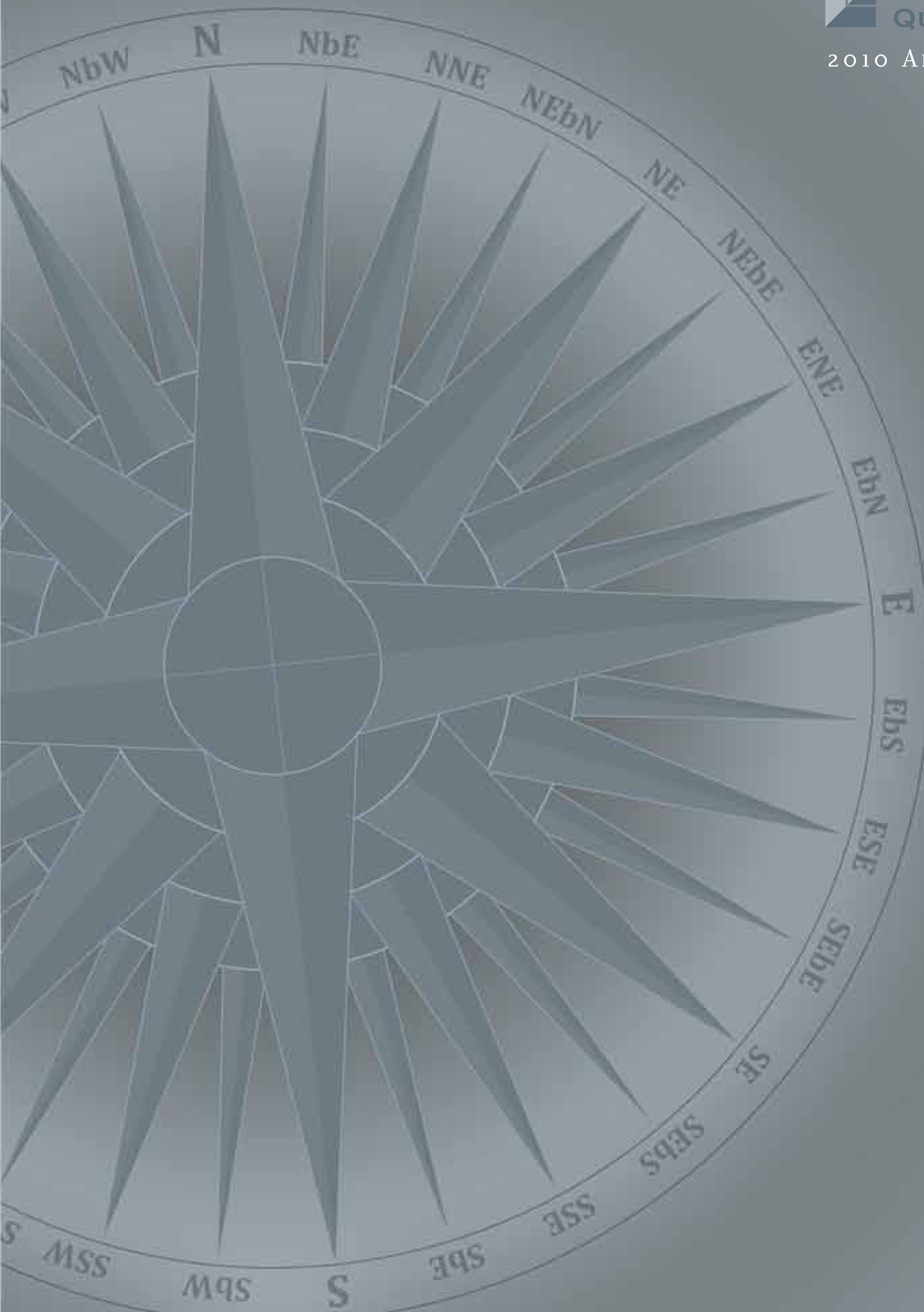
Quiñenco S.A.

2010 Annual Report



NNW
NWbN
NW
NWbW
WNW
WbN
W
WbS
WSW
SWbW
SW
SWbS

Quiñenco S.A.

2010 Annual Report

Contents

5 Year Financial Highlights	3
Letter from the Chairman	6
Board of Directors	12
Quiñenco's Profile	14
History	16
Organization	18
2010 Results	20
Corporate Responsibility	24
Business Activities	
Financial Services	26
Beverage and Food	32
Manufacturing	38
Corporate Affairs	44
Consolidated Financial Statements	53
Corporate Structure	235

Company 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: (56-2) 750 7100
Fax: (56-2) 750 7101
Website:
www.quinenco.cl
www. quinencogroup.com

Shareholder Services

DCV Registros S.A.
Huérfanos 770 22nd Floor
Santiago, Chile
Telephone: (56-2) 393 9003
atencionaccionistas@dcv.cl

Investor Relations

Contact Pilar Rodríguez
Investor Relations Manager
Telephone: (56-2) 750 7221
Fax: (56-2) 245 6241
prodriguez@lq.cl

Stock Exchanges (Quinenco)

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

External Auditors

Ernst & Young Ltda.
Huérfanos 770, 5th Floor
Santiago, Chile
Telephone: (56-2) 676 1000

5 Year Financial Highlights

		2010	2009	2008	2007*	2006*
CONSOLIDATED RESULTS						
Industrial sector						
Ordinary revenues	MCh$	304,632	254,128	264,380	700,767	616,102
Gross margin		85,229	73,264	58,610	99,947	105,054
Net income industrial sector		181,264	74,066	170,267	105,241	57,043
Banking sector						
Total operating net revenues		1,000,781	803,109	949,178	-	-
Operating income		412,164	296,583	375,983	-	-
Net income banking sector		302,561	213,060	233,712	-	-
Consolidated net income		483,825	287,126	403,979	-	-
Net income attributable to non-controlling interests		192,219	131,726	151,977	16,787	20,713
Net income attributable to controllers' shareholders		291,606	155,401	252,002	105,241	57,043
Earnings per share (attributable to controller)	Ch$	254.77	135.77	220.17	91.95	52.83
FINANCIAL POSITION						
Total assets industrial sector	MCh$	2,224,654	1,862,740	2,024,774	1,808,430	1,491,083
Total assets banking sector		18,221,222	17,457,601	18,585,569	-	-
Total assets		20,445,877	19,320,341	20,610,343	1,808,430	1,491,083
Total liabilities industrial sector		575,559	546,942	648,808	619,313	550,997
Total liabilities banking sector		17,144,543	16,499,779	17,751,185	-	-
Total liabilities		17,720,101	17,046,721	18,399,994	619,313	550,997
Equity attributable to controllers' shareholders		1,520,552	1,268,964	1,212,365	995,787	769,927
Non-controlling interests		1,205,223	1,004,655	997,985	193,330	170,159
Shareholders' equity		2,725,775	2,273,620	2,210,350	1,189,117	940,086
Current ratio (current assets/current liabilities) (1)	veces	3.11	1.90	1.61	2.55	3.01
Leverage (total liabilities/SH equity) (1)	veces	0.38	0.43	0.54	0.62	0.72
EBITDA (2)	MM$	12,539	11,941	22,411	73,520	82,605

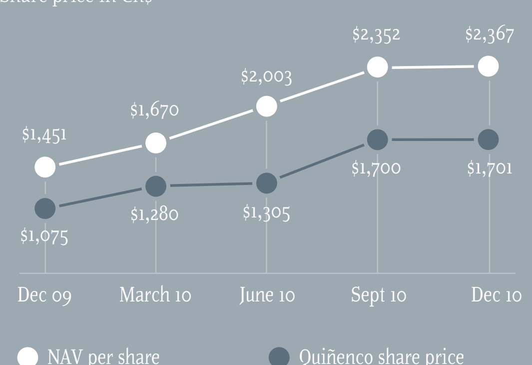
* Historical figures prepared according to Chilean GAAP, which are therefore not totally comparable with 2008, 2009 and 2010 that were prepared according to IFRS.
(1) Excludes assets and liabilities of the banking sector.
(2) Corresponds to the industrial sector

Other Information

	2010	2009	2008	2007*	2006*
Number of shareholders	1,382	1,429	1,507	1,613	1,867
Number of shares outstanding	1,144,577,775	1,144,577,775	1,144,577,775	1,144,577,775	1,079,740,079

Nav/Share Price Evolution

as of December 31, 2010
NAV MUS$5,789
Market Cap MUS$4,160
Share price in Ch$



MUS$

5,789

Is the estimated net asset value of Quiñenco as of December 31, 2010.


Growth
Results
Focus
Teamwork
Synergy

Entrepreneurial Vision

Forging a path, discovering and studying territories that will be a source of progress for future generations: this is a passionate challenge that Quiñenco shares, in spirit, with navigators and explorers who have opened up the world in the constant search for new ways to leave their mark on businesses and the community.

Letter from the Chairman

DEAR SHAREHOLDERS:

It is my pleasure to share with you the results obtained by the Quiñenco group during the 2010 fiscal year.

A major earthquake and tsunami affecting central-southern Chile marked the start of 2010 and was one of the greatest natural disasters in our history. The companies belonging to the Quiñenco group were actively involved in diverse activities and solidarity campaigns for reconstruction and were also capable of swiftly overcoming the adversity and continuing on their path toward profitable growth. The year of Chile's bicentenary came in the context of an economic reactivation that the Quiñenco group was able to take advantage of. The strong performance of its subsidiaries, important corporate level transactions and a low level of debt allowed it to obtain historic results with net income of Ch$291,606 million.

The sale of Telefónica del Sur to Grupo Teleductos was materialized early in the year for a total of Ch$57,212 million, thus marking the group's exit from the telecommunications sector. In late April, in a significant milestone for the year, the sale of an additional 17.04% stake in LQIF, the entity that currently controls 61.7% of Banco de Chile, to Citigroup for Ch$541,919 million was completed. This transaction, which came in the context of what was established in the Shareholders Agreement, generated Ch$169,513 million in profits before tax and increased equity by Ch$31,994 million, after tax. The funds obtained from this operation substantially increased our liquidity position, which is approximately Ch$716,000 million in cash on a corporate level at the close of 2010. This liquidity, together with low levels of debt, empowers us to take on new business opportunities, a task that we are firmly dedicated to in order to continue to make an active contribution to the country's economic and social development, in addition to creating value for our shareholders.

Banco de Chile performed excellently in 2010. After going through a severe international financial crisis, both the Chilean financial system as well as Banco de Chile were capable of demonstrating their solvency and long term sustainability, with important growth on a level of loans, profits and profitability. Following its growth strategy in all segments, Banco de Chile increased its loans by 9% and maintained its leadership in demand deposits with a 22.8% share. The bank's solvency and solidity, based on prudent credit risk and market policies, were reflected in its reception of the international risk rating A+, the highest rating awarded to Latin American companies by Standard & Poor's. The prestigious magazine Global Finance also acknowledged it as the safest private bank in Latin America.

Confidence in growth over the next three years led Banco de Chile to approve a US$ 500 million capital increase, which will allow a major expansion in the loan portfolio through 2013 to be sustained, while maintaining a solid capital base.

Banco de Chile's net profits were Ch$378,529 million in 2010, 46.8% more than in 2009. This positive result was thanks to the improved economic outlook, together with more effective risk models, which allowed a significant reduction in provisions for this concept, in addition to improved commercial performance based on growth in the loan portfolio, and increased revenues from fees. Higher inflation and nominal interest rates also contributed to the increase in revenues. For their part, operational costs rose in line with the bank's increased activity and also due to various non-recurring expenditures mainly associated with countercyclical provisions and regulatory changes, the Bicentenary bonus awarded to personnel, and losses and donations related to last February's earthquake.

The February 27 earthquake affected CCU's operations in the form of lost inventory and physical damages, especially in the beer and wine businesses. However, not only did production recover quickly, but new record sales were achieved with a total volume of 17.3 hectoliters, a 6.2% increase over the year before. For its part, Viña San Pedro Tarapacá increased its market share to 12.5% of Chilean wine exports and 24.4% of the domestic market, receiving numerous acknowledgments on the national as well as international levels. It is also worth noting that in 2010 CCU participated in the Expo Shanghai, during which time it presented its Tres Erres pisco in the Moai bottle, the most-sold at the fair. Lastly, toward the end of the year CCU entered the cider business in Argentina,

thus continuing the path of replicating the model of a multi-category company in that country.

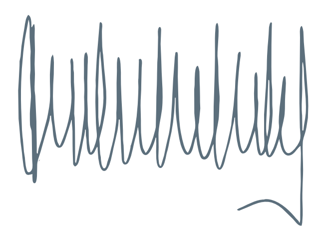
CCU obtained net profits of Ch$110,700 million in 2010, 13.5% less than in 2009, mainly due to Ch$24,439 million in non-recurring profits registered in 2009 from the sale of 29.9% of Aguas CCU Nestlé to Nestlé Waters Chile. However, the operational result was up by 18%, reflecting per-unit growth in all of CCU's business units, along with higher average prices. In addition, Ch$6,971 million in non-recurring profits were registered in 2010 from the sale of a property in Peru. Sales and administrative expenses increased only slightly as a proportion of sales. In non-operational terms, the inflation registered in 2010 generated losses per indexation adjustments due to its effect on the financial liabilities denominated in unidades de fomento, which contrasts with the profits registered the year before when inflation was negative for the period. For their part, financial costs were down, reflecting reduced liabilities.

In 2010, Madeco's business units obtained positive results on an operational level, boosted by a 14.0% increase in the consolidated sales volume. The flexible packaging unit performed strongly during the year, with a 24.3% increase in the sales volume. Thus, Madeco has become a successful regional packaging group with a presence in Chile, Argentina, and Peru. Significant investments were made in this unit in 2010 for a total of US$ 32 million, allocated mainly to state-of-the-art machinery to increase productive capacities and to care for the environment. The investments included a solvent recovery plant that will allow atmospheric emissions to be reduced by 60%. The brass mills unit also registered increased sales, with a 12.7% increment in the volumes sold, but with regard to margins it was affected by increases in the cost of raw materials, especially copper. Toward the end of the year the decision was made to stop manufacturing copper sheets due to their low profit margins, in that way concentrating on the manufacture and sale of pipes. In addition, a new productive process was implemented that will allow the cost of casting copper to become more efficient and have less of an environmental impact. For its part, the profiles unit obtained a positive operational result with stable sales. The unit reorganized its administrative and commercial structure during the year to cut down on operational costs and to optimize its activities and processes.

Madeco's final result for 2010 was a loss of Ch$4,888 million despite the positive performance of its business units, mainly due to the agreement reached in the arbitration trial with Nexans over the sale of Madeco's cable unit in late 2008, which meant a downward adjustment to the sales price of Ch$7,210 million. In addition, the closure of the sheet unit implied a loss of Ch$2,101 million due to the impairment of assets, also in 2010.

In its condition as a corporate center, Quiñenco has benefited from the significant transactions that were materialized during the year, in addition to the positive results of its existing investments. At the close of 2010 Quiñenco was in a solid financial position with a strong liquidity position and a low level of debt, which has been the result of the conservative and cautious policy that has been followed over the last few years. For their part, the group's companies have displayed solid performance, guaranteeing a sustained flow of dividends to the parent company. Thus we are in exceptionally good conditions to undertake new projects and to successfully face the challenges of our businesses and our surroundings.

I would like to take this occasion to express my sincere acknowledgement and appreciation to all of the people on the Quiñenco team for their valuable dedication and commitment, which have been fundamental to achieving the historic results that we have the satisfaction of presenting today.



Guillermo Luksic Craig
Chairman

Solidity

To embark on a great expedition it is fundamental that you have a solid, prepared and reliable team. This is also the way in which Quiñenco undertakes its projects, with a solid group of professionals where each member is committed to fulfilling common goals.

Board of Directors

Guillermo Luksic Craig
CHAIRMAN
Company Director

Andronico Luksic Craig
VICE CHAIRMAN
Company Director

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

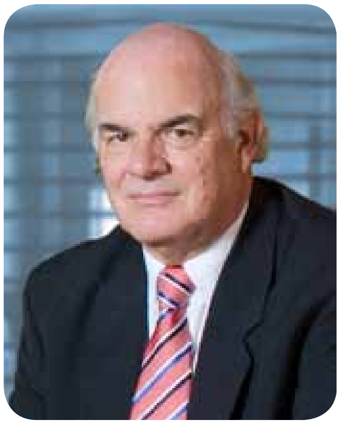
Corporate Governance

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.

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 Menendez Duque*
DIRECTOR
Commercial Engineer,
Universidad de Chile

Hernan 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.

Fernando Cañas Berkowitz
DIRECTOR
Commercial Engineer,
Universidad de Chile

* Member of the Directors' Committee as of December 31, 2010

Quiñenco's Profile

Quiñenco S.A. creates value for its shareholders and for society through the sustainable development of the companies it invests in. In this way it has established itself as one of the country's most important business conglomerates, with investments in diverse important areas of the economy over the course of its history. Quiñenco currently has investments in Chile's financial, manufacturing and beverage and food sectors. Together, the group's companies generated revenues for US$ 4.7 billion in 2010.

Quiñenco participates in the financial sector via LQ Inversiones Financieras (LQIF), in which it holds an equal stake with its partner Citigroup. LQIF controls 61.7% of the voting rights in Banco de Chile, one of the country's main financial institutions.

In addition, Quiñenco controls 47.7% of Madeco, a manufacturing group leader in the industries of flexible packaging, aluminum and PVC profiles, and brass mills.

In the beverage and food sector Quiñenco participates in CCU via IRSA, a company where it holds an equal stake with its partner Heineken. IRSA controls 66.1% of the property of CCU, one of the main beverage producers in Chile and Argentina.

When investing, Quiñenco privileges the development of brands and franchises for mass consumption where it is possible to generate synergies and economies of scale by complementing businesses and distribution networks. Another important part of its corporate strategy is its alliances with world-class partners, who contribute their experience, knowledge and resources to the growth of joint businesses. In all of its investments it promotes best practice in management and a long-term strategy focused on customers' needs. In this way it has created value over time and an attractive return for its shareholders.

As a holding company, Quiñenco works together with the administration of its companies to define long-term

US$ 42.2 Billion

Assets of a select group of companies leaders in their respective industries, managed by Quiñenco.

16,555

People are part of the group's companies in Chile and abroad.

Quiñenco S.A.

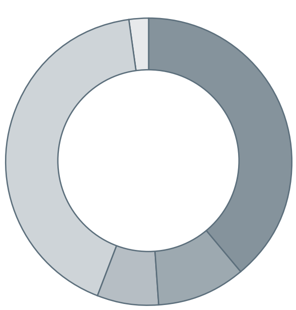
- Financial Services
- Beverage and Food
- Manufacturing

strategies, oversee operational and financial management, and structuring mergers and major acquisitions. In this way it boosts the management and growth capacity of each of the group's companies, generating synergies and achieving a high level of efficiency.

The central axis of its business model consists in developing each of the companies it invests in to increase their value and the return for Quiñenco from dividends and eventual divestments. The results have been very positive, with revenues for over US$ 4.6 billion from divestments over the course of the last 13 years. During 2010 US$ 325 million were collected in dividends on a corporate level. The generation of these resources is fundamental when it comes to financing new acquisitions and backing the development of subsidiaries.

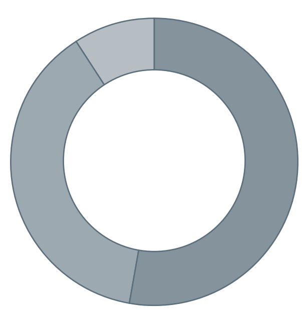
Investments by Sector

MCh$1,699,307 as of 12.31.2010
(Book value at corporate level)



Financial Services	39%
Beverage and Food	10%
Manufacturing	7%
Cash	42%
Other	2%

Aggregate Sales by Sector



Financial Services	53%
Beverage and Food	38%
Manufacturing	9%

US$
4.7 Billion

Aggregate revenues of the Group's companies in 2010.

US$
1.5 Billion

Cash on a corporate level as of December 31, 2010.

History

1957 Sociedad Forestal Quiñenco S.A. is created to exploit eucalyptus forests to produce wood props for the underground tunnels in 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, thus continuing with the policy of risk diversification.
Control over 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 boost VTR in the telecommunications sector.
Banco Santiago comes under the control of OHCH.

1996 Quiñenco is 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.
VTR sells 100% of Startel S.A., a mobile telephony company, to CTC.

1998 VTR S.A. divests itself of 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 itself of 8% of shares 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.

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.

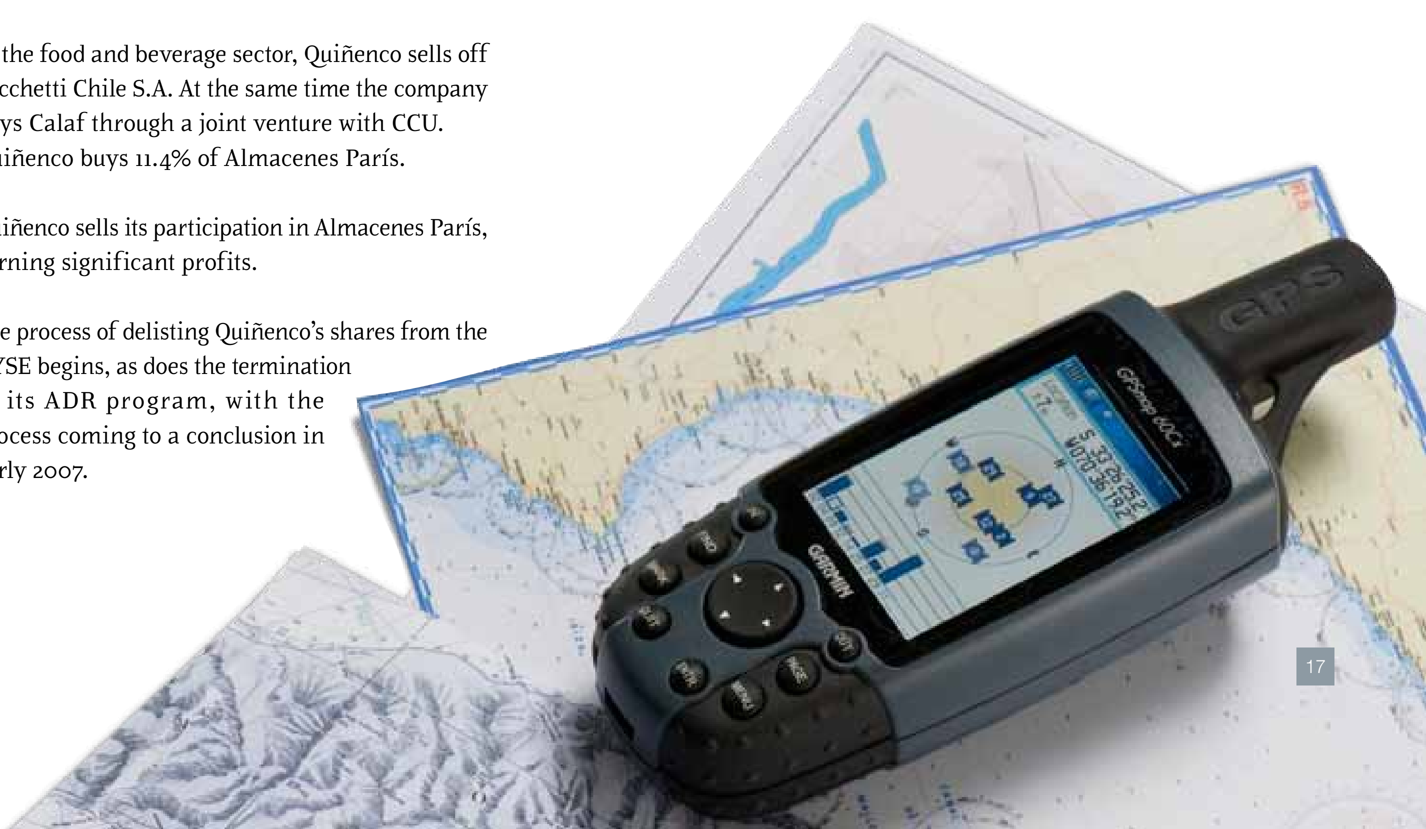
2006 The process of delisting Quiñenco's shares from the NYSE begins, as does the termination of its ADR program, with the process coming to a conclusion in early 2007.

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 thus becomes Nexans largest single shareholder with an 8.9% stake.

2009 Quiñenco sells its remaining shares in Entel, equivalent to a 2.9% stake in the company.

2010 At the beginning of the year Quiñenco sells 100% of its stake in Telsur to GTD Manquehue for Ch$57,000 million.
In April Citigroup exercised its two options for an additional 17.04% of the shares in LQIF, the consortium that controls Banco de Chile, increasing its stake to 50% for a total of US$ 1 billion.



Organization

CHIEF EXECUTIVE OFFICER
Francisco Perez Mackenna
Commercial Engineer,
Universidad Católica de Chile
MBA, University of Chicago,
USA.

STRATEGY AND PERFORMANCE APPRAISAL MANAGER
Martin Rodriguez Guiraldes
Commercial Engineer,
Universidad Católica de Chile
MBA, University of California
at Los Angeles (UCLA), USA.

CHIEF COUNSEL
Manuel Jose Noguera Eyzaguirre
Attorney,
Universidad Católica de Chile

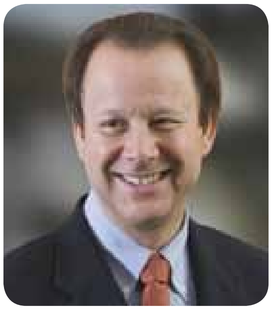
ATTORNEY
Davor Domitrovic Grubisic
Attorney,
Universidad de Chile

GENERAL ACCOUNTANT
Oscar Henriquez Vignes
Certified Public Accountant,
Universidad de Chile
Postgraduate degree in Tax
Planning, Universidad Católica
de Chile. Master's degree in Tax
Administration and Management,
Universidad Adolfo Ibáñez

Board of Directors — Chief Executive Officer

Chief Executive Officer:
- Strategy and Performance Appraisal
- Legal Counsel
- Administrative, Finance and Human Resources
- Business Development

Board of Directors:
- Internal Auditing



CHIEF FINANCIAL OFFICER
Luis Fernando Antunez Bories
Industrial Civil Engineer,
Universidad Católica de Chile
MBA, Georgia State University,
USA.

BUSINESS DEVELOPMENT MANAGER
Felipe Joannon Vergara
Commercial Engineer,
Universidad Católica de Chile
MBA, The Wharton School,
University of Pennsylvania,
USA.

INVESTOR RELATIONS MANAGER
Pilar Rodriguez Alday
Commercial Engineer,
Universidad Católica de Chile

PERFORMANCE APPRAISAL MANAGER AND INTERNAL AUDITOR
Pedro Marin Loyola
Commercial Engineer,
Universidad Católica de Chile
M.S. Finance, London School
of Economics, England

DEPUTY DEVELOPMENT MANAGER
Nicolas Correa Ferrer
Industrial Civil Engineer,
Universidad Católica de Chile
MBA, University of California
at Los Angeles (UCLA), USA.

2010 Results

Quiñenco presents its financial statements according to IFRS. To better understand Quiñenco's results, the financial statements separate the results of banking activities from non-banking activities (industrial sector). In addition, in compliance with another IFRS requirement, three business sectors have been defined: Manufacturing, Financial, and Other.

Quiñenco includes the profits and losses of approximately 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 important to Quiñenco in terms of their size and impact on its financial results during any period, such as CCU for example, are not consolidated with the consortium. Quiñenco's share participation in these cases is included in non-operational results. Telefónica del Sur (Telsur), which was sold to the GTD group in January 2010, has been classified as a discontinued operation for the fiscal year 2009.

Quiñenco obtained net profits of Ch$291,606 million in 2010, 87.6% more than the year before and the highest in its history. This positive result is mainly due to the profits made on a corporate level after Citigroup exercised its first option for an additional 8.52% stake in LQIF, which totaled Ch$169,513 million before taxes. This transaction comes in the context of the shareholders' agreement, whereby Citigroup exercised its options over LQIF on April 30, 2010, thus acquiring an additional 17.04% and raising its stake to 50%. Exercising the second option generated an increase in equity, net of taxes, of Ch$131,642 million for Quiñenco. The transaction totaled Ch$541,919 million. In addition, the sale of Telsur produced a profit of Ch$8,725 million. Together these transactions were significantly higher than the profits earned on a corporate level in 2009 from the sale of share packages. The positive results obtained by Banco de Chile, which were 46.8% higher than the previous year, should also be highlighted.

Quiñenco reported consolidated revenues in the industrial sector for Ch$304,632 million in 2010, up 19.9% compared to 2009. This variation is mainly due to Madeco's operations, as its revenues grew by 20.7%, to Ch$212,789 million, thanks mainly to the brass mills unit, which registered a higher sales volume, and a higher copper price, in addition to, although to a lesser extent, an increase in the revenues of the flexible packaging unit in Chile, Peru and Argentina. For its part, the profiles unit showed a slight drop in revenues as expressed in Chilean pesos along with stable sales volumes. Meanwhile, the revenues of Banchile Seguros de Vida increased by 18.9%, to Ch$91,063 million in 2010.

The operational loss in the industrial sector was down 32.7%, to Ch$3,354 million in 2010, mostly reflecting a 94.5% increase in the operational results of Banchile Seguros de Vida, a product

Contribution to Earnings by Sector and Segment

(In millions of nominal Ch$)

INDUSTRIAL SECTOR	Quiñenco's ownership[1]	2010	2009
Manufacturing Segment			
Madeco	47.7%	(2,824)	18,172
Financial Segment			
LQIF Holding	50.0%[2]	(19,455)	(10,182)
Other			
CCU[3]	33.1%	36,593	42,324
Quiñenco and others[4]	-	166,950	20,429
Telsur	74.4%[5]	-	3,324
Subtotal Other		203,543	66,077
Consolidated Net Income Industrial Sector		181,264	74,066
BANKING SECTOR			
Financial Segment			
Banco de Chile	20.4%[6]	378,530	257,887
Subordinated Debt	-	(72,979)	(44,749)
Other	-	(2,990)	(78)
Consolidated Net Income Banking Sector		302,561	213,060
CONSOLIDATED NET INCOME		483,825	287,126
Net income attributable to non-controlling interests		192,219	131,726
Madeco		(494)	10,299
LQIF		189,974	118,847
Telsur		-	933
Other		2,739	1,647
Net income attributable to Controllers' shareholders		291,606	155,401

(1) Direct and/or indirect
(2) As of 31 December, 2009 Quiñenco's ownership of LQIF was 67.04%.
(3) Corresponds to Quiñenco's proportionate share of CCU's net income, based on the equity method.
(4) Includes Banchile Seguros de Vida and Quiñenco and intermediate companies.
(5) Share maintained until January 2010, when sold to GTD through a public offering.
(6) Corresponds to Quiñenco's economic rights as of December 31, 2010. As of December 31, 2009 Quiñenco's economic rights were 27.4%. Voting rights held by LQIF were 61.7% as of December 31, 2009 and 2010.

of its increased revenues. For its part, Madeco's operational result was down 26.5% despite the strong performance of its business units on an operational level, especially of the flexible packaging unit, boosted by greater sales volumes and a higher gross margin, and of the profiles unit, due to the impairment of its inventories that was accounted for the year before, due to lower other revenues by function, corresponding to the dividend paid by Nexans, and a tax refund in 2009.

CCU's contribution fell by 13.5%, to Ch$36,593 million, despite the fact that in 2010 it registered stronger results in all business segments, together with the non-recurring profits from the sale of a property in Peru, due to the fact that these improved results were offset by the non-recurring profits from the sale of stock in Aguas CCU Nestlé in 2009.

The industrial sector's profits were Ch$181,234 million, a 144.7% increase over the results obtained in 2009, mainly due to the profits earned on a corporate level from the sale of a minority stake in LQIF to Citigroup and, to a lesser degree, from the profits earned from the sale of Telsur.

For its part, the banking sector earned Ch$302,561 million in 2010, a 42.0% increase over the year before, reflecting the

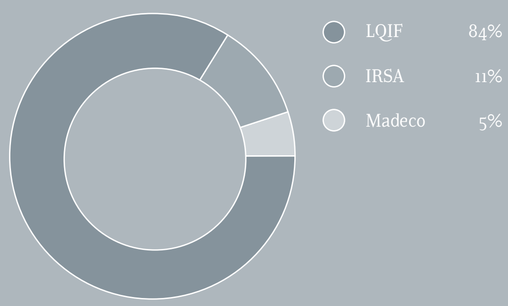
MCh$

291,606

Reached Quiñenco's net profits in 2010, 87.6% more than in 2009 and the highest in its history.

Dividend Income

MCh$152,334 (corporate level)



positive result obtained by Banco de Chile during the period thanks to the improved overall economic conditions and more effective risk models that allowed the provisions for risk to be reduced sharply, and growth in the loan portfolio. The above was partially compensated by the increase in accrued interest from the subordinated debt to the Central Bank.

The flow of dividends received on a corporate level from its subsidiaries LQIF, IRSA, Madeco, and other companies was Ch$152,334 million, a 41.8% increase over the previous year. In 2010 Banco de Chile increased its dividend payment rate from 70% to 100% of net profits. The sustained flow of dividends and the funds obtained from the sale of investments has allowed a low level of debt to be maintained, thus strengthening Quiñenco's financial position, with debt in the industrial sector totaling Ch$263,699 million. Thus, Quiñenco is currently in excellent conditions to take advantages of new entrepreneurial opportunities.

DEFINITIONS

Net income
Refers to the Net income attributable to the owners of the parent.

Consolidated net income
Includes the Net income attributable to the owners of the parent and the Net income attributable to non-controlling interests.

Operating Income
Is obtained by subtracting net operating expenses (Other revenues by function, Distribution costs, Administrative costs, and Other costs by function) and the Cost of sales from Revenues from ordinary activities.

Non-operating Results
Are obtained by adding the accounts: Financial costs, Proportional share of profits (losses) of equity method investments, Exchange differences, Results of indexation adjustments, Financial income, and Other gains (losses).

Composition of the Industrial Sector's Debt

INDUSTRIAL SECTOR	2010 MCh$	2009 MCh$
Corporate level (1)	61,922	68,605
Madeco	38,052	37,178
Telsur (2)	-	69,112
LQIF holding	163,725	126,342
Total industrial sector debt	263,699	301,237

(1) Does not include the debt of IRSA, totaling Ch$20,625 million in 2010 (Ch$26,975 million in 2009), which Quiñenco has a 50% stake in.
(2) Corresponds to the accounts Other current and non-current financial liabilities, discounting Telsur's current coverage operations, classified as discontinued operations in Quiñenco's consolidated financial statements.

Corporate Responsibility

Corporate Responsibility is an essential component of Quiñenco's business strategy and that of each of its companies. They all share the mission of fostering the progress of all audiences with which they relate to, understanding that by producing and distributing valuable solutions for customers they generate wealth for their shareholders, room for its workers to grow and community wellbeing, thus fostering an improved quality of living for people.

In their community relations, each of Quiñenco's companies undertakes Corporate Social Responsibility activities in a structured and systematic way, with an emphasis on relevant aspects within the businesses themselves and the country's needs.

Solidarity

The effects of the earthquake on February 27, 2010, the sixth most powerful on record in the world, motivated the group's companies to actively participate in solidarity campaigns and reconstruction work.

In addition to its traditional support of the Teletón, which in 2010 far surpassed its initial target, the group participated in the Chile Ayuda a Chile (Chile Helps Chile) campaign that was held only a few days after the earthquake. It was a great success and collected three times what had been projected, with over Ch$45,900 million donated. The Quiñenco Group's companies not only contributed with financial contributions to these solidary events, but also with infrastructure and the voluntary contributions of its workers during 26 continuous hours of programming.

As in previous years, the Group's companies also engaged in solidary activities through programs like the 1+1 campaign, where the company matches workers' monthly charitable donations, the construction of basic housing, and training for micro-entrepreneurs.

Education

The Group's companies take on the challenge of providing excellent-quality educational opportunities to all of the country's children via programs that develop a model of education for areas in the Metropolitan Region with high levels of poverty, going directly to schools and discussing best practice for teachers throughout the entire country. The Group's cooperation also includes child prevention and protection activities and higher education exchange programs. In addition, the Group's companies support workers' children with scholarships for excellence.

Some of the Group's companies promote responsible alcohol consumption habits with specific educational programs for parents, young people, clients, consumers, the company's workers, and the community at large.

Culture

With regard to culture, the goal is to provide all Chileans with access to both consecrated as well as emerging artists, while at the same time transmitting positive values like perseverance, effort, creativity, a job well done, and nobility, going beyond idiosyncrasies and borders. It is with this goal in mind that companies from the conglomerate hold itinerant shows in regions, incentivize innovation and creativity, and constantly sponsor cultural activities.

Sports

The Group's companies support the development of sports through its commercial brands, which allocate a significant part of their marketing budgets to the sponsorship of players, clubs, and sports activities in an effort to contribute to teamwork, bringing friends together, and providing family entertainment, in addition to promoting a healthy lifestyle, balanced nutrition and burning calories, which helps to prevent obesity. It is with these goals that they support over 10 Chilean first division football teams and also tennis, polo, horseracing, and triathlon activities and competitions.

Entrepreneurship

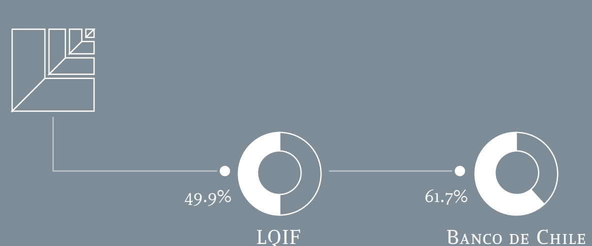
In 2010 the Quiñenco Group reaffirmed its commitment to helping people to progress through a strategic alliance with an international organization dedicated to promoting high-impact entrepreneurship. This agreement was the starting point for creating a Ch$20,000 million peso fund to be preferentially allocated to the projects of small and medium enterprises.

Environment

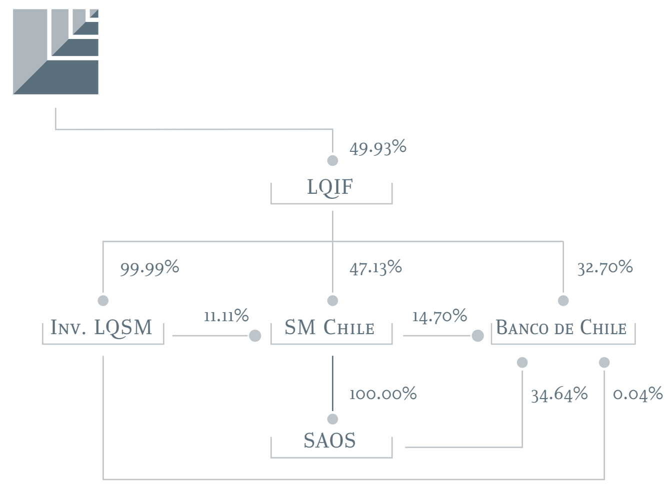
The companies from Quiñenco's industrial area have committees that continually oversee compliance with the regulations in force and the reduction of the impacts that their productive activities have on the community and the environment. This commitment means regular review of the regulations in force and global protection trend, in that way anticipating compliance with environmental requirements.

State-of-the art technologies were introduced in 2010, allowing emissions to be reduced to levels that are stricter than those established in Chilean regulations.

Banco de Chile



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



LQIF

LQ INVERSIONES FINANCIERAS

LQ Inversiones Financieras S.A. is the company through which Quiñenco channels its investments in the financial sector.

LQIF is a closed stock company created in 2000 as a subsidiary of Quiñenco. Since 2001 its main asset has been its stake in Banco de Chile, which at the close of 2010 corresponded to 61.7% of voting rights.

Citigroup became a partner in LQIF in 2008 as part of a strategic alliance, acquiring a 32.96% stake by contributing its assets in Chile. The merger between Banco de Chile and Citibank Chile entered into force on January 1, 2008. In April 2010, Citigroup increased its stake to 50% by exercising two options for 8.52% of LQIF each, in keeping with the Shareholders' Agreement signed with Quiñenco upon creating the partnership.

LQIF's Participation in Banco de Chile

As of December 31, 2010	2010
Voting Rights	61.7%
Economic Rights	40.8%

Property	
SM Chile	58.2%
Banco de Chile	32.7%

The group has had a vast and successful experience in the Chilean financial sector. Some of the milestones worth highlighting include the merger between Banco Santiago and Banco O'Higgins in 1997; the sale of the resulting institution to Banco Santander Central Hispano (BSCH) in 1999; the acquisition of Banco Edwards in 1999 and Banco de Chile in 2001, and ultimately the merger with Citibank Chile in 2008, thus creating the largest bank in the country controlled by Chilean capital.

2010 Results

LQIF registered a net profit of Ch$172,746 million in 2010, a 37.8% increase over the previous year. This positive variation is mainly due to the 46.8% increase in Banco de Chile's results for the year, reflecting the improved overall economic conditions and the bank's efforts to take advantage of them. For their part, the interest on Banco de Chile's Subordinated Debt increased compared to the previous period due to the normalization of the inflation rate, which was negative in 2009. In addition, LQIF holding company's financial revenues in 2010 were reduced due to the low level of liquidity during the initial months of the year and a loss from indexation adjustments reflecting the effect that inflation has on financial obligations denominated in unidades de fomento, while in 2009 the opposite effect was produced due to the negative inflation rate.

Banco de Chile

Banco de Chile is the institution with the best brand recognition and corporate reputation in the Chilean financial industry thanks to its outstanding business track record dating back over a century and its profound commitment to the country's development. Banco de Chile is a universal bank whose activities are undertaken through its brands Banco de Chile, Edwards-Citi, Credichile and Banchile, offering a wide range of financial products and services to all market segments. The bank's assets total US$ 39,000 million, 1.6 million clients, eight subsidiary companies, and an international risk rating of "A+" from S&P.

Banco de Chile shares are currently listed on the local stock exchanges and on the world's main exchanges. The bank has an ADS (American Depositary Shares) program on the New York Stock Exchange (NYSE). Its shares are also traded on the Madrid and London exchanges.

The company has one of the highest levels of capitalization on the market among Chilean firms, with a value equivalent to US$ 12,200 million as of December 31, 2010.

Banco de Chile currently has a network of 422 branches, 1,976 automatic teller machines throughout the entire country, over 1,000 correspondent banks throughout the world, and representation offices in Beijing and Sao Paulo, which allow it to offer a wide range of national and international products to its clients in all market segments.

Banco de Chile's Vision

"To be the best bank for our customers, the best place to work, the best investment for our shareholders."

Strategic priorities

1. Expanding our retail business
2. Increasing returns on the wholesale business
3. Improving efficiency
4. Strengthening service quality
5. Excellence in human resources

2010 Performance

During 2010 Banco de Chile adapted its strategy to firstly support its employees and customers affected by the February 27 earthquake, and then to take advantage of the opportunities associated with the recovery of economic activity, maintaining adequate risk-return ratios and increasing its participation in the personal banking and small and medium sized business segment.

22.8%

Leading market share of demand deposits.

With this focus, it managed to increase its loan portfolio in the retail market - served by its Commercial Banks and Banco CrediChile - by 14.1% in twelve months. Increased productivity in commercial platforms, new service models, and the expansion of its branch network, among other actions, contributed to this result.

In the wholesale market, the volume of commercial loans awarded to corporations and large companies grew by 3.8% compared to 2009. This growth, together with the expanded portfolio of small and medium enterprises, implied 6.4% aggregate growth in commercial loans in twelve months. The bank thus managed to maintain its leadership in these loans and in foreign trade credits.

Banco de Chile's total loans were over Ch$14,300 million, registering a 9.0% growth compared to the volume the year before.

The subsidiaries BanChile Corredores de Bolsa and Banchile Administradora General de Fondos continued to lead the market, the former with a 13.4% share of the volume of stock transactions and the second with 24.1% of equivalent assets administered. Their strong performance, together with that of the subsidiaries Corredora de Seguros and Banchile Inversiones, contributed to boosting income from fees, which represented 25.0% of total operational revenues.

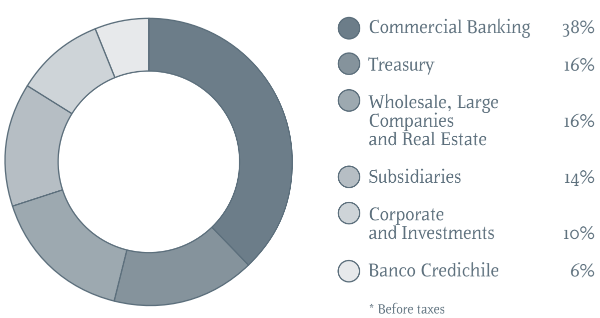
It should be highlighted that during 2010 Banco de Chile was distinguished as the best bank in Chile by the British magazine The Banker and as the safest private bank in Latin America by the prestigious magazine Global Finance. Banchile Citi Global Markets was also acknowledged internationally with the Latin American Domestic Currency Bond/Emerging Markets Award by the British publication International Financial Review.

46.8%

Growth attained in 2010 results, totaling, Ch$379,000 million.

Net Income Contribution by Business Area *

MCh$417,039 in 2010



* Before taxes

2010 Results

Banco de Chile reported net profits of Ch$378,529 million in 2010, a 46.8% increase over 2009, reflecting the improved economic scenario along with more effective risk models that allowed risk provisions to be reduced significantly, in addition to improving commercial performance based on growth in the loan portfolio and increased income from fees. A positive inflation rate, along with higher nominal interest rates, also contributed to the increase in net financial revenues.

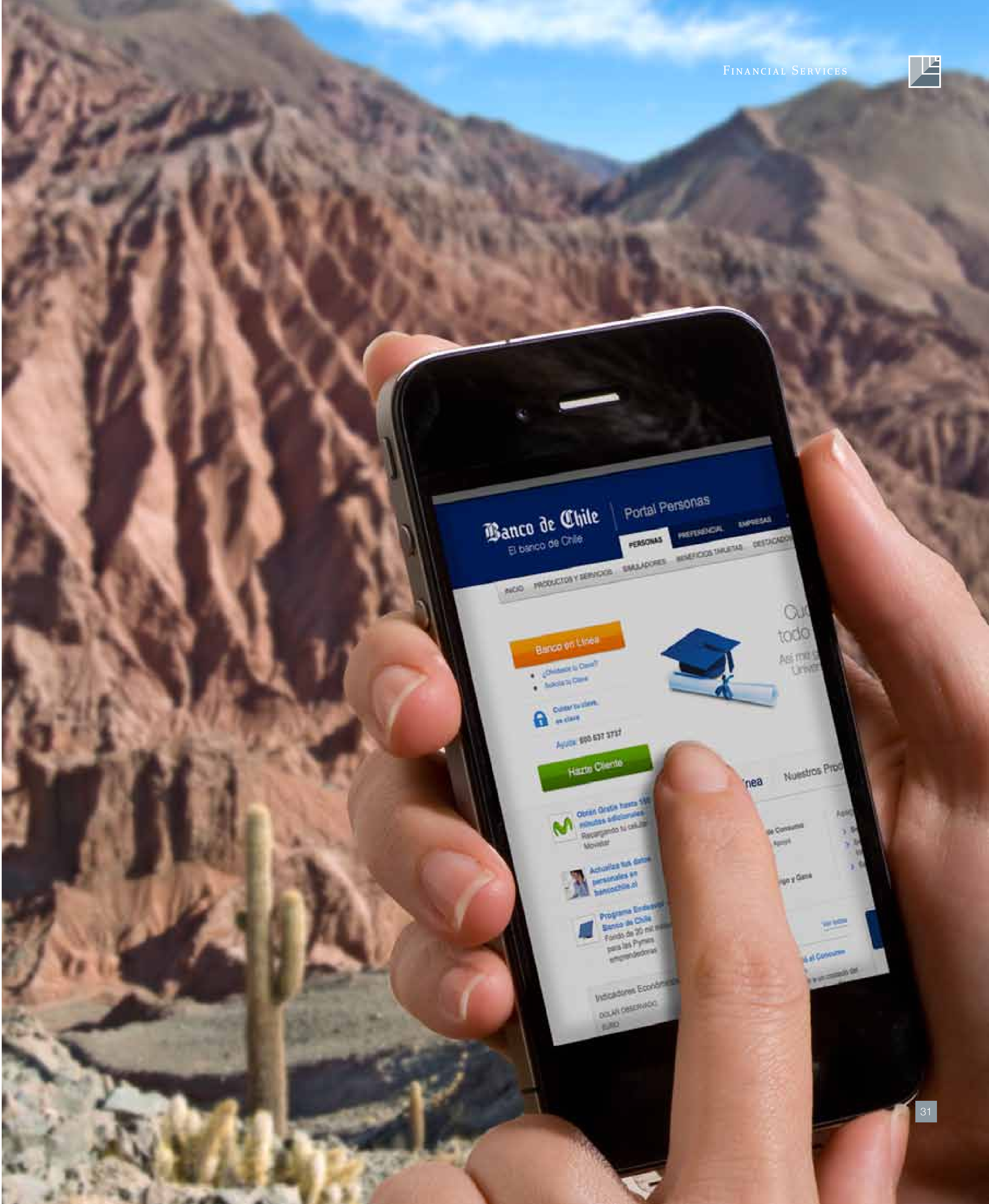
Operational revenue, that includes net financial income, fee income and other operational income, increased 13.9%, to Ch$1,169,345 million in 2010. This increase in operational revenues is explained by a 13.6% increase in net financial income and a 15.3% increase in fee income.

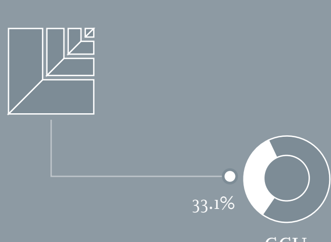
Net financial income totaled Ch$852,936 million, mainly due to the favorable effect of inflation on the bank's net asset position in UF, strong growth of 9.0% in the loan portfolio, and rising nominal interest rates after the Central Bank gradually began to withdraw the monetary stimulus, in addition to a significant increase in liabilities that do not produce interest (mainly current accounts and demand deposits). Thus the net financial margin was up from 4.97% in 2009 to 5.26% in 2010. Net financial income represented 72.9% of operational revenues in 2010.

Revenues from commissions increased by 15.3%, to Ch$292,262 million, thanks mainly to increased activity in mutual fund and stock brokers' subsidiaries, in addition to increased commissions from current accounts, automatic teller machines, credits and factoring, thus reflecting results of the bank's cross-selling strategy.

Credit risk provisions totaled Ch$165,961 million, compared to the Ch$223,441 million reported in 2009. This significant drop is mainly attributable to the improved outlook for the local economy and the effectiveness of the bank's risk models and processes.

Operational expenses were up by 16.2% compared to 2009, to Ch$588,271 million, due mainly to non-recurring expenses for an approximate total of Ch$55,000 million, which included provisions for contingencies worth Ch$22,200 million, which were established to anticipate the impact of new rules on provisions, as well as countercyclical provisions for a total of Ch$20,400 million. In addition, during 2010 an extraordinary bonus of approximately Ch$3,000 million was paid to the bank's staff in honor of the Bicentenary, around Ch$3,300 million corresponded to expenses related to the February 27 earthquake, including depreciation of fixed assets and cash donations to campaigns to collect funds, and Ch$6,400 million in fees were written-off. Excluding these non-recurring expenses, operational spending was up 7.9%, the result of increased levels of commercial activity and marketing campaigns aimed at securing customer loyalty.


Banco de Chile
El banco de Chile
Portal Personas
PERSONAS
PREFERENCIAL
EMPRESAS
INICIO
PRODUCTOS Y SERVICIOS
SIMULADORES
BENEFICIOS TARJETAS
Banco en Línea
Hazte Cliente
Nuestros Pro
Indicadores Económ
DOLAR OBSERVADO
EURO



CCU has become a multi-category company. Although its core business has grown, the share of the Chilean beer business in its consolidated EBITDA has fallen from 89% in 1990 to 49% in 2010.

Compañía Cervecerías Unidas S.A. is a diversified beverage producer and distributor that leads the Chilean beer market with an 82.8% share. It is also an important player in Argentina: it is the country's second largest producer, with a 22.7% share of the beer market.

While it is true that its core business has grown, CCU has become a multi-category company. Its share of the Chilean beer market in its consolidated EBITDA has fallen from 98% in 1990 to 49% in 2010.

Through its bottling subsidiary Embotelladoras Chilenas Unidas (ECUSA), CCU has become one of the largest producers of non-alcoholic beverages in Chile: soft drinks, mineral water and purified water, nectars, tea, sports beverages and energy drinks. It bottles and distributes its own brands as well as other sunder license from PepsiCo, Schweppes Holding Limited, Nestle S.A. and Promarca. Its main brands include Bilz and Pap in the soft drink category and Cachantún in mineral waters, which are operated by the subsidiary Aguas CCU-Nestlé Chile S.A.

CCU participates in the wine industry as the controller of the San Pedro Tarapacá Group (or VSPT Group), Chile's second-largest wine exporter. It is comprised of the vineyards San Pedro, Tarapacá, Santa Helena, Misiones de Rengo, Altair, Viña Mar and Casa Rivas in Chile, in addition to Finca La Celia and Bodega Tamarí in Argentina.

CCU has become one of Chile's largest pisco producers through its subsidiary Compañía Pisquera de Chile ("CPCh"), in addition to participating in the rum and ready-made cocktail businesses as well.

It also participates in the ready-to-eat food market through its associated firm Foods Compañía de Alimentos CCU.

Companies that sell services or products to the business units are also part of CCU, such as plastic containers, logistical services, transportation, and the commercialization of finished products. For its part, the parent company provides administrative services to the remaining companies in the group, as achieving synergies is a priority objective in its corporate strategy.

On December 20 the subsidiary Inversiones Invex CCU Limitada acquired 4.04% of Compañía Cervecerías Unidas Argentina S.A, property of Anheuser-Busch Investment S.L.

This allowed CCU to attain 100% ownership of CCU Argentina. The transaction has no effect on the contract to produce and to distribute the Budweiser brand in Argentina, which expires in 2025.

CCU entered the Argentine cider business on December 27, 2010 after obtaining control of the companies Sáenz Briones and Sidra La Victoria for US$13.2 million. The two companies together have a market share of around 23%.

CCU's shares are traded on the Santiago Stock Exchange, the Chilean Electronic Exchange and the Valparaíso Securities Exchange. The company is also registered with the US Securities and Exchange Commission and its American Depositary Shares (ADS) are traded on the New York Stock Exchange (NYSE). An ADS is equivalent to 5 common shares.

CCU's Mission

"At CCU we like a job well done, for people's good. And we have proposed ourselves the mission of responsibly gratifying our consumers with high-preference brands on all of their occasions for consumption."

Strategic objectives 2011-2013

- Organic growth. To make current businesses grow and earn profits, both in Chile as well as in Argentina.
- Non-organic growth. New businesses within the multi-category model.
- Excellence in execution.
- Maximization of operational efficiency.
- Sustainability.

2010 Performance

The earthquake that hit central-southern Chile on February 27 caused inventory to be lost and physical damage, mainly to CCU's brewery in Quilicura and the wine cellar located in Isla de Maipo. The company resumed production within about a month and the harvest took place as usual. Beer sales recovered strongly in the second quarter, showing a dynamism that exceeded the capacity to replace inventory. According to internal CCU estimates, per capita consumption in 2010 was 36.5 liters per year, an indicator that rose slightly after slipping in 2009.

For its part, Cerveza Cristal was once again the official sponsor of the national football team at the 2010 South Africa World Cup and it went to Johannesburg to install the "Bar Cristal" and offer people a meeting place.

CCU achieved its target in Argentina by managing to make 45% of its sales in the local market via direct distribution by the end of 2010, and it made progress toward its goal of replicating the consolidated business model of multiple categories that it has in Chile by acquiring cider producers, an investment that

+7.9%

All business sectors contributed to a 7.9% increase in revenues.

will allow it to grow both in terms of volume as well as margin by taking advantage of the installed capacity in distribution.

The company performed strongly in the segment of non-alcoholic beverages in 2010. The operational result was up 31.1% and EBITDA 22.1%, thanks to a 10.9% increase in sales revenues. Soft drink sales volumes were up by 8.9%; water sales increased by 8.3% and nectars did so by 16.9%, respectively. Thus, the Company estimates that it managed to attain a 28.9% market share in the non-alcoholic beverages segment.

The main consequence of the earthquake for the wine business was the higher cost of raw materials due to the loss of approximately 10% of the wine that the country uses for this purpose. In addition, the industry had to deal with the negative effect that the appreciation of the peso had on its income. Even so, the VSPT Group's revenues were up 6.1% and its net margin 3.3%. Its share of the Chilean wine export market grew by 0.3%, to 12.4%, while in the Chilean market it was up 1.9%, to 24.4% of the industry's sales. During the year the VSPT Group received over 40 nominations greater or equal to 90 points on a national level, while internationally its main brands received over 25 recommendations of this rank.

Market Share

As of December 31, 2010	2010
Beer in Chile	82.8%
Beer in Argentina	22.7%
Soft drinks	24.3%
Mineral waters(1)	59.1%
Nectars(2)	60.1%
Pisco	49.7%
Domestic wine	24.4%
Export wine	12.4%

(1) Excludes flavored mineral waters.
(2) Bottled nectars.

It is also worth highlighting that the VSPT group introduced the Ecoglass bottle to its varietal and reserve brands. This type of bottle uses 15% less glass, thus contributing to the environment by using less energy in its manufacture.

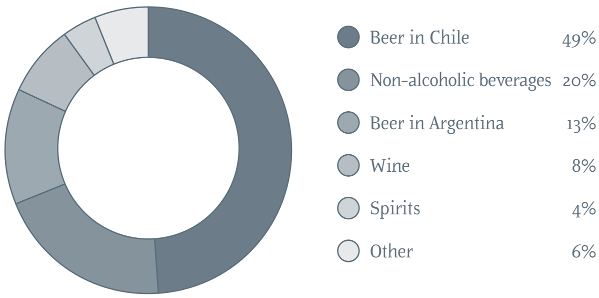
With regard to liquors, one of the challenges and major achievements of the year was to stabilize per capita pisco consumption at 2.1 liters/year. CCU's market share in pisco and rum according to internal estimates was 49.7% and

17.3

Notwithstanding the difficulties caused by the earthquake, CCU achieved a new record in sales with a total volume of 17.3 million hectoliters, and its EBITDA surpassed MCh$200,000 for the first time.

Ebitda by Segment*

MCh$207,250 in 2010



14.4%, respectively. Pisco Mistral received gold medals in national and international competitions, which strengthened its position as a superior quality product.

Compañía Pisquera de Chile acquired the Fehrenberg brand with the idea of leading the industry and to take up a real opportunity to add a line of digestifs. It also took advantage of its participation in the Expo Shanghai to present pisco to the Asian market, with over 3 million visits to the Chile pavilion. The Pisco Tres Erres in a Moai bottle was presented on this occasion and was the most sold product at the international fair.

In ready-to-eat foods, Foods Compañía de Alimentos CCU focused on the consolidation of strategic brands with aggressive marketing campaigns. This allowed it to reach over 44,000 customers and increase the volume and price of its products. The volume sold in 2010 (8,685 tons) was double that of 2004 (4,351 tons), the year that CCU entered the sweet snacks business.

2010 Results

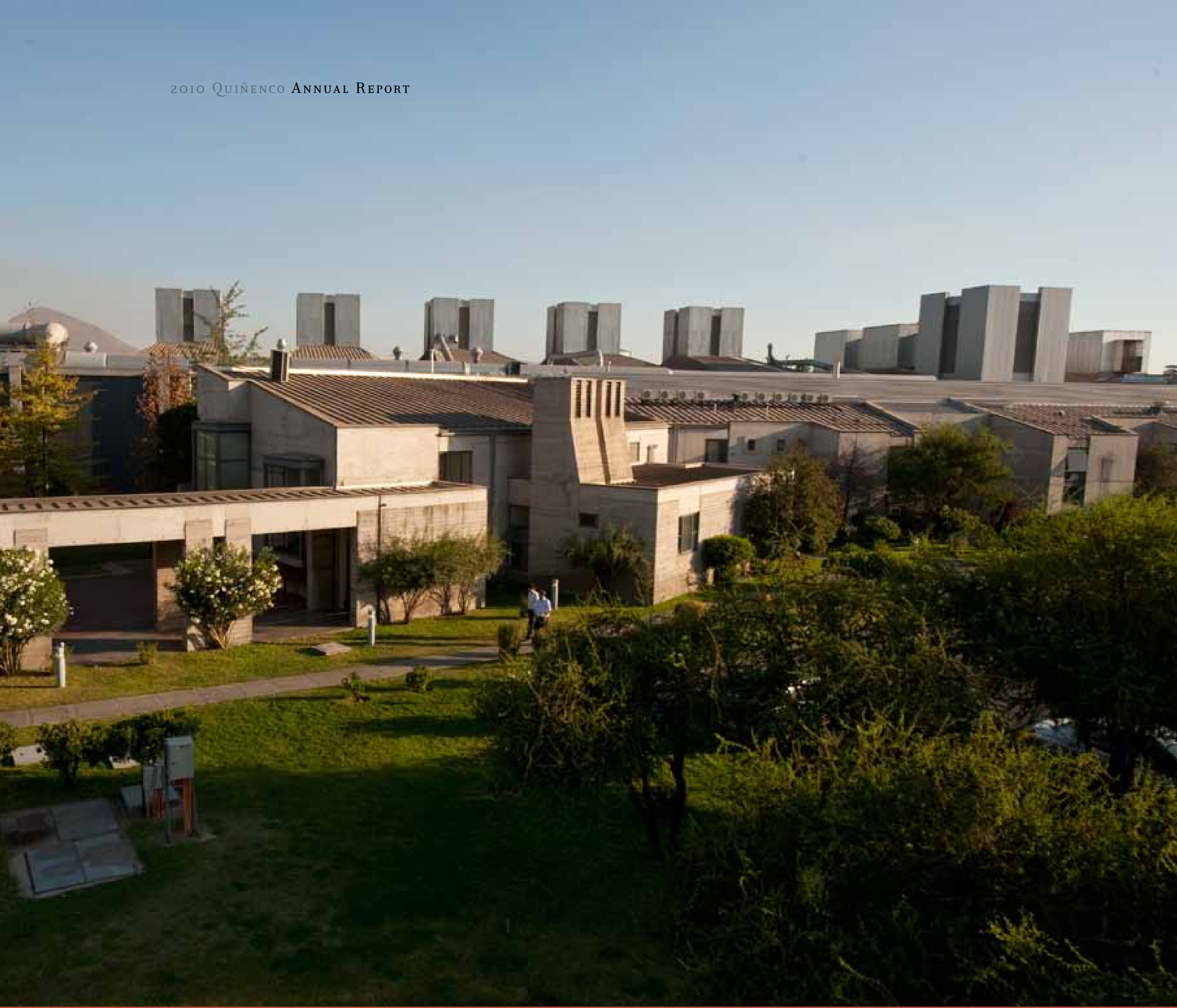
Despite the damage that the powerful earthquake and tsunami caused to beer and wine operations on February 27, CCU nevertheless obtained positive results. Consolidated revenues were up 7.9%, to Ch$838,258 million. This was thanks to a 6.2% increase in the volume sold, reaching a new record of 17.3 million hectoliters, in addition to higher average prices. All business segments showed growth in sales volumes, with the non-alcoholic beverages and wine sectors leading, followed by liquors, beer in Argentina, and beer in Chile.

The operational result was up by 18.0%, totaling Ch$162,049 million in 2010, something that can mainly be explained by the sale of a property in Lima, Peru, which produced a non-recurring profit of Ch$6,791 million. For their part, administrative and sales expenditures increased slightly as a proportion of sales, from 35.2% in 2009 to 35.9% in 2010. The EBITDA totaled Ch$207,250 million, a 14.2% increase compared to 2009.

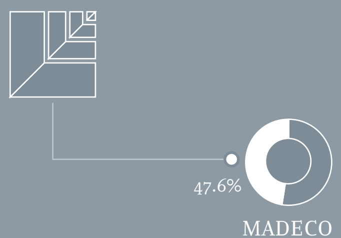
In non-operational terms CCU registered a loss of Ch$14,458 million in 2010 compared to a profit of Ch$15,707 million in the previous period, mainly explained by a non-recurring profit of Ch$24,439 million from the sale of 29.9% of Aguas CCU Nestlé to Nestlé Waters Chile in 2009. In addition, the inflation registered in 2010 caused losses from indexation adjustments due to its effect on financial liabilities denominated in unidades de fomento, which contrasts with the profits earned the year before thanks to negative inflation over that same period. For their part, financial costs were down, reflecting lower liabilities.

CCU's net profits in 2010 amounted to Ch$110,700 million, 13.5% less than the year before due to the negative variation in the non-operational result explained above, which counteracted the improved operational result attained during the year. In addition, the amount of income taxes paid also increased, in part due to the tax associated with the sale of the property in Peru.


Gatorade
591 ml
NARANJA
cachantun
Sin Gas
Agua Mineral Natural
www.cachantun.cl
Cont. Neto 500 c.c.



MADECO



Madeco has a prestigious track record in Latin America that is over six decades long, characterized by the outstanding quality and innovativeness of its products, its constant concern for the needs of its customers and its wide commercial network.

MADECO

Madeco's prestige is well-known, a reflection of its over six decades of history in Latin American industrial activities, characterized by the outstanding quality of its products, its constant concern for its customers' needs, the development of innovative products, and its wide commercial network. Its activities are undertaken in three business units: flexible packaging, brass mills, and aluminum and PVC profiles.

Madeco participates in the flexible packaging business through its subsidiary Alusa, a company that has formed a successful regional group with operations in Chile, Argentina and Peru. Madeco is present in the brass mills production sector in Chile and Argentina through Madeco Mills and Decker. It participates in the profile business, both aluminum as well as PVC, through Indalum. All of these companies are the leaders of their respective markets in Chile.

In addition, Madeco holds a 9.0% stake in French company Nexans, the global leader in the cable industry, being its largest single shareholder.

Over recent years the company has been focused on the integration of corporate management to take advantages of synergies within its business units and to standardize processes and best practices.

Flexible Packaging

The flexible packaging unit has four productive plants in Chile, Peru and Argentina, with a total productive capacity of 51,200 tons per year.

The flexible packaging business unit sped up its investment plan in early 2010 to adapt its capacities to the trends toward economic recovery in the three countries it operates in. It doubled the amount invested the previous year and undertook projects for a total of US$32 million, mostly for the incorporation of state-of-the-art productive machinery. One of the most important investments, with a cost of US$ 6 million, was the solvent recovery plant that started operating at the Alusa plant in Chile in October 2010. This plant will allow the emission of contaminants into the environment to be reduced, in addition to cutting production costs.

Consistent with the decision to focus on specialized and highly complex products, the company also invested in the production of thinner films that allow the weight of containers to be reduced and in that way improve their efficiency and sustainability attributes.

In the commercial area the company further deepened its relationship with the main mass consumption companies in the country, accompanying them in their regional operations from its three plants with a wide range of manufactured products, using both flexographic printing as well as hollow engraving.

Alusa has consolidated its position as one of the main regional actors in the flexible packaging industry, supplying all of the countries in the region. It has maintained its leadership in the Chilean and Peruvian markets, where in addition to being an important local actor it has also increased exports from the latter country. In addition, it is the main exporter from Argentina to Brazil.

Despite the difficulties caused by the February 27 earthquake, which obliged the plant in Chile to close for four days and an average 30% increase in the cost of raw materials, Alusa's consolidated sales managed to grow by 20%, totaling US$ 200 million in 2010.

During 2011 Alusa will invest another US$30 million, in Chile as well as in its subsidiaries Aluflex in Argentina and Peruplast in Peru.

Brass Mills

Madeco Mills currently has three plants in Chile: a pipe manufacturer, a foundry and a copper coin blank plant. In Argentina, Decker owns two copper pipe and sheet plants.

14.0%

The volume of consolidated sales increased 14%, reaching a total of 60,670 tons sold in 2010.

In late 2010 the subsidiary Madeco Mills decided to put an end to the manufacture of copper sheets in Chile and to concentrate its business on the manufacture and commercialization of pipes made of the same metal. The decision to close the sheet line was made in consideration of the lost competitiveness in the relevant markets for this segment caused by high labor, energy, and copper costs. The impact on Madeco's sales of this closure will only be 7.5% of the total and it will not affect the operational margin.

Madeco Mills is implementing a new production process for copper pipe production that will allow the copper casting process to be carried out more efficiently and with less of an environmental impact.

This business unit's exports, mainly from its Chilean operations, have reached close to 51% of total physical sales. Thus, Madeco exports to over 18 countries around the world, among which the United States, Brazil and Canada stand out, with sales representatives in 12 countries.

Profiles

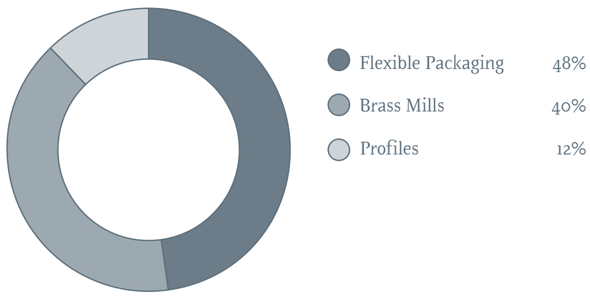
The profile unit has an aluminum profile plant with a productive capacity of 18,200 tons per year and a PVC plant with a capacity of 1,000 tons per year. In addition, it owns the largest profile distributor in Chile.

This unit's commercial activities have been oriented toward adding value to the products and services that it offers, maintaining a close relationship with all of the components in the commercial chain. During 2010 it placed special interest on the design of proposals with differentiated value according to the needs of each type of client.

Indalum reorganized its administrative and commercial structure in 2010. The company centralized commercialization of its aluminum and PVC profiles under a commercial manager headquartered in the Alumco subsidiary and it concentrated productive, administrative, and accounting functions for subsidiaries in the parent company Indalum, with the goal of reducing operational costs in all of them.

Sales Composition

MCh$212,789 in 2010



Market Share

As of 31 December 2010

Flexible Packaging	Chile	33%
	Argentina	5%
	Peru	58%
Brass Mills	Chile	63%
	Argentina	7%
	Coin blanks	6%
Profiles	Chile (Aluminum)	50%
	Chile (PVC)	20%

2010 Results[1]

Madeco's revenues were up 20.7% compared to 2009, reflecting a 14.0% increase in the consolidated volume, along with higher average prices. This increase in revenues was boosted by the brass mills unit and the flexible packaging unit. The brass mills unit's revenues mainly grew in Chile, thanks to a larger sales volume and higher copper prices. The revenues of the flexible packaging unit grew in all markets, also product of an increase in sales volumes as well as in average prices. For its part, the profile unit showed a slight drop in revenues due to lower average prices in terms of Chilean pesos as well as a stable sales volume.

The operational result achieved was Ch$10,339 million, which is 26.5% less than the year before, mainly due to lower revenues by function. On the one hand, the dividend received from Nexans in 2010 totaled Ch$1,777 million, less than the Ch$4,181 million received in 2009, in addition to having registered Ch$5,380 million in recovered taxes that year. However, in terms of the business units, the positive performance of flexible packaging should be highlighted, with an operational result that grew by 12.3%, thanks mainly to an improved gross margin in Chile and Argentina. For its part, the profile unit achieved a positive operational result that contrasted with the loss registered in 2009 thanks to the lower accounting value of inventories that year. Despite its increased revenues, the brass mills unit obtained an operational result of 6.4%, less than in 2009, mainly due to the higher cost of raw materials, in particular copper.

In non-operational terms Madeo's results fell from a profit of Ch$2,973 million in 2009 to a loss of Ch$11,078 million in 2010. This variation is mostly explained by an adjustment of Ch$7,210 million for the lower sales price of the cable unit that was arrived at in the agreement that put an end to the arbitration trial with Nexans. In addition, the closure of the sheet unit implied a charge of Ch$2,101 million for asset impairment in 2010. In addition, in 2009 profits were generated from the exchange rate differential due to the company's asset position in Chilean pesos and that currency's appreciation with regard to the US dollar during that period.

Madeco registered a loss of Ch$ 4,888 million in 2010, mainly due to the lower non-operational result and, to a lesser degree, lower other revenues during the period, which offset the operational growth on a business unit level. In addition, tax payments were registered in 2010 that responded to the profits earned by Madeco's subsidiaries and exchange rate differentials on a parent company level, where accounting for tax purposes is carried in Chilean pesos.

1. The analysis of Madeco's results is based on its financial statements, prepared in Quiñenco's functional currency. Madeco's functional currency, in addition to certain classifications of accounting entries, is different from that of Quiñenco.

Corporate Affairs

Dividend Policy

Quiñenco's Board of Directors will inform the Annual Shareholders' Meeting to be held on April 28, 2011 of its agreement to determine as the dividend policy the distribution of a definitive cash dividend of at least 30% of the year's net profits.

Dividends Paid

Dividend Number	Date	Dividend per share*	Total dividend*	Corresponding to year
23 and 24	05/08/09	Ch$61.00000	ThCh$69,819,244	2008
25 and 26	05/11/10	Ch$95.03972	ThCh$108,780,351	2009

* Historic figures

Shareholders

At the close of fiscal year 2010, subscribed and paid-in capital was divided into 1,144,577,775 shares. The twelve main shareholders as of December 31, 2010 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.*	145,267,860	12.69
96.536.010-7	Inversiones Consolidadas S.A.*	129,988,779	11.36
84.177.300-4	Celfin Capital S.A.	86,314,508	7.54
96.871.750-2	Inversiones Salta S.A.*	19,121,268	1.67
96.684.990-8	Moneda S.A.	16,023,441	1.40
98.000.400-7	A.F.P. Provida S.A.	10,115,700	0.88
76.884.110-1	Inversiones Río Claro Ltda.*	8,934,508	0.78
98.000.100-8	A.F.P. Habitat S.A.	8,484,061	0.74
98.001.000-7	A.F.P. Cuprum S.A.	7,261,099	0.63
98.000.000-1	A.F.P. Capital S.A.	5,214,850	0.46
	Total	1,083,981,628	94.70

* Companies related to the Luksic Group

Other information as of 12.31.2010

No. subscribed and paid-in shares	1,144,577,775
No. of shareholders	1,382

The shares issued and paid-in by Quiñenco S.A. are 83.3% the property of 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 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 S.A. 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

Year 2010	Type of Transaction	Number of Shares	Total amt. Traded(*) ThCh$	Unit Price(*) (**) Ch$
Inmobiliaria e Inversiones Río Claro S.A.	Purchase	1,840,000	2,355,200	1,280

(*) Historic figures
(**) Average price

The corporation's majority shareholders did not engage in any share transactions during 2009.

Transactions by the Corporation's Main Managers and Executives

The corporation's main managers and executives did not engage in any share transactions in 2010.

Year 2009	Shares		Total amt. Traded(*)		Unit Price(*) (**)	
	Purchase #	Sale #	Purchase ThCh$	Sale ThCh$	Purchase Ch$	Sale Ch$
Francisco Pérez Mackenna (Chief Executive Officer)	329,017 (1)	329,017 (2)	312,880	322,997	950.95	981.70

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

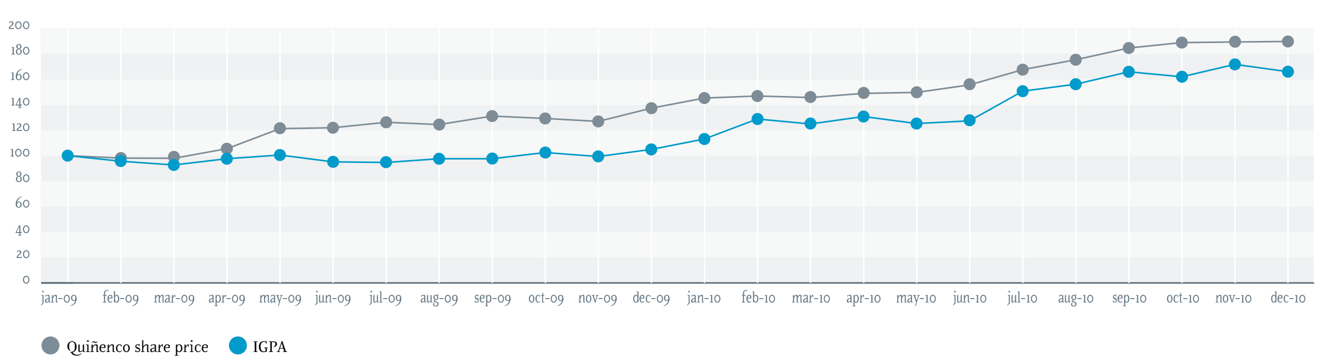
Stock Market Information

The following table shows quarterly statistics of transactions made on the Santiago Stock Exchange over the last two years:

Period	Number of Shares trade	Total amt. Traded(*) ThCh$	Average price(*) Ch$
2010			
1st Quarter	7,656,113	9,357,155	1,222.18
2nd Quarter	61,340,643	80,882,664	1,318.58
3rd Quarter	23,151,509	35,944,388	1,552.57
4th Quarter	8,525,257	14,766,489	1,732.09
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

(*) 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 Santiago's El Golf sector on the street Enrique Foster Sur No. 20, Las Condes, where it owns and functions in approximately 2,500 square meters of offices.

Insurance Policies

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 in 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 or 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 grown by 5.2% in 2010. There is no certainty regarding how much 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, government policies, price and salary controls, currency control regulations, taxes, expropriation, social instability and other political, economic 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 expects, based on its past experience and its records, 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.

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 asset 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 value of the capital from 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 emergent 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

Quiñenco S.A.'s Directors' Committee (the "Committee") was constituted at the Board of Directors Session held on May 6, 2010, during which the following Directors were appointed:

- Mr. Matko Koljatic Maroevic, independent director;
- Mr. Gonzalo Menéndez Duque, director related to the controller; and
- Mr. Hernán Büchi Buc, director with related to the controller.

Mr. Matko Koljatic Maroevic presides over the Committee, which met six times during 2010.

Its sessions have been regularly attended by the Chief Executive Officer Mr. Francisco Pérez Mackenna, Chief Financial Officer Mr. Luis Fernando Antúnez Bories, and Chief Counsel Mr. Manuel José Noguera Eyzaguirre.

During the fiscal year 2010 the Committee dedicated itself to discussing the issues indicated in Article 50 bis of the Limited Companies Law, following a predetermined calendar and having undertaken the following activities.

1. It examined the reports by external auditors. During 2010 the Committee received the external auditors' report corresponding to the fiscal year ending on December 31, 2009: the balance, and the remaining financial statements as of that date. They were presented by the administration, which had already pronounced itself favorably toward them, prior to being presented to shareholders for their approval. Likewise, during 2010 the Committee received the Limited Review Report on the State of the Intermediate Consolidated Financial Situation of Quiñenco S.A. and its subsidiaries as of June 30, 2010 and the Internal Control Report that the independent auditors send to the administration.

2. The external auditors Ernst & Young Limitada were proposed to the Board of Directors to examine the accounting, inventory, balance, and other financial statements of the company corresponding to the fiscal year 2010 and to give their professional and independent opinion on them. Furthermore, in the event that no agreement can be reached

Personnel Quiñenco and Subsidiaries

as of December 31, 2010

Company	Executives	Professionals and Technicians	Other Workers	Total
Quiñenco	11	12	12	35
Banco de Chile	485	5,564	7,967	14,016
Madeco	47	610	1,759	2,416
Other subsidiaries	13	56	19	88
Total	556	6,242	9,757	16,555

Affiliates	Total employees
CCU	5,490

with this firm or it is unable to provide its services, then the company Deloitte was proposed. The Committee also proposed hiring the following risk rating companies: (a) Feller-Rate Clasificadores de Riesgo Limitada and Fitch Clasificadores de Riesgo for the domestic context and (b) the company Standard & Poor's for the international context.

3. It examined the remuneration systems and compensation plans for managers and main executives.

4. It informed the Board of Directors favorably on the hiring of the external auditing firm Ernst & Young Limitada to provide consulting services to undertake a due diligence, which are not part of the external audit and are not prohibited, as said consulting tasks do not generate a risk of lost independence.

5. It received the report on the internal audit plan that was executed for 2010 in compliance with what was approved at its 88th session on November 19, 2009.

The Committee did not incur any expenses during the fiscal year 2010 and did not deem it necessary to present the Company's shareholders with any sort of recommendation.

Board Remunerations

In keeping with the agreement reached at the Company's Annual Shareholder's Meeting, the amounts paid to Directors in 2010 with respect to per diem, profit sharing, and other remunerations, respectively, were as follows:

Guillermo Luksic Craig ThCh$5,407, ThCh$236,597 and ThCh$663,881; Andrónico Luksic Craig ThCh$1,352, ThCh$236,597 and ThCh$479,963; Jean-Paul Luksic Fontbona ThCh$2,254, ThCh$236,597 and ThCh$0; Hernán Büchi Buc ThCh$3,378, ThCh$236,597 and ThCh$0; Juan Andrés Fontaine Talavera ThCh$226, ThCh$236,597 and ThCh$0; Gonzalo Menéndez Duque ThCh$3,379, ThCh$236,597 and ThCh$0; Matko Koljatic Maroevic ThCh$3,379, ThCh$236,597 and ThCh$0; and Fernando Cañas Berkowitz ThCh$2,253, ThCh$0 and ThCh$0, In addition, the directors Hernán Büchi Buc, Gonzalo Menéndez Duque and Matko Koljatic Maroevic received remunerations for services rendered on the Committee of Directors in 2010 for ThCh$6,424, ThCh$6,424 and ThCh$6,424, respectively.

Board Expenditures on Consulting Services

The Board's expenditure on consulting services totaled ThCh$45,303 in 2010.

Remuneration of Managers and Main Executives

The remunerations paid to the company's managers and principal executives during 2010 for salaries and performance bonuses totaled ThCh$4,217,280.

Incentive Plan

As of December 31, 2010 there was no long-term incentive plan for the Company's executives.

Severance Compensation for Years of Service

In 2010 no severance compensation for years of service was paid to any of the Company's main executives.


PENDENZA
STEIGUNG
INCLINAZION
GRADIENT
INCLINATION
90 80 70 60 50 40 30 20 10 0
3000 2000 1:25000 METERS 1000 0

Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

Contents

Independent Auditors' Report
Consolidated Statements of Financial Position
Consolidated Statements of Comprehensive Income
Consolidated Statements of Cash Flows
Statements of Changes in Equity
Notes to the Consolidated Financial Statements

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 ("the Company") as of December 31, 2010 and 2009 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These financial statements (which include their related notes) are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the direct and indirect affiliates Compañía Cervecerías Unidas S.A., Foods Compañía de Alimentos CCU S.A. and Habitaria S.A., which represent an investment in the financial statements under the equity method. These investments collectively represent total assets of ThCh$180,377,931 and ThCh$166,520,570 as of December 31, 2010 and 2009, respectively, and net income of ThCh$36,230,708 and ThCh$42,474,031 for the years then ended. Those 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.

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

3. In our opinion, based on our audits and on 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, 2010 and 2009 and the results of its operations and its cash flows for the years then ended, in accordance with the instructions and standards issued by the Chilean Superintendency of Securities and Insurance, described in Note 2.

4. The indirect subsidiary Banco de Chile is regulated by the Chilean Superintendency of Banks and Financial Institutions ("SBIF") which has established a gradual transition plan from generally accepted accounting principles in Chile ("Chilean GAAP") and standards dictated by the Chilean Superintendency to International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Chilean Superintendency of Securities and Insurance ("SVS") has allowed companies that maintain investments in banking subsidiaries to use the information reported by their affiliates for the purpose of preparing the Company's consolidated financial statements as of December 31, 2010 and 2009 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 disclosed but not quantified. As of December 31, 2010 and 2009, 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 SBIF.

Eduardo Rodríguez B. ERNST & YOUNG LTDA.

March 29th, 2011

Consolidated Statements of Financial Position

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

Assets	Note	12/31/2010 ThCh$	12/31/2009 ThCh$
Non-banking services assets			
Current assets			
Cash & cash equivalents	3	328,292,503	132,359,460
Other financial assets, current	4	319,799,612	201,220
Other non-financial assets, current	5	19,462,396	32,420,782
Trade & other receivables	6	59,103,557	47,211,117
Accounts receivable from related parties, current	7	280,255	547,471
Inventory	8	36,758,768	30,612,932
Current tax assets		7,068,408	7,709,897
Total current assets other than assets or groups of assets for disposal classified as held for sale or as held for distribution to the owners		770,765,499	251,062,879
Non-current assets other than assets or groups of assets for disposal classified as held for sale	9	2,106,045	154,776,777
Non-current assets or groups of assets for disposal classified as held for sale or as held for distribution to the owners		2,106,045	154,776,777
Total current assets		**772,871,544**	**405,839,656**
Non-current assets			
Other financial assets, non-current	10	173,969,826	162,787,322
Other non-financial assets, non-current	11	11,639,630	11,122,448
Collection rights, non-current		991,140	910,393
Accounts receivable from related parties	7	549,742	536,604
Investments accounted for using the equity method	12	191,657,023	175,698,216
Intangible assets other than goodwill	13	220,425,525	229,041,726
Goodwill	14	730,705,024	731,264,945
Property, plant & equipment	15	89,588,043	91,787,999
Investment properties	16	7,326,289	7,659,999
Deferred tax assets	17	24,930,413	46,090,676
Total non-current assets		**1,451,782,655**	**1,456,900,328**
Total non-banking services assets		**2,224,654,199**	**1,862,739,984**
Banking services assets			
Cash & bank deposits	37.5	772,329,810	727,553,166
Operations pending settlement	37.5	429,755,627	526,051,506
Financial assets held for trading	37.6	308,552,711	431,828,046
Repurchase agreements	37.7	82,787,482	79,401,270
Financial derivative contracts	37.8	489,581,680	567,799,644
Due from banks	37.9	349,587,799	448,981,294
Customer loans & accounts receivable	37.10	13,974,691,221	12,859,285,821
Investment instruments available for sale	37.11	1,154,882,963	1,265,662,804
Investments in companies	37.12	13,293,070	12,606,623
Intangible assets	37.13	36,371,780	30,789,170
Property, plant & equipment	37.14	206,513,479	208,335,936
Current taxes	37.15	5,653,508	162,192
Deferred taxes	37.15	111,200,669	82,850,300
Other assets	37.16	286,020,692	216,293,169
Total banking services assets		**18,221,222,491**	**17,457,600,941**
Total assets		**20,445,876,690**	**19,320,340,925**

The accompanying Notes 1 to 38 form an integral part of these consolidated financial statements.

Consolidated Statements of Financial Position

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

Equity & liabilities	Note	12/31/2010 ThCh$	12/31/2009 ThCh$
Non-banking businesses			
Current liabilities			
Other financial liabilities, current	18	61,756,612	36,256,159
Trade & other payables	19	37,450,683	30,713,424
Accounts payable to related parties, current	7	1,471	9,262
Other short-term provisions	20	9,757,370	8,777,596
Current tax liabilities		45,373,649	3,607,457
Provisions for employee benefit liabilities, current	21	3,619,174	3,197,792
Other non-financial liabilities, current	22	90,236,908	51,439,194
Total current liabilities other than assets or groups of assets for disposal classified as held for sale or as held for distribution to the owners		248,195,867	134,000,884
Liabilities included in assets other than assets or groups of assets for disposal classified as held for sale	9	-	79,702,459
Total current liabilities		**248,195,867**	**213,703,343**
Non-current liabilities			
Other financial liabilities, non-current	18	206,868,434	196,763,780
Trade & other payables		-	268,072
Other non-current provisions	20	9,789,669	8,905,907
Deferred tax liabilities	17	59,987,794	87,231,332
Provisions for employee benefit liabilities, non-current	21	4,060,795	4,328,951
Other non-financial liabilities, non-current	23	46,656,284	35,740,851
Total non-current liabilities		327,362,976	333,238,893
Total non-banking business liabilities		575,558,843	546,942,236
Banking services liabilities			
Current accounts and other demand deposits	37.17	4,338,631,079	3,674,172,391
Operations pending settlement	37.5	208,750,621	325,055,610
Repurchase agreements	37.7	81,754,465	308,027,570
Time deposits & other borrowings	37.18	7,696,652,471	7,425,972,963
Financial derivative contracts	37.8	528,444,169	538,239,951
Due to Banks	37.19	1,281,372,736	1,366,335,008
Debt instruments issued	37.20	1,764,164,725	1,587,999,271
Subordinated obligation with Banco Central de Chile		580,708,139	609,701,440
Other financial obligations	37.21	177,192,187	176,150,542
Current taxes	37.15	2,299,977	39,134,244
Deferred taxes	37.15	26,332,913	13,931,978
Provisions	37.22	246,396,073	155,748,856
Other liabilities	37.23	211,842,948	279,309,111
Total banking services liabilities		**17,144,542,503**	**16,499,778,935**
Total liabilities		**17,720,101,346**	**17,046,721,171**
Equity			
Issued capital	25	642,057,300	642,057,300
Retained earnings		753,521,138	611,557,104
Share premium	25	13,279,113	13,279,113
Other reserves	25	111,694,917	2,070,909
Equity attributable to owners of the parent		1,520,552,468	1,268,964,426
Non-controlling interests		1,205,222,876	1,004,655,328
Total equity		**2,725,775,344**	**2,273,619,754**
Total equity & liabilities		**20,445,876,690**	**19,320,340,925**

The accompanying Notes 1 to 38 form an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

Statement of Comprehensive Income	Note	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Non-banking businesses			
Revenues from ordinary activities	26 a)	304,632,414	254,128,275
Cost of sales		(219,403,850)	(180,864,104)
Gross profit		85,228,564	73,264,171
Other revenues by function		2,168,695	9,838,315
Distribution costs		(4,648,440)	(3,634,141)
Administrative expenses		(74,368,778)	(72,889,327)
Other expenses by function	26 b)	(11,734,075)	(11,562,644)
Other gains	26 c)	163,995,122	29,202,639
Financial income		14,526,918	9,029,343
Financial costs	26 d)	(13,849,250)	(13,839,072)
Equity interest in profit (loss) of associates & joint ventures accounted for using the equity method	12	35,312,226	42,233,654
Foreign currency translation		(133,741)	8,806,521
Result of indexation adjustments		(6,451,174)	373,791
Income before tax		190,046,067	70,823,250
Income tax expense	17	(8,782,300)	(917,936)
Net income from continuing operations		181,263,767	69,905,314
Net income from discontinued operations	9	-	4,160,697
Non-banking business income		**181,263,767**	**74,066,011**
Banking services			
Interest & indexation income	37.25	1,093,355,542	883,093,430
Interest & indexation expense	37.25	(326,236,520)	(222,590,032)
Net interest & indexation income	37.25	767,119,022	660,503,398
Fee income	37.26	342,218,734	297,799,309
Fee expense	37.26	(49,956,744)	(44,334,070)
Net fee income	37.26	292,261,990	253,465,239
Net gain (loss) from financial operations	37.27	19,453,371	(130,268,561)
Net exchange gain (loss)	37.28	63,761,359	220,964,911
Other operating income	37.33	24,146,682	21,885,355
Allowance for credit risk	37.29	(165,961,491)	(223,441,545)
Total net operating income		1,000,780,933	803,108,797
Staff remuneration & expenses	37.30	(273,026,421)	(257,081,913)
Administrative expenses	37.31	(197,670,072)	(176,991,789)
Depreciation & amortization	37.32	(30,544,766)	(32,026,719)
Impairment	37.32	(1,044,439)	-
Other operating expenses	37.34	(86,331,239)	(40,424,949)
Total operating expenses		(588,616,937)	(506,525,370)
Operating income		412,163,996	296,583,427
Income attributable to investments in companies	37.12	1,926,246	839,258
Interest on subordinated debt with Banco Central de Chile		(72,978,711)	(44,748,595)
Income before income tax		341,111,531	252,674,090
Income tax	37.15	(38,550,612)	(39,613,923)
Net income from continuing operations		302,560,919	213,060,167
Banking services net income		**302,560,919**	**213,060,167**
Consolidated net income		**483,824,686**	**287,126,178**
Net income attributable to owners of the parent		**291,606,050**	**155,400,504**
Net income attributable to non-controlling interests		192,218,636	131,725,674
Consolidated net income		**483,824,686**	**287,126,178**

The accompanying Notes 1 to 38 form an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

	Note	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Earnings per share			
Basic earnings per share			
Basic earnings per share from continuing operations		0.254771721	0.132135894
Basic earnings per share from discontinued operations		-	0.003635137
Basic earnings per share	28	0.254771721	0.135771031
Diluted earnings per share			
Diluted earnings per share from continuing operations		0.254771721	0.132135894
Diluted earnings per share from discontinued operations		-	0.003635137
Diluted earnings per share	28	0.254771721	0.135771031

Statement of comprehensive income	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Earnings	483,824,686	287,126,178
Components of other comprehensive income, before taxes		
Foreign Currency Translation differences		
Gains (losses) from foreign currency translation differences, before taxes	(14,726,577)	(46,041,547)
Other comprehensive income, before taxes, foreign currency translation differences	(14,726,577)	(46,041,547)
Financial assets available for sale		
Gains (losses) from new measurements of financial assets available for sale, before taxes	2,775,086	16,237,157
Other comprehensive income, before taxes, financial assets available for sale	2,775,086	16,237,157
Cash flow hedges		
Gains (Losses) from cash flow hedges, before taxes	(1,038,448)	96,336
Other comprehensive income, before taxes, cash flow hedges	(1,038,448)	96,336
Other comprehensive income, before taxes, revaluation gains	(3,273,237)	10,527,425
Equity share in other comprehensive income of associates & joint ventures accounted for using the equity method	113,206	(977,058)
Other components of other comprehensive income, before taxes	(16,149,970)	(20,157,687)
Income taxes related to components of other comprehensive income		
Income tax related to foreign currency translation differences of other comprehensive income	572,195	(92,409)
Income tax related to financial assets available for sale of other comprehensive income	(393,166)	(1,426,063)
Income tax related to cash flow hedges of other comprehensive income	187,269	(15,138)
Sum of income taxes related to components of other comprehensive income	366,298	(1,533,610)
Other comprehensive income	(15,783,672)	(21,691,297)
Total comprehensive income	**468,041,014**	**265,434,881**
Comprehensive income attributable to:		
Owners of the parent	275,822,378	133,709,207
Non-controlling interests	192,218,636	131,725,674
Total comprehensive income	**468,041,014**	**265,434,881**

Consolidated Statements of Cash Flows

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

Statement of cash flows	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Cash flows provided by (used in) operating activities		
Non-banking services		
Proceeds from sales of assets & rendering of services	295,176,620	359,215,555
Other proceeds from operating activities	647,056	-
Types of payments		
Payments to suppliers of goods & services	(269,447,007)	(252,027,685)
Payments to & on behalf of employees	(32,231,264)	(41,112,928)
Other operating activity payments	-	(359,453)
Income taxes refunded (paid)	(2,954,611)	(19,856,670)
Other cash inflows (outflows)	6,123,019	(13,173,714)
Net cash flows provided by (used in) non-banking services operating activities	**(2,686,187)**	**32,685,105**
Banking services		
Consolidated earnings for the year	378,243,316	257,808,762
Charges (credits) to income that do not represent cash flows:		
Depreciation & amortization	30,544,766	32,026,719
Allowances for credit risk	192,762,034	247,767,446
Adjustment to market value of financial assets held for trading	(2,432,791)	5,668,826
Income from investment in companies with significant influence	(1,608,857)	(575,258)
Income from sales of assets received in lieu of payment	(6,440,046)	(5,115,958)
Gain on sale of property, plant & equipment	(752,866)	(83,393)
Write-offs of assets received in payment	4,427,317	3,838,351
Other charges (credits) that do not represent cash flows	(76,509,234)	(69,079,207)
Net increase (decrease) in accrued interest, indexation & fees on assets & liabilities	(159,021,954)	29,235,022
Changes in assets & liabilities that affect operating cash flows:		
Net (increase) decrease in due from banks	99,182,709	(127,011,127)
(Increase) decrease in customer loans & accounts receivable	(837,709,483)	309,398,344
Net (increase) decrease in financial assets held for trading	214,039,514	28,587,698
Increase (decrease) in current account and other demand deposits	727,681,195	711,983,487
Increase (decrease) in repurchase agreements & loans of securities	(221,744,635)	(180,020,898)
Increase (decrease) in time deposits & other borrowings	257,110,761	(862,854,833)
Increase (decrease) in due to banks	(175,649,338)	181,670,052
Increase (decrease) in other financial obligations	(18,182,272)	81,740,045
Loans from Banco Central de Chile (long term)	99,989	130,109
Loans repaid to Banco Central de Chile (long term)	(150,500)	(315,036)
Foreign loans received at long term	993,552,966	905,831,086
Repayment of non-current foreign loans	(815,868,768)	(1,165,973,199)
Other non-current loans drawn	26,797,375	30,201,256
Repayments of other non-current loans	(5,655,958)	(27,925,503)
Sub total net cash flows provided by banking services operating activities	**602,715,240**	**386,932,791**
Total net cash flows provided by operating activities	**600,029,053**	**419,617,896**

The accompanying Notes 1 to 38 form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

	Note	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Cash flows used in investment activities Non-banking services			
Cash flows used to take over subsidiaries & other businesses		(80,840)	-
Other proceeds from sale of equity or debt instruments of other entities		115,772,322	71,747,366
Other payments to acquire equity or debt instruments of other entities		(542,504,092)	(100,093,851)
Other payments to acquire equity interests in joint ventures		-	(1,036,500)
Proceeds from sale of property, plant & equipment		473,677	1,346,075
Purchases of property, plant & equipment		(10,832,222)	(31,093,505)
Purchases of intangible assets		(496,650)	(2,793,188)
Collections from related parties		-	(85,000)
Dividends received		18,549,691	17,426,792
Interest received		12,225,349	4,086,025
Other cash inflows (outflows)	3 e)	599,531,182	128,590,435
Net cash flows provided by non-banking investment activities		**192,638,417**	**88,094,649**
Banking services			
Net (increase) decrease in investment instruments available for sale		222,868,145	28,032,344
Purchases of property, plant & equipment		(27,478,657)	(15,336,833)
Sale of property, plant & equipment		3,130,441	326,226
Investments in companies		(4,115)	169,399
Dividends received from investments in companies		984,478	1,001,674
Sale of assets received in lieu of payment		9,490,784	8,599,068
Net (increase) decrease in other assets & liabilities		(479,208,192)	(187,611,356)
Sub total net cash flows used in banking services investment activities		**(270,217,116)**	**(164,819,478)**
Total net cash flows used in investment activities		**(77,578,699)**	**(76,724,829)**

The accompanying Notes 1 to 38 form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

	Note	12/31/2010 ThCh$	12/31/2009 ThCh$
Cash flows used in non-banking services financing activities			
Proceeds from short-term loans		55,783,510	44,870,643
Total loan proceeds		55,783,510	44,870,643
Loan repayments		(25,879,217)	(59,812,969)
Dividends paid		(180,104,698)	(141,385,086)
Interest paid		(11,362,051)	(6,792,881)
Other cash inflows (outflows)		(280,603)	(1,319,762)
Net cash flows used in non-banking services financing activities		**(161,843,059)**	**(164,440,055)**
Banking services			
Issue of mortgage-funding notes		-	416,194
Redemption of mortgage-funding notes		(53,206,479)	(60,095,478)
Bonds issued		592,371,042	21,136,850
Bonds repaid		(322,786,097)	(154,823,103)
Payment of subordinated obligation with Banco Central de Chile		(101,972,014)	(98,223,580)
Dividends paid		(68,796,295)	(45,052,715)
Sub total net cash flows provided by (used in) banking services financing activities		**45,610,157**	**(336,641,832)**
Total net cash flows used in financing activities		**(116,232,902)**	**(501,081,887)**
Net increase (decrease) in cash & cash equivalents, before the effect of foreign currency translation		406,217,452	(158,188,820)
Effects of foreign currency translation on cash & cash equivalents			
Effects of foreign currency translation on cash & cash equivalents		(436,579)	(17,857,229)
Net increase (decrease) in cash & cash equivalents		**405,780,873**	**(176,046,049)**
Cash & cash equivalents at beginning of the year	3 c)	1,366,958,629	1,543,004,678
Cash & cash equivalents at end of the year	**3 c)**	**1,772,739,502**	**1,366,958,629**

The accompanying Notes 1 to 38 form an integral part of these consolidated financial statements.

Statements of Changes in Equity

(Translation of consolidated financial statements originally issued in Spanish – see Note 2)

	Common Shares		Other reserves									
	Issued capital ThCh$	Share premium ThCh$	Revaluation surplus ThCh$	Foreign currency translation reserves ThCh$	Cash flow hedge reserves ThCh$	Reserves for gains or losses on re-measurement of financial assets available for sale ThCh$	Other miscellaneous reserves ThCh$	Total Other Reserves ThCh$	Retained earnings (cumulative losses) ThCh$	Equity attributable to owners of the parent ThCh$	Non-controlling interests ThCh$	Total equity ThCh$
Initial balance current period 01/01/10	642,057,300	13,279,113	(3,584,791)	(28,061,516)	(141,207)	11,665,986	22,192,437	2,070,909	611,557,104	1,268,964,426	1,004,655,328	2,273,619,754
Restated initial balance	642,057,300	13,279,113	(3,584,791)	(28,061,516)	(141,207)	11,665,986	22,192,437	2,070,909	611,557,104	1,268,964,426	1,004,655,328	2,273,619,754
Changes in equity												
Comprehensive income												
Earnings (loss)	-	-	-	-	-	-	-	-	291,606,050	291,606,050	192,218,636	483,824,686
Other comprehensive income	-	-	(3,273,237)	(14,154,382)	(851,179)	2,381,920	113,206	(15,783,672)	-	(15,783,672)	-	(15,783,672)
Comprehensive income	-	-	-	-	-	-	-	-	-	275,822,378	192,218,636	468,041,014
Dividends	-	-	-	-	-	-	-	-	(149,642,016)	(149,642,016)	-	(149,642,016)
Increase (decrease) due to transfers & other changes	-	-	7,242,054	187,342	-	112	117,978,172	125,407,680	-	125,407,680	8,348,912	133,756,592
Total changes in equity	**-**	**-**	**3,968,817**	**(13,967,040)**	**(851,179)**	**2,382,032**	**118,091,378**	**109,624,008**	**141,964,034**	**251,588,042**	**200,567,548**	**452,155,590**
Closing balance current period 12/31/10	**642,057,300**	**13,279,113**	**384,026**	**(42,028,556)**	**(992,386)**	**14,048,018**	**140,283,815**	**111,694,917**	**753,521,138**	**1,520,552,468**	**1,205,222,876**	**2,725,775,344**
Initial balance previous period 01/01/09	642,057,300	13,279,113	(14,112,216)	18,072,440	(222,405)	34,326,808	15,978,091	54,042,718	502,985,616	1,212,364,747	997,984,792	2,210,349,539
Restated initial balance	642,057,300	13,279,113	(14,112,216)	18,072,440	(222,405)	34,326,808	15,978,091	54,042,718	502,985,616	1,212,364,747	997,984,792	2,210,349,539
Changes in equity												
Comprehensive income												
Earnings (loss)	-	-	-	-	-	-	-	-	155,400,504	155,400,504	131,725,674	287,126,178
Other comprehensive income	-	-	10,527,425	(46,133,956)	81,198	14,811,094	(977,058)	(21,691,297)	-	(21,691,297)	-	(21,691,297)
Comprehensive income	-	-	-	-	-	-	-	-	-	133,709,207	131,725,674	265,434,881
Dividends	-	-	-	-	-	-	-	-	(46,829,016)	(46,829,016)	-	(46,829,016)
Increase (decrease) due to transfers & other changes	-	-	-	-	-	(37,471,916)	7,191,404	(30,280,512)	-	(30,280,512)	(125,055,138)	(155,335,650)
Total changes in equity	**-**	**-**	**10,527,425**	**(46,133,956)**	**81,198**	**(22,660,822)**	**6,214,346**	**(51,971,809)**	**108,571,488**	**56,599,679**	**6,670,536**	**63,270,215**
Closing balance previous period 12/31/2009	**642,057,300**	**13,279,113**	**(3,584,791)**	**(28,061,516)**	**(141,207)**	**11,665,986**	**22,192,437**	**2,070,909**	**611,557,104**	**1,268,964,426**	**1,004,655,328**	**2,273,619,754**

The accompanying Notes 1 to 38 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 Registry under No. 0597 and is subject to the regulatory authority of the Chilean Superintendency of Securities and Insurance.

These consolidated financial statements have been approved by the Board of the Company at its meeting held on March 29, 2011.

(b) Description of operations and main 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 indirect subsidiary Banco de Chile (hereinafter "the Bank"); produces and sells drinks, wines, beer and other drinkable products through its associate Compañía Cervecerías Unidas S.A. (hereinafter "CCU"), an investment accounted for using the equity method; manufactures copper and aluminum products and flexible packaging through its subsidiary Madeco S.A. (hereinafter "Madeco") and, until December 2009, had an investment in telecommunications services through the indirect subsidiary Telefónica del Sur S.A. (hereinafter "Telsur").

Industries in which the Company operates are detailed as follows:

Financial services: Quiñenco has an indirect shareholding in the Bank through the holding of 50.00% of the share capital (67.04% at December 2009) 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.

As of December 31, 2010 and 2009 LQIF is the holder of 32.74% of Banco de Chile. As of December 31, 2010 and 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").

As of December 31, 2010 and 2009, LQIF holds 40.84% of the dividend rights in the Bank.

Beverages and food: CCU is an investment held under the equity 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 of December 31, 2009 as a discontinued operation, provides telephonic services in Chile's 8th, 9th, 10th and 11th regions. As of December 31, 2009, Quiñenco holds 74.43% of Telsur through the subsidiaries VTR S.A. (hereinafter "VTR") and Inversiones Río Seco S.A.

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, the investment in Telsur has been classified as a discontinued operation.

Manufacturing: Madeco, a subsidiary included in these consolidated financial statements, is a regional manufacturer of copper and aluminum based products such aspipes and sheets, 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"). Madeco's shareholding in Nexans (France) is also included.

As of December 31, 2010 and 2009, Quiñenco is 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 of each year:

December 31, 2010	No. of employees
Quiñenco	35
Banco de Chile	14,016
Madeco	2,416
Other subsidiaries	88
Total employees	**16,555**

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**

NOTE 2 – Summary of Significant Accounting Principles

(a) Periods covered

These consolidated financial statements cover the following periods:

- Statements of financial position: as of December 31, 2010 and 2009.
- Statements of comprehensive income; for the years ended December 31, 2010 and 2009.
- Statements of changes in equity and Statements of cash flows: for the years ended December 31, 2010 and 2009.

(b) Basis of 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), with the following exceptions:

Banco de Chile and SM Chile, subsidiaries[1] of LQ Inversiones Financieras S.A., are regulated by the standards established by the Superintendency of Banks and Financial Institutions ("SBIF") which has set a gradual convergence plan from generally accepted accounting principles in Chile ("Chilean GAAP") and the standards and regulations of the SBIF to IFRS. These banking subsidiaries have therefore only partially adopted IFRS through the application of the Compendium of Accounting Standards ("Compendium of Standards") issued by the SBIF, thus generating the following deviations:

1 For IFRS purposes, a subsidiary is any company in which its parent holds 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 subsidiary established in article 86 of the Corporations Law 18,046.

- Allowances for credit risk: The Bank currently considers in its allowances model both estimated and incurred losses, as established by the SBIF. This SBIF model differs from IFRS, as the latter only considers losses incurred. This difference could generate possible adjustments for this concept.

- Impaired loans: The present SBIF treatment states that interest income can no longer accrue to income. Under IFRS, the financial asset is not written off. Instead 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 income recognition.

- 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, the write-off of these assets is not considered while they have an economic value.

- Business combinations - goodwill: As established by the SBIF, assets originating until December 31, 2008 with respect to goodwill will maintain the original valuation criteria used in 2008, i.e. will be amortized until their extinction. Goodwill that has been extinguished will not return to assets.

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 Superintendency of Securities and Insurance ("SVS") which establishes that differences between the Compendium of Standards and IFRS 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, 2010 and 2009 of this indirect subsidiary included in the consolidated financial statements of Quiñenco have therefore been prepared using generally accepted accounting principles 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 issuance 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 IFRS becomes effective for insurance companies. It is therefore not possible to reliably quantify the difference between generally accepted accounting principles in Chile and the regulations of the SVS applicable to insurance companies and IFRS.

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

For comparative purposes, the Company and its subsidiaries have made minor reclassifications to the financial statements as of December 31, 2009 that do not affect their interpretation.

As of the date of issuance of these consolidated financial statements, new regulations, interpretations and amendments have been published to existing regulations which have yet to become effective and that the Company and its subsidiaries have not adopted in advance. Application of these will be mandatory from the dates shown below:

	New standards, interpretations & amendments	Obligatory application
IFRS 9	Financial instruments: Classification & measurement	January 1, 2013
IFRIC 19	Extinguishing of financial liabilities with equity instruments	January 1, 2011
IFRS 1	First-time adoption of IFRS	January 1, 2011
IFRS 3	Business combinations	January 1, 2011
IFRS 7	Financial instruments: Disclosures	January 1, 2011
IAS 1	Presentation of financial statements	January 1, 2011
IAS 12	Income taxes	January 1, 2012
IAS 24	Related party disclosures	January 1, 2011
IAS 27	Consolidated & separate financial statements	January 1, 2011
IAS 32	Financial instruments: presentation	January 1, 2011
IAS 34	Interim financial information	January 1, 2011
IFRIC 13	Customer loyalty programs	January 1, 2011
IFRIC 14	Prepayments of minimum financing requirements	January 1, 2011

The Company's management believes that adoption of the new regulations, interpretations and amendments detailed above will have no significant effects in its consolidated financial statements on their first application.

(c) Basis of consolidation

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

The subsidiaries whose financial statements have been included in the consolidation are detailed as follows:

Tax ID	Subsidiary	Country of origin	Functional currency	Ownership percentage			
				12/31/2010			12/31/2009
				Direct	Indirect	Total	Total
	Excelsa Establishment	Liechtenstein	USD	99.9900	0.0100	100.0000	100.0000
96.611.550-5	VTR S.A. & Subsidiary	Chile	CLP	99.9999	0.0001	100.0000	100.0000
76.077.048-5	Inversiones VTR Sur S.A. & Subsidiary	Chile	CLP	99.9999	0.0001	100.0000	100.0000
95.987.000-4	Inversiones Río Grande S.p.A. & Subsidiaries	Chile	CLP	99.9898	0.0102	100.0000	100.0000
91.527.000-K	Empresa El Peñón S.A. & Subsidiary	Chile	CLP	97.5359	-	97.5359	94.9794
87.011.000-6	Inv. O'Higgins Punta Arenas Ltda. CPA & Subsidiary	Chile	CLP	75.5579	-	75.5579	75.5579
96.929.880-5	LQ Inversiones Financieras S.A. & Subsidiaries	Chile	CLP	47.3520	2.6480	50.0000	67.0444
91.021.000-9	Madeco S.A. & Subsidiaries	Chile	USD	28.4434	19.2078	47.6512	47.6512
91.000.000-4	Industria Nacional de Alimentos S.A. & Subsidiary	Chile	CLP	71.9512	27.9751	99.9263	99.9263
77.253.300-4	Inversiones Río Bravo S.A. & Subsidiaries	Chile	CLP	66.8116	33.1884	100.0000	100.0000
96.657.700-2	Inversiones Ranquil S.A.	Chile	CLP	99.9975	0.0007	99.9982	99.9982

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

The subsidiary LQIF is included in the consolidated financial statements, as Quiñenco controls the subsidiary by having the majority of the members of the board, a situation which in the management's opinion should not change in the short term. 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 Quiñenco S.A. in 2010 and in the consolidated financial statements of Inversiones Río Grande S.A. in 2009, 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 its 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.

- The assumptions used for the calculation of fair value of financial instruments.

- The assumptions used for calculating estimates of the recoverability of trade receivables and accounts receivable 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 income. 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 for the reversal of deferred tax liabilities, and estimates of taxable benefits, on the basis of internal projections that are updated to reflect the most recent trends. 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.

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) Basis of presentation of the consolidated financial statements

Statement of Financial Position

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

(e1) Quiñenco, its non-banking subsidiaries and principal associates operate in the businesses of food and drink, manufacturing and telecommunications, which share a similar operating. They have therefore chosen a presentation format based on present value (classified).

(e2) The banking subsidiaries have no clearly-defined operating cycle and have chosen a liquidity format, as required by the SBIF.

Statements of Comprehensive Income

Quiñenco and its subsidiaries present their classified statements of income by function. However, considering that the industrial sector classifies its operations differently than the business of the banking sector, the Company has opted to present the businesses of the industrial sector as a group, and those of the banking entities separately.

Statements of Cash Flows

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

(f) Functional currency and foreign currency translation

These consolidated financial statements are expressed 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 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 in force on the date of the statement of financial position, but the statements of comprehensive income and cash flows are translated at the average exchange rate of each month. Foreign currency translation is 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 accounted for 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 as of the date of the statement of financial position. All differences are shown as a charge or credit to comprehensive income.

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 comprehensive income. The gain or loss from taxes and credits attributable to these operations is shown as a charge or credit to equity until the disposal of the investment.

Any goodwill purchased and adjustments to the fair value of the book value of assets and liabilities that arise from the acquisition of a foreign operation foreign currency are treated as assets and liabilities of the foreign operation and are converted 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 Chilean National Institute of Statistics (I.N.E.).

(g) Inventory

The subsidiary companies value inventory at the lower of cost and net realizable value. The cost (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 inventory to its current location and present conditions.

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

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

The subsidiaries make an evaluation of the net realizable value of inventory at the end of each year, recording an estimate as a charge to comprehensive incomes when these are overvalued. When the circumstances that previously caused the reduction have ceased to exist, or when there is clear evidence of an increase in the net realizable 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

(h1) Cost

Property, plant and equipment items 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 (works in progress) may include the following accrued concepts during the construction period:

(i) Financial expenses related to 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 operating nature effectively used in the construction of the property, plant and equipment.

After the initial recording, property, plant and equipment items 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 comprehensive income at the time they are incurred.

This heading also includes investments made in assets acquired under leasing agreements with a purchaseoption, that comprise the characteristics of finance leases. These do not legally belong to the Company and become so upon 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 comprehensive income.

(h2) 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:

	Estimated years of useful life
Assets group	
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.

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) Non-current assets or groups of assets for disposal classified as held for sale

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 sale.

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, being 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 were therefore classified in the consolidated financial statements as discontinued operations.

(k) Recognition of revenues

Revenues are recorded to the extent that it is probable that 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 revenues:

(k1) Sale of goods

Revenues from the sale of goods are recorded when the risks and significant benefits of ownership of the goods have been transferred to the buyer, generally upon delivery of the goods.

(k2) Services revenue

Ordinary revenues related to the rendering 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 reliably estimated.

(k3) Interest income

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

(k4) 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 accounted for using the equity method

The Company and its subsidiaries value their investments in associates[2] using the equity 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 equity interest 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 income reflects the proportion in the income of the associate.

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.

Equity changes of associates are shown proportionately as a charge or credit to Other reserves and classified according to their origin and, if applicable, 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 income.

Investments in associates acquired prior to December 31, 2007 have been valued at their equity value, calculated based on the book value of the associate.

(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 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 that used for investments in associates.

Investments in joint ventures acquired prior to December 31, 2007 have been valued at their equity value calculated on the book values of the joint venture.

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.

(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 held for trading (fair value through profit or loss), 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 profit or loss or as available for sale, and do not meet the definition of loans and accounts receivable.

The Company and its subsidiaries have no investments held to maturity for the years ended December 31, 2010 and 2009.

(0.2) 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 the 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 amortized cost using the effective interest rate method, less credit impairment. The amortization of the effective interest rate is included in financial income in the statement of comprehensive incomes. Losses for impairment are shown in the statement of comprehensive incomes 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.

(0.3) Financial assets at fair value through profit or loss

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 income. They are classified as either held for trading or designated on their initial recording as financial assets at fair value through comprehensive incomes.

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 financial assets held for trading.

Financial assets held for trading are shown in the statement of financial position at fair value, and their changes in fair value are shown in the statement of comprehensive incomes in the financial income or expense accounts.

(0.4) Financial assets available for sale

These are valued at 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 above categories. Variations in the fair value are shown as a charge or credit to Other equity reserves in other comprehensive 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.

(0.5) Impairment of financial assets

(0.5.1) Financial investments available for sale

The Company and its subsidiaries evaluate annually 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 exists 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 cost and its present fair value, less any loss for impairment accounted for earlier to income, it is transferred from Other equity reserves (Other comprehensive income) to comprehensive income for the year.

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

Increases in the fair value of investments, after having been recorded as an impairment, are classified in Other equity reserves (Other comprehensive income).

(0.5.2) Financial assets at amortized cost (loans and accounts receivable)
Trade accounts receivable are shown at their net value, i.e. less allowances for impairment (doubtful accounts).

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 companies included in the consolidated financial statements will not receive the payments according to the original terms of sale. Allowances are made when the customer arranges a judicial agreement in bankruptcy or cessation of payments, or when all measures have been exhausted 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, 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).

(0.6) Financial debt

(0.6.1) Interest-bearing credits and loans
All credits and loans are initially accounted for 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 income when the debt is written off or amortized.

(O.6.2) Financial debt at fair value through profit or loss
Financial debt at fair value through profit or loss includes financial debt held for trading and financial debt designated on its initial recording as at fair value through profit or loss.

Financial debt is classified as 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 they are designated as instruments for effective hedging. Gains or losses on liabilities held for trading are shown in results.

When a contract has one or more implicit derivative, the whole hybrid contract may be designated as financial debt at fair value through profit or loss, 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 as 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 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 accounted for separately.

As of December 31, 2010 and 2009, no financial debt has been designated at fair value through profit or loss.

(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 24 Types of financial assets and liabilities.

(p) Income tax and deferred taxes

(p1) 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 or credit to income except for items directly accounted for in equity accounts, which are shown against Other reserves.

(p2) 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 for 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 income as determined for accounting or tax purposes.
- Tax timing differences associated with investments in subsidiaries, associates and investments 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 for all deductible timing differences and tax credits for non-utilized tax losses, provided there is the probability that there will be taxable income 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 or tax income.
- With respect to deductible timing differences associated with investments in subsidiaries, associates and investment 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 taxableincome with which they can be used.

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

As of the date of the statement of financial position, the unrecognized deferred tax assets are revalued and recognized to the extent that it is probable again that future taxable income 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 the liability is 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 to equity is recorded against equity and not against income.

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 conversion to Chilean pesos at the exchange rate current on the date of the statement of financial position.

The subsidiary LQIF at the time of migration to IFRS made a re-issuance of the investment in the subsidiaries Banco de Chile and SM Chile acquired in March 2001, determining the difference between the acquisition value and 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 and which corresponds to acquisitions made prior to March 2001 is maintained at the net value recorded at the date of transition from Chilean GAAP to IFRS. Goodwill generated after March 2001 is valued at cost.

Goodwill is not amortized and at the close of the accounting period it is estimated whether 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 consolidated financial statements, there was no indication of impairment that warranted making any adjustment.

• Other intangible assets other than goodwill

These mainly correspond to trademarks, rights to acquire customer portfolios and computer software.

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

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

Assets with an undefined useful life are valued at cost less accumulated impairment and are not amortized.

Computer software whose disbursements were incurred prior to December 31, 2006 has been valued at cost at the time of convergence of Chilean GAAP to IFRS and is amortized over 4 years.

(r) Asset impairment

(r1) Financial investments held for sale

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

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 acquisition cost, 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 income, this is transferred from Other reserves to profit for the year. The reversal of losses for impairment of this kind of instrument is shown directly in Other reserves.

(r2) 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 recoverable amount of the asset.

The recoverable amount of an asset is the higher of the fair value of an asset or cash-generating 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 appropriated 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 continuing operations are shown against income 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 re-valuation.

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 have reduced. The amount recoverable is estimated if such indications exist. A loss for impairment recorded previously 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 income 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.

(r3) 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 atwhich goodwill is monitored for internal management purposes, and

(ii) Is no larger than a segment based on the primary or secondary reporting format (IAS 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.

(r4) 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.

(r5) Associates and joint ventures

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

(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 comprehensive income.

If the effect of the value of money over time is significant, 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.

The Company and its subsidiaries record a liability for bonuses to their senior executives, which is shown in Provisions, Other short-term provisions.

(ii) Provisions for employee benefits – Severance payments

Madeco and its subsidiaries are committed to making severance payments. This obligation has been determined using the actuarial value method, taking into account the terms of current agreements, considering an annual discount rate of 3.5%, plus a base wage adjusted for inflation and an estimated period according to the age and probable permanence of each person until their retirement.

The kind of plan used by Madeco corresponds to a benefits plan as defined in IAS 19. The methodology used for the actuarial calculation was based on the projected credit-unit method. In determining the discount rate, Madeco has used local sovereign bonds (BCU) instead of corporate bonds

(iii) Provisions for employee benefits - 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.

- Life mathematical 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 income 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.

Gains and losses are shown as a charge or credit to comprehensive income 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) If 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 and its subsidiaries 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 comprehensive incomes on an accrual basis.

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 comprehensive income over the term of the lease.

(w) Financial derivative instruments and hedge accounting

The subsidiary Madeco uses derivative financial instruments such as currency forward contracts, commodity price futures and interest rate swaps to hedge its risks related to fluctuations in interest rates, commodity prices and the foreign currency 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 statement of comprehensive income.

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 or are 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 relationship, the subsidiary Madeco formally designates and documents the hedge relationship to which it 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.

(w.1) Hedges of fair value

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

The change in fair value of hedging derivatives is recorded as a charge or credit to comprehensive income. 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 comprehensive income.

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 income in its fair value attributable to the risk that is being hedged.

If after the item hedged is recorded it is reversed, the fair value not amortized is immediately recorded in the statement of comprehensive income.

When a non-recorded firm commitment 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 comprehensive incomes. The changes in fair value of a hedging instrument are also recorded in the statement of comprehensive income.

(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 comprehensive income.

Amounts taken to equity are transferred to the statement of comprehensive income when the transaction hedged affects it, as when the financial income or a hedged charge 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 comprehensive income. If the hedging instrument matures, it 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 4, Other Current Financial Assets, and Note 18, Other Current and Non-Current Financial 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 their value, and maturing in no more than three months.

For the purposes of this consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts.

The statement of cash flows shows the movements of cash flows during the year, determined using the direct method. In these statements of cash flows, the following expressions have the following meaning:

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

(z) Current and non-current classification

In the consolidated statement of financial position, 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 non-current refinancing is assured at the Company's discretion, under credit agreements available unconditionally with non-current maturities, these could be classified as non-current liabilities.

(aa) Minimum dividend

Article 79 of the Chilean Corporations Law establishes that, unless otherwise agreed unanimously by all the issued shareholders 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 must first 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 is 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 usually the board of the Company, while in the second case the responsibility is that of the ordinary shareholders' meeting.

(bb) Information by segments

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 makes decisions regarding the assignment of funds and evaluation of performance. The Company operates in three business segments: Manufacturing, Financing, and Others (Quiñenco and others). The associate CCU is shown at its equity value in the "Other" segment.

Main accounting policies of the financial institutions regulated by the Chilean Superintendency of Banks and Financial Institutions (SBIF) are detailed as follows.

(cc) Preparation

(cc1) Legal provisions

Article 15 of 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, SM Chile and its direct and indirect subsidiaries 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 (IFRS) issued by the International Accounting Standards Board (IASB). Should there be discrepancies between generally accepted accounting principles and the accounting criteria of the SBIF, the latter shall prevail.

(dd) Consolidation

The financial statements of SM-Chile S.A. as of December 31, 2010 and 2009 have been consolidated with those of its subsidiaries through the global integration method (line by line). These comprise the preparation of the individual financial statements of SM-Chile S.A. and of the companies in the consolidation, and include the adjustments and reclassifications necessary for standardizing their accounting policies and valuation criteria with those of the Company, according to the established regulations. The financial statements have been prepared using uniform accounting policies for similar transactions and other events in equivalent circumstances.

Transactions and significant intercompany balances deriving from operations between SM Chile and its subsidiaries and between these have been eliminated in the consolidation, and the non-controlling interest has also been recorded, corresponding to the percentage equity interest of third parties in the subsidiaries, of which the Company is not directly or indirectly the owner, and is shown separately in the consolidated equity of Quiñenco S.A..

(dd1) Subsidiaries

The subsidiaries are entities controlled by the Company. Control exists when SM Chile has the power to govern the financial and operational policies of the entity with the intention of obtaining benefits from its activities. In evaluating the control, the potential voting rights are taken into account that are currently exercisable. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control starts and until it ends.

The following is a detail of the entities in which SM Chile has control and which form part of the consolidation:

Participation of SM-Chile S.A. in its subsidiaries

Tax ID	Entity	Country	Functional currency	Equity Interest					
				Direct		Indirect		Total	
				2010 %	2009 %	2010 %	2009 %	2010 %	2009 %
97.004.000-5	Banco de Chile	Chile	Ch$	14.70	14.70	34.64	34.64	49.34	49.34
96.803.910-5	Sociedad Administradora de la Obligación Subordinada SAOS S.A.	Chile	Ch$	100.00	100.00	—	—	100.00	100.00

Equity interest of the subsidiary Banco de Chile in its subsidiaries

Tax ID	Entity	Country	Functional currency	Equity Interest					
				Direct		Indirect		Total	
				2010 %	2009 %	2010 %	2009 %	2010 %	2009 %
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	99.70	0.30	0.30	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

The name Bank or Banco de Chile will be mentioned in the following pages, this being understood to refer to the subsidiary Banco de Chile, which is the principal generator of the assets, liabilities, revenues and expenses shown in these consolidated financial statements.

(dd2) Companies with significant influence

These are entities in which the Company has the capacity to exercise a significant influence, although not control. Normally, this capacity is shown in a participation of between 20% and 50% of the company's voting rights and are values using the equity method. Other factors considered in determining significant influence over an entity are representations on the board and the existence of material transactions. The existence of these factors might require application of the equity method despite having an equity interest of less than 20% of the shares with voting rights.

According to the equity method, investments are initially recorded at cost and later increased or decreased to reflect the proportional participation in the earnings or losses of the company and other movements recorded in its equity. Goodwill arising from the acquisition of a company is included in the book value of the investment net of any accumulated impairment.

(dd3) Shares or rights in other companies

These companies are those where SM Chile has no control or significant influence. These interests are shown at cost (historic).

(dd4) Special purpose entities

Specific-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, 2010 and 2009, SM Chile and its subsidiaries did not control nor have created any special-purpose entity.

(dd5) Funds management

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 Bank controls the entity. The Bank did not control any such fund as of December 31, 2010 and 2009.

(ee) Non-controlling interests

Non-controlling interests represents the portion of the losses and earnings, and of the net assets, that SM Chile does not control, directly or indirectly. It is shown in the statement of comprehensive incomes and the consolidated statement of financial position separately from the equity of the shareholders.

(ff) Use of estimates and judgments

Estimates have been made in the financial statements made by the senior management of SM Chile and of the consolidated entities to quantify some of the assets, liabilities, revenues, expenses and commitments that appear in them. Basically, these estimates, made based on the best available information, refer to:

- The valuation of goodwill (Note 37.13).
- The useful life of property, plant & equipment and intangible assets (Notes 37.13 & 37.14).
- Income tax and deferred taxes (Note 37.15).
- Provisions (Note 37.22).
- Commitments and contingencies (Note 37.24).
- Allowance for credit risk (Note 37.30).
- Impairment of certain assets (Note 37.33).
- Fair value of financial assets and liabilities (Note 37.37).

During the year ended December 31, 2010, there have been no significant changes in estimates made in 2009 other than those indicated in these consolidated financial statements.

(gg) Valuation of assets and liabilities

The measurement or valuation of assets and liabilities 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 comprehensive income. 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 degrees and in different combinations of these. Such bases or methods are the following:

(i) Accounting treatment

SM Chile and its subsidiaries initially record 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 and its subsidiaries are committed to buy or sell the asset. All the other assets and liabilities (including assets and liabilities designated to fair value with changes to income) are initially recorded on the date of trading on which SM Chile and its subsidiaries become party to the contractual terms of the instrument.

(ii) Classification

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

(iii) Retirement of assets and financial liabilities

SM Chile and its subsidiaries retire a financial asset from their statements of financial position when the contractual rights expire over the cash flows of the financial asset, or when it transfers the rights to receive contractual cash flows from 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 and its subsidiaries is recorded as a separate asset or liability.

SM Chile and its subsidiaries eliminate a financial liability (or part of it) from their statements of financial 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.

When SM Chile and its subsidiaries transfer a financial asset, they evaluate to what degree they retain the risks and benefits inherent to their ownership. In this case:

(a) 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.

(b) If the risks and advantages inherent in the ownership of a financial asset are substantially retained, it will continue to account for it.

(c) If the risks and advantages inherent in the ownership of a financial asset are not substantially transferred or retained, they 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 entity has retained control, the financial asset will continue to be recorded in the statement of financial position for an amount equal to its exposure to changes that a financial liability may experience and book associated to the financial asset transferred.

(iv) Compensation

Financial assets and liabilities are the object of compensation such that their net amount is shown in the statement of financial position only when SM Chile and its subsidiaries have 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.

Income 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 trading and exchange activities.

(v) Valuation at amortized cost

Amortized cost is understood to be the acquisition cost of a financial asset or liability corrected for capital reimbursements, 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.

(vi) 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, under conditions of mutual independence.

When available, the fair value of an instrument is estimated 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 is not active, fair value will be determined 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 estimated data, 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 and its subsidiaries 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 the 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 income, 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.

The Bank 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 current offer or buyer price is applied for the net open position, 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 it is believed that another market participant takes them into account in determining the price of a transaction.

When the transaction price is different from the fair value of other transactions in an observable market for the same instrument or, based on a valuation technique which includes variables only from active market data, the difference between the transaction price and fair value (loss or gain on day 1) is immediately recorded in Net gain (loss) of financial operations. Where the fair value is determined using data that is not observable, the difference between the transaction price and model value is only recorded in the statement of income when the input becomes observable or when the document is retired.

The disclosures of fair value are included in Note 37.36.

(hh) Foreign currency transactions

Transactions in a currency other than the functional currency are considered to be in foreign currency and are initially recorded at the exchange rate 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 financial position. All differences are shown as a charge or credit to comprehensive income.

Foreign currency assets and liabilities are shown at their equivalent value in pesos, calculated at the exchange rate on December 31, 2010 of Ch$468.37 (Ch$504.43 in 2009) per US$1, Ch$5.74 (Ch$5.51 in 2009) per JPY 1, and Ch619.87 (Ch$727.21 in 2009) per EUR 1.

The balance of ThCh$63,761,359 relates to the net exchange gain (ThCh$220,964,911 in 2009) and is shown in the consolidated statement of comprehensive incomes. 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 exchange transactions of SM Chile and its subsidiaries.

(ii) Instruments held for trading

Instruments held 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 held for trading are valued at fair value. Accrued interest and indexation, gains or losses arising from adjustments for their valuation to fair value, plus the income of trading activities, 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.

(jj) Repurchase agreements 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.

(kk) 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. Derivative contracts are reported as an asset when their fair value is positive and as a liability when it is negative, under the heading Financial derivative contracts.

Changes in fair value of the financial derivative contracts held for trading are included in Net income (loss) from financial operations in the consolidated statement of comprehensive income.

Certain derivatives included 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 this is not recorded at its fair value with its unrealized gains and losses included in comprehensive income.

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

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 of 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.

Certain transactions with derivatives that do not qualify to be recorded as derivatives for hedging are treated and reported as derivatives for trading even though they provide an effective hedge for the management or risk positions.

When a derivate hedges exposure to changes in the fair value of existing assets or liabilities, this is recorded at fair value with respect to the risk specifically covered. Gains or losses from the measurement to fair value, both of the item hedged and the hedge derivative, are recorded directly to comprehensive income 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 recorded as assets or liabilities with an effect on profit for the year. Gains or losses from the measurement to fair value of the hedge derivative are recorded with effect in the comprehensive income for the year. When an asset or liability is acquired as a result of the commitment, the initial recording of the asset or liability is adjusted to incorporate the accumulated effect of the valuation to fair value of the firm commitment that was recorded in the statement of financial position.

When a derivative 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 profits for the year. Amounts recorded directly to equity are shown in income in the same years in which the assets or liabilities hedged affect comprehensive income.

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 to fair value, both of the portfolio hedged and the hedge derivative, are shown against the comprehensive income for the year, but the measurement to fair value of the portfolio hedged is shown in the statement of financial position under Other assets or Other liabilities, according to the position of the portfolio hedged at any one time.

(ll) 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 Bank has no intention of selling immediately or in the short term.

(ll1) Valuation method

Loans and accounts receivable from customers are valued initially at cost plus incremental transaction costs, and later measured at their amortized cost using the effective interest-rate method, except when certain items are identified as ad hedges, which are valued with changes to comprehensive income, as described in (kk) of this Note.

(ll2) 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.

(ll3) Factoring transactions

The Bank 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$ 477,132,727 as of December 31, 2010 (ThCh$341,857,595 in 2009), corresponding to the amount advanced to the assignor plus accrued interest net of the payments received.

(ll4) Impaired portfolio

The impaired portfolio comprises credits about which there is evidence that the debtor will not meet any of their obligations under the agreed-upon payment conditions, without the possibility of recovering that due by recurring to collateral, through the exercise of judicial proceedings or agreeing upon different conditions.

The following are some situations that provide evidence that debtors will not meet their obligations with the Bank according to that agreed and that their loans have deteriorated:

- Evident financial difficulties of the debtor or significant worsening of their credit quality.

- Notable indications that the debtor will enter bankruptcy or a forced debt restructuring or they have effectively requested their bankruptcy or similar measure with respect to their payment obligations, including the postponement or non-payment of their obligations.

- Forced restructuring of some credit due to the debtor's economic or legal position, whether with a reduction in the payment obligation or the postponement of the principal, interest or commissions.

- The debtor's obligations are traded at a substantial discount due to a weakness in its payment capacity.

- Adverse changes produced by technology, the market, economy or legal in which the debtor operates that potentially compromise their payment capacity.

(ll5) Allowances for credit risk

The allowances required to cover risks of losses of credits 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.

(ll5.1) Allowances by individual evaluation

The individual analysis of debtors is applied to segments of 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 their 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, and payment record and capacity.

One of the following categories should be assigned to each debtor in terms of their credit rating after completing the analysis:

1. 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.

2. 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.

Category	Allowance
A1	0.00%
A2	0.10%(*)
A3	0.50%
B	1.00%

(*) As of December 31, 2009, the allowance assigned to this category was 0.00%.

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%

(ll5.2) Allowances by group evaluation
Group evaluation is used to analyze a large number of operations whose individual amounts are small. For these, the Bank 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.

(ll6) Write-off 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
Other 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.

(ll7) Recovery of loans written off

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

(mm) 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. The Bank evaluates periodically the capacity and intention to sell these financial instruments available for sale.

A financial asset classified as available for sale is initially recorded at cost plus transaction costs directly attributable to its acquisition.

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 comprehensive income and reported under Net gain (loss) from financial operations.

Investment instruments held to maturity are recorded at cost plus accrued interest and indexation and less allowances for impairment constituted when their book value is higher that the estimated recoverable amount.

Interest and indexation of investment instruments held to maturity and of those 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 or 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.

The Bank and its subsidiaries had no investment instruments held to maturity as of December 31, 2010 and 2009.

(nn) Debt instruments issued

Financial instruments issued by the Bank are classified in the statement of financial position as Debt instruments issued, in which the Bank has an obligation to provide cash or other financial asset to the bearer, or to meet the obligation by an exchange of the fixed amount of cash or other financial asset for a set number of shares of equity.

Following the initial measurement, the obligation is valued at amortized cost using the effective interest rate method. The amortized cost is calculated taking into account any discount, premium or cost directly related to the issue.

(oo) Intangible assets

Intangible assets are identified as non-monetary assets (separate from other assets) without physical substance that arise as a result of a legal transaction or are developed internally by the consolidated entities. They are assets whose cost can be estimated reliably and for which the consolidated entities consider it probable that future economic benefits will accrue.

Intangible assets are recorded initially at acquisition or production cost and are subsequently measured at their cost less any accumulated amortization or any accumulated impairment.

(oo1) 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.

In calculating goodwill, the fair value of the assets acquired, liabilities and contingent liabilities are determined by reference to market value or discounted future cash flows to their present value. This discount is made using market rates or risk-free interest rates and future cash flows with adjusted risk.

Goodwill as of December 31, 2010 and 2009 is shown at cost less accumulated amortization according to its remaining useful life. An evaluation of impairment is also made annually or more frequently if there are indications that impairment could occur. Impairment is determined by comparing the present value of the expected cash flows of each cash-generating unit with the book value of its net assets, including attributable goodwill and taken to cost less accumulated impairment. This criterion is in accordance with the requirements of the SBIF.

(oo2) Software or computer programs

Computer programs acquired by the Bank 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 income 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.

(oo3) 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

Property, plant and equipment include the amount of land, properties, movable assets, vehicles, computer equipment and other installations owned by the consolidated entities, and are used in the entity's business. These assets 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, 2007.

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

Depreciation is recorded in the statement of comprehensive income 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 years 2010 and 2009 are:

- Buildings	50 years
- Installations	10 years
- Equipment	3 years
- Fixtures & accessories	5 years

Conservation and maintenance expenses of the assets of own use are charged to the comprehensive income of the year in which they are incurred.

(qq) Current taxes and deferred taxes

The income tax provision of SM Chile and its subsidiaries has been determined in accordance with current legislation.

The subsidiaries, when appropriate, record 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. Deferred taxes are classified in accordance with SBIF regulations.

(rr) Assets received in lieu of payment

Assets received in payment of loans and accounts receivable from customers are recorded, in the case of payments in kind, at the price agreed between the parties or, where no such agreement exists, for the amount that the Bank adjudicates them at a judicial auction.

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

(tt1) it is a current obligation as a result of past events, and

(tt2) at the date of the financial, statements it is probable that the Bank or its subsidiaries have to expend resources in cancelling the obligation, and the amount 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 SM Chile and its subsidiaries.

The following classifies as contingent in complementary information:

i) Guarantees: Comprise guarantees and stand-by letters of credit as referred to in Chapter 8-10 of the SBIF's Updated Compilation of Regulations. It also includes guarantees of payment by buyers in factoring transactions, as indicated in Chapter 8-38 of the Compilation.

ii) Confirmed foreign letters of credit: refer to letters of credit confirmed by the Bank.

iii) Documentary letters of credit: include documentary letters of credit isssued by the Bank which have not yet been negotiated.

iv) Performance bonds: refer to performance bonds with promissory note as referred to in Chapter 8-11 of the Updated Compilation of Regulations.

v) Interbank guarantee letters: letters of guarantee issued in accordance with Section II of Chapter 8-12 of the Updated Compilation of Regulations.

vi) Freely-available lines of credit: the amount not drawn under lines of credit which permit customers to make use of the credit without any prior decision by the Bank (e.g. with use of credit cards or agreed overdrafts in current account).

vii) Other credit commitments: the un-drawn amounts of committed credits that should be disbursed on an agreed future date or in the event of conditions precedent contractually agreed with the customer, as can occur in the case of lines of credit related to progress payments on construction or similar projects.

viii) Other commitments: include any type of commitment that might exist and can result in an effective credit on the occurrence of certain future events. In general, these are infrequent operations like the pledging of instruments to guarantee the payment of credit operations between third parties or derivative transactions on behalf of third parties that may imply a payment obligation and are not covered by deposits.

Credit-risk exposure on contingent liabilities:

To calculate the provisions for contingent liabilities, as indicated in Chapter B-1 of the Compendium of Accounting Regulations of the SBIF, the amount of exposure to be considered is equivalent to the percentage of the amounts of contingent liabilities as indicated below:

Type of contingent liability	Exposure
a) Guarantees	100%
b) Confirmed foreign letters of credit	20%
c) Documentary letters of credit issued	20%
d) Performance bonds	50%
e) Interbank letters of guarantee	100%
f) Freely-available lines of credit	50%
g) Other credit commitments:	
- Tertiary study credits Law 20,027	15%
- Others	100%
h) Other contingent liabilities	100%

However, with respect to operations carried out with customers that have overdue loans as indicated in Chapter B-2 of the Compendium of Accounting Regulations of the SBIF, Impaired and/or Written-Off Loans, this exposure shall always be the equivalent of 100% of the contingent liabilities.

Additional allowances:

In accordance with instructions of the SBIF, the Bank and some of its subsidiaries have made additional allowances for their loan portfolios in order to protect themselves from the risk of unforeseeable economic fluctuations that might affect the macroeconomic environment or the situation of the economic sector specifically, considering the expected impairment of that portfolio. The calculation of this allowance is made based on the Bank's past experience and considering eventual adverse macroeconomic prospects or circumstances that might affect a sector, industry, groups of debtors or projects. During the current year, allowances were made for this concept, as a net charge to income, of ThCh$20,442,743 (ThCh$12,451,153 in 2009).

As stated in Note 37.2 of Accounting Changes, allowances were made for credit risk for contingent liabilities related to freely-available lines of credit and other credit commitments amounting to ThCh$15,926,888 against equity and ThCh$685,623 against income.

In addition, as indicated in Note 37.2, additional transitory allowances were made against the profit for 2010. The Bank and its subsidiary Banchile Factoring accordingly made allowances of ThCh$21,500,000.

(uu) Provision minimum dividends

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

To calculate the provision for minimum dividends, the distributable earnings of the subsidiary Banco de Chile are taken into account which, according to the bylaws of that subsidiary, are defined as those resulting from deducting from or adding to net earnings the amount of price-level restatement in the revaluation or adjustment of paid capital and reserves for the year and their corresponding variations.

(vv) Employee benefits

(vv1) Personnel vacations

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

(vv2) Short-term benefits

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

(vv3) Severance payments

The Bank 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 non-current operations (5.91% as of December 31, 2010 and 4.91% as of December 31, 2009).

The discount rate used corresponds to the financing rate given by the Bank's treasury area to the different segments. This is made based on the yield on bonds of the Banco Central de Chile in pesos (BCP) at 5 years.

Actuarial gains and losses are recorded as revenues or expenses at the end of the year. There are no other additional costs that have to be recorded by the Bank.

(ww) Interest and indexation income 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 Bank 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 income accounts; these are recorded as and when they are received. Suspension occurs in the following cases:

Individually-evaluated loans

- Loans classified in categories D1 and D2: Accrual is suspended by the mere fact of being in the impaired portfolio.
- Loans classified in categories C3 and C4: Accrual is suspended for having been three months in the impaired portfolio.

Group-evaluated loans

- Loans with real collateral below 80%: Accrual is suspended when the loan or one of its installments is overdue more than six months.

In the case of loans subject to individual evaluation, the income recognition can be continued for the accrual of interest and indexation which is being paid normally and which corresponds to obligations whose flows are independent, as might occur in the case of project financing.

(xx) Fee income and expenses

Fee income and expenses are shown in consolidated income 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.

- Commissions on loan commitments and other commissions related to loan operations are deferred (together with the incremental costs related directly to the placement) and recorded as an adjustment to the effective interest rate of the placement. In the case of loan commitments, when there is uncertainty about the date of effective placement, the commissions are recorded in the year of the commitment originating them on a straight-line basis.

(yy) Identification and measurement of impairment

(yy1) Financial assets

A financial asset is revised throughout each 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.

In the case of capital investments classified as financial assets available for sale, objective evidence includes a significant and prolonged fall below the original investment cost, in the realizable value of the investment. In the case of investments classified as financial assets available for sale, the Bank evaluates whether there is objective evidence of impairment based on the same criterion used for the evaluation of the loans.

If there is evidence of impairment, any amounts previously recorded in equity, net gains (losses) not recorded in the statement of income, are removed from equity and recorded in the statement of comprehensive income for the year, shown as Net gains (losses) relating to financial assets available for sale.

This amount is determined as the difference between cost (net of any reimbursement and amortization) and the present fair value of the asset, less any loss for impairment on that investment that has been previously recorded in the statement of comprehensive income.

When the fair value of debt instruments available for sale recovers at least to their amortized cost, these are no longer considered as impaired instruments and later changes in their fair value are recorded in equity.

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

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

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 income. In the case of financial assets which are variable-income securities, the reversal is recorded directly to equity.

A loss for impairment is reversed if in the following year the fair value of the debt instrument classified as available for sale rises, and this increase can be objectively related to an event occurring after the loss for impairment was recorded in the statement of comprehensive income. The amount of the reversal is recorded in the statement of comprehensive income up to the amount previously recorded as impaired. The losses recorded in the statement of comprehensive income for an investment in shares classified as available for sale are not reversed in the statement of comprehensive income.

(yy2) Non-financial assets

The book value of the non-financial assets of the Bank 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.

The Bank evaluates at each reporting date and constantly if there are indications that an asset might be impaired. If there are indications, the Bank estimates the amount recoverable from the asset. The recoverable amount of an asset is the difference between the fair value less the costs of sale of the asset in use. When the book value of the asset exceeds the amount recoverable, the asset is considered to be impaired and the difference between both values is written off to reflect the asset at its recoverable value. In evaluating the value in use, the estimated cash flows are discounted to their present value, using a discount rate that reflects current conditions in the money market at the time and the specific risks of the asset. An appropriate evaluation model should be used to determine the fair value less the cost of sale. These calculations are checked against multiple valuations, share prices and other indicators of fair value.

For assets excluding goodwill, losses for impairment recorded in previous years are evaluated on each date of presentation of the financial statements to check for any indication that the loss has decreased or disappeared. A loss for impairment is reversed if a change has occurred in the estimates used in determining the recoverable amount. A loss for impairment is reversed only to the extent that the book value of the asset does not exceed the book value that would have been determined, net of depreciation or amortization, if no loss for impairment had been recorded. This reversal is recorded in the statement of comprehensive income.

Losses for impairment related to goodwill cannot be reversed in future years.

(zz) Financial and operative leases

(zz1) The Bank as lessor

Assets leased to customers under contracts that substantially transfer all the risks and property recognitions, with or without legal title, are classified as a financial lease. When the assets retained are subject to a financial lease, the assets leased cease to be accounted for and an account receivable is recorded, equal to the minimum amount of the lease payment, discounting the lease's interest rate. The initial negotiation expenses in a financial lease are incorporated in the account receivable through the discount rate applied to the lease. Leasing revenue is recorded on lease terms based on a model that constantly reflects a periodic rate of return in the net leasing investment.

Assets leased to customers under contracts that do not substantially transfer all the rights and benefits of the asset are classified as an operative lease.

Assets under operative leases are included in Other assets in the statement of position and depreciation is determined on the book value of these assets, applying a proportion of the value systematically on the economic use of the estimated useful life. Leasing revenues are recorded on a straight-line basis in the period of the lease.

(zz2) The Bank as lessee

Assets under financial leases are initially recorded in the statement of position at an amount equal to the fair value of the asset leased or, if lower, the present value of the minimum payments. As of December 31, 2010 and 2009, SM Chile and its subsidiaries have no contracts of this nature.

Operative leases are recorded as expenses on a straight-line basis over the term of the lease, which begins when the lessee controls the physical use of the asset. Lease incentives are treated as a reduction in lease expenses and are also shown over the term of the lease on a straight-line basis. Contingent leases that arise under operative leases are recorded as an expense in the years in which they are incurred.

(aaa) Fiduciary activities

The Bank provides trust commissions and other fiduciary services resulting from the participation or investment of assets on behalf of customers. The assets held in a fiduciary capacity are not reported in the financial statements as they are not assets of the Bank.

(bbb) Customer loyalty program

The Bank has a loyalty program that provides incentives to its customers, enabling them to acquire goods and/or services by the exchange of prize points called "dólares premio" which are granted as a function of the purchases made with the Bank's credit cards and compliance with certain conditions established in the program. The exchange of the "dólares premios" is made by a third party. According to CFRS 13, the costs of the Bank's commitments with its customers under this program are recorded at the present value on an accrued basis considering the total points susceptible to being exchanged of all the accumulated "dólares premio" and also the probability of their exchange.

(ccc) Reclassification

The financial statements of 2009 include certain reclassifications to conform them with the classifications used in 2010.

(ddd) Recent accounting pronouncements

The following is a summary of new regulations, interpretations and improvements to the international accounting standards issued by the International Accounting Standards Board (IASB), which have not come into effect as of December 31, 2010:

(ddd1) IAS 12 Income tax

On December 20, 2010, the IASB issued the document "Deferred tax: recovery of underlying assets (amendment to IAS 12)" which regulates the determination of deferred taxes of entities that use the fair value as valuation model for Investment properties in accordance with IAS 40 Investment Properties. The new regulation also incorporates SIC-21 "Income tax—Recovery of Non-Depreciable Assets" in the body of IAS 12. Entities are required to apply the amendments as from January 1, 2012. The management of Banco de Chile and subsidiaries believe that this regulation has no impact on their consolidated financial statements.

(ddd2) IAS 24 Related party disclosures

In November 2009, the IASB issued a revised version of IAS 24, "Related party disclosures" (IAS 24 R). IAS 24 R contains two new basic points: when the relationship occurs due to being entities dependent or related to the state (or equivalent government institution), an exemption is included for disclosing these transactions in the notes to the financial statements. It also revises the definition of the related party, clarifying some relations that previously were not explicit in the standard. The revised standard will come into effect beginning on January 1, 2011, permitting the anticipation of its application.

SM Chile and its subsidiaries are currently working on the adoption of IAS 24 R, considering the impacts this standard will have on the financial statements.

(ddd3) IAS 32 Financial instruments: presentation.

In October 2009, the IASB published the document "Classification of issuances of preferential rights". This changed certain sections of IAS 32 relating to issues of preferential rights. According to the modifications, the rights, options and warrants that in some way comply with the definition in paragraph 11 of IAS 32, issued to acquire a fixed number of non-derivative equity instruments of an entity for a fixed amount in ant currency, are classified as equity instruments provided the offer is made pro rata to all the present owners of the same class of non-derivative equity instruments of the entity. Its application is effective for annual periods beginning on or after February 1, 2010. Its anticipated adoption is permitted.

SM Chile and its subsidiaries are currently working on the adoption of IAS 32.

(ddd4) IFRS 1 First time adoption of International Financial Reporting Standards – Hyperinflation.

On December 20, 2010, the IASB issued the document "Severe hyperinflation and elimination of fixed dates of the IFRS 1 First adoption of the International Financial Reporting Standards" which modifies IFRS 1, permitting entities whose functional currency has been subject to severe hyperinflation to use fair value as attributed cost for the assets and liabilities shown on the date of transition to IFRS. In addition, the references at January 1, 2004 maintained in the regulation are replaced for the transition date and therefore entities adopting IFRS for the first time should not restate transactions that occurred prior to the transition date. Entities are required to apply the modifications in the annual periods starting in July 1, 2011. The management of SM Chile and its subsidiaries believe that this regulation has no impact on their consolidated financial statements.

(ddd5) IFRS 7 Financial instruments: information for disclosure.

In October 2010, the IASB issued a group of modifications to help users of the financial statements to understand exposure to transfers of financial assets, analyze the effect of their risks on the financial position of the entity and promote transparency, particularly relating to transactions that involve the securitization of financial assets.

Entities are required to apply the modifications in the annual periods starting on July 1, 2011. SM Chile and its subsidiaries are currently evaluating the possible impact of its adoption on its consolidated financial statements.

(ddd6) IFRS 9 Financial instruments

Financial liabilities

On October 28, 2010, the IASB incorporated into IFRS 9 the accounting treatment of financial liabilities, maintaining the classification and measurement criteria existing in IAS 39 for all the liabilities except those in which the entity has used the option of fair value. Entities whose liabilities are valued using the fair value option should determine the amount of the variations attributable to credit risk and book them in equity if these do not produce accounting symmetry.

Entities are required to apply the modification for annual periods starting on January 1, 2013.

Financial instruments: Recording and measurement.

In November 2009, the IASB issued IFRS 9, "Financial instruments", the first step in its Project of replacing IAS 39, "Financial instruments: Recording and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets that are within the scope of application of IAS 39. This new regulation requires that all financial assets be classified as a function of the business model of the entity for the management of financial assets and of the characteristics of contractual cash flows of the financial asset. A financial asset will be measured by its amortized cost if it meets two criteria: (a) the objective of the business model is to maintain a financial asset to receive the contractual cash flows, and (b) the contractual cash flows represent payments of principal and interest. If a financial asset does not meet the above conditions, it shall be measured at fair value. In addition, this standard permits a financial asset that meets the criteria for valuing it at amortized cost to designate it at fair value with changes in income under the option of fair value, provided this significantly reduces or eliminates an accounting asymmetry. IFRS 9 also eliminates the requirement to separate implicit derivatives from the host financial assets. It therefore requires that a hybrid contract is classified fully in amortized or fair value.

IFRS 9 requires the entity to make reclassifications of the financial assets mandatorily and prospectively when the entity modifies the business model.

Under IFRS 9, all variable-income investments are measured at their fair value. However, management has the option to show variations in fair value directly in equity under Valuation accounts. This designation is available for the initial recording of an instrument and is irrevocable. Unrealized income recorded in Valuation accounts resulting from variations in fair value should not be included in the statement of income.

IFRS 9 is effective for annual periods beginning on January 1, 2013, permitting their adoption prior to this date. IFRS 9 should be applied retroactively, but if adopted prior to January 1, 2012, it is not necessary to restate the comparative periods.

SM Chile and its subsidiaries are evaluating the possible impact of the adoption of these changes on the financial statements, but this impact will depend on the assets held by the institution on the date of adoption. It is not practical to quantify the effect on the issue of these financial statements. Both standards have still yet to be approved by the SBIF, which is required for their application.

(ddd7) IFRIC 14 The limit of an asset for defined benefits, obligation to maintain a minimum level of financing and its interaction.

In November 2009, the IASB issued modifications to IFRIC 14 that permit the recording the advance payment as an asset when an entity is subject to requirements to maintain a minimum level of financing and makes advance payments to cover those requirements. The modification is to be applied in annual periods starting on January 1, 2011.

The management of SM Chile and its subsidiaries believe that this regulation has no impact on their consolidated financial statements.

(ddd8) IFRIC 19 Extinguishing financial liabilities with equity instruments.

In November 2009, the IASB issued IFRIC 19 to regulate the accounting for the full or partial cancellation of financial liabilities through the issuance by the debtor of equity instruments. The regulation clarifies the accounting for these operations from the point of view of the issuer of the equity, stating that the equity instruments issued should be valued at fair value. Should it not be possible to calculate this, the fair value of the liability cancelled will be used. The difference between the cancelled liability and the equity instruments issued will recorded in income.

The standard shall be applied for annual periods starting on July 1, 2010, with early application permitted.

The management of SM Chile and its subsidiaries believe that this regulation has no impact on their consolidated financial statements.

(ddd9) Improvements to International Financial Reporting Standards (IFRS).

As a result of its annual improvement project, the IASB issued in May 2010 a package of modifications to some specific IFRS and an interpretation. The modifications include accounting changes for the effects of presentation, recording, measurement and terminology, as follows:

- IFRS 3 Business combinations
- IFRS 7 Financial instruments: Disclosures
- IAS 1 Presentation of financial statements
- IAS 27 Consolidated and separate financial statements
- IFRIC 13 Customer loyalty programs

Most of the modifications are applicable for annual periods beginning on January 1, 2011. SM Chile and its subsidiaries are evaluating the possible impact that their adoption will have on their consolidated financial statements.

NOTE 3 – Cash and cash equivalents

a) Cash and cash equivalents are detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Cash	51,229	78,341
Balances in banks	3,437,034	4,119,457
Time deposits	218,525,626	31,002,750
Investments under repurchase agreements	106,278,614	97,158,912
Total	**328,292,503**	**132,359,460**

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. Neither do they 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, 2010 is ThCh$14,839,907 (ThCh$43,888,532 in 2009), and which have been eliminated in the preparation of these consolidated financial statements.

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

	Currency	12/31/2010 ThCh$	12/31/2009 ThCh$
Cash and cash equivalents	CLP	323,183,918	100,954,744
Cash and cash equivalents	USD	4,015,386	30,316,799
Cash and cash equivalents	EUR	353,687	425,374
Cash and cash equivalents	ARS	200,855	191,921
Cash and cash equivalents	PEN	225,627	101,394
Cash and cash equivalents	BRL	313,030	369,228
Total		**328,292,503**	**132,359,460**

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

	12/31/2010 ThCh$	12/31/2009 ThCh$
Cash & cash equivalents relating to non-banking services	328,292,503	**132,359,460**
Cash & cash equivalents relating to banking services		
Cash	309,347,996	257,091,499
Deposits with Banco Central de Chile	310,358,843	127,166,553
Deposits with national Banks	110,000,044	94,318,158
Foreign deposits	42,622,927	248,976,956
Operations pending settlements (net)	221,005,006	200,995,896
Highly-liquid financial instruments	431,210,209	226,648,837
Repurchase agreements	19,901,974	79,401,270
Cash and cash equivalents shown in consolidated statement of cash flows	**1,772,739,502**	**1,366,958,629**

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.

e) Other cash inflows (outflows)

Other cash inflows from investment activities for non-banking services as of December 31, 2010 relate to the sale of 17.04% of LQ Inversiones Financieras S.A. for ThCh$ 541,919,016 and 74.43% of Telsur S.A. for ThCh$ 57,212,166 and other minor items. For 2009, the amount of ThCh$61,849,137 corresponded to the sale of shares in Entel and D&S, plus ThCh$61,417,175 related to the redemption of time deposits which in 2008 were financial instruments.

NOTE 4 – Other current financial assets

These comprise the following as of December 31 of each year:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Time deposits of over 90 day term	233,771,883	-
Banco Central instruments (PDBC, CERO, BCU)	85,907,224	-
Hedge assets	120,505	199,523
Other minor items	-	1,697
Total	**319,799,612**	**201,220**

Not included are the balances that Quiñenco and its subsidiaries maintain in time deposits at more than 90 days with Banco de Chile, amounting to ThCh$ 88,323,535 as of December 31, 2010 (none at December 31, 2009.

a) Hedging assets

Current hedging assets and their fair values are detailed as follows:

Classification	Type of hedge	Risk hedged	Item hedged	Current		Fair value	
				12/31/2010 ThCh$	12/31/2009 ThCh$	12/31/2010 ThCh$	12/31/2009 ThCh$
Hedging assets, Other derivatives	Cash flow hedge instrument	Exposure to risk of variations in commodity prices (copper & aluminum)	Expected sales	120,505	199,523	120,505	199,523
	Total hedge assets			**120,505**	**199,523**	**120,505**	**199,523**

NOTE 5 – Other non-financial assets, current

Other non-financial assets as of December 31 of each year are detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Nexans guarantee	6,551,355	16,856,971
Dividends receivable	10,793,820	12,664,311
Advances to suppliers	2,064,063	2,788,228
Others	53,158	111,272
Total	**19,462,396**	**32,420,782**

NOTE 6 – Trade and other receivables

The following is the composition as of December 31 of each year:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Trade receivables	56,089,191	45,999,693
Other accounts receivable	5,451,550	5,804,003
Allowance for doubtful accounts	(2,437,184)	(4,592,579)
Total	**59,103,557**	**47,211,117**

NOTE 7 – Balances and transactions with related parties

a) Accounts receivable from related parties

Accounts receivable from related parties as of December 31 of each year are detailed as follows:

Company	Tax ID	Relationship	Currency	Current Asset		Non-Current Asset	
				12/31/2010 ThCh$	12/31/2009 ThCh$	12/31/2010 ThCh$	12/31/2009 ThCh$
Habitaria S.A.	96.867.470-6	Joint venture	CLP	-	400,000	-	-
Embotelladoras Chilenas Unidas S.A.	99.501.760-1	Subsidiary of joint venture	CLP	156,224	81,659	-	-
Aguas CCU Nestlé Chile S.A.	76.003.431-2	Subsidiary of joint venture	CLP	106,403	55,934	-	-
Foods Compañía de Alimentos CCU S.A.	99.542.980-2	Joint venture	CLP	9,325	-	-	-
Transportes y Servicios Aéreos S.A.	96.994.240-2	Joint venture	CLP	678	678	549,742	536,604
Others				7,625	9,200	-	-
Total				**280,255**	**547,471**	**549,742**	**536,604**

b) Accounts payable to related parties

Accounts payable to related parties as of December 31 of each year are detailed as follows:

Company	Tax ID	Relationship	Currency	Current Asset		Non-Current Asset	
				12/31/2010 ThCh$	12/31/2009 ThCh$	12/31/2010 ThCh$	12/31/2009 ThCh$
Other			CLP	1,471	9,262	-	-
Total				**1,471**	**9,262**	**-**	**-**

c) Nature of the balances

The nature of the relationship, transaction, currency, interest rate and maturity of balances with related companies as of December 31, 2010 are detailed as follows. There are no allowances for doubtful accounts.

Relationship	ThCh$	Transaction	Currency	Interest rate	Payment date
Current assets					
Joint venture subsidiary	262,627	Invoices	Non-indexed pesos	-	less than 90 days
Joint venture	17,628	Invoices	Non-indexed pesos	-	less than 90 days
Total current assets	**280,255**				
Non-current assets					
Joint venture	549,742	Trade current account	U.F.	-	Indefinite
Total non-current assets	**549,742**				
Current liabilities					
Joint venture	1,471	Invoices	Non-indexed pesos	-	less than 90 days
Total current liabilities	**1,471**				
Non-current liabilities					
-	-	-	-	-	-
Total non-current liabilities	**-**				

d) Significant transactions with related parties

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 with respect to its position as related.

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

In showing transactions with related parties, amounts exceeding the lesser of UF 10,000 or 1% of equity have been considered significant.

Tax ID	Company	Relationship	Transaction	Effect on income (charge) credit	
				12/31/2010 ThCh$	12/31/2009 ThCh$
99.501.760-1	Embotelladoras Chilenas Unidas S.A.	Subsidiary of joint venture	Sale of products	637,367	509,229
76.003.431-2	Aguas CCU Nestlé Chile S.A.	Subsidiary of joint venture	Sale of products	384,426	276,452
Total				**1,021,793**	**785,681**

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

	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Wages & salaries	2,962,618	2,149,889
Fees (allowances & profit sharing)	1,671,618	1,089,107
Short-term benefits	4,559,500	2,215,000
Total	**9,193,736**	**5,453,996**

NOTE 8 – Inventory

Inventory as of December 31, 2010 and 2009 is detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Raw materials	12,704,531	9,465,814
Merchandise	4,980,085	4,863,110
Supplies for production	2,739,146	3,245,955
Work in progress	10,787,360	8,326,341
Finished goods	5,232,584	4,085,734
Other inventory (1)	315,062	625,978
Total	**36,758,768**	**30,612,932**

(1) Includes mainly inventory in transit.

The following shows the amounts deducted from inventory, mainly with respect to obsolescence and the adjustment to net realizable value, generated in the subsidiary Madeco due to variations in the price of copper.

	12/31/2010 ThCh$	12/31/2009 ThCh$
Amounts deducted from inventory	254,436	1,182,336

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

	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Costs of inventory shown as expense	178,244,667	147,307,855

NOTE 9 – Non-current assets or assets for disposal classified as held for sale

The composition as of December 31 for each year is detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Non-current assets held for sale	2,106,045	1,170,688
Discontinued operations	-	153,606,089
Total	**2,106,045**	**154,776,777**

(a) Non-current assets held for sale

The composition of non-current assets held for sale as of December 31 of each year is detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Office, store-room and parking lots (Torre Vitacura) (1)	-	1,170,688
Investment in Nexans Colombia (ex Cedsa S.A.) shares (2)	2,106,045	-
Total	**2,106,045**	**1,170,688**

(1) Relates to office, storage room and parking lots at Torre Vitacura received in lieu of payment by the indirect subsidiary Indalum S.A. This asset was sold in December 2010.

(2) As a result of the settlement with Nexans, the investment in shares received upon the sale of the cables unit was reclassified from Other current assets.

(b) Discontinued operations

b.1) The following are the balances of discontinued operations:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Assets (1) (2)	-	153,606,089
Liabilities (2)	-	79,702,459

(1) As of December 31, 2009, the discontinued operations are included of Alufoil S.A., a subsidiary of Alusa S.A.. From the second half of 2010, this subsidiary ceased to show Alufoil S.A. as a discontinued operation, as it did not comply with the requirements of IFRS 5.

(2) As of December 31, 2009, the assets and liabilities of the subsidiary Telsur are included. This was disposed of in January 2010.

b.2) Profit or loss of discontinued operations for the years 2010 and 2009 is detailed as follows:

	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Revenues	-	64,229,267
Expenses	-	(59,265,666)
Pre-tax income	-	4,963,601
Credit (charge) for income tax	-	(802,904)
Earnings (loss) on discontinued operations, net of tax	-	4,160,697

b.3) The net cash flows of these operations in 2010 and 2009 were:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Operating activities	-	24,199,714
Investment activities	-	(21,942,541)
Financing activities	-	(2,300,024)
Total net cash flows	-	(42,851)

NOTE 10 – Other non-current financial assets

Other non-current financial assets as of December 31 of each year are detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Equity instruments (shares)	95,256,737	105,048,181
Mortgage-funding notes of national banks	14,368,873	18,078,421
Corporate bonds	22,850,931	15,437,921
Bonds issued by national banks	9,895,020	10,701,488
Securities issued by Banco Central de Chile	15,010,654	7,917,557
Time deposits with national banks	10,368,878	5,402,602
Trade & other accounts receivable	6,218,733	201,152
Total	**173,969,826**	**162,787,322**

a) Equity instruments

Equity instruments as of December 31 of each year are detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Nexans S.A. (1)	93,972,448	104,216,020
Others	1,284,289	832,161
Total	**95,256,737**	**105,048,181**

(1) Relates to 2,568,726 shares in Nexans (France).

Movement in the investment in Nexans as of December 31 of each year is:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Initial balance	104,216,020	96,632,028
Increase (decrease) in currency exchange	(7,063,527)	1,140,750
Recording of fair value of shares	4,853,487	26,082,418
Other increases (decreases)	(8,033,532)	(19,639,176)
Closing balance	**93,972,448**	**104,216,020**

In accordance with IAS 21, this investment has been classified as a non-monetary item, so the gain or loss with respect to variations in the exchange rate is recorded as part of comprehensive income in Other equity reserves (Reserve for foreign currency translation).

Variations in the fair value of this investment are recorded as a charge or credit to comprehensive income in Other reserves in equity (Reserves for gains or losses in re-measuring financial assets available for sale). As of the closing date of each financial statement, an evaluation is made to see whether there is objective evidence that the financial asset is impaired, evaluating the behavior of the stock market and the time that has passed since the previous impairment was calculated.

As of December 31, 2008 the Company recorded an impairment and translation effect against comprehensive income in the amount of ThUS$ 69,813. Variations in the fair value of the shares after that date have been recorded in Other reserves in equity, as stated in the previous paragraphs.

NOTE 11 – Other non-current non-financial assets

Other non-current, non-financial assets as of December 31 of each year are detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Judicial deposits Ficap Brasil	8,623,787	8,354,202
Other recoverable taxes	1,851,586	1,459,958
Inventory with turnover of more than one year	207,370	423,537
Others	956,887	884,751
Total	**11,639,630**	**11,122,448**

NOTE 12 – Investments accounted for using the equity method

a) Summary of financial information of the significant subsidiaries

The summary of financial information of the significant subsidiaries as of December 31, 2010 is detailed as follows:

Company	Country of incorporation	Functional currency	Percentage interest	Current assets ThCh$	Non-current assets ThCh$	Banking assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Banking liabilities ThCh$	Ordinary revenues ThCh$	Ordinary expenses ThCh$	Earnings loss ThCh$
Madeco	Chile	USD	47.65%	134,304,170	199,075,523	-	58,138,413	27,742,581	-	212,788,955	(178,244,667)	(4,887,934)
LQIF	Chile	CLP	50.00%	2,489,685	949,186,721	18,225,179,395	26,479,585	178,216,448	17,253,876,049	1,002,611,025	(588,616,937)	172,746,051
Total				**136,793,855**	**1,148,262,244**	**18,225,179,395**	**84,617,998**	**205,959,029**	**17,253,876,049**	**1,215,399,980**	**(766,861,604)**	**167,858,117**

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

Company	Country of incorporation	Functional currency	Percentage interest	Current assets ThCh$	Non-current assets ThCh$	Banking assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Banking liabilities ThCh$	Ordinary revenues ThCh$	Ordinary expenses ThCh$	Earnings loss ThCh$
Madeco	Chile	USD	47.65%	157,101,918	211,977,618	-	58,621,587	25,849,883	-	176,317,782	(147,307,855)	16,522,879
LQIF	Chile	CLP	67.04%	18,745,722	957,371,032	17,460,228,182	3,731,314	161,484,882	16,543,667,915	803,108,797	(506,525,370)	125,335,764
Total				**175,847,640**	**1,169,348,650**	**17,460,228,182**	**62,352,901**	**187,334,765**	**16,543,667,915**	**979,426,579**	**(653,833,225)**	**141,858,643**

(1) During the second quarter of 2010, Quiñenco and its subsidiaries sold to Citigroup 57,035,400 shares of the series "LQIF-C" and 57,035,401 shares of the series "LQIF-D", thus reducing its shareholding in LQ Inversiones Financieras S.A. from 67.04% to 50.00%. As a result, the sale of the "LQIF-D" shares generated a credit to equity of ThChM$ 131,642,239. The sale of the "LQIF-C" share generated a credit to Other gains of ThCh$ 169,512,547.

(2) For determining the significant subsidiaries, the same criteria has been followed which was used to establish the Company's Operative segments (Note 31).

b) Movement of investments in associates

Movements in investments in associates during 2010 are detailed as follows:

Company	Main activity	Country	Functional currency	Percentage interest	Balance at 01/01/2010 ThCh$	Interest in earnings (loss) ThCh$	Dividends received ThCh$	Other increases (decreases) ThCh$	Balance at 12/31/2010 ThCh$
Inversiones y Rentas S.A.	Investments	Chile	CLP	50.00%	161,599,805	35,979,399	(17,124,458)	(2,071,361)	178,383,385
Habitaria S.A.	Real estate	Chile	CLP	50.00%	365,625	(5,973)	-	(161,337)	198,315
Foods Compañía de Alimentos CCU S.A.	Food	Chile	CLP	50.00%	13,397,052	(356,404)	-	-	13,040,648
Transportes y Servicios Aéreos S.A.	Transport	Chile	CLP	50.00%	301,171	(304,908)	-	3,737	-
Inmobiliaria El Norte y El Rosal S.A.	Real estate	Chile	CLP	50.00%	34,563	112	-	-	34,675
Total					**175,698,216**	**35,312,226**	**(17,124,458)**	**(2,228,961)**	**191,657,023**

The movement in 2009 was as follows:

Company	Main activity	Country	Functional currency	Percentage interest	Balance at 01/01/2009 ThCh$	Interest 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.	Food	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**

c) Equity interest in joint ventures

The Company's most significant equity interest in joint ventures relates to the investment in Compañía Cervecerías Unidas S.A. (hereinafter CCU), an investment held under the equity 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 31, paragraph 56, the following shows summarized information on the significant shareholdings in joint ventures as of December 31, 2010:

Company	Country of incorporation	Book value of investment	Percentage interest	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary revenue ThCh$	Ordinary expenses ThCh$	Earnings loss ThCh$
Inversiones y Rentas S.A.	Chile	178,383,385	50,00%	447,246,748	732,621,573	229,037,161	313,288,820	838,258,327	(383,812,866)	71,958,797
Foods Compañía de Alimentos CCU S.A.	Chile	13,040,648	50,00%	7,211,427	26,194,670	7,083,095	241,705	17,941,661	(13,104,018)	(712,806)
Transportes y Servicios Aéreos S.A.	Chile	-	50,00%	1,611,697	74,784	2,339	1,691,616	-	-	(609,816)
Total				**456,069,872**	**758,891,027**	**236,122,595**	**315,222,141**	**856,199,988**	**(396,916,884)**	**70,636,175**

The summarized information on the significant shareholdings in joint ventures as of December 31, 2009 is as follows:

Company	Country of incorporation	Book value of investment	Percentage interest	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary revenue ThCh$	Ordinary expenses ThCh$	Earnings loss 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 method used to record holdings in jointly-controlled entities is the equity method, giving an identical treatment to investments in associates.

There are no contingent liabilities or investment commitments relating to equity interests held in joint ventures.

NOTE 13 – Intangible assets other than goodwill

Types of intangible assets, net	12/31/2010 ThCh$	12/31/2009 ThCh$
Intangible assets with finite useful lives, net	41,156,675	49,136,836
Intangible assets with indefinite useful lives, net (1)	179,268,850	179,904,890
Intangible assets, net	220,425,525	229,041,726

(1) Intangible assets with indefinite useful life correspond to the brands names Banco de Chile, Atlas and the contract to use the Citibank name, as it is expected that they will contribute to the generation of net cash flows indefinitely to the business. Intangible assets with indefinite useful 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	50

a) Intangible assets as of December 31 of each year are detailed as follows:

As of December 31, 2010	Gross Assets ThCh$	Accumulated Amortization ThCh$	Net Assets ThCh$
Patents, registered trademarks & other rights	180,537,589	(1,268,739)	179,268,850
Computer programs	1,178,237	(153,355)	1,024,882
Other intangible assets	252,318,604	(212,186,811)	40,131,793
Total as of December 31, 2010	**434,034,430**	**(213,608,905)**	**220,425,525**

As of December 31, 2009	Gross Assets ThCh$	Accumulated Amortization ThCh$	Net Assets ThCh$
Patents, registered trademarks & other rights	180,556,145	(651,255)	179,904,890
Computer programs	911,813	(39,519)	872,294
Other intangible assets	252,279,828	(204,015,286)	48,264,542
Total as of December 31, 2009	**433,747,786**	**(204,706,060)**	**229,041,726**

b) Movement of identifiable intangible assets

The movement during 2010 is detailed as follows:

Movement	Patents, registered trademarks & other rights ThCh$	Computer programs ThCh$	Other intangible assets ThCh$	Total ThCh$
Initial balance at 01/01/2010	179,904,890	872,294	48,264,542	229,041,726
Additions	-	1,054,207	98,006	1,152,213
Disposals	-	(677,380)	-	(677,380)
Amortization	(24,101)	(78,889)	(8,230,755)	(8,333,745)
Increase (decrease) in currency translation	(15,519)	(145,350)	-	(160,869)
Impairment	(596,420)	-	-	(596,420)
Closing balance at 12/31/2010	**179,268,850**	**1,024,882**	**40,131,793**	**220,425,525**

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	180.588.958	336.874	56.459.069	237.384.901
Additions through internal developments	-	202.593	-	202.593
Additions	-	578.745	-	578.745
Disposals	-	(142.507)	-	(142.507)
Amortization	(30.237)	(11.644)	(8.194.527)	(8.236.408)
Increase (decrease) in currency translation	(57.412)	(91.767)	-	(149.179)
Impairment	(596.419)	-	-	(596.419)
Closing balance at 12/31/2009	**179.904.890**	**872.294**	**48.264.542**	**229.041.726**

The subsidiary Madeco records 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 expenses by function.

NOTE 14 – Goodwill

The movement in goodwill during 2010 is detailed as follows:

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 01/01/2010	544,607,408	142,242,057	42,590,446	1,825,034	731,264,945
Increase (decrease) on currency translation	-	-	-	(33,154)	(33,154)
Other increases (decreases)	-	-	-	(526,767)	(526,767)
Closing balance at 12/31/2010	**544,607,408**	**142,242,057**	**42,590,446**	**1,265,113**	**730,705,024**

The movement in goodwill during 2009 is detailed as follows:

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$
Goodwill	536,478,047	142,242,057	42,604,349	1,934,743	723,259,196
Transfer to (from) non-current assets & groups held for sale	8,173,972	-	-	-	8,173,972
Adjustments for later recording of deferred tax assets	(53,747)	-	(16,751)	-	(70,498)
Increase (decrease) on currency translation	9,136	-	2,848	-	11,984
Closing balance net at 12/31/2009	-	-	-	(109,709)	(109,709)
Closing balance at 12/31/2009	**544,607,408**	**142,242,057**	**42,590,446**	**1,825,034**	**731,264,945**

NOTE 15 – Property, plant and equipment

(a) Composition

Property, plant and equipment as of December 31 of each year is detailed as follows:

As of December 31, 2010	Gross Assets ThCh$	Accumulated Depreciation ThCh$	Net Assets ThCh$
Construction in progress	9,013,875	-	9,013,875
Land	22,374,801	-	22,374,801
Buildings	23,867,118	(2,471,796)	21,395,322
Plant & equipment	47,584,512	(16,277,029)	31,307,483
Computer equipment	2,350,064	(2,017,670)	332,394
Fixed installations and accessories	7,734,612	(5,165,809)	2,568,803
Motor vehicles	1,400,960	(483,788)	917,172
Other property, plant & equipment	3,769,462	(2,091,269)	1,678,193
Total as of December 31, 2010	**118,095,404**	**(28,507,361)**	**89,588,043**

As of December 31, 2009	Gross Assets ThCh$	Accumulated Depreciation ThCh$	Net Assets ThCh$
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 installations and accessories	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**

(b) Movement

The movement in 2010 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, 2010		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
Movement	Additions	5,426,117	157,948	259,955	7,149,671	201,414	566,220	220,463	522,311	14,504,099
	Sales	-	(87,460)	(483,860)	(15,188)	-	-	-	-	(586,508)
	Retirements	-	(157,948)	(200,398)	-	-	-	-	-	(358,346)
	Depreciation	-	-	(723,695)	(5,222,992)	(271,385)	(458,765)	(171,590)	(710,997)	(7,559,424)
	Loss for impairment recorded in statement of income	-	-	(162,867)	(1,938,215)	-	-	-	-	(2,101,082)
	Currency translation reductions	1,638,333	(1,912,046)	(1,494,247)	(2,848,594)	(20,505)	(165,177)	(59,473)	(5,679)	(4,867,388)
	Other increases (decreases)	(223,467)	(29,926)	1,807	361,528	(3,168)	117,631	6,749	(1,462,461)	(1,231,307)
Closing balance at December 31, 2010		**9,013,875**	**22,374,801**	**21,395,322**	**31,307,483**	**332,394**	**2,568,803**	**917,172**	**1,678,193**	**89,588,043**

The movement in 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 income	-	-	-	-	(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 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.

As of December 31, 2010 and 2009, Madeco and its subsidiary Alusa S.A. have determined an impairment for those years based on an internal analysis of technical impairment. The rest of the subsidiaries believe that the book value of their property, plant and equipment does not exceed their recoverable value.

(c) Financial leases

The companies Alusa S.A., Peruplast S.A. and Aluflex S.A., subsidiaries of Madeco, have contracts for the acquisition of land, buildings and equipment. The lessors are Banco Corpbanca, Banco Crédito, Scotiabank, Crédito Leasing, Interbank, Citibank and Banco Patagonia S.A.

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

Property, plant and equipment under financial leases as of December 31, 2010 and 2009 are detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Land, net	4,469,210	3,607,421
Buildings, net	4,664,931	5,933,077
Plant & equipment, net	1,849,598	2,344,560
Motor vehicles, net	87,077	27,225
Total	**11,070,816**	**11,912,283**

The present value of future payments under financial leases as of December 31 of each year is detailed as follows:

	12/31/2010		
	Gross ThCh$	Interest ThCh$	Present Value ThCh$
Less than one year	2,141,698	310,193	1,831,505
One to five years	6,596,309	657,722	5,938,587
More than five years	800,206	23,705	776,501
Total	**9,538,213**	**991,620**	**8,546,593**

	12/31/2009		
	Gross ThCh$	Interest ThCh$	Present Value ThCh$
Less than one year	1,515,585	252,402	1,263,183
One to five years	4,676,909	662,312	4,014,597
More than five years	1,326,379	59,618	1,266,761
Total	**7,518,873**	**974,332**	**6,544,541**

(d) Operating leases

The most significant operating 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 operating leases as of December 31, 2010 and 2009 are detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Less than a year	233,187	251,719
More than one year and less than five	379,575	431,884
Total	**612,762**	**683,603**

Leasing and sub-leasing payments shown in the consolidated statement of comprehensive income as of December 31, 2010 and 2009 are detailed as follows:

	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Minimum payments under operating leases	419,260	497,927

NOTE 16 – Investment properties

a) The following is the detail as of December 31 of each year:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Land	2,907,852	3,071,743
Buildings	4,418,437	4,588,256
Total	**7,326,289**	**7,659,999**

b) Detail of movement

The movement of investment properties during 2010 and 2009 is detailed as follows:

As of December 31, 2010 Movement	Land ThCh$	Buildings ThCh$	Total ThCh$
Initial balance at 01/01/2010, net	3,071,743	4,588,256	7,659,999
Depreciation	-	(122,424)	(122,424)
Increase (decrease) on foreign currency translation	(163,891)	(47,395)	(211,286)
Total	**2,907,852**	**4,418,437**	**7,326,289**

As of December 31, 2009 Movement	Land ThCh$	Buildings ThCh$	Total ThCh$
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)
Increase (decrease) on foreign currency translation	(428,948)	(306,800)	(735,748)
Other increases (decreases)	-	(20,816)	(20,816)
Total	**3,071,743**	**4,588,256**	**7,659,999**

c) Rental income and direct operating expenses of investment properties as of December 31 of each year are detailed as follows:

	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Rental income from investment properties	679,373	362,732
Direct operating expenses	(122,424)	(133,592)

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

NOTE 17 – Income tax and deferred taxes

a) General information

The positive Taxed Earnings Fund register (FUT) and its corresponding credits to the Company as of December 31, 2010 are detailed as follows:

Credit	ThCh$
17%	127,178,045
16.5%	17,651,823
16%	5,367,544
15%	4,395,043
10%	997,435
No credit	4,704,115

The positive Non-Taxed Earnings Fund register (FUNT) and its corresponding credits to the Company as of December 31, 2010 are detailed as follows:

	ThCh$
Exempt without credit	5,580,001
Non-taxed income	187,528,869
Exempt with 10% credit	1,926,466

b) Deferred taxes

Deferred tax assets and liabilities as of December 31 of each year comprise the following concepts:

Deferred taxes	12/31/2010		12/31/2009	
	Asset ThCh$	Liability ThCh$	Asset ThCh$	Liability ThCh$
Depreciation	151,815	1,519,725	223,947	14,149,605
Amortization	406	2,050,585	6,117	2,042,838
Provisions	3,553,758	215,732	3,265,259	9,427
Foreign currency contract	344,852	-	101,239	-
Post-employment benefits	16,669	242,244	15,301	560,696
Revaluation property, plant & equipment	1,205,821	3,306,950	1,060,751	3,632,581
Revaluation investment properties	3,419	-	1,767	-
Intangible assets	-	36,417,766	-	33,660,352
Revaluation financial instruments	3,567,832	372,238	2,869,669	-
Fiscal losses	15,446,824	-	35,244,282	(2,738,672)
Others	639,017	15,862,554	3,302,344	35,914,505
Total	**24,930,413**	**59,987,794**	**46,090,676**	**87,231,332**

(c) Charge (credit) for income tax

The detail as of December 31, 2010 and 2009 is as follows:

	01/01/2010 12/31/2010 ThCh$	01-01-2009 31-12-2009 ThCh$
Current tax charge	(22,804,487)	(9,322,580)
Other taxes	(12,335)	-
Other tax (charges) credits	20,189,318	10,080,211
Adjustments to deferred tax assets and liabilities	(6,083,275)	(1,675,567)
Others	(71,521)	-
Total net charge (credit)	**(8,782,300)**	**(917,936)**

(d) Reconciliation of applicable taxation

The reconciliation of the charge for taxes based on the financial result before tax as of December 31 of each year is detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Tax charge using the legal rate	(32,307,831)	(12,039,953)
Tax effect of rates in other jurisdictions	(2,099,033)	(1,239,916)
Tax effect of non-taxed ordinary revenues	55,606,146	39,154,841
Tax effect of disallowed expenses for tax purposes	(8,437,479)	(9,761,583)
Tax effect of use of tax losses not previously recorded	(216,294)	(68,529)
Tax effect of a new evaluation of deferred tax assets not recorded	(7,975,202)	(4,928,598)
Tax effect of changes in tax rates	196,872	-
Tax effect of taxes provided in excess in previous years	(1,822)	(247,270)
Adjustment to tax charge using the legal rate, Total (*)	20,299,427	-
Other increases (decreases) in charges for legal taxes	(33,847,084)	(11,786,928)
Tax charge using the effective rate	**(8,782,300)**	**(917,936)**

(*) Includes recorded value in Other reserves for tax payable.

NOTE 18 – Other current and non-current financial liabilities

Other current and non-current financial liabilities as of December 31, 2010 and 2009 are detailed as follows:

	Current		Non-Current	
	12/31/2010 ThCh$	12/31/2009 ThCh$	12/31/2010 ThCh$	12/31/2009 ThCh$
Bank loans	37,792,651	23,285,967	25,729,412	7,347,335
Other loans (bonds)	19,034,036	11,121,342	172,596,404	183,825,861
Financial leases	1,831,505	1,263,183	6,715,088	5,281,358
Hedge liabilities	3,098,420	585,667	1,827,530	309,226
Total	**61,756,612**	**36,256,159**	**206,868,434**	**196,763,780**

(a) Interest-bearing bank loans as of December 31, 2010 are detailed as follows:

Debtor Tax ID	Debtor	Country Debtor	Creditors Tax ID	Bank creditor	Country creditor	Currency	Repayments	Total debt outstanding ThCh$	Current at 12/31/10 ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-Current at 12/31/10 ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	More tan 5 years ThCh$	Effective Rate	Nominal rate	Maturity
Foreign	Aluflex S.A.	Argentina	Foreign	Banco Patagonia S.A.	Argentina	ARS	Quarterly	974,918	435,419	111,720	323,699	539,499	539,499	-	-	17.95%	17.95%	2,013
Foreign	Aluflex S.A.	Argentina	Foreign	Banco Corpbanca	Argentina	USD	Semi-annual	1,087,375	552,505	285,071	267,434	534,870	534,870	-	-	5.09%	5.09%	2,012
Foreign	Aluflex S.A.	Argentina	97.051.000-1	Banco del Desarrollo	Chile	USD	Semi-annual	1,037,096	693,889	350,682	343,207	343,207	343,207	-	-	1.99%	1.99%	2,012
Foreign	Aluflex S.A.	Argentina	Foreign	Banco Citibank N.A.	Argentina	USD	Quarterly	421,622	421,622	-	421,622	-	-	-	-	2.50%	2.50%	2,011
Foreign	Aluflex S.A.	Argentina	Foreign	Banco Patagonia S.A.	Argentina	USD	Semi-annual	469,612	469,612	-	469,612	-	-	-	-	2.50%	2.50%	2,011
96.587.500-K	Alumco S.A.	Chile	97.080.000-k	Banco Bice	Chile	CLP	Monthly	351,413	351,413	351,413	-	-	-	-	-	5.41%	5.28%	2,011
96.587.500-K	Alumco S.A.	Chile	97.053.000-2	Banco Security	Chile	CLP	Monthly	957,129	957,129	957,129	-	-	-	-	-	5.56%	5.42%	2,011
96.587.500-K	Alumco S.A.	Chile	97.053.000-2	Banco Security	Chile	USD	Monthly	1,985,307	1,985,307	1,985,307	-	-	-	-	-	0.39%	1.75%	2,011
84.898.000-5	Alusa S.A.	Chile	97.030.000-7	Banco del Estado	Chile	CLF	Monthly	111,722	111,722	55,899	55,823	-	-	-	-	4.63%	4.63%	2,011
84.898.000-5	Alusa S.A.	Chile	97.030.000-7	Banco del Estado	Chile	CLP	Semi-annual	1,896,689	759,314	-	759,314	1,137,375	1,137,375	-	-	10.10%	10.10%	2,013
84.898.000-5	Alusa S.A.	Chile	97.030.000-7	Banco del Estado	Chile	USD	Semi-annual	2,948,758	655,509	-	655,509	2,293,249	1,310,428	655,214	327,607	3.60%	3.60%	2,015
84.898.000-5	Alusa S.A.	Chile	97.032.000-8	Banco BBVA	Chile	USD	Annual	1,170,603	1,170,603	1,170,603	-	-	-	-	-	0.47%	0.47%	2,011
84.898.000-5	Alusa S.A.	Chile	97.018.000-1	Banco Scotiabank	Chile	USD	Annual	939,391	939,391	939,391	-	-	-	-	-	1.49%	1.49%	2,011
Foreign	Decker S.A.	Argentina	Foreign	Banco Patagonia S.A.	Argentina	USD	Monthly	246,245	246,245	246,245	-	-	-	-	-	8.50%	8.50%	2,011
91.524.000-3	Indalum S.A.	Chile	97.080.000-k	Banco Bice	Chile	CLP	Monthly	400,235	400,235	400,235	-	-	-	-	-	5.41%	5.28%	2,011
91.524.000-3	Indalum S.A.	Chile	76.645.030-k	Banco Itau	Chile	CLP	Monthly	301,050	301,050	301,050	-	-	-	-	-	4.59%	4.50%	2,011
91.524.000-3	Indalum S.A.	Chile	97.053.000-2	Banco Security	Chile	CLP	Monthly	2,939,112	439,112	439,112	-	2,500,000	-	2,500,000	-	6.45%	6.34%	2,015
91.524.000-3	Indalum S.A.	Chile	76.645.030-k	Banco Itau	Chile	USD	Semi-annual	281,203	281,203	-	281,203	-	-	-	-	1.83%	1.82%	2,011
91.524.000-3	Indalum S.A.	Chile	97.053.000-2	Banco Security	Chile	USD	Semi-annual	1,881,476	1,881,476	-	1,881,476	-	-	-	-	3.21%	3.18%	2,011
76.009.053-0	Madeco Mills S.A.	Chile	76.645.030-k	Banco Itau	Chile	CLP	At maturity	3,376,162	3,376,162	3,376,162	-	-	-	-	-	1.34%	1.34%	2,011
76.009.053-0	Madeco Mills S.A.	Chile	76.645.030-k	Banco Itau	Chile	USD	At maturity	468,936	468,936	468,936	-	-	-	-	-	3.96%	3.96%	2,011
91.021.000-9	Madeco S.A.	Chile	Foreign	Banco del Estado	Cayman	USD	Semi-annual	719,388	719,388	-	719,388	-	-	-	-	1.24%	1.24%	2,011
91.021.000-9	Madeco S.A.	Chile	Foreign	Bank Of America N.A.	Cayman	USD	Semi-annual	358,086	358,086	-	358,086	-	-	-	-	1.24%	1.24%	2,011
91.021.000-9	Madeco S.A.	Chile	Foreign	Banco BBVA - Islas Cayman	Cayman	USD	Semi-annual	351,329	351,329	-	351,329	-	-	-	-	1.24%	1.24%	2,011
Foreign	Peruplast S.A.	Peru	Foreign	Banco de Crédito	Peru	USD	Quarterly	1,693,170	616,747	160,438	456,309	1,076,423	842,418	234,005	-	5.57%	5.57%	2,014
Foreign	Peruplast S.A.	Peru	Foreign	Banco Scotiabank	Peru	USD	Quarterly	754,210	379,802	98,996	280,806	374,408	374,408	-	-	6.10%	6.10%	2,012
Foreign	Peruplast S.A.	Peru	Foreign	Banco Continental	Peru	USD	Quarterly	1,383,548	1,383,548	1,383,548	-	-	-	-	-	1.60%	1.60%	2,012
96.929.880-5	LQIF	Chile	97.032.000-8	Banco BBVA	Chile	CLF	Annual	23,681,172	11,888,386	-	11,888,386	11,792,786	11,792,786	-	-	1.04%	0.57%	2,012
96.929.880-5	LQIF	Chile	97.032.000-8	Banco BBVA	Chile	CLF	Annual	10,335,106	5,197,511	-	5,197,511	5,137,595	5,137,595	-	-	1.29%	0.82%	2,012
				TOTAL					**37,792,651**			**25,729,412**						

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

Debtor Tax ID	Debtor	Country Debtor	Creditors Tax ID	Bank creditor	Country creditor	Currency	Repayments	Total debt outstanding ThCh$	Current at 12/31/09 ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-Current at 12/31/09 ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	More tan 5 years ThCh$	Effective Rate	Nominal rate	Maturity
Foreign	Aluflex S.A.	Argentina	Foreign	Banco Citibank N.A.	Argentina	USD	Semi-annual	306,153	306,153	-	306,153	-	-	-	-	3.50%	3.50%	2,010
Foreign	Aluflex S.A.	Argentina	97.023.000-9	Banco Corpbanca	Chile	USD	Semi-annual	1,389,421	610,660	320,889	289,771	778,761	1,159,087	-	-	5.09%	5.09%	2,012
Foreign	Aluflex S.A.	Argentina	97.051.000-1	Banco del Desarrollo	Chile	USD	Semi-annual	1,519,343	1,131,704	827,444	304,260	387,639	-	-	-	2.68%	2.67%	2,010
Foreign	Aluflex S.A.	Argentina	Foreign	Banco Patagonia	Argentina	USD	Semi-annual	394,848	14,523	14,523	-	380,325	-	-	-	5.80%	5.80%	2,010
96.587.500-K	Alumco S.A.	Chile	97.080.000-k	Banco Bice	Chile	CLP	Monthly	352,337	352,337	352,337	-	-	-	-	-	2.80%	2.76%	2,010
96.587.500-K	Alumco S.A.	Chile	97.053.000-2	Banco Security	Chile	CLP	Monthly	1,564,083	1,564,083	1,564,083	-	-	-	-	-	2.73%	2.70%	2,010
84.898.000-5	Alusa S.A.	Chile	97.030.000-7	Banco del Estado	Chile	CLF	Annual	217,915	217,915	54,573	163,342	-	108,978	-	-	4.63%	4.63%	2,011
84.898.000-5	Alusa S.A.	Chile	97.030.000-7	Banco del Estado	Chile	CLP	Monthly	759,070	759,070	-	759,070	-	1,516,500	379,125	-	10.10%	10.10%	2,013
84.898.000-5	Alusa S.A.	Chile	97.039.000-6	Banco Santander	Chile	USD	Annual	1,159,816	1,159,816	-	1,159,816	-	-	-	-	2.93%	2.93%	2,010
Foreign	Decker	Argentina	Foreign	Banco Patagonia	Argentina	USD	Monthly	262,396	262,396	262,396	-	-	-	-	-	8.50%	8.50%	2,010
91.524.000-3	Indalum S.A.	Chile	97.060.000-6	Banco BCI	Chile	CLF	Quarterly	269,706	269,706	134,853	134,853	-	-	-	-	4.68%	4.63%	2,010
91.524.000-3	Indalum S.A.	Chile	97.030.000-7	Banco del Estado	Chile	CLF	Quarterly	301,116	301,116	150,558	150,558	-	-	-	-	4.68%	4.63%	2,010
91.524.000-3	Indalum S.A.	Chile	97.053.000-2	Banco Security	Chile	CLF	Quarterly	330,844	330,844	165,422	165,422	-	-	-	-	4.68%	4.63%	2,010
91.524.000-3	Indalum S.A.	Chile	97.080.000-k	Banco Bice	Chile	CLP	Quarterly	2,297,636	402,011	402,011	-	1,895,625	-	-	-	3.16%	3.12%	2,010
91.524.000-3	Indalum S.A.	Chile	76.645.030-k	Banco Itaú	Chile	CLP	Quarterly	1,350,094	1,350,094	1,350,094	-	-	-	-	-	2.43%	2.40%	2,010
91.524.000-3	Indalum S.A.	Chile	97.053.000-2	Banco Security	Chile	CLP	Quarterly	1,613,642	1,504,664	1,504,664	-	108,978	-	-	-	3.08%	3.04%	2,010
91.524.000-3	Indalum S.A.	Chile	97.030.000-7	Banco del Estado	Chile	USD	Quarterly	1,020,766	1,020,766	-	1,020,766	-	-	-	-	3.80%	3.76%	2,010
91.524.000-3	Indalum S.A.	Chile	97.053.000-2	Banco Security	Chile	USD	Quarterly	2,041,532	2,041,532	-	2,041,532	-	-	-	-	3.80%	3.76%	2,010
91.021.000-9	Madeco Mills S.A.	Chile	97.032.000-8	Banco BBVA	Chile	USD	At maturity	6,896,802	5,071,242	5,071,242	-	1,825,560	-	-	-	0.86%	0.86%	2,010
91.021.000-9	Madeco S.A.	Chile	Foreign	Banco del Estado	USA.	USD	Semi-annual	2,371,137	1,559,777	-	1,559,777	811,360	778,761	-	-	1.70%	1.70%	2,011
91.021.000-9	Madeco S.A.	Chile	Foreign	Bank Of America N.A.	Cayman	USD	Semi-annual	776,404	776,404	-	776,404	-	387,639	-	-	1.70%	1.70%	2,011
91.021.000-9	Madeco S.A.	Chile	Foreign	Banco BBVA	Cayman	USD	Semi-annual	1,920,838	761,751	-	761,751	1,159,087	380,325	-	-	1.70%	1.70%	2,011
Foreign	Peruplast S.A.	Peru	Foreign	Banco de Crédito	Peru	USD	Quarterly	676,869	676,869	182,446	494,423	-	1,318,461	507,099	-	5.61%	5.59%	2,014
Foreign	Peruplast S.A.	Peru	Foreign	Banco Scotiabank	Peru	USD	Quarterly	419,010	419,010	114,750	304,260	-	811,360	-	-	6.10%	6.10%	2,012
76.801.220-2	Pvtec S.A.	Chile	97.053.000-2	Banco Security	Chile	CLP	Quarterly	421,524	421,524	421,524	-	-	-	-	-	2.76%	2.73%	2,010
				Total					**23,285,967**			**7,347,335**						

The above tables exclude bank loans granted by Banco de Chile to Quiñenco and its subsidiaries, whose amount as of December 31, 2010 amounts to ThCh$3,956,904 (ThCh$2,627,241 as of December 31, 2009) and which have been eliminated in the preparation of these consolidated financial statements.

(c) Other loans, relating to bonds issued, as of December 31, 2010 are detailed as follows:

Debtor Tax ID	Debtor	Country debtor	Series & issuer	Currency	Repayments	Total debt outstanding ThCh$	Current debt at 12/31/10 ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-Current debt 12/31/10 ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	More than 5 years ThCh$	Effective rate	Nominal Rate	Maturity
96.929.880-5	LQIF	Chile	Series C (LQIF)	CLF	Annual	66,134,828	1,960,138	-	1,960,138	64,174,690	-	-	64,174,690	4.93%	4.85%	2,039
96.929.880-5	LQIF	Chile	Series B (LQIF)	CLF	Annual	63,181,330	6,028,522	-	6,028,522	57,152,808	7,828,237	8,220,761	41,103,810	5.48%	4.75%	2,025
91.705.000-7	Quiñenco S.A.	Chile	Series A (Quiñenco)	CLF	Annual	42,358,525	4,156,220	-	4,156,220	38,202,305	7,346,597	6,716,889	24,138,819	4.17%	4.17%	2,026
91.705.000-7	Quiñenco S.A.	Chile	SeriesD (Quiñenco)	CLF	Annual	19,955,757	6,889,156	-	6,889,156	13,066,601	13,066,601	-	-	4.58%	3.50%	2,013
			TOTAL				**19,034,036**			**172,596,404**						

(d) Other loans, relating to bonds issued, as of December 31, 2009 are detailed as follows:

Debtor Tax ID	Debtor	Country debtor	Series & issuer	Currency	Repayments	Total debt outstanding ThCh$	Current debt 12/31/09 ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-Current debt 12/31/09 ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	More than 5 years ThCh$	Effective rate	Nominal Rate	Maturity
96.929.880-5	LQIF	Chile	Series C (LQIF)	CLF	Annual	64,541,340	1,913,134	-	1,913,134	62,628,206	-	-	62,628,206	4.93%	4.85%	2,039
96.929.880-5	LQIF	Chile	Series B (LQIF)	CLF	Annual	61,800,635	1,691,381	-	1,691,381	60,109,254	8,014,567	8,014,567	44,080,120	5.48%	4.75%	2,025
91.705.000-7	Quiñenco S.A.	Chile	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%	2,026
91.705.000-7	Quiñenco S.A.	Chile	Series D (Quiñenco)	CLF	Annual	27,339,926	6,736,823	-	6,736,823	20,603,203	20,603,203	-	-	4.58%	3.50%	2,013
							11,121,342			**183,825,861**						

(e) Leasing obligations as of December 31, 2010 are detailed as follows:

Debtor Tax ID	Debtor	Country debtor	Creditor Tax ID	Creditor	Country creditor	Currency	Repayments	Total Debt outstanding ThCh$	Current debt at 12/31/10 ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-Current debt 12/31/10 ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	More than 5 years ThCh$	Effective rate	Nominal Rate	Maturity
Foreign	Aluflex S.A.	Argentina	Foreign	Banco Patagonia S.A.	Argentina	ARS	Monthly	56,737	19,629	-	19,629	37,108	37,108	-	-	18.50%	18.50%	2,013
84.898.000-5	Alusa S.A.	Chile	97.023.000-9	Banco Corpbanca	Chile	CLF	Semi-annually	4,001,248	665,411	-	665,411	3,335,837	1,395,119	1,533,949	406,769	4.80%	4.80%	2,016
84.898.000-5	Alusa S.A.	Chile	97.032.000-8	Banco BBVA	Chile	CLF	Quarterly	1,056,263	135,778	33,508	102,270	920,485	245,285	305,468	369,732	3.50%	3.50%	2,017
Foreign	Peruplast S.A.	Peru	Foreign	Banco Crédito Leasing	Peru	USD	Monthly	69,451	69,451	28,883	40,568	-	-	-	-	7.20%	7.20%	2,011
Foreign	Peruplast S.A.	Peru	Foreign	Banco Interbank	Peru	USD	Monthly	336,832	124,009	30,749	93,260	212,823	212,823	-	-	7.20%	7.20%	2,013
Foreign	Peruplast S.A.	Peru	Foreign	Banco de Crédito	Peru	USD	Monthly	1,829,766	549,082	131,711	417,371	1,280,684	1,103,043	177,641	-	5.12%	5.32%	2,015
Foreign	Peruplast S.A.	Peru	Foreign	Banco Scotiabank	Peru	USD	Monthly	500,297	138,073	33,753	104,320	362,224	246,533	115,691	-	5.67%	6.11%	2,015
Foreign	Peruplast S.A.	Peru	Foreign	Banco Continental	Peru	USD	Monthly	230,427	41,802	10,265	31,537	188,625	89,822	98,803	-	4.88%	4.88%	2,015
Foreign	Peruplast S.A.	Peru	Foreign	Banco Citibank	Peru	USD	At maturity	414,703	37,401	18,595	18,806	377,302	158,306	218,996	-	4.60%	4.60%	2,015
91.021.000-9	Madeco S.A.	Chile	-	-	Chile	USD	At maturity	50,869	50,869	-	50,869	-	-	-	-	0.00%	0.00%	-
				TOTAL					**1,831,505**			**6,715,088**						

(f) Leasing obligations as of December 31, 2009 are detailed as follows:

Debtor Tax ID	Debtor	Country debtor	Creditor Tax ID	Creditor	Country creditor	Currency	Repayments	Total Debt outstanding ThCh$	Current debt at 12/31/09 ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-Current debt 12/31/09 ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	More than 5 years ThCh$	Effective rate	Nominal Rate	Maturity
84.898.000-5	Alusa S.A.	Chile	97.023.000-9	Banco Corpbanca	Chile	CLF	Semi-annually	4,521,766	631,668	-	631,668	3,890,098	1,298,703	1,427,940	1,163,455	4.8	4.80%	2,010
Foreign	Peruplast S.A.	Peru	Foreign	Crédito Leasing	Peru	USD	Monthly	229,872	154,619	49,953	104,666	75,253	75,253	-	-	7.20%	7.20%	2,010
Foreign	Peruplast S.A.	Peru	Foreign	Interbank	Peru	USD	Monthly	514,496	145,081	40,128	104,953	369,415	272,696	96,719	-	7.20%	7.20%	2,010
Foreign	Peruplast S.A.	Peru	Foreign	Banco de Crédito	Peru	USD	Monthly	1,022,399	237,567	55,331	182,236	784,832	478,877	202,650	103,305	6.51%	6.46%	2,010
Foreign	Peruplast S.A.	Peru	Foreign	Banco Scotiabank	Peru	USD	Monthly	225,419	63,659	15,474	48,185	161,760	142,421	19,339	-	7.70%	7.70%	2,010
91.021.000-9	Madeco S.A.	Chile	-	Others	Chile	USD	At maturity	30,589	30,589	-	30,589	-	-	-	-	0.00%	0.00%	2,010
				TOTAL					**1,263,183**			**5,281,358**						

(g) Hedge liabilities as of December 31, 2010 are detailed as follows:

Classification	Type of hedge	Risk hedged	Item hedged	Current 12/31/2010 ThCh$	Non-Current 12/31/2010 ThCh$	Fair value 12/31/2010 ThCh$
Interest-rate derivatives	Cash-flow hedge instrument	Exposure to interest-rate risk	Variable-rate bank loan	1,274,642	1,827,530	3,102,172
Currency derivatives	Fair-value hedge instrument	Exposure to exchange-rate risk	Time deposits in Chilean pesos	673,874	-	673,874
Other derivatives	Fair-value hedge instrument	Exposure to risk of variations in commodity prices (copper & aluminum)	Copper stocks	1,134,952	-	1,134,952
Non-derivatives	Cash-flow hedge instrument	Exposure to risk of variations in commodity prices (copper & aluminum)	Expected sales	14,952	-	14,952
	Total hedge liabilities			**3,098,420**	**1,827,530**	**4,925,950**

(h) Hedge liabilities as of December 31, 2009 are detailed as follows:

Classification	Type of hedge	Risk hedged	Item hedged	Current 12/31/2009 ThCh$	Non-Current 12/31/2009 ThCh$	Fair value 12/31/2009 ThCh$
Interest-rate derivatives	Cash-flow hedge instrument	Exposure to interest-rate risk	Variable-rate bank loan	-	309,226	309,226
Currency derivatives	Fair-value hedge instrument	Exposure to exchange-rate risk	Time deposits in Chilean pesos	145,759	-	145,759
Other derivatives	Fair-value hedge instrument	Exposure to risk of variations in commodity prices (copper)	Copper stocks	439,908	-	439,908
	Total hedge liabilities			**585,667**	**309,226**	**894,893**

(i) Other hedge asset and liability information

1. Cash-flow hedge instruments:

The subsidiary Madeco and its joint venture Peruplast S.A. have recorded a hedge liability of the cash flows to hedge exposure to interest-rate risk, fixing this with respect to bank loans that are agreed at variable interest rates. Madeco's subsidiaries, Madeco Mills S.A. and Indalum S.A., have recorded a cash-flow hedge asset to hedge the risk of variations in commodity prices (copper and aluminum), to fix the prices of expected sales.

The net variation in deferred taxes generated by this cash-flow hedge instrument (interest rate and sales) has been recorded as follows:

a) A net credit to equity of ThCh$ 155,109 for the year ended December 31, 2009 and a net credit of ThCh$ 223,176 for the year 2010.

b) Madeco's subsidiaries, Madeco Mills S.A. and Indalum S.A., deducted from equity, net of deferred taxes, an amount of ThCh$ 174,694 and ThCh$ 50,713 respectively, amounts which affected earnings for 2010 with a credit and charge to income respectively. These effects derive from the hedges of expected sales.

c) The subsidiary Madeco deducted from equity, net of deferred taxes, an amount of ThCh$ 145,905 that generated a charge to income in 2010 corresponding to hedges (interest rates).

With respect to the (credit) balance outstanding of ThCh$ 4,277 in equity as of December 31, 2010 and future variations generated by the hedge instrument (interest rate and sales), it is expected that they will affect income during the years 2011 and 2012.

The subsidiary LQIF records cash-flow hedges on bank loans, covering currency and interest-rate risks of this financial debt with derivative instruments which are submitted to effectiveness tests. The bank loans were arranged in US dollars and with a Libor-based rate, applying the economic hedge to these financial liabilities by expressing them in Unidades de Fomento with a fixed interest rate.

The maturities of the cash flows with respect to interest-rate hedges are semi-annual for Madeco, quarterly for Peruplast S.A. and annual for LQIF.

2. Hedge instruments at fair value:

The subsidiary Madeco S.A. and its subsidiary Indalum S.A. thave recorded a hedge asset and liability at fair value to hedge exposure to the risk of variations in commodity prices (copper and aluminum), the principal raw materials in their inventory, and Madeco S.A. has recorded a hedge asset and liability to hedge its exposure to currency risk (dollar against Chilean pesos) with respect to its time deposits.

The accumulated losses recorded for the hedge instruments at fair value covering the exposure to commodity-price risk (copper) for the year 2010, amount to ThCh$ 2,637,556, which is recorded as cost of sales. The accumulated gains recorded for the item covered (copper) for the year 2010 amount to ThCh$ 2,719,516, which is recorded under cost of sales.

The losses recorded for hedge instruments of fair value for foreign currency risk exposure (dollar versus Chilean pesos) for the time deposits assets for the year 2010 amounts to ThCh$ 2,088,319, which is recorded under foreign currency translation. The gains recorded for the item hedged (time deposits) for the year 2010 amount to ThCh$ 2,177,834, which amount is recorded under foreign currency translation.

NOTE 19 – Creditors and Other Accounts Payable

The composition of this heading as of December 31 of each year is detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Trade creditors	36,808,709	29,937,483
Other accounts payable	641,974	775,941
Total	**37,450,683**	**30,713,424**

NOTE 20 – Other provisions

a) Composition

The detail as of December 31 of each year is detailed as follows:

	Current		Non-Current	
	12/31/2010 ThCh$	12/31/2009 ThCh$	12/31/2010 ThCh$	12/31/2009 ThCh$
Restructuring expenses	1,586,031	1,064,965	-	-
Legal claims	215,666	281,217	5,942,201	5,591,674
Profit sharing & bonuses	1,500,549	2,536,403	-	-
Other provisions	6,455,124	4,895,011	3,847,468	3,314,233
Total	**9,757,370**	**8,777,596**	**9,789,669**	**8,905,907**

b) Other provisions

The detail as of December 31 of each year is detailed as follows:

	Current	
	12/31/2010 ThCh$	12/31/2009 ThCh$
Contingencies	2,388,224	2,208,515
General, audit, annual reports & other expenses	684,346	632,095
Fees & consultancies	1,559,071	382,573
Municipal & other taxes	487,373	423,385
Basic consumption	367,222	270,440
Export & import expenses & freight	352,010	561,593
Others	616,878	416,410
Total	**6,455,124**	**4,895,011**

Other non-current other provisions as of December 31 of each year are detailed as follows:

	Non-Current	
	12/31/2010 ThCh$	12/31/2009 ThCh$
Claims occurred but not reported (Banchile)	1,536,583	1,721,650
Contingencies	1,436,180	1,461,646
Others	874,705	130,937
Total	**3,847,468**	**3,314,233**

c) Movement

The movement in provisions during 2010 is detailed as follows:

Movements	Restructuring ThCh$	Legal claims ThCh$	Other provisions & participations ThCh$	Total ThCh$
Initial balance at 01-01-2010	1,064,965	5,872,891	10,745,647	17,683,503
Changes in provisions (presentation)	-	-	-	-
Additional provisions	-	-	515,343	515,343
Increase (decrease) in existing provisions	685,893	343,253	25,988,796	27,017,942
Provision used	(160,684)	-	(25,388,996)	(25,549,680)
Increase for adjustment in currency translation	(4,143)	(58,277)	(68,686)	(131,106)
Other increases (decreases)	-	-	11,037	11,037
Changes in provisions, total	521,066	284,976	1,057,494	1,863,536
Closing balance at 31/12/2010	**1,586,031**	**6,157,867**	**11,803,141**	**19,547,039**

d) Description of nature of main 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 the result may be unfavorable to the Company and its subsidiaries.

Profit sharing and bonuses: the provisions for profit sharing and bonuses relate to the estimates of the Company and some of its subsidiaries with respect to profit sharing and bonuses for compliance.

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, and expenses related to general services, the annual report and contracted external audit expenses that have not yet been paid.

NOTE 21 – Provisions for employee benefits

a) Composition

The detail as of December 31 of each year is as follows:

	Current		Non-Current	
	12/31/2010 ThCh$	12/31/2009 ThCh$	12/31/2010 ThCh$	12/31/2009 ThCh$
Personnel vacations	1,709,758	1,477,731	-	-
Remuneration	1,489,157	1,159,217	-	-
Liability recorded for severance payments	234,871	220,091	3,824,333	4,060,879
Labor lawsuits	24,799	103,837	236,462	268,072
Social charges & other benefits	160,589	236,916	-	-
Total	**3,619,174**	**3,197,792**	**4,060,795**	**4,328,951**

b) Severance payments

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 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, 2010 and 2009:

		12/31/2010	12/31/2009	
Mortality table	:	RV-2004	RV-2004	
Annual interest rate	:	3.50%	3.50%	
Voluntary retirement turnover rate (*)	:	1.5% &4.91%	1.5% &4.91%	annually
Company needs turnover rate	:	0.50%	0.50%	annually
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).

Reconciliation of present value defined benefits plan obligation	12/31/2010 ThCh$	12/31/2009 ThCh$
Present value defined benefits plan obligation, initial balance	4,172,841	3,863,577
Cost of current service defined benefits plan obligation	583,541	471,700
Interest cost of defined benefits plan obligation	145,596	159,640
Actuarial gains or losses defined benefits plan obligation	(410,352)	(18,786)
Increase (decrease) in currency translation	17,976	22,672
Contributions paid defined benefits plan obligation	(478,579)	(325,962)
Settlements defined benefits plan obligation	28,181	-
Present value defined benefits plan obligation, closing balance	**4,059,204**	**4,172,841**

Presentation in the statement of financial position

Post-employment benefits	12/31/2010 ThCh$	12/31/2009 ThCh$
Liability recorded for severance benefits, Current	234,871	220,091
Liability recorded for severance benefits, Non-current	3,824,333	4,060,879
Total obligation for post-employment benefits	**4,059,204**	**4,280,970**

NOTE 22 – Other non-financial liabilities, current

Other current non-financial liabilities as of December 31 of each year are detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Dividends payable Quiñenco shareholders	87,698,343	46,781,959
Dividends payable minority shareholders in subsidiaries	627,607	2,801,859
Others	1,910,958	1,855,376
Total	**90,236,908**	**51,439,194**

NOTE 23 – Other non-financial liabilities, non-current

Other non-current non-financial liabilities as of December 31 of each year are detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Insurance company reserves	46,655,673	35,089,712
Other	611	651,139
Total	**46,656,284**	**35,740,851**

NOTE 24 - Types of financial assets and liabilities

Financial assets as of December 31, 2010 and 2009 are as follows:

Specific description of financial asset or liability	Category & valuation of the financial asset or liability	Current		Non-Current		Fair value	
		12/31/2010 ThCh$	12/31/2009 ThCh$	12/31/2010 ThCh$	12/31/2009 ThCh$	12/31/2010 ThCh$	12/31/2009 ThCh$
Cash & cash equivalents	Financial asset at fair value	328,292,503	132,359,460	-	-	328,292,503	132,359,460
Equity instruments (investments in shares)	Financial asset at fair value (market value) available for sale	-	-	95,256,737	105,048,181	95,256,737	105,048,181
Financial investments over 90 days for current assets & over one year for non-current assets	Financial asset at fair value	319,679,107	-	72,494,356	57,537,989	392,173,463	57,537,989
Exchange-rate hedges	Hedge instruments at fair value	-	-	-	-	-	-
Commodity price hedges (copper)	Hedge instruments at fair value	-	-	-	-	-	-
Cash-flow hedges	Cash-flow hedge instruments	-	-	-	-	-	-
Expected sales	Hedge instruments at fair value	120,505	199,523	-	-	120,505	199,523
Trade & other receivables	Financial asset	-	1,697	6,218,733	201,152	6,218,733	202,849
Other financial assets, current & non-current		**319,799,612**	**201,220**	**173,969,826**	**162,787,322**	**493,769,438**	**162,988,542**
Trade & other receivables	Financial asset	59,103,557	47,211,117	-	-	59,103,557	47,211,117
Accounts receivable from related parties	Financial asset	280,255	547,471	549,742	536,604	829,997	1,084,075
Total financial assets		**707,475,927**	**180,319,268**	**174,519,568**	**163,323,926**	**881,995,495**	**343,643,194**

Financial liabilities as of December 31, 2010 and 2009 are detailed as follows:

Specific description of financial asset or liability	Category & valuation of the financial asset or liability	Current 12/31/2010 ThCh$	Current 12/31/2009 ThCh$	Non-Current 12/31/2010 ThCh$	Non-Current 12/31/2009 ThCh$	Fair value 12/31/2010 ThCh$	Fair value 12/31/2009 ThCh$
Bank loan & bond issued	Financial liabilities	56,826,687	34,407,309	198,325,816	191,173,196	255,152,503	225,580,505
Financial lease liabilities	Financial liabilities	1,831,505	1,263,183	6,715,088	5,281,358	8,546,593	6,544,541
Interest-rate hedges	Cash-flow hedge instruments	1,274,642	-	1,827,530	309,226	3,102,172	309,226
Exchange-trate hedges	Hedge instruments at fair value	673,874	145,759	-	-	673,874	145,759
Commodity price hedges (copper)	Hedge instruments at fair value	1,134,952	439,908	-	-	1,134,952	439,908
Expected sales	Cash-flow hedge instruments	14,952	-	-	-	14,952	-
Other financial liabilities, current & non-current		**61,756,612**	**36,256,159**	**206,868,434**	**196,763,780**	**268,625,046**	**233,019,939**
Accounts payable to suppliers, social-security withholdings, taxes & other accounts payable	Financial liabilities at amortized cost	37,450,683	33,665,521	-	-	37,450,683	33,665,521
Accounts payable to related parties	Financial liabilities at amortized cost	1,471	9,262	-	-	1,471	9,262
Total financial liabilities		**99,208,766**	**69,930,942**	**206,868,434**	**196,763,780**	**306,077,200**	**266,694,722**

NOTE 25 - Equity

a) Capital and number of shares

The Company's capital as of December 31, 2010 is detailed as follows:

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$
	Capital issued	642,057,300	642,057,300
	Share premium	13,279,113	13,279,113
001		**655,336,413**	**655,336,413**

b) Controlling shareholders

The issued and paid shares of Quiñenco S.A. are held 83.3% 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, provided any accumulated losses from previous years are first absorbed.

The following dividends have been distributed between January 1, 2009 and December 31, 2010:

Dividend No.	Type of Dividend	Date Agreed	Date Paid	Dividend per Share Ch$
23 & 24	Final	4/29/2009	5/8//2009	61.00000
25 & 26	Final	4/30/2010	5/11//2010	95.03972

The Company follows a policy for determining distributable earnings for calculating the dividends for distribution, of considering all the earnings (loss) attributable to owners of the parent.

d) Other reserves

Other reserves as of December 31 of each year are detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
Translation reserves	(42,028,556)	(28,061,516)
Revaluation reserves	384,026	(3,584,791)
Cash-flow hedge reserves	(992,386)	(141,207)
Reserves for assets available for sale	14,048,018	11,665,986
Sale of "LQIF-D" shares, net of tax	131,642,239	-
Other changes	8,641,576	22,192,437
Total	**111,694,917**	**2,070,909**

It should be mentioned 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 consolidated statement of financial position.

NOTE 26 – Revenues and expenses

(a) Ordinary revenues

Ordinary revenues as of December 31 of each year are detailed as follows:

	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Sale of goods	204,362,848	170,426,375
Rendering of services	100,269,566	83,701,900
Total	**304,632,414**	**254,128,275**

(b) Other expenses by function

Other expenses as of December 31 of each year are detailed as follows:

	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Amortization of intangible assets	(8,767,945)	(8,767,945)
Provision legal expenses in Brazil	(1,370,192)	(442,975)
Restructuring costs	(955,254)	(659,291)
Depreciation of idle assets	(188,237)	(263,028)
Other sundry operating expenses	(452,447)	(1,429,405)
Total	**(11,734,075)**	**(11,562,644)**

(c) Other gains (losses)

The detail as of December 31 of each year is as follows:

	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Other gains		
Gain on sale of share investments	178,237,493	33,136,413
Gain on sale of property, plant & equipment	416,488	-
Recovery of tender expenses Argentina (Decker)	319,043	-
Other gains	189,992	44,524
Total other gains	**179,163,016**	**33,180,937**
Other losses		
Director's allowances, profit sharing & remuneration	(2,480,594)	(775,816)
Adjustment to sale price settlement Nexans	(7,210,352)	-
Impairment property, plant & equipment subsidiary Madeco	(2,101,082)	(290)
Loss on sale of property, plant & equipment	-	(1,680,150)
Third-party consultancies	(1,336,516)	(261,108)
Contingencies	(596,424)	(176,818)
Nexans lawsuit expenses & fees	(462,831)	-
Donations	(140,304)	(720,643)
Other losses	(839,791)	(363,473)
Total other losses	**(15,167,894)**	**(3,978,298)**
Total other gains (losses) net	**163,995,122**	**29,202,639**

(d) Financial costs

Financial costs as of December 31 of each year are detailed as follows:

	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Bond interest	9,537,718	10,037,319
Bank loan interest	1,758,298	2,420,106
Interest on other financial instruments	706,577	295,236
Fair value derivatives	926,805	-
Bank commissions, stamp taxes & other financial costs	919,852	1,086,411
Total	**13,849,250**	**13,839,072**

NOTE 27 – Personnel expenses

Personnel expenses as of December 31 of each year are detailed as follows:

	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Wages & salaries	31,067,983	28,769,507
Short-term personnel benefits	840,293	2,713,323
Post-employment benefit expenses	3,176,583	458,821
Severance benefits	322,547	1,114,921
Other personnel expenses	195,805	193,353
Total	**35,603,211**	**33,249,925**

NOTE 28 – Earnings per share

Basic earnings per share is calculated by dividing the earnings available to shareholders by the weighted average number of shares in circulation during the year.

The calculation for each year is detailed as follows:

	01/01/2010 12/31/2010 ThCh$	01/01/2009 12/31/2009 ThCh$
Earnings (Loss) attributable to owners of the parent	291,606,050	155,400,504
Result available to common shareholders, basic	291,606,050	155,400,504
Weighted average number of shares, basic	1,144,577,775	1,144,577,775
Basic Earnings (Loss) per share	**0,254771721**	**0,135771031**

NOTE 29 – The environment

The Company is not affected by this concept, as Quiñenco is an investment company.

During 2010, the subsidiary Alusa S.A., a subsidiary of Madeco, has disbursed ThCh$ 3,215,229 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 in the first quarter of 2011.

Disbursements made during the year form part of an asset recorded in Construction in progress, which forms part of Property, plant and equipment. There are no estimates of future commitments.

Apart from the above exception, the other subsidiaries have made no significant disbursements relating to investments or expenses especially focused on environmental protection.

NOTE 30 – 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 to or better than the limits pre-established for each kind of instrument.

In the subsidiary Madeco, 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[3].

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 policy criteria in low-risk instruments (principally time deposits) in institutions that have high credit ratings and within the limits established for each institution (funds are invested in a diversified manner).

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 hedge levels according to the market price of copper (higher level of hedge is adopted for a higher price of copper). The derivatives also have to comply with the necessary documentation (definition of the relationship between derivative and item hedged, objectives of risk management, efficiency tests, etc.). In contracting financial hedges, Madeco selects institutions with high credit ratings in order to ensure payments in the event of offsets in its favor. As of December, 2009 Madeco had 908 tonnes of copper hedged and as of December 31, 2010, 1,950 tonnes hedged by derivative contracts.

Following the sale of the cables 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 LQ Inversiones Financieras has no accounts receivable subject to credit risk. With respect to the investment of cash surpluses, this is carried out under market conditions in fixed-rate instruments in line with the maturities of commitments or operating expenses.

For a detail of the balances of financial assets, see the Note Types of financial assets and liabilties.

b) Liquidity risk

Quiñenco finances its activities and investments with the dividends and earnings distributions of the companies in which it has an interest 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 cash-flow generation.

3 For details of the impairment of financial assets of the subsidiary Madeco, see Note Other non-current financial assets.

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, hedge offset payments, etc.) and the amounts of available cash, in order not to have to resort to short-term external financing. Madeco's financing policy seeks to ensure that the funding sources are balances between short and long term, have a low exposure to credit risk and are in line with the cash flows that each of its subsidiaries generates.

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.

For a detail of the balances and maturities of financial liabilities, see the Note Other current and non-current financial liabilties.

c) Foreign exchange rate risk

At the corporate level, there is no exposure as of December 2010 to the foreign currency exchange rate as there are no assets or liabilities in foreign currency, neither are there hedges contracted at December 2010 or 2009. Exchange differences produced by the conversion to pesos of balances in the functional currencies of the consolidated entities whose functional currency is other than the 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 income.

In the subsidiary Madeco, exposure to exchange 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, and relative appreciations/depreciations between both currencies. Both the board and management of Madeco periodically revise its net exposure, projecting, based on changes in the currencies against 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, 2010, the net exposure to exchange risk of Madeco (excluding the investment in Nexans) is an asset equivalent to Ch$3,736 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 income an estimated effect of Ch$187 million at the consolidated level. The net exchange risk exposure on the investment in Nexans as of December 31, 2010 is Ch$93,972 million. A 5% change in the exchange rate (dollar/euro) would generate an effect on total equity of Ch$4,699 million.

The subsidiary LQIF has no exchange risk as it has no financial assets or liabilities in foreign currency.

d) Interest-rate risk

At the corporate level, Quiñenco has financial assets at fair value investments with changes to income for Ch$619,930 million which are exposed to interest-rate risk. A variation of 10 basis points in the interest rate would generate an effect on financial income in the twelve-month period of Ch$185 million.

The Company shows a low interest-rate risk with respect to its liabilities, as its financial commitments are all structured at fixed rates.

Madeco has 58% of its obligation with fixed rates and 4% with the interest rate hedged by a swap, which implies a reduced exposure to the variable rates on 38% of its financial commitments.

LQIF has all its financial commitments at fixed rates, implying a low interest-rate exposure.

The following shows the interest-rate structure at the consolidated level. As can be seen, exposure to interest-rate risk is reduced as 94% of the debt is structured at fixed rates.

Net position	12/31/2010	12/31/2009
Fixed interest rate	94.0%	92.3%
Hedged interest rate	0.5%	2.0%
Variable interest rate	5.5%	5.7%
Total	**100.0%**	**100.0%**

As of December 31, the consolidated exposure to variable interest rate amounts to Ch$14,446 million. A 100 basis points variation in the rate would generate an effect on financial costs in the twelve-month period of Ch$144 million.

e) Nexans investment risk

The subsidiary Madeco has a shareholding in the French company Nexans, received as part of the sale price of its cables unit. These shares have been recorded as a financial investment and are therefore subject to two kinds of market risk: of price due to variations in the Nexans share price, and of exchange rate due to variations between the euro (the base currency of these shares) and the currency of presentation of the financial statements. The market-price risk exposure of the investment in Nexans as of December 31, 2010 is Ch$93,972 million. A variation of 5% in the share price of Nexans would generate an effect on equity of Ch$4,699 million.

NOTE 31 – Information by segment

General information

Quiñenco is structured on the basis of industrial and financial activities, with its resources distributed among three business segments: Manufacturing, Financial and Other.

The Manufacturing segment includes Madeco.
The Financial segment includes LQIF and its subsidiaries.
The Other segment includes Quiñenco corporate, CCU, other and eliminations.

With the exception of the subsidiary Madeco and the associate CCU, all of 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 revenues as those from the sale of goods and services (Madeco and others), and net revenue from the banking sector (Banco de Chile).

Geographical area

Ordinary revenue from foreign customers by geographic area as of December 31 of each year is detailed as follows:

	12/31/2010 ThCh$	12/31/2009 ThCh$
South America	276,600,471	229,223,113
Central America	5,597,303	5,362,910
North America	21,473,254	18,922,143
Europe	936,556	419,192
Asia	24,830	200,917
Total ordinary revenue from foreign customers	**304,632,414**	**254,128,275**

Income by segment in 2010 is detailed as follows:

	Segments December 2010			
	Manufacturing ThCh$	Financial ThCh$	Other ThCh$	Total ThCh$
Statement of Income Non-Banking Services				
Ordinary revenue from foreign customers	208,678,071	-	95,954,343	304,632,414
Ordinary revenue from transactions between segments	4,110,884	-	(4,110,884)	-
Cost of sales	(178,244,667)	-	(41,159,183)	(219,403,850)
Gross margin	34,544,288	-	50,684,276	85,228,564
Other operating income (expenses)	(24,279,981)	(9,512,634)	(54,789,983)	(88,582,598)
Other gains (losses)	(9,084,503)	-	173,079,625	163,995,122
Financial income	873,952	151,281	13,501,685	14,526,918
Financial costs	(2,732,705)	(7,851,441)	(3,265,104)	(13,849,250)
Net equity interest in earnings (losses) of associates and joint ventures accounted for using the equity method	-	-	35,312,226	35,312,226
Exchange differences	(119,757)	-	(13,984)	(133,741)
Indexed units gain (loss)	58,985	(3,757,413)	(2,752,746)	(6,451,174)
Earnings (loss) before tax	**(739,721)**	**(20,970,207)**	**211,755,995**	**190,046,067**
Credit (charge) for income taxes	(2,083,966)	1,514,861	(8,213,195)	(8,782,300)
Earnings (loss) from continuing operations	**(2,823,687)**	**(19,455,346)**	**203,542,800**	**181,263,767**
Earnings (loss) from discontinued operations	-	-	-	-
Earnings (loss)	**(2,823,687)**	**(19,455,346)**	**203,542,800**	**181,263,767**
Statement of Income banking services				
Operating income, net	-	1,000,780,933	-	1,000,780,933
Operating expenses	-	(588,616,937)	-	(588,616,937)
Operating income	-	412,163,996	-	412,163,996
Gain on investments in companies	-	1,926,246	-	1,926,246
Interest on subordinated debt with Banco Central de Chile	-	(72,978,711)	-	(72,978,711)
Income before income tax	-	341,111,531	-	341,111,531
Income tax	-	(38,550,612)	-	(38,550,612)
Income of continuing operations	-	302,560,919	-	302,560,919
Earnings (loss) banking services	-	302,560,919	-	302,560,919
Earnings (loss)	**(2,823,687)**	**283,105,573**	**203,542,800**	**483,824,686**
Earnings (loss) attributable to owners of the parent	(4,887,934)	172,746,051	123,747,933	291,606,050
Earnings (loss) attributable to non-controlling interests	2,064,247	110,359,522	79,794,867	192,218,636
Earnings (loss)	**(2,823,687)**	**283,105,573**	**203,542,800**	**483,824,686**

As of December 31, 2010 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	(7,434,359)	(8,175,307)	(405,927)	(16,015,593)
Cash flows, non-banking services				
Operating	(2,676,797)	132,321	(160,833,420)	(163,377,896)
Investment	(10,699,862)	(4,577)	172,567,816	161,863,377
Financing	(12,042,509)	(163,827,558)	205,493,757	29,623,690
Cash flow, banking services				
Operating	-	308,193,935	-	602,715,240
Investment	-	15,839,247	-	(270,217,116)
Financing	-	(7,565,356)	-	45,610,157
Current assets	134,304,170	4,952,757	633,614,617	772,871,544
Non-current assets	199,075,523	953,288,479	299,418,653	1,451,782,655
Banking assets	-	18,221,222,491	-	18,221,222,491
Total assets	**333,379,693**	**19,179,463,727**	**933,033,270**	**20,445,876,690**
Current liabilities	58,138,413	21,745,512	168,311,942	248,195,867
Non-current liabilities	27,742,581	175,622,377	123,998,018	327,362,976
Banking liabilities	-	17,144,542,503	-	17,144,542,503
Total liabilities	**85,880,994**	**17,341,910,392**	**292,309,960**	**17,720,101,346**

Profit or loss by segment in 2009 is detailed as follows:

	Segments December 2009			
	Manufacturing ThCh$	Financial ThCh$	Other ThCh$	Total ThCh$
Income Statement				
Ordinary revenue from foreign customers	165,422,961	-	88,705,314	254,128,275
Ordinary revenue 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
Other operating revenue (expenses)	(15,926,691)	(9,546,696)	(52,774,410)	(78,247,797)
Other gains (losses)	(1,552,696)	-	30,755,335	29,202,639
Financial income	2,654,087	2,116,256	4,259,000	9,029,343
Financial costs	(3,465,169)	(6,988,736)	(3,385,167)	(13,839,072)
Net interest in earnings (losses) of associates and joint ventures using the equity method	-	-	42,233,654	42,233,654
Exchange differences	8,237,633	-	568,888	8,806,521
Indexed units gain (loss)	(1,920,504)	2,528,855	(234,560)	373,791
Gain (loss) arising from difference between previous book value & the fair value of financial assets reclassified measured to fair value	-	-	-	-
Earnings (loss) before tax	**17,036,587**	**(11,890,321)**	**65,676,984**	**70,823,250**
Credit (charge) for income taxes	1,101,190	1,707,950	(3,727,076)	(917,936)
Earnings (loss) from continuing operations	**18,137,777**	**(10,182,371)**	**61,949,908**	**69,905,314**
Earnings (loss) from discontinued operations	33,795	-	4,126,902	4,160,697
Earnings (loss)	**18,171,572**	**(10,182,371)**	**66,076,810**	**74,066,011**
Statement of income banking services				
Operating revenue, net	-	803,108,797	-	803,108,797
Operating expenses	-	(506,525,370)	-	(506,525,370)
Operating income	-	296,583,427	-	296,583,427
Gain on 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)
Result of continuing operations	-	213,060,167	-	213,060,167
Earnings (loss) banking services	-	213,060,167	-	213,060,167
Earnings (loss)	**18,171,572**	**202,877,796**	**66,076,810**	**287,126,178**
Earnings (loss) attributable to owners of the parent	16,522,879	125,335,764	13,541,861	155,400,504
Earnings (loss) attributable to non-controlling interests	1,648,693	77,542,032	52,534,949	131,725,674
Earnings (loss)	**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	(8,018,319)	(8,197,917)	(1,304,704)	(17,520,940)
Cash flows, non-banking services				
Operating	12,665,387	(22,908)	(104,766,432)	(92,123,953)
Investment	(4,040,829)	61,466,038	9,160,156	66,585,365
Financing	(90,747,992)	(120,647,608)	193,273,887	(18,121,713)
Cash flow, banking services				
Operating	-	369,416,910	17,515,881	386,932,791
Investment	-	(164,819,478)	-	(164,819,478)
Financing	-	(336,641,832)	-	(336,641,832)
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	-	17,457,600,941	-	17,457,600,941
Total assets	**369,079,536**	**18,433,717,695**	**517,543,694**	**19,320,340,925**
Current liabilities	58,621,587	3,731,314	151,350,442	213,703,343
Non-current liabilities	25,849,883	161,484,882	145,904,128	333,238,893
Banking liabilities	-	16,499,778,935	-	16,499,778,935
Total liabilities	**84,471,470**	**16,664,995,131**	**297,254,570**	**17,046,721,171**

NOTE 32 – Effect of exchange-rate variations

a) Assets by currency as of December 31, 2010 are detailed as follows:

Assets Non-banking businesses Current assets	Dollars ThCh$	Chilean pesos ThCh$	Unidad de Fomento ThCh$	Euros ThCh$	Soles ThCh$	Argentine pesos ThCh$	Reales ThCh$	Other Currencies ThCh$	Total ThCh$
Cash & cash equivalents	4,015,386	309,752,442	13,431,476	353,687	-	200,855	313,030	225,627	328,292,503
Other financial assets, current	120,505	111,854,558	207,824,549	-	-	-	-	-	319,799,612
Other non-financial assets, current	7,801,414	11,357,648	6,844	108,157	47,658	139,243	-	1,432	19,462,396
Trade & other accounts receivable, current	20,019,301	33,236,204	129,958	353,975	745,237	4,618,882	-	-	59,103,557
Accounts receivable from related parties, current	-	280,255	-	-	-	-	-	-	280,255
Inventory	36,648,196	110,572	-	-	-	-	-	-	36,758,768
Current tax assets	269,221	6,446,930	-	-	-	145,285	206,972	-	7,068,408
Total current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	**68,874,023**	**473,038,609**	**221,392,827**	**815,819**	**792,895**	**5,104,265**	**520,002**	**227,059**	**770,765,499**
Non-current assets other than assets or groups of assets for disposal classified as held for sale	2,106,045	-	-	-	-	-	-	-	2,106,045
Non-current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	**2,106,045**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,106,045**
Total current assets	**70,980,068**	**473,038,609**	**221,392,827**	**815,819**	**792,895**	**5,104,265**	**520,002**	**227,059**	**772,871,544**
Non-current assets									
Other financial assets, non-current	-	32,882,170	47,114,824	93,972,448	-	384	-	-	173,969,826
Other non-financial assets, non-current	51,956	2,941,949	-	-	-	4,179	8,641,546	-	11,639,630
Collection rights, non-current	-	936	990,204	-	-	-	-	-	991,140
Accounts receivable from related parties, non-current	-	549,742	-	-	-	-	-	-	549,742
Investments recorded using the equity method	-	191,657,023	-	-	-	-	-	-	191,657,023
Intangible assets other than goodwill	1,173,501	219,252,024	-	-	-	-	-	-	220,425,525
Goodwill	396,943	730,308,081	-	-	-	-	-	-	730,705,024
Property, plant & equipment	83,440,043	6,148,000	-	-	-	-	-	-	89,588,043
Investment properties	2,531,117	4,795,172	-	-	-	-	-	-	7,326,289
Deferred tax assets	5,696,997	18,988,518	-	-	185,007	59,891	-	-	24,930,413
Total non-current assetss	**93,290,557**	**1,207,523,615**	**48,105,028**	**93,972,448**	**185,007**	**64,454**	**8,641,546**	**-**	**1,451,782,655**
Total non-banking business assets	**164,270,625**	**1,680,562,224**	**269,497,855**	**94,788,267**	**977,902**	**5,168,719**	**9,161,548**	**227,059**	**2,224,654,199**

b) Liabilities by currency as of December 31, 2010 are detailed as follows:

Liabilities Non-banking businesses Current liabilities	Dollars ThCh$	Chilean pesos ThCh$	Unidad de Fomento ThCh$	Euros ThCh$	Soles ThCh$	Argentine pesos ThCh$	Reales ThCh$	Other currencies ThCh$	Total ThCh$
Other financial liabilities, current	17,684,305	6,584,415	37,032,844	-	-	455,048	-	-	61,756,612
Trade & other payables	7,775,574	27,013,025	29,805	322,081	287,847	1,967,670	54,465	216	37,450,683
Accounts payable to related parties, current	-	1,471	-	-	-	-	-	-	1,471
Other short-term provisions	1,044,226	6,375,719	4,935	3,272	-	685,340	1,643,878	-	9,757,370
Current tax liabilities	100,713	44,298,507	-	-	385,569	588,860	-	-	45,373,649
Provisions for employee benefits, current	-	2,438,105	24,799	-	961,623	194,647	-	-	3,619,174
Other non-financial liabilities, current	1,130,318	88,993,437	-	-	-	113,153	-	-	90,236,908
Total current liabilities other than liabilities included in groups of assets for disposal classified as held for sale	**27,735,136**	**175,704,679**	**37,092,383**	**325,353**	**1,635,039**	**4,004,718**	**1,698,343**	**216**	**248,195,867**
Liabilities included in groups of assets for disposal classified as held for sale	-	-	-	-	-	-	-	-	-
Total current liabilities	**27,735,136**	**175,704,679**	**37,092,383**	**325,353**	**1,635,039**	**4,004,718**	**1,698,343**	**216**	**248,195,867**
Non-current liabilities									
Other financial liabilities, non-current	8,871,345	3,637,375	193,783,107	-	-	576,607	-	-	206,868,434
Other non-current provisions	-	9,182,880	-	-	-	40,141	566,648	-	9,789,669
Deferred tax liabilities	1,253,229	54,800,397	-	-	1,106,262	2,827,906	-	-	59,987,794
Provisions for employee benefits, non-current	-	3,824,334	236,461	-	-	-	-	-	4,060,795
Other non-financial liabilities, non-current	475	-	46,655,673	-	-	136	-	-	46,656,284
Total non-current liabilities	**10,125,049**	**71,444,986**	**240,675,241**	**-**	**1,106,262**	**3,444,790**	**566,648**	**-**	**327,362,976**
Total non-banking business liabilities	**37,860,185**	**247,149,665**	**277,767,624**	**325,353**	**2,741,301**	**7,449,508**	**2,264,991**	**216**	**575,558,843**

c) Assets by currency as of December 31, 2009 are detailed as follows:

Assets Non-banking businesses Current assets	Dollars ThCh$	Chilean pesos ThCh$	Unidad de Fomento ThCh$	Euros ThCh$	Soles ThCh$	Pesos Argentinos ThCh$	Reales ThCh$	Other currencies ThCh$	Total ThCh$
Cash & cash equivalents	30,316,799	100,954,744	-	425,374	101,394	191,921	369,228	-	132,359,460
Other financial assets, current	199,523	1,697	-	-	-	-	-	-	201,220
Other non-financial assets, current	18,482,830	13,136,169	6,681	663,558	57,917	67,817	-	5,810	32,420,782
Trade & other accounts receivable, current	15,848,696	26,527,587	87,857	45,205	460,849	4,240,923	-	-	47,211,117
Accounts receivable from related parties, current	-	547,471	-	-	-	-	-	-	547,471
Inventory	30,424,556	188,376	-	-	-	-	-	-	30,612,932
Current tax assets	671,777	6,436,202	-	-	-	403,648	198,270	-	7,709,897
Total current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	**95,944,181**	**147,792,246**	**94,538**	**1,134,137**	**620,160**	**4,904,309**	**567,498**	**5,810**	**251,062,879**
Non-current assets other than assets or groups of assets for disposal classified as held for sale	-	154,776,777	-	-	-	-	-	-	154,776,777
Non-current assets other than assets or groups of assets for disposal classified as held for sale or held for distribution to the owners	**-**	**154,776,777**	**-**	**-**	**-**	**-**	**-**	**-**	**154,776,777**
Total current assets	**95,944,181**	**302,569,023**	**94,538**	**1,134,137**	**620,160**	**4,904,309**	**567,498**	**5,810**	**405,839,656**
Non-current assets									
Other financial assets, non-current	-	183,185	58,387,484	104,216,020	-	633	-	-	162,787,322
Other non-financial assets, non-current	56,370	3,330,187	-	-	-	6,172	7,729,719	-	11,122,448
Collection rights, non-current	-	910,393	-	-	-	-	-	-	910,393
Accounts receivable from related parties, non-current	-	536,604	-	-	-	-	-	-	536,604
Investments recorded using the equity method	-	175,698,216	-	-	-	-	-	-	175,698,216
Intangible assets other than goodwill	762,902	228,258,592	-	-	-	15,837	4,395	-	229,041,726
Goodwill	430,097	730,834,848	-	-	-	-	-	-	731,264,945
Property, plant & equipment	85,926,764	5,861,235	-	-	-	-	-	-	91,787,999
Investment properties	2,765,513	4,894,486	-	-	-	-	-	-	7,659,999
Deferred tax assets	2,831,790	42,874,501	-	-	313,116	71,269	-	-	46,090,676
Total non-current assetss	**92,773,436**	**1,193,382,247**	**58,387,484**	**104,216,020**	**313,116**	**93,911**	**7,734,114**	**-**	**1,456,900,328**
Total non-banking business assets	**188,717,617**	**1,495,951,270**	**58,482,022**	**105,350,157**	**933,276**	**4,998,220**	**8,301,612**	**5,810**	**1,862,739,984**

d) Liabilities by currency as of December 31, 2009 are detailed as follows:

Liabilities Non-banking businesses Current liabilities	Dollars ThCh$	Chilean pesos ThCh$	Unidad de Fomento ThCh$	Euros ThCh$	Soles ThCh$	Argentine pesos ThCh$	Reales ThCh$	Other currencies ThCh$	Total ThCh$
Other financial liabilities, current	19,263,158	6,353,783	10,639,218	-	-	-	-	-	36,256,159
Trade & other payables	6,963,820	21,010,382	1,148	886,748	118,686	1,730,694	-	1,946	30,713,424
Accounts payable to related parties, current	-	9,262	-	-	-	-	-	-	9,262
Other short-term provisions	269,721	6,090,959	6,459	2,004	636,836	981,926	789,691	-	8,777,596
Current tax liabilities	-	2,912,223	-	-	498,522	196,712	-	-	3,607,457
Provisions for employee benefits, current	-	3,093,955	103,837	-	-	-	-	-	3,197,792
Other non-financial liabilities, current	5,119,735	46,082,254	-	-	179,621	57,584	-	-	51,439,194
Total current liabilities other than liabilities included in groups of assets for disposal classified as held for sale	**31,616,434**	**85,552,818**	**10,750,662**	**888,752**	**1,433,665**	**2,966,916**	**789,691**	**1,946**	**134,000,884**
Liabilities included in groups of assets for disposal classified as held for sale	-	79,702,459	-	-	-	-	-	-	79,702,459
Total current liabilities	**31,616,434**	**165,255,277**	**10,750,662**	**888,752**	**1,433,665**	**2,966,916**	**789,691**	**1,946**	**213,703,343**
Non-current liabilities									
Other financial liabilities, non-current	7,043,217	1,895,625	187,824,938	-	-	-	-	-	196,763,780
Trade & other payables	-	268,072	-	-	-	-	-	-	268,072
Other non-current provisions	-	8,886,681	-	-	-	19,226	-	-	8,905,907
Deferred tax liabilities	-	82,528,771	-	-	1,615,870	3,086,691	-	-	87,231,332
Provisions for employee benefits, non-current	-	4,060,879	268,072	-	-	-	-	-	4,328,951
Other non-financial liabilities, non-current	-	35,740,558	-	-	-	293	-	-	35,740,851
Total non-current liabilities	**7,043,217**	**133,380,586**	**188,093,010**	**-**	**1,615,870**	**3,106,210**	**-**	**-**	**333,238,893**
Total non-banking business liabilities	**38,659,651**	**298,635,863**	**198,843,672**	**888,752**	**3,049,535**	**6,073,126**	**789,691**	**1,946**	**546,942,236**

NOTE 33 – 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 Internal Revenue Service 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, 2007.

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 Internal Revenue Service, 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 Internal Revenue Service on June 1, 2007 (Case No.10.520-2007). These are presently in the evidence stage.

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 Internal Revenue Service.

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 is 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 Internal Revenue Service 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 invalidated the sentence and all the previous proceedings in the first instance, as the sentence was given by a delegated tax judge who lacked jurisdiction.

As a result of this decision, the proceedings are currently pending in the first instance (in a new case) before Metropolitan Santiago East Regional Office of the Internal Revenue Service (Case No.10.384-2009), with this tribunal rejecting the company's tax appeal on September 8, 2009.

As a result, an appeal was filed on October 15, 2009 whereby if rejected again the case would be heard by the Santiago Appeals Court.

As of December 31, 2010 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, 2010 Quiñenco and the group companies are in compliance with the financial covenants related to bond issuances.

(1) Quiñenco is subject to certain financial covenants with respect to its bond issuances, the principal ones December 31, 2010 being:

- 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 Ch$714,409 million.
- the Luksic group shall 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 from 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-issuance indenture and other loan agreements. The principal restrictions as of December 31, 2010 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 at 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 Decemeber 31, 2010, Madeco and its subsidiaries have various covenants whose principal terms are:

Bank loans:
As of December 31, 2010, Madeco has syndicated loans with financial institutions whereby it is required 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. Adjusted Equity should be at least UF 7,000,000.

Principal covenants of Madeco:

1. The Company and its essential subsidiaries (Alusa S.A., Indalum S.A. and Madeco Mills S.A.) shall do everything 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 their 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. 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 must 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 they 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, 2010, Madeco is in compliance with all the covenants required in the syndicated loan agreements.

Alusa S.A. and subsidiaries
Alusa has the following contingencies and/or restrictions as of December 31, 2010:

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 to cover 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 (Scotiabank).
On December 26, 2006, Alusa became guarantor of Aluflex S.A. with respect to a loan by Banco del Desarrollo to that company for US$4,000,000 repayable in semi-annual payments after 1 year's grace, until January 2011, which was extended to January 15, 2012.

Loan Corpbanca.
On September 2, 2008, Alusa became guarantor of Aluflex S.A. with respect to a loan 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, 2010:

In November 6, 2007 it acquired the following commitments with respect to two non-current 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 equity less intangible assets less non-trade accounts receivable from subsidiaries of Peruplast) of no higher than 1.50:1 from December 2007 to September 2009 and 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 and no more than 1.75:1 from December 2009 onward.

Maintain a debt service ratio (EBITDA to the sum of the current portion of non-current 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 interests 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.

Debt service coverage (operating income plus depreciation and amortization less income tax and equity interests 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, 2010, Peruplast S.A. is in compliance with these covenants.

(c) Other contingencies

Sale of the Cables Unit to Nexans.
The extraordinary shareholders' meeting held on April 25, 2008 approved the sale contract of the cable unit to Nexans. This sale was formalized on September 30, 2008.

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 cables unit 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, which corresponds to the US$448 million agreed upon less the debt, minority interests in the companies sold, transfer taxes that the buyer must 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.

On July 9, 2009, Madeco brought an arbitration demand against Nexans before the New York International Chamber of Commerce. Later, on August 17, 2009, Nexans returned to Madeco S.A. the sum of US$8,615,000 of the US$37 million left in the escrow account. Finally, on January 17, 2011, the parties agreed a settlement through mutual concessions which ended the arbitration proceedings. This agreement meant for Madeco an adjustment for the lower sale price of US$ 11.521 million, which is shown in the comprehensive income of this company as of December 31, 2010, in addition to that recorded in the financial statements as of September 30, 2010, which was US$ 3.364 million. With this transaction, the deposits in guarantee mentioned in the previous paragraph were released.

b) Declarations and Warranties.
The sales 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 cables 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 the 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.

d) Indemnities
Nexans shall be entitled to be indemnified for any breach of the declarations and warranties, and the other obligations established in the sales 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. The company responds only for 90% of the obligation to indemnify for the taxes in Brazil until the sale date.

e) Limitation of responsibility 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 sales 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$310 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$310 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 (UF 473,583 as of December 31, 2010).

The book equity of Banchile Seguros de Vida S.A. as of December 31, 2010 is ThCh$ 30,243,249. Quiñenco's indirect shareholding in this company at December 31, 20109 was 66.30%. The difference between the sale value and book value of Quiñenco's shareholding therefore amounts to Thch$13,314,546.

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 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 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 that 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.p.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 November 4, 2005 VTR appealed against this notification, requesting the revision of the inspector's actions. On February 16, 2006, Resolution 32/2006 was issued stating that there was no case for reviewing the inspector's actions. 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 July 19, 2006, Ficap S.A., a former Madeco cables subsidiary, 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.

On February 10, 2010, the Brazilian authority notified Ficap S.A., today Nexans Brasil S.A., of tax demands amounting to ThR$ 8,481 (equivalent on that date to ThUS 4,590) including interest and fines. The arguments and bases for these demands are accessory to the lawsuit mentioned in the previous paragraph so the result is closely related to that lawsuit. According to Madeco's legal advisers in Brazil, there are well-founded arguments for reversing this situation. The management therefore agreed to seek an appeal and revision in accordance with the corresponding Brazilian law.

On October 25, 2010, Ficap S.A. was notified of two accessory demands to the lawsuit reported in the previous two paragraphs. In these new demands, the tax authorities are demanding income tax for the periods (A) 2006-2007 and (B) 2008, even though Ficap S.A. has guaranteed the payment of these taxes through various court deposits:

(A) Period 2006-2007. The objective of this demand is to interrupt the prescription of the right of the authority to demand amounts for this period. Considering that the tax authorities have full court deposits for this period made by Ficap S.A, the contingency reduces accordingly.

(B) Year 2008. In this demand, the tax authorities consider that the court deposits made by the company were less than those due and therefore demand the payment of the total amount, including interest and fines. As part of that demanded by the authority is guaranteed by court deposits, the company's potential exposure is reduced to the difference between that deposited and that demanded, plus fines and interest.

Madeco's legal advisers in Brazil consider that there are well-founded arguments for reversing this situation. The management therefore agreed to exercise its rights in accordance with the corresponding Brazilian legislation.

On January 22, 2010, the state of Sao Paulo, Brazil, notified the former Madeco cables subsidiary, Ficap S.A., now Nexans Brasil S.A., of tax demands amounting to a total of ThR$ 89,172 (equivalent on that date to ThUS 49,079) including interest and fines. The demand argues that the ICMS taxes (similar to VAT in Chile) paid by Ficap in the state of Espírito Santo, the place of imports of copper, should have been paid to the state of Sao Paulo, where one of Ficap's plants is located. The state of Sao Paulo argues that the use of this fiscal credit generated in the state of Espírito Santo in 2005 was not appropriate. This situation is a part of differences of opinion between various Brazilian states with respect to the place where IMCS taxes should be paid for imports, since the use of tax benefits granted by some states to motivate imports of products through them has been the practice of many local and international companies. The board of Madeco has agreed to exercise its rights of appeal and revision under Brazilian legislation. On April 1, 2010, the top organism on tax matters in Brazil, that coordinates all the states, published an agreement authorizing the states of Sao Paulo and Espírito Santo to recognize the validity of the ICMS payments made by an importer in the physical entry state of the merchandise. However, the judge in the first instance, ignoring the recent agreement mentioned, rejected the company's arguments and gave judgment against it. Madeco then brought the pertinent recourses. Ratifying the ICMS agreement published by the CONFAZ, the state of Sao Paulo issued Decree 56.045/10 on July 26, 2010 which recognizes the tax payments made to the state of Espírito Santo with respect to imports on behalf of third parties. On October 22, 2010, Nexans Brasil S.A. resorted to Decree 56.045/10. Should the tax authorities accept the information submitted by Nexans Brasil S.A., the responsibility of the company with the state of Sao Paulo will be extinguished semi-annually and gradually between December 31, 2010 and June 1, 2014, for the demands currently made and possible demands for years after 2005.

NOTE 34 – Collateral received

The Company has received no collateral from third parties as of December 31, 2010.

NOTE 35 – Sanctions

Neither the Company nor its directors or managers received any sanctions from the SVS or any other regulatory authority during 2010 and 2009.

NOTE 36 – Subsequent events

There are no events of a financial or other nature occurring between December 31, 2010 and the date of issuance of these consolidated financial statements that might significantly affect their interpretation.

NOTE 37 – Additional notes

The following are the Notes to the financial statements of SM Chile S.A. and subsidiaries under the regulations of the Superintendency of Banks and Financial Institutions (SBIF).

Note 37.1 -Company information

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., or SM Chile S.A., and modifying its corporate objective 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 agreed 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 thus became Sociedad Matriz del Banco de Chile S.A., or SM-Chile S.A., 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, whose 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 its holds, while the latter company maintains its Subordinated Obligation with Banco Central de Chile.

The shareholders in SM Chile S.A. directly exercise the speaking 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, 2010, the total balance of the Subordinated Obligation with Banco Central de Chile, including interest, amounts to U.F. 40,859,529.65 (U.F. 43,660,386.35 in 2009).

The Subordinated Obligation is to be amortized over a period expiring on April 30, 2036, contemplating fixed annual payments of U.F. 3,187,363.9765 each. However, SAOS S.A. is required to pay annually an amount called an annual installment, 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 installment may be greater or less than the fixed installment. If the annual installment is more than the fixed installment, 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 installment is below the fixed installment, the difference will be covered by the accumulated balance in the Surpluses for Future Deficits Account should there be a balance or 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 installment for 2010 amounts to ThCh$122,377,407. As of December 31, 2010 there is a surplus in the Surpluses for Future Deficits Account of U.F. 6,211,472.41 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.

Note 37.2 - Changes in Accounting

The principal accounting criteria used in the preparation of the consolidated financial statements of SM Chile and its subsidiaries are the same as those applied to the consolidated financial statements for 2009, taking into account the regulations of the SBIF and standards and interpretations agreed by the IASB which came into effect during 2010, as follows:

- SBIF Circular 3.489

On December 29, 2009, the SBIF issued its Circular 3.489 which states that effective January 1, 2010, Banks should begin to make allowances for the credit risk of their contingent credits, related to freely-available lines of credit, other credit commitments and other contingent credits, and made changes to the credit-risk exposure of existing allowances, as established in Chapter B-3 "Contingent Credits" of the SBIF's Compendium of Accounting Standards. It also instructed that the accumulated effect at December 31, 2009 be recorded directly as an equity reduction with a credit to additional allowances. The effect of the application of this standard in Banco de Chile amounts to ThCh$16,612,511, of which the amount accumulated at the end of 2009 was ThCh$15,926,888, which was recorded as a charge to equity on January 1, 2010, and ThCh$685,623 was recorded as a charge to the present year's income.

- SBIF Circular 3.502

On June 10, 2010, the SBIF issued its Circular 3.502 which established the following obligations:

- Maintain until the end of 2010 the transitory standards of allowances currently being applied at that date, and

- Effective July 2010 and until the end of that year, maintain a minimum allowance of 0.5% of total individual loans classified in normal risk categories. The application of this change had no effect on the income of the Bank and its subsidiaries.

- Accounting estímate changes

(i) As a result of a revision of past loss rates and taking a conservative approach, the Bank decided to increase the rate of allowances for the individual-risk category A2 from 0.0% to 0.1%. This modification as of December 31, 2010 meant a charge to income for the year of ThCh$3,152,840.

(ii) During the year, the Bank amended its estimate of the allowance for points related to issued credit cards. The calculation method considers the commitment in points with customers that correspond to all the dollars accumulated that have met the exchange conditions. The Bank, on the basis of an analysis of the evolution of exchanges made by customers, amended its estimate of the present value of this commitment, which amounted to 63.40% of the total accumulated points available for exchange. In 2009, the percentage applied for the total allowance was 50%. This change in estimate meant a charge to income for 2010, when implemented, of ThCh$4,183,127.

- SBIF Circular 3.497

SBIF Circular 3.497 of March 30, 2010 established that, in order to maintain concordance with the terms used in international standards to distinguish the part of equity and consolidated income corresponding to parties who do not have control of the consolidated entities, the following changes were made:

- The expression "Minority interest" in the financial statements is replaced by "Non-controlling interests".

- The expression "Profit attributable to equity holders" is replaced by "Profit attributable to the owners".

- SBIF Circular 3.503 and Management Letter

On August 12, 2010, SBIF Circular 3.503 introduced a package of modifications directed mainly to the individual analysis model of debtors, which considers a larger number of categories. These categories are now aggregated in three types of portfolio: Normal, Sub-Standard and Default. As a result, the impaired portfolio for customers evaluated individually is now covered by the Default portfolio plus the Sub-Standard portfolio classified in B3 and B4.

The new standard also considers the recording of recovery flows other than collateral for the calculation of the allowances, introducing a loss percentage given the non-compliance in their calculation. This makes explicit the expected percentage loss related to each debtor category and the prospective focus of the standard.

In addition, and in order to strengthen the prudential focus in risk management and safeguard the suitable solvency of the banking system, the new standard requires a minimum allowance of 0.5% for the normal individual portfolio and sets the possibility of including anti-cyclical allowances that should be made in order to mitigate the risk of macroeconomic changes, having to anticipate situations of reversal of expansive economic cycles that in the future might result in a worsening of conditions in the economic environment, and thus function as an anti-cyclical mechanism of accumulation of additional allowances when the scenario is favorable and the release or assignment to specific allowances when the scenario deteriorates.

These changes take effect from January 1, 2011.

In the opinion of the management of Banco de Chile, the impact of this standard brings an additional allowance requirement for this portfolio which does not reflect a change in the Bank's risk level but the effect that these provisions have on this portfolio.

On December 21, 2010 the SBIF instructed that the additional allowances resulting from the application of the above standards, which become effective from 2011, should be made against income. Also, there is no impediment to anticipating the allowances transitorily as additional allowances, against the income for 2010. Banco de Chile decided to anticipate the estimated and consolidated impact with a charge to income December 30, 2010 amounting to ThCh$21,500,000

There have been no other significant accounting changes in 2010 that affect the presentation of these consolidated financial statements.

Nota 37.3 - Material information of the banking subsidiaries

a) On January 4, 2010 and at the board meeting of SM Chile held on December 29, 2009, and as provided in article 147 b) of Law 18,046, it was agreed to set a general policy of habitual operations, which permits operations with related parties without the requirements and procedures mentioned in numbers 1 to 7 of that article of Law 18,046.

   For these purposes, the board agreed that the following operations would be considered as habitual: (i) the operation of bank checking accounts; (ii) placements, repurchase agreements or time deposits; (iii) collections, payments and fund transfers; and (iv) valuables in custody. SM Chile carries out such operations exclusively with Banco de Chile and its subsidiaries, entities that offer market rates and prices that are habitual for these kinds of operations.

   The board agreed to expressly authorize the chief executive officer to carry out these habitual operations with Banco de Chile and its subsidiaries provided they meet the following requirements in each case: (a) their purpose is to contribute to the corporate interest, and (b) the price, terms and conditions are those prevailing in the market at the time of their approval or signing.

b) On January 29, 2010 the board of SM Chile agreed to call the ordinary shareholders' meeting for March 25, 2010, to propose, among other things, the distribution of dividend No.14 for Ch$3.496813 per share of the B, D and E series, against the earnings for the year 2009 and against earnings and reserves from previous years.

c) On March 1, 2010 the director Juan Andrés Fontaine Talavera presented his resignation from the board of the indirect subsidiary Banco de Chile. As a result, and in accordance with the bylaws of Banco de Chile, the alternate director Rodrigo Manubens Moltedo has assumed as titular director in replacement of Mr Fontaine.

d) On March 11, 2010, the board of the indirect subsidiary of Banco de Chile accepted the resignation of the director Rodrigo Manubens Moltedo.

   The board also appointed Felipe Joannon Vergara as director until the next ordinary shareholders' meeting, and Rodrigo Manubens Moltedo was appointed as first alternate director.

e) The ordinary shareholders' meeting of the indirect subsidiary Banco de Chile, held on March 25, 2010, agreed the definitive appointment of Felipe Joannon Vergara as director and Rodrigo Manubens Moltedo as first alternate director for the remaining time for completing the period of the replaced directors.

f) The extraordinary shareholders' meeting held on March 25, 2010 approved the introduction of a transitory clause to the bylaws of the indirect subsidiary Banco de Chile stating that, for the purposes of the provisions of articles 24, 25 and 28 of Law 19,396 and that agreed in the contract of November 8, 1996 between Banco Central de Chile and SM Chile, the distributable earnings of Banco de Chile are the result of deducting or adding to net income the price- level restatement for the revaluation or adjustment of paid capital and reserves for the year and their corresponding variations. This transitory clause shall be effective until the obligation referred to Law 19,396 is extinguished, which SM Chile maintains directly or through its subsidiary SAOS S.A..

The above resolution was submitted for the consideration of the council of Banco Central de Chile, which organism, at its meeting held on December 3, 2009, determined to resolve the proposal favorably.

g) On April 8, 2010 the board of the indirect subsidiary Banco de Chile agreed to accept the resignation of Fernando Cañas Berkowitz as chief executive officer with effect from April 30, 2010.

The same meeting appointed Arturo Tagle Quiroz as chief executive officer with effect from May 1, 2010.

h) On November 29, 2010, Banco de Chile and its subsidiary Banchile Corredores de Seguros Limitada, as the first party, and Banchile Seguros de Vida S.A. as the other party, modified the insurance agreements in the following terms:

i) Agreement for Collections and Data Management, signed between Banco de Chile and Banchile Seguros de Vida S.A. on December 24, 2004. Object: the collections and data management commission is modified by a fixed tariff expressed in Unidades de Fomento for each collection transaction.

ii) Agreement for Use of Distribution Channels, signed between Banco de Chile and Banchile Seguros de Vida S.A. on December 24, 2004. Object: The remuneration is modified, agreeing to a fixed commission in any event of the premium paid and an eventual variable commission according to the rules of the Agreement; and the use and access is added by Banchile Seguros de Vida S.A. to functions on the web page of Banco de Chile.

iii) Agreement for Use of Banchile Brand, signed between Banco de Chile and Banchile Seguros de Vida S.A. on December 24, 2004. Object: modifies the annual remuneration paid by Banchile Seguros de Vida S.A. for the use of the brand.

iv) Distribution Agreement, signed between Banchile Corredores de Seguros Limitada and Banchile Seguros de Vida S.A. on December 24, 2004. Object: modifies the intermediation commission appendix.

All the modifications take effect from January 1, 2011 and until December 31, 2011.

Banco de Chile and Banchile Seguros de Vida S.A. agreed to the advanced termination of the internet channel agreement signed on December 24, 2004.

Banchile Seguros de Vida S.A. is a company related to Banco de Chile as foreseen in article 146 of the Corporations Law. Banchile Corredores de Seguros Limitada is a subsidiary of Banco de Chile, incorporated under article 70 a) of the General Banking Law.

i) On December 21, 2010 the board of Banco de Chile agreed to call an extraordinary shareholders' meeting for January 20, 2011 in order to propose a capital increase of Ch$240,000,000,000, equivalent approximately to US$500,000,000, through the issuance of shares for payment to be subscribed and paid at the price, time and other conditions that the meeting shall determine, and modify the Bank's bylaws by adopting the other agreements necessary for making the bylaws amendment agreed effective.

j) On December 21, 2010, the SBIF instructed that the larger allowances resulting from the application of Chapter B-1 of the Compendium of Accounting Standards, which came into effect from 2011, should be charged to income; there is no impediment to anticipating the allowances transitorily as additional allowances, against the income for 2010. The impact of this regulation involves a larger requirement for allowances which are not the result of a change in the Bank's risk level, but instead the effect of these provisions on the portfolio. The Bank decided to exercise this option, which meant making additional allowances as a charge to income for 2010 amounting to ThCh$21,500,000.

Note 37.4 - Business segments

For management purposes, the subsidiary Banco de Chile is organized into 4 segments which were defined based on the type of products and services offered, and the type of customer targeted, detailed as follows:

Retail: Business focused on individuals and SMIs with annual sales of up to UF 70,000, where the offer of products is mainly in consumer loans, commercial loans, checking accounts, credit cards, lines of credit and mortgage loans.

Wholesale: Business focused on corporate and large company customers whose sales exceed UF 70,000 annually, where the offering of products is mainly in commercial loans, checking accounts and cash management services, debt instruments, foreign trade, derivative contracts and leasing.

Treasury: Includes revenues associated with the proprietary business of financial and exchange operations.

Business with customers handled by Treasury is reflected in the segments mentioned above. In general these products are highly transactional, including exchange operations, financial derivatives and instruments, etc.

Subsidiaries: Companies controlled by the Bank, where income is obtained by companies individually although their management is related to the segments mentioned above. The companies in this segment are:

Entity

- Banchile Trade Services Limited
- Banchile Administradora General de Fondos S.A.
- Banchile Asesoría Financiera S.A.
- 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.

The financial information used to measure the returns of the Bank's business segments is not necessarily comparable to similar information from other financial institutions because each institution is based on its own policies. The accounting policies described in the summary of accounting principles are applied in the same way to all business segments. The Bank obtains most of its income from interest, indexation and fees, less allowances 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. Although the income of the segments reconciles with income 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 and not on consolidated bases, and the following criteria are also applied:

- The net interest margin on placements and deposits is measured at the level of individual transactions and this corresponds to the difference between the effective rate of the customer and the internal transfer price set as a function of the term and currency of each operation.
- The capital and its financial impacts on income have been assigned to each segment according to the Basel guidelines.
- Operating expenses are distributed at the level of area. The assignment of expenses from functional areas to business segments is carried out using different expense-assignment criteria, for which specific drivers are defined for the different concepts.

There was no revenue from transactions with a customer or counterparty accounting for 10% or more of the total revenues of the Bank in 2010 and 2009.

The transfer prices between operative segments are at market values, as if they were transactions with third parties.

Taxes are managed at the corporate level and are not allocated by business segment.

Some changes have been made to this Note beginning this year. In order to harmonize comparisons, the figures for 2009 have been adjusted using the same criteria. These changes are:

1. Criteria of capital distribution to segments. Include now all risk-weighted assets and also Treasury.

2. Revenues for mismatches of term and currency have been assigned to the business segments taking into account loan volumes and demand balances managed for each business.

The following tables show income for 2010 and 2009 by the segments defined above:

	As of December 31, 2010						
	Retail ThCh$	Wholesale ThCh$	Treasury ThCh$	Subsidiaries ThCh$	Sub-total ThCh$	Adjustment (*) ThCh$	Total ThCh$
Net Interest & Indexation Revenue	517,460,323	218,347,709	21,868,305	10,144,197	767,820,534	1,903,338	769,723,872
Net fee Income	145,315,351	40,955,315	(366,716)	117,560,882	303,464,832	(11,202,842)	292,261,990
Other Operating Income	9,893,203	22,178,140	56,221,521	22,606,786	110,899,650	(3,538,238)	107,361,412
Total Operating Income	**672,668,877**	**281,481,164**	**77,723,110**	**150,311,865**	**1,182,185,016**	**(12,837,742)**	**1,169,347,274**
Allowances for Credit Risk	(123,943,999)	(42,075,257)	-	57,765	(165,961,491)	-	(165,961,491)
Depreciation & Amortization	(18,626,071)	(6,629,666)	(3,348,649)	(1,940,380)	(30,544,766)	-	(30,544,766)
Other Operating Expenses	(349,217,801)	(125,338,059)	(9,512,293)	(86,498,312)	(570,566,465)	12,837,742	(557,728,723)
Result of Investments in Companies	1,233,094	388,352	-	304,800	1,926,246	-	1,926,246
Earnings before Tax	**182,114,100**	**107,826,534**	**64,862,168**	**62,235,738**	**417,038,540**	**-**	**417,038,540**
Income Tax							(38,508,399)
Earnings after Tax							**378,530,141**
Assets	7,204,102,435	7,562,660,908	2,902,331,587	845,836,612	18,514,931,542	(375,551,643)	18,139,379,899
Current & Deferred Taxes							116,854,177
Total Assets							**18,256,234,076**
Liabilities	5,464,307,258	7,828,002,285	3,277,058,865	629,666,115	17,199,034,523	(375,551,643)	16,823,482,880
Current & Deferred Taxes							28,624,411
Total Liabilities							**16,852,107,291**

(*) This column relates to the consolidation adjustments of the subsidiary Banco de Chile incorporated in these consolidated financial statements.

	As of December 31, 2009						
	Retail ThCh$	Wholesale ThCh$	Treasury ThCh$	Subsidiaries ThCh$	Sub-total ThCh$	Adjustment (*) ThCh$	Total ThCh$
Net Interest & Indexation Revenue	436,030,142	196,313,918	24,703,757	4,887,692	661,935,509	(1,725,851)	660,209,658
Net fee Income	136,068,481	31,860,904	(123,346)	96,490,600	264,296,639	(10,831,400)	253,465,239
Other Operating income	16,270,575	30,851,718	35,491,343	29,718,216	112,331,852	249,853	112,581,705
Total Operating income	**588,369,198**	**259,026,540**	**60,071,754**	**131,096,508**	**1,038,564,000**	**(12,013,658)**	**1,026,256,602**
Allowances for Credit Risk	(154,685,520)	(68,137,121)	-	(618,904)	(223,441,545)	-	(223,441,545)
Depreciation & Amortization	(16,744,526)	(7,216,591)	(5,529,158)	(2,536,444)	(32,026,719)	-	(32,026,719)
Other Operating Expenses	(300,729,390)	(107,032,526)	(2,925,635)	(75,764,135)	(486,451,686)	12,013,658	(474,144,288)
Result of Investments in Companies	519,346	(23,027)	-	342,939	839,258	-	839,258
Earnings before Tax	**116,729,108**	**76,617,275**	**51,616,961**	**52,519,964**	**297,483,308**	**-**	**297,483,308**
Income Tax							(39,596,407)
Earnings after Tax							**257,886,901**
Assets	6,169,116,647	7,336,806,691	3,095,493,367	1,056,357,781	17,657,774,486	(280,558,796)	17,377,215,690
Current & Deferred Taxes							83,012,492
Total Assets							**17,460,228,182**
Liabilities	4,560,557,995	7,463,580,392	3,415,522,134	855,297,186	16,294,957,707	(280,558,796)	16,014,398,911
Current & Deferred Taxes							53,081,627
Total Liabilities							**16,067,480,538**

(*) This column relates to the consolidation adjustments of the subsidiary Banco de Chile incorporated in these consolidated financial statements.

Note 37.5 - Cash and cash equivalents

(a) Balances of cash and cash equivalents and their reconciliation to the statement of cash flows for each year are detailed as follows:

	2010 ThCh$	2009 ThCh$
Cash & bank deposits:		
Cash	309,347,996	257,091,499
Deposits with Banco Central de Chile	310,358,843	127,166,553
Deposits with national Banks	110,000,044	94,318,158
Foreign deposits	42,622,927	248,976,956
Sub total – cash & bank deposits	**772,329,810**	**727,553,166**
Operations pending settlement – net	221,005,006	200,995,896
Highly-liquid financial instruments	431,210,209	236,696,205
Repurchase agreements	19,901,974	11,982,676
Total cash & cash equivalents	**1,444,446,999**	**1,177,227,943**

The level of funds in cash and with Banco Central de Chile reflects cash-reserve requirements that the Bank must maintain for average monthly 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, detailed as follows:

	2010 ThCh$	2009 ThCh$
Assets		
Documents payable by other banks (clearing)	231,339,089	195,396,794
Funds receivable	198,416,538	330,654,712
Sub total – assets	**429,755,627**	**526,051,506**
Liabilities		
Funds payable	(208,750,621)	(325,055,610)
Sub total – liabilities	**(208,750,621)**	**(325,055,610)**
Operations pending settlement	**221,005,006**	**200,995,896**

Note 37.6 - Financial assets held for trading

Instruments classified as financial instruments held for trading are detailed as follows:

	2010 ThCh$	2009 ThCh$
Instruments of the State and Banco Central de Chile		
Bonds of Banco Central de Chile	44,687,173	62,477,071
Notes of Banco Central de Chile	3,203,024	2,620,961
Other instruments of the State & Banco Central de Chile	109,301,885	96,996,659
Instruments of Other National Institutions		
Deposits in national banks	—	—
Mortgage-funding notes of national banks	70,638	2,556,012
Bonds of national banks	1,739,673	2,731,870
Deposits in banks in Chile	119,127,832	182,995,903
Bonds of other companies in Chile	—	—
Other instruments issued in Chile	1,635,327	1,213,150
Instruments of Foreign Institutions		
Instruments of foreign governments or central banks	—	—
Other foreign instruments	—	—
Investments in Mutual Funds		
Funds managed by related parties	28,787,159	80,236,420
Funds managed by others	—	—
Total	**308,552,711**	**431,828,046**

Instruments issued by the State and Banco Central de Chile include instruments sold under repurchase agreements to customers and financial institutions, amounting to ThCh$3,049,240 as of December 31, 2010 (ThCh$15,259,989 in 2009).

Other national institutions include instruments sold under repurchase agreements to customers and financial institutions, amounting to ThCh$107,101,076 as of December 31, 2010 (ThCh$183,134.782 in 2009).

Repurchase agreements have an average maturity of 8 days as of year-end (8 days in 2009).

The Bank also holds investments in its own mortgage-funding notes amounting to ThCh$76,334,100 as of December 31, 2010 (ThCh$94,278,422 in 2009), which are shown deducted from Debt instruments issued.

Note 37.7 - Repurchase agreements and loans of securities

a) Repurchase agreement rights

The Bank grants finance to its customers through repurchase operations and loans of securities, in which it obtains financial instruments in guarantee. The detail as of December 31, 2010 and 2009 is 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	
	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$
Instruments of the state & Banco Central de Chile														
Bonds of Banco Central de Chile	92,362	–	–	–	–	–	–	–	–	–	–	–	92,362	–
Notes of Banco Central de Chile	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other instruments of the state & Banco Central de Chile	5,014,283	–	–	–	–	–	–	–	–	–	–	–	5,014,283	–
Instruments of Other National Institutions														
Deposits in national banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Mortgage-funding notes of national banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Bonds of national Banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Deposits in Banks in Chile	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Bonds of other companies in Chile	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other instruments issued in Chile	7,609,401	8,789,888	68,346,040	3,192,788	1,725,396	67,418,594	–	–	–	–	–	–	77,680,837	79,401,270
Instruments of Foreign Institutions														
Instruments of foreign governments & central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other foreign instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	**12,716,046**	**8,789,888**	**68,346,040**	**3,192,788**	**1,725,396**	**67,418,594**	**–**	**–**	**–**	**–**	**–**	**–**	**82,787,482**	**79,401,270**

b) Obligations under repurchase agreements

The Bank obtains funds by selling financial instruments and promising to repurchase them at future dates plus interest at a pre-fixed rate. These repurchase agreements as of December 31, 2010 and 2009 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	
	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$
Instruments of the state & Banco Central de Chile														
Bonds of Banco Central de Chile	12,012,194	14,944,679	–	–	–	–	–	–	–	–	–	–	12,012,194	14,944,679
Notes of Banco Central de Chile	–	15,028,506	–	–	–	–	–	–	–	–	–	–	–	15,028,506
Other instruments of the state & Banco Central de Chile	13,665,302	16,917,269	–	–	–	–	–	–	–	–	–	–	13,665,302	16,917,269
Instruments of Other National Institutions														
Deposits in national banks	53,806,957	246,205,279	40,368	11,415,407	–	–	–	–	–	–	–	–	53,847,325	257,620,686
Mortgage-funding notes of national banks	–	775,841	–	10,402	–	–	–	–	–	–	–	–	–	786,243
Bonds of national Banks	2,229,644	2,730,187	–	–	–	–	–	–	–	–	–	–	2,229,644	2,730,187
Deposits in Banks in Chile	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Bonds of other companies in Chile	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other instruments issued in Chile	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Instruments of Foreign Institutions														
Instruments of foreign governments & central banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other foreign instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	**81,714,097**	**296,601,761**	**40,368**	**11,425,809**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**81,754,465**	**308,027,570**

c) Instruments bought

In purchases with resale commitments and loans of securities, the Bank and its subsidiaries have received financial instruments that may be sold or granted in guarantee should the owner of these instruments enter into a cessation of payments or a bankruptcy situation. As of December 31, 2010, the Bank and its subsidiaries have investments under resale agreements with a fair value of ThCh$74,895,386 (ThCh$81,987,527 in 2009). The Bank and its subsidiaries are required to return the investments to the counterparty against payment of the contracted obligation.

d) Instruments sold

The fair value of financial instruments given in guarantee by the Bank and its subsidiaries, in repurchase agreement and loans of securities operations as of December 31, 2010 amounts to ThChM$119,806,360 (ThCh$213,418,845 in 2009). Should the Bank and its subsidiaries enter into a cessation of payments or a bankruptcy situation, the counterparty is authorized to sell or give these investments in guarantee.

Note 37.8 - Financial Derivative Contracts and Accounting Hedges

a) The Bank as of December 31, 2010 and 2009 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 5 months		1 to 3 years		3 to 5 years		More than 5 years		Asset		Liability	
		2010 M$	2009 M$	2010 M$	2009 M$	2010 M$	2009 M$	2010 M$	2009 M$	2010 M$	2009 M$	2010 M$	2009 M$	2010 M$	2009 M$	2010 M$	2009 M$
Derivatives held for accounting hedges																	
Currency forwards	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Rate forwards	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Currency & rate swaps	VR	–	–	–	–	–	–	29,484,624	24,174,325	23,601,105	19,350,451	107,569,484	131,198,940	65,462	–	4,212,231	204,161
Interest-rate swaps	VR	–	–	–	–	–	1,650,962	14,191,611	5,570,730	22,624,144	31,044,159	116,268,169	131,542,154	2,060,634	3,208,102	7,246,045	5,940,469
Currency call options	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Rate call options	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Currency put options	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Rate put options	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Currency futures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Interest-rate futures	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total derivatives held for accounting hedges		**–**	**–**	**–**	**–**	**–**	**1,650,962**	**43,676,235**	**29,745,055**	**46,225,249**	**50,394,610**	**223,837,653**	**262,741,094**	**2,126,096**	**3,208,102**	**11,458,276**	**6,144,630**
Derivatives for trading																	
Currency forwards		3,696,947,540	2,170,224,472	2,504,683,411	2,786,032,929	3,586,107,437	3,112,802,969	414,837,625	304,838,531	–	51,368,471	–	–	119,932,574	193,728,707	191,279,869	179,342,770
Rate forwards		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Currency & rate swaps		127,948,702	71,848,085	320,000,000	67,570,798	1,050,844,544	578,354,114	2,223,195,801	1,168,406,790	245,930,024	716,270,870	240,436,699	434,661,423	284,701,584	226,063,420	227,380,740	192,481,863
Interest-rate swaps		295,000,000	363,643,667	182,456,490	694,189,328	828,375,380	2,280,463,355	1,923,618,629	3,568,007,059	514,805,501	1,434,828,708	538,621,255	–	82,688,331	144,353,240	97,766,858	159,630,998
Currency call options		9,835,770	12,751,907	30,725,072	29,099,468	49,436,454	6,102,279	–	–	–	–	–	–	133,095	300,259	108,897	243,423
Rate call options		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Currency put options		468,370	8,538,410	30,725,072	2,927,165	2,084,247	1,942,058	–	–	–	–	–	–	–	65,344	428,485	375,223
Rate put options		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Currency futures		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Interest-rate futures		–	25,131	–	60	–	–	–	–	–	–	–	–	–	80,572	–	–
Others		–	–	–	–	–	–	–	–	–	–	647,095,719	631,633,680	–	–	21,044	21,044
Total derivatives for trading		**4,130,200,382**	**2,627,031,672**	**3,068,590,045**	**3,579,819,748**	**5,516,848,062**	**5,979,664,775**	**4,561,652,055**	**5,041,252,380**	**760,735,525**	**2,202,468,049**	**1,426,153,673**	**1,066,295,103**	**487,455,584**	**564,591,542**	**516,985,893**	**532,095,321**
Total		**4,130,200,382**	**2,627,031,672**	**3,068,590,045**	**3,579,819,748**	**5,516,848,062**	**5,981,315,737**	**4,605,328,290**	**5,070,997,435**	**806,960,774**	**2,252,862,659**	**1,649,991,326**	**1,329,036,197**	**489,581,680**	**567,799,644**	**528,444,169**	**538,239,951**

b) Types of hedge

b1) Hedges of fair value (VR):
As of December 31, 2010, the Bank uses interest-rate swaps to cover its exposure through a micro-hedge of its position to changes in the fair value of corporate bonds and commercial loans, classified as Instruments available for sale and Loans and accounts receivable from customers, respectively.

The effect on income for this type of hedge is shown in Note 21.26 d).

b2) Cash-flow hedges (FC):
As of December 31, 2010 and 2009, the Bank does not use cash-flow hedges.

b3) Hedges of net investment in foreign businesses (NE):
As of December 31, 2010 and 2009, the Bank does not use hedges of its net investment in foreign businesses.

c) Hedges:

c1) Hedges of fair value:
The Bank uses cross-currency and interest-rate swaps to hedge their exposure to changes in the fair value of the element hedged attributable to the interest rate. The above hedge instruments modify the effective cost of long-term issues, from a fixed interest rate to a variable one, reducing the term and modifying the shortest sections of the curve.

The following shows a detail of the elements and instruments under hedge of fair value outstanding as of December 31, 2010 and 2009, separated by maturity:

	2010						
	Up to 1 month ThCh$	1 to 3 months ThCh$	3 to 12 momths ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	More than 5 years ThCh$	Total ThCh$
Element hedged							
Commercial loans	—	—	—	29,484,624	23,601,105	107,569,484	160,655,213
Corporate bonds	—	—	—	14,191,611	22,624,144	116,268,169	153,083,924
Total	**—**	**—**	**—**	**43,676,235**	**46,225,249**	**223,837,653**	**313,739,137**
Hedge instrument							
Cross-currency swap	—	—	—	29,484,624	23,601,105	107,569,484	160,655,213
Interest-rate swap	—	—	—	14,191,611	22,624,144	116,268,169	153,083,924
Total	**—**	**—**	**—**	**43,676,235**	**46,225,249**	**223,837,653**	**313,739,137**

	2009						
	Up to 1 month ThCh$	1 to 3 months ThCh$	3 to 12 momths ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	More than 5 years ThCh$	Total ThCh$
Element hedged							
Commercial loans	—	—	—	24,174,325	19,350,451	131,198,940	174,723,716
Corporate bonds	—	—	1,650,962	5,570,730	31,044,159	131,542,154	169,808,005
Total	**—**	**—**	**1,650,962**	**29,745,055**	**50,394,610**	**262,741,094**	**344,531,721**
Hedge instrument							
Cross-currency swap	—	—	—	24,174,325	19,350,451	131,198,940	174,723,716
Interest-rate swap	—	—	1,650,962	5,570,730	31,044,159	131,542,154	169,808,005
Total	**—**	**—**	**1,650,962**	**29,745,055**	**50,394,610**	**262,741,094**	**344,531,721**

Note 37.9 - Due from banks

(a) As of December 31, 2010 and 2009, the balances of Due from banks are detailed as follows:

	2010 ThCh$	2009 ThCh$
Banks in Chile		
Unavailable deposits with Banco Central	—	110,000,000
Non-transferable securities of Banco Central	—	—
Other credits with Banco Central	155,938	—
Interbank loans	13,149,001	13,795,944
Overdrafts in checking accounts	—	408
Non-transferable deposits in Banks in Chile	—	—
Other credits with Banks in Chile	—	—
Allowances for credits with Banks in Chile	(5)	—
Sub total	**13,304,934**	**123,796,352**
Foreign banks		
Loans to foreign Banks	162,377,657	188,538,058
Overdrafts in checking account	939	—
Non-transferable deposits in foreign banks	—	—
Other credits with foreign banks	174,514,439	137,823,657
Allowances for credits with foreign banks	(610,170)	(1,176,773)
Sub total	**336,282,865**	**325,184,942**
Total	**349,587,799**	**448,981,294**

(b) The movement in allowances for loans due from banks during 2010 and 2009 is detailed as follows:

Detail	Banks		Total ThCh$
	in Chile ThCh$	Abroad ThCh$	
Balance at January 1, 2009	—	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**
Write-offs	—	—	—
Allowances made	—	—	—
Allowances released	—	(566,603)	(566,603)
Balance at December 31, 2010	**—**	**610,170**	**610,170**

Note 37.10 - Loans and Accounts Receivable from Customers

(a) Loans and Accounts Receivable from Customers:
The composition of loans as of December 31, 2010 and 2009 is detailed as follows:

	December 31, 2010						
	Assets before Allowances			Allowances made			Net Asset ThCh$
	Normal portfolio ThCh$	Impaired portfolio ThCh$	Total ThCh$	Individual Allowances ThCh$	Group Allowances ThCh$	Total ThCh$	
Commercial loans							
Commercial loans	6,550,395,435	372,038,437	6,922,433,872	(89,673,879)	(48,147,659)	(137,821,538)	6,784,612,334
Foreign trade finance	783,421,373	130,236,334	913,657,707	(50,249,216)	(279,381)	(50,528,597)	863,129,110
Debtors in checking accounts	109,282,541	12,224,534	121,507,075	(5,342,366)	(1,930,684)	(7,273,050)	114,234,025
Factoring operations	465,749,637	11,383,090	477,132,727	(3,994,528)	(506,780)	(4,501,308)	472,631,419
Commercial leasing operations (1)	706,706,525	70,586,993	777,293,518	(11,958,142)	(5,723,110)	(17,681,252)	759,612,266
Other loans & accounts receivable	35,719,912	3,456,387	39,176,299	(362,890)	(1,489,744)	(1,852,634)	37,323,665
Sub total	**8,651,275,423**	**599,925,775**	**9,251,201,198**	**(161,581,021)**	**(58,077,358)**	**(219,658,379)**	**9,031,542,819**
Housing loans							
Loans with mortgage-funding notes	149,039,176	15,435,080	164,474,256	—	(1,443,248)	(1,443,248)	163,031,008
Endorsable mortgage loans	197,745,347	7,514,913	205,260,260	—	(1,106,070)	(1,106,070)	204,154,190
Other housing loans	2,508,022,406	48,372,449	2,556,394,855	—	(12,700,298)	(12,700,298)	2,543,694,557
Housing leasing operations	—	—	—	—	—	—	—
Other loans & accounts receivable	56,568	435,562	492,130	—	(24,717)	(24,717)	467,413
Sub total	**2,854,863,497**	**71,758,004**	**2,926,621,501**	**—**	**(15,274,333)**	**(15,274,333)**	**2,911,347,168**
Consumer loans							
Installment consumer loans	1,389,874,691	92,168,629	1,482,043,320	—	(101,414,517)	(101,414,517)	1,380,628,803
Checking account debtors	220,132,309	9,673,971	229,806,280	—	(4,260,615)	(4,260,615)	225,545,665
Credit card debtors	429,267,268	11,524,630	440,791,898	—	(15,485,412)	(15,485,412)	425,306,486
Consumer leasing operations	—	—	—	—	—	—	—
Other loans & accounts receivable	336,584	17,911	354,495	—	(34,215)	(34,215)	320,280
Sub total	**2,039,610,852**	**113,385,141**	**2,152,995,993**	**—**	**(121,194,759)**	**(121,194,759)**	**2,031,801,234**
Total	**13,545,749,772**	**785,068,920**	**14,330,818,692**	**(161,581,021)**	**(194,546,450)**	**(356,127,471)**	**13,974,691,221**

	December 31, 2009						
	Assets before Allowances			Allowances made			Net Asset ThCh$
	Normal portfolio ThCh$	Impaired portfolio ThCh$	Total ThCh$	Individual Allowances ThCh$	Group Allowances ThCh$	Total ThCh$	
Commercial loans							
Commercial loans	6,426,462,167	271,283,968	6,697,746,135	(77,176,440)	(46,185,922)	(123,362,362)	6,574,383,773
Foreign trade finance	684,997,965	101,874,908	786,872,873	(49,110,614)	(195,902)	(49,306,516)	737,566,357
Debtors in checking accounts	131,629,217	4,685,326	136,314,543	(1,655,521)	(1,776,972)	(3,432,493)	132,882,050
Factoring operations	332,718,119	9,139,476	341,857,595	(5,523,124)	(48)	(5,523,172)	336,334,423
Commercial leasing operations (1)	661,677,019	34,363,099	696,040,118	(9,465,803)	(6,053,826)	(15,519,629)	680,520,489
Other loans & accounts receivable	63,072,476	4,885,953	67,958,429	(1,086,106)	(1,920,379)	(3,006,485)	64,951,944
Sub total	**8,300,556,963**	**426,232,730**	**8,726,789,693**	**(144,017,608)**	**(56,133,049)**	**(200,150,657)**	**8,526,639,036**
Housing loans							
Loans with mortgage-funding notes	186,880,845	19,745,346	206,626,191	—	(1,686,467)	(1,686,467)	204,939,724
Endorsable mortgage loans	229,509,249	9,365,849	238,875,098	—	(1,263,646)	(1,263,646)	237,611,452
Other housing loans	2,039,027,041	39,593,365	2,078,620,406	—	(10,933,110)	(10,933,110)	2,067,687,296
Housing leasing operations	—	—	—	—	—	—	—
Other loans & accounts receivable	337,283	82,821	420,104	—	(16,261)	(16,261)	403,843
Sub total	**2,455,754,418**	**68,787,381**	**2,524,541,799**	**—**	**(13,899,484)**	**(13,899,484)**	**2,510,642,315**
Consumer loans							
Installment consumer loans	1,219,573,811	113,763,660	1,333,337,471	—	(89,265,197)	(89,265,197)	1,244,072,274
Checking account debtors	230,676,711	5,059,527	235,736,238	—	(5,657,830)	(5,657,830)	230,078,408
Credit card debtors	351,255,904	9,624,733	360,880,637	—	(13,626,721)	(13,626,721)	347,253,916
Consumer leasing operations	—	—	—	—	—	—	—
Other loans & accounts receivable	612,358	30,028	642,386	—	(42,514)	(42,514)	599,872
Sub total	**1,802,118,784**	**128,477,948**	**1,930,596,732**	**—**	**(108,592,262)**	**(108,592,262)**	**1,822,004,470**
Total	**12,558,430,165**	**623,498,059**	**13,181,928,224**	**(144,017,608)**	**(178,624,795)**	**(322,642,403)**	**12,859,285,821**

(1) Under this heading, the Bank finances its customers to acquire assets, whether movable or immovable, under financial lease contracts. As of December 31, 2010 ThCh$353,454,512 (ThCh$326,997,378 in 2009) relate to real-estate financial leases, and ThCh$423,839,006 (ThCh$369,042,740 en 2009) relate to movable asset financial leases.

b) Allowances for credit risk

The movement in allowances for credit risk during 2010 and 2009 is detailed as follows:

	Allowances		Total ThCh$
	Individual ThCh$	Group ThCh$	
Balance at January 1, 2009	129,320,689	113,478,433	242,799,122
Write-offs:			
Commercial loans	(72,222,334)	(6,010,033)	(78,232,367)
Housing loans	—	(1,418,090)	(1,418,090)
Consumer lons	—	(87,412,631)	(87,412,631)
Total write-offs	**(72,222,334)**	**(94,840,754)**	**(167,063,088)**
Allowances made	88,438,037	159,987,116	248,425,153
Allowances released	(1,518,784)	—	(1,518,784)
Balance at December 31, 2009	**144,017,608**	**178,624,795**	**322,642,403**
Balance at January 1, 2010	144,017,608	178,624,795	322,642,403
Write-offs:			
Commercial loans	(24,588,282)	(32,581,428)	(57,169,710)
Housing loans	—	(2,375,611)	(2,375,611)
Consumer lons	—	(100,298,243)	(100,298,243)
Total write-offs	**(24,588,282)**	**(135,255,282)**	**(159,843,564)**
Allowances made	44,613,528	151,225,951	195,839,479
Allowances released	(2,461,833)	(49,014)	(2,510,847)
Balance at December 31, 2010	**161,581,021**	**194,546,450**	**356,127,471**

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 21.22).

Complementary Disclosures:

1. As of December 31, 2010 and 2009, loan purchases and sales portfolios were made by the bank and its subsidiaries that had a net effect of no more than 5% of earnings before taxes.

2. As of December 31, 2010 and 2009, 100% of the sold loan portfolio of the Bank and its subsidiaries is retired.

c) Financial lease contracts

The cash flows receivable by the Bank under lease contracts have the following maturities:

	Total receivable		Deferred interest		Net balance receivable (*)	
	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$
Up to 1 year	261,877,387	232,380,130	(32,363,181)	(29,703,581)	229,514,206	202,676,549
1 to 2 years	188,468,786	170,337,214	(24,586,730)	(22,539,614)	163,882,056	147,797,600
2 to 3 years	129,086,215	110,362,063	(16,910,343)	(15,563,776)	112,175,872	94,798,287
3 to 4 years	87,808,622	75,162,272	(11,869,671)	(11,256,940)	75,938,951	63,905,332
4 to 5 years	57,461,292	56,258,440	(8,634,645)	(8,363,200)	48,826,647	47,895,240
Over 5 years	163,552,657	158,024,610	(19,534,995)	(20,385,068)	144,017,662	137,639,542
Total	**888,254,959**	**802,524,729**	**(113,899,565)**	**(107,812,179)**	**774,355,394**	**694,712,550**

(*) The net balance receivable does not include past-due portfolio totaling ThCh$2,938,124 as of December 31, 2010 (ThCh$1,327,568 in 2009).

The Bank has financial lease operations mainly related to real estate, industrial machinery, vehicles and computer equipment. These leases have an average useful life of between 3 and 8 years.

d) Loans by economic activity

As of December 31, 2010 and 2009, the portfolio before allowances, classified by customers' economic activity, is detailed as follows:

	Loans in				Total			
	Country		Abroad					
	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	%	2009 ThCh$	%
Commercial loans:								
Services	2,182,890,306	2,085,581,247	400,494,339	362,770,723	2,583,384,645	18.20	2,448,351,970	18.57
Commerce	1,514,382,901	1,241,839,871	1,179,469	2,850,772	1,515,562,370	10.55	1,244,690,643	9.44
Manufacturing	1,148,473,193	822,754,292	–	–	1,148,473,193	7.99	822,754,292	6.24
Construction	932,436,318	1,044,405,322	–	–	932,436,318	6.49	1,044,405,322	7.92
Agriculture & livestock	639,711,216	533,867,072	–	–	639,711,216	4.45	533,867,072	4.05
Transport	472,042,524	267,267,129	–	–	472,042,524	3.29	267,267,129	2.03
Fishing	157,207,507	164,633,910	–	–	157,207,507	1.09	164,633,910	1.25
Electricity, gas & water	133,262,650	164,529,098	–	–	133,262,650	0.93	164,529,098	1.25
Telecommunications	110,585,085	112,798,805	–	–	110,585,085	0.77	112,798,805	0.86
Mining	104,696,013	174,452,421	–	–	104,696,013	0.73	174,452,421	1.32
Forestry	44,136,344	15,309,825	–	–	44,136,344	0.31	15,309,825	0.12
Other	1,413,187,547	1,735,843,816	472,690	512,631	1,413,660,237	9.84	1,736,356,447	13.16
Sub total	**8,853,011,604**	**8,363,282,808**	**402,146,498**	**366,134,126**	**9,255,158,102**	**64.64**	**8,729,416,934**	**66.21**
Housing loans	2,926,621,501	2,524,541,799	–	–	2,926,621,501	20.37	2,524,541,799	19.15
Consumer loans	2,152,995,993	1,930,596,732	–	–	2,152,995,993	14.99	1,930,596,732	14.64
Total	**13,932,629,098**	**12,818,421,339**	**402,146,498**	**366,134,126**	**14,334,775,596**	**100.00**	**13,184,555,465**	**100.00**

Note 37.11 - Investment instruments

As of December 31, 2010 and 2009, investment instruments designated as available for sale and held to maturity are detailed as follows:

	2010			2009		
	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	67,822,337	–	67,822,337	25,880,223	–	25,880,223
Notes of Banco Central de Chile	212,815,605	–	212,815,605	285,486,257	–	285,486,257
Other state instruments & of Banco Central de Chile	90,849,400	–	90,849,400	136,923,199	–	136,923,199
Instruments of Other National Institutions						
Deposits in banks in Chile	–	–	–	–	–	–
Mortgage-funding notes of banks in Chile	70,055,022	–	70,055,022	79,219,731	–	79,219,731
Bonds of banks in Chile	73,331,196	–	73,331,196	55,110,573	–	55,110,573
Deposits with banks in Chile	398,788,941	–	398,788,941	407,431,965	–	407,431,965
Bonds of other companies in Chile	35,138,195	–	35,138,195	68,072,841	–	68,072,841
Notes of other companies in Chile	5,328,249	–	5,328,249	5,101,558	–	5,101,558
Instruments of Foreign Institutions						
Instruments of foreign governments or central banks	–	–	–	–	–	–
Other instruments (*)	200,754,018	–	200,754,018	202,436,457	–	202,436,457
Provision for impairment	–	–	–	–	–	–
Total	**1,154,882,963**	**–**	**1,154,882,963**	**1,265,662,804**	**–**	**1,265,662,804**

(*) This includes shares in Visa Inc. and Mastercard Inc. whose market value is ThCh$7,967,557.

Instruments issued by the Chilean State and Banco Central de Chile include instruments sold under repurchase agreements to customers and financial institutions, totaling ThCh$9,656,044 as of December 31, 2010 (ThCh$15,024,074 in 2009). The repurchase agreements have an average maturity of 12 days as of the year-end (9 days in 2009).

As of December 31, 2010 the portfolio of instruments available for sale includes unrealized income net of tax of ThCh$2,947,560 (ThCh$3,206,689 in 2009), recorded as an adjustment of valuation of equity.

During 2010 and 2009, there is no evidence of impairment of instruments available for sale.

Realized gains and losses are determined using the procedure of sales less cost (specific identification method) of the investments identified to be sold. Any unrealized gain or loss previously recorded at the liquid value of the investments, is reversed through the income accounts.

Gross realized gains and losses on the sale of instruments available for sale are shown in Note 21.28 Income from financial operations, as of December 31, 2010 and 2009.

Note 37.12 - Investments in Companies

a) The heading Investments in companies shows a total of ThCh$13,293,070 on 2010 (ThCh$12,606,623 in 2009), classified as follows:

Company	Shareholder	Interest of the institution		Equity of the company		Investment			
						Value		Income	
		2010 %	2009 %	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$
Investments valued according to the equity method:									
Servipag Ltda.	Banco de Chile	50.00	50.00	6,175,702	5,423,977	3,087,851	2,711,989	375,862	15,100
Redbanc S.A.	Banco de Chile	38.13	38.13	4,763,828	5,080,575	1,816,637	1,937,426	78,435	202,479
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	6,411,960	6,411,960	1,654,667	1,654,670	227,009	188,383
Transbank S.A.	Banco de Chile	26.16	26.16	6,205,265	7,005,975	1,623,074	1,832,512	292,413	253,625
Artikos Chile S.A.	Banco de Chile	50.00	50.00	1,839,791	1,396,670	919,895	698,335	221,560	353,248
Administrador Financiero del Transantiago S.A.	Banco de Chile	20.00	20.00	3,879,283	2,915,293	775,857	583,059	192,798	(614,486)
Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.	Banco de Chile	14.17	14.17	3,347,102	3,073,413	474,278	435,503	58,767	73,462
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	26.81	26.81	1,392,021	1,260,420	373,165	337,886	114,939	85,010
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	1,038,606	905,965	346,167	301,958	47,074	18,437
Sub total						**11,071,591**	**10,493,338**	**1,608,857**	**575,258**
Investments valued at cost:									
Bolsa de Comercio de Santiago S.A.						1,645,820	1,645,820	213,000	264,000
Banco Latinoamericano de Comercio Exterior S.A. (Bladex)						308,858	204,469	104,389 (*)	—
Bolsa Electrónica de Chile S.A.						257,033	257,033	—	—
Cámara de Compensación						7,986	2,872	—	—
Sociedad de Telecomunicaciones Financieras Interbancarias Mundiales (Swift)						1,782	3,091	—	—
Sub total						2,221,479	**2,113,285**	317,389	**264,000**
Total						13,293,070	**12,606,623**	1,926,246	**839,258**

(*) Allowances of ThCh$104,389 were released in 2010.

b) The following is a summary of the financial information of the companies valued according to the equity method:

	2010 ThCh$	2009 ThCh$
Financial position of the companies		
Current assets	379,982,632	297,556,949
Non-current assets	56,447,131	236,837,231
Current liabilities	393,873,480	370,540,632
Non-current liabilities	7,502,725	130,379,300
Equity	35,053,558	33,474,248
Profit of the companies		
Operating income	10,421,258	660,048
Earnings (loss)	6,126,051	785,741
Book value of the investment	11,071,591	10,493,338

c) The movement of permanent investments in companies that are not consolidated in 2010 and 2009 is detailed as follows:

	2010 ThCh$	2009 ThCh$
Initial book value	12,606,623	13,407,682
Sale of investments	—	(169,399)
Acquisition of investments	4,115	—
Participation in income with significant influence	1,608,857	575,258
Release of allowance Bladex	104,389	—
Dividends receivable	(336,656)	(290,220)
Dividends received	(984,478)	(1,001,674)
Payment of provisioned dividends	290,220	84,976
Total	**13,293,070**	**12,606,623**

d) There was no impairment of these investments in 2010 and 2009.

Note 37.13 - Intangible assets

a) Intangible assets as of December 31, 2010 and 2009 are detailed as follows:

	Years									
	Useful life		Remaining amortization		Gross balance		Accumulated amortization & impairment		Net Balance	
	2010	2009	2010	2009	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$
Type of intangible asset:										
Goodwill:										
Goodwill	7	7	4	5	4,138,287	4,138,287	(1,758,721)	(1,137,996)	2,379,566	3,000,291
Other intangible assets:										
Software or computer programs	6	6	3	4	65,663,272	51,261,620	(32,687,683)	(24,749,329)	32,975,589	26,512,291
Intangible assets from business combinations	7	7	4	5	1,740,476	1,740,476	(739,702)	(478,631)	1,000,774	1,261,845
Other intangible assets	—	—	—	—	81,293	55,669	(65,442)	(40,926)	15,851	14,743
Total					**71,623,328**	**57,196,052**	**(35,251,548)**	**(26,406,882)**	**36,371,780**	**30,789,170**

b) The movement in intangible assets during 2010 and 2009 is as follows:

	Goodwill ThCh$	Software or computer programs ThCh$	Intangible assets from business combinations ThCh$	Other intangible assets ThCh$	Total ThCh$
Gross balance					
Balance at January 1, 2009	4,138,287	42,916,185	1,740,476	31,522	48,826,470
Acquisitions	—	8,345,435	—	24,147	8,369,582
Retirements	—	—	—	—	—
Others	—	—	—	—	—
Balance at December 31, 2009	**4,138,287**	**51,261,620**	**1,740,476**	**55,669**	**57,196,052**
Acquisitions	—	15,300,409	—	25,624	15,326,033
Retirements	—	(21,685)	—	—	(21,685)
Others	—	(877,072)	—	—	(877,072)
Balance at December 31, 2010	**4,138,287**	**65,663,272**	**1,740,476**	**81,293**	**71,623,328**
Accumulated amortization & impairment					
Balance at January 1, 2009	(517,270)	(16,578,893)	(217,560)	(19,706)	(17,333,429)
Amortization for year (*)	(620,726)	(8,207,511)	(261,071)	(21,220)	(9,110,528)
Loss for impairment	—	—	—	—	—
Exchange differences	—	—	—	—	—
Others	—	37,075	—	—	37,075
Balance at December 31, 2009	**(1,137,996)**	**(24,749,329)**	**(478,631)**	**(40,926)**	**(26,406,882)**
Amortization for year (*)	(620,725)	(8,729,159)	(261,071)	(24,516)	(9,635,471)
Loss for impairment	—	—	—	—	—
Exchange differences	—	—	—	—	—
Others	—	790,805	—	—	790,805
Balance at December 31, 2010	**(1,758,721)**	**(32,687,683)**	**(739,702)**	**(65,442)**	**(35,251,548)**
Net balance at December 31, 2010	**2,379,566**	**32,975,589**	**1,000,774**	**15,851**	**36,371,780**

(*) Amortization for the year is included in Depreciation and amortization in the statement of comprehensive income.

c) As of December 31, 2010 and 2009, the following commitments have been made for the acquisition of intangible assets which have not been capitalized, detailed as follows:

Detail	Amount of commitment	
	2010 ThCh$	2010 ThCh$
Software & licenses	5,151,994	3,671,083

Note 37.14 - Property, plant & equipment

a) The composition of property, plant and equipment as of December 31, 2010 and 2009 is detailed as follows:

	Land & buildings ThCh$	Equipment ThCh$	Others ThCh$	Total ThCh$
Gross balance				
Balance at January 1,2009	168,260,532	128,797,306	119,305,776	416,363,614
Additions	3,257,385	7,160,919	4,918,529	15,336,833
Retirements/write-offs	(82,424)	(2,501,474)	(1,893,581)	(4,477,479)
Transfers	—	—	—	—
Others	(220,404)	(72,543)	332,639	39,692
Total	**171,215,089**	**133,384,208**	**122,663,363**	**427,262,660**
Accumulated depreciation	(28,206,525)	(109,625,676)	(81,094,523)	(218,926,724)
Impairment	—	—	—	—
Balance at December 31, 2009	**143,008,564**	**23,758,532**	**41,568,840**	**208,335,936**
Balance at January 1,2009	171,215,089	133,384,208	122,663,363	427,262,660
Additions	5,386,529	13,071,529	9,020,599	27,478,657
Retirements/write-offs	(2,505,529)	(2,849,204)	(498,789)	(5,853,522)
Transfers	(304,575)	(5,501,854)	(1,825,212)	(7,631,641)
Others	149,213	(204,333)	(288,386)	(343,506)
Total	**173,940,727**	**137,900,346**	**129,071,575**	**440,912,648**
Accumulated depreciation	**(31,147,875)**	**(115,168,240)**	**(87,038,615)**	**(233,354,730)**
Impairment (*)	(209,292)	(283,757)	(551,390)	(1,044,439)
Balance at December 31, 2010	**142,583,560**	**22,448,349**	**41,481,570**	**206,513,479**
Accumulated depreciation				
Balance at January 1, 2009	(25,228,702)	(102,463,097)	(74,321,693)	(202,013,492)
Depreciation for year (**)	(3,537,313)	(9,714,617)	(9,283,999)	(22,535,929)
Write-offs & sales in year	9,688	2,445,181	2,083,400	4,538,269
Transfers	—	—	—	—
Others	549,802	106,857	427,769	1,084,428
Balance at December 31, 2009	**(28,206,525)**	**(109,625,676)**	**(81,094,523)**	**(218,926,724)**
Depreciation for year (**)	(3,171,427)	(8,421,921)	(8,935,243)	(20,528,591)
Write-offs & sales in year	175,952	2,703,112	457,827	3,336,891
Transfers	(17,083)	(51,359)	2,234,221	2,165,779
Others	71,208	227,604	299,103	597,915
Balance at December 31, 2010	**(31,147,875)**	**(115,168,240)**	**(87,038,615)**	**(233,354,730)**

(*) See Note 21.33 on depreciation, amortization and impairment

(**) Excludes depreciation for the year of investment properties that are included in Other assets for ThCh$380,704 (ThCh$380,262 in 2009).

b) As of December 31, 2010 and 2009, there are operative rental contracts that cannot be rescinded unilaterally. Future rental payments are detailed as follows:

		2010						
	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$
Lease contracts	21,996,743	2,341,635	4,799,311	14,748,864	30,042,379	23,059,601	51,014,718	126,006,508

		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$
Lease contracts	21,515,326	1,451,124	2,655,302	11,080,663	23,979,459	13,583,779	32,714,676	85,465,003

As these are operative lease contracts, the assets leased are not shown in the statement of financial position, in accordance with IAS17.

The Bank has commercial leases of investment properties. These leases have an average life of 10 years. There are no restrictions for the lessee.

c) There are no financial lease contracts outstanding as of December 31, 2010 and 2009, so there are no balances of property, plant and equipment under financial leases as of those dates.

Note 37.15 - Current taxes and deferred taxes

a) Current taxes

As of each year end, SM Chile and its subsidiaries have made a provision for income tax determined in accordance with current tax laws. This provision is shown net of recoverable or payable taxes, as of December 31 of each year, detailed as follows:

	2010 ThCh$	2009 ThCh$
Income tax, rate 17%	54,153,911	68,971,927
Previous years' tax	3,052,000	3,052,000
Tax on disallowed expenses 35%	1,834,821	2,318,922
Lesss:		
Monthly provisional payments	(53,107,570)	(33,660,075)
Training expense credits	(1,327,123)	(1,327,462)
Others	(7,959,570)	(383,260)
Total	**(3,353,531)**	**38,972,052**

	2010 ThCh$	2009 ThCh$
Current tax assets	5,653,508	162,192
Current tax liabilities	(2,299,977)	(39,134,244)
Total	**3,353,531**	**(38,972,052)**

b) Tax expense (income):

The tax charge during the years ended December 31, 2010 and 2009 is detailed as follows:

	2010 ThCh$	2009 ThCh$
Charges for income tax:		
Tax current year	(54,153,911)	(68,971,927)
Tax previous years	1,722,519	(1,722,176)
Sub total	**(52,431,392)**	**(70,694,103)**
Credit (charge) for deferrred taxes:		
Origination & reversal of timing differences	13,048,570	34,736,673
Tax-rate change effect on deferred taxes	2,262,994	—
Change in timing differences not recorded	400,103	(1,329,824)
Sub total	**15,711,667**	**33,406,849**
Taxes on non-deductible expenses (Art 21 of the tax law)	(1,834,821)	(2,318,923)
Others	3,934	(7,746)
Net charge to income for income taxes	**(38,550,612)**	**(39,613,923)**

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, 2010 and 2009:

	2010		2009	
	Tax rate %	ThCh$	Tax rate %	ThCh$
Tax on financial result	17.00	70,854,968	17.00	50,561,856
Additions or deductions	(6.38)	(26,602,859)	(6.89)	(20,482,133)
Sole tax (disallowed expenses)	0.44	1,834,821	0.78	2,318,923
Prevous years' taxes	—	—	1.03	3,052,000
Tax-rate change effects	(0.54)	(2,262,994) *	—	—
Tax incentives not recorded in statement of income	(0.81)	(3,361,731)	(1.11)	(3,290,168)
Others	(0.48)	(1,911,593)	2.50	7,453,445
Effective rate & charge for income tax	**9.23**	**38,550,612**	**13.31**	**39,613,923**

The effective income tax rate for 2010 is 9.23% (13.31% in 2009). The decrease between the years is mainly generated because price-level restatement was applied to the tax equity in 2010, in contrast with 2009 when no price-level restatement was applied for tax purposes, as the consumer price index was negative.

- In accordance with Law 20.455 of 2010 and Circular 63 of September 30, 2010, issued by the Internal Tax Service, income-tax rates were modified transitorily, as follows:

Year	Rate
2011	20.0 %
2012	18.5 %
2013 onward	17.0 %

The effect on deferred taxes due to this change meant a credit to income for 2010 of ThCh$2,262,994.

d) Effect of deferred taxes on income and equity

During 2010, the Bank has recorded the effects of deferred taxes in its financial statements in accordance with Note 2.

The effects of deferred taxes on assets, liabilities and income are detailed as follows:

	Balances at 12/31/2009 ThCh$	Timing differences not recorded ThCh$	Income ThCh$	Equity ThCh$	Balances at 12/31/2010 ThCh$
Debtor Differences:					
Allowance for credit risks	57,266,114	—	15,265,703	—	72,531,817
Obligations under repurchase agreements	—	—	853,400	—	853,400
Materials leasing	5,976,132	—	2,917,424	—	8,893,556
Provision related to personnel	3,005,712	—	1,391,692	—	4,397,404
Provision for vacations	2,851,465	—	744,713	—	3,596,178
Accrued interest & indexation impaired loans	1,117,125	—	349,168	—	1,466,293
Severance payments	1,352,352	—	49,310	—	1,401,662
Other adjustments	11,281,400	52,916	6,726,043	—	18,060,359
Total Net Assets	**82,850,300**	**52,916**	**28,297,453**	**—**	**111,200,669**
Creditor Differences:					
Investments under repurchase agreements	—	—	871,517	—	871,517
Depreciation & price-level restatement ,property, plant and equipment	14,125,213	—	(736,781)	—	13,388,432
Deferred tax, modification accounting method in equity	456,919	—	(456,919)	—	—
Adjustment valuation of investments available for sale	1,331,158	—	—	162,335 (*)	1,493,493
Transitory assets	1,836,311	—	(265,476)	—	1,570,835
Adjustment derivative instruments	(8,844,676)	—	12,585,052	—	3,740,376
Other adjustments	5,027,053	(347,186)	588,393	—	5,268,260
Total Net Liabilities	**13,931,978**	**(347,186)**	**12,585,786**	**162,335**	**26,332,913**
Total net assets (liabilities)	**68,918,322**	**400,102**	**15,711,667**	**(162,335)**	**84,867,756**

(*) The effect recorded in equity for the change in the tax rate explained in Note 37.15 (c) meant a charge to other comprehensive income of ThCh$224,017.

e) In compliance with Joint Circular 47 of the Internal Tax Service (S.I.I.) and 3.478 of the SBIF dated August 18, 2009, the following provides a detail of the movement and effects generated by the application of article 31, No.4 of the Income Tax Law.

As required, the information relates just to credit operations of the Bank and not the operations of the subsidiaries consolidated in these consolidated financial statements.

			Assets at tax value		
(e.1) Loans /& accounts receivable from customerrs at 12.31.2010	**Assets at value of financial statements (*) ThCh$**	**Assets at tax value ThCh$**	**Past-due portfolio with collateral ThCh$**	**Unsecured past-due portfolio ThCh$**	**Total past-due portfolio ThCh$**
Commercial loans	8,076,914,571	8,292,144,165	19,377,672	27,595,999	46,973,671
Consumer loans	2,031,801,235	2,143,649,940	273,942	8,945,564	9,219,506
Housing mortgage loans	2,911,347,167	2,925,865,054	4,135,576	151,173	4,286,749
Total	**13,020,062,973**	**13,361,659,159**	**23,787,190**	**36,692,736**	**60,479,926**

(*) According to the circular mentioned and the SBIF instructions, the value of the assets in the financial statements is shown on individual bases net of allowances for credit risk and excludes leasing and factoring operations.

(e.2) Allowances against past-due portfolio	Balance at 01.01.2010 ThCh$	Write-offs against allowances ThCh$	Allowances made ThCh$	Allowances released ThCh$	Balance at 12.31.2010 ThCh$
Commercial loans	35,887,169	(26,707,450)	42,421,354	(24,005,074)	27,595,999
Consumer loans	10,307,703	(97,148,239)	108,655,471	(12,869,371)	8,945,564
Housing mortgage loans	116,088	(284,428)	641,462	(321,949)	151,173
Total	**46,310,960**	**(124,140,117)**	**151,718,287**	**(37,196,394)**	**36,692,736**

(e.3) Direct write-offs and recoveries	ThCh$
Direct write-offs Art. 31 No.4, 2nd paragraph	12,844,592
Condonations originating release of allownces	172,754
Recoveries or re-negotiation of written-off loans	32,168,462

(e.4) Application of Art. 31 No.4 1st & 2nd paragraphs	ThCh$
Write-offs according to the 1st paragraph	—
Condonations per the 3rd paragraph	340,606

Note 37.16 - Other Assets

a) Composition

Other assets as of December 31, 2010 and 2009 are detailed as follows:

	2010 ThCh$	2009 ThCh$
Assets for leasing (*)	90,792,324	45,961,775
Assets received in lieu of payment		
Assets received in payment	939,714	345,444
Assets adjudicated in judicial auction	2,404,335	5,202,481
Allowances for assets received in payment (**)	(15,026)	(228,715)
Sub total	**94,121,347**	**51,280,985**
Other Assets		
Trading of notes (***)	103,447,679	90,108,485
Other accounts & notes receivable	25,439,998	7,706,654
Investment properties (Note 2 ap)	17,459,541	17,840,245
VAT fiscal credit	8,251,325	4,973,712
Balances with branches	5,114,668	15,958,899
Prepaid expenses	4,493,525	2,088,240
Recoverable tax	4,392,475	3,650,331
Commissions receivable	3,668,501	3,335,239
Recovered leased assets for sale	2,196,810	3,687,868
Operations pending	2,170,542	4,411,292
Rental guarantees	1,144,595	871,698
Accounts receivable for sold assets received in payment	1,078,917	352,586
Materials & tools	598,669	609,753
Others	12,442,100	9,417,182
Sub total	**191,899,345**	**165,012,184**
Total	**286,020,692**	**216,293,169**

(*) 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 their realizable value, when the former is greater.

(***) This mainly includes simultaneous operations made by the subsidiary Banchile Corredores de Bolsa S.A.

b) The movement in the allowance for assets received in payment during 2010 and 2009 is detailed as follows:

	ThCh$
Balance at January 1, 2009	32,779
Application of allowances	(12,411)
Allowances made	249,823
Allowances released	(41,476)
Balance at December 31, 2009	**228,715**
Application of allowances	(281,539)
Allowances made	73,343
Allowances released	(5,493)
Balance at December 31, 2010	**15,026**

Note 37.17 - Current Account and Other Demand Deposits

As of December 31, 2010 and 2009, the composition is detailed as follows:

	2010 ThCh$	2009 ThCh$
Current accounts	3,596,871,133	3,125,186,332
Other demand deposits & accounts	226,466,689	210,062,309
Other demand deposits	515,293,257	338,923,750
Total	**4,338,631,079**	**3,674,172,391**

Note 37.18 - Deposits and Other Borrowings at Term

As of December 31, 2010 and 2009, the composition is detailed as follows:

	2010 ThCh$	2009 ThCh$
Time deposits	7,495,757,045	7,263,302,007
Time savings accounts	173,404,883	158,034,839
Other term creditor balances	27,490,543	4,636,117
Total	**7,696,652,471**	**7,425,972,963**

Note 37.19 - Obligations with Banks

As of December 31, 2010 and 2009, obligations with banks are detailed as follows:

	2010 ThCh$	2009 ThCh$
Banks in Chile		
Banco Estado	-	3,179,848
Banco Santander	-	698,404
Sub total	**-**	**3,878,252**
Foreign Banks		
Foreign trade finance		
Bank of America N.T. & S.A.	144,192,417	126,127,060
Citibank N.A.	140,924,522	124,319,460
Wachovia Bank N.A.	139,567,152	139,170,705
Commerzbank A.G.	80,050,813	96,634,857
JP Morgan Chase Bank	79,694,944	103,943,624
Toronto Dominion Bank	75,212,490	66,191,662
Banco Ambrosiano Veneto	70,662,547	61,128,898
Banca Nazionale del Lavoro	70,618,857	76,429,455
Royal Bank of Scotland	66,547,622	85,832,389
Standard Chartered Bank	64,218,514	128,900,215
China Development Bank	46,377,558	—
The Bank of New York Mellon	32,810,478	15,198,663
Mercantil Commercebank N.A.	28,085,311	18,267,128
Banco Latinoamericano	23,440,546	25,337,037
Bank of Montreal	20,071,335	2,958,849
ING Bank	18,740,132	60,855,163
Zuercher Kantonalbank	16,619,578	—
Branch Banking and Trust Company	7,506,539	—
Bank of China	452,990	50,623,342
Bank of Tokyo Mitsubishi	172,205	7,668,430
Dresdner Bank A.G.	153,851	12,673,825
Südwestdeutsche Landesbank Girozentrale	—	2,552,839
UBS AG	33,149	1,576,128
Others	878,486	839,264
Loans and other obligations		
Standard Chartered Bank	46,949,580	—
China Development Bank	46,877,744	—
Wachovia Bank N.A.	33,890,188	—
Citibank N.A.	12,752,964	—
Commerzbank A.G.	11,278,646	—
Banco Skandinaviska Enskilda Banken	—	23,751
Others	2,511,219	—
Sub total	**1,281,292,377**	**1,207,252,744**
Banco Central de Chile		
Banco Central de Chile	80,359	155,204,012
Sub total	**80,359**	**155,204,012**
Total	**1,281,372,736**	**1,366,335,008**

Note 37.20 - Debt Instruments Issued

As of December 31, 2010 and 2009, debt instruments issued are detailed as follows:

	2010 ThCh$	2009 ThCh$
Mortgage-funding notes	198,868,460	265,581,545
Straight bonds	820,330,682	815,734,338
Subordinated bonds	744,965,583	506,683,388
Total	**1,764,164,725**	**1,587,999,271**

During 2010, Banco de Chile placed bonds amounting to ThCh$592,371,043, corresponding to straight bonds and subordinated bonds for an amount of ThCh$330,836,702 and ThCh$261,534,341 respectively, detailed as follows:

Straight Bonds

Series	Amount ThCh$	Term	Issue rate	Currency	Issuance date	Maturity date
BCHIUA0609	80,159,588	5 years	1.75 annual	UF	03/10/2010	03/10/2015
BCHIUB0609	51,927,979	10 years	2.50 annual	UF	16/02/2010	06/02/2020
BCHIUB0609	26,165,188	10 years	2.50 annual	UF	06/03/2010	06/03/2020
BCHI-T0207	82,091,177	11 years	2.70 annual	UF	07/02/2010	07/02/2021
BCHIUC0510	41,574,335	5 years	2.20 annual	UF	08/23/2010	08/23/2015
BCHIUF0610	40,896,903	10 years	2.70 annual	UF	08/23/2010	08/23/2020
BCHIUF0610	8,021,532	10 years	2.70 annual	UF	10/07/2010	10/07/2020
Total	**330,836,702**					

Subordinated Bonds

Series	Amount ThCh$	Term	Issue rate	Currency	Issuance date	Maturity date
UCHI-F1108	91,672,558	25 years	4.50 annual	UF	04/14/2010	04/14/2035
UCHI-F1108	22,198,016	25 years	4.50 annual	UF	04/15/2010	04/15/2035
UCHI-F1108	1,562,958	25 years	4.50 annual	UF	04/16/2010	04/16/2035
UCHI-F1108	92,497,122	25 years	4.50 annual	UF	05/11/2010	05/11/2035
UCHI-F1108	53,603,687	25 years	4.50 annual	UF	05/13/2010	05/13/2035
Total	**261,534,341**					

During 2009, the Bank placed bonds for an amount of ThCh$21,136,850, with the subordinated bonds detailed as follows:

Subordinated Bonds

Series	Amount ThCh$	Term	Issue rate	Currency	Issuance date	Maturity date
UCHI-F1108	16,042,030	25 years	4.5% annual	UF	07/22/2009	07/22/2034
UCHI-F1108	5,094,820	25 years	4.5% annual	UF	07/23/2009	07/23/2034
Total	**21,136,850**					

The Bank has not defaulted in principal, interest or other breaches with respect to its debt instruments during 2010 and 2009.

Note 37.21 - Other Financial Obligations

As of December 31, 2010 and 2009, other financial obligations are detailed as follows:

	2010 ThCh$	2009 ThCh$
Obligations with the public sector	67,601,275	46,410,175
Other obligations in the country	109,590,912	129,740,367
Other obligations abroad	—	—
Total	**177,192,187**	**176,150,542**

Note 37.22 - Provisions

a) As of December 31, 2010 and 2009, the composition is as follows:

	2010 ThCh$	2009 ThCh$
Provisions for minimum dividends shareholders SM Chile	24,475,320	15,208,888
Provisions for minimum dividends other shareholders	43,461,379	32,352,670
Provisions for employee benefits & remuneration	55,433,123	46,210,717
Allowances for contingent loans risk	13,501,462	8,133,538
Provisions for contingencies:		
Additional loan allowances	104,905,358	50,350,104
Other provisions for contingencies	1,123,752	1,169,629
Allowances for country risk	3,495,679	2,323,310
Total	**246,396,073**	**155,748,856**

b) Movements in provisions during 2010 and 2009 are detailed as follows:

	Minimum dividend ThCh$	Employee benefits & remuneration ThCh$	Contingent credit risks ThCh$	Additional provisions ThCh$	Other contingencies ThCh$	Total ThCh$
Balance at January 1, 2009	123,279,891	45,913,606	5,580,199	37,898,951	1,323,270	213,995,917
Provisions made	127,516,453	33,770,102	2,553,339	13,000,000	2,692,185	179,532,079
Application of provisions	(123,279,891)	(30,815,928)	-	-	(522,516)	(154,618,335)
Release of provisions	-	(2,871,275)	-	(548,847)	-	(3,420,122)
Other movements	-	214,212	-	-	-	214,212
Balance at December 31, 2009	**127,516,453**	**46,210,717**	**8,133,538**	**50,350,104**	**3,492,939**	**235,703,751**
Balance at January 1, 2009	127,516,453	46,210,717	8,133,538	50,350,104	3,492,939	235,703,751
Provisions made	171,405,849	48,545,571	5,367,924	43,191,471	1,861,581	270,372,396
Application of provisions	(127,516,453)	(37,288,878)	-	-	(735,089)	(165,540,420)
Release of provisions	-	(2,034,287)	-	(563,105)	-	(2,597,392)
Contingent provision Circular 3.489	-	-	-	15,926,888	-	15,926,888
Balance at December 31, 2010	**171,405,849**	**55,433,123**	**13,501,462**	**108,905,358**	**4,619,431**	**353,865,223**

c) Provisions for employee benefits and remuneration:

	2010 ThCh$	2009 ThCh$
Provisions for compliance bonuses	25,919,968	18,639,170
Provisions for vacations	18,773,410	17,168,081
Provisions severance payments	7,980,996	7,955,013
Provisions for other employee benefits	2,758,749	2,448,453
Total	**55,433,123**	**46,210,717**

d) Severance payments:

(i) Movement in severance payments:

	2010 ThCh$	2009 ThCh$
Present value of obligations at start of year	7,955,013	6,925,479
Increase in provision	842,558	506,366
Payments made	(378,635)	(1,031,668)
Effect of change in discount rate	(437,940)	1,554,836
Total	**7,980,996**	**7,955,013**

(ii) Benefit expenses, net:

	2010 ThCh$	2009 ThCh$
Increase in provision	842,558	506,366
Interest cost of benefit obligations	470,141	340,041
Actuarial gains & losses	(908,081)	1,214,795
Benefit expenses, net	**404,618**	**2,061,202**

(iii) Factors used in the calculation of the provision:

The principal assumptions used in the determination of pension obligations for the Bank's plan are detailed as follows:

	December 31 2010 %	December 31 2009 %
Discount rate	5.91	4.91
Salary increase rate	2.00	2.00
Probability of payment	93.00	93.00

The most recent actuarial valuation of the provision for severance payments was made at the close of the year ended December 31, 2010.

(e) Movement in provision for compliance bonuses:

	2010 ThCh$	2009 ThCh$
Balances at January 1	18,639,170	19,585,109
Provisions made	30,871,628	17,055,332
Application of provisions	(23,089,830)	(16,665,334)
Release of provisions	(501,000)	(1,570,149)
Other movement	-	234,212
Total	**25,919,968**	**18,639,170**

(f) Movement in provision personnel vacations:

	2010 ThCh$	2009 ThCh$
Balances at January 1	17,168,081	18,151,915
Provisions made	5,092,664	2,829,097
Application of provisions	(3,238,048)	(2,907,187)
Release of provisions	(249,287)	(905,744)
Total	**18,773,410**	**17,168,081**

(g) Provision for employee benefits in shares:

As of December 31, 2010 and 2009, SM Chile and its subsidiaries have no share compensation plan.

(h) Allowances for contingent credits:

The allowances made for the credit risk on contingent operations are detailed as follows:

	2010 ThCh$	2009 ThCh$
Allowance performance bonds	9,722,536	7,021,785
Allowance guarantees	1,011,376	325,248
Allowance letters of credit	2,767,550	786,505
Total	**13,501,462**	**8,133,538**

As indicate in Note 21.2, Accounting changes, the allowances for lines of credit are recorded under the concept of additional provisions.

Note 37.23 - Other Liabilities

As of December 31, 2010 and 2009, other liabilities are detailed as follows:

	2010 ThCh$	2009 ThCh$
Accounts & notes payable (*)	53,854,590	149,865,111
Agreed dividends payable	779,147	597,923
Advance payments received	5,727,647	2,202,708
Other liabilities		
Note trading operations (**)	112,924,331	100,311,029
Co-branding	14,350,312	8,911,697
VAT fiscal debit	9,514,555	8,063,754
Deferred leasing earnings	6,355,958	5,932,220
Insurance premiums	4,357,178	-
Operations pending	601,832	1,065,785
Others	3,377,398	2,358,884
Total	**211,842,948**	**279,309,111**

(*) 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.

(**) Includes mainly the financing of simultaneous operations by the subsidiary Banchile Corredores de Bolsa S.A.

Note 37.24 - Commitments and Contingencies

a) Commitments and responsibilities recorded in memorandum accounts:

In order to meet its customers' needs, the Bank acquired several irrevocable commitments and contingent obligations. Although these obligations cannot be shown in the statement of financial position, they involve credit risks and are therefore part of the Bank's overall risk.

The Bank and its subsidiaries record in memorandum accounts the following balances related to such commitments and business-related responsibilities:

	2010 ThCh$	2009 ThCh$
Contingent liabilities		
Guarantees	203,900,147	114,012,047
Confirmed foreign letters of credit	58,111,673	55,267,118
Documentary letters of credit opened	152,983,396	118,028,106
Performance bonds	1,062,020,246	1,168,059,321
Credit lines available on demand	4,146,591,236	3,352,972,613
Other credit commitments	35,772,229	-
Operations on behalf of third parties		
Documents in collection	497,369,700	474,078,122
Third-party funds managed by the Bank:		
Financial assets managed on behalf of third parties	4,654,108	34,845,225
Financial assets acquired in own name	22,851,694	8,691,897
Custody of securities		
Valuables held in power of the Bank	8,863,311,013	5,268,486,024
Valuables in custody deposited in other entity	4,187,872,964	4,518,112,026
Total	**19,235,438,406**	**15,112,552,499**

The above only includes the most important balances.

b) Lawsuits and legal proceedings:

b.1)Normal judicial contingencies in the industry:
There are legal actions against the Bank and its subsidiaries at the date of issuance of these consolidated financial statements with respect to their 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 Bank and its subsidiaries in these consolidated financial statements. As of December 31, 2010, provisions have been established amounting to ThCh$909,196 (ThCh$667,000 in 2009), which form part of Provisions in the statement of financial position. The following shows the estimated dates of termination of the lawsuits:

	December 31, 2010						
	2011 ThCh$	2012 ThCh$	2013 ThCh$	2014 ThCh$	2015 ThCh$	2016 ThCh$	Total ThCh$
Judicial contingencies	217,696	68,500	80,000	369,000	-	174,000	909,196

b.2) Contingencies for significant demands in the courts:
As of December 31, 2010 and 2009, there are no significant demands in the courts that affect or could affect these consolidated financial statements.

c) Guarantees granted for operations:

i) In subsidiary 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 as such the Bank has issued performance bonds in this respect amounting to UF 2,390,000 expiring on January 7, 2011.

Apart from these performance bonds for the creation of mutual funds, there are other performance bonds covering the returns of certain mutual funds amounting to ThCh$132,110,673 as of December 31, 2010 (ThCh$178,063,307 in 2009).

ii) In subsidiary 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 UF 20,000 with Cía. de Seguros de Crédito Continental S.A. that expires on April 22, 2012, whereby the Santiago Stock Exchange was appointed as the creditors' representative.

Securities in guarantee:	2010 ThCh$	2009 ThCh$
Shares in guarantee of simultaneous operations on:		
Santiago Stock Exchange	3,425,927	27,747,853
Chilean Electronic Exchange	73,261,089	50,879,659
Money market to Pershing Division of Donaldson, Lufkinn and Jenrette Securities Corporation	57,329	63,461
Performance bond	225,283	-
Total	**76,969,628**	**78,690,973**

In accordance 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. has an insurance policy with Chartis Chile - Compañía de Seguros Generales S.A., expiring on January 2, 2011, that covers employee fidelity, physical losses, falsification or adulteration, and currency fraud with a cover equivalent to US$ 10,000,000.

Note 37.25 - Interest and Indexation Income and Expenses

a) The composition of interest and indexation income and expense at the close of the financial statements is detailed as follows:

	2010				2009			
	Interest ThCh$	Indexations ThCh$	Prepaid commissions ThCh$	Total ThCh$	Interest ThCh$	Indexations ThCh$	Prepaid commissions ThCh$	Total ThCh$
Commercial loans	407,765,578	76,212,267	1,420,495	485,398,340	484,299,471	(79,961,851)	3,161,609	407,499,229
Consumer loans	370,764,997	909,901	5,273,546	376,948,444	374,927,539	(927,415)	6,819,023	380,819,147
Housing loans	117,188,719	64,771,521	5,403,857	187,364,097	105,753,317	(54,374,419)	5,004,412	56,383,310
Investment instruments	30,763,552	12,526,637	-	43,290,189	43,025,009	(7,545,707)	-	35,479,302
Repurchase agreements	1,981,320	3,406,103	-	5,387,423	1,513,973	(2,183,289)	-	(669,316)
Loans granted to banks	7,205,410	-	-	7,205,410	5,476,763	-	-	5,476,763
Other interest & indexation income	94,471	273,251	-	367,722	173,240	16,811	-	190,051
Total	**935,764,047**	**158,099,680**	**12,097,898**	**1,105,961,625**	**1,015,169,312**	**(144,975,870)**	**14,985,044**	**885,178,486**

The amount of interest and indexation revenue recorded as received on the impaired portfolio during 2010 amounted to ThCh$3,036,301 (ThCh$355,606 in 2009).

b) The detail of interest and indexation income at the year-end not recorded in income is the following:

	2010			2009		
	Interest ThCh$	Indexation ThCh$	Total ThCh$	Interest ThCh$	Indexation ThCh$	Total ThCh$
Commercial loans	5,359,720	(212,875)	5,146,845	4,478,629	912,782	5,391,411
Housing loans	1,512,178	353,287	1,865,465	1,647,926	571,197	2,219,123
Consumer loans	177,292	(697)	176,595	59,921	2	59,923
Total	**7,049,190**	**139,715**	**7,188,905**	**6,186,476**	**1,483,981**	**7,670,457**

c) The detail of interest and indexation expenses at the year-end, excluding hedge income, is the following:

	2010			2009		
	Interest ThCh$	Indexation ThCh$	Total ThCh$	Interest ThCh$	Indexation ThCh$	Total ThCh$
Time deposits & borrowings	140,459,507	48,481,848	188,941,355	217,825,566	(58,781,295)	159,044,271
Debt instruments issued	71,372,562	38,379,773	109,752,335	72,445,875	(39,532,261)	32,913,614
Other financial obligations	2,022,632	912,049	2,934,681	1,383,853	(304,031)	1,079,822
Repurchase agreements	1,640,446	367,408	2,007,854	6,374,005	(13,910)	6,360,095
Obligations with banks	18,817,345	4,638	18,821,983	23,547,585	2,969	23,550,554
Demand deposits	304,758	3,133,861	3,438,619	317,682	(439,137)	(121,455)
Other interest & indexation expenses	-	339,693	339,693	-	(236,869)	(236,869)
Total	**234,617,250**	**91,619,270**	**326,236,520**	**321,894,566**	**(99,304,534)**	**222,590,032**

d) As of December 31, 2010 and 2009, the Bank uses interest-rate swaps to hedge through a micro-hedge its position in the fair value of corporate bonds and commercial loans.

	2010			2009		
	Interest ThCh$	Indexation ThCh$	Total ThCh$	Interest ThCh$	Indexation ThCh$	Total ThCh$
Accounting hedge gain	2,256,125	-	2,256,125	7,183,344	-	7,183,344
Accounting hedge loss	(17,980,539)	-	(17,980,539)	(2,878,481)	(5,548,273)	(8,426,754)
Result adjustment hedge element	3,118,331	-	3,118,331	(6,389,919)	6,033,107	(356,812)
Total	**(12,606,083)**	**-**	**(12,606,083)**	**(2,085,056)**	**484,834**	**(1,600,222)**

e) The summary of interest and indexation at the end of the years was as follows:

	2010 ThCh$	2009 ThCh$
Interest & indexation income	1,105,961,625	885,178,486
Interest & indexation expense	(326,236,520)	(223,074,866)
Sub total interest & indexation income	**779,725,105**	**662,103,620**
Result of accounting hedges (net)	(12,606,083)	(1,600,222)
Total net interest & indexation	**767,119,022**	**660,503,398**

Note 37.26 - Fee Income and Expense

The income and expenses for fees shown in the consolidated statements of comprehensive income refer to the following concepts:

	2010 ThCh$	2009 ThCh$
Fee income		
Card services	76,487,373	69,692,560
Investments in mutual funds or others	61,476,344	45,246,463
Collections & payments	51,371,185	51,279,769
Securities trading & handling	38,723,567	27,881,230
Lines of credit & overdrafts	26,123,981	27,627,270
Remuneration from insurance brokerage	22,908,754	18,844,888
Account management	16,401,232	12,452,272
Guarantees & letters of credit	15,187,343	14,554,478
Financial advisory	4,800,155	7,860,181
Other fees earned	28,738,800	22,360,198
Total fee income	**342,218,734**	**297,799,309**
Fee expenses		
Card operation remuneration	(29,569,855)	(27,742,200)
Collection & payment commissions	(11,798,866)	(9,762,376)
Sale of mutual fund installments	(3,571,419)	(2,958,238)
Securities trading commissions	(3,531,766)	(2,807,508)
Sales force commissions	(755,721)	(480,799)
Other commissions	(729,117)	(582,949)
Total fee expenses	**(49,956,744)**	**(44,334,070)**

Note 37.27 - Financial Operation Income

Net gain (loss) on financial operations is detailed as follows:

	2010 ThCh$	2009 ThCh$
Financial instruments held for trading	24,053,187	27,656,859
Sale of instruments available for sale	19,177,868	19,059,592
Net income from other operations	634,897	743,207
Trading derivatives	(24,263,856)	(177,728,219)
Credit card sales	(148,725)	-
Total	**19,453,371**	**(130,268,561)**

Note 37.28 - Net Exchange Gain (Loss)

Net exchange gains (loss) is detailed as follows:

	2010 ThCh$	2009 ThCh$
Foreign currencytranslation	69,537,595	233,583,982
Exchange difference, net	(5,776,236)	(12,619,071)
Total	**63,761,359**	**220,964,911**

Note 37.29 - Allowances for credit risk

The movement during 2010 and 2009 in gains or losses due to allowances is detailed as follows:

	Loans & Accounts Receivable from Customers													
	Due from banks		Commercial loans		Housing loans		Consumer loans		Total		Contingent liabilities		Total	
	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$
Constitution of allowances:														
- Individual	-	(861,077)	(44,613,528)	(88,438,037)	–	–	–	–	(44,613,528)	(88,438,037)	(5,216,694)	(2,154,082)	(49,830,222)	(91,453,196)
- Group	-	-	(34,574,751)	(57,619,562)	(3,750,460)	(2,042,350)	(112,900,740)	(100,325,204)	(151,225,951)	(159,987,116)	(151,230)	(399,257)	(151,377,181)	(160,386,373)
Result of constitution of provisions	**-**	**(861,077)**	**(79,188,279)**	**(146,057,599)**	**(3,750,460)**	**(2,042,350)**	**(112,900,740)**	**(100,325,204)**	**(195,839,479)**	**(248,425,153)**	**(5,367,924)**	**(2,553,339)**	**(201,207,403)**	**(251,839,569)**
Release of allowances:														
- Individual	566,603	-	2,461,833	1,518,784	-	-	-	-	2,461,833	1,518,784	-	-	3,028,436	1,518,784
- Group	-	-	49,014	-	-	-	-	-	49,014	-	-	-	49,014	-
Result of release of provisions	**566,603**	**-**	**2,510,847**	**1,518,784**	**-**	**-**	**-**	**-**	**2,510,847**	**1,518,784**	**-**	**-**	**3,077,450**	**1,518,784**
Recovery of assets written off	-	-	11,172,911	23,994,282	1,386,781	2,652,554	19,608,770	232,404	32,168,462	26,879,240	-	-	32,168,462	26,879,240
Net result allowance for credit risk	**566,603**	**(861,077)**	**(65,504,521)**	**(120,544,533)**	**(2,363,679)**	**610,204**	**(93,291,970)**	**(100,092,800)**	**(161,160,170)**	**(220,027,129)**	**(5,367,924)**	**(2,553,339)**	**(165,961,491)**	**(223,441,545)**

In the opinion of the management, the allowances constituted for credit risk cover all the possible losses that might arise from the non-recovery of assets, according to information examined by the Bank.

Note 37.30 - Staff Remuneration and Expenses

The composition of staff remuneration and expenses for the years 2010 and 2009 is detailed as follows:

	2010 ThCh$	2009 ThCh$
Staff remuneration	(158,128,476)	(156,580,395)
Bonuses	(69,202,958)	(53,692,156)
Meals & health benefits	(17,817,011)	(17,967,218)
Severance payments	(7,139,702)	(10,921,368)
Training expenses	(1,379,886)	(1,251,074)
Other staff expenses	(19,358,388)	(16,669,702)
Total	**(273,026,421)**	**(257,081,913)**

Note 37.31 - Administrative Expenses

The composition of administrative expenses as of December 31, 2010 and 2009 is detailed as follows:

	2010 ThCh$	2009 ThCh$
General administrative expenses		
Data processing & communications	(40,126,395)	(35,016,575)
Maintenance & repair of property, plant and equipment	(25,646,749)	(21,611,292)
Office rentals	(16,157,566)	(16,106,002)
Guard & valuables transport services	(7,025,340)	(6,869,930)
External consultancy	(6,364,844)	(6,892,061)
Office materials	(5,734,791)	(6,810,476)
Lighting, heating & other utilities	(5,657,421)	(7,168,738)
Rental of automated teller machine spaces	(4,654,076)	(4,137,312)
Staff representation & travel expenses	(3,480,113)	(2,924,545)
Donations	(3,249,903)	(937,825)
Postage & stamping expenses	(2,885,735)	(2,857,630)
Legal & notary costs	(2,616,126)	(3,064,102)
Insurance premiums	(2,260,671)	(1,799,085)
Rental of equipment	(1,185,101)	(1,272,012)
Professional service fees	(611,561)	(631,035)
Other general administrative expenses	(8,924,363)	(9,604,875)
Sub total	**(136,580,755)**	**(127,703,495)**
Sub-contracted services		
Data processing	(5,577,317)	(5,639,492)
Sale of products	(770,177)	(808)
Credit evaluation	(13,191,803)	(9,883,105)
Other	(7,331,277)	(5,171,200)
Sub total	**(26,870,574)**	**(20,694,605)**
Directors' expenses		
Directors' remuneration	(2,014,151)	(2,030,480)
Other board expenses	(344,145)	(454,585)
Sub total	**(2,358,296)**	**(2,485,065)**
Marketing expenses		
Publicity & advertising	(23,181,936)	(17,942,500)
Sub total	**(23,181,936)**	**(17,942,500)**
Taxes, contributions		
Property taxes	(2,134,061)	(2,062,317)
Municipal taxes	(1,225,885)	(1,092,470)
Other taxes	(365,932)	(37,685)
Contribution to the SBIF	(4,952,633)	(4,973,652)
Sub total	**(8,678,511)**	**(8,166,124)**
Total	**(197,670,072)**	**(176,991,789)**

Note 37.32 - Depreciation, Amortization and Impairment

a) The charges to income for this concept during 2010 and 2009 were:

	2010 ThCh$	2009 ThCh$
Depreciation & amortization		
Depreciation of property, plant and equipment (Note 21.14 a)	(20,909,295)	(22,916,191)
Amortization of intangible assets (Note 21.13 b)	(9,635,471)	(9,110,528)
Total	**(30,544,766)**	**(32,026,719)**

b) The composition of the charge for impairment for 2010 and 2009 is as follows:

	2010 ThCh$	2009 ThCh$
Impairment		
Impairment investment instruments (Note 21.11)	-	-
Impairment of property, plant and equipment (Note 21.14 a)	(1,044,439)	-
Impairment of intangible assets (Note 21.13 b)	-	-
Total	**(1,044,439)**	**-**

As a result of the earthquake that affected the country's center-south zone, part of the property, plant and equipment, investment properties and loans and accounts receivable from customers of the Bank suffered damage, which, together with other expenses and donations, amounted to ThCh$7,958,972, of which ThCh$2,402,629 has to date been paid by insurance companies.

Note 37.33 - Other Operating income

Other operating income of the Bank and its subsidiaries during 2010 and 2009 is detailed as follows:

	2010 ThCh$	2009 ThCh$
Income from assets received in payment		
Gain on sale of assets received in payment	6,440,046	5,115,958
Other revenue	114,001	95,584
Sub total	**6,554,047**	**5,211,542**
Releases of provisions for contingencies		
Additional allowances for loans	563,105	548,847
Other provisions for contingencies	293,979	-
Sub total	**857,084**	**548,847**
Other income		
Rentals received	4,080,357	5,087,860
Correspondent bank rebates	2,655,555	1,184,536
Expense reimbursements	2,133,179	1,190,829
Stockbroker company advice abroad	2,130,297	2,781,428
Gain on sales of property, plant and equipment	914,567	177,325
Gain on sales of leased assets	534,390	442,379
Release of provisions	335,327	-
Custody & trust seervices	113,696	221,314
Foreign trade	37,791	161,101
Short sales stockbroker company	37,426	119,843
Insurance claims	18,255	15,645
Reversal tax provision New York branch	-	1,854,374
Release provision for fraud	-	680,000
Others	3,744,711	2,208,332
Sub total	**16,735,551**	**16,124,966**
Total	**24,146,682**	**21,885,355**

Note 37.34 - Other Operating Expenses

The following were other operating expenses of the Bank and its subsidiaries incurred in 2010 and 2009:

	2010 ThCh$	2009 ThCh$
Allowances and expenses for assets received in payment		
Allowances for assets received in payment	(67,851)	(208,347)
Write-offs of assets received in payment	(4,427,317)	(3,838,351)
Maintenance expenses of assets received in payment	(816,935)	(272,659)
Sub total	**(5,312,103)**	**(4,319,357)**
Provisions for contingencies		
Allowances for country risk	(1,172,369)	(2,010,085)
Additional allowances for credit risk	(43,191,471)	(13,000,000)
Other provisions for contingencies	(689,213)	(682,119)
Sub total	**(45,053,053)**	**(15,692,204)**
Other expenses		
Co-branding	(13,301,934)	(4,739,897)
Operational risk write-offs	(10,399,513)	(3,753,491)
Card administration	(2,584,478)	(2,232,141)
Leasing operating expenses & write-offs	(2,253,871)	(302,644)
Miscellaneous provisions	(2,175,718)	(1,038,531)
Write-offs & provision for frauds	(828,807)	(720,525)
Civil lawsuits	(619,374)	(524,983)
Allowance for leasing assets recovered	(547,556)	(621,845)
Mortgage-protection insurance	(429,166)	(394,896)
Contribution fiscal organisms	(191,874)	(110,731)
Losses on sales of property, plant and equipment	(161,701)	(93,932)
Previous year expenses	(2,364)	(487,438)
Other provisions	-	(506,043)
Consultancies	-	(25,824)
CDE transaction	-	(1,235,723)
Others	(2,469,727)	(3,624,744)
Sub total	**(35,966,083)**	**(20,413,388)**
Total	**(86,331,239)**	**(40,424,949)**

Note 37.35 - Operations with Related Parties

In the case of open corporations and their subsidiaries, related parties are those that belong to the same business group as SM Chile; legal entities which, with respect to SM Chile, are the parent, major shareholder, subsidiary, associate; who are directors, managers, administrators, senior executives or liquidators of the company, on their own behalf or on behalf of persons other than the company, and their respective spouses or family to the second degree of blood or affinity relationship, and any entity controlled, directly or indirectly, through any of them; companies or businesses in which the above persons are owners, directly or through other persons or entities, of 10% or more of their capital, or directors, managers, administrators or senior executives; any person who alone or with others under a joint-management agreement can appoint at least one member of the administration of the company or controls 10% or more of the capital, or capital with voting rights in the case of a company by shares; those established in the bylaws of the company, or justifiably identified by the directors' committee; and those in which they have performed as director, manager, administrator, senior executive or liquidator of SM Chile within the previous eighteen months.

Article 147 of the Corporations Law states that an open corporation may only carry out operations with related parties when their objective is to contribute to the corporate interest, they reflect in price, terms and conditions those prevailing in the market at the time of their approval, and meet the requirements and procedures set out in this law.

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 details loans and accounts receivable, contingent liabilities and assets related to trading and investment securities, corresponding to related parties.

	Productive companies (*)		Investment companies (**)		Individuals (***)		Total	
	2010 M$	2009 M$	2010 M$	2009 M$	2010 M$	2009 M$	2010 M$	2009 M$
Loans & accounts receivable:								
Commercial loans	111,139,911	224,746,377	65,838,874	34,492,276	567,253	614,496	177,546,038	259,853,149
Housing loans	-	-	-	-	9,366,386	8,314,753	9,366,386	8,314,753
Consumer loans	-	-	-	-	2,474,841	2,166,720	2,474,841	2,166,720
Gross loans	111,139,911	224,746,377	65,838,874	34,492,276	12,408,480	11,095,969	189,387,265	270,334,622
Allowances for loans	(573,060)	(751,338)	(410,011)	(214,864)	(59,165)	(45,357)	(1,042,236)	(1,011,559)
Net Loans	**110,566,851**	**223,995,039**	**65,428,863**	**34,277,412**	**12,349,315**	**11,050,612**	**188,345,029**	**269,323,063**
Contingent liabilities:								
Guarantees	15,744,943	10,936,809	58,240	-	-	-	15,803,183	10,936,809
Letters of credit	-	3,819,094	63,115	-	-	-	63,115	3,819,094
Performance bonds	11,729,856	22,374,146	117,887	-	-	-	11,847,743	22,374,146
Freely-available lines of credit	11,840,496	59,439,625	638,450	1,163,408	2,704,943	4,857,045	15,183,889	65,460,078
Total contingent liabilities	39,315,295	96,569,674	877,692	1,163,408	2,704,943	4,857,045	42,897,930	102,590,127
Allowances for contingent liabilities	(101,575)	(84,188)	(1,219)	-	-	-	(102,794)	(84,188)
Net contingent liabilities	**39,213,720**	**96,485,486**	**876,473**	**1,163,408**	**2,704,943**	**4,857,045**	**42,795,136**	**102,505,939**
Amounts covered by collateral								
Mortgages	28,243,962	82,720,056	230,856	3,678,722	10,052,897	11,684,704	38,527,715	98,083,482
Warrants	-	-	-	-	-	-	-	-
Pledges	-	-	-	-	-	-	-	-
Other	2,092,447	2,321,426	21,884,671	14,505,184	9,505	—	23,986,623	16,826,610
Total collateral	**30,336,409**	**85,041,482**	**22,115,527**	**18,183,906**	**10,062,402**	**11,684,704**	**62,514,338**	**114,910,092**
Instruments acquired								
For trading	-	-	-	-	-	-	-	-
For investment	2,333,026	15,200,000	-	-	-	-	2,333,026	15,200,000
Total instruments acquired	**2,333,026**	**15,200,000**	**-**	**-**	**-**	**-**	**2,333,026**	**15,200,000**

(*) For these purposes, productive companies are those that meet the following conditions:

i) they are involved in production activities and generate a separate revenue flow,

ii) less than 50% of their assets are trading or investment instruments.

(**) Investment companies include those legal entities which do not meet the conditions of productive companies and are profit-oriented.

(***) Individuals include key members of the management, being those who directly or indirectly have authority and responsibility for planning, managing and controlling the organization's activities, including directors. This category also includes members of their family who have influence or who are influenced by the individuals in their interactions with the organization.

b) Other assets and liabilities with related parties:

	2010 ThCh$	2009 ThCh$
Assets		
Cash & bank deposits	102,935,654	79,100,609
Repurchase agreements	139,342,921	172,473,869
Financial derivative contracts	2,349,100	2,656,014
Total	**244,627,675**	**254,230,492**
Liabilities		
Demand deposits	62,766,768	50,940,167
Time deposits & other borrowings	281,170,190	229,664,499
Financial derivative contracts	124,293,085	128,534,555
Obligations with Banks	153,677,486	124,319,460
Other	6,363,831	5,932,031
Total	**628,271,360**	**539,390,712**

c) Income and expenses on operations with related parties (*):

Type of income or expense recorded	2010		2009	
	Income ThCh$	Expense ThCh$	Income ThCh$	Expense ThCh$
Interest & indexation income & expense	10,619,310	7,585,883	7,999,500	2,477,896
Fees & services income & expense	29,472,075	28,296,800	50,072,924	24,074,798
Income of financial operations	269,382,127	248,363,106	333,566,688	376,304,546
Foreign currency translation	-	-	132,586	7,620
Allowances for credit risk	-	685,553	-	375,881
Operational support costs	-	53,377,724	-	59,324,067
Other income & expense	770,349	625,563	768,421	628,076
Total	**310,243,861**	**338,934,629**	**392,540,119**	**463,192,884**

(*) This detail does not constitute a statement of income of related party transactions, since assets with these parties are not necessarily equal to liabilities and each item reflects the total income and expense and not matched transactions.

(d) Contracts with related parties:

There are no contracts signed during 2010 and 2009 that correspond to habitual transactions with customers in general, when such contracts were for amounts greater than UF 1,000.

e) Payments to key management personnel:

During 2010 and 2009, key personnel have been paid a total remuneration of ThCh$34,908 (Th$34,908 in 2009).

f) Directors' Expenses and Remuneration

Name of director	Remuneration		Per diem for Directors' Committee meetings		Committee Advisor		Total	
	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$
Andrónico Luksic Craig	228,839	230,912	-	-	-	-	228,839	230,912
Jorge Awad Mehech	-	-	2,271	2,446	-	-	2,271	2,446
Rodrigo Manubens Moltedo	-	-	1,136	1,223	-	-	1,136	1,223
Total	**228,839**	**230,912**	**3,407**	**3,669**	**-**	**-**	**232,246**	**234,581**

As of December 31, 2010, SM-Chile made payments for concepts related to directors' remuneration of ThCh$232,246 (ThCh$234,581 in 2009). Banco de Chile and its subsidiaries have paid and accrued as a charge to income concepts related to directors' remuneration of ThCh$2,358,296 (ThCh$2,285,065 in 2009), as approved by the ordinary shareholders' meeting.

Note 37.36 - Fair Value of Financial Assets and Liabilities

a) Financial instruments recorded at fair value
The Bank and its subsidiaries determine the fair value of financial instruments by taking into account:

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, the Bank classifies the financial instruments in its portfolio in one of the following 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 non-observable factors. This category includes all instruments where the valuation technique includes factors that are not based on observable data and where non-observable 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 non-observable assumptions to reflect the differences between them.

Valuation of financial instruments

The Bank's accounting policy for measuring fair value is discussed in Note 2(aa).

The Bank has established a control framework for measuring fair value. This framework includes a product control function, which is independent of the principal management and reports directly to the financial control division manager. The products-control area is generally responsible for independently verifying the gain or loss from 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, whose prices are directly observable on active market screens and therefore are classified in Level 1, Banco de Chile and its subsidiaries 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.

The valuation techniques that are applied most frequently include the valuation of forward and swap models employing present-value calculations. The models incorporate various market variables, including the credit quality of counterparties, exchange rates and interest-rate curves.

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 Bank's systems 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 is no relevant observable data from active markets, and which are 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	
	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$
Instruments for trading								
State & Banco Central de Chile	150,570,790	146,278,759	6,621,292	15,815,932	-	-	157,192,082	162,094,691
Other instruments issued in Chile	1,635,327	1,213,150	119,198,470	185,551,916	1,739,673	2,731,869	122,573,470	189,496,935
Instruments issued abroad	-	-	-	-	-	-	-	-
Investments in mutual funds	28,787,159	80,236,420	-	-	-	-	28,787,159	80,236,420
Sub total	**180,993,276**	**227,728,329**	**125,819,762**	**201,367,848**	**1,739,673**	**2,731,869**	**308,552,711**	**431,828,046**
Derivative contracts for trading								
Forwards	-	-	119,932,574	193,728,707	-	-	119,932,574	193,728,707
Swaps	-	-	367,389,915	370,416,660	-	-	367,389,915	370,416,660
Call options	-	-	133,095	300,259	-	-	133,095	300,259
Put options	-	-	-	65,344	-	-	-	65,344
Futures	-	80,572	-	-	-	-	-	80,572
Sub total	**-**	**80,572**	**487,455,584**	**564,510,970**	**-**	**-**	**487,455,584**	**564,591,542**
Accounting hedge derivative contracts								
Swaps	-	-	2,126,096	3,208,102	-	-	2,126,096	3,208,102
Sub total	**-**	**-**	**2,126,096**	**3,208,102**	**-**	**-**	**2,126,096**	**3,208,102**
Investment instruments available for sale								
State & Banco Central de Chile	-	-	371,487,342	448,289,679	-	-	371,487,342	448,289,679
Other instruments issued in Chile	-	-	468,843,964	486,651,696	113,797,639	128,284,972	582,641,603	614,936,668
Instruments issued abroad	-	-	-	-	200,754,018	202,436,457	200,754,018	202,436,457
Sub total	**-**	**-**	**840,331,306**	**934,941,375**	**314,551,657**	**330,721,429**	**1,154,882,963**	**1,265,662,804**
Total	**180,993,276**	**227,808,901**	**1,455,732,748**	**1,704,028,295**	**316,291,330**	**333,453,298**	**1,953,017,354**	**2,265,290,494**
Financial liabilities								
Derivative contracts for trading								
Forwards	-	-	191,279,869	179,342,770	-	-	191,279,869	179,342,770
Swaps	-	-	325,147,598	352,112,861	-	-	325,147,598	352,112,861
Call options	-	-	108,897	243,423	-	-	108,897	243,423
Put options	-	-	428,485	375,223	-	-	428,485	375,223
Futures	-	-	—	—	-	-	—	—
Other	-	-	21,044	21,044	-	-	21,044	21,044
Sub total	**-**	**-**	**516,985,893**	**532,095,321**	**-**	**-**	**516,985,893**	**532,095,321**
Accounting hedge derivative contracts								
Swaps	-	-	11,458,276	6,144,630	-	-	11,458,276	6,144,630
Sub total	**-**	**-**	**11,458,276**	**6,144,630**	**-**	**-**	**11,458,276**	**6,144,630**
Total	**-**	**-**	**528,444,169**	**538,239,951**	**-**	**-**	**528,444,169**	**538,239,951**

There were no transfers between Levels 1 and 2 during 2010 and 2009.

b) Reconciliation Level 3

The following table shows the reconciliation between the opening and closing balances of instruments classified in Level 3, whose fair value is shown in the financial statements:

Financial assets	As of December 31, 2010 Balance at 01/01/10 ThCh$	Gain (Loss) recorded in income ThCh$	Gain (Loss) recorded in equity ThCh$	Net of purchases, sales & agreements ThCh$	Reclassifications of loans & accounts receivable ThCh$	Transfers from Levels 1 & 2 ThCh$	Balance at 12/31/10 ThCh$
Instruments for trading							
Other instruments issued in Chile	2,731,869	250,947	-	(1,243,143)	-	-	1,739,673
Instruments issued abroad	-	-	-	—	-	-	—
Sub total	**2,731,869**	**250,947**	**-**	**(1,243,143)**	**-**	**-**	**1,739,673**
Investment instruments available for sale:							
Other instruments issued in Chile	128,284,972	164,840	(1,518,144)	(13,134,029)	-	-	113,797,639
Instruments issued abroad	202,436,457	868,532	(255,710)	(2,295,261)	-	-	200,754,018
Sub total	**330,721,429**	**1,033,372**	**(1,773,854)**	**(15,429,290)**	**-**	**-**	**314,551,657**
Total	**333,453,298**	**1,284,319**	**(1,773,854)**	**(16,672,433)**	**-**	**-**	**316,291,330**

Financial assets	As of December 31, 2009 Balance at 01/01/10 ThCh$	Gain (Loss) recorded in income ThCh$	Gain (Loss) recorded in equity ThCh$	Net of purchases, sales & agreements ThCh$	Reclassifications of loans & accounts receivable ThCh$	Transfers from Levels 1 & 2 ThCh$	Balance at 12/31/10 ThCh$
Instruments for trading							
Other instruments issued in Chile	17,371,561	1,212,829	-	(15,852,521)	-	-	2,731,869
Instruments issued abroad	-	-	-	—	-	-	—
Sub total	**17,371,561**	**1,212,829**	**-**	**(15,852,521)**	**-**	**-**	**2,731,869**
Investment instruments available for sale:							
Other instruments issued in Chile	112,834,995	(4,428,661)	6,207,044	13,671,594	-	-	128,284,972
Instruments issued abroad	102,886,117	(5,808,871)	21,417,201	83,942,010	-	-	202,436,457
Sub total	**215,721,112**	**(10,237,532)**	**27,624,245**	**97,613,604**	**-**	**-**	**330,721,429**
Total	**233,092,673**	**(9,024,703)**	**27,624,245**	**81,761,083**	**-**	**-**	**333,453,298**

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:

	As of December 31, 2010		As of December 31, 2009	
Financial Assets	**Level 3 ThCh$**	**Sensitivity to changes in key assumptions of the model ThCh$**	**Level 3 ThCh$**	**Sensitivity to changes in key assumptions of the model ThCh$**
Instruments for trading				
Other instruments issued in Chile	1,739,673	5,237	2,731,869	3,496
Total	**1,739,673**	**5,237**	**2,731,869**	**3,496**
Investment instruments available for sale				
Other instruments issued in Chile	113,797,639	846,907	128,284,972	1,491,857
Instruments issued abroad	200,754,018	3,011,774	202,436,457	2,249,475
Total	**314,551,657**	**3,858,681**	**330,721,429**	**3,741,332**

In order to measure the sensitivity of the financial investments to changes in relevant market factors, the Bank has made alternative calculations of fair value, changing those key parameters for the valuation and which are not directly observable. The reasonableness of these changes has been prepared with the use of market data provided by specialized external suppliers.

d) Other assets and liabilities

The following 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 Bank's income-generating assets, nor forecast their future behavior. The estimated fair value is as follows:

	Book Value		Estimated Fair Value	
	2010 ThCh$	2009 ThCh$	2010 ThCh$	2009 ThCh$
Assets				
Cash & bank deposits	772,329,810	727,553,166	772,329,810	727,553,166
Operations pending settlement	429,755,627	526,051,506	429,755,627	526,051,506
Repurchase agreements & loans of securities	82,787,482	79,401,270	82,787,482	79,401,270
Sub total	**1,284,872,919**	**1,333,005,942**	**1,284,872,919**	**1,333,005,942**
Due from banks				
Banks in Chile	13,304,934	123,796,352	13,304,934	123,796,352
Foreign banks	336,282,865	325,184,942	336,282,865	325,184,942
Sub total	**349,587,799**	**448,981,294**	**349,587,799**	**448,981,294**
Loans & accounts receivable from customers				
Commercial loans	9,066,554,404	8,529,266,277	9,210,896,341	8,375,059,981
Housing loans	2,911,347,168	2,510,642,315	3,046,915,204	2,513,662,770
Consumer loans	2,031,801,234	1,822,004,470	2,100,912,919	1,710,999,155
Sub total	**14,009,702,806**	**12,861,913,062**	**14,358,724,464**	**12,599,721,906**
Total	**15,644,163,524**	**14,643,900,298**	**15,993,185,182**	**14,381,709,142**
Liabilities				
Demand deposits & other obligations	4,446,132,906	3,718,092,774	4,446,132,906	3,718,092,774
Operations pending settlement	208,750,621	325,055,610	208,750,621	325,055,610
Repurchase agreements & loans of securities	81,754,465	308,027,570	81,754,465	308,027,570
Time deposits & other borrowings	7,696,652,471	7,425,972,963	7,652,129,671	7,381,612,790
Obligations with Banks	1,281,372,736	1,366,335,008	1,280,758,782	1,355,922,906
Other financial obligations	179,159,370	176,150,542	179,159,370	176,150,542
Sub total	**13,893,822,569**	**13,319,634,467**	**13,848,685,815**	**13,264,862,192**
Debt instruments issued				
Mortgage-funding notes	133,709,432	169,996,205	142,877,078	164,495,348
General funding notes	65,159,028	95,585,341	69,626,783	92,492,323
Straight bonds	820,330,682	815,734,338	809,689,465	778,556,183
Subordinated bonds	744,965,583	506,683,387	1,020,583,708	528,069,059
Sub total	**1,764,164,725**	**1,587,999,271**	**2,042,777,034**	**1,563,612,913**
Total	**15,657,987,294**	**14,907,633,738**	**15,891,462,849**	**14,828,475,105**

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. In the case of investment instruments held to maturity, the fair value is based on market prices. The fair value of liabilities with no market quotation is based on the discounted cash flow using the interest rate for similar maturities.

For financial assets and liabilities at short term (less than three months), book values are assumed to approximate their fair values. This assumption is also applied to deposits and savings accounts with no maturity.

The Bank has incurred no one-day gain or loss during the period reported.

Note 37.37 - Maturities of Assets and Liabilities

The following shows the principal financial assets and liabilities grouped according to their remaining maturity, including accrued interest as of December 31, 2010 and 2009. Instruments for trading or available for sale are included at their fair value.

	2010						
Assets	**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	772,329,810	-	-	-	-	-	772,329,810
Operations pending settlement	429,755,627	-	-	-	-	-	429,755,627
Instruments for trading	308,552,711	-	-	-	-	-	308,552,711
Repurchase agreements & loans of securities	12,716,046	68,346,041	1,725,395	-	-	-	82,787,482
Financial derivative contracts	44,311,211	32,483,421	135,093,225	200,643,194	48,538,177	28,512,452	489,581,680
Due from banks (**)	99,684,317	71,001,453	79,714,748	99,797,451	-	-	350,197,969
Loans & accounts receivable from customers (*) (**)	1,920,013,732	1,330,938,024	2,492,060,643	2,910,881,185	1,784,315,868	3,275,393,352	13,713,602,804
Investment instruments available for sale	242,777,861	184,967,433	208,492,969	138,628,262	108,672,804	271,343,634	1,154,882,963
Total financial assets	**3,830,141,315**	**1,687,736,372**	**2,917,086,980**	**3,349,950,092**	**1,941,526,849**	**3,575,249,438**	**17,301,691,046**

	2009						
Assets	**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 (*) (**)	1,816,484,507	1,144,538,857	2,599,642,432	2,655,427,880	1,443,874,702	2,882,624,792	12,542,593,170
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
Total financial assets	**3,994,431,360**	**1,409,327,985**	**3,318,518,558**	**2,932,087,220**	**1,594,629,305**	**3,342,053,245**	**16,591,047,673**

(*) This only includes loans that are current as of year end. It therefore excludes overdue loans amounting to ThCh$652,227,474 (ThCh$641,962,295 in 2009) of which ThCh$261,870,357 (ThCh$221,402,154 in 2009) were less than 30 days overdue.

(**) The respective allowances, amounting to ThCh$356,127,471 (ThCh$322,642,403 in 2009) for loans and accounts receivable from customers and ThCh$610,170 (ThCh$1,176,773 in 2009) for loans to banks have not been deducted from these balances.

	2010						
Liabilities	**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	4,446,132,906	-	-	-	-	-	4,446,132,906
Operations pending settlement	208,750,621	-	-	-	-	-	208,750,621
Repurchase agreements & loans of securities	81,714,097	40,368	-	-	-	-	81,754,465
Time deposits & other obligations (***)	3,224,667,476	1,459,874,245	2,451,351,384	380,338,173	6,963,716	52,594	7,523,247,588
Financial derivative contracts	61,544,369	54,019,629	132,387,658	190,964,379	42,450,547	47,077,587	528,444,169
Obligations with Banks	221,276,814	238,740,119	686,322,026	77,979,583	57,054,194	-	1,281,372,736
Debt instruments issued:							
Funding notes	7,363,105	8,097,574	23,502,967	54,830,518	42,693,024	62,381,272	198,868,460
Straight bonds	3,129,355	1,179,456	107,155,942	116,219,322	165,986,369	426,660,238	820,330,682
Subordinated bonds	1,825,499	1,886,783	32,291,932	51,447,614	46,283,926	611,229,829	744,965,583
Other financial obligations	111,964,292	919,062	5,744,139	13,741,396	9,902,501	36,887,980	179,159,370
Total financial liabilities	**8,368,368,534**	**1,764,757,236**	**3,438,756,048**	**885,520,985**	**371,334,277**	**1,184,289,500**	**16,013,026,580**

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	3,718,092,774	-	-	-	-	-	3,718,092,774
Operations pending settlement	325,055,610	-	-	-	-	-	325,055,610
Repurchase agreements & loans of securities	296,601,761	11,425,809	-	-	-	-	308,027,570
Time deposits & other obligations (***)	3,084,218,108	1,713,174,642	2,273,148,452	195,251,222	2,121,396	24,304	7,267,938,124
Financial derivative contracts	41,175,306	99,014,154	138,412,566	95,701,024	47,876,981	116,059,920	538,239,951
Obligations with Banks	146,820,525	323,196,581	751,636,233	68,496,130	76,185,539	-	1,366,335,008
Debt instruments issued:							
Funding notes	9,831,642	10,814,077	31,387,537	73,224,582	57,015,309	83,308,398	265,581,545
Straight bonds	13,565,605	165,314,565	2,150,273	300,753,631	114,673,077	219,277,187	815,734,338
Subordinated bonds	124,674,270	1,660,556	23,287,294	56,344,571	41,637,320	259,079,377	506,683,388
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	**7,899,767,498**	**2,325,273,925**	**3,223,954,679**	**801,005,221**	**349,297,484**	**688,540,043**	**15,287,838,850**

(***) Excludes term saving accounts, which amount to ThCh$173,404,883 (ThCh$158,034,839 in 2009).

Note 37.38 -Financial Risk Management

(1) Introduction

The risk management of the Bank 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. These levels are currently:

(i) Board

The board of Banco de Chile is responsible for approving the policies and setting the structure for the proper management of the various risks faced by the organization. It is therefore constantly informed of the evolution of the different risk areas, participating through the Finance, Credit, Portfolio and Audit committees which revise the state of credit and market risks. It also participates actively in each of them, being informed of the state of the portfolio and taking part in the strategic definitions that have an impact on the portfolio quality.

Risk management policies are established to identify and analyze the risks faced by the Bank, set suitable risk limits and controls, and monitor the risks and compliance with the limits. Risk management policies and systems are revised regularly so that they reflect changes in market conditions and the Bank's activities. The Bank, through its management, rules and procedures, endeavors to develop a disciplined and constructive control environment in which all personnel understand their roles and obligations.

(ii) Finance, International and Financial Risk Committees

These committees meet monthly to review the evolution and the current state of financial positions and market, price and liquidity risks. It particularly reviews the estimated gain or loss 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. Knowledge of the present state of the market risks enables the Bank to forecast, with a certain degree of confidence, the potential future losses in the event of adverse movements in the principal market variables or a tightness of liquidity.

(iii) Credit Committees

The Bank has a governance structure regarding credit decisions such that 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 Bank's main exposures. This Committee is composed of at least three directors, the chief executive officer and the credit risk division manager.

(iv) Portfolio Committee

The principal function of this Committee is to know the evolution of the composition risk of the Bank's loan portfolio from a global and sector perspective and segmented by lines of business, reviewing in detail the evolution of the principal credit-risk variables. Indicators like risk, overdue and impaired portfolio, portfolio costs, credit ratings, etc. are analyzed. This Committee also reviews the corporation's principal debtors in detail, whether for exposure or impairment. This Committee is composed of the chairman of the board, at least one director, the chief executive officer and credit-risk managers.

(v) Treasury

Treasury 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) Retail Risk Division and Businesses and Market Risk Division

The Bank segregated the management into two divisions that report directly to the chief executive officer: Retail Risk Division and the Businesses and Market Risk Division. These divisions are organized internally according to the commercial structure and have functional independence. These complement the Operational Risk Management which reports to the Operations and Technology Division.

Retail Risk Division: responsible for the quality of the portfolios of all the retail segments, including the portfolio of the Consumer Credit Division of CrediChile.

Businesses and Market Risk Division: responsible for the quality of the bank's portfolio and optimization of the risk-return ratio for all the business segments, from SMIs to corporations, including Private Banking. It is also responsible for the management of the Bank's financial and market risks.

(vii) 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 operational risk manager.

Operational Risk Management: monitors losses due to operational, administrative, technical or fraud factors verifies controls and recommends corrective measures.

(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 and their compliance. Internal Audit discusses the results of all evaluations with management and reports its findings and recommendations to the directors through the Audit Committee.

(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 the portfolio.

The monitoring and control of risks are mainly carried out based on limits set by the board. These limits reflect the Bank's business and market strategy, and also the level of risk it is disposed to accept, with additional emphasis on selected industries.

The Bank's chief executive receives daily, and the Finance, International and Market Risk Committee receive monthly, information about the evolution of the state of the Bank's pricing and liquidity risks, both against internal measurements and those of the regulators.

The board is presented annually with a provisions sufficiency test. This test attempts to show whether the Bank's present level of provisions, both for the individual and group portfolios is sufficient, based on historic losses or impairments suffered by the portfolio. The board should formally pronounce on this sufficiency.

(2) Credit Risk

Credit risk is the risk of financial loss the Bank faces if a customer or counterparty of a financial instrument fails to meet its contractual obligations, which arise mainly from accounts receivable from customers and investment instruments.

This risk is managed through a global and unified strategy oriented to the future which recognizes the present and projected economic environment of the markets and segments, giving to each one the pertinent credit treatment, and using risk limits it is prepared to accept for counterparties.

It is therefore inherent to the business and its management to integrate each segment in which the corporation operates, in order to obtain an optimum balance between the risks assumed and the returns obtained. Capital is thus assigned to each line of business, always ensuring compliance with the regulations and criteria defined by the board, in order to have a suitable capital base for possible losses that might derive from credit exposure.

Counterparty limits are set following an analysis of financial information, credit rating, nature of the exposure, degree of documentation, collateral, market and sector conditions, etc. The credit-quality follow-up process provides an early identification of possible changes in the payment capacity of the counterparties, permitting the Bank to evaluate the resultant potential loss of the risks and take corrective actions.

(a) Approval Process

The analysis and approval of loans operates under a differentiated focus according to each market segment, with three risk models being defined:

Automated Model: this is oriented to the mass individuals market (i.e. not related to the company), and is based on the comprehensive automation of the processes, admission, approval, follow-up and collection, and on approval systems using scoring and behavior.

The Bank has also developed a broad level of intelligence in customer selection, with a significant capacity to discriminate among subjects of different credit bases. There are therefore specific, segmented and different models for Retail Banking and CrediChile. In the case of the CrediChile Consumer Credit Division, there are differences for dependent customers, separated into 5 sub-segments: pensioners, public employees, private-sector employees aged over 40, private-sector employees aged below 40 and independent persons.

In Retail Banking, there are segments by activity and length of relationship with the Bank.

Parametric Model: this model is applied to small and medium businesses, and to people with commercial businesses. In analyzing these segments, a certain level of automation and parameterization is used in the evaluation, the first being today a fundamental pillar for the pre-approval process of small businesses, and a support for the processes of strengthening medium businesses.

Case-by-Case Model: this model is dedicated to the market of large companies and corporations. It is characterized by expert individual evaluation, whether at the level of risk, amount or complexity of the business, among other variables.

(b) Control and Follow-up
The control and constant follow-up of credit risk is the basis of a proactive management of the portfolio and permits early recognition of risk, identification of business opportunities and detection of possible impairment in advance.

In the company market, control and follow-up is focused on a combination of reviews, the most important being:

- Structured portfolio fast-review schemes, according to the impact of macroeconomic fluctuations in specific activity sectors, defining action plans case by case.
- Constant vigilance system for detecting in advance those customers which present potential risks, agreeing upon specific action plans for them with the commercial areas.
- Management of overdue payments, backed by information of predictive risk-level indicators, with follow-up and action plans in the case of the most important customers, as well as managing differentiated structures or early recovery.
- Follow-up of the conditions, restrictions and covenants imposed by the credit committee to all the operations that require them due to their importance or complexity.
- Control of the exposure and share-collateral cover, monitoring their fluctuations and generating action plans in the event of losses of minimum cover.
- Follow-up schemes of credit behavior variables and financial figures of the companies.
- Risk-segmentation strategies in the collections processes and policies, managing to advance in the greater integration of the processes of granting and follow-up, aligned to a unified vision of customers' credit bases.

(c) Derivative Instruments
The value of derivative financial instruments is at all times reflected in the systems used for the management and valuation of these portfolios. In addition, the risk generated by these, determined according to SBIF models, is controlled against lines of credit at the start of each transaction.

(d) Portfolio Concentration
The maximum exposure to credit risk, without considering collateral and other credit improvements, by customer or counterparty as of December 31, 2010 and 2009 does not exceed 10% of the Bank's effective equity.

The following shows exposure to credit risk by component of the statement of financial position, including derivatives, both by geographic region and industrial sector as of December 31, 2010:

	Chile MCh$	United States MCh$	Brazil MCh$	Others MCh$	Total MCh$
Financial assets					
Cash & bank deposits	729,706	24,733	-	17,890	772,329
Instruments held for trading					
State & Banco Central de Chile	157,192	-	-	-	157,192
Other instruments issued in Chile	122,573	-	-	-	122,573
Instruments issued abroad	-	-	-	-	—
Investments in mutual funds	28,787	-	-	-	28,787
Sub total	**308,552**	**-**	**-**	**-**	**308,552**
Repurchase agreements & loans of securities	**82,787**	**-**	**-**	**-**	**82,787**
Derivative contracts held for trading					
Forwards	96,388	18,409	-	5,136	119,933
Swaps	168,567	159,635	-	39,188	367,390
Call options	133	-	-	-	133
Put options	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Sub total	**265,088**	**178,044**	**-**	**44,324**	**487,456**
Accounting hedge derivative contracts					
Forwards	-	-	-	-	-
Swaps	-	1,302	-	824	2,126
Call options	-	-	-	-	-
Put options	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Sub total	**-**	**1,302**	**-**	**824**	**2,126**
Due from banks					
Banks in Chile	13,305	-	-	-	13,305
Banks abroad	-	-	154,509	181,774	336,283
Sub total	**13,305**	**-**	**154,509**	**181,774**	**349,588**
Loans & accounts receivable from customers					
Commercial loans	9,198,884	1,191	21,211	64,925	9,286,211
Housing loans	2,926,622	-	-	-	2,926,622
Consumer loans	2,152,996	-	-	-	2,152,996
Sub total	**14,278,502**	**1,191**	**21,211**	**64,925**	**14,365,829**
Investment instruments available for sale					
State & Banco Central de Chile	371,487	-	-	-	371,487
Other instruments issued in Chile	582,642	-	-	-	582,642
Instruments issued abroad	124,650	71,805	4,299	-	200,754
Sub total	**1,078,779**	**71,805**	**4,299**	**-**	**1,154,883**
Investment instruments held to maturity	**-**	**-**	**-**	**-**	**-**

	Financial services MCh$	Government MCh$	Individuals MCh$	Commerce MCh$	Manu-facturing MCh$	Mining MCh$	Electricity, Gas & Water MCh$	Agriculture & livestock MCh$	Forestry MCh$	Fishing MCh$	Transport & Tele-communications MCh$	Construction MCh$	Services MCh$	Other MCh$	Total MCh$
Financial assets															
Cash & bank deposits	264,715	310,359	-	-	-	-	-	-	-	-	-	-	197,255	-	772,329
Instruments for trading															
State & Banco Central de Chile	-	157,192	-	-	-	-	-	-	-	-	-	-	-	-	157,192
Other instruments issued in Chile	120,938	-	-	16	-	-	256	957	-	-	-	-	-	406	122,573
Instruments issued abroad	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-	28,787	28,787
Sub total	**120,938**	**157,192**	**-**	**16**	**-**	**-**	**256**	**957**	**-**	**-**	**-**	**-**	**-**	**29,193**	**308,552**
Repurchase agreements & loans of securities	**36,983**	**-**	**-**	**2,445**	**14,839**	**260**	**25,751**	**—**	**75**	**16**	**1,921**	**54**	**443**	**-**	**82,787**
Derivative contracts for trading															
Forwards	87,308	-	117	6,279	5,952	3,501	3,083	969	2,065	652	3,145	272	6,522	68	119,933
Swaps	288,217	-	-	6,642	1,369	220	28,828	1,666	25	2,487	18,752	690	18,494	-	367,390
Call options	6	-	-	13	-	-	-	-	-	-	-	-	114	-	133
Put options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub total	**375,531**	**-**	**117**	**12,934**	**7,321**	**3,721**	**31,911**	**2,635**	**2,090**	**3,139**	**21,897**	**962**	**25,130**	**68**	**487,456**
Accounting hedge derivative contracts															
Forwards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swaps	2,126	-	-	-	-	-	-	-	-	-	-	-	-	-	2,126
Call options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Put options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub total	**2,126**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,126**
Due from banks															
Banks in Chile	13,149	156	-	-	-	-	-	-	-	-	-	-	-	-	13,305
Banks abroad	336,283	-	-	-	-	-	-	-	-	-	-	-	-	-	336,283
Sub total	**349,432**	**156**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**349,588**
Loans & accounts receivable from customers															
Commercial loans (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing loans	3,404	-	183,053	57,504	13,550	2,374	209	20,623	-	1,385	18,232	15,823	62,625	2,547,840	2,926,622
Consumer loans	1,481	-	73,682	35,176	10,118	1,470	127	26,336	-	809	13,921	8,714	26,428	1,954,734	2,152,996
Investment instruments available for sale															
State & Banco Central de Chile	-	371,487	-	-	-	-	-	-	-	-	-	-	-	-	371,487
Other instruments issued in Chile	548,890	-	-	-	5,457	-	8,666	-	5,146	-	-	1,545	12,938	-	582,642
Instruments issued abroad	107,317	7,968	-	-	39,086	4,880	36,895	-	-	-	-	-	-	4,608	200,754
Sub total	**656,207**	**379,455**	**-**	**-**	**44,543**	**4,880**	**45,561**	**-**	**5,146**	**-**	**-**	**1,545**	**12,938**	**4,608**	**1,154,883**
Investment instruments held to maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(*) See commercial loans by economic activity in Note 21.10 (d).

The following show the credit risk exposure by component of the statement of financial position, including derivatives, both by geographic region and industrial sector as of December 31, 2009:

	Chile MCh$	United States MCh$	Brazil MCh$	Other MCh$	Total MCh$
Financial assets					
Cash & bank deposits	**478,576**	**222,709**	**-**	**26,268**	**727,553**
Instruments held for trading					
State & Banco Central de Chile	162,094	-	-	-	162,094
Other instruments issued in Chile	189,496	-	-	-	189,496
Instruments issued abroad	-	-	-	-	-
Investments in mutual funds	79,852	116	73	196	80,237
Sub total	**431,442**	**116**	**73**	**196**	**431,827**
Repurchase agreements & loans of securities	**79,401**	**-**	**-**	**-**	**79,401**
Derivative contracts for trading					
Forwards	114,950	48,781	-	29,998	193,729
Swaps	178,048	165,129	-	27,240	370,417
Call options	300	-	-	-	300
Put options	65	-	-	-	65
Futures	-	-	-	81	81
Other	-	-	-	-	-
Sub total	**293,363**	**213,910**	**-**	**57,319**	**564,592**
Accounting hedge derivative contracts					
Forwards	-	-	-	-	-
Swaps	-	2,150	-	1,058	3,208
Call options	-	-	-	-	-
Put options	-	-	-	-	-
Futures	-	-	-	-	-
Other	-	-	-	-	-
Sub total	**-**	**2,150**	**-**	**1,058**	**3,208**
Due from banks					
Banks in Chile	123,796	-	-	-	123,796
Banks abroad	-	211	190,208	134,766	325,185
Sub total	**123,796**	**211**	**190,208**	**134,766**	**448,981**
Loans & accounts receivable from customers					
Commercial loans	8,363,283	226	191,177	174,730	8,729,416
Housing loans	2,524,541	-	-	-	2,524,541
Consumer loans	1,930,596	-	-	-	1,930,596
Sub total	**12,818,420**	**226**	**191,177**	**174,730**	**13,184,553**
Investment instruments available for sale					
State & Banco Central de Chile	448,289	-	-	-	448,289
Other instruments issued in Chile	614,937	-	-	-	614,937
Instruments issued abroad	126,693	36,426	18,753	20,564	202,436
Sub total	**1,189,919**	**36,426**	**18,753**	**20,564**	**1,265,662**
Investment instruments held to maturity	**-**	**-**	**-**	**-**	**-**

	Financial services MCh$	Government MCh$	Individuals MCh$	Commerce MCh$	Manu-facturing MCh$	Mining MCh$	Electricity, Gas & Water MCh$	Agriculture & livestock MCh$	Forestry MCh$	Fishing MCh$	Transport & Tele-communications MCh$	Construction MCh$	Services MCh$	Others MCh$	Total MCh$
Financial assets															
Cash & bank deposits	**451,473**	**127,166**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**148,914**	**-**	**727,553**
Instruments for trading															
State & Banco Central de Chile	-	162,094	-	-	-	-	-	-	-	-	-	-	-	-	162,094
Other instruments issued in Chile	189,496	-	-	-	-	-	-	-	-	-	-	-	-	-	189,496
Instruments issued abroad	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-	80,237	80,237
Sub total	**189,496**	**162,094**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**80,237**	**431,827**
Repurchase agreements & loans of securities	**3,844**	**-**	**-**	**36,463**	**4,710**	**7,600**	**23,272**	**831**	**-**	**15**	**2,260**	**19**	**387**	**-**	**79,401**
Derivative contracts for trading															
Forwards	161,908	-	119	16,488	3,465	548	1,890	543	-	135	8,037	454	142	-	193,729
Swaps	318,270	-	-	3,761	1,449	479	28,037	302	-	2,446	15,405	268	-	-	370,417
Call options	-	-	-	15	245	-	-	2	-	2	36	-	-	-	300
Put options	-	-	-	64	1	-	-	-	-	-	-	-	-	-	65
Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	81
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub total	**480,178**	**-**	**119**	**20,328**	**5,160**	**1,027**	**29,927**	**847**	**-**	**2,583**	**23,478**	**803**	**142**	**-**	**564,592**
Accounting hedge derivative contracts															
Forwards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swaps	3,208	-	-	-	-	-	-	-	-	-	-	-	-	-	3,208
Call options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Put options	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Futures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub total	**3,208**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,208**
Due from banks															
Banks in Chile	13,796	110,000	-	-	-	-	-	-	-	-	-	-	-	-	123,796
Banks abroad	325,185	-	-	-	-	-	-	-	-	-	-	-	-	-	325,185
Sub total	**338,981**	**110,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**448,981**
Loans & accounts receivable from customers															
Commercial loans (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing loans	157,103	-	2,223,268	26,095	6,855	843	61	10,635	—	692	7,400	5,484	6,148	79,957	2,524,541
Consumer loans	79,037	-	1,762,546	17,157	5,332	558	7	14,552	—	491	5,858	3,336	2,702	39,020	1,930,596
Investment instruments available for sale															
State & Banco Central de Chile	-	448,289	-	-	-	-	-	-	-	-	-	-	-	-	448,289
Other instruments issued in Chile	554,558	-	-	-	5,928	-	27,776	-	-	-	10,505	2,727	13,443	-	614,937
Instruments issued abroad	79,617	26,568	-	-	49,638	4,910	36,935	-	-	-	-	-	-	-	202,436
Sub total	**634,175**	**474,857**	**-**	**-**	**55,566**	**4,910**	**64,711**	**-**	**-**	**-**	**10,505**	**2,727**	**13,443**	**4,768**	**1,265,662**
Investment instruments held to maturity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(*) See commercial loans by economic activity in Note 21.10 (d).

(e) Guarantees and other credit-risk improvements

The amount and type of guarantees required depends on the evaluation of the counterparty's credit risk.

The Bank has guidelines with respect to the acceptability of types of guarantee and valuation parameters.

The principal types of security obtained are:

- For commercial loans: residential and non-residential properties, pledges and stocks.
- For retail loans: mortgages over residential properties.

The Bank also obtains guarantees from parent companies for loans granted to their subsidiaries.

The management is concerned with having acceptable security conditions according to external regulations and in accordance with internal policy guidelines and parameters. The Bank has around 159,000 separate guarantees constituted, with the greatest concentration in terms of valuation in properties.

The Bank also uses credit-risk mitigants for derivative transactions. The mitigants currently used are:

- Acceleration of transactions and net payment using market values on the date of the default by one of the parties.
- Option by both parties to call the advanced termination of all the transactions with a counterparty on a certain date, using their market values as of the respective date.
- Margins in the form of time deposits by customers who close forwards contracts in the subsidiary Banchile Corredores de Bolsa S.A.

(f) Credit quality by type of assets

The Bank determines the credit quality of financial assets using internal credit classifications. The classification process is linked to the approval and follow-up processes, and is carried out according to the risk categories under current regulations, constantly updating this according to the favorable or unfavorable evolution shown by customers and their environment, considering commercial and payment behavior as well as financial information.

The Bank also conducts focused reviews of companies in specific economic sectors that are affected by macroeconomic or the sector's own variables. It is thus possible to make a level of allowances in a timely manner that are necessary and sufficient for covering losses in the event of non-payment of the loans granted.

The following tables show the credit quality by type of asset for each of the items in the statement of financial position, based on the Bank's loan classification system.

As of December 31, 2010

	A1 MCh$	A2 MCh$	A3 MCh$	B MCh$	Impaired portfolio MCh$	Others MCh$	Total MCh$
Financial Assets							
Due from banks							
Banks in Chile	13,305	-	-	-	-	-	13,305
Banks abroad	10,360	255,133	70,786	-	-	4	336,283
Sub total	**23,665**	**255,133**	**70,786**	**-**	**-**	**4**	**349,588**
Loans & Account Receivables from Customers (excluding allowance for credit risk)							
Commercial loans	28,728	2,346,028	2,098,218	3,380,009	599,925	833,303	9,286,211
Housing loans	-	-	-	-	71,758	2,854,864	2,926,622
Consumer loans	-	-	-	-	113,386	2,039,610	2,152,996
Sub total	**28,728**	**2,346,028**	**2,098,218**	**3,380,009**	**785,069**	**5,727,777**	**14,365,829**

As of December 31, 2009

	A1 MCh$	A2 MCh$	A3 MCh$	B MCh$	C1 (*) MCh$	C2 (*) MCh$	Impaired portfolio MCh$	Others MCh$	Total MCh$
Financial Assets									
Due from banks									
Banks in Chile	110,000	13,796	-	-	-	-	-	-	123,796
Banks abroad	21,530	72,192	228,412	3,051	-	-	-	-	325,185
Sub total	**131,530**	**85,988**	**228,412**	**3,051**	**-**	**-**	**-**	**-**	**448,981**
Loans & Account Receivables from Customers									
(excluding allowance for credit risk)									
Commercial loans	32,218	2,290,427	2,074,847	3,446,251	136,957	6,195	426,232	316,289	8,729,416
Housing loans	-	58,211	37,895	63,180	4,874	332	68,787	2,291,262	2,524,541
Consumer loans	-	17,294	12,424	49,085	4,922	509	128,479	1,717,883	1,930,596
Sub total	**32,218**	**2,365,932**	**2,125,166**	**3,558,516**	**146,753**	**7,036**	**623,498**	**4,325,434**	**13,184,553**

(*) On January 1, 2010, the classification criteria for the impaired portfolio was changed, considering 100% of categories C1 and C2 in impairment, whereas in 2009 customers classified in categories C1 and C2 with payments overdue no more than 60 days were not considered.

Analysis of ageing of past-due but not impaired loans by type of financial asset:

Term:

Past-due 1: 1 to 29 days

Past-due 2: 30 to 59 days

Past-due 3: 60 to 89 days

As of December 31, 2010

	Past-due 1 MCh$	Past-due 2 MCh$	Past-due 3 MCh$	Total MCh$
Due from banks	15,940	-	-	15,940
Commercial loans	15,014	4,371	2,625	22,010
Foreign trade finance	9,078	194	83	9,355
Factoring operations	37,764	5,785	587	44,136
Commercial leasing operations	1,716	519	386	2,621
Other loans & accounts receivable	13,162	729	512	14,403
Housing loans	399	347	10	756
Consumer loans	11,583	5,507	3,676	20,766
Total	**104,656**	**17,452**	**7,879**	**129,987**

As of December 31, 2009

	Past-due 1 MCh$	Past-due 2 MCh$	Past-due 3 MCh$	Total MCh$
Due from banks	662	-	-	662
Commercial loans	17,375	6,526	4,193	28,094
Foreign trade finance	10,084	90	661	10,835
Factoring operations	17,248	3,409	528	21,185
Commercial leasing operations	1,894	774	331	2,999
Other loans & accounts receivable	1,237	1,213	792	3,242
Housing loans	389	360	17	766
Consumer loans	13,084	6,627	3,982	23,693
Total	**61,973**	**18,999**	**10,504**	**91,476**

The value of the guarantees held by the Bank relating to loans individually classified as impaired as of December 31, 2010 and 2009 is Ch$191,083 million and Ch$187,899 million respectively.

The value of the guarantees held by the Bank relating to non-impaired overdue loans as of December 31, 2010 and 2009 is Ch$2,827 million and Ch$2,318 million respectively.

(g) Assets Received in lieu of Payment

The Bank has assets received in lieu of payment amounting to Ch$3,344 million and Ch$5,547 million as of December 31, 2010 and 2009 respectively, which are mainly properties. All these are managed for their sale.

(h) Restructured

Impaired loans shown as restructured in the statement of financial position relate to those for which the corresponding financial commitments have been restructured and for which the Bank considers that the probability of recovery is sufficiently high.

The following shows the book value by type of financial asset whose terms have been renegotiated:

Financial Assets	2010 MCh$	2009 MCh$
Due from banks		
Banks in Chile	-	-
Banks abroad	-	-
Sub total	**-**	**-**
Loans & accounts receivable from customers, net		
Commercial loans	137,576	169,642
Housing loans	10,216	10,908
Consumer loans	180,578	176,785
Sub total	**328,370**	**357,335**
Total renegotiated financial assets	**328,370**	**357,335**

The Bank manages the evaluation of allowances in two areas: allowances individually evaluated and those evaluated by groups, fully explained in Note 2 (af).

(i) Evaluation of Impairment

The principal considerations for evaluating impaired loans and accounts receivable from customers are the analysis as to whether payments of principal or interest are overdue for more than 90 days or there is any known difficulty in the cash flows of the counterparties, reduction in credit ratings, or default under the original terms of the contract.

(j) Off-Balance-Sheet Contingencies

To meet the financial needs of its customers, the Bank assumes various irrevocable commitments and contingent liabilities. Although these are not shown in the statement of financial position, they are subject to credit risk and form part of the Bank's general risk.

The exposure to credit risk generated by contingent liabilities is shown in Note 21.24.

(3) Market Risk

Market risk refers to the potential loss that the Bank could face due to adverse movements in market variables (e.g. exchange rates, share prices, interest rates, etc.) or the shortage of liquidity. Market risk for analysis purposes is split into the following components: (a) Liquidity risk and (b) Pricing risk.

(a) Liquidity risk

Liquidity risk refers to the potential losses the Bank could face in the event of tightness in liquidity in the financial markets. This tightness can occur due to either a reduction in available funds that impact negatively on the Bank's funding capacity or a reduction in the volumes traded of the instruments the Bank holds in its assets (bonds, deposits in other banks, shares, etc.) or derivative instruments. The liquidity risk is therefore divided into two groups: 1) Funding liquidity risk and 2) Trading liquidity risk.

Liquidity Risk Measurement and Limits

The Bank measures and controls its trading and funding liquidity risks. Trading liquidity of derivative and debt instruments (bonds, mortgage-funding notes, etc.) of the trading book is controlled through DV01 limits (the change in value of an instrument in the face of rise in the valuation rate by 0.01%) to certain specific maturities for each curve traded on the market. In any event, the debt instruments of the Bank's trading book are highly liquid, such as bonds of the Banco Central de Chile, Chilean Treasury and short-term bank time deposits. Trading liquidity of debt instruments in the banking book is not limited explicitly, understanding that in this case it is sought to obtain returns to maturity or medium term, or directly carry out accounting hedges with derivative instruments in order to obtain a spread until maturity.

Funding liquidity is controlled and limited by the regulatory report C08 ratio. The C08 ratio is the difference between assets and liabilities that mature in a certain period of time (next 30 days or next 90 days) and the Bank's basic capital. To calculate this, the projected cash flow is simulated (difference between liabilities and assets) over the next 30 and 90 days, in local currency (aggregating flows in pesos and in UF) and in aggregate foreign currencies (mainly USD).

The SBIF also establishes the following C08 ratio limits:

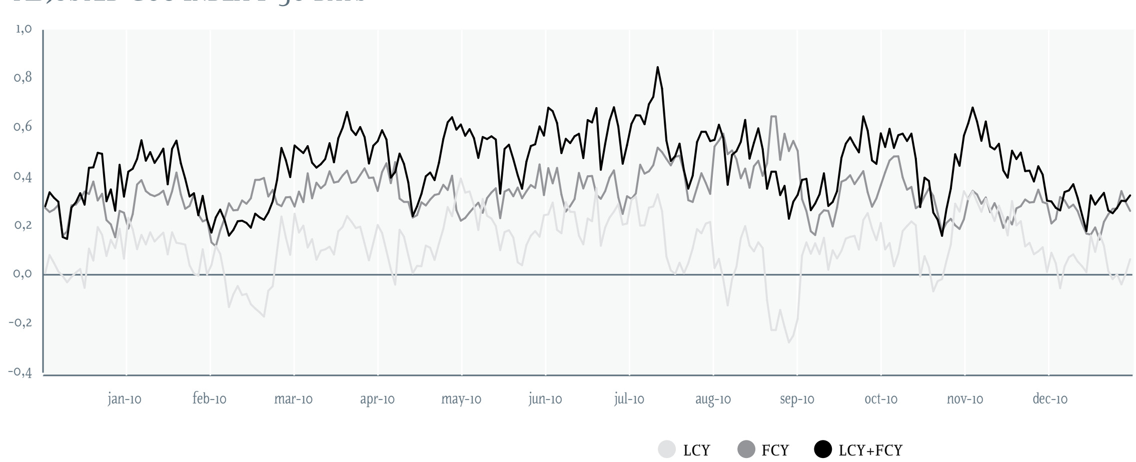
√ Foreign currency 1-30 days C08 ratio < 1
√ All currencies 1-30 days C08 ratio < 1
√ All currencies 1-90 days C08 ratio <

The SBIF also allows banks to measure and report the C08 ratio using estimates of maturities behavior for some specific items of the statement of financial position, such as the presumption of the renewal of a proportion of the loan portfolio, a portion of checking accounts can be modeled and defined as stable, and are therefore considered as not drawn, etc. When the C08 ratio is calculated using behavior estimates, this is referred to as the Adjusted C08 Ratio. The SBIF has authorized Banco de Chile to use this Adjusted C08 Ratio.

The bank book contains all the instruments, contracts and other financial operations (assets and liabilities) which are not part of the trading book. Generally all the traditional banking operations like loans, deposits and financial instruments intended to be held to maturity are recognized in the banking book.

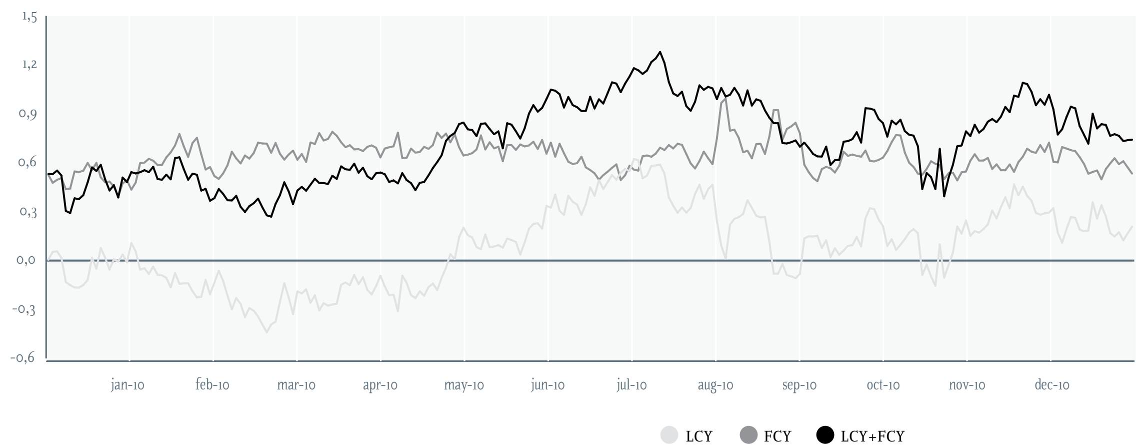
As of December 31, 2010, the Adjusted C08 Ratio of up to 30 days for foreign currency assets and liabilities was slightly below 0.3 and the Adjusted C08 Ratio of up to 30 days for total assets and liabilities was slightly above 0.3, as shown in the following graph.

Adjusted C08 Index 1-30 days



The evolution of the aggregate Adjusted C08 Ratio for all currencies up to 30 days throughout 2010 shows an increase in the use of aggregate liquidity over the year before. Starting in the third quarter, the use of the margin diminishes, mainly generated by a reduced use of foreign currency funds, given the proximity of the year end and greater uncertainty about external markets.

Adjusted C08 Index 1-90 days



The evolution of the use of the Adjusted C08 Ratio up to 90 days throughout the year shows a similar pattern to that seen for up to 30 days. The use of these ratios confirms that the Bank has room to increase its mismatch of the maturities of its assets and liabilities.

The use of the Adjusted C08 Ratio between 1 and 90 days for all currencies throughout 2010 fluctuates between 0.4 and 1.2, showing also an increase in the use of liquidity compared to the previous year.

The maturity profile of the consolidated financial liabilities of Banco de Chile and its subsidiaries is detailed as follows:

	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	1 3 to years MCh$	3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2010							
Current accounts and other demand deposits	4,446,181	-	-	-	-	-	4,446,181
Operations pending settlement	208,750	-	-	-	-	-	208,750
Repurchase agreements & loans of securities	81,590	165	-	-	-	-	81,755
Time deposits & other borrowings	3,400,663	1,458,340	2,481,908	328,030	65,937	39	7,734,917
Financial derivative contracts (E. Física)	374,303	347,750	213,633	45,326	-	-	981,012
Obligations with Banks	102,288	122,572	905,270	104,167	47,075	-	1,281,372
Other obligations	321,168	340,251	375,168	368,674	374,532	1,496,556	3,276,349
Total gross financial liabilities (excluding derivatives to be compensated)	**8,934,943**	**2,269,078**	**3,975,979**	**846,197**	**487,544**	**1,496,595**	**18,010,336**
Derivatives under compensation agreements	**691,096**	**769,277**	**3,052,715**	**4,915,709**	**2,112,000**	**1,131,751**	**12,672,548**

	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	1 3 to years MCh$	3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2010							
Current accounts and other demand deposits	3,718,125	-	-	-	-	-	3,718,125
Operations pending settlement	325,056	-	-	-	-	-	325,056
Repurchase agreements & loans of securities	296,594	11,434	-	-	-	-	308,028
Time deposits & other borrowings	3,325,777	1,719,186	2,283,694	196,260	2,093	24	7,527,034
Financial derivative contracts (E. Física)	352,647	227,119	237,107	16,361	16,194	-	849,428
Obligations with Banks	199,851	200,894	823,789	-	65,836	75,964	1,366,334
Other obligations	592,672	516,183	233,963	561,186	306,911	894,639	3,105,554
Total gross financial liabilities (excluding derivatives to be compensated)	**8,810,722**	**2,674,816**	**3,578,553**	**773,807**	**391,034**	**970,627**	**17,199,559**
Derivatives under compensation agreements	**494,410**	**827,490**	**3,156,726**	**5,268,798**	**2,333,554**	**1,262,678**	**13,343,656**

The loans to deposits ratios for 2010 and 2009 are detailed as follows:

Loans to deposits ratio

	December 31, 2010	December 31, 2009
Maximum	1.47	1.46
Minimum	0.99	1.30
Average	1.39	1.40

Banco de Chile has internal ratios in addition to those required by the regulators in order to guard against the concentration of suppliers of funds, ensure the diversification of sources of funds, avoid the concentration of maturities on any one day and observe the evolution over time of financial ratios that can detect structural changes in the characteristics of the balance sheet. Warning levels are established for each of these ratios, which when exceeded are reported to the Bank's senior management and the Finance, International and Financial Risk Committee.

(b) Pricing risk

Pricing risk refers to the risk of incurring losses in the face of adverse fluctuations in the level of variables or market factors, like exchange rates, share prices, interest rates, etc. Market factors are usually classified in three groups:

(1) Spot prices, like exchange rates, share prices, prices of basic products or commodities, metal prices or energy prices, etc. The Bank takes exchange-rate spot price risks and, indirectly, share-price risks through its subsidiary Banchile Corredores de Bolsa S.A.

(2) Debt-instrument interest rates (generally the internal rate of return) and percentage yields of derivatives curves.

This group includes debt-instrument interest rates, and also the spreads or simple differences between two interest rates. The latter includes the swap spread, or arithmetic difference between the swaps yield curve of a certain currency for a certain term and the corresponding interest rate of a bullet bond issued by the government or central bank for an equal term and the same currency. Also the credit spread, which relates to the difference between the interest rate of a bond issued by a private entity and the corresponding interest rate of a bullet bond issued by the government or central bank for an equal term and the same currency.

(3) Volatility of options. This is the third type of market factor which is peculiar to options over any market factor in the two previous groups. The most common are exchange rate and interest rate options.

Consistent with this classification of market factors, the pricing risk is classified in three groups: (a) spot price risks, (b) interest-rate risks, and (c) options volatility risk.

The Bank assumes the exchange-rate spot-price risk when its portfolio contains an amount of dollar assets greater than its liabilities in that currency. The Bank is thus exposed or shows the risk that the dollar will depreciate against the Chilean peso.

The Bank is also exposed to a rise in interest rates or would present an interest-rate pricing risk should it have assets with maturities or interest-rate adjustments longer than those of its liabilities. Should this occur, the interest rate payable on its liabilities rises before the interest rate it receives on its assets increases, thus generating a loss.

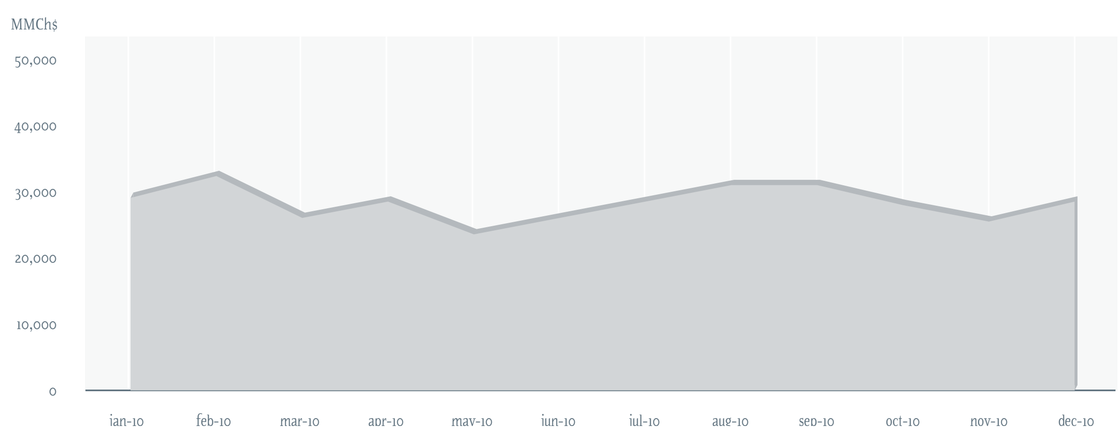
Finally, the Bank is exposed to a variation in the volatility in the Chilean peso/dollar exchange rate or shows an options price volatility risk if its portfolio contains a number of options bought over this exchange rate with respect to the options sold over this market factor that generates for it a Vega Ratio other than zero (Vega Ratio is the change in the value of an option over any market factor as a result of a positive variation of yield volatility or fluctuation of the level of this market factor of 1%). The Bank is exposed if this volatility reduces should the options book generate a positive Vega Ratio, thus resulting in a loss.

Measurement and Limits of Pricing Risk

The measurement of pricing risk is carried out through various reports, regulatory and internal, and separately for the trading book and the banking book.

For the trading book, the regulatory report used is the standardized report of market-risk equivalent (ERM) (SBIF reports C41 and C43), that permits estimation of the potential loss that the Bank could face in the event of an adverse movement, with a certain degree of confidence, in the level of relevant financial variables used to value transactions in the book's components (exchange rates, interest rates, derivate yields, share prices, etc.). This measurement is calculated through the tables provided by the controller organism and which are taken from the Basel agreements for the standardized measurement of this risk for the trading book. This measurement has the disadvantage of being very conservative and of maintaining volatilities and correlations of the changes in values of the market factors in a static way. The evolution of pricing risk for the trading book in 2010 is shown in the following graph.

Regulatory Price Risk of the Trading Book



The SBIF sets no formal limit for this particular risk but instead a global one that includes this risk (called also market-risk equivalent (ERM) and 10% of the risk-weighted assets. The sum of both may never exceed the Bank's effective equity. In the future, operational risk will be added to this.

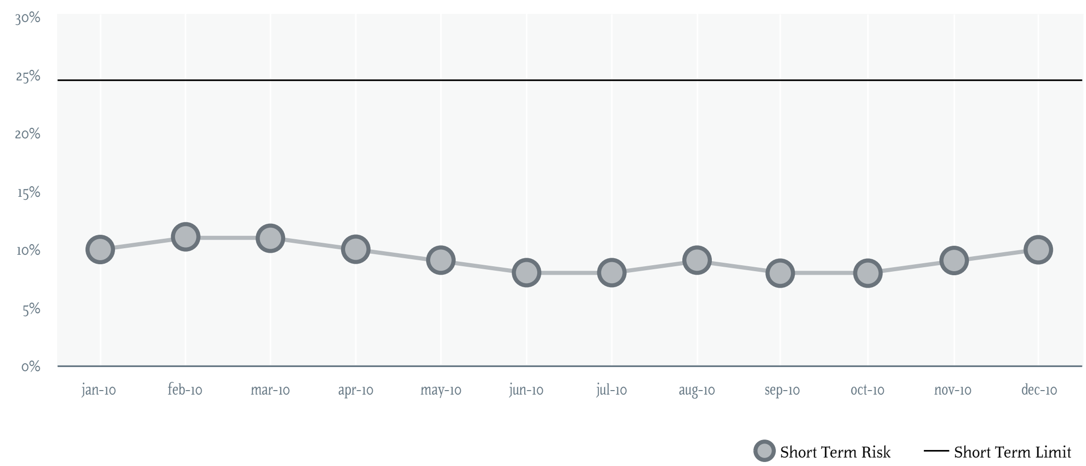
Interest-rate positions are those that most contributed during the year to the generation of pricing risk, in particular those related to derivative transactions. Interest-rate swaps in both pesos and UF were the largest generators of pricing risk. Next in importance were exchange-rate positions and, to a much smaller extent, the risk generated by small positions in exchange-rate and interest-rate options.

The Bank has also established for its trading book internal limits for net exchange-rate positions, sensitivity limits (DV01) of interest-rate positions and Vega in options (the three called Greek in financial literature). The internal policies require carrying out stress tests daily, including the comparison of potential losses ("look forward analysis") with respect to defined warning levels and also the comparison of effective losses during a calendar month ("look back analysis") with respect to the warning levels for these purposes.

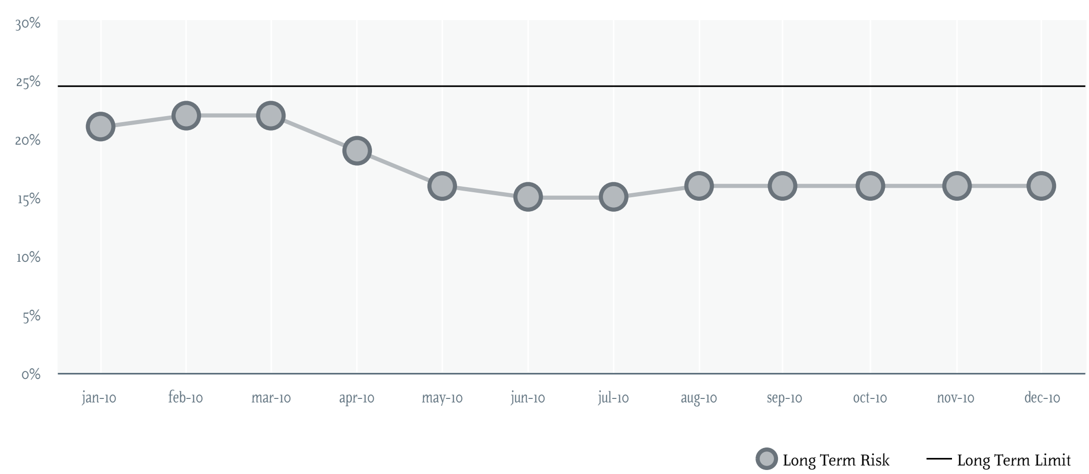
Starting December 2010, the Bank is also measuring the Value-at-Risk (VaR) for the portfolios of the trading book through a parametric model, including 99% confidence and deriving volatilities of the fluctuations in market factors and correlations between these fluctuations through statistical and historic-data models.

The interest-rate risk of the banking book is measured both through the standardized regulatory report (SBIF report C40) and using internal reports of differences between assets and liabilities, considering the adjustment dates of interest rates (not maturities). The first limit permits estimating the potential loss the Bank could have in the face of an adverse movement, with a certain level of confidence. This measurement is calculated from tables provided by the controller organism for the standardized measurement of this risk. The internal limit set by the Bank for the pricing risk of the banking book in the short term is 25% of annual operating income (last rolling twelve months), and 25% of the Bank's effective equity for the long term. The evolution of the use of these limits during 2010 is shown as follows:

Short Term Interest Rate Risk Accrual Book



Long Term Interest Rate Risk Accrual Book



Internal policies also establish the performance of monthly stress tests, including the comparison of its results with respect to the warning levels established by the bank's management.

Finally, the Bank began in 2010 to measure interest-rate risk with internal models. For this, the Bank's entire statement of financial position is included in the analysis (including some items that are not incorporated in the banking book, e.g. capital and property, plant and equipment). It is also developing an impact study of fluctuations in interest rates, exchange rates and inflation that is more complete and real than that required by the regulators. Internal demand-deposit stability factors are also used in these calculations.

The following shows the exposure to interest rates by maturity for the banking book of Banco de Chile on individual bases as of December 31, 2010 and 2009:

Interest-Rate Exposure by Maturities Banking Book

	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	1 to 3 years MCh$	3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Assets as of December 31, 2010							
Cash & bank deposits	759,947	-	-	-	-	-	759,947
Operations pending settlement	403,208	-	-	-	-	-	403,208
Repurchase agreements & loans of securities	5,107	-	-	-	-	-	5,107
Hedge derivatives	34,644	85,949	192,620	-	-	-	313,213
Due from banks	95,236	71,094	128,536	54,722	-	-	349,588
Loans & accounts receivable from customers	2,236,700	2,084,812	3,936,659	3,018,469	1,718,849	3,633,320	16,628,809
Investment instruments available for sale	236,329	186,498	197,401	116,278	198,449	398,807	1,333,762
Investment instruments held to maturity	-	-	-	-	-	-	-
Total assets	**3,771,171**	**2,428,353**	**4,455,216**	**3,189,469**	**1,917,298**	**4,032,127**	**19,793,634**

	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	1 to 3 years MCh$	3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Assets as of December 31, 2009							
Cash & bank deposits	696,732	-	-	-	-	-	696,732
Operations pending settlement	328,530	-	-	-	-	-	328,530
Repurchase agreements & loans of securities	-	-	-	-	-	-	-
Hedge derivatives	57,877	69,732	174,303	-	-	-	301,912
Due from banks	212,963	59,835	147,818	12,906	15,458	-	448,980
Loans & accounts receivable from customers	2,205,503	1,766,611	3,562,989	2,858,548	1,389,593	3,247,244	15,030,488
Investment instruments available for sale	229,713	138,284	343,402	121,654	117,797	549,610	1,500,460
Investment instruments held to maturity	-	-	-	-	-	-	-
Total assets	**3,731,318**	**2,034,462**	**4,228,512**	**2,993,108**	**1,522,848**	**3,796,854**	**18,307,102**

Interest-Rate Exposure by Maturities Banking Book

	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	1 to 3 years MCh$	3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2010							
Current accounts and demand deposits	4,407,773	-	-	-	-	-	4,407,773
Operations pending settlement	181,283	-	-	-	-	-	181,283
Repurchase agreements & loans of securities	22,007	-	-	-	-	-	22,007
Time deposits & other borrowings	3,403,335	1,480,524	2,483,602	387,976	6,932	53	7,762,422
Hedge derivatives	332	1,203	17,454	51,666	102,998	199,410	373,063
Obligations with banks	347,092	461,551	449,523	1,177	-	-	1,259,343
Debt instruments issued	21,262	26,244	253,160	346,518	357,462	1,442,776	2,447,422
Other financial obligations	172,267	1,242	7,814	18,920	14,343	43,354	257,940
Total liabilities	**8,555,351**	**1,970,764**	**3,211,553**	**806,257**	**481,735**	**1,685,593**	**16,711,253**

	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	1 to 3 years MCh$	3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2009							
Current accounts and demand	3,759,962	-	-	-	-	-	3,759,962
Operations pending settlement	129,379	-	-	-	-	-	129,379
Repurchase agreements & loans of securities	31,693	-	-	-	-	-	31,693
Time deposits & other borrowings	3,328,616	1,718,100	2,285,248	197,389	2,105	24	7,531,482
Hedge derivatives	1,228	1,019	12,841	48,748	74,473	230,020	368,329
Obligations with banks	446,337	498,860	419,152	-	-	-	1,364,349
Debt instruments issued	10,973	191,470	113,160	539,276	290,540	859,564	2,004,983
Other financial obligations	237,242	55,025	48,241	14,898	12,790	24,474	392,670
Total liabilities	**7,945,430**	**2,464,474**	**2,878,642**	**800,311**	**379,908**	**1,114,082**	**15,582,847**

Pricing Risks Analysis of Sensitivity

The Bank uses stress tests as the principal sensitivity analysis measure for pricing risk. The analysis is made of the trading book and the banking book separately. Following the financial crisis of 2008 and based on numerous studies and analyses on the subject, the Bank adopted this tool, perceiving it as a more reliable and useful method than the normal evaluations of distribution fluctuations (like VaR) since:

a) The recent financial crisis shows fluctuations materially in excess of those used with VaR with 99% confidence.
b) The recent financial crisis shows correlations between these fluctuations materially different to those used via VaR, since the crisis indicates severe decoupling between the evolution of market variables with respect to those normally observed.
c) Trading liquidity reduced dramatically in emerging markets and in Chile during the financial crisis and therefore the escalation of VaR of daily fluctuations corresponds to a very broad approximation of the expected loss.

By implementing the stress test, the Bank controls daily the evolution of the potential losses or gains of the trading book, and their causes.

An up-to-date data base is maintained which includes historic information on exchange rates and interest rates of debt instruments and derivatives that permits the maintenance of a current record of historic volatilities of changes in market factors and also correlations between changes in the principal market factors. The stress tests are made modeling directional fluctuations but also knowing the size of the modeled fluctuations relating to statistical information and the frequency with which they occurred in the past.

In order to comply with IFRS 7.40, the following table shows an estimate of the probable but reasonable impact of fluctuations in interest rates, exchange rates and volatilities implicit in the trading portfolios. As the Bank's statement of financial position includes positions denominated in real interest rates, these fluctuations should be aligned with real predictions of changes in inflation rates. The exercise is carried out under the following assumptions, put very simply: the impacts on the investment portfolios are estimated by multiplying the DV01s by the expected changes in interest rates; the impacts of the balances of accruals are estimated by multiplying accumulative gaps by modeled forward interest-rate fluctuations. This methodology presents the limitation because the convex shape of the interest-rate curve is not captured for the trading portfolios; in addition, neither the behavior of the convex shape or prepayments is captured in the analysis of the balance of accruals. In any event, given the size of these changes, the methodology appears reasonably precise for the purposes of the analysis.

The following table shows the fluctuations of the bonds interest rates, derivatives, volatility of pesos/USD and inflation. Fluctuations in the prices of equity in the positions held by the Bank's stockbroking firm (Banchile Corredores de Bolsa) are not included as they are not considered material. Moreover, the equity positions were very small, since the legal vehicle is mainly focused on customer transactions (closed share trading with customers).

The directions of these fluctuations were chosen from among four scenarios (two positive economic scenarios and two negative) as they generate the worst impact within the above four scenarios:

Fluctuations in Market Factors: Adverse Economic Scenario

	CLP Derivatives (bps)	CLP Bonds (bps)	Spread TAB CLP 30 / CAM (bps)	CLF Derivatives (bps)	CLF Bonds (bps)	USD Offshore 3m Derivatives (bps)	Spread USD On/Off Derivatives (bps)	Vol FX CLP/ USD (%)	Inflation change Period n-1 a n Monthly (%)
1 d	-300	-297	151	1.206	1.330	-5	862	8.0%	-1.27%
3 m	-321	-199	338	418	308	-10	517	5.3%	-0.53%
6 m	-309	-198	330	28	-34	-14	343	4.1%	-0.05%
9 m	-306	-198	297	-6	-95	-18	348	3.6%	-0.20%
1 year	-308	-196	265	-39	-97	-21	309	3.1%	-0.32%
2 years	-309	-170	166	-10	-6	-41	214	-	-0.15%
4 years	-272	-202	124	-57	-46	-59	123	-	-0.03%
6 years	-259	-178	165	-93	-76	-69	122	-	0.00%
10 years	-229	-174	179	-98	-93	-83	127	-	-0.04%
16 years	-219	-174	171	-114	-107	-87	128	-	-0.04%
20 years	-211	-174	184	-114	-106	-88	131	-	-0.06%

bps=basis points

The impact on the Bank's trading book is detailed as follows:

EXPECTATION OF GAIN OR LOSS IN TRADING BOOK ADVERSE ECONOMIC SCENARIO	BCh MCh$
Rates in CLP	2,055
Derivatives	(422)
Fixed-income instruments	2,477
Rates in CLF	(3,175)
Derivatives	(3,154)
Fixed-income instruments	(21)
USD, EUR, JPY offshore	(669)
USD, EUR, JPY on/off spread	(4,757)
Total Interest Rate	**(6,546)**
Total FX	**(704)**
Total Vega Options FX	**5**
Overall Result: Ratess + FX + Vega	**(7,245)**
Estimated Result Next 12 Months	460,000
Basic Capital (or Liquid Equity)	1,404,125
Result/(Basic Capital + Estimated P&L 12 m)	-0.4%
Result/Estimated P&L 12 months annualized	-1.6%

The modeled scenario (negative meltdown) would generate losses in the trading book. In any event, these fluctuations would not result in material gains or losses compared to the earnings predictions for the next 12 months or the Bank's basic capital.

The impact in the balance of accruals, which is not necessarily a loss/gain but higher/lower net income from funds generation (net funds inflow or NRFF is the net interest on the portfolio of accruals), is shown below:

MARGINAL NRFF ADVERSE SCENARIO ACCRUALS BOOK		
MCh$	12 MONTHS	5 YEARS
Higher/Lower Income	**(28,476)**	**(93,095)**
CLP TOTAL	(40,691)	(274,834)
CLF TOTAL	3,704	192,275
FCY TOTAL	8,511	(10,536)

The higher adverse impact occurs in the book denominated in non-indexed pesos (CLP), as the scenario considers a fall in CLP rates, negatively affecting the cost value at the closing of the book. The impact in 12 months is slightly less that in one month of the forecast gain.

The next table shows the impact of the market value in the portfolio available for sale due to fluctuations in the interest rate:

Impact on Portfolio Available for Sale			
Instrument	DV01 a 1 bps (USD)	Impact due to change in interest rates (USD)	Impact due tochange in interest rates (MCh$)
CLP	(131,502)	23,801,914	11,138
CLF	(267,672)	20,343,056	9,520
USD	(235,244)	(23,759,669)	(11,118)
Total	**-**	**20,385,301**	**9,540**

The modeled scenario would generate gains in the portfolio available for sale, mainly due to the fall in the CLP and CLF rates for terms greater than six months.

(4) Capital Requirements and Management of Capital:
The Bank maintains and actively manages its basic capital to cover the risks inherent in its businesses. The Bank's capital sufficiency is monitored by employing, among other things, the indices and rules established by the SBIF. During 2010, and also in 2009, the Bank has fully complied with the external capital requirements.

The primary objectives of the Bank's capital management are to ensure compliance with regulatory capital requirements and to maintain a solid credit rating and healthy capital ratios. The capital management policy has therefore established certain alerts which are monitored permanently.

The Bank manages the structure of its capital and makes adjustments in the light of changes in economic conditions and the risk characteristics of its activities. In order to be able to maintain or adjust the capital structure, the Bank can adjust the amount paid as dividends, return capital to its shareholders or issue capital instruments. No changes have been made to the objectives, policies and processes during the years reported.

Regulatory Capital

According to the General Banking Law, the Bank must 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. Following 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 is required to maintain an effective equity to 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, (c) the balance of goodwill and investments in companies not included in the consolidation is deducted, and (d) the balance of non-controlling interest is added.

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 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 Bank and its subsidiaries at the end of 2010 and 2009 are as follows:

	Consolidated Assets		Risk-Weighted Assets	
	2010 MCh$	2009 MCh$	2010 MCh$	2009 MCh$
Balance sheet assets (net of allowances)				
Cash & bank deposits	772,329	727,553	767	154
Operations pending settlement	429,756	526,051	60,922	224,148
Instruments for trading	308,552	431,827	65,540	128,806
Repurchase agreements & loans of securities	82,787	79,401	82,787	79,401
Financial derivative contracts	489,582	567,800	396,511	449,852
Due from banks	349,588	448,981	338,913	327,944
Loans & accounts receivable from customers	14,009,702	12,861,911	12,841,904	11,855,716
Investment instruments available for sale	1,154,883	1,265,662	358,740	397,656
Investments in companies	13,294	12,606	13,294	12,606
Intangible assets	36,373	30,788	33,992	28,328
Property, plant and equipment	206,513	208,335	206,513	208,335
Current taxes	5,654	162	565	16
Deferred taxes	111,201	82,850	11,120	8,285
Other assets	286,021	216,292	286,021	216,292
Sub total			**14,697,589**	**13,937,539**
Assets off the balance sheet				
Contingent liabilities (*)	2,913,689	1,447,233	1,748,106	862,550
Total risk-weighted assets			**16,445,695**	**14,800,089**

(*) As established in Chapter B-3 of the Compendium of Accounting Standards, effective 2010, contingent liabilities, for the calculation of the capital requirement, include the amount of the credit risk of lines of credit with immediate availability, amounting to Ch$2,073,296 million. In addition, until 2009, the exposure to credit risk was computed as 100% for all types of contingent liabilities. Starting in 2010, a percentage varying between 20% and 100% of the credit is applied. The effect of this change meant a reduction of Ch$683,165 million.

	December 31, 2010		December 31, 2009	
	MCh$	%	MCh$	%
Basic Capital (*)	1,404,125	6.60	1,392,745	7.33
Effective Equity	2,201,324	13.39	1,879,548	12.70

(*) Basic capital refers to the equity of the owners of the Bank in the consolidated statement of financial position.

Note 37.39 – Subsequent Events

The extraordinary shareholders' meeting of Banco de Chile held on January 20, 2011 agreed to increase the capital by Ch$240,000,000,000 by the issue of 3,385,049,365 shares for payment, series "Banco de Chile-S".

The placement price of the shares will be set by the board within 120 days of the shareholders' meeting, in the agreed terms and conditions, taking into account the market value of the Bank's share.

Should the board agree to open an ordinary preferential offer period beforehand, the procedure called "Auction of an Order Book", as established in Section 2.4 A of the Stock Operations Manual of the Santiago Stock Exchange, in order to receive share purchase orders whose preferential options are eventually renounced at the start of the ordinary preferential offer period, and this procedure is declared successful, the placement price for the ordinary and special preferential offer periods will be set finally by the board, taking especially into consideration the offers received in this procedure.

Should the above-mentioned procedure not take place or if it is unsuccessful, the share placement price shall be determined directly by the board according to the market value of the Bank's share. In this case, this cannot be less or more than 10% of the weighted average price of quotations over the last 30 days of stock transactions.

It was also agreed that the shares would be offered to shareholders according to the law and the remainder on the country's stock market, and possibly abroad, in the form and time determined by the board.

At the same meeting, it was indicated that on that same date the principal shareholder, LQ Inversiones Financieras S.A., reported as material information its intention to renounce its pre-emptive subscription rights corresponding to it in the ordinary preferential offer period of this capital increase.

In the opinion of the management, there are no other significant subsequent events that affect or could affect the consolidated financial statements of the Bank and its subsidiaries between December 31, 2010 and the date of issuance of these consolidated financial statements.

NOTE 38 – Material Information

On January 8, 2010, Quiñenco informed the Superintendency of Securities and Insurance (SVS) of the following:

"In accordance with article 147 of the Corporations Law 18,046 and General Rule No.30 of the SVS, and being duly authorized, I report to you as material information that a board meeting of Quiñenco S.A. held today adopted the following resolution, which establishes general policies for habitual practices in operations with related parties, which meet a definition of ordinary in light of the company's business:

The management of Quiñenco S.A. is authorized to perform all acts and sign 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 they are operations covered by the following general policy of habitual operations:

A. The following operations that (a) 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 these subsidiaries carry out between them: (i) trading current accounts, (ii) recovery or reimbursement of expenses, (iii) leases and sub-leases of offices, parking spaces and store-rooms, (iv) purchase and sale of securities and of rights in companies, and (v) administrative, accounting, financial, taxation and/or legal services contracts.

B. Habitual purchases of products prepared and/or sold and the habitual contracting of services, within their respective businesses, by entities belonging to the business group of Quiñenco S.A., which are not of significant amounts.

C. The following habitual operations in financial and investment management that Quiñenco S.A. and the subsidiaries in which it holds, directly or indirectly, more than 50% ownership, carry out with Banco de Chile and its subsidiaries, whatever the amount of these operations when considered individually: (i) operate bank checking accounts and draw against line of credit associated with such contracts, (ii) borrowings, repurchase agreements, time deposits and other fixed or variable-income financial investments (iii) collections, payments and transfers of funds, (iv) foreign exchange transactions, (v) operations in financial derivatives, (vi) collection commissions, (vii) issues of performance binds, (viii) custody of valuables, (ix) stock broking operations with stockbrokers, and (x) other operations in the ordinary course of business of the respective subsidiaries of Banco de Chile."

On January 29, 2010, Quiñenco informed the Superintendency of Securities and Insurance (SVS) of the following:

"In accordance with article 9 of the Securities Market Law 18,045 and General Rule No.30 of the SVS, and being duly authorized, I report to you as material information the following with respect to Quiñenco S.A.

In accordance with the Association Framework Agreement signed on July 19, 2007 between Quiñenco S.A., as one party, and Citigroup Inc. and Citigroup Overseas Investment Corporation, as the other party, and as stipulated in the Shareholders Agreement dated December 27, 2007 between Quiñenco S.A. and subsidiaries, as one party, and Citigroup Chile, as the other, and in accordance with modification of the first and second clause of the above Framework Agreement, signed on December 19, 2008, Citigroup has exercised today the call option for 8.52% of the shares of LQ Inversiones Financieras S.A., accompanying the "Advice of the Second Closing Date" stipulated in the above agreements, all of which are held by the SVS.

As a result of the exercise of this call option, Citigroup acquires 57,035,400 shares of the series LQIF-C issued by LQ Inversiones Financieras S.A., equivalent to 8.5222% of the latter's share capital, at a price of UF 11,475,455.68 plus interest of 5% annually on that UF amount, interest that accrues from the first closing date, i.e. from January 1, 2008. The total price payable on April 30, 2010 for the exercise of the call option is therefore UF 12,859,607.25.

The formalization of the above transaction implies that Citigroup will have a 41.48% shareholding in LQ Inversiones Financieras S.A., generating for Quiñenco a pre-tax gain of an estimated UF 7,413,213."

On March 1, 2010, Quiñenco informed the Superintendency of Securities and Insurance (SVS) of the following:

"In accordance with articles 9 and 10.2 of the Securities Market Law 18.045 and General Rule No.30 of the SVS, and being duly authorized by the board, I report to you as material information that the director, Juan Andrés Fontaine Talavera, has today advised Quiñenco S.A. of his resignation as a director of the company."

On March 2, 2010, Quiñenco informed the Superintendency of Securities and Insurance (SVS) of the following:

"In accordance with articles 9 and 10.2 of the Securities Market Law 18.045 and General Rule No.30 of the SVS, and being duly authorized by the board, I report to you as material information complementing that of January 29, 2010, the following with respect to Quiñenco S.A.

With reference to the Association Framework Agreement signed on July 19, 2007 between Quiñenco S.A., as one party, and Citigroup Inc. and Citigroup Overseas Investment Corporation (together "Citigroup"), as the other party, for the joint management of financial business and services in and with respect to Chile, Citigroup has requested the board of Quiñenco to consider an extension to March 15, 2010, from March 1, 2010, of the term for Citigroup to notify, if appropriate, the Advice of the Third Closing Date agreed for the exercise of the call option for 8.52% of the shares of LQ Inversiones Financieras S.A., which would permit Citigroup to reach 50% of its share capital.

In its request, Citigroup has said that it is still obtaining the authorizations required from the corresponding authorities and that, should the extension and its exercise of the purchase option be conceded, this would not the alter the Third Closing Date, which would continue to be May 3, 2010.

This matter will be considered at the board meeting of Quiñenco to be held on March 4, 2010 and the resolutions adopted will be reported by this same means."

On March 5, 2010, Quiñenco informed the Superintendency of Securities and Insurance (SVS) of the following:

"In accordance with articles 9 and 10.2 of the Securities Market Law 18.045 and General Rule No.30 of the SVS, and being duly authorized by the board, I report to you as material information complementing that of January 29 and March 2, 2010, the following with respect to Quiñenco S.A.

I refer to:

(a) the Association Framework Agreement signed on July 19, 2007 between Quiñenco S.A., as one party, and Citigroup Inc. and Citigroup Overseas Investment Corporation (together "Citigroup"), as the other party, for the joint management of financial business and services in and with respect to Chile, and

(b) the request of Citigroup to extend to March 15, 2010 the term for notifying, if appropriate, the Advice of the Third Closing Date agreed for the exercise of the call option for 8.52% of the shares of LQ Inversiones Financieras S.A., which would permit Citigroup to reach 50% of its share capital, without this extension altering the Third Closing Date, which would continue to be May 3, 2010.

With respect to the above, the board of Quiñenco has agreed to accede to the requested extension, which should be carried out by the corresponding Framework Contract Amendment to be signed by the parties".

On March 15, 2010, Quiñenco informed the Superintendency of Securities and Insurance (SVS) of the following:

"In accordance with articles 9 and 10.2 of the Securities Market Law 18.045 and General Rule No.30 of the SVS, and being duly authorized by the board, I report to you as material information the following with respect to Quiñenco S.A.

In accordance with the Association Framework Agreement signed on July 19, 2007 between Quiñenco S.A., as one party, and Citigroup Inc. and Citigroup Overseas Investment Corporation (together "Citigroup"), as the other party, and as stipulated in the Shareholders' Agreement dated December 27, 2007 between Quiñenco S.A. and subsidiaries, as one party, and Citigroup Chile, as the other party, Citigroup has exercised today the call option for 8.52% of the shares of LQ Inversiones Financieras S.A., accompanying the "Advice of the Third Closing Date" stipulated in the above agreements, all of which are held by the SVS.

As a result of the exercise of this call option, Citigroup acquires 57,035,400 shares of the series LQIF-D issued by LQ Inversiones Financieras S.A., equivalent to 8.52% of the latter's share capital, at a price of UF 11,475,455.68 plus interest of 5% annually on that UF amount, interest that accrues from the first closing date, i.e. from January 1, 2008. The total price payable on May 3, 2010 for the exercise of the call option is therefore UF 12,864,807.

Once the above transaction is formalized, Citigroup will have a 50.0% shareholding in LQ Inversiones Financieras S.A., generating for Quiñenco a pre-tax equity increase of approximately Ch$ 155,000 million."

On April 9, 2010, Quiñenco informed the Superintendency of Securities and Insurance (SVS) the following:

"As required in SVS Circular 660, and as duly authorized, I inform you that the board resolved the following at its meeting held on April 8, 2010:

To propose to the next ordinary shareholders' meeting the distribution of a final dividend of Ch$108,780,351,255, corresponding to 70% of the earnings attributable to owners of the parent for 2009 ("2009 earnings"), comprising (a) a minimum obligatory dividend of Ch$46,620,152,173, equivalent to 30.00% of 2009 earnings, and (b) an additional dividend of $62,160,199,082, equivalent to 40.00% of 2009 earnings.

This final dividend amounts to Ch$95.03972 per share, which it will be proposed to be payable on May 11, 2010 to shareholders in the respective register on the fifth business day prior to that date."

On April 30, 2010, Quiñenco informed the Superintendency of Securities and Insurance (SVS) of the following:

"In accordance with articles 9 and 10.2 of the Securities Market Law 18.045 and General Rule No.30 of the SVS, and being duly authorized by the board, I report to you as material information the following with respect to Quiñenco S.A.

With the exercise by Citigroup Inc. of the call option of the Second Closing Date and the call option of the Third Closing Date, as reported by Quiñenco to the SVS on January 29 and March 15, 2010 respectively, Citigroup Chile S.A., a subsidiary of Citigroup Inc., has today acquired from Quiñenco and its subsidiaries 57,035,400 shares of the series "LQIF-C" and 57,035,401 shares of the series "LQIF-D", issued by LQ Inversiones Financieras S.A. ("LQIF"), for a total price of Ch$541,200 million, paid in cash.

Following these share acquisitions, Citigroup Chile S.A. has a shareholding of 50.0% in LQIF, in accordance with the Association Framework Agreement signed on July 19, 2007 and the Shareholders' Agreement signed on December 27, 2007, documents which are in the possession of the SVS.

This transaction will generate for Quiñenco pre-tax gain of approximately Ch$169,000 million and a pre-tax equity increase of approximately Ch$169,000 million in the year 2010."

On January 28, 2010, the subsidiary Madeco informed the Superintendency of Securities and Insurance (SVS) of the following:

"In accordance with articles 9 and 10.2 of the Securities Market Law 18,045 and General Rule No.30 of the SVS, and being duly authorized by the board, I report to you as material information the following with respect to this Company.

At its meeting held on January 27, 2010, the board took note that on January 22, 2010, the state of Sao Paulo, Brazil, notified our former cables subsidiary in that country, Ficap S.A., today Nexans Brasil S.A., of tax demands for a total of R$ 89,172,390 (equivalent on that date to US$49.079.416), including interest and fines.

The notification argues that ICMS taxes (similar to VAT in Chile) paid by Ficap in the state of Espírito Santo, where the copper is imported, should have been paid in the state of Sao Paulo, where Ficap's plants are located. The state of Sao Paulo also argues that the use of that fiscal credit generated in the state of Espírito Santo in 2005 is incorrect.

This situation is related to differences between various Brazilian states with respect to the place where ICMS taxes should be paid for imports into the country, as the use of the tax benefits granted by some states to attract the import of products through them has been the practice of many local and international companies.

According to the contract signed with Nexans on February 21, 2008, by means of which the cable unit was sold to that company, Madeco S.A., except for especially excluded cases, was required to respond to the buyer for contingencies with respect to tax payments originating from events prior to the date of the contract, as is this case.

The board resolved to exercise its appeal and revision rights under the corresponding Brazilian legislation. The legal advisers of Madeco in Brazil consider that there are well-founded arguments for reversing this situation.

There have been no other events whose nature or importance has the character of material or essential, as defined in SVS General Rule No.30, between January 1 and December 31, 2010.

Management's Analysis of the Consolidated Financial Statements

As of December 31, 2010

I. Summary

As of the year 2009, Quiñenco presents its financial statements in accordance with IFRS. One of the principal changes in terms of presentation consists of the consolidation with the financial entities Banco de Chile and SM Chile and the insurance company Banchile Seguros de Vida. For a better understanding of the results of Quiñenco, the analysis, as well as the financial statements, separates the results between banking and non-banking activities (industrial sector).

It should be noted that certain relevant items of the financial statements under IFRS are named differently to those used under Chilean GAAP, e.g. "Net income for the year" (Chilean GAAP) is called "Net income attributable to owners of the parent" under IFRS and "Shareholders' equity" (Chilean GAAP) is called "Equity attributable to owners of the parent" under IFRS. On the other hand, "Consolidated net income" in IFRS terms includes "Net income for the year" and "Minority interest" (Chilean GAAP), and "Total Equity" in IFRS includes "Shareholders' equity" (Chilean GAAP) and "Minority interest" (Chilean GAAP).

During 2010, Quiñenco generated net income[1] of Ch$291,606 million, 87.6% higher than the result for 2009. This improvement is due mainly to the earnings at the corporate level as a result of Citigroup exercising its first option to acquire an additional 8.52% of the share capital of LQIF, the controller of Banco de Chile, which generated a pre-tax gain of Ch$169,513 million for Quiñenco. The exercise of the second option for another 8.52% shareholding in LQIF, with which Citigroup reached a 50% holding in LQIF, generated an equity increase net of taxes of Ch$131,642 million for Quiñenco. The exercise of both options was carried out on April 30, 2010, with a total payment of Ch$541,919 million. In addition, the sale of Telsur in the first quarter produced a gain of Ch$8,725 million. The earnings generated in 2010 from these transactions were significantly higher than the earnings obtained at the corporate level from the sale of shareholdings in 2009. Also notable were the positive results of Banco de Chile which were 47% higher than the previous year as a result of the better prevailing economic conditions. The result of CCU, however, declined compared to the previous year despite growth in operating income, due to unfavorable changes at the non-operating level. At Madeco, a positive performance at the business-unit level was offset by a reduced non-operating result and lower other revenues.

[1] Net income refers to Net income attributable to owners of the parent.

II. Analysis of Comprehensive Results

1. Analysis of Industrial Sector Results

The following segments are included in the results of the industrial sector (non-banking sector):

a) Manufacturing

- Madeco

b) Financial

- LQ Inversiones Financieras Holding (LQIF holding)

c) Other

- Quiñenco and others (includes CCU and eliminations)

The above companies 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 accounting principles generally accepted in Chile.

On January 20, 2010 Quiñenco sold by a public share offering all its direct and indirect shareholding of 74.43% in Telsur to GTD Grupo Teleducto. The investment in Telsur has therefore been classified as a discontinued operation for the year 2009, included in the Other segment.

Table No.1: Industrial sector results

	In millions of Ch$	
	12-31-2010	12-31-2009
Operating income[2]	(3,354)	(4,984)
Non-operating income (loss)[3]	193,400	75,807
Charge for income taxes	(8,782)	(918)
Net income (loss) from discontinued operations	-	4,161
Industrial sector consolidated net income	**181,264**	**74,066**

Revenues from ordinary activities

Ordinary revenues in 2010 increased by 19.9% to Ch$304,632 million, mainly due to the increase at Madeco and, to a lesser extent, at Banchile Seguros de Vida, included in Quiñenco and others. The composition of consolidated ordinary revenues is shown in comparative terms in Table No.2:

[2] Operating income is the result of deducting Distribution costs, Administrative expenses, Other revenues by function, Other expenses by function, and the Cost of sales from Revenues from ordinary activities.

[3] The Non-operating result includes the following: Other gains (losses), Financial income, Financial costs, Participation in earnings (losses) of associates and joint ventures booked using the equity method, Exchange differences and Result of indexation adjustments.

Table No.2: Composition of revenues from ordinary activities

	In millions of Ch$	
	12-31-2010	12-31-2009
Manufacturing		
Madeco	212,789	176,318
Financial		
LQIF holding	-	-
Others		
Quiñenco and others	91,843	77,810
Revenues from ordinary activities	**304,632**	**254,128**

Madeco's revenues increased by 20.7% in 2010 compared to the year before, mainly due to improved sales in the brass mills unit, reflecting large sales volumes and the increase in the copper price and, to a lesser extent, improved revenues from the flexible packaging unit in Chile, Peru and Argentina. The profiles unit, on the other hand, showed a slight fall in revenues, mainly the result of a lower average price in Chilean peso terms and a stable volume of sales.

The change in Quiñenco and others relates mainly to an 18.9% increase in the revenues of Banchile Seguros de Vida.

Cost of sales

The cost of sales for 2010 increased by 21.3% over the year before. This rise is mainly explained by the higher cost of Madeco's sales, which was 21.0% more than in 2009, reflecting larger sales volumes and higher prices of raw materials (principally copper). It should be mentioned also that in 2009 an impairment of inventories was booked in the profiles unit which increased the cost that year.

Quiñenco and others also showed a higher cost of sales, corresponding mainly to Banchile Seguros de Vida that reported an increase of 32.9%. The composition of the consolidated cost of sales is shown in comparative terms in Table No.3:

Table No.3: Composition of cost of sales

	In millions of Ch$	
	12-31-2010	12-31-2009
Manufacturing		
Madeco	(178,245)	(147,308)
Financial		
LQIF holding	-	-
Others		
Quiñenco and others	(41,159)	(33,556)
Cost of sales	**(219,404)**	**(180,864)**

Gross margin

The gross margin amounted to Ch$85,229 million in 2010, 16.3% higher than in 2009, mainly due to the result of Madeco which rose by 19.1% based on the good performance of the packaging unit and an increase in the profiles unit, mainly the product of the impairment booked in that unit's inventories in 2009. In the brass mills unit, the increase in costs was greater than the growth in sales, thus reducing the gross margin. In addition, Quiñenco and others, corresponding mainly to Banchile Seguros de Vida, grew by 9.7%. The composition of the gross margin is shown in comparative terms in Table No.4:

Table No.4: Gross margin

	In millions of Ch$	
	12-31-2010	12-31-2009
Manufacturing		
Madeco	34,544	29,010
Financial		
LQIF holding	-	-
Others		
Quiñenco and others	50,684	44,254
Gross margin	**85,229**	**73,264**

Net operating expenses[4]

Net operating expenses totaled Ch$88,583 million in 2010, a rise of 13.2% over the previous year, mainly explained by Madeco and Quiñenco and others. The net operating expenses of Madeco increased by 61.9% due mainly to reduced other revenue by function, reflecting lower dividends paid by Nexans (Ch$1,777 million in 2010 vs Ch$4,181 million in 2009) and a recovery of taxes through absorption of tax earnings of Ch$5,380 million in 2009. To a lesser extent, there were higher distribution costs and other expenses by function in 2010.

The net operating expenses of Quiñenco and others increased by 2.1%, explained by the increase of 3.4% in Banchile Seguros de Vida. The composition of the net operating expenses is shown in comparative terms in Table No.5:

Table No.5: Composition of net operating expenses

	In millions of Ch$	
	12-31-2010	12-31-2009
Manufacturing		
Madeco	(24,206)	(14,947)
Financial		
LQIF holding	(9,513)	(9,547)
Others		
Quiñenco and others	(54,864)	(53,754)
Net operating expenses	**(88,583)**	**(78,248)**

Operating income

The operating loss reduced by 32.7% to Ch$3,354 million in 2010 compared to 2009, mainly reflecting higher operating income at Quiñenco and others, partially compensated by the reduction in operating income at Madeco.

The operating loss of Quiñenco and others declined by 56.0%, mainly due to Banchile Seguros de Vida which improved its operating income by 94.5%.

Madeco's operating income decreased by 26.5% to Ch$10,339 million despite the higher gross margin, as a result of the increase in net operating expenses explained above.

[4] Net operating expenses include Other revenue by function, Distribution costs, Administrative expenses and Other expenses by function.

The composition of operating income is shown in comparative terms in Table No.6

Table No.6: Composition of operating income

	In millions of Ch$	
	12-31-2010	12-31-2009
Manufacturing		
Madeco	10,339	14,063
Financial		
LQIF holding	(9,513)	(9,547)
Others		
Quiñenco and others	(4,180)	(9,500)
Operating result	**(3,354)**	**(4,984)**

Non-operating results

Non-operating results in 2010 amounted to a gain of Ch$193,400 million, 155.1% higher than the Ch$75,807 million of the year before. This increase of Ch$117,593 million is mainly due to the gain in 2010 of Ch$169,513 million on the sale of an 8.52% shareholding in LQIF to Citigroup and Ch$8,725 million on the sale of the holding in Telsur, compared to a gain in 2009 of Ch$34,291 million on the sale of shareholdings (Entel and D&S). On the other hand, Quiñenco reported higher financial income, reflecting a larger volume of cash generated by the sales of shareholdings in LQIF and Telsur in 2010, and their higher market value. It should be noted that starting the second quarter, Quiñenco values its financial assets associated with its liquidity position at the corporate level, at fair value with changes to results.

This increase was partially compensated by (i) the negative change in exchange differences, principally in Madeco explained by the gain reported in 2009 when the dollar devalued strongly against the Chilean peso and the company had an asset position in pesos, (ii) the adjustment of the sale price of the cables unit under a settlement that terminated the arbitration proceedings with Nexans, for Ch$7,210 million, (iii) the reduction in the participation in earnings of joint ventures, which mainly relates to the participation in the results of IRSA, the parent of CCU, which reduced its contribution by 14.8%, reflecting the reduced earnings of CCU for the year, and (iv) the loss through indexation adjustments due to the effect of inflation in the year on financial debt expressed in UF.

The composition of non-operating results is shown in comparative terms in Table No.7

Table No.7: Composition of non-operating results

	In millions of Ch$	
	12-31-2010	12-31-2009
Other gains (losses)	163,995	29,203
Financial income	14,527	9,029
Financial costs	(13,849)	(13,839)
Participations in results of associates & joint ventures	35,312	42,234
Exchange differences	(134)	8,807
Results of indexation adjustments	(6,451)	374
Non-operating result	**193,400**	**75,807**

Industrial sector results for the year

The result of the industrial sector increased by 144.7% to produce consolidated net income of Ch$181,264 million in 2010, mainly due to the larger gain generated by the sale of holdings in LQIF and, to a lesser extent, in Telsur. It should be pointed out that, as a result of the sale in January 2010 of the whole shareholding in Telsur to GTD Grupo Teleducto, Telsur's operations have been booked as discontinued operations in 2009. The pre-tax earnings of Telsur in 2009 were Ch$4,127 million.

Table No.8: Industrial sector results for the year

	In millions of Ch$	
	12-31-2010	12-31-2009
Net income from continuing operations before tax	190,046	70,823
Income tax	(8,782)	(918)
Net income from discontinued operations	-	4,161
Industrial sector consolidated net income	**181,264**	**74,066**

2. Banking Sector Results Analysis

The following companies are included in the banking results: Banco de Chile and SM Chile, which present their financial statements partially in accordance with IFRS in the years 2010 and 2009.

Table No.9: Banking sector results

	In millions of Ch$	
	12-31-2010	12-31-2009
Operating income	412,164	296,583
Non-operating results	(71,052)	(43,909)
Banking sector consolidated net income	**302,561**	**213,060**

Operating revenues[5]

Operating revenues rose by 13.7% to Ch$1,166,742 million, mainly explained by (i) higher income from the bank's net asset position in UF, as a consequence of higher inflation and the effective management of the UF/Ch$ gap by the bank, (ii) an annual increase of 9.0% in the loan portfolio, generated especially by growth in housing, consumer and commercial loans, partially offset by the effect of a reduction in spreads on consumer credit, (iii) a 15.3% increase in net fee income, and (iv) an increase in nominal interest rates as a result of the withdrawal of monetary stimulus by the Banco Central de Chile, together with substantial growth in non-interest bearing liabilities, above all relating to checking accounts and demand deposits.

Provision for credit risk

The provision for loan losses of Banco de Chile amounted to Ch$165,961 million, compared to Ch$223,442 million in 2009. This 25.7% reduction is related to improved economic prospects, particularly for employment, and improved risk profiles of individuals and companies, as economic indicators resume medium-term levels. This has led the bank to reduce its provisions in its wholesale segment. The bank has also reduced its provisions in the retail segment, based on the recovery observed in its customers' repayment capacity, driven by a lower unemployment rate and greater consumer confidence in the future of the economy.

[5] Operating revenues correspond to the Total net operating revenues, excluding the allowance for credit risk.

Operating expenses

Operating expenses rose by 16.2% to Ch$588,617 million, explained by the 16.2% increase in the operating expenses of Banco de Chile to Ch$588,271 million, during 2010. This increase is the result of the greater dynamism that commercial activity began to show as a result of improved economic expectations, which led to a reactivation and acceleration of investment projects in infrastructure and technology, and also larger expenditure in marketing and sales activities. The increases in expenses therefore indicate that the banking business has begun to normalize following a period of slow economic growth.

The bank also incurred in 2010 large expenses of a non-recurring nature relating to (i) anticipation of the change in regulations concerning provisions for loans evaluated individually, for Ch$22,186 million, (ii) the making of additional anti-cyclical provisions of Ch$20,442 million, (iii) write-offs of Ch$6,438 million, (iv) expenses related to the earthquake of Ch$3,266 million, and (v) the payment of a bonus of Ch$3,054 million to staff on the Chilean bicentenary.

Non-operating results[6]

Non-operating results for 2010 amounted to a loss of Ch$71,052 million, greater that the corresponding loss in 2009 of Ch$43,909 million, mainly explained by higher accrued interest on the subordinated debt with the Banco Central de Chile in 2010, due to the effect of inflation during the period.

Banking sector results

The banking sector's consolidated net income rose by 42.0% to Ch$302,561 million in 2010, mainly as a consequence of higher net operating revenue and an important reduction in the allowance for credit risk, partially compensated by the increase in operating expenses during the period.

3. Analysis of Results by Segment

The following table shows the composition of the results by segment and by sector.

Sector /Segment	In millions of Ch$							
	Manufacturing		Financial		Other		Total	
	12-31-2010	12-31-2009	12-31-2010	12-31-2009	12-31-2010	12-31-2009	12-31-2010	12-31-2009
Industrial Sector								
Net income from continuing operations before tax	(740)	17,037	(20,970)	(11,890)	211,756	65,677	190,046	70,823
Income tax	(2,084)	1,101	1,515	1,708	(8,213)	(3,727)	(8,782)	(918)
Net income from discontinued operations	-	34	-	-	-	4,127	-	4,161
Industrial sector consolidated net income	**(2,824)**	**18,172**	**(19,455)**	**(10,182)**	**203,543**	**66,077**	**181,264**	**74,066**
Banking Sector								
Net income before tax	-	-	341,112	252,674	-	-	341,112	252,674
Income tax	-	-	(38,551)	(39,614)	-	-	(38,551)	(39,614)
Banking sector consolidated net income	**-**	**-**	**302,561**	**213,060**	**-**	**-**	**302,561**	**213,060**
Consolidated net income	**(2,824)**	**18,172**	**283,106**	**202,878**	**203,543**	**66,077**	**483,825**	**287,126**
Net income attributable to non-controlling interests							192,219	131,726
Net income attributable to owners of the parent							**291,606**	**155,401**

6 Non-operating results include Result of investments in companies and Interest on the subordinated debt with the Banco Central de Chile.

Manufacturing Segment

	In millions of Ch$	
	12-31-2010	12-31-2009
Madeco[7]	(2,824)	18,172
Manufacturing segment consolidated net income	**(2,824)**	**18,172**

Madeco is the only component of the manufacturing segment, reporting a consolidated loss of Ch$2,824 million in contrast to consolidated net income of Ch$18,172 million in 2009. This is mainly explained by both the non-operating and operating results, plus a higher charge for income taxes.

The gross margin increased by 19.1% to Ch$34,544 million following the good performance of the packaging unit and an increase in the gross margin of the profiles unit, mainly because of the impairment booked in inventories in 2009, partially compensated by the negative margin in Chilean peso terms of the brass mills unit due to an increase in costs that was greater than the growth in sales.

Operating income however was Ch$10,339 million, down 26.5% compared to the year before, following a rise of 61.9% in net operating expenses mainly due to reduced other revenues by function, corresponding to reduced dividends paid by Nexans (Ch$1,777 million in 2010 vs Ch$4,181 million in 2009) and, to a smaller degree, higher expenses by function and distribution costs, partially compensated by reduced administrative expenses.

The decline in the non-operating result is explained by the gain of Ch$8,238 million from exchange differences in 2009 due to an asset position in pesos and the revaluation of the peso against the dollar during the year, and an adjustment to the sale price of the cable unit to Nexans for Ch$7,210 million in 2010 as a result of the settlement reached to terminate the arbitration proceedings with Nexans and, to a lesser extent, reduced financial income in 2010, partially compensated by gains from indexation adjustments in 2010.

Financial Segment

	In millions of Ch$	
	12-31-2010	12-31-2009
LQIF holding	(19,455)	(10,182)
Banco de Chile	378,530	257,887
Subordinated debt	(72,979)	(44,749)
Others	(2,990)	(78)
Financial segment consolidated net income	**283,106**	**202,878**

The 39.5% increase in the consolidated net income of the financial segment is mainly explained by an improved result at Banco de Chile which was partially offset by the increase in accrued interest on the subordinated debt and, to a lesser extent, a larger loss in LQIF holding.

Banco de Chile reported consolidated net income of Ch$378,530 million in 2010, an increase of 46.8% over the year before, reflecting the solid bases of the bank's business strategy and the clear economic recovery in Chile. This change is mainly explained by (i) higher income from the bank's net asset position in UF, as a consequence of higher inflation and the effective management of the UF/Ch$ gap by the bank, (ii) an annual increase of 9.0% in the loan portfolio, generated especially by growth in housing, consumer and commercial loans, partially offset by the effect of a reduction

[7] The analysis of Madeco is based on the financial statements prepared in the functional currency of Quiñenco. The functional currency of Madeco differs from that of Quiñenco, as well as some classifications of accounting entries.

in spreads on consumer credit, (iii) a 15.3% increase in net fee income, and (iv) an increase in nominal interest rates as a result of the withdrawal of monetary stimulus by the Banco Central de Chile, together with substantial growth in non-interest bearing liabilities, above all relating to checking accounts and demand deposits.

Accrued interest on the subordinated debt with the Banco Central de Chile in 2010 was substantially higher than the previous year due to the effect of inflation during the period.

LQIF holding showed a loss of Ch$19,455 million in 2010, significantly higher than the Ch$10,182 million the year before, mainly due to (i) the loss on indexation adjustments in 2010 compared to 2009, due to the effect of the positive inflation rate, compared to a negative rate in 2009, on financial debt in Unidades de Fomento, and (ii) lower financial income generated due to the low level of average liquidity in 2010 compared to the year before and low market rates.

Other Segment

	In millions of Ch$	
	12-31-2010	12-31-2009
CCU*	36,593	42,324
Quiñenco and others	166,950	20,429
Telsur	-	3,324
Others segment consolidated net income	203,543	66,077

* Refers to the proportional holding of Quiñenco in the earnings of CCU.

The consolidated net income of the Others segment increased by Ch$137,466 million, mainly due to the improved result of Quiñenco and others, that amply compensated the reduced result of CCU and the absence of Telsur in 2010 following its sale in January that year.

CCU reported consolidated earnings of Ch$119,937 million, 15.2% down on the year before due to a higher charge for income taxes and the decline in the non-operating result, partially compensated by the improved operating result. Operating income increased by 18.0% due to a larger gross margin reflecting greater sales and non-recurring operating income (before tax) on the sale of land in Lima of Ch$6,791 million in 2010, partially compensated by higher net operating expenses due to the increase in distribution expenses and donations related to the earthquake. The reduction in the non-operating result was mainly the result of the non-recurring gain in 2009 on the sale of the 29.9% shareholding in Aguas CCU-Nestlé Chile S.A. of Ch$24,439 million. There was also a gain from indexation adjustments in 2009 due to the favorable effect of negative inflation on obligations in UF, while in 2010 this produced a loss due to the unfavorable effect of positive inflation. There was a lower net financial cost in 2010 due to reduced level of debt.

In 2010 CCU produced higher sales in all its business segments, driven by larger volumes sold and higher average prices.

The variation in Quiñenco and others is mainly due to a larger gain generated by important transactions made in 2010. The exercise by Citigroup of its first purchase option over an additional 8.52% holding in LQIF, the controller of Banco de Chile, generated a gain of Ch$169,513 million while the sale of Telsur to GTD Grupo Teleducto generated a gain of Ch$8,725 million. In 2009, a gain of Ch$34,291 million was reported on the sale of shareholdings in Entel and D&S.

In 2009, Telsur is classified in discontinued operations as a result of its sale to GTD in January 2010.

III. Analysis of Statement of Financial Position

Assets

As of December 31, 2010, the consolidated assets of Quiñenco amounted to Ch$20,445,877 million, 5.8% higher than at December 31, 2009, due to the increase in assets in both the industrial and banking sectors.

Table No.10 shows in comparative terms the composition of consolidated asset at the end of each year:

Table No.10: Composition of consolidated assets

	In millions of Ch$	
	12-31-2010	12-31-2009
Manufacturing		
Madeco	333,380	369,080
Financial		
LQIF holding	951,676	976,117
Others		
Quiñenco and others	937,492	362,767
Assets held for sale	2,106	154,777
Sub total others	**939,598**	**517,544**
Total industrial sector assets	**2,224,654**	**1,862,740**
Banking sector assets	18,221,222	17,457,601
Total consolidated assets	**20,445,877**	**19,320,341**

	In millions of Ch$	
	12-31-2010	12-31-2009
Industrial sector current assets	772,872	405,840
Industrial sector non-current assets	1,451,783	1,456,900
Total industrial sector assets	**2,224,654**	**1,862,740**
Banking sector assets	18,221,222	17,457,601
Total consolidated assets	**20,445,877**	**19,320,341**

Industrial sector current assets

Industrial sector current assets amounted to Ch$772,872 million, which represents an increase of 90.4% compared to December 31, 2009. The increase is mainly due to the revenues obtained from the sale of the 17.04% shareholding in LQIF to Citigroup and, to a lesser degree, the sale of assets held for sale (shareholding in Telsur) made by Quiñenco and intermediate companies. Current assets also increased as a result of the dividends received by LQIF from Banco de Chile, and by IRSA from CCU, and, to a lesser extent, the increase in trade debtors and other accounts receivable, mainly due to Madeco, following the increase in its sales. On the other hand, there was a reduction due to the use of available funds for the payment of dividends, and lower assets held for sale due to the completion of the sale of Telsur.

Industrial sector non-current assets

The industrial sector's non-current assets amounted to Ch$1,451,783 million, which represents a slight 0.4% decline compared with December 31, 2009.

Banking sector assets

Banking assets as of December 31, 2010 were Ch$18,221,222 million, being a slight 4.4% over the level as of December 31, 2009.

Liabilities

Table No.11 shows the comparative structure of consolidated liabilities of Quiñenco at the end of each period.

Table No.11: Composition of consolidated liabilities

	In millions of Ch$	
	12-31-2010	12-31-2009
Industrial sector current liabilities	248,196	213,703
Industrial sector non-current liabilities	327,363	333,239
Total industrial sector liabilities	**575,559**	**546,942**
Banking sector liabilities	17,144,543	16,499,779
Total consolidated liabilities	**17,720,101**	**17,046,721**
Equity	2,725,775	2,273,620
Total equity and liabilities	**20,445,877**	**19,320,341**

Total liabilities of the industrial sector as of December 31, 2010 amounted to Ch$575,559 million, 5.2% higher than at the end of 2009. The increase is mainly due to the rise in tax liabilities generated primarily by the gain on the sale of the shareholding in LQIF to Citigroup, the increase in other financial liabilities, mostly explained by bank debt drawn by LQIF, and higher other non-financial liabilities, reflecting the larger provision for dividends payable during the year. On the other hand, there was a reduction in liabilities held for sale, relating to the sale of Telsur in January 2010, and also deferred tax liabilities.

The liabilities of the banking sector rose by 3.9% with respect to December 31, 2009.

Table No.12 shows the liabilities in comparative terms at the end of each period:

Table No.12: Composition of liabilities

	In millions of Ch$	
	12-31-2010	12-31-2009
Manufacturing		
Madeco	85,881	84,471
Financial		
LQIF holding	204,696	165,216
Others		
Quiñenco and others	284,982	217,552
Liabilities held for sale	-	79,702
Sub total others	**284,982**	**297,255**
Total industrial sector liabilities	**575,559**	**546,942**
Banking sector liabilities	17,144,543	16,499,779
Total consolidated liabilities	**17,720,101**	**17,046,721**

The debt ratio of the industrial sector fell from 0.43:1 as of December 31, 2009 to 0.38:1 as of December 31, 2010. This improvement is mainly explained by the 19.8% increase in the equity of the controller. In comparative terms, current liabilities as of December 31, 2010 represent 43.1% of total liabilities, compared to 39.1% at the end of 2009.

Shareholders' Equity[8]

Quiñenco's equity as of December 31, 2010 amounted to Ch$1,520,552 million, 19.8% higher than at the end of 2009. This is explained by the earnings for the year net of dividend payments and the change in other reserves, mainly due to the exercise of Citigroup's second option for shares in LQIF that generated an increase of Ch$131,642 million net of taxes.

IV. Indicators

Financial indicators		12-31-2010	12-31-2009
LIQUIDITY*			
Current ratio	times	3.1	1.9
(Current assets/Current liabilities)			
Acid test	times	1.3	0.6
(Cash & cash equivalents/Current liabilities)			
INDEBTEDNESS*			
Leverage	times	0.38	0.43
(Total liabilities/Equity attributable to owners of parent)			
Current debt/Total debt	%	43.12%	39.07%
(Current liabilities/Total liabilities)			
Non-current debt/Total debt	%	56.88%	60.93%
(Non-current liabilities/Total liabilities)			
Interest coverage ratio	times	14.72	6.42
((Non-banking net income+income tax+financial costs)/Financial costs)			
PROFITABILITY			
Return on equity	%	20.9%	12.5%
(Net income controller/Equity attributable to owners of the controller, average)			
Earnings per share	Ch$	254.77	135.77
(Net income controller /No. of shares)			
Dividend yield	%	5.6%	5.7%
(Dividend payments last twelve months per share/Closing share price)			

* Excludes banking sector assets and liabilities

V. Summarized Statement of Cash Flows

	In millions of Ch$	
Industrial Cash Flows	**12-31-2010**	**12-31-2009**
Net cash flow used in operating activities	(2,686)	32,685
Net cash flow from (used in) financing activities	(161,843)	(164,440)
Net cash flow from investment activities	192,638	88,095
Total net cash flow for the year	**28,109**	**(43,660)**

As of December 31, 2010, Quiñenco reported a positive net cash flow for the industrial sector of Ch$28,109 million, explained by the positive flow from investment activities of Ch$192,638 million, partially compensated by the negative flow from financing activities amounting to Ch$161,843 million and, to a smaller extent, the negative flow from operating activities, of Ch$2,686 million.

The negative financing cash flow mainly comprised dividend payments of Ch$180,105 million, partially compensated by bank loans drawn of Ch$29,904 million, mainly by LQIF.

8 Equity refers to Equity attributable to owners of the parent.

The positive investment cash flow is mainly explained by the sale proceeds of a 17.04% shareholding in LQIF to Citigroup (Ch$541,919 million) and the whole 74.43% shareholding in Telsur (Ch$57,212 million). In addition, dividends of Ch$18,550 million were received, mainly from CCU, partially compensated by investments in time deposits and others of more than 90 days (net) of Ch$426,732 million, mainly in Quiñenco and intermediate companies, and, to a lesser degree, acquisitions of property, plant and equipment of Ch$10,832 million, mainly at Madeco.

	In millions of Ch$	
Banking sector cash flows	**12-31-2010**	**12-31-2009**
Net cash flow from operating activities	602,715	386,933
Net cash flow from (used in) financing activities	45,610	(336,642)
Net cash flow used in investment activities	(270,217)	(164,819)
Total net cash flow for the year	**378,108**	**(114,529)**

Quiñenco reported a positive total net cash flow for the banking sector in 2010 of Ch$378,108 million, explained by the positive flow from operating activities of Ch$602,715 million and, to a smaller degree, the positive flow from financing activities of Ch$45,610 million, partially offset by the negative flow from investment activities of Ch$270,217 million.

VI. Summarized Statement of Comprehensive Income

	In millions of Ch$	
	12-31-2010	12-31-2009
Industrial Sector Results		
Revenue from ordinary activities	**304,632**	**254,128**
Manufacturing	212,789	176,318
Financial	-	-
Others	91,843	77,810
Cost of sales	**(219,404)**	**(180,864)**
Manufacturing	(178,245)	(147,308)
Financial	-	-
Others	(41,159)	(33,556)
Net operating expenses	**(88,583)**	**(78,248)**
Manufacturing	(24,206)	(14,947)
Financial	(9,513)	(9,547)
Others	(54,864)	(53,754)
Operating income	**(3,354)**	**(4,984)**
Manufacturing	10,339	14,063
Financial	(9,513)	(9,547)
Others	(4,180)	(9,500)
Non-operating results	**193,400**	**75,807**
Financial income	14,527	9,029
Financial costs	(13,849)	(13,839)
Share in earnings of associates & joint ventures	35,312	42,234
Exchange differences	(134)	8,807
Results of indexation adjustments	(6,451)	374
Other earnings (losses)	163,995	29,203
Income tax (charge) recovery	(8,782)	(918)
Net income from discontinued operations	-	4,161
Consolidated industrial sector net income	**181,264**	**74,066**
Banking Sector Results		
Operating revenue	1,166,742	1,026,550
Allowance for credit risk	(165,961)	(223,442)
Operating expenses	(588,617)	(506,525)
Operational income	412,164	296,583
Non-operational result	(71,052)	(43,909)
Income tax	(38,551)	(39,614)
Consolidated banking sector net income	**302,561**	**213,060**
Consolidated net income	**483,825**	**287,126**
Net income attributable to non-controlling interests	192,219	131,726
Net income attributable to owners of parent	**291,606**	**155,401**

VII. Analysis of Risk Factors

Quiñenco and its subsidiary and associate companies face risks inherent to the markets and economies in which they operate, in Chile and abroad. These risks are reflected in prices, costs and sales volumes of the products and services provided and commercialized.

Economic environment

The Company develops its businesses mainly in Chile. Its operating results and financial position are therefore largely dependent on general domestic economic activity. While it is estimated that the Chilean economy grew by 5.2% in 2010, there is no certainty about how much it will grow in the future. The factors that could have an adverse effect on the Company's businesses and the results of its operations include future decelerations in the Chilean economy, a return to high inflation and currency fluctuations.

Apart from its operations in Chile, some of the Company's industrial businesses operate and export to companies which in turn operate in and export to Argentina, Peru and other Latin American countries and the rest of the world, which on various occasions in the past have been characterized for their volatile, and often unfavorable, economic, political and social conditions. The business, results and assets of the Company could be affected substantially and adversely by matters related to inflation, interest rates, currency fluctuations, government policies, price and wage controls, exchange control regulations, taxes, expropriation, social unrest and other political, economic or diplomatic events that affect the countries where the Company operates.

Competition

Quiñenco believes that its businesses face a high level of competition in the industries in which they operate. This affects the prices, costs and sales volumes of the products and services produced and commercialized by the Quiñenco businesses. While the Company expects, based on its past experience and its records, that its businesses will be capable of continuing to compete successfully in their respective areas, there is no certainty that the competition will not continue to grow in the future, including a possible continued process of consolidation in some industries. Greater competition could affect profit margins and the operating results of Quiñenco's businesses which, as a result, could significantly and adversely affect the flow of dividends that Quiñenco receives from its businesses.

Raw materials risk

In the subsidiary Madeco, oil derivatives (polyethylene resins, polypropylene, PVC, etc.) and copper are the principal raw materials. Madeco's financial result is linked to the capacity to acquire suitable supplies, the timely transfer of prices, an efficient stock management and the mitigation of the risks of variations in their prices through hedges.

When price transfers are not quick or adverse effects are present due to the absence of operating hedges, Madeco follows different strategies for mitigating the effects of possible variations in the prices of its raw materials:

- In the case of oil derivatives, Madeco does not use financial hedges due to the difficulty of associating them to the different raw materials. Instead, it fixes the prices of its products jointly with its principal customers through polynomials (adjustment methods) which incorporate the principal variations of their components. These polynomials are adjusted between Madeco and its customers periodically in order to limit risks of variations in the prices of raw materials.
- With respect to management of the risk associated with copper, Madeco uses financial derivatives that are assigned according to each case, to hedge cash flows or existing items (fair value).

Banking sector risks

The subsidiary Banco de Chile manages the credit and market risks according to its risk-management policies and processes and in accordance with the rules and regulations of the Superintendency of Banks and Financial Institutions (SBIF). The credit risk is managed through a global and unified strategy, giving each segment the pertinent credit treatment using an automated model for persons, a parametric model for small and medium enterprises and business people, and a case-by-case model for large companies and corporations. The management of market risk, which limits liquidity and pricing risks, is managed according to the bank's market-risk policy, which establishes methodologies for measuring, limiting, controlling and reporting pricing risks.

Financial risks

Credit risk

At the corporate level, investments of cash surpluses are made with top-class Chilean and foreign financial entities, with limits set for each entity, that have a credit rating at least equal to the limits pre-established for each kind of instrument.

In the subsidiary Madeco, the risk related to customers is managed in accordance with established policies and procedures. When granting credit to customers, these are evaluated in order to reduce the risk of non-payment. Credits granted are reviewed periodically in order to apply the controls defined by Madeco's policies and monitor the state of outstanding accounts.[9]

The risk associated with liabilities or assets of a financial nature is managed by Madeco according to its defined policies. Cash surpluses or available funds are invested, in accordance with the policy criteria, in low-risk instruments (mainly time deposits) in institutions having high credit ratings and as a function of the limits set for each institution, and in a diversified manner.

With respect to the management of copper-related risk, Madeco uses financial derivatives assigned according to each case, to hedge cash flows or existing items (fair value). These financial instruments are contracted according to the policies defined by Madeco's management, which set the levels of cover according to the market price of copper (the higher the price of copper, the higher the hedges contracted). In addition, the derivatives should have the necessary documentation (definition of the relationship between the derivative and the item hedged, objectives of the risk management, efficiency tests, etc.). In contracting financial hedges, Madeco selects institutions with high credit ratings in order to ensure any compensation payments in its favor. As of December 31, 2009 Madeco had 908 tons of copper hedged and as of December 31, 2010 it had 1,950 tons hedged.

Following the sale of its 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 agreed in the sale contract). These funds, once debts were repaid (bonds and debt drawn in the restructuring process) were placed according to Madeco's policy with different financial institutions with high credit ratings (of at least AA).

The subsidiary LQ Inversiones Financieras has no accounts receivable subject to credit risk. With respect to its investments of cash surpluses, these are made on market conditions in fixed-rate instruments according to the maturities of its financial commitments and operating expenses.

See the Note Classes of financial assets and liabilities for a detail of balances.

Liquidity risk

Quiñenco finances its activities and investments with dividends and profit 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 gives priority to long-term financing in order to maintain a financial structure in line with the liquidity of its assets and whose maturity structure is compatible with cash-flow generation.

The subsidiary Madeco periodically estimates its projected liquidity needs for each period, between cash receivable (balances from customers, dividends, etc.), the respective payments (trade, financial, hedge compensations, etc.) and the amount of available cash, in order not to have to seek short-term external financing. Madeco's financing policy seeks that funding sources have a balanced structure between short and long term, a low risk exposure and are in line with the cash flow generated by each of its companies.

[9] For further detail of the impairment of the financial assets of Madeco, see the Note Other non-current financial assets.

The subsidiary LQIF distributes dividends as a function of free cash flows taking into account the company's indispensable expenses and provisions which include its financial debt. The principal source of funds for the payment of interest and principal of its obligations is the payment of dividends on its direct and indirect shareholding in Banco de Chile. Its capacity to pay programmed interest and principal therefore depends entirely on the capacity of Banco de Chile to generate earnings from its operations and the agreements adopted annually by the shareholders meeting regarding dividend distribution.

For a detail of the balances and maturities of financial debt, see the Note Other current and non-current financial liabilities.

Market risk

Exchange rate risk

There is no exposure at the corporate level as of December 2010 with respect to the exchange rate as it has no financial assets or liabilities in foreign currency. There are no hedge contracts as of December 2010, nor at December 2009. Exchange differences are produced in translating to pesos the balance in the functional currencies of the consolidated companies whose functional currency is other than the peso. These are booked as a credit or charge to equity until the corresponding item in the balance sheet is eliminated, when it is booked against results.

In the subsidiary Madeco, the exchange-risk exposure derives from positions held in cash and cash equivalents, bank debt, bonds and other assets and liabilities indexed to currencies other than its functional currency, the US dollar, and the relative appreciation/depreciation shown between both currencies. Both the board and management of Madeco periodically revise its net exposure, projecting, based on variations in the different currencies other than the functional currency, the financial effects that would be generated by the asset or liability balances held in those currencies at the time of evaluation. Should significant and adverse effects be detected, financial derivatives may be contracted (mainly cross-currency swaps) in order to limit these possible risks.

Madeco's net exposure to exchange risk (excluding the investment in Nexans) as of December 31, 2010 is an asset equivalent to Ch$3,736 million. If there is a 5% variation in the currencies other than the functional currency on this exposure, this would generate an estimated effect on the results statement of Ch$187 million at the consolidated level. The exposure to exchange risk on the investment in Nexans as of December 31, 2010 is Ch$93,972 million. A 5% variation in the exchange rate (dollar/euro) would generate an effect on equity of Ch$4,699 million.

The subsidiary LQIF has no exchange rate exposure as it has no foreign currency financial assets or liabilities.

Interest-rate risk

At the corporate level, Quiñenco holds financial assets at fair value with changes to results for Ch$619,930 million, which are subject to interest-rate risk. A variation of 10 basis points in the interest rate would generate an effect on financial income of Ch$185 million in the twelve-month period.

At the corporate level, Quiñenco has a low interest-rate risk on its liabilities as its financial debt is all at fixed rates.

Madeco has 58% of its obligations at fixed rate and 4% with the interest rate hedged by rate swaps, which implies a reduced exposure to variable rates of 38% of its financial commitments.

LQIF has all its financial commitments at fixed rates, which means a low exposure to the rate risk.

The following Table shows the consolidated interest-rate structure. As can be seen, the exposure to interest-rate risk is reduced at the consolidated level as 94% of the debt is structured at fixed interest rates.

Net position	12-31-2010	12-31-2009
Fixed interest rate	94.0%	92.3%
Hedged interest rate	0.5%	2.0%
Variable interest rate	5.5%	5.7%
Total	**100.0%**	**100.0%**

As of December 31, 2010, the consolidated exposure to variable interest rates amounts to Ch$14,446 million. A variation of 100 basis points in the interest rate would generate an effect on the financial costs in the twelve-month period of Ch$144 million.

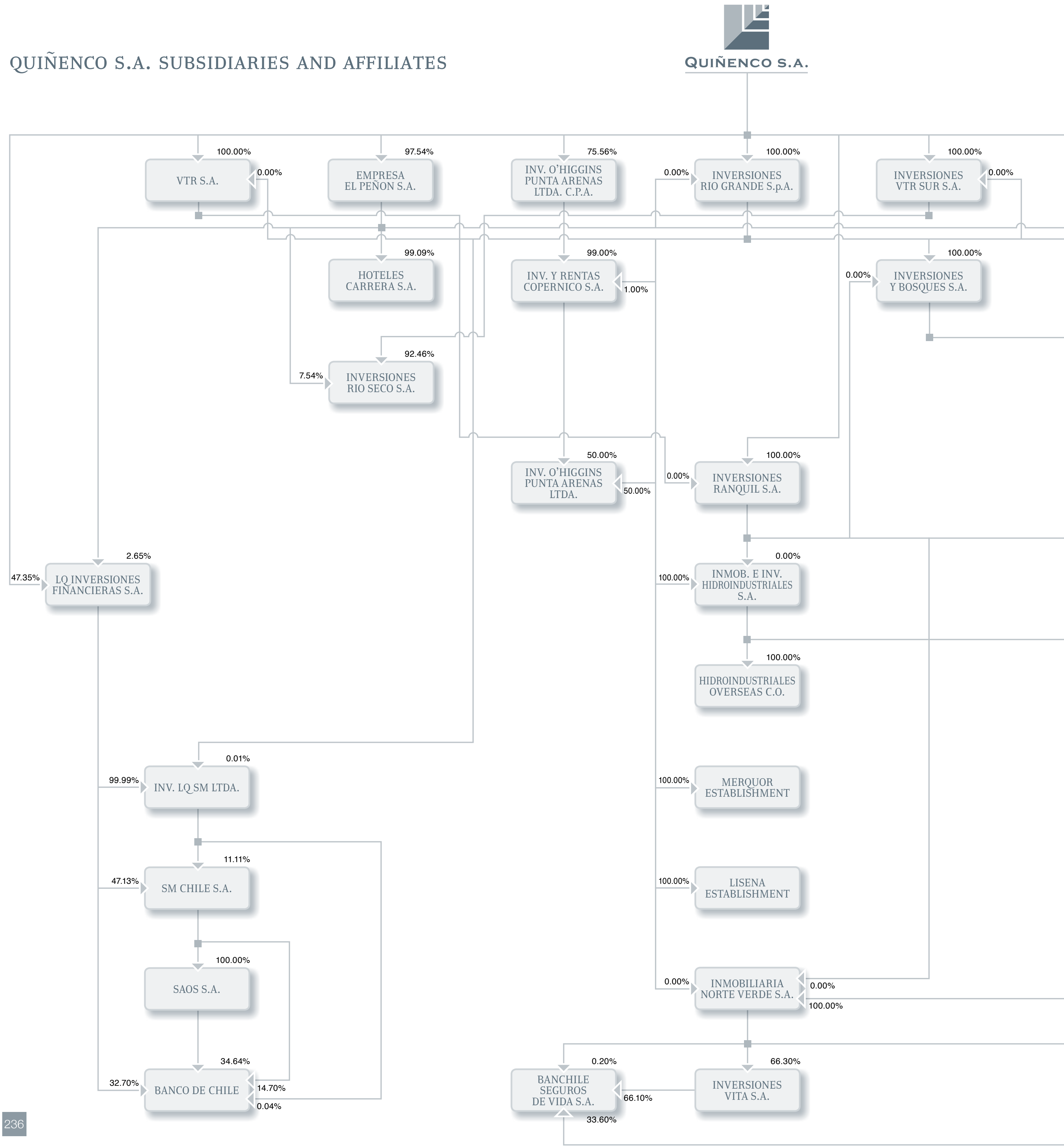
Risk of investment in Nexans

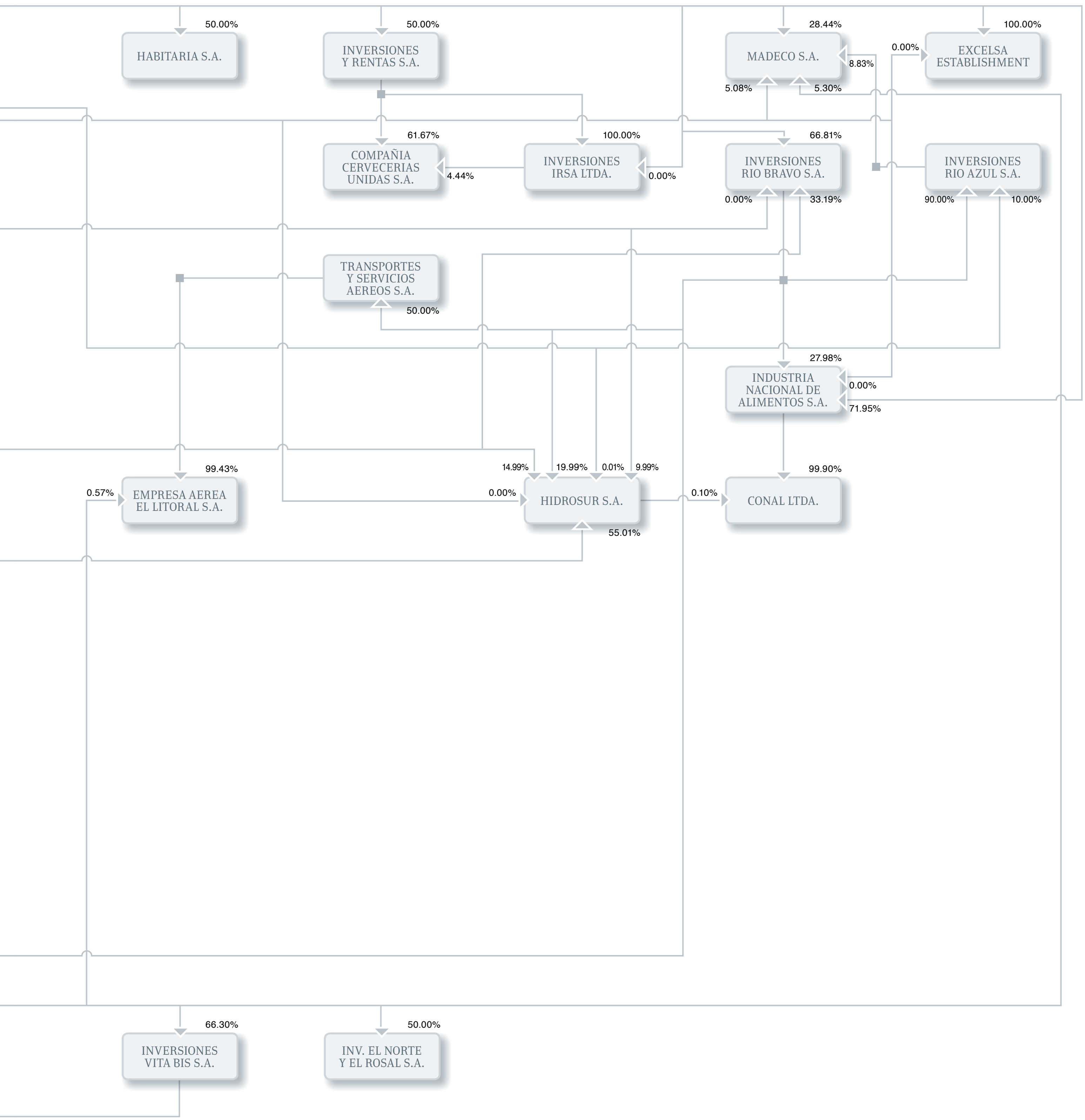
The subsidiary Madeco holds shares in the French company Nexans, received in part payment on the sale of the cable unit. These shares have been booked as a financial investment and, as such, are subject to two kinds of market risk: variations in the share price of Nexans and exchange-rate fluctuations between the euro (the base currency of these shares) and the currency of presentation of the financial position. The exposure to changes in the market share price of the investment in Nexans as of December 31, 2010 is Ch$93,972 million. A variation of 5% in the share price would generate an effect on Total equity of Ch$4,699 million.

Corporate Structure

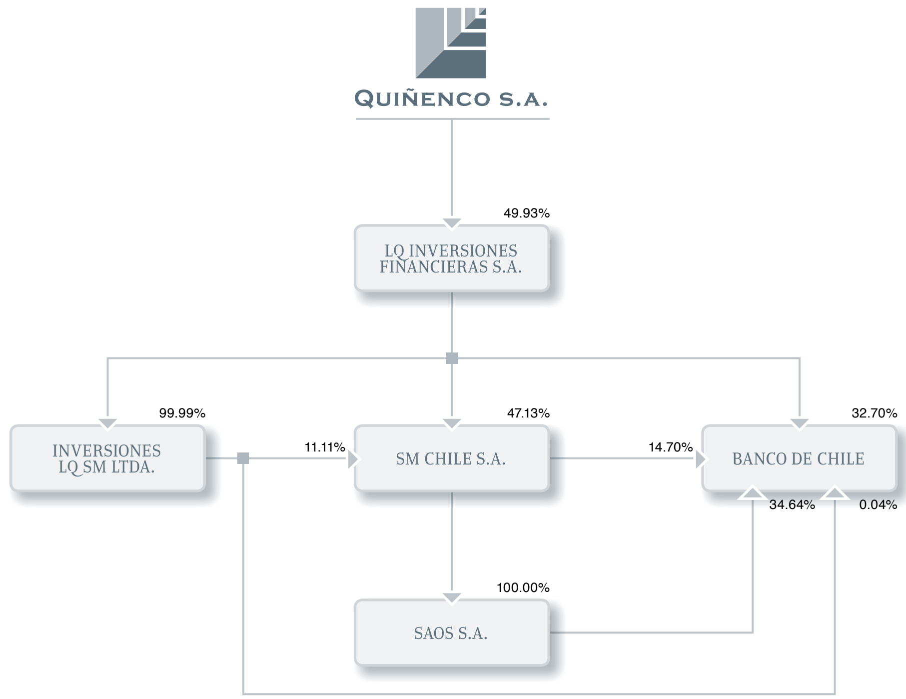
Subsidiaries and Affiliate Companies as of December 31, 2010

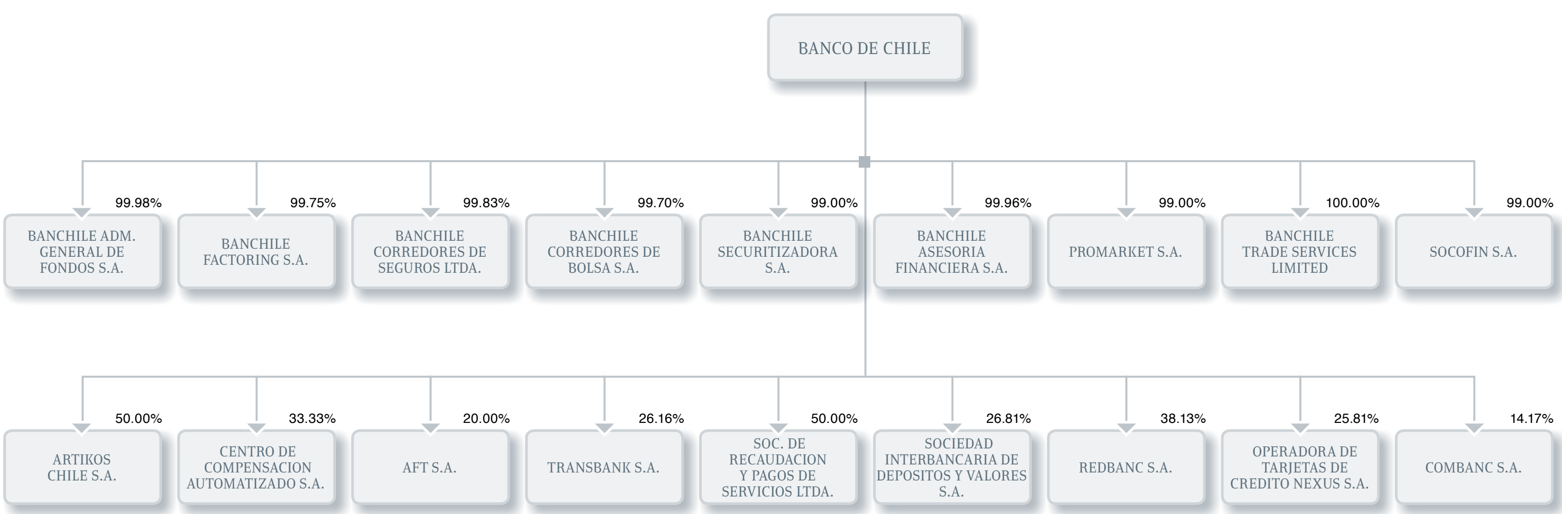
QUIÑENCO S.A. SUBSIDIARIES AND AFFILIATES



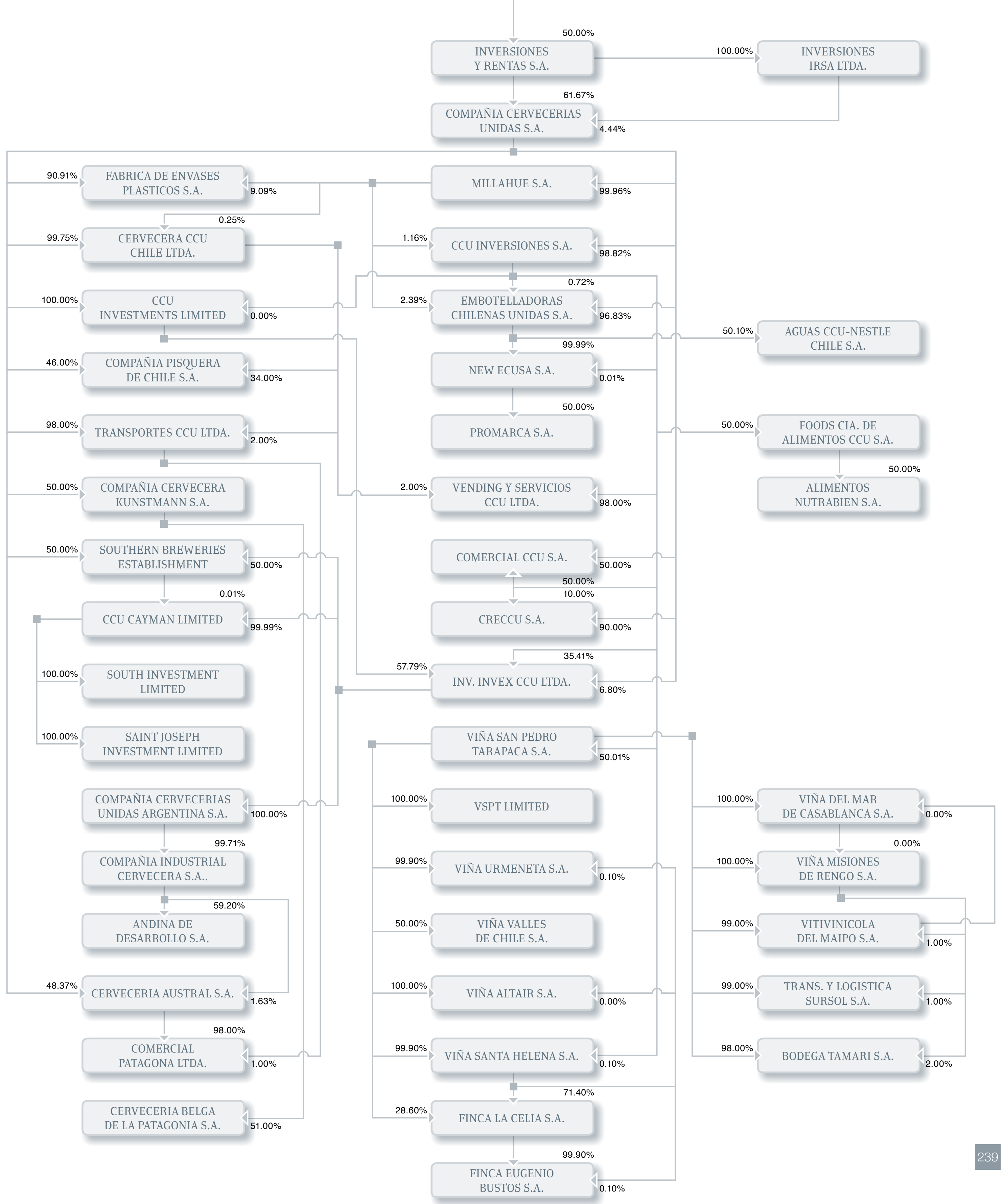

50.00%
HABITARIA S.A.
50.00%
INVERSIONES Y RENTAS S.A.
28.44%
MADECO S.A.
8.83%
5.08%
5.30%
0.00%
100.00%
EXCELSA ESTABLISHMENT
61.67%
COMPAÑIA CERVECERIAS UNIDAS S.A.
4.44%
100.00%
INVERSIONES IRSA LTDA.
0.00%
66.81%
INVERSIONES RIO BRAVO S.A.
0.00%
33.19%
INVERSIONES RIO AZUL S.A.
90.00%
10.00%
TRANSPORTES Y SERVICIOS AEREOS S.A.
50.00%
27.98%
INDUSTRIA NACIONAL DE ALIMENTOS S.A.
0.00%
71.95%
99.43%
0.57%
EMPRESA AEREA EL LITORAL S.A.
14.99%
19.99%
0.01%
9.99%
0.00%
HIDROSUR S.A.
55.01%
0.10%
99.90%
CONAL LTDA.
66.30%
INVERSIONES VITA BIS S.A.
50.00%
INV. EL NORTE Y EL ROSAL S.A.

LQ INVERSIONES FINANCIERAS S.A. SUBSIDIARIES AND AFFILIATES

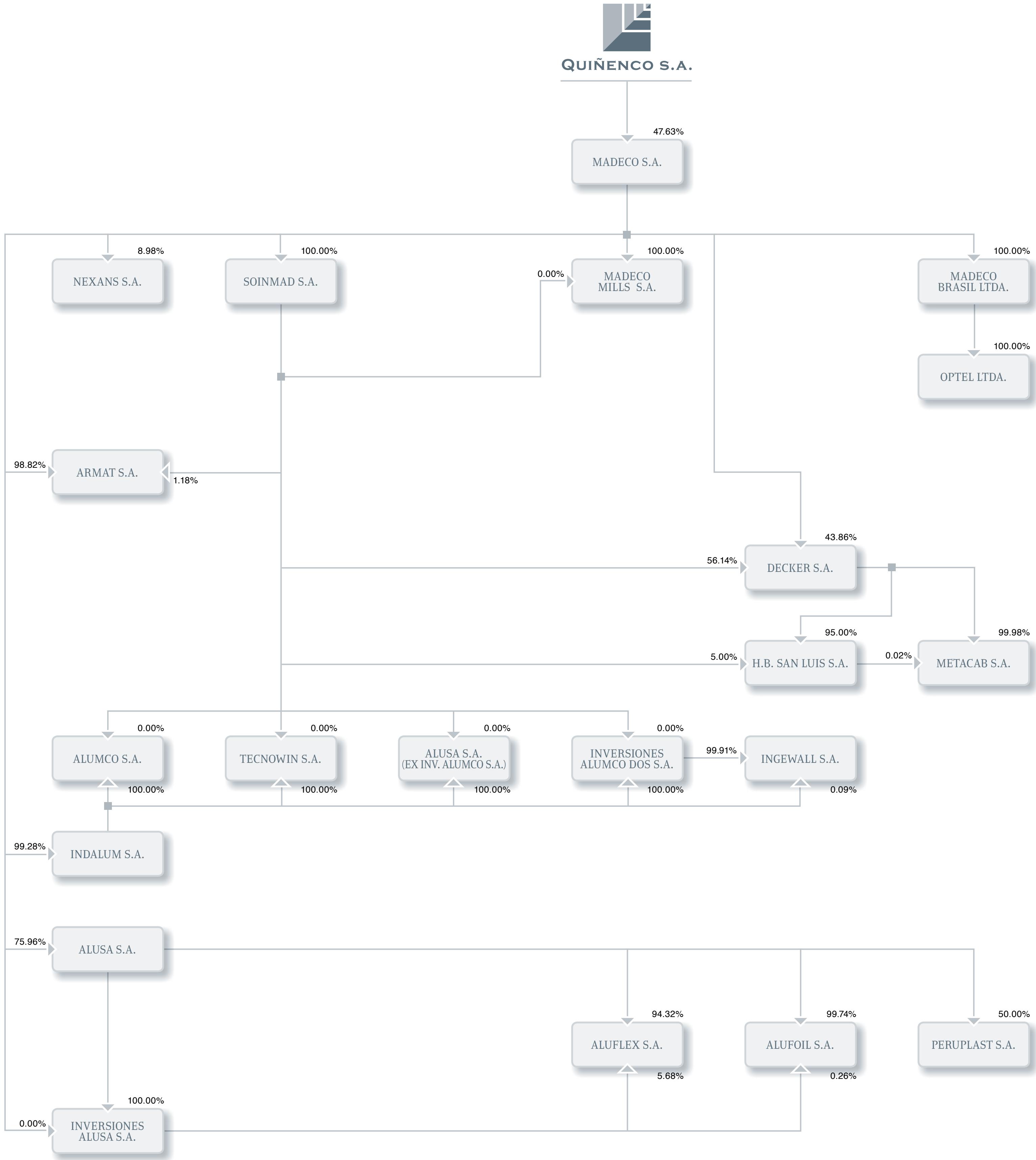




COMPAÑIA CERCECERIAS UNIDAS S.A. SUBSIDIARIES AND AFFILIATES



MADECO S.A. SUBSIDIARIES AND AFFILIATES



QUIÑENCO S.A.

www.quinenco.cl - www.quinencogroup.com