

BANCO DEL ESTADO DE CHILE

Balance Sheets

As of December 31,

	2007 US\$ (Millions)	2007 Ch\$ (Millions)	2006 Ch\$ (Millions)
ASSETS			
CASH AND DUE FROM BANKS	<u>1,544.8</u>	<u>767,571.4</u>	<u>998,979.6</u>
LOANS:			
Commercial loans	5,867.1	2,915,313.8	2,676,689.3
Foreing trade loans	532.5	264,599.3	310,486.3
Consumer loans	1,776.6	882,785.0	798,595.6
Mortgage loans	3,931.2	1,953,350.2	2,136,994.4
Lease contracts	420.0	208,708.1	149,170.4
Contingent loans	675.9	335,848.9	381,171.9
Other outstanding loans	3,085.1	1,532,956.4	989,167.9
Past-due loans	189.7	94,260.2	56,693.5
Total loans	<u>16,478.1</u>	<u>8,187,821.9</u>	<u>7,498,969.3</u>
Less: Provisions for loans losses	<u>(325.0)</u>	<u>(161,512.5)</u>	<u>(125,410.7)</u>
Total loans, net	<u>16,153.1</u>	<u>8,026,309.4</u>	<u>7,373,558.6</u>
OTHER LOAN OPERATIONS			
Interbank loans	-	-	17,977.4
Investments purchased under agreements to resell	51.1	26,857.6	56,821.9
Total other loan operations	<u>51.1</u>	<u>26,857.6</u>	<u>74,799.3</u>
INSTRUMENTS FOR TRADING	<u>305.3</u>	<u>151,718.6</u>	<u>223,330.8</u>
INVESTMENT INSTRUMENTS			
Available for sale	6,089.9	3,026,005.5	2,571,650.8
Held to maturity	341.1	169,479.6	208,541.0
Total investment instruments	<u>6,431.0</u>	<u>3,195,485.1</u>	<u>2,780,191.8</u>
FINANCIAL DERIVATIVE CONTRACTS	<u>403.7</u>	<u>200,606.7</u>	<u>85,420.8</u>
OTHER ASSETS	<u>732.3</u>	<u>363,912.0</u>	<u>273,077.1</u>
FIXED ASSETS			
Premises and equipment (net)	282.7	140,475.9	133,707.6
Investments in other companies	71.2	35,360.8	29,127.5
Total fixed assets	<u>353.9</u>	<u>175,836.7</u>	<u>162,835.1</u>
Total assets	<u><u>25,975.2</u></u>	<u><u>12,908,297.5</u></u>	<u><u>11,972,193.1</u></u>

The accompanying notes 1 to 23 are an integral part of these financial statements.

BANCO DEL ESTADO DE CHILE

Balance Sheets

As of December 31,

LIABILITIES AND SHAREHOLDERS' EQUITY	2007 US\$ (Millions)	2007 Ch\$ (Millions)	2006 Ch\$ (Millions)
LIABILITIES			
DEPOSITS AND OTHER LIABILITIES			
Current accounts	4,524.8	2,248,335.5	1,886,914.5
Saving accounts and time deposits	10,351.2	5,143,415.0	4,963,348.2
Other sight and term liabilities	695.4	345,546.5	300,746.4
Liabilities under agreements to repurchase	1,329.6	660,684.3	388,929.2
Mortgage finance loans	4,176.8	2,075,407.8	2,226,059.6
Contingent liabilities	679.0	337,367.0	383,152.3
Total deposits and other liabilities	<u>21,756.8</u>	<u>10,810,756.1</u>	<u>10,149,150.2</u>
BONDS:			
Bonds	1,022.0	507,812.9	174,310.3
Subordinated bonds	683.7	339,723.5	291,760.5
Total bonds	<u>1,705.7</u>	<u>847,536.4</u>	<u>466,070.8</u>
BORROWINGS FROM CENTRAL BANK AND OTHER FINANCIAL INSTITUTIONS			
Chilean Central Bank borrowings and lines of credit for loans renegotiations	-	-	-
Other Central Bank borrowings	-	-	120,454.2
Loans from domestic financial institutions	9.1	4,515.0	95,312.0
Foreign borrowings	455.8	226,474.2	291,394.4
Other borrowings	28.8	14,304.9	30,301.9
Total borrowings from financial institutions	<u>493.7</u>	<u>245,294.1</u>	<u>537,462.5</u>
FINANCIAL DERIVATIVE CONTRACTS	<u>374.0</u>	<u>185,854.7</u>	<u>69,990.6</u>
OTHER LIABILITIES	<u>469.0</u>	<u>233,034.0</u>	<u>204,732.6</u>
Total liabilities	<u>24,799.2</u>	<u>12,322,475.3</u>	<u>11,427,406.7</u>
NET SHAREHOLDERS' EQUITY			
Capital and reserves	1,094.5	543,838.0	492,701.4
Other equity accounts	(22.1)	(10,984.8)	(1,708.4)
Net income for the year	106.6	52,969.0	53,793.4
Total net shareholders' equity	<u>1,179.0</u>	<u>585,822.2</u>	<u>544,786.4</u>
Total liabilities and shareholders' equity	<u>25,978.2</u>	<u>12,908,297.5</u>	<u>11,972,193.1</u>

The accompanying notes 1 to 23 are an integral part of these financial statements.

BANCO DEL ESTADO DE CHILE

Statements of Income

For the years ended December 31,

	2007 US\$ (Millions)	2007 Ch\$ (Millions)	2006 Ch\$ (Millions)
OPERATING INCOME:			
Interest revenue	2,181.7	1,084,082.0	790,283.0
Gain from trading activities	803.4	399,176.7	214,518.5
Income from fees and other services	171.5	85,209.6	84,049.7
Foreign exchange gain (net)	-	-	4,471.0
Other operating income	5.2	2,603.6	3,512.5
Total operating income	3,161.8	1,571,071.9	1,096,834.7
Less:			
Interest expenses	(1,399.4)	(695,362.9)	(422,086.0)
Losses from trading activities	(771.9)	(383,542.1)	(192,625.6)
Expenses from fees and other services	(75.1)	(37,338.9)	(31,249.4)
Foreign exchange loss (net)	(5.4)	(2,703.2)	-
Other operating income	(5.2)	(2,560.7)	(1,891.0)
Gross operating margin	904.8	449,564.1	448,982.7
Personnel salaries and expenses	(319.5)	(158,736.8)	(171,700.2)
Administrative and other expenses	(159.8)	(79,427.6)	(75,607.1)
Depreciation and amortization	(36.7)	(18,242.6)	(17,696.6)
Net operating margin	388.8	193,157.1	183,978.8
Provisions for assets at risk	(165.6)	(82,274.9)	(52,742.0)
Total operating income	223.2	110,882.2	131,236.8
NON-OPERATING INCOME			
Non-operating income	22.9	11,366.8	6,765.6
Non-operating expenses	(11.3)	(5,629.3)	(25,054.9)
Loss from foreign branches	(0.9)	(435.9)	(456.6)
Gain from investments in other companies	23.2	11,529.2	10,443.1
Net loss from Price-level restatement	(47.7)	(23,680.9)	(6,511.0)
Income before income taxes	209.4	104,032.1	116,423.0
Income tax provision	(102.8)	(51,063.1)	(62,629.6)
Net income for the year	106.6	52,969.0	53,793.4

The accompanying notes 1 to 23 are an integral part of these financial statements.

BANCO DEL ESTADO DE CHILE

Statements of Cash Flows

For the years ended December 31,

	2007 US\$ (Millions)	2007 Ch\$ (Millions)	2006 Ch\$ (Millions)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income for the year	106.6	52,969.0	53,793.4
Charges (credits) to income that do not represent cash flows:			
Depreciation and amortization	36.8	18,242.6	17,696.6
Provisions for assets at risk	165.6	82,274.9	52,742.0
Provision for adjustment to fair value of non-permanent investments	(28.4)	(14,087.6)	1,476.2
Income from foreign branches	0.9	435.9	456.5
(Gain) loss from investments in companies	(23.3)	(11,574.4)	(10,443.1)
(Gain) loss from sale of assets received in lieu of payment	(0.2)	(75.3)	(141.4)
(Gain) loss from sale of fixed assets	0.0	22.1	(344.1)
Write-offs of assets received in lieu of payment	7.7	3,830.6	6,289.6
Price-level restatement	47.7	23,680.9	6,511.0
Other charges that do not represent cash flows	22.7	11,256.1	15,466.8
Net change in interest, indexation and commissions accrued on assets and liabilities	(56.3)	(27,996.7)	(47,825.5)
Total cash provided by operating activities	<u>279.8</u>	<u>138,978.1</u>	<u>95,678.0</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Changes affecting cash flows:			
Net (decrease) in loans	(2,574.2)	(1,279,104.2)	(1,031,284.2)
Net (increase) decrease in investments	(1,126.8)	(559,908.7)	604,000.8
Net (increase) decrease in other credit operations	72.3	35,918.8	152,158.8
Purchases of fixed assets	(57.7)	(28,673.9)	(36,980.7)
Sales of fixed assets	9.3	4,610.2	16,294.7
Investments in other companies	(6.3)	(3,109.0)	-
Dividends received from investments in companies	13.0	6,843.2	6,080.2
Investments in foreign branches	6.8	3,355.8	(13.6)
Net increase in other assets and liabilities	(114.4)	(56,858.2)	(59,333.0)
Total cash used in investing activities	<u>(3,778.0)</u>	<u>(1,876,926.0)</u>	<u>(349,077.0)</u>

BANCO DEL ESTADO DE CHILE

Statements of Cash Flows

For the years ended December 31,

	2007 US\$ (Millions)	2007 Ch\$ (Millions)	2006 Ch\$ (Millions)
NET CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in current accounts	952.4	473,245.0	466,473.1
Net increase (decrease) in deposits and borrowings	1,195.5	594,017.9	(164,805.6)
Net increase (decrease) in other and sight borrowings or term	81.1	40,281.7	(106,635.2)
Net increase (decrease) in other liabilities arising from trading activities	595.5	295,913.5	(144,247.2)
Net (decrease) increase in foreign loans (short-term)	(102.4)	(50,856.8)	146,035.3
Net decrease in mortgage finance bonds	(1.1)	(538.6)	(12,576.8)
(Decrease) increase in other short term borrowings	(25.1)	(12,479.8)	24,216.0
Central Bank repayment of long-term	-	-	(739.0)
Central Bank borrowings (Long-term)	(240.6)	(119,572.1)	24,444.6
Proceeds from issues	143.8	71,440.8	95,240.6
Repayments of bond issues	719.8	357,663.8	93,711.2
Borrowings from financial institutions (long-term)	(171.1)	(85,042.7)	8,133.4
Distribution of prior year's profits to the government	(5.0)	(2,504.0)	(2,119.1)
Total cash provided by financing activities	<u>3,142.8</u>	<u>1,561,568.7</u>	<u>427,131.3</u>
Inflation effect on cash and cash equivalent	(110.7)	(55,028.8)	(4,499.0)
Increase (Decrease) in cash and cash equivalent during the year	(465.7)	(231,408.2)	169,233.3
Cash and cash equivalent at beginning of year	2,010.5	998,979.6	829,746.3
Cash and cash equivalent at end of year	<u>1,544.8</u>	<u>767,571.4</u>	<u>998,979.6</u>

The accompanying notes 1 to 23 are an integral part of these financial statements.