly	2,057,325	529,845	-	147,975	381,870	1,527,480	1,527,480	-	6.10%	6.10%	2012
Banco Itau	CLP	Semi-annual	1,604,752	1,604,752	1,604,752	-	-	-	-	-	12.55%	11.88%	2009
Banco Santander Chile	CLP	Quarterly	1,288,842	1,288,842	1,288,842	-	-	-	-	-	14.20%	14.20%	2009
Banco Security	CLF	Maturity	677,650	338,894	-	-	338,894	338,756	338,756	-	1.41%	1.41%	2010
Banco Security	CLP	Quarterly	628,240	628,240	-	628,240	-	-	-	-	13.21%	12.60%	2009
Banco del Estado de Chile	CLF	Quarterly	616,762	308,440	-	-	308,440	308,322	308,322	-	1.41%	1.41%	2010
Banco del Estado de Chile	CLF	Monthly	557,946	223,304	18,805	37,182	167,317	334,642	334,642	-	4.73%	4.60%	2011
Banco BCI	CLF	Quarterly	552,424	276,265	-	-	276,265	276,159	276,159	-	1.41%	1.41%	2010
Banco Bice	CLP	Monthly	359,311	359,311	-	359,311	-	-	-	-	12.22%	11.70%	2009
BBVA Banco Frances S.A.	USD	Monthly	356,463	356,463	30,270	326,193	-	-	-	-	6.53%	6.53%	2009
Banco Security	CLP	Quarterly	343,890	343,890	-	343,890	-	-	-	-	14.40%	14.40%	2009
Banco Patagonia	USD	Quarterly	321,203	321,203	-	321,203	-	-	-	-	8.50%	8.50%	2009
Banco Patagonia	USD	Semi-annual	98,500	98,500	98,500	-	-	-	-	-	6.00%	6.00%	2009
Banco Security	USD	Annual	63,657	63,657	63,657	-	-	-	-	-	8.36%	8.05%	2009
Banco Security	EUR	Annual	52,574	52,574	52,574	-	-	-	-	-	7.82%	7.55%	2009
Banco Security	USD	Quarterly	18,252	18,252	18,252	-	-	-	-	-	8.73%	8.40%	2009
Banca Nazionale del Lavoro	ARS	Semi-annual	159	159	159	-	-	-	-	-	19.00%	19.00%	2009
				28,590,133				**27,799,993**					

This detail does not include bank loans granted by Banco de Chile to Quiñenco and its subsidiaries, which amounted to ThCh$10,872,968 at December 31, 2008.

e) Bonds payable as of December 31, 2008 are detailed as follows:

Series & issuer	Currency	Repayment	Total debt outstanding ThCh$	Current debt at 12-31-2008 ThCh$	3 to 12 months ThCh$	Non-current debt 12-31-2008 ThCh$	1 to 5 years ThCh$	5 years and more ThCh$	Effective Rate	Nominal Rate	Maturity
Series A (LQIF)	CLF	Annual	85,211,496	43,368,530	43,368,530	41,842,966	41,842,966	-	4.05%	3.25%	2010
Series B (LQIF)	CLF	Annual	64,651,993	1,887,544	1,887,544	62,764,449	12,552,890	50,211,559	5.48%	4.75%	2025
Series A (Quiñenco)	CLF	Annual	42,186,304	798,988	798,988	41,387,316	11,369,862	30,017,454	4.17%	4.17%	2026
Series D (Quiñenco)	CLF	Annual	34,956,461	7,013,943	7,013,943	27,942,518	27,942,518	-	4.58%	3.50%	2013
TOTAL				**53,069,005**		**173,937,249**					

NOTE 18. Trade and Other Payables

This heading as of December 31, 2009 and 2008, and January 1, 2008 is detailed as follows:

	Current			Non-current		
	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Trade creditors	18,712,490	21,114,519	22,848,450	-	-	11,410
Other payables	14,952,777	10,113,832	3,830,637	268,073	338,963	230,710
Total	**33,665,267**	**31,228,351**	**26,679,087**	**268,073**	**338,963**	**242,120**

NOTE 19. Provisions

a) Composition

This heading as of December 31, 2009 and 2008, and January 1, 2008 is detailed as follows:

	Current			Non-current		
	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Restructuring expenses	1,064,965	815,279	858,513	-	-	-
Legal demands	281,217	313,189	306,064	5,591,674	5,461,107	5,263,708
Profit sharing & bonuses	2,536,403	4,024,272	2,421,866	-	-	-
Other provisions	4,895,011	4,388,612	3,109,569	3,314,232	3,313,621	3,520,140
Total	**8,777,596**	**9,541,352**	**6,696,012**	**8,905,906**	**8,774,728**	**8,783,848**

b) Other provisions

This heading as of December 31, 2009 and 2008, and January 1, 2008 is detailed as follows:

	Current		
	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Contingencies	2,208,515	1,531,134	144,556
General, audit, annual reports & other expenses	632,095	866,728	904,352
Remuneration, fees & consultancies	382,573	290,863	660,262
Municipal & other taxes	423,385	550,138	515,074
Basic consumption	270,440	337,056	338,259
Export & import expenses & freight	561,593	371,664	330,898
Other	416,410	441,029	216,168
Total	**4,895,011**	**4,388,612**	**3,109,569**

Other provisions as of December 31, 2009 and 2008, and January 1, 2008 are detailed as follows:

	Non-current		
	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Claims occurred but not reported	1,721,650	1,894,069	1,557,137
Contingencies	1,461,646	1,288,613	1,626,010
Other	130,936	130,939	336,993
Total	**3,314,232**	**3,313,621**	**3,520,140**

c) Movement

The movement of provisions during 2009 is detailed as follows:

Movement	Restructuring ThCh$	Legal claims ThCh$	Other provisions & participations ThCh$	Total ThCh$
Initial balance at 01-01-2009	815,279	5,774,296	11,726,505	18,316,080
Changes in provisions (presentation)				
Additional provisions	552,099	-	3,262,936	3,815,035
Increase in existing provisions	-	354,048	14,286,352	14,640,400
Provision used	(277,777)	(181,835)	(16,769,758)	(17,229,370)
Increase for adjustment in value of money over time	-	-	(368)	(368)
Increase in change of discount rate	-	-	99,324	99,324
Decrease in foreign currency translation	(24,636)	(73,618)	(1,859,158)	(1,957,412)
Other decreases	-	-	(187)	(187)
Changes in provisions, total	**249,686**	**98,595**	**(980,859)**	**(632,578)**
Closing balance at 12-31-2009	**1,064,965**	**5,872,891**	**10,745,646**	**17,683,502**

d) Description of nature of principal provisions

Legal claims: the provisions for legal claims relate mainly to lawsuits before the courts whose nature is detailed in the note on contingencies and for which there is some probability that result may be unfavorable to the Company and its subsidiaries.

Profit sharing and bonuses: the provisions for profit sharing and bonuses relate to obligations of the Company and some of its subsidiaries with respect to profit sharing and bonuses for compliance, payable during the first quarter of the following year. The accrued participation payable to staff and the bonus for compliance stipulated in current collective contracts, are re-liquidated on the basis of earnings for the previous year generated by each company in the group.

Restructuring expenses: the provisions for restructuring expenses contemplate future expenses to be incurred due to reductions in personnel as a result of the unification of functions in different companies and reorganizations.

Other provisions: Other provisions mainly include amounts for remuneration, fees and consultancies received which, at the close, are still pending payment, the accrued vacations of the personnel of the Company and its subsidiaries, and annual report and contracted external audit expenses that have not yet been paid.

NOTE 20. Other Current Liabilities

Other provisions as of December 31, 2009 and 2008, and January 1, 2008 are detailed as follows:

	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Dividends payable shareholders Quiñenco	46,781,959	69,756,057	31,644,827
Dividends payable minority shareholders in subsidiaries	2,801,859	5,592,326	8,309,838
Other	1,439,881	1,465,630	862,445
Total	**51,023,699**	**76,814,013**	**40,817,110**

NOTE 21. Post-employment Benefits

The subsidiary Madeco and its subsidiaries have collective agreements with their personnel that include short and long-term compensation and/or benefits for the personnel, whose principal characteristics are described below:

i. Short-term benefits are generally based on mixed plans or agreements covering the risks of disability and death of the personnel in question.

ii. Long-term benefits are plans or agreements mainly covering post-employment benefits on the termination of the working relationship.

The cost of these benefits is charged to Personnel expenses.

The liability recorded for post-employment benefit plans basically arises from the obligations with the employees and its amount is based on the actuarial value method, for which the following actuarial assumptions were made as of December 31, 2009 and 2008:

	12-31-2009	12-31-2008	
Mortality table	RV-2004	RV-2004	
Annual interest rate	3.50%	3.21%	
Voluntary retirement turnover rate (*)	1.5% y 4.91%	1.5% y 4.91%	annual
Company needs turnover rate	0.50%	0.50%	annual
Wage increases	2.00%	2.00%	
Retirement age:			
Men	65	65	years
Women	60	60	years

(*) The subsidiary Madeco and its subsidiaries have determined a voluntary retirement rate, based on historical experience, of 1.5% (Madeco, Armat and Madeco Brass Mills) and 4.91% (Alusa).

On the other hand, the subsidiary Telsur has agreed with its unionized personnel the payment of a retirement bonus for workers with more than 5 years service, with a maximum limit. The provision has been calculated using the actuarial value method of the accrued cost of the benefit, discounted at 3.88% annually for the years 2009 and 2008.

The actuarial assumptions used were a discount rate of 3.88% for 2009 (3.88% for 2008) and personnel turnover of 3.32% in 2009 (2.30% in 2008).

Reconciliation of present value defined benefits plan obligation	12-31-2009 ThCh$	12-31-2008 ThCh$
Present value defined benefits plan obligation, initial balance	4,221,102	3,808,446
Cost of current service defined benefits plan obligation	544,079	736,003
Interest cost of defined benefits plan obligation	159,640	120,638
Actuarial gains or losses defined benefits plan obligation	(18,786)	84,262
Increase in foreign currency translation	28,342	62,634
Contributions paid defined benefits plan obligation	(359,476)	(590,881)
Present value defined benefits plan obligation, closing balance	**4,574,901**	**4,221,102**

Presentation in the statement of financial position Post-employment benefits	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Liability recorded for severance benefits, current	245,949	410,011	881,415
Liability recorded for severance benefits, non-current	4,328,952	3,811,091	2,927,031
Total obligation for post-employment benefits	**4,574,901**	**4,221,102**	**3,808,446**

NOTE 22. Classes of Financial Assets and Liabilities

The financial assets and liabilities as of December 31, 2009 and 2008, and January 1, 2008 are detailed as follows:

Classification in statement of financial position	Description of financial asset or liability	Category & valuation of financial asset or liability	Current			Non-current			Fair value		
			12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Financial assets available for sale	Equity instruments (investments in shares)	Financial asset at fair value (market value)	-	-	149,873	105,048,181	157,286,796	53,927,760	105,048,181	157,286,796	54,077,633
Other financial assets	Financial investments at over 90days for current assets & 1 year for non-current assets	Financial asset at amortized cost	1,697	30,351,023	132,592,964	66,226,655	52,883,119	34,994,729	66,228,352	83,234,142	167,587,693
Trade & other receivables, net	Accounts receivable from trade debtors & others	Financial asset at amortized cost	47,211,117	56,961,581	49,628,415	1,007,342	1,155,635	1,096,301	48,218,459	58,117,216	50,724,716
Hedging assets	Copper price hedges	Hedging instruments at fair value	-	875,377	1,728,667	-	-	-	-	875,377	1,728,667
Hedging assets	Expected sales	Hedging instruments at fair value	199,523	242,488	-	-	-	-	199,523	242,488	-
Total financial assets			**47,412,337**	**88,430,469**	**184,099,919**	**172,282,178**	**211,325,550**	**90,018,790**	**219,694,515**	**299,756,019**	**274,118,709**

Classification in statement of financial position	Description of financial asset or liability	Category & valuation of financial asset or liability	Current			Non-current			Fair value		
			12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Interest-bearing loans	Bank loans & bonds payable	Financial liabilities at amortized cost	34,407,309	81,659,138	60,280,022	191,173,197	201,737,242	332,405,450	225,580,506	283,396,380	392,685,472
Other financial liabilities	Financial leases	Financial liabilities at amortized cost	1,263,437	1,427,891	1,081,214	5,281,357	6,587,008	5,720,129	6,544,794	8,014,899	6,801,343
Trade & other payables	Accounts payable to suppliers, social-security withholdings, taxes & other accounts payable	Financial liabilities at amortized cost	31,015,359	28,795,319	24,303,387	-	3,348	14,024	31,015,359	28,798,667	24,317,411
Hedging liabilities	Interest-rate hedge	Hedging instruments of cash flows	-	20,268	-	309,226	668,882	-	309,226	689,150	-
Hedging liabilities	Exchange-rate hedge	Hedging instruments at fair value	145,759	-	-	-	-	-	145,759	-	-
Hedging liabilities	Copper-price hedge	Hedging instruments at fair value	439,808	-	4,214	-	-	-	439,808	-	4,214
Total financial liabilities			**67,271,672**	**111,902,616**	**85,668,837**	**196,763,780**	**208,996,480**	**338,139,603**	**264,035,452**	**320,899,096**	**423,808,440**

NOTE 23. Equity

a) Capital and number of shares

As of December 31, 2009 the capital of the Company comprises the following:

Number of shares:			
Series	No. of subscribed shares	No. of paid shares	No. of shares with voting rights
001	1,144,577,775	1,144,577,775	1,144,577,775
Capital:			
Series		Subscribed Capital ThCh$	Paid Capital ThCh$
001		655,336,413	655,336,413

b) Controlling shareholders

The issued and paid shares of Quiñenco S.A. are held 83.1% by the companies Andsberg Inversiones Ltda., Ruana Copper A.G. Agencia Chile, Inversiones Orengo S.A., Inversiones Consolidadas S.A., Inversiones Salta S.A., Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. The Luksburg Foundation indirectly holds 100% of the corporate rights in Andsberg Inversiones Ltda., 100% of the rights in Ruana Copper A.G. Agencia Chile and 99.76% of the share capital of Inversiones Orengo S.A.

Andrónico Luksic Craig and family control 100% of the shares of Inversiones Consolidadas S.A. and Inversiones Salta S.A., Guillermo Luksic Craig and family control 100% of the shares of Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. There is no joint-action agreement between the controllers of the Company.

c) Dividend policy

Article 79 of Chile's Corporations Law states that, unless agreed otherwise at the respective shareholders meeting with the unanimous consent of all the issued shares, open corporations must distribute a cash dividend annually to their shareholders pro rata to their holdings or in the proportion established by the by-laws if there are preferred shares, of at least 30% of the earnings for each year, except when accumulated losses from previous years have first to be absorbed.

The following dividends have been distributed between January 1, 2008 and December 31, 2009:

Dividend No.	Type of dividend	Date agreed	Date of payment	Dividend per share
21 & 22	Final	04/29/2008	05/08/2008	45.97372
23 & 24	Final	04/29/2009	05/08/2009	61.00000

d) Determination of distributable earnings

The board meeting of Quiñenco of November 6, 2009 agreed that, for determining distributable earnings, the gain (loss) attributable to equity holders of the parent will not be taken into account.

e) Other reserves

Other reserves as of December 31, 2009 and 2008, and January 1, 2008 are detailed as follows:

	12-31-2009 ThCh$	12-31-2008 ThCh$	01-01-2008 ThCh$
Translation reserves	(28,061,516)	18,072,440	(19,801,575)
Revaluation reserves	(3,584,791)	(14,112,216)	(6,741,032)
Reserves for assets available for sale	11,665,986	34,326,808	37,846,013
Other changes subsidiary & associates companies & IFRS/FRSCH 1 adjustments	22,051,230	15,755,686	21,368,736
Total	**2,070,909**	**54,042,718**	**32,672,142**

We feel we should mention that the amount shown for translation adjustment of the statement of other comprehensive income for the year corresponds mainly to the effect of the translation of the US dollar functional currency of the subsidiary Madeco to Chilean pesos at the close of the statement of financial position.

NOTE 24. Income and expenses

a) Ordinary income

As of December 31, 2009 and 2008, ordinary income is detailed as follows:

	Accumulated to	
	12-31-2009 ThCh$	12-31-2008 ThCh$
Sales of goods	170,426,375	192,766,365
Sales of services	83,701,900	71,613,568
Total	**254,128,275**	**264,379,933**

b) Financial expenses

As of December 31, 2009 and 2008, financial expenses are detailed as follows:

	Accumulated to	
	12-31-2009 ThCh$	12-31-2008 ThCh$
Interest on bank loans	2,420,106	8,696,968
Interest on bonds payable	10,037,319	11,724,370
Other interest	295,236	356,074
Bank commissions, stamp taxes & other financial costs	1,086,411	1,817,733
Total	**13,839,072**	**22,595,145**

c) Other gains (losses)

As of December 31, 2009 and 2008, other gains (losses) are detailed as follows:

	Accumulated to	
	12-31-2009 ThCh$	12-31-2008 ThCh$
Other Gains		
Gain on sale of equity investments	34,297,752	94,758
Gain for non-concurrence in share issue	-	130,520,169
Office rentals	42,993	40,850
Other revenue	1,531	229,894
Total other gains	**34,342,276**	**130,885,671**
Other Losses		
Impairment of investments held for sale (Nexans shares)	-	(43,772,449)
Loss on sale of property, plant & equipment	(1,680,150)	(158,624)
Directors' allowances, profit sharing & fees	(775,816)	(1,443,111)
Loss on sale of equity investments	(1,161,339)	(388,809)
Third-part advisory services	(261,108)	(318,256)
Donations	(720,643)	(700,684)
Contingencies	(176,818)	(722,680)
Other expenses	(363,763)	(59,913)
Total other losses	**(5,139,637)**	**(47,564,526)**
TOTAL OTHER GAINS, NET	**29,202,639**	**83,321,145**

NOTE 25. Personnel Expenses

Personnel expenses as of December 31, 2009 and 2008 are detailed as follows:

	Accumulated to	
	12-31-2009 ThCh$	12-31-2008 ThCh$
Wages & salaries	28,769,507	27,567,988
Short-term personnel benefits	2,713,323	2,818,943
Post-employment benefits expenses	458,821	1,033,817
Severance benefits	1,114,921	330,837
Other personnel expenses	193,353	152,976
Total	**33,249,925**	**31,904,561**

NOTE 26. Earnings per Share

The basic earnings per share are calculated by dividing the earnings available to shareholders by the weighted average number of shares in circulation during the year.

The calculation for 2009 and 2008 is detailed as follows:

	Accumulated to	
	12-31-2009 ThCh$	12-31-2008 ThCh$
Earnings attributable to equity holders of the parent	155,400,504	252,002,433
Result available to common shareholders, basic	155,400,504	252,002,433
Weighted average number of shares, basic	1,144,577,775	1,144,577,775
Basic earnings per share	**0.135771031**	**0.220170650**

NOTE 27. Business Combinations

Acquisitions during 2009

There were no business combinations during 2009.

Acquisitions during 2008

The extraordinary shareholders meeting of December 27, 2007 approved the merger by incorporation of Citigroup Chile II S.A. into LQ Inversiones Financieras S.A. and a capital increase by the issue of 220,558,398 shares of the series LQIF-B.

As a result, the shareholders of Citigroup Chile II S.A. received 220,558,398 series LQIF-B shares in exchange for 320,063,129 shares in Citigroup Chile S.A.

The share ownership of LQ Inversiones Financieras S.A. thus comprised Quiñenco and its subsidiaries with 67.04% and Citigroup Chile S.A. with 32.96%.

The merger by incorporation of Citigroup Chile II S.A. into LQIF took effect on January 1, 2008, the latter absorbing the former and thus acquiring all its assets and liabilities and succeeding it in all its rights and obligations, and thus adding to its equity that of Citigroup Chile II, with the latter company being dissolved on that date. For legal purposes, LQIF is the legal successor of Citigroup Chile II.

In January 1, 2008, extraordinary shareholder meetings of Banco de Chile and Banco Citibank approved the merger by incorporation of Banco Citibank into Banco de Chile, the former being dissolved by force of law and Banco de Chile becoming the legal successor of Banco Citibank.

For the recording of the merger between LQIF and Citigroup Chile II S.A., the management has treated this as a business combination, applying the acquisition method valuing the assets and liabilities at fair value as of January 1, 2008, the acquisition date.

The association framework agreement between Quiñenco, Citigroup and COIC dated July 19, 2007 established that to carry out the association and joint corporate reorganization, a series of operations should be carried out and approvals obtained; these were completed on December 27, 2007 on which date the merger was authorized with effect from January 1, 2008.

The object of this merger by absorption is to obtain the following benefits:

(i) creation of new value proposals through the offer of global services to corporate and individual customers;

(ii) increase in business volumes and customer base;

(iii) achievement of economies of scale and synergies;

(iv) incorporation of best industry practices;

(v) strengthening of the resultant bank's capital base.

As the financial institutions Banco de Chile and Banco Citibank were under joint control at the time of the merger, the treatment of this operation has been at the book values recorded in LQIF on the date of the merger.

The impact on the statement of financial position of both operations as of January 1, 2008 is detailed as follows:

	Merger LQIF-Citigroup Chile II ThCh$	Merger Banco de Chile - Banco Citibank ThCh$	Total ThCh$
Capital increase	481,254,417	-	481,254,417
Assets			
Cash & cash equivalents	(54,558,309)		(54,558,309)
Receivables from related entities	(52,013,692)		(52,013,692)
Investment in subsidiary Banco Citibank	(321,625,870)	321,625,870	-
Investment in subsidiary Banco de Chile		(179,383,813)	(179,383,813)
Intangible assets Banco Citibank			
Difference recorded assets	(9,508,733)	4,046,355	(5,462,378)
Core deposits	(22,856,772)	9,726,492	(13,130,280)
Atlas customers	(12,620,766)	5,370,652	(7,250,114)
Customer credit cards	(2,335,172)	993,711	(1,341,461)
Atlas trademark	(1,192,839)	507,602	(685,237)
Contract for use of Citi name	(15,503,229)	6,597,258	(8,905,971)
Intangible assets Banco de Chile			
Banco de Chile name	-	(8,165,913)	(8,165,913)
Banco de Chile premises & equipment	-	(859,975)	(859,975)
Banco de Chile core deposits	-	(795,662)	(795,662)
Liabilities			
Trade & other payables	77,987	-	77,987
Payables to related entities	22,174,940	-	22,174,940
Deferred taxes payable	10,882,978	(2,961,488)	7,921,490
Goodwill acquired	**22,174,940**	**156,701,089**	**178,876,029**

During March and June 2008, LQIF acquired shares in Banco de Chile on the local market which increased its shareholding from 30.47% to 32.11%. It also acquired in the same year shares in SM Chile on the local market, which increased its shareholding from 52.83% to 58.24%.

As these transactions were acquisitions of minority shareholdings, the Company has valued these considering the book values, increasing the assets and liabilities by the equivalent of the percentage holding acquired. The effects of both operations on the statement of position as of December 31, 2008 are detailed as follows:

	ThCh$
Cash & cash equivalents	101,963,204
Assets	
Investment Banco de Chile	(21,145,730)
Investment SM-Chile	(26,393,433)
Intangible assets Banco de Chile	
Banco de Chile name	(6,927,692)
Premises & equipment	(725,333)
Core deposits	(506,261)
Intangible assets Banco Citibank	
Difference book assets	(377,448)
Core deposits	(943,589)
Atlas customers	(507,660)
Credit card customers	(92,694)
Atlas name	(50,506)
Contract for use of Citi name	(656,426)
Liabilities	
Subordinated obligation. Banco Central de Chile	32,091,811
Deferred taxes payable	1,833,894
Goodwill acquired	**77,562,137**

As a result of the purchases made and the merger with Citigroup, LQIF increased its direct and indirect shareholding in Banco de Chile from 52.46% to 61.68%.

This increase gave compliance with the commitment under the association framework agreement to obtain at least 58.33% of the voting rights in Banco de Chile.

The fair values of the identifiable assets and liabilities of Citigroup Chile II S.A. at the date of acquisition and the corresponding book values prior to acquisition are detailed as follows:

	Fair value ThCh$	Book value ThCh$
Cash & banks	140,350	140,350
Time deposits	54,417,959	54,417,959
Receivables from related entities	52,013,692	52,013,692
Investments in related entities	321,625,870	321,625,870
Intangible assets	64,017,511	-
Total assets	**492,215,382**	**428,197,871**
Payables	297	297
Withholdings	3,967	3,967
Taxes payable	73,723	73,723
Deferred taxes	10,882,978	-
Payables to related entities	-	22,174,940
Total liabilities	**10,960,965**	**22,252,927**
FAIR VALUE NET ASSETS	**481,254,417**	

The results of the valuation of assets and liabilities at fair value have caused the recording of the following intangible assets:

	ThCh$
Difference assets recorded	9,508,733
Core deposits	22,856,772
Atlas customers	12,620,766
Credit card customers	2,335,172
Atlas brand	1,192,839
Contract for use of Citibank brand	15,503,229
Total	**64,017,511**

The unassigned difference between the value agreed by the parties in valuing Citigroup Chile II S.A. and the book value of the assets and liabilities relates to the future cash flows the Company expects to obtain from the synergies to be generated following the merger between the subsidiaries Banco de Chile and Banco Citibank.

The total cost of the combination was ThCh$481,254,417.

NOTE 28. Environment

The Company is not affected by this concept as Quiñenco is an investment company.

During 2009, Alusa S.A., a subsidiary of Madeco, has disbursed ThCh$1,658,217 with respect to savings by reductions in bulk solvents and a reduction in COV (volatile organic components) emissions into the atmosphere. This project is called “Solvents Recovery System” and is progressing, with completion expected by December 2009.

Disbursements made during the year form part of an asset recorded in Construction in progress, which forms part of Property, plant and equipment. The amount of future commitments is estimated at ThCh$879,311, which are expected to be disbursed during 2010.

Apart from the above exception, the other subsidiaries have made no significant disbursements relating to investments or expenses especially focused on environmental protection.

NOTE 29. Financial Risk Management Policy

a) Credit risk

At the corporate level, investments of cash surpluses are made in top-class national and foreign entities with limits set for each one, which have a credit rating equal or better than the limits pre-established for each kind of instrument.

In the subsidiary Madeco, the customer risk is managed according to established policies and procedures. When credit is granted to customers, these are evaluated in order to reduce the risk of non-payment. The credits granted are revised periodically in order to apply the controls defined by Madeco’s policies and to monitor the state of accounts outstanding.

The risk related to liabilities or assets of a financial nature is managed by Madeco according to defined policies. Surpluses of cash or available funds are invested according to the policy’s criteria in low-risk instruments (principally time deposits) in institutions that have high credit ratings and within the limits established for each institution.

Regarding the risk related to copper, Madeco uses financial derivatives assigned, as the case may be, to hedge cash flows or existing items (fair value). These instruments are contracted according to the policies defined by Madeco's management, which set the levels of hedge according to the market price of copper (higher level of hedge is adopted for a higher price of copper). Madeco uses copper collars or swaps which, in addition to being approved by the management, comply with the necessary documentation (definition or relationship between derivative and item hedged, objectives of risk management, efficiency tests, etc.). As of December 2008 Madeco had 600 tons of copper hedged, and as of December 31, 2009 it had 908 tons hedged by derivative contracts.

Following the sale of the cable unit at the end of September 2008, Madeco received a cash payment of approximately US$393 million (equivalent to US$448 million after the adjustments made under the purchase agreement). These funds, once the respective debts were repaid (bonds and debts required in the restructuring process), were placed according to Madeco's policy in different financial institutions with high credit ratings (AA or above).

The subsidiary Telsur manages customer-related risk according to its current policies, procedures and controls. This means that when contracting a new customer, its credit capacity and record are examined. Amounts due are constantly managed by internal and external executives, and service cuts and suspension of billing are applied, as established in Telsur's customer management policy.

The risk related to financial instruments for the investment of cash surpluses is managed within Telsur's investment policy. This policy protects the return on investments by investing surpluses in low-risk instruments (Banco Central paper repurchase agreements and fixed-income mutual funds) and limits the concentration of investments by setting maximum investment limits for each financial institution.

The subsidiary LQ Inversiones Financieras has no accounts receivable subject to credit risk. With respect to the investment of cash surpluses, this is carried out on market conditions in fixed-rate instruments in line with the maturities of commitments or operating expenses.

b) Liquidity risk

Quiñenco finances its activities and investments with the dividends and earnings distributions of the companies in which it participates and with funds obtained from sales of assets and/or the issue of debt instruments and shares.

Quiñenco prefers long-term financing in order to maintain a financial structure in line with the liquidity of its assets and whose maturities are compatible with the generation of cash flows.

The subsidiary Madeco periodically estimates its projected liquidity needs for each period, between the amounts receivable (customer receivables, dividends, etc.), the respective payments (trade, financial, etc.) and the amounts of available cash, in order not to have to resort to short-term external financing. Any cash surpluses can be invested in accordance with Madeco's policies in low-risk financial instruments (see credit-risk note for further details).

The subsidiary Telsur follows a liquidity policy of constantly managing working capital, monitoring compliance with customers' payment commitments and checking compliance with the payment policy. Telsur has a stable operating cash flow generation which, added to its current credit lines, enables it to cover its extraordinary cash requirements.

The subsidiary LQIF distributes dividends according to free cash flows taking into account the company's expenses and indispensable obligations, which include financial debt. The principal source of funds for payments of interest and principal of LQIF's obligations relates to the payment of dividends on its direct and indirect participation in Banco de Chile. Consequently, its capacity to pay programmed interest and principal depends entirely on the capacity of Banco de Chile to generate earnings from its operations and the resolutions adopted annually at its shareholder meetings with respect to dividend distributions.

c) Exchange rate risk

At the corporate level, there is no exposure as of December 2009 to the currency exchange rate as there are no assets or liabilities in foreign currency nor are there hedges contracted at December 2009 or 2008. Exchange differences produced by the translation to Chilean pesos of balances in the functional currencies of the consolidated entities whose functional currency is other than the Chilean peso are recorded as a credit or charge to equity until the retirement of the equity account to which they correspond, at which time they will be recorded to results.

In the subsidiary Madeco, exposure to exchange rate risk arises from positions in cash and cash equivalents, bank debt, bonds and other assets and liabilities indexed to currencies other than the functional currency, i.e. the US dollar. Both the board and management of Madeco periodically revise its net exposure, projecting based on changes in the currencies other than the functional currency the financial effects that would result from balances of assets or liabilities in such currencies at the time of evaluation. If significant and adverse effects are detected for Madeco, financial derivatives may be contracted (mainly cross currency swaps) in order to limit these possible risks.

As of December 31, 2009 the net exposure to exchange rate risk of Madeco (excluding the investment in Nexans) is an asset equivalent to ThCh$7,990 million. If a 5% variation is assumed in the currencies other than the functional currency on this exposure, this would generate in the statement of results an estimated effect of Ch$400 million at the consolidated level. The net exchange rate risk exposure due to the investment in Nexans as of December 31, 2009 is Ch$104,216 million. A 5% change in the exchange rate (dollar/euro) would generate an effect on total equity of Ch$5,211 million.

The subsidiary Telsur, within the framework of its risk management policy seeks to eliminate exchange risk through the use of derivatives. Telsur's exposure is for its foreign bank loans, converted to UF through hedging operations (cross currency swaps).

The subsidiary LQIF has no exchange rate risk as it has no financial assets or liabilities in foreign currency.

d) Interest-rate risk

At the corporate level, Quiñenco shows a low exposure to interest-rate risk as its financial commitments are all structured at fixed rates.

The subsidiary Madeco has 52% of its obligations at fixed rates and 13% with an interest rate hedged by a rate swap, which implies an exposure to floating rates of 35% of its financial commitments.

The subsidiary Telsur shows a low interest-rate risk as its financial commitments are 89% structured at fixed rates.

The subsidiary LQIF has all its financial commitments at fixed rates, which implies a low exposure to interest-rate risk.

The following table shows the consolidated interest-rate structure. As can be seen, the consolidated exposure to interest-rate risk (excluding the debt of Telsur) is reduced as 94% of the debt is structured at fixed interest rates.

Net position	12-31-2009	12-31-2008
Fixed interest rate	92.3%	86.4%
Protected interest rate	2.0%	3.3%
Floating interest rate	5.7%	10.3%
Total	**100.0%**	**100.0%**

As of December 31, 2009, the consolidated exposure to floating interest rates amounts to Ch$13,186 million (excluding the floating interest-rate debt of Telsur amounting to Ch$7,363 million). A variation of 100 basis points in the interest rate would generate an effect on the financial statements for the year of Ch$132 million.

e) Nexans investment risk

The subsidiary Madeco holds shares in the French company Nexans, received as part of the sale price for its cable unit. These shares are treated as a financial investment and are therefore subject to two kinds of market risk: price risk of variations in Nexans's share price, and exchange rate risk due to variations between the euro (the monetary base of the shares) and the currency of presentation of the financial statements. The exposure to variations in the market price of the investment in Nexans as of December 31, 2009 is Ch$104,216 million. A 5% variation in the Nexans share price would generate an effect on total equity of Ch$5,211 million.

NOTE 30. Information by Segments

General

Quiñenco is structured on the basis of industrial and financial activities with its resources distributed among three business segments: Manufacturing, Financial and Others.

The Manufacturing segment includes Madeco.

The Financial segment includes LQIF and its subsidiaries.

The Other segment includes Quiñenco corporate, CCU and others.

With the exception of the subsidiary Madeco and the associate CCU, all the group's operations are carried out in Chile.

In determining the information by segment, those exceeding 10% of consolidated ordinary revenues and the particular characteristics of the holding company have been taken into account.

Quiñenco, as an investment company, defines its ordinary income as that from the sale of goods and services (Madeco, Telsur and others) and net income from the banking sector (Banco de Chile).

Geographical area

Ordinary revenue from foreign customers by geographic areas as of December 31, 2009 and 2008 is detailed as follows:

	12-31-2009 ThCh$	12-31-2008 ThCh$
South America	229,223,113	231,162,604
Central America	5,362,910	8,023,369
North America	18,922,143	20,694,231
Europe	419,192	4,349,685
Asia	200,917	150,044
Total ordinary income from foreign customers	**254,128,275**	**264,379,933**

The results by segments for 2009 are detailed as follows:

Statement of income from non-banking services	Manufacturing ThCh$	Financial ThCh$	Other ThCh$	Total ThCh$
Ordinary income from foreign customers	165,422,961	-	88,705,314	254,128,275
Ordinary income by transactions between segments	10,894,821	-	(10,894,821)	-
Cost of sales	(147,307,855)	-	(33,556,249)	(180,864,104)
Gross margin	29,009,927	-	44,254,244	73,264,171
Total other operating income	12,390,292	2,116,256	4,310,055	18,816,603
Operating expenses, net	(25,713,951)	(9,546,696)	(52,825,465)	(88,086,112)
Financial costs [of non-financial activities]	(3,465,169)	(6,988,736)	(3,385,167)	(13,839,072)
Net participation in associates and joint ventures participation method	-	-	42,233,654	42,233,654
Exchange differences	8,237,633	-	568,888	8,806,521
Indexed units results	(1,920,504)	2,528,855	(234,560)	373,791
Other gains (losses)	(1,501,641)	-	30,755,335	29,253,694
Earnings (loss) before tax	17,036,587	(11,890,321)	65,676,984	70,823,250
Charge (credit) for income tax	1,101,190	1,707,950	(3,727,076)	(917,936)
Gain (loss) from on-going activities after tax	18,137,777	(10,182,371)	61,949,908	69,905,314
Gain from discontinued activities net of tax	33,795	-	4,126,902	4,160,697
Net income (loss) from non-banking services	**18,171,572**	**(10,182,371)**	**66,076,810**	**74,066,011**
Statement of income from banking services				
Operating income, net	-	793,325,650	-	793,325,650
Operating expenses	-	(496,742,223)	-	(496,742,223)
Operating income	-	296,583,427	-	296,583,427
Result of investments in companies	-	839,258	-	839,258
Interest on subordinated debt with Banco Central de Chile	-	(44,748,595)	-	(44,748,595)
Income before income tax	-	252,674,090	-	252,674,090
Income tax	-	(39,613,923)	-	(39,613,923)
Net income from on-going operations	-	213,060,167	-	213,060,167
Net income from banking services	-	213,060,167	-	213,060,167
Net income	**18,171,572**	**202,877,796**	**66,076,810**	**287,126,178**

As of December 31, 2009 depreciation and amortization, the components of cash flows and assets and liabilities by segment are detailed as follows:

	Manufacturing ThCh$	Financial ThCh$	Other ThCh$	Total ThCh$
Depreciation & amortization	7,992,977	8,794,336	733,627	17,520,940
Cash flow from non-banking services				
Operating	12,665,387	(22,908)	(90,745,027)	(90,190,020)
Investment	(4,040,829)	61,466,038	41,286,552	98,711,761
Financing	(90,747,993)	(120,647,608)	155,859,526	(51,462,042)
Cash flow from banking services				
Operating	-	503,275,266	-	503,275,266
Investment	-	34,372,841	-	34,372,841
Financing	-	(660,911,306)	-	(652,176,626)
Current assets	157,101,918	18,745,722	229,992,016	405,839,656
Non-current assets	211,977,618	957,371,032	287,551,678	1,456,900,328
Banking assets	-	17,459,201,625	-	17,459,201,625
Total assets	**369,079,536**	**18,435,318,379**	**517,543,694**	**19,321,941,609**
Current liabilities	58,621,587	3,731,314	151,350,442	213,703,343
Non-current liabilities	25,849,882	161,484,882	145,904,128	333,238,892
Banking liabilities	-	16,501,379,620	-	16,501,379,620
Total liabilities	**84,471,469**	**16,666,595,816**	**297,254,570**	**17,048,321,855**

As of December 31, 2008 the results by segment are detailed as follows:

Statement of income from non-banking services	Manufacturing ThCh$	Financial ThCh$	Other ThCh$	Total ThCh$
Ordinary income from foreign customers	178,079,271	-	86,300,662	264,379,933
Ordinary income by transactions between segments	21,163,706	-	(21,163,706)	-
Cost of sales	(175,683,014)	-	(30,087,250)	(205,770,264)
Gross margin	23,559,963	-	35,049,706	58,609,669
Total other operating income	3,879,858	8,650,747	7,867,153	20,397,758
Operating expenses, net	(24,585,372)	(24,705,493)	(44,819,524)	(94,110,389)
Financial costs [of non-financial activities]	(6,549,651)	(7,615,172)	(8,430,322)	(22,595,145)
Net participation in associates and joint ventures participation method	-	-	26,999,997	26,999,997
Exchange differences	(16,370,118)	-	(716,860)	(17,086,978)
Indexed units results	3,421,079	(10,027,814)	(5,149,489)	(11,756,224)
Other gains (losses)	(43,028,046)	-	130,745,276	87,717,230
Earnings (losses) before tax	(59,672,287)	(33,697,732)	141,545,937	48,175,918
Charge (credit) for income tax	(671,401)	4,319,921	(1,112,329)	2,536,191
Gains (loss) from on-going activities after tax	(60,343,688)	(29,377,811)	140,433,608	50,712,109
Gains (loss) from discontinued activities net of tax	115,294,383	-	4,260,807	119,555,190
Net income (loss) from non-banking services	**54,950,695**	**(29,377,811)**	**144,694,415**	**170,267,299**
Statement of income from banking services				
Operating income, net	-	949,177,854	-	949,177,854
Operating expenses	-	(573,194,946)	-	(573,194,946)
Operating income	-	375,982,908	-	375,982,908
Income from investments in entities	-	3,564,007	-	3,564,007
Interest on subordinated debt with Banco Central de Chile	-	(114,094,700)	-	(114,094,700)
Income before income tax	-	265,452,215	-	265,452,215
Income tax	-	(31,740,313)	-	(31,740,313)
Net income of on-going operations	-	233,711,902	-	233,711,902
Net income from banking services	-	233,711,902	-	233,711,902
Net income	**54,950,695**	**204,334,091**	**144,694,415**	**403,979,201**

As of December 31, 2008 depreciation and amortization, the components of cash flows and assets and liabilities by segment are detailed as follows:

	Manufacturing ThCh$	Financial ThCh$	Other ThCh$	Total ThCh$
Depreciation & amortization	7,222,528	24,143,519	978,928	32,344,975
Cash flow from non-banking services				
Operating	47,220,670	178,918	(55,374,812)	(7,975,224)
Investment	151,205,177	(100,814,869)	35,543,509	85,933,817
Financing	(62,930,640)	716,894	10,609,776	(51,603,970)
Cash flow from banking services				
Operating	-	287,447,026	-	287,447,026
Investment	-	(1,760,074,270)	-	(1,760,074,270)
Financing	-	1,750,621,850	-	1,750,621,850
Current assets	296,578,912	26,340,615	179,442,553	502,362,080
Non current assets	228,142,131	958,063,470	336,206,142	1,522,411,743
Banking assets	-	18,585,569,233	-	18,585,569,233
Total assets	**524,721,043**	**19,569,973,318**	**515,648,695**	**20,610,343,056**
Current liabilities	89,895,393	51,091,514	170,170,799	311,157,706
Non-current liabilities	40,979,145	155,893,456	140,777,742	337,650,343
Banking liabilities	-	17,751,185,468	-	17,751,185,468
Total liabilities	**130,874,538**	**17,958,170,438**	**310,948,541**	**18,399,993,517**

NOTE 31. Contingencies

a) Lawsuits

The subsidiary VTR presented Case No.10520-07 in 1999 which is pending before the Santiago Appeals Court, against the sentence in the first instance given on October 26, 1999 by the tax tribunal of Metropolitan Santiago Center of the Chilean Internal Revenue Service (“SII”) which rejected the tax appeal presented by VTR against Demand No.29 of January 21, 1998 for sole tax under paragraph 3 of article 21 of the Income Tax Law applied to a loss on a currency futures contract signed on January 2, 1995 between VTR and Citibank N.A..

On April 11, 2007, the Santiago Appeals Court allowed the renewal of the suspension of collection of taxes for a term of 6 months from April 13 of that year.

Later, on May 11, 2007, the Santiago Appeals Court annulled the sentence in the first instance as it was given by a delegated tax judge (lacking jurisdiction) and ordered that the appeal be reconsidered by the regional director of the Metropolitan Santiago Center of the SII, invalidating therefore all the previous proceedings.

The proceedings are currently pending in the first instance, having re-entered the tax tribunal of the Metropolitan Santiago Center of the SII on June 1, 2007 (Case No.10.520-2007).

On August 28, 2007, the tribunal resolved to receive the tax appeal and ordered the inspector’s report. On November 30, 2007, comments were presented on the report No.178-1 issued on October 29, 2007 by the selective inspectorate department of the Metropolitan Santiago Center of the SII.

Finally, on November 30, 2007, the tax tribunal resolved to acknowledge receipt of the comments on that report.

The subsidiary VTR has made an appeal before the Santiago Appeals Court (Case No.6692-04) which pending review by the court. This appeal was made against the sentence in the first instance by the Metropolitan Santiago East Regional Directorate of the SII with respect to a tax appeal dated December 16, 1999 against Demand No.1025 of that tax office.

On March 25, 2009, the Santiago Appeals Court, aware of the appeal in first instance, invalidated the sentence and all the previous proceedings in the first instance as sentence was given by a delegated tax judge who lacked jurisdiction.

As a result of this decision, the proceedings were again processed in the first instance (in a new case) before Metropolitan Santiago East Regional Office of the SII (Case No.10.384-2009). This tribunal rejected the company's tax appeal on September 8, 2009.

As a result, an appeal was lodged on October 15, 2009 whereby if rejected again the case would be heard by the Santiago Appeals Court.

As of December 31, 2009 the subsidiary Madeco has lawsuits pending against it with respect to demands related to its normal business which, according to the company's legal advisers, present no risk of significant losses.

b) Financial contingencies

As of December 31, Quiñenco and the group companies are in compliance with the financial covenants related to bond issues.

(1) Quiñenco is subject to financial covenants with respect to its bond issues. The principal financial covenants related to Quiñenco as of December 31, 2009 are:

- to maintain unencumbered assets to unsecured debt at book value of at least 1.3 times.
- to maintain an unconsolidated financial debt ratio to total equity of no more than 0.45:1.
- to maintain a consolidated financial debt ratio to total equity of no more than 0.60:1.
- to maintain a minimum equity of MCh$702,171.
- the Luksic group should maintain control of Quiñenco.

The bond-holders meeting held on May 6, 2009 approved the modification of the financial covenants for the Series A and D bonds of Quiñenco, stipulating that the calculation of these covenants be based on the information the Company prepares under IFRS as of 2009.

(2) The VTR S.A. share purchase agreement with SBC International Inc., dated June 16, 1999, states certain mutual obligations by the parties that translate into sale price adjustments.

(3) The subsidiary LQIF is subject to certain financial covenants contained in the bond-issue indenture and other loan agreements. The principal restrictions as of December 31, 2009 are:

- The company should maintain a debt level in its quarterly financial statements of no more than 0.40 times, measured by the ratio of total adjusted liabilities to total adjusted assets, equivalent to the balances of non-banking service accounts plus the calculation of the investment in companies (equity value), the restitution of lesser and higher values fixed in UF as of December 31, 2008 and restituting balances eliminated in the consolidation.

- During three months prior to payment of coupons on these issues, it should maintain a liquidity reserve equivalent to at least the payment of that corresponding to bond-holders of that date.
- It should retain its control of Banco de Chile, and the present controller of the company should remain as such.

(4) As of December 31, 2009, Madeco and its subsidiaries have various covenants whose principal terms are:

Bank loans:

As of December 31, 2009, Madeco has syndicated loans with financial institutions whereby it is obliged to comply with the following during the whole term of the loan and until its full compliance with all the payment obligations contained in the agreements:

- The Company must prepay all the bank loans should the Luksic group cease to hold, directly or indirectly, at least 40% of the shares with voting rights in Madeco and to have control, directly or indirectly, of Madeco (as defined in clause 97 of the Securities Market Law 18,045).

Compliance with financial ratios:

1. The Net financial Debt less changes in working capital to EBITDA (with respect to the last four quarters) should not exceed 3.0:1.
2. The Net financial Debt less changes in working capital to Adjusted Equity ratio should be less than 0.75:1.
3. The EBITDA (for the last four quarters) ratio to Financial Expenses (for the last four quarters) should be at least 2.5:1.
4. The Adjusted Equity should be at least UF7,000,000.

Principal covenants of Madeco

1. The Company and its essential subsidiaries (Alusa, Indalum and Madeco Brass Mills) shall do all that is necessary to maintain their legal existence, rights, franchises and licenses current and in effect.
2. The debtor and its essential subsidiaries shall maintain and preserve its essential assets. For these purposes, these are defined as the equipment, machinery and all the elements essential for the debtor to conduct its business and those of its essential subsidiaries.
3. The Company shall use the proceeds of the loan exclusively for the financing of exports and investments in assets related directly to the export of its products, and the refinancing of existing debt.
4. The debtor and its essential subsidiaries should comply in all substantial aspects with all laws concerning pollution or waste materials of an environmental nature to ensure that they do not cause an adverse material effect.

Principal negative covenants of Madeco.

- The debtor and its essential subsidiaries may not charge their assets without the prior written consent of the creditors.
- The debtor and/or its essential subsidiaries may not agree to mergers, absorption or incorporation, nor may be liquidated, terminate business or be dissolved without the prior written consent of the creditors.
- It may not dispose of any of its essential assets, except in leaseback transactions.

- The debtor and/or its essential subsidiaries may not make any changes of importance to the nature of its principal businesses without the prior written consent of the creditors.

As of December 31, 2009, Madeco is meeting all the covenants required in the syndicated loan agreements.

Indalum S.A. (hereinafter "Indalum") and subsidiaries

Following negotiations by Indulam on December 29, 2003 with Banco de Chile, Banco Crédito e Inversiones, Banco del Estado and BancoSecurity (syndicated loan), the following restrictions were established covering the period from that date to December 26, 2010:

1. To maintain in June and December each year, on the basis of the consolidated financial statements as of June 30 and December 31 each year, the following financial ratios:
    - A debt level or leverage no greater than 1.2:1.
    - A minimum restated capital of the equivalent of ThUS$54,942.
2. To maintain ownership of the property, plant and equipment needed for the normal development of the business and maintain its ownership of the subsidiary Alumco S.A.
3. Not to pledge, mortgage or grant any lien or real right over any fixed asset owned by Indalum or its subsidiaries, except for liens over assets acquired in the future and granted to secure their financing.
4. Not to grant guarantees to cover compliance with any obligation, debt or commitment of any party other than Indalum or its subsidiaries, without the prior written consent of the creditors.
5. Not to pay or distribute dividends that exceed 30% of the net income for each year, except with the prior written consent of the creditors.
6. Not to grant direct financing to third parties other than for the business. This excludes the trade receivables of Indalum with its customers and loans to the executives and personnel of Indalum or its subsidiaries.
7. In the event of disposal of the property located at Avda. Vitacura 2736, Office 301, Vitacura, it shall credit all the sale proceeds in prepayment, pro rata to the balance, of the restructured obligations.
8. Madeco S.A. should retain directly or indirectly, during the term of the agreement, control of Indalum or have a shareholding of at least 50.1%.

As of December 31, 2009, Indulam has fully complied with these restrictions.

Alusa S.A. (hereinafter "Alusa") and subsidiaries

Alusa has the following contingencies and/or restrictions as of December 31, 2009:

Alusa is subject to the following commitments with the financial institutions mentioned:

- Loan Banco del Estado de Chile U.F. 52,000 (historic value).

Alusa should comply with the following covenant in cover of this loan:

Madeco must be the owner directly or indirectly of at least 50.1% of the share capital with voting rights of Alusa during the term of the loans.

Loan Banco del Desarrollo:

On December 26, 2006, Alusa became guarantor of Aluflex S.A. with respect to a loan granted by Banco del Desarrollo to that company for US$4,000,000 repayable in semi-annual payments after 1 year's grace, until July 2010.

Loan Corpbanca:

On September 2, 2008, Alusa became guarantor of Aluflex S.A. with respect to a loan granted by Banco Corpbanca to that company for US$4,000,000 repayable in semi-annual payments until September 2012.

Peruplast S.A

Peruplast S.A. has the following contingencies and/or restrictions as of December 31, 2009:

On November 6, 2007 it acquired the following commitments with respect to two long-term bank loans of US$8,000,000 each:

- Scotiabank

Peruplast S.A. should meet the following covenants:

Maintain a debt ratio (total liabilities less deferred taxes to net equity less intangible assets less non-trade accounts receivable from affiliates of Peruplast) of no higher than 1.50:1 from December 2007to September 2009 nor 1.25:1 from December 2009 onward.

Maintain a debt coverage ratio (financial debt to EBITDA) no higher than 2.00:1 from September 2007 to September 2009 nor more than 1.75:1 from December 2009 onward.

Maintain a debt service ratio (EBITDA to the sum of the current portion of long-term debt plus financial expenses) at no less than 1.50:1.

- BCP - Banco de Crédito del Perú

Peruplast S.A. should meet the following covenants:

Leverage (total liabilities less taxes and deferred participations to equity) of less than 1.50:1.

In measuring this ratio, liabilities include guarantees and security granted by Peruplast S.A. in favor of third parties.

Maintain debt service coverage (operating income plus depreciation and amortization less income tax and participations less distributions to shareholders less loans to related companies less net capital investments of financing plus initial cash, to debt service) greater than 1.25:1.

As of December 31, 2009, Peruplast S.A. is in compliance with these covenants.

c) Other contingencies

On July 19, 2007, Quiñenco informed the SVS that it had signed on that date an association framework agreement with Citigroup which contemplated the incorporation of Citigroup in the share ownership of its subsidiary LQIF.

LQIF is the parent, among others, of Banco de Chile and SM Chile.

Initially, and as a product of this strategic association, Citigroup acquired 32.96% of LQIF and the Company retained the remaining percentage shareholding.

The association framework agreement also stated that Citigroup could increase its shareholding in LQIF to 50%.

The association framework agreement, whose detail was published by the SVS on September 28, 2007 and which is available to the public in general on the SVS web site (www.svs.cl), contemplates the following two options:

The first may be exercised within 28 months of January 1, 2008 (the First Closing Date) by which Citigroup acquires 8.52% of LQIF for a sum of UF11,475,455.68, plus 5% per annum interest from the First Closing Date.

The exercise of this option could be made by Citigroup or by Quiñenco (call/put) such that if neither Citigroup nor Quiñenco exercises it, Citigroup would be left with the initially-agreed percentage holding in LQIF.

Finally, Citigroup has a second option to buy an additional 8.52% holding in LQIF, which would enable it to reach a 50% shareholding in LQIF, as indicated above. The term for exercising this option is 29 months from the closing date, at a price of UF11,475,455.68 plus 5% per annum interest from the First Closing Date.

On December 19, 2008, Quiñenco and Citigroup signed a modification of the association framework agreement mentioned above. This was agreed taking into account that the Second Closing Date is April 30, 2010, that the purchase option over the 8.52% of the shares of LQIF of the Second Closing Date, could be exercised by Citigroup to buy within 30 days from December 31, 2009, and if it did not, by Quiñenco between January 31 and February 14, 2010, to sell to Citigroup that percentage shareholding.

This modification also states that if as a result of acts or decisions of some relevant authority in the United States, Citigroup cannot acquire the LQIF shares subject to the purchase option on the Second Closing Date, it shall have an additional term of fifteen months from April 30, 2010 to acquire the shares necessary to obtain the 50% or just 41.4778% of the share capital of LQIF. This additional term of fifteen months shall run prior to the settlement of the purchase cost, i.e. prior to the payment by Citigroup of the difference between the exercise price of the purchase option and the 8.52% of the net asset value of LQIF, if such difference were positive.

Should Citigroup not exercise for any reason the option referred to in the preceding paragraph, Quiñenco shall have for its part the option to acquire from Citigroup the number of shares necessary to obtain 80.1% of the share capital of LQIF, which for such purposes shall be valued at the net value of LQIF's assets at June 30, 2011.

As defined in the modification agreement, the net value of LQIF's assets at June 30, 2011 is the difference between (1) the value of the shares of Banco de Chile and SM Chile held by LQIF and its subsidiary Inversiones LQ-SM Limitada, valued at their market value on the Santiago Stock Exchange based on the average closing price for the last 30 stock-market business days prior to July 31, 2011 and (2) the net debt of LQIF at June 30, 2011.

The net debt of LQIF at June 30, 2011 is defined as the sum of (a) total liabilities, excluding debt with financial entities resulting from consolidation of Banco de Chile and SM Chile and excluding liabilities from the consolidation of investments in companies made after the modification date, (b) less the total of current assets, excluding those from the consolidation of Banco de Chile, SM Chile and the consolidation of investments in companies made after the date of the modification, if any, both (a) and (b) based on the consolidated balance sheet of LQIF in the format of the SVS at June 30, 2011, and (c) less investments in companies made between the date of the modification and June 30, 2011, valued at their cost expressed in UF.

Should the participation of Citigroup in LQIF be reduced to 19.9%, the rights of Citigroup in the association shall be governed by the Sixth clause of the shareholders agreement signed on December 27, 2007.

Based on the above information and the characteristics of the options, it is not possible to quantify the probability of occurrence and the effects of this transaction on the date of these consolidated financial statements.

Cable Unit Sale Contract to Nexans

The extraordinary shareholders meeting held on April 25, 2008 approved the transaction with Nexans, and the sale contract for this transaction whereby Madeco transferred to Nexans its cable unit. This was formalized on September 30, 2008 on the satisfactory completion of the contract's conditions precedent.

As was reported to this shareholders meeting, the central points of this sale contract are summarized as follows:

(a) Price

Madeco and Nexans signed on February 21, 2008 a sale contract by which Madeco agreed to transfer to Nexans the assets of its cable units in Chile, Peru, Brazil, Argentina and Colombia for a cash payment of US$448 million (subject to price variations) and 2.5 million shares in Nexans.

Following compliance with all the conditions stipulated in the sale contract, on September 30, 2008 Madeco received i) US$393 million in cash, equivalent to the US$448 million agreed upon less the debt, non-controlling interests in the companies sold, transfer taxes that the buyer should withhold in Brazil, working capital variations, etc., and ii) 2.5 million shares in Nexans valued on that date at approximately US$218 million.

The cash payment was subject to the adjustment of differences between the pro-forma balance sheet estimated at September 30, 2008 and the accounting records at the end of the year. Due to these possible changes, Madeco placed deposits in an escrow account for US$37 million in favor of Nexans.

Accordingly, and as established in the sale contract, Nexans on November 12, 2008 sent a letter to Madeco indicating the accounts as of September 30, 2008 of the companies sold and its estimate of the adjustments that should be made to the price. For its part, Madeco sent a letter dated November 26, 2008 to the French company expressing its disagreement with respect to both the amounts informed and the basis for determining them, and therefore the adjustments that should be made to the price. The differences between the parties (Madeco-Nexans) do not exceed the escrow account of US$37 million mentioned in the previous paragraph.

On July 9, 2009, Madeco brought an arbitration demand against Nexans before the New York International Chamber of Commerce in order for it to form the arbitration tribunal for knowing and resolving in accordance with Chilean law the differences between the parties on the sale of Madeco's cable unit to the French company.

Of the US$37 million deposited in the escrow account, Nexans returned the sum of US$8,615,000 to Madeco on August 17, 2009.

(b) Declarations and warranties

The sale contract with Nexans establishes declarations and warranties that are usual in this kind of contract. Such declarations and warranties refer essentially to the ownership by Madeco and its subsidiaries of the cable assets transferred to Nexans, compliance with prevailing regulations and the absence of contingencies, apart from those disclosed in the contract. Madeco, as the seller, was therefore responsible for any contingencies that might arise after September 30, 2008 whose origin is prior to that date.

The declarations and warranties made by Madeco shall be effective until December 2009, except for i) labor and taxation declarations which remain outstanding until their respective dates of prescription, ii) environmental declarations which shall expire on September 30, 2011, and iii) declarations relating to the ownership of the companies disposed of and titles to real estate which shall expire on September 30, 2018.

(c) Covenants and restrictions for Madeco

Madeco shall be subject principally to the following covenants and restrictions: i) maintain shareholders' equity of at least US$ 250 million during the term of the declarations and warranties; ii) indemnify Nexans in the event of their breach; iii) grant to Nexans the same collateral that it may grant to its creditors in the future; iv) not compete with Nexans in the cables business for 3 years from September 30, 2008; and v) maintain the confidentiality of information that is not public knowledge.

The sale contract also establishes additional obligations on Madeco not to transfer (except to subsidiaries) the shares in Nexans received as part of the price within 12 months of September 30, 2008 and not dispose of more than 50% of these shares between 12 and 18 months from that date.

(d) Indemnities

Nexans shall be entitled to be indemnified for any breach of the declarations and warranties and the other obligations established in the sale contract.

Nexans shall also have the right to be indemnified for i) payments of taxes that the business has to assume but which originate from prior to September 30, 2008, except the proceedings declared with respect to Chile, Peru and Colombia in the declarations and warranties; ii) civil and labor lawsuits in Brazil listed as of September 30, 2008; iii) responsibilities in undeclared environmental matters; and iv) the obligations of the companies disposed of that are not related to their businesses.

(e) Limitation of liability of Madeco.

The sale contract states that Madeco shall not be liable for damages caused by individual events when these do not exceed US$73,000, nor for accumulated damages, excluding the individual damages mentioned above, that do not exceed US$1.46 million, and if these are exceeded, Madeco shall be liable according to the contract.

The sale contract also states that the liability of Madeco in the case of taxation contingencies and breaches of the declarations and warranties and other obligations under this contract, is limited to i) US$350 million with respect to taxation contingencies and ii) US$146 million with respect to the other matters, with a sub-limit in environmental matters of US$30 million. All the sub-limits shall be deducted from the total of the global limit, so Madeco shall not be liable for more than US$327 million in any event.

On August 19, 2002, Inersa S.A. and the subsidiaries Inversiones Vita S.A. and Inmobiliaria Norte Verde S.A., the committed sellers, signed a share sale commitment with Banco de Chile whereby the committed sellers promise to sell, assign and transfer to Banco de Chile all of their shareholdings in Banchile Seguros de Vida S.A.

The sales price shall be:

1) The sum of any capital contributions subscribed by the company prior to December 31, 2001, expressed in UF.

2) The capital contributions made to the company by its shareholders in accordance with the "risk equity" requirements for the business.

3) The above amounts expressed in UF at the date of each contribution plus a real compounded interest rate of 12% annually (UF422,842 as of December 31, 2009).

The book equity of Banchile Seguros de Vida S.A. as of December 31, 2009 is ThCh$22,023,966. Quiñenco's indirect shareholding in this company at December 31, 2009 was 66.30%.

The sales contract must be signed no later than December 31, 2011, provided that the following conditions are met:

a) The law and/or regulations authorize banks and/or their subsidiary companies to participate in the life insurance business, acquire shareholdings in a life insurance company or form financial conglomerates that can participate in the life insurance business.

b) The respective authority, whether it be the SBIF and/or the SVS, authorizes the participation of Banco de Chile and/or its subsidiary companies or business support companies or its respective financial conglomerate or parent company in the ownership of a life insurance company and/or the purchase of shares in such business.

c) The respective authority, whether it be the SBIF and/or the SVS, authorizes Banco de Chile and/or its subsidiary companies of business support companies or its respective financial conglomerate or Parent Company, to purchase the shares referred to in the sales commitment.

d) The company complies with the law, and the shares are sold free of any type of prohibition, encumbrance or pledges of any kind, embargoes, litigation, precautionary measures or other kind of limitation on the ownership. This condition is stipulated for the benefit of the committed buyer.

Because of the nature of this transaction, it is impossible to estimate the probability of its occurrence and/or its effect at the date of these consolidated financial statements.

d) Tax contingencies

The subsidiary Inversiones Río Grande S.A. has made an appeal to the Metropolitan Regional Santiago East Tax Office of the Chilean SII (Case No.10.349-2002) against tax notification No.62, for the repayment of monthly tax prepayments for earnings absorbed by tax losses for the tax year 1999 (historic value ThCh$484,329).

The taxation tribunal should soon call the evidence stage.

On August 26, 2005, the subsidiary VTR S.A. received notification No.156 from the SII for special taxes for the tax year 2003, amounting to ThCh$484,269 (historic tax amount). The company appealed against this claim on November 4, 2005. On February 16, 2006, Resolution 32/2006 was issued stating that there was a case for reviewing the inspector's actions so the claim itself is still pending. On June 29, 2007, the inspector presented his comments to report No.93 issued on June 6, 2007, and the tax tribunal confirmed, on July 9, 2007, that these comments had been presented.

On September 1, 2004, the Chilean SII issued Resolution No. Ex. 221, in which it rejected the loss produced by the sale of shares of Indalsa Perú S.A., subsidiary of Industria Nacional de Alimentos S.A., to the indirect subsidiary Lucchetti Chile S.A. in 2000, on the grounds that the loss is not "needed to produce income"..., "because it is not essential to the company's line of business".

The subsidiary Industria Nacional de Alimentos S.A. filed a complaint against this resolution, which is presently in process, claiming statute of limitations and that the resolution does not take into consideration the existence of an economic loss with respect to this investment. It is believed that the complaint will be accepted by the tax authorities.

By Resolutions 78 of April 29, 2005 and 88 of April 28, 2006, the SII reiterated its instruction to reduce the loss declared in Form 22 for the tax years 2002 and 2003.

The subsidiary Industria Nacional de Alimentos S.A. has presented appeals against both resolutions, requesting that they be added to the above proceedings.

On July 19, 2006, Ficap S.A. received a demand from the Brazilian Federal Authority for the tax years 2001, 2002, 2003, 2004 and 2005 relating to income tax differences amounting to a total of ThR$18,550 (ThUS$8,571 approx. historic value) which, according to the company's lawyers, present no risk of significant losses. However, applying the same criteria to the tax years 2006 onward, Ficap S.A. has made judicial deposits in order to avoid paying interest and fines on the difference of income tax that it might have to pay should the law be interpreted in the way stated in the demand. Despite being deposits made by a company sold to Nexans, the judicial deposits have been recognized as an asset as these were excluded from the sale price; Madeco therefore retains control over the lawsuit.

NOTE 32. Collateral Received

The Company has received no collateral from third parties as of December 31, 2009.

NOTE 33. Sanctions

Neither the Company nor its directors or managers received any sanctions from the SVS or any other regulatory authority during 2009 and 2008.

NOTE 34. Subsequent Events

On January 8, 2010, Quiñenco reported the following to the SVS:

"In accordance with article 147 of the Corporations Law No.18,046 and SVS General Rule 30, I, duly authorized, inform you as material information that the board of Quiñenco S.A. has adopted the following resolution that states the general policies of habitualness in carrying out operations with related parties, which are operations in the ordinary course of business:

Authorize the management of Quiñenco S.A. to carry out all acts and enter into all contracts or conventions with the related parties indicated below, without the need to comply with the requirements and procedures stated in article 147 of Law 18,046, when concerning operations included in the following general policy of habitualness:

(a) The following operations (a) that Quiñenco S.A. carries out with subsidiaries in which it holds, directly or indirectly, more than 50% and less than 95% of the share capital, or (b) that such subsidiaries carry out between them: (i) trading current account; (ii) recovery or reimbursement of expenses; (iii) office, parking lots and warehouse rentals or sub-rentals; (iv) purchase and sale of securities or rights in companies; and (v) contracts for the provision of administrative, accounting, financial, tax and/or legal services.

(b) Habitual purchases of products made and/or sold and habitual contracts for services provided, within their respective businesses, by entities belonging to the Quiñenco S.A. business group, which are not of large amounts.

(c) The following habitual operations related to the financial and investment management of Quiñenco S.A. and subsidiaries in which it holds, directly or indirectly, more than 50% of the share capital, with Banco de Chile and its subsidiaries, whatever the amount of such operations considered individually: (i) operate in bank checking accounts and draw under lines of credit related to such contracts; ii) placements, repurchase agreements, time deposits and other financial investments of fixed or variable income; (iii) collections, payments and transfers of funds; (iv) foreign exchange transactions; (v) financial derivative operations; (vi) collection commissions; (vii) issues of performance bonds; (viii) securities in custody; (ix) securities trading operations with stockbrokers; and (x) other operations appropriate to the normal businesses of the respective subsidiaries of Banco de Chile."

On January 29, 2010, Quiñenco reported the following to the SVS:

"In accordance with articles 9 and 10.2 of the Securities Market Law No.18,045 and SVS General Rule 30, I, duly authorized, inform you of the following as material information with respect to Quiñenco S.A. ("Quiñenco"):

In accordance with the terms of the association framework agreement dated July 19, 2007 between Quiñenco, for the one part, and Citigroup Inc. and Citigroup Overseas Investment Corporation, for the other, and also as stated in the shareholders agreement dated December 27, 2007 between Quiñenco S.A. and subsidiaries, for the one part, and Citigroup Chile, for the other, and in accordance with the modification of the First and Second clauses of the framework agreement referred to, signed on December 19, 2008, Citigroup has today exercised the purchase option ("call") for 8.52% of the shares of LQ Inversiones Financieras S.A., enclosing for the purpose the so-called Advice of the Second Closing Date stipulated in the above contracts, all of which are in the hands of the SVS.

As a result of the exercise of the call option, Citigroup acquires 57,035,400 shares of the LQIF-C Series issued by LQ Inversiones Financieras S.A., equivalent to 8.5222% of the share capital of this company, at a price of UF11,475,455.68, plus compound interest of 5% annually on that value in UF, interest that accrues from January 1, 2008. The total price payable at April 30, 2010 for exercising the call option is therefore UF12,859,607.25.

The formalization of this transaction implies that Citigroup will have a shareholding of 41.48% in LQ Inversiones Financieras S.A., generating for Quiñenco an estimated pre-tax gain of UF7,413,213."

On March 1, 2010, Quiñenco reported the following to the SVS:

"In accordance with articles 9 and 10.2 of the Securities Market Law No.18,045 and SVS General Rule 30, I, duly authorized, inform you that today the director, Juan Andrés Fontaine Talavera, informed Quiñenco of his resignation as a director of the company."

On March 2, 2010, Quiñenco reported the following to the SVS:

"In accordance with articles 9 and 10.2 of the Securities Market Law No.18,045 and SVS General Rule 30, I, duly authorized, inform you of the following to complement that reported on January 29, 2010 with respect to Quiñenco:

With reference to the association framework agreement signed on July 19, 2007 between Quiñenco, for the one part, and Citigroup Inc. and Citibank Overseas Investment Corporation (together with Citigroup Inc. "Citigroup") for the joint management of the financial businesses and services in and with respect to Chile, Citigroup has requested the submission for the consideration of the board of Quiñenco that the period expiring on March 1, 2010 be extended to March 15, 2010 for Citigroup to notify the Advice of the Third Closing Date agreed for the exercise of the purchase option for 8.52% of the shares of LQ Inversiones Financieras S.A. which would enable Citigroup to reach a 50% shareholding in LQIF.

In its request for the extension, Citigroup has stated that it is still processing the authorizations required from the corresponding authorities and that, in the event of the requested extension being conceded and the purchase option exercised, the Third Closing Date would remain unchanged, continuing to be May 3, 2010.

This matter will be considered at the board meeting of Quiñenco to be held on March 4, 2010, at 3.30 p.m., and the resolutions adopted will be reported by this same means."

On March 5, 2010, Quiñenco reported the following to the SVS:

"In accordance with articles 9 and 10.2 of the Securities Market Law No.18,045 and SVS General Rule 30, I, duly authorized, inform you of the following to complement that reported on January 29 and March 2, 2010 with respect to Quiñenco:

I refer to:

(a) the association framework agreement signed on July 19, 2007 between Quiñenco, for the one part, and Citigroup Inc. and Citibank Overseas Investment Corporation (together with Citigroup Inc. "Citigroup") for the joint management of the financial businesses and services in and with respect to Chile, and

(b) The request by Citicorp to extend until March 15, 2010 the term for notifying the Advice of the Third Closing Date agreed for the exercise of the purchase option for 8.52% of the shares of LQ Inversiones Financieras S.A. which would enable Citigroup to reach a 50% shareholding in LQIF, without this extension implying an alteration of the Third Closing Date, which will continue to be May 3, 2010.

The board of Quiñenco has resolved to agree to the requested extension, which should be formalized by the modification of the framework agreement to be signed by the parties".

On March 15, 2010, Quiñenco reported the following to the SVS:

"In accordance with articles 9 and 10.2 of the Securities Market Law No.18,045 and SVS General Rule 30, I, duly authorized, inform you of the following to complement that reported on January 29, 2010 with respect to Quiñenco:

As stated in a) the association framework agreement dated July 19, 2007 between Quiñenco, for the one part, and Citigroup Inc. and Citigroup Overseas Investment Corporation (together with Citigroup Inc., "Citigroup"), for the other, and its modifications, and b) the shareholders agreement dated December 27, 2007 between Quiñenco S.A. and subsidiaries, for the one part, and Citigroup Chile S.A. ("Citigroup Chile"), for the other, Citigroup has today exercised the purchase option for 8.52% of the shares of LQ Inversiones Financieras S.A. ("LQIF"), thus complying with the Advice of the Third Closing Date stipulated in the above contracts, all of which are in the hands of the SVS.

As a result of the exercise of the call option, Citigroup acquires 57,035,401 shares of the LQIF-D Series issued by LQ Inversiones Financieras S.A., equivalent to 8.52% of the share capital of this company, at a price of UF11,475,455.68, plus compound interest of 5% annually on that value in UF, interest that accrues from the First Closing Date, i.e. January 1, 2008. As a result, the total price payable in the Third Closing Date, i.e. May 3, 2010 for exercising the call option is UF12,864,807.

The formalization of this transaction implies that Citigroup will have a shareholding of 50.0% in LQIF, generating for Quiñenco an estimated pre-tax gain of ThCh$155 million".

On January 28, 2010, the subsidiary Madeco reported the following material information to the SVS:

"In accordance with articles 9 and 10.2 of the Securities Market Law No.18,045 and SVS General Rule 30, I, duly authorized, inform you of the following material information on this company:

At its meeting held on January 27, 2010, the board was informed that on January 22, the State of Sao Paulo, Brazil, notified our former Brazilian cable subsidiary Ficap S.A., today Nexans Brasil S.A., of tax demands amounting to ThR$89,172,390 (equivalent on that date to US$49,079,416) including interest and fines.

The notification sustains that the ICMS taxes (similar to VAT) paid by Ficap in the State of Espírito Santo, the place of copper imports, should have been paid in the State of Sao Paulo, where Ficap's plants are located. The State of Sao Paulo also alleges that the use of the fiscal credit generated in the State of Espírito Santo in 2005 is not due to it.

This situation falls within differences between various Brazilian states with respect to the place where VAT should be paid for imports while the use of tax credits, granted by some states to motivate imports of products through them, has been the practice of many local and international companies.

Under the contract signed with Nexans on February 21, 2008, by which the cable unit was sold to it, Madeco S.A., except in specially stated cases, was obliged to respond for contingencies to the buyer with respect to taxes originating from events prior to the date of the contract, as in this case.

The board resolved to exercise all its rights of appeal and revision under Brazilian legislation. The legal advisers of Madeco S.A. in Brazil, there are founded arguments for resolving this situation".

There are no other events of a financial or other nature occurring between December 31, 2009 and the date of issue of these consolidated financial statements that might significantly affect their interpretation.

NOTE 35. Material Information

The ordinary shareholders meeting of Quiñenco held on April 29, 2009 approved the distribution of a final dividend of Ch$69,819,244,275, corresponding to 30.08775% of the earnings for 2008. This dividend was paid from May 8, 2009.

On September 24, 2009, Quiñenco reported the following to the SVS:

"Quiñenco today signed a contract with the investment bank JP Morgan to seek and explore from among interested third parties different alternatives for realizing the potential of the business of the subsidiary Compañía Nacional de Teléfonos, Telefónica del Sur S.A. ("Telsur"), such as a strategic alliance, joint venture, merger and also the possibility of a sale of the shares of Telsur.

The board of Quiñenco believes that the possibility of incorporating an important operator in the telecommunications market or the ownership of Telsur can generate increases in value and other important benefits, both for this subsidiary and for all its shareholders.

In this stage because the nature of a potential transaction cannot yet be determined, nor the period of time for carrying it out or the amounts that might be involved, it is impossible to estimate its financial effects on Quiñenco or for Telsur, the alternative business options remaining open for the time being.

Finally, we confirm that the information on Telsur that is provided for the purposes of carrying out this mandate, and a potential transaction will be protected by the pertinent confidentiality obligations".

On December 1, 2009, Quiñenco reported the following to the SVS:

"In accordance with articles 9 and 10.2 of the Securities Market Law 18,045 and the SVS General Rule No.30, I, duly authorized by the board, inform you of the following material information with respect to Quiñenco S.A ("Quiñenco"):

1. Quiñenco today, jointly with its subsidiaries VTR S.A. and Inversiones VTR Sur S.A. signed with GTD Grupo Teleductos S.A. ("Grupo GTD") a share sale commitment covering the shares of Telsur (the "Commitment Contract").
2. By this Commitment Contract, Quiñenco, VTR and VTR Sur (the "Committed Vendors") promise to sell, assign and transfer to Grupo GTD (the "Committed Buyer"), which promises to buy, accept and acquire, subject to the terms, term and conditions agreed in the Commitment Contract, the amount of 167,512,343 shares of Telsur, which represent approximately 74.43% of the share capital and voting rights of Telsur (the "Shares" and each one of them a "Share").
3. The price of the was agreed as Ch$7,212,165,628 (the "Share Price"), at Ch$341.54 for each Share of Telsur (the "Price per Share").
4. For completing the purchase of the Shares, the Committed Buyer should arrange a public share purchase offer (the "Offer") in accordance with Section XXV of the Securities Market Law 18,045 for all the shares issued of Telsur. This offer should be made according to article 199 (a) of the Securities Market Law, at a price per share of Telsur equal to the Price per Share, i.e. Ch$341.54 for each share of Telsur.
5. The Offer shall also be subject to the following terms and conditions:
   (a) It shall be irrevocable and only be subject to the causes of extinction established in the opening notice and other Offer documentation, in accordance with the terms of the Commitment Contract, and subject to the mentioned causes of extinction not being found, it shall be sufficient for it being declared as successful by the Committed Buyer that it received the Share sale offer from the Committed Vendors, without later retraction, within the term of the Offer.
   (b) The Committed Buyer is obliged to publish an opening notice in accordance with article 202 of the Securities Market Law no later than December 16, 2009, in the El Mercurio of Santiago and Diario Financiero newspapers. The publication of this opening notice shall make the start of the Offer process for 100% of the Shares of Telsur.
   (c) The term of the Offer shall be 30 days from the day following the publication of the opening notice, the Committed Buyer not being able extend the Offer in accordance with article 205 of the Securities Market Law. The Offer should therefore expire no later than January 15, 2010.
   (d) The Committed Vendors are obliged to offer the Shares for sale in the Offer, not being able to fully or partially withdraw as contemplated in article 211 of the Securities Market Law, except in the situations contemplated in the Commitment Contract.
   (e) On the third day following the expiration of the Offer, i.e. no later than January 18, 2010, the Committed Buyer should publish the notice of the result.
   (f) The Offer price shall be paid no later than two market business days from the publication of the notice of the result, in cash and in the form stated by the Committed Buyer in the opening notice.
6. The Commitment Contract also contains stipulations, declarations and warranties usual for this kind of transaction.
7. Compliance with the Commitment Contract will produce for Quiñenco a gain in 2010 of approximately Ch$8,700 million before tax, determined on the basis of the financial statements as of September 30, 2009."

There have been no other events during 2009 which by their nature or importance are material or essential information, as defined in SVS General Rule No.30.

NOTE 36. Additional Notes

The following are the Notes to the financial statements of SM Chile S.A. and subsidiaries under the regulations of the SBIF.

NOTE 36.1. Company Information

The shareholders at the extraordinary shareholders' meeting held on July 18, 1996, recorded in public deed dated July 19, 1996 before the Santiago notary, René Benavente Cash, resolved that the company previously called Banco de Chile accept the provisions of the third and fifth paragraphs of Law 19,396 which modified the conditions of payment of the Subordinated Obligation with Banco Central de Chile. By this resolution, the company was transformed, changing its name to Sociedad Matriz del Banco de Chile S.A. ("SM Chile S.A.") and modifying its corporate object to being the holder of shares in Banco de Chile and to carrying out the other activities permitted by Law 19,396. It was also agreed to transfer all the assets and liabilities of the company, with the sole exception of the Subordinated Obligation with the Banco Central de Chile, to a new banking corporation to be called Banco de Chile and to create a closely-held corporation called Sociedad Administradora de la Obligación Subordinada SAOS S.A., to which would be transferred this obligation with Banco Central de Chile as a part of the shares in the new banking company, Banco de Chile.

On November 8, 1996, Banco de Chile became Sociedad Matriz del Banco de Chile S.A., or SM Chile, to which all its assets, liabilities and memorandum accounts were transferred, except for the Subordinated Obligation, to the new banking company, Banco de Chile. On the same date, the company subscribed and paid a capital increase in Sociedad Administradora de la Obligación Subordinada SAOS S.A. through the transfer of ownership of 28,593,701,789 shares in the new Banco de Chile, granting a special pledge in favor of Banco Central de Chile, which shares represented 34.64% of the share capital of that bank and transferred to that company the responsibility for paying the Subordinated Obligation, thus releasing Sociedad Matriz del Banco de Chile S.A. from that obligation. The company retains the commitment to transfer to Sociedad Administradora de la Obligación Subordinada SAOS S.A. the dividends and free shares corresponding to 567,712,826 shares in Banco de Chile that it holds, while the latter company maintains its Subordinated Obligation with Banco Central de Chile.

The shareholders in SM Chile S.A. directly exercise the spoken and voting rights of the shares pledged in favor of Banco Central de Chile in the proportions established in the corporate bylaws. These shareholders have a preferential right to acquire those shares should SAOS S.A. dispose of them in any circumstances.

As of December 31, 2009, the total balance of the Subordinated Obligation with Banco Central de Chile, including interest, amounts to UF43,660,386.35 (UF46,158,897.39 in 2008).

The Subordinated Obligation will be amortized over a period expiring on April 30, 2036, contemplating fixed annual payments of UF3,187,363.9765 each. However, SAOS S.A. is obliged to pay annually an amount called annual quota, constituted by the sum of the dividends received on the shares it holds in Banco de Chile, plus an amount it will receive annually from SM Chile S.A. equal to the dividends on that company's holding of 567,712,826 shares in Banco de Chile. The so-called annual quota may be greater or less than the fixed quota. If the annual quota is more than the fixed quota, the excess will be recorded in an account with Banco Central de Chile called "Surpluses for Future Deficits Account", whose balance will be used to cover future deficits. If the annual quota is below the fixed quota, the difference will be covered by the accumulated balance in the Surpluses for Future Deficits Account should there be a balance recorded in that account. If at some time the Surpluses for Future Deficits Account accumulates a balance due by SAOS S.A. of more than 20% of the paid capital and reserves of Banco de Chile, SAOS S.A. shall sell the shares pledged in the form established in Law 19,396 and the respective contract, to cover the whole deficit with the proceeds.

The annual quota for 2009 amounts to ThCh$91,097,798 (ThCh$98,223,580 in 2008). As of December 31, 2009 there is a surplus in the Surpluses for Future Deficits Account of UF4,276,735.53 (UF2,602,555.31 in 2008), which accrues interest of 5% annually.

The obligation with Banco Central de Chile will be extinguished if this has been fully paid or if no shares of Banco de Chile remain held by Sociedad Administradora de la Obligación Subordinada SAOS S.A. pledged in favor of Banco Central de Chile.

SM Chile will exist until it has extinguished the Subordinated Obligation that its subsidiary Sociedad Administradora de la Obligación Subordinada SAOS S.A. has with Banco Central de Chile and, at that moment, its shareholders will be adjudicated the shares that the company holds in Banco de Chile.

SM Chile is governed by Law 19,396 and is subject to the regulatory authority of the SBIF.

The legal domicile of Sociedad Matriz del Banco de Chile is Agustinas street 975, office 541, Santiago, Chile and its web site is www.sm-chile.cl.

NOTE 36.2. Accounting Changes

Except as mentioned in Note 36.3 First Adoption of International Financial Reporting Standards, there have been no significant changes during 2009 that affect the presentation of these consolidated financial statements.

NOTE 36.3. First Adoption of International Financial Reporting Standards

SBIF Circular 3,410 of November 9, 2007, complemented later by Circular 3,443 of August 21, 2008, instructed the application of the new accounting criteria embodied in the Compendium of Regulations that Banks began to apply on January 1, 2009 in the context of the convergence with IFRS.

By law, financial institutions should follow the accounting criteria set out by the SBIF and where not covered by these or if in conflict with its instructions, generally accepted accounting principles should be followed corresponding to the technical regulations issued by the Chilean Association of Accountants, coinciding with the international accounting and financial information standards agreed by the IASB.

According to the instructions issued by the SBIF, entities regulated by it should present during 2009 comparative financial statements with the same period of the previous year. For the sole purpose of a comparative presentation of the financial statements for 2008 under the new standards, SM Chile has re-processed or made estimates for some items to determine the adjustments and re-classifications that have affected the balances reported in the financial statements published at the time, which are being disclosed in the reconciliations described in these consolidated financial statements

I. Reconciliation of previous Chilean accounting principles and the new standards

The reconciliations shown below represent the quantification of the impact of the transition to the new standards in SM Chile. The reconciliation provides the impact of the transition with the following details:

1.1 Reconciliation of Consolidated Equity.

1.2 Reconciliation of Consolidated Income.

1.3 Reconciliation of the Consolidated Statement of Financial Position as of 01-01-2008.

1.4 Reconciliation of the Consolidated Statement of Financial Position as of 12-31-2008.

1.5 Reconciliation of the Consolidated Statement of Comprehensive Income as of 12-31-2008.

1.6 Reconciliation of the Consolidated Statement of Cash Flows as of 12-31-2008.

1.1 Reconciliation of Consolidated Equity

	Note 36.3 II	As of 01-01-2008 ThCh$	As of 12-31-2008 ThCh$
Total equity before accounting changes		**1,275,707,806**	**1,267,821,673**
Interest & indexation adjustments	(e)	23,965,861	29,895,387
Investment properties	(j)	18,770,309	18,396,887
Property, plant and equipment & intangible assets	(c)	23,872,075	5,152,578
Investments in support companies	(h)	1,645,711	2,030,288
Allowances & write-off of loans	(f)	(7,274,459)	(24,683,259)
Deferred taxes	(i)	(9,763,476)	(4,778,542)
Provision severance payments	(b)	(1,901,345)	(1,664,206)
Other		—	(338,882)
Total adjustments IFRS/CHFRS		**49,314,676**	**24,010,251**
TOTAL EQUITY UNDER NEW STANDARDS		**1,325,022,482**	**1,291,831,924**

1.2 Reconciliation of Consolidated Income

	Note 36.3 II	As of 12-31-2008 ThCh$
Total result before accounting changes		**174,520,261**
Price-level restatement	(a)	77,837,126
Deferred taxes & others	(i)	6,107,254
Interest & indexation income	(e)	5,929,527
Depreciation & amortization	(c)	922,185
Result of investment in companies	(h)	577,153
Allowances & write-offs of loans	(f)	(17,408,800)
Other insignificant concepts		1,098,316
Total adjustments IFRS/CHFRS		**75,062,761**
TOTAL RESULT UNDER NEW STANDARDS		**249,583,022**

1.3 Reconciliation of Consolidated Statement of Financial Position as of January 1, 2008

The following explains how the transition from the previous accounting principles, stated in the Updated Compendium of Regulations to those stated in SBIF Circular 3,410, have affected the principal items of the financial statements:

	Note 36.3 II	Balances as of 01-01-2008 Previous GAAP balances ThCh$	Effect of transition ThCh$	Adjusted balances ThCh$
Assets				
Cash & bank deposits		469,953,312	—	469,953,312
Operations pending settlement		577,688,004	—	577,688,004
Instruments for trading		1,532,461,629	—	1,532,461,629
Repurchase agreements & loans of securities		69,129,781	—	69,129,781
Financial derivative contracts		402,243,432	—	402,243,432
Due from banks	(e)	438,464,840	203,993	438,668,833
Loans & accounts receivable from customers	(e) (f)	11,443,281,063	16,491,184	11,459,772,247
Investment instruments available for sale		210,400,973	—	210,400,973
Investment instruments held to maturity		—	—	—
Investments in companies	(h)	9,144,446	1,645,711	10,790,157
Intangible assets		29,206,487	—	29,206,487
Property, plant and equipment	(c)	197,691,585	23,872,075	221,563,660
Current taxes		—	—	—
Deferred taxes	(i)	53,284,641	1,559,887	54,844,528
Other assets	(j)	320,968,191	18,770,309	339,738,500
Total assets		**15,753,918,384**	**62,543,159**	**15,816,461,543**
Liabilities				
Current accounts and other demand deposits		3,038,724,193	—	3,038,724,193
Operations pending settlement		335,838,778	—	335,838,778
Repurchase agreements & loans of securities		374,727,412	—	374,727,412
Time deposits & other loans		7,336,172,806	—	7,336,172,806
Financial derivative contracts		436,300,389	—	436,300,389
Loans from banks		810,740,584	—	810,740,584
Debt instruments payable		1,646,674,858	—	1,646,674,858
Provision for payment of Subordinated Obligation with Banco Central de Chile		98,136,614	—	98,136,614
Other financial obligations		67,239,959	—	67,239,959
Current taxes		2,329,539	—	2,329,539
Deferred taxes	(i)	20,520,291	11,323,363	31,843,654
Provisions	(b)	76,366,346	1,905,120	78,271,466
Other liabilities		234,438,809	—	234,438,809
Total liabilities		**14,478,210,578**	**13,228,483**	**14,491,439,061**
Equity				
Attributable to equity holders of SM Chile S.A.:				
Capital		262,559,588	—	262,559,588
Reserves		302,036,514	—	302,036,514
Valuation accounts		(2,293,868)	—	(2,293,868)
Retained earnings:				
Earnings retained from previous years		567,664	27,900,077	28,467,741
Earnings for year		39,151,055	—	39,151,055
Provision for minimum dividends		—	—	—
Sub-total		602,020,953	27,900,077	629,921,030
Non-controlling interests		**673,686,853**	**21,414,599**	**695,101,452**
Total equity		**1,275,707,806**	**49,314,676**	**1,325,022,482**
TOTAL LIABILITIES & EQUITY		**15,753,918,384**	**62,543,159**	**15,816,461,543**

1.4 Reconciliation of Consolidated Statement of Financial Position as of December 31, 2008

	Note 36.3 II	Balances as of 12-31-2008		
		Previous GAAP balances ThCh$	Effect of transition ThCh$	Adjusted balances ThCh$
Assets				
Cash & bank deposits		751,223,265	—	751,223,265
Operations pending settlement		807,626,217	—	807,626,217
Instruments for trading		679,843,440	—	679,843,440
Repurchase agreements & loans of securities		75,519,343	—	75,519,343
Financial derivative contracts		904,726,247	—	904,726,247
Due from banks	(e)	321,992,000	—	321,992,000
Loans & accounts receivable from customers	(e) (f)	13,427,503,141	5,660,840	13,421,842,301
Investment instruments available for sale		1,071,437,631	—	1,071,437,631
Investment instruments held to maturity		—	—	—
Investments in companies	(h)	11,376,735	2,030,288	13,407,023
Intangible assets	(a)	35,362,402	(2,729,954)	32,632,448
Property, plant and equipment	(c)	206,417,858	7,882,532	214,300,390
Current taxes		—	—	—
Deferred taxes	(i)	70,504,889	2,746,205	73,251,094
Other assets	(j)	199,709,829	18,058,005	217,767,834
Total assets		**18,563,242,997**	**33,647,916**	**18,585,569,233**
Liabilities				
Current accounts and other demand deposits		2,966,639,736	—	2,966,639,736
Operations pending settlement		479,788,674	—	479,788,674
Repurchase agreements & loans of securities		420,652,319	—	420,652,319
Time deposits & other loans		8,470,758,756	—	8,470,758,756
Financial derivative contracts		862,798,985	—	862,798,985
Loans from banks		1,498,549,191	—	1,498,549,191
Debt instruments payable		1,900,086,728	—	1,900,086,728
Provision for payment of Subordinated Obligation with Banco Central de Chile		663,176,421	—	663,176,421
Other financial obligations		93,707,542	—	93,707,542
Current taxes		9,032,627	—	9,032,627
Deferred taxes	(i)	25,464,707	7,524,747	32,989,454
Provisions	(b)	145,238,365	1,664,206	146,902,571
Other liabilities		206,102,464	—	206,102,464
Total liabilities		**17,741,996,515**	**9,188,953**	**17,751,185,468**
Equity				
Attributable to equity holders of SM Chile S.A.:				
Capital		285,893,521	—	285,893,521
Reserves		334,835,256	(50,571,850)	284,263,406
Valuation accounts		(8,389,906)	—	(8,389,906)
Retained earnings:				
Earnings retained from previous years		625,806	24,835,544	25,461,350
Earnings for year		39,290,120	37,828,196	77,118,316
Provision for minimum dividends		(28,620,084)	—	(28,620,084)
Sub-total		623,634,713	12,091,890	635,726,603
Non-controlling interests		**644,186,960**	**11,918,361**	**656,105,321**
Total equity		**1,267,821,673**	**24,010,251**	**1,291,831,924**
TOTAL LIABILITIES & EQUITY		**18,563,242,997**	**33,199,204**	**18,596,442,201**

1.5 Reconciliation of Consolidated Statement of Comprehensive income as of December 31, 2008:

	Note 22.3 II	Balances as of 12-31-2008 Previous GAAP balances ThCh$	Effect of transition ThCh$	Adjusted balances ThCh$
Interest & indexation income	(e)	1,652,147,316	5,929,527	1,658,076,843
Interest & indexation expense		(884,515,151)	—	(884,515,151)
Net interest & indexation income		**767,632,165**	**5,929,527**	**773,561,692**
Fee income		275,891,476	—	275,891,476
Fees paid		(48,519,863)	—	(48,519,863)
Net fee income		**227,371,613**	**—**	**227,371,613**
Net income from financial operations		387,862,884	—	387,862,884
Exchange losses, net		(353,012,062)	—	(353,012,062)
Other operating income		68,385,844	1,021,627	69,407,471
Total operating income		1,098,240,444	6,951,154	1,105,191,598
Allowances for credit risk	(f)	(138,604,944)	(17,408,800)	(156,013,744)
Net operating income		**959,635,500**	**(10,457,646)**	**949,177,854**
Personnel remuneration & expenses	(b)	(306,075,190)	237,139	(305,838,051)
Administrative expenses		(176,564,346)	—	(176,564,346)
Depreciation & amortization	(c)	(35,572,845)	922,185	(34,650,660)
Impairments		—	—	—
Other operating expenses		(55,981,439)	(160,450)	(56,141,889)
Total operating expenses		**(574,193,820)**	**998,874**	**(573,194,946)**
Operating income (loss)		**385,441,680**	**(9,458,772)**	**375,982,908**
Income from investments in entities	(h)	2,986,854	577,153	3,564,007
Price-level restatement	(a)	(77,837,126)	77,837,126	—
Income before income tax		**310,591,408**	**68,955,507**	**379,546,915**
Income tax	(i)	(37,847,567)	6,107,254	(31,740,313)
Provision for payment Subordinated Obligation with Banco Central de Chile		(114,094,700)	—	(114,094,700)
Consolidated earnings for the year		**158,649,141**	**75,062,761**	**233,711,902**
Attributable to:				
Equity holders of SM Chile S.A.		39,290,120	37,828,196	77,118,316
Non-controlling interests		119,359,021	37,234,565	156,593,586

1.6 Reconciliation of Consolidated Statement of Cash Flows as of December 31, 2008

		Balances as of 12-31-2008		
		Previous GAAP balances ThCh$	Effect of transition ThCh$	Adjusted balances ThCh$
Cash flows from operating activities				
Consolidated earnings for the year		174,520,261	75,062,761	249,583,022
Charges (credits) to income not representing cash flows		—		
Depreciation & amortization	(c)	35,572,846	(922,186)	34,650,660
Allowances for doubtful assets	(f)	178,253,708	17,408,800	195,662,508
Fair value of instruments for trading		(2,835,782)	—	(2,835,782)
Loss on investment in entities	(h)	(2,986,854)	(337,153)	(3,324,007)
Net gainon sale of assets received in payment		(7,570,576)	—	(7,570,576)
Net loss on sale of property, plant and equipment		118,284	—	118,284
Write-off of assets received in payment		4,188,068	—	4,188,068
Price-level restatement	(a)	77,837,126	(77,837,126)	—
Other credits not representing cash movement		(75,857,715)	(2,836,329)	(78,694,044)
Net change in interest, indexation & fees accrued on assets & liabilities	(e)	(196,385,156)	(6,169,527)	(202,554,683)
Provision subordinated obligation		98,223,576	—	98,223,576
Total operating cash flows		**283,077,786**	**4,369,240**	**287,447,026**
Cash flows from investment activities				
Net increase in loans & accounts receivable from customers		(1,311,853,110)	—	(1,311,853,110)
Net increase in financial investments		(394,015,120)	—	(394,015,120)
Purchase of property, plant and equipment		(16,564,884)	—	(16,564,884)
Sale of property, plant and equipment		777,889	—	777,889
Investments in companies		(6,310,700)	—	(6,310,700)
Sale of investments in companies		—	—	—
Dividends received on investments in entities		1,015,147	—	1,015,147
Sale of assets received in payment		12,039,531	—	12,039,531
Net increase in other assets & liabilities		(37,957,454)	(7,205,569)	(45,163,023)
Total investment cash flows		**(1,752,868,701)**	**(7,205,569)**	**(1,760,074,270)**
Cash flows from financing activities				
Increase in checking account creditors		129,941,552	—	129,941,552
Increase in time deposits & other borrowings		1,002,688,687	—	1,002,688,687
Decrease in other demand deposits or time obligations		(19,803,022)	—	(19,803,022)
Increase in obligations for trading documents		27,748,073	—	27,748,073
Increase in short-term foreign loans		214,722,617	—	214,722,617
Issue of mortgage-funding notes		3,487,193	—	3,487,193
Redemption of mortgage-funding notes		(96,438,539)	—	(96,438,539)
Decrease in other short-term liabilities		(86,427,114)	—	(86,427,114)
Loans from Banco Central de Chile (long-term)		470,301	—	470,301
Repayment of loans from Banco Central de Chile (long-term)		(768,635)	—	(768,635)
Bonds issued		211,126,115	—	211,126,115
Bonds repaid		(21,777,627)	—	(21,777,627)
Long-term foreign loans		1,666,426,094	—	1,666,426,094
Repayment of long-term foreign loans		(1,176,749,534)	—	(1,176,749,534)
Other long-term loans drawn		40,970,419	—	40,970,419
Repayment of other long-term loans		(617,370)	—	(617,370)
Issue of shares for payment		17,370,109	—	17,370,109
Dividends paid to shareholders of subsidiaries		(127,614,987)	—	(127,614,987)
Dividends paid to shareholders of the parent		(39,143,989)	—	(39,143,989)
Payment of Subordinated Obligation		(97,973,313)	—	(97,973,313)
Total financing cash flows		**1,647,637,030**	**—**	**1,647,637,030**
Total positive (negative) net cash flows for the year		**177,846,115**	**(2,836,329)**	**175,009,786**
Effect of inflation on cash & cash equivalents		(89,907,200)	89,907,200	
Change in cash & cash equivalents during the year		**87,938,915**	**87,070,871**	**175,009,786**
Opening balance of cash & cash equivalents		**1,298,786,370**	**(87,070,871)**	**1,211,715,499**
CLOSING BALANCE OF CASH & CASH EQUIVALENTS		**1,386,725,285**	**—**	**1,386,725,285**

II. Description of the Principal Adjustments

The main changes in the accounting criteria applied starting on January 1, 2009 are summarized as follows:

a) Price-level restatement

Until December 31, 2008, capital, reserves, retained earnings, property, plant and equipment and other non-monetary balances were restated according to the changes in the Consumer Price Index (“CPI”).

From January 1, 2009, the price-level restatement criterion was discontinued as per IAS 29. Price-level restatement applied until December 31, 2007, the transition date to the new standards, was not reversed. Price-level restatement applied to equity accounts in the year 2008 was not reversed according to the rules applied for legal purposes until the previous year.

b) Provision for Severance Payments

This provision is established at its present value in accordance with Technical Bulletin No.8 of the Chilean Association of Accountants. From January 1, 2009, the obligations of this benefit plan are valued using the projected credit unit method, including as variables the staff turnover rate, the expected growth in wages and the probability that this benefit will be used, discounted at the current rate for long-term operations in accordance with IAS 19 Employee Benefits.

c) Property, plant and equipment

Until the year 2008, property, plant and equipment were shown at monetarily-corrected acquisition cost and net of accumulated depreciation. From January 1, 2009 the property, plant and equipment were valued at their historic cost or value of the last appraisal required by the local regulator, with price-level restatement applied until December 31, 2007. In the case of certain real estate, according to the Accounting Standards Compendium, the subsidiary Banco de Chile chose to use the fair value of these assets based on independent appraisals as their attributable cost.

d) Impaired portfolio

Effective 2009, the concept of an impaired portfolio was incorporated, which includes loans for which concrete evidence exists that the borrowers will not meet some of their obligations under the agreed payment terms, despite the possibility of recovering amounts owed through legal collections or by negotiating different terms.

In this context, banks should include and maintain those loans in the impaired portfolio category until there is an improvement in payment capacity or conduct, although individually-impaired loans may be written off.

e) Interest and indexation income

(i) Until December 31, 2008, loans and accounts receivable from customers were presented with their accrued interest and indexation at the agreed rate.

As of January 1, 2009, interest and indexation income is shown using the effective-rate method.

(ii) Suspension of recognition of revenue on an accrual basis

Until December 31, 2008, the recording of interest and indexation income considered the suspension of accrual according to the following criteria:

1. From the date on which a loan is partially, or with an installment, unpaid for 90 days, and until all the overdue amounts are paid or are renegotiated.
2. Accrual suspended for loans classified in categories D1 and D2 from the date of classification and while they not re-classified to a lower risk category than C4.
3. For loans that were classified in category C4 during a year, the accrual is suspended one year after the credit was classified in this category and until they are re-classified to a lower risk category.

As of January 1, 2009, income ceased to be recorded on an accrual basis in the Statement of Comprehensive Income for loans included in the impaired portfolio that are in the following situations:

Loans subject to suspension	**Suspension applies:**
Individual evaluation: Loans classified as D1 and D2	For the mere fact of being in the impaired portfolio.
Individual evaluation: Loans classified as C3 and C4	For having passed three months in impaired portfolio.
Group evaluation: Loans with collateral at below 80% of outstandings	When the loan or one of its installments is six months overdue in its payment.

However, in the case of loans subject to individual evaluation, the accrual of interest and indexation can continue to be recorded when such loans are paid normally and correspond to obligations whose flows are independent, as may occur in the case of financing projects.

f) Write-off of loans

Until December 31, 2008, the write-offs required by the SBIF against past-due installments and overdue loans and accounts receivable from customers had to be made depending on their time in the past-due portfolio. The past-due portfolio is composed of loans and loan installments whose principal or interest payments are 90 days or more overdue.

Effective 2009, write-offs of loans and accounts receivable apply to both the current and past-due installments, i.e., the charge-off should be recorded when the period of an unpaid installment or part of a loan completes the term indicated in Note 2, (1), point (v).

The term represents the time elapsed since the date on which payment of all or part of the obligation in default became due.

g) Renegotiations or written-off loans

Until December 31, 2008, at the moment of a renegotiation of written-off loans, it was permitted to treat this as a loan recovery.

Under the new standards, any renegotiation of loans written off is not considered as income while the operation continues to be impaired and all effective payments received should be treated as loan recoveries.

Consequently, the renegotiated loan can only be recorded as an asset if it ceases to be considered as impaired, recording the activation as a recovery of written-off loans.

The same criteria should apply in the case where a new loan is granted in order to repay a written-off loan.

h) Investments in business support companies

The effects of adopting the new accounting standards were recorded in each business-support company, considering the proportional effect of these adjustments on the Company's equity, based on its ownership percentage in these companies.

i) Deferred taxes

The effects of deferred taxes due to timing differences arising from first-adoption adjustments have been recorded.

j) Investment properties

Investment properties correspond to real estate maintained for obtaining rentals from leases but not for sale in the ordinary course of business or for administrative purposes. Until the year 2008, they were shown under property, plant and equipment at their restated historical cost and net of accumulated depreciation. Beginning in 2009, investment properties are shown at their fair value as attributed cost under Other assets.

k) Re-classification

The 2008 financial statements include certain reclassifications to conform to the classifications used in 2009.

NOTE 36.4. Material Information

a) The board members at ordinary board meeting No. 2,683 held on January 30, 2009 agreed to call the ordinary shareholders' meeting for March 26, 2009 in order to propose, among other matters, the distribution of dividend No.13 for Ch$2.381988 per share of the B, D and E series, against the earnings for 2008. This dividend corresponds to 70% of that year's earnings.

(a.1) The board also agreed to call an extraordinary shareholders' meeting on the same date to propose the capitalization of the remaining 30% of Banco de Chile's earnings for 2008, by issuing bonus shares of no par value, valued at Ch$31.26 per share, distributed among the shareholders at a rate of 0.032325 bonus shares per share, and distributed among the shareholders of the same series of the subsidiary Banco de Chile free of payment that Sociedad Matriz del Banco de Chile S.A. receives as a result of the capitalization of 30% of the earnings of the bank for the year 2008, which will be distributed in the form of 0.032325 shares of the subsidiary Banco de Chile for each share of the above-mentioned series.

b) The shareholders at the extraordinary shareholders' meeting of the subsidiary Banco de Chile held on March 26, 2009 agreed to the capitalization of 30% of its earnings for 2008, by the issue of bonus shares of no par value, valued at Ch$31.26 per share, distributed among the shareholders at a rate of 0.032325 bonus shares for each share held on the corresponding date in accordance with the law.

Its capital increased by Ch$52,260,575,508 through the issue of 1,671,803,439 bonus shares of no par value. Of the 1,671,803,439 bonus shares of no par value to be issued as a result of the capitalization, 1,398,855,628 will be common shares and 272,947,811 common shares of the "Banco de Chile – S" series, the first corresponding to the holders of common shares and the second to holders of the common shares of the "Banco de Chile – S" series.

c) The ordinary shareholders meeting held on March 26, 2009 agreed to distribute a dividend for Ch$2.381988 per share of the B, D and E series, against the earnings for 2008, and also distribute bonus shares in a proportion of 0.032325 shares of the subsidiary Banco de Chile for each share of the above series. As a result of the capitalization made by this subsidiary, the direct holding of SM-Chile S.A. in Banco de Chile declined from 15.01% to 14.70%, while the indirect holding declined from 50.36% to 49.34%.

d) At the extraordinary shareholders meetings of the subsidiaries Banchile Corredores de Bolsa S.A. and Citibank Agencia de Valores S.A. held on April 20, 2009, the shareholders approved the merger between Citibank Agencia de Valores S.A. and Banchile Corredores de Bolsa S.A., modifying the by-laws of the latter.

As a result of this merger, the subsidiary Citibank Agencia de Valores S.A. was dissolved.

e) On December 3, 2009 the board of Banco de Chile agreed to call an extraordinary shareholders' meeting to introduce a transitory clause to Banco de Chile's by-laws to establish that, especially for the provisions of articles 24, 25 and 28 of Law 19,396 and the terms of the contract dated November 8, 1996 between the Banco Central de Chile and SM Chile S.A., the subsidiary Banco de Chile's distributable income would be determined by subtracting or adding to earnings any price-level restatement of paid capital and reserves for the year and its corresponding variations. This transitory clause shall remain in effect until the obligation under Law 19,396 maintained by Sociedad Matriz del Banco de Chile S.A., the parent company of Banco de Chile S.A., directly or through its subsidiary SAOS S.A., has been extinguished.

The above was submitted for the consideration of the council of the Banco Central de Chile which, on December 3, 2009, resolved favorably with respect to the proposal of the board of the subsidiary Banco de Chile to be made to its shareholders.

f) On December 29, 2009, the board of the Company, in accordance with article 147 of Law 18,046, agreed to establish the general policy for habitual transactions with related companies

By this policy, the chief executive is authorized to carry out the following habitual operations with related companies: checking accounts, repurchase agreements, time deposits, loans, collections and transfers and custody of securities.

g) During 2009, the subsidiary Banco de Chile made additional allowances of ThCh$12,451,153 as a charge to results (ThCh$16,996,949 in 2008).

NOTE 36.5. BUSINESS SEGMENTS

For management purposes, the subsidiary Banco de Chile is organized into 5 segments, determined by the types of products and services offered and type of target customers, as follows:

Retail: Business focused on individuals and SMEs with annual sales up to ThCh$1,400,000, where the range of products focuses primarily on consumer loans, commercial loans, checking accounts, credit cards, credit lines and mortgage loans.

Wholesale: Business focused on corporate customers and large companies, whose annual sales exceed ThCh$1,400,000, where the product range focuses primarily on commercial loans, checking accounts and cash-management services, debt instruments, foreign trade, derivative contracts and leasing.

Treasury: This segment includes revenue associated with managing the statement of position (currencies, maturities and interest rates) and liquidity of the subsidiary Banco de Chile, including financial instruments and currency trading for its own account.

Transactions on behalf of customers carried out by the Treasury are reflected in the respective above segments. These are highly-transactional products like exchange transactions, derivatives and financial instruments in general.

Subsidiaries: Corresponds to entities and corporations controlled by the subsidiary Banco de Chile, where results are obtained individually by the entity but their management is related to the above-mentioned segments. The entities that comprise this segment are:

Entity

- Banchile Trade Services Limited
- Banchile Administradora General de Fondos S.A.
- Banchile Asesoría Financiera S.A.
- Citibank Agencia de Valores S.A. (disuelta en Junio 2009. Ver Note 22.4 (d))
- Banchile Corredores de Seguros Ltda.
- Banchile Factoring S.A.
- Banchile Corredores de Bolsa S.A.
- Banchile Securitizadora S.A.
- Socofin S.A.
- Promarket S.A.

Other: Correspond to non-recurring and other income and expense that cannot be allocated to any particular segment. In 2008 this mainly reflected the merger with Citibank Chile. This segment was created in order to present the lines involved separately and thus not affect the results of the bank's business segments.

The accounting policies described in the summary of accounting principles are applied in the same way to all business segments. The subsidiary Banco de Chile obtains most of its revenue from interest, indexation and fees, less allowances for credit risk and expenses. Management is mainly based on these concepts in its evaluation of segment performance and decision-making regarding goals and allocation of resources for each unit individually. Although the results of the segments reconcile with those of the bank at the total level, it is not necessarily so at the level of the different concepts since management is measured and controlled individually.

There was no revenue from transactions with a customer or third party accounting for 10% or more of the total income of the subsidiary Banco de Chile in 2009 and 2008.

The following table presents the results for 2009 and 2008 for each of the segments defined above:

	December 31, 2009					
	Retail ThCh$	Wholesale ThCh$	Treasury ThCh$	Subsidiaries ThCh$	Other ThCh$	Total ThCh$
Net interest & indexation income	403,012,224	171,022,745	79,446,004	15,210,056	–	668,691,029
Net fee income	124,505,462	33,216,925	(950,431)	96,185,290	–	252,957,246
Other operating income	12,771,080	24,885,196	49,711,297	19,700,963	–	107,068,536
Total operating income	**540,288,766**	**229,124,866**	**128,206,870**	**131,096,309**	**–**	**1,028,716,811**
Allowances for credit risk	(156,013,685)	(66,015,829)	(793,127)	(618,904)	–	(223,441,545)
Depreciation & amortization	(16,744,527)	(7,216,591)	(5,529,158)	(2,536,443)	–	(32,026,719)
Other operating expenses	(284,369,890)	(101,420,227)	(14,948,481)	(75,865,899)	–	(476,604,497)
Result of investments in entities	462,905	33,414	–	342,939	–	839,258
Earnings before tax	**83,623,569**	**54,505,633**	**106,936,104**	**52,418,002**	**–**	**297,483,308**
Income tax						(39,596,407)
Result after tax						257,886,901
Assets	6,139,169,335	7,444,033,362	3,019,977,384	1,056,357,780	–	17,659,537,861
Current & deferred taxes						84,706,195
Total assets						**17,744,244,056**
Liabilities	(4,522,831,464)	(7,609,858,193)	(3,308,703,082)	(855,297,331)	–	(16,296,690,070)
Current & deferred taxes						(54,806,342)
Total liabilities						**(16,351,496,412)**

	December 31, 2008					
	Retail ThCh$	Wholesale ThCh$	Treasury ThCh$	Subsidiaries ThCh$	Other ThCh$	Total ThCh$
Net interest & indexation income	408,212,941	244,859,152	135,712,127	19,378,675	–	808,162,895
Net fee income	129,181,506	26,201,198	(114,999)	88,145,693	–	243,413,398
Other operating income	24,177,269	34,775,391	(47,283,113)	10,356,489	38,580,000	60,606,036
Total operating income	**561,571,716**	**305,835,741**	**88,314,015**	**117,880,857**	**38,580,000**	**1,112,182,329**
Allowances for credit risk	(114,223,891)	(39,288,570)	(315,721)	(2,185,562)	–	(156,013,744)
Depreciation & amortization	(18,005,996)	(8,261,566)	(6,145,622)	(2,237,476)	–	(34,650,660)
Other operating expenses	(294,535,049)	(116,743,295)	(15,057,404)	(74,857,583)	(44,743,746)	(545,937,077)
Result of investments in companies	2,728,756	665,159	–	170,092	–	3,564,007
Earnings before tax	**137,535,536**	**142,207,469**	**66,795,268**	**38,770,328**	**(6,163,746)**	**379,144,855**
Income tax						(31,706,249)
Result after tax						347,438,606
Assets	5,697,649,981	8,025,757,168	3,833,136,751	1,222,218,127	–	18,778,762,027
Current & deferred taxes						78,628,966
Total assets						**18,857,390,993**
Liabilities	(4,659,235,790)	(7,187,469,791)	(4,583,296,198)	(1,058,214,664)	–	(17,488,216,443)
Current & deferred taxes						(47,420,190)
Total liabilities						**(17,535,636,633)**

These tables do not include eliminations of transactions between the subsidiary Banco de Chile and between its subsidiaries, since this is the way used to measure performance within the bank, nor do they consider for this purpose the internal cash flows between segments in order to match the balance sheets of each one (matched operations).

NOTE 36.6. Cash and Cash Equivalents

a) The balances of cash and cash equivalents and their reconciliation to the statement of cash flows for each year are detailed as follows:

	2009 ThCh$	2008 ThCh$
Cash & bank deposits		
Cash	257,091,499	223,102,309
Deposits with Banco Central de Chile	127,166,553	168,255,465
Deposits with national Banks	94,318,158	73,662,171
Foreign deposits	248,976,956	286,203,320
Sub-total – cash & bank deposits	**727,553,166**	**751,223,265**
Operations pending settlement – net	200,995,896	327,837,543
Highly-liquid financial instruments	226,648,837	232,145,134
Repurchase agreements	79,401,270	75,519,343
Total cash & cash equivalents	**1,234,599,169**	**1,386,725,285**

The level of funds in cash and with Banco Central de Chile reflects cash-reserve requirements that the subsidiary Banco de Chile has to maintain for monthly average periods.

b) Operations pending settlement:

Operations pending settlement are transactions for which the only remaining step is settlement, which will increase or decrease funds with Banco Central de Chile or in foreign banks, normally occurring within 12 to 24 business hours. They are detailed as follows:

	2009 ThCh$	2008 ThCh$
Assets		
Notes payable by other banks (clearing)	195,396,794	230,911,711
Funds receivable	330,654,712	576,714,506
Sub-total – assets	**526,051,506**	**807,626,217**
Liabilities		
Funds payable	(325,055,610)	(479,788,674)
Sub-total – liabilities	**(325,055,610)**	**(479,788,674)**
OPERATIONS PENDING SETTLEMENT, NET	**200,995,896**	**327,837,543**

NOTE 36.7. Instruments for Trading

Instruments classified as financial instruments for trading are detailed as follows:

	2009 ThCh$	2008 ThCh$
Instruments of the State and Banco Central de Chile		
Bonds of Banco Central de Chile	62,477,071	217,316,905
Notes of Banco Central de Chile	2,620,961	7,091,530
Other instruments of the State and Banco Central de Chile	96,996,659	80,085,578
Instruments of other domestic institutions		
Deposit notes in banks in Chile	—	—
Mortgage-funding notes of banks in Chile	2,556,012	4,526,569
Bonds of banks in Chile	2,731,869	11,883,221
Deposits in banks in Chile	182,995,904	259,562,702
Bonds of other companies in Chile	—	5,488,340
Other instruments issued in Chile	1,213,150	330,047
Instruments of foreign institutions		
Instruments of foreign governments or central banks	—	—
Other foreign instruments	—	40,578,948
Investments in mutual funds		
Funds managed by related entities	80,236,420	52,979,600
Funds managed by third parties	—	—
Total	**431,828,046**	**679,843,440**

Instruments issued by the State and Banco Central de Chile include instruments sold under repurchase agreements to customers and financial institutions, amounting to ThCh$15,259,989 as of December 31, 2009 (ThCh$9,011,978 in 2008).

Other Chilean and foreign institutions include instruments sold under repurchase agreements to customers and financial institutions, amounting to ThCh$183,134,782 as of December 31, 2009 (ThCh$243,592,454 in 2008).

Repurchase agreements have an average maturity of 8 days as of year-end (13 days in 2008).

Additionally, the subsidiary Banco de Chile holds financial investments in its own mortgage-funding notes amounting to ThCh$95,323,208 of December 31, 2009 (ThCh$113,126,938 in 2008), which are shown deducted from debt instruments issued.

NOTE 36.8. Repurchase Agreements and Loans of Securities

a) The subsidiary Banco de Chile grants finance to its customers repurchase operations and loans of securities, in which it obtains financial instruments in guarantee. This concept is detailed as follows:

	Up to 1 month		1 to 3 months		3 to 12 months		1 to 3 years		3 to 5 years		More than 5 years		Total	
	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$
Assets Operations with banks in Chile														
Repurchase agreements	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Rights under loans of securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Operations with other entities														
Repurchase agreements	8,789,889	50,142,137	3,192,788	8,613,617	67,418,593	16,763,589	–	–	–	–	–	–	70,401,270	75,519,343
Rights under loans of securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	**8,789,889**	**50,142,137**	**3,192,788**	**8,613,617**	**67,418,593**	**16,763,589**	**–**	**–**	**–**	**–**	**–**	**–**	**70,401,270**	**75,519,343**

b) The subsidiary Banco de Chile obtains funds by selling financial instruments and promising to repurchase them at future dates plus interest at a pre-fixed rate. These repurchase agreements are detailed as follows:

	Up to 1 month		1 to 3 months		3 to 12 months		1 to 3 years		3 to 5 years		More than 5 years		Total	
	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$
Liabilities Operations with banks in Chile														
Repurchase agreements	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Obligations for loans of securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Operations with other entities														
Repurchase agreements	296,569,910	335,826,869	11,425,809	13,295,737	–	102,588	–	–	–	–	–	–	307,995,719	349,225,194
Obligations for loans of securities	–	71,427,125	–	–	–	–	–	–	–	–	–	–	–	71,427,125
Total	**296,569,910**	**407,253,994**	**11,425,809**	**13,295,737**		**102,588**	**–**	**–**	**–**	**–**	**–**	**–**	**307,995,719**	**420,652,319**

NOTE 36.9. Financial Derivative Contracts and Accounting Hedges

a) The subsidiary Banco de Chile as of December 31, 2009 and 2008 has the following portfolio of derivative instruments:

		Notional amount of contracts with final maturity														Fair value			
	Type of hedge	Up to 1 month		1 to 3 months		3 to 12 months		1 to 3 years		3 to 5 years		More than 5 years		Assets		Liabilities	
		2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$
Derivatives held for accounting hedges																	
Forwards	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Swaps	VR	131,115,171	–	–	–	1,650,962	–	5,570,730	8,971,109	31,044,159	19,502,410	262,741,094	181,651,738	3,208,102	27,844,057	6,144,630	11,585,300
Call options	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Put options	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Futures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total derivatives held for accounting hedges		131,115,171	–	–	–	1,650,962	–	5,570,730	8,971,109	31,044,159	19,502,410	262,741,094	181,651,738	3,208,102	27,844,057	6,144,630	11,585,300
Derivatives for trading																	
Forwards		2,145,118,147	3,243,455,492	2,785,972,775	3,149,344,493	3,112,802,969	4,226,628,493	304,838,531	398,896,136	51,368,470	77,603,865	–	–	193,728,706	553,609,442	179,160,259	478,579,509
Swaps		435,491,752	557,155,447	761,760,126	1,462,888,939	2,858,817,469	4,828,834,904	4,736,413,849	4,947,664,172	2,151,099,579	3,006,265,019	1,117,751,255	1,129,194,008	370,416,661	321,602,833	352,112,862	368,065,093
Call options		12,751,907	2,201,885	29,099,468	2,830,995	6,102,279	13,840,420	–	–	–	–	–	–	300,259	911,551	243,423	1,549,189
Put options		8,538,410	2,201,885	2,927,165	2,201,885	1,942,058	13,211,310	–	–	–	–	–	–	65,344	324,410	375,223	781,874
Futures		25,131,456	21,452,570	60,214	34,563,582	–	–	–	–	–	–	–	–	80,572	433,954	182,510	2,216,976
Other		–	–	–	–	–	–	–	–	–	–	631,633,680	647,005,843	–	–	21,044	21,044
Total derivatives for trading		2,627,031,672	3,826,467,279	3,579,819,748	4,651,829,894	5,979,664,775	9,082,515,127	5,041,252,380	5,346,560,308	2,202,468,049	3,083,868,884	1,749,384,935	1,776,199,851	564,591,542	876,882,190	532,095,321	851,213,685
Total		**2,758,146,843**	**3,826,467,279**	**3,579,819,748**	**4,651,829,894**	**5,981,315,737**	**9,082,515,127**	**5,046,823,110**	**5,355,531,417**	**2,233,512,208**	**3,103,371,294**	**2,012,126,029**	**1,957,851,589**	**567,799,644**	**904,726,247**	**538,239,951**	**862,798,985**

b) Types of hedge

Fair value hedge (VR)

As of December 31, 2009, the subsidiary Banco de Chile uses interest rate swaps to cover its exposure through a micro-hedge of its position to changes in the fair value of corporative bonds and commercial loans, classified as Instruments available for sale and Loans and accounts receivable from customers respectively.

As of December 31, 2008, the subsidiary Banco de Chile uses interest rate swaps to hedge its position against changes in the fair value of bonds issued in US dollars.

Cash flows hedge (FC)

As of December 31, 2009 and 2008, the subsidiary Banco de Chile does not use cash-flow hedges.

Hedge of net investment in foreign businesses (NE)

As of December 31, 2009 and 2008, the subsidiary Banco de Chile does not use hedges of its net investment on foreign businesses.

NOTE 36.10. Due from Banks

a) As of December 31, 2009 and 2008, the balances due from banks are detailed as follows:

	2009 ThCh$	2008 ThCh$
Banks in Chile		
Unavailable deposits with Banco Central de Chile	110,000,000	250,000,000
Other balances with Banco Central de Chile	—	665,214
Interbank loans	13,795,944	10,003,667
Checking account overdrafts	408	14
Sub-total	**123,796,352**	**260,668,895**
Foreign Banks		
Loans to foreign banks	188,538,058	33,484,445
Other balances with foreign banks	137,823,657	28,154,356
Allowances for loans to foreign banks	(1,176,773)	(315,696)
Sub-total	**325,184,942**	**61,323,105**
Total	**448,981,294**	**321,992,000**

b) The movement in allowances for loans to foreign Banks is detailed as follows:

	Banks in		
	Chile ThCh$	Abroad ThCh$	Total ThCh$
Balance at January 1, 2008	—	4,857	4,857
Write-offs	—	—	—
Allowances made	—	310,839	310,839
Allowances released	—	—	—
Balance at December 31, 2008	**—**	**315,696**	**315,696**
Write-offs	—	—	—
Allowances made	—	861,077	861,077
Allowances released	—	—	—
Balance at December 31, 2009	**—**	**1,176,773**	**1,176,773**

NOTE 36.11. Loans and Accounts Receivable from Customers

a) Loans and Accounts Receivable from Customers

Loans as of December 31, 2009 and 2008 are detailed as follows:

	December 31, 2009						
	Assets before allowances			Allowances made			
	Current portfolio ThCh$	Impaired portfolio ThCh$	Total ThCh$	Individual allowances ThCh$	Group allowances ThCh$	Total ThCh$	Net asset ThCh$
Commercial loans							
Commercial loans	6,427,333,846	271,292,716	6,698,626,562	–	–	–	–
Foreign trade finance	684,997,965	101,874,908	786,872,873	–	–	–	–
Debtors in checking accounts	130,717,042	4,685,326	135,402,368	–	–	–	–
Factoring operations	342,101,718	954,972	343,056,690	–	–	–	–
Commercial leasing operations (1)	661,677,019	34,363,099	696,040,118	–	–	–	–
Other loans & accounts receivable	61,753,507	4,885,953	66,639,460	–	–	–	–
Sub-total	**8,308,581,097**	**418,056,974**	**8,726,638,071**	**(138,907,795)**	**(61,242,862)**	**(200,150,657)**	**8,526,487,414**
Housing loans							
Loans with mortgage-funding notes	186,912,593	19,745,346	206,657,939	–	–	–	–
Endorsable mortgage loans	229,509,249	9,365,849	238,875,098	–	–	–	–
Other housing loans	2,038,520,035	39,579,293	2,078,099,328	–	–	–	–
Housing leasing operations	–	–	–	–	–	–	–
Other loans & accounts receivable	964,161	96,894	1,061,055	–	–	–	–
Sub-total	**2,455,906,038**	**68,787,382**	**2,524,693,420**	**–**	**(13,899,484)**	**(13,899,484)**	**2,510,793,936**
Consumer loans							
Installment consumer loans	1,213,026,492	120,680,795	1,333,707,287	–	–	–	–
Checking account debtors	230,304,113	5,062,309	235,366,422	–	–	–	–
Credit card debtors	350,981,855	9,898,783	360,880,638	–	–	–	–
Consumer leasing operations	–	–	–	–	–	–	–
Other loans & accounts receivable	609,332	33,052	642,384	–	–	–	–
Sub-total	**1,794,921,792**	**135,674,939**	**1,930,596,731**	**–**	**(108,592,262)**	**(108,592,262)**	**1,822,004,469**
TOTAL	**12,559,408,927**	**622,519,295**	**13,181,928,222**	**(138,907,795)**	**(183,734,608)**	**(322,642,403)**	**12,859,285,819**

	December 31, 2008				
		Allowances made			
	Assets before allowances ThCh$	Individual allowances ThCh$	Group allowances ThCh$	Total ThCh$	Net assets ThCh$
Commercial loans					
Commercial loans	6,496,642,324	–	–	–	–
Foreign trade finance	1,532,302,078	–	–	–	–
Debtors in checking accounts	193,030,538	–	–	–	–
Factoring operations	484,189,381	–	–	–	–
Commercial leasing operations (1)	723,856,625	–	–	–	–
Other loans & accounts receivable	30,451,183	–	–	–	–
Sub-total	**9,460,472,129**	**(123,958,973)**	**(9,885,236)**	**(133,844,209)**	**9,326,627,920**
Housing loans					
Loans with mortgage-funding notes	260,406,531	–	–	–	–
Endorsable mortgage loans	230,002,933	–	–	–	–
Other housing loans	1,822,184,908	–	–	–	–
Housing leasing operations	–	–	–	–	–
Other loans & accounts receivable	1,011,783	–	–	–	–
Sub-total	**2,313,606,155**	**–**	**(13,275,224)**	**(13,275,224)**	**2,300,330,931**
Consumer loans					
Installment consumer loans	1,327,265,243	–	–	–	–
Checking account debtors	250,157,853	–	–	–	–
Credit card debtors	312,109,096	–	–	–	–
Consumer leasing operations	53,791	–	–	–	–
Other loans & accounts receivable	977,156	–	–	–	–
Subtotal	**1,890,563,139**	**–**	**(95,679,689)**	**(95,679,689)**	**1,794,883,450**
TOTAL	**13,664,641,423**	**(123,958,973)**	**(118,840,149)**	**(242,799,122)**	**13,421,842,301**

(1) In this heading, the subsidiary Banco de Chile finances its customers to acquire assets, whether movable or immovable, under financial lease contracts. As of December 31, 2009 ThCh$326,997,378 (ThCh$311,618,089 in 2008) relate to real-estate financial leases

b) Allowances for credit risk

The movement in allowances for credit risk during 2009 and 2008 is detailed as follows:

	Allowances		
	Individual ThCh$	Group ThCh$	Total ThCh$
Balance at January 1, 2008	75,889,261	81,065,035	156,954,296
Write-offs:			
Commercial loans	(29,464,442)	(4,176,987)	(33,641,429)
Housing loans	—	(2,336,746)	(2,336,746)
Consumer loans	—	(72,438,759)	(72,438,759)
Total write-offs	**(29,464,442)**	**(78,952,492)**	**(108,416,934)**
Allowances made	77,534,154	116,736,459	194,270,613
Allowances released	—	(8,853)	(8,853)
Balance at December 31, 2008	**123,958,973**	**118,840,149**	**242,799,122**
Balance at January 1, 2009	123,958,973	118,840,149	242,799,122
Write-offs:			
Commercial loans	(71,831,664)	(6,400,703)	(78,232,367)
Housing loans	—	(1,418,090)	(1,418,090)
Consumer loans	—	(87,412,631)	(87,412,631)
Total write-offs	**(71,831,664)**	**(95,231,424)**	**(167,063,088)**
Allowances made	86,780,486	161,644,667	248,425,153
Allowances released	—	(1,518,784)	(1,518,784)
Balance at December 31, 2009	**138,907,795**	**183,734,608**	**322,642,403**

Apart from these allowances for credit risk, country-risk provisions are also made to cover foreign transactions as well as additional allowances agreed upon by the board, which are shown in liabilities in Provisions (Note 22.23).

Other Disclosures:

1. As of December 31, 2009 and 2008, 100% of its sold loan portfolio is retired.
2. As of December 31, 2009 and 2008, loan purchases and sales portfolios were made that had a net effect of no more than 5% of net earnings before taxes.

c) Leasing contracts

The cash flows receivable under lease contracts have the following maturities:

	Total receivable		Deferred interest		Net balance receivable (*)	
	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$
Up to 1 year	232,380,130	274,076,629	(29,703,581)	(34,416,876)	202,676,549	239,659,753
1 to 2 years	170,337,214	178,299,044	(22,539,614)	(23,335,973)	147,797,600	154,963,071
2 to 3 years	110,362,063	120,660,821	(15,563,776)	(15,778,605)	94,798,287	104,882,216
3 to 4 years	75,162,272	71,271,434	(11,256,940)	(10,963,663)	63,905,332	60,307,771
4 to 5 years	56,258,440	49,196,152	(8,363,200)	(8,069,643)	47,895,240	41,126,509
Over 5 years	158,024,610	143,020,951	(20,385,068)	(20,816,612)	137,639,542	122,204,339
Total	**802,524,729**	**836,525,031**	**(107,812,179)**	**(113,381,372)**	**694,712,550**	**723,143,659**

(*) The net balance receivable does not include past-due portfolio totaling ThCh$1,327,568 as of December 31, 2009 (ThCh$766,757 in 2008).

d) Loans by economic activity

As of December 31, 2009 and 2008, the portfolio before allowances by the customers' economic activity is detailed as follows:

	Loans in				Total			
	Chile		Abroad					
	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	%	2008 ThCh$	%
Commercial loans:								
Services	2,085,581,247	2,073,425,630	362,770,723	227,943,053	2,448,351,970	18.56	2,301,368,683	16.83
Commerce	1,241,839,871	1,431,965,701	2,850,772	6,891,550	1,244,690,643	9.44	1,438,857,251	10.52
Manufacturing	822,754,292	1,162,398,426	–	–	822,754,292	6.24	1,162,398,426	8.50
Construction	1,044,405,322	963,634,374	–	–	1,044,405,322	7.92	963,634,374	7.05
Agriculture & livestock	533,867,072	531,704,675	–	–	533,867,072	4.05	531,704,675	3.89
Transport	267,267,129	266,888,206	–	–	267,267,129	2.03	266,888,206	1.95
Mining	174,452,421	210,039,525	–	–	174,452,421	1.32	210,039,525	1.54
Electricity, gas & water	164,529,098	207,734,176	–	–	164,529,098	1.25	207,734,176	1.52
Fishing	98,968,896	164,905,163	–	–	98,968,896	0.75	164,905,163	1.21
Telecommunications	112,798,805	97,495,381	–	–	112,798,805	0.86	97,495,381	0.71
Forestry	15,309,825	17,890,674	–	–	15,309,825	0.12	17,890,674	0.13
Other	1,801,357,208	2,107,139,535	512,631	1,289,028	1,801,869,839	13.67	2,108,428,563	15.41
Sub-total	**8,363,131,186**	**9,235,221,466**	**366,134,126**	**236,123,631**	**8,729,265,312**	**66.21**	**9,471,345,097**	**69.26**
Housing loans	2,524,693,420	2,313,606,155	–	–	2,524,693,420	19.15	2,313,606,155	16.92
Consumer loans	1,930,596,731	1,890,563,139	–	–	1,930,596,731	14.64	1,890,563,139	13.82
Total	**12,818,421,337**	**13,439,390,760**	**366,134,126**	**236,123,631**	**13,184,555,463**	**100.00**	**13,675,514,391**	**100.00**

NOTE 36.12. Investment Instruments

As of December 31, 2009 and 2008, investment instruments designated as available for sale and held to maturity are detailed as follows:

	2009			2008		
	Available for sale ThCh$	Held to maturity ThCh$	Total ThCh$	Available for sale ThCh$	Held to maturity ThCh$	Total ThCh$
Instruments of the State & Banco Central de Chile						
Bonds of Banco Central de Chile	25,880,222	–	25,880,222	178,387,900	–	178,387,900
Notes of Banco Central de Chile	285,486,258	–	285,486,258	203,576,840	–	203,576,840
Other instruments	136,923,199	–	136,923,199	41,716,160	–	41,716,160
Instruments of other Chilean institutions						
Deposit notes of banks in Chile	–	–	–	–	–	–
Mortgage-funding notes of banks in Chile	79,219,731	–	79,219,731	63,696,412	–	63,696,412
Bonds of banks in Chile	55,110,573	–	55,110,573	66,265,282	–	66,265,282
Deposits in banks in Chile	407,431,965	–	407,431,965	368,341,851	–	368,341,851
Bonds of other companies in Chile	73,174,399	–	73,174,399	46,569,301	–	46,569,301
Instruments of foreign institutions						
Instruments of government or foreign central banks	–	–	–	–	–	–
Other instruments	202,436,457	–	202,436,457	102,883,885	–	102,883,885
Total	**1,265,662,804**	**–**	**1,265,662,804**	**1,071,437,631**	**–**	**1,071,437,631**

Instruments issued by the Chilean State and Banco Central de Chile includes instruments sold under repurchase agreements to customers and financial institutions, totaling ThCh$15,024,074 as of December 31, 2009 (ThCh$77,783,463 in 2008). The repurchase agreements have an average maturity of 9 days as of the year-end (12 days in 2008).

As of December 31, 2009, the Company shows in equity the proportion of the adjustment to market value of the portfolio of instruments available for sale of the subsidiary Banco de Chile, representing an unrealized gain net of taxes of ThCh$3,206,689 (net unrealized loss ThCh$8,406,102 in 2008), recorded in other comprehensive income within equity.

During 2009 and 2008, there is no evidence of impairment of instruments available for sale.

NOTE 36.13. Investments in Entities

a) The heading investments in entities shows a total of ThCh$12,606,623 (ThCh$13,407,023 in 2008), detailed as follows:

Company	Shareholder	Participation of the institution		Equity of the company		Investment			
						Value		Net income	
		2009 %	2008 %	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$
Investments valued at equity value:									
Servipag Ltda.	Banco de Chile	50.00	50.00	5,423,977	5,393,777	2,711,989	2,696,889	15,100	692,125
Redbanc S.A.	Banco de Chile	38.13	38.13	5,080,575	5,025,620	1,937,426	1,916,269	202,479	294,410
Transbank S.A.	Banco de Chile	26.16	26.16	7,005,975	7,631,024	1,832,512	1,996,276	253,625	536,943
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	6,411,960	7,227,876	1,654,670	1,865,515	188,383	293,933
Artikos Chile S.A.	Banco de Chile	50.00	50.00	1,396,670	690,175	698,335	345,088	353,248	124,466
Administrador Financiero del Transantiago S.A.	Banco de Chile	20.00	20.00	2,915,293	5,987,722	583,059	1,197,149	(614,486)	1,005,976
Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. (1)	Banco de Chile	14.17	20.19	3,073,413	3,214,776	435,503	649,063	73,462	236,995
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	26.81	26.81	1,260,420	1,237,949	337,886	331,894	85,010	95,361
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	905,965	885,465	301,958	295,125	18,437	43,798
Sub-total						**10,493,338**	**11,293,268**	**575,258**	**3,324,007**
Investments shown at cost:									
Bolsa de Comercio de Santiago						1,645,820	1,645,820	264,000	160,000
Bolsa Electrónica de Chile S.A.						257,033	257,033	—	80,000
Investments in shares of Bladex						204,469	204,469	—	—
Clearing House						2,872	2,872	—	—
Investment in shares of Swift						3,091	3,561	—	—
Sub-total						**2,113,285**	**2,113,755**	**264,000**	**240,000**
TOTAL						**12,606,623**	**13,407,023**	**839,258**	**3,564,007**

(1) On May 12, 2009, 6.02% of its investment in Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. was sold for ThCh$169,399, with no effect on results.

As of December 31, 2009, the Bank owns 365.102 shares (365.102 shares in 2008) of Visa, Inc., which are valued at Ch$1. This participation originated from the transformation of Visa in a corporation whose shares are traded on the stock market, corresponding to the subsidiary Banco de Chile the indicated amount as a result of its participation in this business.

b) The movement of permanent investments in companies that are not consolidated in 2009 and 2008 is detailed as follows:

	2009 ThCh$	2008 ThCh$
Opening balance	13,407,023	11,475,773
Sales of investments	(169,399)	—
Participation in income	575,258	3,324,007
Dividends received	(1,001,674)	(1,015,147)
Provision for losses of investments	—	(104,499)
Others	(204,585)	(273,111)
Total	**12,606,623**	**13,407,023**

c) The movement produced in the balance of impairment is detailed as follows:

	2009 ThCh$	2008 ThCh$
Opening balance	—	—
Net increase / decrease	—	—
Balance at end of the year	**—**	**—**

NOTE 36.14. Intangible Assets

(a) The composition as of December 31, 2009 and 2008 is detailed as follows:

Type of intangible asset	Years				Gross balance		Accumulated amortization & impairment		Net balance	
	Useful life		Remaining amortization							
	2009 Years	2008 Years	2009 Years	2008 Years	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$
Goodwill:										
Investments in companies	7	7	5	6	4,138,287	4,138,287	(1,137,996)	(517,270)	3,000,291	3,621,017
Other intangible assets:										
Software or computer programs	6	6	4	3	68,504,835	60,159,401	(41,452,655)	(33,282,219)	27,052,180	26,877,182
Intangible assets originating from business combinations	7	7	5	6	1,740,476	1,740,476	(478,631)	(217,560)	1,261,845	1,522,916
Other intangible assets	—	—	—	—	612,208	631,040	(40,926)	(19,707)	571,282	611,333
Total					**74,995,806**	**66,669,204**	**(43,110,208)**	**(34,036,756)**	**31,885,598**	**32,632,448**

b) The movement in intangible assets during 2009 and 2008 is detailed as follows:

	Investments in companies ThCh$	Software or computer programs ThCh$	Intangible assets originating from business combinations ThCh$	Other intangible assets ThCh$	Total ThCh$
Gross balance					
Balance at January 1, 2008	3,580,503	47,454,499	—	621,145	51,656,147
Purchases	4,138,287	13,450,501	1,740,476	9,895	19,339,159
Retirements	—	(744,220)	—	—	(744,220)
Other	(3,580,503)	(1,379)	—	—	(3,581,882)
Balance at December 31, 2008	**4,138,287**	**60,159,401**	**1,740,476**	**631,040**	**66,669,204**
Purchases	—	8,345,434	—	24,147	8,369,581
Retirements	—	—	—	—	—
Other	—	—	—	(42,979)	(42,979)
Balance at December 31, 2009	**4,138,287**	**68,504,835**	**1,740,476**	**612,208**	**74,995,806**
Accumulated amortization & impairment					
Balance at January 1, 2008	—	(26,688,633)	—	(4,330)	(26,692,963)
Amortization for year (*)	(4,097,773)	(6,594,967)	(217,560)	(15,377)	(10,925,677)
Loss through impairment	—	—	—	—	—
Exchange differences	—	—	—	—	—
Other	3,580,503	1,381	—	—	3,581,884
Balance at December 31, 2008	**(517,270)**	**(33,282,219)**	**(217,560)**	**(19,707)**	**(34,036,756)**
Amortization for year (*)	(620,726)	(8,207,512)	(261,071)	(21,219)	(9,110,528)
Loss through impairment	—	—	—	—	—
Exchange differences	—	—	—	—	—
Other	—	37,076	—	—	37,076
Balance at December 31, 2009	**(1,137,996)**	**(41,452,655)**	**(478,631)**	**(40,926)**	**(43,110,208)**

(*) Amortization for the year is included in Depreciation and amortization in the Statement of Comprehensive income.

c) As of December 31, 2009 and 2008, the following commitments have been made for the acquisition of intangible assets which have not been capitalized::

	Amount of commitment	
	2009 ThCh$	2008 ThCh$
Software & licenses	3,671,083	1,054,475

NOTE 36.15. Property, Plant and Equipments

a) The composition of Property, plant and equipment as of December 31, 2009 and 2008 is detailed as follows:

	Land & buildings ThCh$	Equipment ThCh$	Other ThCh$	Total ThCh$
Cost				
Balance at January 1, 2008	165,676,286	106,376,171	111,177,187	383,229,644
Additions	1,619,893	5,635,538	9,309,453	16,564,884
Retirements	(31,527)	(457,619)	(1,180,126)	(1,669,272)
Transfers	—	—	—	—
Other	995,880	—	(738)	995,142
Total	**168,260,532**	**111,554,090**	**119,305,776**	**399,120,398**
Accumulated depreciation	(24,863,364)	(89,030,251)	(70,926,393)	(184,820,008)
Impairment	—	—	—	—
Balance at December 31, 2008	**143,397,168**	**22,523,839**	**48,379,383**	**214,300,390**
Balance at January 1, 2009	168,260,532	111,554,090	119,305,776	399,120,398
Additions	3,245,355	7,160,919	4,918,529	15,324,803
Retirements	(82,424)	(2,501,474)	(1,893,581)	(4,477,479)
Transfers	—	—	—	—
Other	(208,375)	(72,541)	332,639	51,723
Total	**171,215,088**	**116,140,994**	**122,663,363**	**410,019,445**
Accumulated depreciation	(28,206,524)	(92,922,349)	(81,094,525)	(202,223,398)
Impairment	—	—	—	—
Balance at December 31, 2009	**143,008,564**	**23,218,645**	**41,568,838**	**207,796,047**

b) As of December 31, 2009 and 2008, there are operative rental contracts that cannot be rescinded unilaterally. Future rental payments are detailed as follows:

	2009							
	Expense for year ThCh$	Up to 1 month ThCh$	1 to 3 months ThCh$	3 to 12 months ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total ThCh$
Rental contracts	21,515,326	1,356,607	2,713,215	12,204,307	22,309,193	15,173,768	26,595,533	80,352,623

	2008							
	Expense for year ThCh$	Up to 1 month ThCh$	1 to 3 months ThCh$	3 to 12 months ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total ThCh$
Rental contracts	20,558,572	1,434,518	2,870,864	12,272,668	24,952,208	15,663,595	27,778,129	84,971,982

c) There are no financial lease contracts outstanding as of December 31, 2009 and 2008, so there are no balances of property, plant and equipment under financial leases as of those dates.

NOTE 36.16. Current and Deferred Taxes

a) Current taxes

As of each year end, the Company has made a provision for income tax of ThCh$39,003,065 as of December 31, 2009 (ThCh$9,032,627 in 2008), determined in accordance with current tax laws. This provision is shown net of recoverable taxes and is detailed as follows:

	2009 ThCh$	2008 ThCh$
Income tax, rate of 17%	68,939,010	41,818,111
Previous years' taxes	3,052,000	—
Tax on disallowed expenses 35%	2,318,922	2,484,898
Less:		
Monthly tax prepayments	(33,660,075)	(33,822,910)
Accumulated losses (article 31.39)	—	(6,799)
Training expense credit	(1,327,462)	(1,409,238)
Property, plant and equipment acquisition credit	—	(78,392)
Other	(319,330)	46,957
Total	**39,003,065**	**9,032,627**

b) Tax charge

The tax charge during the years ended December 31, 2009 and 2008 is detailed as follows:

	2009 ThCh$	2008 ThCh$
Income tax charge:		
Current year tax	(68,939,010)	(41,818,111)
Previous years' taxes	(1,722,176)	—
Sub-total	**(70,661,186)**	**(41,818,111)**
Credit (charge) for deferred taxes:		
Origination & reversal of timing differences	34,736,376	14,321,258
Change in not-recorded timing differences	(1,329,824)	—
Previous years' tax benefits	—	—
Tax losses not previously recorded	—	—
Sub-total	**33,406,552**	**14,321,258**
Non-deductible expenses (article 21)	(2,318,922)	(2,484,898)
Accumulated losses (article 31.3)	—	—
Foreign tax charge	—	(2,866,445)
Other	(40,367)	1,107,883
Net charge to results for income tax	**(39,613,923)**	**(31,740,313)**

c) Reconciliation of effective tax rate

The following is a reconciliation between the rate of income tax and the effective rate applied in the determination of the charge as of December 31, 2009 and 2008:

	2009		2008	
	Tax rate %	ThCh$	Tax rate %	ThCh$
Earnings before tax	17.00	50,561,856	17.00	64,522,976
Permanent differences	—	—	—	—
Aggregates or deductions	(6.89)	(20,482,133)	(6.39)	(24,258,379)
Tax on disallowed expenses	0.78	2,318,922	0.65	2,484,898
Previous years' tax	1.03	3,052,000	—	—
Tax incentives not recorded in statement of results	(1.11)	(3,290,168)	(1.76)	(6,671,310)
Others	2.50	7,453,446	(1.14)	(4,337,872)
Effective rate & charge to income tax	**13.31**	**39,613,923**	**8.36**	**31,740,313**

The effective income tax rate for 2009 is 13.31% (8.36% in 2008). The increase between the periods is mainly generated because price-level restatement was not applied to the tax equity in 2009, since the variation of the CPI was negative.

d) Effect of deferred taxes on the result and equity of the subsidiary Banco de Chile:

During 2009, the Bank has recorded the effects of deferred taxes in accordance with IAS 12.

The effects of deferred taxes on assets, liabilities and income accounts are detailed as follows:

	Total balance 12-31-2008 ThCh$	Recorded in		Balances at 12-31-2009 ThCh$
		Income ThCh$	Equity ThCh$	
Debtor differences				
Allowance for credit risks	39,957,476	17,308,638	—	57,266,114
Obligations under repurchase agreements	9,193,873	(9,193,873)	—	—
Materials leasing	3,310,734	2,665,398	—	5,976,132
Personnel provision	3,544,046	(538,334)	—	3,005,712
Vacation provision	3,056,421	(204,956)	—	2,851,465
Accrued interest & indexation impaired loans	2,383,243	(1,266,118)	—	1,117,125
Severance payments	1,177,331	175,021	—	1,352,352
Other adjustments	10,627,970	653,430	—	11,281,400
Total net assets	**73,251,094**	**9,599,206**	**—**	**82,850,300**
Creditor differences				
Investments under repurchase agreements	7,843,069	(7,843,069)	—	—
Depreciation & price-level restatement property, plant and equipment	14,207,171	(81,958)	—	14,125,213
Deferred tax, modification accounting method in equity	552,581	(95,662)	—	456,919
Adjustment valuation of investments available for sale	(3,418,712)	—	4,749,870	1,331,158
Transitory assets	4,661,643	(2,825,332)	—	1,836,311
Adjustment derivative instruments	2,112,612	(10,957,288)	—	(8,844,676)
Other adjustments	7,031,090	(2,004,037)	—	5,027,053
Total net liabilities	**32,989,454**	**(23,807,346)**	**4,749,870**	**13,931,978**
Total assets (liabilities), net	**40,261,640**	**33,406,552**	**(4,749,870)**	**68,918,322**

NOTE 36.17. Other Assets

a) Composition

The composition is detailed as follows as of December 31, 2009 and 2008:

	2009 ThCh$	2008 ThCh$
Trading of documents	90,108,485	90,863,447
Assets for leasing (*)	45,961,775	39,903,054
Investment properties (Note 2 ak)	17,840,245	18,396,887
Balances with branches	16,324,888	16,398,670
Other receivables	7,704,528	10,410,647
Assets received in payment		
Goods received in payment	5,547,924	3,915,007
Allowances for goods received in payment (**)	(228,715)	(32,779)
Value added tax	4,973,716	3,875,906
Operations pending	4,411,292	8,959,774
Assets recovered from leasing for sale	3,687,868	250,898
Recoverable tax	3,626,370	2,909,726
Fees receivable	3,160,959	6,724,098
Prepaid expenses	1,722,251	1,689,546
Rental guarantees	871,698	840,477
Materials & fixtures	609,753	975,091
Accounts receivable for assets received in payment & sold	352,586	584,196
Other	10,823,885	11,103,189
Total	**217,499,508**	**217,767,834**

(*) Relate to property, plant and equipment to be delivered under financial leases.
(**) The allowance for assets received in lieu of payment is recorded as indicated in the Compendium of Accounting Standards, which imply the recording of an allowance for the difference between the initial value plus any additions and its realizable value, when the former is greater.

b) The movement in the allowance for assets received in payment during 2009 and 2008 is detailed as follows:

	ThCh$
Balance at January 1, 2008	229,490
Application of allowances	—
Allowances made	64,172
Allowances released	(260,883)
Balance at December 31, 2008	32,779
Application of allowances	(12,411)
Allowances made	249,823
Allowances released	(41,476)
Balance at December 31, 2009	**228,715**

NOTE 36.18. Deposits and Other Obligations

As of December 31, 2009 and 2008, demand deposits and other obligations are detailed as follows:

	2009 ThCh$	2008 ThCh$
Checking accounts	3,084,014,888	2,529,754,023
Other demand deposits & accounts	251,216,876	144,292,525
Other demand obligations	338,923,750	292,593,188
Total	**3,674,155,514**	**2,966,639,736**

NOTE 36.19. Savings Accounts and Time Deposits

As of December 31, 2009 and 2008, savings accounts and time deposits are detailed as follows:

	2009 ThCh$	2008 ThCh$
Time deposits	7,263,302,007	8,307,888,114
Term savings accounts	158,034,839	157,270,893
Other term balances payable	4,636,117	5,599,749
Total	**7,425,972,963**	**8,470,758,756**

NOTE 36.20. Loans from Banks

The composition of loans from Banks as of December 31, 2009 and 2008 is detailed as follows:

	2009 ThCh$	2008 ThCh$
Banks in Chile		
Interbank loans	3,177,224	—
Current account overdrafts	701,028	2,598,456
Sub-total	**3,878,252**	**2,598,456**
Foreign banks		
Foreign trade financing		
Financing of Chilean exports	1,194,316,750	1,467,547,019
Financing of Chilean imports	14,803,813	22,409,864
Loans & other obligations		
Current account overdrafts	23,751	5,680,634
Other obligations	—	6,052
Sub-total	**1,209,144,314**	**1,495,643,569**
Banco Central de Chile		
Loans & other obligations	155,090,419	—
Debt restructuring lines of credit	113,593	307,166
Sub-total	**155,204,012**	**307,166**
Total	**1,368,226,578**	**1,498,549,191**

NOTE 36.21. Debt Instruments Issued

The composition is detailed as follows:

	2009 ThCh$	2008 ThCh$
Mortgage-funding notes	265,581,546	349,927,443
Bonds	815,734,338	994,582,970
Subordinated bonds	506,683,387	555,576,315
Total	**1,587,999,271**	**1,900,086,728**

During 2009, bonds were placed for an amount of ThCh$21,136,850, which corresponds to subordinated bonds and is detailed as follows:

Subordinated Bonds

Series	Amount ThCh$	Term	Issue interest rate	Currency	Date of issue	Maturity date
UCHI-F1108	16,042,030	25 years	4.5% p.a.	UF	07/22/2009	07/22/2034
UCHI-F1108	5,094,820	25 years	4.5% p.a.	UF	07/23/2009	07/23/2034
Total	**21,136,850**					

During 2008, bonds were placed amounting to ThCh$211,126,115, of which ThCh$157,210,220 were normal bonds and ThCh$53,915,895 were subordinated bonds, detailed as follows:

Bonds

Series	Amount ThCh$	Term	Issue interest rate	Currency	Date of issue	Maturity date
BCHI-Y1207	79,400,338	5 years	3.3% p.a.	UF	02/01/2008	02/01/2013
BCHI-X1207	77,809,882	6 years	2.5% p.a.	UF	08/01/2008	08/01/2014
Total	**157,210,220**					

Subordinated Bonds

Series	Amount ThCh$	Term	Issue interest rate	Currency	Date of issue	Maturity date
UCHI-F1108	21,566,358	25 years	4.5% p.a.	UF	12/05/2008	12/05/2033
UCHI-F1108	32,349,537	25 years	4.5% p.a.	UF	12/09/2008	12/05/2033
Total	**53,915,895**					

The subsidiary Banco de Chile has not defaulted in capital, interest or other breaches with respect to its debt instruments during 2009 and 2008.

NOTE 36.22. Other Financial Obligations

The composition of these as of December 31, 2009 and 2008 is detailed as follows:

	2009 ThCh$	2008 ThCh$
Obligations with the public sector	46,410,175	45,707,220
Other obligations in Chile	129,740,367	48,000,322
Other foreign obligations	—	—
Total	**176,150,542**	**93,707,542**

NOTE 36.23. Provisions

a) Provisions as of December 31, 2009 and 2008 are detailed as follows:

	2009 ThCh$	2008 ThCh$
Provisions for:		
Minimum dividends shareholders SM-Chile S.A.	15,208,889	12,068,272
Minimum dividends other shareholders	32,352,670	33,430,829
Staff benefits & remuneration	43,202,182	45,912,605
Contingent credit risk	8,133,538	5,580,199
Contingencies:		
Additional allowance for loans	50,350,104	37,898,951
Other provisions for contingencies	10,081,326	11,698,471
Provisions for country risk	2,323,310	313,244
Total	**161,652,019**	**146,902,571**

b) Movements in provisions during 2009 and 2008 are detailed as follows:

	Minimum dividend ThCh$	Staff benefits & remuneration ThCh$	Contingent credits risk ThCh$	Additional allowances ThCh$	Other contingencies ThCh$	Total ThCh$
Balance at January 1, 2008	—	38,271,447	4,486,188	20,902,002	8,541,318	72,200,955
Provisions made	123,279,891	67,180,679	1,094,011	16,996,949	10,714,308	219,265,838
Application of provisions	—	(56,881,462)	—	—	(6,900,743)	(63,782,205)
Release of provisions	—	(2,295,420)	—	—	(343,168)	(2,638,588)
Other movements	—	(362,639)	—	—	—	(362,639)
Balance at December 31, 2008	**123,279,891**	**45,912,605**	**5,580,199**	**37,898,951**	**12,011,715**	**224,683,361**
Balance at January 1, 2009	123,279,891	45,912,605	5,580,199	37,898,951	12,011,715	224,683,361
Provisions made	127,516,454	30,445,722	2,553,339	13,000,000	7,053,547	180,569,062
Application of provisions	(123,279,891)	(30,483,082)	—	—	(6,660,626)	(160,423,599)
Release of provisions	—	(2,887,275)	—	(548,847)	—	(3,436,122)
Other movements	—	214,212	—	—	—	214,212
Balance at December 31, 2009	**127,516,454**	**43,202,182**	**8,133,538**	**50,350,104**	**12,404,636**	**241,606,914**

c) Provisions for staff benefits and remuneration

	2009 ThCh$	2008 ThCh$
Short-term staff benefits	18,079,088	20,835,212
Vacations	17,168,081	18,151,914
Severance payments (letter d)	7,955,013	6,925,479
Total	**43,202,182**	**45,912,605**

d) Severance payments

	2009 ThCh$	2008 ThCh$
Current value of obligations at start of year	6,925,479	8,334,543
Increase in provision	506,366	1,222,631
Payments made	(1,031,668)	(2,269,056)
Payments anticipated	—	—
Effect of change in discount rate	1,554,836	(362,639)
Other	—	—
Total	**7,955,013**	**6,925,479**

e) Provision for staff benefit in shares

There is no share compensation plan as of December 31, 2009 and 2008.

NOTE 36.24. Other Liabilities

Other liabilities as of December 31, 2009 and 2008 are detailed as follows:

	2009 ThCh$	2008 ThCh$
Accounts & notes payable (*)	152,873,188	79,967,804
Securities trading operations	95,440,072	98,827,300
VAT fiscal debit	8,063,754	7,829,175
Deferred earnings leasing	5,932,220	7,568,488
Unearned income	2,145,793	2,359,246
Operations pending	1,065,785	3,406,692
Other	7,774,158	6,143,759
Total	**273,294,970**	**206,102,464**

(*) Include obligations that fall outside the business operations such as withholding taxes, social security payments, insurance premiums payable, balances due for materials purchases and provisions for expenses pending payment.

NOTE 36.25. Contingencies and Commitments

a) Commitments and responsibilities recorded in memorandum accounts

In order to meet its customers' needs, several irrevocable commitments and contingent obligations are acquired. Although these obligations cannot be shown in the statement of position, they involve credit risks and are therefore part of the bank's overall risk.

The following balances related to such commitments and business-related responsibilities have been recorded in memorandum accounts:

	2009 ThCh$	2008 ThCh$
Contingent liabilities		
Guarantees	114,012,047	212,914,160
Confirmed foreign letters of credit	55,267,118	45,781,944
Documentary letters of credit opened	118,028,106	109,066,122
Performance bonds	1,168,059,321	1,111,017,893
Credit lines available on demand	3,352,972,613	3,113,239,101
Operations for account of other parties		
Documents for collection	474,078,122	393,038,665
Third-party funds managed by the bank:		
Financial assets managed on behalf of third parties	34,845,225	1,292,470
Financial assets acquired for own account	8,691,897	9,206,894
Securities in custody		
Securities held by the bank	5,268,486,024	26,085,188,208
Securities deposited with another entity	4,518,112,026	1,018,752,933
Total	**15,112,552,499**	**32,099,498,390**

The above only includes the most important balances.

b) Allowances for contingent liabilities

The allowances for contingent liabilities are detailed as follows:

	2009 ThCh$	2008 ThCh$
Performance bonds	7,021,785	4,530,481
Guarantees	325,248	534,613
Documentary letters of credit	786,505	515,105
Total	**8,133,538**	**5,580,199**

c) Lawsuits and legal proceedings

(c.1) Normal judicial contingencies in the industry

There are legal actions against the subsidiary Banco de Chile as of December 31, 2009 with respect to its ordinary course of business. In the management's opinion, it is not foreseen that this combination of cases is likely to result in significant losses not contemplated by the subsidiary in these consolidated financial statements. As of December 31, 2009, allowances have been established amounting to ThCh$667,000 (ThCh$483,107 in 2008), which form part of Provisions in the statement of financial position.

(c.2) Significant lawsuit contingencies

As of December 31, 2009 and 2008, there are no significant lawsuits that affect or might affect these consolidated financial statements.

d) Guarantees granted for operations

(i) Banchile Administradora General de Fondos S.A.:

In compliance with article 226 onward of Law 18,045, Banchile Administradora General de Fondos S.A. has appointed the subsidiary Banco de Chile as the representative of the beneficiaries of the guarantees it has established, and the bank has issued performance bonds in this respect amounting to UF 2,087,000 expiring on January 8, 2010.

(ii) Banchile Corredores de Bolsa S.A.

In order to ensure the correct and full compliance with all its obligations as a stockbroker in accordance with article 30 onward of the Securities Market Law 18,045, Banchile Corredores de Bolsa S.A. contracted an insurance guarantee for UF20,000 with Cía. de Seguros de Crédito Continental S.A. that expires on April 22, 2010, whereby the Santiago Stock Exchange was appointed as the creditors' representative.

Securities in guarantee	2009 ThCh$	2008 ThCh$
Shares in guarantee of simultaneous operations on:		
Santiago Stock Exchange	27,071,076	5,894,187
Chilean Electronic Exchange	49,638,692	22,240,010
Money market to Pershing Division of Donaldson, Lufkinn and Jenrette Securities Corporation	61,913	75,887
Total	**76,771,681**	**28,210,084**

In conformity with the provisions of internal regulations of the stock exchanges in which it participates, and to ensure the broker's correct performance, the company has granted a pledge over one share of the Santiago Stock Exchange in favor of that institution, as recorded in public deed on September 13, 1990, signed before the Santiago public notary Raúl Perry Pefaur, and over one share in the Electronic Stock Exchange of Chile in favor of that institution, as recorded in a contract entered into by both parties on May 16, 1990.

Banchile Corredores de Bolsa S.A. keeps an insurance policy with La Interamericana - Compañía de Seguros Generales S.A., expiring on January 2, 2010, that covers employee fidelity, physical losses, falsification or adulteration, and currency fraud with a cover equivalent to US$5,000,000.

NOTE 36.26. Interest and Indexation Income and Expense

a) The composition of interest and indexation income and expense at the close of the financial statements is detailed as follows:

	2009 ThCh$	2008 ThCh$
Commercial loans	408,015,122	891,566,159
Consumer loans	379,607,219	380,609,556
Housing loans	57,837,200	301,684,993
Investment instruments	35,479,303	33,451,918
Repurchase agreements	8,481,853	32,339,793
Loans to banks	5,476,658	15,342,874
Result of accounting hedges	(2,085,056)	(307,356)
Other interest & indexation income	189,916	3,388,906
Total	**893,002,215**	**1,658,076,843**

The total interest and indexation revenue recorded as received on the impaired portfolio during 2009 amounted to ThCh$39,544,166. The amount of the interest and indexation income that was not recorded in the statement of comprehensive income as it was suspended, amounted to ThCh$7,606,772.

b) Interest and indexation expenses for both years are detailed as follows:

	2009 ThCh$	2008 ThCh$
Time deposits & loans	159,529,105	603,337,487
Debt instruments issued	32,913,614	218,566,876
Other financial obligations	22,126,511	23,950,714
Repurchase agreements	6,360,095	28,474,134
Loans from banks	2,503,865	4,317,989
Demand deposits	317,682	441,672
Result of accounting hedges	(484,834)	(2,190,041)
Other interest & indexation expenses	(676,006)	7,616,320
Total	**222,590,032**	**884,515,151**

NOTE 36.27. Fee Income and Expenses

The income and expenses for fees and commissions shown in the consolidated statements of comprehensive income refers to the following concepts:

	2009 ThCh$	2008 ThCh$
Fee income		
Card services	67,404,922	63,107,792
Collections & payments	52,620,016	50,492,408
Investments in mutual funds or others	45,246,463	41,130,902
Lines of credit & overdrafts	27,627,270	32,206,894
Securities trading & management	26,540,540	20,139,690
Insurance brokerage	18,844,888	18,209,750
Account administration	12,452,272	16,643,673
Guarantees & letters of credit	12,858,176	9,108,538
Financial consultancy	7,860,181	6,772,625
Other fees earned	24,554,044	18,079,204
Total fee income	**296,008,772**	**275,891,476**
Fee expenses		
Card adminstration remuneration	(27,742,200)	(26,501,765)
Sales force commissions	(9,145,242)	(7,817,780)
Collection & payments commissions	(6,302,404)	(7,106,987)
Sale of mutual fund quotas	(2,958,238)	(2,376,905)
Securities trading commissions	(2,628,081)	(1,138,464)
Other commissions	(5,161,623)	(3,577,962)
Total fee expenses	**(53,937,788)**	**(48,519,863)**

NOTE 36.28. Results of Financial Operations

The net gain (loss) on financial operations is detailed as follows

	2009 ThCh$	2008 ThCh$
Sale of instruments available for sale	19,626,814	(172,722)
Financial instruments for trading	17,902,673	42,323,497
Net result of other operations	743,206	112,684
Derivatives trading	(177,728,219)	343,882,192
Sale of loan portfolio	—	1,717,233
Total	**(139,455,526)**	**387,862,884**

NOTE 36.29. Net Exchange Gain (Loss)

This concept is detailed as follows

	2009 ThCh$	2008 ThCh$
Net exchange differences	233,619,913	(355,387,535)
Foreign currency translation	(12,619,071)	2,375,473
Result of accounting hedges	—	—
Total	**221,000,842**	**(353,012,062)**

NOTE 36.30. Allowances for Credit Risk

The movement during 2009 and 2008 in allowances is detailed as follows:

			Creditos y Cuentas por Cobrar a Clientes											
	Due from banks		Commercial loans		Housing loans		Consumer loans		Total		Contingent liabilities		Total	
	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$
Constitution of allowances:														
- Individuals allowances	(861,077)	(310,839)	(86,780,486)	(77,534,154)	–	–	–	–	(86,780,486)	(77,534,154)	(2,154,082)	(1,089,909)	(89,795,645)	(78,934,902)
- Group allowances	–	–	(59,277,113)	(6,794,510)	(2,042,350)	(7,151,122)	(100,325,204)	(102,790,827)	(161,644,667)	(116,736,459)	(399,257)	–	(162,043,924)	(116,736,459)
Result of constitution of allowances	**(861,077)**	**(310,839)**	**(146,057,599)**	**(84,328,664)**	**(2,042,350)**	**(7,151,122)**	**(100,325,204)**	**(102,790,827)**	**(248,425,153)**	**(194,270,613)**	**(2,553,339)**	**(1,089,909)**	**(251,839,569)**	**(195,671,361)**
Release of allowances:														
- Individuals allowances	–	–	–	–	–	–	–	–	–	–	–	–	–	–
- Group allowances	–	–	1,518,784	8,853	–	–	–	–	1,518,784	8,853	–	–	1,518,784	8,853
Result of release of allowances	**–**	**–**	**1,518,784**	**8,853**	**–**	**–**	**–**	**–**	**1,518,784**	**8,853**	**–**	**–**	**1,518,784**	**8,853**
Recovery of loans written off	–	–	23,994,281	16,652,737	2,652,554	3,391,100	232,405	19,604,927	26,879,240	39,648,764	–	–	26,879,240	39,648,764
Net result allowances for credit risk	**(861,077)**	**(310,839)**	**(120,544,534)**	**(67,667,074)**	**610,204**	**(3,760,022)**	**(100,092,799)**	**(83,185,900)**	**(220,027,129)**	**(154,612,996)**	**(2,553,339)**	**(1,089,909)**	**(223,441,545)**	**(156,013,744)**

In the opinion of the management of the subsidiary Banco de Chile, the allowances constituted for credit risk cover all the possible losses that might arise from the non-recovery of assets.

NOTE 36.31. Staff Remuneration and Expenses

The composition of staff remuneration and expenses for the years 2009 and 2008 is detailed as follows:

	2009 ThCh$	2008 ThCh$
Staff remuneration	159,538,780	152,734,481
Bonuses	50,733,771	70,053,309
Meals & health benefits	17,613,222	16,315,799
Severance payments	10,921,368	42,653,733
Training expenses	1,251,074	1,886,007
Other staff expenses	17,016,075	22,194,722
Total	**257,074,290**	**305,838,051**

NOTE 36.32. Administrative Expenses

Administrative expenses as of December 31, 2009 and 2008 are detailed as follows:

	2009 ThCh$	2008 ThCh$
Data processing & communications	29,875,853	36,037,603
Maintenance & repair of property, plant and equipment	21,611,292	22,449,825
Publicity & advertising	17,942,500	26,446,701
Office rental	16,106,002	15,829,058
Lighting, heating & other services	12,309,460	10,415,057
Sub-contracted services	10,911,460	5,341,592
Taxes & contributions	8,165,075	8,904,720
External consultancies	6,892,061	5,885,531
Guard & securities transport service	6,869,930	7,082,203
Office materials	6,818,099	7,985,184
Rental of automated teller machine spaces	4,137,312	3,501,224
Legal & notary expenses	3,064,102	3,261,297
Staff representation and travel expenses	2,924,545	3,365,496
Postal costs	2,857,630	3,653,407
Directors' fees	2,485,065	2,748,530
Insurance premiums	1,799,085	1,692,059
Equipment rental	1,272,012	1,228,290
Donations	935,588	1,214,919
Other	10,238,147	9,521,650
Total	**167,215,218**	**176,564,346**

NOTE 36.33. Depreciation, Amortization and Impairment

The charges to results for this concept during 2009 and 2008 are detailed as follows:

	2009 ThCh$	2008 ThCh$
Depreciation of property, plant and equipment	22,916,191	23,724,983
Impairment of property, plant and equipment	—	—
Amortization of intangible assets	9,110,528	10,925,677
Impairment of intangibles assets	—	—
Impairment of investment instruments	—	—
Balance at December 31	**32,026,719**	**34,650,660**

NOTE 36.34. Other Operating Income

Other operating income during 2009 and 2008 is detailed as follows:

	2009 ThCh$	2008 ThCh$
Income from assets received in lieu of payment		
Gain on sale of assets received in payment	5,211,542	7,570,576
Other revenue	—	363,812
Sub-total	**5,211,542**	**7,934,388**
Releases of allowances for contingencies		
Provisions for country risk	—	11,525
Special allowances for foreign loans	—	—
Additional allowances for loans	548,847	—
Other allowances for contingencies	—	331,643
Sub-total	**548,847**	**343,168**
Other income		
Rentals received	5,087,860	4,262,037
Consultancies abroad	2,781,428	2,500,957
Reversal tax provision NewYork branch	1,854,374	—
Correspondent bank rebates	1,151,819	1,187,535
Expense reimbursements	1,141,270	1,066,336
Release of provision for fraud	680,000	—
Foreign trade income	656,169	295,857
Revenue from difference sale of leased assets	442,379	457,177
Short-sale income stockbroker company	424,956	233,748
Custody & trust fees	221,314	137,153
Gain on sale of property, plant and equipment	177,325	109,800
Gain on relocating leased assets	69,301	—
Gain on recovered leased assets	32,900	—
Gain on sale of assets & liabilities of New York & Miami branches	—	38,458,641
Gain on share sales	—	10,352,284
Others	2,257,228	2,068,390
Sub-total	**16,978,323**	**61,129,915**
TOTAL	**22,738,712**	**69,407,471**

NOTE 36.35. Other Operating Expenses

The following were other operating expenses incurred in 2009 and 2008:

	2009 ThCh$	2008 ThCh$
Allowances and expenses for assets received in payment		
Allowances for assets received in payment	208,347	—
Write-offs of assets received in payment	3,838,351	4,188,068
Maintenance expenses of assets received in payment	272,659	916,458
Sub-total	**4,319,357**	**5,104,526**
Allowances for contingencies		
Provisions for country risk	2,010,085	—
Special allowances for foreign loans	—	—
Additional allowances for loans	13,000,000	16,996,949
Other allowances for contingencies	5,043,462	10,714,308
Sub-total	**20,053,547**	**27,711,257**
Other expenses		
Operational risk write-offs	3,753,491	4,307,006
Card administration	2,232,141	3,958,336
CDE transaction	1,235,723	—
Provision for other assets	1,038,531	5,047,089
Write-offs & provision for fraud	720,525	1,686,691
Allowance recovered leased assets	621,845	290,924
Visa and Mastercard expenses & taxes	562,388	726,378
Civil lawsuits	524,983	41,092
Other provisions	506,043	—
Previous years' expenses	487,438	767,367
Mortgage-cover insurance	394,896	342,525
Operational expenses & write-offs leasing	302,644	84,811
Contribution fiscal organisms	110,731	67,101
Losses on sale of property, plant and equipment	93,932	228,084
Consultancies	25,824	244,150
Software write-off	—	430,819
Sonda transaction	—	1,172,610
Property, plant and equipment write-offs	—	1,153,846
Other	3,441,957	2,777,277
Sub-total	**16,053,092**	**23,326,106**
TOTAL	**40,425,996**	**56,141,889**

NOTE 36.36. Operations with Related Parties

Related parties are defined as persons or entities having an interest either directly or through third parties in the ownership of the subsidiary Banco de Chile that exceeds (1% or 5%) of shares as well as persons who without an ownership interest have authority and responsibility in the planning, management and control of the entity and its subsidiaries. Related parties are also companies in which those related by ownership or management have a share of 5% or more or in which they exercise the role of director, CEO or its equivalent.

Article 89 of the Corporations Law, which also applies to banks, indicates that any transaction with a related party must take place on arm's length conditions, similar to those prevailing in the market.

Moreover, Article 84 of the General Banking Law establishes limits on loans granted to related parties and prohibits the granting of loans to the bank's directors, managers and general representatives.

a) Loans with related parties

The following table details loans and accounts receivable, contingent liabilities and assets related to trading and investment securities, corresponding to related entities.

	Productive companies		Investment companies		Individuals		Total	
	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$
Loans & accounts receivable								
Commercial loans	224,746,377	225,755,145	34,492,276	34,439,418	614,496	803,298	259,853,149	260,997,861
Housing loans	–	–	–	–	8,314,753	8,508,921	8,314,753	8,508,921
Consumer loans	–	–	–	–	2,166,720	1,857,663	2,166,720	1,857,663
Gross loans	224,746,377	225,755,145	34,492,276	34,439,418	11,095,969	11,169,882	270,334,622	271,364,445
Allowances for doubtful accounts	(751,338)	(615,489)	(214,864)	–	(45,357)	(39,232)	(1,011,559)	(654,721)
Loans, net	**223,995,039**	**225,139,656**	**34,277,412**	**34,439,418**	**11,050,612**	**11,130,650**	**269,323,063**	**270,709,724**
Contingent liabilities								
Guarantees	10,936,809	–	–	–	–	–	10,936,809	–
Letters of credit	3,819,094	9,002,998	–	–	–	–	3,819,094	9,002,998
Performance bonds	22,374,146	34,739,213	–	–	–	–	22,374,146	34,739,213
Credit lines available on demand	59,439,625	44,629,155	1,163,408	698,786	4,857,045	5,242,379	65,460,078	50,570,320
Total contingent liabilities	96,569,674	88,371,366	1,163,408	698,786	4,857,045	5,242,379	102,590,127	94,312,531
Allowances for contingent liabilities	(84,188)	(66,496)	–	–	–	–	(84,188)	(66,496)
Contingent liabilities, net	**96,485,486**	**88,304,870**	**1,163,408**	**698,786**	**4,857,045**	**5,242,379**	**102,505,939**	**94,246,035**
Amounts with collateral								
Mortgage	82,720,056	152,902,587	3,678,722	52,000	11,684,704	11,675,788	98,083,482	164,630,375
Warrant	–	–	–	–	–	–	–	–
Pledge	–	–	–	–	–	–	–	–
Other	2,321,426	16,544,255	14,505,184	7,919,751	–	–	16,826,610	24,464,006
Total collateral	**85,041,482**	**169,446,842**	**18,183,906**	**7,971,751**	**11,684,704**	**11,675,788**	**114,910,092**	**189,094,381**
Instruments acquired								
For trading	–	–	–	–	–	–	–	–
For investment	15,200,000	–	–	–	–	–	15,200,000	–
Total instruments acquired	**15,200,000**	**–**	**–**	**–**	**–**	**–**	**15,200,000**	**–**

b) Other assets and liabilities with related parties

	2009 ThCh$	2008 ThCh$
Assets		
Cash & bank deposits	79,100,609	68,049,668
Repurchase agreements & loans of securities	—	16,088,320
Financial derivative contracts	172,473,869	117,751,836
Other assets	2,656,014	4,596,411
Total	**254,230,492**	**206,486,235**
Liabilities		
Demand deposits	50,970,679	68,369,892
Time deposits & other borrowings	231,171,337	298,202,588
Financial derivative contracts	128,534,555	215,487,214
Other liabilities	5,932,031	2,075,439
Total	**416,608,602**	**584,135,133**

c) Income and expenses on operations with related parties (*)

Type of income or expense recorded	2009		2008	
	Income ThCh$	Expense ThCh$	Income ThCh$	Gastos Expense
Interest & indexation revenue & expense	7,999,500	2,771,636	28,830,012	34,854,587
Fees & services revenue & expense	50,072,924	24,074,798	41,800,939	22,069,239
Results of financial operations	333,566,688	376,304,546	212,833,818	286,557,364
Exchange results	132,586	7,620	553,832	—
Operational support costs	—	59,324,067	—	66,828,871
Other income & expenses	768,421	628,076	39,115,236	9,125
Total	**392,540,119**	**463,110,743**	**323,133,837**	**410,319,186**

(*) This detail does not constitute a statement of income for related party transactions since assets with these parties are not necessarily equal to liabilities, and each item reflects the total income and expenses rather than the income and expenses which correspond to matched transactions.

d) Contracts with related parties

These are contracts entered into during each year that do not correspond to habitual transactions with customers in general, when such contracts are for amounts greater than UF1,000.

These contracts are detailed as follows:

Related party	Description of contract	Contract date	Term (years)	Annual amount
Empresa Periodística La Tercera S.A.	Credit card co-branding	04-21-2008	5	252,300
Jorge Ergas Heymann	Board consultancy	01-09-2008	Indefinite	128,758
Banchile Seguros de Vida	Debt-protection insurance for credit cards	12-31-2008	1	325,000
Bolsa de Comercio de Santiago	Stock market rights & services	01-01-2009	Indefinite	34,201

e) Payments to key management personnel

	2009 ThCh$	2008 ThCh$
Remuneration	34,908	32,594
Short-term benefits	—	—
Severance payments	—	—
Share-based payments	—	—
Total	**34,908**	**32,594**

Composition of key personnel:

Position	No. of Executives	
	2009	2008
CEO	1	1
Total	**1**	**1**

f) Directors' expenses and fees

Name of director	Remuneration		Per diem for Directors' Committee meetings		Committee advisor		Total	
	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$
Andrónico Luksic Craig	230,912	226,175	—	—	—	—	230,912	226,175
Jorge Awad Mehech	—	—	2,446	2,005	—	—	2,446	2,005
Rodrigo Manubens Moltedo	—	—	1,223	1,594	—	—	1,223	1,594
Thomas Fürst Freiwirth	—	—	—	394	—	—	—	394
Total	**230,912**	**226,175**	**3,669**	**3,993**	**—**	**—**	**234,581**	**230,168**

As of December 31, 2009, SM Chile S.A. made payments for concepts related to directors' fees of ThCh$234,581 (ThCh$230,168 in 2008). Banco de Chile and its subsidiaries have paid and accrued as a charge to results concepts related to directors' fees of ThCh$2,485,065 (ThCh$2,748,530 in 2008), as approved by the shareholders at the ordinary shareholders' meeting.

NOTE 36.37. Fair Value of Financial Assets and Liabilities

a) Financial instruments recorded at fair value

SM Chile and its subsidiaries determine the fair value of financial instruments by taking into account:

1. 1. The price of the financial instruments observed in the market, whether derived from observations or obtained through models.
2. The credit risk presented by the issuer of a debt instrument.
3. The liquidity conditions and depth of the respective markets.
4. Whether the position is active or passive (in the case of derivatives, if the future cash flow is received or paid).

Based on the above, SM Chile classifies the financial instruments in its portfolio in one of three levels:

Level 1: Observable prices in active markets for the specific type of instrument or transaction to be valued.

Level 2: Valuation techniques based on observable factors. This category includes instruments valued using quoted prices for similar instruments, either in active or less active markets. Other valuation techniques when all significant inputs are directly or indirectly observable based on market data.

Level 3: Valuation techniques that use significant unobservable factors. This category includes all instruments where the valuation technique includes factors that are not based on observable data and the unobservable factors can have a significant effect on the valuation of the instrument. This category includes instruments that are valued based on quoted prices for similar instruments that require adjustments or significant unobservable assumptions to reflect the differences between them.

Valuation of financial instruments

The accounting policy of SM Chile for measuring fair value is discussed in note 2(x).

The bank has established a control framework for measuring fair values. This framework includes a product control function, which is independent from the principal management and reports directly to the financial control division manager. The products control area is generally responsible for independently verifying the results of trading and investment transactions as well as all fair-value measurements. These controls include verifying factors to determine observable prices and valuation models used, and a review and approval process for new models and changes to models affecting the product control (result) and the bank's market risk.

Derivatives

With the exception of currency futures, for which prices are directly observable on active market screens and therefore are classified in Level 1, Banco de Chile and its subsidiarias classify derivative instruments at Level 2.

Within Level 2, valuations are performed using simple net present value calculations for all instruments without options. Options are valued in accordance with widely-used models in textbooks on the subject.

Investments in financial instruments

Debt instruments are valued using the internal rate of return, used to discount all cash flows of the respective instrument. The valuation calculations for debt instruments built into the systems of Banco de Chile are those used by the Santiago Stock Exchange or Bloomberg, as appropriate.

Part of the portfolio of available-for-sale financial instruments, which are instruments that are not actively quoted, is valued using valuation techniques for which there are no relevant observable data from active markets and is therefore classified in Level 3. These assets are valued based on the prices of assets of similar characteristics, taking into account the market, currency, type of instrument, liquidity, term, issuer risk and cash flow structure, among other factors.

The following table shows the classification by levels of the financial instruments recorded at fair value.

Financial assets	Level 1		Level 2		Level 3		Total	
	2009 MCh$	2008 MCh$	2009 MCh$	2008 MCh$	2009 MCh$	2008 MCh$	2009 MCh$	2008 MCh$
Instrument for trading								
Of Chilean State & Banco Central de Chile	146,279	290,962	15,816	13,531	—	—	162,095	304,493
Other instruments issued in Chile	1,212	330	185,552	264,090	2,732	17,372	189,496	281,792
Instruments issued abroad	—	—	—	40,579	—	—	—	40,579
Investment in mutual funds	80,237	52,979	—	—	—	—	80,237	52,979
Sub-total	**227,728**	**344,271**	**201,368**	**318,200**	**2,732**	**17,372**	**431,828**	**679,843**
Derivative contracts for trading								
Forwards	—	—	193,729	553,610	—	—	193,729	553,610
Swaps	—	—	370,417	321,603	—	—	370,417	321,603
Call options	—	—	300	912	—	—	300	912
Put options	—	—	65	323	—	—	65	323
Futures	81	173	—	261	—	—	81	434
Sub-total	**81**	**173**	**564,511**	**876,709**	**—**	**—**	**564,592**	**876,882**
Derivative contracts for accounting hedges								
Swaps	—	—	3,208	27,844	—	—	3,208	27,844
Sub-total	—	—	3,208	27,844	—	—	3,208	27,844
Investment instruments available for sale								
from the State & Banco Central de Chile	—	—	448,289	423,681	—	—	448,289	423,681
Other instruments issued in Chile	—	—	486,653	432,036	128,285	112,835	614,938	544,871
Instruments issued abroad	—	—	—	—	202,436	102,886	202,436	102,886
Sub-total	**—**	**—**	**934,942**	**855,717**	**330,721**	**215,721**	**1,265,663**	**1,071,438**
Total	**227,809**	**344,444**	**1,704,029**	**2,078,470**	**333,453**	**233,093**	**2,265,291**	**2,656,007**
Financial liabilities								
Derivative contracts for trading								
Forwards	—	—	179,160	478,580	—	—	179,160	478,580
Swaps	—	—	352,112	368,066	—	—	352,112	368,066
Call options	—	—	244	1,549	—	—	244	1,549
Put options	—	—	376	781	—	—	376	781
Futures	—	2,217	183	—	—	—	183	2,217
Others	—	—	21	21	—	—	21	21
Sub-total	**—**	**2,217**	**532,096**	**848,997**	**—**	**—**	**532,096**	**851,214**
Derivative contracts for accounting hedges								
Swaps	—	—	6,144	11,585	—	—	6,144	11,585
Sub-total	**—**	**—**	**6,144**	**11,585**	**—**	**—**	**6,144**	**11,585**
Total	**—**	**2,217**	**538,240**	**860,582**	**—**	**—**	**538,240**	**862,799**

b) Reconciliation Level 3

The following table shows the reconciliation between the opening and closing balances of instruments classified in Level 3:

Financial assets	As of December 31, 2009					As of December 31, 2008				
	Balance at 01-01-09 MCh$	Gain (loss) shown in results MCh$	Gain (loss) shown in equity MCh$	Net of purchases, sales & agreements MCh$	Balance at 12-31-09 MCh$	Balance at 01-01-08 MCh$	Gain (loss) shown in results MCh$	Gain (loss) shown in equity MCh$	Net of purchases, sales & agreements MCh$	Balance at 12-31-08 MCh$
Instruments for trading										
Other instruments issued in Chile	17,372	1,213	—	(15,853)	2,732	122,265	2,231	—	(107,124)	17,372
Instruments issued abroad	—	—	—	—	—	22,194	3,368	—	(25,562)	—
Total	**17,372**	**1,213**	**—**	**(15,853)**	**2,732**	**144,459**	**5,599**	**—**	**(132,686)**	**17,372**
Investment instruments available for sale										
Other instruments issued in Chile	112,835	(4,429)	6,207	13,672	128,285	—	5,923	(5,083)	111,995	112,835
Instruments issued abroad	102,886	(5,809)	21,417	83,942	202,436	—	20,146	(12,348)	95,088	102,886
Total	**215,721**	**(10,238)**	**27,624**	**97,614**	**330,721**	**—**	**26,069**	**(17,431)**	**207,083**	**215,721**

c) Sensitivity of instruments classified in Level 3 to changes in key model assumptions

The following table shows the sensitivity by type of instrument of those instruments classified in Level 3 to changes in the key valuation assumptions:

Financial assets	As of December 31, 2009		As of December 31, 2008	
	Level 3 MCh$	Sensitivity to changes in key assumptions of the model MCh$	Level 3 MCh$	Sensitivity to changes in key assumptions of the model MCh$
Instruments for trading				
Other instruments issued in Chile	2,732	3	17,372	977
Total	**2,732**	**3**	**17,372**	**977**
Investment instruments available for sale				
Other instruments issued in Chile	128,285	1,492	112,835	6,348
Instruments issued abroad	202,436	2,249	102,886	793
Total	**330,721**	**3,741**	**215,721**	**7,141**

In order to measure the sensitivity of the valuation, the valuation rates of the investment instruments were modified using external sources of information.

d) Other assets and liabilities

The following table summarizes the fair values of the main financial assets and liabilities that are not shown at fair value in the statement of financial position. The values shown in this note do not attempt to estimate the value of the income-generating assets of SM Chile, nor forecast their future behavior. The estimated fair value is detailed as follows:

	Book value		Estimated fair value	
	2009 MCh$	2008 MCh$	2009 MCh$	2008 MCh$
Assets				
Cash & bank deposits	727,553	751,223	727,553	751,223
Operations pending settlement	526,052	807,626	526,052	807,626
Repurchase agreements & loans of securities	79,401	75,519	79,401	75,519
Sub-total	**1,333,006**	**1,634,368**	**1,333,006**	**1,634,368**
Due from banks				
Banks in Chile	123,796	260,669	123,796	260,669
Foreign banks	325,185	61,323	325,185	61,323
Sub-total	**448,981**	**321,992**	**448,981**	**321,992**
Loans & accounts receivable from customers				
Commercial loans	8,529,115	9,337,501	8,511,295	9,210,358
Housing loans	2,510,794	2,300,331	2,648,188	2,325,378
Consumer loans	1,822,004	1,794,883	1,827,632	1,621,499
Sub-total	**12,861,913**	**13,432,715**	**12,987,115**	**13,157,235**
Total	**14,643,900**	**15,389,075**	**14,769,102**	**15,113,595**
Liabilities				
Demand deposits & other obligations	3,718,044	3,007,231	3,718,044	3,007,231
Operations pending settlement	325,056	479,789	325,056	479,789
Repurchase agreements & loans of securities	308,028	420,658	308,028	420,658
Time deposits & other loans	7,425,973	8,470,759	7,412,045	8,404,379
Loans from banks	1,368,227	1,498,549	1,359,636	1,484,093
Other financial obligations	176,151	93,708	176,151	93,708
Sub-total	**13,321,479**	**13,970,694**	**13,298,960**	**13,889,858**
Debt instruments issued				
Housing mortgage-funding notes	169,996	215,095	168,721	204,308
General-purpose funding notes	95,586	134,833	94,868	128,071
Straight bonds	815,734	994,583	797,245	920,048
Subordinated bonds	506,683	555,576	549,959	555,916
Sub-total	**1,587,999**	**1,900,087**	**1,610,793**	**1,808,343**
Total	**14,909,478**	**15,870,781**	**14,909,753**	**15,698,201**

The fair value of assets not shown at that value in the statement of financial position relates to the estimated cash flows expected to be received, discounted using the relevant market interest rate for each type of transaction.

The fair value of liabilities without market quotations is based on discounted cash flows using the interest rate for similar maturities.

NOTE 36.38. Maturities of Assets and Liabilities

The table below shows the principal financial assets and liabilities of the subsidiary Banco de Chile grouped according to their remaining maturity, including accrued interest as of December 31, 2009 and 2008. Instruments for trading or available for sale are included at their fair value and according to the term in which they can be sold.

Assets	2009						
	Up to 1 month ThCh$	1 to 3 months ThCh$	3 to 12 months ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total ThCh$
Cash & bank deposits	727,553,166	—	—	—	—	—	727,553,166
Operations pending settlement	526,051,506	—	—	—	—	—	526,051,506
Instruments for trading	431,828,046	—	—	—	—	—	431,828,046
Repurchase agreements & loans of securities	8,789,888	3,192,788	67,418,594	—	—	—	79,401,270
Financial derivative contracts	35,853,080	86,725,777	135,524,529	149,449,266	44,183,654	116,063,338	567,799,644
Due from banks (**)	218,516,833	34,499,589	170,627,186	12,718,515	13,795,944	—	450,158,067
Loans & accounts receivable from customers (*) (**)	1,548,308,721	1,203,119,310	2,732,698,842	2,791,339,534	1,517,775,937	3,030,164,970	12,823,407,314
Investment instruments available for sale	229,354,334	140,370,974	345,305,817	114,491,559	92,775,005	343,365,115	1,265,662,804
Investment instruments held to maturity	—	—	—	—	—	—	—
Total financial assets	**3,726,255,574**	**1,467,908,438**	**3,451,574,968**	**3,067,998,874**	**1,668,530,540**	**3,489,593,423**	**16,871,861,817**

Assets	2008						
	Up to 1 month ThCh$	1 to 3 months ThCh$	3 to 12 months ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total ThCh$
Cash & bank deposits	751,223,265	—	—	—	—	—	751,223,265
Operations pending settlement	807,626,217	—	—	—	—	—	807,626,217
Instruments for trading	679,843,440	—	—	—	—	—	679,843,440
Repurchase agreements & loans of securities	50,142,137	8,613,617	16,763,589	—	—	—	75,519,343
Financial derivative contracts	104,362,436	204,063,652	284,874,213	118,957,481	97,272,111	95,196,354	904,726,247
Due from banks (**)	286,071,983	5,787,065	30,449,648	—	—	—	322,308,696
Loans & accounts receivable from customers (*) (**)	1,807,713,391	1,483,034,452	2,667,174,291	2,603,321,459	1,366,196,654	3,366,421,817	13,293,862,064
Investment instruments available for sale	119,515,499	180,235,344	387,361,157	113,257,000	89,472,556	181,596,075	1,071,437,631
Investment instruments held to maturity	—	—	—	—	—	—	—
Total financial assets	**4,606,498,368**	**1,881,734,130**	**3,386,622,898**	**2,835,535,940**	**1,552,941,321**	**3,643,214,246**	**17,906,546,903**

(*) This only includes loans that are current as of year-end. Therefore, it excludes overdue loans amounting to ThCh$361,148,149 (ThCh$381,652,327 in 2008) of which ThCh$46,764,320 (ThCh$88,984,434 in 2008) were less than 30 days overdue.
(**) The respective allowances, amounting to ThCh$322,642,403 (ThCh$$242,799,122 in 2008) for loans to customers and ThCh$1,176,773 (ThCh$316,696 in 2008) for loans to banks have not been deducted from these balances.

Liabilities	2009						
	Up to 1 month ThCh$	1 to 3 months ThCh$	3 to 12 months ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total ThCh$
Demand deposits & other obligations	3,718,074,559	–	–	–	–	–	3,718,074,559
Operations pending settlement	325,055,610	–	–	–	–	–	325,055,610
Repurchase agreements & loans of securities	296,601,761	11,433,809	–	–	–	–	308,027,570
Time deposits & other obligations (***)	3,085,724,947	1,713,174,642	2,273,148,452	195,251,222	2,121,396	24,304	7,269,444,963
Financial derivative contracts	41,175,306	99,014,154	138,412,566	95,701,024	47,876,981	116,059,920	538,239,951
Loans from banks	201,742,525	200,893,581	823,788,803	–	65,835,539	75,966,130	1,368,226,578
Debt instruments issued	137,936,219	176,373,087	53,750,448	426,216,644	211,356,365	582,366,508	1,587,999,271
Other financial obligations	139,731,897	673,541	3,932,324	11,234,061	9,787,862	10,790,857	176,150,542
Total financial liabilities	**7,946,034,824**	**2,201,562,814**	**3,293,032,593**	**728,402,951**	**336,978,143**	**785,207,719**	**15,291,219,044**

Liabilities	2008						
	Up to 1 month ThCh$	1 to 3 months ThCh$	3 to 12 months ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Total ThCh$
Demand deposits & other obligations	3,007,261,338	–	–	–	–	–	3,007,261,338
Operations pending settlement	479,788,674	–	–	–	–	–	479,788,674
Repurchase agreements & loans of securities	406,856,610	12,410,737	1,390,588	–	–	–	420,657,935
Time deposits & other obligations (***)	3,498,797,743	1,812,380,254	2,428,046,257	576,086,346	8,673	–	8,315,319,273
Financial derivative contracts	105,912,040	118,931,448	370,471,298	99,888,086	74,192,043	93,404,070	862,798,985
Loans from banks	65,634,847	592,203,932	661,139,113	179,571,299	–	–	1,498,549,191
Debt instruments issued	277,858,112	23,441,872	195,475,496	419,475,065	384,231,376	599,604,807	1,900,086,728
Other financial obligations	48,046,617	182,897	1,246,813	13,068,012	3,947,137	27,216,066	93,707,542
Total financial liabilities	**7,890,155,981**	**2,559,551,140**	**3,657,769,565**	**1,288,088,808**	**462,379,229**	**720,224,943**	**16,578,169,666**

(***) Excludes term saving accounts, which amount to ThCh$158,034,939 (ThCh$157,270,893 in 2008).

NOTE 36.39. Risk Management

(1) Introduction and general concepts

The risk management of the subsidary Banco de Chile is based on specialization, knowledge of the business and the experience of its teams, with professionals specifically dedicated to each of the different types of risk. The policy is to maintain an integrated, future-focused perspective on risk management, taking into account the current and forecasted economic environment and the risk/return ratio of all products of the bank and its subsidiaries.

The credit policies and processes acknowledge the particularities of each market and segment and grant specialized treatment to each of them. The integrated information prepared for risk analysis is key to developing strategic planning whose specific purpose is to determine the desired level of risk for each business, aligning the strategies with the established risk level, communicating the desired risk levels to the organization's commercial areas, developing models, processes and tools for evaluating, measuring and controlling risk throughout the different business lines and areas, informing the board of the characteristics and evolution of the risk, proposing action plans to address important deviations in risk indicators, and enforcing compliance with the various standards and regulations.

(a) Risk management structure

Credit and market risk management takes place at different levels throughout the organization, structured to recognize the importance and different types of risk.

The bank segregates risk management into two divisions that report directly to the chief executive officer. These are the Corporate and Market Risk Division and the Retail Risk Division. These have an internal organization based on the commercial structure and function independently. They are in addition to the Operational Risk Area which reports to the Operations and Technology Division.

The corporate and market risk division is responsible for the quality of the portfolio and for optimizing the risk/return ratio for all company segments, from SMEs to corporations, including private banking. This division is also responsible for managing financial and market risks. The retail risk division performs a similar role for all of the retail banking segments, including CrediChile's consumer loan portfolio. The operational risk management monitors loss events stemming from operating, administrative or technical factors or fraud, and also verifies controls and proposes corrective measures.

(i) Board of Directors

Banco de Chile's Board of Directors is continually informed of developments in the diverse risk areas through its finance, credit, portfolio and audit committees, in which the state of credit and market risks is reviewed. The board participates actively in each of these risk areas, keeping abreast of the state of the portfolio and taking part in the strategic definitions that impact portfolio quality.

(ii) Finance, International and Financial Risk Committee

This committee meets monthly to review the evolution and the current state of the financial positions and market, price and liquidity risk. It particularly reviews the estimated results of financial positions in order to measure the risk/return ratio of the Treasury business, as well as the evolution of and forecasts regarding the use of capital.

(iii) Credit Committees

All loan proposals for customers must be approved by a committee with sufficient discretionary powers. As a general rule, this committee must include a minimum of three executives, one of which must have sufficient authority to approve the operation. There are various levels of discretionary powers differentiated by segment and applied according to exposure, risk rating, transfers to execution, declaration of non-payment, loan write-offs, etc. The highest level is the Directors' Credit Committee which reviews and approves the main exposures of Banco de Chile. This committee is composed of at least three directors, the chief executive officer and the credit risk division manager.

(iv) Portfolio Committee

This committee reviews in detail the evolution of the principal credit risk variables. It reviews indicators such as risk, overdue, impaired portfolio and portfolio cost indices. This review includes aggregate information at the portfolio level, detailed by industry sector, segment, business unit, credit rating, etc. This committee also conducts a detailed review of the main debtors of Banco de Chile, whether by exposure or impairment. This committee comprises the chairman of the board, at least one director, the chief executive officer and the credit risk managers.

(v) Treasury

The Treasury Division of Banco de Chile is responsible for managing price risks (interest rates, exchange rates and options volatility) for its trading and banking books within the limits approved by the board. In addition, it is the sole body responsible for ensuring that the bank maintains an adequate liquidity level in line with market conditions and the needs of the different business units.

(vi) Operational Risk Committee

This committee periodically reviews the state of operational risks, analyzing reasons for losses and progress made in any corrective measures adopted. It is composed of the chief executive officer, the managers of the operations and technology and financial performance and control divisions, plus the comptroller and the operational risk manager.

(b) Internal audit

Risk management processes throughout Banco de Chile are continually audited by the internal audit area, which analyzes the adequacy of and compliance with the procedures. Internal audit discusses the results of all evaluations with management and reports its findings and recommendations to the Directors' and Audit Committees.

(c) Measurement methodology

In terms of credit risk, the levels of allowances and the cost of portfolio are basic measurements for determining the credit quality of our portfolio.

The board is presented annually with the results of an allowance sufficiency test. This test shows whether the bank's existing level of allowances, both for the individual and group portfolios, is sufficient, based on historic losses or impairment experienced by the portfolio. The board must formally pronounce on its sufficiency.

Risk monitoring and control are performed primarily based on established limits. These limits reflect the business and market strategy as well as the risk level it is prepared to accept, with added emphasis on selected industry sectors.

(d) Mitigation of interest-rate risk in the banking book through derivatives

Banco de Chile uses derivatives to manage exposure arising from changes in interest rates on loans and bonds in the available-for-sale portfolio, by accounting hedges.

The effectiveness of each hedge is evaluated each month by the market risk control and information area. When determined to be ineffective, a new hedge structure should be defined should it be wished to continue to mitigate the risk using derivatives.

(e) Use of collateral

Banco de Chile actively uses collateral to reduce its credit risks (see below for more details).

(2) Credit, financial and operational risks policies and management

The board and senior management of Banco de Chile sets the credit, market or financial and operational risks policies and management. It sets internal limits that complement the limits set by the SBIF.

Note 41 to the consolidated financial statements of Banco de Chile describes the bank's policies and procedures for assuming, measuring, mitigating and limiting these risks.

(3) Credit quality

The following table shows the credit quality by class of asset for the lines of the statement of financial position, based on the system of credit classification of the subsidiary Banco de Chile for December 2009.

	A1 MCh$	A2 MCh$	A3 MCh$	B MCh$	C1 MCh$	C2 MCh$	Impaired portfolio MCh$	Other MCh$	Total MCh$
Financial assets									
Cash & bank deposits	300,368	8,348	157,880	259,160	—	—	—	1,797	727,553
Instruments for trading									
From the Chilean State & Banco Central de Chile	162,094	—	—	—	—	—	—	—	162,094
Other instruments issued in Chile	147,447	42,049	—	—	—	—	—	—	189,496
Instruments issued abroad	—	—	—	—	—	—	—	—	—
Investments in mutual funds	—	—	—	—	—	—	—	80,237	80,237
Sub-total	**309,541**	**42,049**	**—**	**—**	**—**	**—**	**—**	**80,237**	**431,827**
Repurchase agreements & loans of securities	1,239	23,352	12,168	42,627	—	—	15	—	79,401
Derivative contracts for trading									
Forwards	83,919	52,519	25,579	31,591	2	—	—	119	193,729
Swaps	114,687	206,120	15,888	31,286	1,430	—	1,006	—	370,417
Call options	—	—	259	39	—	—	—	2	300
Put options	—	—	48	17	—	—	—	—	65
Futures	—	81	—	—	—	—	—	—	81
Other	—	—	—	—	—	—	—	—	—
Sub-total	**198,606**	**258,720**	**41,774**	**62,933**	**1,432**	**—**	**1,006**	**121**	**564,592**
Derivative contracts for accounting hedges									
Forwards	—	—	—	—	—	—	—	—	—
Swaps	1,722	1,161	—	325	—	—	—	—	3,208
Call options	—	—	—	—	—	—	—	—	—
Put options	—	—	—	—	—	—	—	—	—
Futures	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Sub-total	**1,722**	**1,161**	**—**	**325**	**—**	**—**	**—**	**—**	**3,208**
Due from banks									
Banks in Chile	110,000	13,796	—	—	—	—	—	—	123,796
Foreign banks	21,530	72,192	228,412	3,051	—	—	—	—	325,185
Sub-total	**131,530**	**85,988**	**228,412**	**3,051**	**—**	**—**	**—**	**—**	**448,981**
Loans & accounts receivable from customers									
Commercial loans	32,067	2,290,427	2,074,847	3,446,251	136,957	6,195	418,057	324,464	8,729,265
Housing loans	—	—	—	—	—	—	68,787	2,455,906	2,524,693
Consumer loans	—	—	—	—	—	—	135,675	1,794,920	1,930,595
Sub-total	**32,067**	**2,290,427**	**2,074,847**	**3,446,251**	**136,957**	**6,195**	**622,519**	**4,575,290**	**13,184,553**
Investment instruments available for sale									
Of the State & Banco Central de Chile	448,289	—	—	—	—	—	—	—	448,289
Other instruments issued in Chile	284,755	276,064	18,071	36,047	—	—	—	—	614,937
Instruments issued abroad	69,878	78,876	—	48,914	—	—	—	4,768	202,436
Sub-total	**802,922**	**354,940**	**18,071**	**84,961**	**—**	**—**	**—**	**4,768**	**1,265,662**
Investment instruments held to maturity	—	—	—	—	—	—	—	—	—

The following table shows credit quality by class of asset for the lines of the statement of financial position, based on the system of credit classification of the subsidiary Banco de Chile for December 2008.

	A1 MCh$	A2 MCh$	A3 MCh$	B MCh$	C1 MCh$	C2 MCh$	Other MCh$	Total MCh$
Financial assets								
Cash & bank deposits	614,315	11,868	–	125,040	–	–	–	751,223
Instruments for trading								
From the Chilean State & Banco Central de Chile	304,493	–	–	–	–	–	–	304,493
Other instruments issued in Chile	213,356	65,922	297	2,217	–	–	–	281,792
Instruments issued abroad	–	–	40,579	–	–	–	–	40,579
Investments in mutual funds	–	–	–	–	–	–	52,979	52,979
Sub-total	**517,849**	**65,922**	**40,876**	**2,217**	**–**	**–**	**52,979**	**679,843**
Repurchase agreements & loans of securities	12,300	37,222	17,589	8,220	–	–	188	75,519
Derivative contracts for trading								
Forwards	138,879	334,098	21,264	38,189	–	–	21,180	553,610
Swaps	211,834	47,284	16,568	44,126	4	–	1,787	321,603
Call options	–	326	195	391	–	–	–	912
Put options	–	215	–	108	–	–	–	323
Futures	173	–	–	–	–	–	261	434
Other	–	–	–	–	–	–	–	–
Sub-total	**350,886**	**381,923**	**38,027**	**82,814**	**4**	**–**	**23,228**	**876,882**
Derivative contracts for accounting hedges								
Forwards	–	–	–	–	–	–	–	–
Swaps	27,844	–	–	–	–	–	–	27,844
Call options	–	–	–	–	–	–	–	–
Put options	–	–	–	–	–	–	–	–
Futures	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
Sub-total	**27,844**	**–**	**–**	**–**	**–**	**–**	**–**	**27,844**
Due from banks								
Banks in Chile	250,664	10,005	–	–	–	–	–	260,669
Foreign banks	8,572	6,327	30,181	16,243	–	–	–	61,323
Sub-total	**259,236**	**16,332**	**30,181**	**16,243**	**–**	**–**	**–**	**321,992**
Loans & accounts receivable from customers								
Commercial loans	287,220	2,454,840	2,375,691	3,625,075	171,896	102,047	454,576	9,471,345
Housing loans	–	–	–	–	–	–	2,313,607	2,313,607
Consumer loans	–	–	–	–	–	–	1,890,563	1,890,563
Sub-total	**287,220**	**2,454,840**	**2,375,691**	**3,625,075**	**171,896**	**102,047**	**4,658,746**	**13,675,515**
Investment instruments available for sale								
From the State & Banco Central de Chile	423,681	–	–	–	–	–	–	423,681
Other instruments issued in Chile	69,712	432,916	4,859	37,384	–	–	–	544,871
Instruments issued abroad	15,347	64,896	2,725	19,918	–	–	–	102,886
Sub-total	**508,740**	**497,812**	**7,584**	**57,302**	**–**	**–**	**–**	**1,071,438**
Investment instruments held to maturity	–	–	–	–	–	–	–	–

(4) Capital requirements

According to the General Banking Law, Banco de Chile has to maintain a minimum effective equity to consolidated risk-weighted assets ratio of 8%, net of required provisions, and a minimum basic capital to consolidated assets ratio of 3%, net of required provisions. With respect to the merger of Banco de Chile and Citibank Chile in 2008, the SBIF, by its Resolution

209 of December 26, 2007, established that the institution be obliged to maintain a effective equity to consolidated risk-weighted assets ratio of no less than 10%. The regulator thus ratified the minimum requirement of 10% that it had set in December 2001 when authorizing the merger by absorption of Banco Edwards by Banco de Chile.

Effective equity is determined based on capital and reserves or basic capital with the following adjustments: (a) the balance of subordinated bonds is added with a maximum equivalent to 50% of basic capital; (b) additional allowances for loans are added, and (c) the balance of goodwill and investments in companies not included in the consolidation is deducted.

Assets are weighted according to their risk categories which are assigned a percentage risk according to the amount of capital necessary for supporting each of these assets. 5 risk categories are applied (0%, 10%, 20%, 60% and 100%). For example, cash, deposits in other banks and financial instruments issued by Banco Central de Chile have 0% risk, which means that, under current regulations, no capital is required to support the assets. Property, plant and equipment have a 100% risk, which means that there should be a minimum capital of 8% of the amount of these assets, and of 10% in the case of Banco de Chile.

All derivative instruments not traded on stock markets are considered in the determination of risk assets with a conversion factor over the notional values, thus obtaining the amount of credit-risk exposure (or “credit equivalent”). Memorandum account contingent liabilities are also considered by a “credit equivalent” for their weighting.

The levels of basic capital and effective equity of the subsidiary Banco de Chile at the end of 2009 and 2008 are detailed as follows:

	Consolidated assets		Risk-weighted assets	
	2009 ThCh$	2008 ThCh$	2009 ThCh$	2008 ThCh$
Balance sheet assets (net of provisions)				
Cash & bank deposits	727,553,166	751,223,265	153,933	318,090
Operations pending settlement	526,051,506	807,626,217	224,148,036	47,743,954
Instruments for trading	431,828,046	679,843,440	128,805,993	139,564,836
Repurchase agreements & loans of securities	79,401,270	75,519,343	79,401,270	75,519,343
Financial derivative contracts	567,799,644	904,726,247	449,852,006	829,706,852
Due from banks	448,981,294	321,992,000	327,944,213	63,324,041
Loans & accounts receivable from customers	12,861,913,060	13,432,715,269	11,855,712,551	12,384,360,517
Investment instruments available for sale	1,265,662,804	1,071,437,631	397,655,630	253,285,311
Investment instruments held to maturity	—	—	—	—
Investments in companies	12,606,623	13,407,023	12,606,623	13,407,023
Intangible assets	31,885,598	32,632,448	28,885,308	30,299,081
Property, plant and equipment	207,796,047	214,300,390	207,796,047	214,300,390
Current taxes	—	—	—	—
Deferred taxes	82,850,300	73,251,094	8,285,030	7,325,109
Other assets	217,499,508	217,767,834	217,499,508	217,767,834
Subtotal			**13,938,746,148**	**14,276,922,381**
Assets off the balance sheet				
Contingent liabilities	1,447,233,484	1,473,199,919	862,549,592	877,033,020
Total risk-weighted assets			**14,801,295,740**	**15,153,955,401**

	2009		2008	
	amount ThCh$	Ratio %	amount ThCh$	Ratio %
Basic capital (*)	1,392,744,678	7.33	1,297,736,136	6.56
Effective equity	1,879,547,639	12.70	1,774,448,209	11.71

(*) As of December 31, 2008, the basic capital corresponds to the equity attributable to equity holders in the consolidated statement of financial position without considering the adjustments on the first adoption of IFRS. See Note 22.3, First Adoption.

NOTE 36.40. Expenses Deriving from the Merger

The following expenses were incurred during 2008 related to the merger between the subsidiary Banco de Chile and Citibank Chile:

	2008 ThCh$
Stafe severance payments & bonuses	34,962,302
Write-offs of fixed & intangible assets	3,374,162
Computer developments	2,019,619
Marketing	1,559,011
Training & other staff expenses	978,470
Other	1,868,632
Total	**44,762,196**

NOTE 36.41. New Accounting Requirements

Allowances for contingent liabilities and new risk classifications for debtors evaluated individually.

Effective January 1, 2010, the subsidiary Banco de Chile began to make allowances for the credit risk of its contingent liabilities related to committed lines of credit, other credit commitments and other contingent credits, and applied the changes in credit-risk exposure of existing allowances as established in Chapter B-3 of SBIF's Compendium of Accounting Standards. On December 29, 2009, the SBIF issued its Circular 3,489, instructing that the accumulated effect as of December 31, 2009 be recorded directly as a reduction in equity. The accumulated effect as of December 31, 2009 amounts to Ch$15,927 million, which was shown as a charge to equity at January 1, 2010; this amount, according to this circular, should be adjusted in July 2010 once the final figures are available from the integral application of the new standards.

This circular also instructed that the new risk categories and their new allowance percentages used for the determination of the credit risk of debtors evaluated individually, in accordance with Chapter B-1 of the Compendium of Accounting Standards, begin to be applied in July 2010. The adjustments deriving from the application of these new standards will be shown directly against the results for the year. For the first half of 2010, the bank will continue applying the transitory regulations contained in Chapter E of the Compendium.

NOTE 36.42. Subsequent Events

At its meeting held on January 29, 2010, the board of Banco de Chile agreed to call the ordinary shareholders' meeting for March 25, 2010 in order to propose, among other things, the distribution of dividend No.198 payable against the earnings for the year 2009, corresponding to 100% of earnings. This dividend would be Ch$3.496813 per subscribed and paid share of Banco de Chile.

The board also agreed to call an extraordinary shareholders' meeting to be held on the same day, March 25, 2010, prior to the ordinary meeting, to agree an amendment to the bylaws by the introduction of a transitory clause to define "net distributable earnings" in order to comply with that agreed in the contract dated November 8, 1996 between Banco de Chile and SM Chile S.A., in accordance with Law 19,396.

The management believes that there are no other significant subsequent events occurring between December 31, 2009 and the date of issue of these consolidated financial statements that affect or might affect the consolidated financial statements of Sociedad Matriz del Banco de Chile and its subsidiaries.

Management's Analysis of the Consolidated Financial Statements

For the year ended December 31, 2009

I. OVER VIEW

As of the year 2009, Quiñenco prepares its financial statements in accordance with IFRS. Figures for 2008 have been adjusted to the same standard. One of the main changes in terms of presentation is the consolidation with the financial entities Banco de Chile and SM Chile, and the insurance company Banchile Seguros de Vida. In order to facilitate the understanding of Quiñenco's financial statements, the financial statements and their analysis separate the results of the banking activities from the non-banking (or industrial) activities.

It is worth mentioning, that under IFRS certain relevant items of the financial statements have a different wording to that used under Chilean GAAP, such as: "Net income" (Chilean GAAP) is called "Net income attributable to equity holders of the parent" under IFRS and "Equity" (Chilean GAAP) is called "Net equity attributable to net equity holders of the parent" under IFRS. On the other hand, "Consolidated net income" under IFRS includes "Net income" (Chilean GAAP) and Minority Interest (Chilean GAAP), and "Total net equity" under IFRS includes "Equity" (Chilean GAAP) and "Minority Interest" (Chilean GAAP).

During the year 2009, Quiñenco obtained net income[(1)] of Ch$155,401 million, 38% below the result reached in 2008. This variation is mainly due to the gain related to two significant transactions carried out in 2008: the association with Citigroup in Banco de Chile's parent company and the sale of Madeco's cable unit to Nexans. On the other hand, results in 2009 were boosted by gains at the corporate level, generated by the sale of financial investments, and by CCU's improved results owing to the sale of 29.9% of Aguas CCU Nestlé to Nestlé Waters Chile in addition to positive operational performance. The negative inflation registered during the period together with a lower level of indebtedness reduced financial costs and obligations denominated in UFs, including the interests of Banco de Chile's Subordinated Debt, thus impacting results favorably. The latter mitigated the adverse effect of the negative rate of inflation and of the contingent economic situation on the results of Banco de Chile.

(1) Net income refers to Net income attributable to equity holders of the parent.

II. ANALYSIS OF COMPREHENSIVE RESULTS

1. Analysis of Industrial Sector Results

The industrial sector (non-banking sector) includes the following segments:

a) Manufacturing

- Madeco

b) Financial

- LQ Inversiones Financieras Holding (LQIF holding)

c) Other

- Telefónica del Sur (Telsur)
- Quiñenco and others (includes CCU)

The companies mentioned above present their financial statements in accordance with IFRS, with the exception of Banchile Seguros de Vida, included in Quiñenco and others, whose financial statements are prepared in accordance with Chilean generally accepted accounting principles.

On January 20, 2010, Quiñenco sold its direct and indirect share of 74.43% in Telsur to GTD Grupo Teleducto through a Public Offering. Therefore, during the years 2008 and 2009 the investment in Telsur has been classified as a discontinued operation.

Table Nº1: Industrial sector results

	In millions of Ch$	
	12-31-2009	12-31-2008
Operating income (2)	(3,919)	(9,934)
Non-operating income (loss) (3)	74,742	58,110
Income tax	(918)	2,536
Net income (loss) from discontinued operations	4,161	119,555
Industrial sector consolidated net income	**74,066**	**170,267**

Ordinary revenues

During 2009, ordinary revenues diminished by 3.9% to Ch$254,128 million, due to lower revenues from Madeco, partially offset by growth at Quiñenco and others, which is mainly explained by Banchile Seguros de Vida.

(2) Operating income corresponds to Revenues minus Cost of sales, minus operating expenses, which include Marketing costs, Distribution costs, R&D, Administrative expenses and Restructuring costs.

(3) Non-operating income includes the following items: Other operating income, Other various operating expenses, Financial costs, Proportionate share of equity method investments, Foreign currency exchange differences, Indexed units of account restatement and Other gains (losses).

Table N°2: Composition of ordinary revenues

	In millions of Ch$	
	12-31-2009	12-31-2008
Manufacturing		
Madeco	176,318	199,243
Financial		
LQIF holding	-	-
Other		
Quiñenco and others	77,810	65,137
Ordinary revenues	**254,128**	**264,380**

In the year 2009, Madeco's revenues diminished by 11.5% with respect to the previous year, mainly due to lower sales of brass mills owing to reduced sales volumes and a drop in the price of copper. The profiles unit also registered lower sales due to a significantly lower sales volume, following the negative trend of the construction sector. The reduction of these two units was partially compensated by growth in revenues from the flexible packaging unit, based on higher average prices and a slight increase in sales volumes, particularly in the Peruvian subsidiary.

The variation in Quiñenco and others mainly corresponds to an increase of 19.7% in revenues at Banchile Seguros de Vida.

Cost of sales

In 2009 the cost of sales diminished 12.1% with respect to the previous year. This reduction is primarily explained by lower costs at Madeco, which were 16.2% lower than the prior period, reflecting the lower sales volume and lower costs of raw materials (mainly copper and aluminum), as well as the results of cost reduction plans and improved operating efficiencies. These effects were partially offset by an impairment of the profiles unit's inventories in the second quarter of 2009, which were maintained at pre-crisis values.

Quiñenco and others also registered higher cost of sales, corresponding mainly to Banchile Seguros de Vida that increased by 14.7%. Consolidated cost of sales is detailed on a comparative basis in Table N°3:

Table N°3: Composition of cost of sales

	In millions of Ch$	
	12-31-2009	12-31-2008
Manufacturing		
Madeco	(147,308)	(175,683)
Financial		
LQIF holding	-	-
Other		
Quiñenco and others	(33,556)	(30,087)
Cost of sales	**(180,864)**	**(205,770)**

Operating expenses[4]

Operating expenses reached Ch$77,183 million in 2009, an increase of 12.6% with respect to the prior year, mainly explained by Quiñenco and others, and to a lesser extent by Madeco. Operating expenses at Quiñenco and others increased 17.9% primarily due to an increment of 23.0% at Banchile Seguros de Vida. Madeco's operating expenses increased by 3.1% mainly owing to higher restructuring costs. The composition of operating expenses is detailed in comparative terms in Table N°4:

Table Nº4: Composition of Operating Expenses

	In millions of Ch$	
	12-31-2009	12-31-2008
Manufacturing		
Madeco	176,318	199,243
Financial		
LQIF holding	-	-
Other		
Quiñenco and others	77,810	65,137
Operating expenses	**(77,183)**	**(68,544)**

Operating Income

Operating income improved by 60.6% to a loss of Ch$3,919 million in 2009, in comparison to the previous year, reflecting improved results at Madeco and at Quiñenco and others.

Madeco's operating results increased substantially to Ch$5,431 million from the Ch$685 million registered in 2008, due to an improved margin of the brass mills and flexible packaging units, partially offset by lower results of the profiles unit.

Operating losses at Quiñenco and others diminished by 12.3% to Ch$8,571 million, mainly due to a higher gross margin obtained by Banchile, which was partially offset by higher operating expenses also at Banchile. The comparative composition of operating income is detailed in Table Nº5:

Table Nº5: Composition of operating income

	In millions of Ch$	
	12-31-2009	12-31-2008
Manufacturing		
Madeco	176,318	199,243
Financial		
LQIF holding	-	-
Other		
Quiñenco and others	77,810	65,137
Operating income	**(3,919)**	**(9,934)**

(4) Operating expenses include Marketing costs, Distribution costs, R&D, Administrative expenses and Restructuring costs.

Non-operating results

Non-operating results amounted to a gain of Ch$74,742 million in 2009, 28.6% higher than the Ch$58,110 million registered during 2008. This increase of Ch$16,632 million is mostly explained by improved results due to : (i) an impairment of Ch$43,772 million to Nexans shares registered in 2008; (ii) a gain of Ch$34,291 million registered in 2009 arising from the sale of financial investments (Entel and D&S shares); (iii) an increase in the proportionate share of equity method investments, which mainly corresponds to IRSA, parent company of CCU, which increased its contribution by 52.5% reflecting improved results at CCU during the period; (iv) a reduction of Other various operating expenses that correspond mainly to LQIF Holding, due to a lower amortization of intangibles (Banco de Chile core deposits), which completed their amortization period in December 2008. These improved results mentioned above were partially offset by the gain of Ch$130,520 million related to the association with Citigroup in LQIF in 2008, arising from Quiñenco not subscribing LQIF's capital increase.

On the other hand, results were boosted by a higher gain from foreign currency exchange differences, mainly at Madeco, owing to its net asset position in Chilean pesos at the beginning of 2009, and the appreciation of that currency with respect to the US dollar, a higher gain from restatement of indexed units, reflecting the favorable effect of the negative rate of inflation during the twelve month period on obligations denominated in UFs, and also due to lower financial costs as a result of lower indebtedness at Quiñenco and others and Madeco, in addition to the positive impact of the lower UF on the financial costs of Quiñenco and others, denominated in that currency.

Table Nº6 shows the comparative composition of non-operating results.

Table Nº6: Composition of non-operating results

	In millions of Ch$	
	12-31-2009	12-31-2008
Other operating income	18,817	20,398
Other various operating expenses	(10,903)	(25,566)
Financial costs	(13,839)	(22,595)
Share in earnings of joint businesses	42,234	27,000
Foreign exchange rate differences	8,807	(17,087)
Indexed units of account restatement	374	(11,756)
Gain on retirement of non-current assets not held for sale	51	527
Goodwill	-	3,869
Other gains (losses)	29,203	83,321
Non-operating results	**74,742**	**58,110**

Industrial sector results

The industrial sector's results diminished by 56.5% to a consolidated gain of Ch$74,066 million during 2009, mainly due to the results of Madeco's cable unit and the non-recurring gain generated by its sale to Nexans in September 2008, registered as a discontinued operation in 2008. It is worth noting that due to the sale of Telsur's shares to GTD Grupo Teleducto in January 2010, Telsur's operations have been classified as a discontinued operation in the years 2009 and 2008. In 2009, Telsur's net income before tax was Ch$4,127 millones, 3.1% below 2008.

Table Nº7: Industrial sector results

	In millions of Ch$	
	12-31-2009	12-31-2008
Net income of on-going activities before tax	70,823	48,176
Income tax	(918)	2,536
Net income of discontinued operations	4,161	119,555
Industrial sector consolidated net income	**74,066**	**170,267**

2. Banking sector results

Banking sector results include the following entities: Banco de Chile and SM Chile, which prepare their financial statements partially in accordance with IFRS in 2009, and adjusted for comparison purposes, including some estimations, for the year 2008.

Table Nº8: Banking sector results

	In millions of Ch$	
	12-31-2009	12-31-2008
Operating income	296,583	375,983
Non-operating results	(43,909)	(110,531)
Banking sector consolidated net income	**213,060**	**233,712**

Operating revenues(5)

Operating revenues diminished by 8.0% to Ch$1,016,767 million, mainly explained by the adverse effect on revenues of the negative variation registered by the UF during the year 2009 in comparison to the positive variation during 2008, lower revenues derived from demand deposits due to decreased nominal interest rates, and lower non-recurring income related to the sale of foreign branches carried out during the first quarter of 2008 and the sale of Visa Inc. stock during the second quarter of 2008. These variations were partially compensated by higher credit margins related to focused management of an adequate balance between risk and return, a better financing structure based on higher volumes of demand deposits and increased revenues from net fees.

Provision for Credit Risk

The provision for loan losses at Banco de Chile amounted to Ch$223,441 million in comparison to Ch$156,014 million registered in 2008. This increment is primarily associated to the negative economic growth scenario that affected aggregate demand and the level of unemployment, thus increasing the risk profile of individuals and companies. Additionally, higher provisions for around Ch$32,000 million were required due to the crisis of the salmon industry and due to the implementation during the last quarter of 2009, of a new rating model at the bank for small and medium sized companies.

(5) Operating revenues correspond to Total net operating income, excluding the provision for credit risk.

Operating expenses

Operating expenses diminished by 13.3% to Ch$496,742 million, explained by the reduction of 13.3% in Banco de Chile's operating expenses to Ch$496,393 million in 2009, primarily due to an important focus on cost control and search for increased productivity, which has allowed the bank to reduce personnel costs through higher productivity, lower expenses related to variable compensations, and due to the absence of non-recurring expenses of approximately Ch$45,000 million incurred during the first half of 2008 related to the merger with Citibank Chile, and approximately Ch$13,000 million due to anticipated collective bargaining agreements registered during the second quarter of 2008.

Non-operating results(6)

During 2009, non-operating losses amounted to Ch$43,909 million, which contrast favorably with the non-operating loss of Ch$110,531 million registered during the prior year, mainly explained by lower accrued interest of the subordinated debt with the Chilean Central Bank in 2009, due to the positive effect of the negative rate of inflation during the period.

Banking sector results

The banking sector's consolidated net income decreased by 8.8% to Ch$213,060 million during the year 2009, primarily as a consequence of lower operating revenues and a higher credit risk allowance, partially compensated by lower operating expenses and improved non-operating results during the period.

3. Analysis of Results by Segment

The following table presents the composition of the results by segment and sector.

Sector /Segment	In Millions of Ch$							
	Manufacturing		Financial		Other		Total	
	12-31-2009	12-31-2008	12-31-2009	12-31-2008	12-31-2009	12-31-2008	12-31-2009	12-31-2008
Industrial Sector								
Net income of on-going activities before tax	17,036	(59,672)	(11,890)	(33,698)	65,677	141,546	70,823	48,176
Income tax	1,101	(671)	1,708	4,320	(3,727)	(1,112)	(918)	2,536
Net income of discontinued operations	34	115,294	-	-	4,127	4,261	4,161	119,555
Industrial sector consolidated net income	**18,171**	**54,951**	**(10,182)**	**(29,378)**	**66,077**	**144,694**	**74,066**	**170,267**
Banking Sector								
Net income before tax	-	-	252,674	265,452	-	-	252,674	265,452
Income tax	-	-	(39,614)	(31,740)	-	-	(39,614)	(31,740)
Banking sector consolidated net income	**-**	**-**	**213,060**	**233,712**	**-**	**-**	**213,060**	**233,712**
Consolidated net income	18,171	54,951	202,878	204,334	66,077	144,694	287,126	403,979
Net income attributable to non-controlling interests							131,726	151,977
Net income attributable to Controller							**155,401**	**252,002**

(6) Non-operating results include Income from investments in companies and Interest on subordinated debt with the Chilean Central Bank.

Manufacturing Segment

Manufacturing Segment	In millions of Ch$	
	12-31-2009	12-31-2008
Madeco	18,171	54,951
Manufacturing segment consolidated net income	**18,171**	**54,951**

The manufacturing segment is entirely explained by Madeco, which obtained consolidated net income of Ch$18,171 million, below the Ch$54,951 million registered during the previous year. However, 2008 results include Madeco's cable unit's results and the gain on its sale to Nexans in September 2008, registered as a discontinued operation. The latter was partially compensated by the earnings of on-going activities which increased substantially based on improved operating and non-operating results. Operating income was boosted by the positive performance of the flexible packaging unit and a recovery back to positive operating income by brass mills, which compensated the lower result obtained by profiles. The increase in non-operating results is due to an impairment of Ch$43,772 million of the investment in Nexans carried out in 2008, a higher gain on exchange differences, and the dividend received from Nexans amounting to Ch$4,181 million.

Financial Segment

Financial Segment	In millions of Ch$	
	12-31-2009	12-31-2008
LQIF holding	(10,182)	(29,378)
Banco de Chile	257,887	347,439
Subordinated debt	(44,749)	(114,095)
Other	(78)	368
Financial segment consolidated net income	**202,878**	**204,334**

The slight reduction of 0.7% in the financial segment's consolidated net income is primarily explained by the lower results obtained by Banco de Chile during the year, which was partially compensated by a reduction in the accrued interest of the Subordinated Debt, and to a lesser extent, by a lower loss at LQIF Holding.

Banco de Chile reported consolidated net income of Ch$257,887[7] million in 2009, 25.8% less than during the prior year. This result was affected by lower operating revenues, due to the negative variation of the UF during the year 2009 in contrast with a positive variation during 2008, lower revenues derived from demand deposits due to decreased nominal interest rates, and lower non-recurring income related to the sale of foreign branches carried out during the first quarter of 2008, and a higher allowance for credit risk during the current period. Operating expenses decreased due to an important focus on cost control and search for increased productivity, which has allowed the bank to reduce personnel costs, and non-recurring expenses related to the merger with Citibank Chile in 2008 amounting to approximately Ch$45,000 million, and expenses of approximately Ch$13,000 million due to anticipated collective bargaining agreements registered in 2008. During 2009 the accrued interest expense of the Subordinated Debt with the Chilean Central Bank was substantially lower than the previous year, due to the favorable effect of the negative rate of inflation on said expense.

(7) As of the year 2009 new accounting regulations came in force as informed by the Superintendency of Banks and Financial Institutions (SBIF), with effects on the financial statements for the year 2009. Financial statements for the year 2008 have been adjusted for comparison purposes, including some estimations, to IFRS.

LQIF holding reported a loss of Ch$10,182 million, 65.3% less than the loss of Ch$29,378 million reported in 2008, mainly due to lower other various operating expenses, related to the amortization of intangibles (Banco de Chile core deposits), whose amortization period was completed in December 2008, and a gain in 2009 due to indexed units of account restatement reflecting the effect of the negative rate of inflation on obligations denominated in UFs. The latter more than compensated the drop in other operating income registered in 2009 in comparison to 2008, corresponding to interest and dividend income.

Other Segment

Other Segment	In Millions of Ch$	
	12-31-2009	12-31-2008
CCU(8)	42,324	29,887
Quiñenco and others	20,429	111,512
Telsur	3,324	3,295
Other segment consolidated net income	**66,077**	**144,694**

Consolidated net income of the others segment fell by Ch$78,617 million, primarily due to a lower result of Quiñenco and others, partially compensated by improved results at CCU and Telsur during the year.

CCU reported consolidated net income of Ch$141,365 million, 48.3% or Ch$46,062 million above that reported the previous year, owing to increments both in operating and non-operating results. Operating income increased 10.8% reflecting growth in all of CCU's business units. The increase of non-operating results is mainly explained by a pre-tax gain of Ch$24,416 million on the sale of Aguas CCU Nestlé Chile shares to Nestlé Waters Chile and a gain on indexed units of account restatement, reflecting the favorable effect of the negative rate of inflation over the past twelve months on obligations denominated in UFs.

During the year 2009, CCU's sales increased in the wine segment and in the beer segment in Argentina, boosted by the merger with Viña Tarapacá and the acquisition of ICSA in Argentina, respectively. Sales of non-alcoholic beverages also increased, and although to a lesser extent, so did sales of beer in Chile and of spirits.

The variation in Quiñenco and others is mainly due to a gain of Ch$130,520 million registered in 2008 as a result of Quiñenco not subscribing a capital increase carried out by LQIF, due to the association with Citigroup in LQIF Holding. In the year 2009, on the other hand, a gain of Ch$34,291 million was generated by the sale of financial investments (Entel and D&S shares).

In the years 2008 and 2009 Telsur has been classified as a discontinued operation, due to its sale to GTD in January 2010. Telefónica del Sur's consolidated net income increased by 0.9% reaching Ch$3,324 million due to a lower non-operational loss that amounted to Ch$1,102 million in 2009, contrasting positively with the loss of Ch$6,665 million registered in 2008. The improvement in 2009 is mainly due to a gain in indexed units of account restatement, generated by the negative variation of the UF during the year, reducing the financial debt denominated in that currency. This was partially offset by lower operating income as a result of higher costs of sales and operating expenses.

(8) CCU's result corresponds to Quiñenco's proportionate share in CCU's net income in accordance with the equity method. As of December 31, 2009 Quiñenco maintains an indirect share of 33.1% in CCU. As of September 2009, CCU started reporting in accordance with IFRS. Figures for 2008 have been adjusted to the same standard.

III. ANALYSIS OF FINANCIAL SITUATION

Assets

As of December 31, 2009, Quiñenco's consolidated assets amounted to Ch$19,321,942 million, 6.3% less than that registered as of December 31, 2008, mainly due to lower assets in the banking sector.

Table Nº9 details the comparative composition of consolidated assets at the end of each period:

Table Nº9: Composition of consolidated assets

	In millions of Ch$	
	12-31-2009	12-31-2008
Manufacturing		
Madeco	369,080	524,721
Financial		
LQIF holding	976,117	984,404
Other		
Quiñenco and others	362,767	355,020
Assets maintained for sale	154,777	160,629
Subtotal other	517,544	515,649
Total assets industrial sector	**1,862,740**	**2,024,774**
Assets banking sector	17,459,202	18,585,569
Total consolidated assets	**19,321,942**	**20,610,343**

Current assets industrial sector

The industrial sector's current assets amounted to Ch$405,840 million, decreasing 19.2% with respect to December 31, 2008. The reduction is mainly due to (i) use of cash, cash equivalents and deposits to pay dividends, financial obligations and bonds; (ii) a lower level of inventories maintained by Madeco; and (iii) a lower level of trade and other receivables also at Madeco. The decrease of funds was partially offset by higher dividend income received from LQIF (Banco de Chile), IRSA (CCU) and Madeco (Nexans), as well as from the sale of assets available for sale (Entel and D&S shares) carried out by Quiñenco and its intermediate companies. It is worth noting that in both periods Telsur's current and non-current assets have been reclassified within current assets in the item Non current assets and divestment groups held for sale, due to the fact that it was sold in January 2010.

Non-current assets industrial sector

The industrial sector's non-current assets amounted to Ch$1,456,900 million, decreasing by 4.3% with respect to December 31, 2008. The reduction is mainly due to lower financial assets available for sale, due to the sale of Entel and D&S shares. It is worth noting that in both periods Telsur's current and non-current assets have been reclassified within current assets in the item Non current assets and divestment groups held for sale, due to the fact that it was sold in January 2010.

Assets banking sector

The banking sector's assets amounted to Ch$17,459,202 million as of December 31, 2009, decreasing by 6.1% compared to December 31, 2008, primarily explained by the reduction of 3.6% in loans, owing to a decrease in commercial loans to the wholesale segment, in response to lower economic growth and higher credit risk.

Liabilities

Table Nº10 details on a comparative basis, Quiñenco's structure of consolidated liabilities at the end of each period.

Table Nº10: Composition of consolidated liabilities

	In millions of Ch$	
	12-31-2009	12-31-2008
Current liabilities industrial sector	213,703	311,158
Non-current liabilities industrial sector	333,239	337,650
Total liabilities industrial sector	**546,942**	**648,808**
Liabilities banking sector	16,501,380	17,751,185
Total consolidated liabilities	**17,048,322**	**18,399,994**
Total net equity	2,273,620	2,210,350
Total net equity and liabilities	**19,321,942**	**20,610,343**

As of December 31, 2009, the industrial sector's liabilities amounted to Ch$546,942 million, decreasing 15.7% with respect to December 31, 2008. The reduction in current liabilities is mainly due to lower liabilities at Madeco, LQIF Holding and Quiñenco and intermediate companies, owing to lower financial obligations and bonds reflecting both the period's amortization and the drop in value of the UF, currency in which some of these obligations are denominated. During 2009, LQIF prepaid the outstanding balance of its bonds issuance of UF 4,000,000 and issued a new placement of UF 3,000,000. Liabilities were also affected by a reduction in other liabilities, resulting from a smaller provision of dividends corresponding to the twelve month period.

Liabilities in the banking sector diminished by 7.0% with respect to December 31, 2008.

Table Nº11 details in comparative terms the composition of liabilities at the end of each period:

Table Nº11: Composition of liabilities

	In millions of Ch$	
	12-31-2009	12-31-2008
Manufacturing		
Madeco	84,471	130,875
Financial		
LQIF holding	165,216	206,985
Other		
Quiñenco and others	217,552	226,937
Liabilities maintained for sale	79,702	84,011
Subtotal other	297,255	310,949
Total liabilities industrial sector	**546,942**	**648,808**
Liabilities banking sector	16,501,380	17,751,185
Total consolidated liabilities	**17,048,322**	**18,399,994**

Leverage of the industrial sector diminished from 0.54 as of December 31, 2008 to 0.43 as of December 31, 2009. This decrease is due to the lower level of indebtedness explained previously. Current liabilities represented 39.1% of total liabilities, as compared to 48.0% as of December 31, 2008.

Shareholders' Equity[9]

As of December 31, 2009, Quiñenco's equity amounted to Ch$1,268,964 million, 4.7% above that registered as of December 31, 2008. The variation is explained by period profits, net of dividends provisioned, and the variation of other reserves.

IV. FINANCIAL INDICATORS

Financial indicators		12-31-2009	12-31-2008
LIQUIDITY*			
Current ratio (Current assets/Current liabilities)		1.9	1.6
Acid test ratio (Cash and cash equivalents/current liabilities)		0.6	0.5
INDEBTEDNESS*			
Leverage (Total liabilities/Total net equity controller)		0.43	0.54
Short-term debt/Total debt (Current liabilities/Total liabilities)	%	39.07%	47.96%
Long-term debt /Total debt (Non-current liabilities/ Total liabilities)	%	60.93%	52.04%
Interest coverage ratio ((Net income non-banking+income tax+financial costs)/Financial costs)	Times	6.42	8.42
PROFITABILITY			
ROE (Net income controller/Average total net equity controller)	%	12.5%	23.0%
Earnings per share (Net income controller/N° of shares)	Ch$	135.77	220.17
Dividend yield (twelve-months dividend payments per share/Closing share price)	%	5.7%	5.2%

* Excludes banking sector assets and liabilities

(9) Equity refers to Net equity attributable to equity holders of the parent.

V. SUMMARIZED CASH FLOW

Industrial sector cash flow	In millions of Ch$	
	12-31-2009	12-31-2008
Cash flow used in operating activities	(90,910)	(7,975)
Cash flow used in financing activities	(51,462)	(51,604)
Cash flow provided by investing activities	98,712	85,934
Net cash flow for the year	**(43,660)**	**26,355**

As of December 31, 2009, Quiñenco reported a negative net cash flow of Ch$43,660 million for the industrial sector, explained by the negative cash flow used by operating activities that amounted to Ch$90,910 million and the negative cash flow from financing activities of Ch$51,462 million, partially compensated by the positive cash flow from investing activities of Ch$98,712 million.

The negative operating cash flow mainly corresponds to dividend payments of Ch$140,171 million and payments to suppliers and salaries of Ch$293,141 million, partially compensated by collections from clients of Ch$359,104 million.

The negative financing cash flow is mainly composed of reimbursement of other financial liabilities of Ch$100,094 million, which mostly correspond to the payment of bonds at LQIF Holding and Quiñenco, and to a lesser extent, to net debt payments of Ch$14,942 million carried out by LQIF Holding, Madeco and Quiñenco. On the other hand, funds were received from the issuance of other financial liabilities of Ch$66,400 million, mainly arising from LQIF's bond issuance.

The positive investing cash flow is primarily explained by the sale of assets available for sale of Ch$65,174 million, due to the sale of Entel and D&S shares, and the reduction of other assets maintained for sale of Ch$61,417 million, due to the redemption of time deposits at LQIF Holding, partially compensated by the acquisition of fixed assets of Ch$31,094 million, primarily at Telsur and Madeco.

Banking sector cash flow	In millions of Ch$	
	12-31-2009	12-31-2008
Cash flow provided by operating activities	503,275	287,447
Cash flow provided by (used in) financing activities	(652,177)	1,750,622
Cash flow provided by (used in) investing activities	34,373	(1,760,074)
Net cash flow for the year	**(114,529)**	**277,995**

As of December 31, 2009 Quiñenco reported a negative cash flow of Ch$114,529 million for the banking sector, explained by a negative financing cash flow of Ch$652,177 million, partially compensated by a positive operating cash flow of Ch$503,275 million, and to a lesser extent, by the positive investing cash flow of Ch$34,373 million.

VI. SUMMARIZED COMPREHENSIVE INCOME STATEMENT

	In millions of Ch$	
	12-31-2009	12-31-2008
Industrial Sector Results		
Ordinary revenues	254,128	264,380
Manufacturing	176,318	199,243
Financial	-	-
Other	77,810	65,137
Cost of sales	(180,864)	(205,770)
Manufacturing	(147,308)	(175,683)
Financial	-	-
Other	(33,556)	(30,087)
Operating expenses	(77,183)	(68,544)
Manufacturing	(23,579)	(22,875)
Financial	(779)	(849)
Other	(52,825)	(44,820)
Operating income	(3,919)	(9,934)
Manufacturing	5,431	685
Financial	(779)	(849)
Other	(8,571)	(9,770)
Non-operating results	74,742	58,110
Financial costs	(13,839)	(22,595)
Share in earnings of joint businesses	42,234	27,000
Exchange differences	8,807	(17,087)
Indexed units of account restatement	374	(11,756)
Others	37,166	82,548
Income tax (charge) recovery	(918)	2,536
Net income of on-going activities	4,161	119,555
Industrial sector consolidated net income	74,066	170,267
Banking Sector Results		
Operating revenues	1,016,767	1,105,192
Allowance for credit risk	(223,442)	(156,014)
Operating expenses	(496,742)	(573,195)
Operating income	296,583	375,983
Non-operating results	(43,909)	(110,531)
Income tax	(39,614)	(31,740)
Banking sector consolidated net income	213,060	233,712
Consolidated net income	**287,126**	**403,979**
Net income attributable to non-controlling interests	131,726	151,977
Net income attributable to the controller	**155,401**	**252,002**

VII. ANALYSIS OF RISK FACTORS

Quiñenco, its subsidiary companies and affiliates face the inherent risks of the markets and the economies that they participate in, both in Chile as well as abroad. These risks are reflected in the prices, costs and sales volumes of the products and services provided and commercialized.

Economic Environment

The Company mainly develops its business in Chile. For this reason, its operational results and financial position are to a great degree dependent on the general level of domestic economic activity. The Chilean economy was estimated to have contracted by 1.7% in 2009. There is no certainty regarding whether or not the economy will grow in the future. The factors that could have an adverse effect on the Company's businesses and the results of their operations include future slowdowns in the Chilean economy, a return to high inflation and currency fluctuations.

In addition to its operations in Chile, some of the Company's industrial businesses also operate in and export to Argentina, Peru and other countries in Latin America and the rest of the World, that have on various occasions been characterized by volatile economic, political and social conditions that are often unfavorable. The Company's business, results and assets can be affected in a significant and adverse way by events related to inflation, interest rates, currency fluctuations, governmental policies, salary and price controls, regulation of exchange control, taxes, expropriation, social instability and other political, economic or diplomatic events that might affect the countries that the Company operates in.

Competition

It is Quiñenco's opinion that its businesses face significant competition in the industries that they operate in. This is reflected in the prices, costs, and sales volumes of the products and services produced and commercialized by Quiñenco's businesses. While the Company hopes, based on its past experience and its records, for its businesses to be capable of continuing to successfully compete in their respective fields there is no certainty that the competition will not continue to grow in the future, including a potential continued trend toward consolidation in some industries. Increased competition could impact the profit margins and operational results of Quiñenco's businesses, which could as a result cause significant adverse effects on the flow of dividends that Quiñenco receives from its businesses.

Technological changes and investment requirements

The telecommunications sector is subject to constant and important technological changes, which are materialized with the introduction of new products and services. Continual technological developments constitute a challenge for the companies of the sector, which must make the correct decisions regarding the election of supplier-technology and assuring the ability to recover the investment in as short a period of time as possible. In this respect, Telefónica del Sur has constantly incorporated new technologies, which are only carried out after a technical, commercial and financial evaluation, in order to assure the profitability of these investments and maintain a state-of-the-art position.

Regulatory Environment - Telecommunications

In December 2008, Telefónica del Sur submitted its proposal for the Technical Economical Basis to the Telecommunications Under-secretariat thus commencing the price fixing process for the five-year period from December 2009 to December 2014. In a sentence dated January 30, 2009, the Antitrust Court stated that although Telefónica del Sur and Telefónica de Coyhaique are still dominant companies in local telephony in the XIV, X and XI Regions, there are sufficient markets conditions to continue the gradual process of reducing the regulatory restrictions that have affected companies defined as dominant.

Therefore, the authority has decreed freeing prices for connection of telephone lines, local telephony, fixed charges, and public telephones, leaving the remaining services such as access charges, local tranches, suspension and reconnection of services among others, with regulated prices. On December 21, 2009, the Ministry of Transport and Telecommunications through the Telecommunications Under-secretariat, has determined by Supreme Decree N°159 the regulated prices that shall be in effect for Telefónica del Sur as of that date and during the five-year period from 2009 to 2013. Likewise, on January 15, 2010 by Supreme Decree N°24 the regulated prices for Telefónica Coyhaique have been fixed for the five-year period from 2010 to 2015. Currently both decrees are being acknowledged by the Comptroller General.

Risks related to Raw materials

In the subsidiary Madeco, derivatives of petroleum (polyethylene resins, Polypropylene, PVC, etc.) and copper are its main raw materials. Madeco's financial result is related to the capacity of acquiring an adequate supply, timely transfer of prices, efficient management of inventories and risk mitigation of price variations through hedges. These aspects together with knowledge of the business, have granted Madeco and its companies an important advantage within its industries.

In those cases where prices are not transferred quickly or there are adverse effects due to the inexistence of operational hedges, Madeco uses different strategies to mitigate the effects of possible variations in the prices of its raw materials:

- In the management of petroleum derivatives Madeco does not use financial hedges due to the difficulty in associating them to the different raw materials. Instead, together with its main clients it fixes prices for the products based on polynomials (adjustment methods), which consider the main variations of its components. These polynomials are adjusted between Madeco and its clients periodically in order to reduce the risks related to variations in the prices of raw materials.
- Regarding the management of risks related to copper, Madeco uses financial derivatives according to each case, in order to hedge the cash flows or stocks (fair value).

Financial Risks

Credit Risk

At the corporate level, investments of cash surpluses are made in top-class national and foreign entities with limits set for each one, which have a credit rating equal or better than the limits pre-established for each kind of instrument.

In the subsidiary Madeco, the customer risk is managed according to established policies and procedures. When credit is granted to customers, these are evaluated in order to reduce the risk of non-payment. The credits granted are revised periodically in order to apply the controls defined by Madeco's policies and to monitor the state of accounts outstanding.

The risk related to liabilities or assets of a financial nature is managed by Madeco according to defined policies. Surpluses of cash or available funds are invested according to the policy's criteria in low-risk instruments (principally time deposits) in institutions that have high credit ratings and within the limits established for each institution.

Regarding the risk related to copper, Madeco uses financial derivatives assigned, as the case may be, to hedge cash flows or existing items (fair value). These instruments are contracted according to the policies defined by Madeco's management, which set the levels of hedge according to the market price of copper (higher level of hedge is adopted for a higher price of copper). Madeco uses copper collars or swaps which, in addition to being approved by the management, comply with the necessary documentation (definition or relationship between derivative and item hedged, objectives of risk management, efficiency tests, etc.). As of December, 2008 Madeco had 600 tons of copper hedged and as of December 31, 2009 it had 908 tons hedged by derivative contracts.

Following the sale of the cable unit at the end of September 2008, Madeco received a cash payment of approximately US$393 million (equivalent to US$448 million after the adjustments made under the purchase agreement). These funds, once the respective debts were repaid (bonds and debts required in the restructuring process), were placed according to Madeco's policy in different financial institutions with high credit ratings (AA or above).

The subsidiary Telsur manages customer-related risk according to its current policies, procedures and controls. This means that when contracting a new customer, their credit capacity and record are examined. Amounts due are constantly managed by internal and external executives, and service cuts and suspension of billing are applied, as established in Telsur's customer management policy.

The risk related to financial instruments for the investment of cash surpluses is managed within Telsur's investment policy. This policy protects the return on investments by investing surpluses in low-risk instruments (Banco Central paper repurchase agreements and fixed-income mutual funds) and limits the concentration of investments by setting maximum investment limits for each financial institution.

The subsidiary LQ Inversiones Financieras has no accounts receivable subject to credit risk. With respect to the investment of cash surpluses, this is carried out in market conditions in fixed-rate instruments in line with the maturities of commitments or operating expenses.

Liquidity Risk

Quiñenco finances its activities and investments with the dividends and earnings distributions of the companies in which it participates and with funds obtained from sales of assets and/or the issue of debt instruments and shares.

Quiñenco prefers long-term financing in order to maintain a financial structure in line with the liquidity of its assets and whose maturities are compatible with the generation of cash flows.

The subsidiary Madeco estimates periodically its projected liquidity needs for each period, between the amounts receivable (customer receivables, dividends, etc.), the respective payments (trade, financial, etc.) and the amounts of available cash, in order not to have to resort to short-term external financing. Any cash surpluses can be invested in accordance with Madeco's policies in low-risk financial instruments (see credit-risk note for further details).

The subsidiary Telsur follows a liquidity policy of constantly managing working capital, monitoring compliance with customers' payment commitments and checking compliance with the payment policy. Telsur has a stable operating cash flow generation which, added to its current credit lines, enables it to cover its extraordinary cash requirements.

The subsidiary LQIF distributes dividends according to free cash flows taking into account the company's expenses and indispensable obligations, which include financial debt. The principal source of funds for payments of interest and principal of LQIF's obligations relates to the payment of dividends on its direct and indirect participation in Banco de Chile. Consequently, its capacity to pay programmed interest and principal depends entirely on the capacity of Banco de Chile to generate earnings from its operations and the resolutions adopted annually at its shareholder meetings with respect to dividend distributions.

Market Risks

Exchange rate risk

At the corporate level, there is no exposure as of December 2009 to the currency exchange rate as there are no assets or liabilities in foreign currency, neither are there hedges contracted at December 2009 or 2008. Exchange differences produced by the translation to pesos of balances in the functional currencies of the consolidated entities whose functional currency is other than the peso are booked as a credit or charge to equity until the retirement of the equity account to which they correspond, at which time they will be booked to results.

In the subsidiary Madeco, exposure to exchange rate risk arises from positions in cash and cash equivalents, bank debt, bonds and other assets and liabilities indexed to currencies other than the functional currency, i.e. the US dollar. Both the board and management of Madeco periodically revise its net exposure, projecting based on changes in the currencies other than the functional currency the financial effects that would result from balances of assets or liabilities in such currencies at the time of evaluation. If significant and adverse effects are detected for Madeco, financial derivatives may be contracted (mainly cross currency swaps) in order to limit these possible risks.

As of December 31, 2009 the net exposure to exchange rate risk of Madeco (excluding the investment in Nexans) is an asset equivalent to ThCh$7,990 million. If a 5% variation is assumed in the currencies other than the functional currency on this exposure, this would generate in the statement of results an estimated effect of Ch$400 million at the consolidated level. The net exchange rate risk exposure due to the investment in Nexans as of December 31, 2009 is Ch$104,216 million. A 5% change in the exchange rate (dollar/euro) would generate an effect on total equity of Ch$5,211 million.

The subsidiary Telsur, within the framework of its risk management policy seeks to eliminate exchange risk through the use of derivatives. Telsur's exposure is for its foreign bank loans, converted to UF through hedging operations (cross currency swaps).

The subsidiary LQIF has no exchange rate risk as it has no financial assets or liabilities in foreign currency.

Interest Rate Risk

At the corporate level, Quiñenco shows a low exposure to interest-rate risk as its financial commitments are all structured at fixed rates.

The subsidiary Madeco has 52% of its obligations at fixed rates and 13% with an interest rate hedged by a rate swap, which implies an exposure to floating rates of 35% of its financial commitments.

The subsidiary Telsur shows a low interest-rate risk as its financial commitments are 89% structured at fixed rates.

The subsidiary LQIF has all its financial commitments at fixed rates, which implies a low exposure to interest-rate risk.

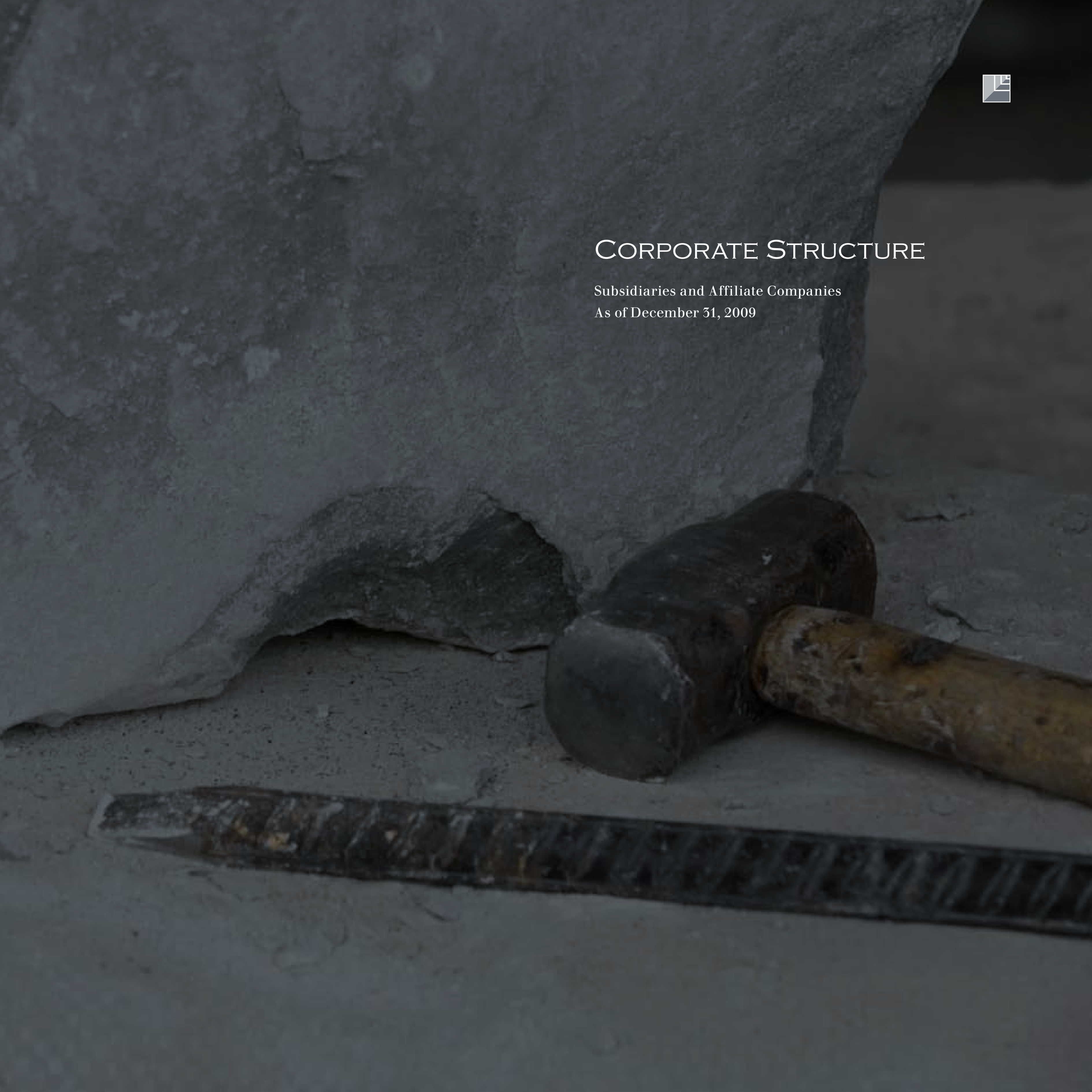
The following table shows the consolidated interest-rate structure. As can be seen, the consolidated exposure to interest-rate risk (excluding the debt of Telsur) is reduced as 94% of the debt is structured at fixed interest rates.

Net position	12-31-2009	12-31-2008
Fixed interest rate	92.3%	86.4%
Protected interest rate	2.0%	3.3%
Floating interest rate	5.7%	10.3%
Total	**100.0%**	**100.0%**

As of December 31, 2009, the consolidated exposure to floating interest rates amounts to Ch$13,186 million (excluding the floating interest-rate debt of Telsur amounting to Ch$7,363 million). A variation of 100 basis points in the interest rate would generate an effect on the financial statements for the year of Ch$132 million.

Risk of investment in Nexans

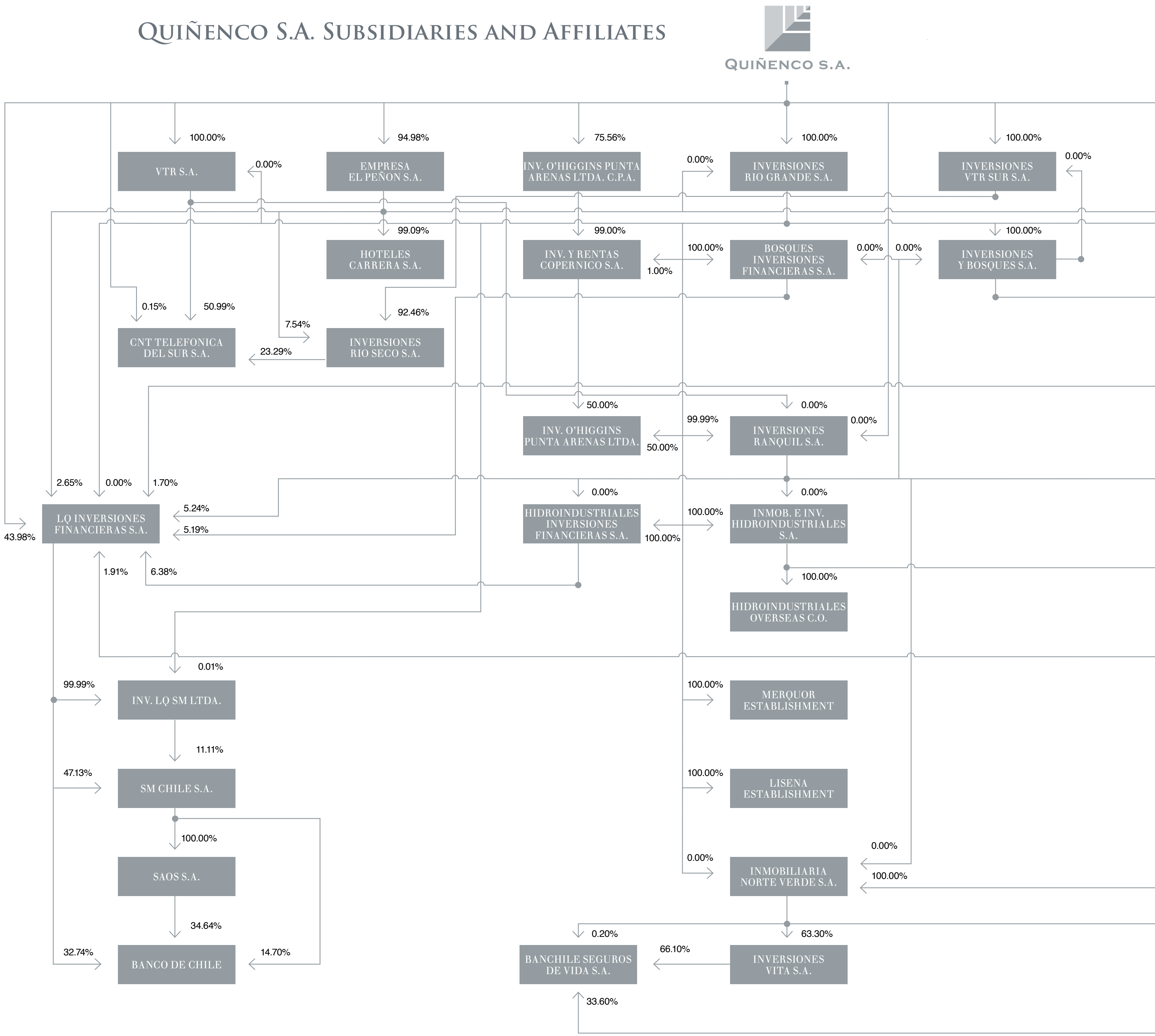
The subsidiary Madeco holds shares in the French company Nexans, received as part of the sale price for its cable unit. These shares are treated as a financial investment and are therefore subject to two kinds of market risk: price risk of variations in Nexans's share price, and exchange rate risk due to variations between the euro (the monetary base of the shares) and the currency of presentation of the financial statements. The exposure to variations in the market price of the investment in Nexans as of December 31, 2009 is Ch$104,216 million. A 5% variation in the Nexans share price would generate an effect on total equity of Ch$5,211 million.

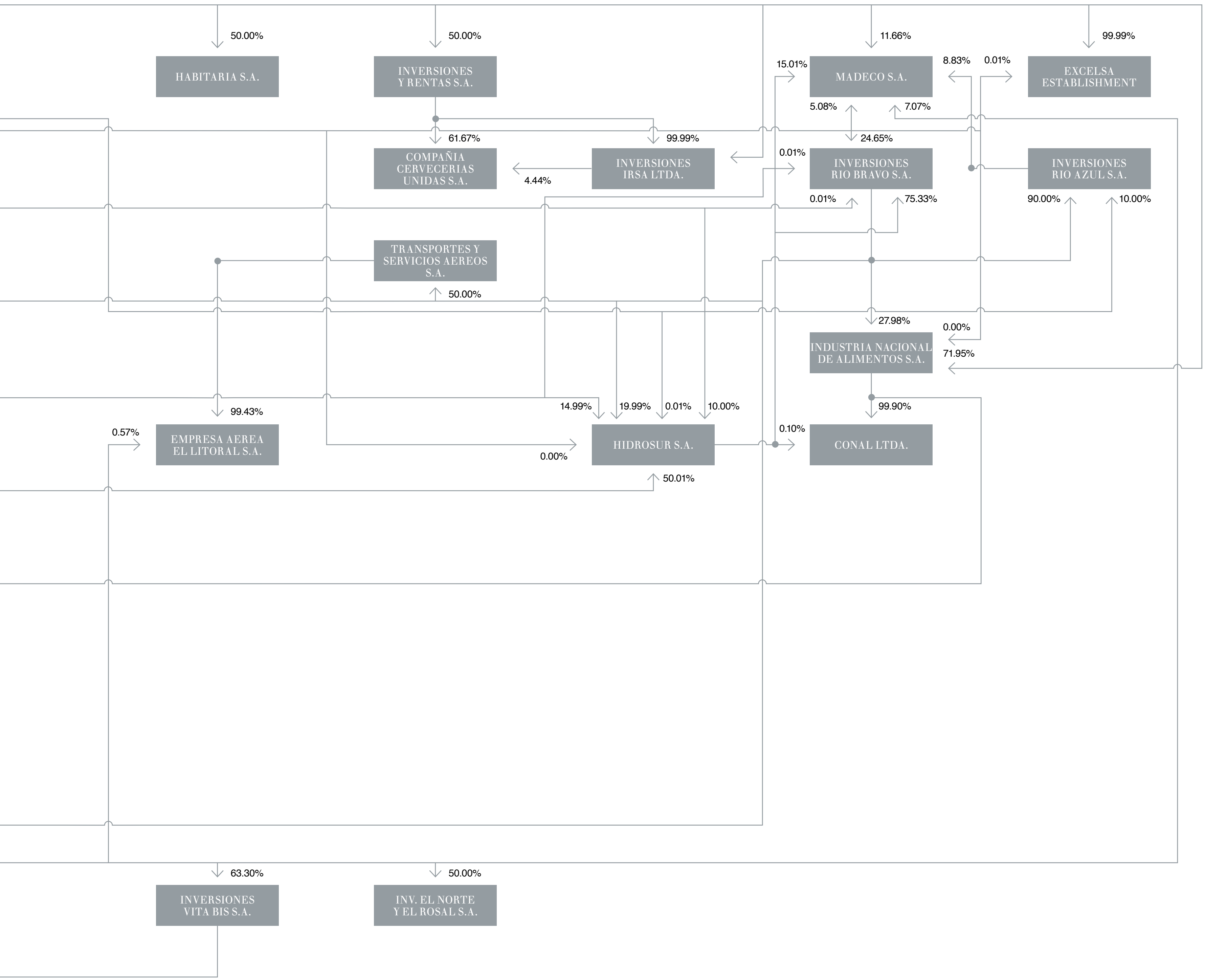


Corporate Structure

Subsidiaries and Affiliate Companies
As of December 31, 2009

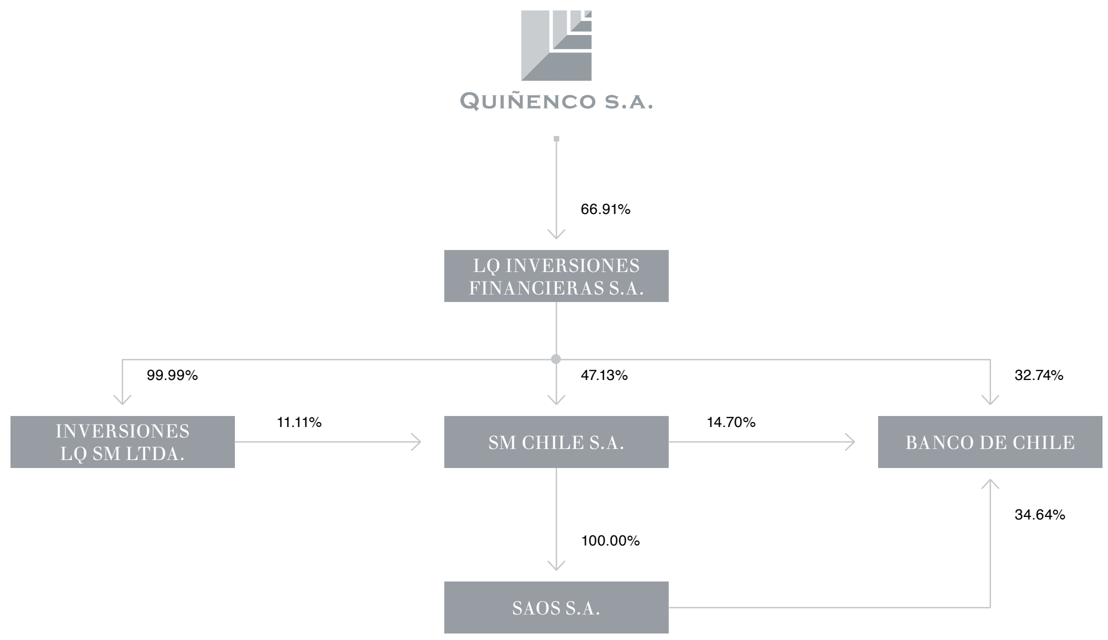
QUIÑENCO S.A. SUBSIDIARIES AND AFFILIATES

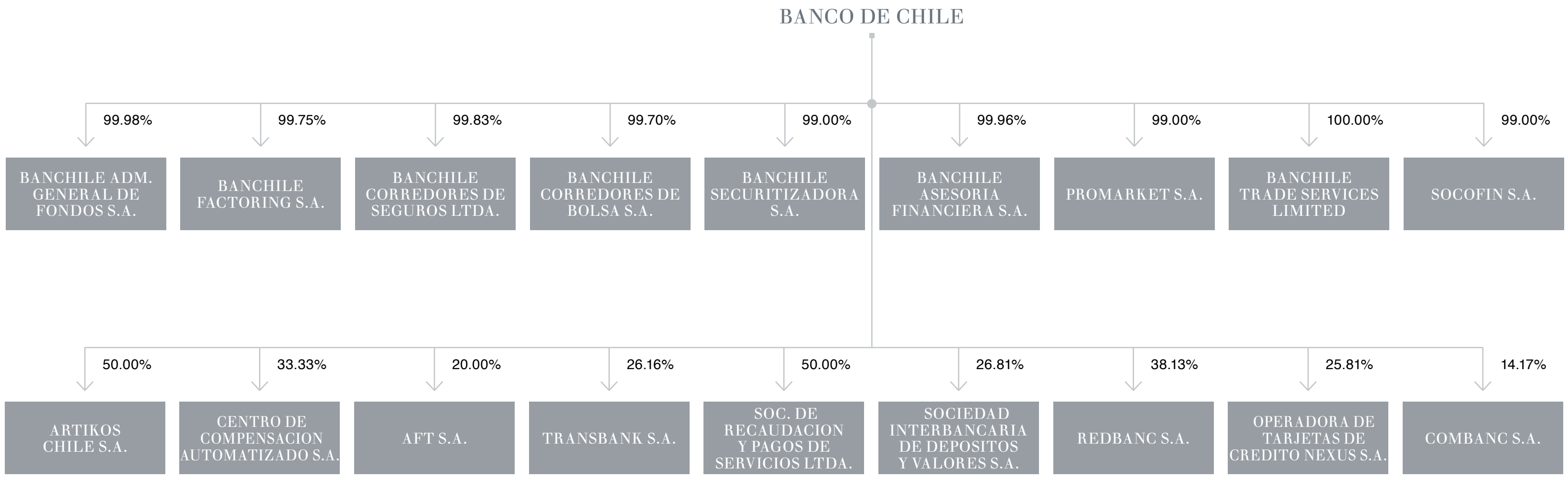




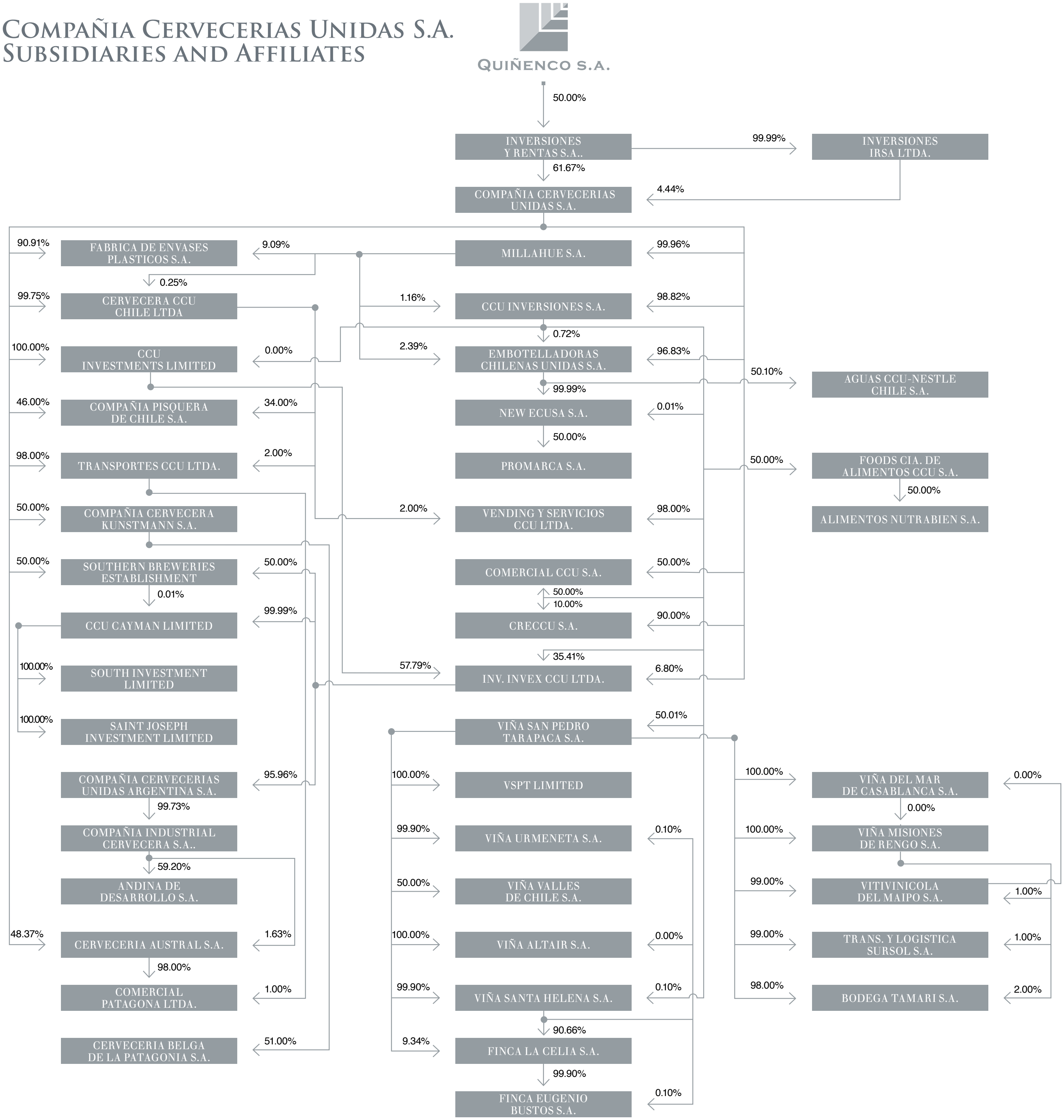
50.00%
HABITARIA S.A.
50.00%
INVERSIONES Y RENTAS S.A.
11.66%
15.01%
MADECO S.A.
8.83%
0.01%
99.99%
EXCELSA ESTABLISHMENT
5.08%
7.07%
61.67%
COMPAÑIA CERVECERIAS UNIDAS S.A.
4.44%
99.99%
INVERSIONES IRSA LTDA.
24.65%
0.01%
INVERSIONES RIO BRAVO S.A.
INVERSIONES RIO AZUL S.A.
0.01%
75.33%
90.00%
10.00%
TRANSPORTES Y SERVICIOS AEREOS S.A.
50.00%
27.98%
0.00%
INDUSTRIA NACIONAL DE ALIMENTOS S.A.
71.95%
99.43%
14.99%
19.99%
0.01%
10.00%
99.90%
0.57%
EMPRESA AEREA EL LITORAL S.A.
0.00%
HIDROSUR S.A.
0.10%
CONAL LTDA.
50.01%
63.30%
INVERSIONES VITA BIS S.A.
50.00%
INV. EL NORTE Y EL ROSAL S.A.

LQ Inversiones Financieras S.A. Subsidiaries and Affiliates

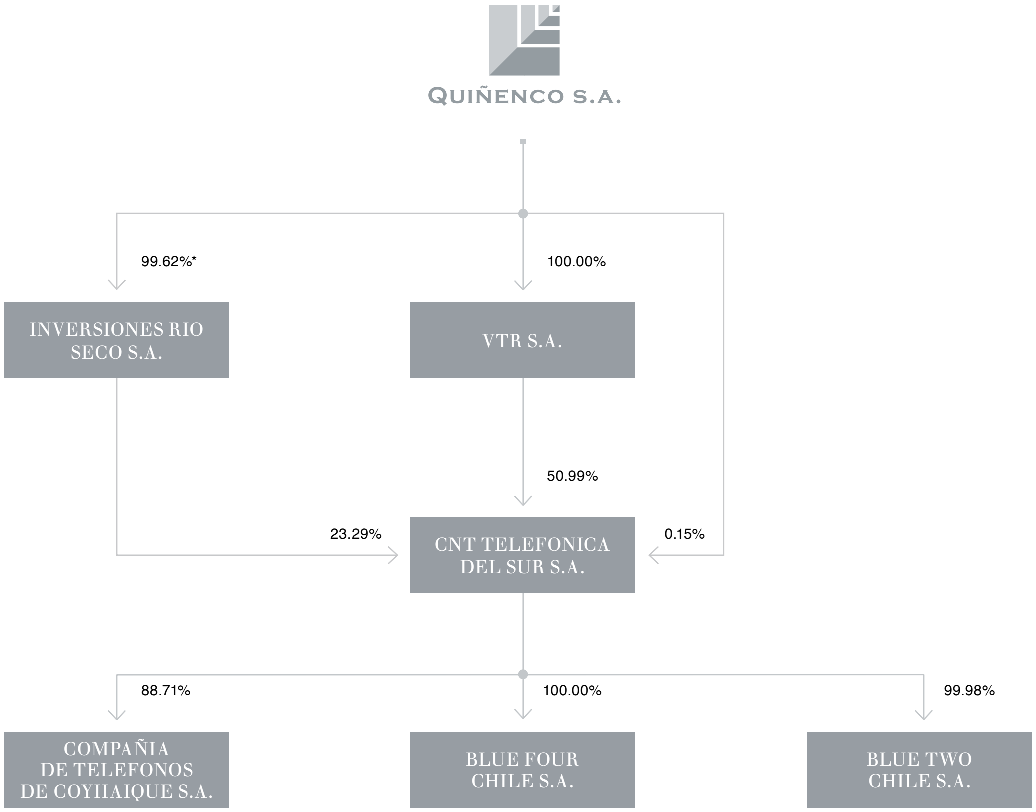




Compañia Cervecerias Unidas S.A. Subsidiaries and Affiliates



Compañia Nacional de Telefonos, Telefonica del Sur S.A. and Subsidiaries



* Direct and indirect share through Empresa El Peñón S.A.
On January 20, 2010 Quiñenco and its subsidiaries VTR S.A. and Inversiones Río Seco S.A. sold their entire stake in Telsur through the public share offering carried out by GTD Grupo Teleducto S.A.

Madeco S.A. Subsidiaries and Affiliates